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# Rekeep Group

Unicredit High Yield Conference 2019

*Milan, May 22nd, 2019*

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*Q1 results of Rekeep Group are unaudited*

*All CMF pro-forma figures are unaudited*

# Index and Presenters

## Rekeep speakers

**Giuliano Di Bernardo**

*Chairman and CEO*

**Luca Buglione**

*Director – M&A, IR, Strategic Finance*

## Index

- **Company Profile**
- **Key Credit Highlights**
- **Results at Q1 2019**
- **Q&A session**

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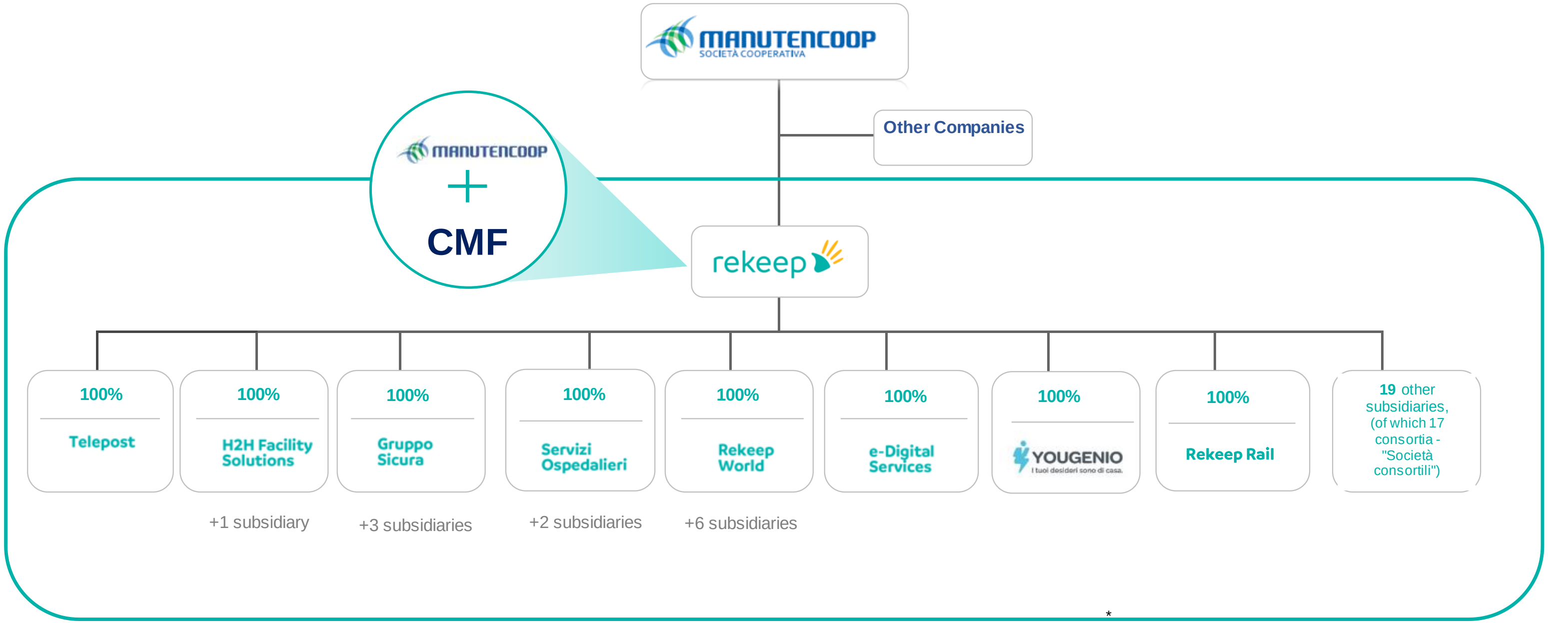
# New corporate structure and Rebranding

**Merger**
On June the 29th 2018, CMF is merged by incorporation into MFM (effective starting from July the 1st)

**Rebranding**
On July the 2nd 2018, MFM becomes officially Rekeep, thus completing the new corporate structure and rebranding process




**RESTRICTED GROUP**

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# Company Profile

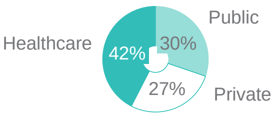
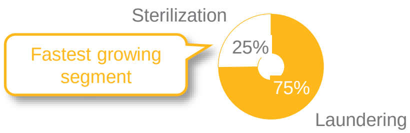
# Rekeep – Key highlights

| | |
|---|---|
| **One-stop-shop and mission critical services** | **Six core services**<br>✓ Cleaning<br>✓ Technical services<br>✓ Landscaping<br>✓ Property management<br>✓ Logistics<br>✓ Laundering & Sterilization |
| **Market leading position with national presence** | **#1** Player in the **Facility Management** industry<br>**#1** Player in the **Sterilization** industry<br>**#2** Player in the **Laundering** industry |
| **Contract-based business with multi-year backlog** | **~3.0x** Revenue **backlog**<br>**90+%** Revenue from **existing contracted customers** each year<br>**98%** **Renewal rate** on top 30 customers[1] |
| **Strong financial profile** | **€946.3m** Normalized LTM Q1 2019 Revenues<br>**€101.4m** Normalized LTM Q1 2019 EBITDA<br>**70%** Steady-state cash conversion[2] |

*Source: Company information*

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

# An integrated service and solution provider…

| | Facility Management | Laundering & Sterilization |
|---|---|---|
| **Main activities** | ✓Maintenance, cleaning, energy services, fire prevention, safety of assets / people and property management<br>✓47 branches across Italy | ✓Linen rental and industrial laundering service<br>✓Fabrics and surgical instruments sterilization<br>✓100+ healthcare entities served (24 sterilization centers, 4 laundering plants) |
| **LTM Q1 2019 Normalized Revenue[1]** | €819.5m (86% of LTM Q1 2019 total Revenue) | €129.2m (14% of LTM Q1 2019 total Revenue) |
| **LTM Q1 2019 Normalized EBITDA** | €71.2m (70% of total – 8.7% Margin) | €30.2m (30% of total – 23.4% Margin) |
| **LTM Q1 2019 EBITDA-Capex** | €57.4m (81% of EBITDA) | €8.9m (30% of EBITDA) |
| **LTM Q1 Revenue Breakdown** |  |  |
| **Brands** | rekeep, SICURA, H2H FACILITY SOLUTIONS, YOUGENIO, e-DIGITAL SERVICES, TELEPOST | SERVIZI OSPEDALIERI |
| **Positioning in Italy** | # 1 | # 1 in Sterilization - #2 in Laundering |

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*Source: Company information, Ministry of Health*

