



Cash in the media

Relevant news

Cash payment limit proposed by Spain seems disproportionate for the ECB.

The European Central Bank (ECB) has issued an opinion on a draft law on measures for the prevention of and fight against fiscal fraud considering disproportionate the cash payment limit established by the Spanish government.

Among other things, the Bank stated that digital means of payment "are not always fully comparable alternatives" to cash and that cash payments continue to be "very important for certain social sectors."

[Source: BCE](#)

No Hurry, No Rush: Central bank digital currency?.

A study conducted by the Bank for International Settlements (BIS) stated that the main institutions remain cautious when asked about the possibility of launching digital currencies in their markets. The BIS reported that more than 85% of central banks, representing over 90% of global economic output and 80% of the world's population, commented that they are either unlikely or very unlikely to issue any type of e-currency in the short and medium term.

[Source: BPI](#)

Japan's cash addiction will not be easily broken

An article in the Financial Times (FT) concludes that although the Japanese government has positioned itself openly against cash, its withdrawal will not be easy as the state's vision of a cashless society will have to overcome some fundamental aspects of the Japanese culture (i.e. the anonymity, the portability, the resilience to catastrophes, the distrust of banks and the sense of ownership).

[Source: FT](#)

Amazon enables cash payment for its customers in ten countries.

The company announced that it will allow other means of payment for its customers, after making an alliance with Western Union.

This initiative will provide greater access to their products for customers who, to a large extent, were excluded from e-commerce purchases due to the lack of payment methods.

[Source: Businesswire](#)

Agenda

1. **Highlights of the period**
2. Regional overview
3. Financial results
4. Final remarks
5. Annex: Income statement reconciliation

