

## **JOINT VENTURE ILLIMITY-FABRICK (SELLA GROUP) IN THE FINTECH HYPE WITH 3 MILLION CUSTOMERS TARGET**

- *illimity and Fabrick (a company part of the Sella Group to develop Open banking and the fintech ecosystem in Italy and current 100% shareholder of HYPE) have reached a Joint Venture agreement in the fintech HYPE*
- *This is the first industrial consolidation in Open banking in Italy, a driver for the development of digital financial services.*
- *Thanks to the agreement for joint control, HYPE will benefit from an unprecedented acceleration in terms of execution of its strategy and results through integration with the Open banking venture that illimity was in the process of launching in the same market segment also with the support of Fabrick*
- *HYPE, which today with 1.3 million customers is already the leading Fintech in the Italian segment of innovative financial services provided by non-bank fintech, targets over 3 million customers in a few years thanks to the technological, commercial and managerial synergies of the two platforms*
- *illimity will acquire a 50% shareholding in HYPE's share capital to be carried out via a series of corporate transactions entailing the contribution of a branch of illimity's business related to its Open banking project (with no changes in strategy and targets of illimitybank.com), the underwriting of HYPE's share capital increase to be paid in cash for a consideration of 30 million euro laid out for HYPE's business plan, and the issuance of new ordinary illimity shares in a 7.5% share capital increase of illimity reserved to Fabrick for a consideration of approximately 45 million euro. An earn-out to be paid in illimity's shares is also set forth, with further issuance of ordinary shares equal to around 2.5% of illimity's share capital subject to the achievement by HYPE of certain profitability targets in 2023-2024*
- *Based on the agreements, at the closing date Sella group will come to hold a total 10% shareholding in illimity, by means of an additional share capital increase at 8.337 euro per share, reserved for underwriting to Sella group head company Banca Sella Holding S.p.A for 2.5% of illimity's share capital for a total consideration of 16.5 million euro*
- *HYPE will create substantial value for all its stakeholders:*
  - *HYPE net profit target, based on the initiatives currently foreseen, for 3.5 million euro in 2023 and 17 million euro in 2025*
  - *Positive contribution to illimity net results in the range of 10 million euro in 2023 and approximately 20 million euro in 2025, with impact on regulatory capital already positive at the completion of the transaction and increasing in the following years*
  - *The Sella Group will have an overall positive impact on its CET1 ratio of 41 bps*

Milan, 22 September 2020 – The Boards of Directors of illimity Bank S.p.A. (“**illimity**”), Banca Sella Holding S.p.A. (“**Banca Sella Holding**”), Fabrick S.p.A. (“**Fabrick**”) and Hype S.p.A. (“**HYPE**”), held yesterday, approved the agreement for the entrance of illimity in HYPE, thus giving rise to a **Joint Venture equally owned by illimity and Fabrick** (until now holding 100% of HYPE shares and, in turn, controlled by Banca Sella Holding S.p.A).

The aim of the industrial combination is to increase the ambitions of the project and the simultaneous acceleration of the growth of HYPE, which already serves 1.3 million customers.

At the same time, for the two partners the deal aims to accelerate the development plans of illimity in this specific industry segment, making the young fintech the Italian player with the greatest development potential in "light" banking services, and the plans of Fabrick as an enabler of Open Banking and new generation fintech projects.

The agreement provides for the incorporation into HYPE of the new Open banking solutions developed by illimity in recent months, strongly accelerating its development in terms of execution, volume growth, cross-selling and profitability.

**Corrado Passera, Founder and CEO of illimity**, commented: “*The digital financial services world is evolving fast. Technology, user experience, economies of scale and, above all, how quickly they can be achieved, are crucial success factors. Just as in the direct digital banking segment, illimity has strongly innovated and will continue to do so by expanding its field of action, in the non-banking segment we were delighted to take this opportunity to partner with the Italian leader to become a true industry benchmark. We are already closely linked to the Sella Group by technological collaboration and we are particularly pleased that it has decided to consolidate a long-term relationship between us also through an investment in illimity share capital.*”.

