Cerved Group S.p.A

"First Quarter 2020 Results Conference Call"

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OPERATOR: Good afternoon. This is the Chorus Call conference operator. Welcome and thank you for joining the Cerved Group First Quarter 2020 Results Conference Call. As a reminder, all participants are in listen-only mode. After the presentation, there will be an opportunity to ask questions. Should anyone need assistance during the conference call, they may signal an operator by pressing "*" and "0" on their telephone.

At this time, I would like to turn the conference over to Mr. Pietro Masera, Head of Structured Finance and Investor Relations. Please go ahead, sir.

PIETRO MASERA: Hi, good evening everyone. Thanks for joining the call today, Pietro speaking and I am here with Andrea Mignanelli, CEO and Giovanni Sartor, CFO. The purpose of the call is to provide you with an update on Cerved's Q1 results to March 2020 and at this point, I will leave the word to, Andrea. Thanks.

ANDREA MIGNANELLI: Thanks Pietro. Good afternoon everybody. Let me now focus on Q1 results on Slide 3, which we just published this afternoon. Overall, I have to say positive results despite COVID-19, impacting us during the month of March with Italy entering into a lockdown on March 9th. As you can see, revenue growth was at 3.6% or minus 3.9% on an organic basis, adjusted EBITDA declined marginally by 1.1% or 5.5% on an organic basis.

Operating cash flow was very strong at 14%, mainly due to the strong revenue growth in Q4 and we've recovered a low in January and February. Adjusted net income increased by 8.7%. Leverage increased marginally to 2.4 times EBITDA, so still well below our estimated ratios for the year.

Let's now look into the other key messages we are giving on the business. So in terms of the organization, we anticipated with our full year results and we are now representing our business along the lines of our new purpose, as the business units which are now with management and growth services as opposed to the previous credit information and marketing solutions. Businesses are now major and are very well explained in this document. So I don't expect any issues for analysts and investors in understanding our performance.

COVID-19, we have a specific session on how we are currently addressing the emergency. In summary, please recall that we are a very resilient business model, our services are mission critical for most of our clients' in particular large banks, and that the business and financial situation is under control with limited risk in particular in terms of liquidity, covenants and finance. But there is still a lot of uncertainty around COVID-19 emergency, and according to numerous sources including our own, the full impact will fall on Q2 results, with the situation potentially improving in Q3 and Q4.

Clearly this envisages an improvement in the latter part of the year, but at this stage it is still too early to make more detailed assumption on the exact shape of the recovery, so people are talking L shape, V shape, U shape, W shape, we don't know, and on the timing implication for a return to normality very difficult to assess.

Refinancing as per our press release a couple of weeks ago, tomorrow we will be closing the refinancing activity, a person to which fair value will have extending €563 million of drawn facility with a 5 year maturity was a 5 year…€150 million revolving credit facility to ensure increased financial flexibility for the Group. So conditions are roughly in line with the prior facilities, and in particular, also the event of default leverage covenants which remains at 4.5 times EBITDA, so which gives us a lot of comfort compared to currently our leverage situation.

Sustainability, we just published our Sustainability Report and are very proud of the result, and represents a struct [ph] change in terms of disclosure to the market, of all matters regarding sustainability and ESG as well as in terms of commitments for future endeavors in this year. But I do want to highlight that Cerved has always been particularly responsible in all matters regarding governance. As you know we have been public since 2015, and so short [ph].

So although the level of disclosure now has changed, the underlying content was already excellent. As we look further illustrate. We also believe that ESG can become a strong and sustainable source of business at Cerved, as we will give more details at the end of the presentation.

And last but not least financial outlook with our results we suspend in our guidance, due to the uncertainty of the impact of COVID-19 emergency on business and society, the economy and our future results. So the situation has not changed hence our guidance remains suspended. We are however expecting to hold our 03rd Investor Day in the latter part of the year. Hopefully by then the situation would have normalized, and it will be possible to provide investors with medium to long term forecast for this business.

And now move to Slide 7, for the business review. Let me remind you that Cerved has adopted a new corporate purpose, which lies on the institutional nature and on the new set of competitive advantages which rely on its data and technology and talent. This has allowed us to formulate the following corporate purpose, to assist the Italian system to protect itself from risk, and to grow in a sustainable manner.

