Intertrust

Press release

Intertrust reports Q1 2020 results

Amsterdam, the Netherlands – 23 April 2020 – Intertrust N.V. ("Intertrust" or "Company") [Euronext: INTER], a global leader in providing tech-enabled corporate and fund solutions to clients operating and investing in international business, today publishes its results for the first quarter ended 31 March 2020.

Q1 2020 Highlights

- Revenue increased 2.1% underlying to EUR 142.1 million.
- Adjusted EBITA margin at 32.8% reflecting investments in Centre of Excellence; migration is on track.
- As a result of strong cash collection, working capital improved for the 6th consecutive quarter; cash flow from operating activities increased 12.8%.
- Leverage ratio improved to 3.77x (Q4 2019: 3.96x).
- Existing core business continues to be resilient, being built on 80%-90% recurring revenue and long-term contracts with clients. However, given the uncertainty of the global impact of COVID-19 on the overall economy, our guidance for 2020 is withdrawn.

Stephanie Miller, CEO of Intertrust, commented:

"Amidst these unprecedented times, I am proud of our employees who have shown exceptional commitment and dedication in adapting to the new environment. Thanks to our investments in IT more than 92% of our employees are working from home delivering uninterrupted services to our clients.

We are aware that current uncertainties about the global impact of COVID-19 on the overall economy will impact our growth this year, leading us to withdraw guidance for 2020. We remain confident about the resilience of our ongoing, highly cash generative business, our strong financial position and our ability to successfully navigate through these uncertain times.

We have continued our investments in the Centre of Excellence, and with the migration of selected client support functions from our offices in Hong Kong and Singapore to the Centre of Excellence completed, we are on track.

While COVID-19 forces companies to think and operate differently, our continued investments in technology are a real differentiator and will continue to drive our transformation programme in becoming the leading tech-enabled services firm. We see a window to accelerate our transformation programme and build the next generation of specialised administration services."

Intertrust Group Q1 2020 figures

	As reported			Adjusted[1]			
	Q1 2020[2]	Q1 2019	% Change	Q1 2020	Q1 2019	% Change	Underlying % change[3]
Revenue (€m)	142.1	124.9	13.8%	142.1	124.9	13.8%	2.1%
EBITA (€m)	41.7	43.5	-4.1%	46.6	45.5	2.4%	-6.2%
EBITA Margin	*29.3%*	*34.8%*	*-548bps*	*32.8%*	*36.4%*	*-365bps*	*-288bps*
Net Income (€m)	(2.1)	21.4	-110.0%	31.7	32.4	-2.4%	
Earnings per share (€)[4]	(0.02)	0.24	-108.3%	0.35	0.36	-3.3%	
Cash flow from operating activities (€m)	67.8	60.1	12.8%				

1 See Reconciliation of performance measures to reported results (see page 7) for further information on Adjusted figures

2 As reported Q1 2020 figures include the impact of IFRS16

3 Underlying: Current and prior period at constant currency (both including IFRS16) and, if applicable, including proforma figures for acquisition(s)

4 Average number of shares for Q1 2020: 90,055,506 shares; average for Q1 2019: 89,231,848 shares

Financial review

COVID-19 impact

We have been working under our Business Continuity Plan since the outbreak of COVID-19. As a result of continued investments in the IT infrastructure more than 92% of our employees are working from home providing uninterrupted service to our clients. The impact of COVID-19 on revenue and adjusted EBITA margin in Q1 2020 was not material. As a result of the recurring nature of the revenue and long-term client contracts, Intertrust's business remains resilient. However, given the uncertainty of the global impact of COVID-19 on the overall economy, Intertrust is withdrawing its guidance for 2020. We will provide an updated guidance when these circumstances change.

Revenue

Robust revenue growth of 2.1% over the quarter, largely unaffected by COVID-19, with uninterrupted client service delivered by our Asian, European and American teams working almost entirely from home. Since the beginning of 2020 we have operated a centralised global sales force with quarterly commission schemes. Over the first quarter, we have seen a positive effect of this new way of working on the quality and conversion rate of our sales pipeline.

