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Oggetto	:	Agreement for the acquisition of 80% of Eurobank Financial Planning Services (FPS) and 10-year exclusivity on Eurobank future NPE production

Testo del comunicato

Vedi allegato.



Press release

AGREEMENT FOR THE ACQUISITION OF 80% OF EUROBANK FINANCIAL PLANNING SERVICES (FPS) AND 10-YEAR EXCLUSIVITY ON EUROBANK FUTURE NPE PRODUCTION

DOVALUE BECOMES A LEADER IN THE GREEK NPE SERVICING MARKET ADDING A PORTFOLIO OF APPROXIMATELY €27 BILLION

Rome, December 19 2019 – doValue S.p.A. (the “Company” or “doValue”) announces that it has signed today with Eurobank Ergasias SA (“Eurobank”), an agreement for the acquisition of 80% of the share capital of Eurobank FPS Loans and Credits Claim Management Company S.A. (“FPS”) (the “Transaction”). The remaining 20% of the share capital of FPS will continue to be held by Eurobank. The transaction also entails the assignment of the exclusive management of Eurobank’s future Early Arrears and NPE (non-performing exposures) production in Greece for a 10-year period, consolidating the role of doValue as a long-term strategic partner to a local systemic bank.

The agreement follows a competitive process involving some of the most reputable institutions in the NPE sector in Europe and is a testament to doValue’s track record and industrial, long-term approach to NPE and Real Estate management.

FPS has developed itself within the broader Greek NPE servicing industry since 2014, originally as the internal NPE platform of Eurobank, attracting third party mandates from international investors and providing the full range of servicing activities, with an asset-light model, spanning all asset classes. As part of the Transaction, FPS’s portfolio is expected to be progressively and materially increased in 2020 reaching a total perimeter of approximately €27 billion.

The acquisition of the 80% of the share capital of FPS has been valued at €248 million in enterprise value (€310 million for 100%), plus an earn-out of up to €40 million (€50 million for 100%) linked to the achievement of certain EBITDA targets over a 10-year horizon. Any earn-out payment will not be due before 2024 and will be based on an outperformance of the current business plan expectations.

The parties aim to close the Transaction by no later than May 2020, subject to the satisfaction of customary regulatory approvals in line with market practice. We wish to confirm that the Transaction is expected to be accretive to all main doValue financial targets already in 2020.

Main features and strategic rationale

- With FPS, doValue gains a significant foothold in the most promising NPE servicing market in Europe, characterized by an NPE stock held by Greek banks of approximately €80 billion (gross book value).
- Combined with doValue Hellas, doValue will manage an approximately €28 billion portfolio in Greece, making it the leading servicer in the country and completing doValue’s portfolio of top positions in Southern Europe: Italy, Iberia, Greece and Cyprus.

doValue S.p.A.

già doBank S.p.A.

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- The 10-year agreement according to which Eurobank will automatically transfer its future Early Arrears and NPE production to FPS emphasizes the long-term partnership nature of the Transaction; doValue will be instrumental to Eurobank reaching its regulatory targets and will benefit from a recurring source of revenue. Such provision further strengthens doValue's array of long-term forward flow agreements with prominent financial institutions in each of its markets: Unicredit and Credit Agricole in Italy, Santander in Spain, Alpha bank in Cyprus and Eurobank in Greece.
- doValue's scale and quality of operations in Greece are best positioned to exploit the regulatory developments facilitating NPE transactions via securitizations backed by state guarantees (asset protection scheme, also known as "Hercules"), similar to the GACS structure in Italy, where doValue has a track record of more than €22 billion (gross book value). The current short-term NPE transaction pipeline in Greece is estimated at more than €10 billion (gross book value), supporting the Company's organic growth expectations in the medium-term.
- Further growth potential in Greece is represented by the development of the REO servicing market (Real Estate Owned assets), as investors and banks repossess a significant proportion of NPE collateral. The expertise of doValue and Altamira in this domain will complement the FPS platform to offer FPS clients a complete suite of Real Estate services.

Key terms and financing

The agreement provides for doValue to acquire 80% of the share capital of FPS from Eurobank, which will retain 20% of the share capital of FPS. doValue will enter into a shareholder agreement with Eurobank that provides, among other terms, for a reciprocal lock-up period of three years and a call option right in favor of doValue that may be exercised as from the fourth year following the closing of the Transaction. The shareholders' agreement will include terms and conditions consistent with market practice.

The acquisition of 100% of the share capital of FPS has been valued at €310 million in terms of enterprise value (€248 million for the 80% interest that doValue is acquiring), plus an earn-out of up to €50 million (€40 million for the 80% interest that doValue is acquiring), to be paid subject to the achievement of certain EBITDA targets over the course of 10 years from the closing of the transaction. Any earn-out payment will not be due before 2024 and will be based on an outperformance of the current business plan expectations.

FPS's current servicing portfolio is expected to be materially expanded in 2020 with the inclusion, among others, of a significant portion of Eurobank's corporate loan book and newly securitized portfolios, leading to a total perimeter of approximately €27 billion (gross book value), of which more than €16 billion from third party investors.

