

**Cerved Group S.p.A**  
**"Investors Update Conference Call"**  
**Monday, July 01, 2019, 08:00 AM CET**

MODERATORS:     ANDREA MIGNANELLI, CHIEF EXECUTIVE OFFICER  
                    PIETRO MASERA, HEAD OF CORPORATE DEVELOPMENT AND  
                    INVESTOR RELATIONS

OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining the Cerved Investors Update 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 of Cerved. Please go ahead, sir.

PIETRO MASERA: Hi good morning. Thanks everyone for joining the call today, Pietro Masera speaking and I am here with Andrea Mignanelli, CEO. The purpose of the call today is to provide you an update with regards to yesterday's news on the early termination of the service agreement with Monte dei Paschi di Siena ahead of markets opening this morning.

At this point, I leave the word to Andrea Mignanelli.

ANDREA MIGNANELLI: Thanks, Pietro, good morning, everybody. As you have seen from yesterday evening's press release, Monte dei Paschi di Siena and Cerved are proactively working together to early terminate of the agreement with respect to the servicing of future flows of NPLs. This regards only the special service agreement on approximately €5 billion of non-performing loans currently serviced by Juliet platform. Please note that there are no implications for the approximately other €16 billion that Juliet is servicing for Quaestio and all their funds related to Atlante...the former Atlante fund.

As you will recall, in mid 2017 Banca Monte dei Paschi di Siena agreed to a restructuring which entails selling about €28 billion of stock as well its NPL servicing division, the so-called Juliet platform. In this respect, Cerved and Quaestio teamed up and acquired the Juliet platform for €52.6 million, which was initially attributed servicing of stock of about €18 billion from the Atlante fund and future flows of about €4.5 billion from

Monte dei Paschi di Siena. Rational for the early termination is that Banca Monte dei Paschi di Siena needs to accelerate the process of de-risking its balance sheet as indicated in the press release, issued yesterday.

The agreement with Juliet, the service of future in flows for the next 10 years would have had a constraint on the de-risking and Monte dei Paschi di Siena and Cerved has mutually agreed to wind down this agreement. As you can appreciate from the press release, Cerved and Monte dei Paschi will however continue to work together not only to ensure the smooth and efficient transition of NPLs, but also with respect to servicing and advisory services in relation to the future disposal of NPLs. This is clearly part of the larger picture in which Cerved is long term partner of Monte dei Paschi di Siena in a wide range of areas covering business information, real estate services.

Let's now talk about the financial implications for Cerved and as indemnification [ph] that we received from...that we will receive from Monte dei Paschi and the profitability of the contract with MPS [ph]. Please recall that this figure relates to Juliet which is fully consolidated by Cerved, which holds 49.1% stake but with an account for minority interest.

With respect to the indemnification, this amount has been agreed at €40 million and is payable by Monte dei Paschi to Juliet. The indemnification is essentially reimbursed Cerved and Quaestio for the value of the residual life of the 10 year agreement.

With respect to profitability, the figures are more complex and they are due to a number of reason. First, the Juliet platform is currently servicing €22 billion of NPLs, of which only about €5 billion from the agreement with Monte dei Paschi.

Second, the agreement with NPLs envisages that a significant number of employees will return to MPS alongside the NPLs, and this will impact the financial results, of course.

And finally, the Juliet platform will continue to work for MPS both in the transition phase to allow MPS to be re-onboard the NPLs, as well as, in a subsequent phase for advisory services related the disposal of NPLs.

I do however understand the importance of giving our investor an idea of the financial implications, so in this respect we can make the following preliminary rough estimates. For 2019, the impact is quite minor given that about 50% of the assets under management will be transferred back to MPS during the course of Q4 with the residual assets being transferred within mid-2020. So the EBITDA impact in 2019 is close to zero.

During the course of 2020, the rest of the AuMs, will be transferred back to MPS by mid-year, but in parallel Juliet will benefit from advisory services related to the disposal of up to €3 billion of assets under management which will take place in 2020 or 2021 according to Monte dei Paschi's schedule. And potential further special servicing contracts if you know we sign an agreement on future flows or a portion of the stock. So the EBITDA impact in 2020 could be in the region of €5 million to €7 million for Juliet, of course, which then...half of which will impact on Cerved's EBITDA.

So in summary, the financial implications are not immaterial, but neither are they irrelevant which alters our growth projection for the medium term. And in this respect, the wind down will not impact our guidance as per the June 2018 Investor Day presentation.