*[1] Gross of Intra-Group elimintation;*

# …with strong coverage and positioning in each customer segment

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| | Healthcare Customers | Public Customers | Private Customers |
|---|---|---|---|
| **LTM Q1 2019 Revenues (% on total)** | *Revenues - €474m*<br>49% | *Revenues - €247m*<br>26% | *Revenues - €237m*<br>25% |
| **Clients** | ✓ **Public and private hospitals**, nursing and retirement homes | ✓ Regional, provincial and municipal **governments**, **schools**, **universities** and other public institutions | ✓ **Large / medium companies** in TLC, financial services, retail, industrial, services and logistic industries |
| **Contract Length** | ✓ FM healthcare: c.4-5 yrs<br>✓ Laundering: c.5-6 yrs<br>✓ Sterilization: c.7-8 yrs<br>***Backlog*** ✓€1,810m | ✓ c.3 – 4 yrs<br>***Backlog*** ✓€472m | ✓ 1 to 3 yrs (often containing automatic renewal clauses)<br>***Backlog*** ✓€196m |
| **Market Coverage** | ✓ 140+ hospitals served[1]:<br>❑ c.24% of Italian hospitals<br>❑ c.90% of the largest hospitals in Italy | ✓ The Group serves[2]:<br>❑ c.130 municipalities<br>❑ 17 provinces<br>❑ 5 regions<br>❑ 27 government entities | ✓ Executed the largest outsourcings in Italy acquiring more than 1,500 people |
| **Key Success Factors** | ✓ Complex and bundled services<br>✓ Service quality guarantee<br>✓ Reduction of risk hazard<br>✓ Investments financing innovations (PFIs)<br>✓ Complex tenders | ✓ Large multi-service contracts<br>✓ Costs efficiencies<br>✓ Investments financing innovations (PFIs)<br>✓ Complex projects | ✓ Expertise in large FM outsourcing (personnel, assets)<br>✓ Costs efficiencies<br>✓ Guarantee service delivery<br>✓ Large customers / multi-site operations (banks, retail chains) |

*Source: Company information, Ministry of Health*
*[1] Management estimates; [2] 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

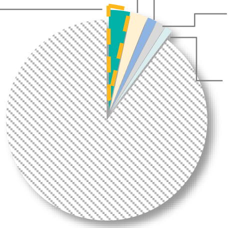
7. Highly variable cost structure and asset-light financial profile

# Leading position in a highly fragmented industry

| Market share | Contribution to LTM Q1 19 Revenues[1] | Highlights | Competitive Advantage |
|---|---|---|---|

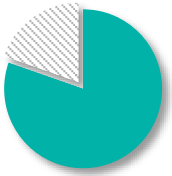
## Facility Management

**Market share**




**Contribution to LTM Q1 19 Revenues[1]**

€819.5m

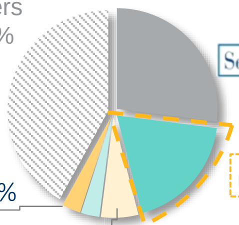



**Highlights**

**#1 player** in Italian FM market

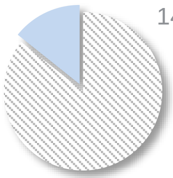
## Laundering &Sterilization

**Market share**




**Contribution to LTM Q1 19 Revenues[1]**

€129m




**Highlights**

**#1 player** in sterilization services

**#2 player** in laundering services

## Competitive Advantage

- **Scale**
- **Multiple location management**
- **Multiservice capabilities**
- **Certifications, skills**
- **Track record**
- **Complex public tender rules**

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

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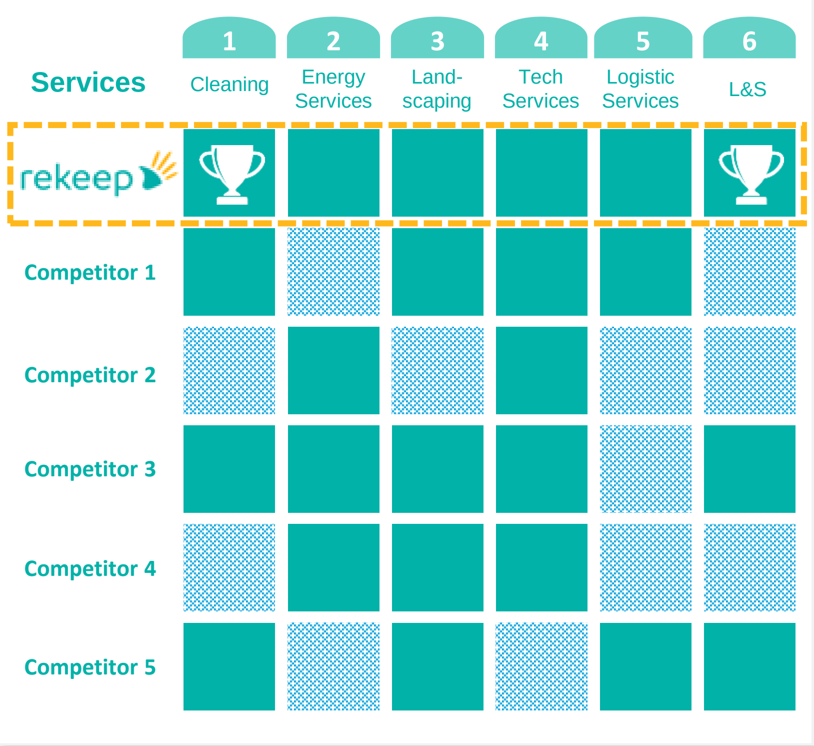
*Source: IC Market Tracking 2016, Smart Lavanderie Industriali - Databank Cerved Group, Apri, company information*

*[1] Gross of intra-group eliminations accounting for €3mm, (0.3%); [2] Listed company 59% controlled by Coopservice; [3] L&S revenues only*

# Fully integrated service provider with strong set of competitive advantages

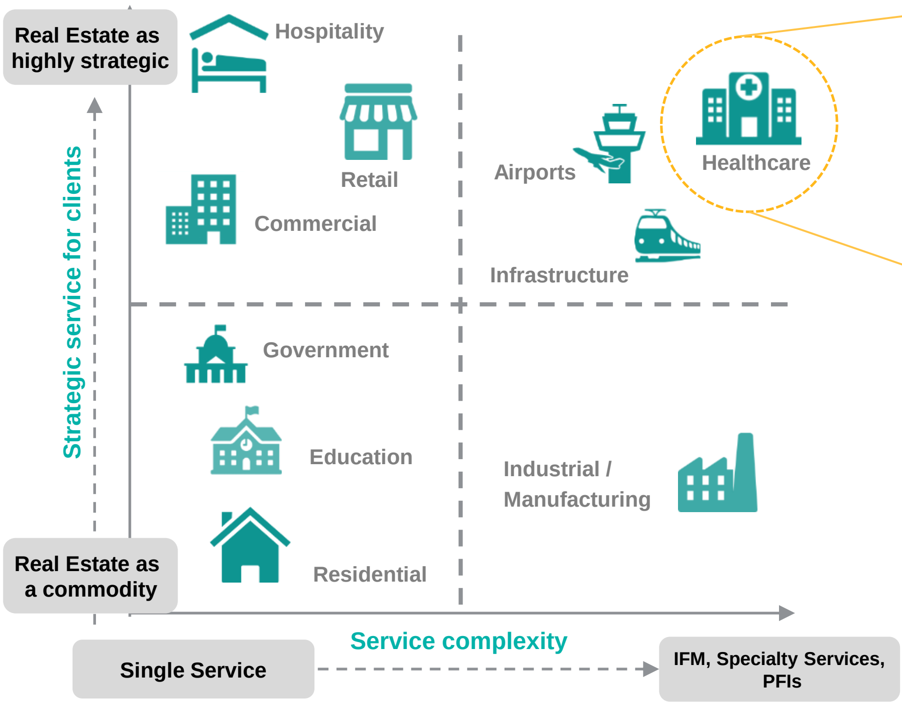
| | |
|---|---|
| **Size** | Largest national player |
| **Portfolio** | Breadth of service offering<br>**Integrated**, **advanced** IFM solutions |
| **Track Record** | **70+ years** in operation<br>Preferred counterparty of PAs |
| **Organizational Excellence** | Unique responsiveness to client requests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




