

# The Leading PayTech

Redefining Payments in Italy



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# Acquisition of Intesa Sanpaolo's Merchant Acquiring Business



19<sup>th</sup> December 2019

# Key Highlights

## The Transaction: Acquisition by Nexi of Intesa Sanpaolo's Merchant Acquiring Business

- **Acquisition of Intesa Sanpaolo's merchant acquiring business** for **€1.0bn cash consideration** (plus potential earn-out payable in 2025)
  - ~180k merchants<sup>(1)</sup> and ~€66bn of transaction volumes<sup>(2)</sup>
  - 2020E EBITDA and earnings of ~€95m and ~€61m<sup>(3)</sup> respectively
    - Implied multiples: 10.5x EV/EBITDA 2020E, 16.4x P/E 2020E
  - 100% cash consideration, with committed bridge financing already in place
- **Deeping of strategic partnership with Intesa Sanpaolo in merchant acquiring**
  - Acquisition of Intesa Sanpaolo's merchant acquiring business
  - Marketing and distribution agreement for merchant acquiring, with 25 years duration until 2044
- **Extension of remaining existing processing contract** in relation to issuing and ATM acquiring services (from original 2026 to 2044, in line with new framework)
- **Marginal additional ordinary Capex**; limited extraordinary integration Capex
- **Expected leverage ratio pro-forma of ~3.4x net leverage by year-end 2020**, in line with leverage range guidance at IPO
  - ~2.0x-2.5x target leverage confirmed over medium / long-term
- **Reiterating financial guidance on a larger and more resilient business**
- Transaction expected to be **cash EPS accretive in the high teens from 2020**
- **Closing of the transaction is expected before summer 2020** subject to customary regulatory approvals

## Other Considerations

- Separate transaction being agreed by our shareholder **Mercury UK HoldCo** to **sell a 9.9% stake in Nexi to Intesa Sanpaolo** after closing of the Nexi transaction
- **No changes** to Nexi's governance framework or board composition as result from this separate transaction



# A Strategic Transaction Strengthening Nexi Role as the Leading Italian PayTech

The Nexi logo is displayed in a bold, blue, lowercase sans-serif font. It is positioned to the left of a large, blue, curved line that sweeps upwards and to the right, framing the list of strategic points. The background of the slide is white, and the overall design is clean and professional.

1

**Enhanced platform and positioning in the acquiring segment**

2

**Greater coverage of the acquiring value chain and enhanced ability to drive further innovation and value for merchants**

3

**Increased scale with diversification of revenue streams**

4

**Value enhancing transaction with cash EPS accretion in the high teens from 2020E**

5

**Deepening of partnership across businesses with the largest bank in Italy**

# Transaction Overview

## Key Components of the Transaction

### Acquisition of Intesa Sanpaolo's Merchant Acquiring for €1.0bn (Plus Potential Earn-Out Payable in 2025)

- **Acquisition of merchant acquiring business of Intesa Sanpaolo**
  - ~180k merchants<sup>(1)</sup>
  - €66bn of transaction volumes<sup>(2)</sup>
- **Marketing and distribution agreement for merchant acquiring activities**
  - 25 years duration until 2044
  - Comprehensive commercial, marketing and distribution framework
  - Alignment of interests through rebate mechanism to Intesa Sanpaolo and jointly agreed performance targets
  - Downside protection for Nexi in relation to potential business losses from merchants

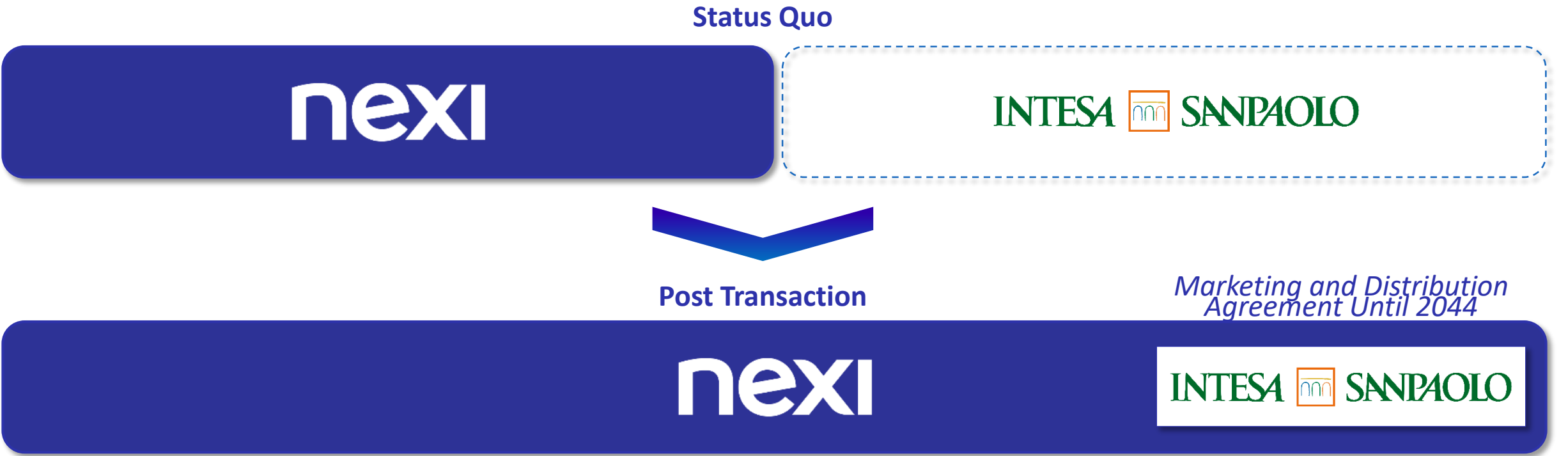
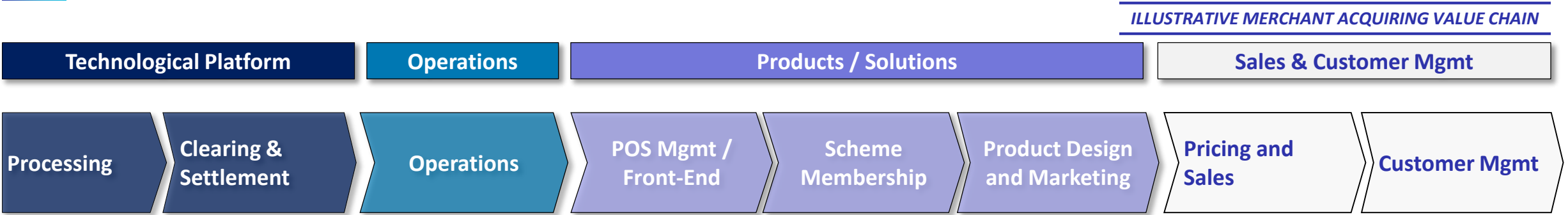
### Extension of Remaining Existing Contract with Mercury Payment Services

- Extension of remaining existing processing contract in relation to issuing and ATM acquiring services
- Duration extended until 2044, in line with new partnership framework

## Key P&L Figures of Intesa Sanpaolo's Merchant Acquiring Incremental Economics for Nexi (€m)

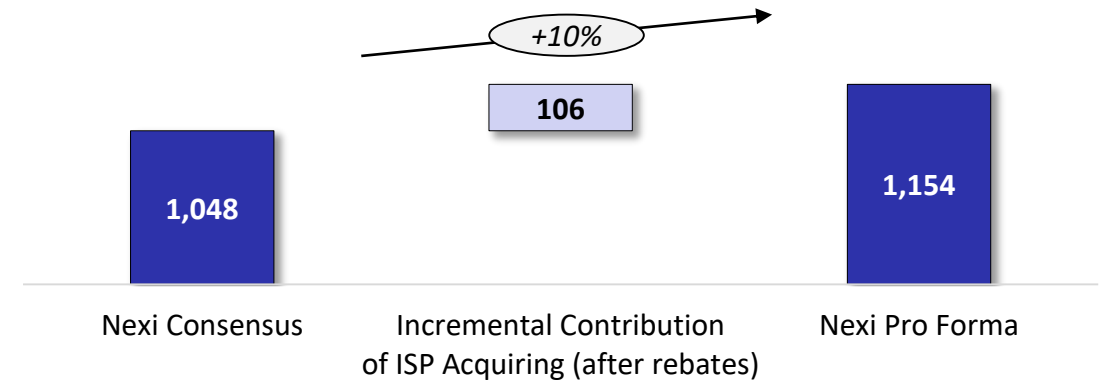
Key Items	2020E
Net Revenues	~106
EBITDA	~95
Net Income	~61 <sup>(3)</sup>

# Transaction Impact on the Merchant Acquiring Value Chain

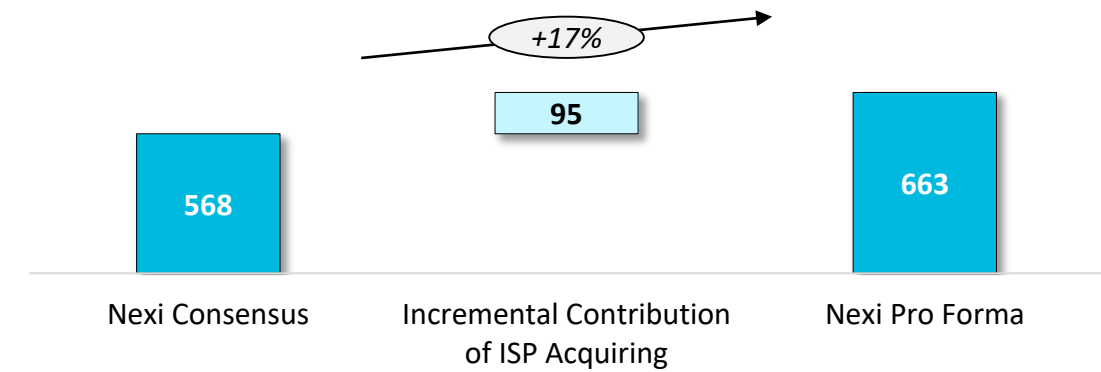


# Key Financial and Business Mix Impacts

## Net Revenues 2020E



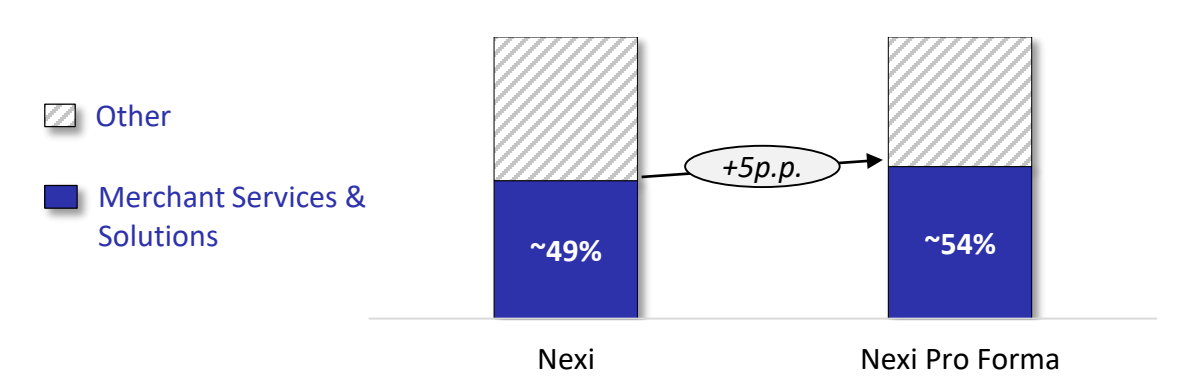
## EBITDA 2020E



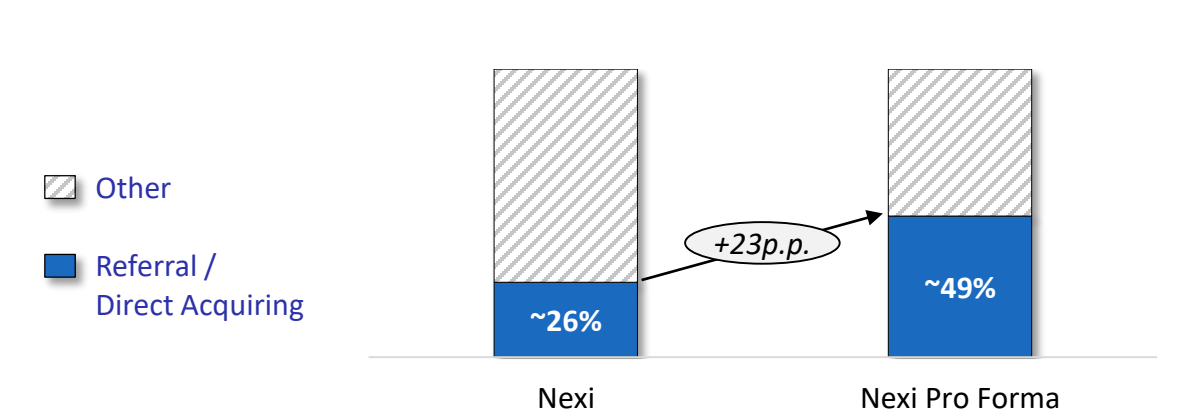
## Cash EPS Accretion

Transaction expected to be cash EPS accretive in the high teens from 2020E

## Nexi Net Revenues Mix 2020E



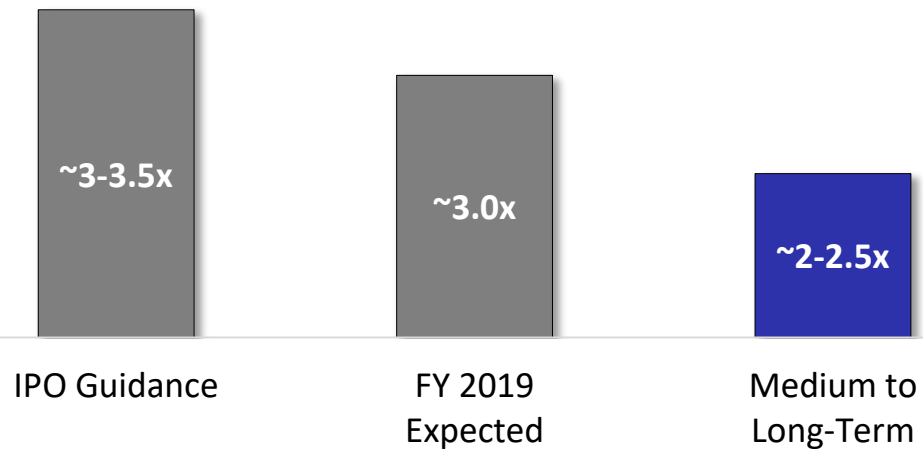
## Merchant Services & Solutions Net Revenues Mix 2020E



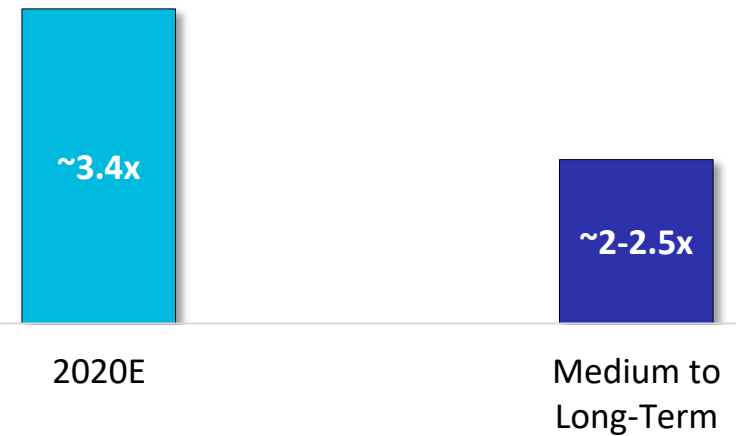
# Update on Leverage

## Net Financial Debt / LTM EBITDA

### Nexi Standalone



### Nexi Pro Forma for the Transaction (Assuming Issuance of €1.0bn New Debt)

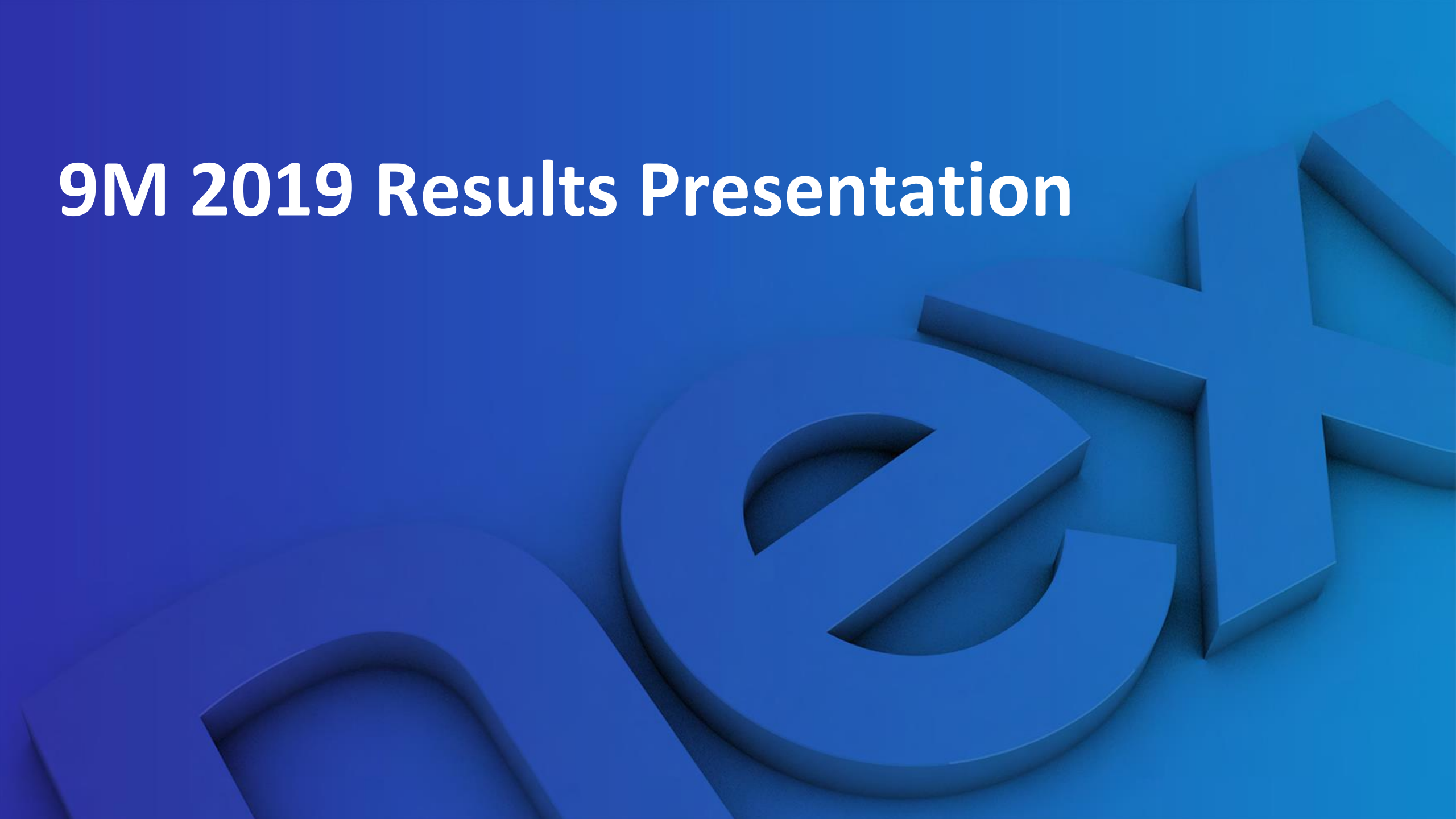


# Reiterating Financial Guidance on a Larger and More Resilient Business

	Current Guidance	Update on Guidance After for the Transaction
Net Revenues	5 - 7% annual net revenues growth over medium-term	✓ <b>Reiterated</b> <i>Increased scale and resilience, with further diversification</i>
EBITDA	13 - 16% annual EBITDA growth over medium-term	✓ <b>Reiterated</b> <i>Marginal fixed cost impact</i>
Capex	8-10% ordinary Capex as % of net revenues over long term Transformation Capex on top of ordinary Capex of ~€180m cumulative (2H19 –c.2023)	✓ <b>Improved</b> <i>Marginal incremental ordinary Capex on larger revenue base Limited extraordinary integration Capex Increased cash conversion</i>
Capital Structure	Target Net Debt of ~2.0-2.5x EBITDA over medium to long-term	✓ <b>Reiterated</b> <i>Strong organic deleveraging</i>
Improved cash EPS and cash flows conversion		



# 9M 2019 Results Presentation



# Executive Summary

## 9M results highlights

### Strong focus on financial delivery

- **EBITDA +19.2% y/y growth**, at 368.5 €M in 9M 2019
- **Revenues +6.8% y/y underlying growth** excluding run-off of zero-margin hardware reselling contracts from acquisitions. +5.6% y/y reported growth at 718.4 €M in 9M 2019

