DoValue

"Financial Results as at March 31st 2020 Conference Call"

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OPERATOR: Good morning. This is the Chorus Call conference operator. Welcome and thank you for joining the doValue Financial Results as at March 31st 2020 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. Fabio Ruffini, Investor Relator of doValue. Please go ahead, sir.

FABIO RUFFINI: Good morning, everyone. Thanks for joining the conference call on our first quarter 2020 results. As usual attending the call, from the management team of doValue, Mr. Andrea Mangoni, CEO of the Group and Mr. Manuela Franchi, CFO. We will begin with a few key messages for the quarter and then follow with a more detailed review of the financials before beginning the Q&A session.

With this, I hand it over to Andrea. Thank you.

ANDREA MANGONI: Thank you, Fabio and good morning everyone. Today's conference call takes place in a positive yet only transitional period of coping with COVID. In most of Europe, restrictions to economic activity are starting to reduce, to transition to a more normal workflow. Our results show growth in earnings and cash flow because of the Altamira integration, positive organic performance in Italy and deep cost cutting to address the economic trend.

Complex credit management, dealing with large, secured, corporate positions, the focus of doValue, relies heavily on the judicial system, and

on an ecosystem of services, which include public land registries, notaries and real estate brokers. All of this has been disrupted, progressively, since the end of February, before the complete lockdown, and is only starting to slowly re-open in all jurisdictions. We stayed safe and operational working 100% from remote.

Collections continue to benefit from the backlog of existing procedures and cash held in court from older auctions and rulings, but the ability of initiating new legal actions is more limited.
There was a limited impact in the first quarter, which is seasonally less relevant, and we expect most of the impact to be in Q2, in line with our peers in the industry.
After that, we expect the extra judicial activity to recover more rapidly, with business returning to a normalized level of activity between the end of Q3 and Q4.

In this context, we are preserving cash and liquidity by skipping this year's dividend payment. We have implemented a companywide cost saving plan, already producing result in terms of growing cash position month-after-month. This will allow us to emerge stronger from the temporary external shock and ready to help our clients invest in the next market cycle for loans and real estate asset. Not all credit servicer we believe will come out of this moment in the same shape, the divide between sound and risky business models will likely increase. In short, we would like to leave you with 3 main messages today.

The first quarter was operationally solid with growth brought by the integration with Altamira, one new investor mandate won and a positive organic performance in Italy, the most severely hit market by coronavirus.

We are responding to the crisis by cutting cost, safeguarding the company's balance sheet and building a cash position. We have more that €170 million cash in hand, plus €75 million undrawn committed lines, and only about €90 million of debt payment coming from the next 12 months even after the closing of FPS.

Lastly, the strategic relevance of the FPS acquisition for us is confirmed and in just few days, we expect to be able to finalize the acquisition. Our clients are ready to help us growth and develop the Greek business and we are in good shape to be a dominant player in winning the mandates currently in the market.

Turning to Page 2, a few words on how the lockdown measures have affected our industry. Part of what you may call our supply chain has been stopped, and we count on a rapid recovery from June onwards to try and make-up for the lost time as quickly as possible I must say that the team at doValue has responded very positively to the current circumstances, while being extra careful in handling the most difficult cases of borrowers facing unprecedented difficult times.

We are closely monitoring the various governmental measures, potentially affecting the industry, and the timing at which the various courts will restart actively pushing forward our cases, all the way to setting new auction dates.

Despite us being able to work from remote with high effectiveness, it will be important to see the first datapoints this month and the next, about how quickly the legal and real estate activity resumes.

What we are seeing so far, after April, is broadly consistent with a scenario of the negative impact being concentrated in the second quarter

of the year, and we expect materially better conditions from the end of third quarter.

On Page 3, a market update. As compared with the February earnings call, today, we are seeing an understandable approach by most market participants trying to bake in the new scenario in the cash flow and return expectations. Against this backdrop, we have observed no cancellation in portfolio sale or securitization processes. Activity continues with the commitment of banks and investors. We have actually seen new projects come to market. Banks are likely seeing a further increase in NPE after the next 12 months and would like to avoid to accumulate additional NPEs on top of an already high level compared to EU average in all countries where we operate.

Beside this positive news coming out of Spain with a new €1.1 billion investor portfolio, confirming the strength of Altamira in independent servicing, the most positive recent developments come out of Italy. We are competing for several opportunities, nearly all of them with size above the billion euro mark in the form of GACS securitization, outsourcing opportunities and even structured transaction involving banks platforms. This is both for NPL and UTP.

