
# Q1 2014 update

## CERVED GROUP SpA

May, 9th, 2014

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# Today's presenters

## Gianandrea De Bernardis – Chief Executive Officer

- 8 years at Cerved
- 15 years of TMT industry experience
- Prior experience: TeamSystem, AMPS, Boston Consulting Group, AT&T
- Education: MBA from Bocconi University; Electronic Engineering degree from Polytechnic of Milan

## Giovanni Sartor – Chief Financial Officer

- 5 years at Cerved
- 5 years of TMT industry experience
- Prior experience: Seves Group, Nylstar (RP-Snia JV), Eni, Heinz
- Education: MBA from Eni University; Statistics and Economics degree from University of Padua

## Pietro Masera – Head of Corporate Development & Investor Relations

- 1 year at Cerved
- 11 years of TMT industry experience
- Prior experience: CVC, Deutsche Bank, Bankers Trust, UBS, SEAT
- Education: degree in Economics and Business Administration from the University of Bergamo

Source: Company information
Note: Number of years at Cerved indicates Cerved and its predecessor companies





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# Today's agenda

1 **Quarter highlights – CEO**

2 **Financial review – CFO**

3 **Q&A**

# Highlights

**Macro**

- The Italian economy remains under pressure but there are signs of recovery
- Italian GDP increased by 0.1% in Q4 2013 vs Q3 2013, the first positive quarter following 9 negative quarters in a row, the longest recession in Italy in post-war history
- Mixed signals from other indicators: improvements in business confidence, new mortgages, unemployment and corporate payment patterns; deterioration in new bank lending to corporates, bankrupcies and insolvency proceedings

**Revenues**

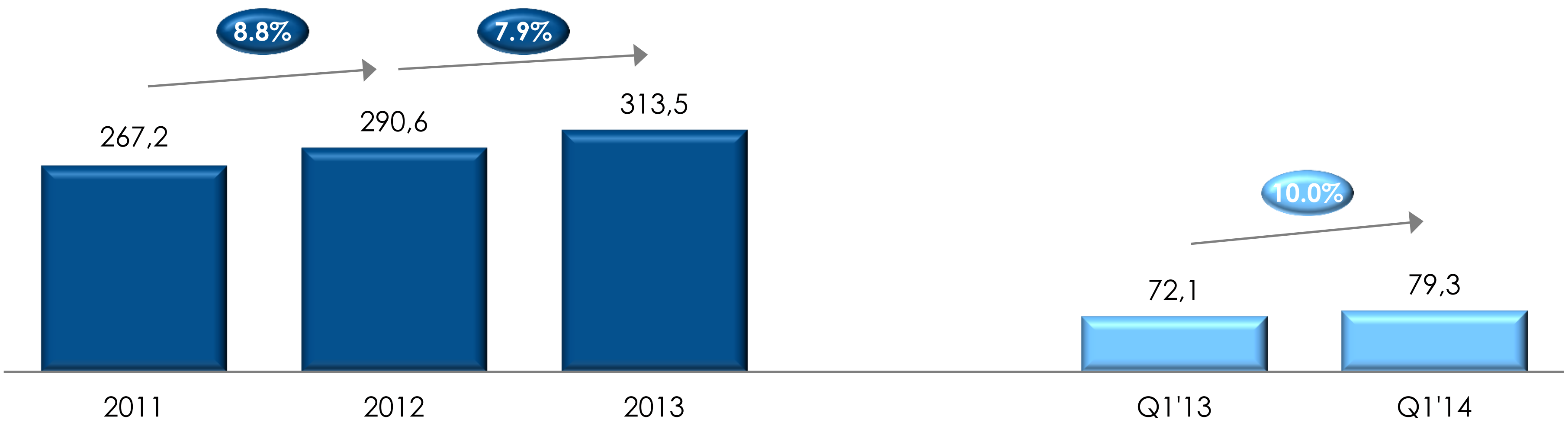
- Q1 2014 Net Revenue growth was very satisfactory at 10.0% vs Q1 2013, or €7.2m
- On an organic basis the growth was 7,5% net of the impact of the acquisition of Experian Data Services (closed on 28 March 2013)
- Growth was driven by the corporate segment, the marketing solutions division and the credit management division
- The credit management division in particular benefitted from the intake of 2 new NPL servicing contracts

**EBITDA**

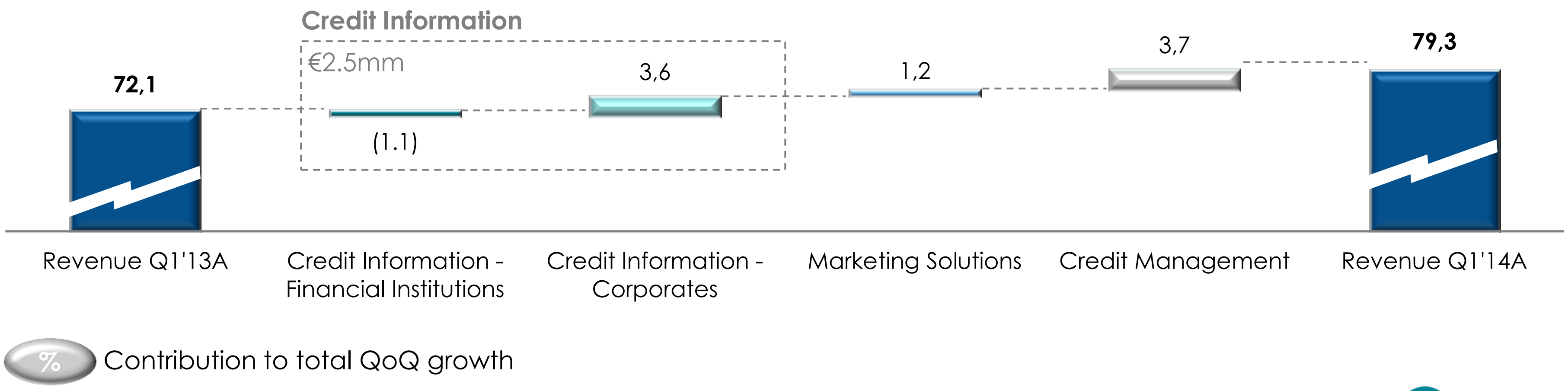
- Q1 EBITDA grew by 4.6% vs Q1 2013, largely from the Marketing Solutions and Credit Management divisions. On an organic basis the growth was 4.5%
- The EBITDA margin declined to 48.0% from 50.5% in Q1 2013 due to higher investments for future growth, revenue mix and low margins of Experian Data Services

