



## Rekeep Group



Morgan Stanley Leveraged Finance  
Conference

*April the 4<sup>th</sup>, 2019*

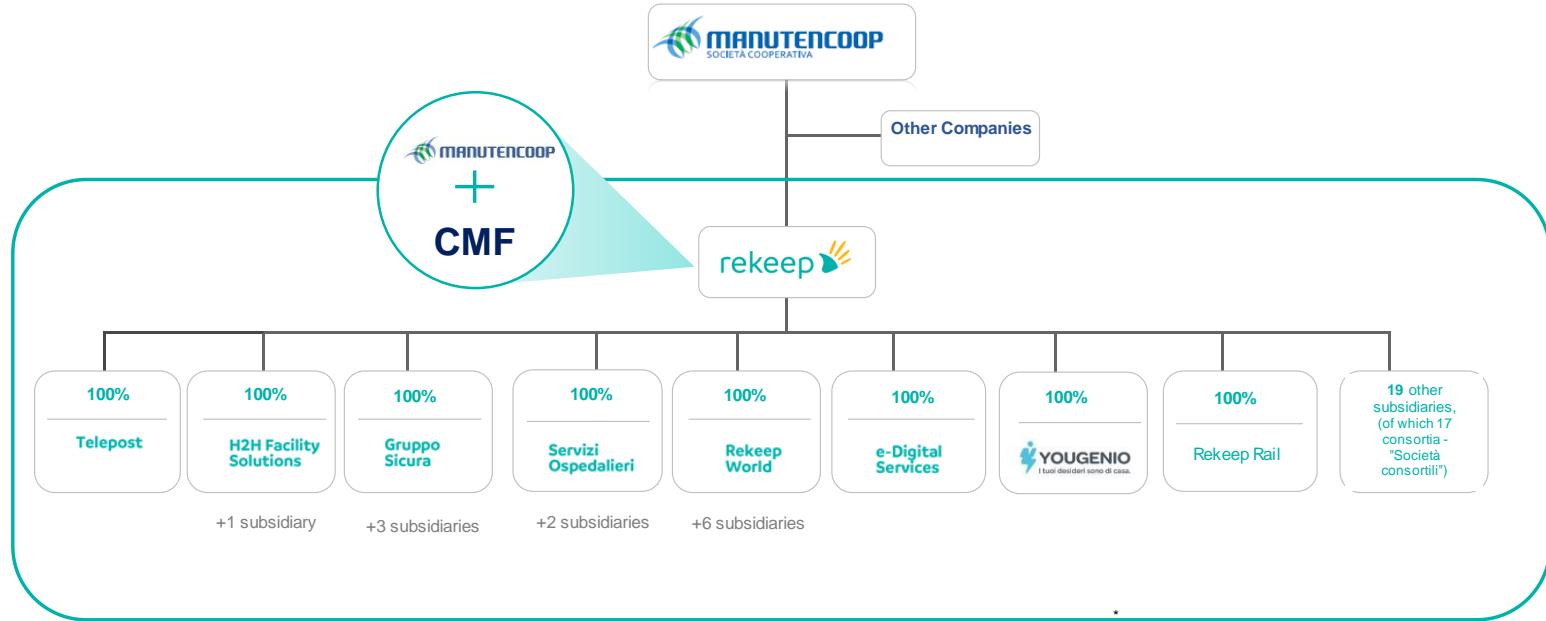
# New corporate structure and Rebranding

## Merger

On June the 29<sup>th</sup>, CMF is merged by incorporation into MFM (effective starting from July the 1<sup>st</sup>)

## Rebranding

On July the 2<sup>nd</sup>, MFM becomes officially Rekeep, thus completing the new corporate structure and rebranding process





# Company Profile



# Rekeep – Key highlights

**One-stop-shop and mission critical services**

**Market leading position with national presence**

**Contract-based business with multi-year backlog**

**Strong financial profile**

## **Six core services**

- ✓ Cleaning
- ✓ Technical services
- ✓ Landscaping
- ✓ Property management
- ✓ Logistics
- ✓ Laundering & Sterilization

**#1 Player in the Facility Management industry**

**#1 Player in the Sterilization industry**

**#2 Player in the Laundering industry**

**2.8x Revenue backlog**

**90+%** Revenue from existing contracted customers each year

**98%** Renewal rate on top 30 customers<sup>1</sup>

**€950m FY 2018 Revenues**

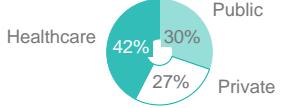
**€101.3m Normalized FY 2018 EBITDA**

**70% Steady-state cash conversion<sup>2</sup>**

Source: Company information

<sup>1</sup> Calculated by taking the average renewal rates of our top 30 customers in each of the last seven years, 2010-2017, excluding Telecom Italia, FCA and Pirelli ; <sup>2</sup> Cash Conversion = (Norm. EBITDA – Capex)/(Norm. EBITDA)

# An integrated service and solution provider...

	Facility Management	Laundering & Sterilization
Main activities	<ul style="list-style-type: none"> <li>✓ Maintenance, cleaning, energy services, fire prevention, safety of assets / people and property management</li> <li>✓ 47 branches across Italy</li> </ul>	<ul style="list-style-type: none"> <li>✓ Linen rental and industrial laundering service</li> <li>✓ Fabrics and surgical instruments sterilization</li> <li>✓ 100+ healthcare entities served (24 sterilization centers, 4 laundering plants)</li> </ul>
FY2018 Revenue <sup>1</sup>	€812m (87% of 2018 total Revenue)	€127m (13% of 2018 total Revenue)
FY2018 EBITDA	€71.3m (70.6% of total – 8.7% Margin)	€30.0m (29.4% of total – 24.3%)
FY2018 EBITDA-Capex	€57.5m (81% of EBITDA)	€11.8m (39% of EBITDA)
FY2018 Revenue Breakdown	Healthcare 42%  Public 30% Private 27%	Sterilization 25%  Laundering 75% Fastest growing segment
Brands	     	
Positioning in Italy	# 1	# in Sterilization - #2 in Laundering

# ...with strong coverage and positioning in each customer segment



	Healthcare Customers	Public Customers	Private Customers
FY2018 Revenues (% on total)	Revenues - €466m 50%	Revenues - €229m 24%	Revenues - €243m 26%
Clients	<ul style="list-style-type: none"> <li>✓ Public and private hospitals, nursing and retirement homes</li> </ul>	<ul style="list-style-type: none"> <li>✓ Regional, provincial and municipal governments, schools, universities and other public institutions</li> </ul>	<ul style="list-style-type: none"> <li>✓ Large / medium companies in TLC, financial services, retail, industrial, services and logistic industries</li> </ul>
Contract Length	<ul style="list-style-type: none"> <li>✓ FM healthcare: c.4-5 yrs</li> <li>✓ Laundering: c.5-6 yrs</li> <li>✓ Sterilization: c.7-8 yrs</li> </ul> <p><b>Backlog</b> ✓ €1,887m</p>	<ul style="list-style-type: none"> <li>✓ c.3 – 4 yrs</li> </ul> <p><b>Backlog</b> ✓ €507m</p>	<ul style="list-style-type: none"> <li>✓ 1 to 3 yrs (often containing automatic renewal clauses)</li> </ul> <p><b>Backlog</b> ✓ €205m</p>
Market Coverage	<ul style="list-style-type: none"> <li>✓ 140+ hospitals served<sup>1</sup>: <ul style="list-style-type: none"> <li>❑ c.24% of Italian hospitals</li> <li>❑ c.90% of the largest hospitals in Italy</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ The Group serves<sup>2</sup>: <ul style="list-style-type: none"> <li>❑ c.130 municipalities</li> <li>❑ 17 provinces</li> <li>❑ 5 regions</li> <li>❑ 27 government entities</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ Executed the largest outsourcings in Italy acquiring more than 1,500 people</li> </ul>
Key Success Factors	<ul style="list-style-type: none"> <li>✓ Complex and bundled services</li> <li>✓ Service quality guarantee</li> <li>✓ Reduction of risk hazard</li> <li>✓ Investments financing innovations (PFIs)</li> <li>✓ Complex tenders</li> </ul>	<ul style="list-style-type: none"> <li>✓ Large multi-service contracts</li> <li>✓ Costs efficiencies</li> <li>✓ Investments financing innovations (PFIs)</li> <li>✓ Complex projects</li> </ul>	<ul style="list-style-type: none"> <li>✓ Expertise in large FM outsourcing (personnel, assets)</li> <li>✓ Costs efficiencies</li> <li>✓ Guarantee service delivery</li> <li>✓ Large customers / multi-site operations (banks, retail chains)</li> </ul>