The current environment is such that deals are unlikely to close before Q3, but there are important tax incentives to banks in the form of DTA conversion into tax credits which only apply for deals closing by year-end. We stay positive, and the current mix of deals we are working on is in line with our pre-COVID expectations. Timing, of course, will be pushed to year-end into 2021.

Greece is another area where a few large projects with important clients will close by year-end. Again, if only two of these projects will close by

Q4, we would be ahead of our expectations of the November 2019 business plan.

On page 4, a quick comment on the NPE trend we experienced after the 2008 financial crisis and what it could mean for us today.
It is early days, however there is little doubt among banks, analysts and practitioners that NPE levels are expected to go up.
Banks have mostly disposed of their internal workout units, and the servicing industry is concentrating, so the new cycle represents an opportunity for doValue.
The severity and time concentration of this crisis is unprecedented, with double digit GDP contractions expected this quarter, and its nature is not only financial, as the previous crisis.
Current relief measures are temporary and short-termed, and many sectors of economic activity will face a new reality in the post Covid world.

Banks, globally, are increasing loan loss provisions and recent commentary from the first quarter earnings season in Italy points to about 10% of the loan book being potentially hit by the new macro scenario, based on an analysis of loan book exposure to sectors such as tourism and retail.

Even with a more cautious scenario, projecting a 1% to 3% growth in the NPL book of Italian banks only, at least 60 billion euro of new NPLs will be created. Analysts estimate a similar amount in Spain, while various sources point to at least 10 to 15 billion euro extra NPE in Greece.

Fewer servicers will emerge stronger from the current crisis, but the market may present an opportunity to those servicers, especially to doValue given its independent model and focus on Southern Europe.

Lastly a comment on our financial position, solid and growing from year-end 2019 into May. This is a structural feature of our business model, a solid client base with no credit risk, strong profitability, low CAPEX and net working capital needs. Besides our cash at hand, we can count on the revolving credit facility for €50 million today and soon €75 million, not needed in our base case scenario for 2020.

Against this, very limited financial commitments since only the Altamira acquisition facility and not the FPS one envisage the amortization of debt. So, even after with FPS acquisition, we have only net cash out for about €90 million in the next 12 months. Although we will share a new set of target with the market later in the year, our sensitivity scenario do not translate into a liquidity risk even in the worst case. We are acting on every lever to make sure the company emerges stronger from this extraordinary moment and can support clients into the next market cycle.

With this, I will leave to Manuela.

MANUELA FRANCHI: Thank you, Andrea and good morning, everyone. The main financial indicators for the quarter show material year-on-year growth coming both from organic performance and the acquisition of Altamira.

On AuM, as we will see in the following slide, we benefit from the on-boarding of the Alpha Bank portfolio for €4.3 billion, a three-fold growth in inflows from forward flow agreement and most importantly, one new servicing agreement in Spain, confirmed as the most established NPE market for investor transactions.

Revenues were up 55% to €84 million sustained by the larger consolidation perimeter and a positive development of NPL in Italy, ex-one-off indemnity of last year. NPLs in general were more resilient to COVID in the first quarter, where the real business was not impacted, but we expect it to restart quick after the reopening of the commercial channels in Spain in course across the country.

The resilience of our revenue is sustained by base fees, among the highest in the industry at 37% of our revenue. The cost base grew only as a result of the acquisition, but it's actually lower in organic terms as we give details later on. We are tackling every cost line with extraordinary measures in order to reduce such amounts.

EBITDA was up 21% to €19.5 million, where higher D&A is expected to result in a net result which is at breakeven. Cash flow generation continue to be sustained and not impacted by the current extraordinary condition as we saw with Andrea's comments.

In the quarter, there was a positive net working capital move of about €8 million on top of growth in EBITDA. So, net debt reduced to €233 million as of March and, as we will see later to €200 million in April, is reduced thanks to positive working capital dynamic bringing leverage below 1.2 times.

Moving to Page 8, we show the change in assets under management. We are currently pleased with having completed the on-boarding of a large complex portfolio out of Cyprus, which marks the beginning of a long-term partnership with Alpha Bank. Also early 2020, with a negative macro outlook already produced a spike into our flows growing more than

3 times year-on-year, an important defensive feature of our business model.

