



**Servizitalia**

[www-si-servizitalia.com](http://www-si-servizitalia.com)

**STAR CONFERENCE 2018**

London, 23 October



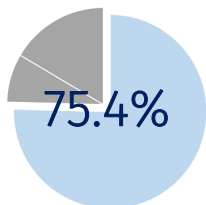


# BUSINESS OVERVIEW



## WASH-HIRE

Washing and rental of flat linen (sheets, sleepers, blankets), uniforms (scrubs, uniforms, gowns, etc. for staff), mattresses and pillows.



2017 Consolidated Revenues

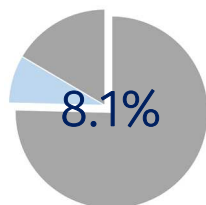


## TEXTILE STERILIZATION

Sterilization of cotton fabrics and Reusable Technical Fabric for beds and surgical gowns.

Procedural kits and surgical drapes.

Accessory parts made of disposable material.



2017 Consolidated Revenues

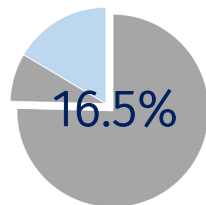


## SURGICAL INSTRUMENTS STERILIZATION

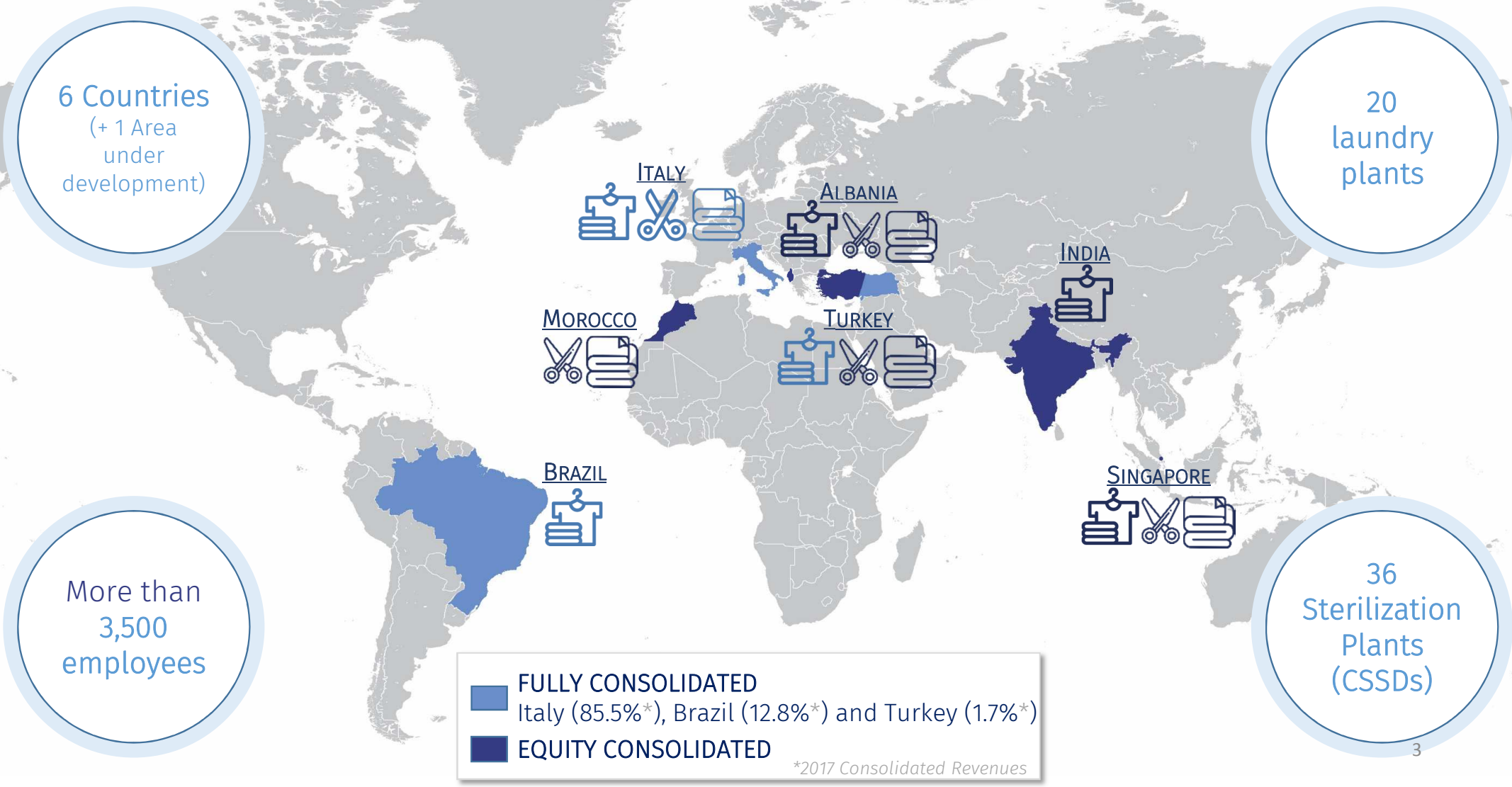
Collection, conditioning, maintenance and sterilization of surgical instruments and kits.

CSSD Design, Installation, Renovation and Management.

Validation and control of sterilization processes.



2017 Consolidated Revenues



# GROUP EVOLUTION



## THE EARLY DAYS 1986 – 2002

- 1986: Foundation of **Servizi Italia**, active in laundry sector.
- 2002: **Coopservice** acquires **100%** of SI share capital. Transformation into a multi-service company.



## NEW PROSPECTS 2006 – 2007

- **Start of sterilization** activities.
- 2007: **IPO at Milan Stock Exchange**. Presentation to the international financial community.



## GROWTH IN ITALY 2008 – 2011

- **Acquisitions in Italy** in laundry industry.
- Development of **sterilization business**.
- Achievement of **STAR** qualification by Borsa Italiana.



## INTERNATIONAL DEVELOPMENT 2012 – 2015

- 2012: Acquisition of the first **laundry** in **Brazil** (additional transactions in 2013 and 2015).
- 2014: Start of **sterilization** business in **Turkey**.
- 2014: Start of **greenfield laundry** business in **India**.
- 2015: Achievement of a **sterilization** tender in **Albania**.
- 2015: Expansion in **Turkey** in **laundry** industry, through the acquisition of Ankateks.