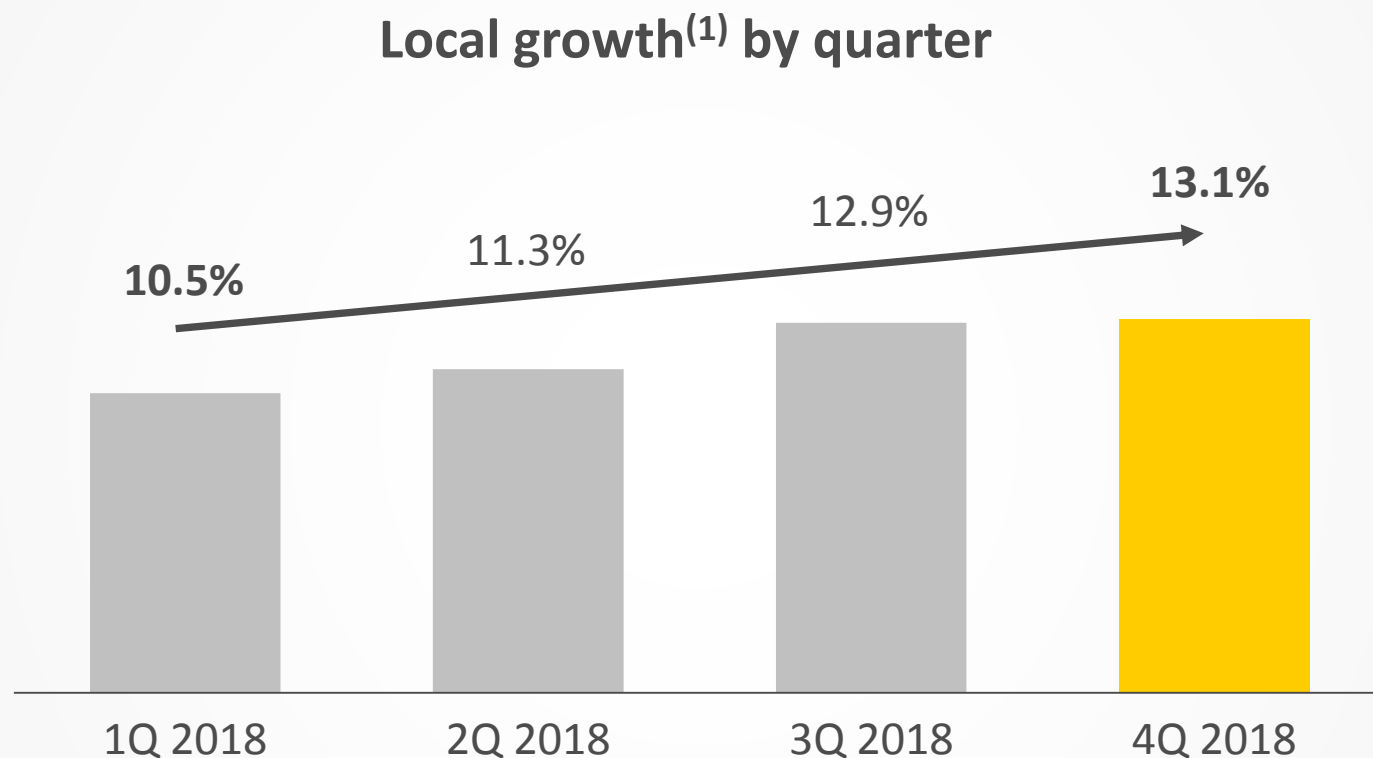
Highlights of the period

Main themes

1	Macro Environment	<ul style="list-style-type: none">• Strong currency depreciation still not offset by inflation• Argentina classified as hyperinflationary country (IAS 21 & 29) during 3Q 2018
2	Agility	<ul style="list-style-type: none">• Local currency growth accelerating to 12.0% despite France and Australia• EBIT margin improving in local terms. Our consolidated EBIT margin was mainly impacted by forex, France and Australia and indirect costs
3	Consolidation	<ul style="list-style-type: none">• ~ 100 M€ invested in 9 transactions closed during 2018• We have reinforced our existing operations and achieved a leadership position in new geographies
4	Transformation	<ul style="list-style-type: none">• New products reached 11.8% of total sales• Sales grew 23% in euro terms fueled by Smart Cash solutions, AVOS and ATMS
5	Cash Flow Generation	<ul style="list-style-type: none">• Free Cash Flow reached 151 M€• Higher investments in Smart Cash solutions (+22%) versus previous year

