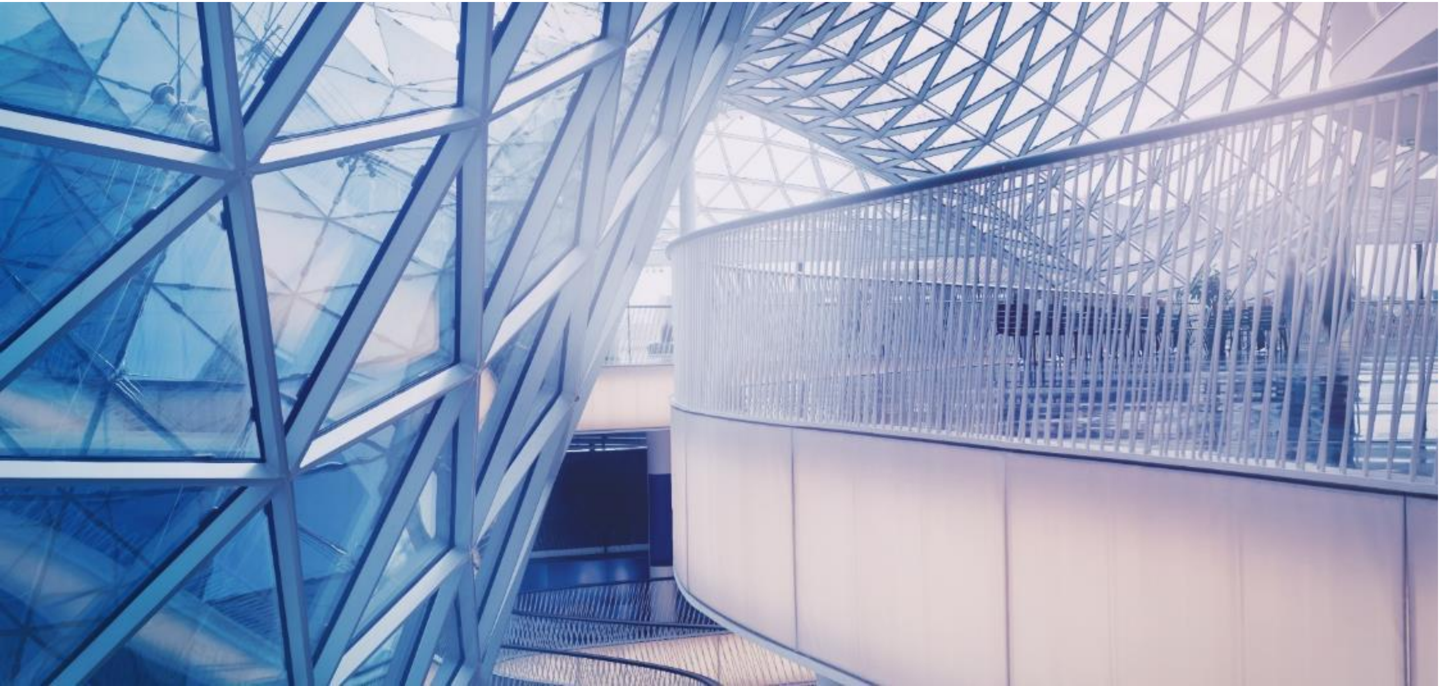
Intertrust

# Q2 and H1 2019 Results

1 August 2019



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## Agenda

- Highlights and Operational Update – CEO Stephanie Miller
- Q2 and H1 2019 Results – CFO Hans Turkesteen
- Q&A

# Highlights and Operational Update

CEO Stephanie Miller

# Q2 2019 Highlights

Funds and Corporates main growth areas

## M&A

- Acquisition of Viteos completed on 17 June 2019.

## Revenue

- Revenue increased 3.5% underlying to EUR 128.2m, Viteos contributed EUR 1.7m.
- Stand-alone revenue growth amounted to 2.5%.
- Funds and Corporates highest growing segments with 7.8% and 4.1% underlying respectively.

