Cerved Group

"2018 Investor Day"

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MARCO NESPOLO: So first of, all good morning, everyone and welcome to our second Investor Day. Since the last one, 3years ago, I would say several things happened, both for Cerved and for the eco system we live in, so we are very pleased that we have the chance today to share our progress so far, and more importantly, where we want to bring our Company. And I would start with summarizing that I think is good to share with you coming into this presentation, which is first that we proud for the progress we made so far, and more importantly for having delivered on the promises we made 3 years ago.

Second, we are fully aware of the challenges, and more importantly again on the many opportunities that we have ahead of us for Cerved, and third, we are wholeheartedly committed to continue to build a bigger and better company and to ensure continued success for our Company, for our shareholders and stakeholders in general. So again, thank you all for joining us today, and thanks for Bank of America Merrill Lynch for hosting us in this [indiscernible].

With me on stage today in order of appearance during the presentation, we have Roberto Mancini, our Chief Commercial Officer who joined the company in 2015 after holding several senior commercial as well as general management roles in different…in several Telco [ph] companies and [indiscernible] he was a manager with Value Partners. Then you have Andrea Mignanelli, the leader of our Credit Management division which we founded in 2005 after being a partner of McKinsey and there he led to the very important business unit which is today after several again acquisition build ups and a lot of gains…portfolio gains over the last several years. Then you have Pietro Masera, who I guess you know very well already, who is our Head of Investor Relations and M&A who joined the Company four and a half years ago after being part of the CVC team who led the second buyout on Cerved Group. And then Giovanni Sartor, our CFO who joined the company 11 years ago in 2009 at the foundation of Cerved Group as it is today after holding senior roles in different companies both in Italy and internationally.

And so with this intro, I would kick up the presentation. I assume you all know us pretty well by now, so I skip Page 1 which is a snapshot of our business and of our business units, and I would start with Page 3, introducing…with Page 2 which is our Agenda today. We have a pretty intense Agenda. I would start with summarizing why we think our investments…investment case is very compelling. Then we have 3 sessions for a better dive into the different business units starting with Credit Information, so bank and corporate, then Marketing Solutions and Credit Management.

Then I will go back a little bit on the overarching strategy for the Group and how we think about the execution, and then we cover M&A, Investor Relation, and a quick financial session, to then conclude with the outlook for 2018 through to 2020. And after each session, we have 3 different Q&A sessions, also once again to be able to provide you with all the details that you are interested to receive on top of this presentation.

Okay after some intro…relevant intro, let me start with why we think our investment case is compelling and there are eight ingredients that I will cover them later in the presentation. #1, our market leader…a strong market leadership, #2, continued great track record, #3, the resiliency of our business model, #4 our strong cash flow generation, #5, interesting M&A opportunities, #6 the fact that we are a best practice public company now, #7 we think we have a strong management team, and last and clearly not the least, we have a clear strategy that we will share with you today and a well defined target.

Now trying to elaborate a bit more on each of those ingredients of our investment case, I would start with the market leadership of course that you see on Page 5. We are an undisputed #1 in Credit Information market in Italy and a strong most diversified and complete and fully independent #2 player in the Credit Management space.

Our leadership builds upon a set of very distinctive assets and capabilities ranging from the most accurate data base and algorithms to the strongest data science [ph] capabilities in general, the most structured sales force and capillarity on the ground in Italy and also the most comprehensive product offerings on the Credit Management side as well.

We also leverage on our governance and institutional positioning of course to continue to differentiate versus our competitors. And our history, our current governance and most importantly our continued focus on investments of course as they are and will be there to reinforce the leadership.

Now moving to the second ingredient, our growth track record, I would only point out that we have been able to deliver a solid continuous mid single-digit CAGR both on revenues and top line and that is up to 2017 of course, but I would also point out that you know we are accelerating significantly in 2018 thanks to the recent relevant gain in the Credit Management space. And this growth has always been there, no matter about the economic cycles or the political situations in Italy. Both EBITDA and sales, as you see in the chart on Page 7, are definitely not related to any key macro driver…macroeconomic driver in Italy, again very strong resiliency for this business model. And also a reasonably capitalized business model which again makes cash flow generation pretty interesting. We have always achieved around 80% cash conversion, which enabled us to quickly deleverage since IPO, despite investing €125 million in M&A, and despite distributing €185 million…€186 million in dividends.

Currently, we are at 2.3 times leverage and of course, that offers significant room to maneuver in terms of additional M&A and dividends and/or buyback. M&A indeed has been and continues to be an interesting way, which add value and complements our strong organic growth. We have been able to deliver several deals over the last 3 years across all of our business units. You know 2018 starts with a few important transactions with Banca Popolare di Bari and with Monte dei Paschi and Quaestio. And we recently signed actually last Friday another 4 smaller but pretty interesting deals in the marketing as well as Credit Management space which we will cover later on. And of course, this focus on M&A as we will elaborate better later on is going to increase on our side.

Next ingredient that I want to touch upon is our public company governance. Since CVC fully exited in late 2015, we became one of the very few truly public companies in Italy. We have a 100% of free float and we are honored of having a shareholder roster including all the highest quality global, mostly long only funds, and of course, we are applying the best practices across all of our kind of governance and compliance. So we also pride ourselves of having obtained this year the highest possible score by ISS on governance quality.

And one with the additional…with the #7 ingredient of our compelling story, I would touch upon our management team. But I would start saying that actually our strategy [ph] at Cerved, we do value humility and we normally try to raise our bar by higher as opposed to self congratulate, but I have to say that I am privileged in leading the management team that you see portrayed on the chart 11, which is well diversified in terms of skill set, and past experiences and also in terms of depth of experience in the specific areas that they are focusing on. And they are all here today with me also to fully share our commitments for the next…for the coming years.

Moving on to the last and as I said, clearly not the least ingredient of our compelling investment case, we think we have a very clear strategy that we are single mindedly focused on. We are also normally articulating then to specific actions and strategic objectives, and that can be easily benchmarked. We will reinforce it later today during the presentation, but we remain focused on 5 key ingredients of our…I would say strategy innovation and differentiation.

Organic growth initiatives complemented by bolt-on M&A, plus continued focus on operational excellence and increased focus on adjacency expansion and that's translating into a new guidance for…through to 2020 that I will explain better later but which in a nutshell is a) showing improvements compared to the prior one we gave two years ago, and 2) is incremental to the strong acceleration we are having in 2018 which is already fully reflected in the market consensus, but of course, I will articulate that later on.

Now, to conclude on this executive summary of our investment case, I want to quickly touch upon our share price. Since IPO in 2014, we've been almost doubling the share price, over performing all the key market industries. Recently after touching...I mean after being well above €11.5 per share in February we are experiencing some softness or even a bit more than the Italian market in general, and I want to stress that, that we won't see that reflecting at all any change in our outlook nor in our performances, and the current valuation at 10.9 times next 12 months EBITDA is clearly...is in our premium on the very low end.

By having said that, we can now start the dive on the difference business units, and I would start covering the trade information financial institution. Debt market in Italy is being growing at a low single-digit pace over the last few years with a very different trajectories across the different market segment.

Real estate and real estate appraisals in particular confirmed to be the fastest growing segment, building upon buoyant demand especially on appraisals, both from new mortgages and re-mortgages, as well as, more recently building on increased demand for re-evaluations and monitoring.

Also ratings and analytics have been experiencing a pretty good momentum, mainly driven by regulatory changes, as well as, increased focus by Italian banks on kind of more sophistication and higher value-added services, both on the origination and in the monitoring phases.

And then business information experienced low single-digit decline over the last few years, again mainly driven by a combination of some price pressure because again of not totally rational behaviours of some competitors and some consolidation into the Italian banks.

Going forward, we don't see significant changes in all of…in the set of a-cyclical, anti-cyclical and pro-cyclical drivers for this market. I don't…we don't expect real estate market to be less buoyant; we still expect sophistication and regulatory changes to drive some growth, as well as, the new lending activities by the Italian banks.

And on the two most important drivers, let's say, price competition, as well as, bank consolidation. I would go into more detail soon, but I would anticipate here that we don't proceed…we actually would proceed somehow better scenario going forward because of decreased intensity of renewals and some dynamics that I will explain later on both on consolidation and again price contribution.

In terms of our track record, we delivered the promise low single-digit CAGR over the last couple of years. You might recall two years ago, we were coming out of a long period of moderate decline in our trade information business 2015 was a year when we could go back to positive trajectory, we promise flat to low single-digit growth and we did deliver 1.7% CAGR again over the last two years.

We did expand our product, our offering into the rating and advance analytics business again leveraging some market momentum. We did continue to gain share, both in terms of new customer recruiting and in terms of share of wallet on the existing [ph] customers or real estate appraisals with a 6.4% CAGR for real estate in total. And we succeeded in defending the very, very strong position into our core historical business information segment. Thanks to continuous innovation and cross-selling and up-selling to substantially offset some price pressure and some bank consolidation.

And again as I said, to focus a bit more on business information and the two key drivers that we see as relevant, I want to touch briefly upon bank consolidation and contract renewals in general which is when again I think the price pressure is there for us as market leader.

On the consolidation, I would share two messages, #1, that actually happened with a slightly larger scope that we initially talked but with moderate impact for shared [ph] value, of course, we had some impact as shared in some conference calls from Veneto and Vicenza, but we have very limited impact from the several smaller Popolari banks that either disappeared or integrated in larger groups. And we even gained some market share on the largest merger that we faced in Italy last year…early last year, so very little impact from a larger than expected consolidation in the Italian banking industry.

Going forward, we actually expect the consolidation to go on at a slower pace compared to the pretty strong spike that happened in 2017. That…we expect that to happen mostly on some...mid-sized banks, as well as on the many very small bank Banche di Credito Cooperativo as we call them. But we did one...several scenarios on how the impact should look like…could look like and even in the, let's say, maximum risk scenario that's not one of the material to us.

Moving to the second part of the messages here, contract renewal, we did undertake a lot of an up-fronted a lot of contract renewals late in 2017 and early this year. We completed all of them successfully; we even won a couple of new customers in the process. So now the profile of our flat free agreements with most of the Italian banks which is 51% [ph] of our top line in business information, I would say…I say debt [ph] profile is pretty interesting, we have average residual life of 3.3 years, and more importantly probably more than 50% of the value is on contracts with the expiration date December 2020 and beyond.

On top of that, I also want to mention that during this last intense exercise of large contract renewals, we also leverage our partnership with Experian on the consumer information to counterattack our competitor or which, of course, was attacking us on the renewal, on the business information, we counterattack the consumer information. Not many revenues coming our way on the consumer information with the revenue side, but a clear signaling of…again the ability to retaliate and hopefully that should drive as I already told earlier some more discipline in pricing behaviours in the market going forward.

So based on all of the above consideration, we are committing to a low single-digit growth for the next couple of years for the trading information and financial institution. We will continue to expand and up sell our offering on the business information also leveraging the decreased intensity on contract renewals where we have between here and 2020. We will keep expanding our real estate appraisals business also focusing on the non-residential segment which is not [ph] being targeted so far by Cerved. And of course we do see opportunities, and then we continue to evolve our offering on the ratings and advanced analytics again to leverage a good momentum in terms of industry regulation on the banking side and increased sophistication, as well as, leveraging the emerging [indiscernible] industry in Italy. So, again, a low single-digit CAGR through to 2020 for the credit information market for financial institution.

With that, we have done with the first business unit and I am happy to hand it over to Roberto to cover trade information process.

ROBERTO MANCINI: Good morning. Good morning everyone. My task now is going through our two businesses; where the first one is Credit Information corporate [ph], the second one later is Marketing Solution.

Starting with Credit Information corporate and going to the first page of the presentation section. Starting with the markets, the market size in 2017 was around this is our best estimate now, more than €300 million with an average growth rate over the 2012-2017 period of 2.6%, it means low single-digit growth, which are the key market drivers to us for this…that is driven the market it is a combination again of a-cyclical, anti-cyclical and pro-cyclical factor.

