Cerved Group S.p.A.

"Group Results for the 31st of December 2018 Conference Call"

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Cerved Group Results for the 31st of December 2018 Conference Call. After the presentation, there will be an opportunity to ask questions.

At this time, I would like to turn the conference over to Mr. Pietro Masera, Head of Corporate Development and IR. Please go ahead, sir.

PIETRO MASERA: Thank you, everyone, thanks for joining the call today. Pietro Masera speaking, Head of M&A and IR of the Cerved Group. And I am here with Gianandrea De Bernardis, CEO , Giovanni Sartor, CFO, as well as Andrea Mignanelli who is the CEO of the Credit Management division.

The purpose of today's call is to provide you with an update on Cerved's full year results up to 31st December 2018. We had already published preliminary results on the 1st of February, so we'll try to keep the call relatively brief providing some more insight into the results as well as on some key items on the Agenda for upcoming AGM and EGM on the 16th of April.

At this point, I will leave it to Gianandrea.

GIANANDREA DE BERNARDIS: Okay, thank you, Pietro. Good afternoon, everyone, and welcome again to our conference call on our 2018 full year results. So before I get into the content of the presentation, I'd like to make a few introductory remarks to put our results and forthcoming events in context.

As you all know, the last few months had witnessed what I would define as being a very tough period, first of all because of the global political and macroeconomic uncertainty, together with you know further concerns around the…our Italian politics and the impact on the economy of the situation. Third, the resignation of our CEO, and last but not least, weak Q3 which led to a minor revision of our full year targets.

So the combination of all these factors led to a significant drop in our share price, particularly from October to the end of the year to December, and fortunately, then some recovery in January and February continuing in these recent days. But we are still below our pre summer levels and you know our impression is that the markets have been concerned not only by the macro, and the financial performance, but also by our governance issues.

We clearly think that these concerns were overblown and we have been working very hard to dispel you know any concerns. And with respect to financial performance, the 2018 results speak very clearly. 2018 is by far our best year in our recent history, both in absolute terms as well as in terms on growth. Revenues grew by 15%, the adjusted EBITDA grew by 15% and net earnings around 24% and the operating cash flow by 12%, with also a reduction in the leverage despite substantial cash out for dividends, buyback and M&A. So in the end, our adjusted EBITDA was 1.7% below the original consensus level of €212 million. So as we said during the call, it was slightly below consensus or I could have said better marginally below the consensus…the original consensus.

So with respect to governance, the Board has almost completed its proposal for the slate of Directors which will be proposed for the next AGM on the…on April the 16th. This will also include the candidate whom we think can take on the role of CEO in public company. So I've been very honored to take the helm of the company since October last year, but I think it's best for the company to be led by a new CEO for the medium to long term. I do have respect to remain on Board or you know let's say better that I gave my availability to remain you know on Board.

So regarding governance in another two weeks, I am quite confident that the Board's proposed slate and the CEO candidate will provide ample reassurance to the market.

So let me now get back into the presentation and so provide to you an overview on the key messages in the Executive Summary on Pages 3 and 4 of our presentation. First, macro highlights. The macro situation is somewhat deteriorating in our country mainly due to the political uncertainty and we have picked up a worsening in terms of late payments you know, considering Cerved proprietary data, however, not yet impacting the credit quality of Italian corporates, even though we are clearly monitoring the situation very carefully. And as you well know, it's our job and in any case it would be protected by the very resilient nature of our business model. We always talk about the resiliency of our company and in general of our business model.

Moving to results, results show organic and overall growth rates which are by far the highest in our history in terms of revenues, operating cash flow and also in terms of adjusted net profit. So revenues grew 16% of which 12% organic while the adjusted EBITDA growth was 15% of which 9.5% organic. And the operating cash flow grew by 12% compared to last year despite significant net working capital investments financed the strong growth of the liquidity management additions, that actually changed the perimeter of the company. The adjusted net income increased by 24% benefiting from lower taxation and despite higher cost arising from the accrual of the [indiscernible]. Leverage fell down to 2.6% or 2.5%, actually times, I am sorry not percent, 2.6 times EBITDA or 2.5 times EBITDA excluding the 30 million buyback, so we are still well below our 3 times EBITDA target that we gave in our guidance.