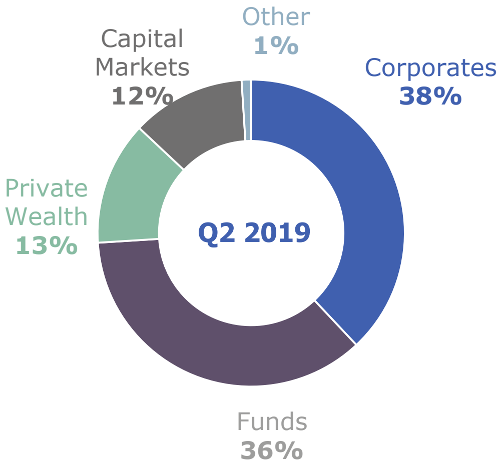
## Adjusted EBITA and margin

- Adjusted EBITA at 36.5%, in line with 2019 guidance.

## Dividend

- Interim dividend at 40% of adjusted net income, equal to EUR 0.30 per share, payable on 29 November 2019.

## Revenue per service line



# Operational update Q2 2019

Strategic ambitions accelerated by Viteos

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## Clients & Services

- Viteos acquisition gives us: - access to new client segments: hedge funds and other alternatives.
  - full end-to-end administration for alternatives market.
- Capital markets license in Americas pending, approval expected in 2019.
- Expanding our corporate service offering from new locations in Paris (France) and Shenzhen (China).

## Innovation & Technology

- Successfully advanced the IT roadmap with NaaS (networks as a service) going live in the Americas.
- Deployed enhancements to the Performance Reward Management system for corporate clients.
- Roll-out of global client portal IRIS continues and implementation still expected in Q4.
- Automation of workflows advancing well and will be supported by Viteos tools and expertise.

## People

- Global launch of online learning platform ELLA.
- Global Head of Funds Patrick O'Brien started in May and Chief Commercial Officer Ian Lynch in July.
- Appointment of Petra van Hoeken as Chief Risk Officer, starting 15 August.

## Operational excellence

- Integration of Viteos kicked off.
- Off-shoring activities being identified for migration starting in Q4.

# Q2 and H1 2019 results

CFO Hans Turkesteen

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# Highlights Q2 and H1 2019

| (€m) | Q2 2019 | Q2 2018 | Change | Underlying change | H1 2019 | H1 2018 | Change | Underlying change |
|---|---|---|---|---|---|---|---|---|
| Revenue | 128.2 | 121.5 | 5.5% | 3.5% | 253.5 | 241.6 | 4.9% | 3.5% |
| Adjusted EBITA | 46.8 | 44.7 | 4.8% | 1.7% | 92.1 | 90.0 | 2.4% | -0.7% |
| *Adjusted EBITA margin* | *36.5%* | *36.8%* | *-27bps* | *-66bps* | *36.3%* | *37.2%* | *-92bps* | *-150bps* |
| Adjusted net income | 34.3 | 33.0 | 3.9% | | 67.1 | 66.8 | 0.5% | |
| Adjusted EPS (€) | 0.38 | 0.37 | 3.5% | | 0.75 | 0.74 | 0.9% | |
| Cash flow from operating activities | 27.4 | 27.6 | -0.7% | | 87.4 | 95.3 | -8.3% | |
| Average number of shares | 89,580,687 | 89,187,291 | | | 89,407,231 | 89,779,964 | | |

- Q2 2019 revenue increased 5.5% of which 1.6% related to FX movements and 1.4% due to 13 days of Viteos inclusion.
- Q2 2019 underlying revenue increased 3.5% to EUR 128.2m. Excluding Viteos, revenue growth was 2.5% at CC.
- H1 2019 underlying revenue increased 3.5% to EUR 253.5m. Excluding Viteos, growth of 2.3% at CC.
- Q2 2019 adjusted EBITA margin of 36.5% and H1 2019 of 36.3%, in line with guidance.
- Cash flow from operating activities continued to be strong.
- Guidance 2019 reiterated: 3-5% underlying revenue growth for Intertrust stand-alone and at least 36% adjusted EBITA margin.