### Continued progress on key business initiatives

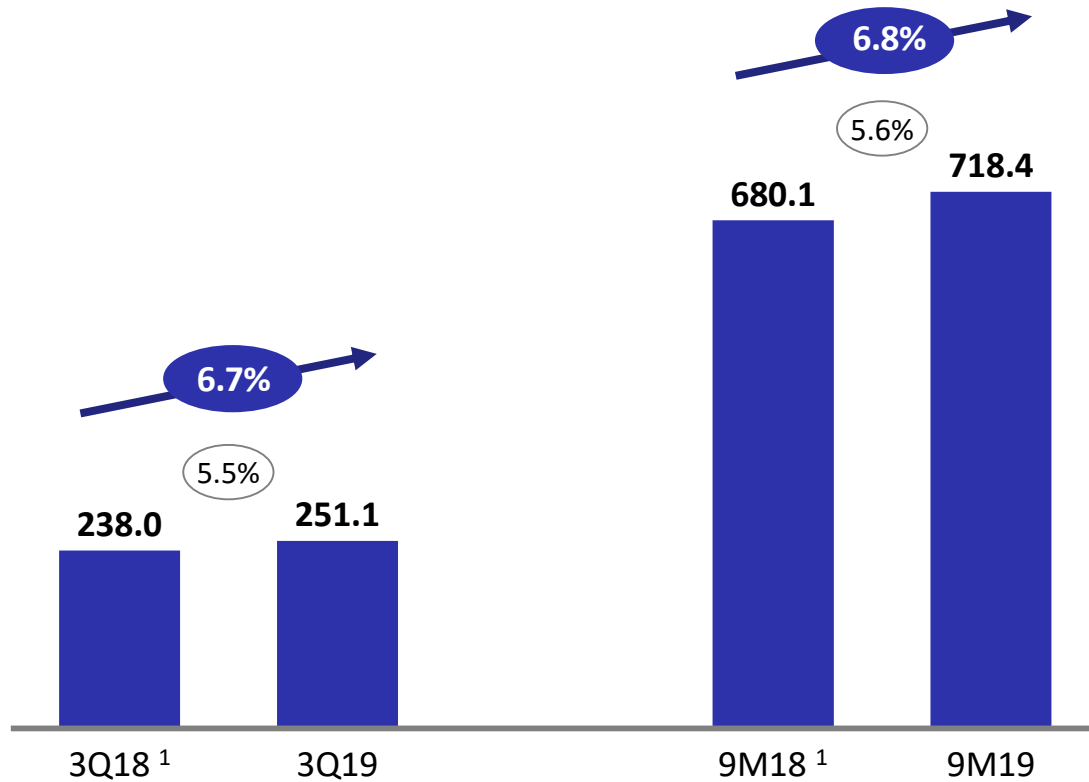
- **Merchant Services and Solutions** (48% of Revenues): good progress on SmartPOS proposition, continued growth on E-Commerce and Nexi Business data app penetration
- **Cards and Digital Payments** (40% of Revenues): continued growth of International Debit, YAP millennials payments app and CVM up/cross selling activities
- **Digital Banking Solutions** (12% of Revenues): return to growth in Q3 supported by new propositions acceleration and unwinding of revenue impact from banking consolidation in prior year
- **Cost** initiatives and integration synergies contributing to -5.7% y/y reported costs reduction, **-3.8% y/y** excluding run-off of zero-margin hardware reselling contracts, despite continued investments
- Transformation costs below EBITDA **~-60% y/y**
- 825 €M refinanced in October 2019, weighted average coupon per annum further reduced from 3.1% post IPO to 1.9%, with yearly cash coupon (after tax)<sup>1</sup> at 27 €M compared to 186 €M before July 2018

**Overall 9M results well on track to deliver updated Financial Guidance (2019 expected EBITDA at ~500 €M, +18% y/y, and 2019 Net financial Debt/EBITDA at ~3.0x EBITDA)**

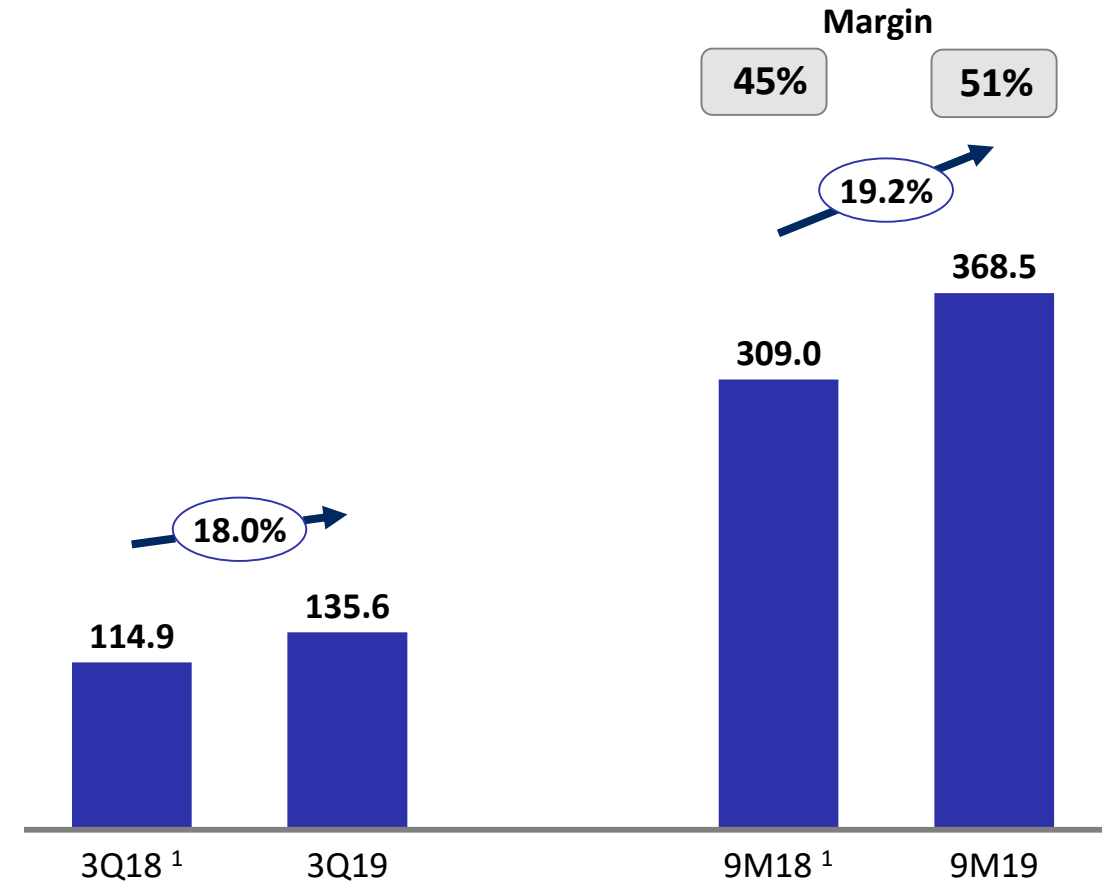
# Healthy Revenue growth and strong EBITDA performance

## Net Revenues (€M)

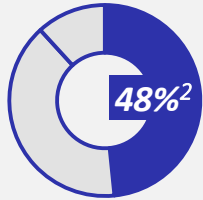
Underlying performance  
(excl. run-off of zero-margin HW  
reselling contracts from acquisitions)



## EBITDA (€M)



# Merchant Services & Solutions: continued strong growth

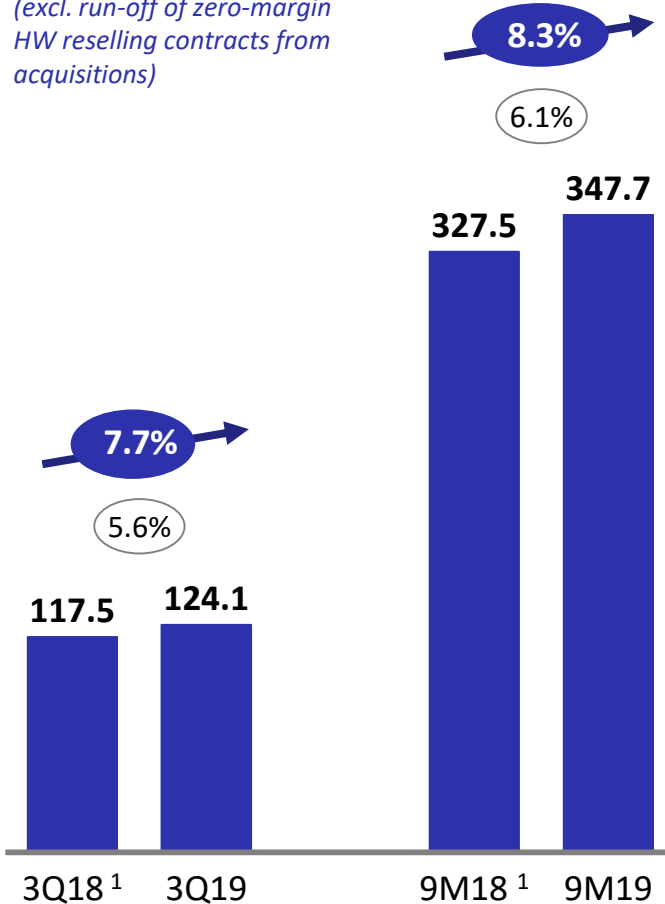


## Merchant Services & Solutions

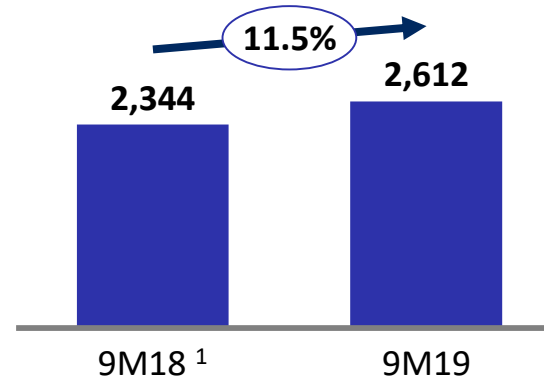


### Net Revenues (€M)

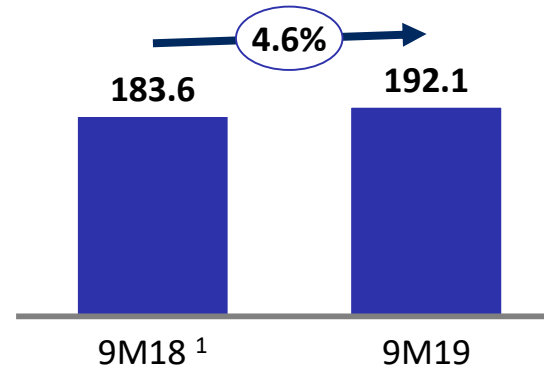
Underlying performance  
(excl. run-off of zero-margin  
HW reselling contracts from  
acquisitions)



### Managed Transactions (#M)



### Value of Managed Transactions (€B)



### Key Highlights

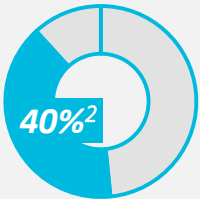
SmartPOS proposition progressing well: strong demand for SmartPOS Cassa<sup>3</sup> and SmartPOS Mini (full mobility proposition). Frontbook penetration up to 40% with CVM-supported campaigns

Nexi Business data app: >40% penetration on target customer base, >70% for early adopter banks

Continued E-Commerce growth (+18% y/y transaction value)

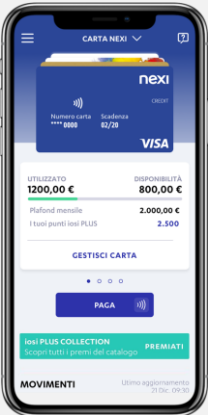
Value of managed transactions sustained by International Schemes growth (+10.9% y/y), partially offset by reduction in certain domestic debit low value/margin services and fewer inbound International travellers in August

# Cards & Digital Payments: continued strong growth

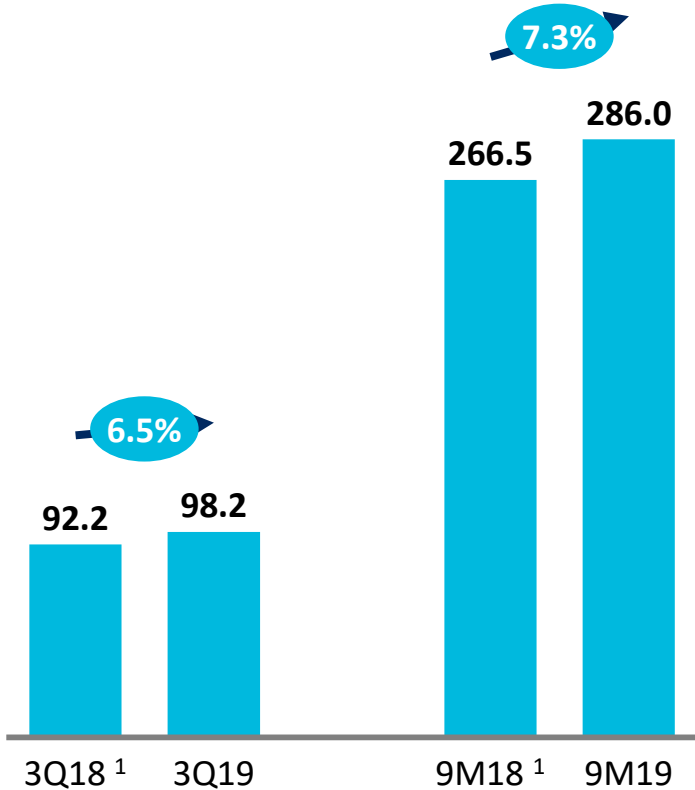


40%²

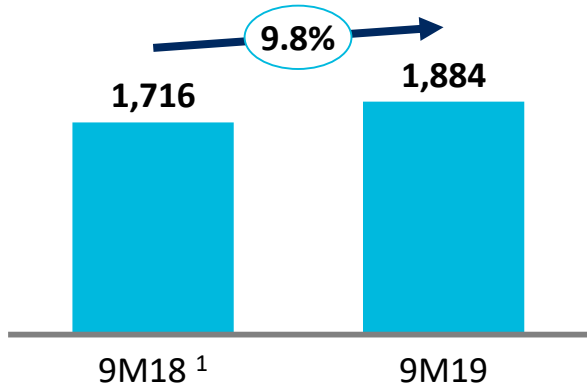
Cards & Digital Payments



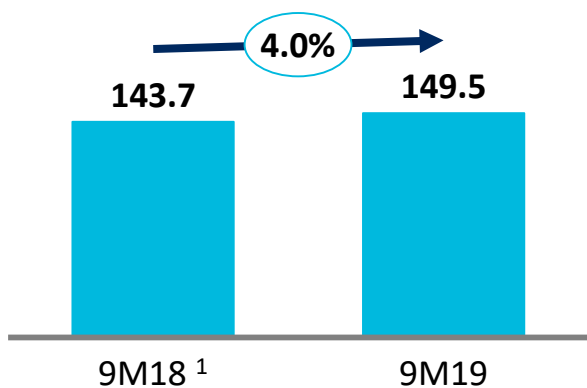
## Net Revenues (€M)



## Managed Transactions (#M)



## Value of Managed Transactions (€B)



## Key Highlights

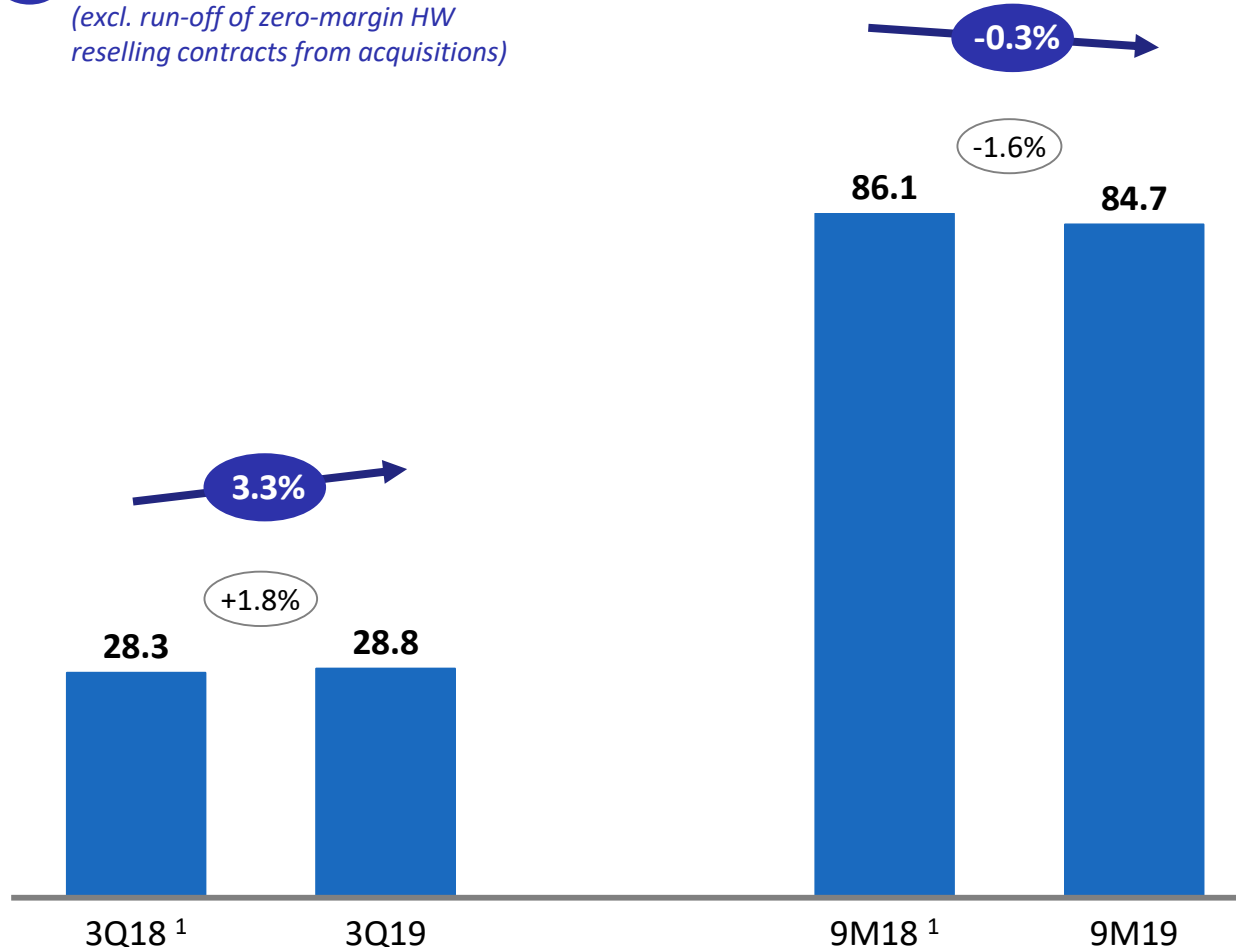
- Contribution to growth from up/cross selling, engagement and usage stimulation initiatives (e.g. pay in installments option)
- Continued growth on YAP, with ~650k enrolled clients to date.  
YAP bank- connect now live

Value of managed transactions sustained by International Scheme (+10.9% y/y) with strong Debit growth (+31% y/y), partially offset by reduction in certain domestic debit low value/margin services and fewer domestic travellers abroad in August

# Digital Banking Solutions: return to growth in Q3 thanks to new propositions

## Net Revenues (€M)

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

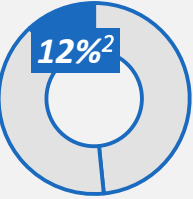


## Key Highlights

Self-banking: continued shift from traditional to advanced ATMs and roll out of new higher value self banking products/platform

Digital Corporate Banking: continued growth of installed workstations and roll out new advanced platform

Open Banking Gateway (CBI Globe): 280+ banks / financial institutions live (>78% Italian market) and 60+ third parties connected to date



