

Tinexta S.p.A

"Third Quarter 2020 Results Conference Call"

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RELATIONS

OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Tinexta Nine Months 2020 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Mr. Lawrence Kay, Director of Communication and IR. Please go ahead, sir.

LAWRENCE KAY: Thank you very much. Good evening, Buonasera a Tutti. Thank you for joining and participating in this conference call. We will start with Mr. Chevallard, the CEO, who will go through the results, highlights and performance, then Oddone Pozzi, Group CFO, will review the financials in particular balance sheet, and then we will close with some outlook, and obviously open things up for questions and answers. Thank you for joining, and Pier if you want to start off.

PIER ANDREA CHEVALLARD: Yes, Buonasera a Tutti.

I'll be doing some translation, well just to make it easier. So we will talk in some in Italian and then numbers in short translation.

Okay, thank you very much and good evening. I believe you've received the press release and the presentation. So as a consequence I will be very brief and to the point. 9 months results were extremely positive, and in a certain sense, exceeded our forecast. Revenues year-to-date results were up by some 4%, EBITDA by some 20%. This was driven by the third quarter results which recovered very strongly, and indeed revenues were up by some 19% and as you can see EBITDA was up by over 50%. All of

the business units performed very well in particular the main driver was credit information and management. one thing to state is that these third quarter results are vis-à-vis compared to the third quarter 2019, which was unusually light in terms of revenues.

Okay. Just going further down, we note that the free cash flow was excellent in this quarter that it was at over €50 million and that in turn helped to write-down the net financial indebtedness to €93.4 million. If we look in a little bit more in detail on Page 4 of the presentation, revenues rose to almost €190 million, EBITDA roughly €56 million, the operating profit EBIT at €37 million and net profit at €26.3 million which was up significantly by almost 38%. It would seem to me that the result is excellent and demonstrates the capability of the Group to respond to the crisis that COVID and post-COVID crisis.

Okay, if we look therefore at the very end what we see is a very good result is, it's largely due to the recovery of sales that were lost in the first and in the second quarters. And so therefore this is really the driver.

If we look on Page 6, we note that the change that happened here in the business and in the revenue mix, some credit information management was the one that helped to achieve these results. This was due in most part to the very rapid capability to change gears and to put into place the possibility of working with banks and therefore with SMEs obtained bonds from the central guarantee fund of the government. Clearly, the other business units performed as well, and together giving rise to these very good results.

Okay, first 2 other, 2 other pieces of news in particular, one, as we announced in the press release and you see here in the presentation on Page 8, the conversion of the joint venture in LuxTrust into commercial lines. We have had some intense discussions regarding strategy over the last several months and what has come out has been a divergence of the Luxembourg component to push a widened offer in Luxembourg preferring that as opposed to Luxembourg to push on it into the French market. So, therefore, by mutual agreement, we have decided to dissolve the joint venture and transform it into a commercial alliance.

In this context InfoCert will continue to operate and collaborate with LuxTrust particularly in Luxembourg, but also continue its strategy in Europe particularly with regard to the creation of a pan-European leader in Trust Services.

As it is stated, the unwinding of of this agreement is being done at the original price. Therefore, Luke's Luxembourg LuxTrust development will buy back the 50% shares of LuxTrust at the original price that was agreed upon some 2 years ago.

Okay, so if we turn on Page 16 of the presentation, you will note the other bit of news that I would like to talk about is the fact that Warrant Hub has completed just yesterday, the acquisition of 2 companies, one the particular Euroquality SAS based in Paris and its sister company Europroject based in Bulgaria. these companies operate in essentially in the same area as Warrant Hub, they are specialized in supporting their customers and accessing the European funds for innovation and they have had excellent performance in the past. This is clearly the first expansion geographical for Warrant Hub beyond the Alps and in the outside of Italy,

and that is accompanying really what Toma [ph] did it as at a couple of years ago in Spain.

COMPANY REPRESENTATIVE: Last but not least, unfortunately, we had to communicate that Larry Kay will leave the Group, his decision not for sure the decision of the Tinexta Group. We are deeply sorry, because of that I am trying to let people work also today as interpreter, but as you know, he is really important for our Group. Larry worked in a very, very good way, it was very, very important, but anyway, we will find someone much better than him. You can be sure. And Oddone...