Talking about the Board slate, and the appointment of the next CEO, so as we have indicated earlier, we published the slate of candidates proposed by the current Board, the outgoing Board, around the mid of March and you know such list went to the name of the person who we are confident can take the role of CEO. So from a formal point of view, if the new Board will make this appointment even if it's indicated in the list, and so the new Board depends on the outcome of the AGM obviously. The process of you know of preparing this list requires a right time considering the importance of this choice for the future of the company and the fact that the company is performing well and you know without sounding presumptuous, I think it's in good hand, and also the opportunity to submit the choice to the AGM and to the new Board instead of appointing a new CEO with an expiring Board 2 months in advance.

Talking about dividend and capital structure, so starting from dividends, the Board is proposing to the AGM a substantial increase in the ordinary progressive dividend of around 13%, equating to €0.305 per share compared to the €0.270 that we paid last year. And here the objective is to maintain a payout of about 56% of adjusted net profit, so in line with the last couple of years. And this year anyway we had to take into account that there has been an contribution to the adjusted net profit of minorities first and of the patent box tax break into calculating the 56%.

So regarding further special dividends or buybacks, at this stage the Board is taking a prudent approach, so leverage of 2.6 times EBITDA as well below the 3 times target, and...but we will have an impact from IFRS 16 2019 and at the same time, we want to retain some financial flexibility as well as keeping the leverage ratio below 2.85 times EBITDA in order to benefit from an interest ratchet.

So I'll now skip few pages and I move directly into the Business Review and so let's say on Page 8, which is…has an overview of the divisional performances. So, in Page 8, just a quick qualitative comment here, the results have been published since the 1st of February, so for sure you have had the chance to look at them. And frankly speaking, I am very satisfied with the consolidated results with Credit Management and with financial institutions. But I am also okay with corporate although we should be doing better here. Obviously, the objectives are higher in this segment and thankfully Q4 last year was very strong and saved the year after a very weak Q3.

I am not satisfied at all with Marketing Solutions, this division needs extra care and attention by the management team to be able to reach our expectation and this is what we are aiming to do this year, in 2019.

Moving to next page, Page 9, Credit Information, overall the Credit Information division grew 2.8% in terms of revenues and 1.9% in terms of EBITDA, so let me make a few remarks here before focusing on the Corporate Division. So bank revenues did quite well growing 2.4% thanks mainly to real estate and new initiatives and also to the absence of negative impact from renewals, our major bank contracts. And unfortunately, we don't expect such strong results in 2019 and we…I will comment this later on even though we still expect some growth for this year.

Corporate Revenues performed below target growing at 3.1% which we expect to improve in 2019, also thanks to Darwin 1 [ph] initiative that has been a major project that we developed in the past 6 months and we launched in February the 1st that is aimed to at increasing the effectiveness of the network and fostering synergies with the collection division, the corporate credit collect division. I'll look into this in more detail on the next slide.

Here also as a positive note on corporate, the sales of pre-paid points increased by 4.8% last year creating a nice start for the current year. And the adjusted EBITDA in our Credit Information in total grew 1.9% which was less compared to the revenues growth and the negative difference between EBITDA and revenues is clearly due to the changing product mix within the bank segment mainly [indiscernible] division and still some expansion in [indiscernible] costs and we had the chance to talk about this in the last call about...on Q3.

As I also said in Q3 call, my personal view here is that going forward there is some space for recovering some margins in the Credit Information segment and I confirm this view. We are working on taking out some costs and you know we will update you in the forthcoming quarters.

Moving to the next page with a focus on Corporate Credit Information. Here I would like to focus in particular on the chart which illustrates the project name Darwin 2, and as I said in the last call, this project involves substantial integration of products and field sales force in order to better satisfy the Italian SMEs. In particular, the investments is in 3 specific areas. First of all, regarding product innovation, we created a complete integration of business information, credit collection and rating product platforms available to our customers in the SME segment. This means that our clients will be able to access all the different products ranges from the Cerved Credit Suite platform in seamless manner. The change from the past, that is major that we are…we were separate…we had separate platforms and software's and application in the past.