Agility

Local currency growth increases



EBIT margin improves in local currency despite all the effects

(1) Includes organic and inorganic growth

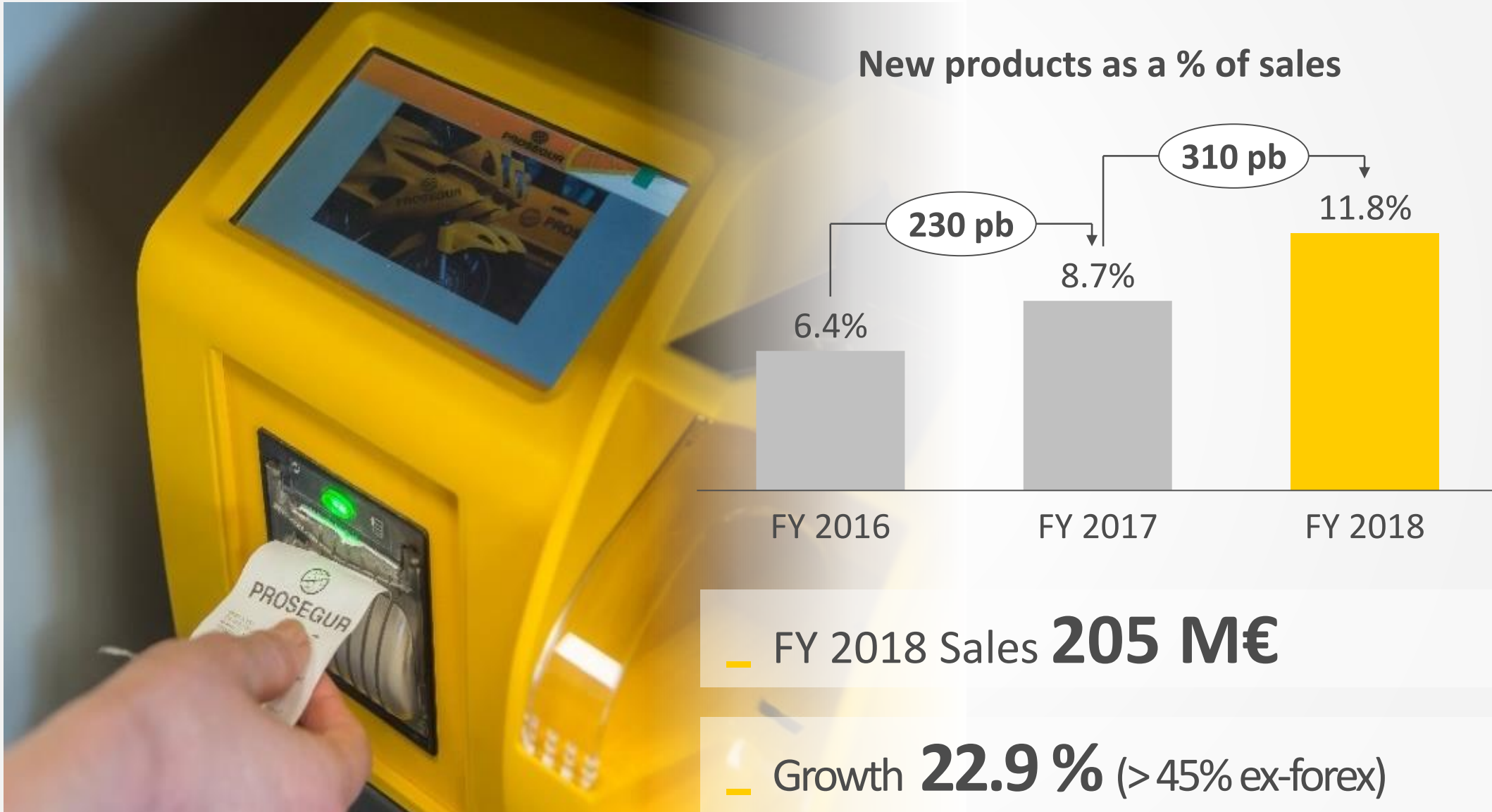
Consolidation

M&A acceleration. We improve our footprint in both existing and new geographies



Transformation

The "momentum" remains positive. New Products increase their weight on sales



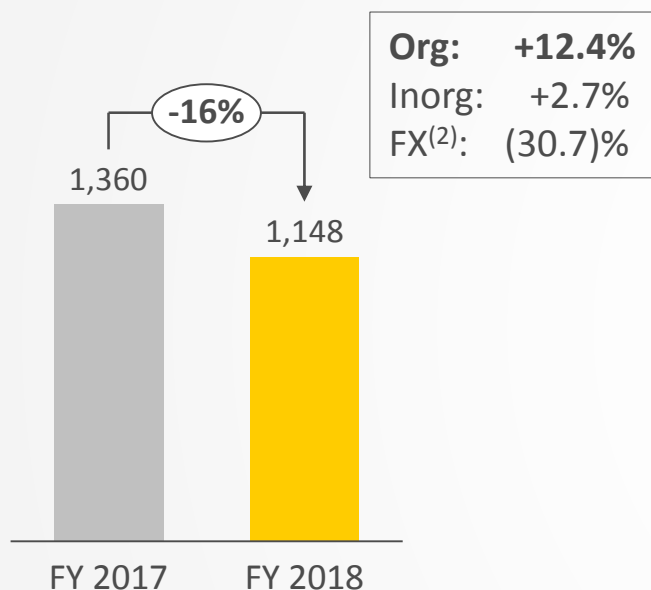
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4. Final remarks
5. Annex: Income statement reconciliation

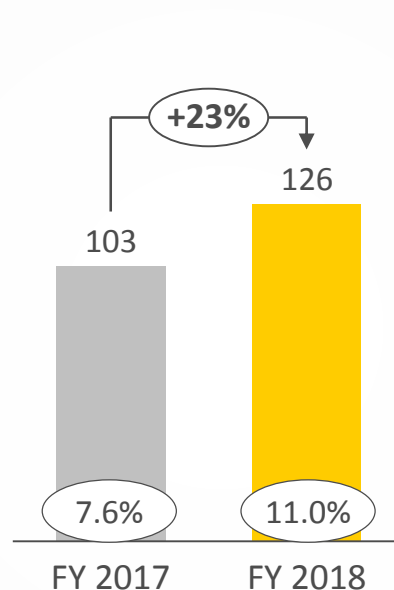
Regional overview

LatAm [66% sales in 2018⁽¹⁾ vs. 71% in 2017]

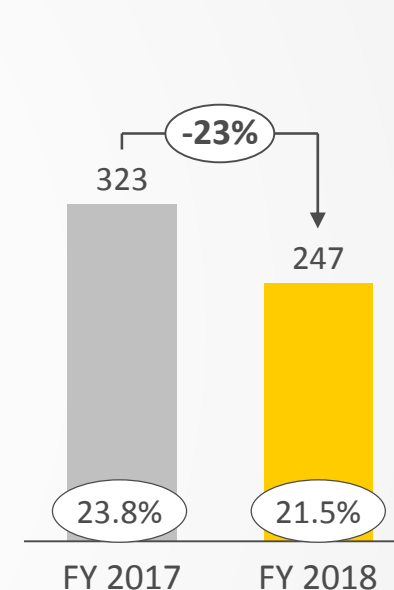
Sales (M€)