# Revenue per service line

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| (€m) | Q2 2019 | Q2 2018 | % Change | Underlying % change |
|---|---|---|---|---|
| Corporates | 48.5 | 46.1 | 5.2% | 4.1% |
| Funds | 46.7 | 41.5 | 12.5% | 7.8% |
| Capital Markets | 15.9 | 15.5 | 2.6% | 1.4% |
| Private Wealth | 16.2 | 16.4 | -1.1% | -2.4% |
| Other | 1.0 | 2.0 | -53.3% | -54.4% |
| **Total Group** | **128.2** | **121.5** | **5.5%** | **3.5%** |

| (€m) | H1 2019 | H1 2018 | % Change | Underlying % change |
|---|---|---|---|---|
| Corporates | 95.5 | 92.1 | 3.7% | 2.4% |
| Funds | 90.5 | 80.8 | 12.1% | 9.1% |
| Capital Markets | 31.5 | 29.8 | 6.0% | 4.5% |
| Private Wealth | 33.2 | 34.8 | -4.8% | -6.4% |
| Other | 2.8 | 4.2 | -32.0% | -34.4% |
| **Total Group** | **253.5** | **241.6** | **4.9%** | **3.5%** |

- Corporates experienced strong growth in the quarter across most jurisdictions.
- Funds continued to grow in line with expectations. Quarterly growth was impacted by anticipated client insourcing.
- Viteos' revenue is included in Funds as of 18 June 2019.
- Excluding Viteos, revenue growth in Funds was 7.0% in H1 2019.
- Capital Markets increased 4.5% in H1 2019 mainly in Americas (US) and ROW (Jersey and UK).

# Revenue per segment

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| Revenue (€m) | Q2 2019 | Q2 2018 | % Change | Underlying % change |
|---|---|---|---|---|
| Western Europe | 57.4 | 56.8 | 1.1% | 1.0% |
| ROW | 49.2 | 45.2 | 8.8% | 7.4% |
| Americas | 21.6 | 19.5 | 10.7% | 2.5% |
| **Group total** | **128.2** | **121.5** | **5.5%** | **3.5%** |

| (€m) | H1 2019 | H1 2018 | % Change | Underlying % change |
|---|---|---|---|---|
| Western Europe | 115.5 | 114.3 | 1.0% | 0.9% |
| ROW | 96.5 | 89.6 | 7.7% | 5.7% |
| Americas | 41.6 | 37.7 | 10.2% | 5.0% |
| **Group total** | **253.5** | **241.6** | **4.9%** | **3.5%** |

- Growth in Western Europe of 1.0%:
  - Netherlands revenue in line with Q2 2018 while increasing market share.
  - Luxembourg Q2 impacted by anticipated insourcing, visibility rest of the year strong.
- Growth in ROW of 7.4% underlying mainly driven by:
  - Corporates in the Nordics, Spain and UK.
  - Funds in Asia Pacific and Spain.
- Viteos is included in Americas as of 18 June 2019 (EUR 1.7m). Excluding Viteos revenue in Q2 declined 4.1% at CC primarily due to reduced client activity in Cayman and the Bahamas and lower than expected new business.