ODDONE POZZI: Okay. Good afternoon, everybody. So, let's move into Page 18, to the balance sheet part. As you can see here, you know, net capital invested capital dropped significantly compared both to end of '19 as well as the end of Q3, '19. You know, definitely it was very important all the work done on the working capital that dropped significantly on both comparison, that's the main driver of this drop.

Shareholder equity obviously increased because of the important results delivered by the Group in term of net profit. And net financial position dropped further from close to €130 million both at the end of '19 as well at the end of Q3, '19. This was driven by the excellent cash flow, mainly driven by the EBITDA but also from a significant recovery and cash generation from the working capital that is occurring over the last 9 months. Of course, a part of this improvement has been offset by the share buyback that occurred before the big significant increase of the share prices and this is was equal to €10 million as well as the acquisition of Privacy Lab that we have done. No dividend has been distributed by Tinexta during the current year as you may recall.

If we move to the following page, you can see the continuous deleverage from the Group. You know, the situation was peaking in mid-June '19, €140 million from that moment, , there is a continued deleveraging despite of the fact that there was also the share buyback for an amount close to €10 million. As of today, September 20, the net financial position at the end of September is €93 million, this is not contemplating obviously all the acquisitions that we communicated to the market. We went into the closing of the acquisition of Swascan as previously communicated to the market. The acquisition of Authada that occurred also in October, as well the acquisition in the IMS from Warranty Hub. These will be included in the Q4 net financial position.

I think you know that, that's all.

COMPANY REPRESENTATIVE: Okay. Final comments regarding the outlook.

ODDONE POZZI: Yes. We see today on the basis of the results of the first 9 months, we give a new guidance for the full year. We estimate that in 2020 the Group will achieve over €260 million of revenues, and on EBITDA very close to €80 million. As you remember, the former estimate, we released in June was talking on revenues over €250 million, and EBITDA close to €72 millions. Of course, if the forecast we consider quite reliable forecast.

LAWRENCE KAY: At this point, we will open up for questions.

Q&A

OPERATOR: Excuse me. This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone, to remove yourself from the question queue, please press "*" and "2." Please pick up

the receiver while asking questions. Anyone who has a question may press "*" and "1" at this time.

The first question is from Carlo Maritano with Intermonte. Please go ahead, sir.

CARLO MARITANO: Good evening, everyone. I have a couple of questions. The first one is related to the revenues in the credit information business. So I was wondering, how much of the additional revenues you were [indiscernible] Liquidità imprese, you think you will be recurring in the next year, and how much do you think it is a one-off related to the current situation. And on the credit information's on margins. As of now, at the end of the 9 months, we are above 30% EBITDA margin. We expect this level to be...that we have to consider this level as recurring and sustainable in the next year or do you imagine to return back to something around 25% as in the past years?

The second question is on working capital. So we have seen a strong reduction in working capital in the third quarter. Can you provide us some more color on the drive and the measure adopted to have such a strong reduction? And the final question is on the termination of the joint venture with LuxTrust. What is your strategy for the...to enter the French market, and now [indiscernible] to enter it...?

COMPANY REPRESENTATIVE: Yes. Can you speak more clearly, because you're fully fading in and out?

COMPANY REPRESENTATIVE: Or in Italian, if you want.

CARLO MARITANO: Okay. Can you hear me now?

COMPANY REPRESENTATIVE: Can you repeat your third question?

CARLO MARITANO: Yes. The third question is related to the termination of the joint venture with LuxTrust. So, I was wondering what is your strategy now to enter the French market even the different strategy that with the previous shareholder of [technical difficulty] M&A that you...just maybe in Germany or you...we will try to enter through partnership in the market? Thank you.

COMPANY REPRESENTATIVE: Okay. So, sure the trend of the business units, the performances has dealt in, in a extraordinary manner, the capacity to exceed to work with the national guaranteed fund and helping the banks and their clients. That doesn't mean that we won't be able to consolidate this level at least a good portion of this activity. we almost tripled the number of banks that we work with, and this basically helps us believe that there will be a solid carryover in a sustainable fashion. Clearly, what has happened in the...what will happen and we will continue in the first half of next year. The question is what will happen in the second half 2021?

COMPANY REPRESENTATIVE: Okay. So with regard to the third question and that of LuxTrust. We intend to continue our strategy, we are analyzing several alternatives in particular entering directly with...into the French market, that doesn't mean we rule out however, the strategic alliances that could be very important for that market.

