

REWARD GATEWAY ACQUISITION BY EDENRED

DEAL PRESENTATION

May 16, 2023



EXECUTIVE SUMMARY

Acquisition of 100% of Reward Gateway, a leading Employee Engagement platform, for an amount of £1.15bn

- ▶ **A SaaS¹ platform offering a full suite of employee engagement programs** (Employee Savings, Rewards & Recognition, Well-being and Social Animation)
- ▶ **A fast-growing, highly profitable and cash generative business**, expecting to generate revenue of £95m and EBITDA of £45m (before synergies) in FY2023e
- ▶ **A transaction giving Edenred access to large, underpenetrated and non-regulated employee engagement markets** thanks to market leading positions in the UK and Australia (~£2bn market combined) and a promising presence in the USA (market worth £4.5bn)

A strategic acquisition fully aligned with Edenred's Beyond strategy

- ▶ Acceleration in our mission **to be the most trusted global Employee Benefits & Engagement platform**
- ▶ **Strong geographical and business complementarity**
- ▶ **A target matching Edenred's criteria:** world-class asset quality (employees, technology, clients), large and underpenetrated markets, generating sustainable and profitable growth with close to 90% of revenue generated on leading positions

A unique opportunity to extend Edenred's compelling Employee Benefits offer

- ▶ Use Reward Gateway as a springboard **to extend Edenred's Employee Benefits offer into the fully-fledged Employee Benefits & Engagement market**
- ▶ **A strong potential to scale Reward Gateway outside of its current geographical footprint**, with expansion into 6 European countries already planned (Belgium, France, Germany, Italy, Romania, Spain)
- ▶ **A value-creative transaction**, strongly accretive on a standalone basis and which additionally provides significant upside from synergies





AGENDA

- 1. Reward Gateway, a leading employee engagement platform**
2. A strategic acquisition to go Beyond
3. A plan to scale and expand Reward Gateway internationally
4. Financial considerations
5. Key takeaways

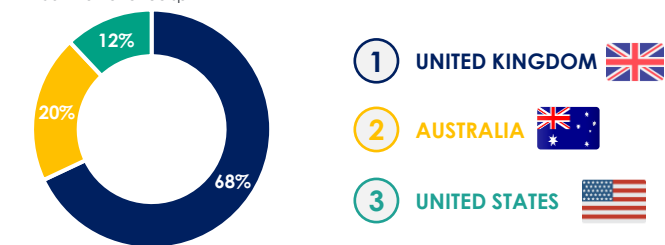
REWARD GATEWAY, A LEADING AND FAST-GROWING EMPLOYEE ENGAGEMENT PLATFORM

Key facts & figures

- Founded in **2006** and currently held by private equity funds
- 4,000+** customers
- 8m+** users of Reward Gateway's products
- ~680** employees
- #1** on UK & Australian markets

A footprint in 3 key markets

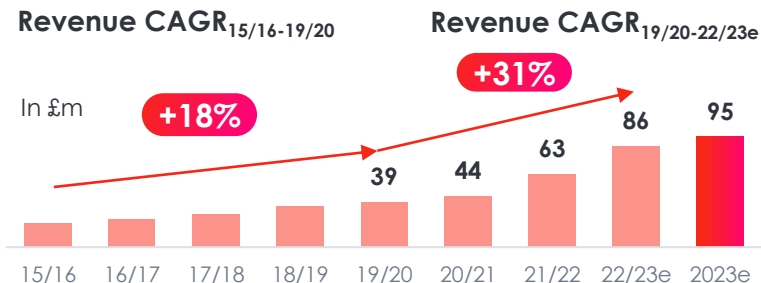
LTM Jan-23 Revenue split



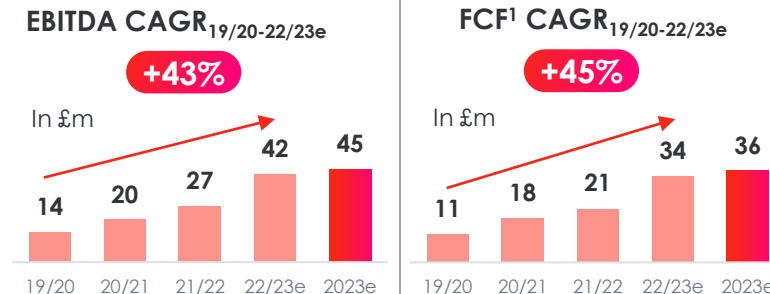
Note: Reward Gateway Fiscal Year ends in June