Source: Company information, Ministry of Health

<sup>1</sup> Management estimates; <sup>2</sup> Management estimates



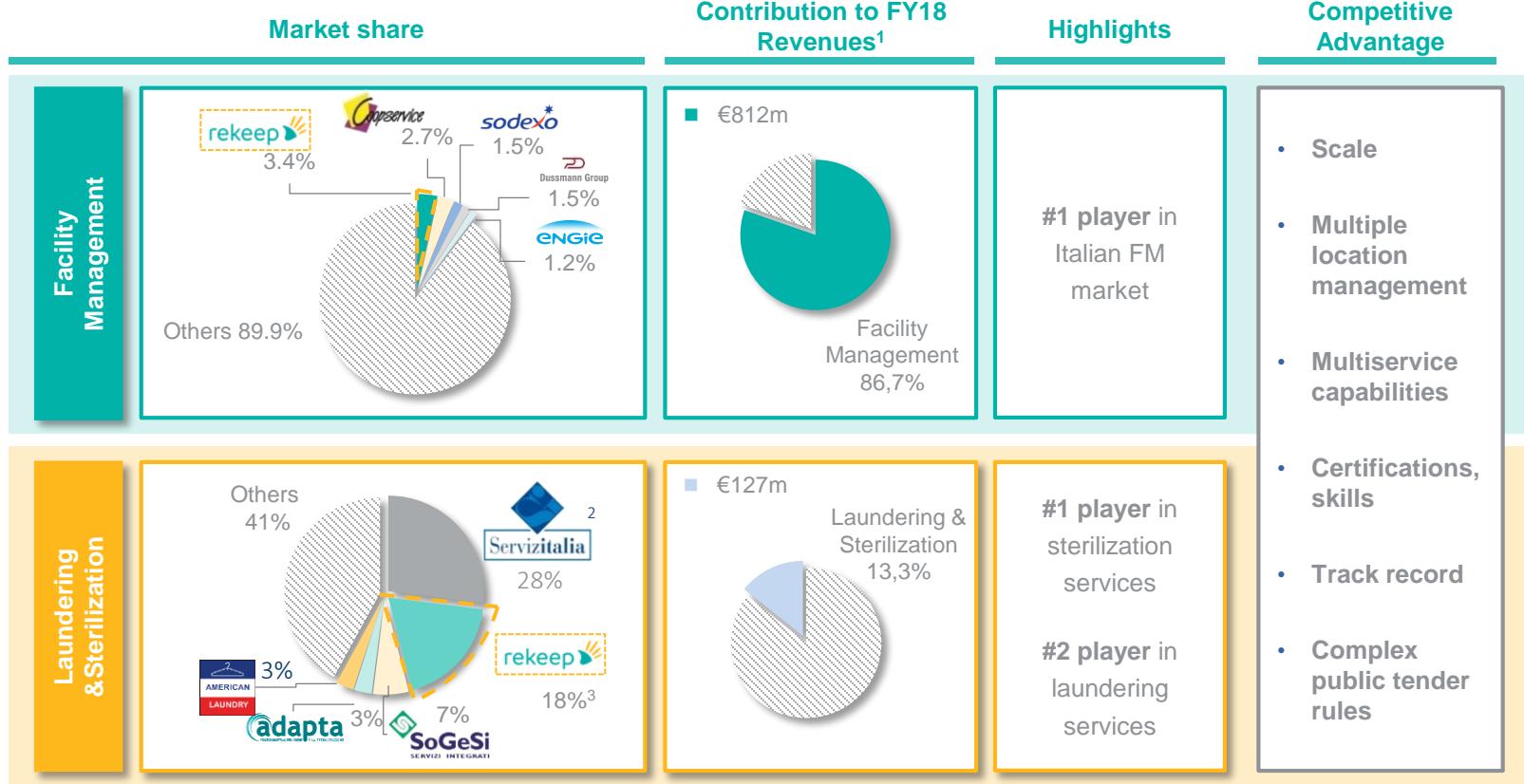
## Key Credit Highlights



# Key Credit Highlights

	1 >	Industry with consistent growth and positive secular outsourcing trend
	2 >	Leading position in a highly fragmented industry
	3 >	Broadest service offering with a focus on the highly profitable healthcare segment
	4 >	Nationwide presence in growing reference market
	5 >	Diversified and long-standing customer base
	6 >	Highly visible, recurring and diversified revenue base
	7 >	Highly variable cost structure and asset-light financial profile

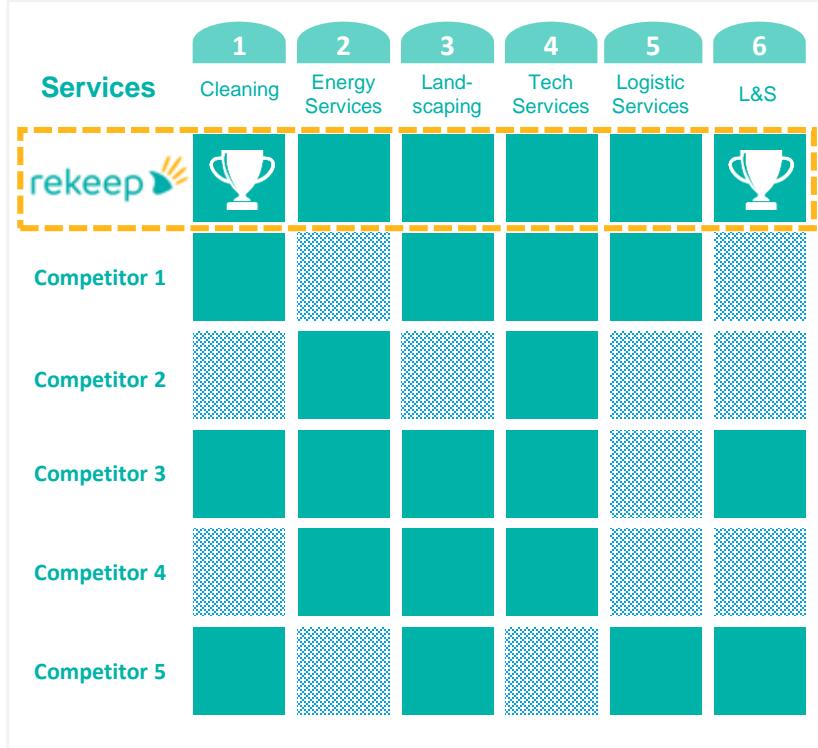
# Leading position in a highly fragmented industry



