

# FY 2020 Results Presentation

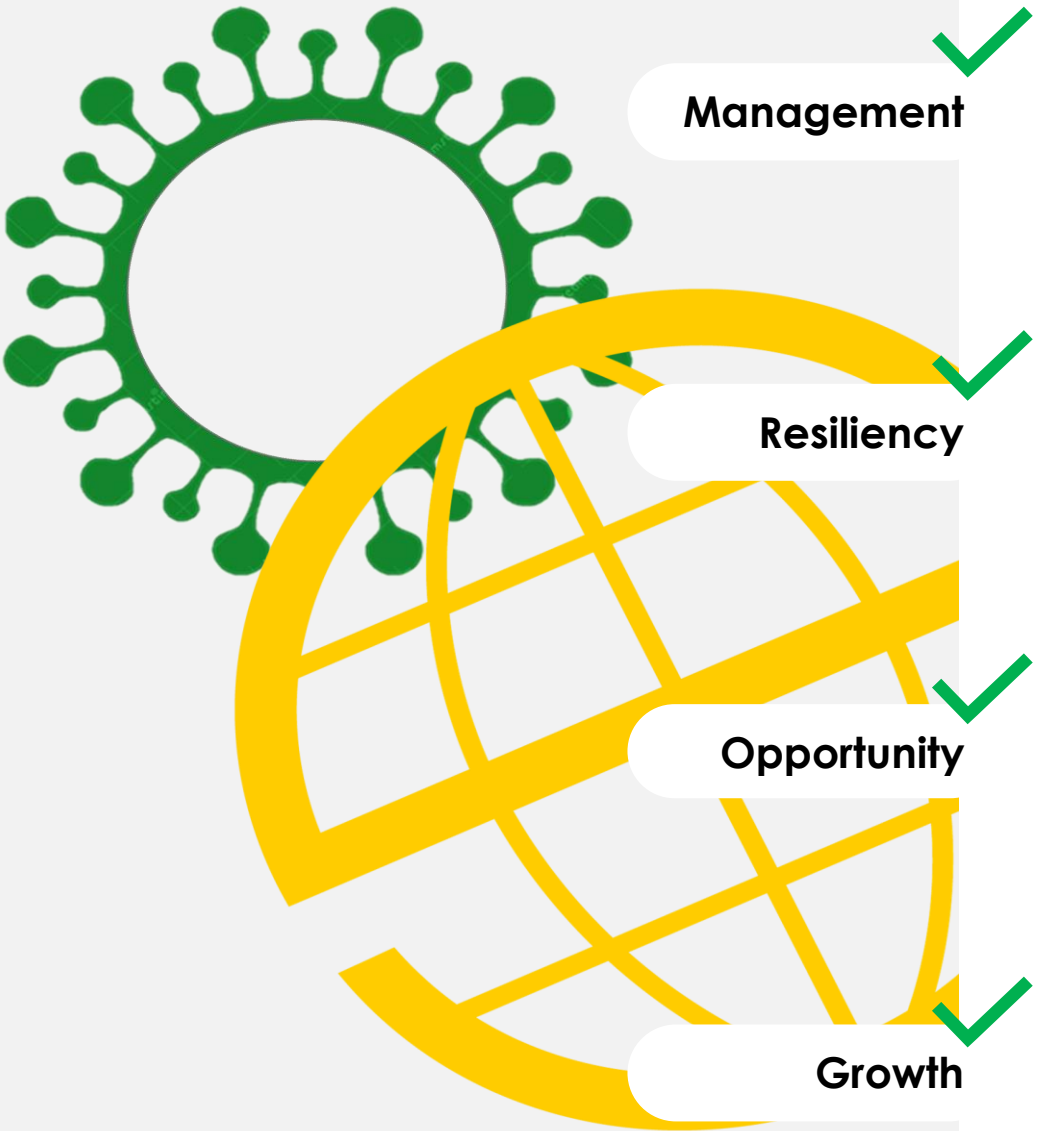
Investor Relations Department

26 / February / 2021





# COVID19 – EFFECTS AND RESPONSE



Management



GROUP

- ▶ Excellent **management** of the crisis
- ▶ Priority on **employees safety**. Promoting **teleworking** and “**Safe Work**” environments
- ▶ Maintained **full provision** of all **contracted services** in all **geographies**
- ▶ **Strong cash generation** and **high liquidity level** throughout the period

Resiliency



CASH

- ▶ **Maintaining organic growth** despite **lower volume** transported
- ▶ **Services** most affected in **mature countries**
- ▶ **Sustained activity** in **Ibero-America** with extraordinary services to help government aid programs
- ▶ **Fast recover** capability when **situation normalizes**

Opportunity



SECURITY

- ▶ **Strong growth** of **Integrated Security Solutions, Safety** and **Covid-Free** services
- ▶ Constant **improvement of profitability**
- ▶ **Volumes impacted** by **reduction of client’s economic activity** in all geographies
- ▶ **Profitability affected** in **Latin America** by **regulatory restrictions** on cost adjustments

Growth



ALARMS

- ▶ **Movistar Prosegur Alarmas** multiplies by **4** the **historical growth rate** in Spain
- ▶ **Temporary negative impact** of the **pandemic** in **new additions**, due to the **confinements**
- ▶ Market **demand** and **growth potential** remain untouched, and the **recovery** in activity is very **rapid** as **restrictions are lifted**



## RELEVANT INDICATORS OF THE PERIOD



### REVENUES

- ▲ **Total revenues 3,463 million**
- ▲ **Positive organic growth**, despite the strong reduction of **economic activity**
- ▲ **Growth in Euros** penalized by translational **currency effect** and **divestments** (France & Spain)



### PROFITABILITY

- ▲ Recurrent **EBITA** of **287 million**
- ▲ Continued **structural margin improvement** in **Security**, driven by **New Products**
- ▲ **improvement of EBITDA pre-SAC** in **Alarms**



### CASHFLOW

- ▲ **Successful working capital management**, supported by **Digital Transformation**
- ▲ Excellent over **80% EBITDA to cash conversion ratio**
- ▲ **Capex reduction** of more than **30%**
- ▲ Constant **optimization** in **collections management** and **credit risk**



### LIQUIDITY & DEBT

- ▲ **Excellent liquidity** and **debt maturity profiles**
- ▲ **Moderate leverage level**
- ▲ **BBB Outlook Stable** rating by S&P
- ▲ **Dividend reinvestment program**



# DIGITAL TRANSFORMATION

&

# INNOVATION

## Gearing towards a new "Prosegur Operating Model"

- ▲ Operational Efficiency
- ▲ Less technology and cybersecurity risk
- ▲ Better Cashflow management