## CONSOLIDATION AND DIVERSIFICATION 2016– 2018

- **Consolidation of the existing markets**: Acquisitions in laundry industry in Italy (2016) and in Albania (2018). Expansion plans in Brazil.
- **Diversification in new business lines**: Acquisition of Steritek (2017) and start of non-healthcare laundry business (Bolognini branch acquisition on 2018).
- **New Markets**: Start of sterilization activity in **Morocco** (2017) and Joint Venture in **Asia** (constitution of idsMED Servizi Plus in 2018).



# BUSINESS OVERVIEW



## MIX PRODUCT/SERVICE

Multi-service approach by offering a mix of customized services.

High barriers on entry due to know-how and investments needed.



## POSITIONED FOR CREATING VALUE

Costs optimization.

Commercial synergies.

Focus on high value-added services.

High retention rate of contracts.

## MEET CUSTOMER NEEDS

Rationalization of healthcare costs.

Social sustainability.

High control of Healthcare costs.

Financial benefits for hospitals.



## LONG TERM CONTRACTS



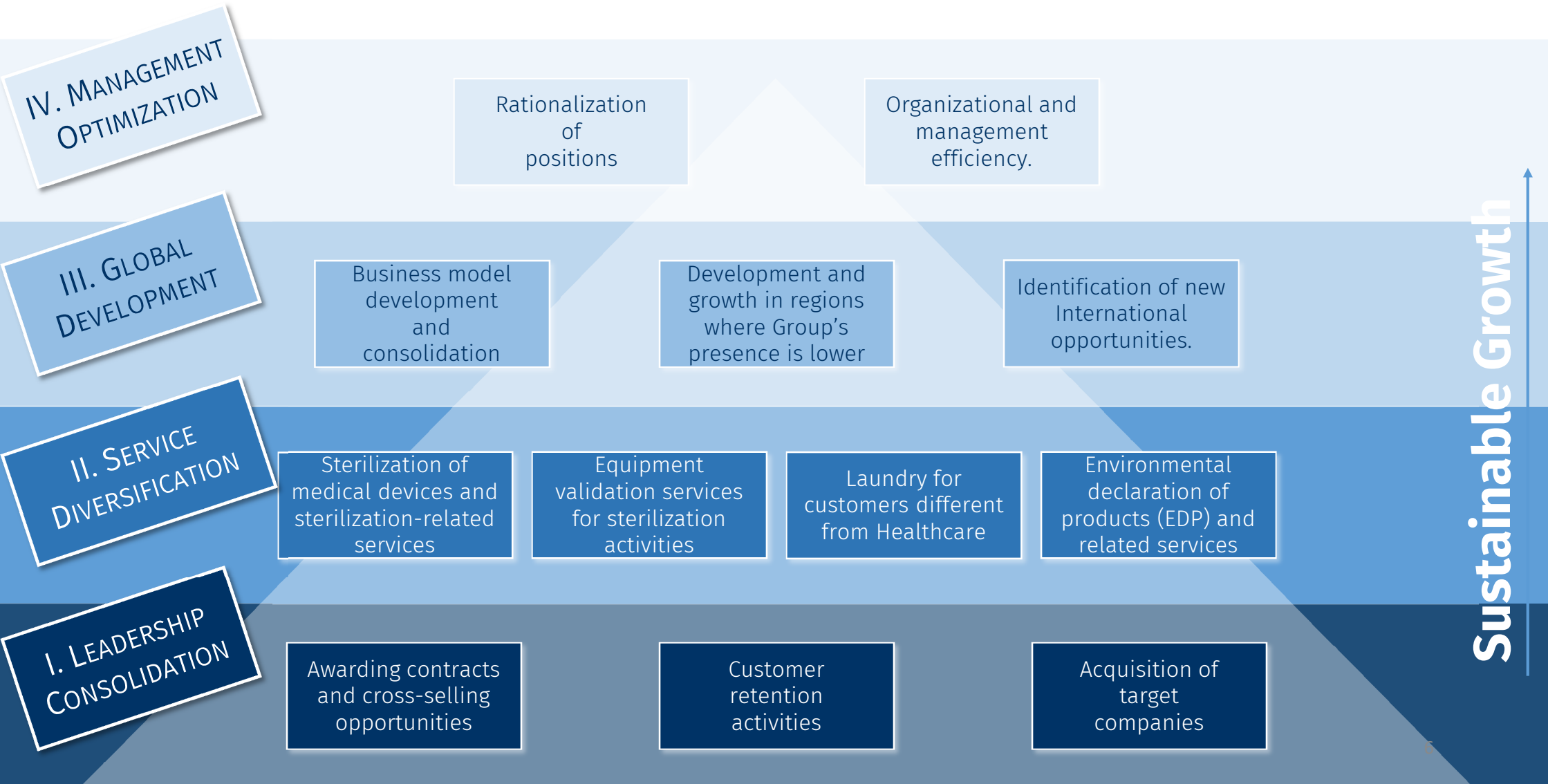
4-year average contracts  
*volume based OR monthly fixed fee*



