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of the European digital payments Paytech
leader

Testo del comunicato

Vedi allegato.

**NEXI AND SIA, AGREEMENT FOR THE CREATION
OF THE EUROPEAN DIGITAL PAYMENTS PAYTECH LEADER**

**Signed a memorandum of understanding among
NEXI, SIA, CDP Equity, FSIA and Mercury UK**

- **Creation of an Italian player of European scale, ready to seize consolidation opportunities at international level**
- **Creation of a new technological and digital innovation hub in Italy**
- **Best in class portfolio of solutions and capabilities across the digital payment ecosystem and with full coverage of the payments value chain, also at international level**
- **Significant value creation with fully-phased recurring cash synergies estimated at ~ €150 million and ~ €65 million of one-off capex synergies. Double digit cash EPS accretion in 2022¹**
- **€1.8 billion pro-forma aggregated revenues and €1 billion pro-forma aggregated EBITDA as of 31 December 2019²**
- **Exchange ratio resulting in a split of the pro-forma share capital equal to 70% for Nexi shareholders and 30% for SIA shareholders**
- **CDP as anchor investor to support strategic development in Italy and Europe, with a relative majority stake slightly in excess of 25%**

Milan, 5 October 2020 – Nexi S.p.A. (“**Nexi**”), the PayTech leader in digital payments in Italy, and SIA S.p.A. (“**SIA**”), the Italian and European leader in payment technology and infrastructure services, controlled by Cassa Depositi e Prestiti (“**CDP**”) through its subsidiary CDP Equity (“**CDPE**”), signed a memorandum of understanding (“**MoU**”) regarding the integration of the two groups through the merger by incorporation of SIA into Nexi.

The MoU was also executed by the respective reference shareholders, CDPE³ and FSIA Investimenti S.r.l. (“**FSIA**”) as regards SIA, and Mercury UK HoldCo Limited (“**Mercury**”), company owned by Bain Capital, Advent International and Clessidra funds, as regards Nexi (SIA, Nexi, CDPE, FSIA and Mercury, jointly, the “**Parties**”).

¹ 15-20% with run-rate synergies; double digit cash EPS accretive in 2022 with ~40-50% synergy phasing; Based on broker consensus estimates for Nexi in 2022; cash EPS calculated using the reported net income (excluding one-off integration costs) to which total D&A (including D&A related to customer contracts) is added back net of tax; cash EPS accretion calculated taking into account an estimated ~50bps reduction in overall cost of funding for the combined entity.

² Including run-rate synergies and net of intercompany adjustments.

³ Shareholder of SIA with a 83.12% stake, held directly (25.7%) and indirectly (57.4%) through FSIA Investimenti S.r.l., a company indirectly controlled by CDPE owning, in turn, a 57,42% stake in SIA.

The entity resulting from the merger (the “**New Group**”) will remain listed on the MTA and will be the new Italian PayTech leader in Europe. The New Group will cover the entire value chain of digital payments serving all market segments with the most complete and innovative set of solutions: from digital payments acceptance services for small and large merchants, to more sophisticated omni-channel and e-commerce solutions, from issuing and management of all type of cards to mobile payments apps, from B2B digital payments solutions to open banking, from local public transportation solutions to banking networks as well as clearing and trading services for the main Italian and International Institutions.

The transaction will create a European champion in digital payments, with ~ €1.8 billion pro-forma aggregated revenues and ~ €1 billion EBITDA as of December 31st, 2019.

The CEO of Nexi, Mr Paolo Bertoluzzo, commented: “This transaction will create a large Italian PayTech company leader in Europe, a great technological and digital excellence with scale and capabilities to play an increasingly leading role in Italy and at an international level in a market, like the European one, that sees strong consolidation trends. The new PayTech company, through its independent role and having CDP as anchor investor, will continue on its growth path as large Italian public company contributing, to an even greater extent, together with its partner Banks, to further accelerate the digital payments penetration in Italy and to the digitalization and modernization of the Country in favour of citizens, enterprises and Public Administration. The combination of the best skills in technology and innovation of Nexi and SIA teams is a strength to even further develop more advanced solutions for all partner Banks and customers. I believe that Nexi and SIA people should be proud of this new leading player: a great opportunity for all”.

In turn, the CEO of SIA, Mr Nicola Cordone, declared “The integration of important hi-tech groups such as SIA and Nexi, thanks to the fundamental role and support of CDP, will create one, large, Italian digital payments player, leader in Europe and boasting the highest levels of excellence for its know-how, people and capabilities of on a global level. This operation will contribute to accelerate our Country on the path of digitalization towards a cashless society. This is in line with the mission we have worked on with pride, commitment and dedication for the past 40 years, putting citizens, enterprises, financial institutions, central banks, and the Public Administration at the center of the payment systems revolution. Today, bringing together the strengths of two realities of excellence such as SIA and Nexi, we want to continue leading on innovation, with an even greater emphasis, offering infrastructures and forward-looking technological services, and affirm our leadership in Europe in a sector like e-payments that continues consolidating.