Our commercial efforts moreover resulted in winning a new portfolio in Spain, which will be on-boarded in Q3, that testifies our ability to be a trusted partner to top investors who come back to us for every new portfolio they acquire.

In particular, this is a €1.1 billion portfolio, which brings an additional €700 million AuM. Traditionally, we report our AuM with only the actively managed position. So, this new mandate goes on top of our reported figures of €154.8 billion in March.

There were no portfolio sales by client in the quarter while collections stood at around €0.9 billion. In pro forma terms the most impacted areas of our business from the lockdown in place were those of real estate sales, there is an inability to close transactions which is already being lifted. So, we expect to restart fairly quickly from the end of this quarter.

On Page 9, our updated statistics on the portfolio. These are fairly in line with the year end 2019 figures with the inclusion of the Alpha portfolio pushing up our exposure in the local market. Average ticket size, security and diversification are confirmed at the best levels in the industry.

Next on Slide 10, this shows a detail of our top line highlighting the difference between the gross and net revenue as well as the different type of fees. In our Business Plan we shared two main goals here, to reduce outsourcing fees by in-sourcing more and to rely more and more on base fees, providing a defense in times of volatility.

On the left side, the growth in outsourcing fee is linked to use of real estate brokers, by Altamira especially when it comes to real estate sales. Pro forma for the acquisition, you would see that NPL outsourcing fees are lower by 1%. And we end up doing more on this front this year. Such fees are also linked to collection so it will move based on the collection trends.

To the right side, base fee has gone up to 37% of gross revenue as both the volume of our international operations, and their higher level of average fee materializes in the P&L.

Besides the Altamira contribution, here the doValue Hellas contract with the four systemic banks provides support. This feature of our business will be even stronger after the closing of the acquisition of FPS.

Turning to costs on Page 11. We wanted to provide a glimpse into all we're doing to protect the value of bottom line in this environment. The most notable example of our cost cutting efforts is a significant reduction in HR variable costs, down from 14% only 4% of total HR costs in the quarter. As you know, this is linked to the collection trends primarily, so it's linked to that effect. This shows that despite having operational leverage, there are important areas of variability within our cost base and they can be accessed very quickly.

In other areas, the savings results from the positive and quick acceptance of the doValue team of remote working. Productivity is very high and overheads are reduced maybe in terms of IT management costs, real estate costs and other expenses.

We are also taking advantage in Italy of governmental support schemes for payroll costs. We reached an agreement with the Unions and our P&L got these benefits starting from the Q2, while no mandatory reduction will have to be suffered by the employees of doValue.

Despite all of these, there's no doubt that the coronavirus resulted in a slowdown our activity starting from March with an impact on our margin.

Let us bear in mind, though that on organic basis, so excluding the one-off indemnity of €8 million booked in Q1, '19 EBITDA margin is actually up from 17% to 23%.

Indemnity fees are a typical feature of credit servicing, but last year in one quarter, there was one unusual concentration as we pointed out in the past, so it's helpful to strip out results from that event.

On Page 12, we show breakdown of collections and key P&L items by market. Despite the healthcare costs of coronavirus being distributed unevenly, with Italy and Spain the most affected, several lockdown measures were enacted across the board in Southern Europe, since March.

Today's collection are performing better than we have assumed in our base case for COVID. Broadly speaking, in terms of collections, we saw judicial collections being less affected, since cash held by courts from previously closed procedures continued to be distributed or accelerated in distribution. Extra judicial collections reduced, as the courts lockdown create an incentive in waiting to close amicably, and REO sales being more difficult due to the impossibility of visiting properties and officially closing transactions. Given this, the slowdown, rather the postponement

of collections into later in the year and 2021, had a moderate impact on all geographies

At the same time, we acted on the cost base fairly equally across the Group in all markets, resulting in EBITDA margin around Group average.

On Page 13, we provide more detail around our working capital and net debt. We continue to see cash flow generation coming from net working capital, mostly due to structural client shift from banks to investors, this amounted to €8 million in the first quarter of the year. On this front, I need to confirm that even going into May, we are seeing no sign of stress on payments flow from our clients, which are primarily banks and SPVs.

On the bottom of the chart, the trend in our net financial position which is reduced on the back of growing liquidity at €154 million in March, and €168 million in April. Using this latest data point, our leverage would be down from 1.3 times at year end 2019 to 1.2 times today. We are running stress scenarios to include severe negative impact from coronavirus from Q2 onwards, but under none of those we run into liquidity issue. Also considering €75 million in available committed revolving credit facilities.

