

Nexi S.p.A.

"Nine Months 2023 Presentation Conference Call"

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**MODERATORS: PAOLO BERTOLUZZO, CHIEF EXECUTIVE OFFICER
BERNARDO MINGRONE, CHIEF FINANCIAL OFFICER**

OPERATOR: Good afternoon. This is the Chorus Conference operator. Welcome and thank you for joining the Nexi Nine Months 2023 Presentation Conference Call.

At this time, I would like to turn the conference over to Mr. Paolo Bertoluzzo, CEO of Nexi. Please go ahead, sir.

PAOLO BERTOLUZZO: Good morning to everyone and welcome to our call for results for the first 9 months of 2023. As usual, I'm here with Bernardo Mingrone, our CFO and Deputy General Manager, and with Stefania Mantegazza, who is leads our Investor Relations activities.

As usually, for our quarterly results, I will be covering the key messages, the volume dynamics that we are observing and the key updates on merchant services, then I will hand over then to Bernardo who will cover results for the 9 months and for the quarter. Finally, I'll come back for the closing remarks.

Let me start at Page 3 of the presentation. That as usual summarizes the key messages. Message #1, throughout the quarter, we've seen a continued volume growth across all our geographies. In general, we've seen a mid to high single-digit growth across all of them. I think the group wide average in the quarter has been around 7%-8% despite tough comparison against August last year that was very strong, especially in the Mediterranean countries, Italy and Greece in particular.

We have seen growth also across all consumption categories and segments within particular SMEs volumes growing double-digit in the first 9 months of the year. Last but not least, we continue to see a solid growth in September and October across all geographies.

Second key message in the 9 months is that our results have been in line with our plan with very strong continued margin expansion.

Revenues, grew 7% in the 9 months with the third quarter performance affected by the comparisons with last year as summer was very strong. Merchant solutions revenues grew in the 9 months at 8.2% with e-commerce growing double-digit. And here we underline the performance of Germany as there has been attention over the last few weeks for such market . We've been healthy growing at 12.6% y/y in 9M23 and at 8% in 3Q23.

Last but not least, EBITDA has grown in the first 9 months of the year at about 10.2% with a margin expansion of 149 basis points, and 156 basis points in the 3Q. And we expect this performance to be confirmed across the year.

Last but not least, we continue to progress in executing our strategy announced at the Capital Market Day. The various fronts are progressing well as we've integrated the company more deeply at the beginning of this year. We've started to identify further efficiencies and synergies that will become visible in the next few months and in the coming years more broadly.

In addition, we have rebranded Germany and more broadly the DACH region to Nexi brand. This is a very important step for us, because we normally rebrand an asset where we feel very comfortable with the status and most importantly with the outlook and the possibility to accelerate further in the region.

We have also signed the sale of our Nordic eID business for up to €127.5 million to IN Groupe. The IN Groupe is a French company leading global identity and secure digital services provider. This, as you remember, is a very nice asset that we have declared as a non-strategic and therefore asset for sale as announced at the Capital Market Day last year. In the Annex of this presentation you will find a page that describes better the terms of the deal and the perimeter of the business.

Last but not least, we continue to reduce our net debt leverage in line with our plans, and just as a confirmation, we will pay down our 2024 and 2025 maturities, that accounts for about €1.3 billion, with the cash that we have already available that is closer to €2 billion. Overall, we confirm the guidance for the full year that, as a reminder, is about 7% y/y revenue growth, 10% or above y/y EBITDA growth and excess cash of at least €600 million.

Let me now move to volumes. I think next year we will probably simplify this slide because it was something that we needed to do to allow you to understand the dynamics throughout the COVID period, that hopefully is by now well behind our shoulders.

I think there are 3 themes across the various markets. First of all, Italy and Nordics growing mid-high single-digit, despite the fact that we had a lighter-August in Italy on the back of a very strong August last year. And actually we have the DACH region that is growing in the double-digit space, driven by a particularly strong performance of SME in Germany.

