



Press release

RESULTS AS AT 31 DECEMBER 2023 APPROVED, 41st YEAR SINCE ESTABLISHMENT

Generalfinance closed the year 2023 with a net profit of €15.1 million, up 38% YoY

Significant growth in core business, turnover¹ at €2,559 million (+27%) and €2,161 million of disbursements (+29%)

The excellent credit quality was confirmed: gross NPE ratio² at 0.6% and cost of risk³ at 6 basis points, also following the application of the new method for calculating past due loans in relation to the “New DoD”

Unit dividend of €0.59 compared to €0.43 in 2022 (+37%)

Total dividends proposed to the Shareholders' Meeting of €7.5 million with a payout of approximately 50% and a dividend yield – on the stock market price of the shares as at 22 February 2024 – of 6.1%

INCOME PERFORMANCE

- Net profit of €15.1 million, +38% compared to 2022
- Adjusted cost/income ratio⁴ of 38% compared to 41% in 2022
- ROE⁵ of 29%, significantly higher than the cost of capital

FURTHER GROWTH IN THE CORE BUSINESS

- Flow of loans disbursed at €2,161 million, +29% YoY
- Turnover² at €2,559 million, +27% compared to 2022

Roughly 80% of advances covered by insurance guarantee, through the long-established strategic partnership with Allianz Trade, a global leader in credit insurance.

Milan, 23 February 2024. The Board of Directors of Generalfinance – meeting under the chairmanship of **Maurizio Dallochio** – approved the draft financial statements for 2023, which show a **net profit of €15.1 million**, a significant increase (+38%) compared to 2022, **and shareholders' equity** of €66.4 million.

Massimo Gianolli, Chief Executive Officer of Generalfinance, declared: “2023 was a very important year of confirmation. The first year post-listing saw us replicate strong growth in commercial, equity and income aggregates, in line with the targets communicated to the market.

From a commercial standpoint, during the year we registered strong growth in the flow of disbursements, exceeding €2.2 billion, +29% compared to 2022, with net profit up by 38%, thus confirming the constant

¹ Turnover including operations involving advances on future receivables

² Gross non-performing loans divided by gross loans to customers

³ Net value adjustments on loans divided by annual disbursement

⁴ Operating costs – net of non-recurring expenses – divided by net interest and other banking income

⁵ Net profit divided by equity minus net profit

growth trend, in a liquidity shortage scenario for companies that are distressed or with low ratings – our target customers – which have limited access to bank credit.

We have become a major player in the distressed business loan market, further consolidating our credibility and track record during the year.

The credit for these results goes to the entire team and to the stakeholders of Generalfinance, whom I sincerely thank."

Main reclassified income statement data (in thousands of Euro)

Income for:	Year 2023	Year 2022	Change
Interest margin	8,980	7,267	24%
Net fee and commission income	27,219	23,596	15%
Net interest and other banking income	36,199	30,865	17%
Operating costs	-12,934	-13,188	-2%
Pre-tax profit from current operations	22,002	16,470	34%
Profit for the year	15,067	10,885	38%

Key balance sheet data (in thousands of Euro)

Balance sheet item	Year 2023	Year 2022	Change
Financial assets measured at amortised cost	462,365	385,434	20%
Financial liabilities measured at amortised cost	409,388	368,388	11%
Shareholders' equity	66,433	56,775	17%
Total assets	500,043	443,815	13%

Main performance indicators

Indicator	Year 2023	Year 2022
Cost/Income ratio	36%	43%
ROE	29%	24%
Net interest income/Net interest and other banking income	25%	24%
Net fee and commission income/Net interest and other banking income	75%	76%

Economic data

Net interest income amounted to €9.0 million, up (+24%) compared to 2022, mainly due to the growth in loans disbursed; the increase in market rates (3-month EURIBOR) led to a simultaneous rise in interest expense and interest income for the variable rate loans and advances component, which account for the bulk of liabilities and assets. However, due to the different timing of the adjustment of interest rates on liabilities and assets, the sudden rise in market rates – despite the balance between variable rate assets and liabilities – resulted in a negative effect (“basis risk”) in 2023 on net interest income.

