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minds that work

Call on Q3 2023 Results

November 15th, 2023, 17CET

Disclaimer

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The information in this presentation may include references to possible future events and is based on the state of current expectations. These indications regarding the future are subject to risks and uncertainties related to the business activities, the performance of the reference sectors and the economy. There is, therefore, no liability in relation to them, not even about their possible amendment or revision

Rekeep Group's Q3 2023 Results are unaudited

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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Key Quarter Highlights

Profit & Loss

Revenues

- The Group registers a decrease in revenues at €272.8m with a -18.6% decline vs Q3 2022, mainly driven by the reduction of primary energy prices impacting Energy Management services.
- LTM Revenues at Q3 2023 slightly decrease by -3%, landing at €1,218.2m repositioning to more consistent with pre energy crisis level

EBITDA

- Quarterly EBITDA stands at €22.1m, with a 19.5% reduction vs Q3 2022, mainly attributable to lower energy & gas Tax Credit in Q3 2023 (-€4.4m), while on LTM basis Q3 2023 EBITDA lands at €142.8m where energy and gas Tax Credit contribution is still material

Backlog & Commercial Activity

- Commercial performance improved vs 9M 2022 mainly due to an intense performance in renewals activity, coupled by a solid win rate - with a 36% on # of tenders and 25% on multi-annual value of tenders

Balance Sheet

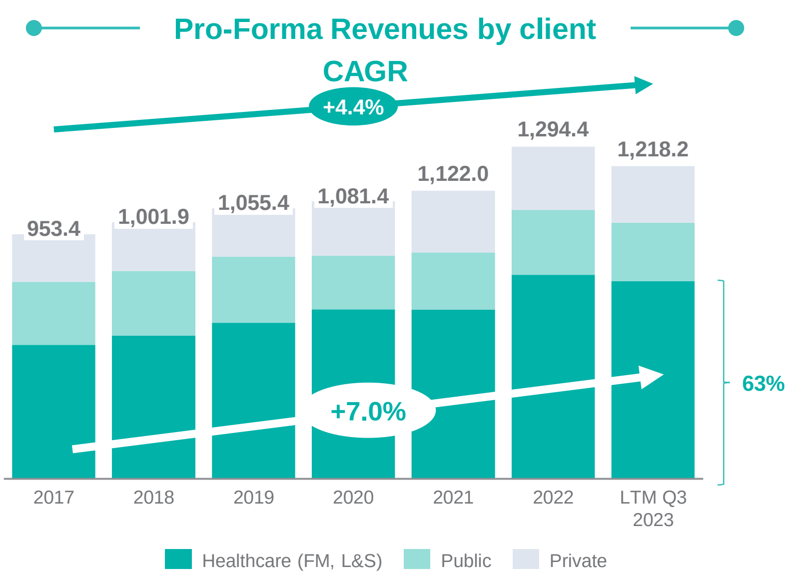
Working Capital

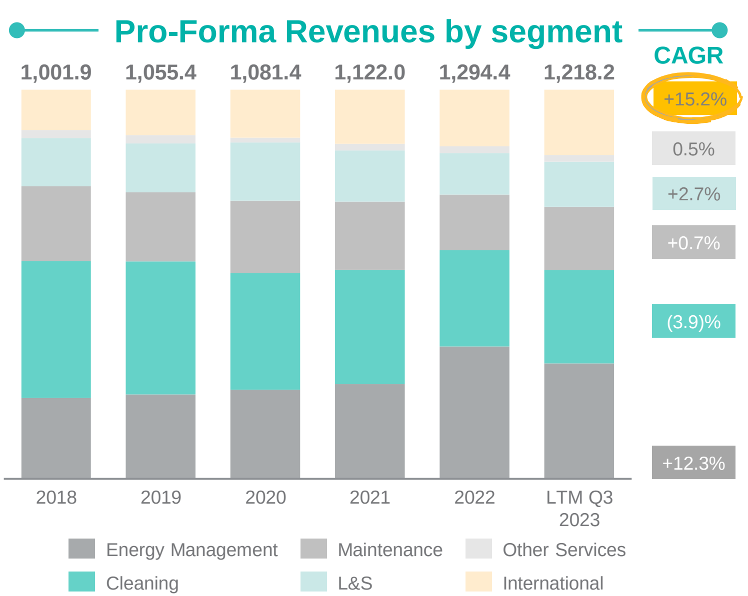
- NOWC at €149.6m, at 12.3% of Revenues while Domestic NWOC stands at €118.9m (11.3% of Domestic Group Revenues)
- DSOs decrease -8 days vs Q3 2022 while DPOs show a -20 days decrease due to the recalled acceleration in energy suppliers' payment thanks to liquidity available under SACE financing agreement; however DPOs register a +7 days vs last quarter

Net Financial Position

- In Q3 2023, NFP (w/o Potential Debt) stands at €474.3m with leverage at 3.3x on EBITDA; cash position stands at €60,4m
- The Company confirms its commitment to deleverage, while retaining a sound liquidity position

Revenues historical trend by market segment





- The Group has shown an overall constant growth, with a **CAGR of +4.4%** during 2017 – LTM Q3 2023
- Specifically, **Healthcare** exposure delivered a superior growth, with a **CAGR of +7.0%** during 2017 – LTM Q3 2023 (vs 8.1% in FY2022), as well as **International business** showing a strong increase with a Pro-Forma **CAGR of** +15.2% in the period 2018 – LTM Q3 2023 (vs 2.6% 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