The new organization is summarized on Slide 7, with the 3 business units which are risk management, growth services and credit management. The slide also shows all the underlying service lines, which are numerous and which I will now indicate one-by-one, but I am confident that it will make us also new.

On Slide 8, we also provide reconciliation from the old reporting to the newly adopted reporting. As you can see, it's a fairly minor change which mainly regards the allocation of the Atoka Artificial Intelligence product and also the newly acquired MBS consulting business which had temporarily been assigned to credit information last year. And for the clarity of the organization, did not impact the credit management business unit. Slide 9 also provides all the underlying numbers for 2018 and 2019.

Slide 10, provides our customary view of our results in the quarter broken down by business units. So let me go into risk management first. This shows an impact from the COVID emergency which began to hit both the financial institution and corporate segment from the beginning of March, leading to an overall decline by…of minus 5% in revenues and minus 7% in EBITDA.

Revenues were directly impacted by the lockdown, which made it difficult to visit corporate clients, and likewise reduced the volume of real-estate services, mainly real estate appraisals for mortgages. But overall the bulk of our business was majorly impacted. Thanks to the flat fee and the prepaid contract structure, as well as, the machine critical nature of the services.

Although the lockdown endured into April and May, we had…sales become more able on switching our go-to-market from physical visits to online visits to our small medium clients. And also want to host a new COVID-19 related product.

EBITDA declined a bit more than revenues, due to the high operating leverage. The risk management clearly has a lot of fixed costs, although we have been quite effective in cutting the discretionary and other cost very quickly, otherwise the decline in EBITDA would have been even more pronounced.

On growth services, the great headline results with revenue increased 67% and EBITDA 93% and these are largely attributable to the first time consolidation of MBS Consulting which you recall was a quite normal [indiscernible]. Also on pro forma basis, however the results very position with MBS doing very well in the first quarter of 2020.

Finally, the Credit Management had very positive results with both revenues and EBITDA growing about 5%. It's very fair to say that the result in this division show a time lag between the moment and collection occurs and the moment in which we organize...we recognize revenue. So we do expect an optimal impact in the second quarter, mainly due to the lockdown also impacting the court, which are quite relevant for the NPL related collections.

But, please do also recall that the credit management business is not just servicing banking NPLs, it's...this is the main activity and covers about 2/3rd of the revenues, but the remaining portion…they got servicing of performing portfolios, collection of delinquent receivable for corporates and utilities and lots of these activities related to NPLs. So this is the results being more diversified and else more way more resilient.

In the interest of time, I'll skip to Slides 11, 12 and 13 which provide a lot more detail on each of the business units, but I've already indicated key drivers and I am happy to answer the question that you may have in the Q&A session.

Let me now hand it over to Giovanni for the financial section.

GIOVANNI SARTOR: Good afternoon and thanks, Andrea. Moving on to Slide 16, let's take a brief look to the income statement. As we highlighted in the executive summary, the adjusted net profit increased by 8.7% versus last year, which increased to 12.5% after minorities given the fact that we have been consolidating the 100% of the Juliet platform since February. You will also see a profit linked to the valuation update of the long term incentive plan, the impairment of goodwill for PayClick and Marketing Solutions and the devaluation of the option for MBS and ProWeb Consulting generating a profit.

Slide 17 provides our customary breakdown of the net working capital. As you can immediately see, net working capital increased to 21.2% of revenues, adjusted to reflect 2019 acquisition on a full year basis. The trends, as I was saying, as what we say at the year-end and the increase compared to last year is due to 2 main factors.

The first is the higher working capital intrusiveness of the targets we acquired, and in particular, MBS and Euro Legal Services. In any event, we have also provided a relevant working capital contribution in the presentation. The acceleration...the second one is the acceleration in revenue growth in Q4 in both the Credit Information and Credit Management divisions, some of this is already coming down and in fact the valuation in April were higher than expected.

