Intertrust reports Q1 2021 results

Amsterdam, the Netherlands – 22 April 2021 – 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 2021.

Q1 2021 Highlights

- Revenue increased by 1.5% on an underlying basis
- Adjusted EBITA increased by 1.0% on an underlying basis
- Adjusted EBITA margin was 32.3% compared to 32.8% in Q1 2020 which included a one-off benefit. Excluding this one-off benefit the adjusted EBITA margin increased by 80bps.
- Migration plan to Centre of Excellence on track – achieved EUR 8.8 million annualised net run rate savings at the end of March 2021
- Leverage ratio improved to 3.70x from 3.83x at the end of December 2020
- 2021 guidance confirmed

Shankar Iyer, CEO of Intertrust, commented:

"We have delivered robust results in the first quarter given that the economic environment remained challenging and impacted our performance as expected. The business pipeline has improved significantly in the period, with encouraging contract wins that are expected to drive the acceleration of revenue growth later on this year. Importantly, we continue working hard on our migration plan, mobilising considerable resources, particularly since Luxembourg started the migration process in Q1 2021.

Meanwhile, positive secular trends from outsourcing, globalisation and regulation continue to drive our business, and technology remains a key differentiating factor to seamlessly service clients. We will continue to focus on the flawless execution of our strategic goals and to enhance further our ability to drive new business in upcoming periods, with the right team in place to do so.

Our ability to outperform competition will be driven by continued investment in human capital and technology. This will be achieved with a disciplined approach, as we remain committed to our deleveraging targets for 2021 and beyond."

Intertrust Group Q1 2021 figures

	As reported			Adjusted[1]			
	Q1 2021	Q1 2020	% Change	Q1 2021	Q1 2020	% Change	Underlying % change[2]
Revenue (€m)	140.3	142.1	-1.3%	140.3	142.1	-1.3%	1.5%
EBITA (€m)	38.7	41.7	-7.2%	45.3	46.6	-2.7%	1.0%
EBITA Margin	27.6%	29.3%	-176bps	32.3%	32.8%	-47bps	-17bps
Net Income (€m)	23.7	-2.1	n/m	32.6	31.7	3.0%	
Earnings per share (€)[3]	0.26	-0.02	n/m	0.36	0.35	2.9%	
Cash flow from operating activities (€m)	38.7	67.8	-42.9%				

[1] See Reconciliation of performance measures to reported results (see page 6) for further information on Adjusted figures
[2] Underlying: Current and prior period at constant currency and, if applicable, including proforma figures for acquisition(s)
[3] Average number of shares for Q1 2021: 90,198,016 shares; average for Q1 2020: 90,055,506 shares

Financial review

Revenue

Reported revenue decreased by 1.3% to EUR 140.3 million, including a negative FX impact of 2.8% mainly related to the US dollar. Revenue increased by 1.5% on an underlying basis, whilst the impact of Covid-19 on Q1 2020 was still limited. Although revenue growth was impacted by lower productivity linked to the migration and continued challenges arising from the Covid-19 pandemic, most of our jurisdictions reported underlying revenue growth.

Revenue per service line

(EUR million)	Q1 2021	Q1 2020	% Change	Underlying % change[1]
Corporates	46.9	47.9	-2.2%	-0.7%
Funds	61.1	62.1	-1.5%	2.5%
Capital Markets	17.0	15.2	11.7%	13.6%
Private Wealth	14.1	15.7	-9.7%	-6.8%
Other	1.1	1.2	-9.2%	-5.1%
Total Group revenue	**140.3**	**142.1**	**-1.3%**	**1.5%**