Digital  
Banking  
Solutions



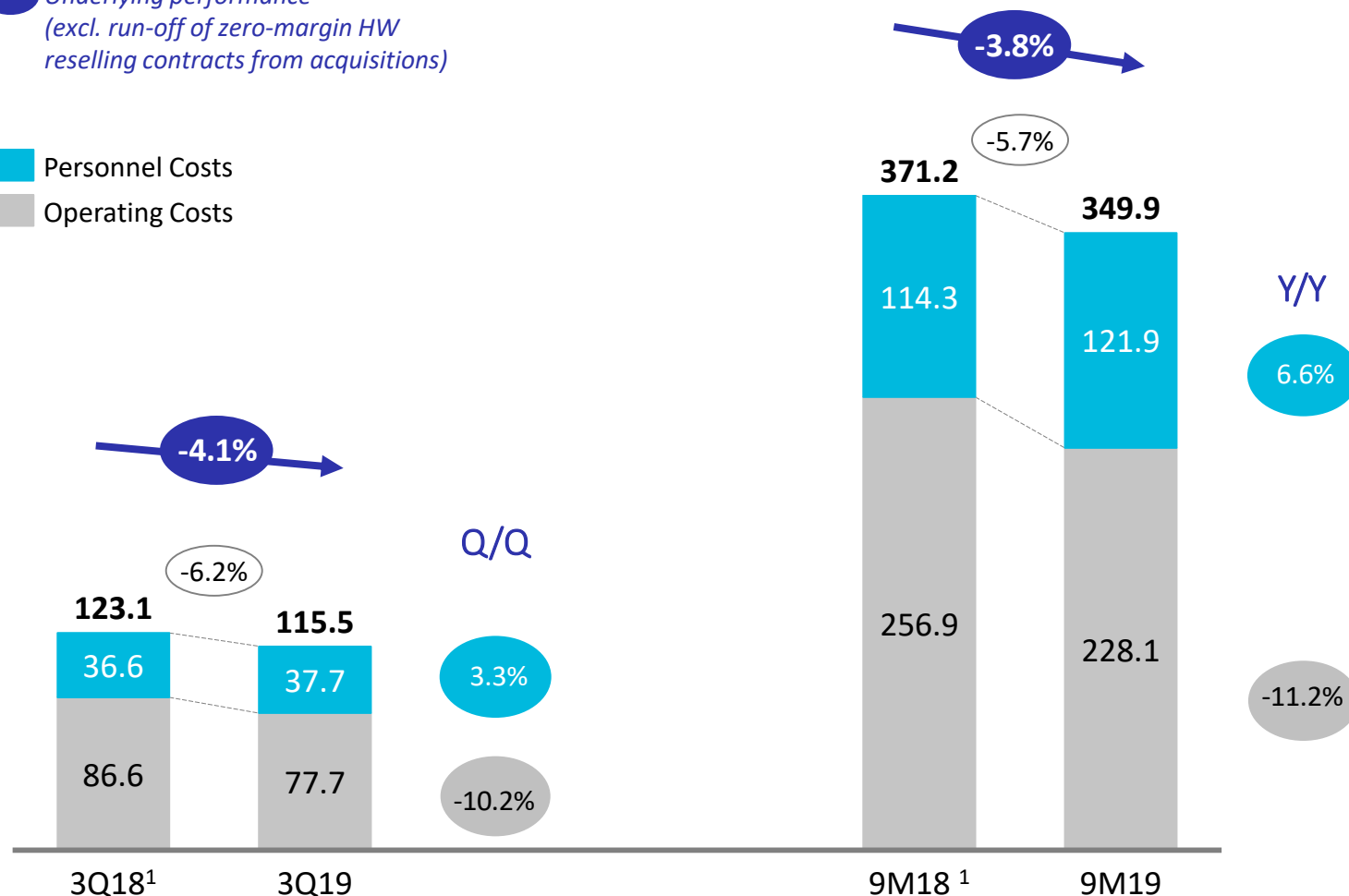


# Costs: strong reduction despite continuous investment in development initiatives

## Total Costs (€M)

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

Personnel Costs  
Operating Costs



## Key Highlights

Strong decrease in operating costs driven by saving initiatives and accelerated integration of acquired businesses

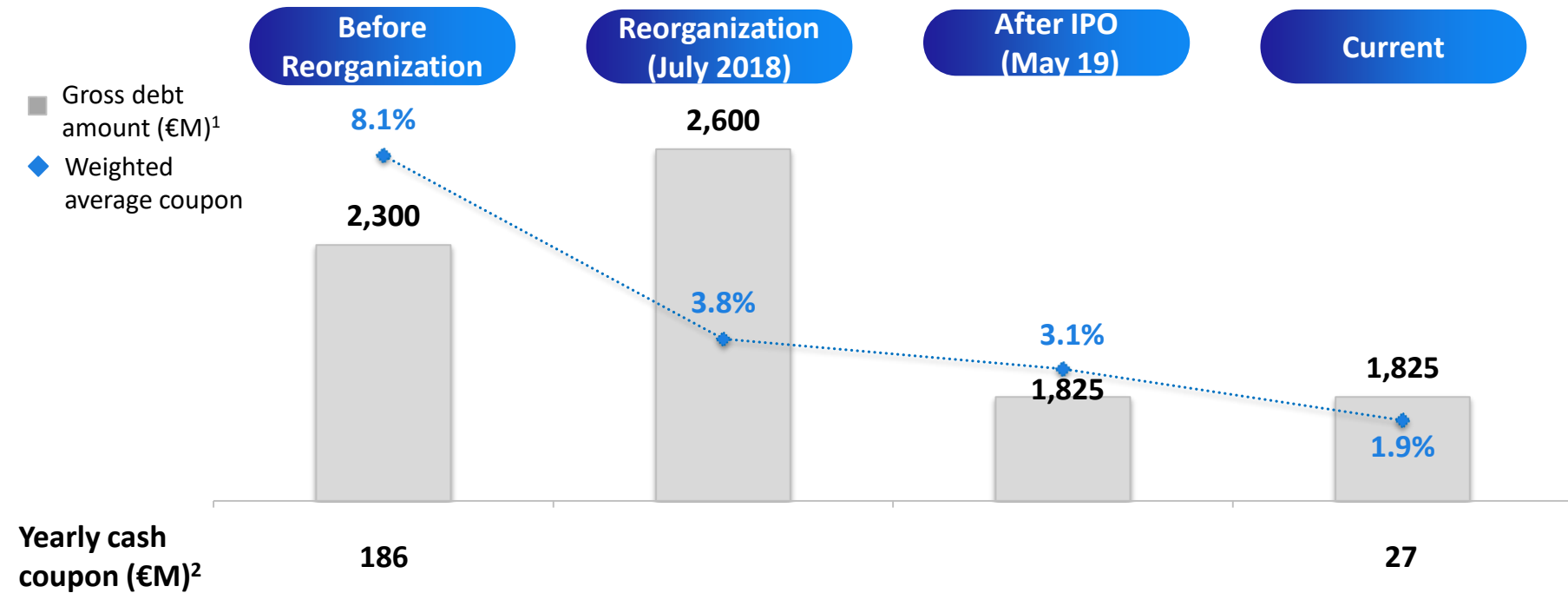
Early results in terms of improved efficiency from implementation of IT strategy

Continuous investment in people capabilities, Q3 personnel costs positively impacted by holidays accrual

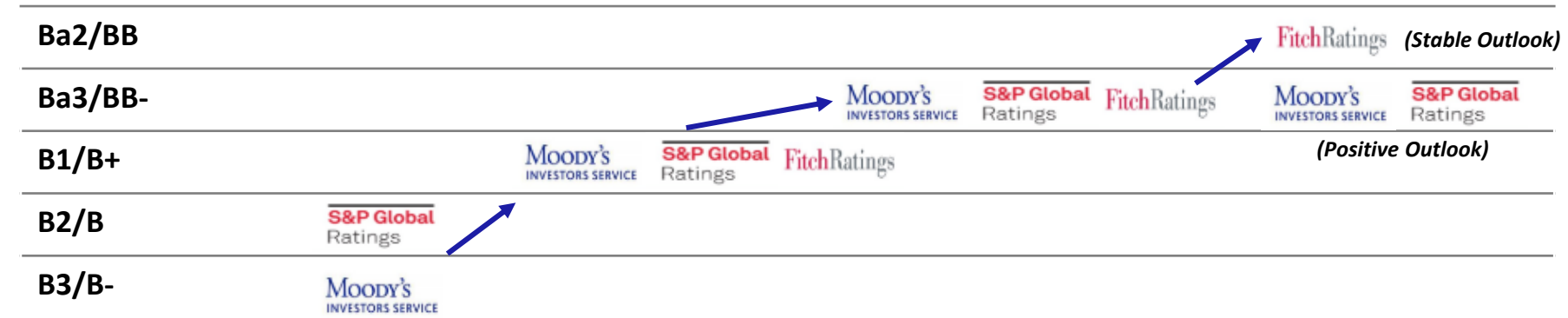
IFRS 16 impact ~9.3 €M in 9M 2019

Non-recurring items below EBITDA in 9M  
~35 €M (~-60% y/y)

# Cost of Debt strongly improved thanks to refinancing



## Issuer LT Rating



## Key Highlights

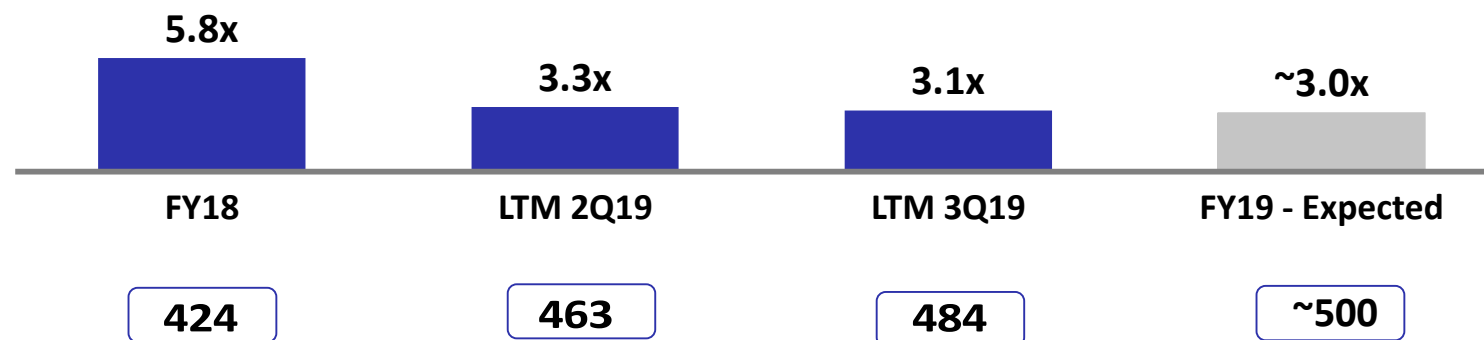
- 825 €M 1.75% Senior Unsecured Notes (due Oct2024) issued in October to repay the outstanding 825 €M 4.125% Senior Secured Notes (due Nov2023)
- Indebtedness now fully unsecured
- Weighted average coupon per annum further reduced from 3.1% post IPO to 1.9%, with yearly cash coupon<sup>2</sup> at 27 €M compared to 186 €M before July 2018
- On Oct 10<sup>th</sup> Fitch upgraded Nexi IDR to BB with Stable outlook. New Notes rated BB as well

# Net Financial Debt / EBITDA expected to be ~3.0x at year-end

## Net Financial Debt (€M)

	Dec 18	Jun 19	Sept 19
<b>Gross Financial Debt</b>	2,605	1,845	1,878
<b>Cash</b>	(41)	(231)	(271)
<b>Cash Equivalents <sup>1</sup></b>	(110)	(92)	(90)
<b>Net Financial Debt</b>	<b>2,454</b>	<b>1,523</b>	<b>1,517</b>

## Net Financial Debt / EBITDA (€M)



**Annex**



€M	9M18	9M19	Δ% vs. 9M18	Δ% vs. 9M18	3Q18	3Q19	Δ% vs. 3Q18	Δ% vs. 3Q18
Merchant Services & Solutions	327.5	347.7	+8.3%	+6.1%	117.5	124.1	+7.7%	+5.6%
Cards & Digital Payments	266.5	286.0	+7.3%	+7.3%	92.2	98.2	+6.5%	+6.5%
Digital Banking Solutions	86.1	84.7	-0.3%	-1.6%	28.3	28.8	+3.3%	+1.8%
<b>Operating revenue</b>	<b>680.1</b>	<b>718.4</b>	<b>+6.8%</b>	<b>+5.6%</b>	<b>238.0</b>	<b>251.1</b>	<b>+6.7%</b>	<b>+5.5%</b>
Personnel & related expenses	(114.3)	(121.9)	+6.6%	+6.6%	(36.6)	(37.7)	+3.3%	+3.3%
Operating Costs	(256.9)	(228.1)	-8.7%	-11.2%	(86.6)	(77.7)	-7.4%	-10.2%
<b>Total Costs</b>	<b>(371.2)</b>	<b>(349.9)</b>	<b>-3.8%</b>	<b>-5.7%</b>	<b>(123.1)</b>	<b>(115.5)</b>	<b>-4.1%</b>	<b>-6.2%</b>
<b>EBITDA</b>	<b>309.0</b>	<b>368.5</b>	<b>+19.2%</b>	<b>+19.2%</b>	<b>114.9</b>	<b>135.6</b>	<b>+18.0%</b>	<b>+18.0%</b>

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

# Financial guidance (updated in H1 2019 results presentation)

## Net Revenues

- 5-7% annual net revenue growth over medium term
- 2019 growth at lower end of range due to one-time effect of selected contracts run-offs<sup>1</sup>; growth after 2019 at higher end of the range

## EBITDA

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

## 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)
- Total capex to trend towards ordinary capex as % of net revenues over medium to long term

## 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 medium to 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 medium to long term



# Nexi in a nutshell



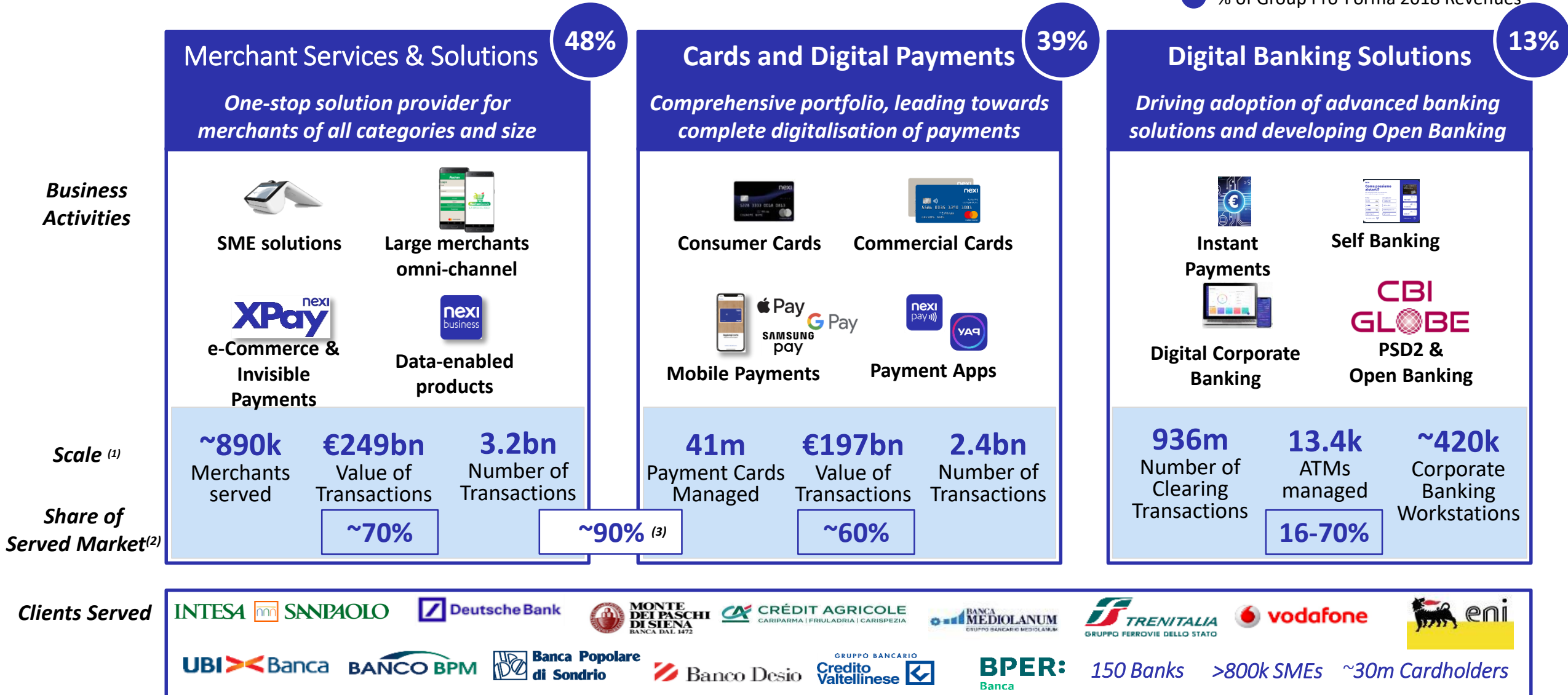
# Italy: Large and underpenetrated market with unique structural characteristics



Note: 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



# 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

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

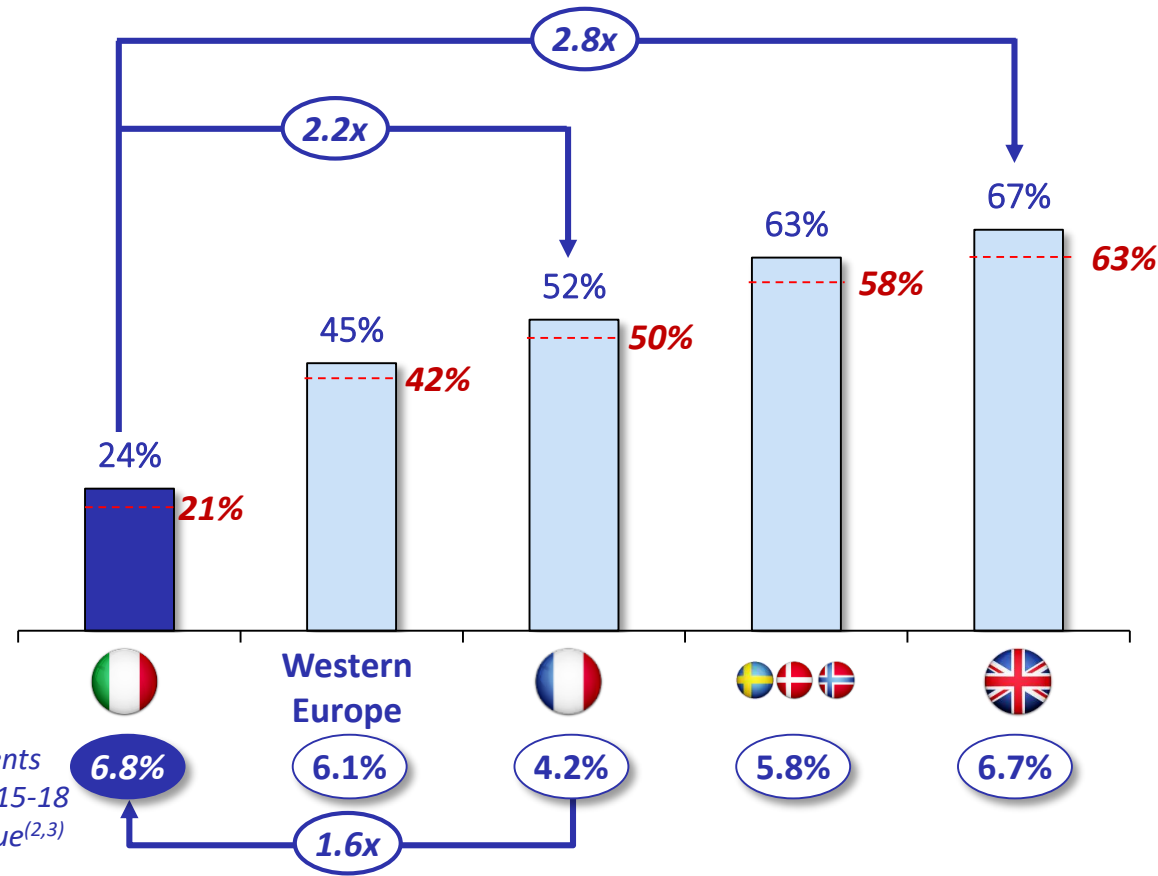
7

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

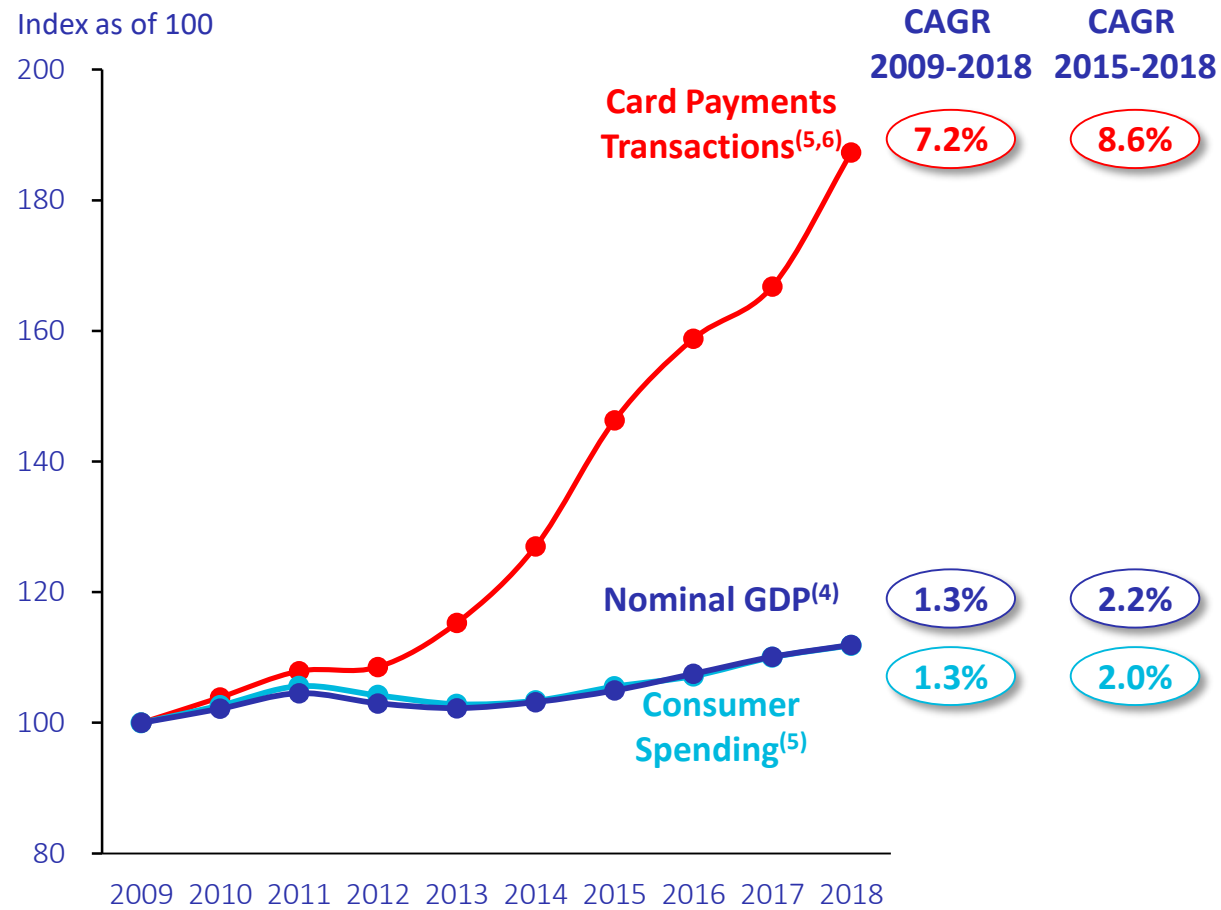
# 1 Large and attractive market with secular growth tailwinds

## 2018 Card Payments Penetration (% by Value)<sup>(1)</sup>

--- 2015



## Growth of Italian Card Payments Values Outperforming Italian Nominal GDP and Consumer Spending



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.