Net fee and commission income amounted to €27.2 million, up compared to €23.6 million in 2022 (+15%). The trend in fee and commission income was affected by the highly positive trend in turnover (+27% year on year), reflecting the excellent commercial and operating performance of the Company during the year.

Net interest and other banking income amounted to €36.2 million (+17%), while net value adjustments on loans amounted to €1.3 million, determining a cost of risk, calculated by correlating the adjustments with the annual disbursement, equal to 6 basis points.

Operating costs amounted to €12.9 million (-2% compared to 2022, the year in which the extraordinary costs related to the IPO transaction completed in June were incurred). At the end of the year, Generalfinance had 71 employees, compared to 63 at the end of 2022.

Taking into account the tax item of approximately €6.9 million, the **net result for the year** was approximately €15.1 million, compared to €10.9 million recorded in 2022.

Balance sheet data and asset quality

Financial assets measured at amortised cost – represented largely by net loans to customers – stood at €462 million, up by 20% compared to 31 December 2022, due mainly to the increase in the flow of loans disbursed, which rose from €1,674 million in 2022 to €2,161 million in 2023 (+29%). The overall disbursement percentage (average between "with recourse" and "without recourse") – ratio of the amount disbursed to turnover in the year – increased from 83% in 2022 to 84% in 2023; the DSO (Days Sales Outstanding) decreased from 75 in 2022 to 69 in 2023, reflecting the extremely low asset duration profile.

Within the aggregate, **gross non-performing loans** totalled €2.8 million, with a gross NPE ratio of approximately 0.6%, compared to 0.35% in 2022. The coverage of non-performing loans stood at around 32%.

In this regard, it should be noted that, during the inspection by the Bank of Italy and, consequently, as part of the sanctioning proceedings initiated referred to below, the Supervisory Authority challenged the Company's **mechanism for the calculation of past-due loans on the basis of the new definition of "default" – "New DoD"** – pursuant to art. 178 of Regulation (EU) no. 575/2013 ("CRR"), which entered into force on 1 January 2021, deeming it non-compliant with the reference regulations.

In this regard, as part of its counter-arguments, the Company formulated a series of considerations by taking into account, on the one hand, the numerous interpretative doubts that the new definition of default has raised among market operators and, on the other, the specific nature of the Company's business. In fact, Generalfinance finances companies through the purchase of trade – and non-financial – receivables that originate from transactions between companies and which are normally characterised, owing to their very nature, by more flexible payment times and possible disputes that may impact the timing of collections.

However, the Supervisory Authority did not agree with these considerations and clarified its position on the criteria for calculating past-due positions, specifying that *"the relative relevance threshold of past due receivables [must] be calculated by placing the value of the amount of the advances for trade receivables in the denominator of the ratio, rather than the total nominal receivables (including the portion not paid in advance)"*.

Consequently, the Company **adjusted the mechanism for calculating past-due receivables with recourse** by referring to the ratio between past-due exposures (invoices) and the total exposure on the Transferor. The credit position is now classified as "default" when, on the basis of this new calculation mechanism, the past-due amount exceeds the absolute materiality threshold (€100 or €500 depending on the counterparty) or relative materiality threshold (1%) for 90 consecutive days. This new methodology was applied to the portfolio on 31 December 2023, with a retroactive calculation starting from 1 October 2023.

Despite the aforementioned change in methodology, in Q4 2023 **there was no significant impact deriving from the application of the “New DoD”**, thanks to a proactive collection activity and specific management of relations with some transferor customers. Moreover, past-due amounts may be subject to greater volatility in the future due to the more stringent methodology introduced.

Cash and cash equivalents – largely represented by sight deposits with banks – amounted to €21.6 million, confirming the prudent liquidity management profile, while total balance sheet assets amounted to €500.0 million, compared to €443.8 million at the end of 2022.

Property, plant and equipment – operating properties and rights of use relating to property and operating assets – amounted to €5.0 million, in line with the amount of the previous year. **Intangible assets** – mainly represented by the proprietary IT platform – amounted to €2.6 million, compared to €2 million in 2022.