### Processes

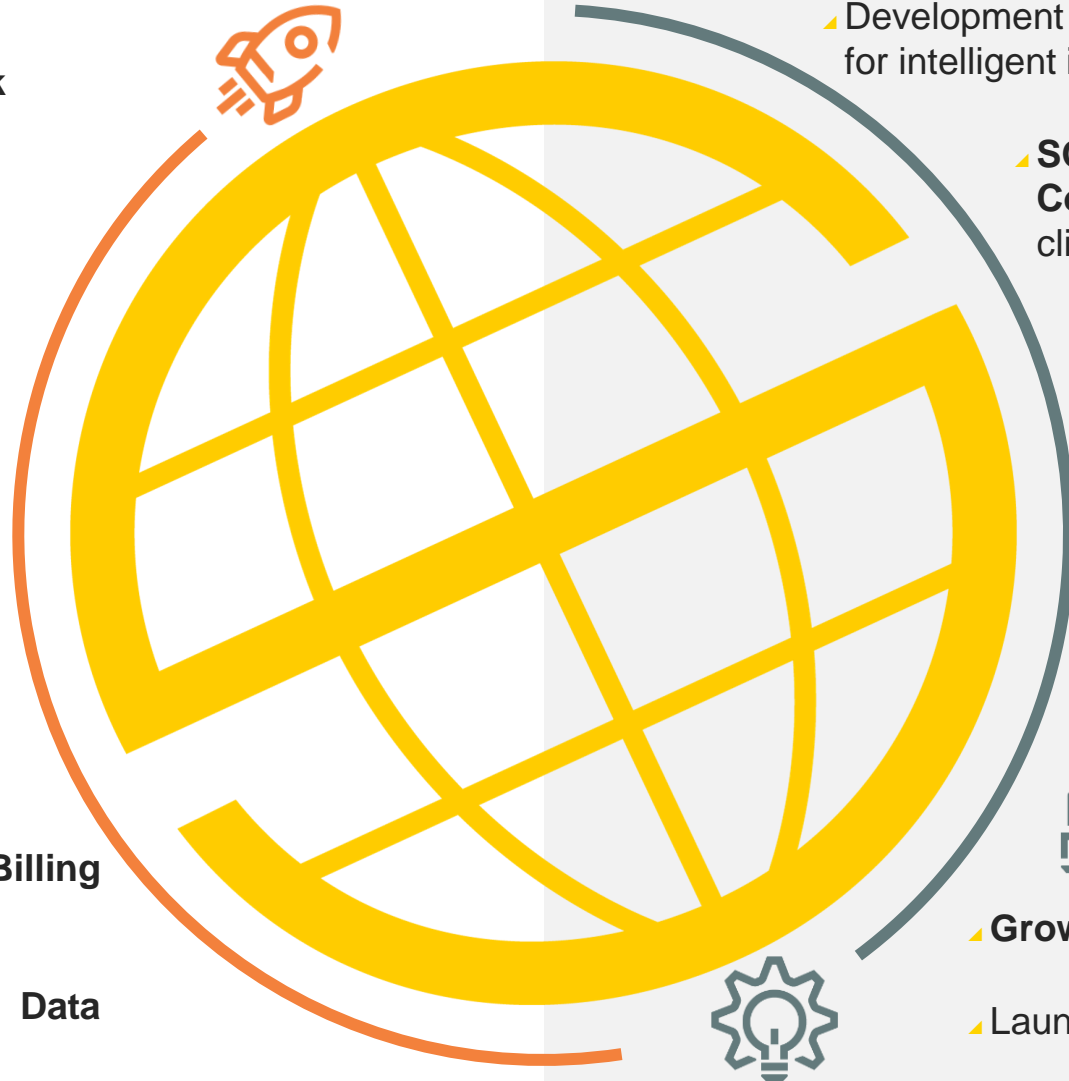
- ▲ Backoffice operations redesign to improve agility, efficiency and scalability

### Cybersecurity

- ▲ Alignment with NIST standards

### Systems

- ▲ Modernization of CRM, ERP, HR, Billing and Operations
- ▲ Cloud architectures, APlification, Data governance



## Security

- ▲ Development of **GENZAI** Platform based on **IOT** and **AI** for intelligent image and video processing
- ▲ **SOC Security, Safety and Business Continuity** services already deployed to clients



## Alarms

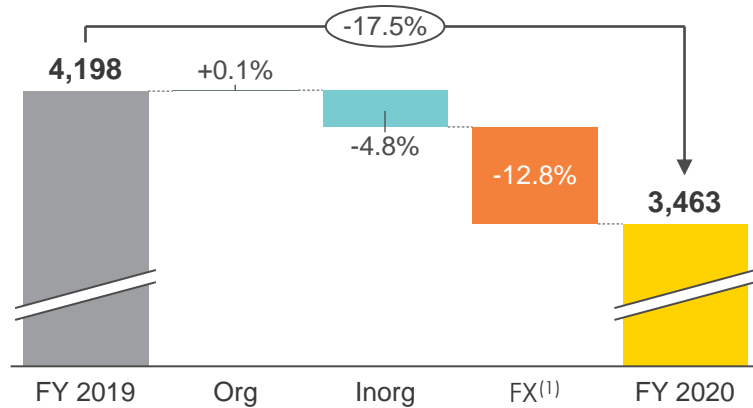
- ▲ **GENZAI** platform for **operational improvements** in Alarms Reception Centre
- ▲ **Value Added Services** in Video/Audio



## Cash

- ▲ **Growth** in the adoption of **New Products**
- ▲ Launch of **Prosegur Crypto**

## REVENUES



- ▲ **Positive organic growth** despite the harsh effects of the **pandemic**
- ▲ **Revenue's deterioration in Euros** caused by a **negative translational currency** effect and divestments
- ▲ **Reduction** mainly in **volumes**, without affecting **price transfers**, carried out normally
- ▲ Reported **EBITA** of **258 million** includes **Cash restructuring costs** and **grants** received

Consolidated Results (€ millions)	FY 2019	FY 2020 <sup>(2)</sup>	% Variation
<b>Sales</b>	<b>4,198</b>	<b>3,463</b>	-17.5%
<b>EBITDA</b>	<b>536</b>	<b>409<sup>(3)</sup></b>	-23.8%
Margin	12.8%	11.8%	
Depreciation	(178)	(151)	
<b>EBITA</b>	<b>358</b>	<b>258</b>	-28.1%
Margin	8.5%	7.4%	
Amortization of intangibles and impairments	(28)	(32)	
<b>EBIT</b>	<b>330</b>	<b>225</b>	-31.8%
Margin	7.9%	6.5%	
Financial result	(66)	(53)	
<b>Profit before tax</b>	<b>265</b>	<b>173</b>	-34.8%
Margin	6.3%	5.0%	
Tax	(105)	(103)	
Tax rate	39.5%	59.9%	
<b>Net Profit</b>	<b>160</b>	<b>69</b>	-56.7%
Minority Interest	46	11	
<b>Consolidated Net Profit</b>	<b>114</b>	<b>59</b>	-48.4%

<sup>(1)</sup> Includes exchange rate effect and IAS 21&29

<sup>(2)</sup> Excluding extraordinary results in the period, mainly resulting from the exchange of participations between Prosegur and Telefónica, France Security and partial impairment of Australia