Skipping on to Slide 18, the operating cash flow therefore, benefited from the higher collection level in January and February as well as the lower level of CAPEX and the combination of these 2 factors list to operating cash flow increasing by 14% from the first quarter.

Last but not least, and moving to Slide 19. Financial indebtedness as of March 31st was 2.4 times of EBITDA compared to 2.3 times at year-end based on the LTM EBITDA, which on a pro forma basis also includes the full P&L impact of the closed deals.

As indicated by Andrea earlier, and as we also anticipated in our full year call, we are completing the refinancing exercise with the drawdown of the new facility tomorrow. The financing has a lot of benefit for us particularly considering the level of the uncertainty.

I'll now hand back to Andrea for an update on the COVID-19 emergency.

ANDREA MIGNANELLI: Thanks, Giovanni. Slide 21 to 24 provides a lot of color into how Cerved has organized itself with respect to the COVID...to the COVID-19 emergency. How the business units are being impacted? How we are acting to grow the bottom line? How we are helping the community as well at identifying new sources of business? And let me briefly move through each of these slides.

Slide 20, is…on our action plan just you can see regards every part of the business and it's clearly involving all employees. A lot of initiatives we are currently undertaking and rapidly adapting to the underlying situation and a lot of the things we are planning will become the new normal.

On Slide 20, on our top line which reflects some of the key trends we have seen on our Q1 results, but which also flushes out a number of opportunities. So for instance services to allow banks to tap the Fondo Centrale di Garanzia sort of fund or subsidized finance, the government is allowing corporates to access specific emergency related funds. We provide all the information and paperwork and back office functions too many banks in Italy.

Solutions to protect our clients or credit risk associated to the COVID-19 emergency. And this is rapidly becoming a must for many of our company clients which are increasingly focusing on understanding if, when, and how to collect their outstanding receivables. So we offer companies a fantastic tool which provides us not just for all their receivables which also...it's a…and it's a very effective way to understand when and how to collect them.

And finally, we're also anticipating a growth in the level of delinquencies and in the NPLs. So as you can imagine there is currently a huge buildup of unpaid bills. In the short term this will be a massive opportunity for our collection services for corporate entities and further down the line, there will be also an interesting growth opportunity for UTPs and in NPL banking business.

Slide 21, is on cost contingency, which we are already implementing in our business. And Slide 22 is our community and business opportunities with a range of recently published reports, which we provide free of charge to the community, as well as 2 other specific tools we offer clients to better assess and manage their risk.

Let me now move to the last part of the presentation on which regard our commitment to ESG. This is covered in Slide 26 to 28. Let me quickly illustrate this slide. Slide 26 in our approach to sustainability which as you can see is quickly moving from compliance to value creation.

As mentioned earlier, I think the real step change was in terms of disclosure rather than underlying substance, but I'm still quite impressed to see our sustainability report and I invite our investors, to download it from our website. I also wish to highlight that this is just a first step into our endeavors for sustainability. I cannot see...anticipate that the sustainability will have a central role in the next 'Investor Day' we present later in the year.

Slide 27, on our achievements and targets for 2020, and this is a summary of what we have published in the Sustainability Report. The objective of this representation was not only to show what we are planning to deliver in 2020, but also what we did in 2019, and we are extremely active. Once again, this is just the first step in terms of future commitments which will continue to change each year and ideally incorporate more and more challenging targets and objectives.

Slide 28, is on our business opportunity. We see a genuine and attractive business opportunity in the field of sustainability. And if you think about it, especially replicating our role in the field of risk management in which we use our unique database for credit purposes. Over time, we have the opportunity to replicate this database with also ESG information which will be able to provide our clients with a host of ESG and sustainability related services. So data, ratings, scores, research and advisory.

In order to accelerate our capability to capture this new opportunity, we just closed the acquisition of Integrate which is an innovative start up which developed an interesting ESG rating methodology in line with international best practices. We are leveraging on its proprietary ESG information database.

The acquisition will allow the Cerved rating agency to consolidate its role as rating agency in the ESG space by combining Integrate's skills with the Cerved's wealth of information and analytics. So we also will be able to provide a combined ESG and credit scoring for thousands of Italian clients.