New Products (M€)



EBIT (M€)



○
% sales

- **Comparison** vs. previous year **affected by one-offs** in 2017
- **Higher contribution from inorganic growth** (Central America)
- **Currency depreciación increased by the adoption of IAS 21 & 29**

- **Smart Cash, ATMs and AVOS**

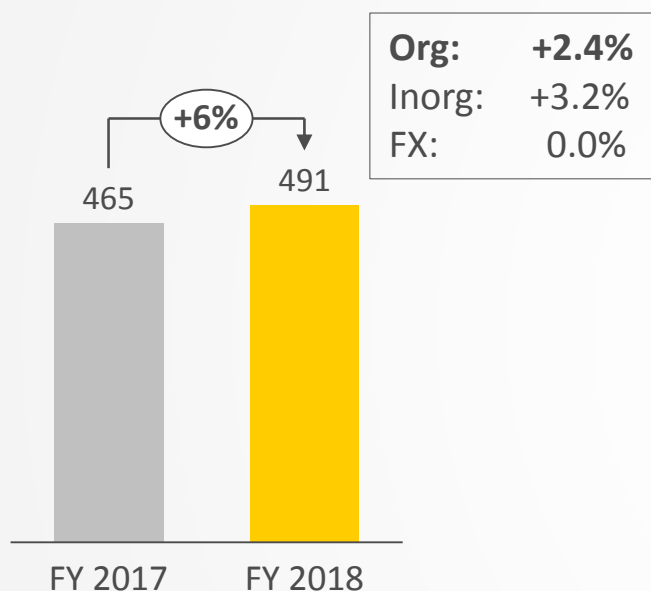
- **Change in mix** due to the forex and the hyperinflationary accounting in 2H
- **Margin dilution due to M&A and integration costs**

(1) 2018 figures according to IAS 21 & 29 (hyperinflation accounting); (2) Includes FX and IAS 21 & 29

Regional overview

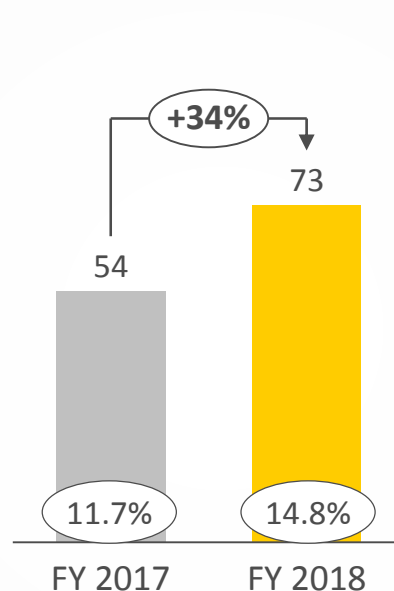
Europa [28% sales in 2018 vs. 24% in 2017]

Sales (M€)



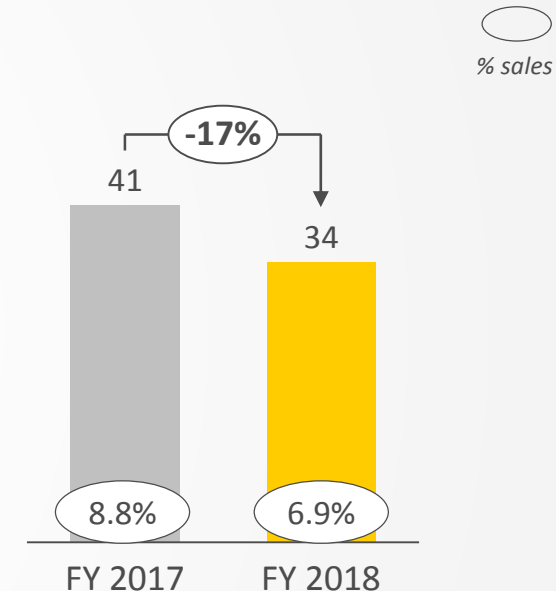
- **Organic growth improvement** despite France
- **M&A complementing** our organic growth strategy

New Products (M€)



- **Smart Cash and AVOS**

EBIT (M€)

