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Oggetto : Generalfinance: the board of directors has
approved the 2022-2024 business plan

Testo del comunicato

Vedi allegato.



Press release

THE BOARD OF DIRECTORS OF GENERALFINANCE HAS APPROVED THE 2022-2024 BUSINESS PLAN

- Turnover growth over 30% per year on average
- Profit for 2024 of €21.5m and 2024 ROE at 36%
- CET1 Ratio in excess of 11% and Total Capital Ratio over 13%
- Investments mainly directed to the further development of the digital platform, essential for strong sustainable growth and for constant risk management

Milan, 4 November 2022 -The Board of Directors of Generalfinance has today approved the 2022-2024 Business Plan, the first after the capital increase and the listing on the Euronext STAR Milan of the Borsa Italiana's Euronext Milan stock exchange. The Business Plan is based on Generalfinance's wish to further develop its own growth in a sustainable manner, exploiting the advantages of its proprietary digital platform, to generate a high level of profitability while continuing to manage risk.

Massimo Gianolli, Generalfinance's Chief Executive Officer, stated, "*The capital increase and the listing on the Euronext Star Milan represent the starting point for a further phase of robust growth for the company. We believe we have all the resources and potential to continue on our development path, based on capital soundness, a diversified funding structure, our proprietary digital platform and our support role in distressed situations. Our responsible approach to companies in difficulties, which allows to preserve jobs, traditions and the corporate know-how that represent the assets of our enterprises is combined with capital and financial discipline and with incentives and personal growth policies, the true driver of Generalfinance's success. In summary, our objectives are: sustainable robust growth, high profitability and contained risk*"

Capital soundness and funding structure allow a sustainable growth

The 2022-2024 Plan expands over strong commercial growth, the improvement of assessment, monitoring and credit risk models and the strengthening of the funding structure, in a framework of strengthening of the internal control system. Generalfinance's capital soundness, with a CET1 at the end of 2022 estimated to be over 15%, is essential to support the strong growth anticipated in the next few years. In spite of the ratios required by the regulator (4.5%) which are lower than those of commercial banks, the company intends to prudentially maintain a CET1 Ratio value in excess of 11% throughout the Plan's timetable. This will allow a development of turnover of over 30% until 2024 even in the absence of any capital intensive efficiency measures. The funding structure has been diversified to guarantee the total sustainability of the anticipated growth. During the next few years efficiency measures are also expected to be applied to the cost of collection to support margins, in particular through securitisation transactions, further strengthened during 2022.

Most of the investments are intended for the proprietary digital platform

As highlighted by the development rates of the last few financial years, the possibility of growth supported by managing risk is made possible by the proprietary digital platform. In particular, TOR 4.0 and GeneralWeb guarantee a higher level of efficiency and a decreasing cost-income ratio, in addition to a reduced time-to-serve for the benefit of customer companies and the full control of operating and credit processes, a strategic lever to guarantee the strong management of credit and operating risk. For this reason most of the Plan's investments (€3 million in the 2022-2024 three-year period) are intended for the development of the digital IT platform, with particular reference to assignors and debtors assessment processes (on the basis of a proprietary scoring model in constant development and implementation) and of risk monitoring, also through a new Electronic Credit File, digitally completed and integrated with front and back-end processes, which will exploit the expertise gained by the company in the business intelligence field.

Commercial development: macroeconomic development, greater share of wallet

The anticipated slowing macroeconomic development in the next few quarters is expected to support a significant growth due to the anticipated increase in the number of companies which will require to go through turnaround paths. In addition to developing sustained growth, Generalfinance intends to increase its share of wallet for current customers and to diversify its offer of products in the factoring field.

During the development of the 2022-2024 Plan, a growth in turnover in excess of 30% is anticipated in an expanding segment: the company expects to double the number of debtors transferred compared to 2021 (so reaching 24,000) and to reach 230 assignors in 2024, compared to the approximately 210 current assignors. The relational and contractual structure of relations with customers combined with the diversified funding structure and more efficient return allow to anticipate a small drop in the net interest margin even in the presence of a significant increase in the cost of collection in relation to the anticipated increase in Euribor rates. The trading margin is forecast to be approximately €49 million in 2024, from €23.9 million in 2021 (€32.8 million in 2022), with a 2021-2024 CAGR of approximately 27%.

Cost-income ratio at 30%, evolution of risk adjusted pricing and of control structures

An increase in the number of staff from 53 employees in 2021 (69 in 2022) to 80 FTE employees is anticipated in the 2022-2024 period. The areas most affected by the increase in particular are expected to be the commercial area, with a greater management in particular of corporate customers, the credit area - in relation to the need to strengthen expertise and assessment processes of assignors and transferred debtors - and IT/Administration, in order to further develop processes and the digital platform. Thanks to the strong growth expected in the trading margin and to the efficiency allowed by the proprietary digital platform, Generalfinance anticipates a cost-income ratio lower than 30% in 2024 (from 40.9% in 2021). The company, which anticipates growth possibilities during this period, has defined - and will implement in the next few months, also thanks to the new data analytics instruments in use for more than two years - a new risk adjusted pricing model which takes into account also the complexity of the transaction and which exploits the data collected by the proprietary digital platform. The relationship between transferred debtors and assignors, currently distinctly higher to the sector average, is expected to expand further from the current 85 (2022) to over 100 in 2024, also due to the effect of a strategy that targets a larger customer base, with very fragmented portfolios. In the period under consideration, a strengthening is anticipated of the control structures such as: Audit, Compliance, Risk Management. Exploiting its expertise in terms of risk evaluation - enabled by the proprietary digital platform - a net improvement is in particular anticipated in structures, processes and methodologies along the entire credit management "value chain": from the initial assessment (the proprietary "GF score") up to monitoring and management of positions. Generalfinance anticipates a lower Gross NPE Ratio of 0.8% in 2024 - therefore substantially stable compared to the data of the last few

quarters - with a controlled risk cost, equal to 9 basis points in 2024, also taking into consideration the possible deterioration of the macroeconomic context

Net profit of €21.5 million, ROE at 36% in 2024

Net profit is anticipated to reach €21.5 million in 2024 (from €9.5 million in 2021), with a ROE of 36%. Against a minimum capital requirement of 4.5%, a CET1 of 11.2% is anticipated in 2024, with a planned dividend pay-out of 50% in the 2022-2024 period.

Possible developments not included in the business plan

Generalfinance anticipates growth from internal development and the expectations of the Business Plan reflect this hypothesis. The company believes organic development to be possible in geographical areas not yet covered such as: Spain, France, Greece and Portugal, all markets characterised by a high factoring penetration or by high levels of problematic credits. The effects of this development - which will be analysed in detailed and assessed during 2023 - are not included in the figures of the 2022-2024 Business Plan.

GENERALFINANCE

Founded in 1982 and led by Massimo Gianolli for over 30 years, Generalfinance is a supervised financial intermediary specialised in factoring, able to guarantee rapid and customised interventions according to the different needs of its customers. Operating from its two offices in Milan and Biella with a team of over 60 professionals, Generalfinance is a leader in the segment of factoring for distressed companies.

Generalfinance S.p.A.

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