Financial liabilities measured at amortised cost, equal to €409.4 million, are made up of payables of €376.8 million and securities issued of €32.6 million.

Payables are mainly represented by the RCF pool loan stipulated in January (€174.3 million) with some Italian banks, in addition to the other bilateral lines with banks and factoring companies. In addition, the item includes the payable to the vehicle (€166.0 million) related to the securitisation transaction in progress.

The securities consist of two subordinated bonds issued, in addition to the outstanding commercial paper issued at the reporting date.

Sanctioning proceedings

Generalfinance was subject to inspections by the Bank of Italy in the period 3 October - 30 December 2022, pursuant to art. 108 of the Consolidated Law on Banking. On 30 March 2023, the Supervisory Authority formalised the results of the inspection to the Company, as well as the initiation of two sanctioning proceedings regarding anti-money laundering, on the one hand, and the reporting of cases of default, large risks and internal control functions, on the other, in respect of which Generalfinance presented its counter-arguments in accordance with the applicable laws and regulations.

Therefore, on 29 December 2023, the Supervisory Authority notified Generalfinance of two separate sanction proposals, then confirmed on 22 February 2024, which refer to the following irregularities challenged by the Bank of Italy:

- omitted/erroneous reports to the Supervisory Body (art. 108, paragraphs 1 and 4, Italian Legislative Decree 385/93; Title III, Chapter 1, Section V, Title IV, Chapter 5, Circular 288/2015 “Supervisory Provisions for Financial Intermediaries”; Circular 217/2020 “Manual for the compilation of Supervisory Reports for Financial Intermediaries, Payment Institutions and Electronic Money Institutions”; art. 144, paragraph 1, letter a) of Italian Legislative Decree 385/93);
- deficiencies in the area of due diligence, profiling and active collaboration (arts. 7, 15, 16, 17, 18, 19, 24, 25, 35, 36 of Italian Legislative Decree 231/2007; Bank of Italy Measure of 26/03/2019 “Provisions governing organisation, procedures and internal controls aimed at preventing the use of intermediaries for money laundering and terrorist financing”; Bank of Italy Measure of 30/07/2019 “Provisions on customer due diligence to combat money laundering and terrorist financing”; art. 62, paragraph 1, Italian Legislative Decree 231/2007),

in both cases, the sanction is equal to the minimum legal requirement (€30,000 each). These sums have been fully allocated in the 2023 financial statements.

Impact resulting from the conflict between Russia and Ukraine

With reference to the information provided by ESMA in the public statement “Implications of Russia's invasion of Ukraine on half-yearly financial reports” on 14 March 2022 and the CONSOB communication of

19 March 2022 "Conflict in Ukraine: CONSOB warnings for supervised issuers on financial reporting and on the obligations related to compliance with the restrictions imposed by the European Union on Russia, as well as on the obligations of managers of online portals", in the context of the constant monitoring of its loan portfolio the Company has paid particular attention, on the geopolitical front, to the developments of the conflict between Ukraine and Russia, which resulted in the invasion by Russia of the Ukrainian territory on 24 February 2022 and in the imposition of economic sanctions by the European Union, Switzerland, Japan, Australia and NATO countries on both Russia and Belarus and some representatives of these countries; the conflict and sanctions have had, since February 2022, significant negative repercussions on the global economy, also taking into account the negative effects on the trend in raw material costs (with particular reference to the prices and availability of electricity and gas), as well as on the performance of the financial markets.

In said context, it should be stressed that Generalfinance has zero direct presence in the Russian/Ukrainian/Belarusian market (areas directly impacted by the conflict), since the Company has factoring relations solely with transferors active in Italy. **As at 31 December 2023, Generalfinance did not have any exposures to Transferred Debtors based in Russia, Ukraine and Belarus. Since the invasion of Ukraine, Generalfinance has suspended the credit lines relating to Transferred Debtors operating in the countries directly involved in the conflict.**

Shareholders' equity and capital ratios

Shareholders' equity as at 31 December 2023 amounted to €66.4 million, compared to €56.8 million as at 31 December 2022.

