doValue S.p.A

"Nine Months 2019 Results and Business Plan Conference Call"

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OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining the doValue Nine Months 2019 Results and Business Plan Conference Call. After the presentation, there will be an opportunity to ask questions. I remind all participants are in listen-only mode. 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. Fabio Ruffini, Investor Relator of doValue. Please go ahead, sir.

FABIO RUFFINI: Good morning everyone. Thank you for joining the conference call on doValue nine month 2019 results and Business Plan update. Also attending this call from the management team of doValue is Mr. Andrea Mangoni, CEO of the Group, Ms. Manuela Franchi, CFO and for the first time in the call Mr. Julian Navarro, Altamira, CEO.

We will begin with comments on 2019, then moving to the new profile of doValue today and the value added by Altamira. Finally, we will conclude with the new medium term targets and the Q&A session. Over to you, Andrea.

ANDREA MANGONI: Thank you, Fabio. Since the presentation of the Business Plan in June 2018, we have been steering doValue to a new direction, responding to a changing market with confidence in our asset. In 2019, we were involved in several projects which will give us long-term benefits. We are no longer a bank, rather a corporate with potential to deploy capital for accretive growth.

The first sign is Altamira, making the difference in business development and real estate services. The integration plan is set, but Altamira is led by strong management performing well year-after-year. Also with UniCredit

we structured the largest mortgage securitization in Europe more than €6 billion, project "Prisma". For this reason, certain loans had to be frozen for a few weeks, affecting collections in the short term, but the project adds to our GACS track record and will translate into better opportunity to win mandates in the future. It has been a challenging, but a rewarding project.

Finally the UTP proposition is taking shape through an agreement with AREC, the best real estate servicer in Italy, and by entering into the final exclusive negotiation phase for a €500 million multi bank servicing mandate.

These projects did not stop our business development team which won more than 11 million of new mandates so far in 2019, nearly €3 billion in Italy, lastly by adding an investor portfolio and at €0.9 billion GACS from a leading Italian bank on top of the €1.5 billion already announced. Spain was very active with investor portfolio from new clients for more than €3 billion, and of course at €4.3 billion stock and forward flow mandate in Cyprus.

More in detail on Cyprus on Slide 4, the new contracts build on the experience of the existing platform, managing a €7 billion portfolio from the Cyprus Cooperative Bank. The market remains very attractive, still €10 billion on bank's balance sheet and short term pipeline of €5 billion.

doValue is a clear leader with a 55% market share and working to win new mandates. The Alpha agreement combines long term cash flow and no meaningful upfront price, so a better deal as compared with the typical platform acquisitions and flow agreement.

Now, I will leave the floor to Manuela to review the 9 months results.

MANUELA FRANCHI: Thank you, Andrea and good morning everyone. 9 months results for the first time include the acquisition of Altamira in the P&L for Quarter 3. doValue asset under management now stands at more than €130 billion or €140 billion including the recently signed mandates, not yet onboarded. So growing also on a pro forma basis.

Gross revenues were up 5% at constant perimeter reaching more than €230 million, with all regions contributing to growth especially Greece and Cyprus. EBITDA and non-recurring items grew to more than €90 million as compared with €80 million at constant perimeter plus 15% with EBITDA margin growing by 3 percentage points or 59%.

Net income ex-non-recurring items up by 30% as compared with last year or plus 17% at constant perimeter. Translating as you will see in yet another year of strong dividends for doValue shareholders. Financial leverage stands at 1.5 times in terms of net debt to pro forma EBITDA, reducing since the first half of the year in line with our expectations. In short, continuous growth especially in terms of margins and cash flow generation.

Moving now to Slide 6, doValue is a €140 billion AUM servicer and benefits from 3 forward flow agreements, as well as a diversified portfolio of customers with long-term, repeat business opportunities. Over the first 9 months of the year, the business onboarded more than €10 billion of mandates and signed another nearly €8 billion which will support collections in 2020.

We touched upon the main contract wins this year, so I would just highlight now the nearly €3.9 billion of collections implying a higher collection rate in markets outside Italy. In Italy, collections were slightly

down year-on-year at €1.2 billion for a portfolio delay in onboarding and the residential securitization project mentioned by Andrea. Still, collection rate in Italy was stable at 2.5% and collections are shifted to next year.