*Source: Company information, IC Market Tracking 2016*

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

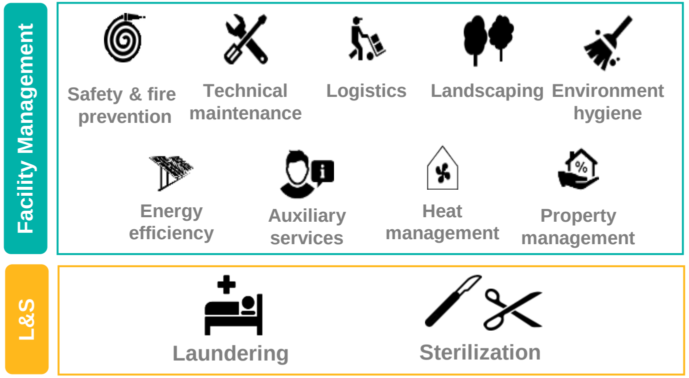
## Total FM Market




## Leading Market Coverage

- Healthcare LTM Q1 2019 revenues: **€474m (49% of total)**
- **140+ hospitals covered**: c.24% of total Italian hospitals and c.90% of the largest[1]
- Management of **complex, integrated services** (e.g. pharma logistics, helicopter platforms, surgical kits)

## A fully integrated platform of services




Source: Company information
[1] Management estimates

# Nationwide presence in growing reference market

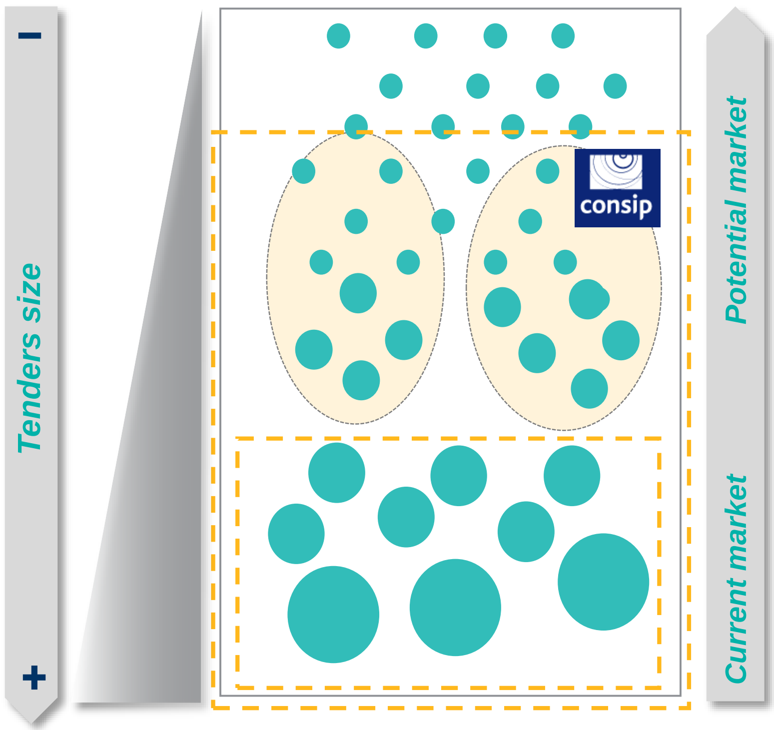
## Nationwide Presence


*Source: Company information*

**Customer proximity**

- Key **purchasing criteria** for clients
- Key driver of **responsiveness**
- Service national, **regional and local contracts**
- **Increase visibility** and ability to capture commercial opportunities
- Allows for choice between **self-delivery/subcontracting**

## Growing Reference Market

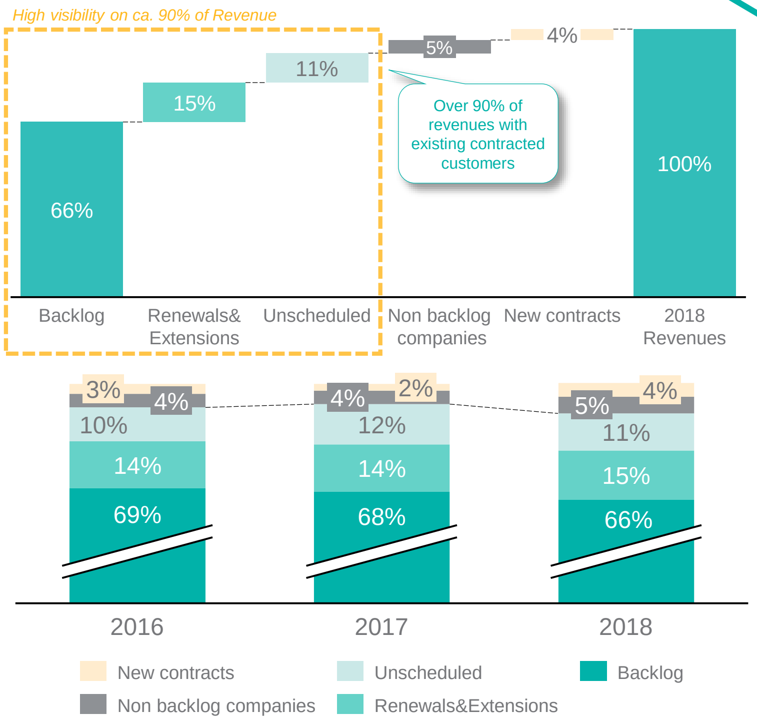



**Unique granularity of network and national reach**

# Highly visible, recurring and diversified revenue base

Sample

## Backlog contribution to annual Revenue




## 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)

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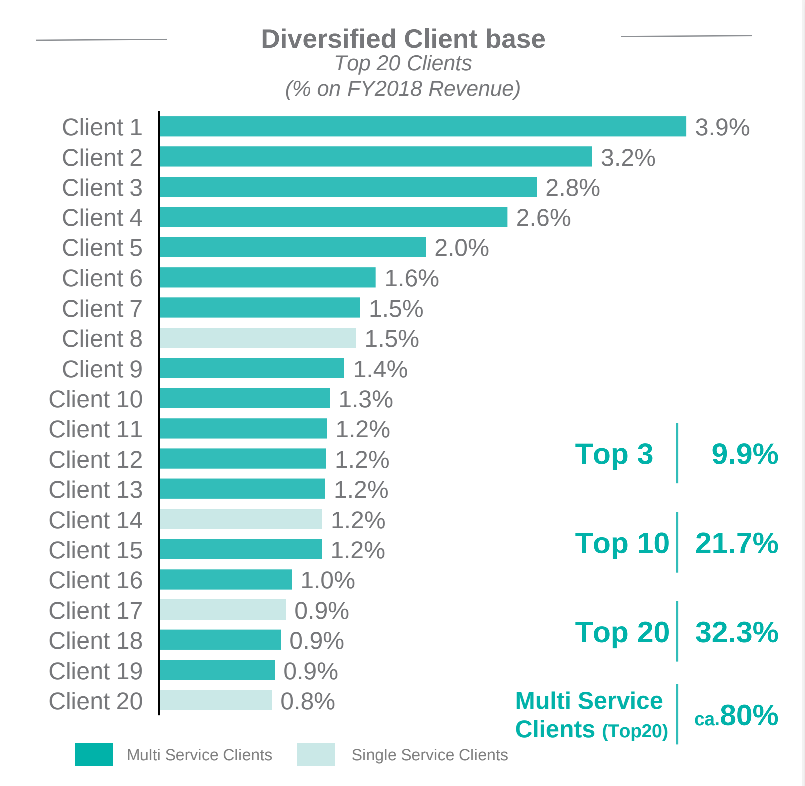
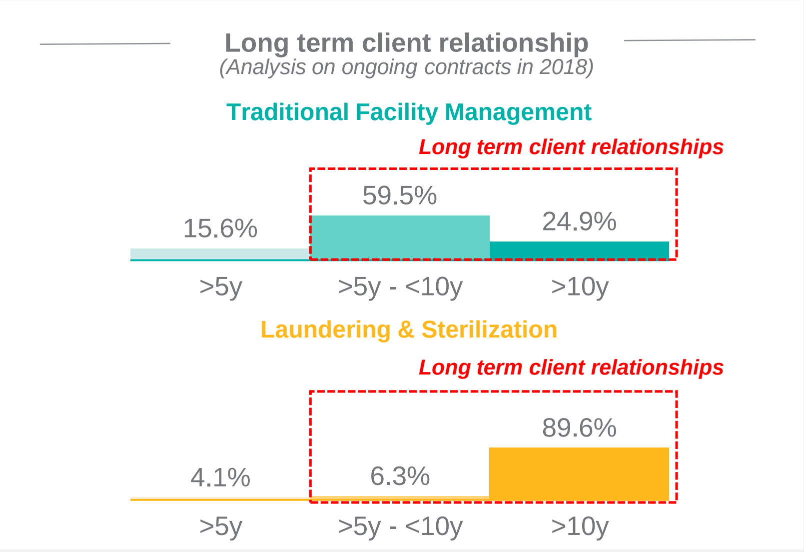
# Diversified and longstanding customer base