# Group Revenues

## Revenues (€mm) and revenue growth (%)



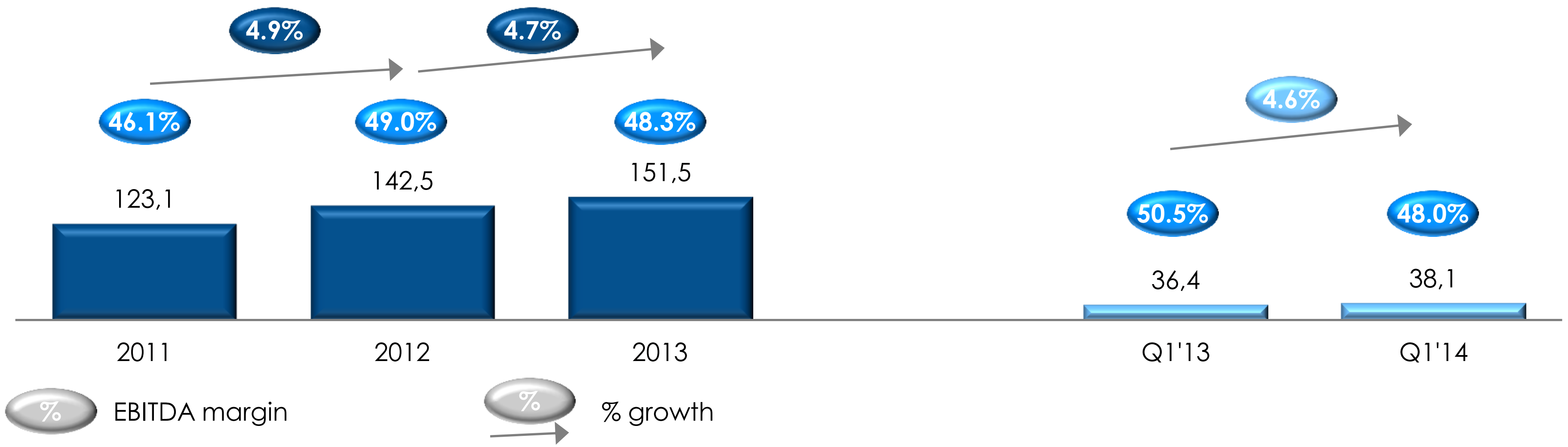

## Revenue Bridge (Q1'13 – Q1'14) - €mm



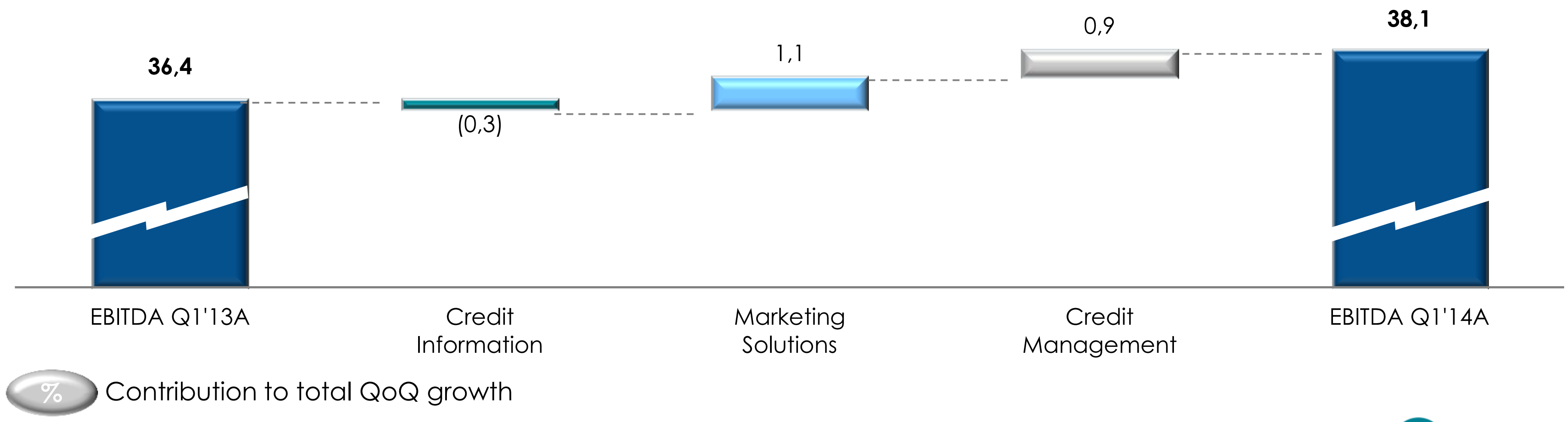

Note: Numbers might not reconcile as they excludes the impact of group eliminations