I think we have covered the entire presentation. So I thank you for your attention, and we can now open the Q&A session.

Q&A

OPERATOR: Excuse me. This is the Chorus Call conference operator. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone telephone, to remove yourself from the question queue, please press "*" and "2." Please pickup your receiver when asking question. Anyone who has a question may press "*" and "1" at this time.

The first question is from Rajesh Kumar with HSBC. Please go ahead.

RAJESH KUMAR: Hi, good afternoon. Thanks for taking the question. First one is, when we look at the decline in your credit information, the new division risk. That's largely driven by March, as you pointed out. So could we get a sense of run rate in March and whether that run rate is a reflection of the step down we would anticipate in April as well or did it get worse since then? Second is, when we look at the deferred revenue number compared to Q1 '19 or even year end, that has reduced a bit. What are the factors that are driving that?

ANDREA MIGNANELLI: Yes. Hi, Rajesh. This is Andrea. So on the trajectory that we are experiencing on the risk management to say that January and February were good months. So we were on track with our expectations and we got off a good start for the year. And March, as you can imagine with that, and April actually has been worse. Specifically, on the 2 businesses that I mentioned to you which are real estate appraisal for the banking…for the financial institution component and data usage of SMEs and on the corporate component. In April, we had about in Italy 65% of businesses locked down. Fortunately, Cerved has a lower exposure to higher risky sectors because we typically do not serve tourist and transportation and restaurants. And so, in our case, our client base was affected only 50% by lockdown, 50% is quite a large number. And most small businesses at the beginning of the lockdown were not equipped to do smart working like we were. So we experienced a significant drop in consumption during the month of April. Fortunately, May looks better and you can tell that probably it's a combination of Italy willing to get back to work as soon as possible and at the same time, people get more used to cope with the lockdown. And so, the first few days of May looks better than the average April.

For deferred revenues, I turn it to Giovanni.

GIOVANNI SARTOR: For deferred revenues are 2 main reasons. The first one is lower level of invoicing of the period compared with last year. And the second one more important is related to the mix of revenues. We know that we have deferred revenues with small and medium customers, while big customers, large customers, run on consumption basis. And so, we have more consumption on large customers compared with small and medium. And the other, as I said is a lower level of invoicing on the first quarter also due to the fact that the COVID prevented during the month of March for each customers.

RAJESH KUMAR: Understood. Just on the countercyclical driver you mentioned earlier, you talked about there's an opportunity in identifying risk of bad debt, et cetera. Obviously, you...one would expect that should as the economy to restart become important for your customers. Have you had any discussions to that effect with the customers which gives you some confidence around people willing to check receivables and things like that?

ANDREA MIGNANELLI: Well, as you can imagine, there is...we have 3 large, let's say, group of clients; large banks, large corporates and small corporate…medium and small corporate, so each one is reacting differently. Banks currently are most worried about this rush to provide liquidity to SME through this Fondo Centrale di Garanzia which is a nightmare...operational nightmare, because they received hundreds of thousands of requests, quite, let's say, with a variety of paper…paperwork so which makes it very difficult for them to process. So they are turning to us to help them to provide...to solve the issue in new parts. So this is an opportunity, in a sense for us.

Large corporates, especially B2C clients like large telecoms and this kind of guys, they are now taking 2 different approaches. Some of them are very cautious about receivables. And so, they are even like sort of strengthening their collection efforts and monitoring efforts on their receivable pool. Some others say let's give a sort of moratorium to our clients, not chase them in this difficult period we will see at a later stage. So it's a bit difficult…it's a mixed feeling there.

And then in terms of SMEs, yes everybody is very worried because we observe a delay in payments. And you don't know in this case, whether this delayed in payments are because there is a true lack of liquidity or because just in case you don't pay, to see what happens. So in January and

February especially in the collection for receivables, we did very well at cross selling services through our network of agents on SMEs. And also in March, this business was doing well. So we are looking forward to see Q2, how it evolves, because this could be an opportunity for a corporation like us who is able to do this delicate work in a smart working environment. Some of our competitors…smaller competitors in this field, cannot. And so, if the…due to the lockdown they have to close their operations.