- ❑ Highly diversified customer base – highly diversified credit risk
- ❑ Long standing relationship with the customer base in both sector (FM and L&S)
- ❑ **IFM - Really integrated approach to client as 80% of top 20 Customer are served with 2+ services**

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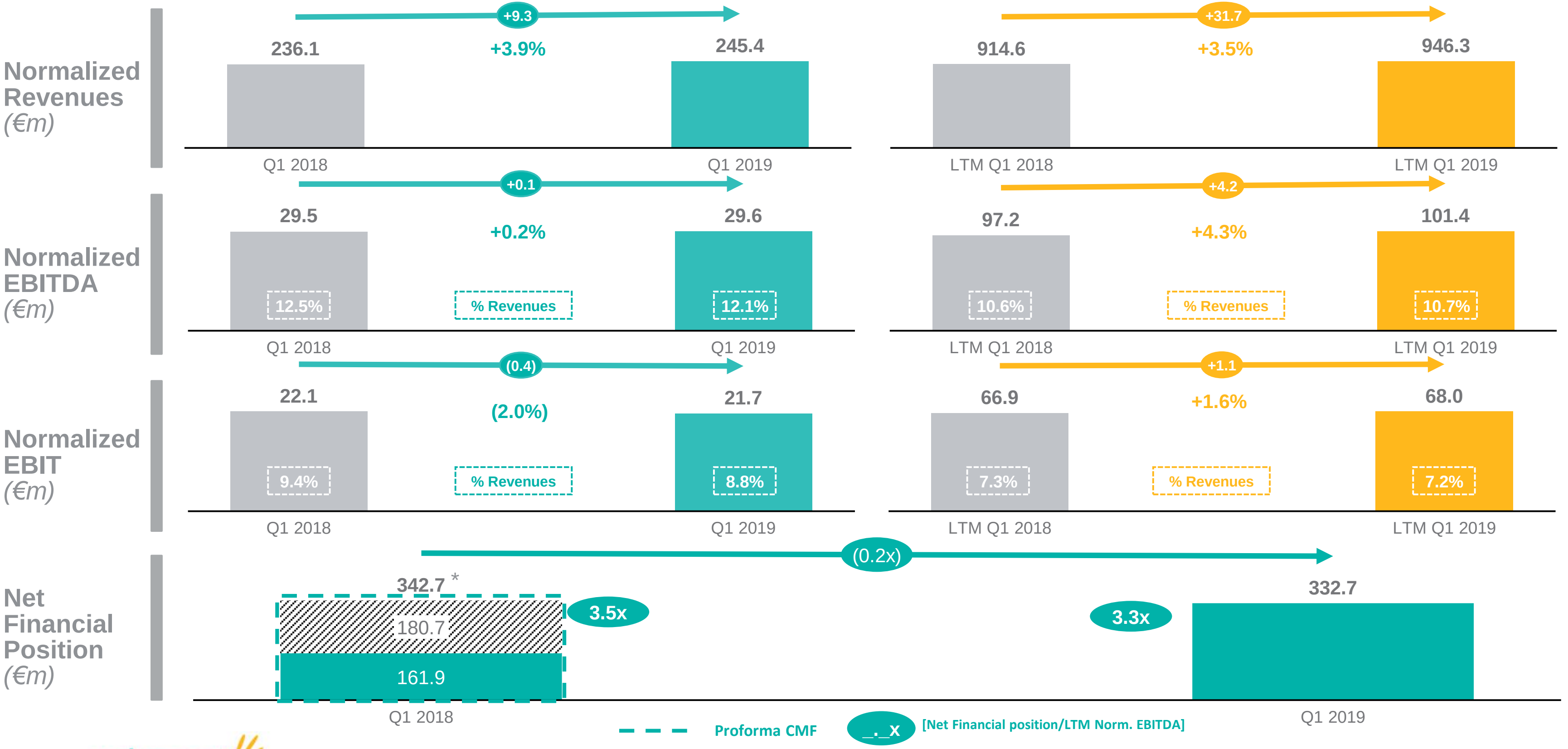
Source: Company information