<sup>(3)</sup> Reported EBITDA is minored by €29mm of Cash efficiency programs and improved in €34mm of perceived Covid19 subsidies



# CONSOLIDATED REVENUES

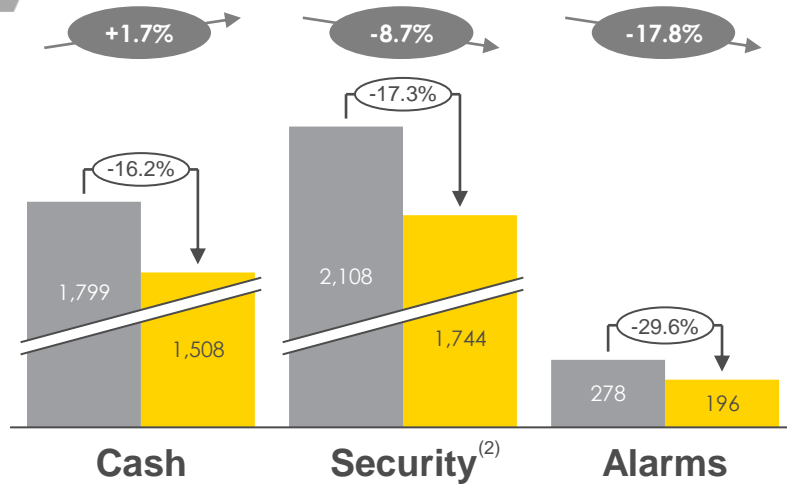
## By Business Line and Region

% Local Currency Growth<sup>(1)</sup>  
 % € Growth

■ FY 2019  
 ■ FY 2020



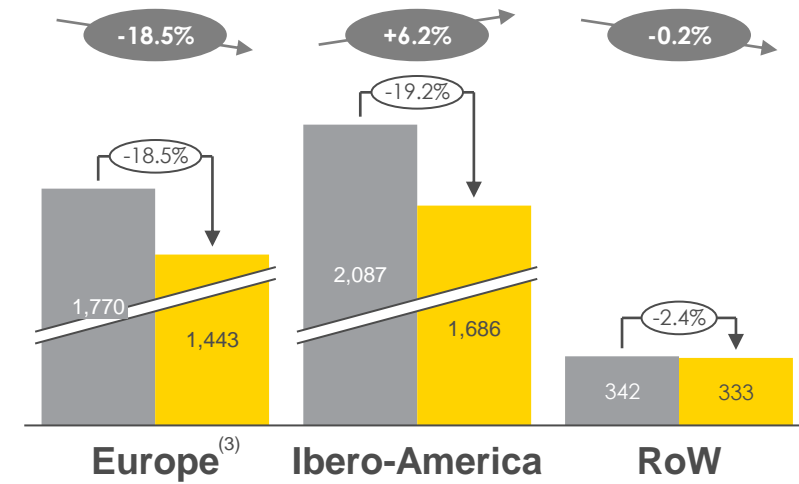
### Sales by Business



- ▲ **Cash** maintains **positive growth** in **local currency**, despite the fall in volumes in developed countries by Covid
- ▲ **Security** reflects the **strong impact of Covid** in the **USA**, the **deconsolidation of France** and the negative effect of the main **LatAm** currencies
- ▲ **Alarms** reduces due to the **commercial stoppage** during the **confinements** and the accounting **deconsolidation** of the connections **Spain**



### Sales by Region



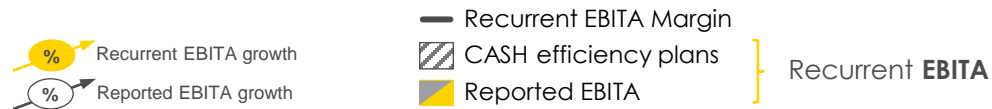
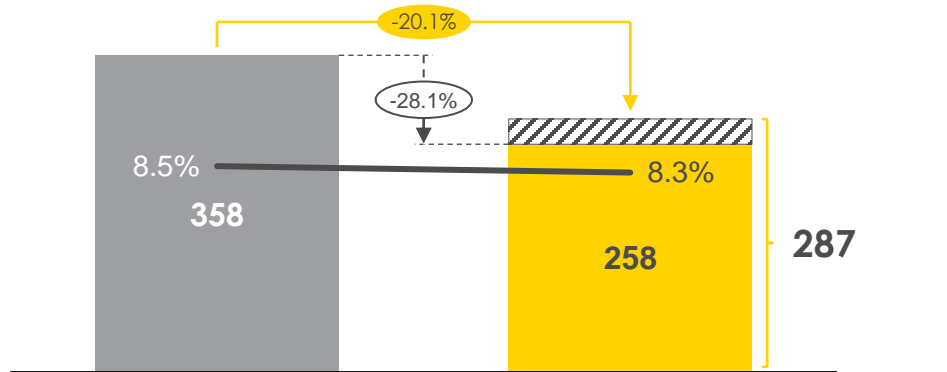
- ▲ Geographically, the greatest **reduction** occurs in **Europe**, penalized by the strong **impact** of the third **Covid** wave and the exit of **Security France**
- ▲ **Ibero-America** grows **6.2%** in **local currency**. The result in euros is eroded, fundamentally, by **negative FX**
- ▲ **Slight volume loss** in **RoW**, mainly due to the deterioration suffered in the **USA** by Covid and the weak situation in **Australia**



# CONSOLIDATED PROFITABILITY & CASHFLOW GENERATION



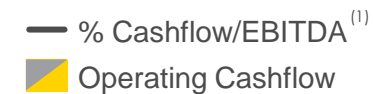
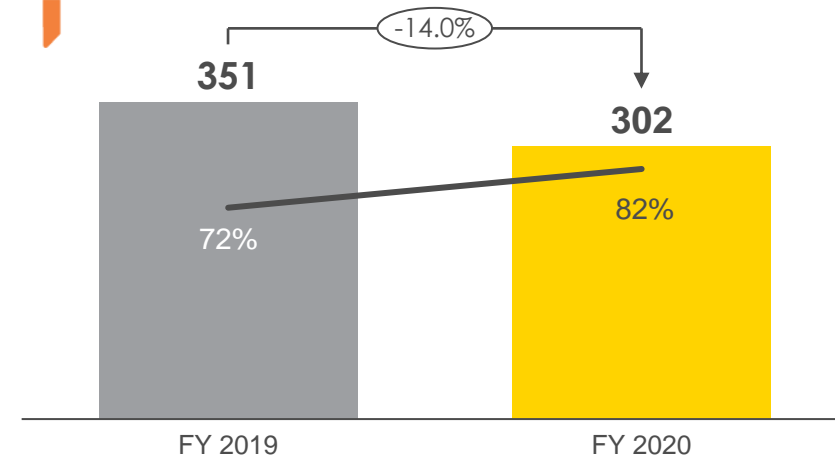
## PROFITABILITY



