



S P A X S

Strategic Plan 2018 - 2023

Enrico Fagioli Marzocchi

SME Division

Our goals



Be the **specialist partner** of Italian SMEs

Offer **high-value** products and services

Innovative approach: **Tutors & advanced technologies**

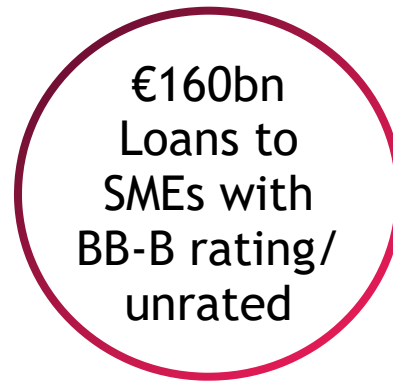
We will focus on three large, growing, untapped segments

Turnaround



Mid to large single name SMEs **UTP loans with potential** to return to a performing status

Crossover & Acquisition finance



Low-rated (B-BB) SMEs with **high-potential** but **sub-optimal financial structure**



Corporate or financial sponsors willing to pursue **ambitious inorganic growth**

Invoice lending



SMEs with **short-term financing needs** related to the nature of their business

Our competitive advantages



Specialist in selected market segments



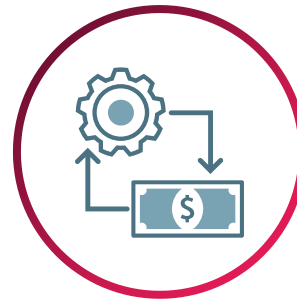
Innovative channel: **Tutors**



Fully digital bank



Zero-legacy bank



Low cost of funding and leverage advantages



Lean & fast



Tutors



Capabilities

- Consolidated **experience** in specific industries and geographies
- Deep **understanding of industry fundamentals**
- **Solid reputation and broad relationships** with SMEs



Organisation

- Organised around **areas of expertise/network** (*geographical and/or industrial*)
- Flexible and **360° support** for a portfolio of clients
- Target approach based on a **deep coordination** between Tutors and the SME Division **centralized data management**



Activities

- Identify **market opportunities** and meet potential clients
- **Analyse** the client financial and competitive situation
- **Advise** the client on business and financial solutions
- **Interact with product specialists** (*invoice, crossover financing, acquisition finance, turnaround*) and negotiate possible solutions with the client



Incentive scheme

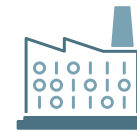
- Job contracts **tailored** to specific experience and personal situation
- **High variable** component (up to 100%) based on **Economic Value Added over a 2-year period**



Innovative business model:
Tutors' experience + advanced technologies



Tutors
Industrial experience
Human touch



Client data gathered through public sources and internal reporting



Market and peer data gathered through external public sources



Automated system based on big data and AI



SPAXS

Value for SPAXS

Key competitive advantage in credit underwriting and monitoring



Value for the customer

Best customer experience and bilateral data exchange

Turnaround: huge opportunity in the UTP market

€30bn
UTP

Our offer

- Purchase **UTP loans - single names** - where we see potential for restructuring
- Provide **new finance** eventually linked to capital injection, which will be provided by private equity partners
- Offer **fronting servicing** activities¹ to the non-bank investors in UTP portfolios

1. E.g., working capital and treasury management
Source: market estimates based on various sources, see Disclaimer attached at the end of this document

Our Key Success Factors



Vs non-bank players:

- **Banking licence** enables the provision of full banking services
- Lower **cost of funding** & higher **leverage**
- Perceived as a **friendlier counterpart** by the borrower's banks as we buy a portion of their exposure to the same debtor



Vs traditional banks:

- No legacy enables appetite to provide **new finance**
- Full **customer engagement** in credit origination and monitoring process via access to **regular and timely internal data**



Crossover: large market with untapped needs

Our offer

- Provide a full range of banking products
- Industrial advisory instrumental to structure the best financing solutions
- Acquisition finance, i.e. financing solutions to corporates for inorganic growth or to financial sponsors