Revenue per service line

(EUR million)	Q1 2020	Q1 2019	% Change	Underlying % change[1]
Corporates	47.9	47.0	1.9%	0.1%
Funds	62.1	43.8	41.6%	8.9%
Capital Markets	15.2	15.6	-2.3%	-3.2%
Private Wealth	15.7	16.9	-7.6%	-8.7%
Other	1.2	1.5	-15.6%	-17.5%
Group total	142.1	124.9	13.8%	2.1%

1 Underlying: Current and prior period at constant currency (both including IFRS16) and, if applicable, including proforma figures for acquisition(s)

- Corporates performed in line with the first quarter of last year. Revenue increased in the Nordics, Channel Islands and Asia Pacific, in contrast to a decrease in Luxembourg.
- Revenue growth in Funds was mainly driven by Luxembourg as a result of increased client activities and Cayman, where revenue increased as a result of economic substance and MLRO reporting. Funds revenue increased to 44% of total revenue compared to 35% in Q1 2019.
- Capital Markets, which represents 11% of total revenue, decreased 3.2% due to lower new inflow in Ireland and the UK. The Asian market, first to be impacted by the virus, is showing its first opportunities in the current environment such as distressed real estate transactions and additional services relating to defaulted aircraft lease structures. For the remainder of the year we expect to see a delay in transactional activities, which is an important driver for this service line.
- Revenue in Private Wealth decreased 8.7% due to anticipated and directed outflow of business in the Channel Islands.

Revenue per segment

(EUR million)	Q1 2020	Q1 2019	% Change	Underlying % change[1]
Western Europe	58.0	58.1	-0.2%	-1.2%
Rest of the World	49.8	46.9	6.2%	5.3%
Americas	34.4	19.9	72.4%	3.4%
Group total	**142.1**	**124.9**	**13.8%**	**2.1%**

1 Underlying: Current and prior period at constant currency (both including IFRS16) and, if applicable, including proforma figures for acquisition(s)

In the Western Europe segment, the Netherlands continued to perform relatively well with positive growth in Corporate Services and a slight decline in Capital Markets. In Luxembourg, Funds reported strong growth as a result of increased client activities and Capital Markets business declined during the quarter due to less transactions in the market.

Rest of the World reported revenue growth of 5.3% driven by strong growth in the Nordics, APAC and Spain. Revenue growth in the Nordics was generated in Funds, Corporates and increased depository services and bondholder trustee services. Despite the impact of the Chinese/US trade war and COVID-19 pandemic, the APAC region continued to increase revenue in Q1 2020 mainly driven by growth of the Funds and Private Wealth business.

The Americas increased revenue by 3.4% with growth in Funds, Corporates and Private Wealth, while Capital Markets reported lower revenue. Cayman generated revenue growth as a result of an increase in fund administration and compliance-related revenue following clarity given by the regulator in Q4 2019 on economic substance requirements.

Adjusted EBITA and adjusted EBITA margin

In line with expectations, adjusted EBITA increased to EUR 46.6 million (Q1 2019: EUR 45.5 million) and adjusted EBITA margin was 32.8% (Q1 2019: 36.4%). Adjusted EBITA included a one-off benefit from the reimbursement of a legal claim and legal fees which were paid in H1 2017. The decline in adjusted EBITA margin related to the investments in the build-up of the Centre of Excellence (CoE), business mix and continued IT investments. The duplication of costs relating to the migration to the CoE had a temporary negative effect in Q1 and will gradually decrease.

Centre of Excellence migration on track

In Q1 2020 the migration of selected client support functions from our offices in Hong Kong and Singapore to the Centre of Excellence was completed. Recruitment of new employees relating to the Centre of Excellence is progressing as planned. For the remainder of the year we expect some delays in recruitment due to the impact of the lockdown in India. Current operations in India continue to operate without disruption under the Business Continuity Plan. At the end of Q1 2020 we had hired 34% of the total planned CoE headcount. The annual run rate costs of the CoE at the end of Q1 2020 was EUR 7.9 million. The annual run rate of synergies at the end of Q1 2020 reached EUR 4.5 million. Both costs and synergies are on track with the migration plan we shared previously.