Starting with GDP, even if Italy is not exactly an European star even in our country, recently, we are experiencing a more solid growth in GDP. GDP growth, of course, is going to impact our business information services. And we also have, of course, an positive outlook for the next three years. But it's extremely important relevant business information services that we have also factor like monitoring the typical anti-cyclical factor. It means that this monitoring demand has increased during the crisis period before economical recovery started, and this typical our business is why as Marco mentioned before, we cannot register growth in bad/good period for Italian economy.

Third, it is a historical issue of market in Italy for business information. The under penetration of business information services for SMEs. There are two different types of under penetration to us. First one is for top and medium customers, the higher part of the market, because we think that we cannot extract more value because there are different kind of means that are increasing in that segments and probably these companies are asking for more and more complex services that we can provide.

The other one is the number of SMEs that are using...are currently using this information services. We still calculate that is 30% of the addressable market. So we think again that there is room for efficient growth. And so, this is why also we have a positive outlook for this. So this means with the under penetration especially for the top and medium customers, there is the level of sophistication that is increasing, level of sophistication means that top customers probably cannot buy services to address different use case than in past, and we are ready to get this opportunity. Last, the compensative intensity is quite stable; of course, it is higher in the small...for the small segment, because higher churn and price pressure, but we have an outlook of mutual neutrality for the future.

Going to the next Page, I want to give you a clear overview...our performance over the 2012 and 2017 period. First of all the key message here that we consistently outperformed the market with a solid growth of 4% average growth over the 2012-2017. And this means that we achieved a brilliant, let me say 50% of market shares, that means 2.5 times, the #2 competitors in the competitive arena in Italy, and we grew because two main competitive advantages we will cover later.

The first one is our product offering, the quality of our product offering, and the second one is our commercial excellence, and this quality...especially the quality of our product is well recognized by our customers. In very recent survey carried out in June, we achieved an overall customer satisfaction of 90% and net promoter score of about 20 let me say a huge massive results. And related to our commercial excellence, you probably remember that we launched in the late 2015 a sales force revamp and these sales...the implementation…the successful implementation of the sales force revamp allowed us also to accelerate over the past two years our growth rate. We achieved solid and excellent 5.1% of growth.

Now, moving to the next Page, we have…we measure our go-to-market. If you look at the picture, you can see that we divided the market into four major segments. The first one top customers' are allowing 1,000 customers with revenues for 2017 of around €50 million and a dedicated sales force key account that now is reaching 30 people [ph]. Within segments, 13,000 customers with a dedicated sales force...sales field...field sales organized by geography, more than 200 agents on Italian geography supported also by two important growth, the first one is Phone usage stimulation, people are calling our customers to stimulate the use of our business information services and telemarketing to fix appointment with new prospect.

Then we have the small segment with more or less €5 million of revenues and 4,000 customers with a dedicated sales channel that is teleselling [ph] and at least, micro, micro is a sector with 13,000 customers that purchases the services through our website and just around €2 million of revenues. It's important to highlight that for top and medium customers because we are meeting the daily needs…the more complex needs, and...we are addressing new use case. We are integrating our data and our intelligence applied to data into their system. We achieved a very, very, very excellent growth during the last...over the last two years of 8%, the very solid also for medium customers of 4%.

Coming back to our key competitive advantages, starting with our product offering. We want to continue to focus our innovation and our effort is to expand our product offering. It is key to succeed in this strategy starting from the evolution of our Cerved Credit Suite, Cerved Credit Suite is our platform to manage credit launch in 2017 very successful launch, commercial launch, and we are focusing on integrating first of all our credit collection services, it is very key, and it is very important probably later also Andrea is going through these points.

Our strategy is to put everything in the same area, in the same...on the same platform. So we think that customers would buy business information services, that...the value chain is just before the credit collection services. And we are also increasing and it is important because we are still in the gap with our...the only gap, let me say with our main competitors in Italy that it is the online coverage for international companies**.**

We are enhancing also...we want to enhance more and more, the analytics feature, and it's important also our...the last point. We want to create pay line for vertical industries. Few words about pay line, pay line is our community or customers that delivers on monthly basis the financial flows allowing Cerved to monitor the payment of around 3 million companies in Italy. Of course, if we are able to create this ecosystem for a specific vertical, we are more effective, more precise, and we can address better the needs of our customers that belonged to this vertical.

The second step is [indiscernible] of our the integration, customization capabilities. It's important to understand that when we talk about top and medium customers and increasing level of sophistication, it means that we must be able to answer to these needs with our capabilities. So we are hiring and training people for pre-sales, post-sales, IT departments, of course, to strengthen our ability to integrate the customized projects.

And also we are developing comprehensive API infrastructure that allow us to integrate with the single click our data into the systems of customers. In example here, you have on this page, Cerved connect that is an API developed for the very well-known CRM system [ph] Salesforce. So we can integrate all the Cerved data with just one click into the Salesforce CRM, well, a single task.

And the new services we are focusing of course, on launching new services, some examples are anti-money laundering, it's very important in this period in Italy as well. And also we are developing customized projects based on our Big Data capabilities.

Taking into consideration that Big Data means anything if you don't know exactly what kind of data you have to choose and if you are not able to add human and artificial intelligence to this addressing each case knowing the business of the customers. So it's a…to succeed in the Big Data arena you need this combination of factors.

The other key competitive advantage is our commercial excellence. Probably, you remember that as I told you before, we launched the Salesforce Revamp Program in the late 2016. But we told you during the last Investor Day in 2016 that for us commercial excellence is not a one-off project, it's a continuous journey, it's something that we need to keep implementing day-by-day. And this is why; we want to re-launch this program again.

First, you see what we have done, so what we have already implemented or revising our go-to-market first. We created verticals for top customers. We think that is the right choice; it was the right choice and we succeeded in doing this.

Then, we created a new customer segmentation, this is what I showed you before, top, medium, small, and micro. And we also identified the right sales channel for each of the segment. We improved our ability to recruit, to onboard and to training our salesforce and with the topmost and dedicated sales channel especially for small companies like teleselling.

We also decided to implement a new CRM, which we think that we have chosen the best on the market salesforce and we are also introduced an early warning system to prevent churn.

Now, because it's a continue journey related to our go-to-market, we want to make our go-to-market evolve. And so we are ready to create new verticals because we have now a clear understanding of some sectors like public administration, automotives, so we are ready to do this. We want to introduce another segment between medium and top, this is closely remain what that I told before, the level sophistication is increasing and so we think that our medium customers need a different product offering, more complex, and also a different commercial approach, this is why we are creating a new segment with the new dedicated salesforce and a new dedicated hygiene [ph] team.

Of course, we continue efforts also for the recruiting, onboarding, training, and product selling. But we identify two new guidelines, the first one, a new focus on partnership. Partners could help us in two different ways; the first one is to complete our offer and the second one to enlarge our addressable market, because for instance there could be some software partners that could allow us to serve small and micro segments where our commercial reach today is still limited.

And we want to increase, it's extremely important; I repeat again, increase the integration between the Business Information Services and the Credit Collection Services. Then we are going to add a new model compatibility to our CRM and the important the last one, we want to step-up our strategy in prevention and churn prevention, so we are moving from just an early warning system to a more comprehensive strategy of customer value management.

And that…because of the underlying market is still growing at low single-digit, and because we want to continue leveraging on our key competitive advantages, product offering with the evolution of Cerved Credit Suite, the enhancement of integration and customization capabilities, new services, and also because we are re-launching again our Commercial Excellence Program, we are targeting for the next 3 years a mid-single-digit growth and target for Credit Information Program. Thank you.

Q&A

PIETRO MASERA: Thanks, Roberto. And we are now ready to launch the first Q&A session specifically, of course, on the presentation we've made so far on the…on the Credit Information business and hear is a mic around the room, so whoever wants to start is very welcome.

RAJESH KUMAR: Hi, good morning. Rajesh Kumar from HSBC. A couple, if I may, on the price renegotiation, when you show the pie chart, you're saying that over about 50% is not enough to 2020. So on the run rate basis, how much lower prices have you seen on an annual basis or is it the same level of price, but effectively more services being offered to the clients. So that mix would be quite helpful to understand.

And second one on the basically corporate segment. I appreciate the changes you've made to the Salesforce since the last presentation. Clearly, you've got a bigger telemarketing presence, have you seen the [indiscernible] change, because you've gone to smaller and medium-sized enterprises compared to previous ones. And do you see any impact on how IFRS 15 revenue recognition might change, what you record over the next 12 months because of the churn mix?

MARCO NESPOLO: Okay. So, I will take the first one on the banking renegotiation. When I said we are comfortable about the profile i.e. the future trajectory of the renegotiating contract and revenue profile for the Business Information in general, it's mainly because we went through these large renegotiations, of course, doing some sacrifice on pricing, which actually ranges from 0 to double-digit discounts depending on the situation. But we have always been able to compensate for the discount through up-selling i.e. more sophisticated products or business information itself. Even more often gaining the share of wallet on the other business, so combining a continues moderate decline on the Business Information, which is largely…let's say already known at least for the 61% of the sales that are coming from the long-term contracts. So adding this moderate decline, very moderate decline on the Business Information with all the growth that we are…that we are experiencing on the other businesses make us comfortable in containing the low single-digit trajectory, so that was…I think that answers the first question.

On the second one, I am not sure, I got exactly question, but that was about if there is any difference in the churn rate that we are experiencing across the different segments. Did I get it right?

RAJESH KUMAR: And basically, telephone [ph] sales force in the small and medium enterprises, if you look at the pyramid you show, you are now bigger in the middle part of it than we use to be back in 2015 or 14 with the call center sales force?

MARCO NESPOLO: Yes. So the bridge of our growth as Roberto mentioned earlier is that, I mean, we did grow significantly on the large account there churn is super low, we have a very high level of integration and we continuously expand to the value proposition the level of integration, the customization to our customers and that allowed us, of course, more than the new customer recruiting to grow on the very important, and growing important large customer segment.

On the medium size also churn is remaining reasonably stable. We have a lot of customer that are very loyal to us, we continuously educate them through, I mean, better consumption path, some of them as Roberto mentioned are actually getting very close in size and type of consumption and needs to the very large accounts. So we are expanding our go-to-market with large customer model to the medium large customers. So we are creating this additional segment which again will behave in terms of our go-to-market very similar to what we do with the top account.

The smaller ones, are actually with a typical, let's say, mid single-digit churn rate in value, and of course, the churn rate increases as you go down the curve to the small and micro customers. The tele-selling efforts, we have been ramping up over the last few years are actually targeted to take a better care and therefore reduce the churn of the small customer that are not of course very much taken care of by the agents, they work on commission.

So smaller the customer the lower the care, so we take care of themselves through the tele-selling which is mainly targeting care over existing very small customers, we have I think 10,000, no, I don't remember that how many small customers we are following through the tele-selling 4,000 sorry…4,000 and the churn on those specific customers that we moved from the salesforce on the ground to the teleselling team reduced dramatically, but of course a better care is over churn. So I hope that explains a bit better how we feel about the segmentation of our customer base and the churn related to each segment.

RAJESH KUMAR: Thank you. Just the last part of it was, do you see any difference in the way you booked the revenues versus sales under IFRS15?

MARCO NESPOLO: Okay. Yes, we do see, we went through a quick bridge during the last conference call in Q1, because we started, let's say, reporting the numbers with IFRS15 and 9, and of course, benchmarking that against our restated 2017. And the answer to your question on the corporate segment in particular, yes, there is an impact. We have several products, most of which faster growing like pay line, as Roberto mentioned and others especially the more complex the project and the more IFRS is impacting because you sometime have long-term contract as well with the very large customers. We use to upfront some of the revenue recognition in the old accounting principles, which we now split over the life of the contract, both some initial setup fees so to say, and some let's say maintenance fee type of revenues that often times in the past where accounted for upfront. So there is, a little mismatch in the revenue recognition on part, not a huge but on a significant part of the revenues for the corporate segments.