# KPIs and main Financial Results at Q1 2019

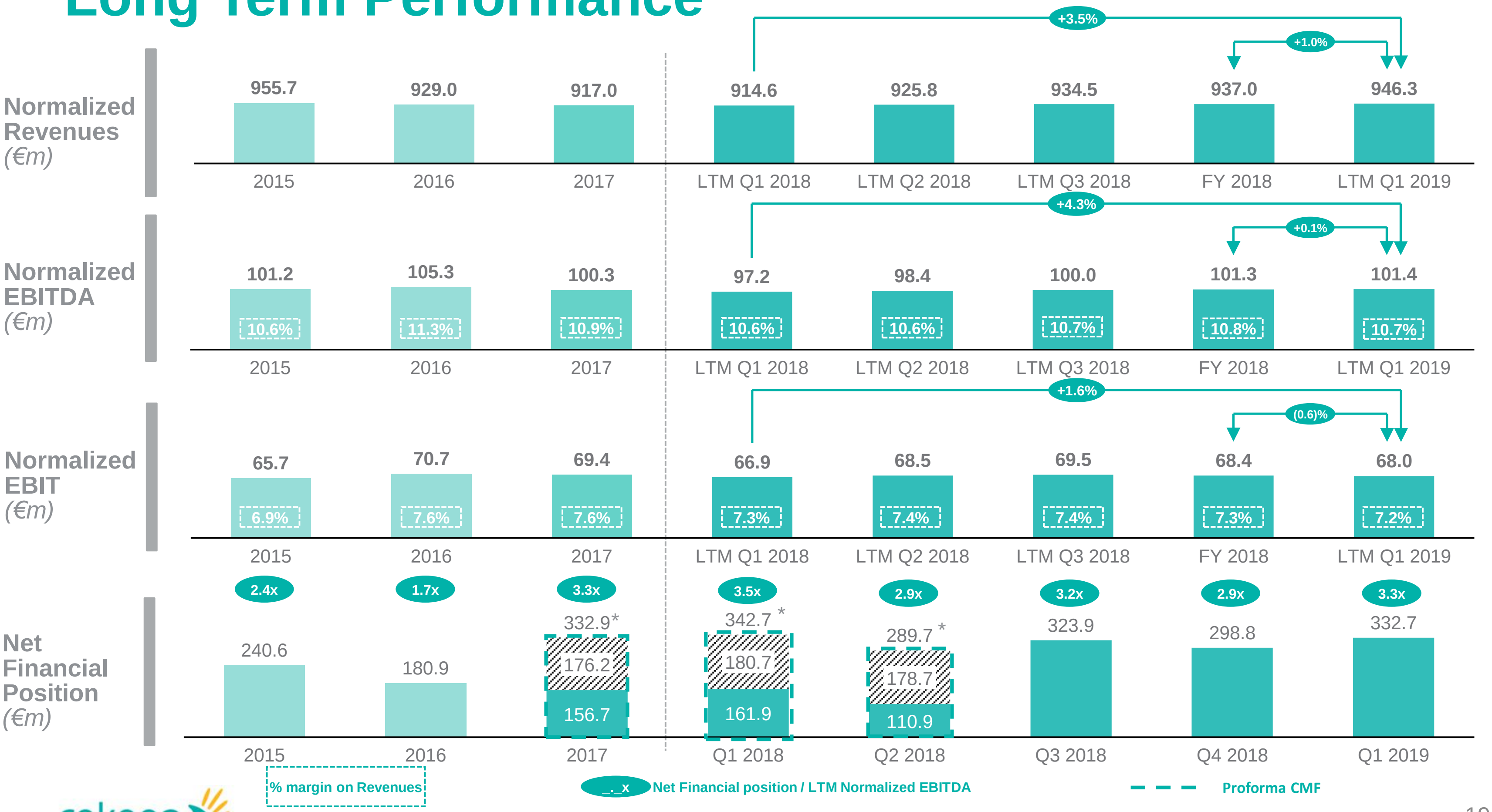
# 3 months and LTM KPIs at a glance

## Q1 2018 vs. Q1 2019 | LTM Q1 2018 vs. LTM Q1 2019




(*) Data not audited. Information provided for illustrative purpose only

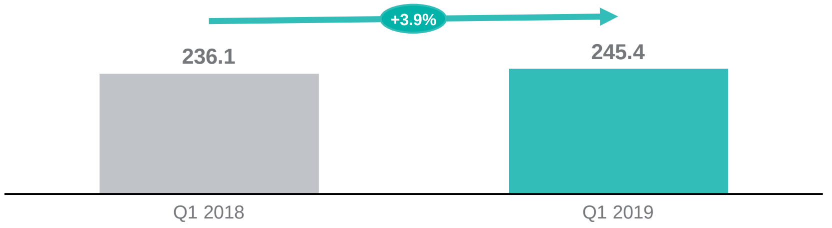
# Long Term Performance




(*) Data not audited. Information provided for illustrative purpose only

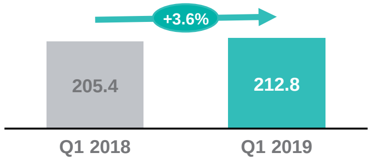
# Normalized Revenues

## Normalized Revenues, €m

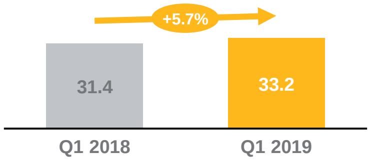



## Normalized Revenues by segment, €m

### Facility Management

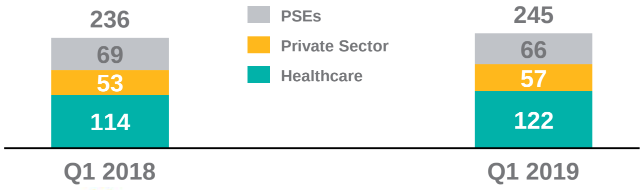



### Laundering&Sterilization




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

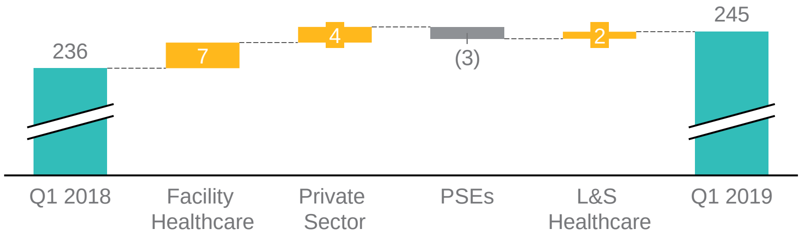
## Normalized Revenues by client, €m




## Considerations

- Higher normalized revenues (+3.9%) driven by an increase in both sectors, FM and L&S
  - ✓ FM Revenues increase in Q1 2019 by €7.4m (+3.6%)
  - ✓ Continuous increase of L&S by €1.8m (+5.7%)

## Normalized Revenues bridge by client, €m




- **Facility Healthcare** still drives the growth**:** increase mainly due to MIES2 development
- **Private Sector** increase mainly driven by H2H revenues
- **PSEs** decrease mainly due to perimeter change of a large customer, and a loss of some contracts

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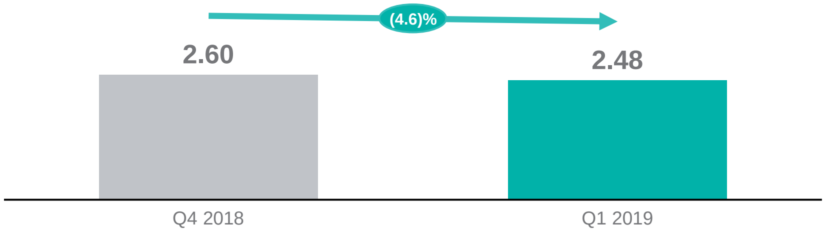
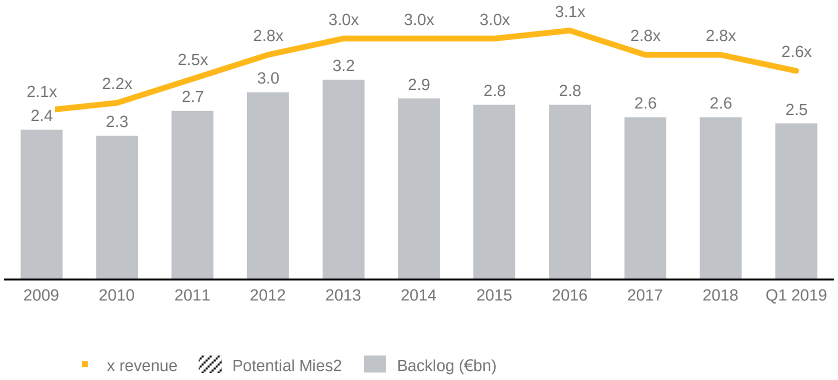
# Backlog

## Backlog, €bn




## Revenue visibility from backlog




- Decrease of the coverage of future revenues, 2.6 times FY revenues, mainly due to the increase of technical extensions of contracts in portfolio (+77% QoQ), related to a lower market tendering activity carried out by the Purchasing Entities
- As of 31 March 2019, approximately 76%(*) of the total Mies2 FA has been saturated.
- Moreover, after the Q1 end, further new contracts have been signed (in April 2019) for the plurennial value of €50m leading to a nearly full saturation of the FA (approximately 96%)
- From the formal activation of the MIES2 FA, the Company has almost completed the fulfillment in approx. 19 months, with an average length of contract of approx. 6 years

*Conversely from previous presentations, both charts do not include potential Mies2 as this framework agreement is close to full saturation*

(*) Total Plafond Mies2 ≈ €251m.
€192m out of the €251 Mio Plafond were acquired during the period 31 December 2017 – 31 March 2019 (Q1-2019), and are included in Backlog Q1 (76%).