Recurrent **EBITA** margin higher than 8%



## CASHFLOW GENERATION



Conversion ratio of **EBITDA** into cash higher than 80% as a consequence of the remarkable **efficiency** in **collections** and **cost containment** measures

Results by business lines

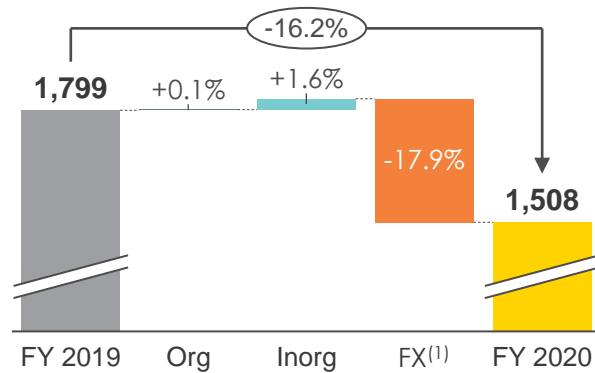
- CASH
- SECURITY
- ALARMS







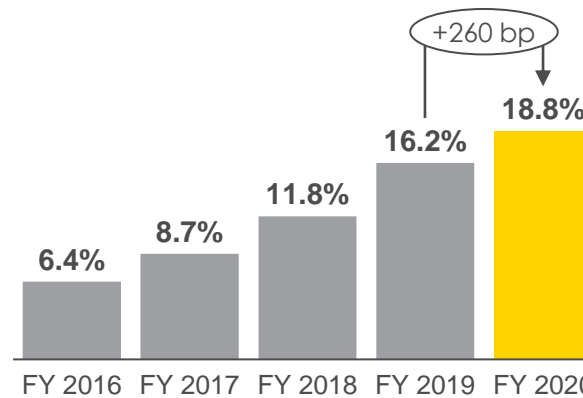
## REVENUES



- Flat **organic** growth, despite the **confinements** and closures during the third wave in **Europe** and the **termination** of extraordinary services in **Latin America**
- Positive **inorganic** growth due to entry into **Ecuador** and **M&A** in **Brazil** and **Colombia**
- Strong translational effect** of currencies in both Argentina and Brazil



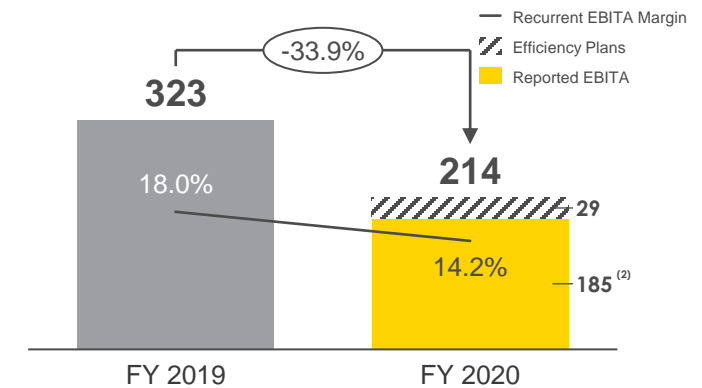
## NEW PRODUCTS



- New Products increase** to reach **18.8%** of total sales
- Penetration** of new solutions **increased in almost all countries** in our portfolio in **FY 2020**
- Investment in **Digital Transformation** reinforced to **reduce risks** and **face future challenges** in a better position



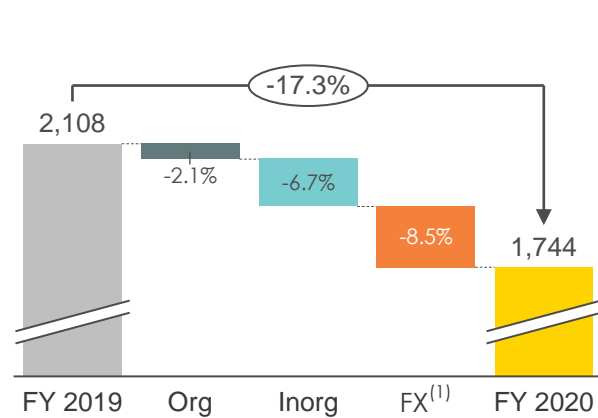
## PROFITABILITY



- Recurring EBITA** (excluding efficiency plans) of **214** million
- EBITA margin affected by:
  - Lower volumes** and amounts transported. More visible in **Europe** and **APAC**
  - Translational impact of the **currency devaluation**



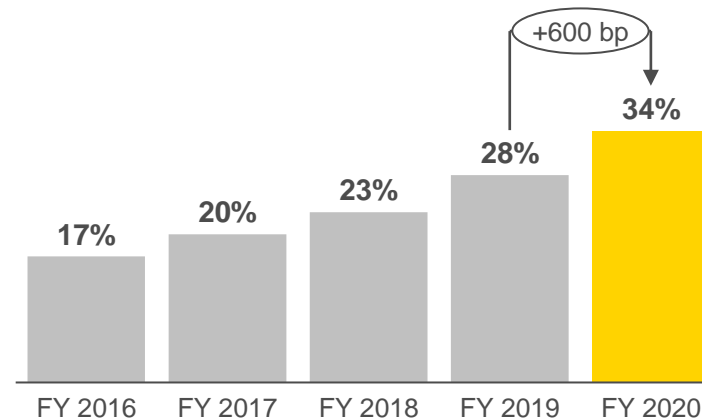
## REVENUES (2)



- Higher volumes in **Traditional Guarding** (Spain, Portugal and Argentina) and **increase in Technology** (Brazil and Spain)
- Sales **negatively affected** by the reduction of airport activity in the **USA** and **large events**
- Inorganic decrease** due to departure from **France**



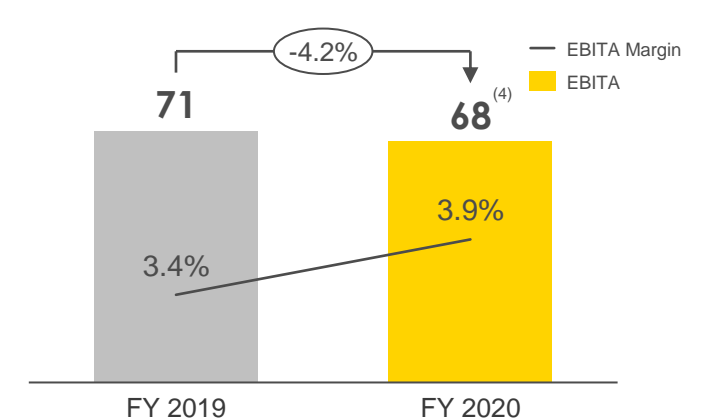
## NEW PRODUCTS



- Increase in **Integrated Security Solutions** up to **34%** of sales
- "**COVID Free**" solutions reach more than **5%** of the total New Products in barely 8 months
- Strong **increase** in **technological innovation** products induced by **Digital Transformation**