1. Free Cash Flow

A fast-growing platform



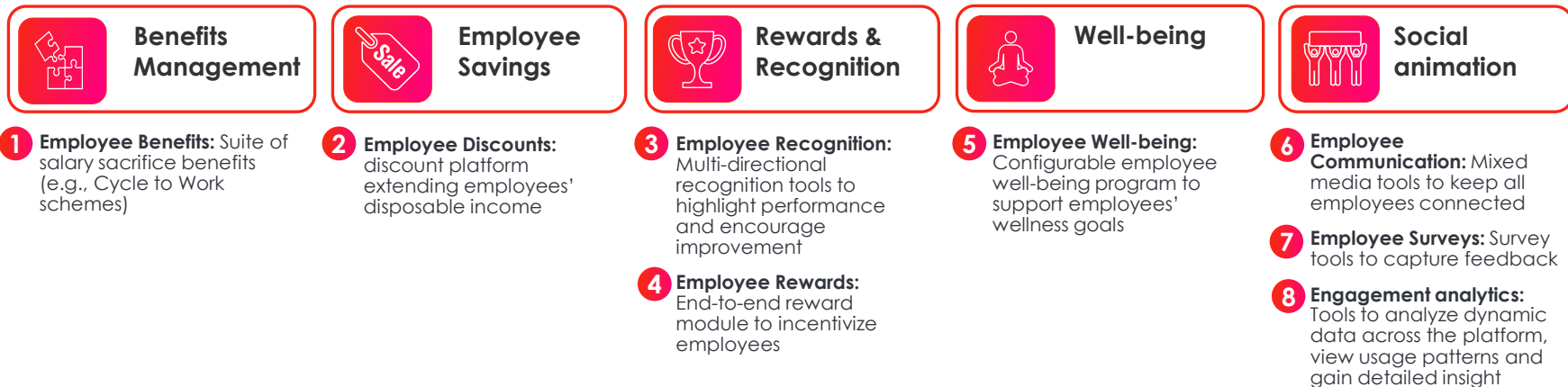
A highly profitable and cash generative model



A HOLISTIC VALUE PROPOSITION...



Platform modules



High cross-selling between 8 complementary modules

>10% of clients purchase an additional module each year

...TO MEET THE NEEDS OF A CHANGING WORKING WORLD

Shift towards custom-made value proposition



Further customization of benefits to better address specific categories of employees



Benefits Management

Shift in new generations' values



Penetration of remote working and sustainable mobility benefits likely to accelerate

Growing considerations about purchasing power



Focus from employees on purchasing power benefits (i.e., discounts, vouchers and gifts)