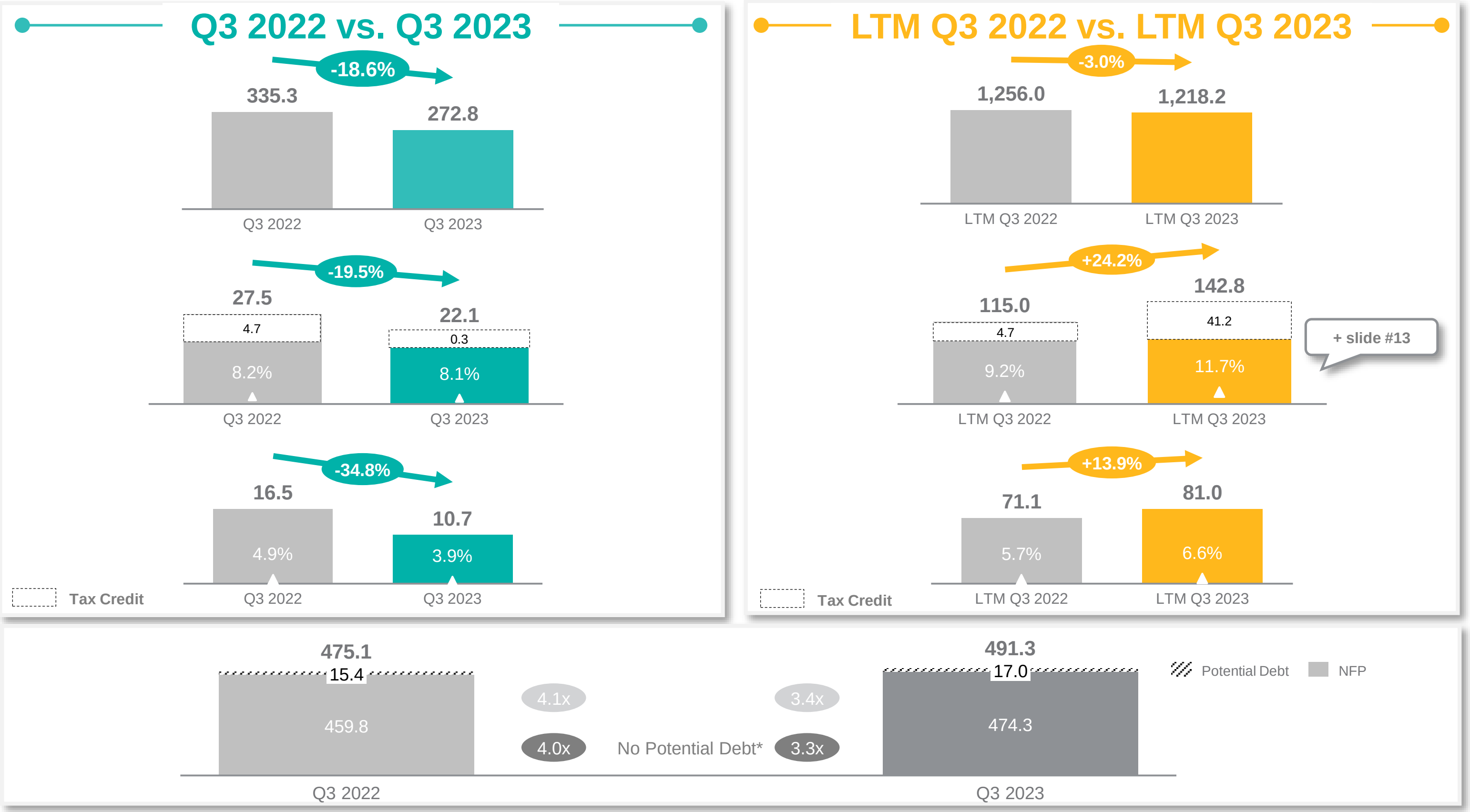
3 months and FY KPIs at a glance

Revenues (€m)

Adjusted EBITDA (€m)

Adjusted EBIT (€m)

Net Financial Position (€m)

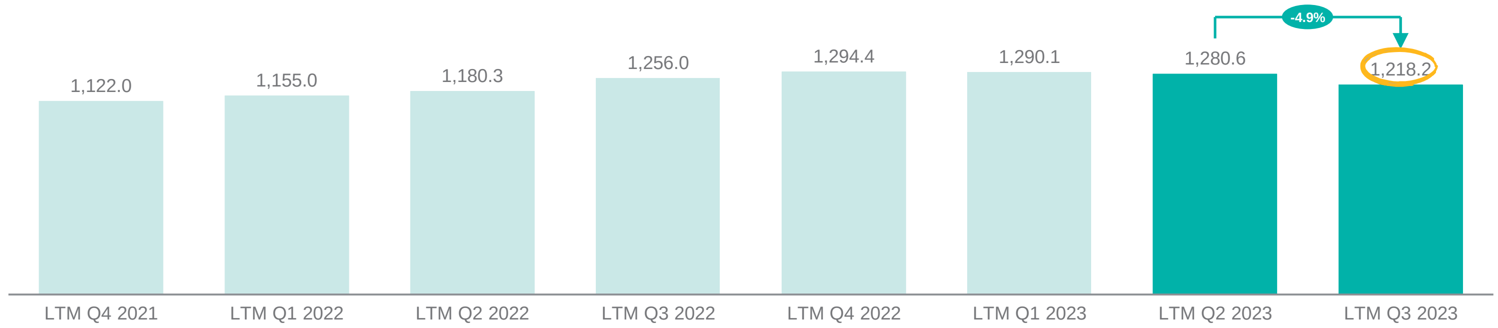


_._x Leverage ▲ Margin%

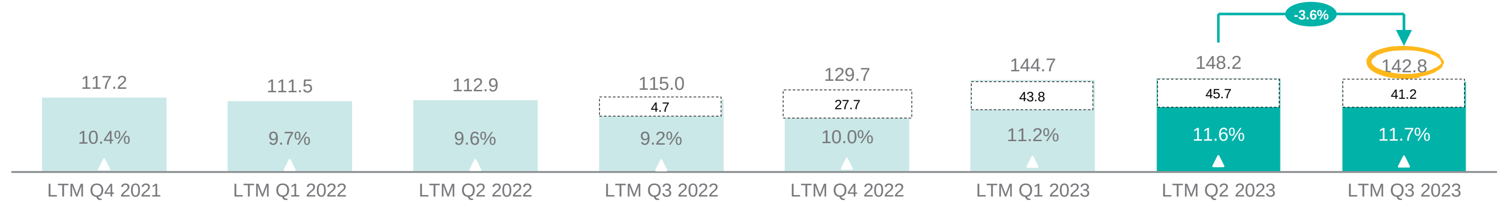
- Potential Debt mainly refers to Put Option for 20% stake in Rekeep Polska and it is measured on expected (and significantly higher) EBITDA BP 2024