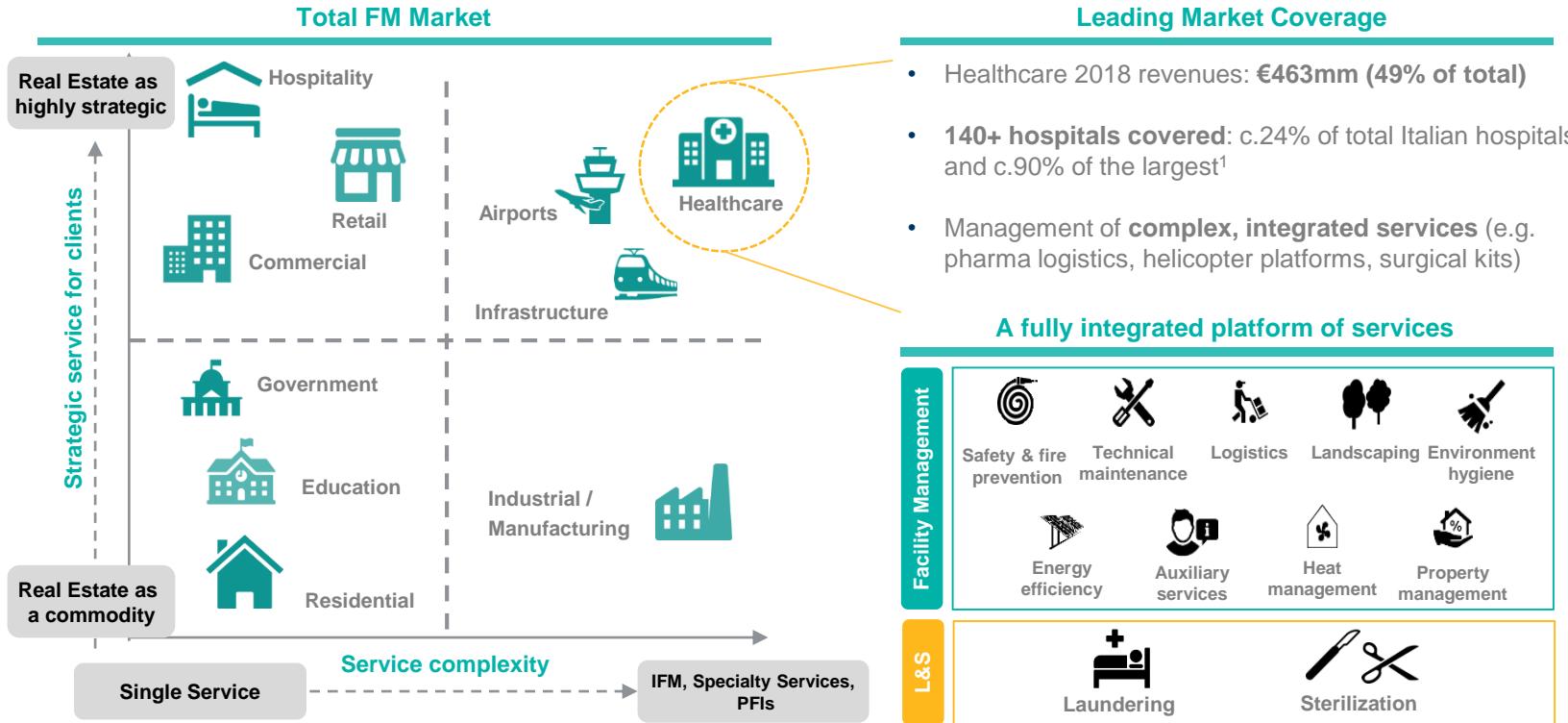
Rekeep Group is the clear leader with strong competitive advantages in a highly fragmented market

# Fully integrated service provider with strong set of competitive advantages

Size	Largest national player
Portfolio	Breadth of service offering <b>Integrated, advanced</b> IFM solutions
Track Record	<b>70+ years</b> in operation Preferred counterparty of PAs
Organizational Excellence	Unique responsiveness to client requests <b>Best-in-class</b> responses to tenders Continuous quality checks
Technical Capabilities	Advanced IT systems and <b>digitalization</b> Highly integrated with <b>ability to scale-up</b>
IT Platform	State-of-the art IT platform
Certifications	Health and Safety RINA, Quality IQNET