Page 7, displays the components of our revenues up by 7% at constant perimeter on a net revenue basis, since outsourcing fees reduced by 9% in the period, delivering on one of the projects of our Business Plan, to reduce outsourcing.

Average fees are stable year-on-year, in particular in Italy they are confirmed at about 5 basis points for base fee and 8% for performance fee. Real estate is a meaningful portion of our revenue, further adding to diversification. Real estate servicing is very advanced in Spain and we expect this trend to grow also in Italy and Greece.

Ancillary services are up year-on-year at a rate above that of group revenues, since clients adopt data services, legal services and require our due diligence activities. The proportion of base fees is expected to increase going forward when the P&L will have the full impact of Altamira base fees.

Moving now to a description of the cost base, 9 months results show a 4 percentage points gain in EBITDA margin also due to cost control. We expect the cost base to decrease in absolute terms over the Business Plan horizon. And I will detail later on the actions which will deliver that.

Several actions were taken in Italy to reduce the office footprint and foster smart working activities, driving real estate costs lower. We have reached agreements and booked one-off costs related to the HR efficiency plan

announced with our 2018 Business Plan, now achieved. The benefits will be visible from 2020 onwards.

Cost remains a key are of focus and the current business plan will continue tackling cost areas while improving its variable components, with the ultimate objective to expand EBITDA margins above 40%, with savings opportunities in all markets.

Cash flow generation was very strong so far this year with free cash flow at €78 million, so nearly 100% of reported EBITDA, supported by a positive move in net working capital and our structurally low capital needs.

The net working capital move is organic in nature and produced both by the Italian and the Spanish business. This meant that despite paying a 70% dividend payout in acquiring Altamira, leverage stands at 1.5 times, much lower than the average of our peers.

Cash flow visibility keeps improving as we add new flow agreements and further diversify the client base towards investor portfolios in the broader Southern European markets. This reflects in our dividend payout expectations going forward.

Finally moving to Slide 10 for our 2019 full year target, where we expect, revenues €380 million of gross revenue or approximately €500 million pro forma with different trends across market.

For EBITDA ex-NRI, we expect €140 million or €185 million pro forma sustained by cost control. Net income growing to about €70 million which will allow us to pay dividend per share about €0.62 improving on current market expectation.

Net debt will be limited to approximately 1.5 times as the ratio of the pro forma EBITDA confirming our conservative financial profile. We are confident in this target to provide a solid base for our medium term Business Plan.

I now give the floor back to Andrea.

ANDREA MANGONI: Thanks, Manuela. The integration with Altamira fundamentally changes our profile and prepares us to better approach the current market. We are different from what we were at the IPO time, not an Italian business rather a leader in Southern Europe. An integrated servicer of all asset classes, NPL, UTP and real estate, very diversified client base, probably the best in the industry, with all top NPL investors.

Free flow agreements, so 3 banks transferring to us new NPLs and REOs automatically, supporting our GBV trend and we expect almost €2 billion per year from these agreements over the plan horizon. doValue came to the market with one main growth opportunity at very high growth rates, the Italian NPL sector in 2017. At the same time, it focused on only one opportunity which is cycle in nature, despite our business being neutral across cycles. Now, we play in a much larger market with growth across the cycle and in the medium to long term, and we are best positioned to take advantage of any consolidation and M&A opportunities.

Moving to Slide 13, on page the different opportunities to create value at the different points of the cycles in our market. We see primary market opportunity mostly in Greece, Cyprus and to a lesser extent in Italy, more UTP transaction in Italy after this slow start of 2019, secondary markets growth, especially in Spain and Portugal, real estate growth in Italy and Greece and opportunities for efficiency and M&A. It's important to

remember that even before the recent NPL market growth, European NPL transaction in 2014 to 2016, were about €100 million per year, so a structural trend.

Slide 14, more in detail on Italy. The NPL deal pipeline is stabilizing to a yearly flow between €15 billion and €20 billion of opportunity with a slower trend in 2019.

The pipeline includes a reduction in NPL as compared with the past, but an increase in UTP loans, which after a low…slow start, are expected to grow, as you have seen from recent transactions. We want to continue leading that Italian market, which means winning between €4 billion and €5 billion of new mandates per year combining UTP and NPL.

