Call on Q2 2023 Results

August 30th, 2023, 17CET

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Rekeep Group's Q2 2023 Results are subject to limited auditor's review

Pro-Forma Revenues, EBITDA and EBIT are not audited or reviewed or intended to comply with applicable accounting standards – they are provided for illustrative purposes only and does not purport to represent or project current or future results

Index and Presenters

Rekeep speakers

Giuliano Di Bernardo

Chairman and CEO

Riccardo Bombardini

Head of Investor Relations

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- *Q&A session*

Key Quarter Highlights (1/2)

Revenues

- The Group registers a slight decrease in revenues at €284.0m with a -3.2% decline vs Q2 2022, mainly driven by the reduction of Energy Management services, counterbalanced by a positive performance in L&S and International business
- LTM Revenues at Q2 2023 keep a positive trend, registering an increase of +8.5% landing at €1,280.6m
- Revenues in Healthcare carry on growing, registering a solid +8.5% CAGR (vs. +5.5% on a Group basis) since FY2017, consistently with Group's repositioning strategy, confirming to be the largest and preferred market with a 64% share of Total Revenues at LTM Q2 2023

EBITDA / EBITDA Margin

- Quarterly EBITDA stands at €30.3m, with an +13.0% increase vs Q2 2022, supported by Q2 Tax Credit (€1.9m) and general positive impact from L&S activities
- Q2 2023 LTM EBITDA reaches record level at €148.2m, with marginality at 11.6% level, supported by FY2022 and H1 2022 Tax Credit (€45.6m).

Backlog & Commercial Activity

- Commercial performance improved vs H1 2022 mainly due to an intense performance in renewals activity, especially in the Healthcare segment, coupled by a solid win rate - with a 39% on # of tenders and 28% on multi-annual value of tenders
- Q2 2023 backlog at €2.8 Bn is conservatively accounted with historical not-inflated tender values, and highly exposed to Healthcare market accounting for 76% of the total

Key Quarter Highlights (2/2)

NOWC

- DSOs at 160 days at Q2 2023 down 5 days vs Q2 2022 - but still higher than Group historical level - is mainly due to the amplification of the working capital effect, driven by the surge in volumes for energy management in 2022 still to be cashed in
- DPOs sensible decrease vs Q2 2022 by -31 days to 163 days is due to both the contingent acceleration of payment terms requested by certain energy suppliers in 2022 and the speeding up of suppliers' payment made possible thanks to liquidity obtained under €60m confirming credit line signed in Q2 2023
- NOWC at €137.5m, at 10.7% of Revenues while Domestic NWOC stands at €106.1m (9.5% of Domestic Group Revenues)

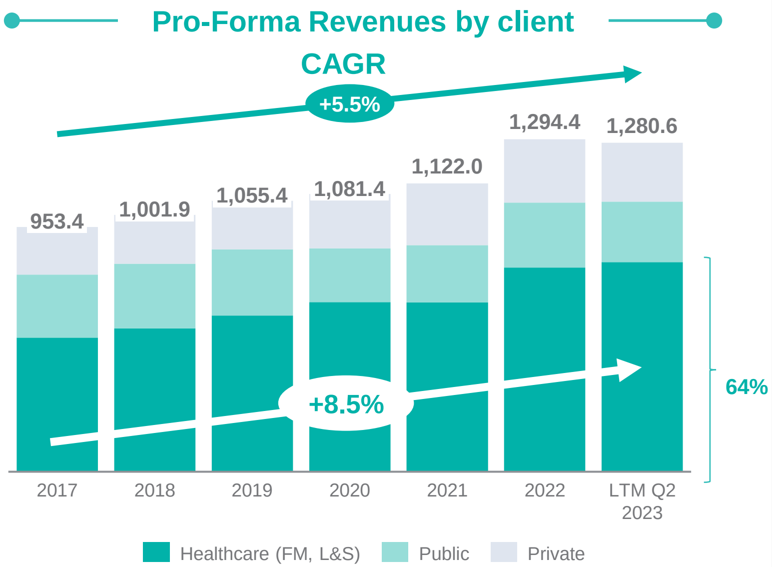
Net Financial Profile and Cash Position

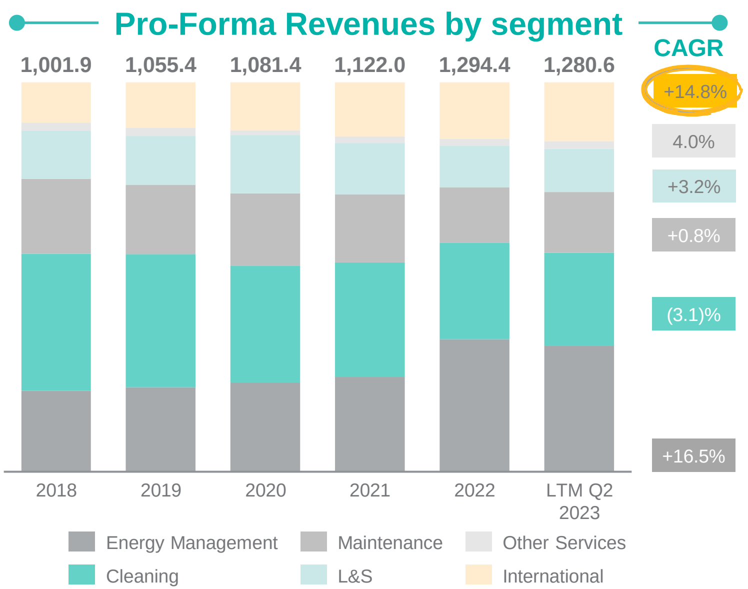
- In Q2 2023, NFP (w/o Potential Debt) stands at €454.7m with leverage* at 3.1x on EBITDA
- Major impact in Net Debt has been triggered by the increase in cost of energy carriers in 2022, resulting in a sensible increase of Working Capital and Cash Collaterals related to energy supply for the Group starting from Q1 2022
- During Q2 2023, the Group entered in a new €60m financing agreement (**Confirming Agreement**) equally provided by SACE Factoring SpA and Banca Sistema SpA: this financing agreement consists of a €60m credit line with 18 months maturity, backed by a guarantee issued by the Italian insurance-financial company SACE SpA (State-controlled entity). Liquidity available under this new credit line has been used to tactically reduce the usage of more expensive credit lines such as Reverse Factoring and Recourse Factoring (-€32m and -€8m vs Q1 2023, respectively)
- The Company confirms its commitment to deleverage, while retaining a sound liquidity position

❑ ***Consistently with our policy to proactively manage our debt profile, the Company may make purchases of notes from time to time***