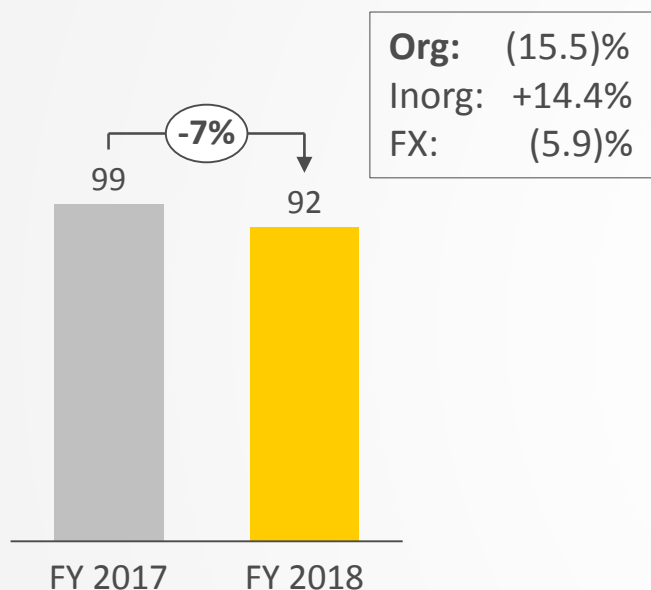


- **Yellow vests and investment acceleration in our French operations** to create a national operator for upcoming tenders

Regional overview

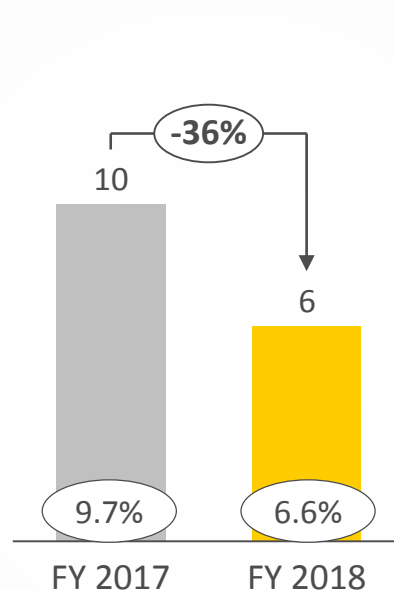
AOA [5% sales in 2018 vs. 5% in 2017]

Sales (M€)



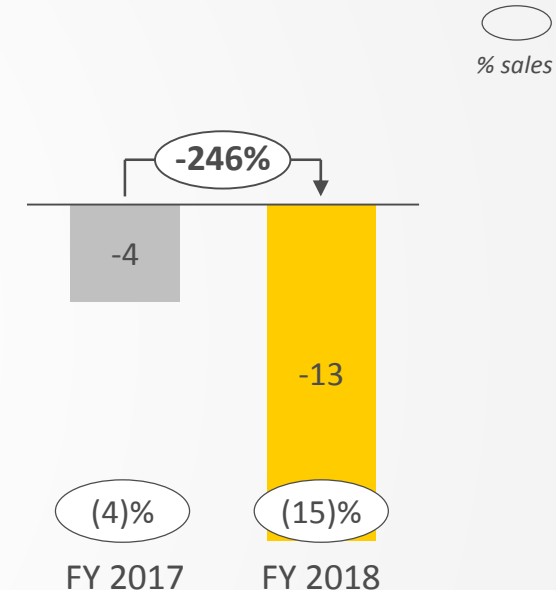
- Gradual recovery of Australia
- M&A contribution from the Philippines
- Currency depreciation

New Products (M€)



- Decrease in ATM services due to contracts lost in 2017

EBIT (M€)



- Margin negatively impacted by the lack of volumen and restructuring initiatives in Australia
- Integration costs in the Philippines

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Financial results

Profit and loss account⁽¹⁾

<i>Million Euros</i>	FY 2017	FY 2018	% VAR
Sales	1,924	1,732	-10.0%
EBITDA	428	340	-20.5%
<i>Margin</i>	22.2%	19.7%	
Depreciation	(51)	(55)	8.2%
EBITA	377	285	-24.4%
<i>Margin</i>	19.6%	16.5%	
Amortization of intangibles	(17)	(17)	1.3%
EBIT	360	268	-25.6%
<i>Margin</i>	18.7%	15.5%	
Financial result	(1)	(4)	
EBT	360	264	-26.5%
<i>Margin</i>	18.7%	15.3%	
Taxes	(124)	(90)	-27.2%
<i>Tax rate</i>	34.4%	34.0%	
Net Profit from continuing operations	236	174	-26.2%
<i>Margin</i>	12.3%	10.1%	
Net Consolidated Profit	236	174	-26.2%
<i>Margin</i>	12.3%	10.1%	