Employee Savings

Drop in employee engagement



Development of reward and recognition solutions, to drive employee engagement



Rewards & Recognition



Social animation

Growing physical and mental health considerations

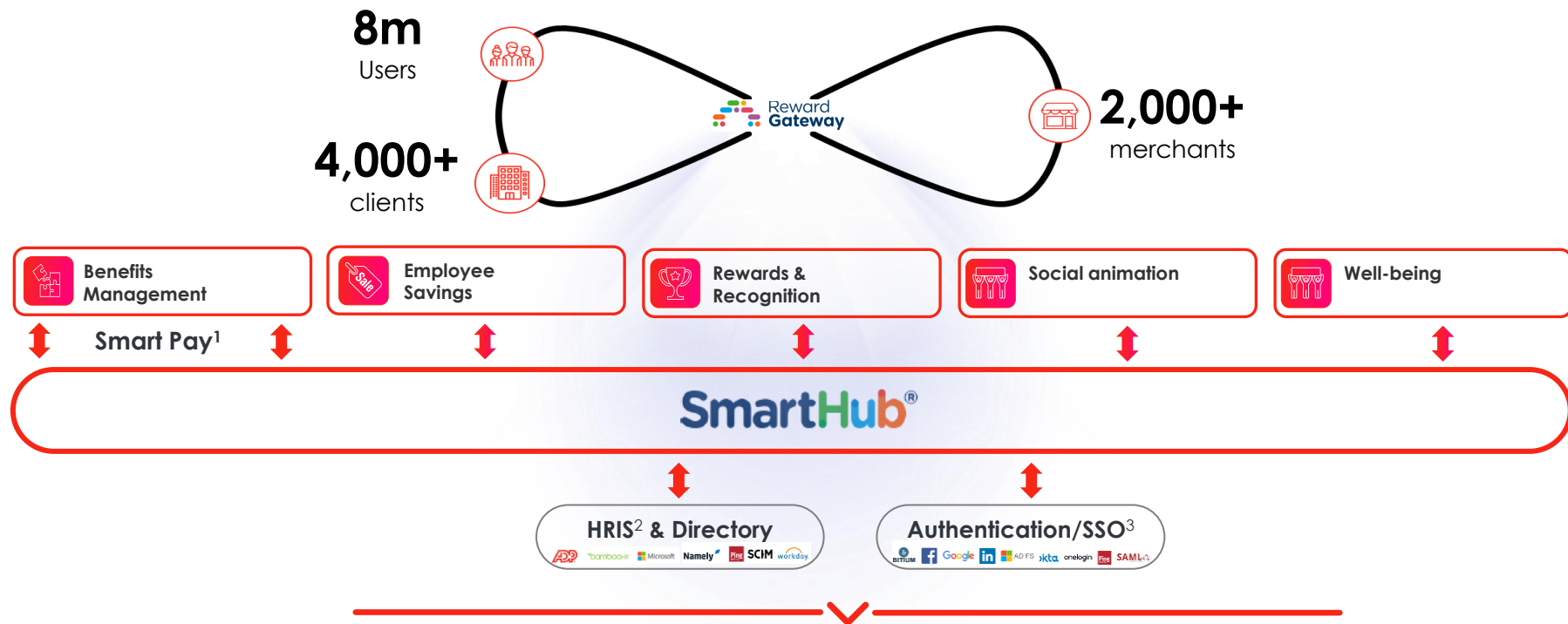


Further implementation of corporate physical and mental health solutions, starting with larger companies



Well-being

A SCALABLE AND MODULAR TECHNOLOGY PLATFORM



Best-in-class customer satisfaction

NPS at ~40⁴



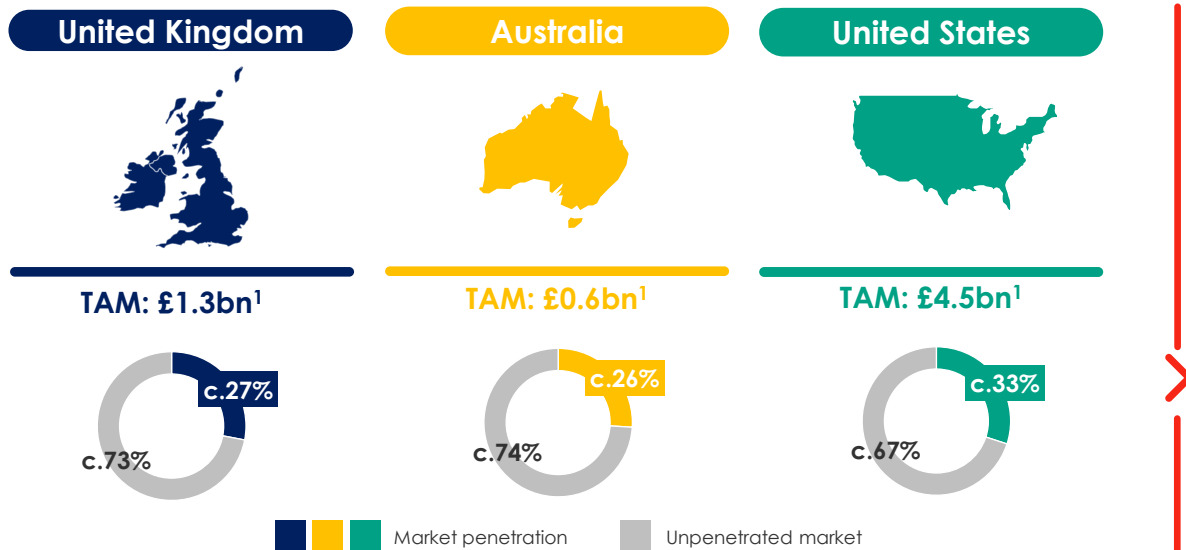
1. API integration with payroll providers for third-party benefits distribution