RAJESH KUMAR: Thank you very much.

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

ANDREAS MARKOU: Hi, everybody. Thanks very much for the presentation and for taking my questions. I have a few, I'll start with the first one which is a follow-up question to what you just answered on the new services on receivables. So can you give us an indication…a monetary indication in terms of revenue and EBITDA, of how much of these new services accounted for in your Q1 numbers?

ANDREA MIGNANELLI: Yes. Well, as you may know, our NPL business accounts for about 2...the banking business is about 65% and the nonbanking business and the receivables management it's in the range of €30 million in total revenues last year. So it's over €180 million of total revenues on the Credit Management side slightly…it is about 20% of the total business. And then you have another portion of business which is performing loans management. We manage mortgages and these are not affected by the lockdown because we are paid an asset management fee. And finally, we have legal services which are pay per use, especially because our legal service business tends to do standardized small legal actions, they can still use the digital court process which fortunately was not affected by the lockdown of course.

ANDREAS MARKOU: Okay, maybe just going back into risk management. So if you can maybe just explain a little bit about this new product lines that you have and you know, this COVID-19 product line? And the high potential opportunity you mentioned about the Fondo Centrale di Garanzia [indiscernible] there. So how much was that in terms of revenue and EBITDA?

ANDREA MIGNANELLI: Yes. So the COVID-19 is a set of reports and advisory work we do for clients. The reports are...can be sold individually and you as a client can buy them to assess what's your risk within your sector, how much your sector is going to be affected by the lockdown by the crisis. And so, it's sort of a...like a checkup on your own situation. The COVID-19 advisory work is different. So if you are a large client with a large portfolio of receivables or a large portfolio of suppliers, you may call us to get an assessment of the risk implied in your portfolio of clients or your portfolio suppliers. So this is typically way more expensive advisory job that gives you a more insight on your clients or suppliers.

In terms of Fondo Centrale di Garanzia, you don't have…we have a limited economic value representation in Q3 because it really started in late March. So we will see the effect of this new business line basically in Q2. The Fondo Centrale…this is performed by our controlled company called FinLine [ph], which we acquired last year. And it's in the range of €2 million revenue run rate up until today and we expect this €2 million to grow significantly in April, May and June due to the volumes that are arriving in this space.

ANDREAS MARKOU: Okay. So effectively, we're talking you know, a rather small increase in revenue. So yes, it's something positive but it's not exactly you know, something major?

ANDREA MIGNANELLI: No. It doesn't…it does not compensate for the loss on real estate services that are in small business consumption of data clearly. It's not...it does not compensate fully, but it's, like…it's a positive sign, so to speak.

ANDREAS MARKOU: Okay. And on this division, I remember you have a large contract renewal for this year. What...so do you expect that to take place in Q3 or Q2?

ANDREA MIGNANELLI: No, it's...no, it's due to the end of the year. So it's happening in Q4.

ANDREAS MARKOU: Okay. Q4. Okay. And then in Credit Management, so obviously, we mentioned about the increase in NPLs in the economy, which is a positive. But on the other hand, what we've seen historically is that these divisions...these businesses tend to suffer a lot in a macro slowdown because of the impact on the collection rate. Can you maybe give us some thoughts here because it's not just the fact that courts are closed right now? Even when the courts open, then collections should be much lower because of the slowdown in the real estate market?

ANDREA MIGNANELLI: Yes. And there will be a pile up of cases in court. So if the courts stayed closed for like 3 months, clearly, there is a pile up. So there is a delay in processing by the court, there's a delay in collection. So clearly, what is going to be more and more attractive in the short-term is the banking NPL business, which, as I say, fortunately, it's 65% of the business.

The other business that I mentioned to you in the...before, so receivables management are not affected by court because this is a typically extra judicial workout. And so they tend to have a countercyclical approach because the...we are paid more, let's say, for the job done than for the collections. And the more arrears, so the more late receivables our clients have, the more work we do. So this is countercyclical, so to speak.

And legal services is not affected by collection because its pay-per-use. And asset management for performing loans is not affected because it's based on the existing amount of mortgages. So I would have to say that in our case, compared to other services, we...we only have two-third of the business, which is impacted in the short-term by the slowdown in liquidity. And one-third of the business, which fortunately, it works with a different dynamic.