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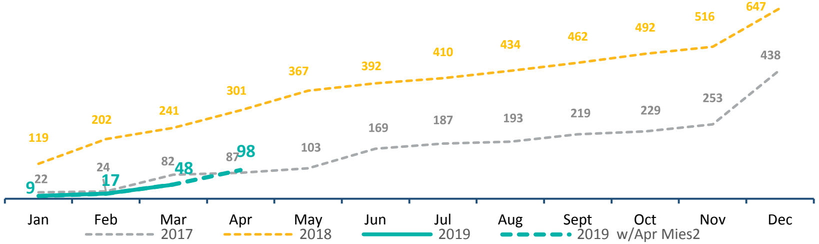
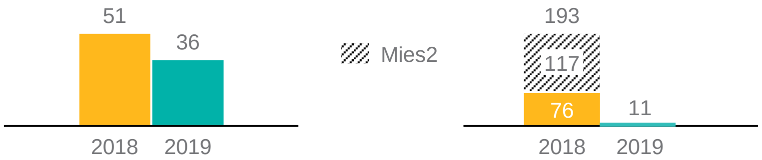
# Commercial Activity

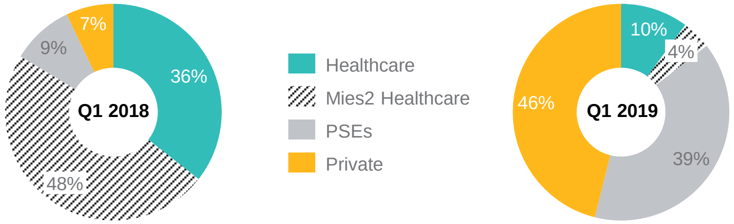
## Value of contracts signed Q1 2018 , €m




## Breakdown of signed contracts Q1, €m




## Signed contracts by Client, €m




## Sales activity

- Lower new contracts acquisitions and renewals due to:
  - ✓ Mies2 close to saturation
  - ✓ Lower market tendering activity in public sector lead to a higher technical extensions of actual contracts
- Increase mainly achieved in private market

## Sales activity in Q1 2019

| Client | Service | Annual Value | Duration | Acquisition type |
|---|---|---|---|---|
| TRENITALIA Lombardia, Campania e Molise | Cleaning | €11.1m | 1 years | Portfolio |
| Coop Alleanza 3.0 | Cleaning | €7.5m | 1 years | Portfolio |
| Carrefour | Cleaning | €3.5m | 1 years | New Market |

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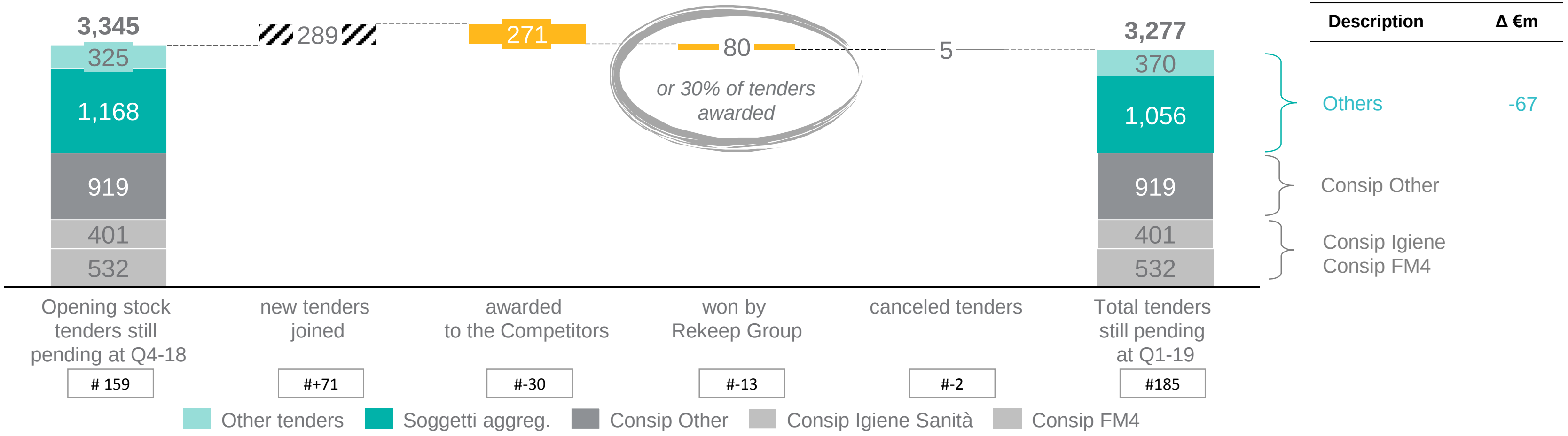
# Tenders Pipeline – Q1 2019

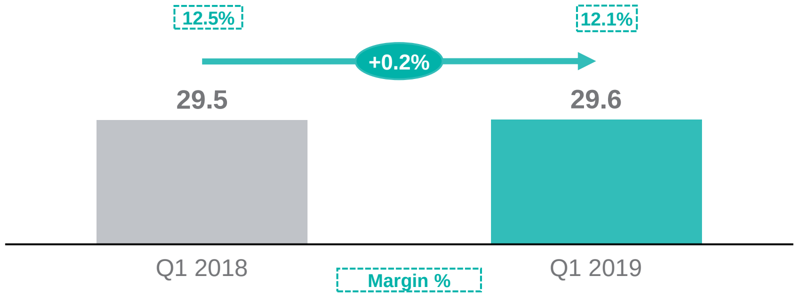
## Tenders Pipeline Bridge by Stock tenders and New tenders



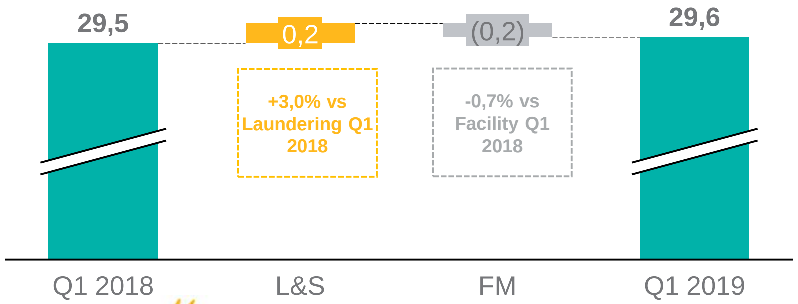

- In the modest awarding market environment, in Q1 2019 Rekeep Group achieved a win rate of 30% on # of tenders (13 out of 43) and 23% on value of tenders
- Total amount of tenders still pending accounts for €3.3bn.
- The tenders held by other central purchasing bodies (“Soggetti Aggregatori”) keeps on covering significant share of the total pipeline and allows to maintain the current portfolio and develop new business.