# Adjusted EBITA (margin) per segment

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| Adj. EBITA (€m) *Margin (%)* | Q2 2019 | Q2 2018 | Underlying change % | H1 2019 | H1 2018 | Underlying change % |
|---|---|---|---|---|---|---|
| Western Europe | 32.1 | 31.9 | 0.7% | 64.9 | 64.6 | 0.4% |
| | *55.9%* | *56.1%* | | *56.2%* | *56.5%* | |
| ROW | 21.5 | 19.2 | 11.2% | 42.1 | 38.3 | 8.1% |
| | *43.7%* | *42.4%* | | *43.6%* | *42.8%* | |
| Americas | 11.2 | 10.7 | -4.0% | 20.9 | 20.6 | -5.0% |
| | *52.0%* | *54.9%* | | *50.3%* | *54.8%* | |
| **Group total** (after HQ & IT costs) | **46.8** | **44.7** | **1.7%** | **92.1** | **90.0** | **-0.7%** |
| ***Adj. EBITA margin (%)*** | ***36.5%*** | ***36.8%*** | | ***36.3%*** | ***37.2%*** | |

- Western Europe: development of the adjusted EBITA margin continued to be strong.
- ROW: margin increased in Q2 and in H1 as a result of revenue growth and operating leverage.
- Americas: margin compression due to reduced operating leverage and the full impact of the investments in future growth.

# Key performance indicators

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| | KPI | Definition | Q2 2019 | Q2 2018 | H1 2019 | H1 2018 |
|---|---|---|---|---|---|---|
| 1 | FTE | end-of-period | 3,327 | 2,485 | 3,327 | 2,485 |
| 2 | Revenue / Billable FTE [1] | €k, LTM | 263.0 | 260.4 | 263.0 | 260.4 |
| 3 | Billable FTE / Total FTE | As %, end-of-period | 78.3% | 75.6% | 78.3% | 75.6% |
| 4 | HQ & IT costs | As % of revenue | 14.0% | 14.1% | 14.1% | 13.9% |
| 5 | Working capital / LTM revenue | As % | -3.3% | -3.2% | -3.3% | -3.2% |

- Total FTEs increased mainly due to the inclusion of Viteos.
- LTM Revenue / Billable FTE improved to EUR 263k.
- Billable FTE / Total FTE improved to 78.3% mainly as a result of the inclusion of Viteos.
- HQ & IT costs as a percentage of revenue improved to 14.0% in line with expectations.
- Working capital continued its YoY improvement trajectory.

[1] Billable FTE is calculated based on LTM average, revenue is not corrected for currency impact

# Capital employed

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| (€m) | 30.06.2019 | 31.21.2018 | 30.06.2018 |
|---|---|---|---|
| Acquisition-related intangible assets | 1,726.4 | 1,451.8 | 1,464.1 |
| Other intangible assets | 15.3 | 15.3 | 13.7 |
| Property, plant and equipment | 15.3 | 14.6 | 15.1 |
| Total working capital | (17.8) | (16.0) | (15.6) |
| Other assets | 27.3 | 3.1 | 5.2 |
| **Total Capital employed (Operational)** | **1,766.4** | **1,468.8** | **1,482.6** |
| | | | |
| Total equity | 738.8 | 718.8 | 691.3 |
| Net debt | 937.7 | 682.0 | 713.7 |
| Provisions, deferred taxes and other liabilities | 89.9 | 68.0 | 77.6 |
| **Total Capital employed (Finance)** | **1,766.4** | **1,468.8** | **1,482.6** |

| (€m) | 30.06.2019 | 31.12.2018 | 30.06.2018 |
|---|---|---|---|
| Operating working capital | 12.9 | 10.7 | 22.6 |
| Net current tax | (30.7) | (26.6) | (38.1) |
| **Total working capital** | **(17.8)** | **(16.0)** | **(15.6)** |

- Acquisition related intangible assets increased as a result of Viteos acquisition.
- Working capital continued its YoY improvement trajectory. Excluding Viteos, working capital was €24.6m negative.
- Provisions, deferred taxes and other liabilities higher mainly due to an increase in deferred tax liabilities related to intangible assets.
- Net debt increase result of new $150m term loan, $99m RCF utilization and cash used for Viteos acquisition.
- Leverage ratio, as defined, at 4.01x at 30 June 2019, well within agreed bank covenants.