Regulatory changes made it more efficient for investor to repossess real estate assets, much like it happened already in Spain. There is also an opportunity to tap into larger real estate management market then to general outsourcing services to banks. We are moving towards these businesses, but they are not included in our targets. So, they are purely an upside. We will explore this opportunity while we keep the cost base low and monitor the consolidation that will happen in the market.

The Spanish and Portuguese markets are more advanced, and they have seen consolidation and diversification into real estate, trends that will replicate elsewhere. Spain for the Group is a product factory, where the most advanced real estate services are developed and tested. Later they can be rollout elsewhere like Altamira has done in Portugal and Cyprus. Still the servicing pipeline made mostly of secondary deals is between €10 million and €15 million per year in the medium term. Altamira has an excellent track record in winning new clients and the current pipeline of active deals confirms this trend.

Overall, we maintain a cautious planning assumption of about 1 to 2 billion euro of new deals in this region, which means a slowly reducing AuM, and much higher diversification away from the main legacy contracts of Santander and SAREB.

Greece and Cyprus are the most active primary markets in Southern Europe with short-term pipeline of more than €15 billion. Greek banks are expected to reduce NPLs by €47 million by 2021 and deals announced by Piraeus and the Eurobank only mean that €9 billion will be sold, the rest is still a potential opportunity. Potential for real estate services is very strong in Greece due to growth of e-auctions and real estate stock of banks, so the necessity to have specialized services.

Cyprus is a small gem in our portfolio, 55% market share, €11 billion assets under management and a forward flow agreement with Alpha Bank, a key relationship also for Greece, plus €5 billion pipeline.

In short, strong primary opportunity with doValue best positioned to capture it. In Greece alone, we expect more than €1 billion new AuM per year.

On Slide 17, we display how outsourcing is a strong and natural need for banks and investors. Data capabilities with specialized workforce, knowledge of local markets create a structural long-term need for banks and investors to outsource non-core activities. With Altamira, we offer a broader set of services with greater diversification into real estate, important to continue to succeed in the next cycle.

doValue and Altamira share a common belief, that independent servicing is the most attractive model in the industry. The result is the ability to

continue winning the trust and the business of new clients, who rely on our management capabilities and strong internal controls. Just over the past couple of years, we started working with new clients like the four greek systemic banks, new banks in Italy and Spain and new leading PE investors (for example in Spain Bain, DK, Apollo, CPPIB). In a servicing industry that is expected to consolidate, this is an important asset-

On Slide 19, for more detail on our…of one of our main strengths, the quality of our servicing mandate. We have 3 main forward flow agreements, UniCredit, Santander and Alpha Bank, which will support our AuM with an estimated growth about €2 billion per year. Nearly all of our other contracts have no expiration, we are hired to manage every asset in the SPV setup by investor, so very long term. Our only contract with a medium term expiry is with SAREB, which runs until 2022. We expect to continue doing business with SAREB after that year, but even then, total exposure to the contract by doValue is limited to just 6% of Group EBITDA. Taking the higher contract renegotiated pricing as a reference point, this means that our risk is limited to a portion of the 6% EBITDA figures I mentioned in 2023.

I would like to remind you also that all our contracts have protection in case of asset sales by clients. In those cases we are paid an indemnity fee, a normal component of our day-to-day activity.

With this, I would like to introduce Julian Navarro, Altamira Chief Executive Officer, who will show the added value of Altamira and its transferability to the rest of the business. Julian, has a longstanding experience in the industry and was previously an executive at Citi and PSA Group and we are proud to have him on board. Julian, over to you.

JULIAN NAVARRO: Thanks, Andrea and good morning, everyone. Perhaps a good way to introduce Altamira is first to highlight the similarities with doValue, and then to highlight the differences, which by the way, are a source of significant opportunity

If you go to the Slide 21, like doValue, Altamira diversified successfully over the past 5 years, from a captive servicer to Santander to a market player with 28 clients. This diversification and expansion is still ongoing. Banco Santander remains a minority shareholder and, the most important, a long-term partner via forward-flow agreements for NPL and REO management, similar to Unicredit for doValue. Another similarity, geographically speaking, Altamira expanded in Portugal and Cyprus and was the runner up in the award of the Solar portfolio in Greece, which eventually went to doValue. The main difference is in products, with the real estate services segment increasing significantly, in line with market demand in the Southern European countries. We expect this trend to come also in less advanced real estate servicing markets, especially Italy and Greece. Let us look at this in more details.