RAJESH KUMAR: Thank you.

SIMONA SARLI: Good morning. This is Simona Sarli from Bank of America. So I have two questions on the bank segment of Credit Information and two on corporate. So starting from the bank segment, so you were speaking about the consolidation and skills, some potential exposure what is roughly the revenue exposure to the smaller domestic banks as of now? And then, you also mentioned that you continue to expand the offering in rating and analytics. Could you provide some examples of the new offering? Yes, and then I will move to corporate?

MARCO NESPOLO: Okay, starting with the banks, of course, so on the consolidation we…as I said we do expect the kind of most of the happenings being on the few mid-size regional banks in Italy and branch of very small, very local Banche di Credito Cooperativo.

In our scenarios analysis, we cultivated the total exposure to debt segment in terms of either contract value or consumption agreement that we have with those small banks, in roughly…like call it between €15 million and €20 million. I think we mentioned €70 million in the page I showed earlier, as again contract value or revenue value in business information from those segments. And we estimate maximum risk of…on the contract or consumptions at around again maximum 20% based on the experiences we had so far even on the larger scale consolidation, and also given again the kind of type of footprint that we would see on those mergers. We already faced some integration on the Banche di Credito Cooperativo through the service centers that are more and more consolidating the footprint. So it's nothing new, but again we expect that to proceed, in total at lower pace then we saw in 2017.

The second one was rating analytics, as I said, the momentum comes mainly not only but mainly from on one side regulatory changes that are forcing Italian banks to kind of become more sophisticated and again to comply with more…we took with more requirements. Some examples, for example, anti money laundering, anti money laundering is a segment, which we addressed, I think two years ago or one-half year ago. I think we mentioned that already in the last Investor Day that was one of our programs. We made a partnership with the small player and we started to sell it both to the corporate sides on the very large customers like the gaming industry and Telco utilities et cetera. And, of course, to the banks, there the market leader is a kind of pretty dominant players, it's not easy to gain market share, but we did already booked some interesting contracts on the anti money laundering side.

Another example is, the outside fast credit/digital lending value proportion. We are developing and we already have like a few proof of concept ongoing with the Italian banks. We developed an engineered, again a fast credit platform, we are integrating all of our data and adding, of course, engineered automatic work flows. We can deliver like time to [indiscernible] and time to cash on specific customers mainly SMEs and on specific types of loans like real times so on so forth. So we are proposing that to several Italian banks and to the Fintech community in Italy. We are already serving with something similar, all of the Fintech players in Italy, and that's…it's a growing area of interest in general from all Italian banks. There is not a single bank in Italy especially the smaller ones that cannot do that internally, there is nothing interesting in getting more digital and getting a kind of better and more efficient cost efficient go-to-market especially for the SMEs, which is exactly where we do have a proprietary angles, and we can add them, and we are doing that also through normal advisory project not just through these new platforms to kind of better target the right groups of SMEs that are yielding the best kind of balance in risk and returns, and they would normally be difficult to address economically for the Italian bank. So those are [indiscernible] something we have again trying to develop.

SIMONA SARLI: And then the two questions on the corporate segment of credit information. You mentioned that in Italy this is still a largely under penetrated especially if we compare it to other European countries. Do you think that this is structural or is there any room to improve? And also how has the penetration rate evolved over the past few years?

MARCO NESPOLO: No I don't think it's a structure, so we are late but we think that there is room for improvement. What we need to understand to help this trend to be improved also is the sales channel. This is why we are identifying the partnership as a future possible channel to reach this kind of small companies. So it's a mix of education, of needs that more or less are increasing also for small companies and also commercial reach, the combination of three. The penetration over the last 2 years is slightly increasing, but as I mentioned before, it's still below 30% of what we think is the addressable market. So there is room for improvement for sure.

SIMONA SARLI: How trivial marginal or relevant [indiscernible] especially put together the Credit Management with the Credit Information business. Is it going to be just on a few NPL, so the late payment of the clients or is it going to be in 10 years time outsourcing the entire working capital management of midsize, big cap size, so it can be relevant because of business that you are trying to get out of your clients?

ANDREA MIGNANELLI: Well, that's a very interesting question. So to start with, we have…as we speak, we do have a very low penetration of credit collection services on our existing Credit Information customer base. So the cross-selling between the two different channels obviously offers clear opportunities. Once you are there to talk about how you manage the credit risk in the origination and the monitoring phase for any company from the small SMEs to like to the large corporation, it's a pretty easy adjacency to discuss about especially if you have integrated products and platforms as we are going to have soon to kind of cross-selling, so we do see to sell with significant opportunity just in capturing the already existing demand for receivable collection on Italian SMEs through the integration that Roberto explained.

The next phase could also be…but honestly, it's a bit too early for us to be very granular and precise in that of more structural outsourcing by larger companies of the whole collection processes, that's sometimes difficult and sometimes we are even discussing with some banks but I think we do have a couple of leads of I mean larger companies that we are discussing really in terms of getting some people maybe and managing the whole workflow of receivables collection for them.

We will start from getting the most out of our existing customer base with a fully integrated offering, that's the first addressable target that we want to pursue. The next one that you mentioned is also relevant, it's more like a quasi, non-organic type of discussion similar to a small NPL platform just I mean into the Corporate…

GURJIT KAMBO: Hi, good morning, it's Gurjit Kambo from J.P. Morgan. Just a quick question on your EBITDA margin. Given your new client segmentation and I guess from the sort of the initiatives you have, is there any sort of change in the EBITDA margins in the co-product…Credit Information business?

MARCO NESPOLO: We will cover that a bit more later but in actual, as we always said, there are potential mix impact depending on where we grow the most in our Credit Information in general. So at first mix impact is within the Credit Information bank because we do grow more into the very interesting but lower than business information type of segment. So we enjoy a 40ish percentage EBITDA margin in real-estate, which is of course below the marginally EBITDA of business information [ph]. So this is in fact within the banking segment is slightly dilutive. So the additional growth comes with slightly smaller margin.

Within corporate, there is no real mix impact. The only new ones I would add is that #1, of course corporate has a higher commercial cost to serve our customers on the ground but that's not a mix within the cost, so it's just a fact and a future of our go-to-market, but within the business mix, I would just tell you once about the fact the partnership we are developing. So the marginal focus on our different go-to-market to leverage the potential for our additional penetration and leverage the potential expansion of our service offering, again often times with partnerships and partnership normally comes with some form of economic sharing, of revenue sharing with our partners. So you take Salesforce, we do have as Roberto mentioned a specific application, which is shared to connect for Salesforce and of course, we do pay royalties to Salesforce when we sold that application to that customer, to our common customer. And the same entrant [ph] we have experienced on the Consumer Information and with other software vendors [indiscernible] on the other combined go-to-market. So on large customers where we go grow the most sometimes should go through partnerships as well and that again on the margin is very slightly diluted to our EBITDA margin.

So all of that together our very high 52ish percent EBITDA margin on Credit Information, is again a bit difficult to maintain exactly as I said, **as** I always said, we expect a very moderate constant dilution of our EBITDA margin into the Credit Information.

Operating; continues focus on operating actions which we will cover later. Of course, will help us mitigating.

GURJIT KAMBO: On the completion in credit information, is it possible to elaborate more, the picture especially on the corporate side, if you see new competitors emerging especially on the small corporate segment?

ANDREA MIGNANELLI: I think for top or medium segments we have adjusted one main competitor and in the near future, I don't see anyone else. So we are market leader, but we are also the leader of the innovation of the market. So we think that we must respect our competitors but I don't see anyone else again. For the small customers, small segments and micro, yes there are new players that probably have some issue in terms of quality or the products, but they are targeting this kind of customer, so potential customers for us and this could be positive because again it's an help in enlarging the addressable market, it's as I mentioned before the increasing penetration of business information services is also due to education of the competition. So we are quite happy that it happened, but I don't think that the problem of growth it depends on competition in this segment. So it's up to us our ability to serve these kind of…this segment and that also our ability to retain customer.

GIAN PIERO SAMMARTANO: Gian Piero Sammartano from JP Morgan. And one question going back to the ratings and analytic solutions, who is your primary competition in that market and what's the nature of the competition, are there any establishment solutions that you are trying to share or is it more about growing solutions, which are still the influence in the market, any other large corporate maybe from our adjacent segments, software to others which is showing interest in that market?

ANDREA MIGNANELLI: It's also a great question. Well the rating and advance analytics for financial institutions into credit…

Part 2 (60 to 120)

COMPANY REPRESENTATIVE: So first of all a great question. The rating and advance analytics for financial institutions into Credit Information segment is like this is fragmented, and I mean there are many players that insist on that segment. I think honestly the closest competitor that we have is Crif [ph]. Crif is senior to us in terms of value proposition with some angle on the softer side already. And so, I would mention Crif to be probably the closest competitor, most senior competitor we would face on our say typical existing value proposition.

On the new use cases, I would say indeed there are different players, I mentioned in AML, [indiscernible] is the market leader in Italy, undisputed market leader in Italy on the AML. On more on the advisory side of the spectrum, you have Prometeia [ph] a consulting firm specialized into risk and rating systems and some software pieces as well. And then some software players and system integration players, of course, do also try to get there providing with more of a softer angle solution in that sector. And I would say that's basically the landscape we see.

COMPANY REPRESENTATIVE: Okay, thanks for your question. I think we have done with the first Q&A session, and we can move on to marketing solution and then credit management. So Roberto, up to you again on the marketing solutions business.

ROBERTO MANCINI: Yes, okay. Starting from first page of this section, we have an overview of the market. We divided the market in two segments what we call Legacy. Legacy segment is made of data-driven marketing platforms, marketing projects, [indiscernible] sectors and the digital space, the digital segment. As you can see, the growth rate over the last two years was extremely different low single-digit for Legacy and double-digit growth for the digital. Again the key market drivers are very similar…are similar to the business information.

The GDP growth, of course, affected the marketing expenses and there were propensity to invest in marketing in Italy. But it really important is also the market consolidation. It's a-cyclical because both segments on this market are highly fragmented and are made up of very small specialized niche players. This is why we think that and there is a process of consolidation ongoing and we want to play a role with a positive outlook in terms of impact on market size.

Again for SMEs it is always the same, there is an under penetration in Italy also for the market and Cerved solution services and the level of sophistication as well has been increasing, yes, and we think that is going to increase more and more with the positive outlook, again, especially for digital services.

Last, the digital marketing [indiscernible] and digital segment is a very fast growing segment, not only in terms of size, revenues but also in terms of technology, new digital services, new case [ph] could be addressed and we think that this could boost the growth in the short mid-term.

Going to our performance over the 2012-2017, I highlighted and we delivered a massive 20% of overall growth over this period, and with a Legacy segment where we registered the CAGR of more or less 9% always over the 2012-2017 period and mainly driven by the cross-selling opportunities.

We have a significant customer base we can exploit in terms of go-to-market synergies. This is…of course this is true for the Credit Collection Services we mentioned before. This is, of course, true also for marketing solution services. And we are also expanding because we invested in our product offering also for marketing solutions and we are enhancing our platform…marketing platform.

Then you can see over the last two years 2016-2017, we added growth coming from PayClick. PayClick was the very first step of Cerved Group into the digital space, into the digital market, paving the way for further acquisitions we think, and PayClick was successfully integrated in our offer and now we can see that for the 2016-2017 periods, we achieved a double-digit growth.

Coming back to the…our digital marketing expansion. Our strategy it flows [ph] through our small add-on acquisitions in this space. We want to complete our offering. We want to customize a digital offer for SMEs in Italy exploiting cross-selling opportunities that we have with our existing customer base, and we are trying to identify here in this picture the digital marketing value change, just to say that where we see three different types of value chain, the advertising, the optimization and the sales marketing. We closed a deal PayClick for the sales [ph] marketing was successful.