# Normalized EBITDA

## Normalized EBITDA, €m




## Bridge Normalized EBITDA, €m




- Normalized EBITDA Q1 2019 vs Q1 2018 increased by +€0.1m :
  - ✓ The positive performance in L&S (+€0.23m) is offset by the negative impact of the FM sector (-€0.16m)
  - ✓ In Q1 2019, L&S experienced an increase in Normalized EBITDA of 3,0% compared to Q1 2018, whereas FM underwent a decrease of 0.7% in the same period

*Q1 2018 adjustments on EBITDA are +€0.5m vs +€0.8m in Q1 2019*

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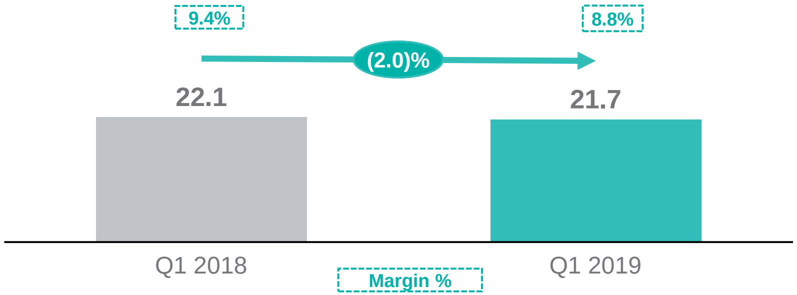
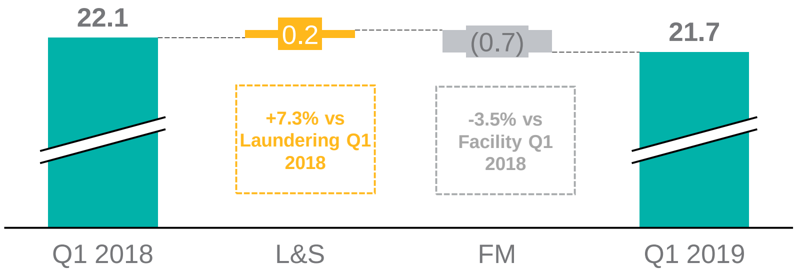
# Normalized EBIT

## Normalized EBIT, €m




## Bridge Normalized EBIT, €m




- Normalized EBIT slightly decreases to €21.7m (-2%), down €0.4m QoQ due to higher level of D&A
- The decrease is mainly driven by the FM sector:
  - ✓ in FM Normalized EBIT is reduced by -€0.7m, which corresponds to a decrease of -3.5% compared to Q1 2018
  - ✓ in L&S Normalized EBIT rises by +€0.2m, which corresponds to an increase of +7.3% compared Q1 2018

*Q1 2018 adjustments on EBIT are +€0.5m vs +€0.8m in Q1 2019*

# Net Financial Expenses, Taxes, Net Profit

## Net Financial Expenses, €m

**Q1 2019 (REKEEP)**

€8.6m

**Q1 2018 (CMF + MFM)***

€9.5m

- Financial expenses lower than Q1 2018 including the buy-back** effect occurred during Q1 2019

## Taxes, €m

**Q1 2019 (REKEEP)**

€8.0m

*EBT €10.5m* *Tax Rate 76%*

**Q1 2018 (CMF + MFM)***

€6.7m

*EBT €10.9m* *Tax Rate 62%*

## Net Result, €m

**Q1 2019 (REKEEP)**

€2.5m

1.0% of Revenues

**Q1 2018 (CMF + MFM)***

€4.1m

1.8 % of Revenues

- Net Income negatively impacted by higher taxes and lower EBIT

(*) Data not audited. Information provided for illustrative purpose only

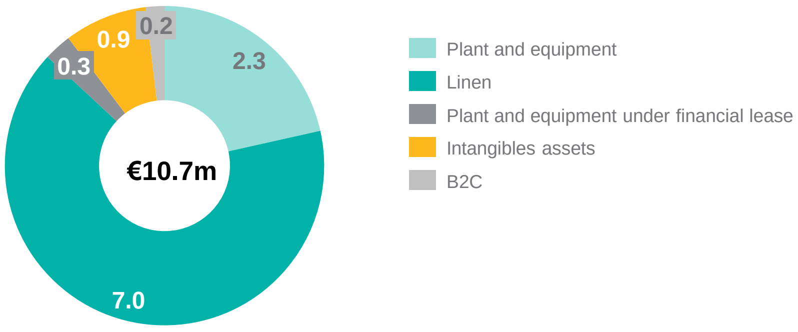
(**) Pursuant to privately negotiated open-market transactions, Rekeep has repurchased approx. €10m aggregate principal amount of its Notes directly from holders – such securities have been cancelled accordingly.

# Industrial Capex

| Q1 2019 |
|---|
| €10.7m |
| **Q1 2018** |
| €6.8m |

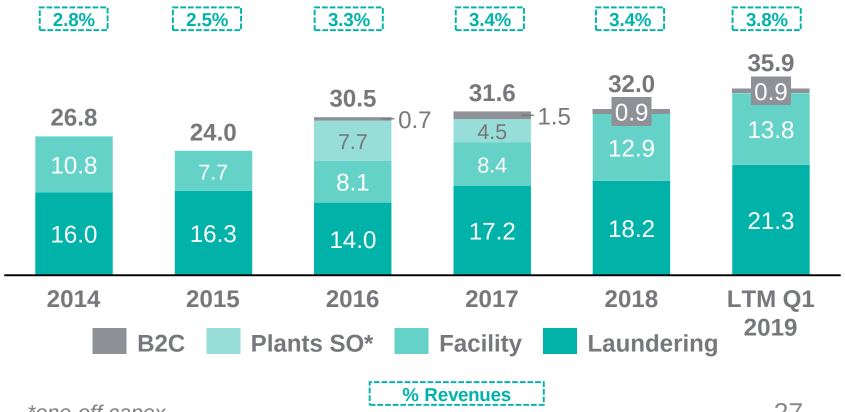
- 2019 Capex accounted 3.8% of FY Revenues. Capex increase in Facility and Laundering mainly due to:
  - **Laundering:** +€3.5m for the development of new major clients (Contracts annual value ~€9m for 5 years)
  - **Facility:** +€0.9m in tangible assets mainly for new PFI projects (PFI - Casalecchio Municipality and PFI – Valsamoggia Municipality)

## Capex Breakdown FY 2018, €m




*Capex for intangible assets are mainly represented by ICT development*

## Capex overview, €m




**one-off capex*

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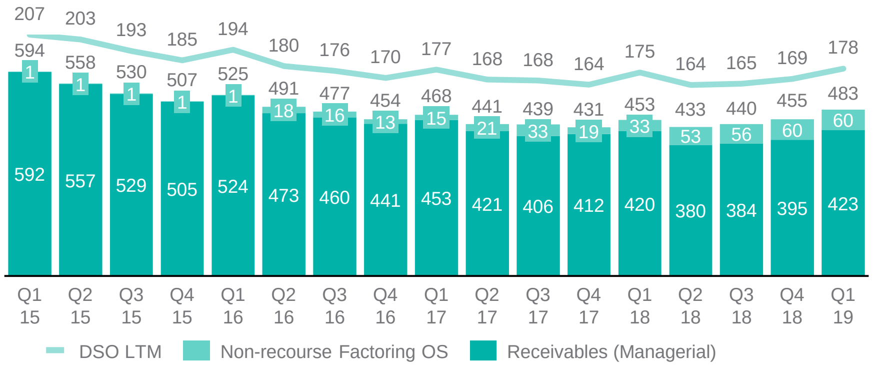
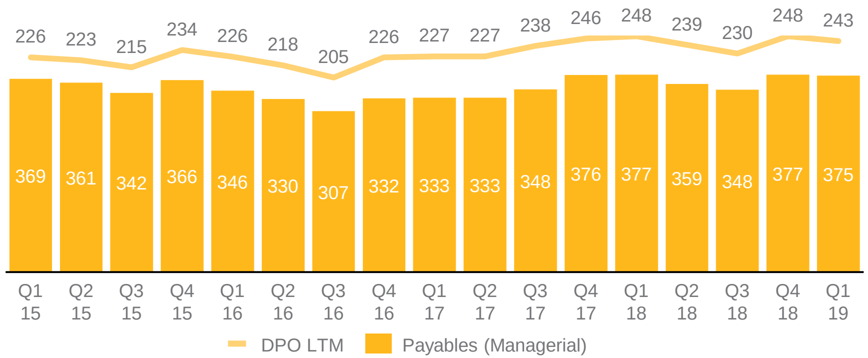
# DSOs & DPOs