So thank you for your attention so far, and I leave it open to Q&A session if somebody has questions to ask.

## 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 Rajesh Kumar with HSBC. Please go ahead, sir.

RAJESH KUMAR: Good morning, gents. Thanks for taking the question. Just to understand why are they taking it back, if there are different target they are trying to set, they are not happy with the terms or is it the level of service? And second, if you look at the additional staff you have, do you require a restructuring action in Juliet? And finally, what is the potential size of future outsourcing deals you are going to do?

ANDREA MIGNANELLI: Thank you. Yes, thank you, Rajesh. Very clear. On the reasons for this, as I said, Monte dei Paschi is...has decided to change the original strategy of de-risking and the reduction of the NPL ratio, and wants to accelerate the de-risking. And the only way to do it at this stage is to accelerate the sales plan of [indiscernible] and start to selling portfolios at a faster pace than they did in the past. In this respect, an agreement with an industrial partner like us is not fitting with the strategy because their purpose of the servicing agreement was to manage NPLs over time over a long term period of 10 years. And so, given the change in strategy it makes sense for them to sort of wind it down and use our expertise in a different fashion which is advisory on the sales process rather than servicing. This is what we understand from them and I think it's in line with their press release.

In terms of Juliet restructuring, as I said, the most important thing is that we boarded a large number of Monte dei Paschi peoples together with the platform, but the agreement was very clear from the very beginning that in case of wind down these people will go back to Monte dei Paschi. And so we will now work together with Monte dei Paschi to ensure a smooth transition back to the bank in terms of both of the assets and the people. And so, we will plan this in a way that will not put at risk the bank's portfolio and will you know move the people and the assets back to the bank in a orderly fashion. This clearly will have an impact on the total cost of Juliet and we will be more precise in assessing the net impact once we will know exactly the schedule of the transition.

In terms of future flows, I would say that yes, it's fair to say that obviously we will take out of our future growth plan this element of the Monte dei Paschi agreement although you know nothing says that we cannot keep operating with Monte dei Paschi, obviously not in a exclusivity agreement, but in a normal commercial terms. So we are available for servicing Monte dei Paschi NPLs if they want to rely on us in the future. And at the same time, in terms of total growth projection, I believe that the market in Italy is still quite active and there are still a number of NPEs, that Italian banks needs to offload in the next 24, 36 months. So I would imagine that Cerved will keep maintaining its natural market share in the future disposal of NPLs.

RAJESH KUMAR: Thank you

ANDREA MIGNANELLI: You're welcome.

OPERATOR: The next question is from Andreas Markou with Berenberg. Please go ahead.

ANDREAS MARKOU: Hi, everyone. Thank you for the call and for taking my questions, I have a few of them. So just to confirm, so the indemnity fee of €14 million, you will receive half of that, when exactly are you expecting to receive it, is it this year or next year? That's the first one.

The second one, you mentioned, EBITDA effect of €5 million to €7 million for FY '20. But then, given that the process is starting the beginning or halfway through FY '20, the impact for FY '21 should be higher, can you maybe give us a range...an estimated range for FY '21? Also is there a potential risk with the stock you are managing of Banca Monte dei Paschi? Thank you.

ANDREA MIGNANELLI: Yes. The indemnification, we are in the process of let's say finding an agreement of...on details, such as time of payments, transition schedule, additional services and so forth. So I...we don't have let's say, a precise date for the payment of the €40 million, but given the fact that the €40 million is indemnification due to the wind down, we would expect this payment to occur quite rapidly. And as soon as the old agreements will be signed off in the next few weeks, we can be more precise with that. My expectation though is that the payment is going to occur within 2019.

EBITDA for 2021, it's difficult to, you know, to have a clear view, because we don't know exactly the termination process the...sorry the accelerated sale process, how it's going to play out and what role can we take in this because, you know, we are then on the open market we are not buying the Monte dei Paschi in the future as a servicer, so we could potentially benefit from some of this sale if any of the investors typically working with Cerved will be acquiring this portfolio. So...and also, we don't know whether we could also take some other servicing contract with Monte dei Paschi. So it's honestly quite difficult to predict the full impact of 2021.

So at the moment, I don't have any better assessment than the one I gave you. And projecting this fact into 2021 is difficult at this stage. I can only suggest that the fact that over time year-on-year we always manage to find avenues of growth. You know, it makes me sleep well at night because I believe we will find a way to compensate this with other potential transactions and clients.