# Broadest service offering with a focus on the highly profitable healthcare segment



# Nationwide presence in growing reference market

## Nationwide Presence

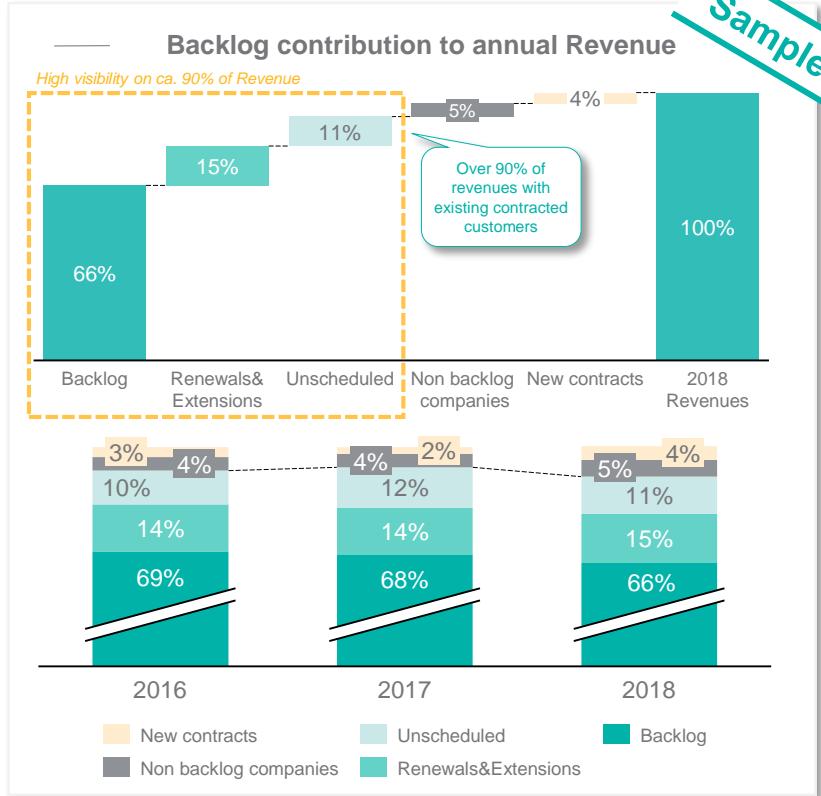


## Growing Reference Market



Unique granularity of network and national reach

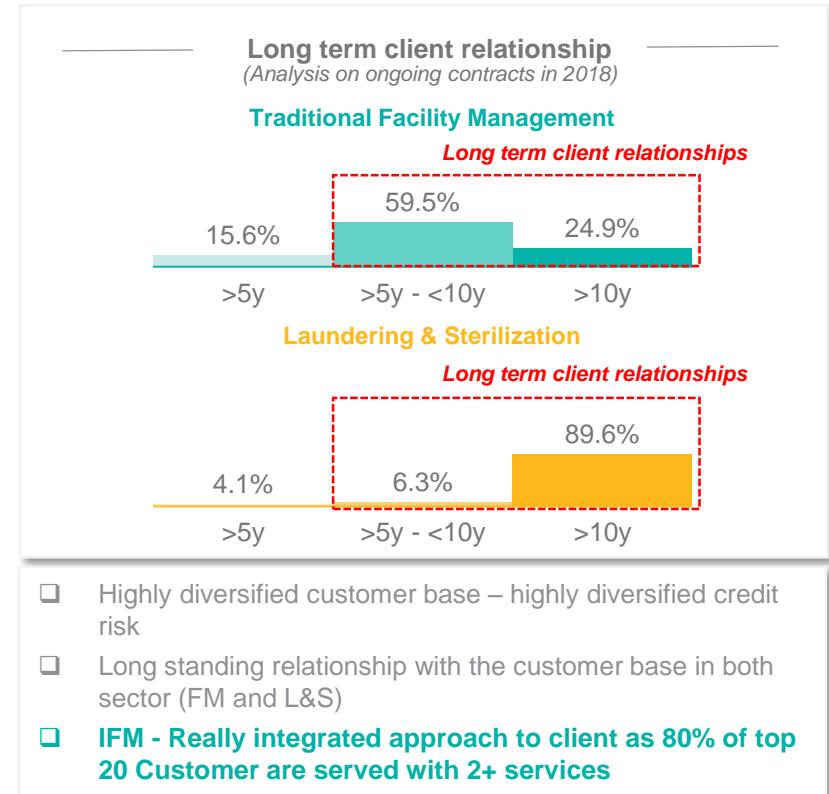
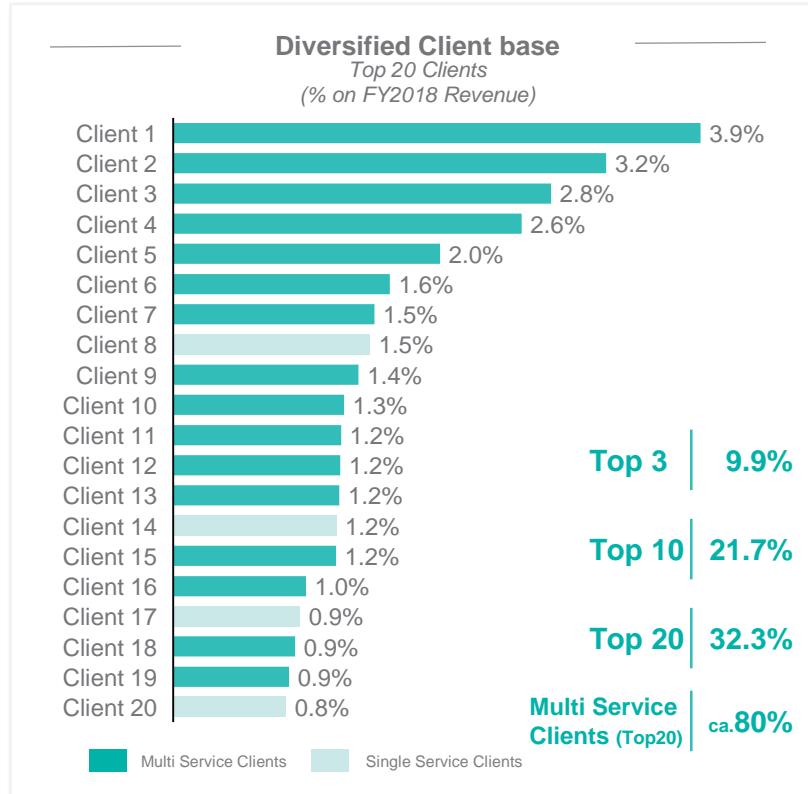
# Highly visible, recurring and diversified revenue base



## Upside

- At the beginning of the year, ca. 90% of budgeted revenues already secured, due to the multi-years customary structure of contracts, (2018 Budget – see *upper left chart*)
- Budgeting Phase - High revenue visibility from backlog, contracts' renewals and extensions (*historically recurring – see bottom left chart*)
- Deep visibility on the year provide grip to management to focus on appropriate fixed cost structure (G&A and indirect costs)