Secondly, and this regards the go-to-market. The unique corporate sales force would be the one interface with the customers and will be assisted by specialists for each area which would work together to maximize the sales to SMEs. The change from the past is that there were separate agents, sales reps, for each area before, whereas now there is a single owner of the relationship with its single customer's. And a further thing regarding the go-to-market, we created a further segmentation on the corporate line base splitting out the large client's category now which sits between top and medium customers in order to better serve its single segment. And so the change from the past is that the medium clients have their own characteristic and need to be split out separately and served directly. So we expect this project to have a positive impact for the Credit Information and the Credit Management division exploiting synergies between the two and also increasing the commercial effectiveness.

Moving to Market Solutions,, here fully year results confirm the weak results that we had seen up to Q3, and which we had indicated has negatively impacted by unsatisfactory management focus. I do...I have highlighted that we do see some light at the end of the tunnel, actually our budget for this year foresee some solid growth and this derives from a couple of important factors. First of all, we see a lot of growth from SpazioDati which we acquired the majority of it in August and it's integration into Cerved is expected to produce important results and which are quantum leap versus what has been taking place in the past. Recall that we began to built up a stake in the company in 2014 and now we have the majority.

In particular, this company is developing a new product that is called Atoka and Atoka Plus from which we expect solid net results going forward that are going to be visible in 2019 even though it replaces Marketing Plus, so there is a little bit of cannibalization, even if the growth of the new product is much larger than the possible cannibalization.

In the second place, we also expect strong growth from ProWeb consulting of which we acquired a majority stake in October last year. So this year we will benefit from its full consolidation. It's not a very large company, we are talking about €1 million EBITDA and €5 million revenues in 2019. But it's going very fast in a very promising market with a very strong CEO. So ideally, we'd like to find many other targets with this characteristic ensuring that we will be able to manage the post-merger integration appropriately.

And finally, we also expect positive changes from the recently implemented management structure in this division, the Marketing Solution division which we have…which will help out our legacy businesses as well as the digital platforms that we were talking about just before. And ideally, we will also be able to make other synergistic acquisition in the digital marketing area, which remains a strategic priority for us.

I will now leave it to Andrea, the CEO of the Credit Management Division for an overview of the division that he manages. Please, Andrea.

ANDREA MIGNANELLI: Thank you, Gianandrea. So in a nutshell, say that 2018 was a landmark year for our division. As you can see from the results on Page 12, we did very well on all areas. Revenues are up 58% to €149 million and this is considering the fact that we did you know, we have one of the major project Juliet Monte Paschi di Siena only for 7 years…7 months during the year. So considering on a run rate basis, this will be even higher than that. EBITDA is plus 92% year-on-year, up to €52 million. And also increasing the EBITDA margin from at 28% last year to 35%

this year. And finally from an operational standpoint I pointed out that AuMs are up 110% to €52 billion. Well, because, we basically on-boarded €27 billion during the year successfully completing the project with Monte Paschi and with Popolare di Bari also increasing our staff proportionally.

Clearly, I'm very satisfied with these results and let's say moving to the next page, on Page 13, we can give you a bit more color on how these numbers, where these numbers come from. If you see on the left-hand side of the page, there is a revenue breakdown of our division. It's quite important to point out that the banking NPL business per se accounts for roughly 60% of the total revenue, which is quite important because this means that we have another 40% of business, which is related to Credit Management and not necessarily driven by the dynamic of the banking NPL outsourcing and sales.

Having said that, I think on this the banking sector, we still have a room for potential improvements because the full-fledged...the full exploiting [ph] of the Monte Paschi di Siena platform for 2019 as well as a number of projects that we are currently chasing in terms of assets acquisition. The next area is ancillary services, this is now 16% of revenues, mainly driven by legal service, which are done for corporate clients as well as consumer loans and support and also quite recently it's actually...it's going to be impacted also by the volume of activities we can drive from our banking portfolios. And that's why in the last few months we closed the transaction with studio La Scala, which is the largest Italian provider of legal workout. Then we got the credit collection of receivables for SMEs and corporates and that's another 14% of revenues. And here as I said…as Gianandrea said before, we see a lot of potential deriving for the…for a more effective partnership of the salesforce with Cerved and so trying to exploit more than potential clients from of the Cerved client base.