# Extensive payments ecosystem coverage extending to digital and technology

## 2 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

...



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

## 3 all segments



### Nexi value contribution to partner banks

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
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## 4 A rich portfolio of growth drivers and emerging opportunities

### Merchant Services & Solutions



SmartPOS



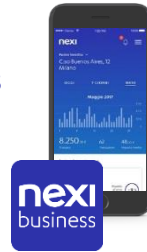
Large Merchant Omnichannel



E-Commerce & Invisible Payments



Omniacceptance



Merchant App

### Cards & Digital Payments



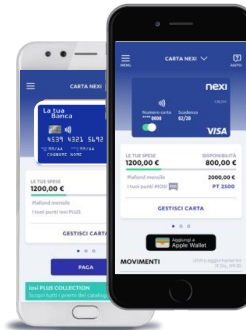
Credit Full Potential



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

### Growth Drivers

### Emerging Growth Opportunities



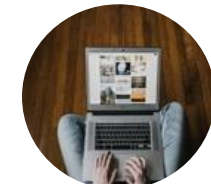
YAP Millennials Mobile Payments



Data Enabled Solutions


















B2B/Corporate Payments



Dual-sided Opportunities

# Merchant Services and Solutions:



## 4 Empowering merchants and simplifying their lives

PRODUCT/ INITIATIVE	DESCRIPTION	NEW BUSINESS	CUSTOMER VALUE INCREASE	LAUNCH DATE
 <b>SMARTPOS</b>	<ul style="list-style-type: none"> <li>Smart Point-of-Sale comprehensive proposition</li> <li>Advanced ECR software for an "all-in-one device"</li> <li>Proprietary App store, covering full range of business needs</li> <li>Vertical/Industry solutions for SME and <b>bespoke tech</b>, integrated solutions for Large Merchants</li> </ul>			<b>Q3 18</b> <div> <ul style="list-style-type: none"> <li>~20% penetration on Front Book of early adopter banks</li> </ul> </div>
 <b>LARGE MERCHANTS OMNICHANNEL</b>	<ul style="list-style-type: none"> <li>Omni-channel payments solutions for Large/Key Accounts</li> <li>Dedicated sales support, delivery and service model</li> <li>Customized solutions for industry verticals</li> </ul>			<b>Q1 19</b>
 <b>XPAY E-COMMERCE</b>	<ul style="list-style-type: none"> <li>Comprehensive E-commerce payment gateway</li> <li>Easy-to-deploy solution (plug-ins for developers)</li> <li>Digital Onboarding in 24/48 h</li> <li>Invisible payments-specific solutions, IoT-ready</li> </ul>			<b>Q2 17</b> <div> <ul style="list-style-type: none"> <li>+46% growth on Frontbook sales ('18 vs. '17)</li> <li>+18% Customer Base growth ('17 Vs '18)</li> </ul> </div>
 <b>OMNIACCEPTANCE</b>	<ul style="list-style-type: none"> <li>Acceptance extension to Additional Rails (e.g. meal voucher, alternative schemes)</li> <li>Simplification of merchants' experience ("one-POS")</li> </ul>			<b>Q1 19</b> <div> <ul style="list-style-type: none"> <li>+120k merchants enrolled</li> <li>&gt;35% penetration on customer base of early-adopter banks</li> </ul> </div>
 <b>MERCHANT APP</b>	<ul style="list-style-type: none"> <li>Data-centric mobile app with real-time smart tracking</li> <li>Business Intelligence services</li> <li>Smart access to <b>self-care</b> activities</li> </ul>			<b>Q4 17</b>

# Cards and Digital Payments:

4

## Expanding portfolio, unlocking usage, leading mobile transformation

PRODUCT/ INITIATIVE	DESCRIPTION	NEW BUSINESS	CUSTOMER VALUE INCREASE	LAUNCH DATE
 <b>CREDIT FULL POTENTIAL</b>	<ul style="list-style-type: none"> <li>Flexible instalment function, “Easy Shopping”</li> <li>Smart/ Dynamic plafond management</li> <li>Full range of solutions, including Black, first contactless metal card in Europe</li> </ul>			<b>Q4 17</b>
 <b>CORPORATE CARDS SOLUTIONS</b>	<ul style="list-style-type: none"> <li>Comprehensive portfolio of corporate solutions</li> <li>Centralized virtual account for B2B payments to enter the “procure to pay” segment</li> <li>Lodged virtual card (capture business travel spend)</li> </ul>			<b>Q2 19</b>
 <b>DEBIT EVOLUTION</b>	<ul style="list-style-type: none"> <li>International Debit Best-in-class card enabling e-commerce, mobile payments and full international spending</li> <li>National Debit evolution enabling e-commerce and selected mobile payments use cases</li> </ul>			<b>Q2 17</b>
 <b>MOBILE PAYMENTS</b>	<ul style="list-style-type: none"> <li>New “mobile-centric” paradigm: instant issuing, card tokenization and Apple, Samsung, Google Pay offering</li> <li>Nexi Pay app: expense monitoring, card management and access to value added services</li> </ul>			<b>Q4 17</b>
 <b>NEXT GENERATION CVM</b>	<ul style="list-style-type: none"> <li>CVM campaigns focused on behaviours</li> <li>Fully renovated comprehensive engagement program</li> <li>Frequency of usage and card spending driving initiatives</li> </ul>			<b>Q2 17</b>

• +3.8m cards in stock 2018 (+33% YoY)  
 • ~50 signed and being rolled out  
 • 4 negotiations ongoing with 4 major banks













• 200 campaigns in 2018  
 • +8pp on activated cards in welcome campaign  
 • +73% incremental spending with ad hoc campaign  
 • +9pp cards reactivation in renewal campaigns



# Digital Banking Solutions:

4

## Driving advanced banking solutions and developing Open Banking

PRODUCT/ INITIATIVE	DESCRIPTION	NEW BUSINESS	CUSTOMER VALUE INCREASE	LAUNCH DATE
 <b>INSTANT PAYMENTS SOLUTIONS</b>	<ul style="list-style-type: none"> <li>Highly reliable, secure and efficient solution for instant money transfer</li> <li>Nexi Gateway and VAS</li> <li>Full pan-european interoperability</li> </ul>			<b>Q2 18</b> <ul style="list-style-type: none"> <li>4 Banking Groups onboarded</li> <li>3.6k branches (~14% of total banks' branches in Italy)</li> </ul>
 <b>DIGITAL CORPORATE BANKING</b>	<ul style="list-style-type: none"> <li>Advanced solution for Corporates:               <ul style="list-style-type: none"> <li>E-invoice management platform</li> <li>Dedicated mobile app for CFOs</li> <li>Digital signature document exchange platform</li> </ul> </li> <li>Unique dedicated solution for Small Business</li> </ul>			<b>Q1 19</b> <ul style="list-style-type: none"> <li>18 client banks</li> <li>~420k workstations</li> <li>+3b transactions</li> </ul>
 <b>SELF BANKING</b>	<ul style="list-style-type: none"> <li>Comprehensive end-to-end value proposition</li> <li>Innovative "App-like" frontend</li> <li>Unique features: "one-click" fast processes, interactive CRM functions, cardless withdrawals</li> <li>Full advanced management/outsourcing offer</li> </ul>			<b>Q1 19</b> <ul style="list-style-type: none"> <li>15 client banks</li> <li>13.4k Self Banking terminals (~1/3 Advanced ATM)</li> <li>30 seconds one-click withdrawal</li> </ul>
 <b>OPEN BANKING</b>	<ul style="list-style-type: none"> <li>PSD2 gateway solution for the Italian banking system</li> <li>Open Banking value added services and solutions</li> </ul>			<b>Q3 19</b> <ul style="list-style-type: none"> <li>100+ banks already signed</li> <li>&gt;70% of Italian Banking Market coverage</li> </ul>

## 4 Nexi already well positioned to capture additional emerging opportunities



### YAP MILLENNIALS PROPOSITION



### B2B / CORPORATE PAYMENTS



### DATA-ENABLED SOLUTIONS



### DUAL-SIDED OPPORTUNITIES

#### Market opportunity

- **6m Millennials** in Italy (high propensity to spend, digital consumers of tomorrow)
- **Often disconnected from traditional banks**

- **Large market opportunity** (3.7m enterprises in Italy, ~€85bn EMEA addressable market)
- Rising demand from **SMEs and Corporates to digitalize enterprise payments**

- **Big data & advanced analytics** opening **new opportunities in payments**

- **Opportunities** for differentiating solutions through visibility of **both “sides” of a transaction**

#### Nexi assets

- Complete range of **mobile payments solutions**
- **Instant issuing digital prepaid cards**
- **Best in class capabilities in front-end UX/UI design**

- **Strong position** in enterprise **front-ends** (~420k DCB workstations)
- **Strong position in Corporate Cards, Instant Payments, Open Banking and Merchant Services**

- **Unique data capital**, leveraging on 5.6bn managed transactions per year

- **As co-issuer and acquirer**, Nexi uniquely positioned to “see” both sides of a significant portion of overall market

#### Nexi progress & outlook

- YAP app offering **both P2B and P2P (to drive virality)**
- **Good traction achieved in 6 months (300k+ users)** with very high consumer rating (4.7 stars iOS, 41 NPS trending up)

- **Comprehensive proposition and strategy** under development (i.e. e-invoicing, virtual accounts)

- **European best practice on anti fraud**
- **Nexi Business** business insights app, **used weekly by >100k merchants**
- **Further investments planned to enhance capabilities**

- **“On-us” cost benefits** and improved **frauds detection** and chargebacks
- Multiple **additional opportunities** under development (i.e. large merchants customer profiling..)

5

# Investing in Technology leading capabilities to drive quality and security, innovation and Next Generation Platform deployment

December 2018

## People and Capabilities



## Quality and Security



## Innovation and Delivery



## Next Generation Platform

WIP

### What we delivered (2016-2018)

- ✓ IT Team & Tech capabilities in place
- ✓ 6 Digital Factories, 3 specialized structures, 4 CoE in place
- ✓ Basilichi and Sparkling integration
- ✓ ...

- 330+ FTEs (end 2018)
- ~ 70% new IT managers
- ~ 110 new hiring

- ✓ Live service process 24x7x365
- ✓ Hot line with main Banks
- ✓ Robotic check and prevention
- ✓ Security framework and capabilities
- ✓ ...

- 72% y-o-y improvement in Service Stability Index
- 99.99% core service availability in 2018
- No data and GDPR breaches

- ✓ SmartPOS, E-Com, Merchant App
- ✓ Mobile Payments, Credit Installment, Debit Evolution, next-gen CVM
- ✓ Instant Payments, new Digital Corporate Banking, Self Banking/new ATMs
- ✓ YAP, Data, ...

- 4,200 new IT releases in 2018 vs. 1,400 in 2017
- 6 digital factories

- ✓ Data Center insourcing
- ✓ POS and ATM management platform
- ✓ Merchant Services sales tools and Issuing Onboarding ready
- ✓ ...

- Clear integrated architectural vision
- Step by step modular execution on going

### Plan Forward

*Ordinary continuous improvement*

*Ordinary continuous improvement*

*Ordinary continuous improvement*

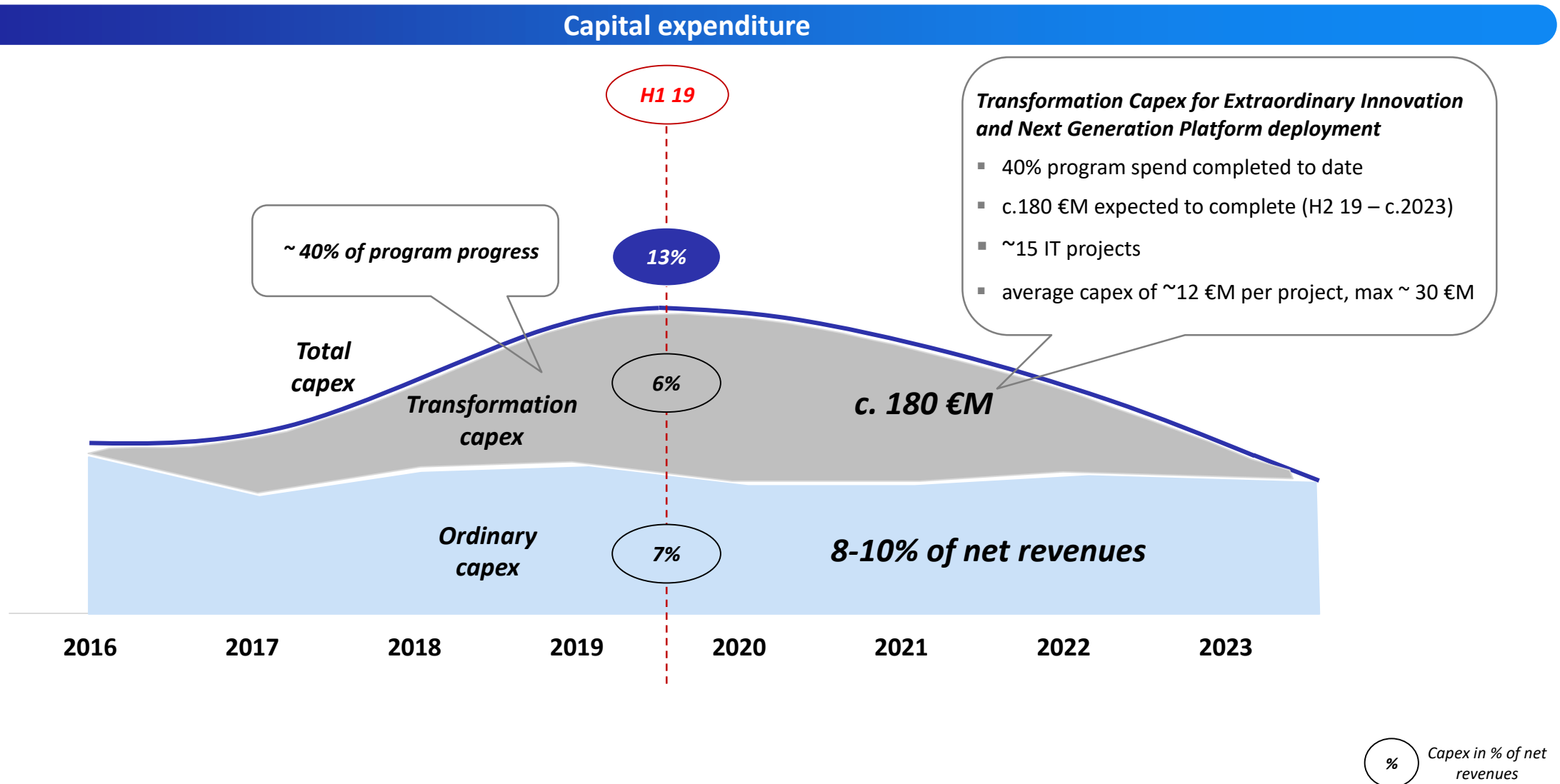
- Omni-channel payment gateway
- Digital Corp. Banking completion
- Open banking gateway completion

- Data & Analytics implementation
- CRM and ops transformation
- Processing Hubs consolidation
- ....

2016 - 2018

Ordinary Effort
 Extraordinary Transformation Effort

# 5 Cumulative Transformation Capex required to complete transformation program by 2023 of c.180 €M (included in guidance) on top of 8-10% Ordinary Capex





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

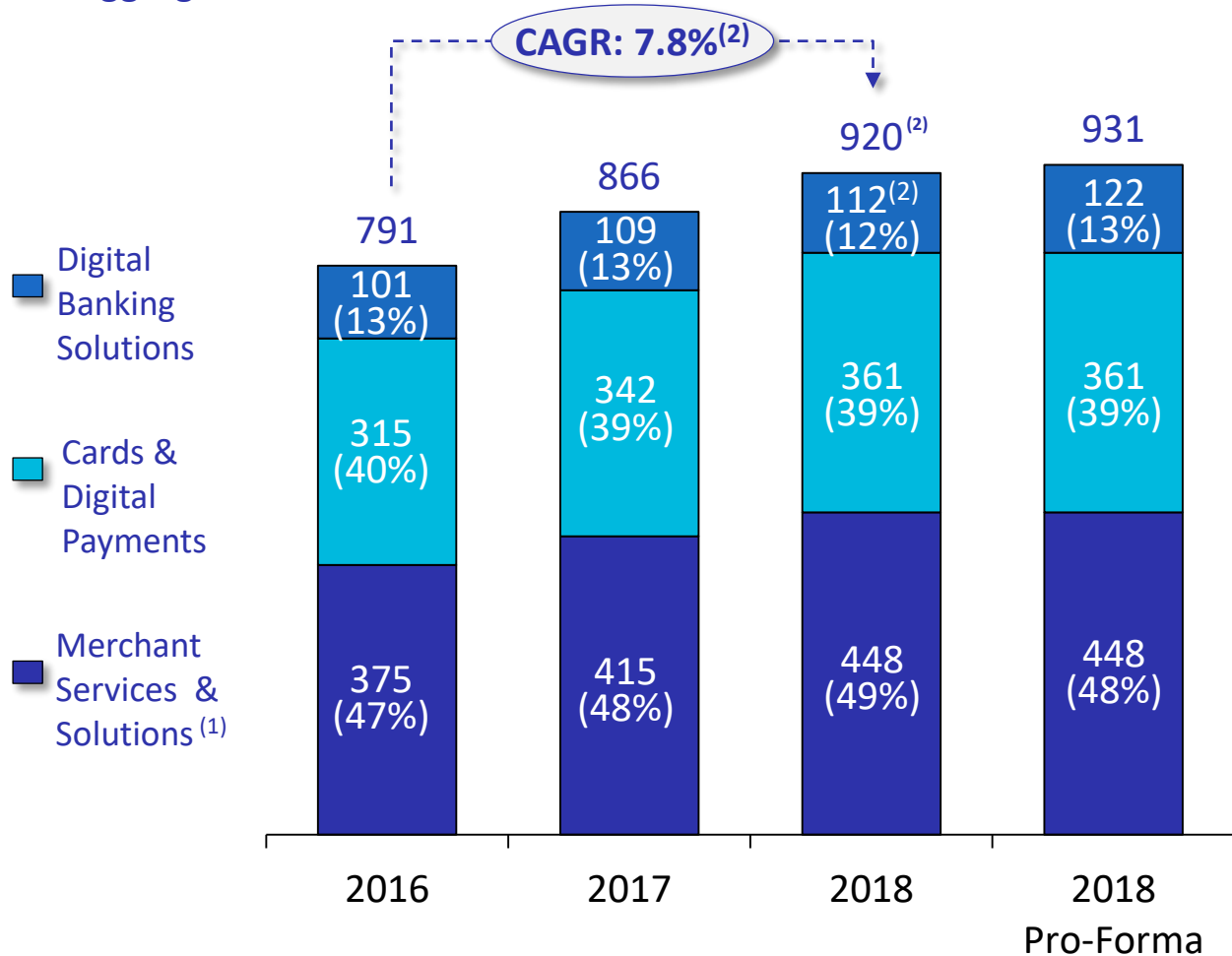
74%

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

## 6 Consistent and solid revenue growth

### Net revenues evolution over time

€M – Aggregated



2016-2018  
CAGR  
Aggregated

5.0%<sup>(2)</sup>

7.0%

9.3%

Healthy growth in core markets

Combination of organic growth  
and delivery of Initiatives

High quality, predictable and  
recurring revenue model

High resilience driven by product portfolio  
and large customer base

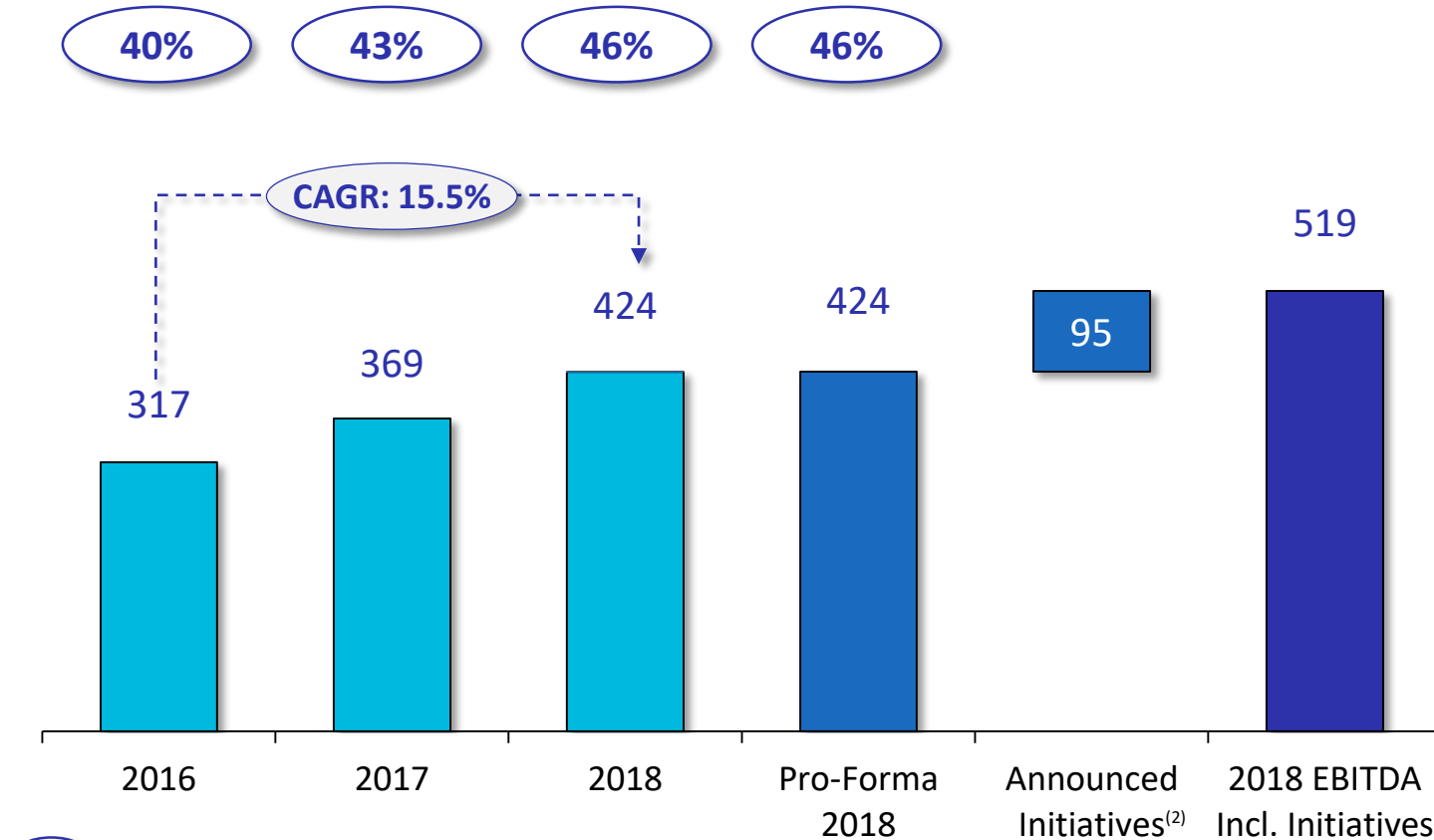
# Consistent and strong EBITDA growth; tangible further uplift from Announced

