Nexi S.p.A.

"First Quarter 2025 Results Presentation"

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

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

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

Today, as usual, we start with an overview of the key messages, and then I will hand over to Bernardo that will cover results for the quarter, but we'll also deep dive on the topic that we have chosen for today, which is actually our progress on debt more in general capital structure management, and then we come back for conclusions.

Now let me start with the summary of the key messages of the day, Page 3 of the document. First of all, point number one, continued delivery of profitable growth in the quarter. Revenue went up 3.7% in the quarter with Merchant Solutions up 4.5% versus the first quarter of last year, and this is despite some effects from the leap year and the different Easter phasing that is a disadvantage in 2025 versus 2024 for the first quarter.

In this quarter, we also did continue to show strong cost efficiency control, cost did grow only 0.8% in the quarter, thanks to continued cost control and operating leverage. As a result of revenue growth and strong cost control, EBITDA went up in the quarter by 7.1% with an EBITDA margin expansion of almost 150 basis points.

Second key point, we continue to focus our attention into shaping Nexi for future profitable growth.

There are four points that we want to underline: First of all, we continue to make progress on integrated software payments strategy execution in the quarter. We also signed a strategic partnership with Planet in the vertical of hospitality for the large merchant segment. We will start from there with Planet with focus on the Nordics first, Italy and DACH to come and we'll probably then extend the partnership into additional verticals where they are particularly strong, such as luxury and high-end retail.

Second point, we confirm that we continue to see a strong traction from our direct complementary SME sales channels in Italy, where we are adding a stronger firepower to our bank partnerships. We continue to be there and these additional channels are now representing about 30% of the total new sales in the quarter.

Third point, on top of our very strong focus on SMEs that remain the core and remain the priority for us, we are increasing, especially in certain geographies where we are already market leader, our focus on the mid-corporate and national LAKA segment, which is a segment that is particularly interesting for us, on the one side, because it's profitable.

And, on the other side, because it's a segment where we gain a lot of traction with our positioning that is combining scale, that allow us to have product strength, technology strength and, at the same time, local in-market presence and entrenchment, which is very important for these players that require a lot of local support across all possible fronts.

Last but not least, we continue to have a strong performance on cost, but we're already working on the next round of efficiency measures looking forward to 2026 and beyond.

Third and last point, we are creating value for our shareholders. As we have announced 3 months ago, we are returning in 2025 €600 million to our shareholders, which is 20% more than last year, we will pay the €300 million of dividends, our first dividend, on the 21st of May and on the same day, we will also start our share buyback program of another €300 million.

Second point, as you may have seen, we've been upgraded to investment grade by Standard & Poor's in March 2025 after the same upgrade from Fitch Ratings at the end of 2024.

And last but not least, we have completed in March €2.9 billion financing plan and we've established more recently our EMTN program that will allow us to further optimize the financial structure and Bernardo will deep dive in these topics in a moment. Overall, based on what we have seen in the first quarter of the year, we confirm our guidance that we gave you 3 months ago.

Now, let me handover to Bernardo for results.

BERNARDO MINGRONE: Thanks, Paolo. Good morning. Starting on Slide 5, revenues, we brought the announcement forward in terms of the growth in revenues, that doesn't come as a surprise, 3.7% growth year-on-year as Paolo reminded us. Last year was leap year and Easter was at the end of March while this year was in April, and that has affected these dynamics slightly, just like for most other payments companies.

The strong point on this slide to highlight is the margin accretion, close to 150 basis points in the quarter. There are timing and phasing effects during the course of the year. We'll speak of them in a second as we go through. I'd say strong performance in the quarter with regards to our operating leverage delivering the margin accretion and the EBITDA growth, which you see is just north of 7% at €386.9 million.

Moving on to Merchant Solutions. We have continued growth in the business unit which continues to be supported by volume growth. This is the business unit which most benefits from volume growth, we called out on the slide, the fact that this volume growth is generalized across the group and especially in Italy, Germany and Poland. Notwithstanding the calendar effects that I spoke of earlier and notwithstanding the fact that we have initial impacts coming from the loss of the Italian Banking client we have also spoken of in the past, the volume growth in the first quarter reaccelerated during the course of April, clearly because also of the calendar effects that I was mentioning earlier.

We highlighted and called out the fact that we continue to grow our customer base in the SME segment, the most important one for us. This is particularly true in Germany, where we gained market share, in Poland and also in e-commerce, and we continue to get important contributions to our top line growth from the upselling of value-added services to our customer base.

Moving on to Issuing Solutions. We continue to show growth in top line in issuing, again, driven by international schemes. Clearly, here, the contribution of volume growth is slightly less on a percentage basis then for Merchant Solutions. We continue to drive most of our revenues from international schemes. Even here, we have a bit of a calendar effect as we mentioned for Merchant Solutions.