# Free cash flow

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| (€m) | Q2 2019[1] | Q2 2018 | H1 2019[1] | H1 2018 |
|---|---|---|---|---|
| **Adjusted EBITA** | 46.8 | 44.7 | 92.3 | 90.0 |
| *Adjustments for:* | | | | |
| Depreciation and amortisation of other intangible assets | 6.7 | 2.8 | 13.4 | 5.6 |
| Other non cash items | (0.4) | 0.8 | 1.1 | 1.5 |
| Net cash used for specific items | (2.1) | (3.7) | (5.4) | (4.6) |
| *Changes in:* | | | | |
| (Increase)/decrease in working capital (excl. current tax) | (12.3) | (12.1) | (0.9) | 10.0 |
| Others | (1.3) | 1.3 | (3.2) | 1.6 |
| Income tax paid | (10.1) | (6.3) | (11.7) | (8.8) |
| **Cash flow from operating activities** | **27.4** | **27.6** | **87.4** | **95.3** |
| Capex paid | (2.0) | (1.9) | (3.5) | (2.9) |
| Interests and other finance expenses paid | (11.7) | (6.6) | (14.8) | (12.5) |
| **Free cash flow** | **13.7** | **19.1** | **69.1** | **79.9** |

- Net cash flow from operating activities continued to be strong.
- Q2 includes first senior notes coupon which was paid in May.

[1] Including impact of IFRS 16

# Tax reconciliation

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| (€m) | | H1 2019[1] | | H1 2018 | | *Change* |
|---|---|---|---|---|---|---|
| **Profit before income tax** | | **63.2** | | **49.7** | | **13.5** |
| **Income tax using the Company's domestic tax rate** | ***25.0%*** | **(15.8)** | **25.0%** | **(12.4)** | | **(3.4)** |
| Effect of tax rates in foreign jurisdictions | | 3.8 | | 3.5 | | 0.3 |
| Effect of non-taxable and deferred items | | (1.9) | | (0.4) | | (1.4) |
| Effect of prior year adjustments | | 0.7 | | 0.6 | | 0.2 |
| **Income tax** | ***20.8%*** | **(13.1)** | ***17.6%*** | **(8.8)** | ***320ps*** | **(4.4)** |
| Of which: | | | | | | |
| Current tax expense | ***19.5%*** | (12.3) | ***26.4%*** | (13.1) | | 0.8 |
| Deferred tax income | ***1.3%*** | (0.8) | ***-8.8%*** | 4.4 | | (5.2) |

- Income tax expenses increased to EUR 13.1m mainly related to the deferred tax on the bond option revaluation.
- The effect of non-taxable items includes non-deductible acquisition costs and non-deductible interest expenses in H1 2019.
- Effective tax rate was 20.8%. Normalised effective tax rate was 18.6%.

[1] Including impact of IFRS 16

# Full year 2019 guidance

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## Revenue growth

- Underlying revenue growth excluding Viteos of 3 - 5%

## EBITA margin

- Adjusted EBITA margin of at least 36%

## Other elements

- Capex expected to be around 2.0% of revenue
- Effective tax rate of approximately 20% (from 19%)
- Dividend at least 40% of adjusted net income

# Key takeaways

**Acquisition of Viteos** was the biggest highlight, **accelerating our strategy** to become leading tech-enabled corporates and funds solutions provider

Advancing the automation and standardization of workflow processes will drive **operational excellence**

Based on our performance and the visibility for the rest of the year, we **reconfirm** our **2019 guidance**

