Cerved Group S.P.A.

"Investor Day 2021"

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MODERATORS: GIANANDREA EDOARDO DE BERNARDIS, EXECUTIVE CHAIRMAN

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GIANANDREA EDOARDO DE BERNARDIS: Good afternoon everybody, and thank you for being here today at Cerved's Investor Meeting. It's our third investor meeting after the IPO, following the ones in 2016 and 2018. As you are aware, we were planning to have it almost 1 year ago, but then the emergency, the uncertain scenario suggested us to postpone it, in order to have better visibility of the context. We now have such visibility and we are glad to share our detailed strategy for the business, and our strategic outlook for 2023.

It's an honor, and I am very happy to be here after such a long and interesting history. As you will recall, we refer to the first 2 phases of Cerved as the institutional phase from its foundation in which Cerved was owned by virtually the entire banking system, and then the private equity phase which Cerved was owned first by Bain Capital and Clessidra and then by CVC Capital Partners.

Our third phase as a listed company began in June 2014, with the IPO at the Milan Stock Exchange, with CVC full exit during the course of 2015 when we became a true public company with 100% free float. So I think overall, it has been a long journey and a success story obviously as usual with some ups and downs. This success is summarized in our key figures which you can see on the bottom left on the slide in terms of revenues, EBITDA, share price, which moved from €5.1 per share to what it is today, and over the period we paid a total of €242 million in dividends in addition to €30 million in buy backs.

2020 numbers were impacted by the COVID pandemic. We were not totally new from that, even if Cerved showed again the resiliency of its business model, compared to other sectors. We were impacted particularly in 2 areas, first of all corporate business in which our client base is largely composed of local SMEs which were literally shut down during this first lockdown, and then the credit management division which traditionally is a more volatile business, and which additionally suffered from court closures. But on the other hand, the bank related businesses went particularly well, registering record results for the year, and actually demonstrating Cerved's importance for institutional clients.

In these past few months, well before the tender offer, we have prepared and reviewed accordingly to the rapidly changing scenarios our Industrial Plan for the coming year, which main pillars are; first, strategic refocus on the healthy data intelligence business; second carve out and disposal of the credit management division; third, focus on execution which must make the difference going forward with a strict monitoring on performances versus the set targets. The outcome of this is an ambitious set of guidance targets that our CEO will present to you in a moment, and on which we all commit ourselves.

Credit management has contributed significantly to Cerved's growth in the past, is becoming a key part of our business, becoming the second largest player in the Italian market. Being a much more volatile business, I suffered a lot during the pandemic. Although, we are convinced that it will benefit from attractive tailwinds in the medium to long term due to the new wave of NPLs which is being generated by the COVID pandemic, and which we will discuss in more detail later in this presentation.

As you are well aware, in May the 2019, we began to undertake a strategical view of the credit management, which ultimately resulted in decision…clear decision to refocus our business model on the more precious data intelligence businesses with higher quality, resiliency and stability yet with interesting growth opportunities and excellent cash flow generation capabilities, and consequently more attractive market valuations.

An important part of the decision to refocus on data intelligence was to offer to our investors a pure play in this business and consequently to use the proceeds to further reinforce our balance sheet, our M&A strategy and our capability of offering investors attractive returns. Our refocus on data intelligence business has the key objectives of concentrating all our efforts in order to strengthening organic growth, returning to historic trajectories, improving cash conversion and delivering more bolt-on and even larger scale M&A, also thanks to the exit from credit management.

I also wanted to emphasize how important sustainability is for our company. ESG has a double role in our company, first of all is the adoption of ESG standards for ourselves, and in this respect we are progressively improving our ratings and our adoption of best practice standards. For instance, we have set the whole series of quantitative targets upon which management’s short term incentives will be measured going forward.

The other role is our promotion of a comprehensive set of ESG products and solution for our clients including ratings, data basis, as well as, advisory services in order to become an enabler for our clients, for companies striving to improve their sustainability. We think that since our foundation in 1974 long time ago service has played a key institutional role for all the country, and this goes well beyond providing our data base and data sets and the analysis to banks and corporate.

Our contribution is well defined by our purpose which you can read on the left side of this picture that you know states, we help the country to protect itself from risk and grow in a sustainable way, and we do it by putting information, technology, and talent at the service of people, businesses, banks and institutions.

On March the 8th, Cerved received a voluntary tender offer from Castor, a company controlled by ION Group companies. The offer was totally unsolicited and unexpected by the company and by the management. Prior to the launch of the offer, the only contacts with both Mr. Pignataro and Mr. Tamagnini, were in the contest of few institutional meetings in the normal course of business without any follow up. After their offer, there has not been any interaction except for courtesy calls. The Board of Director is currently evaluating the offer, and will provide information on it following the publication of the offer document. UBS and Mediobanca have been appointed as financial advisors of the company, as well as, BonelliErede and Carbonetti as legal advisers.

Another important point, as far as, dividends are concerned, the offer explicitly refers to the absence of reserve an extraordinary dividends distributions, so the proposal of distribution of part of the available reserves could have resulted in a termination of the effectiveness of the offer itself or anyway could interfere with it. And in any case it would have caused a related decrease in the consideration of the offer.

The Board of Directors will evaluate the opportunity to propose to distribute part of the available reserves over the next few months, taking into account the scenario and the outcome of the offer. The offer has no adverse effect on service day-to-day business activities, and the Board of Director and the management are conducting the business smoothly in the best interest of the company of Cerved, its shareholder and the stakeholders, and a strict compliance with applicable laws and regulations.

With regards to credit management division, the Board has not yet assumed any final decision on the potential sale, we've already formally commented on the rumors, press release on March the 7th this year and we will provide updates whenever there is anything new in accordance obviously with the applicable laws and regulation.

We are presenting today our Industrial Plan and guidance, which represent the outcome of a process partly largely before the launch of the offer, and it was announced in February. Therefore it could not be in any way intended as an act to hinder or undermine the offer. Today's, focus is on Cerved Group on a standalone basis without any consideration, nor impact from the prospective voluntary public tender offer or any change in the ownership structure. In this respect, the Q&A session at the end of this presentation will not address any questions related to such voluntary public tender offer.

At the end of the presentation, we have scheduled a Q&A session. You are really invited to submit your question in advance to the following email that is cervedinvestorday@cerved.com. You can read it at the bottom of the page. And we will then sort all the question and then aggregating the other question to avoid duplication. So I really encourage you again to send your question during the presentation to make our life easier. And so thank you very much for your attention.

I leave it to Andrea now for entering directly in the Business Plan structure and presentation. Thank you very much.

ANDREA MIGNANELLI: Good afternoon, everybody. Thank you, Gianandrea for your introduction. Today, we'll…I will start with the description of our investment case. And then I will move into describing how do we intend to execute our strategy. And then finally, I'll leave it to Emanuele Bona, our CFO for the financial section and leaving Q&A session for the last part of our day.

Let's start with where we stand today. Cerved, it's a data intelligence leader in Italy. We operate through 2 business units in the data intelligence, business, risk intelligence and market intelligence. We are large in risk intelligence and very profitable. We have €60 million revenues in the market intelligence business, a fast growing pace in the last few years. And we also are a very large player, #2 player in Italy for credit management.