6-year average contracts  
*volume based OR monthly fixed fee*

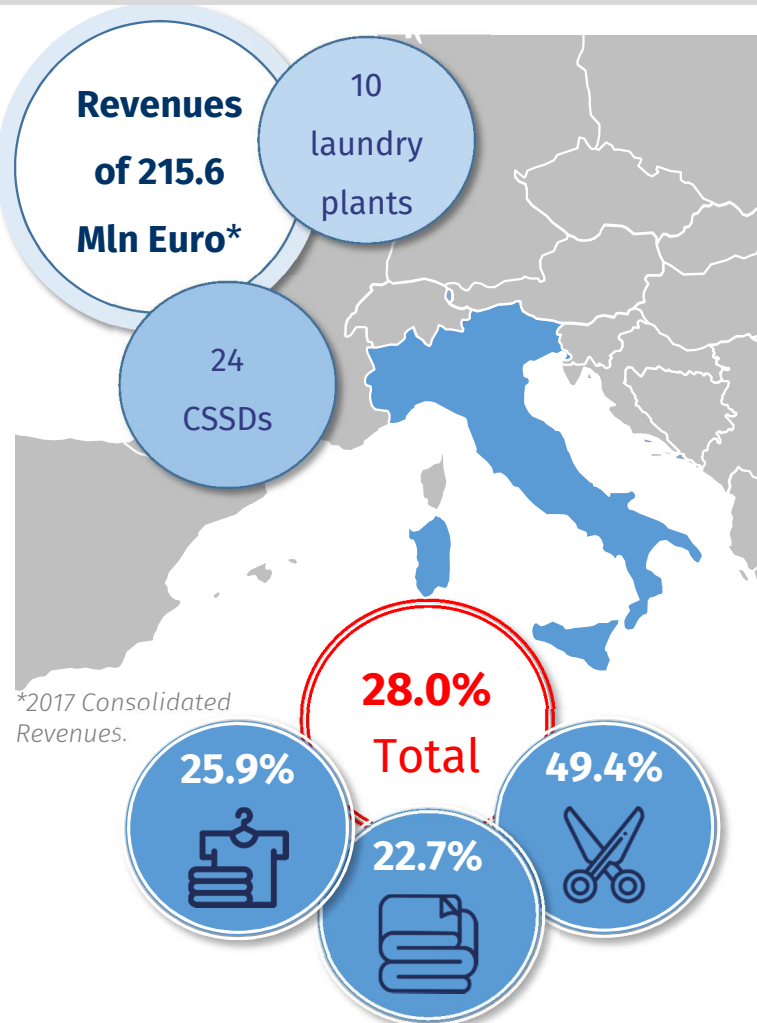


# BUSINESS GROWTH STRATEGY





# ITALIAN MARKET



MARKET SHARE IN ITALY OF SERVIZI ITALIA.

[www.si-servizitalia.com](http://www.si-servizitalia.com)



Market  
overview

- Italian Wash-hire Healthcare market turnover: Euro 765 mln.
  - Highest International quality standards.
  - SI's customers are the main Public hospitals and Healthcare Institutions.
- Outsourcing rate is high in laundry market but still low in sterilization area.

- ✓ Undisputed **market leader** in all the segments.
- ✓ **Well positioned** in the areas of the Country.
- ✓ Servizi Italia manages **more than 60,000 beds** and about **500,000 interventions/year**.
- ✓ **Full range of services** and customizations.
- ✓ Constant search and identification of **growing and diversification strategies** in order to keep and to improve margins.



Goals

- ✓ LEADERSHIP CONSOLIDATION.
- ✓ SERVICE AND INDUSTRY DIVERSIFICATION.
- ✓ SUSTAINABLE GROWTH.
- ✓ COSTS AND CAPEX OPTIMIZATION.
- ✓ MARGINS INCREASE.



# BRAZILIAN MARKET



Market overview

- Wash-hire potential market is estimated in Reais 840 mln.
  - Over 700,000 Kg/day of potential linen only in Sao Paulo.
  - ~1,000 healthcare facilities totaling over 92,500 beds.
- New potential outsourcing: only 45% of wash-hire is currently outsourced and no sterilization service provider is present.

- ✓ Primary player: 1<sup>st</sup> player in Sao Paulo, 2<sup>nd</sup> in Brazil.
- ✓ Recognized in the market as high quality provider.
- ✓ Well positioned in both Private and Public areas.
- ✓ Leader in identifying new solutions for the clients.
- ✓ Deep market knowledge of local team and partner.
- ✓ Rental model improved successfully.

**Lavsim**  
HIGIENIZAÇÃO TÊXTIL

**IDA**  
LAVANDERIA HOSPITALAR

**aqualav**  
SERVIÇOS DE HIGIENIZAÇÃO

**MaxLav**  
Services



- ✓ MARKET CONSOLIDATION IN SAO PAULO.
- ✓ NEW DEVELOPMENT AREAS (AMAZONAS).
- ✓ START OF STERILIZATION BUSINESS.
- ✓ ORGANIZATION AND MANAGEMENT EFFICIENCIES.



# TURKISH MARKET



Market  
overview

- About 6,000,000 surgical intervention/year.
  - Construction of new PPP hospitals, increasing the nr of beds up to about 250,000 over the next few years.
  - ~1,400 healthcare facilities totaling over 195,000 beds.
- Low outsourcing rate in both laundry and sterilization businesses.

- ✓ Main player of both laundry (Ankateks) and sterilization (SAS) market.
- ✓ Recognized by the market as high quality provider.
- ✓ Achieved multiple high-complexity PPP contracts, requiring International standards and with long term duration.
- ✓ Good margins and volumes market.

*\*2017 Consolidated Revenues (6 months of only laundry business).*



- ✓ GROWTH IN THE WHOLE COUNTRY.
- ✓ ACHIEVEMENT OF NEW PPPs.
- ✓ BE THE REFERENCE SERVICE PROVIDER.
- ✓ IMPROVE LOCAL STANDARDS.
- ✓ MANAGEMENT EFFICIENCY.



# INDIAN MARKET

**Revenues  
of 326  
Mln INR\***

**1  
laundry  
plants**



Market  
overview

- The Indian market has recently started to **outsource** wash-hire activities.
  - About 90,000 beds only in Delhi NCR, totaling about kg 200,000,000 of linen.
  - Over 195,000 healthcare facilities throughout India.
- Low outsourcing rate.

- ✓ Business developed greenfield and first volumes started in Oct-2015.
- ✓ **Main player** in Healthcare laundry business in India.
- ✓ **Technologically advanced** laundry plant (near Delhi).
- ✓ Recognized by the market as **high quality provider**.
- ✓ **Volumes steadily increasing**.
- ✓ **High capacity plant** (45 tons/day vs 26 tons/day currently under use).



Goals

- ✓ FULLY USE EXISTING PLANT CAPACITY.
- ✓ INCREASE LOCAL QUALITY STANDARDS AND AVERAGE PRICES.
- ✓ CONTRACTS WITH FLAGSHIP HOSPITALS.
- ✓ DEVELOPMENT IN NEW AREAS.