Jump into Slide 22, Altamira today manage a €35 billion of NPL book and a €19 billion real estate assets. Covering the full spectrum of services from loan administration and debt recovery to real estate asset management, land development and REO sales.

Our NPL management is balanced towards, large, secured real estate loans, in line with the peculiarities of the Spanish market, also we have large expertise and credentials in the management of any types of loans, such as residential mortgages, where we've recently on boarded a €1.5 billion portfolio book by one of our clients.

Unlike others players, we do manage any type of real estate asset providing a full range of services with a specialized team supported by a large network of brokers that it sells and specialized service provider. This area is where we excel in Spain…in the Spanish market and we aim to transfer these skills to Italy and Greece. Let us see some metrics to illustrate the size of the real estate platform in the next slide.

Slide 23, Altamira, right now is managing 100k real estate assets of which more than 40,000 assets are published in our direct on the online platform, which attracted more than 4 million views every year. Beyond this, our group network and a specialized investors channels provide added reach, increasing significantly the visibility of our real estate asset book and chance of maximizing the sales, which we offset with more than 1000 inflows of new real estate assets from NPL conversion every month.

We are also very active in real estate development. Being the largest developer in Spain with 186 ongoing developments aimed at maximizing the value of underlying land portfolio and non-finished assets. A team of 70 specialized colleagues handles these projects and has a strong track record of value creation to the market with more than 950 developments done since 2009. Asset Management services are a typical cross sell in this process, over time we have attracted investor interest and now manage 30 investor portfolios and nearly 4 million square meters in rentals.

Jumping to Slide 24, the key assets in our real estate services are our operations and IT infrastructure. As you can see, from asset registration all the way to valuations, property management, sales and post sales, we have industrialized an efficient and scalable process. Our experience in the management of more than 40 real estate portfolios across different countries is key to have a very good understanding of, one, the value

creation levels in an asset management process from positioning to development and rentals.

Secondly, identification of the key processes to monitor carefully and successful actions to reduce timings. And then the execution of the portfolio on-boarding is in a fast and cost effective mode.

As an asset value creation example, I can mention a frequent strategy we follow with the onboarding of office buildings that are partially rented out with short tenures, where we believe liquidation value is not good enough for our clients. This implies the definition of a rentals plus sale strategy by which we extend the tenancy period where applies, and actively commercialize the vacant spaces. This leads to a significant increase in sale price over and above the capex that may be required to make the assets more marketable

Also would like to mention a recent project involving a work in progress Spa and Golf resort with 2,000 residential units and 150-room hotel at 95% completion in an area characterized by over supply where: we built and executed a development and commercial strategy involving an agreement with a global hotel chain and a golf operator and a sales and marketing plan aimed at international tourist attracted to sports and local weather. As a result our expectation for units to be sold represents a price appreciation of more than 70% as compared with the pre-project market price

Jumping to the Slide 25, finally, although the regional differences persist, the Spanish experience can be successfully transferred to Italy and Greece. The opportunity is there for 2 main reasons. One, regulatory change in Italy, unlocking the new possibility for active asset management of secure NPEs, the focus of doValue.

Secondly, the popularity of e-auctions and banks growing stock of the real estate assets in Greece, creating a need for real estate servicing with no experienced local player. In Italy, in particular on the asset management strategies, sales in auctions is today the most common, which leads to a too high discount of properties sold versus market price and a very long time to recover, as a result of the various auctions to be conducted until a successful one occurs. Hence, we aim to promote alternative workouts solutions such as collateral sales via borrower operations agreements and repossessions when the entity of the solutions exceed the base auction strategy.

To achieve the expected results it's key to enhance the real estate management and commercialization capabilities as on the one hand, we will be able to better understand the underlying collaterals and define the adequate strategy and on the other hand to execute the real estate strategy it is chosen successfully.

Altamira has a proven transferability track record, based on a proprietary deployment methodology and operating model with significant focus on data management and processes, already extended to Portugal and Cyprus. These efforts are led by an in-house transformation team which is already tasked with working on Italy and Greece. Some of our assets, especially in the digital domain, are basically plug and play and can be extended quickly abroad.

And with this, I hand it over to Manuela.