# Diversified and longstanding customer base

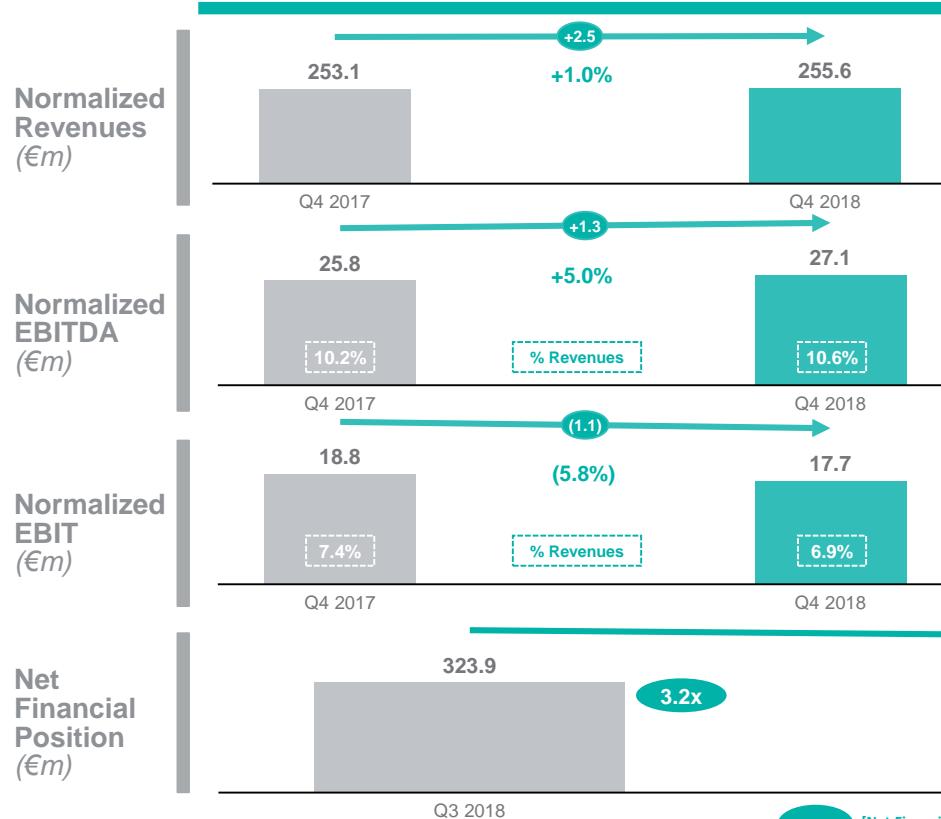




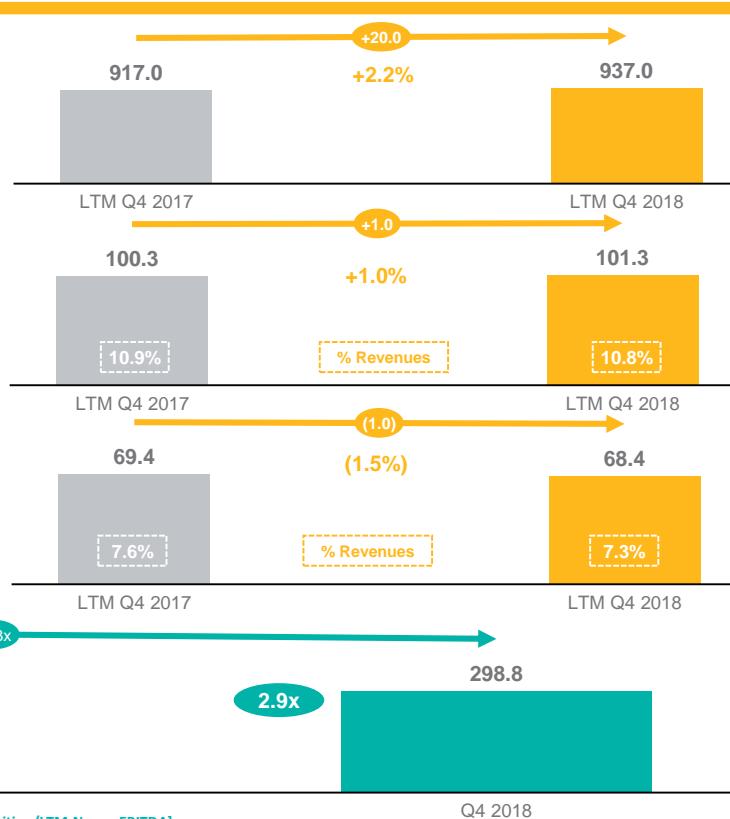
# **KPIs and main Financial Results at Q4 and FY 2018**

# 3 months and LTM KPIs at a glance

## Q4 2017 vs. Q4 2018

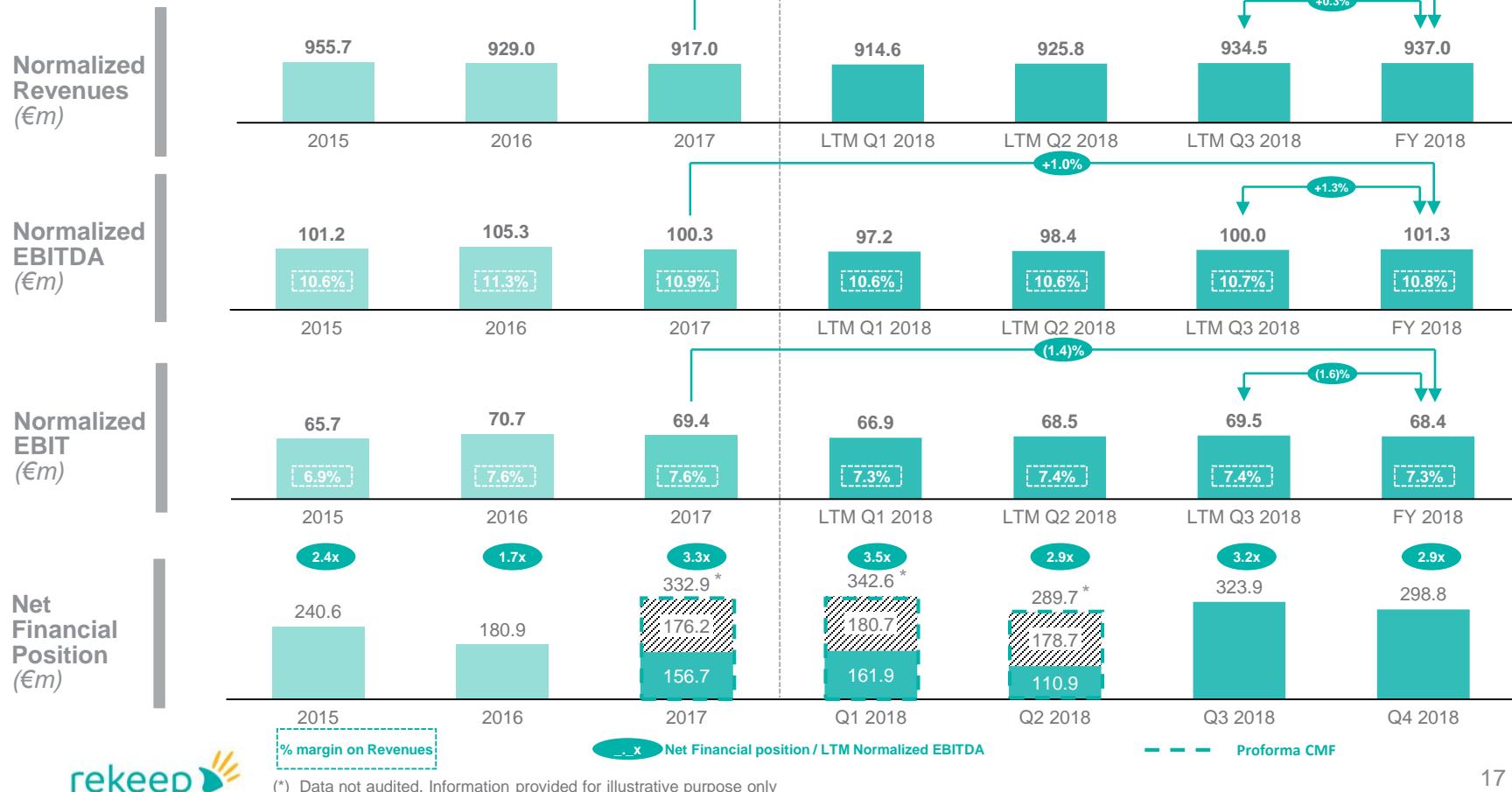


## LTM Q4 2017 vs. LTM Q4 2018



[Net Financial position/LTM Norm. EBITDA]

# Long Term Performance



# Normalized Revenues

## Normalized Revenues, €m



## Considerations

- Higher normalized revenues in Q4 2018 (+1.0%) driven by an increase in both sectors, FM and L&S
  - ✓ FM Revenues increase in Q4 2018 by €2.1m (+0.9%)
  - ✓ Slight recovery of L&S revenues conversely from previous quarters, increased by €0.3m (+0.7%)

## Normalized Revenues by segment, €m



(\* Gross of intra-group eliminations ≈ €3m per annum

## Normalized Revenues bridge by client, €m

Client Segment	Revenue (€m)
Q4 2017	253.1
Facility Healthcare	12.2
Private Sector	0.0
PSEs	(9.9)
L&S Healthcare	0.2
Q4 2018	255.6

- Facility Healthcare** still drives the growth: increase mainly due to MIES2 development and start-up of some new contracts (2018 revenues MIES2 accounted for 16.1 Mio Euro)
- PSEs** decrease mainly due to perimeter change of a large customer, and a loss of some contracts

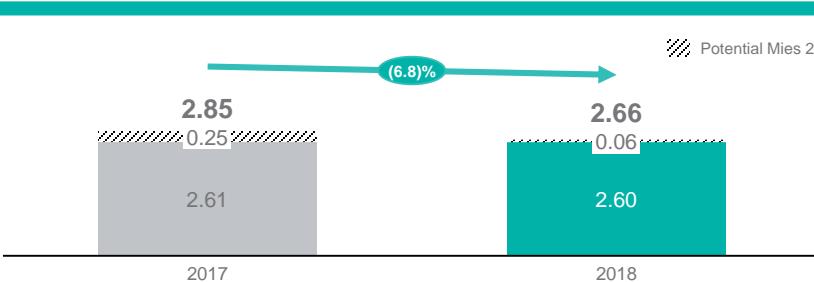
## Normalized Revenues by client, €m

Client Segment	Q4 2017	Q4 2018
PSEs	77	67
Private Sector	61	61
Healthcare	115	127
Total	253	256