Financing and tax expenses

Due to uncertainty in the capital markets during the quarter, the price of our senior notes fluctuated and amounted to 96.5 at the end of Q1 2020. This resulted in a EUR 22.5 million reversal of the positive fair value adjustment of the early redemption option in 2019. This fair value adjustment is purely an accounting technicality and has no impact on our cash flow. Since the end of March the price of our senior notes has recovered siginificantly. The net financial result was EUR 32.2 million negative consisting of the following items:

(EUR million)	Q1 2020	Q1 2019[1]
Net interest cost	(10.6)	(8.4)
Fair value adjustment of the early redemption option	(22.5)	3.3
Fair value adjustment earn out	0.2	(1.3)
Other	0.7	(0.2)
Net financial result	**(32.2)**	**(6.6)**

1 Includes IFRS 16 which increased the interest costs for Intertrust Group

Income tax in Q1 2020 amounted to EUR 0.9 million benefit (2019: EUR 4.9 million expense). The decrease versus Q1 2019 was mainly the result of a revaluation of the early redemption option of the senior notes. This revaluation resulted in a reversal of the accounting profit as well as the related deferred tax liability that was booked in 2019. This resulted in an effective tax rate of 30.3% for the quarter. Excluding the impact of the revaluation of the early redemption option of the senior notes, the normalised effective tax rate was 20.6%.

Key performance indicators (KPIs)

	Q1 2020	Q1 2019
FTE (end of period)	3,672	2,565
Revenue / Billable FTE (€k, LTM)[1]	214.9	221.3
Billable FTE / Total FTE (as %, end of period)	77.8%	75.8%
HQ & IT costs (as % of revenue)	15.2%	14.2%
Working capital / LTM Revenue (as %)	-6.9%	-6.5%

1 *Billable FTE and revenue is calculated based on LTM average, revenue is not corrected for currency impact, 2020 and 2019 ratios include proforma figures for acquisition(s) if applicable*

The number of FTEs was 3,672 at the end of Q1 2020, mainly explained by the additional FTEs following the acquisition of Viteos in June 2019 and the expansion of the teams working in the Centre of Excellence in India. This temporarily resulted in double headcount which will gradually decrease as a result of the migration. This higher number of employees led to a decrease in revenue per billable FTE and an increase of the Billable FTE / Total FTE ratio.

Group HQ & IT costs

(EUR million)[1]	Q1 2020	Q1 2019
Group HQ costs	(9.3)	(7.8)
Group IT costs	(12.3)	(10.0)
Total Group HQ & IT costs	(21.6)	(17.8)

1 *All figures including IFRS16.*

Total Group HQ & IT costs amounted to EUR 21.6 million, in line with our previously communicated quarterly run rate of around EUR 22.5 million. Group HQ costs include expenses of global employee share plans such as the Long-Term Incentive Plan (LTIP). Group IT costs increased to EUR 12.3 million relating to continued execution of the IT roadmap and improvement of the IT infrastructure.

Capital employed

(EUR million)[1]	31.03.2020	31.12.2019	31.03.2019
Acquisition-related intangible assets	1,724.4	1,729.0	1,461.7
Other intangible assets	19.2	17.6	14.8
Property, plant and equipment	103.0	107.7	87.6
Total working capital	(38.8)	(15.3)	(32.8)
Other assets	23.1	45.5	23.5
Total Capital employed (Operational)	1,830.9	1,884.5	1,554.9
Total equity	765.4	774.7	757.8
Net debt	870.4	915.9	638.0
Provisions, deferred taxes and other liabilities	195.1	193.9	159.0
Total Capital employed (Finance)	1,830.9	1,884.5	1,554.9

1 *All figures including IFRS16.*

Cash flow, working capital and net debt

Net cash flow from operating activities increased to EUR 67.8 million in Q1 2020 compared to EUR 60.1 million in Q1 2019. Total working capital improved for the 6th consecutive quarter and amounted to EUR 38.8 million negative. The improvement amounted to EUR 6.0 million versus Q1 2019 (and an improvement of EUR 10.9 million on a like-for-like basis). The following table presents the breakdown of working capital:

(EUR million)[1]	31.03.2020	31.12.2019	31.03.2019
Operating working capital	(6.4)	16.6	(1.3)
Net current tax	(32.4)	(31.9)	(31.4)
Total working capital	(38.8)	(15.3)	(32.8)

1 *All figures including IFRS16.*

Cash collection was strong in the first quarter of this year with no material effect from COVID-19 to date, supporting the strong working capital position. Driven by our working capital seasonality, liquidity amounted to more than EUR 200 million at the end of Q1 2020.

Capex came in at 3.5% of revenue (excluding IFRS 16) as a result of increased IT investments and accelerated spending relating to the Centre of Excellence. The investments in IT in recent years paid off and enabled us to switch more than 90% of our work force to working remotely without impacting service levels to clients.