## 6 Initiatives

### Normalised EBITDA evolution<sup>(1)</sup>

### Impact of initiatives

€M



○ Normalised EBITDA Margin

Strong EBITDA growth

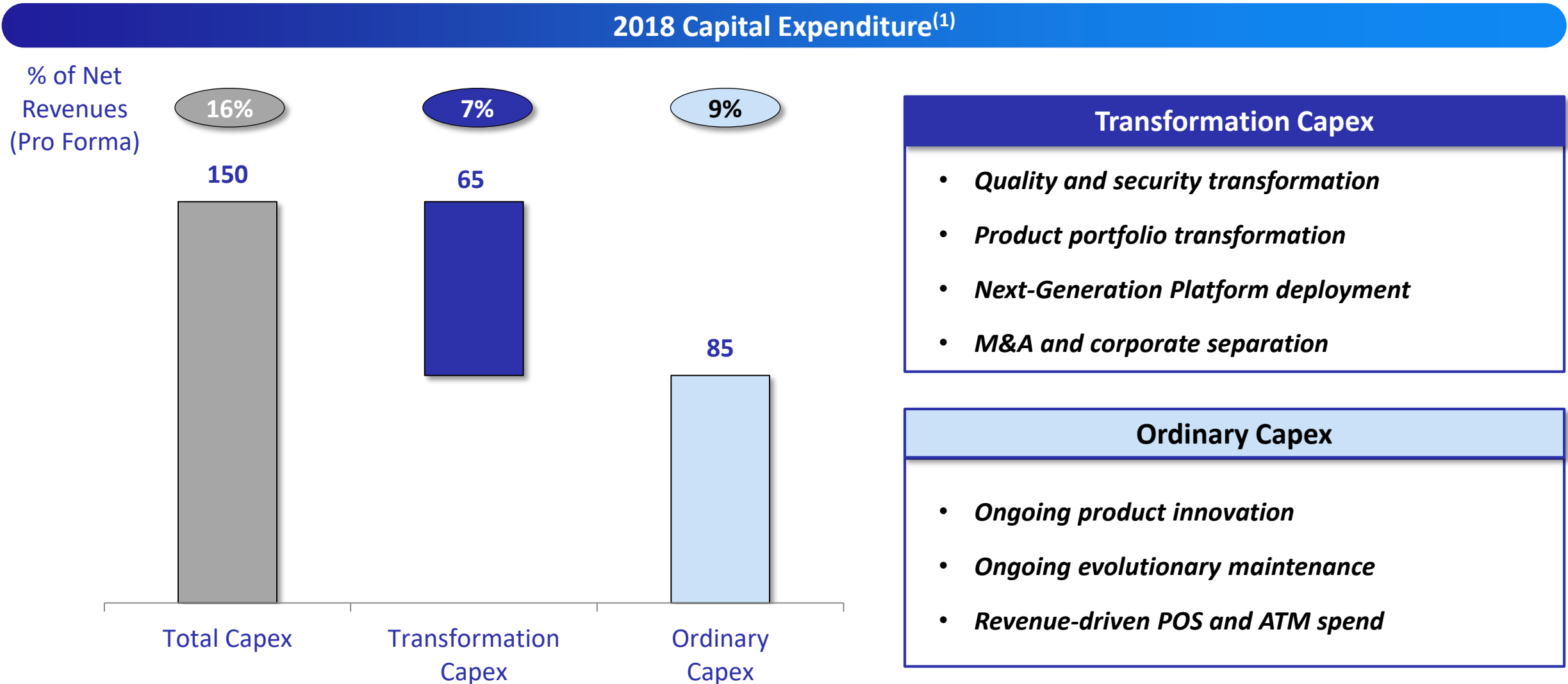
Significant degree of operating leverage  
(64% fixed operating costs<sup>(3)</sup>)

Efficiency and cost reduction

Substantially enhanced profitability

Tangible EBITDA uplift from Announced  
Initiatives and realisation of synergies

## 6 Strong investments, with Transformation Capex on top of Ordinary Capex



## 7 Strong and experienced extended Leadership Team...



**Paolo Bertoluzzo**  
Group CEO



~2000 FTEs; ~1000 new vs. 2016

350 new talent hired coming from >100 corporates

83% new in Top 100



**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



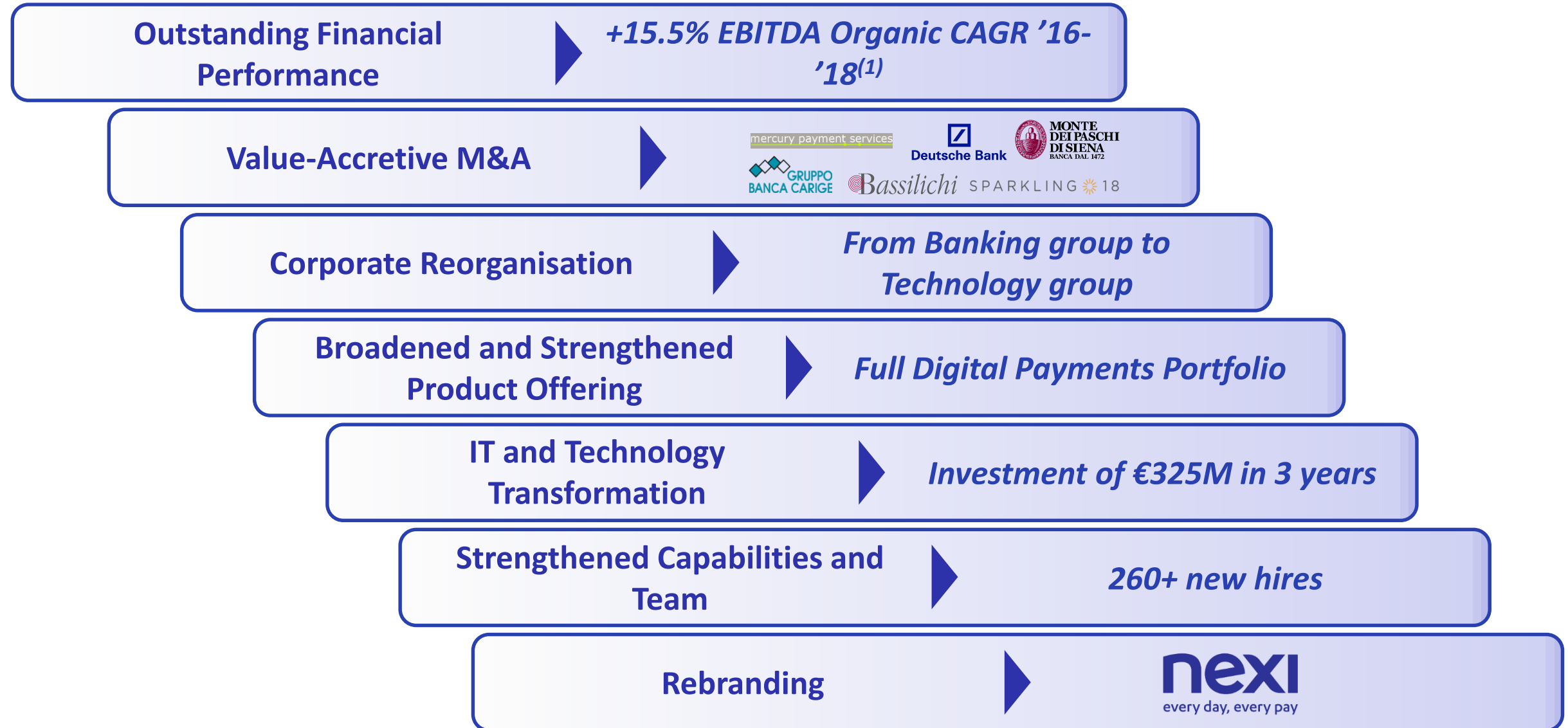
**Emanuele Boati**  
Audit



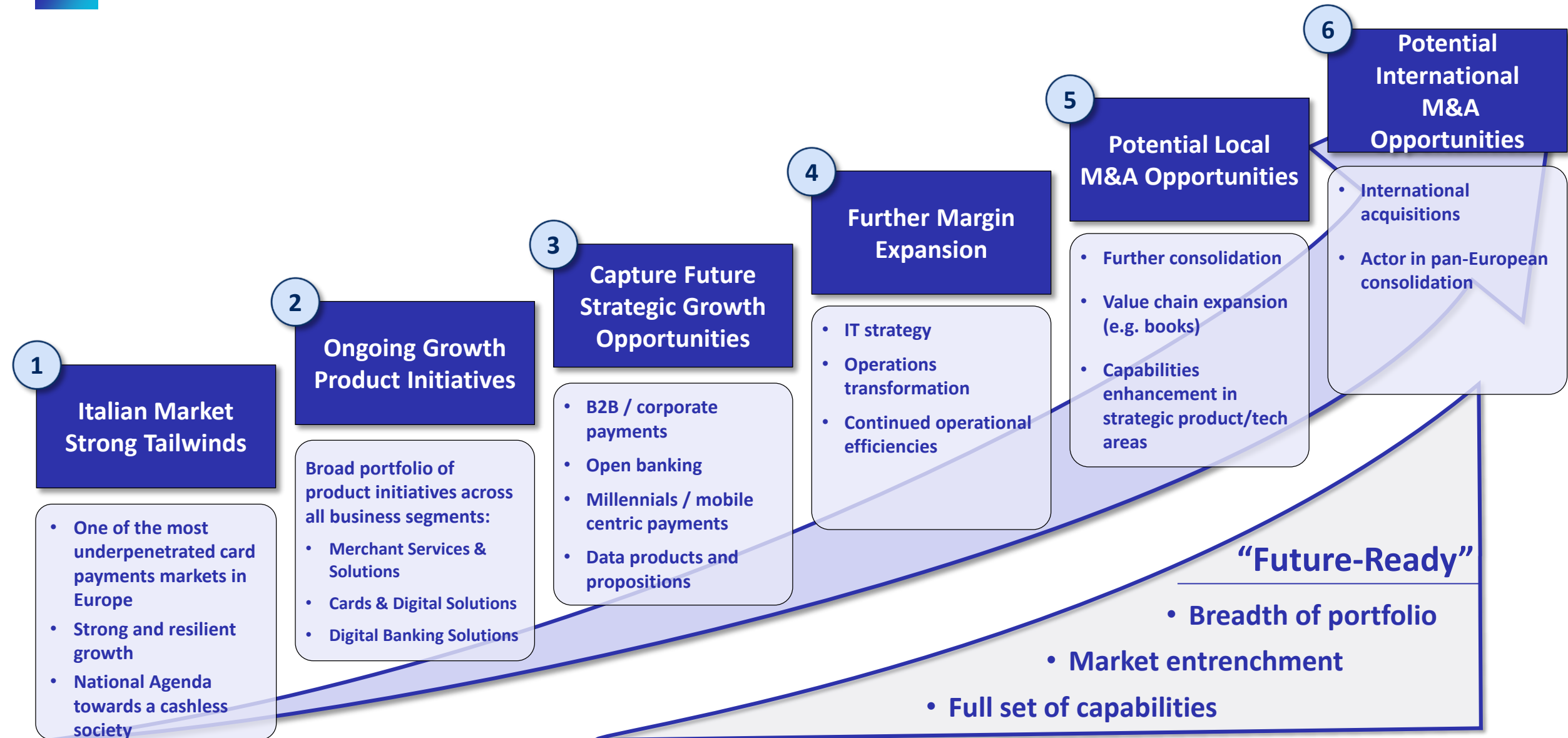
**Alessia Carnevale**  
Risk



## 7 ...with proven track record of delivery across all value creation levers



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





# Supporting Materials

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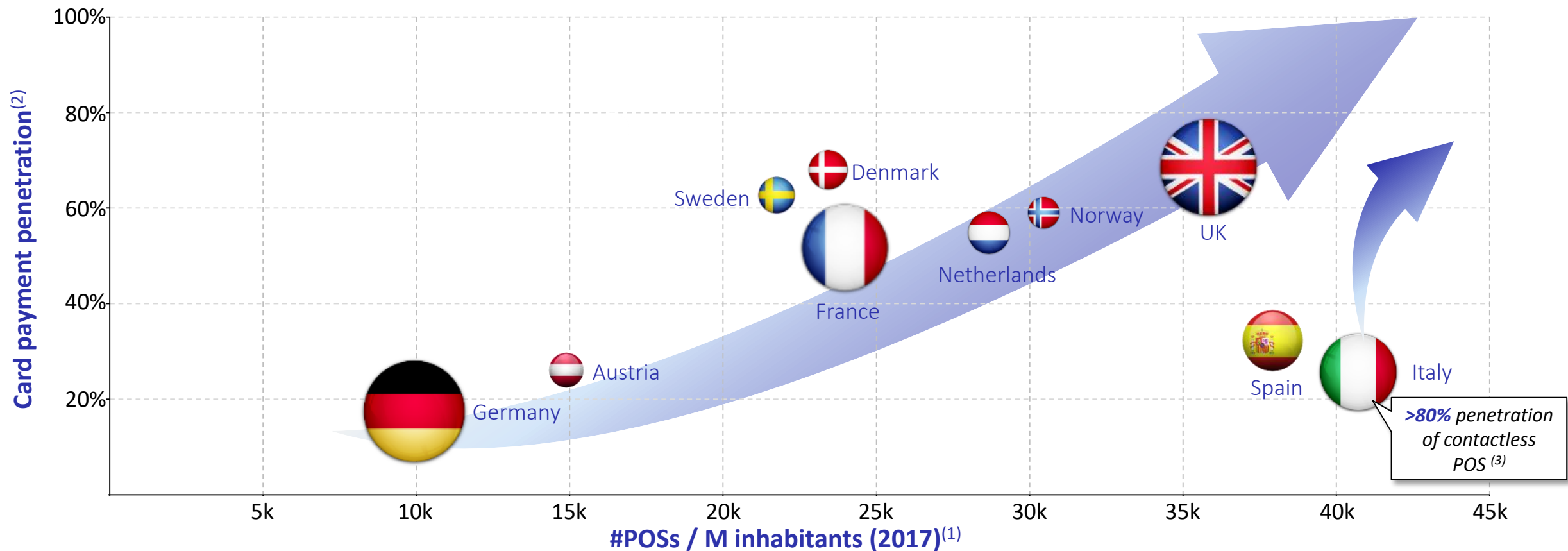




# Italy - Acceptance infrastructure already in place, enabling market growth

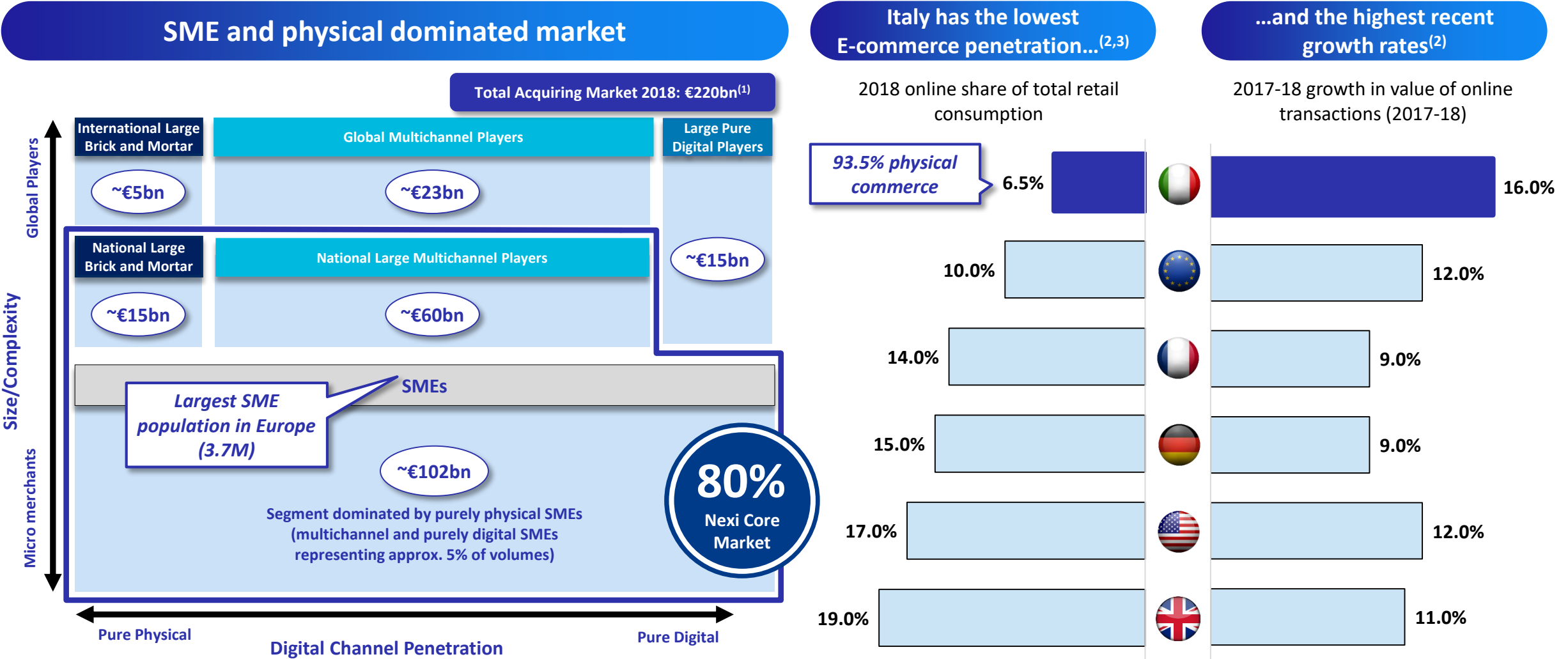
Italy's Infrastructure is ready for further card payment penetration <sup>(1,2)</sup>

○ Size of flag bubble represents relative total consumer spend<sup>(2)</sup>



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.