Creation of the Italian PayTech leader in Europe

Thanks to the integration of two highly-complementary businesses, the New Group, will be able to offer a wide range of best-in-class solutions entirely developed in-house, making it strongly competitive in terms of digital innovation, technology and efficiency, essential requirements for supporting, as an independent and strategic partner, the entire banking and digital payments system in Italy and in Europe.

The new PayTech, leveraging on the combination of Nexi and SIA’s capabilities and partnerships, will serve the entire digital payments ecosystem: from national to international banking institutions, from large merchants to small retailers as well as Public Administration, all at the heart of both Nexi and SIA’s strategy and that will derive the greatest benefit from this transaction. The New Group will strengthen its position as the key technological partner for the whole banking and financial landscape through its partnerships with the main operators in the sector, such as

Bancomat S.p.A., CBI S.c.p.A as well as Borsa Italiana, to which in particular it provides the trading and post-trading services for MTS and Monte Titoli.

The New Group, also thanks to SIA, will be the largest Group in Continental Europe⁴ by number of merchants, by number of cards, by number of acquiring transactions and number of cross-border payment transactions, with ~2 million merchants, ~120 million cards, and an overall number of processed annual transactions equal to more than 21 billion⁵.

This new international excellence, stemming from the combination of two companies that have been partnering for over a decade, will have a workforce of 5.5 thousand individuals in 15 countries, of which over 4 thousands dedicated to the Italian technological and digital innovation hub, essential for the technological development of the Country. In an attractive market where digital payments, although still growing, have a penetration of 24%, the New Group will be able to seize all the organic growth opportunities with the aim of accelerating, together with the partner banks, the adoption of digital payments to the benefit of citizens, enterprises and Public Administration.

Moreover, given the competitive positioning and geographical diversification, the respective reference shareholders expressed their intention to support the further international expansion of the New Group, with a view to consolidate its central role in the European digital payments market, which is currently going through a strong consolidation wave.

The strategic combination between SIA and Nexi will also allow the achievement of significant industrial and financial benefits, initially estimated in ~€150 million run-rate recurring synergies, of which ~€100 million in lower operating expenses, ~€35 million in increased operating margin due to ~€50 million revenues synergies and ~€15 million of capex efficiencies. Furthermore, the New Group will benefit from one-off capex saving of ~€65 million. The transaction will generate a double-digit cash EPS accretion in 2022⁶.

Taking into account expected synergies, the new company will benefit of aggregate revenues pro-forma as at 31 December 2019 equal to €1.8 billion, an Adjusted EBITDA equal to €1.0 billion and Operating Cash Flow equal to €0.8 billion⁷.

The transaction

In case of successful completion of the merger by incorporation of SIA into Nexi, on the basis of an exchange ratio which will see 1.5761 Nexi shares for each SIA share, current SIA shareholders will receive a stake in the share capital of the New Group equal to ~30%, while current Nexi shareholders will maintain a stake of ~70%. Accordingly, CDP, indirectly through CDPE and FSIA, will have an aggregate stake in the New Group slightly in excess of 25% and Mercury will have a stake of ~23%. Based on current trading prices, the New Group will have an aggregate capitalization of over €15 billion, becoming one of the ten largest companies by capitalization on the Italian market.

⁴ Based on management elaborations of publicly available information and internal data.

⁵ Issuing and Acquiring.

⁶ 15-20% with run-rate synergies; double digit cash EPS accretive in 2022 with ~40-50% synergy phasing; Based on broker consensus estimates for Nexi in 2022; cash EPS calculated using the reported net income (excluding one-off integration costs) to which total D&A (including D&A related to customer contracts) is added back net of tax; cash EPS accretion calculated taking into account an estimated ~50bps reduction in overall cost of funding for the combined entity.

⁷ Including run-rate synergies and net of intercompany adjustments

The New Group will immediately have a free float of over 40% of the share capital, confirming its nature as a public company, while benefiting at the same time from the value brought by an anchor investor such as CDP who will be able to guarantee an even greater strategic and financial support necessary for national and international expansion.

The transaction is conditional, among other things, upon the satisfactory outcome of a confirmatory due diligence on Nexi and SIA, the required approvals by the corporate bodies of the various entities involved in the transaction in relation to the execution of binding agreements, the absence of an obligation to launch a mandatory takeover offer on the New Group or the applicability of the relevant exemption in case of approval of the merger through the “whitewash” mechanism, as well as upon the obtainment of required consents and authorizations, of both contractual and regulatory nature (including the authorization by the competent Antitrust authorities and, where applicable, the Bank of Italy).

Subject to the above, the Parties aim to complete the transaction by the summer of 2021⁸.