And your last question was related to risk on the other part of the portfolio, and I don't see any because we are currently, you know, we have a very, very robust organization managing the 2 portfolios and dedicated people for each. There is a little bit of overlap in terms of some of the Monte dei Paschi people being allocated to the Atlante Fund portfolios. Now we have plenty of time to identify the substitution with other asset managers and allocate the Atlante portfolio to the other asset managers before we will...the Monte dei Paschi people will return to Monte dei Paschi. So, it's very clear in our mind that need to ensure you know, full control on the Atlante Fund portfolio where we had a conversation with the asset managers and I don't see any risk because people are clearly marked and we can allocate resources properly.

ANDREAS MARKOU: Okay, thank you.

ANDREA MIGNANELLI: You're welcome.

OPERATOR: The next question is from Michele Baldelli with Exane BNP Paribas. Please go ahead.

MICHELE BALDELLI: Yes, good morning to everybody. I have just a simple question but relates probably to the most important one, which is, let's say this joint venture with Quaestio. You have got a 50% stake, and the point is that if there is



not future flow with Monte dei Paschi, I think that also the value of debt to joint venture is impaired and there is no statement about your commitment on the future of what to do with that call option. Can we as analysts, and also for the shareholders know what is your view on that remaining part of that joint venture, if you can already say that you will not exercise the call option and therefore not invest on a multiple on 2020-2021 EBITDA, that's anyway will not be sustainable probably. Thank you.

ANDREA MIGNANELLI: I understand the question. It's a critical topic that we are considering at the moment. We...I don't...I cannot say at the moment that we will not exercise the call option. There are a number of elements that of course, are not properly disclosed because they are part of the agreements with Quaestio. So, we are...we will be working with Quaestio and its...and their shareholders to decide what to do. We will be very, very clear minded on what to do and the...whatever we will do is going to be just in the...of course, in the benefit of our shareholder. So, we will do a thorough assessment on our...of our options and we will do what's best.

At the moment, there is no clear answer to your question, because it's a combination of several factors. We got the indemnification, we got a change in EBITDA, but Juliet is still working on the other part of the portfolio. There are pros and cons to be considered. We could be more clear on this topic once we know exactly what's going to be the future agreement with Monte dei Paschi and therefore, the final impact on the JV.

MICHELE BALDELLI: Okay. Thank you very much.

ANDREA MIGNANELLI: You're welcome.

OPERATOR: The next question is from Simonetta Chiriotti with Mediobanca. Please go ahead.

SIMONETTA CHIRIOTTI: Yes, good morning. One question regarding the impact on EBITDA commenting on it about 2021. You said that if you aren't clear; it depends on how much would be done with Monte dei Paschi going forward. But the negative impact may be higher than €5 million, €7 million or that is the maximum possible impact?

ANDREA MIGNANELLI: Well, we gave you a range €5 million to €7 million. Obviously, we will work very hard to reduce that range as much as possible. Maybe what you could assess is that 2020 is going to be on the lower range and 2021 on the upper range of the range. But again, at the moment, it's nothing more than gut feeling because we don't have elements to run our numbers more precisely than this. So, this is...we offer you already something that is our first estimate of the impact. But there are so many elements to be assessed and discussed with Monte dei Paschi and in fact we consider that will happen in the future, that we cannot be honestly more precise than this.

SIMONETTA CHIRIOTTI: Okay, thank you. And if I may, again on the on the call option on the stake in the hands of Quaestio, I was surprised hearing that it's not sure that you will exercise this call option considering that Juliet will retain the management of the rest of the assets that is a quite large portfolio.

ANDREA MIGNANELLI: Yes, yes, absolutely. That's why I said in the previous answer, I said, well, when asked can you say that you will for sure not call the option. I cannot say that, of course. Now considering that Juliet has still a very large amount of assets under management, and, you know, it's a...obviously clearly it's a core business for us, we will think twice. I'm only saying that the terms and condition of the call option could be

impacted by this event, which was honestly a bit unforeseen. And therefore, we need to think through the full impact of this. We have known this fact only for a few days. And so, it's a bit early to react properly and that's why I'm keeping my let's say...I am keeping my answer a bit open because we need to think through and sit down also with Quaestio to assess what to do.

SIMONETTA CHIRIOTTI: Okay, thank you.

ANDREA MIGNANELLI: You're welcome.

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

PIETRO MASERA: Okay, well then I think we've...we are done for now. Thanks, everyone, for participating and obviously if you have any other questions, feel free to call me. Thanks. Bye-bye.

ANDREA MIGNANELLI: Thank you. Bye-bye.