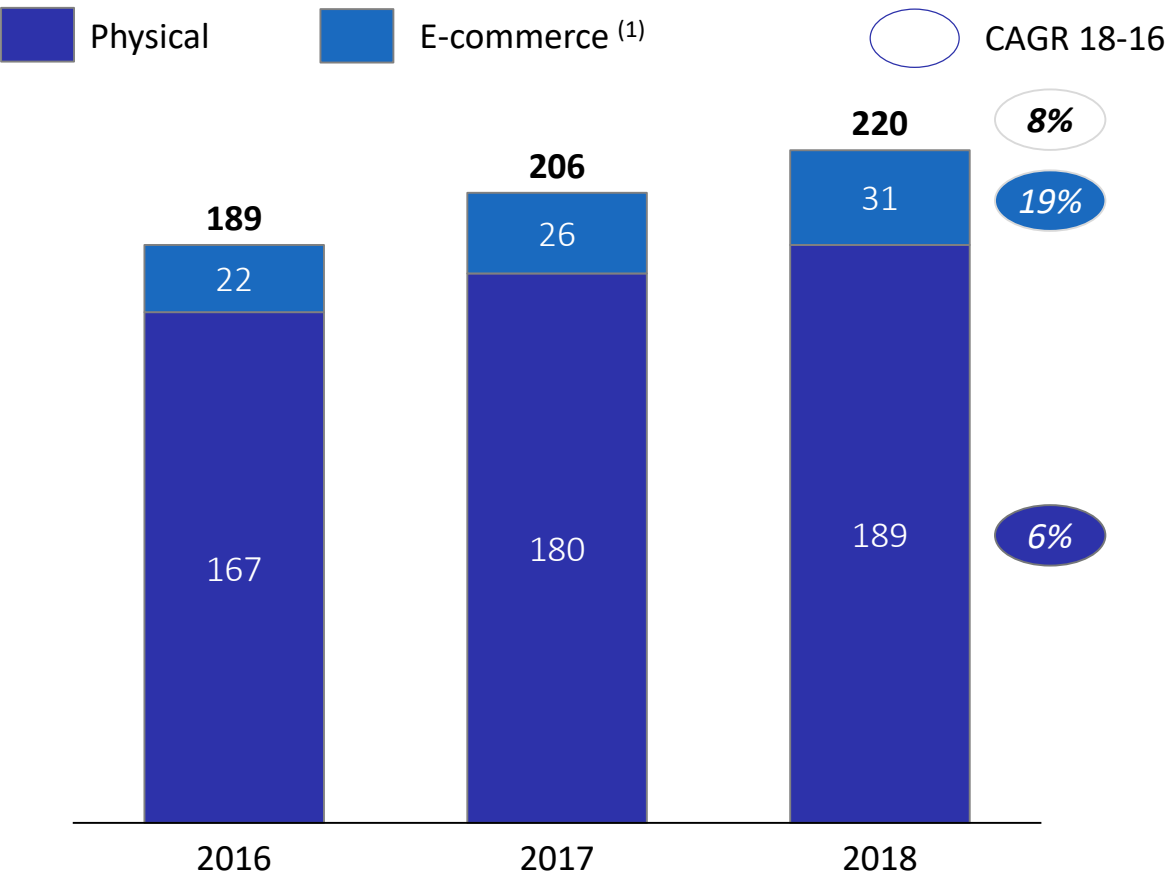
# SME and physical dominated market. E-commerce still at inception



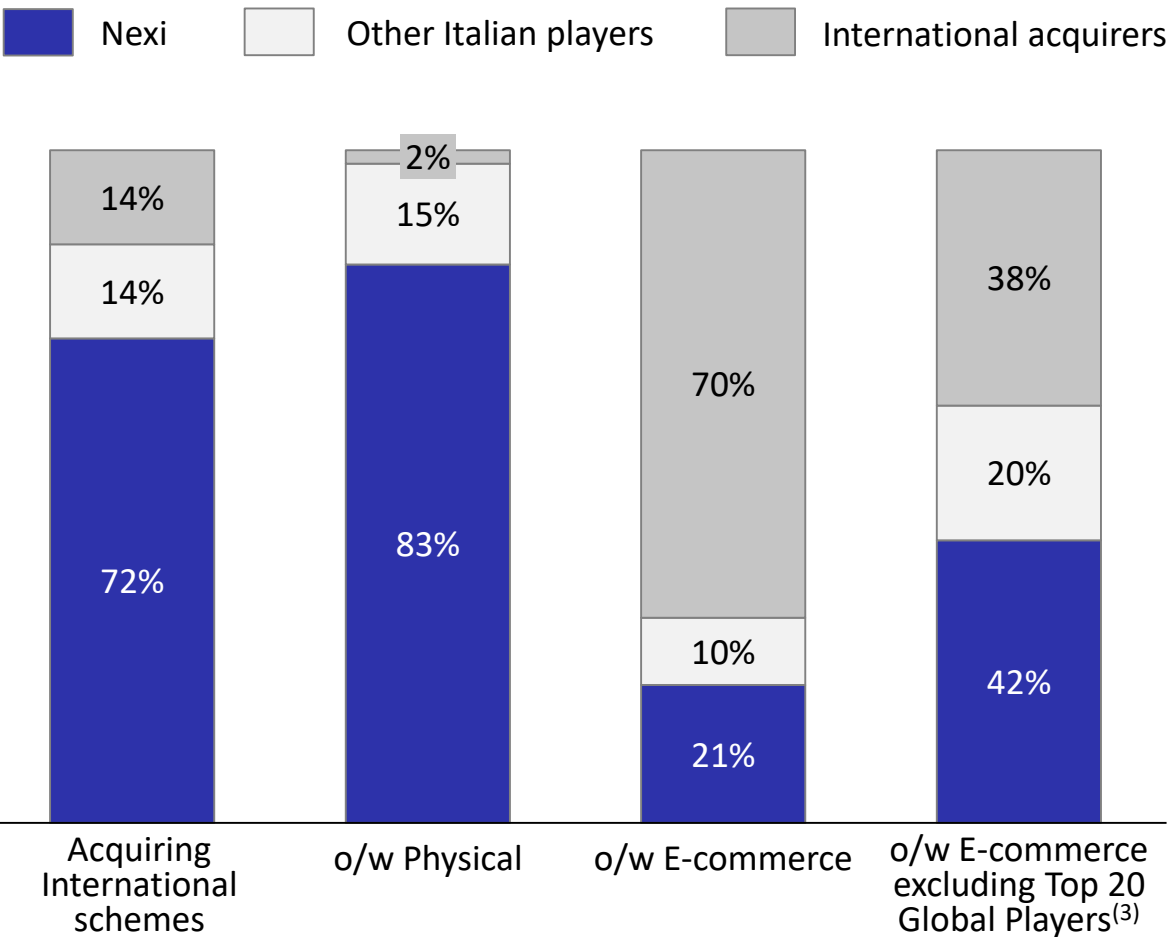
# Reference Market and Nexi's Share of Served Market

## Merchant Services & Solutions

Italian consumer card payments market (transactions, €B)



Nexi's share of served market(2) (2018)



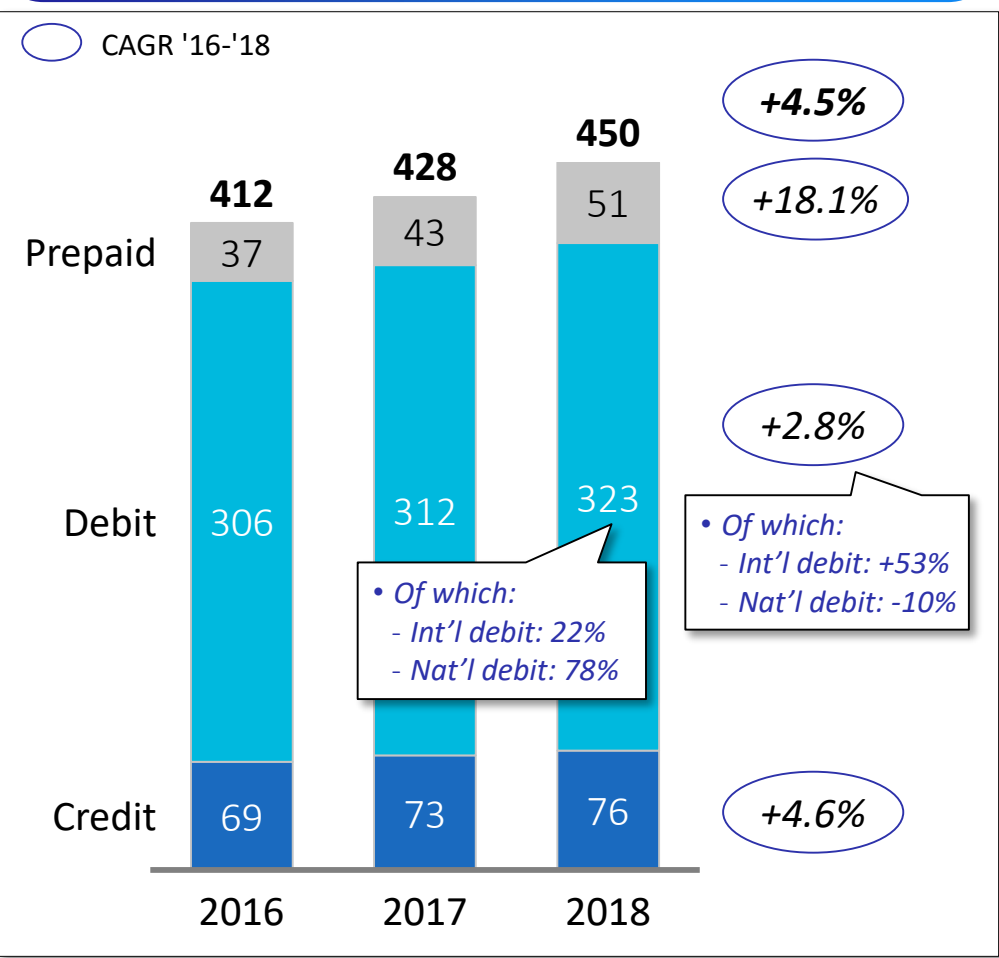
Leading share of served market in Italian acquiring

Note: Euromonitor International Consumer Finance – 2019 Edition; 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). Consumer Card Payments is defined as Card Payment Transactions (Excl Commercial).

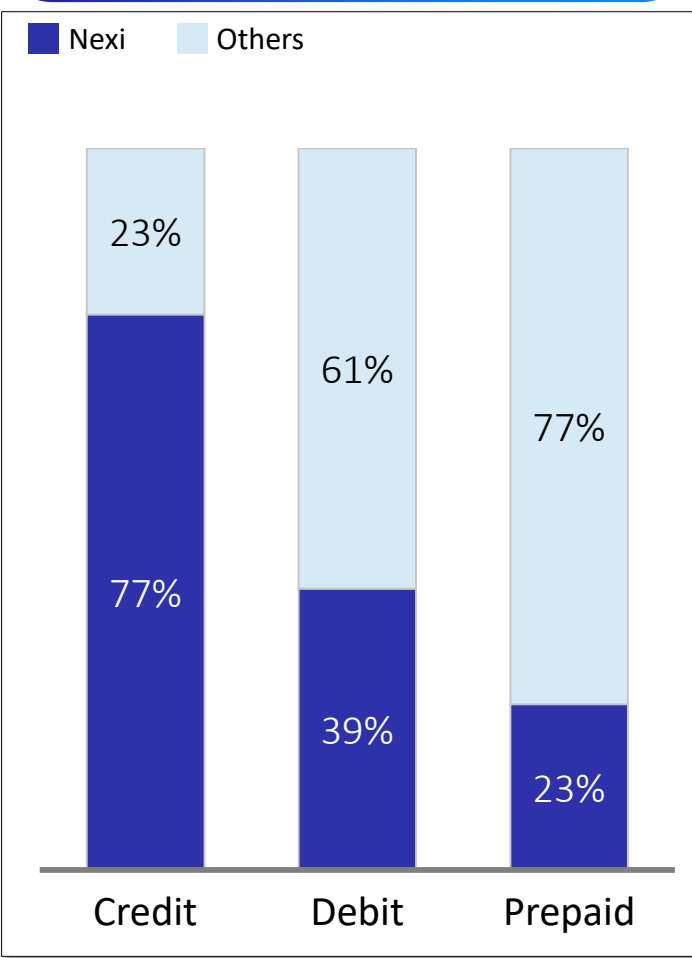
# Reference Market and Nexi's Share of Served Market

## Cards & Digital Payments

Italian Issuing Market Transactions at POS and ATM (€B)



2018 Nexi's Shares of Served Market (by Value of Transactions)<sup>(1)</sup>

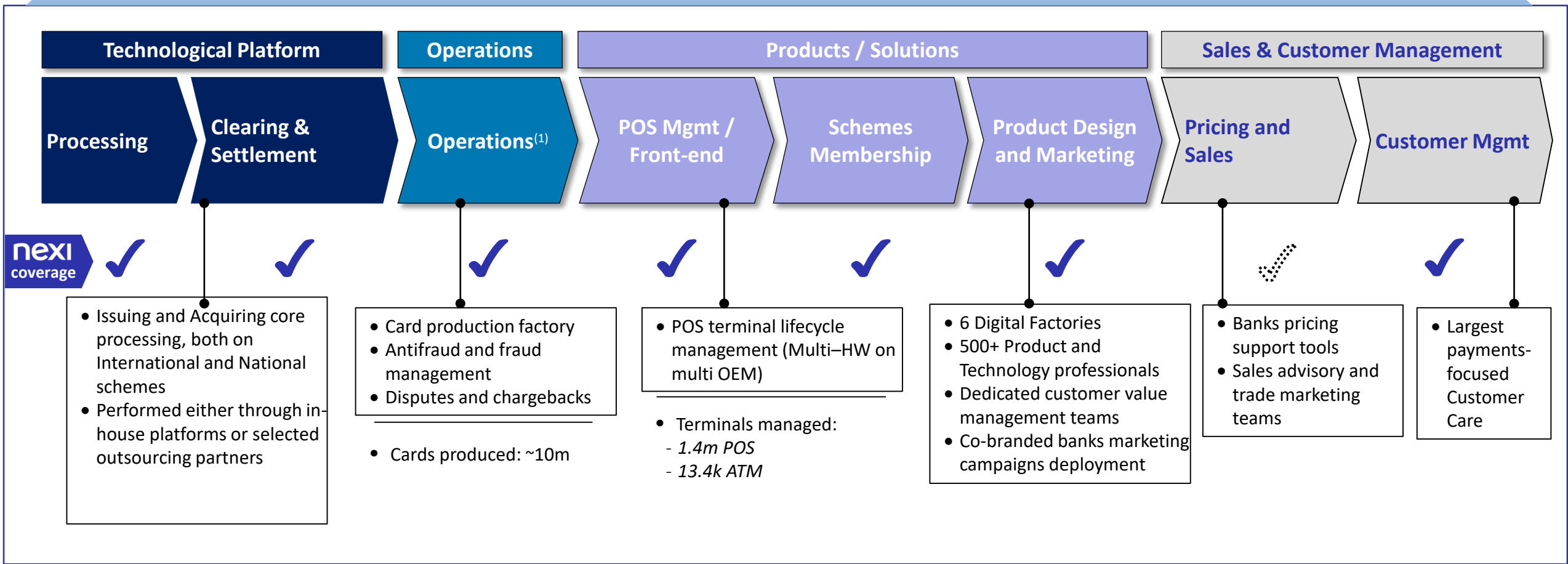


Main Differences Compared to Other EU Countries

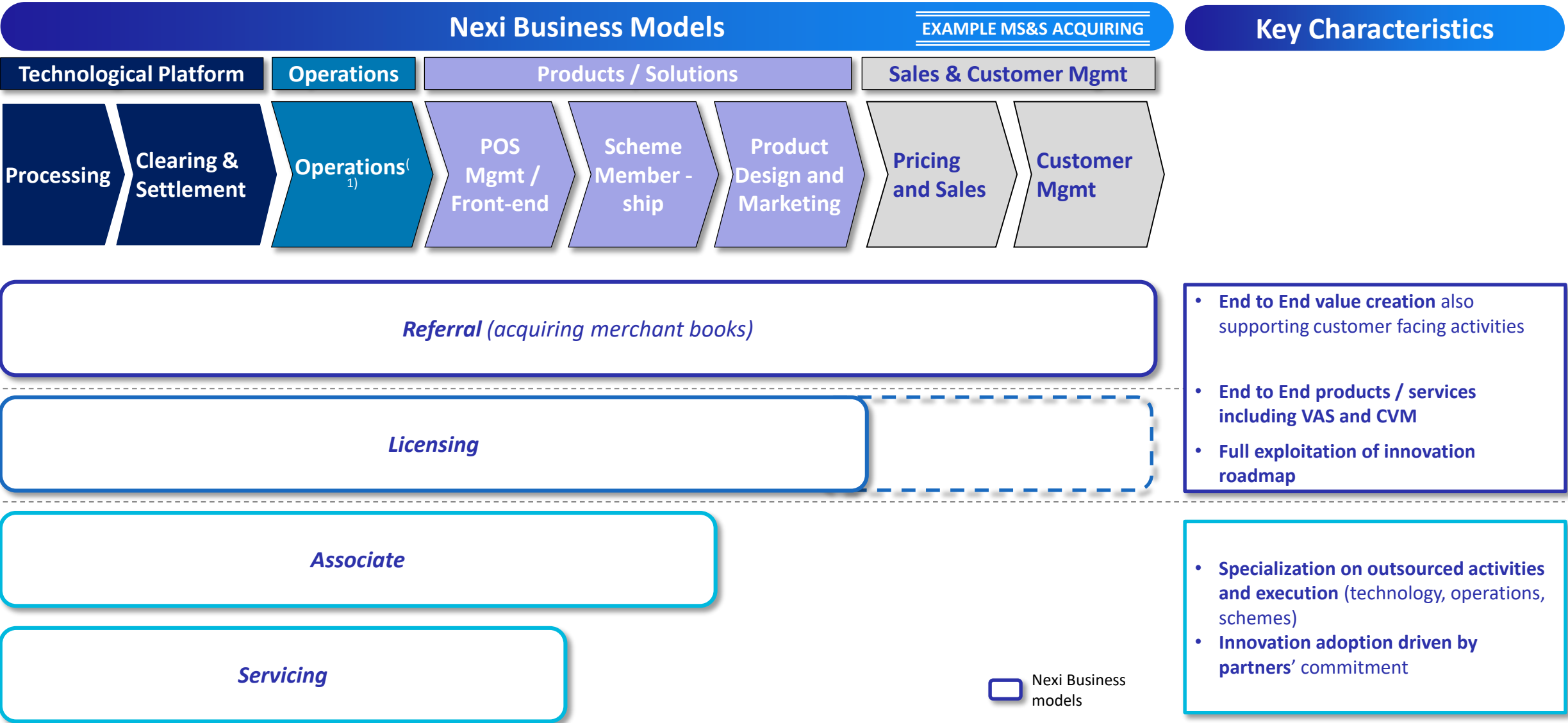
- Credit:** mainly charge cards with low credit limit
- Debit:** legacy and shrinking share of National debit; International debit only recently introduced and accelerating
- Prepaid:** high number of cards with low level of activation; mainly used for e-commerce

Leading served market share across segments in a growing issuing landscape, still dominated by National debit products

# Established market leader at scale covering all value chain activities, in the same country



# Serving Banks with multiple business models to fit their strategic needs



# Established, deep, robust and value-oriented bank relationships

## Long, established and deep...



- Most bank partnerships have been in place for more than 25 years
- Top 10 partner banks<sup>(1)</sup> have been customers for > 15 years
- No customer loss since 2015 change of ownership<sup>(2)</sup>
- Customer concentration reflects Italian Banking sector

## ...value-oriented partnerships...



- Multiple product/ service relationships with each bank
- “Volume based” pricing allowing further future upside
- Evolving towards more value-added models

## ...underpinned by established agreements



- Multiple contracts per relationship: ~150 relationships for a total ~1,000 contracts
- 54% of revenues in contracts/distribution agreements to 2023+
- 86% of top 5 partner banks' revenues committed to 2023+ (68% to 2025+)<sup>(1)</sup>
- Most of the remaining contracts with undated duration<sup>(3)</sup>

# Nexi investing to drive the transition from cash to digital payments in Italy

## Key Limiting Factors For Digital Payments penetration

### Acceptance Infrastructure



- **Infrastructure well in place and contactless-ready** but...
- **Still uneven distribution of POS terminals** amongst merchants
- **Low speed** due to poor connectivity

### Cards infrastructure



- **Unbalanced mix**, high share of prepaid and relatively low credit
- **Credit mainly charge**, with **low plafond limit**; revolving marginal
- **Debit still dominated by national scheme** with limitations

### Perception



- **Consumer perception on spending control**
- **Merchant perception on reliability, control and price complexity**

nexi





- **“Start” simple bundled offer to address unpossed merchants**
- **m-POS, Smart POS mini 4G**
- **POS replacement/reconfiguration to broadband connectivity**
- **Accelerated transition to Contacless**

- **Revamped and extended credit portfolio**
- **CVM, installment/EasyShopping, smart allowance mgmt., ...**
- **International Debit, Next generation National scheme**

- **Nexi Pay, Spending control, #iocontrollo, 3DS, Biometrics**
- **Nexi Business, simplified packages, micro-payments offer**