10

*\*~4.3 mln Euro. 100% of 2017 Shubhram revenues (not consolidated in SI consolidated revenues).*



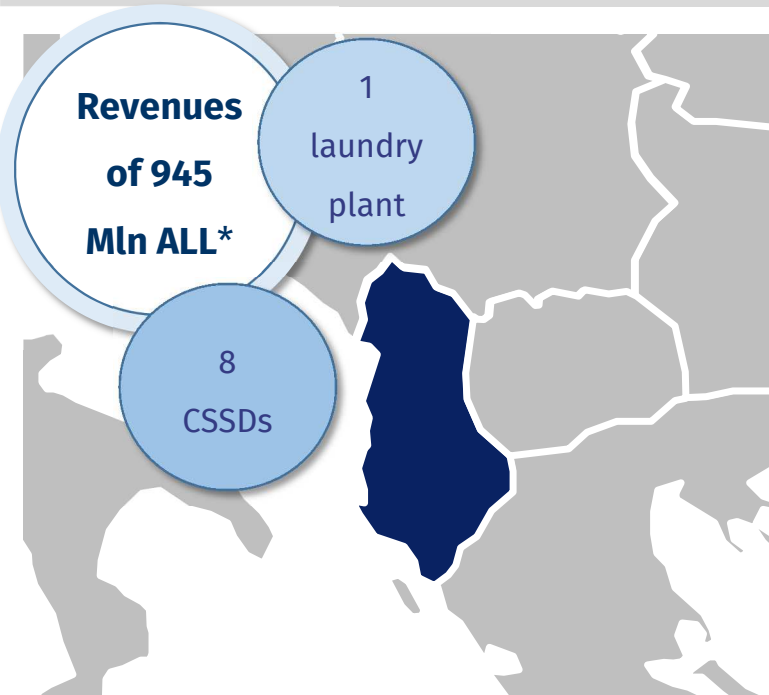
**SHUBHRAM**

EQUITY  
CONSOLIDATED

[www.shubhram.com](http://www.shubhram.com)



# ALBANIAN MARKET



\*~7.1 mln Euro. 100% of 2017 SaniService revenues (not consolidated in SI consolidated revenues).



Market overview

- Total value of contract awarded include all public and private hospitals of Albania.
  - More than 80,000 surgical intervention/year.
- Servizi Wash-hire market is expected to have interesting growth prospects in terms of both revenues and profitability.

- ✓ Unique player in Healthcare sterilization business.
- ✓ Recognized by the market as high quality provider.
- ✓ Good margins and volumes market.
- ✓ Laundry market still fragmented: target is to consolidate it starting from 2019.

 **SaniService**

 **Sanitary Cleaning**



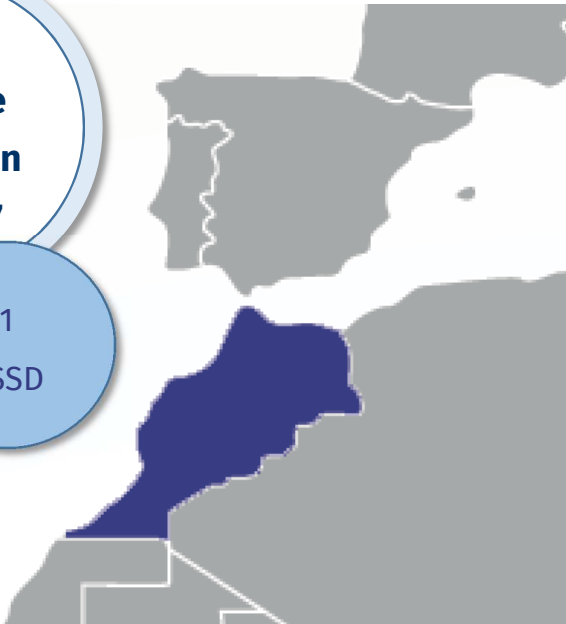
- ✓ COMPLETE THE DEVELOPMENT OF STERILIZATION ACTIVITIES.
- ✓ BECOME THE LAUNDRY MARKET LEADER.
- ✓ IMPROVEMENT OF THE STANDARDS.



# MOROCCAN MARKET

**Joint  
Venture  
started in  
2H 2017**

**1  
CSSD**



Market  
overview

- Market with more than 315,000 surgical intervention/year.
- Around 3,000 healthcare facilities totaling over 21,000 beds
- Primary Healthcare destination in Africa.
- Sterilization industry still almost fully insourced.

- ✓ First and unique operator in offering sterilization services and CSSD management in the Country.
- ✓ Constitution of Centre Marocain de Sterilisation.
- ✓ Direct financial and quality benefits for the local Healthcare.
- ✓ Cooperation with local universities for starting sterilization courses.



[www.cmsterilisation.com](http://www.cmsterilisation.com)



Goals

- ✓ CONSOLIDATION OF THE MARKET.
- ✓ NEW AREAS AND PUBLIC HOSPITALS.
- ✓ SUPPLY OF STERILIZATION-RELATED SERVICES.
- ✓ SERVICE DIVERSIFICATION.

# SOUTHEAST ASIAN MARKET



**Joint  
Venture  
started in  
2H 2018**

*Laundry  
Target  
analysis*

*CSSDs  
under  
study*



Market  
overview

- Access to over 10,000 healthcare institutions throughout the Asian-Pacific area.
  - No main players in Laundry business.
- Sterilization services fully insourced.

- ✓ Established IdsMED ServiziPlus in Singapore, which will operate for identifying and developing new business opportunities in the sterilization and wash-hire services.
- ✓ Joint venture targets firstly Asian-Pacific area and secondly whole Asian market.
- ✓ Local partner with large Healthcare network.

**IDS MED**  
SERVIZI PLUS

EQUITY  
CONSOLIDATED



Goals

- ✓ START FEASIBILITY STUDIES.
- ✓ START STERILIZATION PILOT PROJECTS.
- ✓ M&A LAUNDRY TARGETS.
- ✓ BECOME THE REFERENCE AREA LEADER.



# GROUP VALUES



## Values

The approach of Servizi Italia is to guarantee a high level of service to benefit of patients and citizens, as beneficiaries of assistance and health services.

**Transparency**  
Sharing  
Responsibility  
Awareness  
**Consistency**  
Sustainability

### **Focus on customers**

Investing in research of tailor solutions to propose and carry out together with customers.

### **Efficiency research**

Services are based on a process of industrial production subjected to frequent analysis, in order to production efficiency goals.

### **Organizational solidity and reliability**

Servizi Italia is a deep-rooted company, with a wide production network.