You know, our story, we have been delivering consistently through the years, good growth, very robust operating cash flow. And we have been very resilient. We have been resilient when the GDP in Italy was fairly stable. And actually, we have been growing more than the GDP in those years and even during COVID where Italy marked a minus 9% in GDP, we actually managed to deliver a minus 6% which clearly is not something we are very proud of, but still something very good considering the environment.

Also, in the last few years, we have been doing a lot of M&A, 19 transactions in the…since we were listed and adding good companies to the existing service line. So the so-called bolt-on acquisition we have done in the last few years. Also quite recently, we announced our commitment to ESG. I would say that we look at ESG from 2 perspectives as an issuer. So we clearly improved our ratings as an issuer in the last couple of years. And we are truly committed to our ESG goals by allocating a significant portion of management compensation to those goals.

At the same time, we contribute to the ESG performance of the country by offering companies and banks ESG scores, ESG ratings, advisory services, as well as contributing to the knowledge in general to public institutions and the government on this very, very important topic.

When it comes to our investment case, we like to think of it as 6…with 6 pillars. #1 is the unique data set. I will give you a bit more description of it in a second. The second one is the fact that we believe there is a quite a lot of growth for us ahead especially in the risk intelligence business as well as in the marketing intelligence space. Also, we believe that there are a number of macro trends that actually will give us a tailwind in our development for the future. We'll keep delivering robust financial results in terms of cash flow and dividend yields maintaining a very healthy leverage ratio as we did in the past. We will foster our M&A strategy maybe increasing the level of ambition that we have in this area. And finally, I would stress the fact that we are a fully public company with a very strong shareholder base and a best practice corporate governance attitude.

Let's start with the first point, our unique data set. Here, I'd like to convey this concept. We have 3 unique data key in Italy. We have 6…8 million companies with their tax code; we have 11 million people related to these companies with their social security number. And we have 123 million pieces of real estate with their cadastral register. So what we do is the following, every time we buy data, we create data with our own proprietary systems. We got data from open sources. We scrap data from websites or we get data from our clients and partners. What we do is we make sure we attach every single string of this data to at least one of these key unique data codes such as the tax code, social security number or cadastral register number. And that creates a unique data ecosystem that we have been gathering since 40 years. And we spend a lot of money and a lot of resources every year to increase this data ecosystem maintaining robust connections and safe connections within this data.

At the same time, we translate these data into algorithms and scores because that's what clients want at this time. They just don't want the raw data. But they also want to have algorithms to drive their decisions and scores. And so we do provide to the market a number of scores in credit risk such as the credit, the Cerved Group score, which is widely used by banks and corporates to assess credit risk and credit worthiness of their counterparties. But we also have environmental risk scores. We have ESG scores. We have real estate scores, collection scores for NPLs and so forth. So that creates a lot of opportunities for us to become mission critical for our clients.

Finally, I will stress our level of technology, because we think of technology as a 4 layers problem, or actually 4-layer architecture. #1 layer is the management of the data ecosystem, which is in our case, it's very solid, very robust in…has the capacity of increasing data sets every day. On the second level, we have the data analytics, everybody talks about artificial intelligence, machine learning. And that's what we have been doing for the last 15 years. And the third layer, very important as well, is security, physical and logical security. So we put a lot of effort into the data protection GDPR compliance and privacy compliance, at the same time, the physical security of…in terms of cyber security of our data. So we put a lot of effort into ensuring the same level of security that every of our clients will have.

And finally, data visualization, because data is useful when it comes to the real user at the right time in the right spot, and so we also work very hard to make sure that the oldest data is actually delivered to the agent, to that last user in the most productive way.

I would also now kind of reconcile what we've been doing in the past and just to frame where we stand as a strategy today. In the past, since the listing, we have been focusing on performance excellence. So we achieved good results, we credit management. We maintained and defended our share and profitability in the core business. But we also acquired a lot of technologies and talents that now are enabling us to actually think differently in the future and envisage a better growth path for the future especially in the risk intelligence spot, as well as the market intelligence arena. And also, as I said before, we have the financial resources and the capabilities to actually enlarge also our level of ambition in the M&A space, possibly now starting to look selectively at new countries outside of Italy

And all these as well will enable us to look at the…beyond the plan, beyond 2023 at the new Cerved, which will be even more DAT, let's say a champion in the DAT such as you know, again data analytics and technology by being even more present outside of Italy, and also rethinking our IT architecture in a way to deliver more service, data as a service kind of products and services.

When it comes to our strategy, that's the way we look at it. We think of business strategy and M&A strategy. Business strategy, literally, it's a, you know, it's a metrics…very quite simple metrics around our 2 business units risk intelligence and marketing intelligence and our channels. We serve banks and large corporates on one side, but we also serve a number of SME and small medium clients. So the name of the game here is the following.

We want to up-sell risk intelligence services to top clients, meaning that we want to move from the raw data to algorithms, scores, analytics, KYC antifraud services for large clients and banks. We want to cross-sell into the same clients on the market intelligence base; because we realized that our penetration of those clients in this space is much lower than in the risk intelligence. So our clients know us as a risk intelligence champion. Now they get to know us as well…as well as a partner that can help them to grow in the marketing intelligence space.

Finally, I would say that we want to expand our client base. We're doing pretty well with large clients, but we can do better when it comes to medium clients, especially smaller clients, because so far our business model was to serve physical clients. And now, this new situation allows us to think differently and start serving also small and micro clients through a more phygital [ph] approach. So that is the business strategy.

And when it comes to M&A strategy, as I said before, we want to be more ambitious. We want to be DAT-driven, software driven, and also we want to, you know, start looking selectively with a pan-European focus. And finally, as we all know, we want to consider exit options from the credit management business to reinvest the money and the proceedings into more data intelligence driven M&A.

Now, let me just articulate a little bit better the Business Strategy, as I said before, it's a metrics. It's a product offering and channel evolution. In terms of product offering, the name of the game here is the following. We used to have a risk management business unit. We want to…we rename it risk intelligence, because we want to add the concept that we want to move from the pure credit space, as we were like champion and leaders in the past. We want to evolve into other types of risk, namely ESG, anti-fraud, anti-money laundering, real estate, and so forth.

And at the same time, when it comes to what we call growth services, we want to name it marketing intelligence, because clients understand better what we mean by that, and because we can cover the entire value chain, as I will explain in a…you know, in a later stage, by doing market analysis and intelligence…sales intelligence, analytic…digital marketing and analytics.

When it comes to channel, as I said before, we have a pretty good model to serve large clients with these advisory approach and we keep working to increase our capabilities to serve our clients more on an advisory and project model rather than a pure data sale model. We want to foster the productivity of our medium client's network. We have a very, very ample and large client…network of sales people for this service and we want to be even better in the future and manage its network.

And finally, we visualize the fact that we can now have a phygital approach to serve small and micro clients that in the past was not very economically sustainable for us to serve through an agent.

So when you combine the new product offering and the new channel approach you come with this metrics. And here, I like to stress the fact that in the last couple of years, we also changed the organization of the company, because we recognize the fact that when you have business units, we want to have service lines. And for us, the concept of service line is a company in the company.