# Group EBITDA

**EBITDA (€mm) and EBITDA margin (%)**

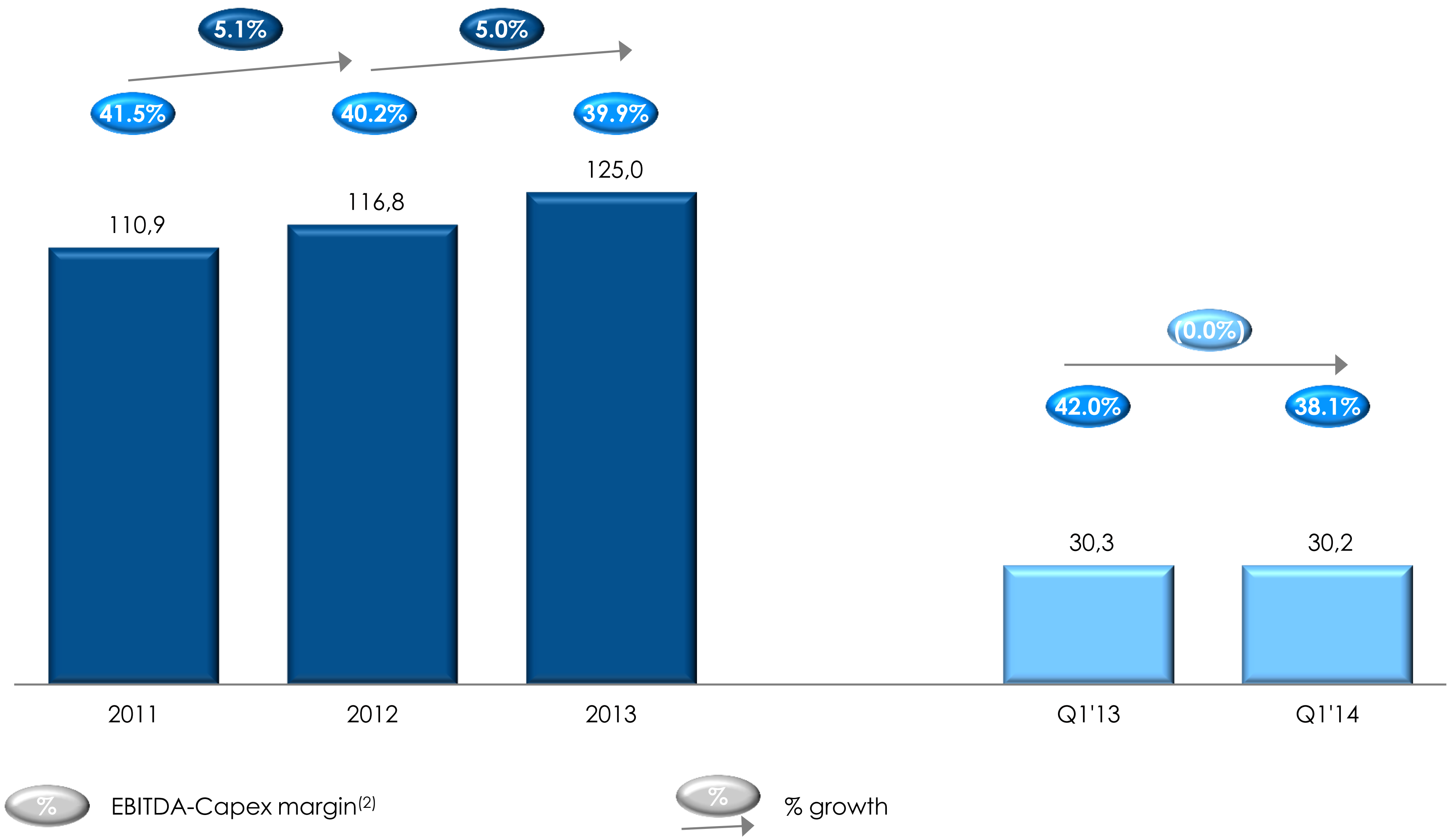



**EBITDA Bridge (Q1'13 – Q1'14) - €mm**



# Group EBITDA – Capex

## EBITDA-Capex (€mm) and EBITDA-Capex margin (%)




(1) Defined as (Adjusted EBITDA – Capex) / Revenues

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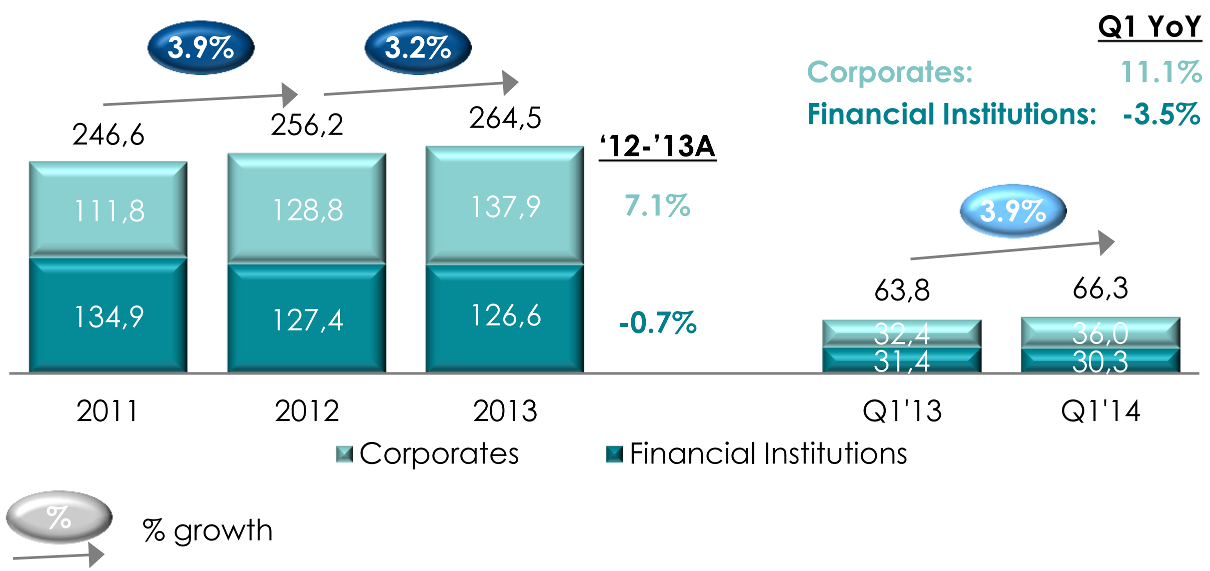
# Today's agenda

1. Quarter highlights – CEO
2. **Financial review – CFO**
3. Q&A

# Credit Information

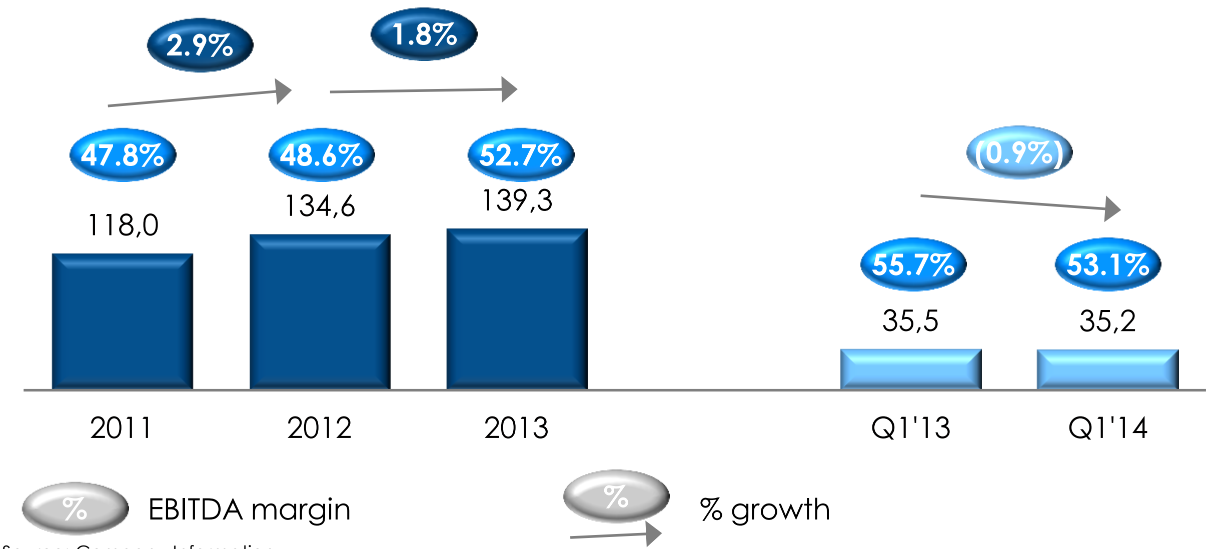
## Revenues (€mm) and revenue growth (%)