### **Product and process innovation**

Backed by a strong cooperation with research centers and international university centers.

### **Safety and transparency**

Guaranteed by the traceability of products and the quality system certification process.

### **Integrity, business ethics and Professionalism**

Promotion of business ethics, prevention of corruption and protection of reputation. Enhance skills and talents, attracting the best resources.

### **Internationalization**

Being a multinational company for organization, culture, modes of presence and respect in global markets.

# CONSOLIDATED ECONOMICS RESULTS



Servizi Italia Consolidated P&L ('000 euro)	FY 2016	FY 2017	1H 2017	1H 2018
Revenues	237.716	252.102	125.333	126.476
% change		6,1%		0,9%
EBITDA	64.022	69.829	34.565	33.899
%	26,9%	27,7%	27,6%	26,8%
EBIT	13.745	16.376	7.991	8.876
%	5,8%	6,5%	6,4%	7,0%
Net Result	10.515	14.365	7.453	7.453
%	4,4%	5,7%	5,9%	5,9%

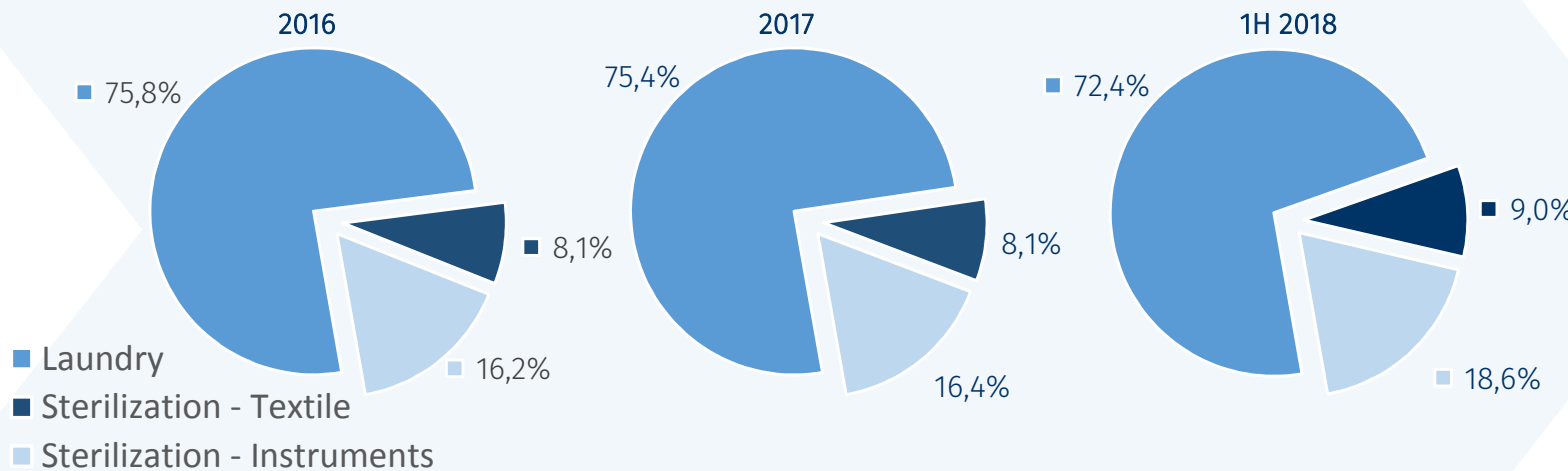
## ECONOMIC AND FINANCIAL HIGHLIGHTS IN 2018:

- + Double digit growth in 1H 2018 of both textile and surgical instruments sterilization, which supported sales and margins of Italian perimeter.
- + Relevant organic growth of Brazilian perimeter in 1H 2018.
- + New acquisitions accounted for +4.0% in 1H 2018 Revenues growth.
- + Transaction done in 2018 put the basis for future results improvements both in terms of sales and margins.
- Laundry business in Italy registered a slow down (in line with communicated forecasts).
- In 1H 2018 significant FX effect connected with consolidation of Brazilian operations.