And finally, I would say there is a nice 11% of revenues coming from the performing loan business which is, let's say quite peculiar to us. And this is mainly driven from the Barclays portfolio that we bought one-and-a-half years ago. Also a couple of words on Greece. We closed the acquisition…we are just about to close. We did the signing a month ago and we are just about to do the closing of the acquisition of Eurobank Property Services. This is a very interesting deal because we are basically getting 100 people on the ground with strong experience in real-estate advisory and distressed real-estate advisory, secured with a contract with EPA...with Eurobank that is a very active bank in terms of asset sales and NPL sales. At the same time, the company we established a year ago, Cerved Credit Management Greece, got licensed by the Central Bank of Greece. So now we are ready to operate also in the Credit Management Division.

We are growing, we will grow the company organically although we do not disregard potential acquisition in the servicing space as well. I still...I do believe that Greece is a very interesting opportunity for us because finally the market is becoming more liquid as the Ministry of Finance as well as the local Central Bank are pursuing the leveraging strategies very similar to what we have in Italy called GACS.

So having said that, I still believe obviously that the opportunities for the Credit Management division are very interesting. We expect solid growth in 2019 as well. And I having said that, I leave it to Giovanni as a CFO for the section on financials.

GIOVANNI SARTOR: Thanks, Andrea. So we could skip to Page 16, which provides an overview of the income statement. I'd just like to focus on taxes and on minorities. The rest of the panel doesn't have any fiscal realities worth mentioning. Regarding taxation, it turned out to be much lower than expected, and which are largely accountable for the improvement in the adjusted net profits.

In December, we were informed by the tax authorities that we would received a significant benefit from the Patent Box incentive. And here is how it works. Patent Box is a tax relief for high tech intangible CAPEX. We received a total tax saving of €10 million related to the fiscal year 2015, 2018 and which are all accounted for in 2018. Otherwise, we would have had to restate the prior 2 years.

For the fiscal year 2019, we will receive the fixed installment of about €3 million of the first Patent Box problem. The Patent Box relief will be further renewed for additional 5 years i.e. 2020-2024. From a cash perspective, the tax saving will arrive entirely in 2019, so we expect a much lower as cash tax rate in 2019, but it's partially a one-off.

Regarding minorities in 2018, we began consolidating the Juliet transaction and this has led to a significant increase of minority interest from about €2 million historically to about €6 million in 2018. We are therefore, providing much more granularity and details around the adjusted net profit, both before and after minority interest.

Skipping to Page 17, we have here our customary breakdown of the net working capital. As you can immediately see net working capital increased to 10.7% of revenues adjusted to reflect 2018 acquisition on a full-year basis. The increase in euro is almost totally due to changing perimeter i.e. Juliet, Credit Management, and ProWeb Consulting.

Although this represent a substantial increase compared to the 8.1% in 2017, is in line with the level of 2015-2017, prior the adoption of the IFRS

15. The adoption of IFRS 15 led to some distortion in 2017 restated figures which have now normalized, so we are not concerned with the increase.

The underlying trends are in fact fairly normal. Receivable growth, thanks to the underlying growth of the business in particularly to the Credit Management Division, also due to the build-up in terms of receivables to be issued. Also payables growth reflecting the underlying growth of the business and continue optimization of the payment terms with suppliers. The further revenues finally grew, thanks to the sales of repaid point being higher than the consumption of existing point.

Moving on to Page 18, you can see that operating cash flow was strong throughout the year resulting an increase versus 2017 of almost 12% just below the increase of...in EBITDA that is almost 15%. This is a very good result, particularly considering that it was achieved alongside a significant ramp-up of the Credit Management division.

Last but not least and moving to Slide 19, financial indebtedness as of December year-to-date was 2.6 times the EBITDA based on LTM EBITDA, which on a pro forma basis also includes the full P&L impact of the closed deals. There is an increase in net debt, however it is literally explained by significant…the expenditure for M&A and almost €30 million for the buyback. So overall, we continue to enjoy a strong financial situation which is expected to improve during the course of 2019. Although, there will be an increase [indiscernible] ratio of about 0.15 times due to the IFRS 16. We will in fact have to recognize some €40 million additional debt arising from lease obligation partially balanced by some €4.8 million of additional EBITDA for [indiscernible].