Local growth partially offsetting currency effect and the application of IAS 21 & 29

Translational risk with no impact in the underlying business

Consolidated EBIT margin mainly impacted by the change in mix, France and Australia and indirect costs

Financial result dragged by the application of the hyperinflation accounting (non-cash item)

(1) 2018 figures according to IAS 21 & 29 (hyperinflation accounting). 2017 business figures exclude the impact of the intercompany transactions between P. Cash and PCS associated to the IPO restructuring process in 2017. For reconciliation purposes between accounting and business figures please refer to the Annex at the end of this presentation.

Financial results

Cash Flow⁽¹⁾

Million Euros	FY 2017	FY 2018
EBITDA	428	340
Provisions and other non-cash items	6	18
Income tax	(121)	(101)
Acquisition of PP&E	(105)	(97)
Changes in working capital	(11)	(9)
Free Cash Flow	197	151
<i>% Conversion⁽²⁾</i>	<i>75%</i>	<i>71%</i>
Interest payment	(16)	(6)
Payments for acquisitions of subsidiaries	(48)	(62)
Dividend payment	(41)	(95)
Restructuring Operations	106	18
Others	3	(36)
Total Net Cash Flow	201	(30)
Net financial position (beginning of the period)	(611)	(424)
Net increase / (decrease) in cash	201	(30)
Exchange rate	(14)	(37)
Net financial position (end of the period)	(424)	(491)

(1) 2018 figures according to IAS 21 & 29 (hyperinflation accounting); (2) Conversion ratio: (EBITDA - Capex) / EBITDA

Smart Cash investment increased +22%

Working capital improvement

Lower interest payments

M&A acceleration and dividend increase

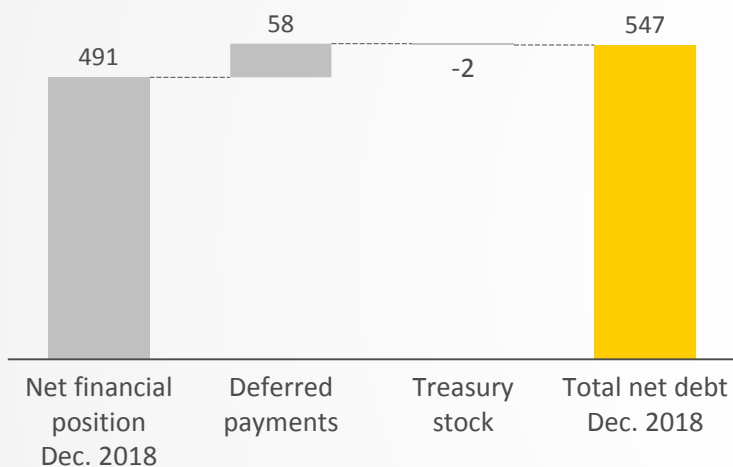
Advanced income tax payment (36 M€)