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

Year-on-year underlying revenue growth in Corporates recovered strongly compared to Q4 2020. The improvement in new business inflow was supported by an increased number of SPACs[1] in our portfolio. Whilst Intertrust is a market leader in servicing those type of investment vehicles, SPACs have become increasingly popular and represent a growing share of our revenue. Funds reported low single digit underlying revenue growth. Within the Funds business, Fund Administration reported double digit growth, as higher activity was driven by business inflow from new and existing clients. This was partially offset by softer revenue in Fund SPV services, in particular in the Netherlands. Capital Markets growth was driven by a combination of factors, including a continued push into the loan administration sector, increased demand for liquidity and strong growth in our main European markets where we are the leading player and service provider of choice. This has provided a strong platform for Capital Markets to expand further into other sectors, notably in the structured finance arena allowing us to outperform the market and capture market share. In Private Wealth, the trend described in past quarters continued, mainly due to a directed outflow in the Channel Islands which was not offset by the strong growth of our Asian activities.

Revenue per segment

Revenue per segment (EUR million)	Q1 2021	Q1 2020	% Change	Underlying % change[1]
Western Europe	55.9	58.0	-3.6%	-3.6%
Rest of the World	51.2	49.8	2.8%	4.6%
Americas	33.3	34.4	-3.2%	6.0%
Group total	**140.3**	**142.1**	**-1.3%**	**1.5%**

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

Underlying revenue in Western Europe declined mainly due to lower productivity related to the migration effort and reduced transactional activity due to Covid-19, impacting Corporates and Funds. As a result of this, revenue in Luxembourg and the Netherlands declined by 3.5% and 5.4% respectively, while the other jurisdictions in Western Europe reported strong growth. The migration started in Luxembourg in Q1 2021, as planned, which partially explained lower productivity in the country. The changes we have put in place in Luxembourg to improve processes and strengthen the sales inflow, are expected to deliver a positive impact in the second half of the year. Underlying revenue in Rest of the World increased, primarily driven by the Nordics (Corporates and Funds), UK (Corporates and Capital Markets), APAC (Funds, Private Wealth) and Ireland (Capital Markets). Americas reported underlying revenue growth of 6.0%, primarily driven by Fund Administration and higher compliance related revenue in Cayman Islands.

Adjusted EBITA and adjusted EBITA margin

Adjusted EBITA margin was 32.3% compared to 32.8% in Q1 2020. Excluding a one-off benefit of EUR 1.9 million related to the reimbursement of a legal claim and fees, the normalised margin would have been 31.5% in Q1 2020, resulting in a year-on-year margin expansion of 80 basis points. The margin expansion reflects the positive impact of the CoE savings, partially offset by a negative impact of the business mix, lower productivity and higher costs related to increased regulatory requirements.

[1] Special Purpose Acquisition Company

Centre of Excellence (CoE)

Migration of Ireland and the UK was completed in the quarter; the migration of Luxembourg is in progress. The benefit of the migration of Luxembourg will be visible in the second half of the year. At the end of Q1 2021, we have almost completed the hiring of the planned CoE headcount. The net positive run rate savings were EUR 8.8 million, and Intertrust is on track to achieve the goal of 90% of EUR 20 million net run rate savings by the end of this year.

Financing and tax expenses

The net financial result was a EUR 4.1 million positive gain consisting of the following items:

(EUR million)	Q1 2021	Q1 2020
Net interest cost	(8.7)	(10.6)
Fair value adjustment of the early redemption option	13.2	(22.5)
Other	(0.4)	0.9
Net financial result	**4.1**	**(32.2)**

The price of the senior notes remained relatively stable during the quarter and amounted to 102.82 at the end of March 2021. A positive and non-cash fair value adjustment of the early redemption option of EUR 13.2 million was reported in Q1 2021, as opposed to a EUR 22.5 million non-cash negative adjustment in Q1 2020.

Income tax represented a EUR 7.0 million expense in Q1 2021, compared with a EUR 0.9 million benefit in Q1 2020. The change compared to Q1 2020 was primarily the result of the impact of the revaluation of the early redemption option of the senior notes on profit before income tax. The effective tax rate in Q1 2021 was 22.8%. The normalised effective tax rate excluding the impact of the revaluation of the early redemption option was 21.2%, which was in line with expectations.