**Pietro Sella, CEO of the Sella Group and Chairman of Fabrick**, adds: “*We have always affirmed and believe that Open Innovation and Open Banking are the path to innovate financial services; with this agreement we attest the ability and effectiveness of the new rules of the game with the aim of creating with illimity the first Italian challenger bank. The digital transformation is producing a strong disruption in the financial sector and HYPE was born in this context and the agreement that we present today represents a new stage in an extraordinary path of open innovation with operating model that has proved its effectiveness reaching 1.3 million customers. Hype has thus turned into a great project, with ambitious goals, and to reach these goals we started the search for the right partner. Hype has thus turned into a great project, with ambitious goals, and to reach these goals we started the search for the right partner. We found it in illimity, as we share the vision of the future and the long-term shareholders’ interest to build a highly innovative and sustainable player over time. The agreement also confirms the value of the Fabrick project as an accelerator, enabler and developer of the fintech ecosystem and we are proud and honored to welcome the equally extraordinary illimity project among our significant shareholdings and to be able to contribute to its success.*”.

**Antonio Valitutti, CEO of HYPE**: “*Hype has experienced extraordinary growth because it has been able to capture new needs and has enjoyed the freedom and ability to do what it needed to respond*

*with an innovative service. The most interesting thing is that in addition to meeting their needs, we have guided our client community towards a new way of understanding and making use of banking. I am sure the development phase that we will enter now, with the strength of synergies that will unfold with illimity, will enable us to unleash more energy and contribute to the growth of the Italian and European fintech ecosystem. From now on, the Hype community will be able to benefit from this new boost".*

### **Strategic rational of the Joint Venture**

The Joint Venture was set up to take advantage of new opportunities in the digital financial services and Open banking markets, where a client segment is emerging - in Italy alone there are already over 2.5 million fast-growing clients: these clients are not interested in a bank, but in simple and "light", easy-to-use solutions that respond differently to their financial needs.

The agreement will transfer illimity's new Open banking solutions and related services to HYPE, in order to also enter the market segment of non-banking financial and payment services digital platforms and related services, enabling both partners to accelerate their strategies and aim for ambitious targets.

The deal, thanks to the complementarity of the characteristics of HYPE and illimity, will allow to develop important synergies:

- from a strategic perspective, the combination of HYPE's ability to acquire new customers in segments not yet addressed by illimity, integrated with illimity's customer engagement capability will allow to attract a growing number of customers, thanks to a complete offer (payments, Open banking services, deposit accounts) channeled through commercial partnerships with third party operators to increase customer loyalty and margins;
- from a technology perspective: the common evolutionary vision, key components of the shared Open banking systems (Fabrick), the use of the same modern core banking system (Centrico), as well as the similar architectural design of the two platforms [illimitybank.com](https://illimitybank.com) and HYPE in both banking and non-financial products, will ensure that integration is more immediate than is generally the case in this type of deals, without sacrificing market presence;
- on the sustainability of the business model: creation of an economically sustainable and profitable business model thanks to synergies related to marketing investments, commercial partnerships with financial and industrial operators and developments in technology;
- from a managerial perspective: the combination of the expertise developed over the years by the managers and the team of professionals and specialists at HYPE and illimity creates a team with an experience that is almost unique on the market.

[Illimitybank.com](https://illimitybank.com) will continue to pursue its own stand-alone growth strategy in line with its business plan.

### **Structure of the transaction**

The Joint Venture agreement provides for illimity to acquire 50% of HYPE's share capital from Fabrick by means of the following corporate transactions:

- underwriting by illimity of a reserved ("con esclusione del diritto di opzione") share capital

increase in HYPE for 30 million euro, in line with the financial needs to support HYPE's business plan envisaged development;

- contribution in HYPE by illimity of some assets, resources and technologies, pertaining to the Open banking project laid out for HYPE's business plan;
- contribution in illimity by Fabrick of HYPE's shares against newly issued illimity's shares for 7.5% of the share capital, for a total consideration around 45 million euro;
- conferment to Fabrick of a right to receive further newly issued illimity's shares (with no capital increase) for a further 2.5% of the share capital subject to the achievement by HYPE of certain profitability targets in 2023-2024 (earn-out).

In the context of the agreements between the parties, the transaction entails the underwriting by Banca Sella Holding of an additional reserved (*con esclusione del diritto di opzione*) share capital increase in illimity at the completion of the transaction for a total consideration of 16.5 million euro (equal to 2.5%), for an overall 10% participation of Sella group in illimity at closing.

As a consequence of the transaction, illimity will issue an overall amount of 9.4 million euro of new shares, for which around 7.3 million euro for the completion of the transaction and further 2.1 million euro by 2025 subject to the achievement of the above HYPE's business plan long term goals.

The illimity's new shares issue price has been agreed upon within the negotiation in 8.337 euro, having regard to last month shares trading prices.