ANDREAS MARKOU: Okay. Now that's clear, maybe just a quick clarification on consumer finance. I understand the base is higher there rather than actually the fee you're getting on how much you collect. But don't you expect collections to decrease in consumer finance as well, given the deterioration in the economy?

ANDREA MIGNANELLI: Yes. But at the same time, expect more volumes to come because, as I said before, in consumer finance, the situation is declining [ph] in Italy. Large consumer finance companies tend to have credit services at the time, and they tend to use them as a champion and challenger and so forth.

Now what is happening in the last couple of months about some of...like number 7, 8 and 10, 9 of these services, which are way smaller than the big ones like us tend to not to be equipped to work in a lockdown environment. And therefore, some of these large consumer finance companies is readdressing some of the volumes of these services to us. So there is a counter effect. That's why, as I said before, we observed an increase in revenues in the credit collection business, in the small ticket collection business in the first quarter.

ANDREAS MARKOU: Okay. Thank you very much. That's very clear.

ANDREA MIGNANELLI: Yes. You are welcome.

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

MICHELE BALDELLI: Good evening to everybody. I got just a curiosity. According to the current time table of the reopening of tribunal court and the other stuff, when do you think that the normality will be on the business of the Credit Management?

ANDREA MIGNANELLI: As we...as I said before, I think that we're going to start to go back to normality after summer. Hopefully, there will be an exception this year. The summers...in summer, tribunals will not be closed. So we are asking the court to keep working in summer to recover from the lockdown we experienced in the last 2 months. And we say that, we know that typically courts have a lot of problems to process all loans, all files. So even if they open back in, let's say, August, and full speed in September, there would be a certain lag to work out the inventory of past that has arrived, plus there is going to be a significant increase in terms of size in, let's say, within 18, 24 months. So I would expect to slowly move back to reality starting from September and probably be okay by January next year. And then the new NPL piling up towards the end of 2021, 2022.

MICHELE BALDELLI: Thank you very much. I've got another question regarding also the contracts in the Credit Management division. Is there any kind of contract with performance that you need to respect otherwise, the contract can be taken away? And do you think that the waivers are anyway the only option? Or do you read something on there?

ANDREA MIGNANELLI: Yes. Many of our contracts have performance fees and structure related to performance. That's the way we normally work to be aligned in interest with our clients. But as you can imagine, those covenants are used to change servicer when you don't...when you think the servicer is not doing the best possible job. If the underperformance is due to an external event like this one, we tend to believe that there is no reason why our investors would change servicer because it would be exactly the same with anybody else.

So actually, in terms of strong...in situations of strong discontinuity, a strong crisis, investors tend to work closely with their servicer to find solutions rather than just simply switch. Because switch is not necessarily the best option. And the kind of relationship...long-term relationship we have with our clients and investors lead me to think that we shouldn't experience such a problem. We are already punished by a decrease in revenues and we don't need to be punished more with a contract termination.

MICHELE BALDELLI: Sure. And just the last one, it's on the cost side. Do you expect to use any temporary schemes in order to do any strong actions on the cost front?

ANDREA MIGNANELLI: Yes. As you know, labor is one of our key costs and our large...it's actually the largest cost we have in our P&L beside data. And so we clearly work on that. I think, as a matter of fact, the company is very resilient. So we are not in a crisis situation. So we're not losing money or anything. So we decided not to adopt any dramatic move in terms of layoffs or anything else. But we ask our people to be close to the company.

So I can tell that productivity during the lockdown in smart working has been very high and is improving. In the last couple of weeks, we observed that it's improving. So it means that people learn how to increase the productivity in...when they work at home. They use a lot of vacations. So we are reducing the cost due to unused vacation days, and we are doing well there. And also, we have applied to the FIS, Fondo d'Integrazione Salariale, which is a sort of social amortize that it's...so we are using the levers that we have at our disposal.

MICHELE BALDELLI: Thank you.