Now we find a deal 3 days ago, I think with the ProWeb Consulting for deal optimization part of the value chain especially search engine optimization. Few words now about ProWeb Consulting. The next area we of interest is the advertising, especially programmatic advertising. We think that if we put everything together we can succeed in achieving a significant the solid growth.

Few words about, as I said about ProWeb Consulting. The business is mainly search engine optimization advisory. Key figures revenues of €20 million in 2017, 25% of EBITDA, double-digit trajectory so this is a fast growing small company, very specialized with a very talented entrepreneur. We signed this deal for the acquisition of 60% of stake, put & call on residual 40% at a high single-digit multiple, of course, this deal is subject to closing.

And so summarizing, for the outlook, for the Legacy area, we want to leverage our Big Data and Advanced Analytics Capabilities. We have…we mentioned many times SpazioDati. SpazioDati is our big data engine that could boost all our business lines, so marketing solution as well. We want to continue and to focus on our commercial excellence also in the marketing solutions where we have a dedicated sales force, and of course, we are going to exploit our cross selling opportunities on Cerved customer base. There is room for much more penetration.

For the Digital, as I told you before we want to complete our offering, customize this bouquet [ph] for the SMEs, Italian SMEs. And we again are going to exploit our cross selling opportunities and we keep focused on

M&A, acquisitions. So because of this, we are targeting a high single-digit CAGR for the next 2 years.

Now I think I hand over to…

COMPANY REPRESENTATIVE: We are done with the marketing solutions, so we can start with Andrea driving us to the presentation about credit management.

ANDREA MIGNANELLI: Thank you. Good morning, everybody. As Marco, said at the beginning we are very humble, at the same time I must say we are very proud of what we did in the last six years by all dimensions. Just a quick snapshot and I will give you more details in a second. We grew the company about six times in six years reaching over €50 billion assets under management recently. We did pretty well on operating performance as well growing EBITDA times 12 in the same period of time.

We built a very complete company offering all the services possible connected to the assets management of credits and collateral and serving all type of client. And by the way, we create a very diversified customer base with over 1,700 clients in all segments and seven long term industrial partnership with large institution. So I think it's good to go through past in order to better understand the future. So I will give you a bit of color on each one of those.

So first the market, we did very well in terms of revenues growing six times as I say with a CAGR of over 30%, obviously I cannot give you disclosure of 2018 revenues, but the size of bar it's not like by chance it looks like that, it will look like that at the end of the year.

Now, you may think that this was due to the market, in reality it is not we outpaced the market, because if you take all the players in the market excluding ourselves and DoBank, the market has grown…so the other five or six mid-sized services in Italy they move from €52 million revenues in 2012 to little over €73 million this year. So the CAGR of the market so far was only 7%. And we manage to achieve that growth through a number of…like a number of things and mainly you know, partnership deals with large banks we helped investors to buy NPL portfolios and we gain outsourcing contracts with large clients.

This chart is explaining how we reached €50 billion assets under management in the last 12 months. When we closed last year, we were around €25 billion, and as you can see we moved up to 15 [ph], do a number of things, so obviously the Monte dei Paschi Quaestio transaction is very relevant for us, but it’s not the only one. So just very quickly BHW it’s a bank in Italy, mortgage bank owned by Deutsche Bank and exiting the market so we made a similar transaction as Barclays, which means that we are managing their entire value chain on performing, sub-performing, non-performing mortgages in Italy.

As Marco pointed out before we closed in December the transaction with Banca Popolare di Bari, so it’s a platform deal we got €1.1 billion in stock and a [indiscernible] contract on unlikely-to-pay and future NPLs. Quaestio, it's actually more than one single transaction, because we have the Monte dei Paschi serving €14.5 [ph] billion out of the Monte dei Paschi transaction that Quaestio made with Monte dei Paschi, but at the same time we got €3.1 billion of other banks portfolios than Quaestio brought from a number of other minor banks.

We got the future flows of Monte dei Paschi, on day 1 when we turned the key on May 14; we got 4.1…€4.5 billion which is the first initial assignment of the next 10 years. We closed…well [indiscernible] which is the Italian Banca ruled [ph] by Banca Italy gave us about €2 billion out of the total €5 billion they have under management, and that you know, leads to over €50 billion. In addition to that, we got…we are currently managing two GACS scheme that I cannot disclose yet, which will lead another couple of billion by end of…let's say end of the summer. So very complete set of clients.

Now, in terms of performance, we are doing pretty well there as well. We grew EBITDA [indiscernible] in the same period of time. Last year, one of the key questions we were getting from a number of people, well, it's okay you are growing very fast, can you cope with that? Can you manage growth? Well, it looks like we did also because it's very relevantly the right side of the chart where you can see that we need to [indiscernible]. In our business increasing collection rates leads immediately to performance and profitability for us. And, you know, that’s majority of our servicing fees, our collection fees and so improving collection means improving revenues and margin.

We did improve our ratio of revenue over assets under management from 23 bps to 28 bps. And at the same time we increased collection rate by 20% this year versus last year. So this is very important for our clients, as you can see on the chart as I say, we built a very complete set of services, basically we do everything you can imagine on NPLs, we do advisory to large funds are willing to buy portfolios. We added the master servicing business which we rolled out only last year, but eventually some of our clients ask to be ready to serve also their vehicles and therefore we added the master servicing capacity.

And then over the value chain, where we are doing the performing loans, the sub-performing, early warning, credit workout, legal service which is very relevant to this business and of course asset remarketing, because as I say many times Italy is an asset based lending country, so in order to manage the portfolio we got to be ready to manage also the underlying collateral.

Revenues coming from these streams [ph] are interesting, because as you see obviously if you take NPL services and collection together we make about 60% of revenue but you know, performing and ancillary services will account for another 40%, so well balanced P&L structure over the various areas.

And as you can see on the right…on the left hand side of the chart, we serve all possible clients, so banks, investors, financial companies, large clients, utilities incorporation with the commercial network of Cerved, especially SMEs and finally I would say public administration which is a totally untapped market. You see there the number of clients are well distributed over the value segment, obviously 19 banks, 8 investors, 1,500 SMEs business the key number that we were discussing before and Roberto was mentioning.

Well, we started the corporation between the commercial network of Cerved and commercial network of the credit management, this number was little less than 1,200 in two years we raised to 1,500, the full potential is over 10,000.

And finally public administration, here it is hugely fragmented and 21 it's still at very, very low number so we plan to increase that number. Now, on the right hand side of the chart, we see another interesting point, apart from the very large transactions on the market, we manage to strike 7 partnership deals in the last 5 years over 10 total transactions in Italy. We did that with Banca Italease back in 2012, Gruppo Delta, Credito Valtellinese, BHW, Popolare di Bari, Barclays, Monte dei Paschi, so a very recurring business us. We have done it seven times; we are planning obviously to do it even more in the future.

So having said that, this is the past, if I look at the future, I see it very bright because finally the market is kicking off and I will go through it in a second, you may look at the country and truth is what I said that finally the market is ticking off, and we are pretty clear minded on what to do to capture the opportunity. The combination of these two factors lead us through a what we call low double-digit growth and this is building on top of 2018 step up that we did and that you guys expect.

In terms of market, let me…give me a couple of minutes to go through the chart. The green line is the amount of NPLs managed by third-party and the red line is the [indiscernible] other servicing industry. As you can see up until 2014 there was a huge amount of NPLs in the banks balance sheet that amount of NPLs actually managed by third-party was very limited. As I discussed before, we managed to grow in this period by you know, making single transactions and buying portfolio together with investors but the market was not there yet.

Now, in the last couple of years finally the market has exploded in the sense that the asset became liquid started to move from banks balance sheet to investors creating outsourcing platform. And this is crucial for the industry because if the asset is still sitting in the banks' balance sheet there is no revenues collected to that. Finally the market is becoming liquid and therefore also revenue pool is increasing.

Now, if I look at the future, obviously the assets in the banks' balance sheet will decrease quickly because banks will sell them, but the assets will not disappear from the market. They will move from bank's balance sheet into vehicles and therefore we become let's say eligible for third party servicing.

If you just look at the NPLs, the total amount of NPLs in the system will actually slightly decline in the next 5 or 6 years due to the fact that finally we are working them out and because the bleeding has stopped a few years ago, but if you add the component of unlikely to pay on top of it, actually the market is pretty much flattening [ph] now. Now, the revenue too is actually moving in a different direction because as I explained, there is a little bit of a lag time between the creation of assets in the market and the creation of revenue because you need to own more portfolio, you need to start working on them and therefore the is a bit of a lag between assets under management and revenues but more importantly, the number of services that you offer grow over time.

As I said before, only 60% of our revenues are NPL servicing and [indiscernible] ancillary services, so the penetration of ancillary services into the revenue pool will increase over time and that's why the red line has a different trajectory compared to asset line. So in addition to that, we expect improved performance and therefore improved revenues and as well we hope that the market and the market trend will give us a little bit of tailwind and therefore increased revenues as well. So that's why we see the market finally starting off.

In terms of action to capture the opportunity again through the three major business line, one is NPL services, #2 is credit collection, receivables collection, #3 is ancillary servicing. On NPL servicing, up until last year, I was waking up in the morning looking for the portfolios, now when we sit [ph] on more than €50 billion, the key obsession is performance, as you can imagine. And you guys are all asset managers and you know very well that 1% of performance, you know will you know, it actually create more value than one extra billion of assets and therefore, we launched what I call the performance ethics initiative, which I am personally running every Friday afternoon, I dedicate two hours with all my management team to think about how to improve performance and it's working out.

We identified a set of actions around 3 major lines which are data, people and technology. And it's interesting to see what…the level of cost optimization we can get between the various area, NPL servicing, credit collection, performing loans management, ancillary services, so this is going to be our key focus for the next years.

At the same time, of course we expect to keep growing in terms of new portfolios because finally the market is more liquid and it's easier now to get new portfolios. Everybody is talking about unlikely pay, for us, it's a reality, among this €50 billion we already manage about €2 billion of unlikely pay currently. And as some of our future flows contract already encompass the ability to manage unlikely-to-pay. So that…this is important for us as well**,** we created a team hiring like one guy from Goldman Sachs which have the strong experience in unlikely to pay and we are building around that dedicated team.

Finally, quite interesting, international footprint. As you know, we are a very local Company so far, but we are exploring opportunities abroad, in particular two countries, Greece and Romania. In Greece, we established credit, troubled [ph] credit management in Greece, a local company. Greece is an interesting country, €100 billion of NPLs, zero market. It looks like, if you remember the chart, you know a few couple of pages ago, it's like even 5 years ago, so a huge bulk of NPLs in the market for us, yes, but we expect that these will move out as in Italy and therefore, we are planning to capture that opportunity.

Romania, is very small but interesting, we are already there. We are there since 2014, we normally used our operations to serve Italian clients out of Romania and we started to offer services to local clients as well. So I would expect this line to grow all the time and we will give you more details in the future as we establish our presence. In terms of credit collection, we already went through the major opportunity which is the cross selling with the commercial network or channel. As I say, a little over 1,500 clients now, total potential over 10,000, so we have huge expectations there and we are working very hard to build up a common go-to-market.

Something I am very keen on is what I call data-driven credit management. It is quite impressive what we can do, especially on the credit collection business which is very granular and we are working out 1.5 million debtors there and therefore it's, you know data makes a huge difference when we work out so many debtors. We are applying the best of grid [ph] that channel [ph] can offer on our own portfolios. I have to say that we are just 20% of our potential there meaning that yes, we already use data. We use technology, but there is way more that we can do on this in terms of applying semantic engine's, speech analysis collection scoring and so we are intensively working on that to improve our performance.