So regarding capital structure in general, for now the board decided not to implement a further buyback and not to distribute additional dividends. We realize the leverage is well below our three times target; however, we prefer to keep some extra financial flexibility and we also want it to remain below the 2.18 times leverage market which allows Cerved to achieve a favorable margin ratchet on it is debt facilities. Exceeding it would imply an extra cost of 25 basis points.

I now leave to Pietro for a couple of slides on governance and on our forthcoming AGM and the EGM.

PIETRO MASERA: Thanks Giovanni. I'll briefly move to Slide 21 now, and has information on the forthcoming shareholders meeting on the 16th of April. Regarding that in any case I'm liaising with the ESG [ph] departments of many of our let's say larger investors for a heads up [ph] on these matters. Should any of the participants on the call wish to have more information feel free to call me and I'll arrange a call with my HR and legal colleagues as appropriate.

Regarding the new board, so the procedure is exactly in line of what happened in early 2016. Recall that as we are public company it's the outgoing board which is representing the slate of candidates for the new board and that slate will have to be presented 30 days before the date of the EGM, so around the middle of March. Also minority shareholders then clearly have the possibility of presenting their own slates for a number of candidates, in the past it was two.

As Gianandrea indicated just a few minutes ago, the outgoing board's slate will include a candidate who is deemed to possess the skills and competencies near to act as CEO. However, we call it as the new board, which we appoint on the 16th of April, which will make them the formal appointment for the CEO and this takes shortly after the…takes place just after the shareholders meeting. This is exactly consistent with what took place in 2016.

Moving on to the buyback which is another solution, we are again proposing to attribute the Board with the powers to purchase up to 5% of own shares and the resolution is pretty much in line with the one approved in the AGMs of the last 4 years.

Finally, regarding the long-term incentive plan and this one regard a second one we approved, and this one regards performance in 2021, 2022 and 2023. I'd say for now there is reasons to assume that restructuring performance metrics will be fairly similar to the ones which are currently in place and that's related to our results in 2018, 2019 and 2020.

Finally, as a closing remark and with respect to the agenda for the AGM and EGM, the Board of Directors will be publishing very shortly some reports on these matters. And as I mentioned in any case, I'm happy to take any calls for further clarification.

At this point, I said it was done with the presentation and I would open it up to Q&A. Thank you.

Q&A

OPERATOR: Excuse me. This is the Chorus Call conference operator. We will now begin the question and answer session. The first question is from Simonetta Chiriotti with Mediobanca. Please go ahead madam.

SIMONETTA CHIRIOTTI: Yes. Good afternoon. A couple of questions from my side; the first is about the patent box. So the positive one-off item of around €10 million has not been deducted by adjusted profit, so this is the first clarification that I would like to ask? And the second question, if it's possible to wrap-up the comments on the credit information and in terms of revenues growth expected for 2019, considering the various initiatives that you have in the corporate side and the outlook on the banker side? Thank you.

GIANANDREA DE BERNARDIS: Okay. I'll leave it up to Giovanni for the patent box and then we can you know, address directly the credit info?

GIOVANNI SARTOR: We are now deducting because we consider a current, as I said that is the first wave cover 2015-2019. The second wave we are almost sure to get it will cover 2020-2024. So it is at least a 10-year program, the fact that we signed the agreement with the tax authority, the 22nd of December allowed us to book the full package of the year 2015-2018, but it is something recurrent. So as for that reason that…we have decided not to take into account the adjustments.

SIMONETTA CHIRIOTTI: But the impact in 2019 will be smaller, you said €3 million is correct?

GIOVANNI SARTOR: €3 million…exactly, because, you know, we have being recognized €1.6 million for year 2015, €2.3 million of the year 2016, and €3.3 million for the 2017, and €3.1 million for the 2018. So the reason that the increase is over the period is linked to the first year it was a lower percentage of the total amount taking into consideration, he was first, i.e. 30%, 40% and 50%. So now we will be in the cruise [ph] level and we expect for the year…this year 2019 a similar amount of the 2018 and we will expect the same for the next 5 years. So that is a fact that, that 3 years became ready to be booked only in 2018, you know, it's something that happened for many other items in the profit and loss statement. And so, if we have what we call [foreign language] in Italian, so is something that recognize either a cost or revenues [indiscernible] they are booked all on the same time. So we do not adjust our net profit based on this specific case.

SIMONETTA CHIRIOTTI: Thank you.