ODDONE POZZI: As far as concerned the second question definitely we deliver at the end of Q3, a very positive results in term of cash generation from the working capital. This has been driven basically from 2 main elements. First of all, if we go back to last year both at the end of Q3 and the end of Q4, the group at the, you know, a weak position on the working capital with some absorption of cash. Now, we are definitely full recovering this and putting

further effort to improve it. So by the end of this year, we do expect some sort of cash generation also at the end of the year from the working capital. But you know, at the end of the day, this should be considered as a one-off improvement that it will keep, we will continue to keep it in 2021, definitely we do expect some cash generation also at the end of the year from working capital.

CARLO MARITANO: Excellent.

COMPANY REPRESENTATIVE: We can go back to Russell if he speaks slowly, given his Boston accent.

COMPANY REPRESENTATIVE: Much better than mine anyway.

OPERATOR: The next question is from Russell Pointon with Edison. Please go ahead.

RUSSELL POINTON: Hello. Hi, everyone. I'd like to say 2 things. First of all, congratulations on the results. Also, obviously very sad to see Lawrence, go he has been a great help. And I really hope this means I don't have to learn Italian over the next few months.

My first question would be, just in terms of the annual guidance, you've obviously done very well in credit information management, given the new revenue stream. Could you just talk about how much of the increased guidance for the full-year is due to that versus sort of looking back when you increased your guidance a few months ago? Are the other businesses better...recovering better than you thought at that stage? Or is this just due to the improvements in credit information?

My next question is on in terms of the Warrant Hub the new businesses that you've acquired. Will you follow a similar strategy with respect to

Warrant Hub as you have done the Digital Trust in the sense you will have to buy businesses in new countries that you enter or could you actually just enter new countries, using Warrant Hubs existing staff, et cetera? Thanks very much.

ODDONE POZZI: Okay. Regarding first question, I think that we do expect compared to the previous data that's released to the market. We do expect an increase in basically in all the business unit, but definitely the credit information management is the business unit that will deliver most of the increase of the new guidance, but all business units are delivering better than expected at that time. As you may see also in the performance or at the end of Q3.

PIER ANDREA CHEVALLARD: [Foreign Language].

COMPANY REPRESENTATIVE: Okay. So Russell, regarding your question with the approach, we basically believe it's important to undertake M&A, because it shortens the time to market and therefore in not only for Digital Trust, in particular for digital's, but also for any other M&A activity, we have an approach that we prefer to buy something, and then build upon the local presence that's already been established.

RUSSELL POINTON: Okay. Can I just have one final question, please?

COMPANY REPRESENTATIVE: Go ahead.

RUSSELL POINTON: With respect to these Cybersecurity acquisition, I think one of them was probably due to complete about now, whereas a couple start of next year. Is there any update on the timing of those acquisitions, please?

ODDONE POZZI: So your question is, is there an update regarding the acquisitions of the Cybersecurity in that sense?

RUSSELL POINTON: Yes.

ODDONE POZZI: if I may say the...we did not close yet, actually it is in the press release we closed Swascan as we had mentioned, so that was actually done. So we will consolidate as of October 1 in our results. Everything else with regard to the other 2 companies, both Corvallis as well as Yoroj, everything is on track, probably in very early 2021.

COMPANY REPRESENTATIVE: January.

ODDONE POZZI: In January. That is our idea.

RUSSELL POINTON: Thanks everyone.

OPERATOR: The next question is from Isacco Brambilla with Mediobanca. Please go ahead, sir.

ISACCO BRAMBILLA: Hi, good evening, everybody. Thanks for taking my questions. First of all, I would like to join Russell in thanking Larry for all the support provided in this years in Tinexta and that said. 3 questions from my side. The first one is on innovation and marketing business unit. In this...the segment has performed really well since the easing of lockdown. And can you help us understand, how much has been the support from the anti-crisis governmental measures put in place during this month, whether they have already started to have some intangible impact on your division, or whether this will be seen more going forward in the coming quarters.

The second question is on speed. I've seen the presentation that you have mentioned it as a contributor in the quarter. As in Italy, we are hearing more and more about speed, and also, if I'm not wrong some of your

competitor had some issues in the past days. Is this segment becoming more interesting, more appealing for InfoCert and may contribute to the growth going forward.

And the last question is on the outlook for 2021. Actually, if I look at your guidance now, it looks even better than the one provided in February before COVID. So I would think that COVID is growing more opportunity, rather than a threat. Going forward, so looking at 2021, you expect solid momentum across all business units may...let's say, may continue according to your original Business Plan?