Finally, as I said, public administration in Italy, in reality public administration needs to go like city by city to capture small portfolios and that's where the commercial reach that Cerved can offer is crucial to win needed [ph] portfolios, but we can win many of them and therefore we plan to commercially focus on that as well. Finally on ancillary services, we as Marco pointed out before, we just closed some transaction with

LaScala, which is a local firm dedicated to NPLs management. It is the largest NPL management legal firm in Italy.

We make about €13 million revenues in legal workout. We make about €13 million revenue, so combining forces it is going to create a champion of legal workout in Italy. We came to a similar level from 2 completely different background, they are a law firm which evolved into a legal factory and we are a factory…we became a legal law firm. So combining the 2 things will create a lot of value to me just adding let's say data and systems to their 150 lawyers workforce.

Properties remarketing is crucial, just a number out of the €50 billion of assets, we manage about €22 billion are backed by piece of real estate. So you must be ready to manage the real estate. We didn't find any target for M&A in the space because it is very difficult to find specialists in the space, so we decided to build our own skills. We have about 30 people in the ground now and growing, and therefore currently we are managing 5 vehicles, but we owe the assets coming, this year we expect to open another…to serve another 5 vehicles [ph] by year end, so this business line will mean something for us in the near future.

Due diligence, obviously, there is a lot of appetite for investors to buy Italian NPLs and they also request us to do like a portfolio valuation, and last but not least performing loans. We are managing as you know, the big markets [ph] portfolio, and managing [indiscernible] we are managing BHW. We believe that the industry is very interesting because with all the Fintech arriving and the taxes [ph] arriving, we typically decide to concentrate on risk management and technology and rely on Cerved for the data portion, as Marco pointed out before, but also for the operation. So we can offer variable cost work for us to manage pools of not only credit loans…consumer loans but also SME and corporate loans and that's why we expect this business line as well to give us interesting results. So let me say that just as a final remark, we expect low double-digit growth for the next 2 years. Thank you.

PIETRO MASERA: Thanks Andrea and we are now ready for the second session of Q&A. So please go ahead.

Q&A

ANALYST: I am Srisha [ph] from Aberdeen Standard Investments. I got a quick question, given the new government has commented about putting more protection in place for debtors, do you think that's going to impact the collections rate at all. And do you think that's going to be in the step of an additional step in the judicial process et cetera. And also how do you [indiscernible]. And also we've all seen the interim [indiscernible] deal. And I just wonder whether you think more banks are going to do similar type of deals? And how that then ties in with your claim of independence, if there is just less deal to go around and people start doing this type of structures? Thank you.

MARCO NESPOLO: Yes. On the first…the first one was on the contract. I think that was…it was a just to remind there was in the government contract, there was a sentence about the fact like I said, be more protective to debtors by adding like sort of legal step in the process.

Now, I…we cannot imagine how can you add more legal steps in an Italian process, meaning that it's already pretty perfective of all the debtors. And therefore, to me and to most of specialist in the market, it was simply like a political sentence just to get a little bit of consensus from a political standpoint, but there is no technical background. And in any case, I would say that actually may be on the way…you know, the government is making steps to simplify the legal framework and make it more performing and easier and faster, so adding one step, it doesn't look like being a good idea.

In any case, we have a legal workout business as well, so if by any chance we come up with the law that says that there is additional step to this, I can see, sort of a potential benefit from our legal…legal workout business. Having said that, I don't put any budget for it, because I don't think it's going to happen,

Now, [indiscernible] channel has nothing to do with because [indiscernible] has a very low penetration and is forward looking, meaning that you can add it in a country now for future reason. But what we are managing now, the €200 billion or NPLs that we are managing, [indiscernible] provision that allows the bank to become owner or…immediately owner of the asset underlying a contract without enforcing, let's say with a quick enforcement of the guarantee like in Spain or in other jurisdictions.

So having said that, the legal framework, I think is improving actually in the last couple of years', auctions, timing or speeding, and therefore, you know, I think it's you know on the positive, on a positive slope there.

In terms of the interim [ph] that deal is a bit surprising, to be honest. I think it was good for Intesa, very, very good. Some technicalities are not obviously, so how could Intesa pay and with a 49% growth on the platform and in the portfolio, senior and junior notes, and still being able to deconsolidate is a bit of a gimmick, so I don't know how it works from the outside.

Having said that, I think a lot banks are looking at the deal. And we will try to replicate, but Intesa captured by a number of reasons like an opportunity, which was very, very unique and were very…they were very good in capturing it. I don't think it's easily replicable.

In any case, the good news is that now many banks are looking at a potential transaction like this. When a transaction like this happens, you can have a purely platform deal or a platform plus asset deal, and mainly those in the past, obviously it's…if it's a pure platform deals, we are #1 by let's say by track record in closing pure platforms deals with banks. If it is a platform plus assets, we need to pare up with an investor like we did with Quaestio, Monte dei Paschi, and so it's possible as well.

To be honest, we think that the great opportunity for us would be on mid-sized platform deals rather than chasseing like another big fish like Intesa, I would rather strike 1 or 2 mid-sized, you know, Banca Popolare di Bari kind of deals and there are potentially 20 or 50 of those….20 or 30 those if you look ahead. So I think it's good that the market is understanding the opportunity and bankers now are more inclined to do this kind of deals.

COMPANY REPRESENTATIVE; And I would rather for sure we are not moving out from our like independent type of approach moving into the kind of balance sheet game of buying assets ourselves, for sure that for several reasons.

LUIGI DE BELLIS: Hello, I am Bellis with Equita. I want to ask you in terms of expansion in the UTP business, how do you think to operate there? And how do you see the market? And how the servicing, how UTP can be in practice?

And in terms of international footprint, how do you think to operate in Greece? How do you see the evaluation of the Greek market? And if do you want…if you do see the current GDP is that…and NPLs that are being sold in Greece an opportunity for servicing? Thank you.

MARCO NESPOLO: Yes, UTPs, now if you look at UTPs you might…you can imagine they are distributed [indiscernible] like one-third of them are quasi NPLs. So they are called UTPs, but they actually work like NPLs. And so there is no difference in managing a UTP or an NPL. And these are the easiest to be outsourced or sold.

The second and third is made NPL…UTPs with a strong real estate story behind that and this typically…this kind of UTP typically needs CAPEX like new equity to finish the real estate and sell it over on the market. These guys are still can be easily managed outside the bank because they have no recurring let's say financial needs, but they have rather…they just need like €2, €3, €4 million of CAPEX to finish and so they could be easily outsourced. And what we do on those cases, as we look for a local partner to put the equity to finish the piece of real estate and then sell it on the market.

Now the last part…the last I mentioned are the true UTPs with like working capital needs and financial like recurring finance needs. These kind of guys are typically left with the banks because they are, you know, live in customer relationships; and therefore, I see very difficult for a bank to outsource or sell those kind of guys. But these are one-third, so the market in reality for the #1 and #2 segments is potentially very large and as we are observing that banks are selling those kinds of assets now and outsourcing those as well.

In terms of Greece, so just to finish, so I don't think you need to be a bank to manage a UTP. I don't…more than I don't think; you don't need as we are managing to build UTPs without being a bank. You just do the job, as I described in segment 1 and segment 2.

Number on Greece, Greece it's, yes, it's like the market, it's finally moving as well. The Troika has put clear targets on the local banks to deleverage the NPLs. So finally the first transactions are happening and it is happening exactly what happened in Italy a few years' ago, so the very first transactions are on large pools of very low value assets like typically consumer loans. The first pool amoeba [ph] that was sold a couple of weeks ago to Bain Capital Credit, it's the first example of like a chunky portfolio with some real estate in there, so the market is starting.

By law all you must have…like an investor and a servicing company authorize a license by National Bank of Greece and that's why there are new services coming to the market. At the moment, we would represent number…of the 3 or 4 truly independent servicer on the market. The others typically belong to a bank or that specializes small tickets. We would rather focus on SMEs.

So as we started in Italy a long time ago, as SMEs why? Because if you look at the market in Greece, you have up about €100 billion of NPLs, €25 billion is the super large agricultural, shipping loans, very complex typically managed by the bank, so guys like Tillerson [ph], you have €25 billion or super fragmented consumer loans, rising mortgages they are very touchy and very difficult because of no protection there. And many other big like segment of €50 billion of SMEs, SPLs [ph] they look like very similar to the Italian NPLs, and that's why I think that brining the Italian experience to Greece is a good idea, because over time we find a way to manage the complexity of a small SME loans which is as complex as a big one, that we need to have the ability to manage dozens of thousands of them. And therefore, exporting our business model to Greece, it looks it's a good idea.

RAJESH KUMAR: It's Rajesh Kumar from HSBC. Just a follow-up on the Greek market, noticed that one of your competitors in the last…in the Investor Day talked a lot about the Greek market as well and focusing on SME. So could you focus zoom down into the SME market, how you see the competitive landscape in terms of independent and in-house services. And how much…what sort of capital allocation you would need for that growth to be funded?

ANDREA MIGNANELLI: Yes, as I said, the potential market in terms of asset is large €50 billion, the structure is very similar to Italy and therefore the average you have like two sub-segments and one is what they call SBLs [ph] and more business loans which has average size of €200,000-€300,000 each, and then the SMEs which are in the range of €3 to €4 million each. I believe that currently banks are focusing on the SMEs, but the real problem is on SBLs. And they look very similar to Italy. So each product, each exposure €300,000-€400,000 we actually made of two or three products like working capital facility and mortgage and industrial mortgage and leading, and therefore you need to be able to manage the complexity of the loan. The way we will operate is going to be replicating the business model, we have here and therefore a workforce of loan managers will hire a team of local loan managers and the plan is to, we already identified the team of course. And the plan is to bring them to Italy for a 3 months period of, let's say, training of our methodology and systems and then send them back to Greece. It's going to be a network, like we have in Italy a combination of internal loan manager and external loan managers. We plan to have on the small business lines about 200 cases per person and on the SME about 60 to 70 cases per person, so the map will be depending on how many cases will be outsourced, and I expect like an organic growth over time. There are no potential targets to buy, because there is not a market for the kind of services we will engage in conversation with banks to explore the potential outsourcing of a team from a bank like we did several times in Italy. I think locals banks need to digest this concept, but they are very interested in listening what we did in Italy in those seven like partnership deals.

Actually as a matter of fact in September every year we make like a business trip taking our key clients to a place to brainstorm over opportunities. This year we organized our business trip in Athens. And the reason we are bringing our clients to Athens is exactly to share experiences with our potential Greek clients. So we will have in the Italian embassy on September 24, we will have a meeting between local bankers…Greek bankers and Italian Greek bankers and the focus would be exactly on how to solve the NPL issues, bringing in experience from the Italian side and the complexity of the Greek side as well. So we are very serious about Greek.

MARCO NESPOLO: Actually, the last part of your question was about the capital allocation requirement, and as Andreas said, it is actually really organic ramp up as we will get the volume, so there is no initial up-fronting of financial exposure or financial efforts apart from my-recruiting a few loan managers to start with.

MICHELE BALDELLI: Michele Baldelli, from Exane BNP Paribas. I have several question, from the UTP and NPL side, so you are, let's say, avoiding any investment. So you say, we will never invest and co-invest in any vehicle or this is your [indiscernible] are you open to a future investment, if there is any opportunity?

COMPANY REPRESENTATIVE: As we always said, we don't play into the, let's say, asset deals type of field. If there needs to be exceptions with a very small [indiscernible] on specific vehicles, we can't think of it, honestly there is nothing ahead of us in the short-term that would bring us there, but again the statement is no balance sheet only pure serving and industrial partnership as suppose to asset deals.

MICHELE BALDELLI: Okay. Thank you. And another question about Greece, because anyway data base is, data assets and so on are fundamental in every market. So how would you approach that in Greece, because you are building business from scratch? If I understood well, is it fundamental or a possible deal with the bank given that they could give you the access to the data assets and so on or let's say how do you see this strategically speaking?