Finally, Slide 14 a closer look at cash flows. We generated €6 million of free cash flow in the quarter with a slight increase in CAPEX linked to IT infrastructure. As you might recall, we have transferred some of the investments from 2019 to this year due to the shift in programming of the cost.

Besides the profit growth in EBITDA and support coming from net working capital, the operating cash flows is temporarily affected by a variety of other items, which are typically in other assets and liabilities

line. Although we paid no corporate income taxes, we recorded an increasing balance of indirect tax credits while recording a reduction in VAT liabilities, HR incentive schemes are also included in this line, as they are below EBITDA in our P&L, so they are added back, and Other items including the balance of accruals and prepayments.

Overall, it's fair to say that especially from a business development, cash flow and cost perspective, the first quarter results are quite solid. The servicing market will see increasing volume as early as in 2021 and doValue has all the asset in place to capitalize on that.

This concludes my remarks and we are now ready for your questions. Thank you.

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 your question, please press "*" and "2." Please pick up the receiver when asking questions.

The first question is for Mr. Luigi Tramontana of Banca Akros. Please go ahead, sir.

LUIGI TRAMONTANA: Good morning. And thanks for your presentation. And in fact, I have only one question, which is related to your net financial position. I understand that you don't have any liquidity stress, given that your clients are paying regularly that you have a low cash needs for your operations. And that your EBITDA is still positive. However, at the end of this

month, you are going to take up another €250 million more or less debts to acquire FPS. My question is, are you ready to make any statement regarding your net debt to EBITDA ratio at the end of Q2? Is it going to be above or below 3 times? And to manage this ratio, are you eventually negotiating any revision in payments to Eurobank relating to the FPS transaction or negotiating any waiver related to the debt you acquired with Altamira? Many thanks.

MANUELA FRANCHI: Thanks, Luigi. Based on our Q2 expectations we will not trigger the 3 times, we are in constant dialogue with our banks also because, as you know, our relationship banks are financing the FPS acquisition. So we feel comfortable that if the need comes at later stage that will not be an issue to on the covenant side. Given that obviously we have considered this potential, extraordinary case, stress tests in our conversation already.

LUIGI TRAMONTANA: Okay. Thanks.

OPERATOR: The next question is form Borja Ramirez of Citi. Please go ahead. Mr. Ramirez, your line is open, you please check the mute button.

BORJA RAMIREZ: Hello. Apologies, I was on mute. Good morning and thank you for your time. I have one question, if I may. So your collections during the quarter were affected by the lockdown. And I would like to ask if it would be possible to provide more details on the impact of the lockdown on collections by country? Thank you.

MANUELA FRANCHI: Disruption caused by COVID began in February, early March in Northern Italy. So the impact on the quarter was meaningful, since more collection are in March.

On the other side, while on the Italian front there has been a pretty significant positive impact on the judicial collection, due to the fact that the judges and courts [distributed more cash-on-court]. On Spain, you had impact of the real estate sales, which has been driving the end of March and April, performance more significantly. So you will see that in the second quarter we expect an impact [positive], which will be stronger on Spain rather than Italy, due to these additional effect.

While on the extra judicial fronts both countries perform pretty similarly. We expect instead on the judicial front Spain to recover more quickly than Italy, given that the opening of the course in Italy has just started, but the timing is different for each quarter. And therefore some will have slower effect. While in Spain, as soon as they reopen, the impact is the same in all places. And there is no differentiation.

For Greece, the impact is…will follow a trend, which is probably more similar to the Italian one, where the lockdown has instead started later than in the Italian markets and probably the recovery will be a little bit faster than the Italian market. Current scenario is broadly in line, so with our base case of an improving trend in the later part of Q3 into Q4, which will benefit also from the additional flows that you've seen are pretty significant, especially in the Spanish markets.

So overall there are stronger effects on the collection, but more positive effect on the flows in Spain for the Q2 while in Italy it is probably the opposite.

BORJA RAMIREZ: Understood. Thank you very much.