# Q&A

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# Appendix

# Consolidated Profit/(Loss) (unaudited)

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| (€k) | Q2 2019[2] | Q2 2018 | H1 2019[2] | H1 2018 |
|---|---|---|---|---|
| **Revenue** | **127,863** | **121,542** | **252,739** | **241,605** |
| Staff expenses | (59,101) | (54,660) | (116,208) | (108,584) |
| Rental expenses | (2,261) | (6,061) | (4,133) | (12,044) |
| Other operating expenses | (21,222) | (17,499) | (37,033) | (30,819) |
| Other operating income | 57 | 11 | 80 | 51 |
| Depreciation and amortisation of other intangible assets | (6,710) | (2,775) | (13,361) | (5,557) |
| Amortisation of acquisition-related intangible assets | (10,803) | (10,217) | (21,341) | (20,364) |
| **Profit/(loss) from operating activities** | **27,823** | **30,341** | **60,743** | **64,288** |
| Financial income | 18,518 | 156 | 22,107 | 184 |
| Financial expense | (9,487) | (7,250) | (19,679) | (14,786) |
| **Financial result[1]** | **9,031** | **(7,094)** | **2,428** | **(14,602)** |
| Share of profit and result of transactions with equity-accounted investees and subsidiaries (net of tax) | 15 | 32 | 15 | 41 |
| **Profit/(loss) before income tax** | **36,869** | **23,279** | **63,186** | **49,727** |
| Income tax | (8,259) | (4,267) | (13,145) | (8,751) |
| **Profit/(loss) after tax** | **28,610** | **19,012** | **50,041** | **40,976** |

[1] Reported financial result included a bond option revaluation of EUR 21.4m (H1 2018: nil) and net interest expenses of EUR 15.6m (H1 2018: EUR 13.9m)

[2] Including impact of IFRS 16

# Reconciliation to reported results

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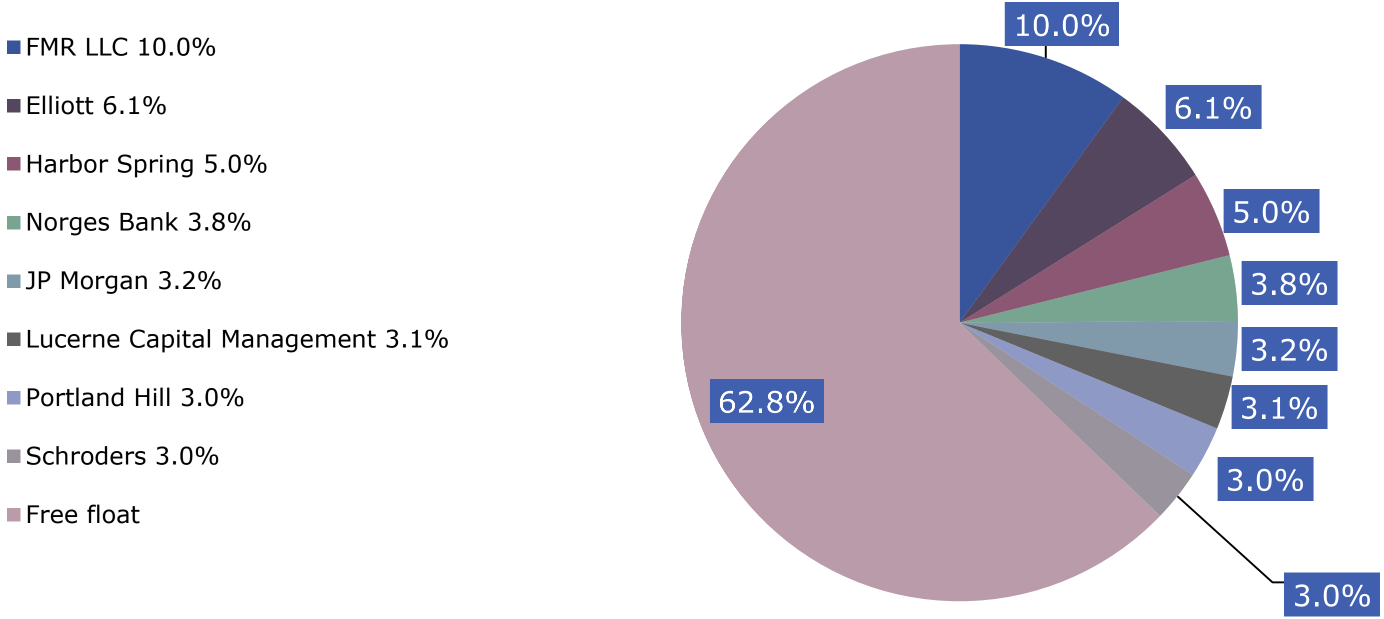
| (€m) | Q2 2019 | Q2 2018 | H1 2019 | H1 2018 |
|---|---|---|---|---|
| **Profit/(loss) from operating activities** | **27.8** | **30.3** | **60.5** | **64.3** |
| Amortisation of acquisition – Related intangible assets | 10.8 | 10.2 | 21.3 | 20.4 |
| Specific items – Integration and transformation costs | 1.1 | 3.4 | 2.9 | 4.3 |
| Specific items – Transaction and other items | 7.1 | 0.7 | 7.3 | 1.0 |
| **Adjusted EBITA** | **46.8** | **44.7** | **92.1** | **90.0** |