MANUELA FRANCHI: Thank you, Julian. The main financial metrics for doValue for the next 3 years and beyond are summarized on Page 27. Similarly to the previous

plan, revenue growth is outpaced by EBITDA growth and EPS growth with an additionally push to dividend.

On revenue, plus 1% to 3% percent growth is a recurring growth rate for our mix of markets and geography. The balance of different products and macro cycles. We expected similar growth also for the following cycle unless relevant macro downturn happens, which should have a positive impact on our business.

Cost reduction will build on these trends and resulting in EBITDA growing between 3% to 5% per annum on average in the medium-term, with EBITDA margin rising above 40% in 2022. Strong cash flow conversion will allow us to continue paying industry-leading dividends above the current dividend policy and to the level below one time net debt to EBITDA in 2021.

The main assumptions underlying our revenue targets are on Page 28. We expect to win up to €5 billion of new mandates per year on average in Italy in the medium term, which €1 billion to €2 billion will be UTP. Italy will see more repossession activities, with benefits on collections and revenue.

Spain and Portugal are expected to bring about €2 billion of new mandates per year coming mostly from the secondary market. Greece is expected to accelerate as compared with 2019 to the tune of €1 billion to €2 billion of new mandates per year and we do expect to win more in Cyprus.

Our 3 main flow agreements are forecast to continue supporting the GBV trend, which is expected to only moderately decline over the period at group level. Extracting more value from GBV remains a cornerstone of our Business Plan and this will be done with more collection efficiency, so

higher collection rates and more ancillary services, data services in particular.

Moving to cost on Page 29, we expect to grow above the 40% EBITDA margin market by decreasing our cost base in absolute terms between the 2019 and 22, by about 3% on average per year. HR will continue to be a source of efficiency, as well as more use of IT outsourcing, a smaller office footprint and centralized purchasing when possible. The migration of servicing platforms will bring positive results as well, beyond improving the efficacy of collections. So we continue to build on the positive results achieved on costs so far.

Moving now to synergies on Page 30, we have cautiously assumed only limited cost and revenue synergies, for a total EBITDA impact in 2020 of more than €10 million. We discussed the potential of asset repossession and REO management in Italy and Greece, which are the key source of revenue synergy. On top of that, not included in the €10 million figure are further cross-selling opportunities and the development of real-estate asset management. As far as cost is concerned, you appreciate that Altamira and doValue have no regional overlap and need no deep restructuring. Despite the Altamira acquisition never being conceived as a cost-cutting play, there are areas in IT and purchasing where we aim to achieve €2-4 million euro synergies in terms of impact on EBITDA. The key area of synergies will be exchanging knowhow, and client portfolio and a broader market. It's important to stress how there are no significant synergy realization costs expected.

On Page 51, we update you on our M&A and capital deployment guidelines. This is a different look at capital allocation than in the past, building on our track record, but looking at the future in different phases. First by now in 2020, there will be surely interesting M&A opportunities

to study as the window of consolidation is opening in our industry, and it would be unwise to ignore. We will be cautious and rigorous in our analysis, but look at accretive deals with interest, mostly in Italy and Greece.

When this opportunity is passed, doValue free cash flow will be devoted to quick deleveraging and increasing shareholder remuneration, maintaining our objective not to go above 3 times net debt to EBITDA in terms of leverage, and assuming no additional EBITDA in the target company for the sake of the simulation, we have a fire power available in excess of €270 million, able to further push shareholder returns.

And final words on Page 32, before we leave the floor to you. Today, we wanted to present a new doValue as a stronger company in a larger and less volatile market. In the segment where we play, both geographic and product segments, there are opportunities both for new mandates and improved efficiency, areas of value creation. This means a long-term organic earnings growth opportunity beyond simply one big cycle.

Additionally, we believe the servicing industry is facing a very likely wave of consolidation, or M&A opportunities that we are best positioned to capture due to our balance sheet strength and distinctive positioning. We will look with caution to this opportunity with the objective of supporting shareholder value.

FABIO RUFFINI: We're now open for the Q&A session.

Q&A

OPERATOR: Excuse me; this is a 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 pick up the receiver when asking questions. The first question is from Borja Ramirez of Citi. Please go ahead.