## Key highlights

- Overall Revenue growth of 3.9% in Q1 2014 vs Q1 2013
- Growth in the Corporates segment driven by higher consumption by SMEs coupled with efficiency of sales force, as well as by Experian Data Services
- Decline in the Financial Insitutions segment largely reflects the extension of 3 large contracts renegotiated in mid-2013

## EBITDA (€mm) and EBITDA margin (%)




Source: Company Information

## Key highlights

- Marginal decline in EBITDA of (0.9)% in 2014 vs Q1 2013
- The decline is due to a combination of two factors: (i.) higher staff and increased efforts to support innovation and new product initiatives to foster growth in the future; and (ii.) negative accounting impacts related to higher database opex and IAS 19 which relates to the evaluation of TFR benefits



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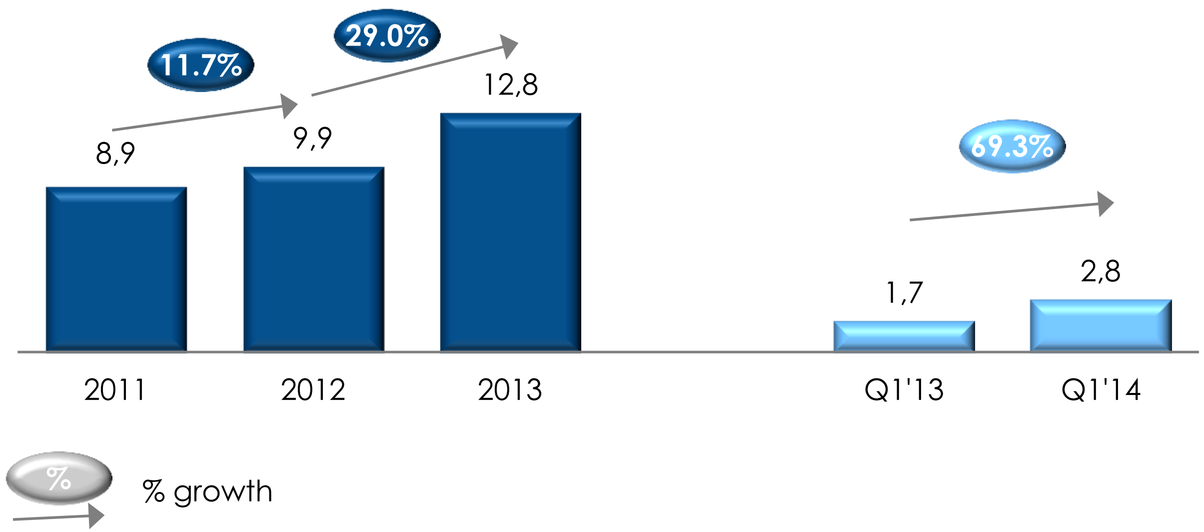
# Marketing Solutions

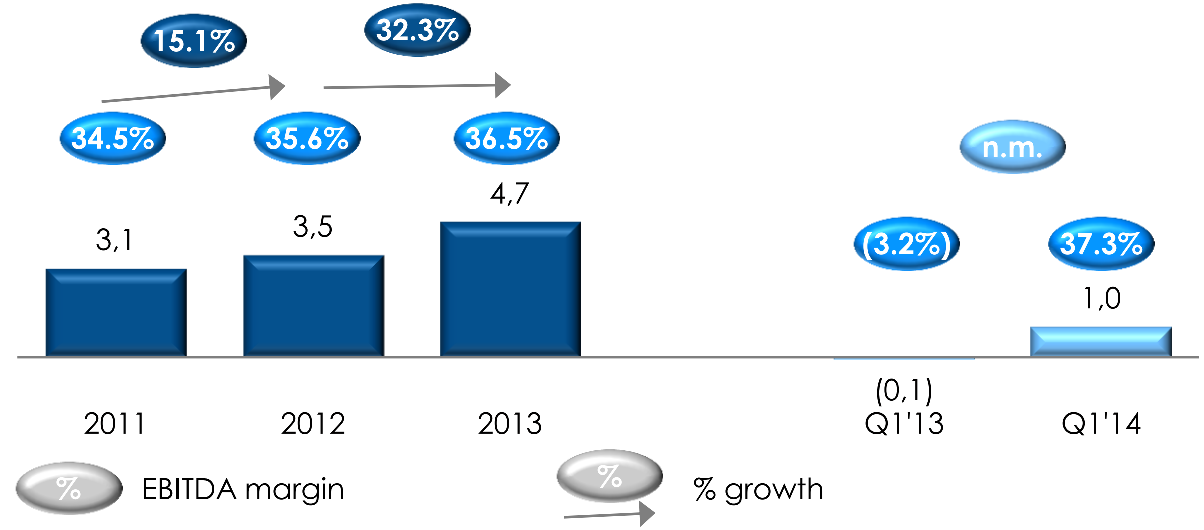
**Revenues (€mm) and revenue growth (%)**




**Key highlights**

- Surge in Revenues reflecting positive impact of numerous initiatives regarding the sales network and the go to market strategy, as well as from product innovation and cross-selling
- Increased Revenues from both the existing product range (particularly projects) as well as from new products

**EBITDA (€mm) and EBITDA margin (%)**




**Key highlights**

- Significant increase in the EBITDA margin of 37.3% in Q1 vs (3.2%) in Q1 2013 due to a combination of (i.) surge in Revenues as indicated above and (ii.) favourable product mix
- Seasonality patterns are that EBITDA margins are usually lowest in Q1 and highest in Q4