MARCO NESPOLO: Well, I think, the shortest angle to that, [indiscernible]. We will start as Andreas said by operating a small platform to service those NPLs, like the data driven credit management could come later, we are already thinking about potential small local add-on acquisitions to complement the pure servicing offering with, either real estate and/or credit information type of adjacencies, in this case starting from the credit management…pure credit management as suppose to the credit information as we did historically in Italy. So the answer is, we would start as a pure credit information player and think and we are already thinking about how to complement that once we have the volume that can…that we can leverage to do well.

COMPANY REPRESENTATIVE: The question about the potential opportunity of market, what is the market addressable on the credit collection for the new segment increases for the SMEs or the corporate. You said, that you already on-boarded a couple of customers on this project, there is already a market there is something that…

MICHELE BALDELLI: You mean on the outsourcing…

COMPANY REPRESENTATIVE: Outsourcing of the receivables…

MICHELE BALDELLI: …of total platforms from corporate…

COMPANY REPRESENTATIVE: Yes.

MICHELE BALDELLI: You mean, of the Credit management, honestly there is no such thing as a kind of market potential sizing that we made. Again…no, honestly the answer is no, we don't have any sizing in mind of…it is more like an opportunistic type of approach when we see potential or when we go…when we face customers that are going through either restructuring or let's say getting leaner on their cost structure then we probably see an angle and try to leverage our kind of full fledge value proposition to do that…

COMPANY REPRESENTATIVE: We are starting to create the market or trying to create the market.

MICHELE BALDELLI: Yes, I would say, I am not aware honestly of any competitors of ours that [indiscernible] do anything like that.

COMPANY REPRESENTATIVE: Thank you, also on my side I don't know. Thank you.

MICHELE BALDELLI: In the last couple of years margins have improved, do you see this trend to continue up to 2020?

COMPANY REPRESENTATIVE: Yes, honestly, yes. I mean, when I…when I started the business, I saw that this was…it is similar to an advisory business. And therefore, like a fair EBITDA margin on this is about 30%. We made a long way from the 20ish percent at the beginning up to, slightly above 30% now, given the fact that we are getting skill and performance. And the fact that performance close directly on the EBITDA, because if you get, you know, given the same amount of assets and the same amount of people if you increase your performance by 1%, it goes straight into the bottom line. We will be very keen to improve that, our business as well it's a bit of a mix as I described before it's not only NPLs servicing but it is also performing loans management, credit collection and ancillary services. So our EBITDA margin is actually affected by a mix component and the relative rates of the different business gives us the total EBITDA margin. So now the NPL servicing, it's…and credit collection is about 60% and that's why you can tell that we are improving margins all the time. Obviously, the more profitable business is exactly the NPL servicing, if you do it properly. But it's not an easy catch, I mean, if you look at other competitors, the 30% margin is not an easy catch, it requires a lot of discipline on performance.

COMPANY REPRESENTATIVE: That's right, provided that a) we continue into our performance, b) the mix doesn't change significantly and actually as of today it's changing on the favorable trajectory. We should be able to slightly increase EBITDA margin in coming quarters and years.

SIMONA SARLI: Hi, Simona Sarli again. A couple of questions on the Credit Management, can you please comment on the evolution of the fee in the past year or past 2 years and if this has been impacted by the fact that IRR for financial investors are slightly going down. And the second question, you are showing in the slide…Page 37, your type of clients, is there a significant difference in terms of growth as well as in terms of profitability? Thanks.

ANDREA MIGNANELLI: Yes, as I said, the market is truly static now in terms of more assets on the market, no liquidity, and therefore market crisis so to speak. I have to say that we didn't observe a dramatic pressure on prices because at the end of the day, 70% of our revenues are viable fees on collections and therefore, if you are smart investor, you want to have your servicer pretty let's say with a strong incentive to collect. And we try to make it as easy as possible meaning that we typically have variable fees on collection. We have no links with IRR or different measures because what happens on the portfolio, the investor doesn't necessarily want to share with what is actually the true IRR with portfolio. So basically, it's a variable fee on collection.

I again…I also to be honest a few years ago, the relative portion of variable fees was much higher than now, so now the industry is capturing the fact that because there is a lot of work on compliance, asset management, risk management and support, investors are also inclined to pay you an asset management fee. So the interest rate stabilizing, the revenue component into an asset management fee and a variable fee which is good for us and so it makes it more stable. So I don't see a strong pressure, maybe the only segment of portfolios that has a price compression are the ones related to GACS because there has been a very strong competition to win GACS portfolio and some of the players who manage together GACS deals did it at a very, very low price. And I think it's going to be a problem, but maybe a problem over time because if you don't get nothing to pay off your…your loan [ph] managers, eventually the portfolio will not perform, so this is the only area where I see a little price compression, the GACS contract.

SIMONA SARLI: The second question.

COMPANY REPRESENTATIVE: Yes, on the margin by segments, by type of customers.

ANDREA MIGNANELLI: Yes, I think best customers are investors by all means because they understand the concept of incentive scheme and therefore they are happy to pay well for good services, and so we work very well with investors. Banks as I said before, I don't see like a particular pressure in general banks now, most of the assets coming from banks are either sold to an investor or coming with the platform deal and so I don't see particular pressure there.

Finance companies and utilities, very strong pressure on price and this is probably the least appealing let's say business for us. We do it because you must work for Vodafone and team and telecom and you must work for any…these kind of guys, but this typically are not the most attractive clients, very, very interesting are SMEs because obviously when you work for an SME, they are…or it's like for them maybe it's a marginal problem, they give you like a small portfolio. There is less competition and the service we offer together it's very well combined with business information and therefore margins there are very attractive. Public administration is such a new market for anybody that I cannot comment yet.

ANALYST: [Indiscernible] has there been any change in collection trends too since the election?

COMPANY REPRESENTATIVE: Since the election?

ANALYST: Yes.

ANDREA MIGNANELLI: Yes. I would say that there is a correlation as I explained few times in the past, there is a correlation between GDP growth and collection rates and therefore we are observing a little bit of tailwind in the macro now and so collection rates are improving. It's funny because when I read all the press and I was worried with some of our investors sitting in New York could be worried by what, you know, the government has to say about the minimum income and other things. And one of my investors pointed out well, oh, that's good, if the government is going to give a minimum income, there is more cash we can collect from the lower side of our debtors too. And so I observed that there was [indiscernible] but actually a good observation. So as there is more wealth in the country, so now we are going to collect more. So we are not worried about it honestly, not worried about the political situation on our business.

MARCO NESPOLO: Okay, it looks like we are down with the…also with the second Q&A session. So we can move on to the third part of the presentation, and after drilling on the different business units and we get back to the Agenda. So as I said, after drilling a bit on the different business units, I would now zoom out a little bit and go back to the kind of overarching strategy for the group that you partially saw covered in the prior presentation. And I…and then we articulate once again despite I [indiscernible] at the beginning of my presentation, that's the key…the 5 key priorities that we are trying to gear the entire organization towards the #1 is innovation and differentiation. We continue to focus on that, on our data, on our algorithms, on our user experience will definitely continue to nurture our undisputed leadership in the Italian market and our competitive advantage.

The second is organic growth initiative, we want to continue to vastly [ph] deploy organic growth initiatives to kind of create new services, address new used cases and new market segments and of course enable more and more cross-selling as we did in the past. And we will keep complimenting organic growth with bolt-on acquisitions to scale up and consolidated presence in all of our business, existing business units.

Now we will remain focused on operating excellence that's embedded in our culture and organization, I'll cover that in a few minutes. And of course, to remain with our operations totally agile, lean and geared towards additional profitable growth. And then last and again not the least, we also are pursuing adjacency expansion targeting high quality and synergistic businesses to add to our current portfolio. And then, we elaborate a bit on some of these priorities, starting with the innovation and continued stronger expansion and differentiation. The point…

Part 2 (120 to end)

Innovation and continuous product expansion and differentiation, the point I would make on this chart and I am talking on Page 47 is that our approach on that is holistic and multifaceted, and by that I mean holistic and multifaceted both in terms of where we are focusing and also on which levers we are pulling to get there. What we are focusing on is, of course, starting from the very heart of our value proposition which is data and data intelligence capabilities which, of course, we keep focusing on. We also continuously enhanced our customization, integration and user experience capabilities as Roberto also covered extensively in the presentation.

And then of course we want to keep adding used cases that we can address and expanding our value proposition to again continuously growing innovation. And to do that, of course, we start with deploying all our relevant [ph] resources and leveraging our relevant competitive advantage, but then we won [ph] also and we did also some acceleration in getting additional capabilities, in sourcing additional capabilities through specific partnership and you heard the few ones earlier in the presentation and also targeted especially six M&A deals.

So there are few examples of what we have been doing over the last recent quarters, and the point I was again willing to make without getting into all the details we've…again we are holistic and multifaceted. We are moving across all of the dimension to quickly innovate and expand our value proposition.

Now, on the M&A, a bit more…again a situation of what I said earlier and our…of course M&A has always been an important value creation driver for the Group and we remain so. We actually want to dial up a little bit in terms of our effort there. We did achieve something important recently, but again we want to do even more of that, and this increased intensity is actually two folds on one end, again scaling up and consolidating and expanding our existing business units and on the other hand also pursuing adjacency expansion and adding business unit.

On the former i.e., consolidation of existing business unit we do see several interesting potential opportunities in Credit Information, for example, we…as I said before, we want to get bigger and better in the non-residential real estate appraisals, and that could be done also through M&A. We of course are interested in continuously expanding our big data in general and advanced analytics capabilities and that can also be done through M&A. And then of course last and not the least again we continue to focus on potential integration of smaller players if available of course in this market.

On the Credit Management, we are now seeking on €50 billion of assets, so it's a clearly good platform for further expansion of our profit pool on the services that we already provide they are ancillary to the pure NPL…NPL workout, legal and real estate as mentioned by Andrea before are of course most relevant. But again we continue to focus also in specific NPL servicing platform deals like we did again in…for seven times in the past and recently with Bari and Monte…Banca Popolare Di Bari and Monte dei Paschi.

And on Marketing Solutions as we recently did again we provide consulting as Roberto said before digital marketing space remains interesting and there are still specific niches that we are not addressing and we think would be good for us to have and add to our value proposition.

On the second part of the story in terms of our M&A increased focus, we have adjacency expansion, I mentioned before…before on high quality, high business…business for us, high quality means good intrinsic underlying market growth and high margin, high resiliency, high cash flow generation. So we are not targeting businesses that are not, as good as, our current business or potentially even more.

The second angle of course is synergies and by synergies we can good strategic…with Cerved for us mean simply and more importantly I would say a long term go-to-market synergies more than short term cost synergy. So the adjacency that we have in mind as those two ingredients of course and some examples of segments that we are interested in is, I mean, the ones that we show in the picture here in the page here at Page 48 are mostly around software space, which not by chance was mentioned in some answer and Q&A session earlier as well. Software meaning potentially SME software providers, or/and vertical players for software provision for finance institution or specific, I would say cross industry used case specific software providers, like in the anti money laundering space for example, DirectX [ph] in particular or even in the digital transaction management so on and so forth.

So those businesses will have both a very attractive kind of investment case for themselves, and would be…depending of course, which ones and which segment, but interesting go-to-market potential synergies for us. So we are as said trying to address those two angles with increased intensity compared to prior years.

As I said before, operating excellence is embedded in our culture, in our organization, that's been the case for years. And even after several years of effort under that point of view we have been able to deliver more value through specific improvement initiatives over the last couple of years. You see on the chart that we have been able to a) defend our valuable margin through specific actions also on our variable cost and on our productivity. We also have been able to reduce the total group's fixed cost again through specific optimization initiative and that enabled us to basically fund some expansion in our central functions which was intended a) to unlock additional role for the business, we have been talking today a lot about all the new initiatives that we have been doing, and of course, those will require some staffing in some functions centrally, but also very importantly to ensure best practice governance and compliance for the group especially in our kind of fully public company status now.