Completion of the transaction is expected to take place within the end of 2020, after the approval of shareholders' meetings of both parties and subject to the authorizations by competent Supervisory Authorities. In compliance with applicable law, illimity will make available to the public the Directors reports for its shareholders' meeting, which may take place in December and to whom the resolutions proposals for the approval of the transaction will be submitted.

### Key impacts

As of 30 June 2020, HYPE had over 1.2 million clients (1.3 million in September 2020) and reported a half-yearly net loss of approximately 8 million euro. HYPE's business plan envisages substantial revenue and cost synergies, with a profit of 3.5 million euro in 2023, up to around 17 million euro in 2025.

illimity Direct Bank Division will benefit from cost synergies, mainly related to marketing and technology, an expected reduction in the cost of funding compared to its business plan, as a result of a direct funding strategy focused on a larger pool of customers, and also from significant commercial and strategic advantages.

Overall, this initiative - between the pro-rata profit contribution from HYPE, funding synergies and lower cost of direct banking activities - will immediately generate a positive incremental impact on illimity net result, estimated to be around 10 million euro in 2023 and around 20 million euro in 2025. Moreover, the deal is estimated to generate a slightly positive impact on illimity's regulatory capital at closing date, set to increase thanks to the positive contribution of the initiative to the expected net results in the period 2021-25.

The Sella Group will have an overall positive impact on its CET1 ratio of 41 bps.

Antonio Valitutti, current CEO of HYPE, will lead the Joint Venture. Carlo Panella, Head of the Direct Bank Division of illimity, will take the position of Chairman.

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For the purposes of the transaction, illimity is supported by financial advisor Lazard and Studio Carnelutti for legal assistance.

Banca Sella Holding and Fabrick are supported by Arma Partners and Studio Orrick, Herrington & Sutcliffe.

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**illimity Bank S.p.A.**

illimity is the high-tech banking group founded and headed by Corrado Passera that was created with the aim of responding to specific market needs by way of an innovative and specialist business model. More specifically, illimity extends financing to high-potential SMEs, purchases distressed corporate loans and services these through its platform, neprix, provides digital direct banking services through [illimitybank.com](http://illimitybank.com) and, with illimity SGR, over the next few months will set up and manage the first Alternative Investment Fund for corporate loans. The story of illimity began in January 2018 with the launch of the special purpose acquisition company SPAXS S.p.A., which ended with a record 600 million euro being raised on the market. SPAXS subsequently acquired Banca Interprovinciale S.p.A., with the resulting merger between the two, giving rise to "illimity Bank S.p.A." which began trading on Borsa Italiana's MTA exchange on 5 March 2019 (ticker "ILTY"). The banking group, headquartered in Milan, can already count on 500 employees and closed its first year of activity with assets of 3 billion euro.

**Fabrick S.p.A**

Fabrick is the first established company in Italy, with an international vocation, with the precise purpose of promoting Open Banking. Fabrick's mission is to build, enable innovative projects and support the dialogue and collaboration between new fintech players, large corporations and traditional players in the financial industry, by involving them, from

an Open banking perspective, in the design of the sector's future, leveraging the new paradigms dictate Fabrick empowers and promotes new growth models for banks, startups and companies, facilitating collaboration and dialogue and creating development opportunities, thanks to the skills, technologies and services it makes available through its technology platform and the real ecosystem of relationships and cultural contamination it has created and nurtures around itself.

#### **HYPE S.p.A.**

HYPE, which operates under an electronic money institute license, is the digital solution for simple and efficient daily money management. It works through an account, a card and a simple mobile app. The account can be opened free of charge, in a few minutes and in complete safety, the card arrives directly at home. It offers from more traditional banking services such as incoming and outgoing bank transfers, direct debit, recurring payment instructions to innovative services such as insurance, expense control and savings planning. HYPE is also a payment tool: thanks to the integration with ApplePay and GooglePay, users can make payments directly from their mobile phone and the HYPE card can be used to make commission-free withdrawals to ATMs worldwide. The HYPE offer is made up of 3 accounts; HYPE START, completely free of charge, up to a maximum annual deposit of €2,500. HYPE PLUS, suitable for small expenses or to test the service, at a cost of only one euro per month, up to €50,000 deposit; HYPE PREMIUM for those who want to make it their primary account. Active in the market since 2015, HYPE has pioneered the solution to the growing need of the market to access banking services in a completely new and integrated way to other value-added services. In a short period of time it has exceeded one million clients and is growing at a rate of over 2,000 new clients per day.