Source: Company Information



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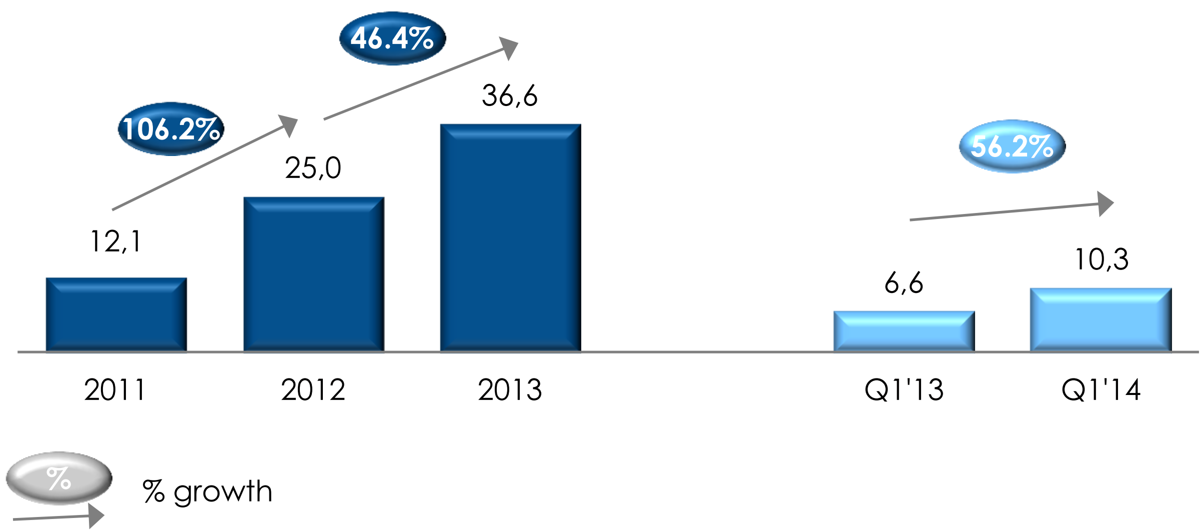
# Credit Management

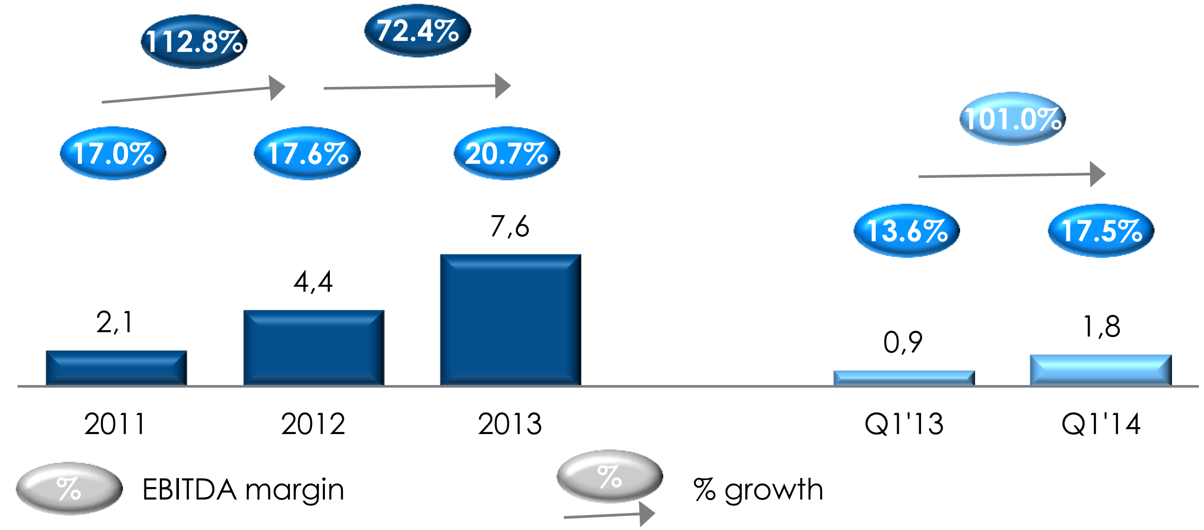
**Revenues (€mm) and revenue growth (%)**




**Key highlights**

- Strong performance in Revenues driven by the financial institutions segment, which continues to benefit from the continuing ramp-up of the Credit Agricole and Delta portfolios
- Please note that the Cerberus portfolio will generate revenues starting from Q2 2014

**EBITDA (€mm) and EBITDA margin (%)**




**Key highlights**

- Q1 EBITDA margins increased to 17.5% from 13.6% in Q1 2013 driven by the gradual ramp-up of the financial institutions segment
- Seasonality patterns are that EBITDA margins are usually lowest in Q1 and highest in Q4

Source: Company Information



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# Summary Profit and Loss

## Summary Profit and Loss (€mm)

| (€mm) | 2011 | % | 2012 | % | 2013 | % | Q1'13[(1)] | % | Q1'14 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Revenues (2)** | **267,3** | *100,0%* | **290,8** | *100,0%* | **313,7** | *100,0%* | **72,1** | *100,0%* | **79,3** | *100,0%* |
| *Cost of services* | *(63,1)* | *(23,6%)* | *(68,8)* | *(23,6%)* | *(77,6)* | *(24,7%)* | *(18,2)* | *(25,2%)* | *(19,4)* | *(24,5%)* |
| *Personnel costs* | *(52,7)* | *(19,7%)* | *(58,8)* | *(20,2%)* | *(64,9)* | *(20,7%)* | *(14,7)* | *(20,4%)* | *(17,6)* | *(22,3%)* |
| *Other operating costs* | *(28,4)* | *(10,6%)* | *(20,8)* | *(7,1%)* | *(19,6)* | *(6,2%)* | *(2,9)* | *(4,0%)* | *(4,2)* | *(5,3%)* |
| Total operating costs | (144,2) | *(54,0%)* | (148,3) | *(51,0%)* | (162,1) | *(51,7%)* | (35,7) | *(49,5%)* | (41,2) | *(52,0%)* |
| **EBITDA** | **123,1** | ***46,0%*** | **142,5** | ***49,0%*** | **151,5** | ***48,3%*** | **36,4** | ***50,5%*** | **38,1** | ***48,0%*** |
| **EBITA** | **111,1** | ***41,6%*** | **126,1** | ***43,3%*** | **128,2** | ***40,9%*** | **32,4** | ***45,0%*** | **32,3** | ***40,7%*** |
| **PBT** | **30,9** | *11,6%* | **20,5** | *7,1%* | **22,6** | *7,2%* | **1,4** | *2,0%* | **6,4** | *8,1%* |
| **Net Income** | **16,9** | *6,3%* | **5,1** | *1,8%* | **8,0** | *2,5%* | **(3,4)** | *(4,7%)* | **1,5** | *1,9%* |

Source: Company Information (2011 and 2012 restated financials; 2013 aggregate financials)
(1) Restated
(2) Includes 'Other Income'

## Key highlights

- EBITDA margin declines from 50.5% in Q1 2013 to 48.0% inQ1 2014
- This is attributable to the combination of (i.) increased personnel costs to launch new products and services (eg Credit Rating Agency), (ii.) other operating costs which are largely related to Credit Management and (iii.) different accruals phasing
- EBITA is net of PPA amortisation which increased, as results of the new PPA allocation, to €10.7m in Q1 2014 vs €8.6m in Q1 2013