The **capital ratios** of Generalfinance – also including pro-forma profit for the fourth quarter of 2023 – show the following values:

- CET1 ratio 13.6%;
- TIER1 ratio 13.6%;
- Total Capital ratio 15.5%.

The ratios are well above the minimum regulatory values set forth in Bank of Italy Circular 288.

Significant events after the end of the year

As of today's date, no significant events occurred after the end of the year.

Business outlook

The positive trend in commercial activity recorded in 2023 – trend in turnover, loans disbursed and the customer base – and the favourable reference context for Generalfinance's activities allows us to look at the Company's economic and financial performance in 2024 with optimism. In fact, the Company expects further growth in profits compared to those achieved in 2023 and in line with the objectives defined in the Strategic Plan.

Dividends

The Board of Directors – taking into account the need to continuously strengthen the capital ratios in line with the long-term strategic objectives – proposes to allocate the net profit for the year as follows:

- a cash **dividend** to shareholders (gross of legal withholdings) of **€0.59 for each ordinary share** with coupon detachment on 15 April. Pursuant to art. 83-terdecies of Italian Legislative Decree no. 58 of February 24, 1998 ("TUF" – Consolidated Law on Finance), the entitlement to payment of the dividend is determined with reference to the records of the intermediary's accounts pursuant to art. 83-quater, paragraph 3 of

the TUF, at the end of the accounting day of 16 April (record date); the payment will be made from 17 April through the authorised intermediaries with whom the shares are registered in the Monte Titoli System. Based on the share price as at February 22, the dividend yield of the share is 6.1%. The total dividend therefore amounts to € 7,454,688.940.

- **To reserves** – in particular to the Extraordinary Reserve – for the residual amount of €7,612,704.060.

Finally, it should be noted that, at the meeting of 21 February 2023, pursuant to recommendation 9 of the Corporate Governance Code, the Board of Statutory Auditors periodically verified the independence requirements of its members and conducted the periodic self-assessment of the body with regard to the continued possession of the requirements envisaged for its members as well as with regard to the correctness and effectiveness of its functioning. As a result of the checks carried out, it emerged that the Board of Statutory Auditors meets the requirements of integrity and independence envisaged by art. 2, rec. 7, of the Corporate Governance Code and the professionalism requirements envisaged for the assumption of the office as well as the correctness and effectiveness of its functioning.

Mr Ugo Colombo, as Financial reporting manager, hereby states that, pursuant to art.154-bis, paragraph 2 of the TUF (Consolidated Law on Finance), the accounting information contained in this press release corresponds to the documentary results, the books and the accounting records.

Generalfinance's results as at 31 December 2023 will be presented to the financial community in a **conference call set for 26 February 2024 at 10.00 (C.E.T.)**. A set of slides supporting the presentation will be available by the same day, before the start of the conference call, on the homepage of the corporate website www.generalfinance.it or at the link <https://investors.generalfinance.it/en/financial-reportsand-presentations/>.

The conference call will be conducted in Italian and in English.

To connect to the conference call, please register using the following link: [Pre-rec Generalfinance 260224](#)

The Financial Statements as at 31 December 2023 will be made available to the public, according to law, at the company's registered office and at Borsa Italiana, as well as on the website www.generalfinance.it and on the website of the authorised storage mechanism www.emarketstorage.com.

GENERALFINANCE

Founded in 1982 and led by Massimo Gianolli for over 30 years, Generalfinance is a supervised financial intermediary specialised in factoring, able to guarantee rapid and customised interventions according to the different needs of its customers. Operating from its two offices in Milan and Biella with a team of roughly 60 professionals, Generalfinance is a leader in the segment of factoring for distressed companies.

Generalfinance S.p.A.

