

Nexi S.p.A.

"First Half 2025 Financial Results Presentation"

Thursday, July 31, 2025, 8:00 CEST

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OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome, and thank you for joining for the Nexi First Half 2025 Financial Results Presentation.

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

PAOLO BERTOLUZZO: Thank you, good morning. Good morning to everyone. And welcome to our results call for the first half of 2025. As usual, I'm here with Bernardo Mingrone, our Deputy GM and CFO and Stefania Mantegazza, who leads our Investor Relations activities.

Today I will start by providing a short overview of the progress in the first half and the key messages associated to it. I will then hand over to Bernardo for results and come back for conclusions.

Let me start on Page 3 of the document with a summary of our key messages. First of all, we continue to deliver profitable growth, and I would add, strong cash generation. The first half of the year revenues were up 3.4%, with Merchant Solutions up close to 4%, but actually growth across all business units and growth across all regions as well.

In the first half EBITDA did grow at 5.2%, with an 88 basis point EBITDA margin expansion, thanks to a combination of top-line growth, continued operating leverage and strong cost control, with OPEX growing in the first half below 2%.

And last but not least, and most importantly given the strong focus we have on it, in the first half of the year we'll be generating excess cash for €407 million, which is well on track to deliver the committed more than €800 million across the full year.

Second set of messages, we continue to shape Nexi for future profitable growth and re-acceleration as we look into the coming years. First of all, we continue to progress on our strategy on integrated payments and

software payment integration. As we discussed in the past, our strategy is fully focused on partnering with ISV, with different partnering models.

In the first half of the year, we did continue to progress in the development of this partnership. We have been adding another 30-40 partnerships across the region and we have a fairly good coverage of partners across different regions.

In particular, I would focus on the Nordics, where we have very strong coverage and the Nordics are particularly relevant for this conversation because that's the region where we see integrated payments having higher relevance versus the rest of our geographies.

Second key message, we continue to have strong performance in the Italian complementary channels for SMEs. As a reminder, SMEs is our highest priority in general. In the first half of the year, complementary channels were representing 26% of the new sales up from 20% last year and the field sales channel, which is the most recent one, we've been developing the triple.

Third key message, we continue to see strong progress on e-commerce with good customer base growth at about 5% across the various geographies. This is very important to us as e-commerce is one of the key pillars of our growth and future acceleration.

And last but not least, and this is something that is very important especially given the dynamics that we've been observing over the last 2 or 3 years, we continue to strengthen the relationship with Italian banks that are incredibly important for the Italian region. Here we're mentioning two facts that are really important to give you a clear sense of resilience of our position in Italy. Over the last 12 months, we've been renewing 100% on the contracts that were potentially expiring.

And on top of it, we've already renewed the major contracts that could potentially expire in 2025.

Let me mention one. We normally, as you know, don't call out specific customer names or contract relationships, but this one was also into a very specific press release. We've been renewing our relationship with Crédit Agricole in Italy, a very successful relationship with Crédit Agricole in Italy for both Merchant Services and Issuing Solutions from now up until 2029.

Third key message, we continue to create value for our shareholders. As a reminder, across 2024 and 2025, we're returning to our shareholders €1.1 billion as a combination of dividends and buybacks, and we're doing this while having become an investment-grade issuer at the same time. In particular, in 2025, we're returning €600 million, up 20% versus the previous year. We have paid our very first dividend of €300 million in May and, as a reminder, we've committed to increase this dividend over time, and we have the share buyback program of a similar size that is ongoing as we speak.

Last but not least, in the last quarter, we've also issued our first issuance as an investment-grade player. We've issued €750 million of senior unsecured notes, 6 years with 150 basis points spread, which we believe is quite telling about the outlook of the business.

Overall, in this environment, we are confirming our guidance for the full year: revenues growing low to mid-single-digit, EBITDA margin expanding at least 50 basis points and excess cash of at least €800 million, starting from the €407 million that we have delivered in the first half of the year.