And going forward, we think we would be able to more of that, we have specific stacks of initiatives on process and productivity improvements across all the business units, also leveraging…better leveraging our existing Intesa [ph] footprint, and we will also benefit going forward of some stabilization of the expansion of the central functions that I just mentioned back in the last couple of years. So again more to come also in terms of operating excellence.

And then to conclude on these kind of…again chapter on our overarching strategy and how we execute, of course, it's now a strategy that can be successfully implemented without gearing all the organization to…and you people towards those objective. And so, of course, at Cerved we continuously focus on getting our talent better and better and more engaged…more and more engaged and again increasingly gearing the entire organization towards a data driven culture which you hear about a lot today and innovation. I won't mention all the drives, but you have a snapshot of what we focus, we have a lot of…first of all, we now reached 2,700 of people in the Cerved family including our few hundreds of external resources that are working with us permanently, but we have a nice mix of a lot of young let's say digital natives, together with a nice depth of [indiscernible] Cerved and [indiscernible]

We also of course, strive for agility in all of our processes, as I just said, and a key indicator for us is that we are on a 100% of the new product development initiatives, with…completely with agile methodology, and also we recently confirmed to a specific survey a very high employee engagement which of course is very important for our continued success. And on top of it, as you see on Page 51, we continue to invest, to make Cerved again an efficient, agile and engaging workplace. We are a highly leveraging workplace by Facebook to maximize internal communication, cross functional collaboration and knowledge sharing. We are also increasingly investing in and enabling our people to kind of work smartly and so smart working is also a priority for us.

So again, but altogether it is something that I wanted to mention to kind of give you a little bit of more flavor of what we are focusing on to make this strategy that we heard…that you heard in our business unit discussion and also in this kind of overarching chapter to…so how we make it happen.

So with that, we are done also with this piece of presentation, and I hand it over to Pietro which will cover…who will cover M&A and investor relation with some more detail.

PIETRO MASERA: Thanks, Marco. Hi, everyone, thanks for being here, good to see a lot of investors and great quality analyst. Let's move to Page now 53 for a second, so on the M&A track record, may be before going to the details, I am quite happy and proud to say that 2018 so far is turning out to be a fairly important year. We are seeing the full impact from two transactions we did in the last month, so obviously the Banca Popolare di Bari and the Juliet transaction. We were fairly I would say transparent and straight forward in terms of providing the target. So if you remember the presentation we had on our full year results, [indiscernible] specific revenue and the EBITDA targets for both transactions and those I think are the enabler [ph] for a big step up in our results in the course of 2018.

We also just announced 4 deals which sounds like a bit of coincidence, it is truly a coincidence that they all managed to materialize just to help this Investor Day, most of them [indiscernible] closing, but I'd say for very strategic deals not too large, but it represents you know I think a right step in most directions that we are undertaking. So for example, the LaScale deal enables us to be much more effective in terms of looking at legal implications of these sort of €25 billion of additional assets that we just bought for management, [indiscernible] I don't want to say complete, but let me just expand the product offering that we have within Marketing Solutions and as you have seen [indiscernible] that's very strategic.

SpazioDati, we already owned 48% of the company. We are now aiming to reach a 100% [indiscernible] which we may not be able to buy out they believe in the business and may want the stakes, but the objective is to get a 100% and but that is truly in [indiscernible] one of our divisions and most of our products has been very strategic [indiscernible]. And [indiscernible] a bit information for us in terms of being able to process and get relevant information from past releases.

So overall looking at the slide, what 14 deals is objectively a lot. We are quite satisfied with that. They cover all the divisions of the business. As mentioned, some of them are quite small but also very, very strategic and touching wood, I will put it for all you know, from now touching wood, they all seem to be fairly successful, so we don't have any big regrets nor any doubts in terms of deals that we have done.

Going forward, what's next, well Marco was I think fairly transparent indicating even the word ahead also includes more adjacency than what we have done in the past. Adjacency is something we've also focused on even at the time of the IPO, we mentioned the concept of adjacencies, and Credit Management by the way in 2012 was an adjacency. So I think the first you know, the name of the game here is beyond continue to growing our [indiscernible] of a bolt-on deals, we want to, you know, find more adjacent fields [indiscernible].

On the next page, well the mission statement, you've recognized most of the messages. I'd say that they are quite consistent with what we indicated a couple of years ago, and as well as also we said at the time of IPO. But I would say that we have a bit more of wider scope, so let's say more adjacencies and also a higher priority. At the time of IPO talking about M&A seems to be premature, two years ago it may have a lot of sense, I think that now we have built up sufficient track record in calibrated that, we can definitely do more and we know how to do it. So the track record is quite good. We do also beyond the messages on the mission statement, we do also remain extremely, extremely selective, of course, we have a very long list of targets that we need to be on the M&A. We don't compromise neither on price, neither on quality, neither on due-diligence on anything, we've had a lot of the bolt-on deals in the last years, actually if I was to sum up we announced bolt-on deals in terms of value probably exceeds the deals that we've actually done, but also in that case [indiscernible].

The criteria on the bottom left hand side of the slide, I think, they all make sense. I'd say the first two in terms of how the bolt-on was especially adjacent market and leveraging on competitive strengths these were pretty much developed by Marco in his following slides. We continue to focus then on the Italian market, especially things like information, that as indicated before, if there is some small targets which makes all the sense, for example you know, to help us, you know, accelerate growth in Greek market, we will definitely look at that. We are not talking about big numbers in the context of things, but that could happen there.

We will also look at, also on a very selected basis and you know, [indiscernible] not necessarily creating a fund or investing a lot of money but we will look at small, let's say, very tech-ish transactions which could be similar to corporate venture capital, so may be the way it was in terms of SpazioDati at the time we initially we did the deal. We definitely want to look at deals in which we preserve our margins, so we will never go out and buy something which is big, with very low margins and you know low [indiscernible] that's something that we will not do. I think in the past we mentioned may be looking deals for examples in the BPO space, that's something which is no longer relevant. And last thing, we are also very, very much focused on financial returns, most of us have a private equity background, you know, exactly you know, well if you think you know, exactly how we can invest capital, so that's obviously a very key focus for us.

On the right side, we also see the funding. In general terms, I said that we have a lot of funding, we actually have much more funding than what we used in the past. The first source of funding is the organic growth of

EBITDA, the leverage target is 3 times EBITDA, [indiscernible] EBITDA effectively gives me an additional premium [ph] at this time for M&A deals, so that's the first [indiscernible] funding.

The second is a combination between our revolving credit facility which is €100 million, it's typically undrawn now, it's drawn just because in the last month we paid dividends and we paid for the [indiscernible] but typically it's undrawn, it's €100 million.

And last but not least what we have done a couple of times in past, is that the existing group of banks that we have which are mainly long term relationships. We draw so-called incremental facility which means we paid the same group of banks for [indiscernible] and using the same security package for let's say financing facilities, we will get new additional facilities at the terms and conditions, a bit more maturity and a bit more cost, that it is something which is very easy to do and we've already done twice.

And last but not least, the Board in the last EGM has powers to issue up to 10% of new shares for M&A. But be careful, this is not a generic capital increase to do whatever we want, this is a very, very specific capital increase in form of an ABB, only and if when we have a transaction which would either lead us to not respecting our guidance in terms of either maximum leverage or dividend payout. So that will be the only case in which we use the 10% capability within ABB.

Let me now sort of change that and move from M&A to investor relations. Well, once again, thanks for being here and obviously in the next days, weeks and so on till you see the results. Hopefully, also this Investor Day would be a bit like the prior Investor Day the one that we had in May 2016, which most of you know that I used on a day-to-day basis. I think that one of the beautiful things about the business is that the key messages are fairly similar. Obviously, there is a bit more growth. There is new areas [indiscernible] but the messages are fairly consistent which allows them to use this presentation on a day-to-day basis with investors.

Key objectives now for investor relations, obviously we need to have a much more direct approach with investors and analysts following the MiFID 2 regulation which effectively raises the bar. We also want to widen the group of brokers and banks that cover our stock. We have 10; I think top quality analysts that covers now, we would like to get more that would also duly help us improve the liquidity of our stock which is one of the key objectives that we see on the next slide.

And then you know, last but not least we want continues scouting for new investors and some continues to be present in market for road shows and conferences.

So on the last slide, well the shareholder base that we have I think is an excellent you know, very, very top quality Investor Days. You know lots of long owned names, lots of very big names, most of them have been, I would say quality loyal since the IPO and the subsequent [indiscernible] and company. But also very long term which means that they typically hold on to their positions which in turn, I guess, is leading to liquidity which is not as high as what we would like to see. So if you see the [indiscernible] you know, you see or done a share price which has had a good development inside the last couple of months, but volumes have increased yes, but not to the extent that the amount of shares have been probably traded, so you know, in 2014 things use to had about half of our shares so that the free flow was lower, now its 100% free flow, but we would like to see volumes go up, but I guess it’s a combination of you know, finding investors or enlarging business [ph] coverage, a combination of activities which [indiscernible] increased liquidity in the medium term.

And with that, I would say that I have finished my section of presentation, I hand it to Giovanni.

GIOVANNI SARTOR: Thank you, Pietro. I'd say it has been a long presentation I guess, so you know almost about us, you know almost full. Let me recap the financials in a short and a simple way. So the organic revenues went up about 4.1% in average, but 6.7% in total, thanks to the bolt-on acquisition we performed in these years.

The organic EBITDA went up at a similar pace, so 4.4% while the total grew 5.3% due to the fact that the acquisitions were mainly finalized in the Credit Management segment with the lower margin. What is more important is the operating cash flow kept the same trajectory of EBITDA confirming the limited amount of CAPEX and in fact working capital needed by the business.

More in detail, the divisional EBITDA margin are as follows. So first, the Credit Information [indiscernible] around an average of 53%-54% with a very low standard deviation, so what does it mean, that the margin is stable and solid. In the recent year for the corporate division revenues growth, more than compensating the lower development in financial institution and the optimization in production allowed to keep the margin stable.

The second one is Credit Management has reached the true space [ph], further improvement as said is effective, thanks from one side the recent acquisition and second one thanks to the investment plan underway that is focused on operational efficiency.

Third is the Marketing Solution that in the year 2014-2015 benefitted of the move to [indiscernible] probably limiting variable costs, but at the end the integration of PayClick that has a lower margins in 2016 brought the margin back to the 2013 level as you see there, so we move from 36% to 45% and back now to 37%.

All in all, the margin went from 50% to 47% due to the change of mix following the important addition in Marketing Solution saying Credit Management. Going forward, what we could say is the margin will be more stable thanks to the process [indiscernible] improvement.

Here is CAPEX and working capital, so what could I say, so first the business has low CAPEX needs amounting to about 9% to 10% of revenues. More than half of it is spent for innovation and probably development and one-third is for data bases. After the 2017 peak, a 10% next to the important investment in development mainly on the corporate, the new corporate platform, we expect the CAPEX back to the 8%, 9%, but let me see, more 8% zone.

Second, also the working capital absorption continues to be low even if…since 2014, the working capital increase in percentage slightly more than revenues, €10 million in working capital as you see there from €40 million to €50 million or 25% to be compared with €70 million more revenues or 21%. So why this has happened because from one side the growth as said several times, our Credit Management division implies higher working capital intensity. And the second one is that from let me say a temporary decrease as you can see there of the deferred revenues for the corporate division DSO are under control and in the overdue reached in 2017 the lowest level ever.

So wrapping up, CAPEX and working capital are expected to remain consistent with the recent past, once adjusted by the mix [ph] change.

This is the financials, so as you all probably know already, we recently amended our web structuring cost, so first last fall, we profited over the positive web [ph] market, renegotiating the margin by 25 business points for the line A and 27.5 points for the line B. So next to that, we split the line B that is €400 million lengthening the maturity to the end of 2013 for half of it, so €200 million has been shifted to the end of 2023. Finally, we added the above chunk €200 million with forward [indiscernible] IRS from January 22 to November 23. Now the interest structure as you will see is on the bottom left corner and we are close to the EURIBOR is scored zero [ph] and the overall margin that make the average is pretty low, so it's equal to 1.84%.