But I think it's important to continue to highlight the contribution to our top line growth of international debit in Italy, which is a very strong contributor to the top line in Italy and for the Group. And even here, the upselling and cross-selling value-added services and the focus on advanced digital issuing solutions and the rollout across Europe.

Digital Banking Solutions, the division which is most infrastructure-like in terms of its characteristics, grows in the quarter close to 1%. We have, from the volume-driven businesses within Digital Banking Solutions, good development from instant payments and its adoption across Europe with volumes growing very handsomely in that segment and other areas like the Italian public sector pay bill payments campaign, which is contributing again to the top line growth in the bank payments hub, payments-as-a-service proposition contributing to this.

Moving on to the regional distribution of growth within the Group, most geographies contribute to the top line growth. We have some specific impacts in certain geographies, the net of which obviously contributes to the top line growth of 3.7%.

In Italy, we had, as I was saying earlier, strong support from international scheme growth notwithstanding the leap year and Easter phasing. However, we also had some project phasing contributing to this and, importantly, the initial contribution of - or negative impact of the exit of some clients, which started the end of last year and started to pick up in terms of volumes in the first quarter of this year, and we will have for the remainder of the year.

In the Nordics, the weaker macro is what I would call out in terms of the impact on the Nordics and, notwithstanding this, we have a top line growth in the low single-digit range. Easter is probably less relevant here but the leap year obviously contributes to this as well.

DACH, we have a continued strong year-on-year growth in Merchant Solutions in Germany, which is very high single-digit in terms of growth, we highlighted here 9% growth. Then we have an issuing client impacting our top line in Germany, obviously and for Germany it is more relevant than it is for the Group. However, the exit of this client, which started a number of years ago, is impacting the top line growth there.

In CSEE the negative number which might stand out has more to do with phasing of last year's first quarter one-off impacts, which were positive last year and less relevant this year in Poland and that swing the balance.

Just to clarify the fact that we have now, as we continue working on one Nexi - Paolo was suggesting - one of the things we're doing is aligning our accounting and reporting systems, and we're now reporting Poland in CSEE and no longer together with Germany. The database will be aligned in the future and this allows us to align the reporting with the way we manage the business within Nexi.

Page 10, on cost performance, we have a natural aversion to cost growth and we focus a lot on managing our cost base to deliver the most out of our operating efficiency. Costs were growing less than 1%, notwithstanding the fact inflation is higher, notwithstanding the fact that volumes are driving above 20% of our cost base. Notwithstanding this, we have managed to limit the cost growth to 0.8%, which is a very good result.

It is fair to say that in the first quarter this year we benefit from a year-on-year comp in HR costs. The last year we had a large transformation initiative, which led to about 1,000 people exiting the Group. Most of this happened in the second half of last year, so the first quarter is the one where we have the biggest year-on-year effect, and you see that in the minus 5.4%. This will come down during the course of 2025. However, we manage our cost base, and these phasing effects are all known and planned for when we give our guidance so there is absolutely no surprises in this.

Moving on to Slide 11, before we go into a deep dive on our capital structure, you can see leverage is now at 2.5x. This is coming down every quarter, as you see in the bar chart here. If you take a step further back, if we go back to 2021, we started this journey after the mergers of Nets and SIA at 3.6x. If I go further back, when I joined, Nexi we were at 6.5x leverage. All of this just to say that our business is one which, thanks to its growth in the EBITDA, thanks to strong cash generation, can deleverage pretty quickly, and more importantly, predictably, which is what we bank on in managing our cash allocation, our capital allocation strategy, which Paolo reminded us of, includes a €300 million dividend, which will be paid later on in the month, and a buyback program, which will start once the dividend has been paid.

We also do this whilst at the same time reimbursing maturities as they come due. We've reimbursed €750 million last year and another €0.5 billion is in the process of being reimbursed. We have spread about €3 billion of maturities, which came due in 2026, after a large renegotiation of partner banks. And we're now ready to approach the market with senior unsecured bonds as an investment-grade issuer, thanks to the establishment of the EMTN program.

Moving on to the final chapter before I hand the floor back to Paolo, we thought it would be helpful to just take a moment to review our capital structure now that we are investment-grade by at least 2 rating agencies, which makes our future issuance eligible for all kinds of indices and gives us access to a different pool of investors and markets for our debt.

Slide 13 just summarizes what we said back at the beginning of March with our full year results presentation. Our commitment is remaining investment-grade going forward, and we target a leverage of between 2.0x to 2.5x and we are at this point in 2025, in the quarter. Given the phasing of buybacks, et cetera, this will change in the course of the year but that is our primary commitment we make.