LTM Performance

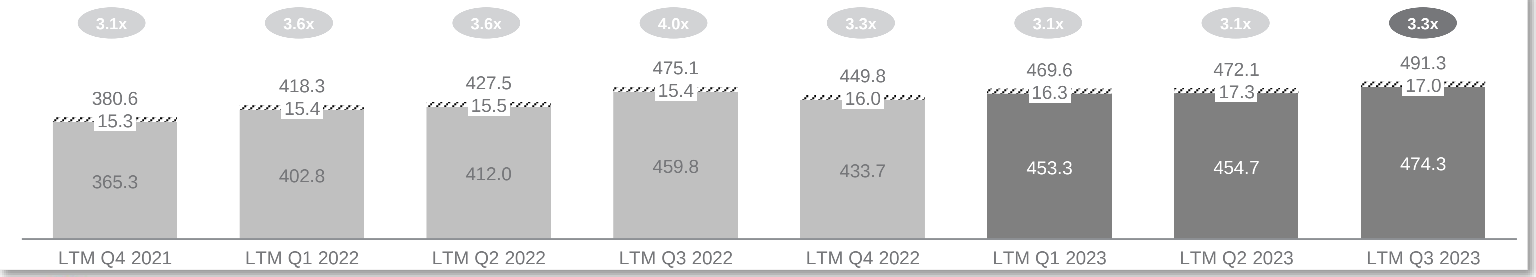
Revenues
(€m)



Adjusted EBITDA
(€m)



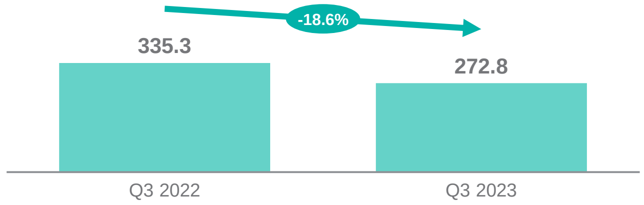
Net Financial Position
(€m)



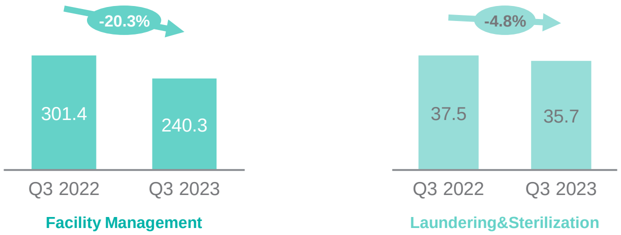
Potential Debt
_._x Leverage w/o Potential Debt (see Definitions)
Margin%
Tax Credit

Revenues, YoY

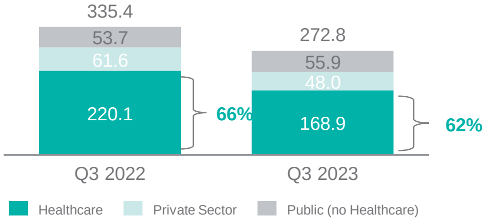
Revenues



Revenues by segment(*)



Revenues by client



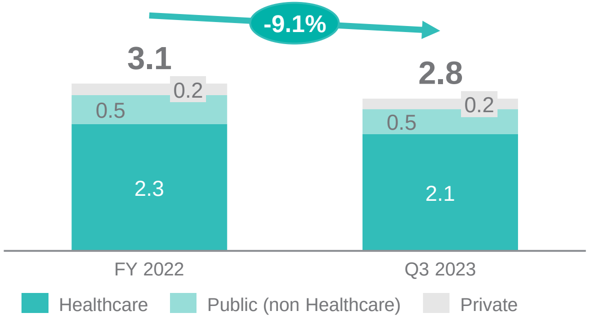
Comments

- Q3 2023 Revenues decrease vs Q3 2022 (-18.6% QOQ) landing at €272.8m
- The trend in volumes in Q3 2023 is driven by:
  - FM segment decrease -20.3% vs Q3 2022, mainly due to reduction in primary energy prices reducing revenue volumes, particularly in Healthcare segment, while L&S shows a slight decrease (-1.7m QOQ)
  - \+ A good performance for International business, especially from Polish activities (c. +9m QOQ)
- **Healthcare confirms being almost 2/3 of volumes (62%) in Q3 2023**

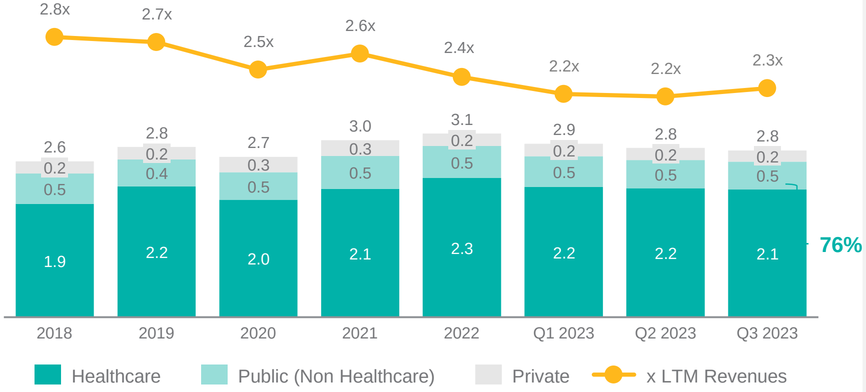
(*) Gross of intra-group eliminations ≈ €3.5m per annum

Backlog

Backlog, €bn



Revenue visibility from Backlog



Comments

- Group Backlog ranks €2.8bn at Q3 2023, showing a slight decrease vs FY 2022 but stable vs Q2 2023 level (€2.8bn).
- Backlog coverage at 2.3x 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 2.3x over Revenues is not meaningful but should be adjusted to assess the actual coverage ratio.