The maturity of our debt is 4 years. What about taxation, I should say that the…the rates have stabilized at 28% of the net profit before tax. Of course net of the PPA amortization. Going forward, on your model, you can use a rate of 28% unless the Italian government of course does decide to further reduce the tax pressure.

Finally, capital structure and dividend policy and what do we do with the operating cash flow. As said, M&A for sure, already commented by Pietro and the second one is potential deleverage, but as leverage is concerned, we intend to keep the year end leverage at 3 times the EBITDA in the medium long term, so of course during the year we could have seasonal fluctuation, of course, mainly in second quarter because of the dividend pay, but in general terms that is what we assure.

What about dividend? In the last 3 years, we have paid between 52% to 54% of the adjusted net income as we defined in May 2016. So we could say that we are on the high hand of the progressive dividend policy, having in the meantime financed I remember more than €100 million on acquisitions.

For the future, we confirm such a progressive dividend policy and the valuable special dividend under the constraint to keep the leverage around 3 xs, subject of course, the cash used for M&A and eventually the share buyback.

Concluding, we intend to keep leverage fixed and keep progressive dividend policy. So that is all from my side and I hand over it Marco for final comments.

MARCO NESPOLO: Thanks, Giovanni and we are almost done. There is one more reasonable relevant Slide to go through which is our strategic outlook, the ramp up of our strategic outlook through 2020, which you see on Page 64. So let me just start with reiterating a message that was already up-fronted in the beginning of the presentation. This guidance is incremental to the growth which is clearly a unusual compared to our recent trajectory that we are experiencing in 2018, so that is to be read as what next after a pretty big step up in 2018. And what's next is as follows, and that as you might immediately capture showing some improvement compared to the last guidance we provided 3 years ago.

In terms of organic revenue CAGR, again through 2020 for the different business units, you've heard about that earlier. We are committed to a single digit trajectory linked to the Credit Information for financial institution, mid single digit trajectory on the corporate side, high single digit trajectory on the Marketing Solutions, and low double-digit trajectory on the Credit Management, again after significant step-up in 2018 with...therefore pretty different footprint we feel coming to deliver north of 10% organic growth again on a much bigger base. In terms of total consolidated growth compounding all the different business units that would result into a mid single-digit organic growth trajectory going forward.

EBITDA wise CAGR for the organic EBITDA would be between 3% and 5%. We plan to add more of M&A; however, let's say high level guidance on the bolt-on piece of the M&A is 2% to 3.5% additional growth, bringing therefore our total top line between 5% and 8.5% in terms of CAGR through 2020.

Capital structure as Giovanni anticipated, we say consistent with what we have always or how we always approach the capital structure, leverage target, efficient, capital structure for us with three times leverage, of course, depending on extraordinary transactions and/or non-recurring items they can be a bit more or bit less.

And with that, we should be able to compliment the interesting progressive ordinary dividend again say for M&A with special dividend. Again, as we are deleveraging quickly and therefore the three times leverage would allow us a big M&A deals, some increase in dividends on top of the ordinary ones where the payout would remain between 40% and 50%. So that's about debt in terms of a) the strategic outlook and more broadly about our presentation today. So before wrapping up later on, I would actually leave it to you for the last session of Q&A.

Q&A

ANALYST: You have showed that CAPEX on revenues have increased and you guided for stable CAPEX roughly. I didn't understand exactly the wording, in terms of future planned?

MARCO NESPOLO: You pointed out that as Giovanni said, yes, we have been diving up a little bit on CAPEX recently following our efforts on innovation on one hand and also on scaling up a profitable Credit Management business which has been growing sizably. Going forward, Giovanni was a bit conservative in paying stable CAPEX, I would actually expect some of those CAPEX not on all dimensions, but some of the CAPEX to slightly decreased over time, of course, post 2018. So 2018, which is not year of course yet, we will see some additional increase not significant, but a couple of millions €3 million of increase compared to last year, again because we are ramping up big time Credit Management operations and we continue to focus on innovation.

Focus will continue on both front and continues operating excellence on Credit Management and on Cerved Credit Information and marketing solution perimeter. But again compared to the very recent year, we are expecting stabilize and be moderately decrease the CAPEX intensity, **for** sure in terms of ratio of revenues, but also in terms of total euros.

ANALYST: Hi, good afternoon. Within your organizations capital allocation framework, are there different thresholds for organic CAPEX investments, M&A investments. How do you compare that with share buybacks or dividend? What is it that you look for when you approve an investment project?

MARCO NESPOLO: You mean what the focus we have for M&A in terms of returns or you mean on in general on our CAPEX spending?

ANALYST: Do you have different criteria for organic CAPEX investments versus M&A investments?

MARCO NESPOLO: Okay. Well, on the CAPEX side, we have typically each and every euro we spend is coming with a specific business case typically on the product development side and IT side which is the largest part of our investment in total. We do again as a specific items that we develop and there is a business case attached to that. While, of course, on the IT infrastructure and some like again infrastructure in general, of course is more like maintenance type of CAPEX and sometimes even compliance with the GDPR and data security protection, we did increase a little bit the spending….we are increasing a little bit of spending this year for specific reason. So I would split organic CAPEX for product development with specific business cases and therefore expected returns and we from like the rest, which is more on the maintenance and recurring CAPEX.

On the M&A front, of course, we value synergies if there, and especially on the go-to-market, so we typically target apposite [ph]…a well accretive IRR compared to what we have already increasing in our business. So I don't remember any business case for an M&A transaction, which was below 15ish percent IRR…synthetic IRR, as of course, we have a synthetic capital structure scenario in our M&A then leverage normally comes into play to make it even more accretive, but…so I hope that answers to your question. So we have different approaches with business cases for the internal CAPEX and business plans with targeted the old synergies and capital structure for M&A.

ANALYST: Yes. Thank you. That answers the question.

ANALYST: Hi, just on Slide 58. I think you have the revenue and EBITDA CAGR, if I look at the revenue CAGR from acquisition, it is about 2.6%, whereas I guess on the EBITDA it's just 100% any reason why that CAGR from M&A in EBITDA is lower than the revenue, is just a mix of deals you've done? So just in terms of…if I look at the CAGR from M&A on the slide, the revenue CAGR from deals is about 2.6% and the EBITDA [indiscernible] 0.9%, any reason why smaller CAGR and EBITDA from deals, is it just the deal mix you've done is different?

MARCO NESPOLO: Yes, [indiscernible] the recent deal we have done in recent years, we are talking about something in Marketing Solutions actually across all the different businesses had been typically with a little over margins that than our legacy businesses or three M&A businesses that we are…that's why it was a little bit on the margin, a little bit diluted for the overall EBITDA margin.

ANALYST: When you do the deals [indiscernible] do you tend to keep those two separate businesses or do you…or just to merge them into other business you bought?

MARCO NESPOLO: Well, it really depends on, which businesses we are buying, if there are clear overlaps in terms of operations and that's the case when you buy smaller Credit Information players for example, then you totally integrate the business you get as many synergies as you had, fully functional pressure absorbing the differences pieces of the acquired business. When on the other hand you have like...for example, Marketing Solutions, when you buy something in digital marketing, for example PayClick two years ago and now ProWeb Consulting those are very vertical value chain and business model.

So you integrate the go-to-market, which is why we made these deals, of course, we do integrate all different transactions, HR, finance, legal of course, but then you have vertical operations and typically for a few years managed by the entrepreneur that remains still in the game with like a minority share put and call options to really…to kind of really fully incentivize the value creation for the 3, 4 years after the deal. So it really depends. And in the future that might happen on both hands….

ANALYST: Thank you.

ANALYST: Hi, just a question on the capital intensity because on the CAPEX side I was surprised to see that the ratio should be in pretty stable in the coming years on the sales, I mean percentage on sales, because Credit Management division will get an increasing share of the wallet of sales. On the other side, can you elaborate a little bit on the net working capital trend by 2020, what do you expect to be as a percentage of sales?

MARCO NESPOLO: Yes, so I will take the first one and Giovanni, maybe you can take the second one with more granularity, but the first one on CAPEX intensity, actually the intensity of CAPEX over sales will decline because we did and are doing including 2018, which again is not in the picture, quite significant steps towards like a bigger scale operation, but what's next, like we do specific big no deals but on the organic side, we see the continuous efforts on the Credit Management space to kind of get some operating leverage if you will on CAPEX because of the continuous efforts on the systems, on engineering our data driven approach to Credit Management sector is like a clear discrete [ph] some and it's not going to grow with growing sales. So, we did a lot in the past, we are doing a lot this year, we will do more of that but with again slightly decreasing intensity. So, we don't see that this continuous shift of mix more towards Credit Management as a driver for different CAPEX intensity [ph]. And as I said, on the Credit Information side, after a few years that you see on the slide of increased push, we will stabilize, so the two things together make us comfortable in being able to remain super focused and super geared towards growth despite having slightly decreasing CAPEX intensity. Do you want to take on the working capital?

GIOVANNI SARTOR: Alright, the working capital, so we have to keep in mind the difference between the Credit Management and the rest of the business. And Credit Management has a structure for which the days in terms of receivables are higher than the business information. And, you know, in the business information, we have the chunk of the corporate business where we run with a negative working capital because in this the major part of the business is [indiscernible] and so in this way, you know, more of the business growth and the lower should be the working capital. And so, for this reason in general terms, working capital of the Credit Information is stable or stable over the time.

On the contrary, for what concern the Credit Management, if the business growth in an important way as it is expected in the coming years, the use of working capital becomes important. So, all in all, the average as we have a plan in our business model is to go back after the spike of the 2017 to go back to a lower…in general terms to a lower percentage on this already in use. And so, it was 12.5%, so we expect this year to be at least 1 point, 1 point and also lower than that. And going forward then to keep it stable in general terms, we intent for what concern the overview as I said before we reached in 2017 the lowest level ever, so there is not much room for reducing working capital through squeezing [ph] the overdue side. So I confirm what I said, so all-in-all, we keep it stable in the following years. So this is the target. And now, I have been [multiple speakers].

ANALYST: Yes, yes, yes just to understand because the mix will be negative, so to make it flat where you will be paid earlier. So on the corporate side, so it's Credit Information…

MARCO NESPOLO: On one end, we do continue to focus in getting our working capital cycle better and better even in the let's say core Credit Information business and Marketing Solution business. On the Credit Management, actually it really will depend on specific size, as we have in 2018, but now we have been pretty accurate in and that being in our new contract that will drive most of the growth. And working capital cycle which is a bit smarter than what we experienced in the past for other contracts. So even Monte dei Paschi and that provisions in the contracts that are shortening the working capital cycle. So we do project still some capital increase, sorry some working capital intensity increase in 2018. But then, again on average, we don't see that to continue driven by the growth of Credit Management.

ANALYST: But basically in the next 3 years' the mix impact on the working capital should be lower, the difference of the [multiple speakers] between the two divisions, okay. Thank you.

PIETRO MASERA: No more questions. So with that, I think, we are getting close to the finishing line for the presentation. Again, thanks for your question and actually before closing, one more minute or one and-a-half more minute just to invite you to an event that we are arranging in Italy on the 5th of July, which might be interesting for some of you, but even for those who can't, I think it's another good example of how Cerved tries to be on the leading edge of data driven innovation in our country. So I would ask to just launch the invitation video of our event before really closing the session.

[VIDEO PRESENTATION]:

MARCO NESPOLO: Now we are really done. I hope that some of you might take part to this event. Again, we will be discuss with many customers and opinion leaders, there is kind of evolution of a few very interesting trends and with that I really thank you very much for joining us today and for your trust and support so far. And at Cerved, we remain super eager to continue to deliver of our promises and of course we look forward to the next opportunities to catch-up with you and report on our progresses. Again, thank you.