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

ANDREA LISI: Hi, thank you. Thank you for the call. Several questions on my side. The first one is on really speaking Spain you have said that it is difficult obviously to complete sales in this period. I want to ask you how are you paid for this kind of business, is it a percentage of the value of the real estate asset you sold or simply upfront fee on the basis of the fact that you are able to sell, because I may think that also there will be a drop in the real-estate market valuation. So maybe this could have negative impact also after that the lockdown is over, also because even because it will be much harder to complete disposal, I think. And if you can elaborate on which percentage total Spain revenues the real estate disposals account? The second question is obviously a comment by you on the rumors that we are reading on newspapers, on possibility that the auctions in Italy can be postponed for another…I don't know 6 months. Obviously, it's only rumors but that if you can provide a comment on in case, this will be the reality.

And just another question on what's reported. Can you tell us…I'd say that you made the €6 million of CAPEX in the first quarter, if you can tell us for with are those CAPEX, and if you can provide a guidance for the full-year and if €15 million G&A, third quarter is a reasonable estimate also for the next quarters.

MANUELA FRANCHI: Thank you, Andrea. On the real estate Spain, as you can see from the chart of Page 9. The REO business represents 14% of GBV and a smaller percentage of the revenue. So there are 2 effects on this which we mentioned before. One is given that courts and brokers were closed obviously the transfer of the property was not possible. Now, that the courts are reopening transactions, which were in the pipeline, which just needed the transfer of the property. On that front the backlog will

materialize as soon as the courts are open and they are opening as we speak.

Second point the impact of the higher flows, so in the increase in the flows. You're seeing here a large portion of it is related to real-estate. So the impact of potentially lower prices will partially be affected by the additional volumes. And last there was also a reference of to the possibility to close transaction because the people were…didn't have a chance to visit the property, and this is also being lifted as we speak, because the lockdown is now to an end.

Obviously, these are all elements that allow us to think positively about real-estate with progress, vis-à-vis with the month of April, which was you know, the main one impacted. The secondary market in REO… Spain is currently active. There is investor interest as you've seen, there was a deal that was closed at the end of March, and was focused on real-estate mortgage book. And there are other around €1 billion REO secondary transactions in the pipeline in the market. This is to close the point on REO in Spain.

On the point…Andrea will comment on the auction.

ANDREA MANGONI: On your second question, I think it's important to see the specific of the new degree in terms of these measures being applicable to all procedure or only to a subset of a private individuals and primary residences in which case, we would have negligible impact on our operation. In any case an important point is such measures continue for a longer period of time may create systemic problems to banks. So we do not think that such a scenario is likely as of today.

MANUELA FRANCHI: Regarding your question on CAPEX, you might recall that last year we gave a guidance of around €10 million CAPEX, due to the transfer of the platform of the 2 NPL management platform in Italy to only one. And we closed with a significant lower amount at year-end. We had mentioned that it was not that we cancelled project, but we are keen to do this project because we really believe is going to add efficiency to our systems, actually we want to be ready for the next phase with systems, which are the best ones to perform. So this is just the transfer of what we were supposed to do in 4Q of 2019 to the first part of 2020.

On the REO project in Spain, in Italy and in Greece you know that it was one of the pillars of the Business Plan we presented. We are going ahead with that and actually, by the end of June, we will have the IT platform in place in both countries to be able to start the activity as it comes and be ready to grab the opportunities on the REO side in these countries.

In terms of D&A for the year, we are enough…obviously the D&A are composed by 2 parts, one, the contracts of Altamira and then there is an additional amount related to the other D&A lines for a total just below €70 million.

ANDREA LISI: Thank you.

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

ANDREAS MARKOU: Hi everyone. Thanks very much for the presentation and for taking my questions. I have a few. The first one is on your collection rates. It's on your collection rate expectations hopes of the lockdown period, so what I mean is, when the courts actually open, the real-estate market would start

again, but I think it's fair to assume that we'll see a slowdown in the liquidity in the market due to the GDP slowdown in general. So, what kind of collection rate would you expect in Italy, let's say for H2 this year and H1 next year. Also maybe relevant to your historic collection rates going back into the crisis. Thank you.

ANDREA MANGONI: Considering the present kind of situation, it's a little bit difficult to give you a guidance on our result for year-end in terms of collections and collections rate, but I think the impact on the second quarter of the pandemic will be quite negative and starting from Q3 collections will recover and we currently foresee collection 25% or 30% down for year end. In terms of collection rate, I can tell you probably we will be around 2% for Italy.

ANDREAS MARKOU: Okay. Maybe, just thinking for next year as well because obviously, next year, you won't have the lockdown, well, as far as we know but the real estate market is expected to slowdown. So would you expect the collection rate to remain at 2% for next year or what's your thoughts and experience from past collection rates?