Second key message, there is a solid continued performance in the basic segments that includes groceries, supermarkets, utilities, all those types of things that even throughout macroeconomic weak period continued to basically perform well. But you can also see that we have a lighter trend in discretionary consumption across all markets slowing down throughout the summer.

Third key message, in October we see these trends continuing in a pretty solid way.

Let me now move through the usual update on the key news in the merchant solutions business that accounts overall well for more than 50% of our business. In SME, we still see volumes growing about 11%

in the first part of the year so far. A few things that we'd like to underline: we continue to see a growth in our terminal base over the last 12 months, that is a good proxy our customer base as well, which grew about 100,000 terminals.

Second point I'd like to underline again, has to do with the rebranding of Germany and DACH into Nexi. In this occasion, we launched a very advanced digital proposition for SMEs with a very strong focus on SMEs. That includes obviously a smart terminal, a very simple pricing structure for our merchant customers and a fully digital customer onboarding experience. We can basically onboard customers in less than 2 days.

Third message, I'd like to underline, Orderbird, the German software company that is specialized in point of sale software mainly for restaurants and hospitality, is continuing to grow at around 20% and we have started to cross sell deeper across Nexi in our SME base after summer.

The fourth message I'd like to underline, as far as SMEs are concerned, is that we continue to expand our partnerships with ISVs and platforms. In the last quarter, we have signed about 40 new partnerships across the various geographies overall, our partner base is by now above 1,100 partners.

Moving to e-commerce, we saw a continued nice growth y/y at about 8% in volumes, which is probably in line or better than what the market is showing in Europe. This growth has been supported by a customer base growth of about 8%, mainly driven by continued expansion in Italy and in the Nordics. We continue to have a heavy focus on mid-market clients across geographies with a very strong focus on retail.

Third thing I'd would like to underline, as you remember we've signed a strategic partnership with Computop that is the German leader on online acceptance solutions. Also in this case, similarly to what we are doing in SME with Orderbird, we are accelerating revenue synergies, basically cross selling and upselling into the respective customer base, starting from Germany and preparing to leverage Computop Technology across the group, in-line with our initial strategy.

Last but not least, also in e-commerce we have signed a number of partnerships. Let me underline 3 premium partnerships that we have signed at the group level with 3 very key leaders in the platform space being Shopware, Magento and Prestashop.

Last but not least, also LAKA saw an healthy continued volume growth with an healthy pipeline or commercial new wins in key sectors and geographies covering from retail to groceries, to smart mobility and EV charging, and here we are pleased to see that we are working on more and more advanced solutions. For example in Italy we have launched recently, with one of the leading large supermarket chains, a fully digital automated cashless supermarket experience and we will roll it out across the group in Italy.

Let me now hand over to Bernardo for financial results.

BERNARDO MINGRONE: Thanks. So Paolo has walked us through volume growth and the growth of our business in the third quarter and in the first 9 months of the year. We can now see how that translates into financial performance.

So, starting on Slide 7, as usual we summarize the group level performance. The top line grew 7% in the 9 months and 5% in the third quarter and, as we had discussed at the start of the year and during the course of the year, we expected this slowdown in the third quarter due to the difficult comp we had with the summer of 2022. This has

nonetheless not stopped us from increasing our EBITDA margin, 156 basis points in the quarter, round about 150 in the first 9 months, and EBITDA growing by 10% for the first 9 months, 8% in the quarter.

Similar story for merchant solutions where we continued to see sustained growth in the value transactions across the group. I would call out performance in Germany in merchant solutions with 7.6% growth in the third quarter and 12.6% growth in the first 9 months. We have also seen volumes continue to grow handsomely in both SME and e-commerce, with double-digit year-on-year revenue growth.