(*) Net Financial position (w/o Potential Debt) / LTM Pro-Forma EBITDA

Revenues historical trend by market segment





- The Group has shown an overall constant growth, with a **CAGR of +5.5%** during 2017 – LTM Q2 2023
- Specifically, **Healthcare** exposure delivered a superior growth, with a **CAGR of +8.5%** during 2017 – LTM Q2 2023 (vs 8.1% in FY2022), as well as **International business** showing a strong increase with a Pro-Forma **CAGR of +14.8%** in the period 2018 – LTM Q2 2023 (vs 4.3% Domestic revenues growth in the same period)

Data are Pro-Forma: Sicura and Yougenio are excluded while Poland is included since 2016
Data in €m

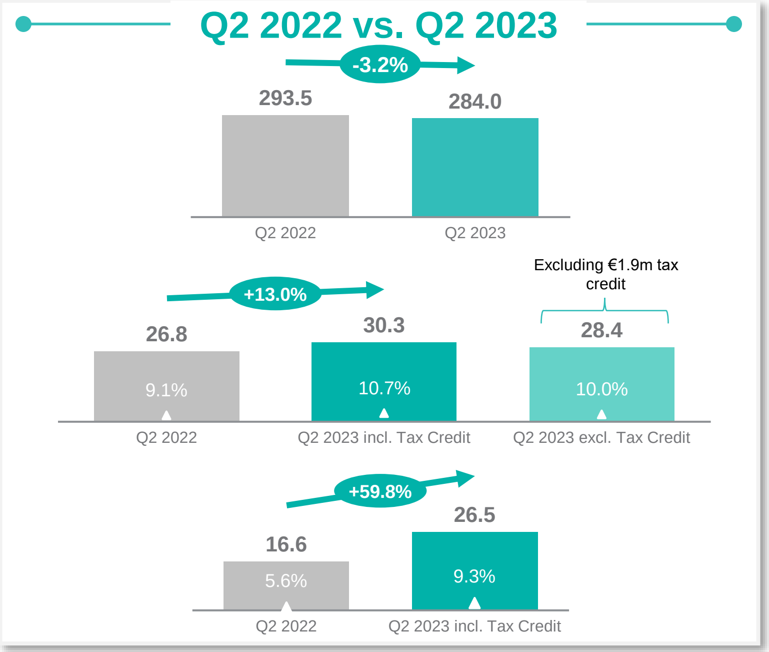
3 months and FY KPIs at a glance

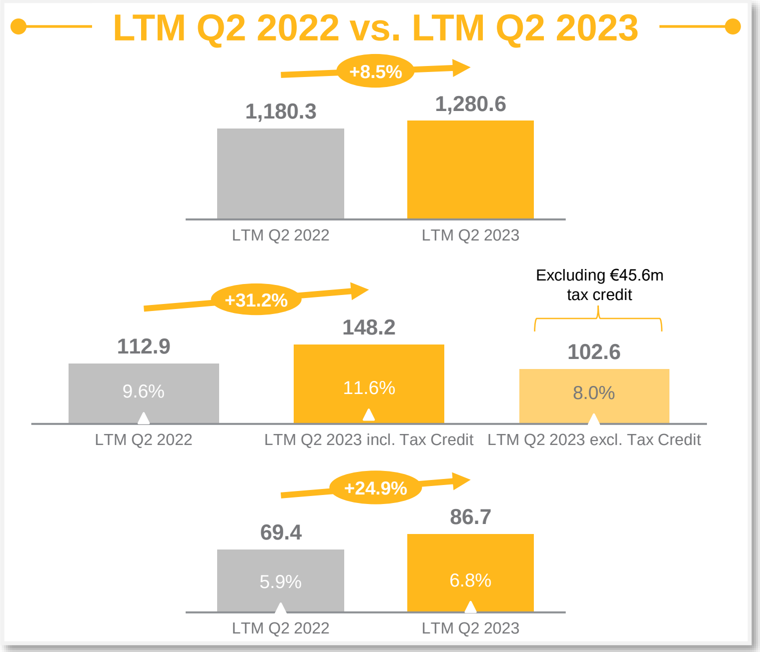
Revenues *(€m)*

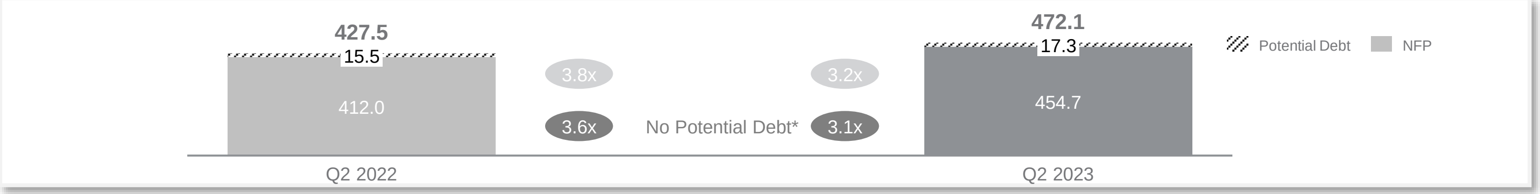
Adjusted EBITDA *(€m)*

Adjusted EBIT *(€m)*

Net Financial Position *(€m)*







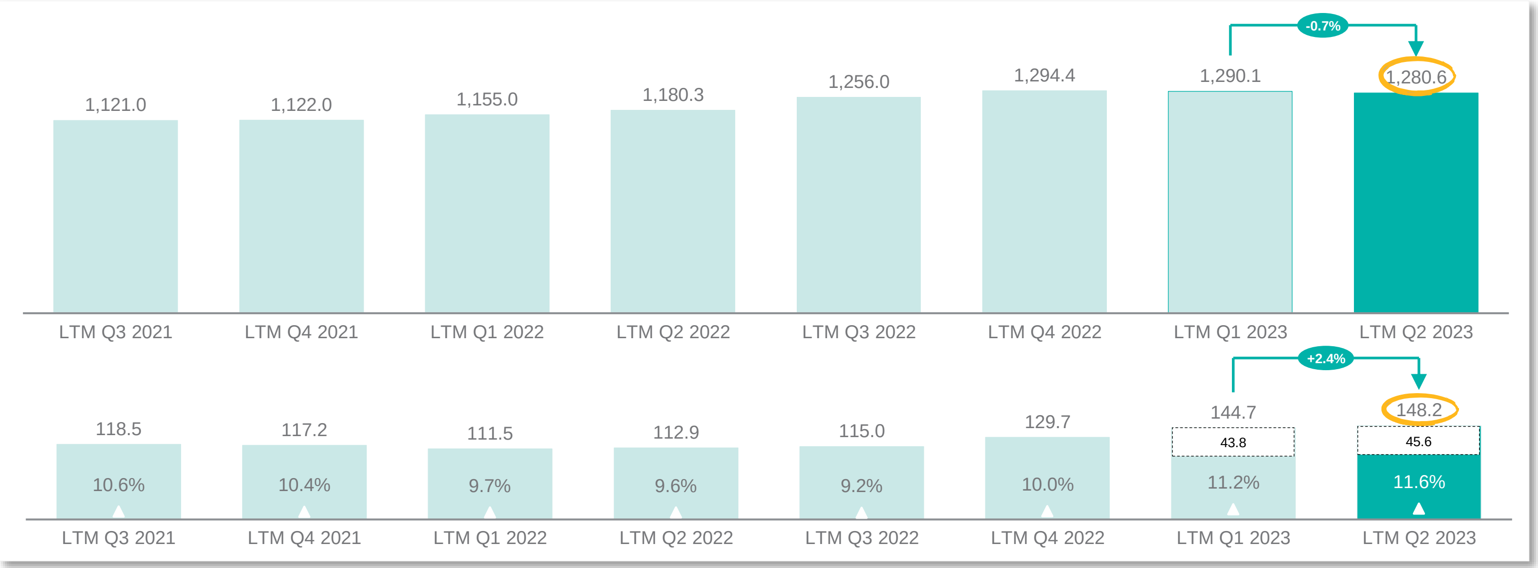
_._x Leverage ▲ Margin%

- Potential Debt mainly refers to Put Option for 20% stake in Rekeep Polska and it is measured on expected (and significantly higher) EBITDA BP 2024

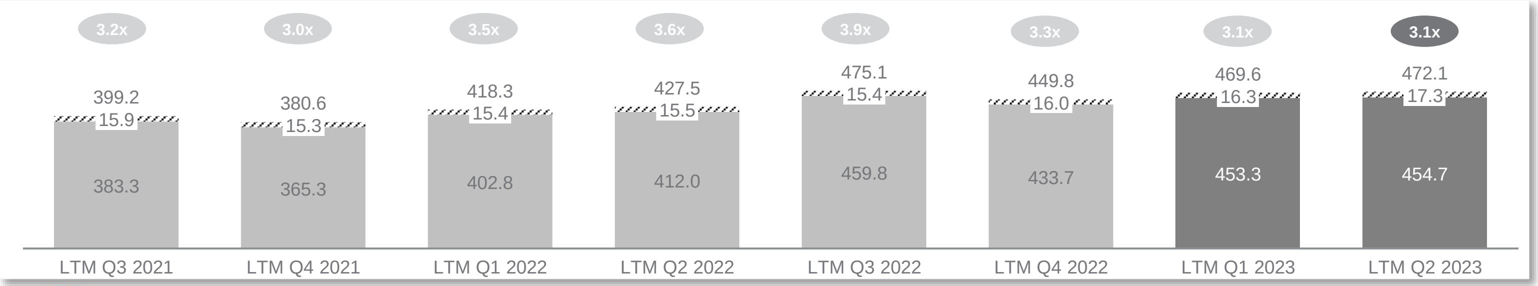
LTM Performance

Revenues *(€m)*

Adjusted EBITDA *(€m)*



Net Financial Position *(€m)*



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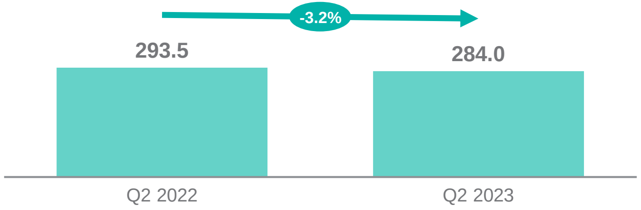