FABIO RUFFINI: Our experience with previous cycles in Italy is we saw very limited drop in collections and then a fairly rapid recovery. You know with this crisis, it is bit different. It is very concentrated and it's very sudden with very deep drops in GDP.

This flows into our expectations as well so we are seeing today 2021, reduced as compared with what we were expecting at the beginning of the year but let us say broadly consistent with the scenario that the market expects today of a progressive reduction in recoveries stemming from the lockdown still not where Q4 would have been before COVID and 2021

not going up previously versus...as compared with previous expectations, so still, it is a conservative or a more conservative scenario also for 2021 is what we are seeing today because we want to stay cautious despite the fact that April and May are in line with our base case. Data points that we have today are consistent with our base case that our base case by design had elements of conservativeness for 2021 as well.

ANDREAS MARKOU: Okay. Thank you. Maybe just moving on to the pipeline, so you did mention this is quite strong across your geographies. What do you see as a risk for several of these deals were closing and this year or even next year or even being postponed given the situation?

ANDREA MANGONI: I think the current pipeline is important in terms of numbers of project and size of the projects also and the impact of the pandemic will be a postponement of the project till the close of this year, not to next year 2021.

MANUELA FRANCHI: Also we need to recall that obviously the banks are today taking advantage from doing transaction this year, so they can absorb a part of the additional loss they would have recorded before due to eventually lower prices they can afford today with the tax benefits, and if they wait they will lose that but also the pile of NPLs will increase significantly.

So the approach we are seeing from our clients is they prefer to rather continue and settle their transaction and to be prepared for the new NPL which are already coming in, rather than leaving the problem there and adding an additional problem on top of the existing one to other. It's true that obviously the regulators across Europe has given some relief but if you look through the measures, they are waiving some important conditions regarding calendar provisioning and so on and so forth just

because they need to protect also the future balance sheet of the banks and banks cannot go back to the levels they were after the previous crisis.

ANDREAS MARKOU: Okay. Thank you and now moving to FPS. So you obviously confirmed that you intend to close the deal by end of May. I have been reading that you were initially supposed to close last month then you have been negotiating with FPS for changing the terms, for example you know lengthening the forward-flow agreement, the time period and also increasing the base fees you will be receiving from Eurobank. Can you just confirm that you know these discussions are indeed ongoing and also that you do in fact have strong conviction that we will close by the end of this month even though there has been a couple of delays.

MANUELA FRANCHI: Aapart from what the press might be saying, we are going ahead with our plan and we are confident that we will close by the end of May. The transaction will have some better terms than we had anticipated. Obviously, we want to describe these better terms at the time of the announcement we will do at closing and related to the actual business terms of the SLA which is main agreement we sign, rather than to the cost of the transaction. This is because obviously in the current environment, we are trying to further safeguard the profitability of the company that we are acquiring in 2020 and 2021, but also for the longer term and then form 2021 as expected even before actually the banks and the system in Greece expect much more flows.

So net-net, you know the impact of the new arrangement should be NPV positive for the overall business. But as I said, we can only give more details at the time of the actual closing.

ANDREAS MARKOU: Okay. Thanks very much and final question from my end is on your working capital change. Can you maybe give us a bit of details as to what happened this quarter?

MANUELA FRANCHI: Andreas, if you look to Page 16, the trend in working capital is actually positive of €8 million and on top of that we add an additional payment of our clients in the month of April that has further improved the working capital dynamic by around an additional €30 million, that's why we said that the net financial position at the end of April was going down to around €200 million from the €230 million at the end of Q1. Maybe, you are referring to the other adjustments that are separate from the working capital. Is that what you are referring to?

OPERATOR: Mr. Markou, perhaps your line is on mute.

ANDREAS MARKOU: Yes, of course, so I am referring to the changes in net working capital, so the €8 million.

MANUELA FRANCHI: That is a structural improvement in the sense that as you have noticed since '18, we have been moving more from banks investors, so the improvement of the payments time for the investor is quite significant. The payment cascade is usually every month while banks stay within 90 days, so shifting, you know one-third of the portfolio from banks to investor. We were 60-40 at IPO time and we are now almost the opposite has really made that difference in the positive net working capital effect.

ANDREA MANGONI: And of course, considering the dynamic of our working capital, the impact of the crisis will be zero, I mean on our working capital.