| (€m) | Q2 2019 | Q2 2018 | H1 2019 | H1 2018 |
|---|---|---|---|---|
| **Adjusted EBITA** | **46.8** | **44.7** | **92.1** | **90.0** |
| Net finance costs (adjusted) - excluding net foreign exchange loss and other adjusting items[1] | (8.3) | (7.5) | (16.3) | (14.5) |
| Share of profit of associate (net of tax) | 0.0 | 0.0 | 0.0 | 0.0 |
| Income tax (adjusted) | (4.3) | (4.3) | (8.7) | (8.8) |
| **Adjusted Net income** | **34.3** | **33.0** | **67.1** | **66.8** |

[1] Foreign exchange gain/(loss) for Q2 2019 was EUR (0.2m), H1 2019: EUR (0.2m); Q2 2018 was EUR (0.4m), H1 2018: EUR (0.1m)

# Ownership structure

## Shareholder structure 31 July 2019



# Notes & definitions

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- Intertrust N.V. Q2 and H1 2019 financial figures are shown on a reported and adjusted basis
- Adjusted Q2 2019 and H1 2019 numbers are excluding IFRS16 impact and used for comparison purposes unless stated otherwise.
- Figures presented in € million tables are calculated before rounding
- Adjustments in EBITDA and EBITA are disclosed in the press release. Adjusted figures represent adjustments because of non-recurring items
- As of Q1 2019, Intertrust uses the following segmentation: Western Europe, Americas, and Rest of the World (ROW)
- Adjusted Q2 2019 and H1 2019 numbers (excluding IFRS 16 impact) are used for comparison purposes unless stated otherwise

**Selected definitions**

- Adjusted net income per share is defined as Adjusted net income divided by the average number of shares outstanding at 30 June 2019. Average no. of shares for Q2 2019: 89,580,687; for Q2 2018: 89,187,291 and for H1 2019: 89,407,231; for H1 2018: 89,779,964
- Capital expenditure is defined as investments in property, plant, equipment and other intangible assets not related to acquisitions
- CC is Constant Currency
- FTE is Full-time equivalent employee
- Leverage ratio is total net debt (at LTM average FX rate) divided by the adjusted EBITDA of Intertrust, including proforma contribution for acquisitions and full year run-rate synergies related to acquisitions and other SFA adjustments such as the addback of LTM LTIP accruals
- Net interest is defined as net finance cost excluding forex gains and losses
- Net debt is defined as the net of the cash and cash equivalents excluding cash held on behalf of clients and gross value of the third party indebtedness
- Underlying (excluding IFRS 16 impact) is current and prior period at constant currency and, if applicable, including proforma figures for acquisition(s)

# Thank you



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