+10%

# Backlog

## Backlog, €bn



- Slight decrease of the coverage of future revenues, 2.8 times FY revenues, mainly due to the increase of technical extensions of contracts in portfolio, related to a lower market tendering activity carried out by the Purchasing Entities
- As of today, approximately 75%<sup>(\*)</sup> of the total Mies2 FA has been saturated

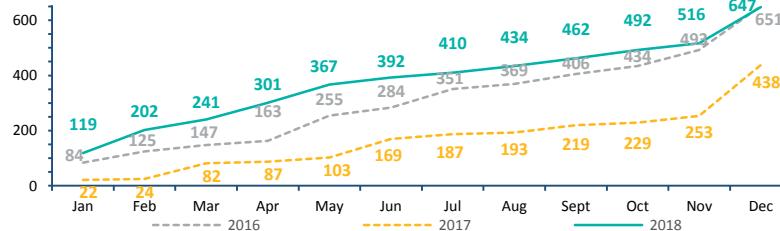
## Revenue visibility from backlog



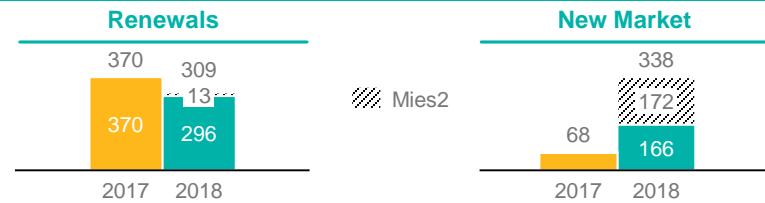
(\*) Total Plafond Mies2 ≈ €251m. €189m already acquired during December 2017 – December 2018 i.e included in BCKLG. €251m - €189m ≈ €61m.

# Commercial Activity

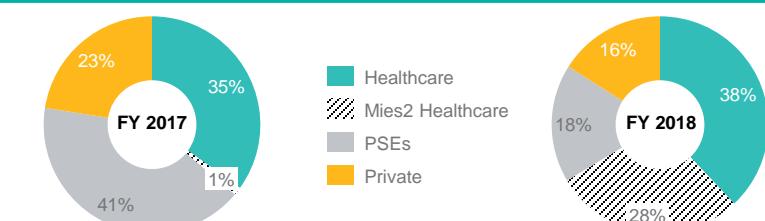
## Value of contracts signed Q4 2018 , €m



## Breakdown of signed contracts YTD, €m



## Signed contracts by Client, €m



## Sales activity

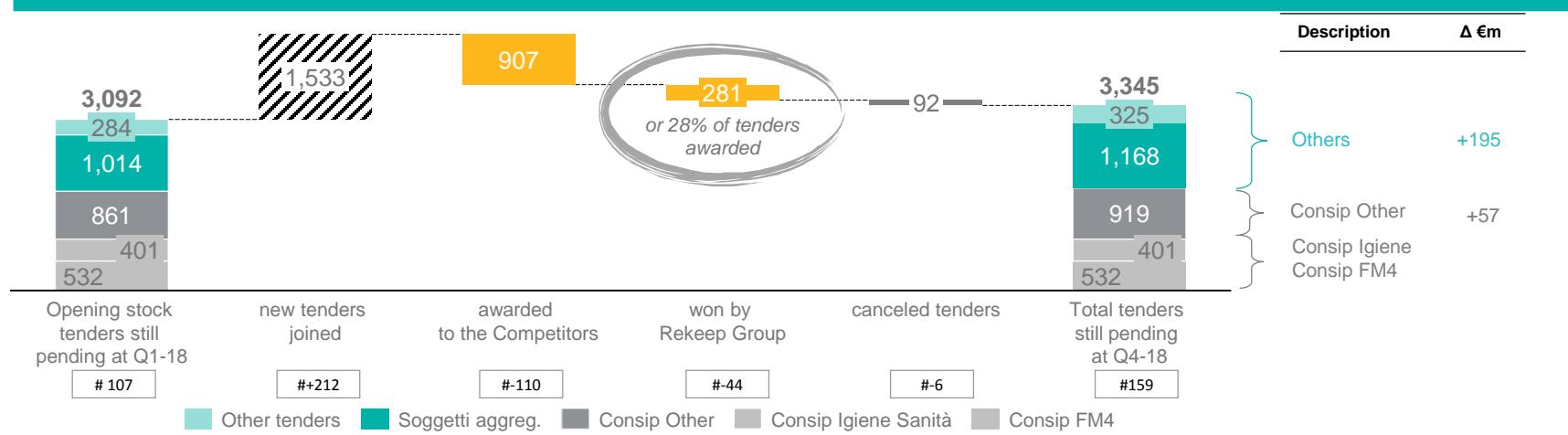
- Awarded pluriannual volume FY 2018 is significantly higher than FY 2017 €647m vs €438m respectively
  - ✓ This increase is pushed by «New Market» acquisitions of €338m confirming the consistent Group development in healthcare market, in which Rekeep Group can rely on a consolidated expertise and know-how
  - ✓ Lower level of renewal vs FY 2017 mainly due to the market delay / postponement in the awarding process of some major contracts

## Sales activity in Q4 2018

Client	Service	Annual Value	Duration	Acquisition type
Intercenter Healthcare Emilia Romagna	Energy/Maintenance	€6.8m	7 years	Portfolio
Bologna Metropolitan City - Schools	Energy	€1.3m	6 years	New Market
Coop Alleanza 3.0	Cleaning	€7.5m	2 years	Portfolio

# Tenders Pipeline - annual

## Tenders Pipeline Bridge by Stock tenders and New tenders



- In 2018 Rekeep Group achieved a win rate of 28% on # of tenders (44 out of 154) and 24% on value of tenders
- Total amount of tenders still pending accounts for €3.3bn
- The tenders held by other central purchasing bodies ("Soggetti Aggregatori") keeps on covering significant share of the total pipeline and allows to maintain the current portfolio and develop new business

# Normalized EBITDA

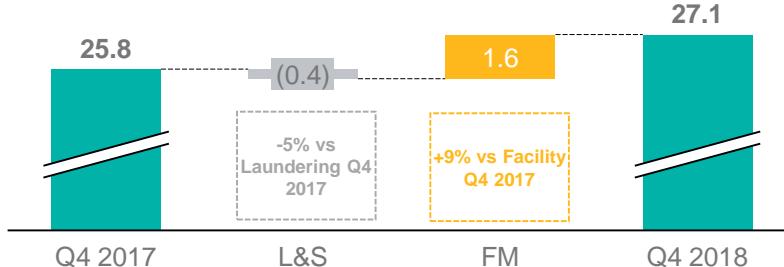
## Normalized EBITDA Q4, €m



- Normalized EBITDA Q4 2018 vs Q4 2017 increased by €1.3m - mainly driven by Facility Management sector:

- ✓ Higher efficiency achieved by the cost saving plan in Rekeep
- ✓ Telepost: performance improvement due to a change in mix of services
- ✓ Again, the negative impact ongoing from the previous quarters in Laundering, partially offsets the positive performance