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

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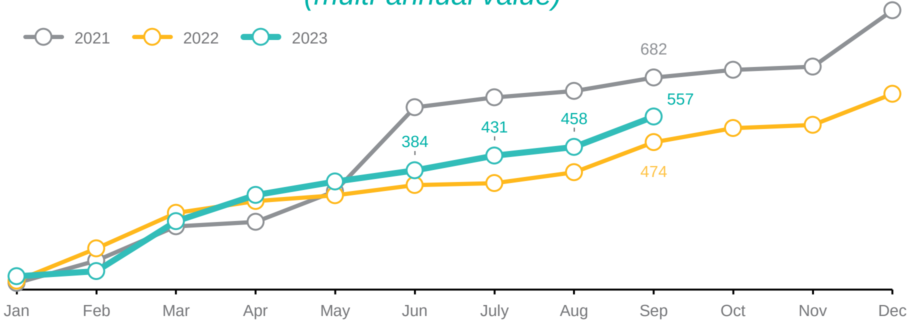
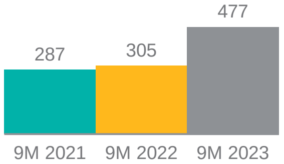
Commercial Activity

Value of contracts signed YTD 2023, €m
(multi-annual value)

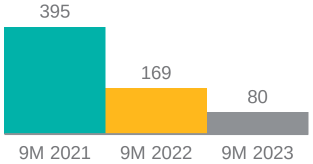


Breakdown of signed contracts 9M 2023, €m

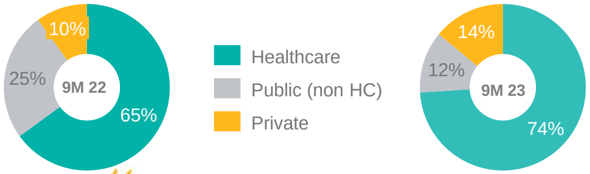
Renewals



New Market



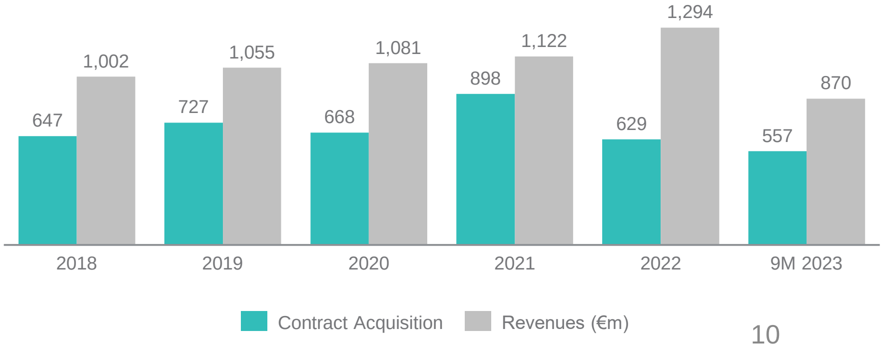
Signed contracts by Client 9M 2023, %



Sales activity

- 9M 2023 commercial performance shows an increase vs 9M 2022 (+€83m)
- In particular, 9M 2023 commercial activity was mostly driven by:
  - ✓ **Renewals**: outstanding performance in terms of renewals (€477m vs 305m vs 208m), with tangible benefit from Catering services in Poland for a total amount of approx. €25m
  - ✓ **New market**: €80m new business acquisition mainly in Healthcare market
- Dedicated focus on Healthcare clients which represents 74% 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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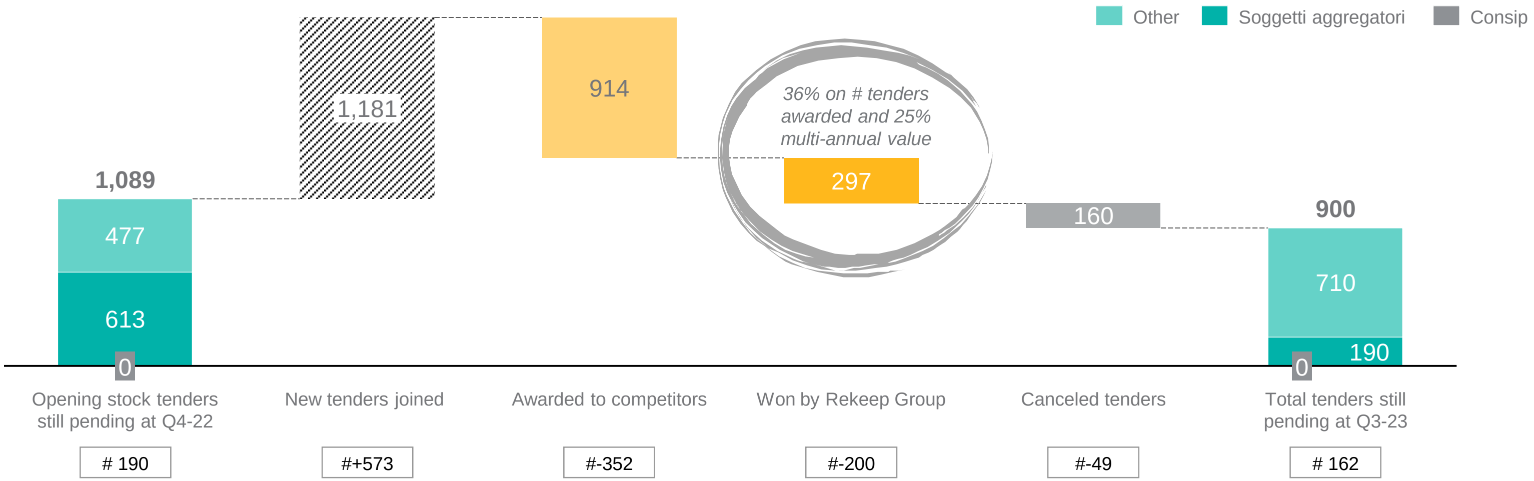
Tenders Pipeline – YTD

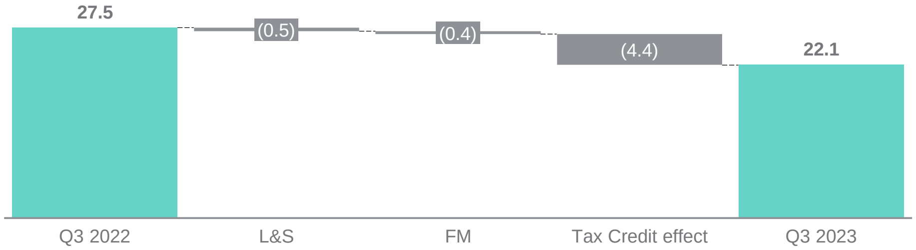
Tenders Pipeline Bridge by Stock tenders and New tenders, €m