So we have 4 service lines for each business unit, each one has a name, has a product, has a client base, has an owner, a production, marketing everything. So they are fully fledged companies delivering and, you know, a plan and delivering a P&L. And this creates a lot of accountability. And this is why we like to think of this matter with different colors, because, you know, the black is a service lines that were already there that we need to grow. The blue, the most recent service line that already have a P&L, because all our service line produces at least €10 million in revenues. And the green are the actually development in terms of either new service lines or new offering for new breed of clients in that service line.

When it comes to M&A strategy, as I said before, we want to, you know, foster it. So we've done pretty well so far, but we want to refocus our M&A strategy on the data business rather than data and credit management, as we did in the past. We want to enlarge the perimeter from pure Italy to Italy plus some selective European countries. And also in terms of mentality, in the past, we used to buy companies that were smaller more than us and that were, let's say, bolt-on acquisitions for our existing service line. In the future, we would like also to have a higher level of ambition in buying companies that may have like a higher price, but also higher growth rate, dragging our growth in that direction.

When it comes then to what type of M&A and what type of products, you know, this is a quick indication of what we think are the main areas of focus, such as ERP Procurement Academy, Digital Academy. And when it comes to international, I want to point out that it's very difficult for us to buy another Cerved somewhere else, and we know that. But there are a couple of technologies and areas that we can export much better. These are in the credit…in the risk intelligence space, definitely would be ESG and credit rating, because we have a license to operate in other countries as well through our Cerved rating agency. As well as, when it comes to marketing intelligence, we have Atoka and the market intelligence platforms, which are very flexible and could be adapted to other countries.

So the concept is that we would like to export those technologies by finding locally a go-to-market and a data source. And this could happen through buying a full-fledged company in one of those countries, could happen by exporting our technology in the country and finding local sourcing and local go-to-market. But obviously, you will see the results when we…when all this will materialize in the future.

Finally, I will leave you with our guidance…that we actually already communicated in the press release last night. As you can tell, we did a guidance that is divided in terms of revenues by channel and by service…and by business units. So we have a guidance for risk intelligence, guidance for marketing intelligence in terms of revenues, giving us a data intelligence, mid single-digit growth expectation.

We also have guidance for credit management, where we believe that in the future will grow less than we did in the past, because of the situation, especially in the short term, it's very tough for credit management, but the opportunities out there at the later stage will be very interesting given the effect of the COVID crisis. All this giving us a 5% to 10% revenue growth and a 5% to 10% EBITDA organic growth.

We also give you a guidance on cash flow production. We expect to go back to a 75% to 80% cash conversion rate by 2023. And as well as, we like to keep adding a 2% to 3.5% growth rate from bolt-on M&As. All this summing up to a 7% to 10.5% EBITDA…adjusted EBITDA growth rate between 20% and 23%. We'll maintain our guidance on leverage very healthy, 3 times, last 12 month EBITDA leverage, except for a situation where we may have some specific extraordinary items, such an M&A, as well as, have a progressive dividend policy at 45%, 50%...40%-50%, sorry, of our profits. Again, say for the extraordinary dividend distribution or M&A.

So this is all for the…for our, let's say, investment thesis. Now, let me go a little bit more into details of our execution plan. Let's start by describing our, you know, space in the country, and what are the macro trends that impact the country and the company. I would start reminding our purpose, which is we help, the country to protect itself from risk and to grow sustainably. And also, we do it by putting data technology and talent at the service of people, businesses, banks and institutions. This is very bold, very ambitious, but also very true because that's exactly what we do.

Basically, we serve 95% of Italian banks, 30,000 companies and 150 public authorities, and we cooperate daily with the government with ministries and institutions to provide data and knowledge, that you address the key issues that the country is facing in these days. There are 4 mega trends that actually impact the economy, and clearly also Cerved, and these all work in my opinion in favor to the company, which are the digital transformation, the green transition, finance, and the new normal, as well as the structural reforms that the country need to address.

Let's go very quickly through each of those. When it comes to digital and green transition, it's very interesting to notice that we have a very high penetration of companies that have high digital…digital score, which means that there is a direct correlation between the level of digitalization of a company, and that Cerved penetration in that type of client. And this is very consistent as you can see, not only for large companies, but also for medium and small companies. So this gives us the confidence that this new digitalization wave that has started with the pandemic actually will give us more opportunity to work with clients, remotely. At the same time, the green transition is also very important for us. And again, we observe, there is a very good correlation between the ESG compliance and the level of risk. This…this chart here shows what is the correlation and tell us that company with the high ESG score, have a much lower credit risk score.

So that's again…and given the fact that we provide credit score and ESG score puts us in a very good spot to support banks and corporates in addressing the issue and selecting their suppliers and their clients according to this double matrix ESG, and credit risk. When it comes to the new normal, there is a big debate in Italy, now how do…how to maximize the effect of the new resources coming to sustain the country after the COVID situation and we're doing quite a lot of work with the authorities to select, which are the companies that used to be very safe before COVID and are actually they've been quite impacted by the cover…by the COVID situation and so they need special aid and special resources, as well as on the other side, detect the companies that were already risky before, and they are even riskier now, but they are very difficult to be saved.

Finally, I will mention the fact that the country is working on a number of structural reforms especially in the legal framework. We score very badly today compared to our…to other countries, and definitely the fact that we want move…to move Italy will help us especially when it comes to the legal framework in the credit management space.

But now let's go, let's have an inward look at we can do to execute our strategy. First, I will spend time on the offering side, and then I will comment on the channel evolution side. On the offering side, we said before that we see that our offering in 2 main business units. I refer clearly to the data intelligence business, and we talk about risk intelligence and market intelligence, all of them fostered by a strong DAT component. When it comes to risk intelligence, the name of the game is the following. For years, we have been leaders in the credit information space, which is the one that has been growing very little in the past, so growing in a stagnant industry was very difficult. Now, we understand that we can actually leverage our data to serve our clients into a number of different risks, such as I said KYC, anti-money laundering, anti-fraud, ESG and this risk at a much higher growth rate and therefore, this is the opportunity that we want to capture in terms of market growth.

When it comes to our situation on the left-hand side, you will see this chart recurring, you will see revenues, in this case by service line and that's the past, but when I look at what happened in 2020, I see overall a stable performance from 2017 to 2020 with a bit of contraction on the credit risk management. At the same time, we have the strong COVID-19 impact on credit risk for corporate clients in 2020, but we have a…we observe a good growth, and regulatory and compliance benefiting from cross-selling.

So when I look at the guidance for the next 3 years, we want to deliver a low single-digit growth by managing pricing pressure and delivering high value services from pure data to algorithms just to understand. We want to develop products for new types of risk, and we want also to extend our product and platforms to medium and small clients.

Now, I will articulate a little bit of background for each of these 4 service lines, so when it comes to credit risk, our #1 service line, here, as I said, we want to integrate our business information business with a lot of analytics, especially by developing scores, and by bringing our advisory unit, more to the client. We have a large pool of data scientists that typically used to work for us in the company, and now with the addition of a consulting capacity, we want to bring these colleagues to the clients, facing the clients and delivering products and services to the clients.

Also, it's important to notice that we have already a platform installed in many of our clients, so most of our services are delivered by…through actually our platform. In the financial institution space, we have the Silos

Credit Desk and Mondo, which is a monitoring platform for assessing the credit worthiness of clients and these are widely used by a large number of banks. At the same time, when it comes to corporates, we have Cerved Credit Suite, which is an application that thousands of our clients use to monitor on a daily basis the credit risk and the credit worthiness of their own clients as well as Payline, which is a sort of a…it's a proprietary application that tracks intercompany payments and we can track dozens of millions of payments every month and it's a very good predictor of financial stability or financial tension in a corporate.