## Gross Receivables and DSO




## Payables and DPO




- DSOs reach 178 days showing an increase, similarly to previous years in Q1
  - ✓ Increase is mainly due to a delay in invoicing (+13 days; +€35m) vs Q4 2018
  - ✓ partially offset by a decrease in collection (-4 days; -€7m).
- Stable level of non-recourse factoring at €60m
- DPOs registered a decrease (-5 days) vs Q4 2018 due to acceleration of payment to suppliers in this quarter

*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*

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# Net Working Operating Capital

## NWOC

| Q1 2019 |
|---|
| €56.7m |

| Q1 2018 |
|---|
| €49.2m |

## NWOC / Revenues*

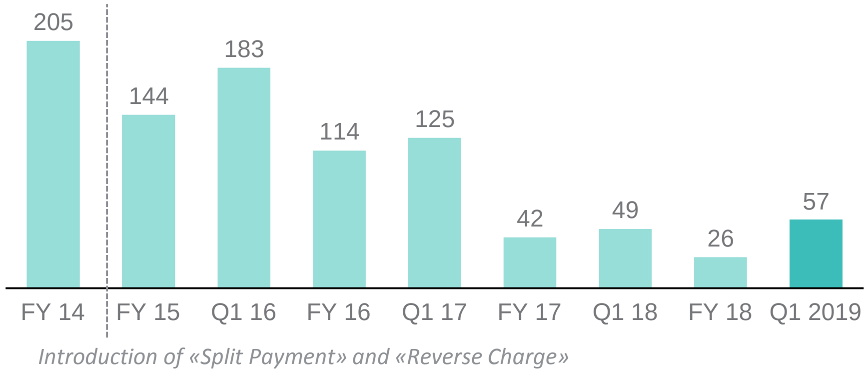
| LTM Q1 2019 |
|---|
| 6.0% |

| LTM Q1 2018 |
|---|
| 5.4% |

- NWOC increase by €7.4m vs Q1 2018 is mainly due to following elements:
  - Higher DSOs
  - Lower DPOs
- Higher NWC vs Q4 2018 due to seasonality effect as in previous years

*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

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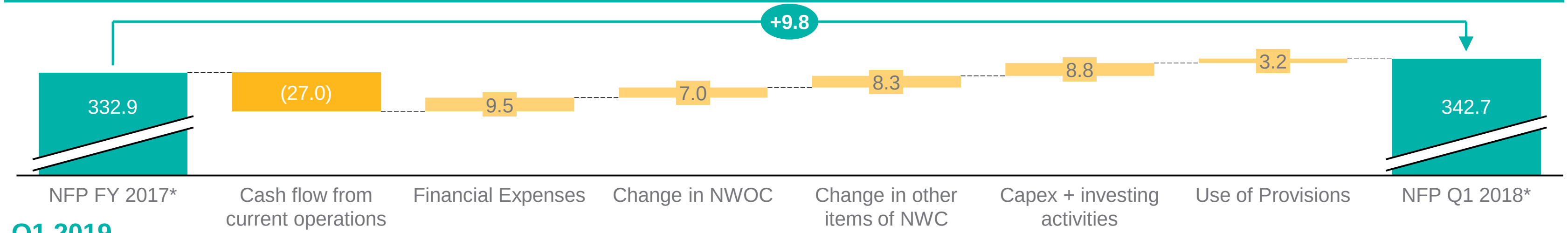
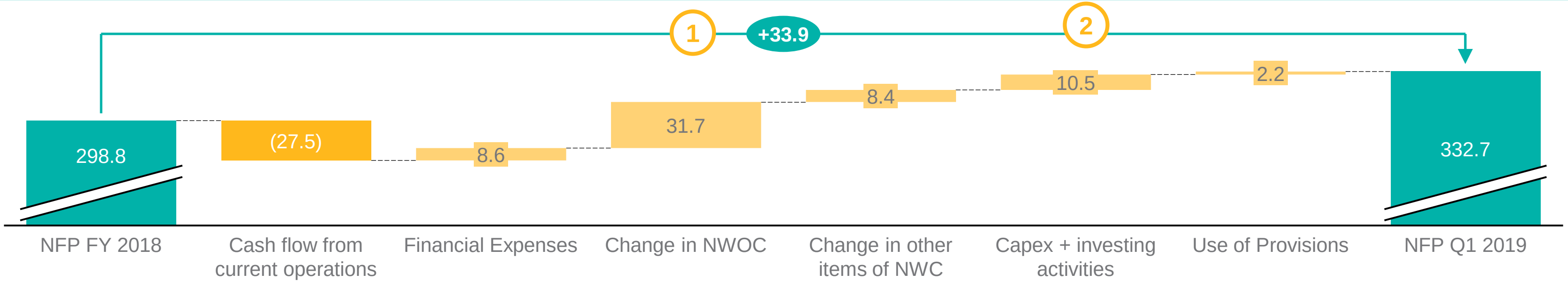
** NWOC / LTM Revenues*

# …Focus on NFP changes Q1 2018 vs Q1 2019 (€m)

## Q1 2018




## Q1 2019




**Increase in NFP in line with Q1 2018 following the business seasonality**

1 **Change in NWOC** increase due to higher revenues vs PY quarter

2 **Higher CAPEX** mainly in L&S the development/start-up of new major clients and PFI investments

(*) Data not audited (MFM + CMF). Information provided for illustrative purpose only

# …Focus on Liquidity and Credit Facilities

| Type of Facility as of 31 March 2019 | | Drawn Down | Liquidity Available | Liquidity Available | Committed | Maturity | Details |
|---|---|---|---|---|---|---|---|
| **BOND** | Bond | 349.7 | | - | ✓ | Jun-22 | • SSN @2022 – 9% Coupon – 5NC3(*) |
| **Long Term** | RCF | | 50.0 | 201.1 | ✓ | Dec-21 | • Completely undrawn |
| | NR Factoring | 50.5 | 149.5 | | ✓ | Dec-21 | • New agreement in place with BFF: Revolving, max outstanding €200m, subject to availability of receivables to be sold |
| | Other | 13.0 | | | ✓ | Apr-23<br>Mar-26 | • 4 credit lines with different maturity |
| **Short Term** | Rec. Factoring | 19.1 | 10.9 | 51.3 | ✗ | Uncommitted facilities | • Other than factoring facilities, the ST facilities are referable to Hot Money |
| | NR Factoring | 9.7 | 35.3 | | ✗ | | • In place to provide Company with daily management of WC |
| | Other | 1.7 | 5.7 | | ✓ ✗ | Dic-20 | |
| **Cash** | Cash | | 54.9 | 54.9 | | | |

Drawn Down | Liquidity Available

*(*) Pursuant to privately negotiated open-market transactions, Rekeep has repurchased approx. €10m aggregate principal amount of its Notes directly from holders – such securities have been cancelled accordingly. Consistently with our policy to proactively manage our debt profile, the Company may make further purchases of notes from time to time*

# What’s next

- ✓ Rekeep Financial Calendar and materials available on:

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

# Q&A session