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BALANCE SHEET

(values in Euro)

	Asset items	31/12/2023	31/12/2022
10.	Cash and cash equivalents	21,640,716	43,725,230
20.	Financial assets measured at fair value through profit or loss	22,974	20,300
	<i>c) other financial assets mandatorily measured at fair value</i>	22,974	20,300
40.	Financial assets measured at amortised cost	462,365,495	385,434,057
	<i>a) loans to banks</i>	65,750	0
	<i>b) receivables from financial companies</i>	200,017	0
	<i>c) loans to customers</i>	462,099,728	385,434,057
70.	Equity investments	12,500	0
80.	Property, plant and equipment	4,993,230	4,865,994
90.	Intangible assets	2,603,700	2,047,798
	- of which goodwill	0	0
100.	Tax assets	5,677,911	4,572,048
	<i>a) current</i>	5,120,420	4,148,970
	<i>b) deferred</i>	557,491	423,078
120.	Other assets	2,726,576	3,149,078
Total assets		500,043,102	443,814,505

	Liabilities and shareholders' equity items	31/12/2023	31/12/2022
10.	Financial liabilities measured at amortised cost	409,388,039	368,388,464
	<i>a) payables</i>	376,750,770	331,170,709
	<i>b) securities issued</i>	32,637,269	37,217,755
60.	Tax liabilities	7,125,134	4,927,373
	<i>a) current</i>	7,077,869	4,880,108
	<i>b) deferred</i>	47,265	47,265
80.	Other liabilities	14,037,517	11,585,712
90.	Employee severance indemnity	1,471,156	1,316,956
100.	Provisions for risks and charges	1,587,887	821,254
	<i>b) pension and similar obligations</i>	164,705	142,487
	<i>c) other provisions for risks and charges</i>	1,423,182	678,767
110.	Share capital	4,202,329	4,202,329
140.	Share premium reserve	25,419,745	25,419,745
150.	Reserves	21,624,119	16,171,811
160.	Valuation reserves	119,783	95,474
170.	Profit (loss) for the year	15,067,393	10,885,387
Total liabilities and shareholders' equity		500,043,102	443,814,505

INCOME STATEMENT

(values in Euro)

	Items	31/12/2023	31/12/2022
10.	Interest income and similar income	30,591,811	14,013,202
	of which: interest income calculated using the effective interest method	30,591,811	14,013,202
20.	Interest expense and similar charges	(21,612,119)	(6,745,881)
30.	Net interest income	8,979,692	7,267,321
40.	Fee and commission income	31,709,532	27,426,186
50.	Fee and commission expense	(4,490,201)	(3,829,758)
60.	Net fee and commission income	27,219,331	23,596,428
70.	Dividends and similar income	0	584

80.	Net profit (loss) from trading	622	(299)
110.	Net result of other financial assets and liabilities measured at fair value through profit or loss	(150)	857
	<i>b) other financial assets mandatorily measured at fair value</i>	<i>(150)</i>	<i>857</i>
120.	Net interest and other banking income	36,199,495	30,864,891
130.	Net value adjustments/write-backs for credit risk of:	(1,264,087)	(1,206,562)
	<i>a) financial assets measured at amortised cost</i>	<i>(1,264,087)</i>	<i>(1,206,562)</i>
150.	Net profit (loss) from financial management	34,935,408	29,658,329
160.	Administrative expenses	(13,853,626)	(13,044,192)
	<i>a) personnel expenses</i>	<i>(7,196,181)</i>	<i>(6,748,499)</i>
	<i>b) other administrative expenses</i>	<i>(6,657,445)</i>	<i>(6,295,693)</i>
170.	Net provisions for risks and charges	(82,218)	(24,035)
	<i>b) other net provisions</i>	<i>(82,218)</i>	<i>(24,035)</i>
180.	Net value adjustments/write-backs on property, plant and equipment	(801,884)	(737,841)
190.	Net value adjustments/write-backs on intangible assets	(442,855)	(335,855)
200.	Other operating income and expenses	2,246,804	953,950
210.	Operating costs	(12,933,779)	(13,187,973)
260.	Pre-tax profit (loss) from current operations	22,001,629	16,470,356
270.	Income taxes for the year on current operations	(6,934,236)	(5,584,969)
280.	Profit (loss) from current operations after tax	15,067,393	10,885,387
300.	Profit (loss) for the year	15,067,393	10,885,387