In the credit and ESG space, the second service line I'm going to mention within risk intelligence, I also want to point out that we made the decision of merging our ESG capacity within the Cerved Rating Agency immediately, even if ESG is not a regulated activity yet, but we did it, we decided to do it within the credit rating agency when we acquired Integrate, a company providing ESG scores and ratings, just to tell the market that we're going to apply the same methodology, and the same robustness of calculation for the ESG score rating as well as their credit ESG…sorry the credit score and rating.

In terms of real-estate, I would say that we're already leaders in this business, it's not easy to grow, but I would see, I will say that the potential for us will be to maximize the data monetization of real-estate information, so we have a huge amount of data, we provide now real-estate appraisals and cadastral surveys, which is sort of a good plain level service. I think, we can do much better than this by offering this wealth of data to sophisticated users such as SGR's, real-estate funds and insurance companies.

And finally, we go to the highest growing sector, which is regulatory and compliance, and we put together, mainly 3 different items, one is KYC through the acquisition, we made a walk in at the last…in December last year, RegTech. It's a very important trend because the government is introducing a sort of a Chapter 11 regulation for small corporates and so we have the system to track the risk and the cash tension of SMEs.

And finally, subsidized finance through Finline, which is the practice that delivered very good results in 2020, thanks to the application to the Fondo Centrale di Garanzia, the government insurance fund for SMEs.

Now, let’s go move to the second business unit growth services. Here, I would say that, you know, results were positively impacted by the acquisition of MBS in 2019, which doubled the size of our business unit and improve growth prospects, as well as, we had overall a very good growth in other segments from 2017 to 2020, despite the impact of COVID-19, and also clearly the sales intelligence is benefitting from the contribution of our Atoka.

When I look at the outlook 2021-2023, we want to deliver low double-digit growth and through 4 actions, evolve Atoka into a market leading tool. The launch of the new marketing intelligence platform, which I will describe in a second. Market expansion on mid and small clients and selective international expansion. So here, it’s very important to understand that finally we put together a very good and complete value chain of the marketing space.

We have 4 section of the funnel. We can help our clients in analyzing the markets. We can help our clients in understanding potential clients’ prospects. We can, you know, reach those clients through digital marketing. And finally, we can assist them in optimizing their relationship with their clients through analytics and advisory. So it’s a very complete funnel. Actually, it is very unique, as well as, complete funnel.

Now, let me go into one-by-one of these 4 items. The first one is the market intelligence, is a brand new platform we launched on the market a month ago. It is building on a long-standing experience of data bank, and it is actually providing insights of 9 markets. We divided the Italian economy into 9 markets, about 40 macro sectors and 400 sectors. So the client buying this platform can actually dig into each of this sector and understanding what are the driving forces, what are the comps, the numbers, their perspective, the key success factors and so gives a very good perspective of how the market is going.

Once you understand the market, then you want to reach your client and Atoka is a very good tool to actually improve your performance by creating a list of prospect clients and digging into clients and understanding clients. Atoka is doing well. We have as you can see here the number of clients is growing quite nicely, and we have actually a version of Atoka for large corporate clients or banks and large utilities, large insurance companies, as well as, a version that is a simplified version for mid-size clients.

In terms of digital marketing, we also have a good value offering. Here, the concept is that you have to be very careful when you manage data from a GDPR perspective. And so, we think we have a good solution because our approach to, as I said before, to private and GDPR, it is very compliant and therefore, we can offer very safe services to our large and institutional clients on this side.

And finally, I will close with advance analytics. It was a very good acquisition. Taking MBS into the family of Cerved was very good catch, because we can finally bring our projects down to the client. We understand the client and delivered not only the data and the algorithm and the platform, but also assist the client in implementing those services and this proved to be very effective and also very profitable.

Now, we discussed the offering. Let's look into channels, into our metrics of channels and products. In terms of channels, as I said before, we serve large clients, banks, top clients, top corporates. We serve medium clients, especially SMEs and also we want to, you know, start serving more…the small clients, and the name of the game for the top clients it is improve and keep improving our advisory multi-specialist approach. On the medium size clients, we want to increase productivity of our clients…of our sales force and on the small; we want to create a much more effective phygital approach to those clients.

Let's start with the financial institution channels, and then I will move into corporate in a second. On financial institution, these are the numbers. Historical trends, I would say stable risk intelligence with contraction, credit risk and real estate, more than compensated by strong growth in regulatory and compliance on one side. On the other side, solid organic growth in marketing and sales intelligence which benefitted from increase focus and cross selling with regards to the legacy offering of Atoka service range.

So looking at the Outlook 2023, we see a stable outlook in risk intelligence for financial institution which potential for credit risk, ESG rating, analytics and KYC compensating the price pressure on credit information. And on the other side, further contribution for marketing intelligence growing and still largely under-penetrating. If you look at our numbers, the contribution of marketing intelligence services on the total channel sales, it is less than 10%. And so we believe there is, you know, good room for improving this percentage into more than this.

When I look at the challenges that our colleagues in the financial institution channel face, I see that, they probably want, you know, to benefit from product innovation moving the negotiation with client from few data to more high-value added services, like Atoka for instance. And at the same time, keep covering all our clients, because, you know, in Italy, large banks are 9 groups, as you can see here. Then we have about 40 banks in the medium segment and then more than, you know, several hundred of banks in the small cooperative world.

So covering and cross selling on all these banks, it is a challenge and we are equipped to do so. And we are constantly upskilling our sales network to be able to sell more sophisticated products. Many people typically ask what are the risks in financial institution. Everybody is very concerned about contract renewals on one side, and bank consolidation on the other side. We are very aware of these 2 forces; of course, we face those issue every day. We believe there are honestly some risks in terms of pressure, credit risk data and particularly when it is sold on a standalone basis, but at the same time, there is product innovation as I described before that can more than compensate for the loss on pure credit information site.

And then when it comes bank consolidation, it is a risk. We know, there are a number of M&A transactions ongoing now with banks being merged into other groups. This clearly is a risk on one side, but it is also an opportunity on the other side, because what could happen is that, there is a lower sophistication of the purchase bank compared to the acquiring bank. Most of our banks already clients, so there is a little bit an overlap effect. At the same time, you can figure out maybe the banker has been acquired as a much lower utilization of Cerved data compared to the buyers, and therefore, actually, this can translate in something that compensates for the net effect of the overlap.

So yes, there is a…is a fact that the wave of mergers across banks, but I would say that it is something that we are managing…we have been managing so far, and we will manage in the future. Channels evolution on corporates, here, I would say that we observe mid single-digit growth in the risk intelligence until 2019 that was mainly a contraction of consumption in 2020 related to the fact that most of the small businesses were closed in spring and that creates a huge drop in daily consumption. At the same time, a very solid growth in market intelligences, benefitting from cross selling and a large product offering.

Outlook 2021-2023, mid single-digit in risk intelligence with a focus on KYC, especially which is one of our growth engine. At the same time, further contribution from market intelligence and corporate receivables, because Cerved even if we eventually would divest from credit management, we will keep distributing collection services to SME within the offering of the risk intelligence offering. So it is a growing business as I will describe in a second.