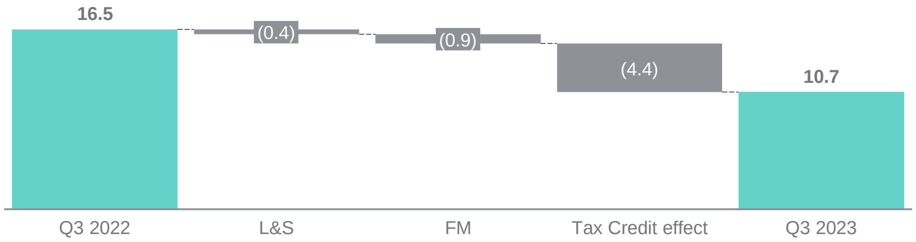
- In 9M 2023, Rekeep Group achieved win rate of 36% on # of tenders and 25% on value of tenders, including Poland contribution
- Total amount of tenders still pending (Pipeline) accounts for approx. €0.9bn

EBITDA and EBIT, YoY

Adjusted EBITDA



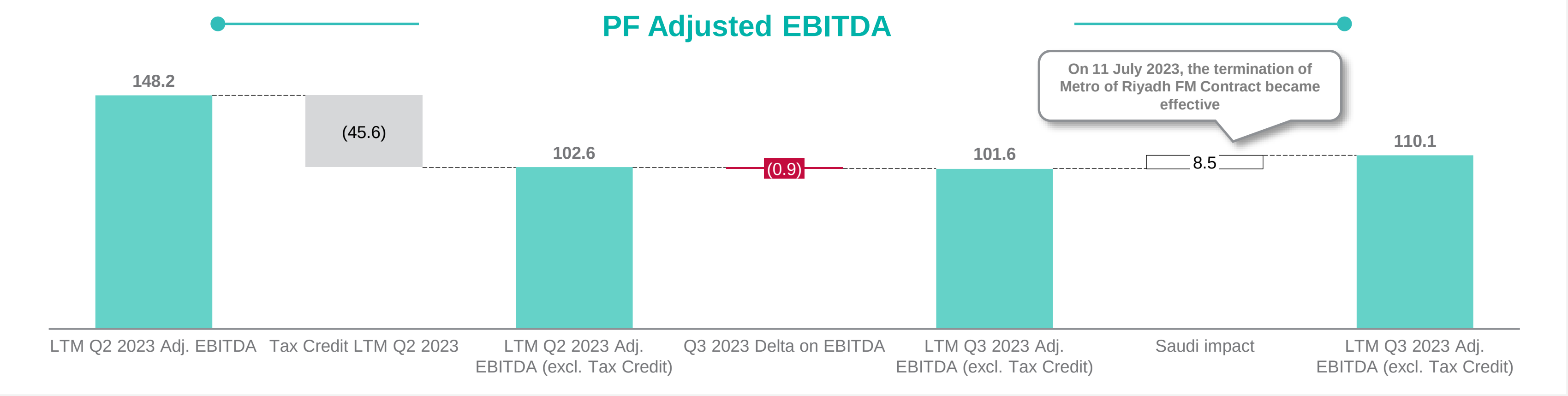
Adjusted EBIT



Comments

- Quarterly Adjusted EBITDA registers a decrease landing at €22.1m, with a -19.5% QOQ vs Q3 2022 also mainly due to the Tax Credit recognition in Q3 2023 almost nil (€0.3m vs €4.7m in Q3 2022)
- Excluding Tax Credit effect, the quarter result is impacted by, both in L/S and in FM a combined effect of:
  - of ending of Covid-19 measures (still effective in Q3 2022)
  - and a portfolio mix

EBITDA Bridge – LTM Q2 2023 vs LTM Q3 2023



LTM Q3 2023 EBITDA – Saudi Impact

- On 12 May 2023, Rekeep Saudi, on its turn, notified local Consortium of the termination of the contract for serious breach of contract by Consortium itself, **which became effective on 11 July 2023.**
- Taking this development in consideration, **LTM Q3 2023 EBITDA could be adjusted for a total amount of c. €8.5m** related to operating costs (personnel costs such as salaries, training costs, lay-offs costs) incurred by Rekeep Saudi in the last twelve months in the context of FM Metro Riyadh contract, **thus landing at 110.1m in LTM Q3 2023**.

Net Financial Expenses, Taxes, Net Result

Net Financial Expenses, €m	Taxes, €m	Net Result, €m
9M 2023	**9M 2023**	**9M 2023**
€37.7m *(o/w €35.2m monetary)*	€10.0m	€ 0.4m 0.1 % of Revenues
9M 2022	**9M 2022**	**9M 2022**
€26.6m *(o/w €26.3m monetary)*	€6.7m	€19.7m 2.1 % of Revenues

9M-2023 Net Financial expenses increase by approx. €11.1m vs 9M-2022 is mainly due to rise of variable costs and utilization of factoring / credit lines

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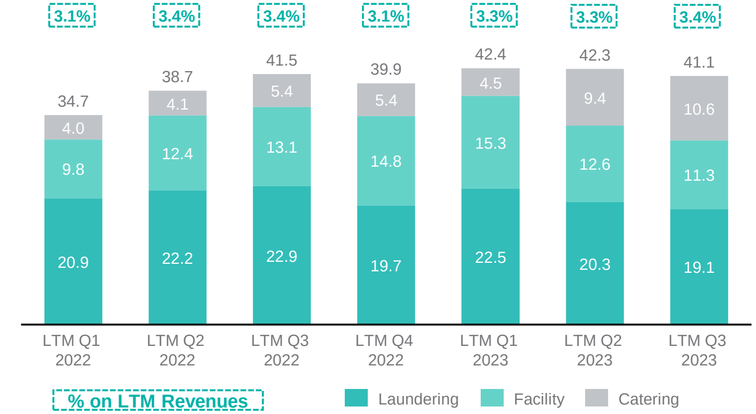
Industrial Capex