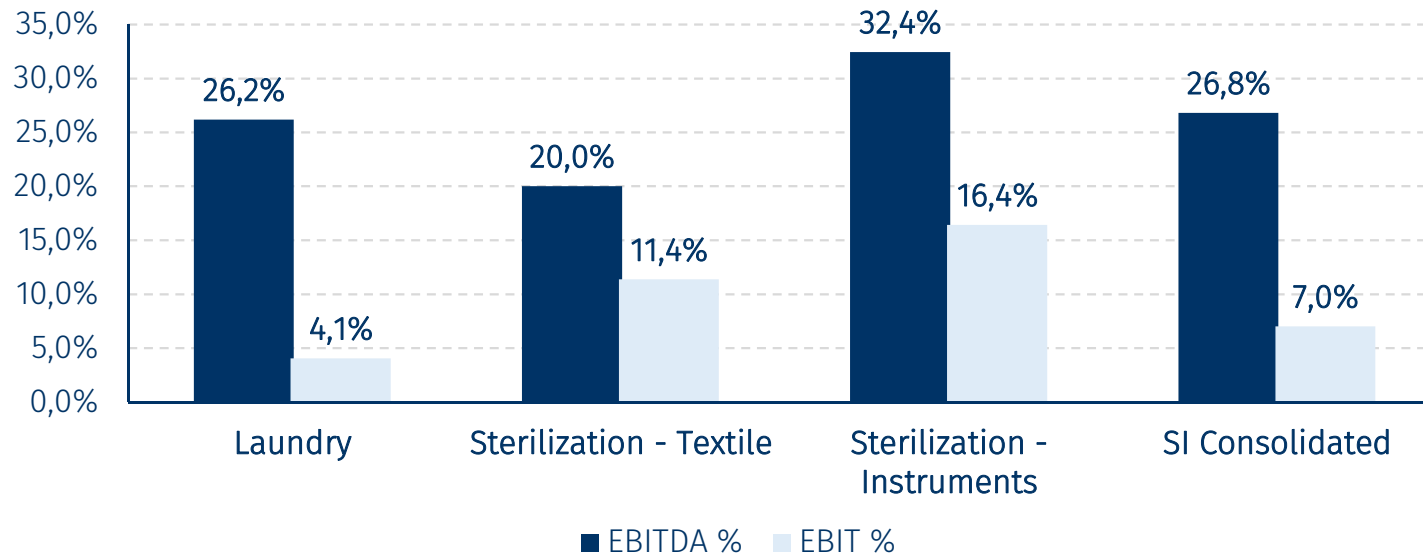


# CONSOLIDATED ECONOMICS RESULTS

## SALES BREAKDOWN PER BUSINESS LINE



## PROFITABILITY PER BUSINESS LINE (1H 2018)



*In Italy sterilization businesses are growing faster than laundry.*

*In emerging markets, laundry is still a growing business.*

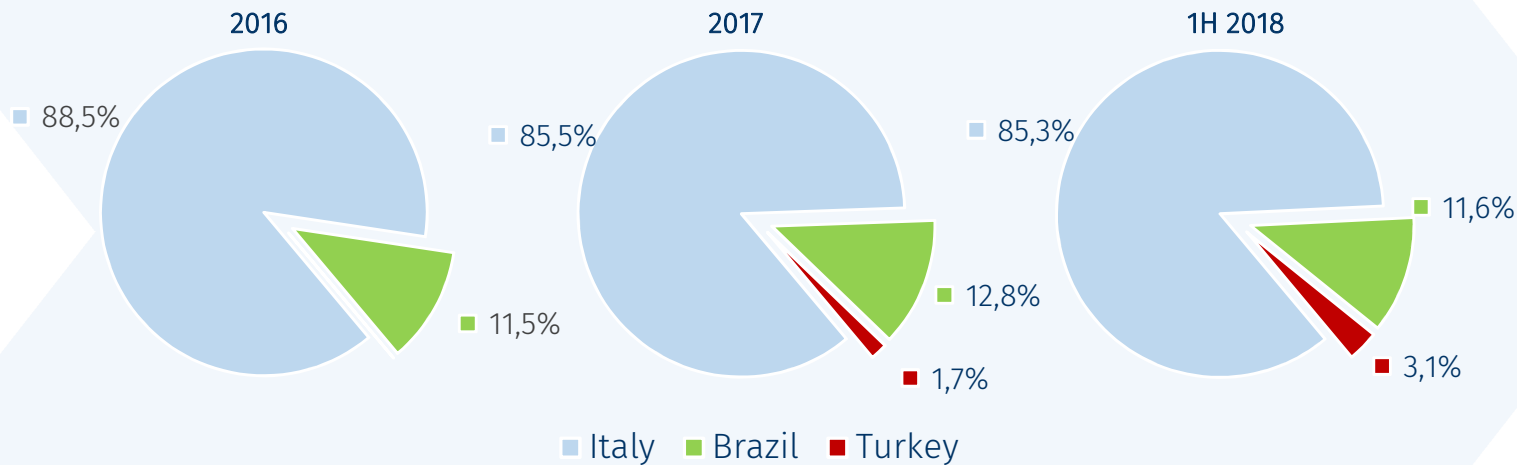
*Higher margins of sterilization businesses vs Laundry.*

*Future laundry markets are expected to be supported by abroad laundry businesses.*