Earnings per share

Q1 2021 adjusted EPS increased 2.9% to EUR 0.36 (Q1 2020: EUR 0.35). The average number of outstanding shares in Q1 2021 was 90,198,016 (Q1 2020: 90,055,506).

Key performance indicators (KPIs)

	Q1 2021	Q1 2020
FTE (end of period)	4,047	3,672
Revenue / Billable FTE (€k, LTM)[1]	183.6	214.9
Billable FTE / Total FTE (as %, end of period)	76.6%	77.8%
HQ & IT costs (as % of revenue)	13.8%	15.2%
Working capital / LTM Revenue (as %)	-1.0%	-6.9%

[1] Billable FTE and revenue is calculated based on LTM average, revenue is not corrected for currency impact, 2021 and 2020 ratios include proforma figures for acquisition(s) if applicable

FTEs increased by 375 compared to Q1 2020, mainly as a result of hiring new staff in the CoE. The temporary additional resources hired for the execution of the migration plan are reflected in the lower Revenue / Billable FTE ratio. Expansion of the data quality team and the IT support team in India resulted in a higher number of non-billable staff compared to the same period last year. The higher number of non-billable FTEs resulted in a lower Billable FTE / Total FTE ratio.

Group HQ & IT costs

(EUR million)	Q1 2021	Q1 2020
Group HQ costs	(7.0)	(9.3)
Group IT costs	(12.4)	(12.3)
Total Group HQ & IT costs	**(19.4)**	**(21.6)**

Total HQ costs decreased by EUR 2.3 million partly as a result of lower sales, marketing and travel expenses. Total IT costs were in line with the same period last year whilst we continue to invest in IT infrastructure across the Group and back office processes.

Capital employed

(EUR million)	31.03.2021	31.12.2020	31.03.2020
Acquisition-related intangible assets	1,622.0	1,591.8	1,724.4
Other intangible assets	22.9	22.2	19.2
Property, plant and equipment	90.0	92.1	103.0
Total working capital	(5.7)	(10.4)	(38.8)
Other assets	45.9	31.5	23.1
Total Capital employed (Operational)	**1,775.0**	**1,727.3**	**1,830.9**
Total equity	813.1	760.3	765.4
Net debt	780.0	792.7	870.4
Provisions, deferred taxes and other liabilities	181.8	174.3	195.1
Total Capital employed (Finance)	**1,775.0**	**1,727.3**	**1,830.9**

Cash flow, working capital and net debt

Net cash flow from operating activities decreased to EUR 38.7 million in Q1 2021 compared to EUR 67.8 million in Q1 2020. The cash flow was impacted by a temporary deterioration in working capital year-on-year. Total working capital was EUR 33.1 million higher compared to the end of Q1 2020 and amounted to EUR 5.7 million negative at the end of March 2021. The year-on-year increase versus March 2020 was related to a temporary lag in billing, leading to higher WIP and higher receivables at the end of Q1 2021, partly due to the implementation of the new ERP system. This is expected to recover over the course of this year.

(EUR million)	31.03.2021	31.12.2020	31.03.2020
Operating working capital	24.9	18.0	(6.4)
Net current tax	(30.6)	(28.4)	(32.4)
Total working capital	**(5.7)**	**(10.4)**	**(38.8)**

Total liquidity amounted to more than EUR 260 million at the end of March 2021. Capex in the quarter came in at 1.9% of revenue. As of 31 March 2021, net debt totaled EUR 780.0 million, which was EUR 12.7 million lower than at the end of December 2020. The leverage ratio decreased to 3.70x from 3.83x at 31 December 2020 leaving us with a 17.7% headroom versus the bank covenant of 4.50x.