Let me now hand over to Bernardo.

BERNARDO MINGRONE: Thanks, Paolo. Good morning everyone. So, results for the quarter and first half show a continued and steady progress towards delivering our full year guidance, as Paolo has just finished with his section.

If we look at Slide 5, we have the breakdown of revenues in the quarter and for the first half. As you see, for the first half, we grow 3.4%, in the middle of our low to mid-single-digit top-line growth range. In the quarter, there's a slight deceleration, 3%, but broadly speaking, in line with pretty steady and in line with the first quarter of the year.

EBITDA margin continues to grow, 34 basis points in the quarter. We are at 88 basis points in the semester. Again, our guidance was to do more than 50 basis points for the full year. So, I'd say that we are on track for that as well, with EBITDA growing 3.7% in the quarter, and just north of 5% for the first half. So, I'd say at a consolidated level for the group a good second quarter in line with our expectations.

Moving on to Merchant Solutions, here we highlight, as usual, the strong contribution to our top-line growth coming from international schemes, which also benefits to some extent from a migration, across the regions in which we operate, from national schemes where they're present to international schemes.

As expected, and we have talked about this a number of times, our underlying volumes and revenues are growing and accelerating more than last year. However, we have the effect that we are working through this year of banks that we had lost a few years ago in terms of distribution capacity. This weighs approximately 2 percentage points, I would say, in terms of the value of managed transactions.

Notwithstanding that, I'd highlight the resilience and the strength of our business and its ability to grow in the quarter by 3.4% in Merchant Solutions and close to 4% if you look at it in the first half. We continue to accelerate our growth in SMEs, our core segment, in DACH and

Poland, we call out as e-commerce is core engines of growth for our business, and we continue to grow our business thanks to upselling of value-added services and products to our customer base.

We move on to Issuing Solutions. Some of the similar themes that we highlighted for Merchant Solutions apply here as well. We have a continued growth of international scheme volumes, outpacing those of national schemes as we move more and more towards those. We have continued success in upselling our international debit product in Italy, which is a key driver for growth in that region, and upselling and cross-selling of value-added services across geographies.

Again, growth in the second quarter I would say mimics that of the first quarter broadly aligned with the full first half number of 2.9%. Nothing really compared to other years' project work, pretty steady phasing throughout the first half of the year, so nothing really to call out also compared to last year.

Digital Banking Solutions, I'd say 2.5% growth in the quarter is quite good given the mainly infrastructural nature of this business, even though in those areas where we benefit from volume growth, we are taking advantage of it, for instance, on instant payments and our partnership with EBA Clearing. We continue in this business unit as well to increase the value of our client base by cross-selling and upselling value-added services. For instance, here we call out on the instant payments front how we have rolled out verification-of-payee and anti-fraud features on the instant payment product.

If we look at cross-geographies on Slide 9, I would say you know, pretty homogeneous set of numbers for first and second quarter across geographies. Italy growing 4%, which is supported, as we mentioned, in both issuing and acquiring by international scheme volume growth. We have obviously in Italy most of that drag I was referring to in terms of customers which we lost a few years ago and are now starting to move away from us. Nordics, good revenue performance with 3% top-line

growth, which is supported in particular by e-commerce growth and upselling of value-added products and services. In the DACH region, we have strong growth in revenues and Merchant Solutions in Germany at 8% top-line. And then we have one issuing processing client, which has been migrating away from us for the last 3 years or so, which is hitting the top-line, which otherwise would be showing the strong growth as we're experiencing in Germany in Merchant Solutions. On the CSE front, we will be lapping, say, the kicking in of a discount, which was embedded in a contract we acquired a number of years ago in Greece. Other than that, I'd say there's solid performance in particular in Poland, which is one together with Germany, one of the key engines of growth for the group.