Also in the corporate side, I would segregate between the 3 segment layers. Top clients, I would say that, here we are pretty good at serving large clients and we want to keep working on projects to expand our ability to serve the clients and become mission critical for those clients. When it comes to medium size clients, definitely, there is a matter of optimizing pricing structure, as well as, the cross selling of different products within the same client. And when it comes to small and micro clients really what we want to do is the new client generation because we have a number of clients now in the segment. But, those clients are not…have been served in a way let's say modern way because in the past we thought that we are not letting [ph] clients to buy services online so forth.

Now, with COVID everybody in Italy has learned that they can buy services online and this is a great opportunity for us. In fact, when we look at our client base, you see top number of clients revenue and RPU, average revenues per client, what we want to do in the top segment is not so much growing the number of clients, which is already good but it's probably working on the average revenue per client.

When it comes to large and mid-clients, we want to work on this number that has been our intension to increase a few thousand clients, there, but well, we want to make a difference in terms of small and micro clients, we serve less than 9,000 or those clients now, we believe the opportunity is much bigger than that. And also, as you can see on the churn side, we put a lot attention on managing the churn of our exiting especially we want to, you know concentrate on the new number of clients, net new number of clients we originate on a year basis.

Let me just spend a few minutes on Credit Management. Credit Management, it's very well performing company in the space, it's very unique compared to their competitors because as you can see here, we serve a vast, large number of clients, banks, investors, consumer finance, utility and large corporate, and even SMEs, almost 1,500 SMEs, and we will not just do banking NPLs, but we also have other service lines, corporate receivables, credit operations, performing loans and legal service. So, as you can see, there is a nice matrix of client segments and product offering. This gives us a very good revenue diversification, especially a very low client concentration. So, the top 3 clients only account for 37% and if you take the top 10 clients, they account for you know about 68% [ph] of our total revenue. So, very diversified, multi-liner, multi-specialist client…sorry company.

If I look at the performance until 2019, we did very well covering a large number also of high profile transactions, 2020 was tough like for everybody especially in the banking business. As you can see here, the major drop was in the banking business. But, the other service lines did pretty well especially the credit collections for SMEs. So, this is the B2B business or we served Cerved clients with credit collection services, you know, increased during the pandemic. And the other businesses were pretty much flat.

So, looking at the future, we envisage high single-digit growth made by developing UTP servicing for banks where we leverage a lot of information we have on clients, and banks…sorry on clients and corporates. And new NPL servicing contracts especially by joint venturing with the fund providers to participate in the future big wave of NPL disposals. And also, growing very steadily and homogenously in the corporate receivable space.

This is a nice chart that we every couple of years we update. The red line is the servicing revenue pool of the country and the green line is the total assets available for servicing. As you can tell, after ‘21, because of COVID these numbers will go up and you know, we expect €60 billion to €100 billion of new NPLs coming and therefore also the revenue. So, when we pitch this trajectory in 2018, we actually forecasted a sort of a flattish line in terms of revenue pool. But now, because of COVID, we will have a couple of tough years in ‘20 and ‘21. But, then definitely there will be a spike for the industry I mean in the future years. And we believe we are well positioned to exploit this new wave of mounting NPLs because at the end of the day, we are already pretty large, we are independent, and we don't buy. So, we can partner with several funds and we have a very good performance, which was marginally impacted by COVID, still it's a very good performance compared to our peers.

And the other interesting opportunity for Credit Management is the fact as I said, we serve not only banking clients, but also corporate clients and we mange those clients to collect their receivables. And we do it, by using Cerved network to sell credit collection services to Cerved existing clients and currently the number of clients we offer credit collection services is less than 13%. So we have [indiscernible] cross-sell of only 13% on the total Cerved client base, which has been growing nicely in the last few years and this is where I think we can do better in the future by cross-selling more on Cerved existing client base.

Now, let me finish by adding the fact that the strategy is very clear and the strategy got executed through an additional talent, technology and commitment to the sustainability. So, these are what we believe are the 3 enables for the execution of our strategy. In terms of people, during COVID, we spend a lot of time studying what are the shape of our workforce. So, analyzed and we aggregated our workforce in professional families and within this professional families and jobs, because we wanted to understand exactly after the COVID impact, how the new normal is going to be, how people will go back to work, to do work for how long, which kind of technology they need to operate productively, and so forth. And this also helped us to draft an industrial plan which is not just based on numbers, but it is also based on people and so we already have a vision of what our workforce should look like in 2023.

And as you can see from this chart, we are definitely going to invest on client-facing and solution-thinker families, and we will have a progressive contraction of operative and professionals. So, we will inject data and the competencies on one side, and on the other side, we will keep improving our overall productivity although as you all know, the productivity of Cerved and, the cost to income is already pretty good. But, I think there are…there is room for improvement there as well, because we can move to a more like technology-driven kind of operation.

Technology also for us is very important as you can imagine, we live out of it. Our technology platforms it's state of the art and especially very robust when it comes to data management, still we have a path ahead of us to improve this technology curve. And these are the projects that we are working on in order to constantly evolve our architecture in a safer and more responsive and more productive way.

I will close by coming back to the sustainability strategy. As I said at the beginning, we see this as on a twofold perspective both as an identity as an issuer where we foster the awareness of sustainability and the culture of ESG, we set goals for ourselves, we set goals for our manger, at the same time we offer ESG services to the market by doing rating, scores and by doing advisory services. And we have been very clear on allocating 15% to 20% of our top management short-term incentive on ESG targets. We did quite a lot of work and as you can see here, we define the SDGs that are…that do matter for us as a data company. So, we selected those SDG where we can have an impact and we then can actually take action on. And at the same time, we defined clear targets for 2021 and 2023 and this is will materially impact life of our managers through their incentive scheme.

So, I have…I am done with describing how our strategy can be translated into actions. And I would now leave it to Emanuele Bona, our CFO for the financial section. And after that, we'll come back to a Q&A section.

So, please ask questions using the email address that you've seen at the beginning, and we will get back to this later. Thank you.

EMANUELE BONA: Good afternoon. This is Emanuele Bona. I will talk now about financials and strategic outlook, starting from Slide 73. The historical trajectory is something you are familiar with. You can see solid adjusted EBITDA growth until last year, with margin compressing due to the faster growth of the credit management business which has structurally lower margins.

In 2020, the EBITDA declined by 14% with significant margin erosion, less so in data intelligence and more on the credit management business. Going forward, what we expect is on the data intelligence margins to remain fairly stable on the 2020 level, this is due to a combination of operating leverage which now plays in our favor as revenues pick-up again. And on the other hand, a mix of businesses which continue evolving towards more and more businesses with lower margins.   On the credit management side, we expect the EBITDA margin to grow again as revenues start picking up again.

If we look at the networking capital, 2 of its components are analyzed on Page 74. CAPEX has been fairly stable both at the Group level and at the data intelligence level, which is about 90% of CAPEX plus. You can see in terms of CAPEX over revenues it has evolved over a relatively small band. We expect CAPEX over the next 3 years to remain in line over sales with historical range.