# CONSOLIDATED ECONOMICS RESULTS

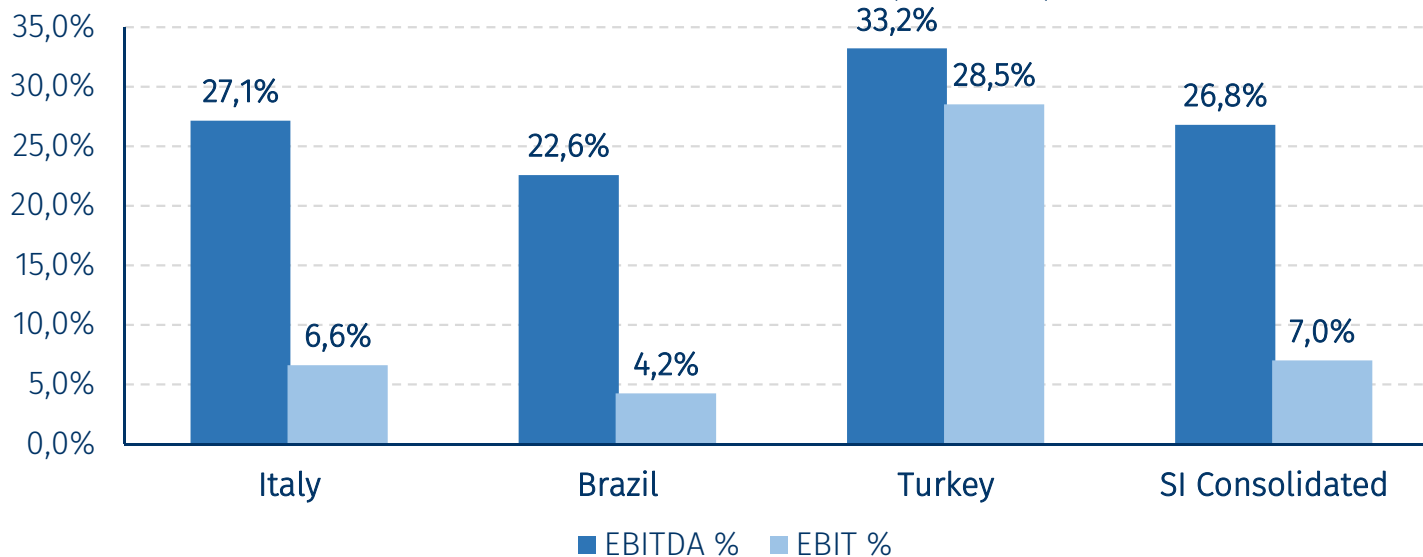
## SALES BREAKDOWN PER AREA



*Servizi Italia aims at increasing market diversification in the future.*

*Consolidation of Brazilian and Turkish market is affected by FX changes.*

## PROFITABILITY PER AREA (1H 2018)



*Equity consolidated businesses are not included in these results.*

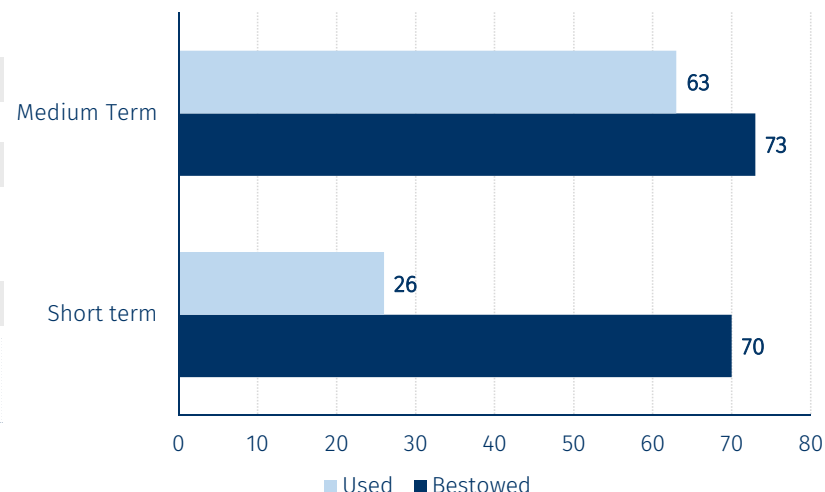
*Margins in Brazil are expected to grow in short term.*

# CONSOLIDATED FINANCIAL RESULTS

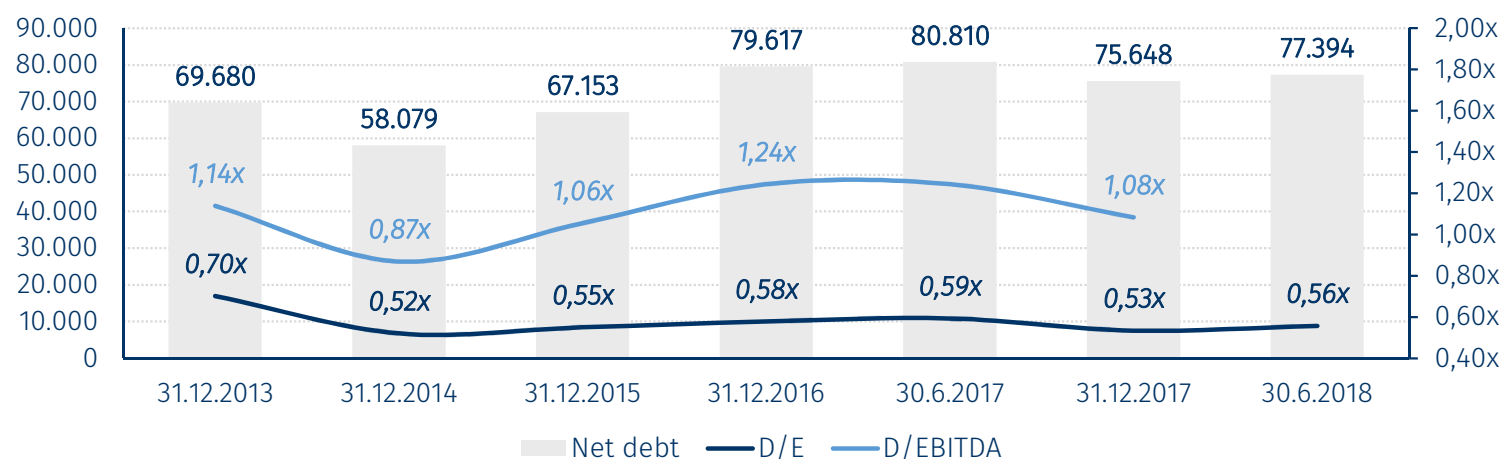


'000 Euro	30.6.2017	31.12.2017	30.6.2018
Operating net working capital	8.823	10.934	10.742
Other short-term assets/liabilities	-9.792	-12.000	-6.260
<b>Net working capital</b>	<b>-969</b>	<b>-1.066</b>	<b>4.482</b>
Fixed assets – Medium/Long term provisions	218.026	218.353	211.806
<b>Invested capital</b>	<b>217.057</b>	<b>217.287</b>	<b>216.288</b>
Shareholders' Equity (B)	136.247	141.639	138.894
Net financial debt (A)	80.810	75.648	77.394
<b>Invested capital</b>	<b>217.057</b>	<b>217.287</b>	<b>216.288</b>
Gearing (A/A+B)	0,37x	0,35x	0,36x
Debt/Equity (A/B)	0,59x	0,53x	0,56x

## CREDIT LINES (30.6.2018)



## NET DEBT HISTORICAL TREND



Operational investments and acquisitions of Servizi Italia are conducted with specific focus on keeping a balanced and healthy debt structure.