BORJA RAMIREZ: Hello, good morning. This is Ramirez from Citi. Thank you for your time and also thank you for the increased clarity on your growth and your targets. My questions are mainly on M&A. In the Plan, you mentioned close monitoring of M&A opportunities in the short-term with focus on markets and business segments in which the Group is already active. Could you kindly provide more details into what regions and segments are more attractive? …. And lastly, would you be prepared to pay in shares as a way to end potential increases to liquidity? Thank you.

ANDREA MANGONI: Okay, in terms of M&A perspective, our current priorities are Italy and Greece. In terms of financing, I think we are in the condition to consider future acquisitions because of de-leverage…and if needed because of the low liquidity of the stock. We are able to pay their share but our priority is optimize the financial structure of the company, so pay their cash before considering an hypothetical capital, increase.

BORJA RAMIREZ: Understood. Thank you very much.

OPERATOR: The next question is from Luigi Tramontana of Banca Akros. Please go ahead, sir.

LUIGI TRAMONTANA: Good morning. Thanks for the presentation. A few questions first on the short-term, just to be clear on the starting point, regarding the non-recurring items. This year do we have to stick to €12 million of non-

recurring costs and €11 million DTA reassessment or am I missing something that should be looked in Q4. The second question is on the dividends. I understand that this year the payout ratio will likely be higher than 100% of the net profits, or very close to that. So [indiscernible] if you stick to your dividend payout policy of 65% in terms of cash dividends or will you consider eventually some stock, some shares buyback.

And the third question is more on the integration of Altamira and your strategy because most of the synergies that you are announcing today are revenue synergies, which are always hard to sell to the market. So, could you please give us some more details given that generally, the repossessed properties in Italy are quite different from the Spanish markets. We are not speaking about residential properties but rather warehouses, offices, shops or the likes given that most of the NPS in Italy are related to enterprises. So that would be useful. Thank you.

MANUELA FRANCHI: Luigi, to address your question, we don't expect any relevant non-recurring items in the 4Q. So the 12 million that you mentioned should be the total number for the year. In terms of dividend payout, as already mentioned, we were referring to the net income, which is the ex-non-recurring items, so I would say I would always refer to that. So we are not yet into the 100% payout you mentioned but rather to a number, which is a value that's over the payout of last year. And improving vis-à-vis the market expectations, but not the 100%. But the number you referenced is €70 million net income that you have in the guidance for 2019. We don't expect the share buyback as we said, we would like to focus our debt capacity this year and the following year for opportunities which might arise in the market. Eventually, higher dividend payout will be considered before the following period where we also mentioned that we expect an EPS higher than the market expectation.

Finally, on your question regarding the integration of Altamira, it's true, you mentioned that relevant portion of it comes from revenue synergies but this is simply the expertise that has already been proven to be transferable and to bring significant results from Altamira, from Spain to Cyprus and Portugal.

Obviously, the repossess strategy in the Italian market is very different and is pushed by the new regulation, but that happens both for residential and nonresidential assets, and we must consider that Altamira is very experienced in that, not only for residential but also nonresidential asset in Spain so it is nothing new to them. While in the Greek market, the execution of that strategy is even less challenging given that the banks are already doing it actively in 2019 and partially in 2018…
Maybe Andrea, if anything you want to add to the integration strategy.

ANDREA MANGONI: No, I think on the…you're right, the main component of the upside from the integration is on the topline side, but we are working either to accelerate the integration mainly on the ICT infrastructure. So I think our projection are a little bit conservative and we can probably do more on the cost side.

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

ANDREA LISI: Hi, thank you. Already, most of my questions were already answered. Just if you can provide an update on negotiation with SAREB if you plan to start soon or if there are talks with them or not? And then a point I have seen comparing with your previous call that you have changed a bit the project towards consolidation in Italy, towards M&A in Italy in previous calls. If I have not heard wrong, you said okay Italy could be interesting but prices are…there is a consolidation or maybe there is someone that

will pay higher than us and so it is our Tier 2 target. Now, you are saying that Italy is really, really one target for M&A as well Greece, if you can provide more color on this distinctive approach. Thank you.

ANDREA MANGONI: No, on SAREB, we are not negative with SAREB. Our contract will expire in more or less 2-year time, and we do not foresee any renegotiation of the contract before the expiry date.