2. Human Resources Information System

3. Single Sign-On

4. Source: Bain survey

OPERATING ON LARGE ADDRESSABLE EMPLOYEE ENGAGEMENT MARKETS¹



- Underpenetrated markets expected to grow by at least 10% per annum²
- Long-term underlying drivers such as talent war, well-being and hybrid work



Leading positions in the UK and Australian employee engagement markets totaling

£1.9bn

Nascent but promising footprint in the USA with growth opportunities in an employee engagement market totaling

£4.5bn

A STRONGLY PERFORMING BUSINESS

REVENUE

Strong double-digit like-for-like growth



>30% CAGR

from 2019/20 to 2022/23e

EBITDA

A high level of EBITDA margin



**EBITDA margin
> 45%**

FREE CASH FLOW

A high level of FCF generation thanks to strong EBITDA and negative working capital model



>45% CAGR

from 2019/20 to 2022/23e

VISIBILITY

Recurring revenue generation



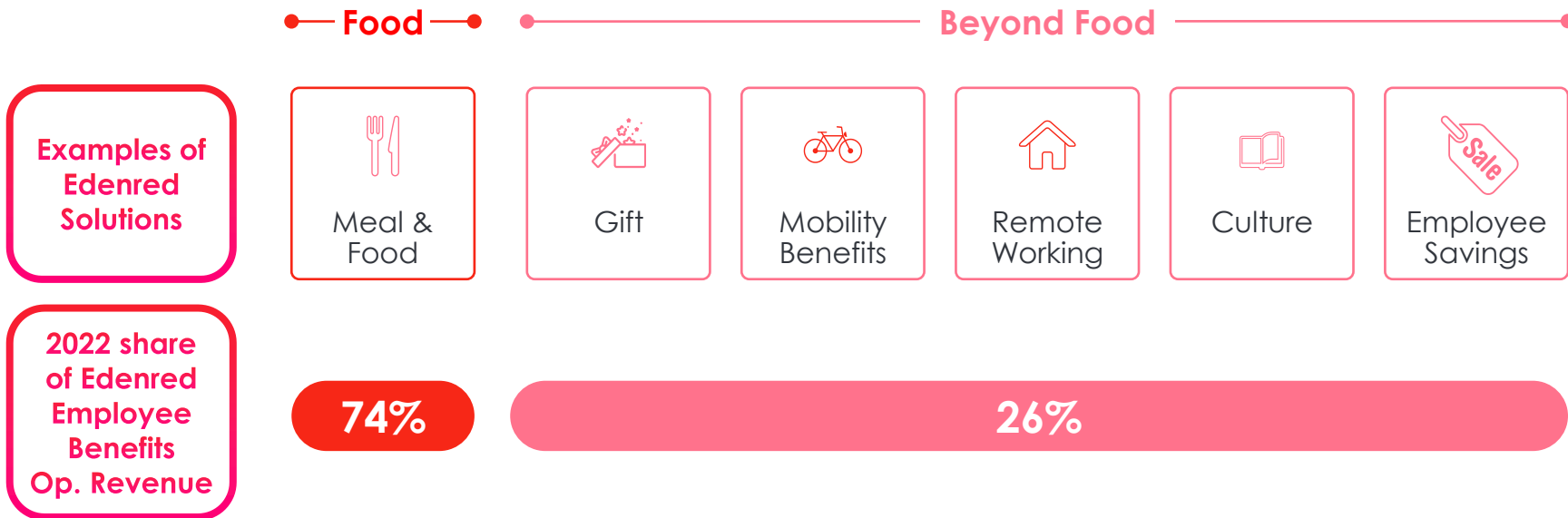
**c.80% of revenue
from SaaS fee model**