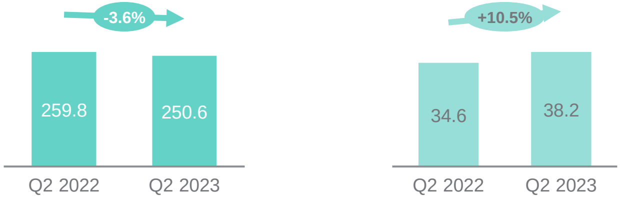
Potential Debt | _._x Leverage w/o Potential Debt (see Definitions) | Margin% | Tax Credit

Revenues, YoY

Revenues



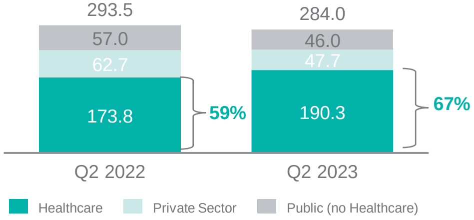
Revenues by segment(*)



Facility Management

Laundering&Sterilization

Revenues by client



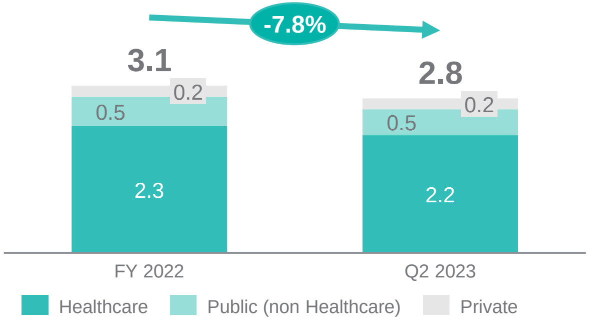
Comments

- Q2 2023 Revenues slightly decrease vs Q2 2022 (-3.2% QOQ) landing at €284.0m
- The trend in volumes in Q2 2023 is driven by:
  - \- FM segment decrease -3.6% vs Q2 2022, mainly due to reduction in primary energy prices reducing revenue volumes: H1 2023 energy prices - gas and electricity - registered an average decline of c. 40% vs H1 2022
  - \+ A good performance for International business, especially from Polish activities (+20% QOQ)
  - \+ L&S volume increase (+10.5% QOQ) progressively back on track after rationalization and revamping of its organization, and driven by the inception of one key large Hospital in Italy
- **Healthcare confirms being more than 2/3 of volumes (67%) in Q2 2023**

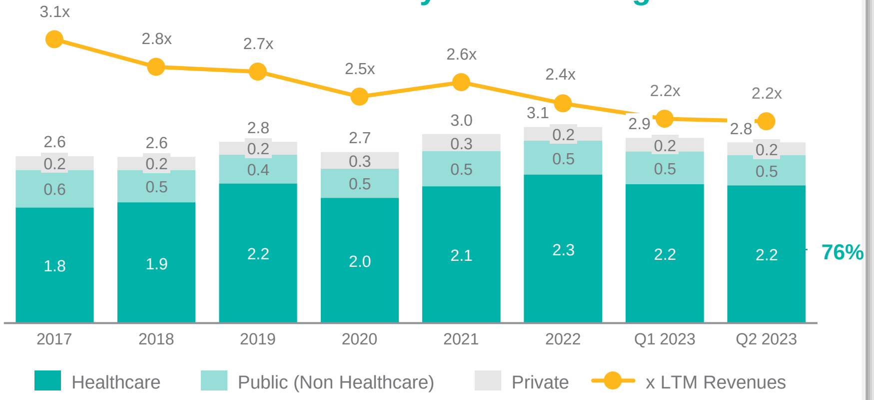
(*) Gross of intra-group eliminations ≈ €3.5m per annum

Backlog

Backlog, €bn



Revenue visibility from Backlog



Comments

- Group Backlog ranks €2.8bn at Q2 2023, showing a slight decrease vs FY 2022
- Backlog coverage at 2.2x over Revenues.