MANUELA FRANCHI: Well, one of the measures we…to reference to your previous question, we have been focusing also for the FPS acquisition in term of working capital. So you might remember that we said that we had better working capital than [indiscernible] than we currently have for banking clients in FPS and this will be further enhanced by the additional features we are discussing for the closings.

ANDREAS MARKOU: Okay. That's very helpful. Thanks very much.

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

GURJIT KAMBO: Hi, good morning. Thank you for the presentation. Just a couple of questions, firstly on the outsourcing of functions, I think you indicated that in the second question you are going to be looking at outsourcing some of the IT functions et cetera, I just want to understand what sort of you magnitude associated with the savings and you know, is there is a going to be a period where you might have due cost of running perhaps in the 2 systems, sort of first question on the outsourcing of functions. And then, just secondly on the pricing, and I guess that sort of competitive environment you are currently seeing, you know, are you seeing any sort of changes in pricing, I mean, our clients being a little bit more cost aggressive currently, you know, with what's going on, so if you can just a little bit on just a broader environment around competition in the markets? Thank you.

MANUELA FRANCHI: On the outsourcing contracts we were already expecting for 2020 a reduction of the IT running cost due to the migration to one platform. Let's say that the outsourcing agreements we further announced that saving because will allow us to reduce even more the IT cost on top of the savings we had indicated there to be adding because of that migration.

GURJIT KAMBO: Okay. Thank you.

MANUELA FRANCHI: It is a relevant number for the IT cost obviously in the overall cost base of the Group might not be as significant, but if we focus only on IT cost, it's the relevant number.

ANDREA MANGONI: And on the pricing, we are not currently under pressure in terms of fee, because our perception is the buyer are postponing the transactions, because of the difference between bid and ask. But right now for the pipeline we showed you before. We are not under pressure in terms of fees the investor are not pushing for having a lower fees, both fixed and variable right now.

GURJIT KAMBO: Okay, that's great. Thank you very much.

OPERATOR: As a reminder, if you wish to register for a question, please press "*" and "1" on your touchtone telephone. The next question comes from Fillipo Prini of Kepler. Please go ahead, sir.

FILLIPO PRINI: Yes, good morning. 2 brief questions from my side, the first one is on the flow agreement 1.3 billion in the first quarter of this year. Even considering the new perimeter that will add in the coming quarter, could give an indication of flow agreement throughout the year, if you can expect for even in the next year [indiscernible] large numbers in the region of €3 billion to €4 billion maybe €5 billion. And second question is on the, what is reported in paper on a possible moratorium...moratoria on the [indiscernible] decree if you any comment on that for your business? Thank you.

MANUELA FRANCHI: Yes, on the flow agreements. We are conscious hopefully, we have seen an impact…an important impact in Q1. We don't feel comfortable in saying that it will be 3 times than expected for the full year although last year we closed very significant level of new collections. So and but we pointed out last year that the guidance was that smaller amount for 2020. We expect to do more than the initial guidance. But, we don't feel today to give a specific indication on how much bigger it will be. It depends also on the next quarter and the effects that the banks will take for example in Italy, on how they reclassify certain assets from performing to non-performing. So if they take a more conservative, more prudent approach, less prudent approach based on some freedom they have from the regulator. And this is the main driver obviously of '20 eventually, for '21 we have given indication of the macro size of the additional flows in all the market in at the beginning of the presentation. And we think that obviously proportional to our market share we might grab that additional amount, that can be you know, split between '20 and '21.

ANDREA MANGONI: And on the impacts of the moratoria, I think the current relief measures in place mostly impact primary residences and retail loans and are temporary in nature. We understand this are extraordinary times and are being extra careful in our daily contact with borrowers? So there might be a temporary slowdown in some of the forward flows but after the moratoria we expect there will be a significantly higher growth stock of NPEs and we can have managing that. My second point is, I would like to stress that collections are only postponed not lost. All in all, I do not think the moratoria is or will be a relevant problem for DoValue.

FILLIPO PRINI: Thank you. Just if I may brief follow up on the first question, you initial guidance of flow agreement, am I remembering correctly that was 2 billion?

ANDREA MANGONI: Yes, correct. In the business plan we target for about 2 billion, which is lower as compared with 2019 as you know, given the 2019 had the impact of the Popular inflows from something there. So, yes, we do expect to do better than that in the current environment yes, that's right.

FILLIPO PRINI: Okay. Thank you. Thanks a lot.

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

FABIO RUFFINI: Okay. Thank you for participating in the call. Have a good rest of the day.

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