## Bridge Normalized EBITDA, €m



## Normalized EBITDA FY, €m

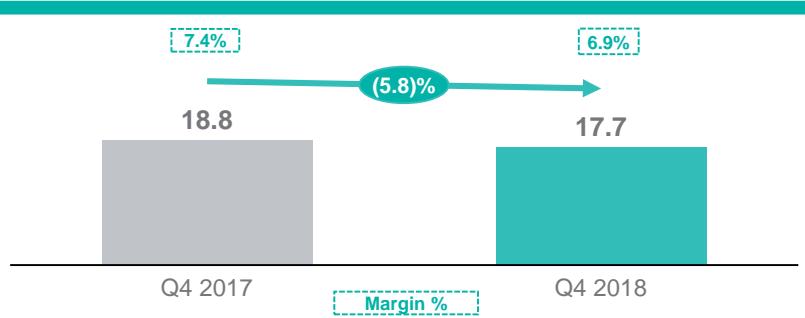


- In 2018, EBITDA is not adjusted for bonus to employees as it is no longer considered as one-off item following a contractual performance scheme signed
- 2018 Normalized EBITDA before bonus to employees is €104.3m, delta YoY is +4.0% on a like for like basis

Q4 2017 adjustments on EBITDA are +€9.7m vs -€0.1m in Q4 2018

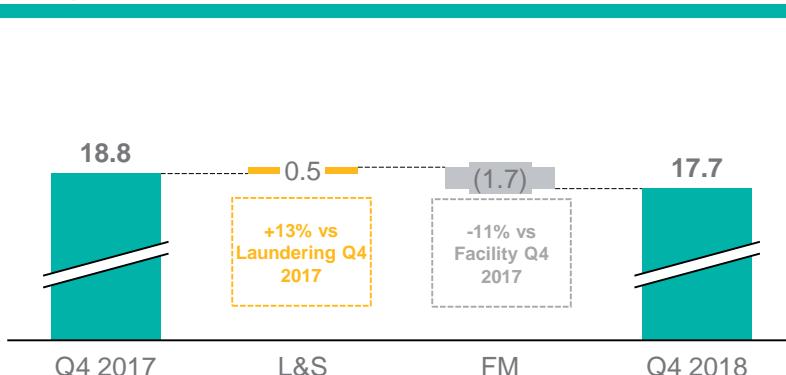
# Normalized EBIT

## Normalized EBIT, €m



- Normalized EBIT decreases to €17.7m, down €1.1m QoQ
- The decrease is mainly driven by provisions/releases effect:
  - ✓ in FM -€1.7m mainly due to a specific positive 2017Q4 release of risk provisions related to some particular contracts and tax matters
  - ✓ in L&S by a positive delta in 2018 +€0.5m, mainly due to a release of a provision previously accrued, and concerning a legal case defined in favor of Servizi Ospedalieri / Rekeep Group

## Bridge Normalized EBIT, €m



Q4 2017 adjustments on EBIT are +€10.9m vs +€0.2m in Q4 2018

# Net Financial Expenses, Taxes, Net Profit

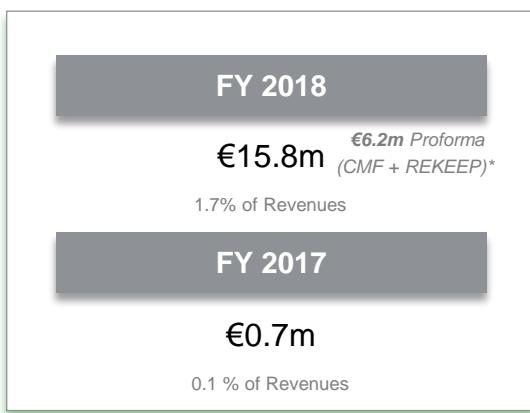
## Net Financial Expenses, €m



## Taxes, €m



## Net Result, €m



- Financial expenses in line with previous year (*excluding pro-forma interests cost*)

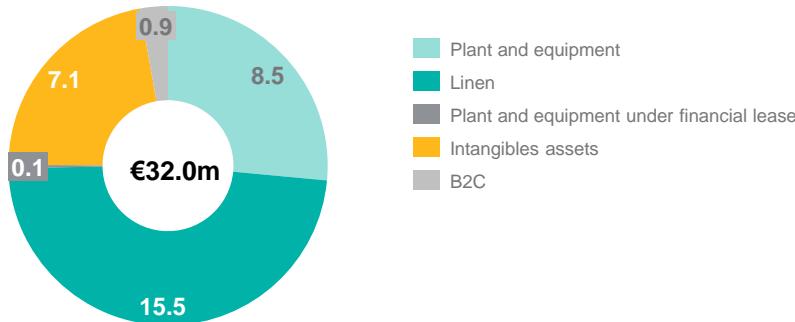
- Net income for FY2017 includes €16.8m of non recurring items mainly related to system charges and to refinancing costs of the Notes
- *Net Income on a PF basis including CMF would be €6.2 Mio*

# Industrial Capex



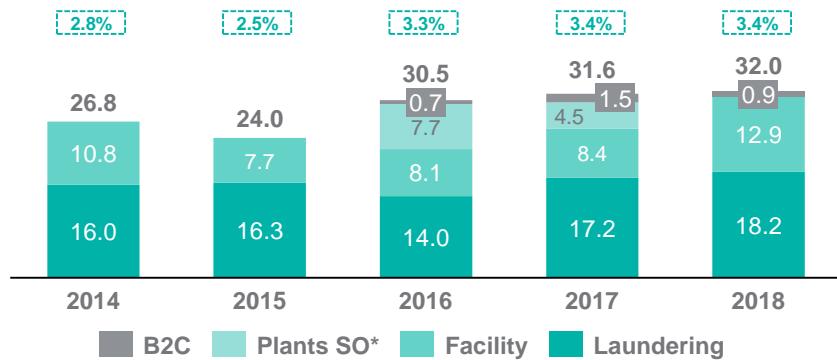
- 2018 Capex accounted 3.4% of FY Revenues, in line with previous years. Capex increase in Facility and Laundering mainly due to:
  - **Laundering:** +€1.0m for renewal of larger contracts and development of new clients as shown in the previous quarters
  - **Facility:**
    - Higher investments in Rekeep World (France) €0.6m.
    - Update of ICT software infrastructure and new IT projects for €1.4m
    - *Investments in tangible assets €2m (PFI - ELE project/Casalecchio Municipality).*