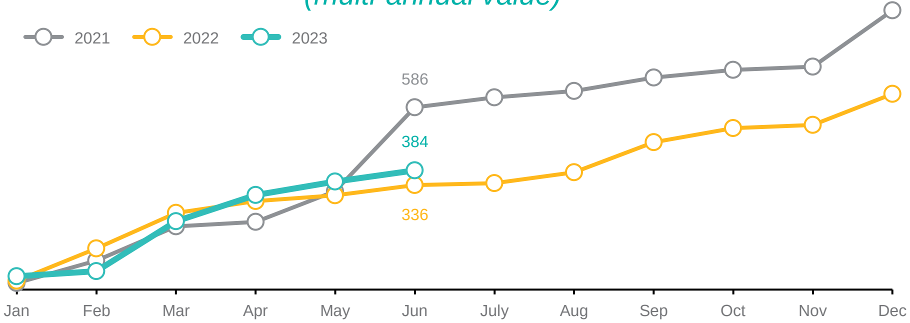
(*) Backlog / Revenues ratio: it is important to be noted that backlog calculation – differently from revenues – is accounted as per historical tender values, not including updated inflationary effect, therefore Backlog at 2.2x over Revenues is not meaningful but should be adjusted to assess the actual coverage ratio.

- **Healthcare accounts for 76% of total Backlog**

Commercial Activity

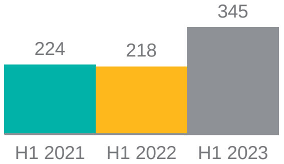
Value of contracts signed YTD 2023, €m

(multi-annual value)

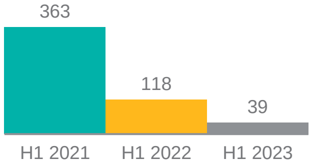


Breakdown of signed contracts H1 2023, €m

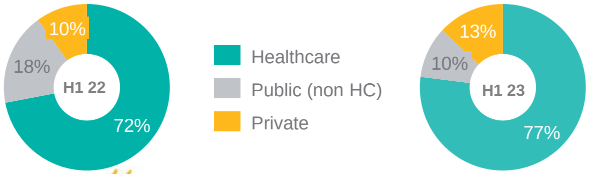
Renewals



New Market



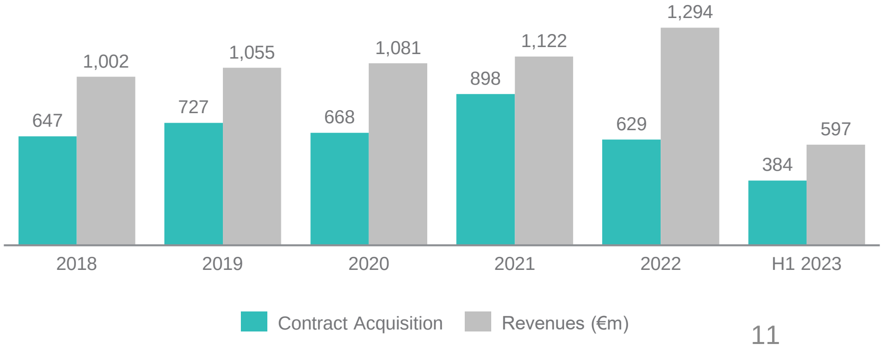
Signed contracts by Client H1 2023, %



Sales activity

- Commercial performance generally in line with previous years
- In particular, H1 2023 commercial activity was mostly driven by:
  - ✓ **Renewals**: intense performance (€345m vs 218m vs 224m), with main benefit from Healthcare both in Italy and Poland with two Hospital contracts renewals for a total amount exceeding €35m
  - ✓ **New market**: €39m new business acquisition mainly in Healthcare market
- Dedicated focus on Healthcare clients which stayed steady at 77% of new signed contracts (both Renewals and New market), reaffirming Group strategy in repositioning as Healthcare FM provider

Revenues and Contract Acquisition



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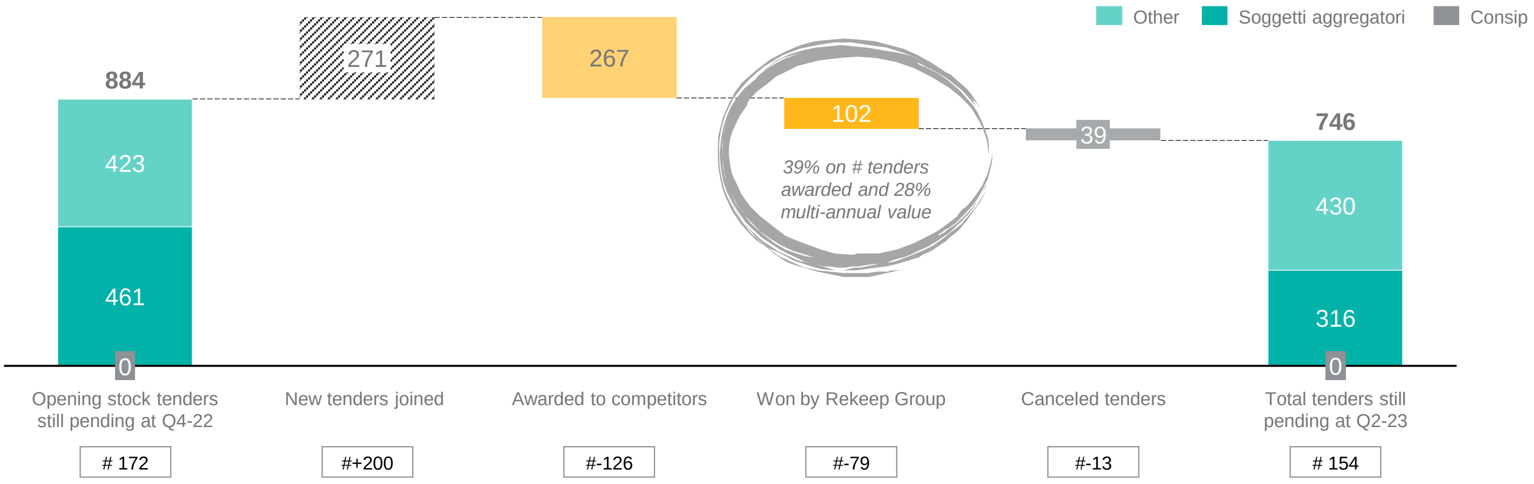
Tenders Pipeline – Q2 2023