Net debt decreased to EUR 870.4 million at the end of Q1 2020 from EUR 915.9 million at the end of 2019. The leverage ratio decreased to 3.77x compared to 3.96x at the end of 2019 as a result of efficient working capital management and strong cash collection.

Intertrust continues to monitor business operations closely. Notwithstanding the strong cash generation of our business and our strong liquidity, we decided to cancel our final dividend over 2019. To create additional leverage headroom during these uncertain macro economic circumstances, we have reached an agreement with the banks to increase the maximum leverage ratio covenant from 4.5x to 5.0x until 31 December 2020.

Guidance and outlook

Guidance 2020

Intertrust's liquidity is strong and its existing core business continues to be resilient, being built on 80%-90% recurring revenue and long-term contracts with clients. However, given the uncertainty of the global impact of COVID-19 on the overall economy, Intertrust is withdrawing its guidance for 2020.

Medium term outlook

Intertrust remains comfortable with its objectives in the medium term as previously communicated, once market conditions normalise.

Additional information

Financial calendar 2020

Date	Event
14 May	Annual General Meeting
30 July	Publication Q2/H1 2020 results
22 October	Publication Q3/9M 2020 trading update
4 November	Ex-dividend date interim dividend
5 November	Record date interim dividend
27 November	Payment date interim dividend

Analyst call / webcast

Today, Intertrust's CEO Stephanie Miller and CFO Rogier van Wijk will hold an analyst / investor call at 10:00 CET. A webcast of the call will be available on the Company's website. The webcast can be accessed here. The supporting presentation can be downloaded from our website.

For more information:

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About Intertrust

Intertrust (Euronext: INTER; 'the Company") is a global leader in providing tech-enabled corporate and fund solutions to clients operating and investing in the international business environment. The Company has around 3,500 employees in more than 30 jurisdictions in Europe, the Americas, Asia Pacific and the Middle-East. Intertrust delivers high-quality, tailored fund, corporate, capital market and private wealth services to its clients, with a view to building long-term relationships. The Company works with global law firms and accountancy firms, multinational corporations, financial institutions, fund managers, high net worth individuals and family offices.

Forward-looking statements and presentation of financial and other information

This press release may contain forward looking statements with respect to Intertrust's future financial performance and position. Such statements are based on Intertrust's current expectations, estimates and projections and on information currently available to it. Intertrust cautions investors that such statements contain elements of risk and uncertainties that are difficult to predict and that could cause Intertrust's actual financial performance and position to differ materially from these statements. Intertrust has no obligation to update or revise any statements made in this press release, except as required by law.

All figures included in this press release are unaudited. Adjusted Q1 2020 and Q1 2019 numbers include IFRS16 impact and used for comparison purposes unless stated otherwise.

This press release contains information that qualifies, or may qualify, as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.

Explanatory tables

Reconciliation of performance measures to reported results

(EUR million)[1]	Q1 2020	Q1 2019
Profit/(loss) from operating activities	29.1	32.9
Amortisation of acquisition-related intangible assets	12.6	10.5
Specific items – Integration and transformation costs	2.7	1.8
Specific items – Transaction and other costs	2.1	0.2
Adjusted EBITA	46.6	45.5

1 *All figures including IFRS16.*

Adjusted EBITA is defined as EBITA before specific items and including IFRS16 impact. Specific items of income or expense are income and expense items that, based on their significance in size or nature, should be separately presented to provide further understanding on financial performance.

(EUR million)	Q1 2020	Q1 2019
Adjusted EBITA	46.6	45.5
Net finance costs (adjusted) – excluding net foreign exchange loss and other adjusting items[1]	(10.9)	(8.6)
Share of profit of associate (net of tax)	–	–
Income tax (adjusted)	(3.9)	(4.4)
Adjusted Net income	31.7	32.4

1 *Foreign exchange gain/(loss) for Q1 2020 was EUR 1m; Q1 2019: EUR 19k*

Adjusted Net Income is defined as Adjusted EBITA less net interest costs, less adjusted tax expenses and share of profit of associate (net of tax) and excluding adjusted items in financial results and related taxes.