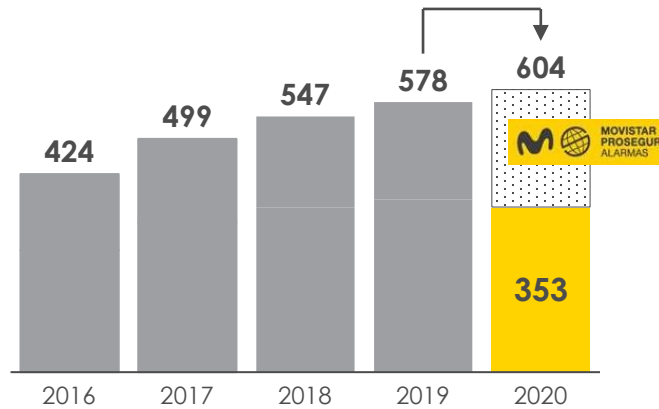
## PROFITABILITY (3)



- Excellent **profitability improvement** driven by:
  - New products
  - Exit of unprofitable customers
  - "Job Keeping" Programs in the US
- Focus on **optimizing traditional guarding clients** towards new security models



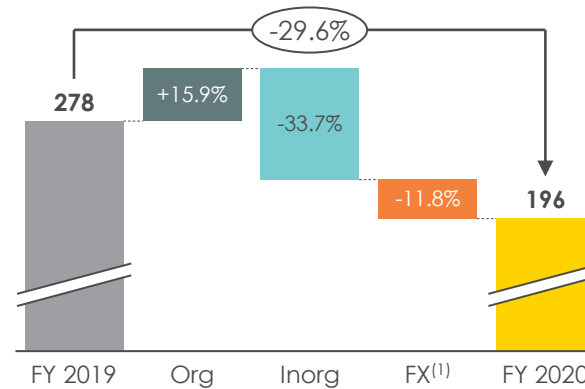
### INSTALLED BASE



- ▶ **Total Contract Base** reaches **604,000** connections due to MPA growth
- ▶ **Ex-Spain growth** affected by **commercial activity limitations** imposed by quarantines
- ▶ **Movistar Prosegur Alarmas** grows by **more than 43,000** new clients in just 6 months



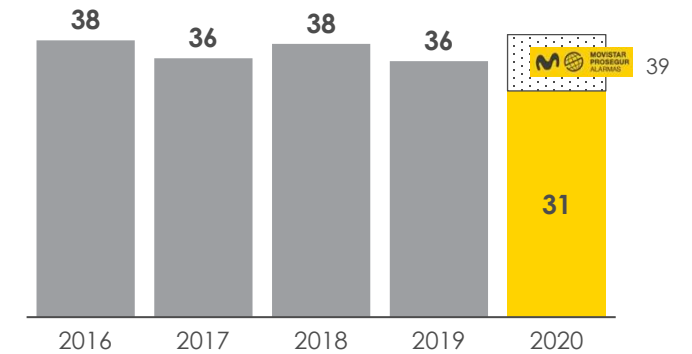
### REVENUES



- ▶ **Excellent organic growth** close to **16%** despite the **persistence of the commercial stoppage** in various geographies
- ▶ **Volume reduction** mainly explained by **deconsolidation of Spain** and negative FX in Latin America



### ARPU



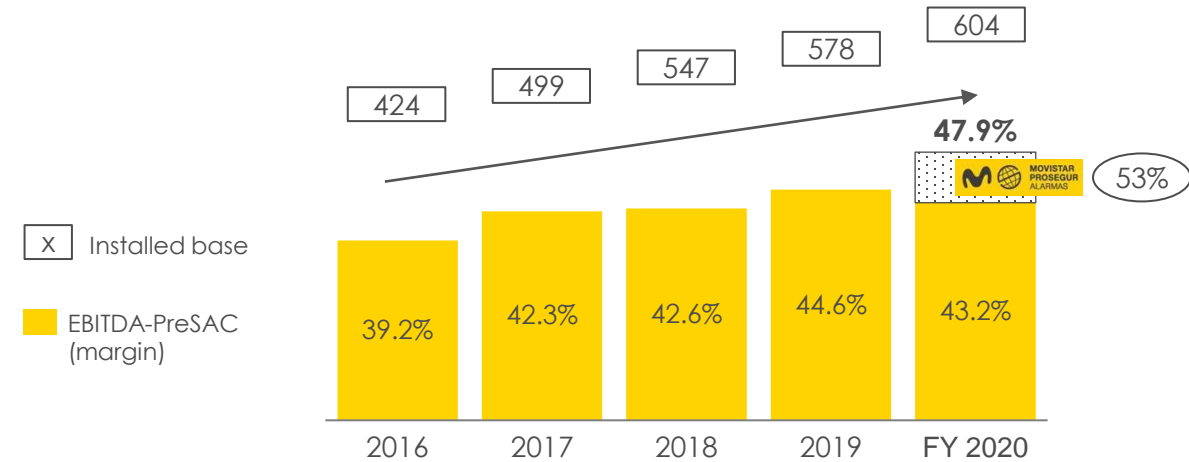
- ▶ ARPU decreases slightly to **€ 31.4**, once Spain is deconsolidated, **affected by the COVID crisis** and the adverse currency effect
- ▶ **MPA maintains ARPU** at **€ 39**
- ▶ **Churn improvement in the quarter**, as activity in small business and unbanked residential clients recovers



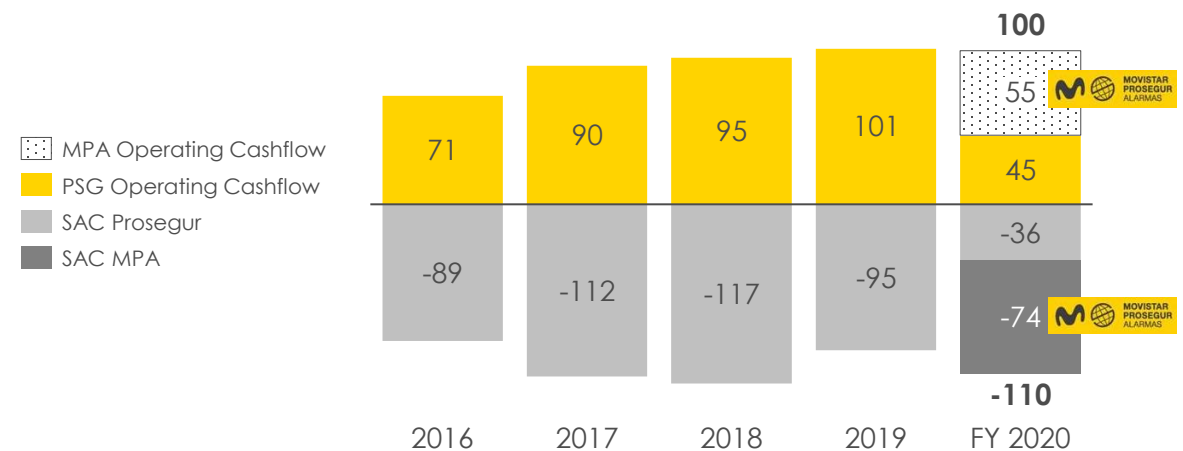
## Profitability & Cash flow Generation

- EBITDA pre-SAC of the alarm business has been **progressing continuously** for 5 years
  - With the **deconsolidation of Spain** it suffers a slight deterioration due to **lower density and higher operating cost** in Ibero-America, but maintaining the same **incremental trend** of previous years
  - EBITDA pre-SAC tends to **increase** as the **installed base grows** (operating synergies)
- 
- Operating Cash flow generation** presents an upward trend
  - During the **2016-2020 period**, cash generated has **grown** at a compound annual rate (CAGR) close to **10%**
  - In the years with **less growth** intensity in **connections**, the **net cash** result has been **positive**