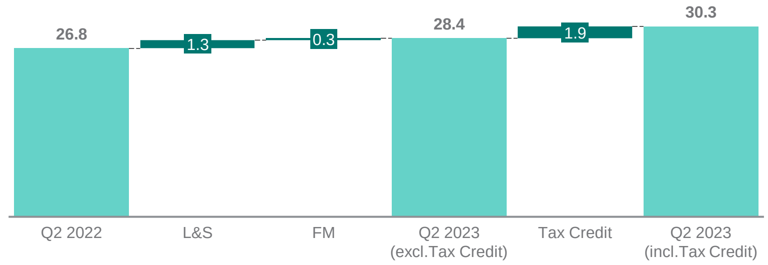
Tenders Pipeline Bridge by Stock tenders and New tenders, €m



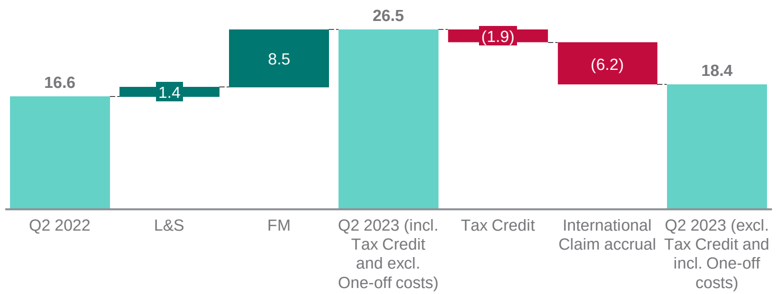
- In Q2 2023, Rekeep Group achieved an impressive win rate of 39% on # of tenders (79 out of 205) and 28% on value of tenders, including Poland contribution
- Total amount of tenders still pending (Pipeline) accounts for approx. €750m

EBITDA and EBIT, YoY

Adjusted EBITDA



Adjusted EBIT



Comments

- Quarterly Adjusted EBITDA registers a positive performance and reaches €30.3m, with an increase of +13.0% vs Q2 2022 also thanks to the support of the Q2 Tax Credit
- Excluding Tax Credit effect, the quarter result is defined by:
  + Positive impact from L&S activities, positively supported by the inception of one key large Hospital
  + Slight increase in FM vs Q2 2022 mainly supported by a general good ongoing performance by International activities, especially in Poland
- Quarterly EBIT increase vs Q2 2022 due to positive effect of Tax Credit and exclusion of one-off costs related to Saudi International claim: excluding these two effects, quarter results show a QOQ increase of c. €1.8m

Focus on Saudi International Claim - Metro of Riyadh FM Contract

- On 10 April 2023, Rekeep Saudi received from local Consortium a formal Notice of Termination for serious breach of the FM contract concerning the operation and maintenance services of four metro lines in Riyadh.
- On 12 April 2023, Rekeep Saudi rejected this notification, explaining that the purported termination was groundless.
- On 10 May 2023, Rekeep Saudi challenged the notice by filing before the International Chamber of Commerce ("ICC") of Paris its request for arbitration and ordering local Consortium to pay damages in full.
- On 1 August 2023, local Consortium filed its counterclaims making its own claim for damages.
- Meanwhile, on 12 May 2023, Rekeep Saudi notified local Consortium of the termination of the contract for serious breach of contract by Consortium itself, which became effective on 11 July 2023.
- **Management believes that Rekeep Saudi has fulfilled its contractual obligations in relation to the contract and intends to defend its position. The Metro Riyadh contract was never included in Backlog**

Net Financial Expenses, Taxes, Net Result

Net Financial Expenses, €m

H1 2023

€25.6m
(o/w €22.5m monetary)

H1 2022

€18.0m
(o/w €17.6m monetary)

H1-2023 Net Financial expenses increase by approx. €7.6m vs H1-2022 is mainly due to rise of variable costs and utilization of factoring / credit lines

Taxes, €m

H1 2023

€8.9m

H1 2022

€8.0m

Net Result, €m

H1 2023

€ 4.8m

0.8 % of Revenues

H1 2022

€6.8m

1.1 % of Revenues

H1 2023 Net Result is positive at €4.8m

Industrial Capex

Q2 2023

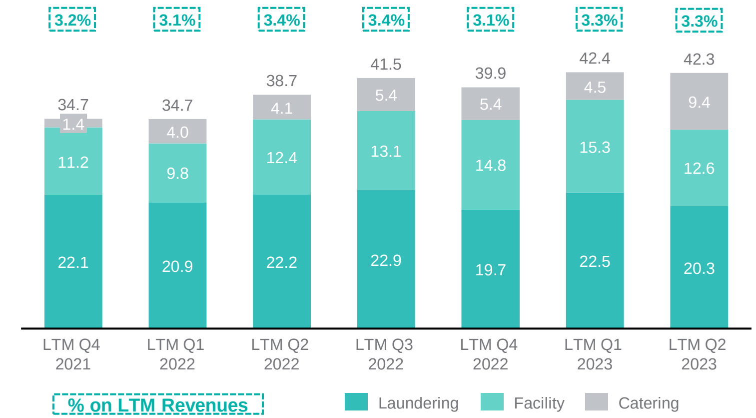
€10.5m

Q2 2022

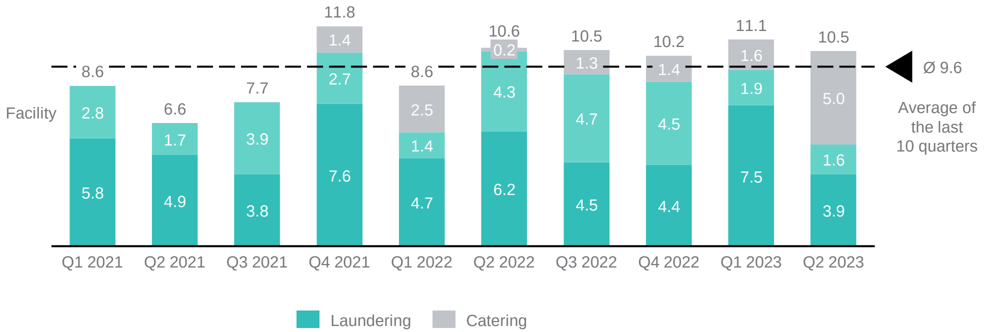
€10.6m

- Q2 2023 Capex at €10.5m, while LTM Q2-2023 amounted to €42.3m
- FM Capex are driven by IT software investments and international business investments, especially related to catering (centralized kitchen) in Poland
- L&S investments mainly refer to the standard purchase of linen (both current and new contracts)
- LTM Q2 2023 recurring Capex remains stable at 3.3% on LTM revenues as sustainable level for the business