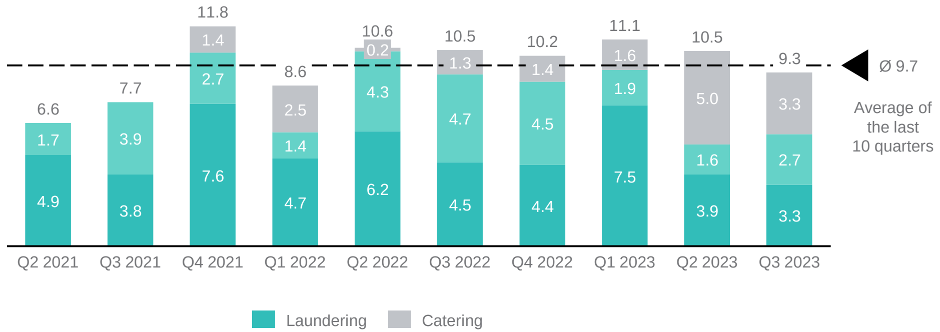
Q3 2023	Q3 2022
€9.3m	€10.5m

- Q3 2023 Capex at €9.3m, while LTM Q3-2023 amounted to €41.1m
- 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 Q3 2023 recurring Capex remains stable at 3.4% on LTM revenues as sustainable level for the business

LTM Industrial Capex, €m



Industrial Capex by quarter, €m



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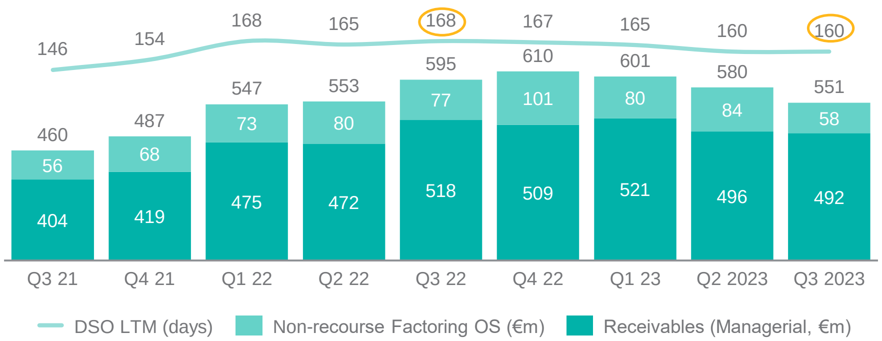
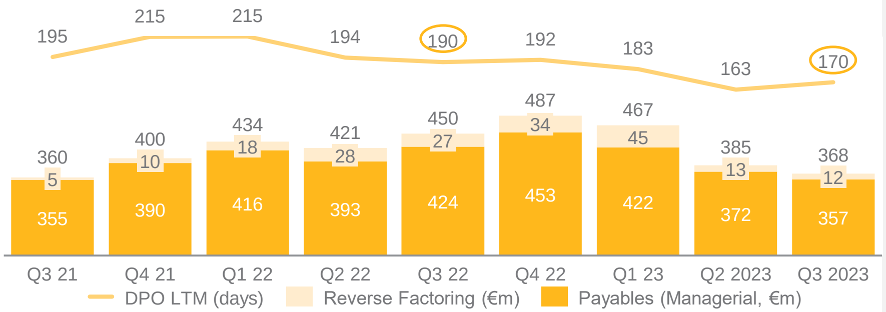
DSOs & DPOs

Gross Receivables and DSO



Payables and DPO (*)



Comments

- Although still above the Group historical level pre-energy crisis, **DSOs decrease -8 days vs Q3 2022** benefitting from energy raw materials price reduction.

- **DPOs at 170 days with a decrease -20 days vs. Q2 2022 and increase vs last quarter (+7 days)**. Overall reduction trend is mainly due to:
  - ❑ Still requested advanced payment by energy suppliers,
  - ❑ 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

❖ *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

Q3 2023

€149.6m

(o/w €30.7m related to Poland)

Q3 2022

€107.2m

(o/w €24.6m related to Poland)

NOWC / LTM Revenues

Q3 2023

12.3%

(11.3% excl. Poland)

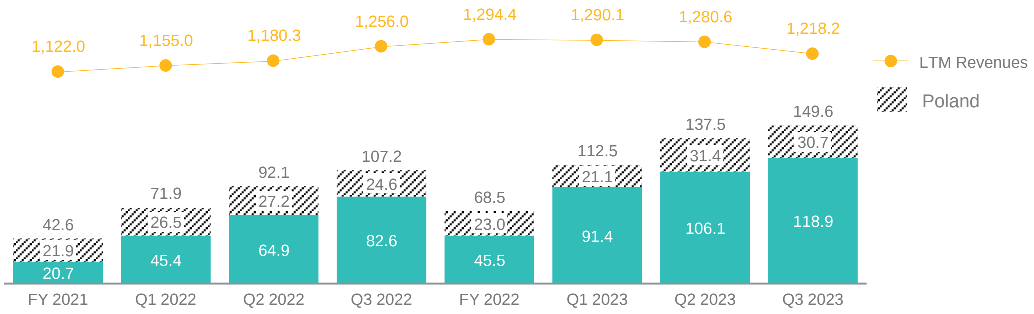
Q3 2022

8.5%

(7.4% excl. Poland)

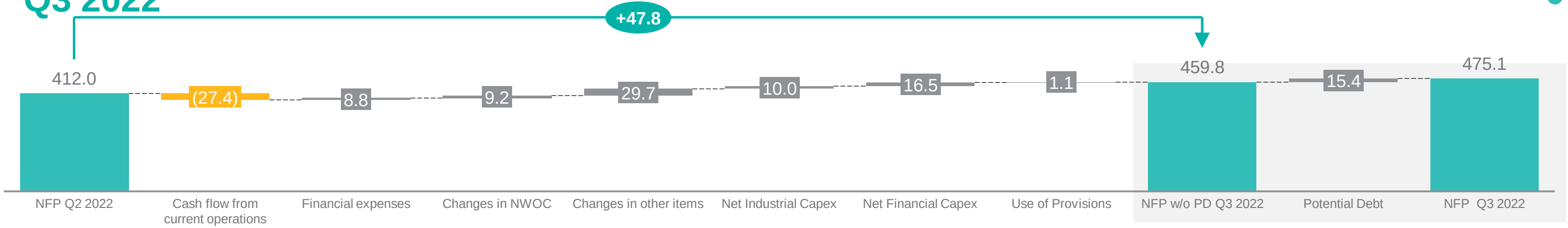
- NOWC increase by €42.4m vs Q3 2022 is mainly due to (i) acceleration of payment terms requested by certain energy suppliers in 2022, (ii) the speeding up of suppliers’ payment made possible thanks to liquidity obtained under €60m confirming credit line signed in Q2 2023, while receivables show a decrease vs Q3 2022 (c. -€10m)
- Excluding Rekeep Polska, NOWC is 11.3% of Domestic Revenues