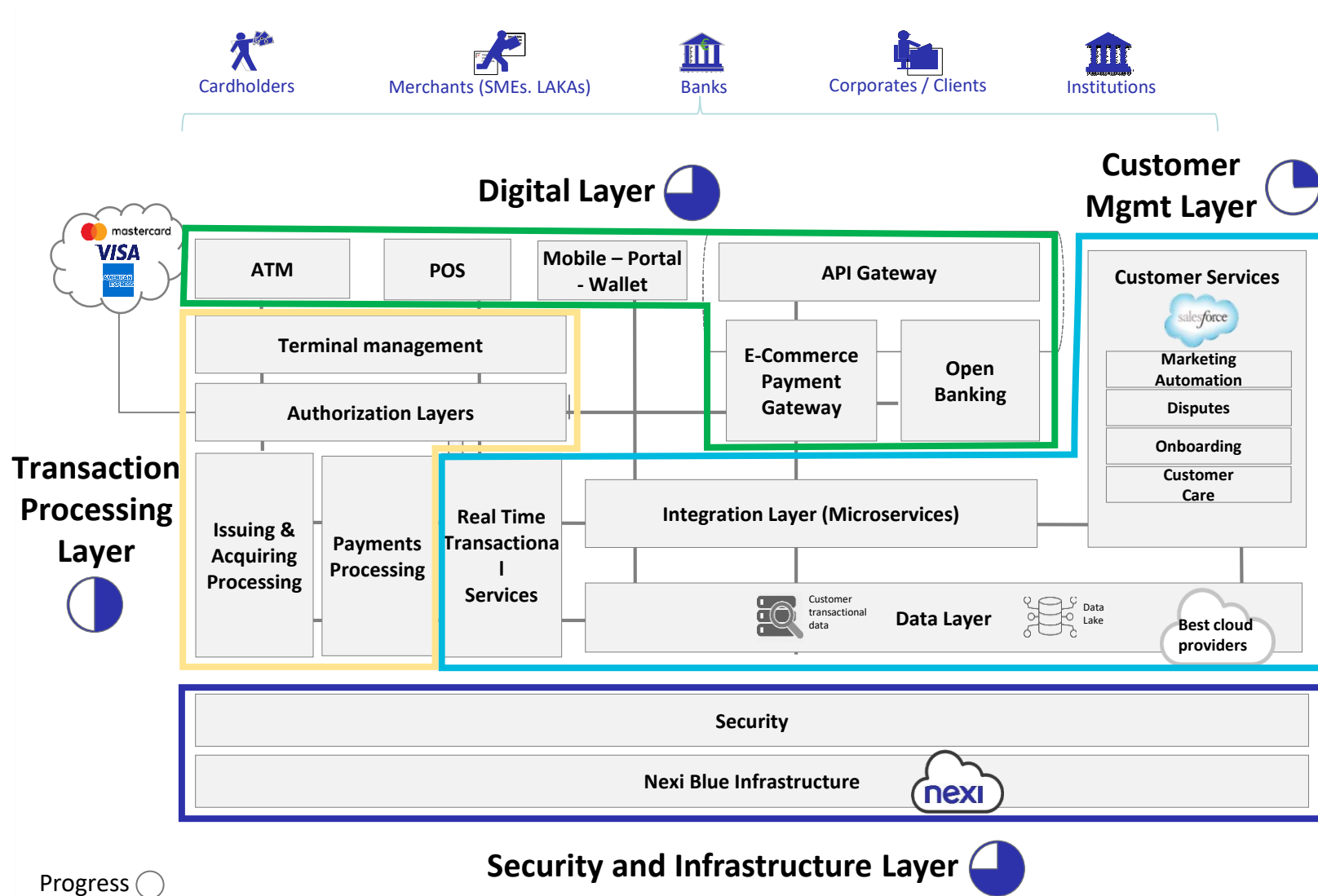


# Continued investments in our IT platform resulting in impressive delivery across all areas

AREA	1H 2017	2H 2017	1H 2018	2H 2018
<b>Product innovation</b> 	<ul style="list-style-type: none"> <li>• International debit consumer</li> <li>• X-Pay ecommerce gateway revamping and digital onboarding</li> </ul>	<ul style="list-style-type: none"> <li>• ApplePay</li> <li>• Nexi Business app</li> <li>• New portals (company and cardholder)</li> <li>• Instant payments ACH</li> <li>• Merchant Referral</li> </ul>	<ul style="list-style-type: none"> <li>• SmartPOS and app marketplace</li> <li>• PagoPa POS integration</li> <li>• New prepaid range</li> <li>• International debit business</li> <li>• Samsung Pay</li> <li>• New #ioSi engagement platform</li> <li>• Bancomat contactless</li> <li>• Bank API integration</li> </ul>	<ul style="list-style-type: none"> <li>• New Nexi Pay app</li> <li>• YAP mobile payments app</li> <li>• Google pay</li> <li>• PagoBancomat mobile</li> <li>• Card spending control</li> <li>• «Easy shopping» installments</li> <li>• Self banking front-ends</li> <li>• Bancomat data lake</li> <li>• Bank API integration</li> </ul>
<b>IT transformation</b> 	<ul style="list-style-type: none"> <li>• Live service monitoring / Control Room</li> </ul>	<ul style="list-style-type: none"> <li>• Digital Factories set-up</li> </ul>	<ul style="list-style-type: none"> <li>• POS Terminal Manager consolidation and insourcing</li> <li>• ATM terminal manager insourcing</li> <li>• Digital Factories 2.0</li> </ul>	<ul style="list-style-type: none"> <li>• Nexi Blue data center insourcing</li> <li>• Digital merchants onboarding</li> <li>• Improved marketing automation</li> <li>• Digital Factories 3.0</li> </ul>
<b>Bank transformation projects</b> 	<ul style="list-style-type: none"> <li>• UBI Banca Unica Consolidation</li> </ul>	<ul style="list-style-type: none"> <li>• Acquired banks merger in BPER (Carife)</li> </ul>	<ul style="list-style-type: none"> <li>• Veneto banks merger into ISP</li> <li>• Acquired banks merger in UBI</li> </ul>	<ul style="list-style-type: none"> <li>• Banco/BPM merger</li> <li>• Acquired banks merger in CA / Cariparma</li> </ul>
<b>Corporate Transformation / M&amp;A</b> 	<ul style="list-style-type: none"> <li>• DB merchant books integration</li> </ul>	<ul style="list-style-type: none"> <li>• Company rebranding</li> <li>• MPS merchant books integration</li> </ul>	<ul style="list-style-type: none"> <li>• Sparkling18 operational integration</li> </ul>	<ul style="list-style-type: none"> <li>• Banking activities carve-out</li> <li>• Basilichi integration</li> <li>• Carige merchant books integration</li> </ul>
	+550 new IT releases	+850 new IT releases	+2,000 new IT releases	+2,200 new IT releases

DELIVERED






# Modular, progressive, evolutionary deployment of Next Generation Platform to boost innovation and cost-efficiency



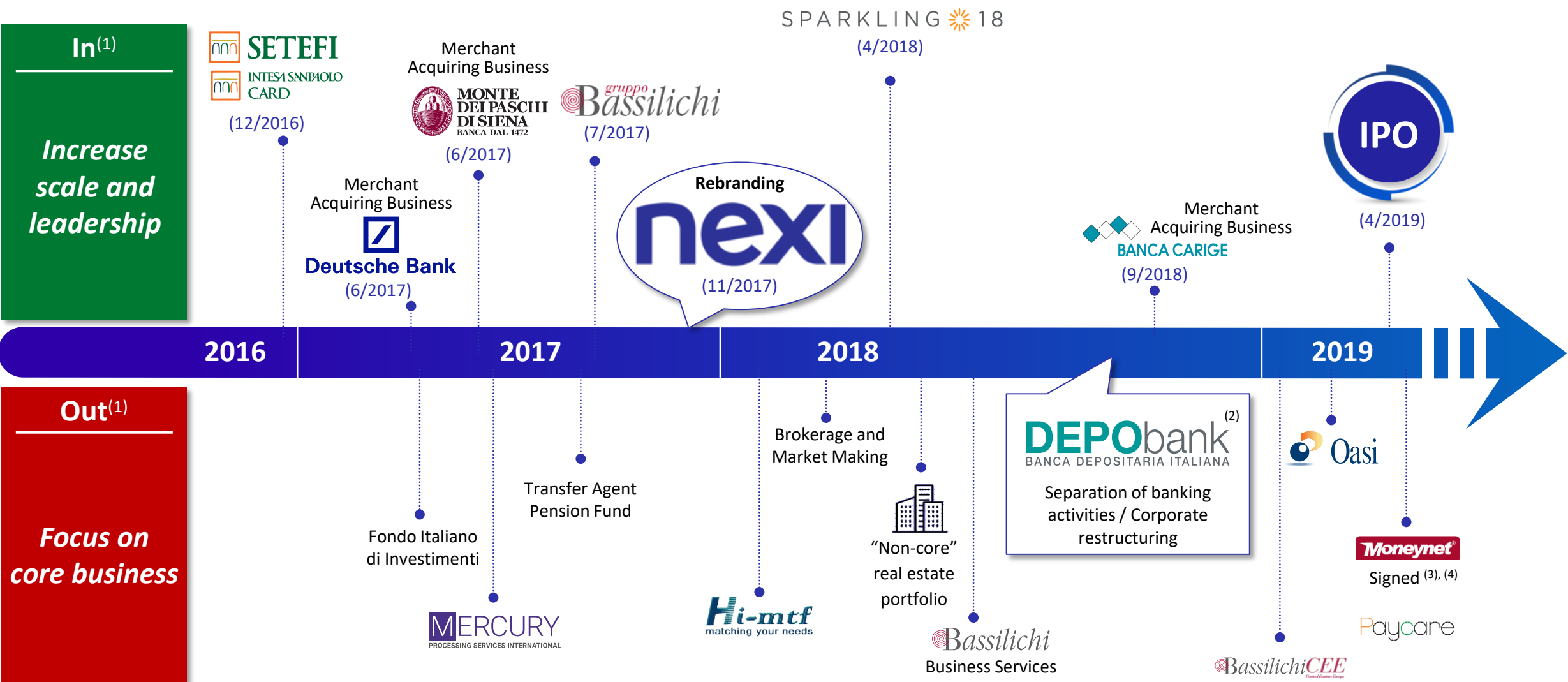
## Key Guiding Principles

- Clear **integrated architectural vision**, detailed design and execution plan
- Gradual **step-by-step evolution**
- Modular approach in **controllable, self-standing, value-creating deliveries**
- Best-of-breed **combination of components, in-house and with Partners**
- **Nexi IP on key differentiating components** (e.g. digital front-end, API-layer, ...)
- Full **Nexi control through strong competences and governance**

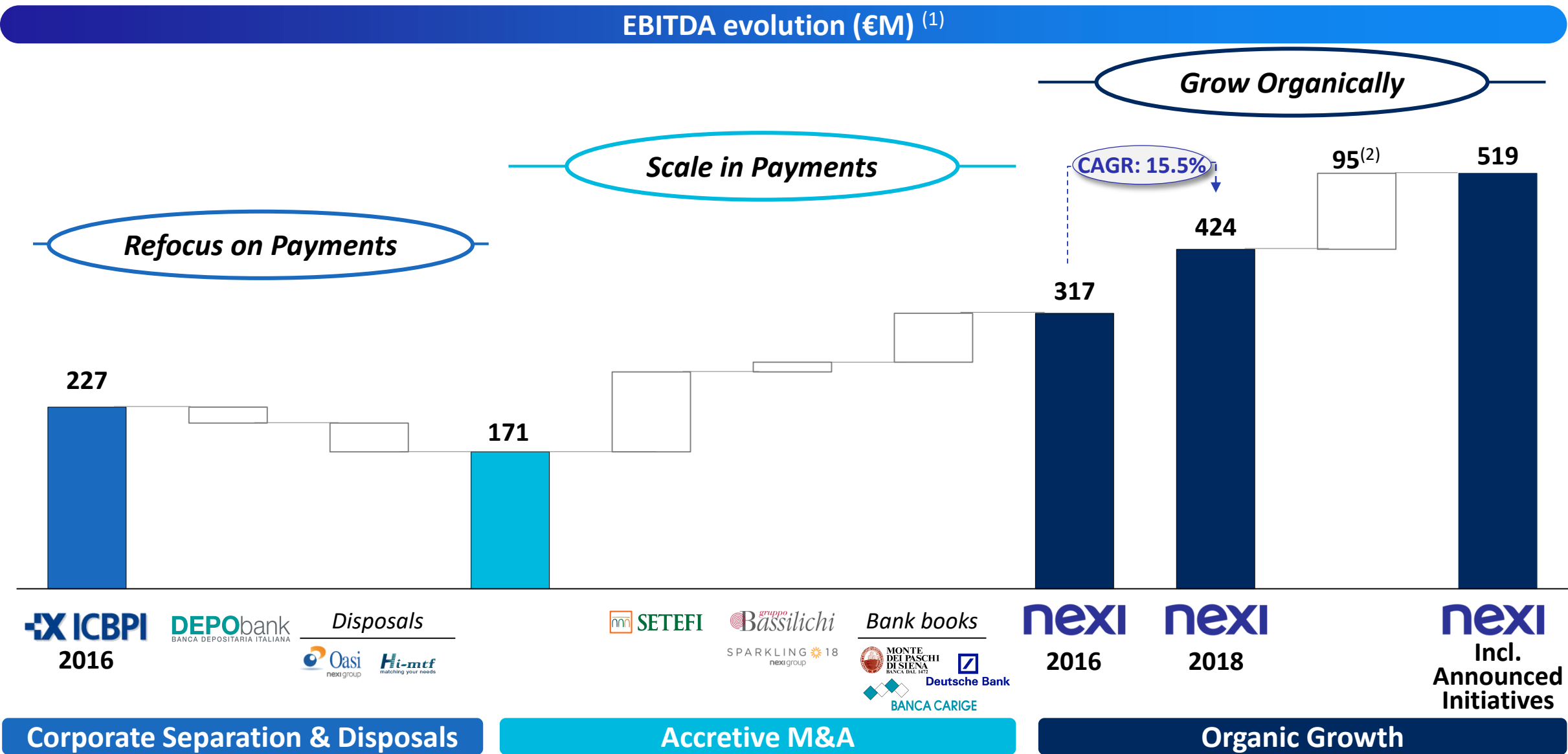
# Transaction processing layer: leveraging strategic partnerships and internal capabilities

	ACTUAL	OUTLOOK
 <b>Terminal Management POS</b>	<ul style="list-style-type: none"><li>• Mix of internal/external GT POS capabilities</li></ul>	<ul style="list-style-type: none"><li>• Progressive rollout of Nexi POS TM</li></ul>
 <b>Terminal Management ATM</b>	<ul style="list-style-type: none"><li>• Group ATM platform ready and deployment started</li></ul>	<ul style="list-style-type: none"><li>• Progressive rollout of Nexi ATM TM</li></ul>
 <b>Cards</b>	<ul style="list-style-type: none"><li>• Mix of internal and outsourced processing technology for international cards</li><li>• Nexi routing capabilities based on standard national protocols for national debit</li><li>• Full internal capabilities</li></ul>	<ul style="list-style-type: none"><li>• Next generation solution and operating model for card platform being assessed</li><li>• Deploying Nexi platform for prepaid by H1 2019</li></ul>
 <b>Acquiring</b>	<ul style="list-style-type: none"><li>• Mix of internal and outsourced processing technology</li><li>• Full internal capabilities</li></ul>	<ul style="list-style-type: none"><li>• Next generation solution and operating model for clearing and settlement being assessed</li></ul>
 <b>Payments</b>	<ul style="list-style-type: none"><li>• Partnership with strategic providers</li><li>• Connections and gateway layer owned by Nexi</li></ul>	<ul style="list-style-type: none"><li>• Continued gradual evolution of legacy platforms</li></ul>

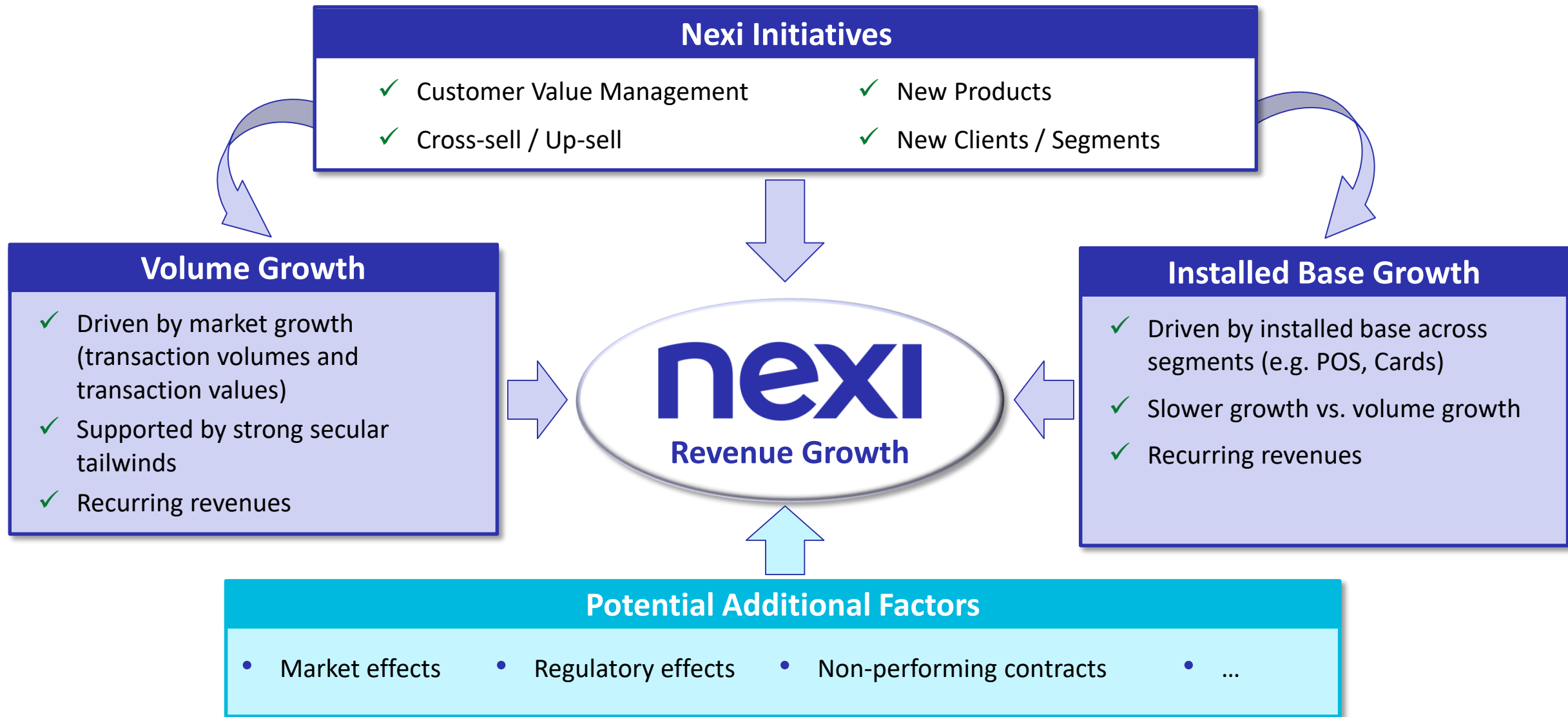
# Strategic M&A and corporate restructuring core to the reshaping of Nexi as a PayTech leader



# Growth driven by disciplined M&A and organic development



# Nexi revenue growth drivers

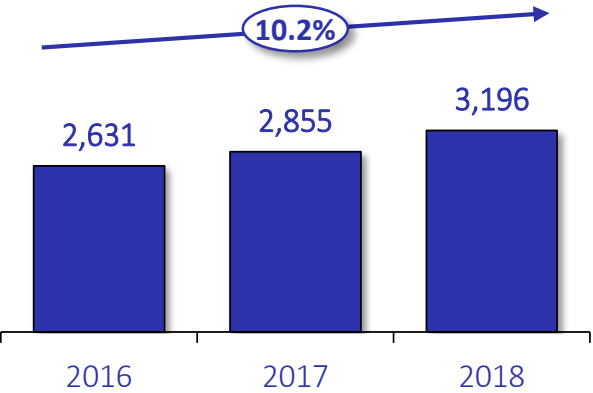


# Strong evolution in our key operating KPIs

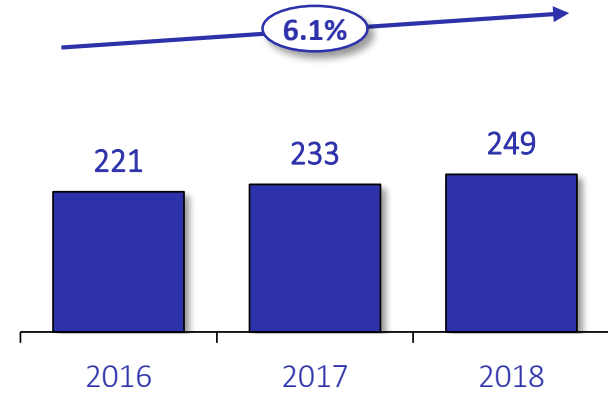


Merchant Services & Solutions<sup>(1)</sup>

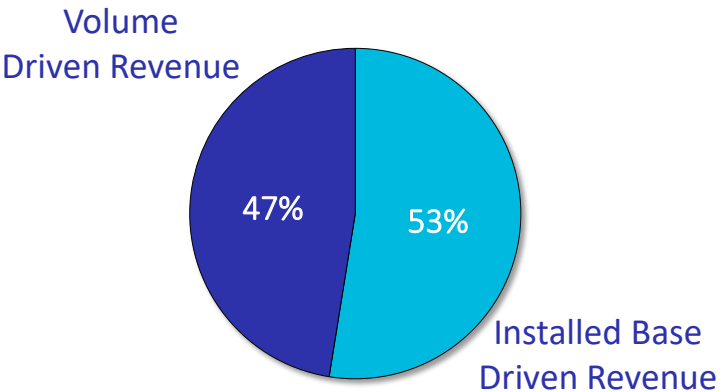
Transaction volume (#M)