Governance

The current corporate governance of Nexi, already aligned to best international standards, is confirmed, with the current Board of Directors chaired by Michaela Castelli, which will be strengthened, at closing of the transaction, with the appointment of 5 (or 6, depending on shareholder ownership at closing) new directors designated by CDPE and FSIA, of which 3 will be independent, 1 will take the role of Vice-Chairperson and 1 will be a non-independent director. As a consequence of the above rearrangement, out of 13 directors, the number of independent members will be further increased.

The New Group will be led by the current CEO of Nexi, Mr Paolo Bertoluzzo, as CEO and General Manager, while the current CEO of SIA, Mr Nicola Cordone, will - until closing - continue activities for the ordinary management of the Company, supporting employees and shareholders, and eventually pursue new professional challenges.

CDPE, FSIA and Mercury UK have also agreed that, following the execution of the MoU and effective starting from closing, will enter into a shareholders’ agreement to govern the mutual relationships as future shareholders of the New Group.

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⁸ Assuming Antitrust process completed in phase 1.

Table 1 – Main Financial Metrics of the New Group

| 2019, €m | Nexi | SIA | Synergies (run-rate) | New Aggregated Group (incl run-rate synergies) |
|---|------------|------------|----------------------|--|
| Revenues | 1.1 | 0.7 | 0.05 | 1.8⁽¹⁾ |
| EBITDA | 0.6 | 0.3 | 0.13 | 1.0 |
| EBITDA Margin | 55% | 38% | | 55% |
| Operating Cash Flow⁽²⁾ | 0.5 | 0.2 | 0.15 | 0.8⁽⁴⁾ |
| Operating Cash Flow Conversion⁽³⁾ | 81% | 65% | | 81% |

(1) Net of intercompany adjustments; Nexi pro-forma for acquisition of Intesa Sanpaolo's Merchant Acquiring business.

(2) Calculated as EBITDA net of ordinary capex and change in WC.

(3) Calculated as Operating Cash Flow divided by EBITDA.

(4) Includes recurring capex synergies (~€15m).

* * *

Nexi is advised by BofA Securities, HSBC Bank and Mediobanca – Banca di Credito Finanziario S.p.A. as financial advisors, Legance – Avvocati Associati as legal counsel, as well as by PWC for the financial and accounting due diligence and KPMG for tax matters.

SIA is being advised by J.P. Morgan as Sole Financial Advisor and is supported by Rothschild on specific activities in the context of the transaction, Gianni, Origoni, Grippo, Cappelli & Partners as legal counsel, as well as by KPMG for the financial and accounting due diligence and Tremonti, Romagnoli, Piccardi e Associati for tax matters.

Mercury UK is advised by IMI – Intesa Sanpaolo and Nomura as financial advisors.

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Conference call

On October 5, 2020 at 8.30 am CET Nexi will host a conference call. Link for the registration: [CLICK HERE](#)

The presentation and the replay of the conference call will be available on the Company website at <https://www.nexi.it/en/investor-relations/presentations-announcements.html>

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DISCLAIMER

This press release contains forecast information which hence are, as such, uncertain. The forecast information are based on various assumptions, expectations, projections and forecast data relating to future events and subject to multiple uncertainties and other risk factors out of Nexi and/or SIA's control. Several factors exist which may lead to results and trends significantly different from the implied or express contents of the forecast information and, thus, such information do not amount to a reliable indicator of future performance. Nexi and SIA undertake no obligation to publicly update or review the forecast information as a consequence of new information, future events or other reasons, except where required by applicable law.

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Nexi

Is the leading PayTech Company in Italy, listed on MTA of Borsa Italiana. We operate in strong partnership with ~150 partner banks. Our integrated end-to-end omni-channel technology connects banks, merchants and consumers enabling digital payments. We help simplify payments for our clients and digitalize the Italian economy. Nexi operates in three market areas: Merchant Services & Solutions, Cards & Digital Payments and Digital Banking Solutions:

Merchant Services & Solutions: Nexi, together with its partner Banks, serves ~ 900,000 merchants;

Cards & Digital Payments: Nexi, together with its partner Banks, manages 41.6 million payment cards;

Digital Banking Solutions: Nexi manages 13,100 ATMs, approximately 469,000 e-banking workstations and 947 million clearing transactions in 2019. In addition, Nexi developed the open banking system in collaboration with the CBI consortium to which the main Italian banks have already adhered.

SIA

A subsidiary of CDP Equity – is European leader in the design, creation and management of technology infrastructures and services for Financial Institutions, Central Banks, Corporates and the Public Sector, in the areas of Card & Merchant Solutions, Digital Payment Solutions and Capital Market & Network Solutions. SIA Group provides its services in 50 countries, and also operates through its subsidiaries in Austria, Croatia, Czech Republic, Germany, Greece, Hungary, Romania, Serbia, Slovakia, and South Africa. The company also has branches in Belgium and the Netherlands and representation offices in the UK and Poland.

For more information: www.sia.eu/en

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