Net Operating Working Capital Trend, €m

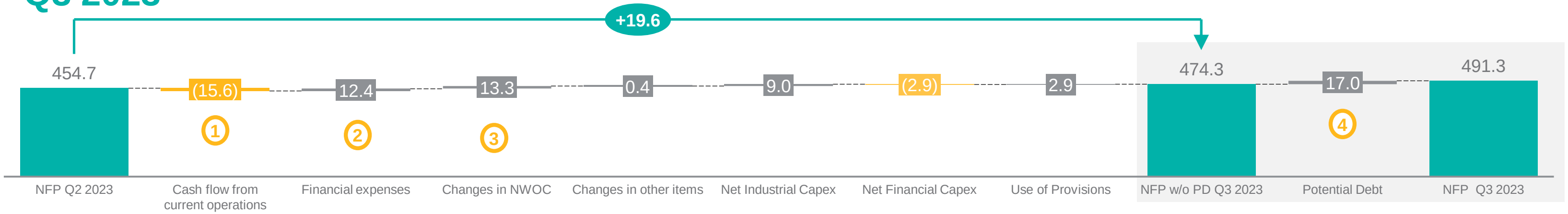


Focus on NFP changes Q3 2023 vs Q3 2022 (€m)

Q3 2022



Q3 2023



Main changes in Q3 2023 vs Q3 2022

1. Lower cash flow from operations mainly due to decreasing Tax Credit contribution
2. Higher financial expenses mainly due to rise of variable costs and utilization of factoring / credit lines
3. The increase in Change in NWOC is mainly due to the decrease in trade payables vs Q2 2023
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

Focus on Liquidity and Credit Facilities

Data as of September 2023	Amount (€m)	x Pro-Forma EBITDA	Liquidity Available
Reference LTM EBITDA		**142,8**	
Cash on Balance Sheet	(60,4)		(60,4)
Short Term Financial Assets	(16,8)		(16,8)
SSN @ 2026 - 7.25% Coupon	370,0		
Other on SSN (Amortized Cost, Accrued Interest)	0,3		
ssRCF (€75m)	-		(75,0)
Total Senior Secured NFP	**293,0**	**2,1x**	
Recourse Factoring	20,4		
Reverse factoring	11,6		
Term Loans & Bank Overdrafts	78,0		
Financial Leasing	22,2		
Other Financial Debt	21,8		
IFRS Adjustments	*27,3*		
Net Financial Position w/o Potential Debt	**474,3**	**3,3x**	
Potential Debt	*17,0*		
Net Financial Position	491,3	3,4x	
No-Recourse Factoring	*58,4*		*(241,6)*

(*) 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

Focus on ESG - The Sustainability Approach of Rekeep

Rekeep acknowledges that the achievement of success for a company relies also on its **capability to assess and manage its environmental and social impacts**.

With this aim, for the past months **Rekeep have been strengthening the control of ESG topics**, also in perspective to the adaptation to the new standards set by the European Directive on Non-financial Reporting (CSRD), to which the company will be subjected from 2025.

ESG management key points

- Adoption of a ***new model of sustainability governance***
- Release of a public **Sustainability Plan** during 2024
- Development of a **training programme involving all the significant Departments** to enhance awareness of ESG topics, fostering the growth of personnel skills.

The governace of sustainability

- Appointment of a new **Head of ESG and Innovation**, directly reporting to CEO
- Establishment of a «**Project Team**» engaging the most significant business units; this body will be in charge of **effective decision-making at operating level**.
- Creation of an **«Advisory Board» to ensure the alignment between sustainability strategy and business choices.**

2023 will mark the sixth edition of Rekeep Sustainability Report, completed with reference to GRI Standards 2021

https://www.rekeep.com/en/sustainability/reporting

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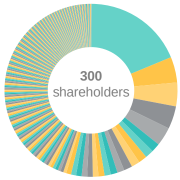
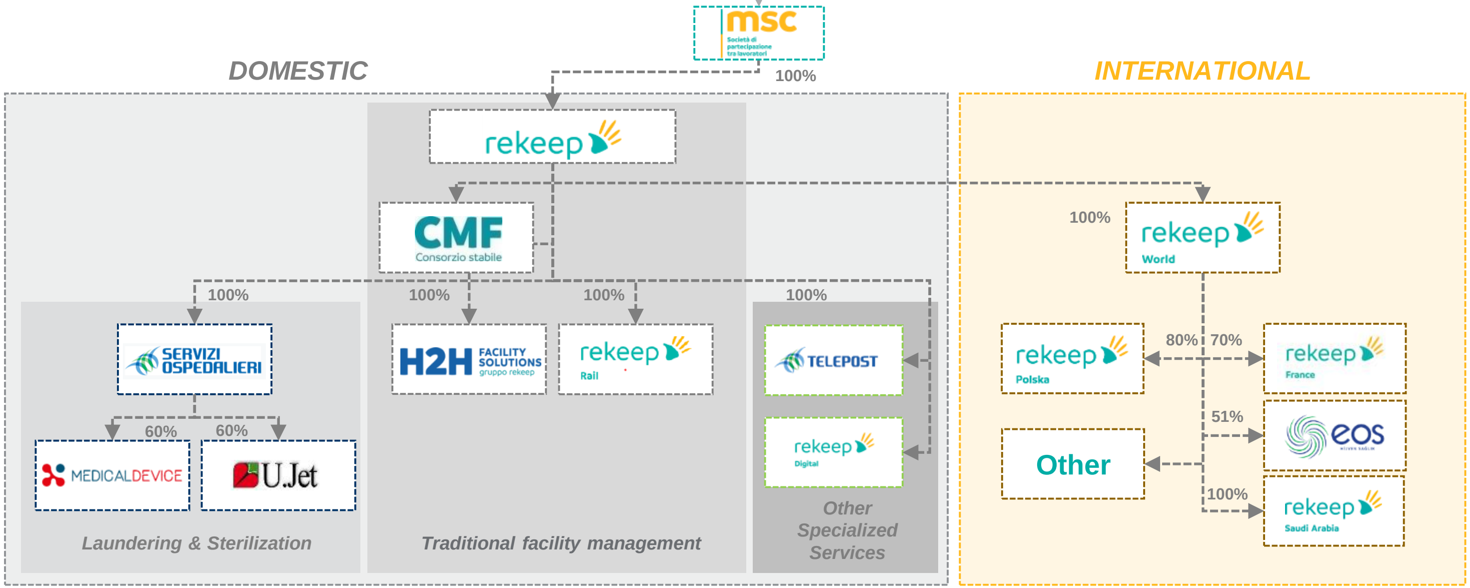
Annex