In terms of consolidation of the Italian market, we are not more aggressive in comparison…in comparison to our previous analyst presentation. The M&A market is accelerated and market is accelerating because the industry needs a consolidation, but our approach is the same we described during the last analyst presentation. We are prudent, M&A is important in consolidation phase but it is not our main priority. And if we will do it everything will be accretive for our shareholder, because I don't want to dilute the current profitability of the company to participate in a progressive way to consolidation game.

ANDREA LISI: Okay. Thank you. Very clear.

OPERATOR: The next question is from Andreas Markou of Berenberg. Please go ahead, sir.

ANDREAS MARKOU: Hi there, thank you very much for the presentation and for taking my questions. I have few. So starting with UTP, I guess going back a year ago and just comparing to the market today to what you thought the market would be a year ago. Why do you think the market has been so slow and why do you think you haven't really been able to successfully get a mandate where some other players have, for example Prelios with Intesa deal. That's the first one. Then on the NPL market in Italy, so I think obviously everyone knows that the market is slowing, but we have seen a few mandates in the market coming and I believe you missed out on

the Sondrio deal. Can you maybe give us a bit of detail why you have missed out on maybe that specific deal and maybe some of the other deals that came into market this year? Was it because of pricing pressure? Third one is, on the M&A, you touched a little bit on this, but I guess, maybe I want to understand why you would like to do M&A in a market like Italy which is a maturing market. So if there is not too much growth in the market, why would you even be considering allocating more capital on this market whereas I don't know maybe doing share buyback so even a special dividend might be even more welcome than investors? And the final one is on CAPEX, I see your CAPEX is relatively low single-digit for the nine months this year. So what should we expect it to be in the next 2 years? Thank you.

ANDREA MANGONI: On the UTP market, your first question, I think in the presentation of our previous Business Plan we were too optimistic in terms of growth of the UTP market. In fact, a year and a half…after a year and a half, the UTP market is still about to start. We saw on the market just one important transaction, the transaction you mentioned before the Banca Intesa and Prelios transaction. Beside this transaction, the track record of the market is still extremely poor both in terms of number of transactions and in terms of size of the transaction itself. We are talking about few transactions with an average size well below the €500 million. So this is why we are still positive because we think the market it is about to start and we have enough time to deploy our currencies.

On the second question I will leave the floor to Manuela.

MANUELA FRANCHI: Andreas, you actually mentioned only one deal. In parallel we have one another GACS that we mentioned here of around €1 billion, and we were doing a €6 billion GACS for UniCredit, so I think the Sondrio, you know GACS is only one among all the others which we have actually achieved.

In terms of the M&A market in Italy, we understand your point that the main driver of a consolidation in this countries, both on the cost side in the sense that you have opportunities to aggregate and consolidate asset management platforms with potential cost reduction. Combination of ICT infrastructures, things that you cannot do across countries like in the Altamira case while you said we can do in a very significant way inside the market, but also there are companies which have still a growing growth profile. With , for example, flow agreements or have started with a low base. So basically adding up in the recent past contracts they still foresee a pretty significant growth for the next five year horizon, besides a total market which has not significant growth as in the past have been witnessing.

Last point on the CAPEX, we have almost completed our project of migration of the platform but we've been waiting in the first part of the year, and to realize the full plan of the integration with Altamira to understand what we could do together in terms of integration of the especially IT infrastructure. So we…rather wait at this moment to than have a pick-up in…in the IT investments, which you know, they are main drivers of our CAPEX. So, to give an indication probably for 2020, we estimate around 4% of CAPEX to sales, we are planning 2%, 2.5% in 2021 and 2022.

ANDREA MANGONI: And back to your point on the alternative between acquisition and share buyback or extraordinary dividend et cetera, in this new plan we set a more aggressive, significantly more aggressive dividend policies versus the previous one, the previous one was at least 65%. And any hypothetical acquisition will be accretive versus the new dividend policy. So, we don't want to dilute the profitability again of our shareholder, neither in the long-term nor in the short-term.

ANDREAS MARKOU: Okay, that's very helpful. Maybe, just going back on the NPL market and you know maybe just looking specifically or potentially all the details you missed this year, what would you say were the reasons behind them, was it again because you are selective on…on the fees, on pricing?