Confirming 2021 guidance

Given the prevalence of Covid-19 across most of the markets we operate in, we expect the operating environment to remain challenging for at least the first half of 2021. Against this backdrop, we remain focused on our key priorities in the short term, with a clear focus on efficient operational execution, enhancing client centricity and ensuring employee welfare.

We expect a return to modest growth in 2021, with a targeted underlying revenue increase of 2% to 4%. As we progress with the completion of the CoE migration, we also expect to improve our adjusted EBITA margin through 2021, with a target of 34% to 35% for the full year. Margin expansion is likely to be driven in the second half of the year, as FTE duplication tapers out and market activity also increases on the back of an improved operating environment.

Finally, we aim at reducing our leverage ratio below 3.4x by the end of 2021, whilst we expect Capex to remain at approximately 3% of revenue.

Medium term aspirations

Our priority is to achieve sustainable and profitable growth in the medium term, with revenue growing between 4% and 6% and adjusted EBITA growth outpacing revenue growth as the benefits of the integration come through. We remain committed to sustaining Capex at around 3% of revenue whilst we consider a leverage ratio of around 3.0x to be adequate for our business in the medium term.

Additional information

Financial calendar 2021

12 May	Annual General Meeting
29 July	Publication of Q2/H1 2021 results
21 October	Publication of Q3 2021 trading update

Analyst call / webcast

Today, Intertrust's CEO Shankar Iyer 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.

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About Intertrust

Intertrust (Euronext: INTER; "the Company")our 4,000 employees are dedicated to providing world-leading, specialised administration services to clients in over 30 jurisdictions. This is amplified by the support we offer across our approved partner network which covers a further 100+ jurisdictions. Our focus on bespoke corporate, fund, capital market and private wealth services enables our clients to invest, grow and thrive anywhere in the world. Sitting at the heart of international business, our local, expert knowledge and innovative, proprietary technology combine to deliver a compelling proposition – all of which keeps our clients one step ahead.

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 and include IFRS16 impact except otherwise indicated.
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)	Q1 2021	Q1 2020
Profit from operating activities	**26.6**	**29.1**
Amortisation of acquisition-related intangible assets	12.1	12.6
Specific items - Integration and transformation costs	4.9	2.7
Specific items - Transaction and other costs	1.8	2.1
Adjusted EBITA	**45.3**	**46.6**

Adjusted EBITA is defined as EBITA before specific items. 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 2021	Q1 2020
Adjusted EBITA	**45.3**	**46.6**
Net finance costs (adjusted) - excluding net foreign exchange loss and other adjusting items[1]	(9.0)	(10.9)
Income tax (adjusted)	(3.7)	(3.9)
Adjusted Net income	**32.6**	**31.7**

[1] Foreign exchange gain/(loss) for Q1 2021 was (EUR 0.1m); Q1 2020 was EUR 1m

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)	Q1 2021		Q1 2020		Change	
Profit before income tax		**30.7**		**(3.1)**		**33.7**
Income tax using the Company's domestic tax rate	25.0%	**(7.7)**	25.0%	**0.8**		**(8.4)**
Effect of tax rates in foreign jurisdictions		(0.4)		(0.3)		(0.1)
Effect of non-taxable and deferred items		1.0		0.5		0.6
Income tax	22.8%	**(7.0)**	30.3%	**0.9**		**(7.9)**
Of which:						
Current tax expense	17.8%	**(5.5)**	-169.8%	**(5.2)**		**(0.2)**
Deferred tax (expense)/ income	5.0%	**(1.5)**	200.1%	**6.2**		**(7.7)**

Appendix

Intertrust N.V. - unaudited consolidated financial statements for the first quarter ended 31 March 2021.