If we look at the net working capital dynamics; the net working capital over sales grew progressively from 2017. This is due to a combination of factors. First of all, again, the faster growth of the credit management business which is more net working capital intensive than the data intelligence one. The M&A of new businesses for instance MBS which are also more NWC intensive. And in 2020 a longer DSOs caused by COVID-19. Expectations both at the Group and data intelligence levels is that the net working capital as a percentage of sales, will go back over time to 2019 level, so by 2023 we expect to go back to 2019 level, both at the group level and the data intelligence level.

This leads us to Page 75, which is about operating cash flow. You can see that it grew nicely at 5% CAGR until 2019. In 2020, the OCF declined for 2 reasons, the decline in EBITDA and as discussed in the previous page, lower…longer DSO due to COVID. Overall, historically cash conversion has been in the 75%-80% range both at the Group level and the data intelligence level. By the way data intelligence represents around 80% of operating cash flows. We expect as a guidance the cash conversion to return by 2023 to those historical 75% to 80% levels.

Finally, on the net financial position and in general financing structure, as you know, we refinanced our loan facilities in May. Now we have a €545 million amortized in term loan facility in place with a 4.5 years average life. You can see the amortizing profile which starts in 2022 on the upper right hand side. There is also an RCF available the size is €150 million and can be used for general corporate purposes including M&A. Final maturity date is 2025.

Historical leverage has never exceeded 3 times, it has ranged between 2.3 times 2 years ago, and 2.9 times at the end of 2020 post-COVID. Interest cover has been around 10 times over the past 3 years. In terms of the cost of this facility, the ratchet had been made public in the past, but currently the margin is 225 bps and the EURIBOR is swapped at minus 8 basis points until maturity of the facility. We have already announced our long term target which is 3 times adjusted EBITDA except for M&A and other non-recurring items.

Having said that, I will put on screen the guidance again, it's the same page Andrea has presented earlier. I leave it here for reference, and in a short while the Q&A session will start. Thank you.

[Presentation Starts]

We have always been at the center of an economic system that needs to protect itself from risk and grow in a sustainable way. To contribute to our countries [ph] development, we have chosen the data technology and talent at the service of people, business, banks and institutions. A promise the work becomes a commitment, a commitment to create the inspiration to act. We blaze new trails to become pioneers with big data ecosystems. We protect data and unlock their potential. We add value to our growth because we strive to sustainable growth. We build a culture of trust, where everyone counts and works together, when knowledge is shared and diversity is valued. And then we understand, experiment change and start again. So we are always the makers of our transformation. This is what we believe in and what inspires our behavior every day.

[Presentation Ends]

PIETRO GIOVANNI MASERA: Hello, everyone. Thanks for being here. As we announced at the beginning of the call, we're going to have this Q&A session. Due to the circumstances, we prefer to receive your questions via email, and I'll be gently now sending these questions reading them live and allocate them to my colleagues. So I guess, as a first series of answers, Gianandrea want to take the word regarding the prospected tender offer and the 102 Article documents.

So I'll leave it to Gianandrea for a second on that aspect.

GIANANDREA DE BERNARDIS: Okay. Thank you, Pietro. And even if we clearly stated at the beginning that we were not going to answer question on the public tender offer, we have received a lot on this topic. So I want to clarify again, this. The offer was totally unexpected and as listed. The Board of Director is currently evaluating the offer in the best interest of the company of the shareholders and of the stakeholders. And we have appointed as financial advisor UBS and Mediobanca and as legal advisor BonelliErede and Carbonetti to support our work and to help on this job. And you know, we will express our opinion in the statement of the board after the publication of the offer document and at the latest before the start of the tender period. This is all we can say about this topic. Thank you.

Q&A

PIETRO GIOVANNI MASERA: Okay, thanks, Gianandrea. Now moving on to the questions. I'll start with a set of questions from Andreas Markou from Berenberg. Most of the questions have been received very shortly very live. So maybe as we go on during the call, we'll try to read out the questions which are duplications in any event. There was a first question from Andreas. Andreas is asking, you are targeting organic EBITDA growth in line with revenue CAGR, which implies no margin dilution. How do you think of impact on EBITDA margin and changing product mix in the risk management division i.e. growth in real estate analytics, business information and growth of MBS?

EMANUELE BONA: Maybe, I'll take that question Pietro. I think we briefly discussed when we were looking at Page 74 few minutes ago. So the reason why EBITDA is expected…EBITDA margin is expected to remain stable over the next few years is that we can…we see a couple of drivers, certainly the one that Markou mentions, the product mix plays against us, because we are expanding the range of products with a lower margin that's true. But on the other hand, we should see the reversal of the phenomenon that we saw in 2020. So as revenues in the business information segments go back up again, we would benefit of operating leverage. So the combination of the 2 is the reason why we expect the margins on data intelligence to remain fairly stable. And on credit management, which was not part of the question, but still, I will repeat what I said earlier. We expect growth to resume as the impact of COVID progressively goes away and collection rates on the banking hopefully go back to normal, and that's why the combination of data intelligent, credit management brings the margins to the…to what we guided you with the guidance.

PIETRO GIOVANNI MASERA: Okay. Thanks, Emanuele. Then there was a second question from Andreas, asking in your previous Investor Day you talked about increasing penetration of credit information solutions with SMEs, which didn't materialize. Now, you're talking about market expansion on mid and small clients? How confident are you about expansion in this client segments?

ANDREA MIGNANELLI: Yes, we…I think there is a quite a difference compared to the past. The fact that we were looking at credit information business was you know, given industry and a given client base. I think the difference now is 2-fold. First, we had a much larger number of product and service line we can offer to the clients and also our network is well organized around offering these services. So we have a specialist for marketing solutions, specialist for credit collection services. And so we are able to convey a broader set of services and products to client, that's #1. And then #2, that we really visualize a new breed of clients, as I said before, which is the micro and small clients, which in the past, we were not ready to serve with a physical network approach. And therefore, I believe that the market now shows a new segment, and therefore, it's, you know, a broader opportunity for us.

We'll be monitoring very closely the delivery of our promise both on penetration and client diversity, let's say, cross-selling on or midsized clients as well as fewer number of smaller clients.

PIETRO GIOVANNI MASERA: Okay. Thanks, Andrea. Another question from Andreas, regarding international expansion. There's a few questions on this, we will just take, I guess, the first one from Andrea, which is expansion in other geographies. Can you explain your strategy here and what countries you're targeting?

Well, I think that the strategy here is laid out fairly clearly. I think especially in Slide 26 of the presentation. So, you know, it's focusing on risk intelligence and in marketing intelligence, the areas of credit rating, ESG rating, sales and marketing intelligence that we have, I think distinctive market positioning in Italy and very distinctive products. We think that in some of these areas, we can effectively export best practice to foreign markets, which doesn't need us providing all the data abroad. We intend to get the data abroad from our partners. And in terms I'd say, of countries in which we expand,…we intend to expand, I think that you can assume mainly continental Europe countries, which I'd say adjacent to Italy. So I'd say no exotic geographies.

PIETRO GIOVANNI MASERA: Another question for Andreas. What opportunities do you currently see in cross-selling solutions to existing clients? Can you explain about any new solutions that you're currently developing and any potential upside here to your targets?