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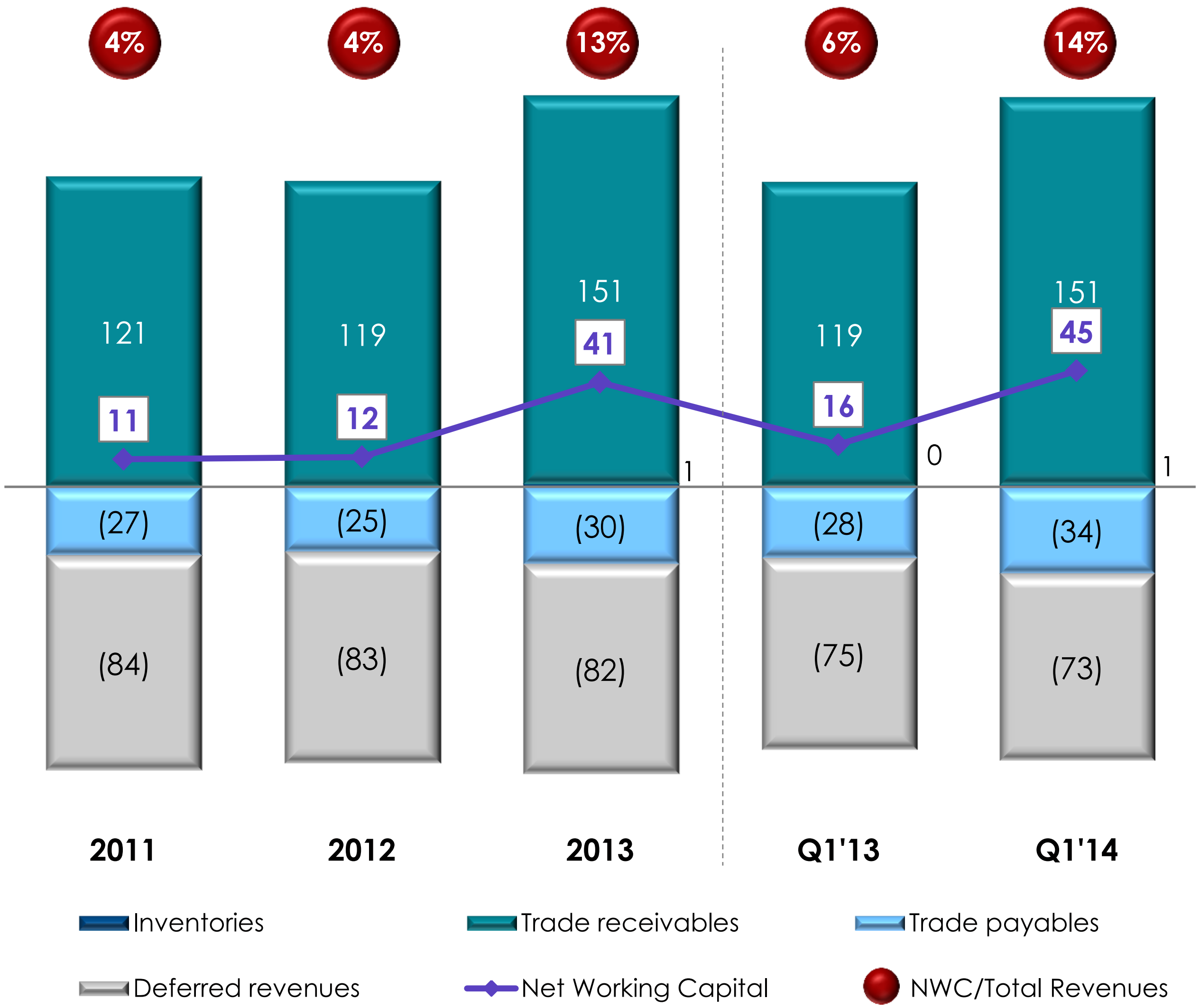
# Net Working Capital

## Summary Profit and Loss (€mm)




## Key highlights

- YE 2013 and Q1 2014 Trade Receivables clearly impacted by a combination of factors which materialised in the latter part of 2013 which are (i.) roll-out of the new ERP platform, (ii.) acquisition of Experian Data Services, (iii.) late payments from bank clients
- These impacts are largely of non-recurring nature and working capital intensity is expected to return to the normal level of approx. 4% of Revenues during the course of 2014
- Other ingredients of working capital remain in line with the recent past
- The change in NWC in Q1 2014 of €5.8m is the same as in Q1 2013 - despite higher revenues - and shows that Receivables build-up has terminated



Source: Company Information (2011 and 2012 restated financials; 2013 aggregate financials)

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# Operating Cash Flow

| (€mm) | 2011 | 2012 | 2013 | Q1'13 | Q1'14 |
|---|---|---|---|---|---|
| **EBITDA** | **123,1** | **144,7** | **151,5** | **36,4** | **38,1** |
| Net Capex | (12,1) | (25,7) | (26,6) | (6,1) | (7,8) |
| **EBITDA-Capex** | **110,9** | **119,0** | **125,0** | **30,3** | **30,2** |
| *as % of EBITDA* | *90%* | *82%* | *82%* | *83%* | *79%* |
| Cash change in Net Working Capital | 7,8 | (6,1) | (24,7) | (5,8) | (5,8) |
| Change in other assets / liabilities | (7,1) | (1,9) | 7,3 | (2,7) | (5,2) |
| **Operating Cash Flow** | **111,7** | **111,1** | **107,5** | **21,8** | **19,3** |

Source: Company Information (2011 and 2012 restated financials; 2013 aggregate financials)

## Key highlights

- Operating Cash Flow of €19.3m in Q1 2014 vs €21.8m in Q1 2013
- Increase in Net Capex of €1.7m which is largely attributable to phasing of capex during the year, coupled with the increased initiatives undertaken by Cerved to foster future growth
- The higher Net Capex in Q1 2014 together with the lower EBITDA margin explain the lower cash conversion in Q1 2014 vs Q1 2013
- The change in other assets/ liabilities in Q1 2014 is due to VAT payments and offset the positive variance in FY 2013

# Capital structure

## Capitalization table

| *FYE Dec.* | 2013 | Q1'14 |
|---|---|---|
| Bonds | 780.0 | 780.0 |
| Other financial debt | 0.7 | 0.6 |
| Accrued interests | 20.3 | 10.8 |
| **Gross Debt** | **801.1** | **791.4** |
| Cash | (50.3) | (34.2) |
| **Adjusted Net Debt** | **750.8** | **757.2** |
| Net debt / EBITDA | 4.95x | 4.93x |
| Capitalized financing fees | (28.6) | (27.6) |
| **IFRS Net Debt** | **722.2** | **729.5** |