PIER ANDREA CHEVALLARD: [Foreign Language].

COMPANY REPRESENTATIVE: Okay. So, notwithstanding the results that we have just released that are certainly in a certain sense above where they were to be projected pre-COVID, and we certainly don't want to...we don't want that the COVID situation continues, but we do note that the COVID situation did not create obstacles in our business and from the months of March and April, basically things have stabilized and certainly we have been able to capitalize on the opportunities presented.

Looking ahead for 2021, we will do our normal presentation of the preliminary results, and as well provide you the plan for 2021, our forecast for 2021 and overall the strategic direction of the group. You obviously can understand, I don't want to talk, I can't talk to this too much, we can't anticipate anything. But we are already hard at work, looking at formulating the budget and the plan and looking forward to next year as well.

Answering now the first question relating Innovation and Marketing Services and Warrant in particular. As you may see, the Q3 of the 2

division as well as for Warrant has been a very good quarter, despite the fact that anticipated maybe the Q3 of last year was a bit weaker than usual than any case the activity in Warrant is performing very well. Difference is the situation core market anticipated since the previous quarter where the situation is weaker because of the current condition.

In term of profitability, the profitability of Warrant even improved quarter-on-quarter, and if you look at the revenue mix, we do not see a major variance, but can see the COVID outbreak in over performing . But overall, we expect a pro forma aligned with our expectation by the end of the year, both in term of profitability, as well as, from the revenue standpoint.

LARRY KAY:

Okay. With regards to the question on SPID, and I know Isacco you like to talk about SPID. SPID by the legislation is offered to citizens on a free basis [indiscernible]. First, anyone can go to the post office in Italy and obtain speed without paying. As you all know...well, many of you don't perhaps, but there was the so-called 'Click Day' for the mobility bonus for obtaining up to €500 of money for investing and providing a new bicycle whether it is electrical or not. I can even tell you, I did purchase a new bicycle recently, but I was not able to enter into website but I didn't get into the site on time. You referred to however the fact that on the day of Click Day with the Ministry for the Environment, the post office re-post [ph] were inundated with requests and not only just to get a new speed, but the posts were not able to allow people who wanted to enter the Click Day website and their website was down for much of the day and people could not use it.

On the other hand what happened with InfoCert was that the...between 9:30 and 10 o' clock, there was a huge number of people that asked for to to receive Speed credentials. Speed is the digital public identity system in

Italy, and with it you can get into the Italian government networks, look at your security or your taxes what have you. Between 9:30 and 10 o'clock, people had...there was such a volume that it was difficult for InfoCert to allow people to get a new registration. But by 10 o'clock, they had gotten through all of the requests, and at the same time, anyone was using was already a user of Speed with InfoCert had no problems getting on to the website of the ministry of environment such that. In that particular case, InfoCert performed dramatically well. They had foreseen the need for completing up the systems.

One thing to be said that we have...that InfoCert does not give out Speed if you get it and they only offer it via web and you can get it via web, and then including a version with a video identification and through that you pay, and for that you pay. We have actually reduced the cost there slightly, but what we do is we cover the cost. At the end of the day, Speed or InfoCert is a brand identity maker. It is not something where they make a whole lot of money, but we hope, and we have seen that the people once they are in with Speed with InfoCert and they actually buy other products. So the increase that you see in the cost on a certain sense in the third quarter were actually tied for InfoCert to these additional costs of setting up Speed for people. I can tell you that overall during the third quarter Speed rose 278% in business and 358% through the ecommerce channel. Is that good enough for you.

ISACCO BRAMBILLA: Yeah, sure. Many thanks. Maybe just a brief follow up on Warrant Hub. Is there any qualitative comment on backlog for this company?

COMPANY REPRESENTATIVE: We have a backlog...I can give you basically the backlog, one second I will get you some numbers, I mean, we do not necessarily always give you numbers. Well, basically, we can say that the backlog...or in having a process to] say 3,000. And the important thing is that the

applications for hyper depreciation are up around a 1,000. Most of the wire [ph] will be processed in the fourth quarter.

ISACCO BRAMBILLA: Thank you.

OPERATOR: The next question is from Andrea Bonfa with Banca Akros. Please go ahead, sir.