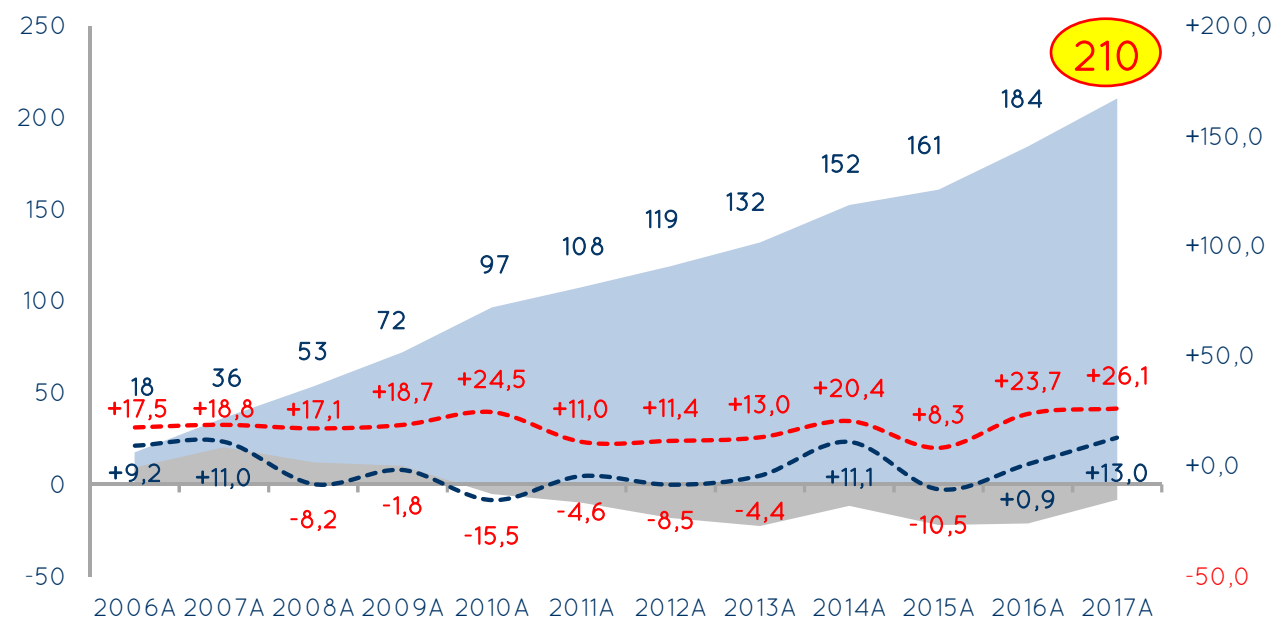




# CASHFLOW GENERATION

Even in presence of a capital intensive business, Servizi Italia is able to generate important **positive cashflows from its operative activity**.

During the last few years, the management decided to invest its resources into structural investments, for **consolidating its leadership position** and for a constant **growth and improvement of Group performance**.



## OPERATING FLOWS:

- They include operating and cycle investments such as:
  - Purchase of linen, textile and mattresses for wash-hire services.
  - Purchase of surgical instruments for sterilization plants.

## OPERATING AND STRUCTURE FLOWS:

- They include, in addition to Operating Flows, also extraordinary and structure capex, dedicated to support group growth.

Structural investments include, i.e:

- Investments in wash-hire plants.
- Investments in CSSDs which allow Servizi Italia to expand to a business with higher margins.
- Acquisition of new companies.

Net of operating investments, Servizi Italia generated cash over Euro 210 million from 2006 to 2017.

# STOCK EXCHANGE – MAIN DETAILS



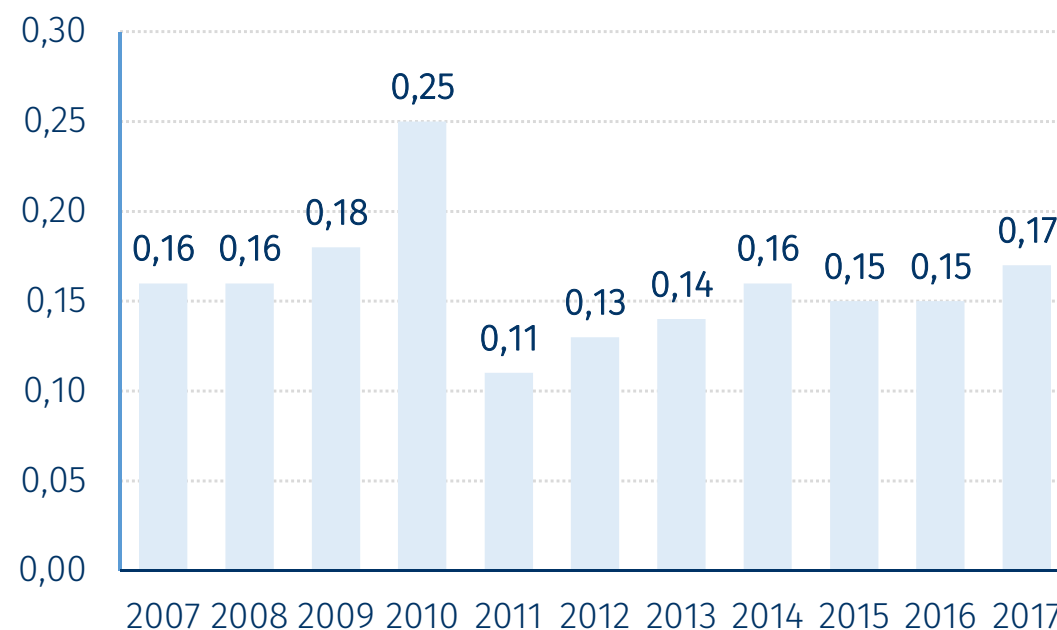
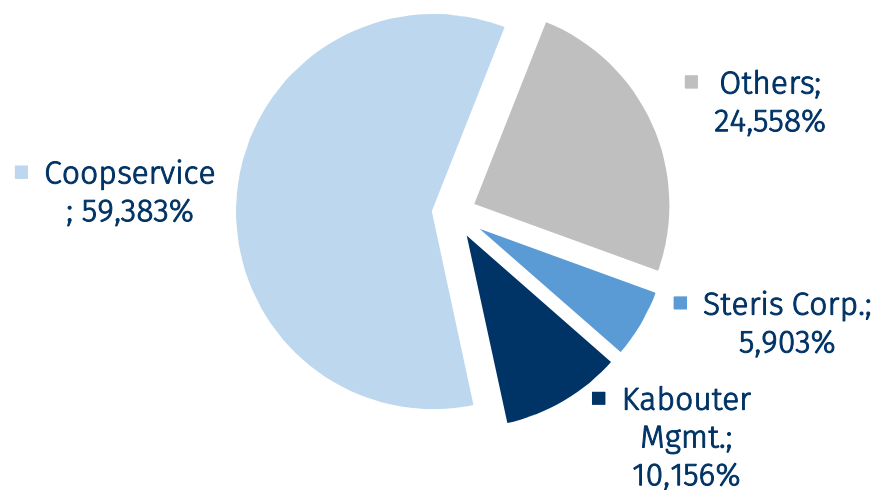
## Details on shares as at 19.10.2018 (euro)

Share Capital	31.809.451
Share Price	3,60
Market Capitalization ('000)	117.695

## Analyst coverage

Analyst coverage	Reccomend.	TP (euro)	Date
Intermonte SIM	Outperform	7,50	7-Aug-18
MidCap Partners	Buy	6,70	6-Sep-18

## SHAREHOLDING STRUCTURE



Average **payout ratio** of last 5 years equal to 39.0%.

Average **dividend yield** of last 5 years equal to 3.3%.

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Share capital: Euro 31,809,451 fully paid-up

Founded: 1986

Tax ID Number and Parma Business Registry Code: 08531760158

Market: MTA – STAR segment

Sector: Industrial

ISIN code for ordinary shares: IT 0003814537

Reuters: SRI.MI --- Bloomberg: SRI IM

Specialist: Intermonte SIM

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