Moving on to issuing solutions, we have similar story with close to 7% growth for the first 9 months. We continue to grow our business across Europe. We highlight the partnership in Norway on BankAxept and the continued focus on upselling and cross selling our value-added services, value propositions across Europe and pursue our advanced digital issuing solutions as per our strategy.

DBS had 3.3% growth in the quarter. It is actually growing year-on-year notwithstanding the fact that, as we discussed this a number of times in the past, we suffered in this business unit from Italian banking M&A, which basically led us to lose some customers in the past. Notwithstanding this, we managed to grow the business, thanks to strong volume growth, particularly in the EBA clearing, and especially on instant payments volumes were particularly strong, but in general the business unit performed handsomely in the quarter.

Moving on to the regions or the geographical split of our revenues. We can see how countries with Mediterranean focus so Italy, Southeastern Europe are the ones that suffered most because of the summer or the year-on-year comparison I was referring to earlier. On DACH and Poland just remember the Germany within that group is growing 7.6% in merchant solutions in the quarter, whereas in the Nordics I will call out how merchant solutions is growing 7%.

With regards to costs on Slide 12, you can see how our efforts to extract efficiencies benefit from synergies of the past M&A, allows us to reduce the impact which is nonetheless there of inflation. This you can see on operating costs.

On personnel costs we've discussed how we've been investing heavily in people in high growth areas, and obviously inflation you know, leads to some ways there as well, nonetheless for the first 9 months with 3.8% in terms of year-on-year cost growth. And in the quarter it was 1.3%. Obviously, the third quarter and fourth quarter are seasonal, we have a benefit of holidays in third quarter and in the fourth quarter we will see where we end the year as usual. It's a bit of a particular month in terms of invoicing from suppliers, accruals, etc. However, we stand by our guidance for the year in terms of EBITDA growth and therefore, cost containment.

With regards to indebtedness on Slide 13, we can see that we continue the deleveraging trend, which we had observed in the previous 2 quarters. We're now at 3.1 times leverage, 2.8 if include run rate synergies. We were upgraded to Ba1 by Moody's in August. This is the sixth rating upgrade since January last year, which is obviously something we are very proud of and reflects the strength of our financial profile.

As Paolo has mentioned, we will refinance with existing cash. The maturity due in '24 and '25 are approximately €1.25 billion, so we won't need tapping capital markets for these. The debt stack is well managed, with our average pre-tax cash cost of debt at 2.84%, this is less than the yield on our cash on balance sheet. The average maturity is 3.3 years, three quarters of our debt is fixed and only a quarter is variable. So strong cash generation in the quarter, which stands at some very good stead to meet our targets for the year.

That said, I'd hand the floor back to Paolo for his final remarks and guidance.

PAOLO BERTOLUZZO: Thank you, Bernardo. So let me just reiterate the fact that we are confirming the guidance for the full year. I think I don't need to read it, you know it very well, and it's very clear on this page.

Let me just make a comment as we move forward. As we usually do in this period of the year, we're preparing the plan for the following year. As we prepare the plan for 2024, we will obviously have to take into account the persistent weaker macro environment across the various geographies. In any case, we expect to continue to expand our EBITDA margin and we expect to continue to generate significant growth of our excess cash generation, thanks to top line growth, but also to operating leverage, synergies, further efficiencies and CAPEX normalization in line with our plan. We'll talk more about all of this clearly in early March with our full year results call. And in that context, we will continue to provide additional clarity and direction on our capital allocation strategy.

Let me then coming back to the summary page. We see continued volume growth across the various geographies in the quarter with a mid to high single-digit across the various fronts. Results in line with our plans. Again, I want to underline this very solid and strong performance in Germany, growing double-digit in the first 9 months of this year, with a very strong EBITDA margin expansion continuing throughout the year.

And last but not least, we continue to progress in executing our strategy. And again, here, let me underline the sale of the Nordic eID business that is absolutely in line with what we had declared last year at the Capital Markets Day. Last, we confirm our guidance for the year.