If we look at the costs and the cost evolution, another good quarter cost control and a commitment to contain growth in costs, 2.3%, 1.6% in the first half. If you split the costs by nature between HR costs and non-HR costs, we have the year-on-year comp effect on personnel costs. Last year, most of the people that left, left roundabout this time, so we have a year-on-year comparison benefit in the first half also in absolute terms. This will unwind in the second half. And at the same time, we have some front-loading of project work in the non-HR costs, which actually will unwind in the second half.

So, broadly speaking, I guess the key takeaway for me is we manage our cost base as we do with our guidance on a full-year basis and we're highly confident that with regards to our overall targets. These are highly achievable and we remain committed to a second half cost growth pretty much in line with what we saw in the first half, so a strong reduction compared to last year.

On the CAPEX front, again, we need to speak about seasonality. €180 million is just around 10% of revenues in terms of CAPEX intensity. We have a sharp reduction compared to the first half of last year. In the second half of last year we had approximately €250 million, if I remember correctly, of CAPEX, so there is seasonality, as you would

expect, in the second half of the year. We'll expect to have something similar this year, although we remain committed to reducing our CAPEX intensity and in absolute terms year-on-year, as we have discussed in the past. So, there is some phasing effect, and I'd say that CAPEX intensity will also come down as well as the absolute value of CAPEX compared to 2024.

Slide 12, about reduction of transformation and integration costs. On the left, you see how we continue to reduce the integration and transformation costs associated with two very large mergers we completed at the end of 2021 or during 2021. These come down to just under €35 million. The overall absolute number is also coming down year-on-year. Clearly, last year we had a large one-off coming from the downsizing plan from the severance cost, which was €165 million, but even if you normalize with that, we expect a full-year reduction in this line item, also helping to compound the EBITDA growth and generate incremental cash year-on-year, which we see on Slide 13.

On Slide 13, we have the excess cash generation, so our measure of free cash flow essentially. We have a target of at least €800 million for the year. We are at €407 million. There are seasonality effects here. However, we feel very comfortable with regards to our target of exceeding €800 million at this stage of the year and given where we are in the first half.

Finally, before I hand the floor back to Paolo, we look at our indebtedness. I think it's important to say that we are 2.7 times EBITDA, having already returned €1 billion. This was on the 30th of June. Today we're closer to €1.1 billion to investors in the form of share buybacks, and our first dividend as a listed company which was paid in May. Had we not done this, clearly our deleveraging would have been much steeper and we would be at 2.2 times EBITDA.

We're investment-grade, absolutely committed to maintaining this rating, hopefully improving it, and this helps us manage this debt stack

very proactively. We issued €750 million note last May, which was successfully priced, as Paolo is suggesting at the very low end of the pricing range, consistent with a higher rating than ours, and we managed to contain our cost of debt at 2.4%, which is clearly also something which helps us manage this cash flow generation.

So, that said, let me hand the floor back to Paolo for his closing remarks.

PAOLO BERTOLUZZO: Thank you, Bernardo. So, you've seen a fairly, I would say, straightforward set of results. On the back of all of that, we are confirming our guidance for the year. We expect revenue to grow low to mid-single-digit for the full year. As a reminder, we would be including into this guidance two aspects, an underlying growth acceleration versus last year, that was about 5%. However, now undermined by a combination of some Merchant Services effect in Italy on the back of banks' M&A and other contract effects coming from 2 or 3 years ago, and at the same time, in steps of smaller contract renegotiations or terminations across the other geographies for IS. At the same time, we continue to expand margin by at least 50 basis points, thanks to continued strong cost control that Bernardo has just mentioned. And overall, for the year, we expect to grow cash and reach at least €800 million.

Let me just recap the 3 very key messages. Continued delivery of profitable growth and let me stress that excess cash generation continues the acceleration. Second point, shipping Nexi for a future profitable growth and acceleration and let me stress again the strengthening of the relationships with the Italian banks with a very successful season of renewals and extensions, including the key contracts that were potentially expiring into 2025. And last but not least, returning value back to shareholders, with €1.1 billion returned across 2024 and 2025.