ANDREA MANGONI: Yes. The main…we discussed that point, it's a key point in our strategy, the main point is we don't want to be too much aggressive in terms of fee and fee structure. The market right now, it's a quite competitive market, and again, we don't want to follow the path of the price reduction impacting our profitability. So, our approach is trying to find the right trade-off between size of our growth and profitability in our case is key. And in the current situation of the debt market, we can pay some price, we can pay some price to our approach in terms of growth perspective, but it's just for the short-term because I strongly believe that the market will consolidate and the consolidation of the market will be in the benefit of the pricing of the transaction.

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

OPERATOR: The next question is from Gurjit Kambo of JP Morgan. Please go ahead, sir.

GURJIT KAMBO: Hello, good morning. Thank you for the presentation, just a couple of questions firstly in terms of your guidance for EBITDA growth of 2% to 3% to 5% between, '19 and '22, if I had to take the combination of the revenue and cost synergies that you are saying, will be some of €10 million and €14 million impact on 2022, but that sort of implies that you get about 1.7% to 2.4% EBITDA CAGR from the synergies and therefore you are left with, you know, sort of 1.5 to 2.5 ex-synergies, which doesn't seem like an awful lot of EBITDA growth. I just don't even understand

that, and for example, are you still including SARAB in the 2022 number, are you x-ing [ph] that, that's sort of first question I just wanted to understand the…the EBITDA growth trajectory? And then, secondly, within I guess Italy particularly are you seeing banks potentially looking to either partner with companies who are willing to buy the assets and also service them or are you still seeing they are happy to sell to somebody and service from somebody else?

FABIO RUFFINI: Thanks, Gurjit, sorry, could you please repeat the last question please?

GURJIT KAMBO: Yes. Just in terms of the…the dynamics in Italy, when let's say banks are looking to…are you seeing banks looking to sell and use the same servicer for the assets or are you seeing they are happy to sell to on party and then service somewhere else? Are you…the other question is, do you feel there was a need to potentially use your balance sheet a little more to buy assets in addition to just servicing them?

MANUELA FRANCHI: To address your first question on guidance, we gave the range, because I think without synergies it would be more of the lower end of the growth targets, while with the synergies on the other end. So, the indication on the ex-synergies point is in the lower end of the 3% to 5% guidance. On the SARAB, we are already including in 2022, assimilation of a lower SARAB fees in line with the fees that have been renegotiated. So, that we are taking already the downside in the numbers when you are ahead. So obviously, if we get to the end of the period like with the old fees at the end of '19, this could be the potential upside.

… So, to address your last question on purchasing of portfolios, we don't intend to go into purchasing. What we are seeing is much, much less of sale through traditional portfolio acquisition, but rather GACS type of structure, so 80% GACS and 20% sales.

So, in this context to buy the portfolio is not a value added, because the GACS doesn't require, you know, top end of portfolio, you usually have hedge funds to buy the junior note of…this tranches [ph] with completely different asset class. And then, we also got lots of mandates outside of Italy in 2019, year-to-date you have observed that the level of diversification achieved, where a big engine of growth has been actually Spain, where people might think that given, you know, the market has been reducing the primary now for sometime, there were limited transaction instead we are witnessing around almost €3 billion of new contracts with funds just in the first 9 months of the year.

GURJIT KAMBO: Okay, great. Can I just also do a follow up question, in terms of the either reduction in the external professional network, that you've cited, you know are you then, do you need to build your internal team to you know to do that internally or was there or have you require that expertise from somewhere else.

MANUELA FRANCHI: No, we actually are doing that because we have…it's a good network, it's not that is the bad network, but because we have capacity inside, we prefer to use the capacity inside, so increase the productivity of the asset manager rather than paying outsourcing fees outside. If we…obviously, we were full of capacity, we will continue to use the network and we can then use the network in the future, if that doesn't happen. So, because we want to lower our cost base, that can be done obviously by maximizing the people we have employed and obviously we have…we are…actually go some exits from the perimeter like we have done, but before getting there we want to, you know, use our people as much as possible too and then support the business.

GURJIT KAMBO: Okay, great. Thank you very much.

ANDREA MANGONI: And we spent a lot of time in increasing the productivity of our internal asset management team. So, the employees and the productivity of internal management team drives the reduction in our external network and in the outsourcing fee for the benefit of the EBITDA.

GURJIT KAMBO: That's right, very clear. Thank you.

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

FABIO RUFFINI: Thanks, everyone, for joining the call. Have a good rest of the day.

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