### EBITDA Pre-SAC Evolution



### Operating CashFlow Evolution



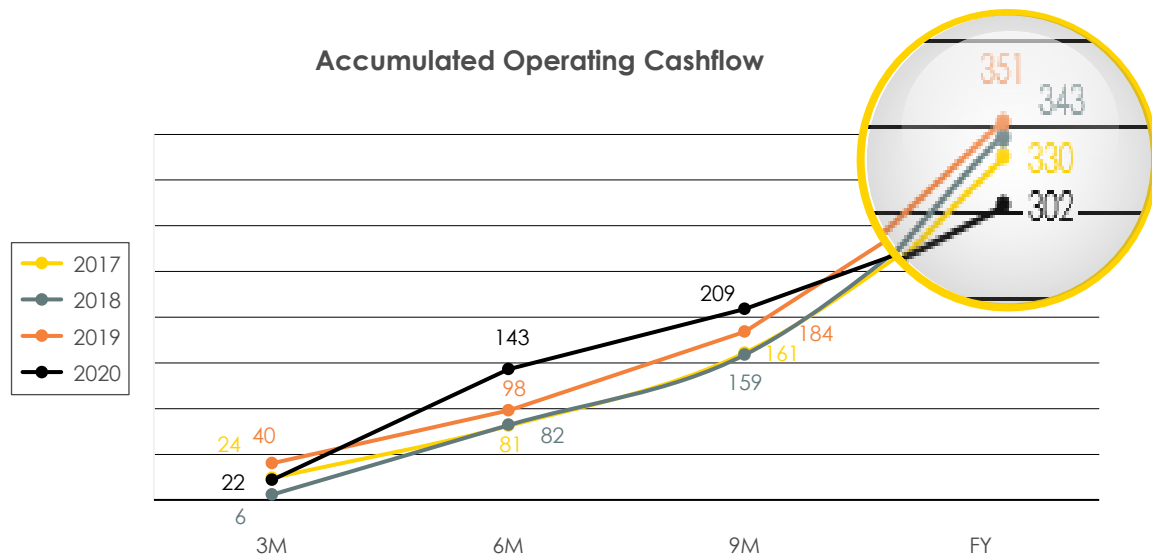
## Financial Information

- Consolidated Cash Flow
- Foreign currency active management Policy
- Financial Position
- Balance sheet



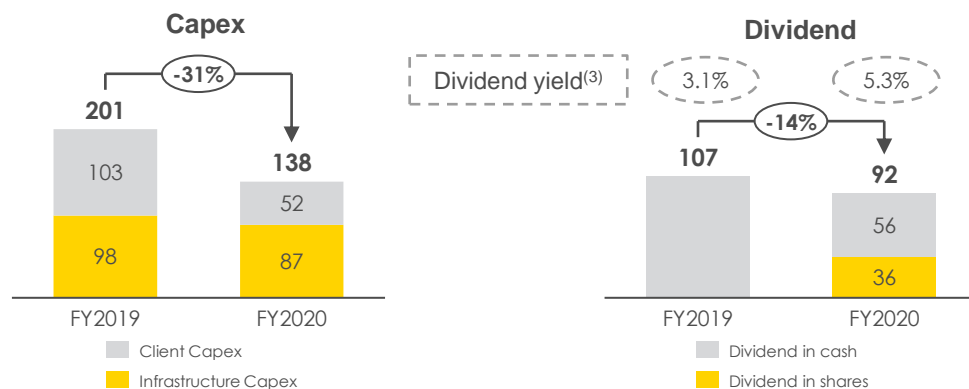
# CONSOLIDATED CASH FLOW

### Accumulated Operating Cashflow



▲ **Excellent cash generation** despite adverse FX and the health crisis, thanks to:

- ▲ Focus on **continuous optimization of working capital**
- ▲ **Active foreign currency management**
- ▲ **Capex containment and dividend reinvestment programs**



Amounts in € millions	FY 2019	FY 2020 <sup>(1)</sup>
<b>EBITDA</b>	<b>536</b>	<b>409</b>
Provisions and other non-cash items	(12)	(33)
Tax on profit	(114)	(99)
Changes in working capital	(48)	47
Interests payments	(11)	(21)
<b>Operating Cash Flow</b>	<b>351</b>	<b>302</b>
Acquisition of property, plant & equipment	(201)	(138)
Payments for acquisitions of subsidiaries	(146)	(140)
Dividend payments	(107)	(56)
Treasury stock & Others	(79)	(142)
<b>Cash flow from investing / financing</b>	<b>(533)</b>	<b>(475)</b>
<b>Total net cash flow</b>	<b>(182)</b>	<b>(173)</b>
<b>Initial net financial debt</b>	<b>(425)</b>	<b>(649)</b>
Net increase / (decrease) in cash	(182)	(173)
Exchange rate	(43)	(67)
<b>Net Financial Debt <sup>(2)</sup></b>	<b>(649)</b>	<b>(889)</b>

<sup>(1)</sup> Excluding extraordinary results of the exercise, mainly resulting from the exchange of participations between Prosegur and Telefónica, Security France and partial impairment in Australia

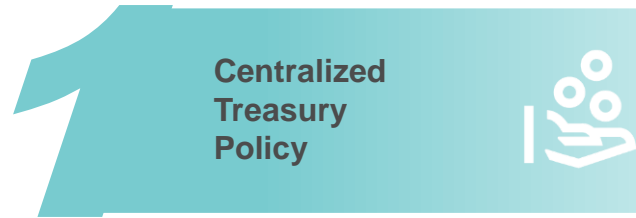
<sup>(2)</sup> Excludes IAS 16 related debt

<sup>(3)</sup> DPS / average daily stock price



# FOREIGN CURRENCY ACTIVE MANAGEMENT POLICY

- ▶ Prosegur has **extensive experience** in **currency management**, which has historically been translated into **cash efficiencies** and **cost structure**
- ▶ **Currency fluctuation** is addressed **proactively**, with different **levers adapted** to the reality of each **geography**



