



Press release

GENERALFINANCE: NEW 2021-2023 BUSINESS PLAN READY FOR LAUNCH

The plan provides for meaningful growth and initiatives to strengthen the organization, including major investments and a possible further enhancement, through a listing on the Stock Exchange

Milan, 2 February 2021. The Board of Directors of Generalfinance approved the company's new 2021-2023 Business Plan outlining a three-year growth path. Through its new Business Plan, the company aims to further consolidate its role as the reference player in the Italian factoring market for distressed companies. Thanks to the combined effect of corporate strategy implementation and macroeconomic backdrop – a backdrop against which the impact of the health emergency on corporate defaults will lead to a further growth of the distressed credit market – Generalfinance turnover is assumed to land at **over € 1.5 billion in 2023**, up from € 761 million in 2020, with an annual CAGR of 26.7% - essentially in line with the previous three-year period, **with approximately € 10 million in net profit and an ROE in excess of 30% at the end of 2023.**

*'Team spirit, dedication, innovation, organization, resilience and specialization are values that are embedded in our corporate culture and DNA - said **Massimo Gianolli**, CEO of Generalfinance. They are the values we put at the service of our clients and of all stakeholders, the values that will allow us to achieve important goals over the next three years. We are constantly working on a sound and solid growth path, which will further strengthen our organization, doubling our turnover vs 2020 and with performance indicators still at very positive levels, in line with past performance. The Business Plan completion may also include a further enhancement of Generalfinance, through an IPO.'*

The Business Plan also encompasses further **investments aimed at implementing the IT platform**. In 2021, €1.2 million will be allocated to develop an Electronic Credit Line Procedure, to improve the company's front/back-office platform and manage new products, and that will add to the €700 thousand allocated in 2020. In 2022 and 2023, approximately € 600 thousand per year will be allocated to additional IT investments, more specifically for structural innovation, cyber security, digital business and business intelligence.

Generalfinance Positioning

A special feature of our business model is the ability to identify clients in turnarounds situations - with limited access to traditional funding channels and with trade receivables from highly rated companies. In recent years, Generalfinance experienced significant growth in both turnover and net profit, with a CAGR of 28.1% and 26.0% in 2017 and 2020 respectively.

Key Indicators in 2019 and 2020:

Indicator	2019A	2020A
Turnover	590 mn	761 mn
Net profit <i>adj</i>	4.2 mn	6.2 mn
ROE <i>adj</i>	27.6%	35.7%

2020 results show a significant growth despite a very challenging environment, with all commercial and operational indicators showing growth and a very positive credit risk management level (adjusted cost of risk at 9 bps and NPE ratio at around 0.6%).

Target Market

Generalfinance's core market - i.e. the market where short-term receivables are purchased from companies under stress - is expected to grow in the coming years, with estimates of a potential **turnover in excess of €50 billion in 2022**. The target market growth that will enable Generalfinance to further expand its business is connected with following factors

- sizeable increase of impaired loans on bank balance sheets post Covid-19;
- consequent need for servicers and banks to identify strategic partners with whom to manage under-stress receivables;
- changes in the regulatory framework (new definition of default and calendar provisioning) that will have an impact on default rates and, therefore, on the stock of impaired loans.

Strategic initiatives to support Business Plan goal implementation

The goals identified in the 2021-2023 Business Plan approved by the Board of Directors are linked to the implementation of six well-defined strategic initiatives. The first three initiatives are meant to support business development and volumes; the remaining three are intended to strengthen core processes and

organizational setup by focusing on skills, resources, IT systems, internal control and risk monitoring processes.

1. *Structural growth of customer base and turnover:*

- strengthening of the network by hiring new commercial staff to take advantage of additional business opportunities, reaching out to geographical areas that are not yet covered;
- strengthening of commercial processes by enhancing in-house skills.

2. *Signing of new commercial agreements:*

- signing of new commercial agreements with specialized operators to support Generalfinance core business;
- strengthening of partnerships in order to maximize turnover.