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

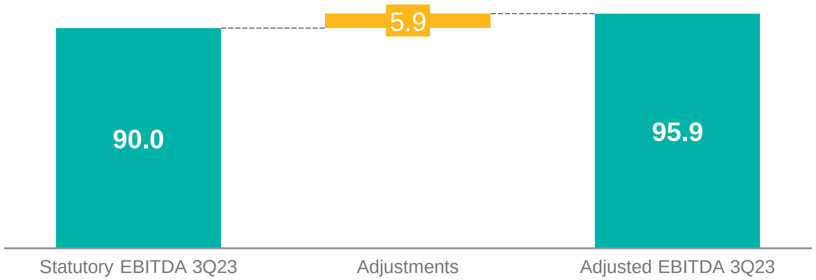


- A vast majority of Managers now involved as investors in shareholding of the Company (166 white collars of the Group)
- 20 shareholders - key managers and senior executives - own more than 50% of the shares

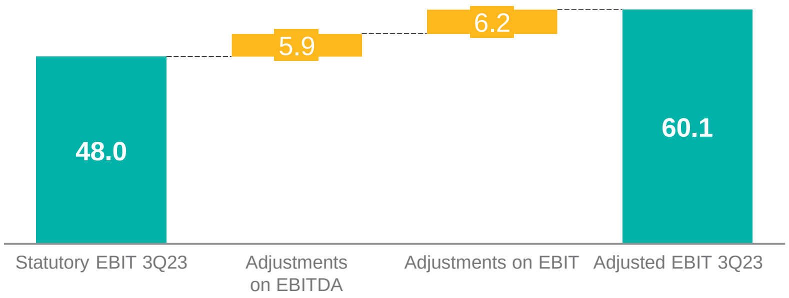


Adjustments to EBITDA and EBIT

Bridge to EBITDA, €m



Bridge to EBIT, €m



Adjustments on EBITDA, €m	
Extraordinary Advisory Fees	1.5
Re-organizations	1.9
International Claim	2,5
Total Adjustments on EBITDA	**5.9**
Adjustments on EBIT, €m	
International Claim	6.2
Total Adjustments on EBIT	**12.1**

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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 Sep 2023	31 Dec 2022	Change
USES			
Trade receivables and advances to suppliers	544.684	537.227	7.457
Inventories	13.179	12.088	1.091
Trade payables and advances from customers	(408.258)	(480.808)	72.550
Net working operating capital	***149.605***	***68.507***	***81.098***
Other element of working capital	(151.049)	(120.289)	(30.760)
Net working capital	***(1.444)***	***(51.782)***	***50.338***
Tangible assets	153.406	147.874	5.532
Intangibles assets	422.383	423.223	(840)
Investments accounted for under the equity method	13.317	10.121	3.196
Other non current assets	35.537	51.270	(15.733)
Operating fixed assets	***624.643***	***632.488***	***(7.845)***
Non current liabilities	(58.897)	(57.972)	(925)
Net invested capital	***564.302***	***522.734***	***41.568***
SOURCES			
Minority interests	6.534	6.096	438
Equity attributable to equity holders of the parent	66.439	66.862	(423)
Shareholders' equity	***72.973***	***72.958***	***15***
Net financial indebtedness	491.329	449.776	41.553
Total financing sources	***564.302***	***522.734***	***41.568***

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ANNEX

PROFIT&LOSS *(€/000)*	For the period ended 30 Sep	
	2023	**2022**
Total revenues	870.197	946.423
Total costs of production	(780.168)	(865.751)
EBITDA	**90.029**	**80.672**
EBITDA %	***10,35%***	***8,52%***
Amortization/depreciation, write-downs and write-backs of assets	(30.766)	(29.593)
Accrual of provisions for risks and charges	(11.248)	1.285
Operating income	**48.015**	**52.364**
Operating Income %	***5,52%***	***5,53%***
Share of net profit of associates	102	690
Net financial charges	(37.704)	(26.608)
Profit before taxes from continuing operations	**10.413**	**26.446**
Profit before taxes from continuing operations %	***1,20%***	***2,79%***
Income taxes	(9.998)	(6.723)
Profit from continuing operations	**415**	**19.723**
Loss for the period from discontinued operation	-	-
Net profit for the period	**415**	**19.723**
Net profit for the period %	***0,05%***	***2,08%***
Minority interests	(745)	(309)
Net profit for the period attributable to equity holders of the parent	**(330)**	**19.414**
Net profit for the period attributable to equity holders of the parent %	***-0,04%***	***2,05%***

ANNEX

STATEMENT OF CASH FLOW (Statutory) (€/000)	30 Sep 2023	30 Sep 2022
CASH at the beginning of the period	**84.243**	**99.512**
Cash flow from current operations	48.478	50.226
Use of provisions for risks and charges and for employee termination indemnity	(7.874)	(3.441)
Change in NWOC	(80.941)	(59.100)
Industrial Capex, net of disposals	(29.789)	(31.814)
Financial Capex	14.005	(16.918)
Other changes	14.568	(33.442)
Change in net financial liabilities	17.743	42.196
CASH at the end of the period	**60.433**	**47.218**

What's next

- ✓ Next call on Q4 2023 will be held in March 2024

- ✓ Rekeep Financial Calendar and Reply available on:

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