COMPANY REPRESENTATIVE: Okay. Simonetta, it is Andrea [ph] speaking. Moving to your second question about credit info; actually we have here a different behavior that you have is corporate and banks, for the corporate area, our objectives are, you know, quite in line with the consensus, actually I should say a little bit, you know, higher and you know, it really depends on us and on how we implement the Darwin 2 [ph] project that, you know, we just launched formally modifying our structure, our organization and as I said before our go to market up strategy on February the 01st, after the commercial convention that, you know, we…it was all done on…at the end of January. So that's our view, what we foresee in the corporate division while moving to bank credit info, here we see a fairly flattish year in terms of revenues that is the combination, the mix of two factors, first the real estate that is actually reflecting an increase in the market share and volumes for appraisals while a contraction in the what we call depo [ph] area. And at the same time the advisory, the advanced analytics and software platform business is growing nicely and is also very important because it is creating more stickiness with the customers so and higher switching cost for them.

While, we see at the same time a further contraction in the business information within the credit information that is mainly due to some discount, we considered in the last and the previous year, so 2017 and 2018 in some large renewals and is also based on the IFRS accounting standards, the impact of the IFRS on these renewals. So at the same time we are trying to anticipate the extension, the duration of one of the large contracts inspiring 2020 and this could have an impact also on this year. So considering this as a whole, we are foreseeing a flattish year in 2019 even if we think this will totally recovered and will not have an impact on 2020. Has it been clear enough?

SIMONETTA CHIRIOTTI: Yes. Thank you.

GIANANDREA DE BERNARDIS: Thank you.

OPERATOR: The next question is from Nicola Ricolfi with Nextam. Please go ahead, sir.

NICOLA RICOLFI: Good evening. Thank you. [Indiscernible] recently announced a kind of significant holding in your share capital. And I would like to know whether you have been [indiscernible] about the plan and or if you have had the chance to talk to them after the purchase was announced. And more in general, do you see…do you foresee opportunities to cooperate with them in the future as they decide their investment as strategic and aimed at supporting your future growth and on values? Thank you.

GIANANDREA DE BERNARDIS: Yes. Thank you, Nicola. I will try to answer your question. Now, we have been informed of actually the…what they have done with the former press release they sent out, you know, from company. So we didn't have a clue before that they were buying shares of Cerved. And frankly speak; we don't know their strategy going forward, we don't know yet. So there is not much, you know, that we can say as management team here in the company.

NICOLA RICOLFI: Okay. Thank you.

GIANANDREA DE BERNARDIS: You're welcome.

OPERATOR: As a reminder, if you wish to register for a question, please press "*" and "1" on your telephone. The next question is from Michele Baldelli with Exane BNP Paribas. Please go ahead, sir.

MICHELE BALDELLI: Hi, good evening to everybody. I have a couple of questions, one is about the risk treatment that you do on Page 32, there are…there is a €3.5 million non-recurring income from investments. I would like to know if it's above or below the EBIT line in your consolidated number. And the second questions relates to the minorities line, I just was wondering why in the adjusted number there is a different figure than the reported one. So I would assume that part of the readjustments that you do are also concerning the joint venture with Quaestio? Thank you.

GIANANDREA DE BERNARDIS: I am sorry, Michele, we are trying to understand exactly to which figures you are referring to…

MICHELE BALDELLI: Yes.

GIANANDREA DE BERNARDIS: Yes. So first of all was the restatement of €3.5 million on which page are you?

MICHELE BALDELLI: Page #32, of the presentation.

GIANANDREA DE BERNARDIS: 32 of the presentation, yes thank you. Yes, of course, we have the adjustment and we have to consider the…this is…sorry…this is linked to the adjustment of the price of SpazioDati because when we bought SpazioDati we have been obliged to recognize the fair value of SpazioDati of the 48% of the our participation that was booked as a certain value, and it has been bought finally the remaining 52% has been bought at the higher price. And of course, we adjusted the fair value or the…what we were holding already in our books.

COMPANY REPRESENTATIVE: The second one was about the minority lines…

GIANANDREA DE BERNARDIS: Yes, minority lines include the different participation we have and so mainly Juliet. Juliet…of course the percentage of the Cerved Credit Management it is 5.2%...4.8% of Cerved Credit Management, the 50% of Juliet besides a smaller one in ProWeb Consulting and [indiscernible]. Okay, that is the remaining 10% that will be liquidated in few weeks from now.