3. *Launch of new products:*

- purchase of trade receivables claimed by businesses from the Public Administration;
- purchase of tax credits.

4. *Funding structure consolidation and diversification:*

- renewal of the Revolving Credit Facility (RCF) signed in 2019 with Banco BPM – as *agent bank*, Creval and UBI – as *mandated arrangers*, BPER Banca, MPS, Banca Centropadana and Banca Sella;
- search for alternative funding to support Liabilities and further improve liquidity risk management, with special focus on assessing the possible securitization of some Assets.

5. *Credit process improvement:*

- strengthening of skills and staffing during origination, creditworthiness assessment/monitoring;
- consolidation of systems supporting the underwriting process with the introduction of a new Electronic Credit Line Procedure and further automation of systems evaluating Assignors and rating Debtors.

6. *Strengthening of systems and resources along the value chain:*

- upgrading IT systems, with approximately €2.4 million CapEx to support the growth of the company's proprietary IT platform;
- strengthening human resources through, inter alia, incentive systems;
- upgrading the internal control system, through the definition of risk management, audit and compliance systems and processes; additional strength in line with the expected growth path.

Staff

The plan envisages a strengthening of the company's staff with the addition of 20 new staff members by 2023, more specifically, in origination and creditworthiness assessment/monitoring. The personnel increase will be in line with the expected turnover and Assignors/Debtors increase. Incentive systems tied to company performance will also be fine-tuned, with the intent to maximize staff involvement and commitment to match the expected growth. The corporate headcount is expected to grow from 50 in 2020 to 70 in 2023, with personnel costs moving from €4.3 million to €6.2 million (annual CAGR: +13.3%).

Economic and financial projections

The projections made, show a **gradual and sustainable economic and financial growth, in line with the path recorded over the last three years, with actions aimed at maintaining adequate levels of regulatory capital and RWA**. Operating Income is expected to grow from €17.2 million in 2020 to €27.6 million in 2023 (annual CAGR: +17.1%), with Net profit increasing from €5.3 million to €10 million (annual CAGR: +23.6%). The turnover performance assumption is based on a limited increase in the number of Assignors from the current 209 to 271 in 2023, as against a sizeable increase in the number of Debtors, estimated at over 17,300 in 2023 (vs 10,797 in 2020). An optimization of the client mix is also expected as well as a more targeted focus on the corporate universe, with a consequent increase in the average turnover per client, up to €5.7 million. From a capital perspective, thanks to the sizeable retained earnings generated by our operations, capital ratios, i.e. CET1 and TCR are expected to remain above 11% until 2023.

Main KPI 2021-2023

	2017A	2018A	2019A	2020A	2021E	2022E	2023E	Var. '20-'23
Turnover (€ mln)	362	478	590	761	1.080	1.331	1.549	CAGR'20-'23 +26,7%
Disbursed Loans (€ mln)	269	350	445	562	813	1.002	1.170	CAGR'20-'23 +27,7%
LTV (%)	74,5%	73,2%	75,0%	74,7%	75,3%	75,3%	75,6%	+84 bps
Receivables DSO (gg)	82,1	72,8	78,1	86,5	89,5	83,4	87,1	
Net Profit (€ mln)	2,7	2,9	4,2	5,3	7,4	8,6	10,0	CAGR'20-'23 +23,6%
ROE⁽¹⁾	21,3%	21,2%	27,6%	30,8%	33,3%	33,4%	33,4%	+257 bps
NPE Ratio	0,75%	2,19%	1,21%	0,58%	0,62%	0,66%	0,68%	+11 bps
CET1 ratio pro-forma	14,8%	14,4%	11,5%	9,9%	10,7%	10,9%	11,4%	+146 bps
Total Capital ratio pro-forma	14,8%	14,4%	11,5%	9,9%	12,9%	12,9%	13,1%	+316 bps

Note: (1) net profit / equity (net of profit);

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