2020 Audited financial statements were included in the Annual Report 2020, available on the Company website.

Consolidated statement of profit or loss

(EUR 000)	Q1	
	2021	2020
Revenue	**140,309**	**142,123**
Staff expenses	(71,001)	(71,152)
Rental expenses	(2,127)	(2,242)
Other operating expenses	(21,215)	(21,264)
Other operating income	205	1,989
Depreciation and amortisation of other intangible assets	(7,502)	(7,780)
Amortisation of acquisition-related intangible assets	(12,114)	(12,550)
Profit from operating activities	**26,555**	**29,124**
Financial income	13,521	1,630
Financial expense	(9,420)	(33,835)
Financial result	**4,101**	**(32,205)**
Profit/(loss) before income tax	**30,656**	**(3,081)**
Income tax	(6,993)	936
Profit/(loss) for the year after tax	**23,663**	**(2,145)**
Profit for the year after tax attributable to:		
Owners of the Company	23,660	(2,152)
Non-controlling interests	3	7
Profit/(loss) for the year	**23,663**	**(2,145)**
Basic earnings per share (EUR)	0.26	(0.02)
Diluted earnings per share (EUR)	0.26	(0.02)

Quarterly figures 2020 and 2021 are neither audited, nor reviewed

Consolidated statement of comprehensive income

(EUR 000)	Q1	
	2021	2020
Profit/(loss) for the year after tax	**23,663**	**(2,145)**
Actuarial gains and losses on defined benefit plans	(28)	-
Income tax on actuarial gains and losses on defined benefit plans	7	-
Items that will never be reclassified to profit or loss	**(21)**	**-**
Foreign currency translation differences - foreign operations	26,760	(4,787)
Net movement on cash flow hedges in other comprehensive income	1,085	(4,816)
Income tax on net movement on cash flow hedges in other comprehensive income	(1)	-
Items that are or may be reclassified to profit or loss	**27,844**	**(9,603)**
Other comprehensive income/(loss) for the year, net of tax	**27,823**	**(9,603)**
Total comprehensive income/(loss) for the year	**51,486**	**(11,748)**
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	51,481	(11,759)
Non-controlling interests	5	11
Total comprehensive income/(loss) for the year	**51,486**	**(11,748)**

Quarterly figures 2020 and 2021 are neither audited, nor reviewed

Consolidated statement of financial position

(EUR 000)	31.03.2021	31.12.2020
Assets		
Property, plant and equipment	89,964	92,096
Other intangible assets	22,870	22,171
Acquisition-related intangible assets	1,621,966	1,591,846
Other non-current financial assets	43,893	29,828
Deferred tax assets	9,422	8,933
Non-current assets	**1,788,115**	**1,744,874**
Trade receivables	117,503	94,213
Other receivables	42,160	30,782
Work in progress	44,451	35,471
Current tax assets	1,285	1,051
Other current financial assets	2,007	1,704
Prepayments	12,628	12,171
Cash and cash equivalents	157,783	141,311
Current assets	**377,817**	**316,703**
Total assets	**2,165,932**	**2,061,577**
Equity		
Share capital	54,190	54,190
Share premium	630,441	630,441
Reserves	(37,651)	(65,493)
Retained earnings	165,853	140,869
Equity attributable to owners of the Company	**812,833**	**760,007**
Non-controlling interests	312	307
Total equity	**813,145**	**760,314**
Liabilities		
Loans and borrowings	891,760	888,676
Other non-current financial liabilities	82,386	83,809
Employee benefits liabilities	3,448	2,797
Deferred income	5,196	4,209
Provisions	1,067	1,042
Deferred tax liabilities	83,706	80,673
Non-current liabilities	**1,067,563**	**1,061,206**
Loans and borrowings	20,910	8,847
Other current financial liabilities	17,419	17,753
Deferred income	105,770	66,028
Provisions	4,523	3,472
Current tax liabilities	31,903	29,480
Trade payables	11,108	15,033
Other payables	93,591	99,444
Current liabilities	**285,224**	**240,057**
Total liabilities	**1,352,787**	**1,301,263**
Total equity and liabilities	**2,165,932**	**2,061,577**

Figures as at 31 December 2020 are audited, figures as at 31 March 2021 are neither audited, nor reviewed