## Key highlights

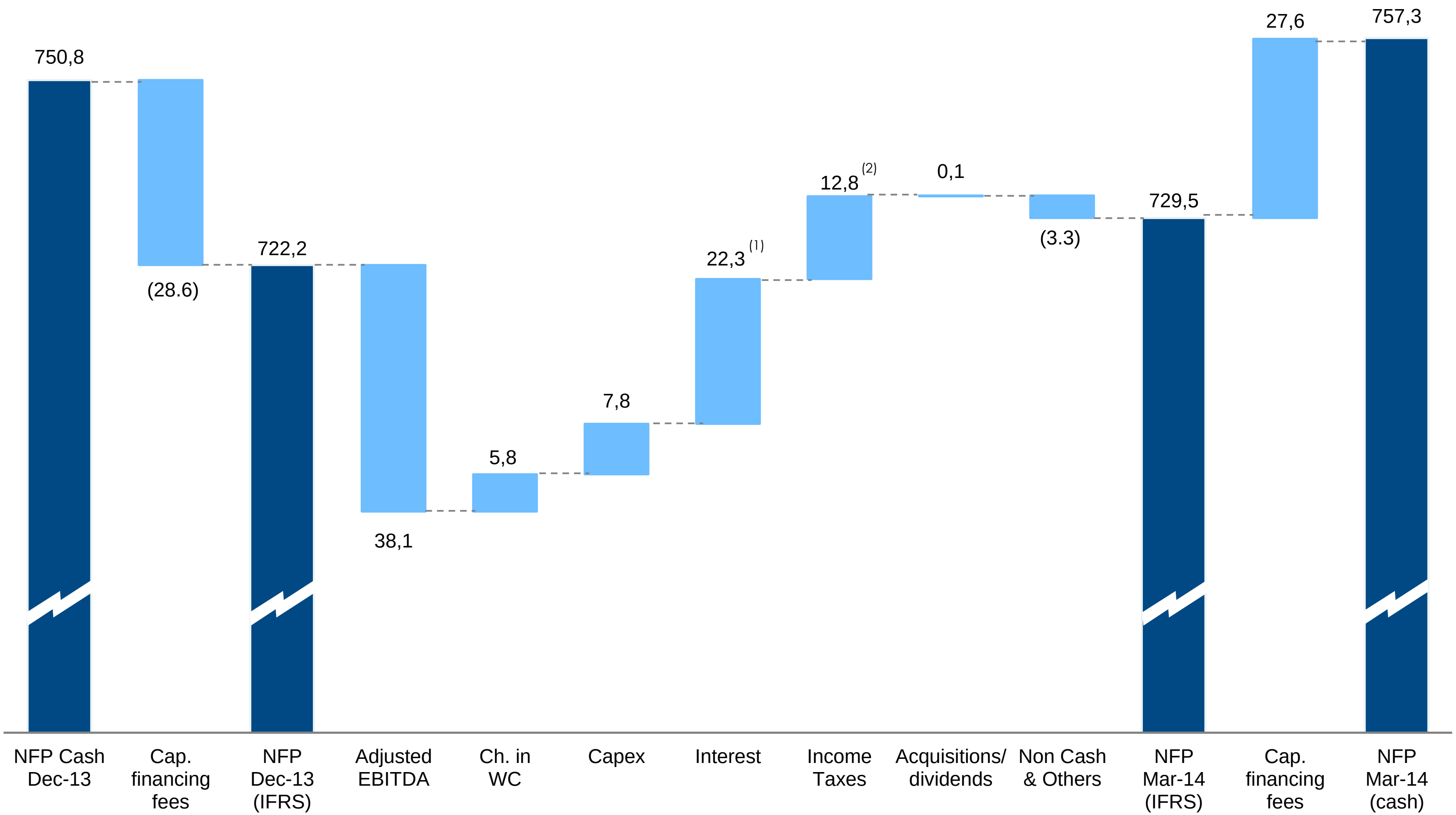
- No material changes to Cerved's financial structure vs YE 2013
- Adjusted Net Debt grew by €6.4m as a consequence of (i.) typically lower cash generation in Q1 compared to other quarters, and (ii.) taxes paid in Q1 2014 of €12.8m
- Despite the impact of the two above mentioned factors, the Adjusted Net Debt/ EBITDA ratio declines from 4.95x at YE 2013 to 4.93x in Q1 2014
- Regarding lower Operating Cash Flow patterns in Q1 vs rest of the year, this is evident from the prior slide, which shows Q1 2013 Operating Cash Flow of only €21.8m vs €107.5m for the full year



Source: Company Information (2011 and 2012 restated financial; 2013 aggregate financials)
Note: Adjusted Net Debt excludes capitalized financing fees

# Net debt bridge

## December 2013 – March 2014 Net debt bridge (€mm)




Note: Includes movements in accrual/provision
(1) Includes 6months of interest for the Senior Secured Fixed Rate Note and the Senior Secured Notes and 3months of interest for the Senior Secured Floating Rate Note
(2) 2013 accrued taxes