ANDREA MIGNANELLI: Yes, well. As I said before, cross-selling opportunities are out there, clearly, I believe, especially in the marketing solutions phase, I think there is a, you know, an important network effect, because once you start for instance penetrating new clients with Atoka, which is a sales intelligence tool that comes quite natural to go and visit the same client showing the market intelligence platform, as I described it to you, or offering digital marketing services to reach the clients once you have selected the clients on the Atoka platform.

So, again, it's a matter of having a well-organized set of service lines that are very coherent and well understood by our sales network.

PIETRO GIOVANNI MASERA: Thanks, Andrea. Another one from Andreas. And then we're basically done for Andrea. How do you see competition evolving in marketing intelligence and what is the risk for you here?

ANDREA MIGNANELLI: Well, I think this is one of the areas with the highest growth potential. So more than a risk, I would say an opportunity, because it's a very fragmented industry growing very fast, our market share is less than 1%. So I really don't see a risk. I rather see the opportunity to consolidate the industry maybe bring some selected M&A in the space and definitely adding firepower to the existing service lines.

PIETRO GIOVANNI MASERA: Okay. Thanks, Andrea. And maybe then there's a last point from Andrea, which was regarding the tender offer, if you can answer, under what conditions would you have a positive or negative disposition towards it? And for this, I'll leave the word to Gianandrea, Chairman.

GIANANDREA DE BERNARDIS: I think Andrea answered before about the tender offer. This was part of the first answer I gave. I cannot add anything else.

PIETRO GIOVANNI MASERA: Okay. So we'll now move to Andrea Lisi, okay, from Equita. So first question is, can you provide more color on how you think to expand cross-selling?

ANDREA MIGNANELLI: I would say that I covered that already, so I will skip to the next question.

PIETRO GIOVANNI MASERA: The next question is, do you think that SMEs, micro companies can be interested in Cerved progress as larger ones?

ANDREA MIGNANELLI: No, no, I think there is quite a difference. Large clients are interested in projects and custom solutions, and that's why we need to have more of an advisory delivery model to those clients. Quite on the other hand, small and micro clients, they need the simple products delivered on platforms on a digital way. And so the effort we're making is to take into our service lines and customizing by client segment and making it as much as possible on a platform that can be delivered online, so that clients can actually have a panel of services, choose what they want, and then enroll on a subscription method to buy only what they need and then maybe cross-sell with the new platform…new services within the same platform over time, over client relationship.

PIETRO GIOVANNI MASERA: Okay. Then a couple of questions from Andrea Lisi regarding M&A, so which countries are best suited for Cerved with the sort of growth abroad and which businesses? And how can Cerved manage financial growth without the basic data availability.

I think I've addressed most of that, the beauty is, we can rely on local partners through partnerships, acquisitions to get to local data, and then the local data is plugged into our algorithms and proprietary technologies? So that's definitely not an issue.

Another question always from Andrea Lisi and its second last one. How do you think to overcome the issues digital marketing had during 2020, which levers, do you think you can move and how competitive here is the market?

ANDREA MIGNANELLI: Well as I said, the market is quite competitive. Actually, very fragmented. I believe that 2020 has been good for some of our services, and tough for others. I think, we cleared everything that we had to. So now we're ready to go back to a normal growth trajectory also on digital marketing. As I said before, I think a trademark for us would be compliance and adherence to the highest standard of GDPR. And therefore, in such a touchy issue as managing contacts, managing client names, managing emails, having a company that puts a lot of attention in GDPR is actually a value-added service.

PIETRO GIOVANNI MASERA: Okay. Thanks Andrea. And last question from Andreas. This is a bit more technical. How much CAPEX, are we planning to evolve our platform and architecture, which obviously also touches, I think the Emanuele's portion, but then there's a second part of the question which is, when talking about data loss, think about cloud, which will be the advantages and risks in implementing a cloud-based platform?

ANDREA MIGNANELLI: Cloud clearly is the future, we are very well aware, actually, as a matter of fact; a number of our application already runs on the cloud. We are, as I described before, we have a strategy to evolve our architecture, which includes the movement into cloud. The only thing it's something that a company like ours needs to address very safely and therefore we are taking all the steps to completely move into cloud, as far as of now anyway, we're…still our applications and our data management system is very safe and very robust, so we don't need to move to the cloud, immediately, we hope, and we will take all the steps that are necessary to do it in a safe and efficient manner.

PIETRO GIOVANNI MASERA: Okay. So I think both of them was Andrea easy. We've received a number of questions also on dividends and what the approach is there. So Gianandrea, I'll leave that to you.

GIANANDREA DE BERNARDIS: Sure. As far as dividends are concerned, the condition of the offer explicitly refer to the absence of distribution of reserve and extraordinary dividends. So, if we decide…have decided to distribute dividends and this could have resulted in interference with the offer or as I said withdrawal of the same for breaching the conditions. So we could evaluate to distribute dividends or part of the available reserves in the next few months, taking into account, obviously the scenario, and the outcome of the offer.

PIETRO GIOVANNI MASERA: Okay. Thanks. Now we have a few questions from Gurjit Kambo of J.P. Morgan. So the first one is to grow outside of Italy via M&A, any particular countries that look most interested in what sort of synergies would you have with this existing business. I think, this has been addressed. And there's another question which is in terms of data analytics offering, who do you compete with in this in Italy?

ANDREA MIGNANELLI: Yes, when it comes to analytics, there are few companies that are providing data, raw data and there are some others that are providing analytics and scores. I would say that we compete neck-to-neck with some of the largest international specialty firms such as I would say, Oliver Wyman and BlackRock on the analytical side and then with more local companies such as Crif and Tinexta on the data front. That's our landscape.

PIETRO GIOVANNI MASERA: Okay. Another question on an organic basis, why do you not expect any operational leverage as revenue and DTA CAGRs are similar at between 5% and 7%?

GIANANDREA DE BERNARDIS: Yes, I think we addressed this; it's a combination of operating leverage benefiting us, but on the other hand, business mix changing towards lower margin businesses, that's why we expect margins to remain roughly stable plan years.

PIETRO GIOVANNI MASERA: Okay. I'll now move on to Daniele Ridolfi of Kepler. So there's a few couple of questions at the beginning. So one is when the Board will communicate the fairness opinion which [indiscernible]. And then, there's a more generic question on passivity rules. And what happens with the sale of Credit Management, which….

GIANANDREA DE BERNARDIS: Sure. Yes, we confirm that actually the potential transaction on…of Credit Management falls under the passivity rule that applies for the tender offer that we received. So at this stage, the Board of Directors has not taken any final decision on service rating management and we have already commented a couple of weeks ago on the rumors that we are on the market, and we will provide any update to the market in accordance obviously with the regulation and with the applicable rules. And by the way, we're managing the business normally, and everything is there in the normal course of business, and is moving fast, so we are proceeding to our budget, our plan that we presented today.

PIETRO GIOVANNI MASERA: Okay, great. Then, I guess it's a question for Emanuele. With regards the Patent Box 2021?

EMANUELE BONA: Yes. Thanks Pietro. So we have clearly applied for the Patent Box regime for the 2024 period. We have received green light to be considered from the tax authority and now, we are waiting to be contacted by the tax authority itself to strike the agreement with them on how the patent box will be applied. The timing is very similar to what happened in the previous cycle. So we are…at this point in time, we are waiting to be contacted by the tax authority for the next steps.