## Capex Breakdown FY 2018, €m



Capex for intangible assets are mainly represented by ICT development

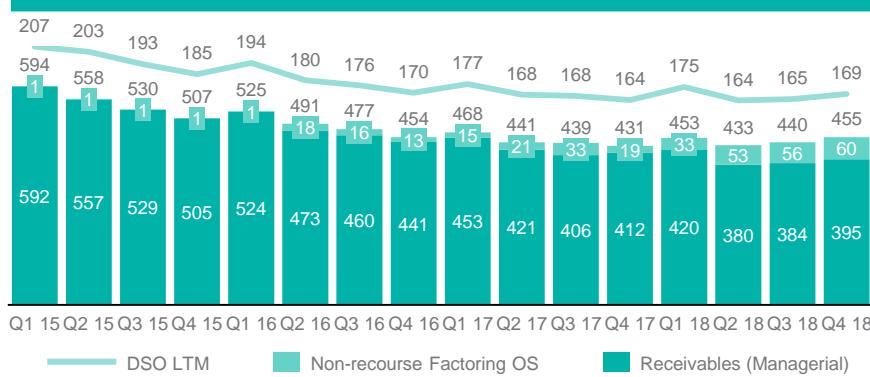
## Capex overview, €m



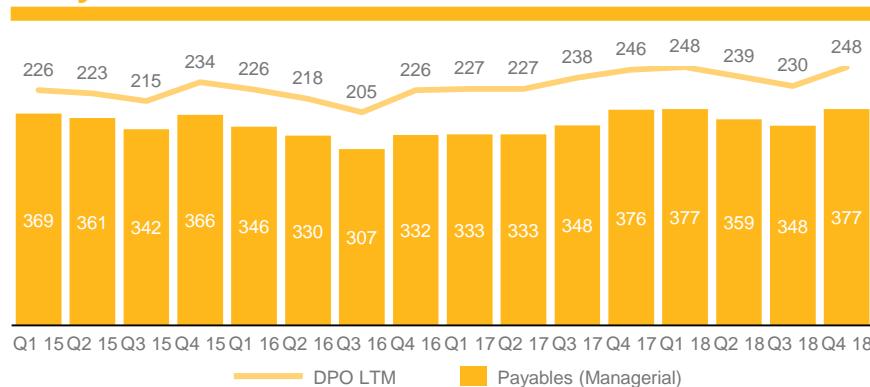
\*one-off capex

# DSOs & DPOs

## Gross Receivables and DSO



## Payables and DPO



- DSOs reach 169 days showing an increase, differently from the previous years in Q4
- Increase is mainly due to a delay in invoicing (+8 days) vs Q3 2018, only partially offset by a decrease in collection (-4 days)
- Stable level of non-recourse factoring at €60 Mio
- DPOs registered an increase (+2 days) vs Q4 2017, in line with Q4 2017 and Q1 2018

*In the upper chart, on top of gross receivables, the amount of factoring outstanding receivables for each quarter is separately depicted, which is taken into consideration to calculate DSOs*

# Net Working Operating Capital

## NWOC

Q4 2018	€25.7m
Q4 2017	€42.2m

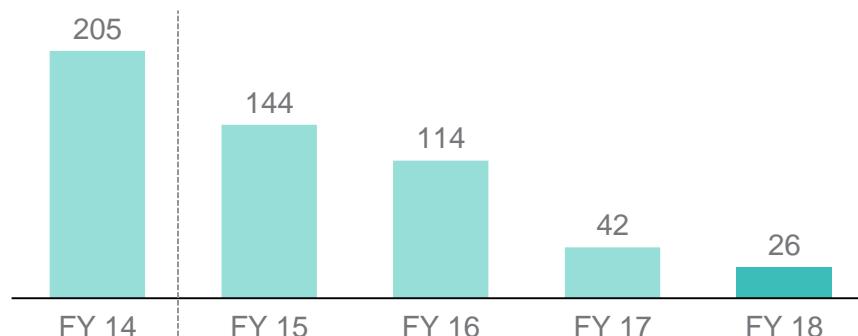
## NWOC / Revenues\*

FY 2018	2.7%
FY 2017	4.6%

- NWOC decrease by €17.9m vs 2017 is mainly due to following elements:
  - Higher DPOs
  - Increase in non-recourse factoring
- The continuous effort on the Working Capital management delivered a historically low level of NWOC% on Revenues to 2.7% (vs. 4.6% in Q4 2017)

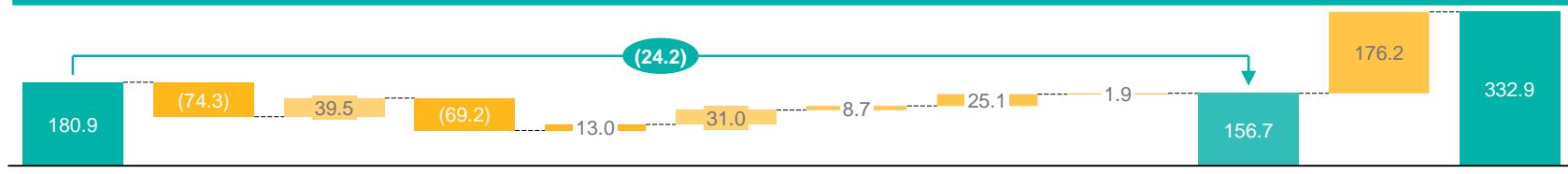
*NB: stock values before FY 2014 are not comparable due to the 2015 introduction of VAT new fiscal regime (Split payment e Reverse charge)*

## Net Working Operating Capital, €m

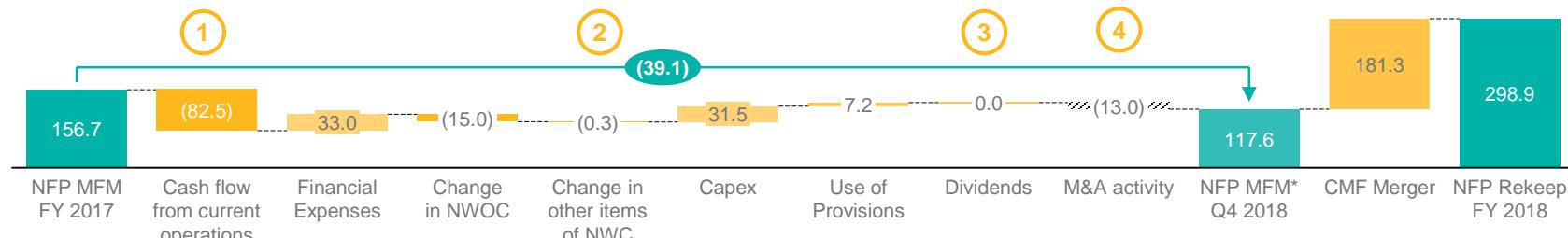


# ...Focus on NFP changes FY 2017 vs FY 2018 (€m)

2017



2018



- ① **Higher cash flow from current operations** FY2018 vs FY2017 mainly due to increase in EBITDA [including impact from startup costs and adjustments] and more efficiency in NWC management
- ② **Normalization of the trend in VAT receivables** in Other NWC Items, following a 2017 change (and spike of +€13 Mio) in VAT regulation
- ③ **No dividend distribution in 2018**
- ④ **M&A activity** consists mainly in i) the sale of 95% of MFM Capital and the ii) sale of a PFI under pre-emption rights iii) ca. €2m investment for EOS acquisition in Turkey, **with an aggregated effect of +€13 Mio Cash**

# ...Focus on Liquidity and Credit Facilities

## Type of Facility as of 31 Dec 2018

		Liquidity Available	Committed	Maturity	Details
<b>BOND</b>	Bond	360.0	-	Jun-22	<ul style="list-style-type: none"> <li>SSN @2022 – 9% Coupon – 5NC3<sup>(*)</sup></li> </ul>
<b>Long Term</b>	RCF	50.0			
	NR Factoring	46.0	204.1	Dec-21	<ul style="list-style-type: none"> <li>Completely undrawn</li> </ul>
	Other	11.8		Dec-21	<ul style="list-style-type: none"> <li>New agreement in place with BFF: Revolving (no longer on a yearly plafond basis), max outstanding €200m, subject to availability of receivables to be sold</li> </ul>
				Apr-23	<ul style="list-style-type: none"> <li>3 credit lines with different maturity</li> </ul>
<b>Short Term</b>	Rec. Factoring	18.4			
	NR Factoring	8.6	61.2	Mar-26	<ul style="list-style-type: none"> <li>Other than factoring facilities, the ST facilities are referable to Hot Money</li> </ul>
	Other	5.8		Uncommitted facilities	<ul style="list-style-type: none"> <li>In place to provide Company with daily management of WC</li> </ul>
<b>Cash</b>	Cash	85.0			

# What's next

- ✓ Rekeep Financial Calendar and materials available on:

<https://www.rekeep.com/en/investors/financial-info/financial-calendar>