Transaction value (€B)

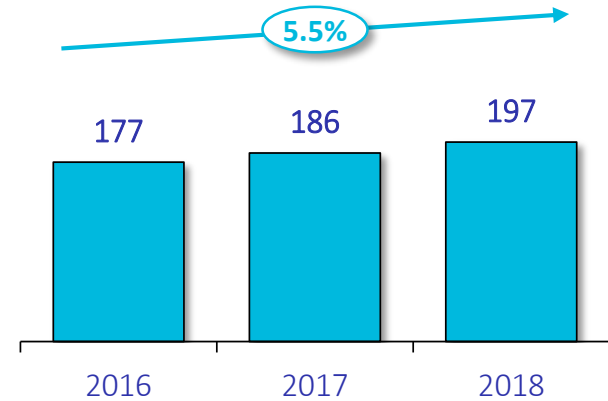
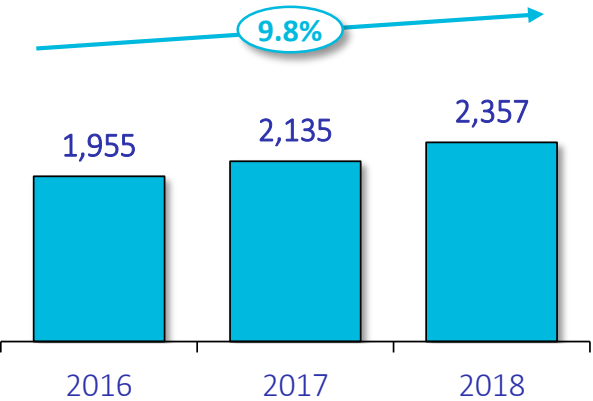


Revenue breakdown (2018, Aggregated)





Cards & Digital Payments<sup>(1)</sup>



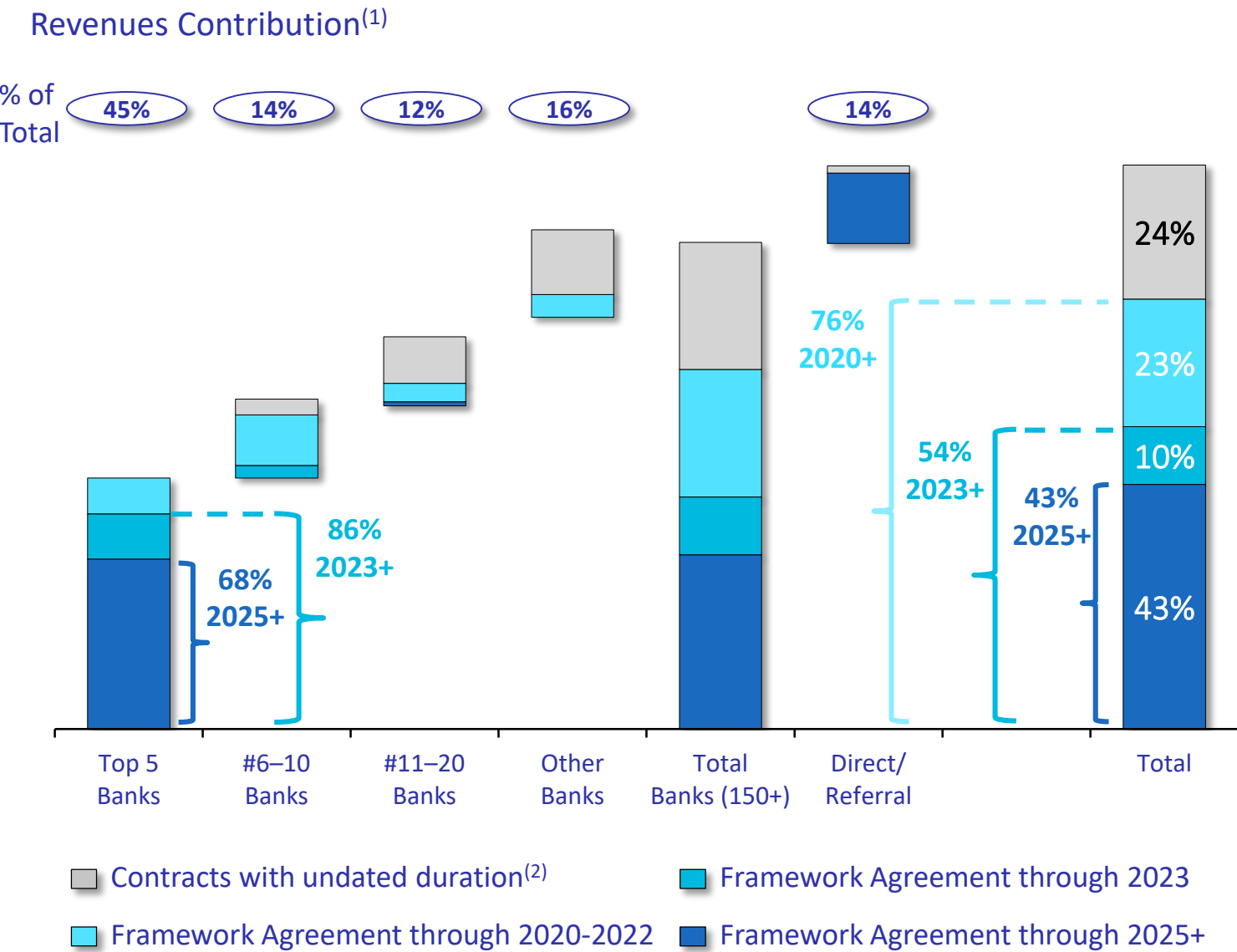
CAGR 2016-2018

Predominantly all revenues are recurring in nature

Volume Driven linked to Market Growth (transactional based on transaction # or value)

Installed Base Driven linked to Client Units (monthly or annual fees for POS rental, mobile apps, cards, etc.)

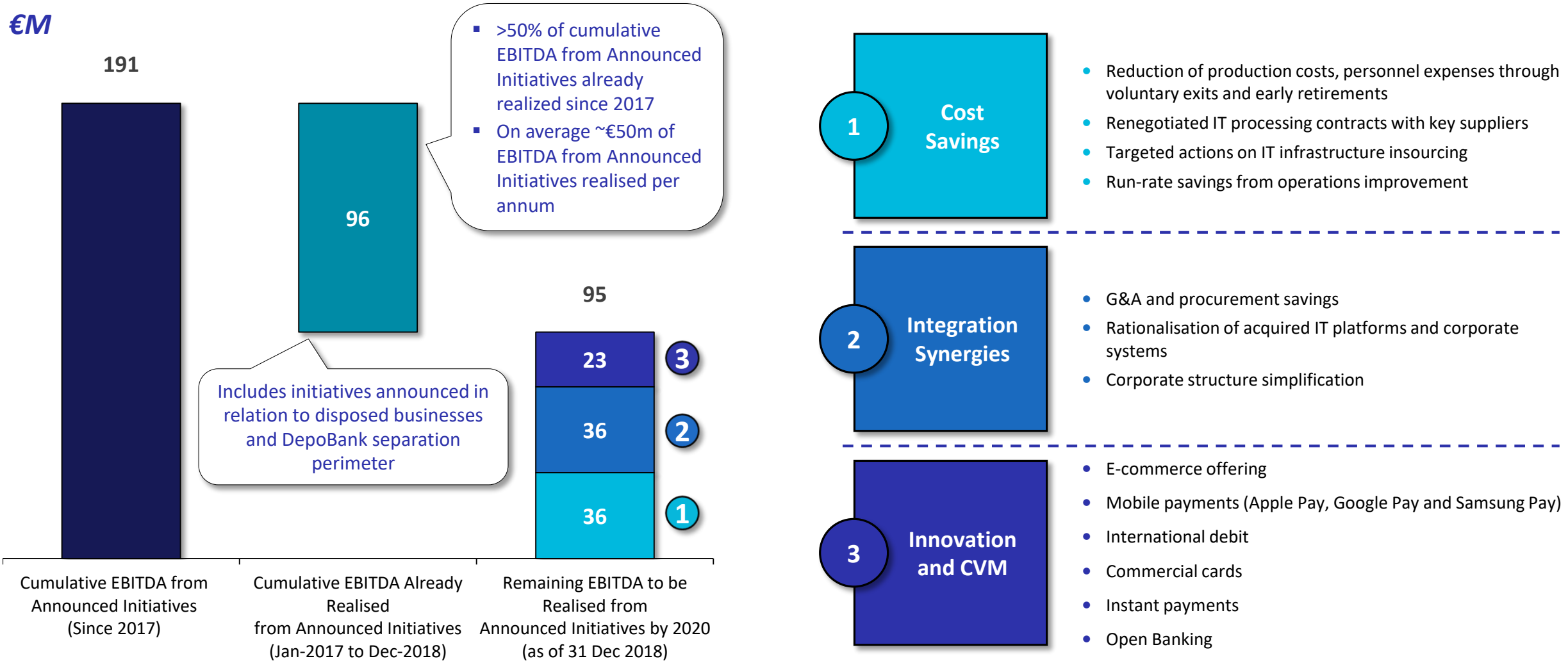
# Revenues underpinned by strong bank partnerships



- Value-based partnerships with partner banks
- Mission critical services with high switching costs and increasing shift towards outsourcing
- Revenues for top customers continue to grow; relative contribution aligned with market
- Majority of revenues are based on large number of granular product-level contracts
- Relationships with most large banks underpinned by multi-year framework agreements
- Strong track record of contract renewals and early extension of framework agreements
- No material customer losses during the last 3 years <sup>(3)</sup>



# Established track record in delivering on Announced Initiatives



# Additional upside for further cost savings and efficiencies

Cost Area	Description	2018 Cost Base (€M)
Operations	<ul style="list-style-type: none"> <li>• <b>Customer Care:</b> Continuous improvement on self-care tools and internal processes, leveraging on digital and improving customer experience</li> <li>• <b>Operations Effectiveness:</b> End-to-end digital transformation of the main processes in the operations value chain; optimisation of production and stock management practices</li> <li>• <b>Data &amp; Analytics:</b> Deployment of predictive tools enabled by big data analytics to further reduce frauds and increase customer satisfaction</li> </ul>	~120
IT Costs	<ul style="list-style-type: none"> <li>• <b>IT strategy evolution:</b> Develop a new IT architecture, with more activities and IT processes insourced and launch of next generation platforms with higher efficiency and scalability</li> <li>• <b>Other IT efficiencies:</b> Maximization of synergies related to Basilichi (ATM management) and MePs integration</li> </ul>	~180
Other costs (G&A, HR, ...)	<ul style="list-style-type: none"> <li>• <b>HR:</b> Continuous focus on organisation optimisation in coherence with business evolution and outsourcing / insourcing mix</li> <li>• <b>Procurement:</b> Further improve procurement processes and maintain strong control of renegotiations</li> <li>• <b>G&amp;A:</b> automation of manual, low / non-value added activities; extend “Zero based budgeting” to all cost categories</li> </ul>	~200

# Disposal of non-core assets provided internal funding of transformation and non-recurring costs








## Non-Recurring and Extraordinary Items

		2016	2017	2018
<b>A</b>	<b>Non-recurring Items Affecting Reported EBITDA</b>	<b>50</b>	<b>134</b>	<b>131<sup>(2)</sup></b>
<b>Transformation</b>	• Extraordinary costs linked to transformation projects (including re-branding)	36	54	38
<b>HR Restructuring</b>	• Mainly Nexi in 2016 / 2017 and Basilichi in 2018	16	51	21
<b>M&amp;A, Corporate Reorganisation &amp; Other Items</b>	• M&A-related extraordinary items, DepoBank separation <sup>(1)</sup> , Bond refinancing, start-up investments (e.g. YAP)	(1)	29	72

Cumulative '16-'18 impact of non-recurring items affecting reported EBITDA **€315m**

<b>B</b>	<b>Extraordinary Items Below EBITDA</b>	<b>-</b>	<b>33</b>	<b>49</b>
<b>PPA</b>	• D&A related to the acquisitions of Carige, MPS and DB books	-	33	40
<b>Debt Pushdown</b>	• One-off rating agencies fees as well as amortisation of the bond cost	-	-	9

## Proceeds from Disposals

Disposals	EV (€M)
Fondo Italiano di Investimenti	25
 MERCURY PROCESSING SERVICES INTERNATIONAL	114
<b>TAPF</b> (Transfer Agent Pension Fund)	16
Brokerage and Market Making	1
 <b>Hi-mtf</b> matching your needs	2
 "Non-core" real estate portfolio	73
 <b>Basilichi</b> Business Services	0.1
 <b>BasilichiCEE</b> Central Eastern Europe	1
 <b>Oasi</b>	149
 <b>Moneynet</b> <sup>(3)</sup>	0.1
<b>Total</b>	<b>381</b>

2017

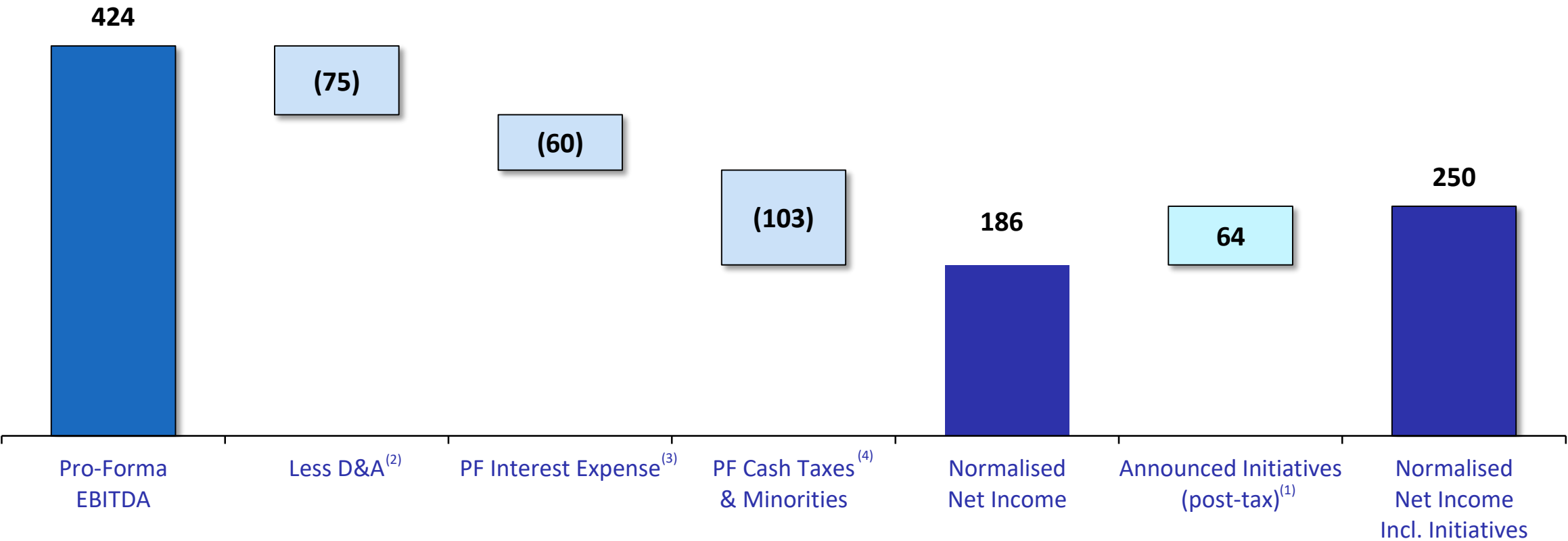
2018

2019

# Strong normalised net income

## Bridge from Normalised Pro-Forma EBITDA to Net Income (adjusted for non-recurring items and PPA)

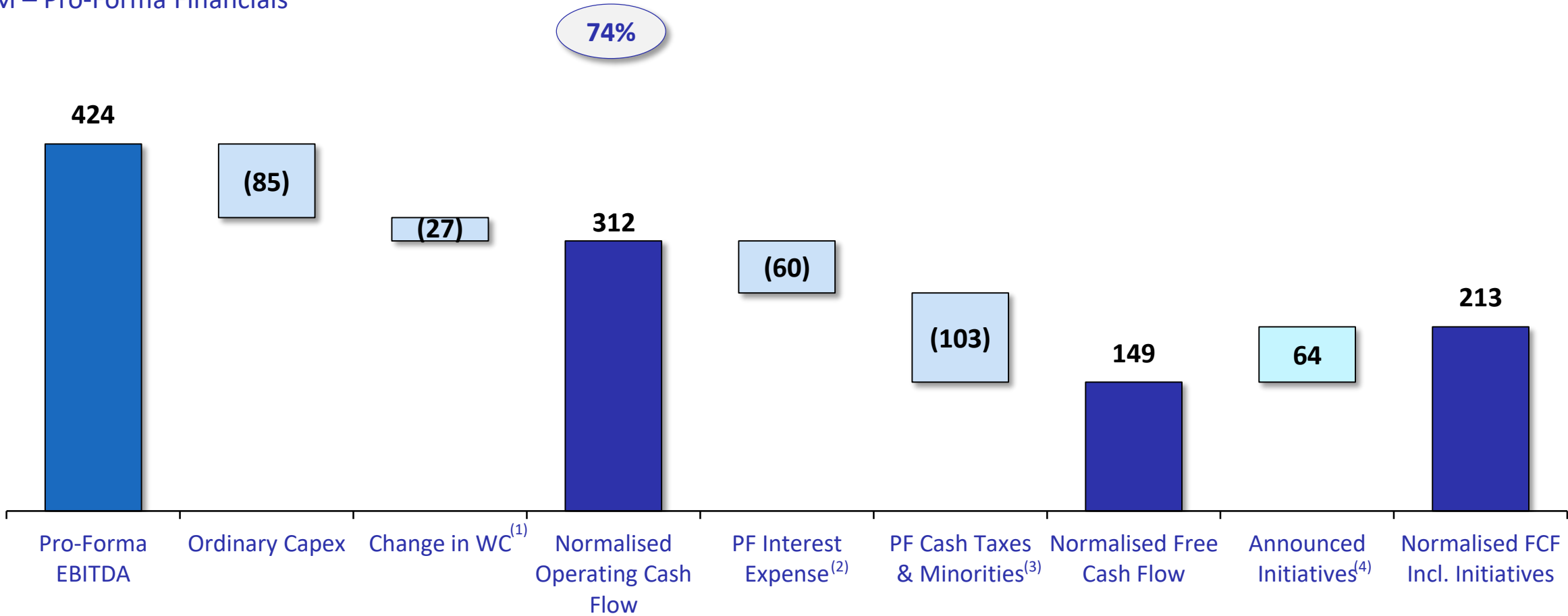
€M – Pro-Forma (2018)



# Attractive normalised cash flow generation

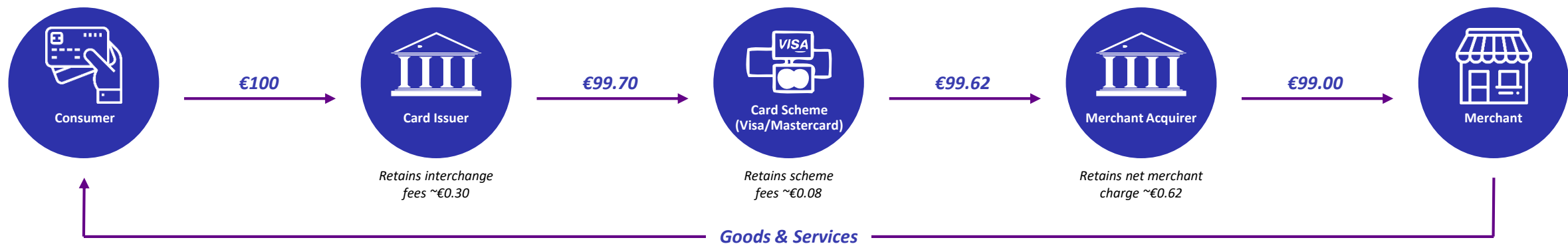
## Normalised Pro-Forma EBITDA to Cash Flow (2018)

€M – Pro-Forma Financials



# Cash Conversion as % of Pro-Forma EBITDA

# Illustrative demonstration of issuing and acquiring payment flows



Consumer	<ul style="list-style-type: none"><li>▪ Makes a digital payment by presenting a payment card for its purchase at a merchant (which may be a retail outlet or online store)</li></ul>
Card Issuer	<ul style="list-style-type: none"><li>▪ Bank or other service provider which manages the consumer’s payment card and underlying bank account or credit allowance</li><li>▪ Receives a digital request to authorize the card transaction, after verifying that the consumer has sufficient funds available</li></ul>
Card Scheme	<ul style="list-style-type: none"><li>▪ Passes the payment to the merchant acquirer less a scheme fee and an interchange fee payable to the card issuer</li></ul>
Merchant Acquirer	<ul style="list-style-type: none"><li>▪ Settles the transaction value with the merchant</li><li>▪ As compensation for its services to the merchant, it charges the merchant a gross merchandise service charge, based on a percentage of the transaction value</li></ul>