PIETRO GIOVANNI MASERA: There is another question for Emanuele on tax rate. Why does it look, I guess, in appearance so high, but I guess that the question is really on the PPA deductibility. So I will leave it Emanuele.

EMANUELE BONA: Yes, I think…exactly. So the PPA is not tax deductible nor is the write down, roughly €23 million that we did for after the impairment test. So maybe that's why the tax rate is calculated to that level, but that's an incorrect calculation. I think there is a follow-up part on patent box that we have already discussed and…

PIETRO GIOVANNI MASERA: Then I've spoke with Daniele, regarding the other nonrecurring financial expenses that we discussed, that there was a, I guess, a profit of 9 months and then cost for the…

EMANUELE BONA: Yes, that's where we…that depends on the expectation that we have around the value of the minority stakes that we will have to pay in the future through the put and call agreements in place with minorities. In March, those values had been revised downwards because of COVID and that had determined a positive impact within the financial expenses or proceeds line. At the end of the year, we have revised expectations and therefore, that number has reversed, expectations have gone up again. And so, that amount which in Q1 was positive has now turned negative, but it is a matter of how balance sheet amounts evolve over time and that determines the impact on P&L.

PIETRO GIOVANNI MASERA: Okay. Then a few more from Daniele. One is regarding M&A, I am not sure it is more in general or more for broad. Well, M&A in general, we clearly cannot comment on, you know, the targets and the size and so on, that is very sensitive. And regarding geographies, well, clearly, Italy plus as I mentioned [technical difficulty] geographies and there is a couple more questions for Emanuele. Okay. So regarding the ratio of net working capital for sales and the evolution of CAPEX in the next years?

EMANUELE BONA: Yes, I think on net working capital over sales, this is something I commented when I was discussing Slide 74. As I said, we expect those ratios to go back to 2019 levels, both at group level and at data intelligent level by 2023. And Pietro the other question was on CAPEX I think. Yes CAPEX, again, we expect CAPEX over sales to remain stable over the next 3 years, roughly in line with what has been observed in the past, and all the numbers are within the Slide. In this case, it's 74 again.

PIETRO GIOVANNI MASERA: Okay. Then there was a question at this point from Louis Di Maria of Avalon Capital. So under the Italian board facility rules and the conditions of IONs offer, Cerved is not able to sell it is credit management division, but I think that we have discussed this. There is a few questions now from Rajesh Kumar. So one is, can you please explain why Cerved is well positioned to provide consultancy in anti-money laundering, ESG and similar segments and what are Cerved's competitive advantages.

ANDREA MIGNANELLI: Well, 2 separate reasons I would say in the anti-money laundering. We perform an acquisition in December Hawk, and this company we have been working with for the last 2, 3 years at a very good presence in the anti-money laundering space, especially in the gaming industry, and also in some banks and therefore, we believe that the coupling their technology with our data will make a very strong service offering for large clients.

And in terms of ESG, quite the same answer on a different note. We purchased a company called Integrate last year. In Integrate, was…it is a provider of ESG score and rating as we own methodology and algorithms. And therefore, once again, the combination of their skills and technology with our data, it is a very good competitive advantage.

PIETRO GIOVANNI MASERA: Okay. So then there is a question…was from Rajesh on credit bureaus who spent typically about 5% to 7% of revenues in new data and softer CAPEX at least to future growth. What level of investment should Cerved be putting into drive such growth.

ANDREA MIGNANELLI: I think I answered that twice already.

PIETRO GIOVANNI MASERA: Another question is, data product companies trade at a high multiple. What type of synergies or return on capital employed thresholds will Cerved apply.

I guess, in terms of return on capital employed, we will use the methodology that we have always looked. So what we typically do, and this is a bit of a private equity approach. What we do is, that if we buy a company say just to give an example at, 7 times EBITDA, what we'll assume is that first 3 times is debt okay, the residual 4 times is equity. And what we will do is, we will run the numbers okay. Further acquisition typically with very limited or no synergies. We will then calculate the value of the company at exit, okay. And then, we will calculate the IRR based on exit value of equity compared to the entry value. And the target IRR that we approach is always [indiscernible].

In terms of CAPEX, this is what we have done [indiscernible].

A question from Rajesh, so mid single-digit organic growth and 2% to 3% M&A equates to 7% to 10% EBITDA growth, which is in line with guidance effectively how much depreciation, amortization growth should one expect?

EMANUELE BONA: I think in terms of a good proxy for depreciation is CAPEX. So you should…for your modeling you should, you should assume a trend in line what I described with CAPEX.

PIETRO GIOVANNI MASERA: Okay. And the last one from Rajesh is, should one equity the risk and marketing business growth rate between 3% to 5%?

EMANUELE BONA: Well, our guidance for the data intelligence business, which gives us some of risk intelligence and marketing, intelligence gives a mid single-digit, and the total company growth in terms of revenues is 5% to 7% organic. These are the 2 reference point then you should make your own numbers based on this.

PIETRO GIOVANNI MASERA: Okay. I am just getting another question from Michele Baldelli, Exane. So, will the move to cloud decrease the entry barriers switching cost into the financial institution segment for the supply of credit information product offers?

ANDREA MIGNANELLI: No, I don't think so, because the main…there are 2 main barriers to entry for our business. The first one is, as I explained at the beginning of my presentation, the data ecosystem is not something you can just simply buy, but it is something that you build overtime. And so, the depth of the track records and the data sets that you have are something that makes a difference when it comes to calculate algorithms and score. And the second thing is the amount of business rules. We have hundreds of thousands of business rules that transform raw data into the decisions and scores and algorithms. And this is something that it's very difficult to replicate. So, it's not so much where the data fits or how to deploy the data, but it's the quality underlying ecosystem and data technology.

PIETRO GIOVANNI MASERA: Okay. Thanks Andrea. Now, I think we…question from Previtera, Banco BPM? So in regards, I guess, in general terms, the consolidation of commercial banks, okay. So, the concern is that the addressable market is effectively reducing also in terms of the share profit on big names. So, there is question in terms of scaling down on services intended as making let's say packets of products, you know, smaller and less costly for smaller client base. Within, I guess, the financial institutions. So, that's one alterative, and the other alterative would be effectively to move abroad?

ANDREA MIGNANELLI: Right. I think we should try to do both. Actually, rather than smaller packages for smaller clients, I would say that we need to package our solutions in a way that is more productive for smaller clients, which implies more technology provided in a easiest way. And when I mean technology, I mean solution decision, solution sorry for credit decision and other types of risk decision that's #1. And definitely also going abroad as I explained before is an opportunity that we now can consider, because we focus on exporting technology and data technology rather than raw data. So I think we should do both honestly.

PIETRO GIOVANNI MASERA: Okay, well the…ladies and gentlemen, at least on my side, I haven't received any question. I think that we have addressed all the questions that we received. So Andrea, Gianandrea do you want to thank everyone and…

GIANANDREA DE BERNARDIS: Thank you for both of us. Actually for the 4 of us, and obviously if there is any follow on we are available to answer other questions in the future. Thank you very much for your attention.

COMPANY REPRESENTATIVE: Thanks everyone.

COMPANY REPRESENTATIVE: Thank you.

COMPANY REPRESENTATIVE: Bye-bye.

COMPANY REPRESENTATIVE: Bye-bye.