ANDREA BONFA: Hello, good afternoon to everybody. But first of all, most I joined financial community to thank Larry for all his support to have these years. So Larry, I wish you all the best for having your new position. But going straight to questions, the first one is that the performance of credit information management is clear, but I would like also...I like that also Innovation and Marketing Solution is growing now, nicely throughout the 3 quarters, even more at the EBITDA level. So if you can elaborate just once more, again what is driving the Warrant, I mean, the Innovation and Marketing Solution performance so far.

And the second one is on your statement that in H2 you might expect a fall in business in the Fondo di Garanzia, but material part of it will remain recurrent. For your material part is something like 50% or is this closer to 80%-90% of the revenue?

And the third one is in your guidance, it seems to me that you are implying a negative, I mean, a fall in sales in the last quarter and a fall in EBITDA, in which division shall we expect a decline. Is that a comparison in the Innovation and Marketing Solution, just a comment from your side. Thank you.

COMPANY REPRESENTATIVE: First of all, you shouldn't enjoy you will see again on Monday with all of you.

COMPANY REPRESENTATIVE: [Foreign language]

COMPANY REPRESENTATIVE: Okay. So, let's say that Warrant Hub has obviously been within IMS the major driver here, it's clearly been Warrant Hub, and it has been able to consolidate the demand, the already existing demand in the sense that it has been able to attract new clients, COVID one had thought we thought at the beginning that COVID would have had an impact, a negative impact. But, on the contrary, we have seen that the commercial activity has been superior to the original forecast. And so, that's been quite good. One also needs to point out that Warrant Hub also has a small activity for them. But, it does have an activity also with the National Guarantee Fund with just a small select number of banks. And that did also have its own weight in a positive way on the results.

PIER ANDREA CHEVALLARD: We don't put any limits on our activities So, with regards to the fourth quarter, clearly we had given our guidance, we have increased. So, we don't believe that we can grow on an infinite basis. But, we do take into account the fact that there was an acceleration in the third quarter as a result of COVID. And therefore, we believe that fourth quarter will be a good quarter, it may not be as wonderful as some other quarters. But, it will be a good quarter.

COMPANY REPRESENTATIVE: Any other questions?

ANDREA BONFA: Yes, [indiscernible] what you may retain as a whole recurring business from Fondo Centrale di Garanzia in H2. If it was I mean, 50% you think you can keep or is it almost close to 100%. I mean just to have an idea?

COMPANY REPRESENTATIVE: Could you repeat the initial part of the question, we didn't hear it?

ANDREA BONFA: Yes, yes. I mean, you mentioned before that you are expecting the business of Fondo Centrale di Garanzia to grow for sure in the first half of the next year because of this ongoing situation, and then, maybe to decline a little bit in...or to decline in H2. But, you are aiming to make this business becoming recurrent. So, you are expecting a material part of this business to remain recurrent. So, what's your idea in terms of percentages that's 50% or it's close to 100%? Just to have an idea?

COMPANY REPRESENTATIVE: we are not used to give such, such an information in this one, and at the same time it is too early. we consider that in the first half of next year I would say few of the demand for the Central Fund of Guarantee. And in the second half we will get an recurring demand which could be quite interesting, but we are not in condition now to tell you 50%, 60% or 40%, we are not in a condition. When we will be giving the guidance to the market for the full year 2021, we will also include our forecast on Central Fund of Guarantee.

ANDREA BONFA: Thank you very much.

COMPANY REPRESENTATIVE: I am sorry not to give to you a proper answer, but this is it.

ANDREA BONFA: Well, that's okay. Thank you very much.

OPERATOR: As a reminder, if you wish to register for question please press "*" and "1" on your telephone.

COMPANY REPRESENTATIVE: I would like to join Pier Andrea in thanking Larry. It's a pleasure for me working with even only for few months but he helped me a lot in entering through the Tinexta, so it was a pleasure working professionally and personal wise. Thank you.

COMPANY REPRESENTATIVE: Thank you. Thank you. I have to add say my thanks, my gratitude, for 4 great years. And it's been wonderful and Tinexta will, as a growing Group and a dynamic Group. And in that sense I am very sorry to be leaving a great bunch of people and a great Company.

COMPANY REPRESENTATIVE: If there are no other questions we can call it here.

OPERATOR: There are no more questions registered.

COMPANY REPRESENTATIVE: Thank you very much.

COMPANY REPRESENTATIVE: Good evening. Good evening to everyone.