Financial results

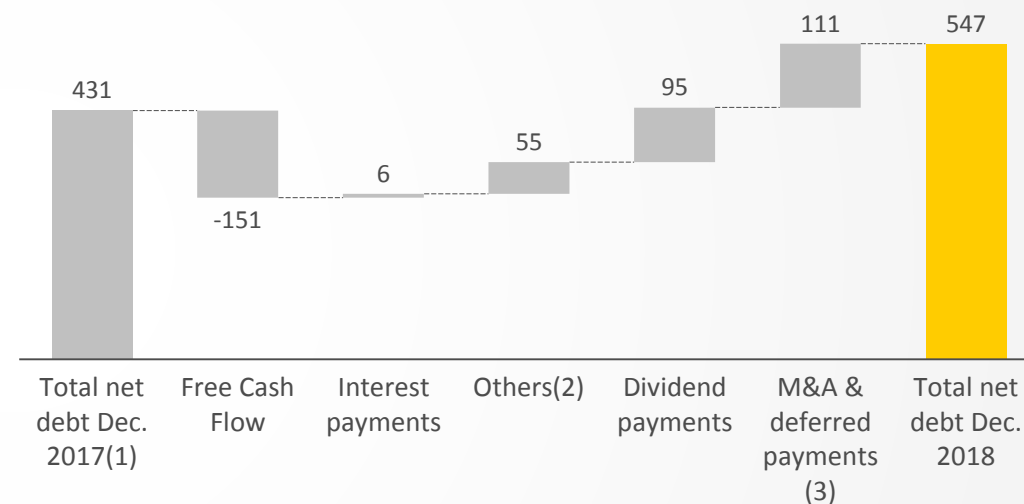
Total net debt

Million Euros

**Total net debt reconciliation
(December 2018)**



**Total net debt variation
(December 2017 vs December 2018)**



Average
Cost of Debt
2.02%

Rating S&P
BBB
*Outlook stable
(October 2018)*

Net debt /
EBITDA⁽⁴⁾
1.6x

(1) 2017 Total net debt reached 431 M€, being the Net financial position 424 M€, the deferred payments 9 M€ and the Treasury stock 2 M€; (2) Others include the cash inflow due to the sale of the Brazilian security business, the negative fx rate impact and the cash outflow due to the advanced income tax payment; (3) M&A & deferred payments include the M&A cash outflow and the variation of deferred payments between 2017 and 2018; (4) 2018 figures according to IAS 21 & 29 (hyperinflation accounting)

Financial results

Balance sheet⁽¹⁾

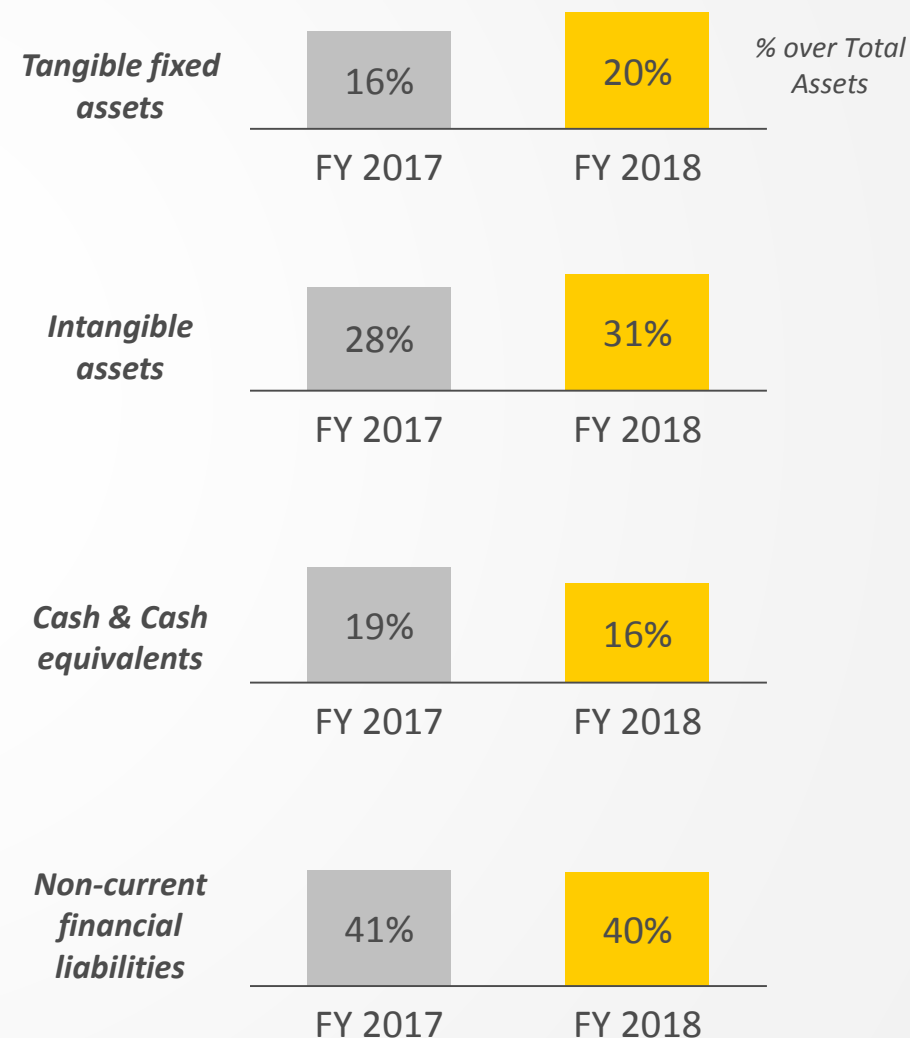
Million Euros

FY 2017

FY 2018

	FY 2017	FY 2018
Non-current assets	830	937
Tangible fixed assets	279	333
Intangible assets	478	535
Others	72	69
Current assets	877	769
Inventories	6	20
Trade receivables and others	508	475
Cash and cash equivalents	318	274
Non-current assets held for sale	46	1
TOTAL ASSETS	1,707	1,706
Net Equity	264	238
Non-current liabilities	851	866
Financial liabilities	697	688
Other non-current liabilities	154	178
Current liabilities	592	602
Financial liabilities	78	132
Other liabilities	488	470
Liabilities held for sale	27	0
TOTAL EQUITY AND LIABILITIES	1,707	1,706

Balance Sheet main captions remain stable:



(1) 2018 figures according to IAS 21 & 29 (hyperinflation accounting).