MICHELE BALDELLI: My question was why I need to see an adjusted number different than the reported number. It seems like some of the adjustments relates to these subsidiaries where you have minorities inside and in case what kind of adjustments related to these subsidiaries because otherwise the two reported and adjusted should be similar or the same.

COMPANY REPRESENTATIVE: Exactly, because we are also recurring...nonrecurring item linked to these acquisitions. For instance, we have ProWeb consulting, a part of it, the acquisition cost besides the dividends that we pay to the fiscal authority in Switzerland and other minor costs linked to ProWeb, you know that we have the 60% stake and so we have deducted that one, and the same…a similar accrued also for the acquisition of Juliet.

MICHELE BALDELLI: Okay. Thank you very much and the last question relates then to the last part of the minorities on Cerved Credit Management. If you can elaborate about when is the put call option for Mignanelli to get the last part, if you think 2019 or if in the future and what kind of parameters would you look at for this, in terms of participation?

COMPANY REPRESENTATIVE: The minority option of Cerved Credit Management refers to two individuals and so is not only Andrea Mignanelli, but also Michele Cermele [ph]. There is a short term that is recognized in current liabilities and this will be liquidated in few weeks. And the remaining part is about €12 million, it's booked in the non-current liabilities and will be liquidated in Spring 2020.

MICHELE BALDELLI: Okay. Thank you very much.

OPERATOR: Once again, if you wish to ask a question, please press "*" and "1" on your telephone. For any further questions, please press "*" followed by "1." The next question is from Andrea Lisi with Equita. Please go ahead, sir.

ANDREA LISI: Hi, thank you for the color. I want to ask you how do you see the scenario in NPL in Italy after that banks said that they received a recommendation from the ECB to also increase the provisioning on the stock of NPLs not only on the new flows, so it seems the scenario will be much more favorable than expected. So I want to ask you if you can provide…can you give us more color on this and what's your view on the market?

COMPANY REPRESENTATIVE: Yes, now that is true. We all know that the pressure on banks to offload NPLs from their balance sheet is still very strong from the regulators, both on the NPL side and on quite recently also on the unlikely to pay side. So we see a lot of volumes coming through, also driven by the very likely new GACS scheme being approved hopefully soon by the government. So it's difficult to predict how many billions will come to market, but if you do some proportions to what happened in the last few years, we definitely expect a few dozens of billions coming to the market in the couple of years and as far as banks will be pushed to lower the NPL ratio to a more like European standard kind of level. So we share this favorable view on the future.

ANDREA LISI: Okay. Thank you. Just one follow-up, and when do you think that the market in Greece…the servicing market in Greece will effectively start, when...timing approximately. If it is possible to say when?

COMPANY REPRESENTATIVE: When exactly? You mean the day and the month?

ANDREA LISI: No, obviously…excuse me. I am asking you because we are seeing Greece from at least couple of years that it's seen as an interesting market, but so far [indiscernible] made but there are rumors for example on National Bad [ph] Bank or system solution increase, so I want to ask you if you have more visibility on a real start of this market more sooner or later, I don't know.

COMPANY REPRESENTATIVE: Yes. Well, I think the Greek market is behaving just like the Italian market did 3, 34 years ago. You remember, we are all waiting for the big waves to come or they will kind of to [indiscernible] as somebody was saying, nothing was coming out and then all of a sudden we got 70 billion on the market. So I think Greece is preparing, the direction is set by the government, by troika, by the ECB. And therefore, we are heading there. I admit that so far has been very little things going on, but my understanding is that both the Ministry of Finance and the Greek Central Bank are working at a scheme that may resemble the Italian GACS, rather than a Central Bad [ph] Bank, that's my personal understanding…my personal view. And so I would expect that things will start to move within the year and we will see the real volumes coming probably in 2020-2021.

ANDREA LISI: Okay. Thank you very much.

COMPANY REPRESENTATIVE: You are welcome.

OPERATOR: Gentlemen, there are no more questions registered at this time.

COMPANY REPRESENTATIVE: We thank everybody for the attention and we are available for any further direct call to us, if there is anything to sort of clarify. Thank you very much and have a nice evening.