The portfolio is characterized by banking Early Arrears and NPEs, both non-performing-loans (NPL) and unlikely-to-pay loans (UTP), with a prevalence of secured positions, to be managed with a mix of liquidation and restructuring strategies. The quality of the loan book and the new fee structure are consistent with profitability expectations in excess of doValue's 2022 target of an EBITDA margin above 40%. The initial term of the servicing contract to be entered into with Eurobank will be for ten years and will include terms and conditions consistent with market practice.

FPS's servicing portfolio includes "Project Cairo", set to be one of the main securitizations under Hercules, with a perimeter of €7.5 billion encompassing both retail and corporate NPE, for which FPS will also be providing REO services.

In line with its co-investment strategy for selected portfolios to be managed on an exclusive basis, it is foreseen that doValue will acquire a minority position in the junior notes of the "Project Cairo" securitization, for a limited invested amount within its co-investment targets.



The acquisition will be financed with third-party indebtedness. doValue's consolidated Pro-Forma leverage at the end of 2019 will be approximately between 2x and 2.2x in terms of ratio between Net Debt and Pro-Forma LTM EBITDA, below the Company's guidance of maximum 3x of Net Debt to EBITDA, confirming doValue's prudent approach to capital deployment.

FPS's strong organic cash flow generation will complement doValue's, to reduce consolidated leverage rapidly and reach approximately 1x times Net Debt/EBITDA by 2022, while confirming the Company's dividend policy, a dividend payout of more than 65% of consolidated net income.

Summary financial impacts on doValue

The composition of the portfolio of FPS, the terms of its servicing contracts and its exposure to the developments in the Greek servicing market are expected to positively contribute to doValue's mid-term revenue, EBITDA, EPS and DPS targets in 2020-2022, as per the business plan update as of November 8th, 2019.

As compared with its present form, following the acquisition closing, FPS is expected to see significant positive developments in its servicing perimeter and fee structure to reflect the terms of the Transaction, in particular for the inclusion of new portfolios which will enter the active servicing phase, following the customary on-boarding operational procedures, between late 2020 and the beginning of 2021, when the full earnings and cash generation potential of FPS are expected to be reflected in doValue's accounts.

The consideration to be paid by doValue represents a mid-single-digit multiple of FPS expected pro-forma 2019 and mid-term EBITDA. It is expected that the acquisition will translate into a slight positive EPS accretion in 2020 and an EPS accretion of more than 25% in 2021.

Advisors

Barclays Bank PLC, acting through its Investment Bank ("Barclays"), has acted as financial advisor to doValue on the transaction, while Grant Thornton assisted with financial due diligence, tax and labour law matters.

Webcast conference call

The transaction will be presented on Friday, **December 20, at 11:00 CET** in a conference call in audio-webcast format held by the Group's top management.

The conference call can be followed via webcast by connecting to the bank's website at www.doValue.it or the following URL: <https://87399.choruscall.eu/links/dovalue191220.html>

As an alternative to the webcast, it will be possible to participate in the conference call by calling one of the following numbers:

ITALY: +39 02 805 88 11
UK: +44 121 281 8003
USA: +1 718 705 8794



The presentation by top management will be available as from the start of the conference call on the www.doValue.it site in the “Investor Relations/Financial Reports and Presentations/Corporate Presentations” section.

doValue S.p.A.

doValue, formerly doBank S.p.A., is the leading operator in Southern Europe in credit management and real estate services for banks and investors.

Present in Italy, Spain, Portugal, Greece and Cyprus, doValue has over 18 years of industry experience and manages assets of about €140 billion (gross book value) with over 2,200 employees and an integrated range of services: special servicing, master servicing, real estate management and other credit management services. doValue is listed on the Electronic Stock Market (Mercato Telematico Azionario) operated by Borsa Italiana S.p.A. and, including the acquisition of Altamira Asset Management, recorded gross revenues in 2018 of about €490 million with an EBITDA margin of 37%.

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This press release constitutes a public disclosure of inside information by the Company under Regulation (EU) 596/2014 (16 April 2014) and Implementing Regulation (EU) No 2016/1055 (10 June 2016).

This press release may include forward looking statements. These forward looking statements can be identified by the use of forward looking terminology, including the terms as “believe”, “expect”, “anticipate”, “may”, “assume”, “plan”, “intend”, “will”, “should”, “estimate”, “risk” and or, in each case, their negative, or other variations or comparable terminology. These forward looking statements include all matters that are not historical facts and include statements regarding the Company or any of its affiliates’ intentions, beliefs or current expectations concerning, among other things, the Company’s or any of its affiliates’ results of operations, financial condition, liquidity, prospects, growth, strategies and the industries in which they operate. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward looking statements are not guarantees of future performance and that the Company’s or any of its affiliates’ actual results of operations, financial condition and liquidity, and the development of the industries in which they operate may differ materially from those made in or suggested by the forward looking statements contained in this press release. In addition, even if the Company’s or any of its affiliates’ results of operations, financial condition and liquidity, and the development of the industries in which they operate are consistent with the forward looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.

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