Tax reconciliation

(EUR million)	31.03.2020		31.03.2019		*Change*
Profit before income tax		(3.1)		26.3	(29.4)
Income tax using the Company's domestic tax rate	*25.0%*	0.8	*25.0%*	(6.6)	7.3
Effect of tax rates in foreign jurisdictions		(0.3)		1.1	(1.4)
Effect of non-taxable and deferred items		0.5		(0.3)	0.8
Effect of prior year adjustments		0.0		0.8	(0.9)
Income tax		0.9		(4.9)	5.8
Of which:					
Current tax expense		(5.2)		(5.8)	0.6
Deferred tax (expense)/ income		6.2		0.9	5.2

Appendix

Intertrust N.V. – unaudited consolidated financial statements for the first quarter ended 31 March 2020.

2019 Audited financial statements were included in the Annual Report 2019, available on the Company website.

Consolidated statement of profit or loss

(EUR 000)	Q1 2020	Q1 2019
Revenue	142,123	124,876
Staff expenses	(71,152)	(57,107)
Rental expenses	(2,242)	(1,872)
Other operating expenses	(21,264)	(15,811)
Other operating income	1,989	23
Depreciation, impairment and amortisation of other intangible assets	(7,780)	(6,651)
Amortisation of acquisition-related intangible assets	(12,550)	(10,538)
Profit/(loss) from operating activities	29,124	32,920
Financial income	1,630	3,589
Financial expense	(33,835)	(10,192)
Financial result	(32,205)	(6,603)
Share of profit and result of transactions with equity-accounted investees and subsidiaries (net of tax)	-	-
Profit/(loss) before income tax	(3,081)	26,317
Income tax	936	(4,886)
Profit/(loss) after tax	(2,145)	21,431
Profit/(loss) for the year after tax attributable to:		
Owners of the Company	(2,152)	21,434
Non-controlling interests	7	(3)
Profit/(loss)	(2,145)	21,431
Basic earnings per share (EUR)	(0.02)	0.24
Diluted earnings per share (EUR)	(0.02)	0.24

Consolidated statement of comprehensive income

(EUR 000)	Q1 2020	Q1 2019
Profit/(loss) after tax	(2,145)	21,431
Actuarial gains and losses on defined benefit plans	-	-
Income tax on actuarial gains and losses on defined benefit plans	-	-
Items that will never be reclassified to profit or loss	-	-
Foreign currency translation differences - foreign operations	(4,787)	14,356
Movement on cash flow hedges in other comprehensive income	(4,816)	(1,768)
Income tax on movement on cash flow hedges in other comprehensive income	-	(312)
Items that are or may be reclassified to profit or loss	(9,603)	12,276
Other comprehensive income/(loss) for the year, net of tax	(9,603)	12,276
Total comprehensive income/(loss) for the year	(11,748)	33,707
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	(11,759)	33,715
Non-controlling interests	11	(8)
Total comprehensive income/(loss) for the year	(11,748)	33,707

Consolidated statement of financial position

(EUR 000)	31.03.2020	31.12.2019
Assets		
Property, plant and equipment	102,953	107,713
Other intangible assets	19,211	17,554
Acquisition-related intangible assets	1,724,396	1,729,011
Investments in equity-accounted investees	-	156
Other non current financial assets	20,691	42,888
Deferred tax assets	6,346	6,829
Non-current assets	1,873,597	1,904,151
Trade receivables	105,556	100,794
Other receivables	29,817	31,197
Work in progress	35,921	33,851
Current tax assets	736	842
Other current financial assets	2,445	2,453
Prepayments	11,596	11,347
Cash and cash equivalents	156,748	121,044
Current assets	342,819	301,528
Total assets	2,216,416	2,205,679
Equity		
Share capital	54,190	54,190
Share premium	630,441	630,441
Reserves	(32,883)	(23,276)
Retained earnings	113,364	113,117
Equity attributable to owners of the Company	765,112	774,472
Non-controlling interests	278	267
Total equity	765,390	774,739
Liabilities		
Loans and borrowings	922,450	918,346
Other non current financial liabilities	95,400	94,309
Employee benefits liabilities	2,751	2,575
Deferred income	5,466	5,100
Provisions	969	960
Deferred tax liabilities	85,422	91,550
Non-current liabilities	1,112,458	1,112,840
Loans and borrowings	89,918	98,691
Other current financial liabilities	19,922	19,295
Deferred income	111,459	78,085
Provisions	861	1,101
Current tax liabilities	33,129	32,699
Trade payables	9,320	11,814
Other payables	73,959	76,415
Current liabilities	338,568	318,100
Total liabilities	1,451,026	1,430,940
Total equity and liabilities	2,216,416	2,205,679