# Today’s agenda

1 Quarter highlights – CEO

2 Financial review – CFO

3 Q&A

# A Appendix

# Profit and Loss

| FYE Dec. (€mm) | 2011 | % | 2012 | % | 2013 | % | Q1'13 | % | Q1'14 | % |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Revenues** (1) | 267,3 | 100,0% | 290,8 | 100,0% | 313,7 | 100,0% | 72,1 | 100,0% | 79,3 | 100,0% |
| *Cost of raw material and other materials* | (0,6) | (0,2%) | (0,7) | (0,2%) | (2,8) | (0,9%) | 0,2 | 0,2% | 1,1 | 1,4% |
| *Cost of services* | (78,0) | (29,2%) | (71,0) | (24,4%) | (77,6) | (24,7%) | 18,2 | 25,2% | 19,4 | 24,5% |
| *Personnel costs* | (52,7) | (19,7%) | (58,8) | (20,2%) | (64,9) | (20,7%) | 14,7 | 20,4% | 17,6 | 22,3% |
| *Other operating costs* | (10,6) | (4,0%) | (13,0) | (4,5%) | (10,4) | (3,3%) | 1,6 | 2,2% | 1,8 | 2,3% |
| *Impairment of receivables and other provisions* | (2,2) | (0,8%) | (4,9) | (1,7%) | (6,4) | (2,0%) | 1,1 | 1,5% | 1,2 | 1,6% |
| Total operating costs | (144,2) | (54,0%) | (146,1) | (50,2%) | (162,1) | (51,7%) | 35,7 | 49,5% | 41,2 | 52,0% |
| **EBITDA** | 123,1 | 46,0% | 142,5 | 49,0% | 151,5 | 48,3% | 36,4 | 50,5% | 38,1 | 48,0% |
| Depreciation & amortization | (12,0) | (4,5%) | (16,5) | (5,7%) | (23,3) | (7,4%) | (4,0) | (5,5%) | (5,8) | (7,3%) |
| **EBITA** | 111,1 | 41,6% | 126,1 | 43,3% | 128,2 | 40,9% | 32,4 | 45,0% | 32,3 | 40,7% |
| PPA Amortization | (49,5) | (18,5%) | (53,1) | (18,2%) | (39,4) | (12,6%) | (8,6) | (12,0%) | (10,7) | (13,4%) |
| Non recurring income and expenses | (5,0) | (1,9%) | 2,5 | 0,9% | (7,4) | (2,4%) | (8,3) | (11,5%) | (0,5) | (0,6%) |
| Shareholder's fees | (2,2) | (0,8%) | (2,2) | (0,8%) | - | 0,0% | - | 0,0% | - | 0,0% |
| Database acquisition costs | (12,7) | (4,7%) | - | 0,0% | - | 0,0% | - | 0,0% | - | 0,0% |
| **EBIT** | 56,5 | 21,1% | 75,5 | 26,0% | 81,4 | 25,9% | 15,5 | 21,5% | 21,1 | 26,7% |
| Earn out cost | - | 0,0% | (26,8) | (9,2%) | - | 0,0% | - | 0,0% | - | 0,0% |
| Financial income | 1,0 | 0,4% | 0,9 | 0,3% | 0,8 | 0,3% | 0,1 | 0,2% | 0,1 | 0,2% |
| Financial expenses | (26,6) | (9,9%) | (29,1) | (10,0%) | (59,6) | (19,0%) | (14,2) | (19,8%) | (14,9) | (18,8%) |
| **PBT** | 30,9 | 11,6% | 20,5 | 7,1% | 22,6 | 7,2% | 1,4 | 2,0% | 6,4 | 8,1% |
| Income tax expenses | (14,0) | (5,2%) | (15,4) | (5,3%) | (14,7) | (4,7%) | (4,8) | (6,7%) | (4,9) | (6,2%) |
| **Reported Net Income** | 16,9 | 6,3% | 5,1 | 1,8% | 8,0 | 2,5% | (3,4) | (4,7%) | 1,5 | 1,9% |
| of which: Minorities | 0,3 | 0,1% | 0,8 | 0,3% | 1,1 | 0,3% | 0,2 | 0,2% | 0,3 | 0,3% |

Source: Company Information (2011 and 2012 restated financials; 2013 aggregate financials)
(1) Includes 'Other income'



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# Balance Sheet

| *FYE Dec. (€mm)* | 2011 | 2012 | 2013 | Q1'13 | Q1'14 |
|---|---|---|---|---|---|
| Intangible assets | 291.5 | 248.7 | 501.1 | 244.6 | 491.9 |
| Goodwill | 275.8 | 275.8 | 708.6 | 914.8 | 709.0 |
| Tangible assets | 17.7 | 16.5 | 16.6 | 16.0 | 17.1 |
| Financial assets | 3.1 | 15.0 | 14.9 | 18.5 | 15.6 |
| **Fixed assets** | **588.1** | **556.1** | **1,241.3** | **1,193.8** | **1,233.7** |
| | | | | | |
| Inventories | 0.0 | 0.1 | 1.3 | 0.1 | 1.1 |
| Trade receivables | 121.3 | 119.5 | 151.5 | 119.1 | 151.1 |
| Trade payables | (26.8) | (25.4) | (30.1) | (27.7) | (33.8) |
| Deferred revenues | (83.8) | (82.5) | (83.1) | (75.0) | (73.1) |
| **Net working capital** | **10.7** | **11.6** | **39.6** | **16.5** | **45.3** |
| | | | | | |
| Other receivables | 10.3 | 15.4 | 7.1 | 6.5 | 7.6 |
| Other paybles | (44.8) | (53.8) | (28.2) | (21.1) | (25.4) |
| Net corporate income tax items | (7.3) | (3.0) | (20.8) | (7.5) | (17.6) |
| Employees Leaving Indemnity | (9.8) | (9.6) | (10.9) | (9.4) | (11.1) |
| Provisions | (10.7) | (10.6) | (15.0) | (10.3) | (13.1) |
| Deferred taxes [(1)] | (66.9) | (60.4) | (119.8) | (58.7) | (118.5) |
| **Net Invested Capital** | **469.6** | **445.7** | **1,093.3** | **1,109.7** | **1,100.9** |
| | | | | | |
| IFRS Net Debt[(2)] | 297.7 | 280.6 | 722.2 | 747.0 | 729.5 |
| Group Equity | 172.0 | 165.1 | 371.1 | 362.7 | 371.4 |
| **Total Sources** | **469.6** | **445.7** | **1,093.3** | **1,109.7** | **1,100.9** |

Source: Company Information (2011 and 2012 restated financials; 2013 aggregate financials)
(1) Non cash item
(2) Net of capitalized financing fees

# Cash Flow

| (€mm) | 2011 | 2012 | 2013 | Q1'13 | Q1'14 |
|---|---|---|---|---|---|
| **EBITDA** | **123,1** | **142,5** | **151,5** | **36,4** | **38,1** |
| Net Capex | (12,1) | (25,7) | (26,6) | (6,1) | (7,8) |
| **EBITDA-Capex** | **110,9** | **116,8** | **125,0** | **30,3** | **30,2** |
| *as % of EBITDA* | *90%* | *82%* | *82%* | *83%* | *79%* |
| Cash change in Net Working Capital | 7,8 | (6,1) | (24,7) | (5,8) | (5,8) |
| Change in other assets / liabilities | (7,1) | (1,9) | 7,3 | (2,7) | (5,2) |
| **Operating Cash Flow** | **111,7** | **111,1** | **107,5** | **21,8** | **19,3** |
| Interests paid | (8,1) | (6,9) | (29,1) | - | (22,3) |
| Cash taxes | (26,4) | (21,3) | (18,4) | (0,2) | (12,8) |
| Non recurring items | (5,0) | (3,9) | 0,1 | - | (0,5) |
| **Cash Flow (before debt and equity movements)** | **72,1** | **76,8** | **60,1** | **21,5** | **(16,2)** |
| Dividends | (51,1) | (13,1) | (0,1) | - | 0,4 |
| Acquisitions / deferred payments / earnout | (71,5) | (3,4) | (509,4) | (509,4) | (0,4) |
| Debt drawdown / (repayment) | (39,3) | (48,0) | 482,8 | 482,8 | - |
| **Net Cash Flow of the Period** (1) | **(89,8)** | **12,3** | **33,5** | **(5,1)** | **(16,2)** |

Source: Company Information (2011 and 2012 restated financials; 2013 aggregate financials)
(1) Excluding ~€37mm of cash balance as of February 2013 (acquisition date) (non cash flow item)

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