## Centralized Treasury Policy

- ▶ **Concentration at parent company** of all the **surplus cash** from all **regions**

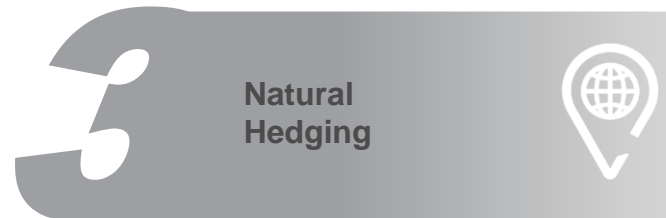
- ▶ Establishing a level of **operational funds** by **geography**
- ▶ Adapting the ratio of **funds repatriation** to the casuistry of each country



## Corporate Costs relocation

- ▶ **Location of corporate costs** in geographies with **intense devaluation**

- ▶ Digital transformation
- ▶ Administrative and management costs



## Natural Hedging

- ▶ **Local debt** structuring

- ▶ **M&A** financing
- ▶ Cover **local** operational and financial **needs**



## Dividend Management

- ▶ In-depth **preliminary analysis** of **fiscal and exchange rate impacts**

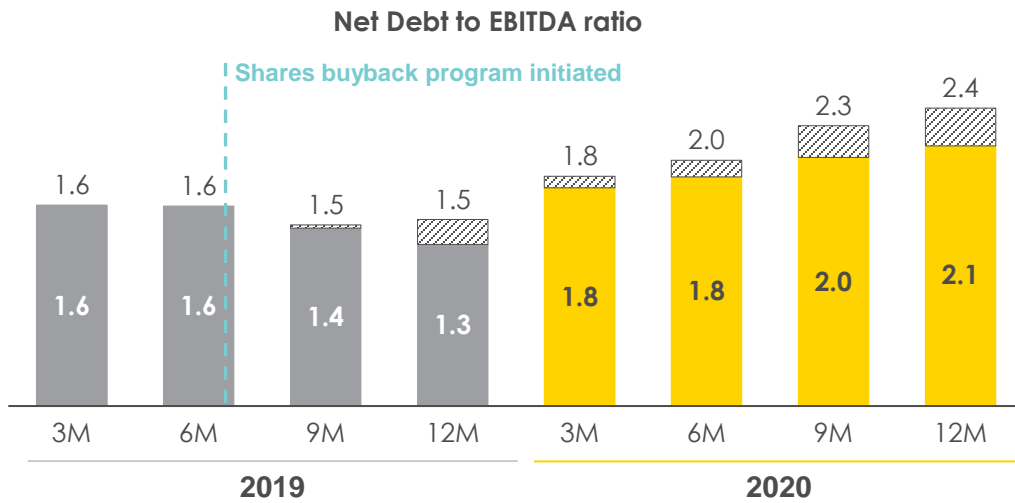
- ▶ Regulatory modifications
- ▶ Extensive external advice on currency evolution



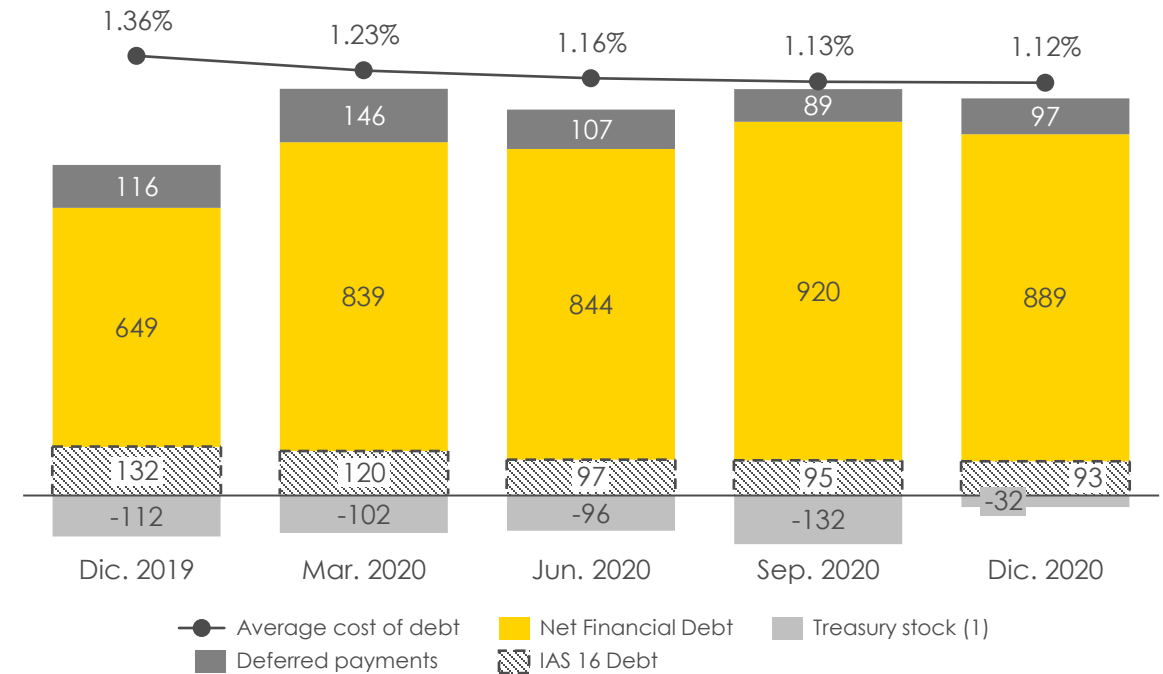
# FINANCIAL POSITION

**BBB stable**

- Significant reduction in net financial debt in the quarter, mainly derived from **strong cash generation**, meritorious **working capital management**, **capex** containment and **dividend reinvestment** plans
- Confirmation by **S&P** of **BBB stable Outlook rating** (October 2020)
- Average cost of corporate debt: reduction of 24 basis points** compared to the same period of fiscal year 2019 (**1.12%** vs. 1.36%)



Buyback program impact on leverage level



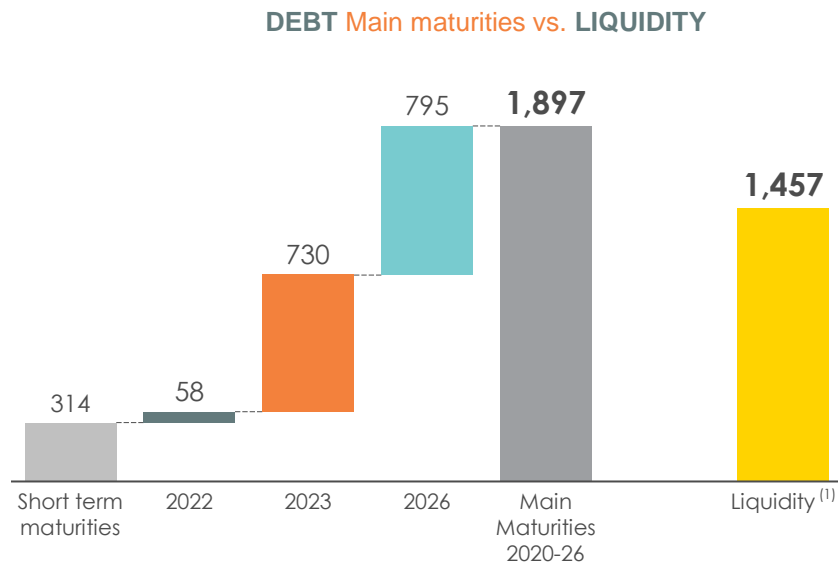
(1) Treasury stock of Prosegur and Prosegur Cash at closing market price of the period