LTM Industrial Capex, €m

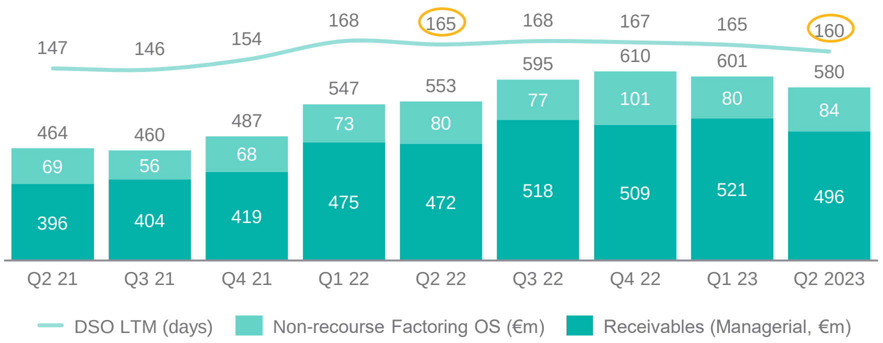


Industrial Capex by quarter, €m

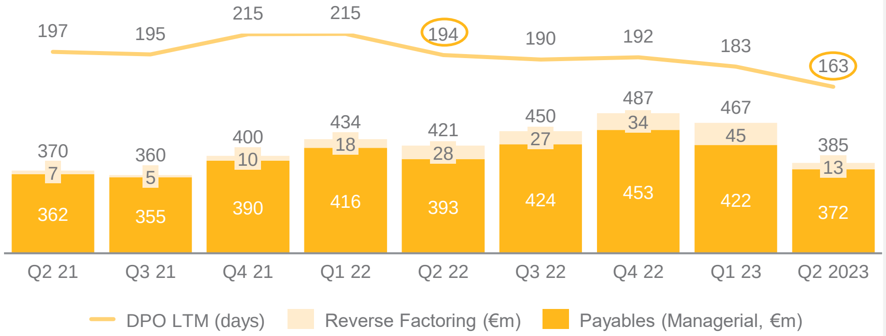


DSOs & DPOs

Gross Receivables and DSO



Payables and DPO (*)



Comments

- **DSOs decrease -5 days vs Q2 2022 although still above the Group historical level pre-energy crisis**, as it is still impacted by the situation on energy raw materials price surge which has impacted the Group and its invoicing contractual terms to customers since Q1 2022:.
- Q2 2023 receivables still above the Group's historical level pre-energy crisis due to a combined effect of:
  - **Most of energy contracts**: still to be cashed-in price adjustments (“conguagli”) on energy contracts related to 2022 – i.e. recognized in 2022 but still to be invoiced in Q2 2023 - which are nevertheless permitted by contractual conditions;
  - **Remaining energy contracts**: still pending administrative rulings (TAR) on some energy cost recognition related to energy contracts for which there would be no contractual pass-through mechanism (i.e. lump sum / forfait). In this respect, recent administrative court rulings on energy matters have confirmed the legitimacy and soundness of Rekeep’s arguments paving thus the way for future similar TAR pronouncements in relation to still pending disputes with other customers.
- **These two major elements do not allow to appreciate a faster consumption of receivables volumes.**
- **DPOs** at 163 days with a decrease -31 days vs. Q2 2022, which is mainly due to (i) consolidated trend of advanced payment requested by energy suppliers, (ii) energy suppliers’ payment thanks to liquidity available under €60m credit line (“Confirming Agreement”) signed in April 2023 which allowed to reduce the usage of more expensive credit lines such as Reverse Factoring (-€15m and -€32m vs Q2 20222 and Q1 2023 respectively).

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

❖ *In the lower chart, on top of payables, the amount of reverse factoring is separately depicted and Is not taken in consideration to calculate DPOs*

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(*) With respect to previous presentation, DPO are pro-forma for the Tax Credit impact from Q42022, i.e. raw materials costs have not been reduced by Tax Credit amounts

Net Operating Working Capital

NOWC

Q2 2023

€137.5m

(o/w €31.4m related to Poland)

Q2 2022

€92.1m

(o/w €27.2m related to Poland)

NOWC / LTM Revenues

Q2 2023

10.7%

(9.5% excl. Poland)

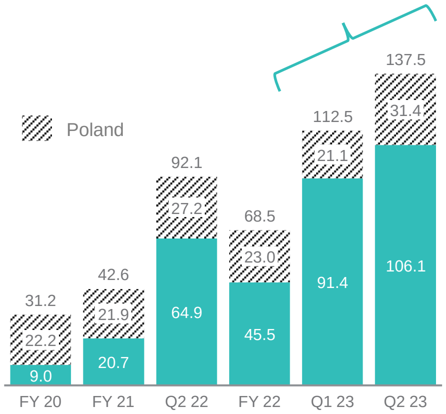
Q2 2022

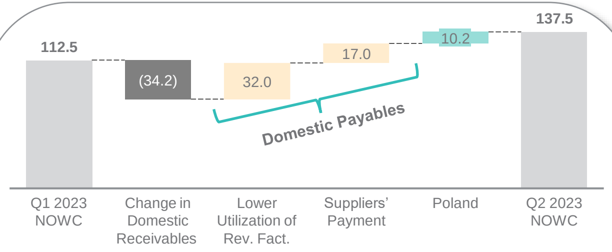
7.8%

(6.2% excl. Poland)

- NOWC increase by €45.4m vs Q2 2022 is mainly due to the combined effect of (i) increase in stock receivables volumes still impacted by the increase of volumes in energy management business registered in previous quarters (+c. €24m in stock receivables vs Q2 2022), (ii) energy suppliers' payment - thanks to liquidity available under €60m credit line – in substitution of Reverse Factoring
- Excluding Rekeep Polska, NOWC is 9.5% of Domestic Revenues