Source: market estimates based on various sources, see Disclaimer attached at the end of this document

€160bn
Crossover
lending

€10bn
Acquisition
finance

Our Key Success Factors



Tutors with industrial & financial background



Credit underwriting and monitoring through deep analysis based on extensive use of Artificial Intelligence algorithms



Full customer engagement in credit underwriting and monitoring process via access to regular and timely internal data

Invoice lending: focus on underserved supply chains

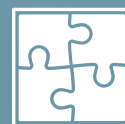
€60bn
Outstanding

€220bn
Turnover

Our offer

- Tailored solutions of direct and reverse factoring to specific market niches - supply chain in industrial districts
- Proactively propose factoring services to corporates based on the understanding of their financial cycle

Our Key Success Factors



Full integration between factoring and all the other banking products



Tutors' knowledge of industries' supply chain needs



Digital platform and simplified processes which allow for fast time-to-execution



Rapid build-up of scale thanks to our supply chain approach (through few large relationships)

Our targets
for SME Division
by 2023

~ €3.7bn
Customer
Loans

~ €160m
Net Profit

~ 24%
ROE

P&L, Assets and KPI targets - Overall SME Division

P&L and Assets (€m)

	2020	2023
Total revenues	84 - 102	420
Operating costs	(29 - 35)	(60)
Loan loss provision	(46 - 56)	(135)
Net profit	6 - 8	160
Net customer loans (€bn)	1.4 - 1.7	3.7

KPIs

	2020	2023
Gross NPE ratio excluding Turnaround	3 - 5%	7%
ROE	n.s.	24%
Cost/Income	30 - 35%	15%
Organic cost of risk - Excluding turnaround (bps)	140 - 170	130
No. of Tutors	20 - 30	40
No. of Full-time employees (excl. tutors)	110 - 120	~200

Focus on segment-specific KPIs

		Turnaround		Crossover		Invoice lending	
		2020	2023	2020	2023	2020	2023
Assets	Net customer loans €bn	0.4 - 0.5	1.4	0.3 - 0.4	0.8	0.4 - 0.5	1.2
Margins	Revenue	Net interest margin 11%	23% ¹	Asset spread ~ 4%	~ 4%	Asset spread ~ 2.5%	~ 2.5%
KPIs	Cost of risk	12%	9%	175 - 185bps	150bps	125 - 135bps	70bps

We did not include potential capital gains from the equity revaluation of the debt-to-equity part of a restructuring

1. The net interest income includes the gain from the revaluation of the underlying loan once it moves back to a performing status

We will give disclosure of these KPIs on a regular basis



Business activity

Turnaround

- #, € analysed positions
- #, € acquired UTP loans (Gross Book Value)
- New finance

Crossover

- #, € gross origination crossover loans
- #, € acquisition finance loans

Invoice lending

- # clients
- Turnover



Risk KPIs

- Organic Gross NPL ratio¹
- Cost of Risk (bps)
- Actual danger rate²

- Organic Gross NPE ratio³
- Cost of Risk (bps)

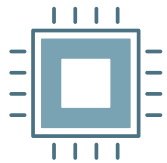
- Organic Gross NPE ratio³
- Cost of Risk

Making this real: achievements so far



Team

- Hired the **Head of Turnaround** and the **Head of Crossover**; shortlist of candidates for Invoice Lending
- Hired **3 Tutors**



IT platform

- In advanced phase to identify the **IT provider for digital invoice lending platform** and IT credit management system



Pipeline

- Ongoing analysis on **5 UTP positions**
- Discussion with a major non-bank UTP investor regarding **fronting activities**
- Assessment of potential prospective **crossover clients** within BIP network

Our road ahead

H2 2018

- Hire 10 more Tutors
 - Recruitment of second line managers within each business division
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H1 2019

- Launch of digital platform for invoice lending
 - IT system for credit solution
 - SME division fully operational
-

H2 2019

- Complete recruitment of teams
 - 20 Tutors on board
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