(2) Includes IAS 16 debt and excludes extraordinary effects in EBITDA and Security France



# BALANCE SHEET

- ▲ **Capital reduction through own shares cancellation**
- ▲ **Comfortable level of liquidity** and firepower
- ▲ **Excellent long-term debt maturity profile**, exceeding 80% of total debt
- ▲ **Syndicated facility**: maturity extension until **2026**
- ▲ **Security France**. Effective sale October 2020



<sup>(1)</sup> Liquidity: Cash and cash equivalents plus undrawn available lines

In € Millions

	FY 2019	FY 2020
<b>Non-current assets</b>	<b>1,990</b>	<b>2,169</b>
Tangible fixed assets and real estate investments	881	724
Intangible assets	984	886
Others	125	558
<b>Current assets</b>	<b>1,986</b>	<b>1,745</b>
Inventory	65	47
Customer and other receivables	1,071	781
Cash and equivalents and other financial assets	850	917
<b>TOTAL ASSETS</b>	<b>3,976</b>	<b>3,914</b>
<b>Net equity</b>	<b>898</b>	<b>718</b>
Share capital	36	33
Treasury shares	(108)	(15)
Retained earnings and other reserves	898	677
Minority interest	72	23
<b>Non-current liabilities</b>	<b>1,751</b>	<b>1,924</b>
Bank borrowings and other financial liabilities	1,452	1,649
Other non-current liabilities	299	274
<b>Current liabilities</b>	<b>1,327</b>	<b>1,272</b>
Bank borrowings and other financial liabilities	302	353
Trade payables and other current liabilities	1,025	919
<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>3,976</b>	<b>3,914</b>

# ESG Commitment





# ESG ACHIEVEMENTS IN 2020

## Commitment to Institutions

- Prosegur supports the United Nations Global Compact
- Channelling social action through the PROSEGUR FOUNDATION ([www.fundacionprosegur.com](http://www.fundacionprosegur.com))
- Adherence to TCP (The Climate Pledge)

17 PARTNERSHIPS FOR THE GOALS



## Management's Commitment to Sustainability

- Prosegur as one of the 100 companies with the best corporate governance in Spain
- New Sustainability Committee at Senior Management level
- Senior Management Compensation linked to ESG performance

16 PEACE, JUSTICE AND STRONG INSTITUTIONS



## Fighting the Climate Change

- Accountancy and control of consumptions, and therefore, of our CO2 emissions
- 10% reduction in CO2 emissions

13 CLIMATE ACTION



## Commitment to sustainability in all areas

- Deactivation of 400 inefficient armored units
- New travel model that will allow to continue reducing scope 3 emissions
- Paper reduction during Plan 21-23 of 40%

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



## Focus on reducing emissions

- Fleet with more than 1,500 hybrid and electric vehicles
- 100% electric armoured truck in Germany
- Installation of solar panels in Brazil
- Development of fully biodegradable cash withdrawals

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



**3 GOOD HEALTH AND WELL-BEING**

**Continuous improvement in Health and Safety of human capital**

- Drastic reduction in fatalities
- Quarterly committees and implementation of Best Practices
- More than 770 thousand hours of training in Occupational Health
- Global Road Safety Campaign in 2021

**4 QUALITY EDUCATION**

**Training for employees. 33% increase during exercise**

- More than 320 thousand hours on Human Rights
- Prosegur Corporate University multiplies its hours by five
- Mandatory training plan in Sustainability in 2021

**5 GENDER EQUALITY**

**Gender Equality**

- Launch in 2021 of the #empoweredwomen program
- 100% de women with corpoarte reponsabiliteis and other levels of the organization obtained highly remarkable evlautaions

**7 AFFORDABLE AND CLEAN ENERGY**

**Clean and accessible Energy**

- 100% of Electric energy consumption in Spain comes from renewable sources
- Green Energy Plan included in our Strategic Plan 21-23

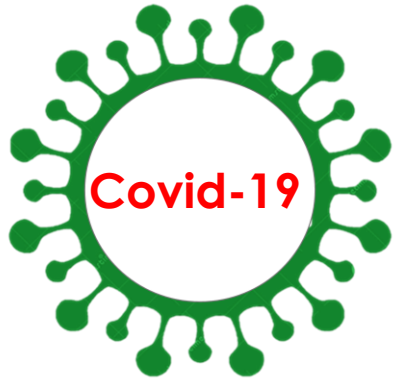
**8 DECENT WORK AND ECONOMIC GROWTH**

**Solid progress in Talent Management and Parity**

- Continued increase in the percentage of women on the workforce
- New Talent Management mode

# Final Remarks





- ▶ **Exemplary behaviour** of the **entire organization** during the pandemic
- ▶ **Strong resistance** in all businesses
- ▶ **Estimates for recovery** by the **second half** of the year, as **macro conditions improve**



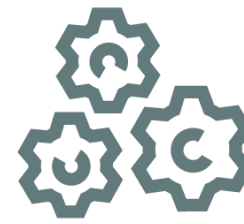
### New Products

- ▶ **Strong penetration of new products** in all **business lines**
- ▶ **Margin improvement in Security**
- ▶ **New Products grow** well above the market, **supplemented by M&A**
- ▶ **Covid-Free solutions** drive the **change** towards the **Integrated Security model** and **Safety Services**



### Alarms

- ▶ **MPA quadruples 2019 sales**, despite pandemic limitations
- ▶ The model of **alliances** with **strategic partners** is an alternative to **explore**
- ▶ We expect **strong growth** once the situation returns to normal



### Digital Transformation

- ▶ **Quantitative results** provided by the digital transformation are **very satisfactory**
- ▶ **DT and Innovation**, key axes of the future **growth plan** in all businesses
- ▶ **Investments** suspended during the pandemic are **reactivated**



### Balance Sheet & Cash flow

- ▶ **Ambitious goal of gradual improvement** of **DSO** across all businesses
- ▶ **Focus on cash generation** and **reduction** of customer **credit risk**
- ▶ Maintenance of **financial discipline** and **moderate leverage** level



### ESG

- ▶ **Maximum commitment** with tangible results
- ▶ **Sustainability** is a **fundamental pillar** of the **strategic plan 21-23**
- ▶ **Improvement** in all the **indicators** evaluated by the proxies

# Q&A





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