Net Operating Working Capital Trend, €m

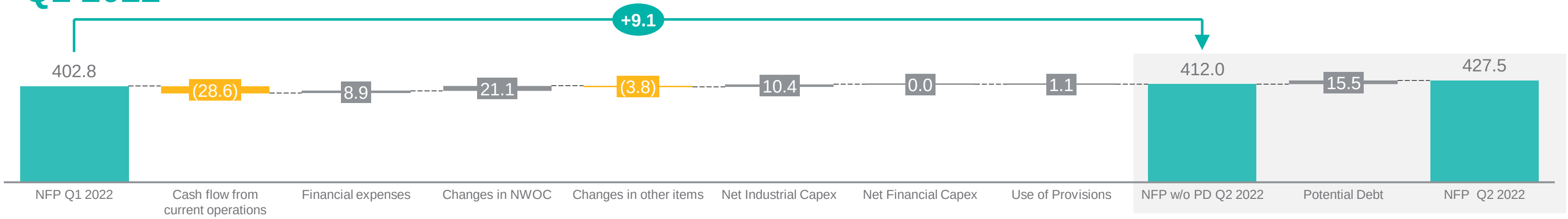




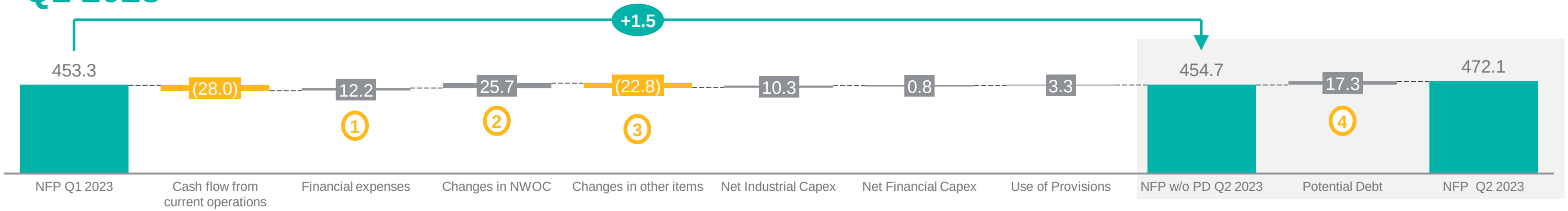
- **Domestic Receivables:** customary positive seasonality effect
- **Domestic Payables :** (i) €32m energy suppliers' payment - thanks to liquidity available under €60m credit line – in substitution of Reverse Factoring, (ii) other suppliers
- **Inventories domestic:** no changes
- **Poland:** mainly due to the combined effect of (i) increase in receivables related to growth in revenue volumes, (ii) lower utilization of factoring lines

Focus on NFP changes Q2 2023 vs Q2 2022 (€m)

Q2 2022



Q2 2023



Main changes in Q2 2023 vs Q2 2022

1. Higher financial expenses mainly due to rise of variable costs and utilization of factoring / credit lines
2. The increase in Change in NWOC is mainly due to the decrease in trade payables vs Q1 2023
3. Change in other items mainly related to the combined effect of (i) utilisation of Tax Credit, (ii) VAT credit, (iii) payment of FM4 instalments
4. Put Option accounted for the future potential payment of 20% stake of R. Polska in 2025; measured on the basis of the expected (and significantly higher) EBITDA BP 2024

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Focus on Liquidity and Credit Facilities

Data as of June 2023	Amount (€m)	x Pro-Forma EBITDA	Liquidity Available
Reference LTM EBITDA		**148,2**	
Cash on Balance Sheet	(93,6)		(93,6)
Short Term Financial Assets	(17,5)		(17,5)
SSN @ 2026 - 7.25% Coupon	370,0		
Other on SSN (Amortized Cost, Accrued Interest)	6,5		
ssRCF (€75m)	-		(75,0)
Total Senior Secured NFP	**265,4**	**1,8x**	
Recourse Factoring	17,6		
Reverse factoring	13,0		
Term Loans & Bank Overdrafts	84,1		
Financial Leasing	22,0		
Other Financial Debt	26,5		
IFRS Adjustments	*26,1*		
Net Financial Position w/o Potential Debt	**454,7**	**3,1x**	
Potential Debt	*17,3*		
Net Financial Position	472,1	3,2x	
No-Recourse Factoring	*83,9*		*(216,1)*

Includes new €60m financing agreement (**Confirming Agreement**) with SACE Factoring SpA and Banca Sistema SpA entered in April 2023

(*) Committed revolving credit facility of €300m to factor issued invoices In January 2022, Rekeep has entered into a new No-Recourse Factoring Agreement with BFF Banking Group increasing the value to €300m from €200m

Annex

Tax Credit – Legislative Decree No. 21/2022

Tax Credit

Key Takeaways

01
- Rekeep Group benefited from the tax credit provided for *non-energy* and *non-gas-consuming* companies initially introduced by Decree-Law No. 21/2022 (and extended several times) to compensate for the increase in the energy prices (both electricity and natural gas) with reference to Q2, Q3 and Q4 of 2022 and Q1 and Q2 2023

02
- Total credit accrued in LTM Q2 2023 is **€45.6m**

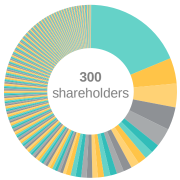
03
- Tax Credit should not be extended in Q3 2023

04
- Tax Credit can only be used to offset payments due related to F24 forms (social security, withholding taxes on employee income) paid monthly by the Company

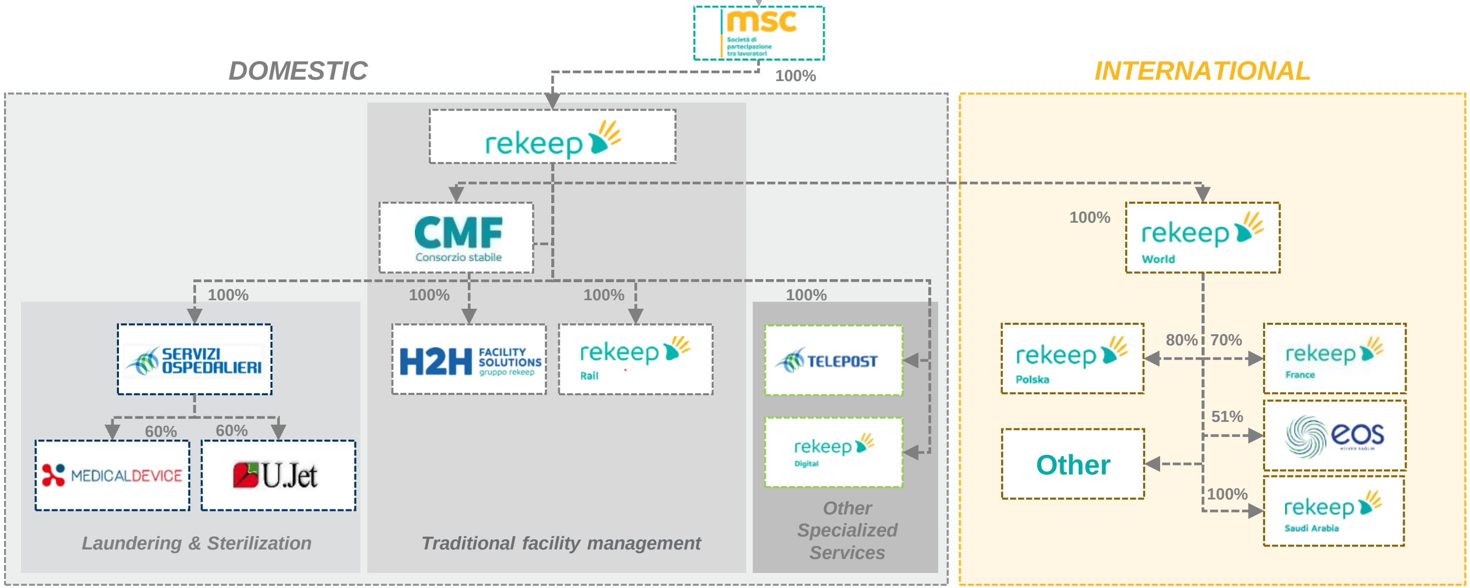
05
- Remaining Tax Credit is equal to **€12.2m** at 30.06.2023