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Final remarks

Summary of the year

Mid-Term Commitment

- **Agility:**
 - Mid-single digit organic growth in € terms
 - Maintain or slightly expand our profitability levels
- **Consolidation:**
 - M&A investment between 50 – 150 M€ p.a.
- **Transformation:**
 - Higher % of new products within our revenue mix
- **Leverage:**
 - Net Debt to EBITDA ratio < 2.5x
- **Dividend Policy:**
 - Payout ratio between 50 – 60%

2018 Performance

- **Agility:**
 - Local currency growth ~12% ✓
 - FX impact **~(22)%** → Profitability decrease ~320 bp
- **Consolidation:**
 - M&A investment ~100 M€ ✓
- **Transformation:**
 - **11.8% over sales** (vs. 8.7% in 2017) ✓
- **Leverage:**
 - Net Debt to EBITDA ratio ~1.6x ✓
- **Dividend Policy:**
 - Payout ratio ~50% ✓

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Annex

Income statement reconciliation FY 2018⁽¹⁾

Million Euros	FY 2017 accounting	FY 2018 accounting	<u>Trademark</u>		<u>Real Estate</u>		<u>Corporate Restruc. And Others</u>		FY 2017 business	FY 2018 business
			FY 2017 not assign.	FY 2018 not assign.	FY 2017 not assign.	FY 2018 not assign.	FY 2017 not assign.	FY 2018 not assign.		
Sales	1,924	1,732	-	-	-	-	-	-	1,924	1,732
EBITDA	513	340	(85)	-	0	-	-	-	428	340
<i>Margin</i>	26.7%	19.7%							22.2%	19.7%
Depreciation	(51)	(55)	-	-	-	-	-	-	(51)	(55)
EBITA	462	285	(85)	-	0	-	-	-	377	285
<i>Margin</i>	24.0%	16.5%							19.6%	16.5%
Amortization of intangibles	(17)	(17)	-	-	-	-	-	-	(17)	(17)
EBIT	445	268	(85)	-	0	-	-	-	360	268
<i>Margin</i>	23.1%	15.5%							18.7%	15.5%
Financial result	(1)	(4)	-	-	-	-	-	-	(1)	(4)
EBT	444	264	(85)	-	0	-	-	-	360	264
<i>Margin</i>	23.1%	15.3%							18.7%	15.3%
Taxes	(140)	(90)	9	-	-	-	7	-	(124)	(90)
<i>Tax rate</i>	31.5%	34.0%							34.3%	34.0%
Net profit from continuing operations	304	174	(76)	-	0	-	7	-	236	174
<i>Margin</i>	15.8%	10.1%							12.3%	10.1%

(1) 2018 figures according to IAS 21 & 29 (hyperinflation accounting). 2017 business figures exclude the impact of the intercompany transactions between P. Cash and PCS associated to the IPO restructuring process in 2017. Among them we highlight the sale of certain Licensed Trademarks, the sale of real estate assets in Argentina and the sale of the Security Business of Brazil.

Legal advice

Disclaimer

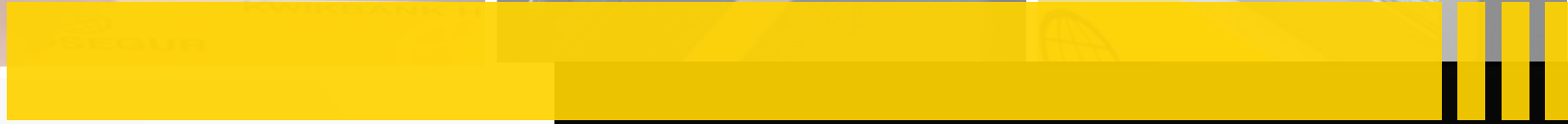
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INVESTOR RELATIONS (pablo.delamorena@prosegur.com)