ANDREA MIGNANELLI: Plus, of course, I have to add, there is...we are a performance-based company. So a lot of our people costs are variable related to performance. So naturally, this variable cost will go down with performance, with revenues and EBITDA. And in addition to this, we also have a decent portion of our cost that are variable because we use third-party workers, such as real estate agents, loan managers, lawyers and agents. So these guys are paid on...based on what they do. So for instance, real estate agents, if they don't go out to do a real estate appraisal, they don't get paid. So we have a loss in revenues, but we also mitigate the cost. So we have a decent portion of our variable cost base also on the labor side.

MICHELE BALDELLI: Thank you very much.

OPERATOR: The next question is from Andrea Lisi with Equita. Please go ahead, sir.

ANDREA LISI: Hi, just a quick question on your banking NPL portfolio. If you can remind us the breakdown in terms of size. So the average ticket, the breakdown between secured and non-secured exposure and...which is our exposure to retail and corporate and which exposure do you think will suffer the most the delays? So for...it will be harder to recover in the next future?

And second question is on the so-called the cash in court. So we read on newspapers that servicers still have to receive cash from those legal proceedings that commenced, but the courts are closed. So the cash didn't arrive. So I just want to ask you how much cash should you receive from the special court that you did not receive yet? Thank you.

ANDREA MIGNANELLI: Yes. Not...bear in mind what I just said about the revenue. The revenue split of credit manager, which show that not 100% rely upon banking loans collection, but only for two-thirds. And even in the two-thirds of the banking business, it's not 100% based on performance, but is typically 30% based on asset management fees and 70% based on performance. So this is just to give you the sense that our revenues are sensible to collection to a certain extent, not to 100%. Okay.

Having said that, if you ask what is the split of our collection sources in terms of corporate, SMEs, mortgages and consumer finance, I would say that it's about 60% to 70% related to corporate, 20%, 25% related to mortgages, retail mortgages, and the remaining being consumer finance and individuals. So also on the corporate side, a lot of the collection actually depends on the underlying collateral, which typically is a piece of real estate.

So yes, and we...I haven't seen any forecast of real estate prices for retail and for industrial and commercial real estate. I guess that they don't...they won't look very good. But on the other hand, it's a bit difficult to predict now how the prices...how the market prices go, given the type of crisis because we never experienced anything like that. So it may be that real estate becomes sort of still, like, one of the few decent assets on which to invest, and so maybe prices will not go down. So let's say, the jury is still out there. But you asked me the split, I give you the split.

In terms of cash in court, there's always been an issue in Italy. Even when courts were open, there was a huge amount of cash in court sitting in the treasury department. And so yes, we, as many other servicers, got together to ask the judges to be sensible to this and to please pass as much as you can, help speed up as much as you can the distribution of cash in court. But normally, this amount, in a typical portfolio, accounts for about 10% normally. So with this delay, this number may rise to 2% to 5%. It's sort of a kind of a pension plan because you know the money is there, you just need to wait for the money to be deployed. And I believe judges will be very sensitive to try to do whatever it takes to keep the economy moving and distributing cash in court. It's a very sensitive thing to do because there is...as long as the money sits in the treasury, nobody is benefiting from it, not even the government that is not taking any interest on it. So there is pure...it's a pure processing issue, and we hope to speed it up, as I say, in September, when things will tend to go to normal.

ANDREA LISI: Thank you very much.

OPERATOR: Once again, if you wish to ask a question, please press "*" and "1" on your telephone. For any further questions, please press "*" followed by "1."

The next question is a follow-up from Andreas Markou with Berenberg. Please go ahead.

ANDREAS MARKOU: Hi there. Just on the variable costs, you mentioned earlier of your personnel costs. Can you maybe give us a percentage? So how much of your personnel cost is variable? Thank you.

GIOVANNI SARTOR: Yes. If I take total cost...total cost in 2019, we probably have more than 30% variable. 30% to 40% is variable.

ANDREAS MARKOU: Okay, great. Thank you.

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

ANDREA MIGNANELLI: Well then, thank you, everybody, for your attention. We'll keep you posted with any news, clearly, and feel free to reach out to Pietro Masera or directly to me for any other question or suggestion. We are here.