Simplified organizational structure

- Effective from February 1st, 2022, MSC, holding company of Rekeep Group has transformed its legal form from a cooperative to a joint-stock company (Società Per Azioni – S.p.A.) and, as such, has changed its company name to **MSC Società di Partecipazione tra Lavoratori S.p.A**
- MSC, 100% owner of Rekeep Group, is ultimately owned by 300 shareholders, mainly managers and employees of the Group

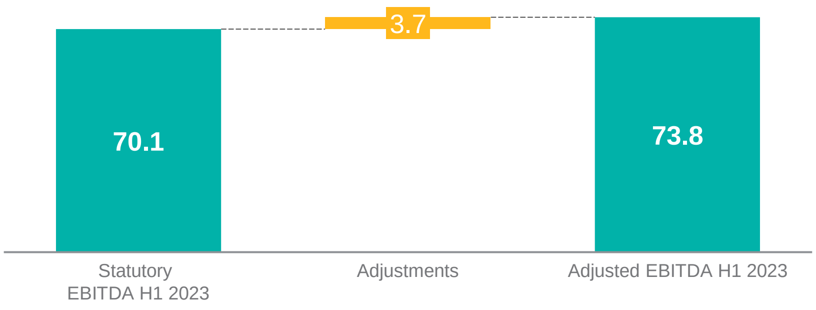


- A vast majority of Managers now involved as investors in shareholding of the Company (166 white collars of the Group)
- 20 shareholders - key managers and senior executives - own more than 50% of the shares

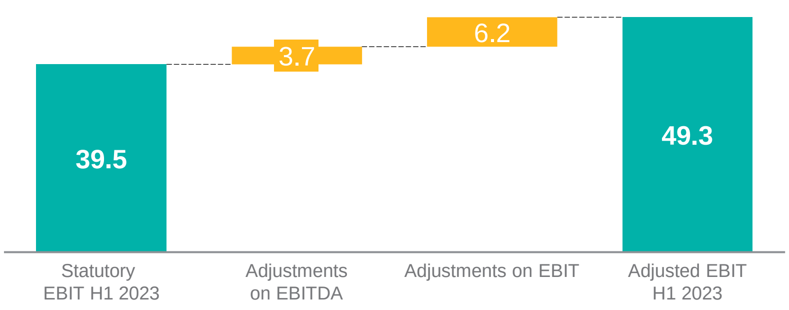


Adjustments to EBITDA and EBIT

Bridge to EBITDA, €m



Bridge to EBIT, €m



Adjustments on EBITDA, €m	
Extraordinary Advisory Fees	1.0
Re-organizations	1.7
International Claim	1.0
Total Adjustments on EBITDA	**3.7**
Adjustments on EBIT, €m	
International Claim	6.2
Total Adjustments on EBIT	**9.9**

Definitions

More definitions

(1) **“Gross Debt”** is defined as the sum of debts for principal referring to: i) Senior Secured Notes; ii) Long-term bank debts; iii) Current bank overdraft, advance payments and hot money; iv) Obligations arising from assignments of trade receivables with recourse; v) Financial lease obligations

(2) **“NFP Net financial indebtedness** (PFN - Posizione Finanziaria Netta)” **-** Consolidated Net Financial Position represents the balance of Long-term debt, Derivatives, Bank borrowings (including current portion of long-term debt) and other financial liabilities, net of the amount of receivables and other current financial assets and Cash and Cash equivalents

(3) **“NFP without Potential Debt”** means Consolidated Net Financial Position, net of Potential Debt (i.e. Put Options and Earn-out related to M&A transactions)

(4) **“Collections on behalf of factoring counterparties”** refers to the balances of bank accounts into which customers make payments on the trade receivables that have been sold to factoring counterparties

ANNEX

BALANCE SHEET (€/000)	30 Jun 2023	31 Dec 2022	Change
USES			
Trade receivables and advances to suppliers	537.117	537.227	(110)
Inventories	12.972	12.088	884
Trade payables and advances from customers	(412.615)	(480.808)	68.193
Net working operating capital	***137.474***	***68.507***	***68.967***
Other element of working capital	(145.281)	(120.289)	(24.992)
Net working capital	***(7.807)***	***(51.782)***	***43.975***
Tangible assets	151.979	147.874	4.105
Intangibles assets	422.129	423.223	(1.094)
Investments accounted for under the equity method	11.634	10.121	1.513
Other non current assets	34.660	51.270	(16.610)
Operating fixed assets	***620.402***	***632.488***	***(12.086)***
Non current liabilities	(61.903)	(57.972)	(3.931)
Net invested capital	***550.692***	***522.734***	***27.958***
SOURCES			
Minority interests	6.309	6.096	213
Equity attributable to equity holders of the parent	72.307	66.862	5.445
Shareholders' equity	***78.616***	***72.958***	***5.658***
Net financial indebtedness	472.076	449.776	22.300
Total financing sources	***550.692***	***522.734***	***27.958***

ANNEX

PROFIT&LOSS *(€/000)*	**For the period ended 30 Jun**	
	2023	**2022**
Total revenues	597.354	611.108
Total costs of production	(527.240)	(557.909)
EBITDA	**70.114**	**53.199**
EBITDA %	***11,74%***	***8,71%***
Amortization/depreciation, write-downs and write-backs of assets	(19.844)	(19.652)
Accrual of provisions for risks and charges	(10.801)	(1.078)
Operating income	**39.469**	**32.469**
Operating Income %	***6,61%***	***5,31%***
Share of net profit of associates	(167)	414
Net financial charges	(25.586)	(18.028)
Profit before taxes from continuing operations	**13.716**	**14.855**
Profit before taxes from continuing operations %	***2,30%***	***2,43%***
Income taxes	(8.920)	(8.026)
Profit from continuing operations	**4.796**	**6.829**
Loss for the period from discontinued operation	-	-
Net profit for the period	**4.796**	**6.829**
Net profit for the period %	***0,80%***	***1,12%***
Minority interests	(511)	(158)
Net profit for the period attributable to equity holders of the parent	**4.285**	**6.671**
Net profit for the period attributable to equity holders of the parent %	***0,72%***	***1,09%***

ANNEX

STATEMENT OF CASH FLOW (Statutory) (€/000)	30 Jun 2023	30 Jun 2022
CASH at the beginning of the period	**84.243**	**99.512**
Cash flow from current operations	44.953	31.397
Use of provisions for risks and charges and for employee termination indemnity	(4.956)	(2.374)
Change in NWOC	(67.605)	(49.869)
Industrial Capex, net of disposals	(20.766)	(21.817)
Financial Capex	11.133	(423)
Other changes	14.941	(3.755)
Change in net financial liabilities	31.647	30.535
CASH at the end of the period	**93.590**	**83.206**

What's next

✓ Next call on Q3 2023 will be held on November 15th, 2023

✓ Rekeep Financial Calendar and Reply available on:

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