We are a returning capital to shareholder and we will focus only on very selective and value-accretive M&A acquisitions as, frankly speaking, we've done in the past. This is both on the buy side and on the selling. As you know, we always review our portfolio to identify assets which are particularly not core to us or have better owners than Nexi to dispose of them. And even in the course of the year, we sold a small capital markets business. We also sold a 50% stake in a small business in the Nordics.

Slide 14 reminds us of the journey in terms of the leverage, which I was speaking of earlier, 3.6x at the time of the mergers with Nets and SIA, 2.5x now. This has actually been 2.3x leverage if we pro forma it for the share buyback, and we'd probably end the year - and this is not guidance- below 2x if we hadn't decided to allocate €600 million to buybacks and dividends. So what this slide is aimed at showing is just the point that I made of the fact that our business, given its characteristics, it's one which deleverages organically and pretty quickly over time.

Slide 15 summarizes our approach to debt management, which I believe to be sound and disciplined, and the key recent events. First and foremost, our journey towards investment grade started off from single B+ a number of years ago and we've had 8 rating upgrades since January 2022. We're now investment grade by S&P and Fitch and Moody's has upgraded us in terms of its outlook to positive, which is all good news for us.

The debt repayment and refinancing, over time we have discussed why we were carrying cash in our balance sheet, why we were managing the debt we were managing. The overall cost of debt has always been pretty low as a function of the time in which we issued the bonds, the convertible bonds, got the bank loans, et cetera. And we are having a positive carry effect on our interest margin, thanks to the fact that the cash balances were being deployed and invested at a higher rate.

Nonetheless, last year we started to pay down this debt given where we were in our journey of transformation of Nexi, and we started to pay back some of the cash generated to our investors with the buyback which was completed in the second and third quarter last year. During the course of this year we will continue to pay down maturities in addition to the €750 million reimbursed last year, and during the course of the first quarter, we renegotiated €2.9 billion of financing for us. These were maturities, bank loans, which were maturing '26 and '27, as well as increasing the size of our RCF to €1 billion which gives us increased flexibility to manage the remaining maturities in the shorter term. We have also filed registration and established a €4 billion EMTN program. This makes us basically ready to tap the investment grade market with new issuances at some point in the future.

Slide 16 is the final one on the debt structure. The first chart shows where we are. We have a well-diversified and balanced debt profile, diversified in terms of the investors we can access to lend us money, well-balanced in terms of the various mixes of debt that we have. And if you look at the pro forma schedule on the bottom of the page, well spread out in terms of maturities with the maturity profile which has been increased to 3.3 years from 2.4 years, and a cost of debt that fortunately for us didn't spike during the period of rate hikes given the predominantly fixed nature of the debt and the maturity profile we had set up before the rate hike cycle. And now we are able to refinance at rates which bring this 2.35% down from where it was before, it was 2.7%.

With no maturity walls ahead of us and with our ability to further optimize the spread of these maturities over time as time goes by, thanks to the fact that we now have a tool, the EMTN program, which is extremely flexible and helpful in that sense.

That said, let me hand the floor back to Paolo for his final remarks and guidance for 2025. Thanks.

PAOLO BERTOLUZZO: Thank you, Bernardo. Before I move to guidance, let me just make one comment on what Bernardo has just been covering. I think some time ago we told you that our optimal landing spot for leverage would have been 2x to 2.5x. Let me underline the fact that at the end of this quarter we are at 2.5x. That will be at 2.3x if we were not doing the buyback of €0.5 billion last year and without returning a further €600 million to our shareholders by the end of the year we will be actually closer to 2x. So

I guess you never say mission accomplished on these things because they are always open topics for us. We continue to focus a lot on this, but clearly we are landing the company in the situation that we did commit to you some time ago.

Now, let me close by, first of all, confirming our guidance for 2025. Based on what we have seen in the first quarter of the year and our results and the market dynamics that we observe, we confirm our guidance for the year that as a reminder says that we grow net revenues around low to mid-single-digit and EBITDA margin by at least 50 basis points. As you know, this performance is being affected by a number of exceptions in the year that are actually larger than usual.

Underlying we see a growth acceleration, which is also what we have seen to a certain extent in the first quarter of the year. As a combination of all of this, we expect to generate an excess cash of at least €800 million, up at least €100 million versus the €700 million of last year.

Let me just close by summarizing again the key messages on Page 19. Again, we started the year with continued delivery of profitable growth, revenues up almost 4%, EBITDA margin expansion very strong in the first quarter. We continue to focus on future profitable growth of the company. And last but not least, a strong focus on the remuneration for our shareholders with the dividend and the buyback starting in a few days.