AGENDA

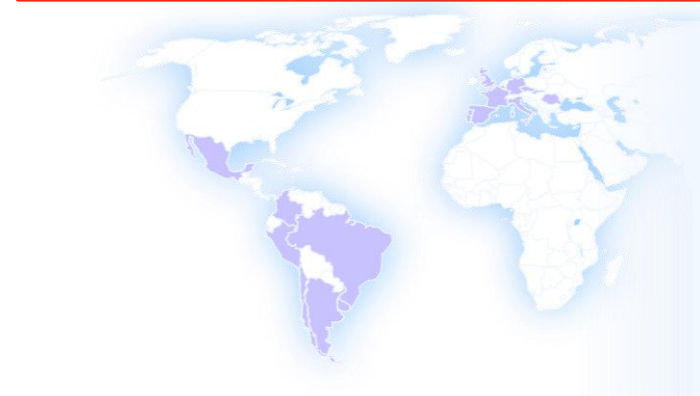
1. Reward Gateway, a leading employee engagement platform
- 2. A strategic acquisition to go Beyond**
3. A plan to scale and expand Reward Gateway internationally
4. Financial considerations
5. Key takeaways

IN 2022, 26% OF EDENRED EMPLOYEE BENEFITS PORTFOLIO IS ALREADY BEYOND FOOD...



















...INCLUDING EXPANSION INTO EMPLOYEE BENEFITS & SAVINGS PLATFORMS

Platforms already live in 17 countries...

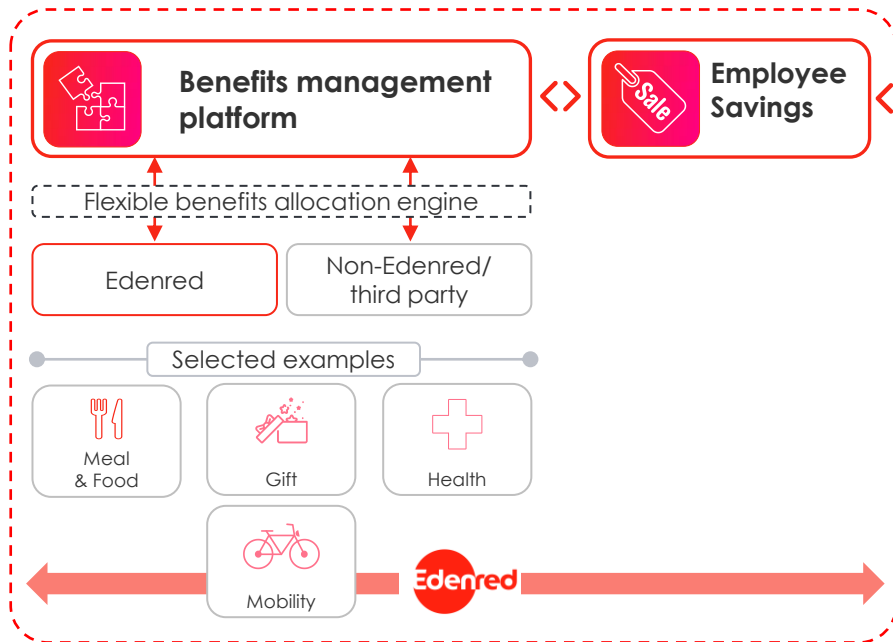


...thanks to successful integration and scale of key players on this market

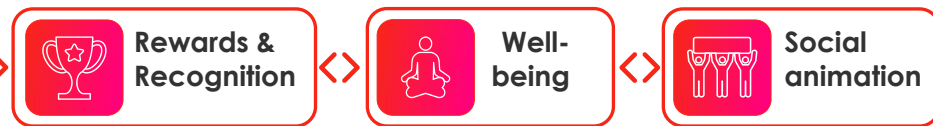
		Date of acquisition
	 One of the Top 3 players on the market c.4m users	2008
	  #1 player on the market c.7m active users	2015
	  #1 player on the market c.700k active users	2019
	  #1 player on the market c.700k active users	2019
	  #1 player on the market First mover with c.100k users	2019
	 Unique multi-module platform with c.1.2m users	2023

CREATING A UNIQUE PLATFORM PROVIDING A COMPREHENSIVE EMPLOYEE BENEFITS AND ENGAGEMENT OFFER (1/2)

Employee Benefits



Employee Engagement



CREATING A UNIQUE PLATFORM PROVIDING A COMPREHENSIVE EMPLOYEE BENEFITS AND ENGAGEMENT OFFER (2/2)

Employee Benefits



Flexible benefits allocation engine

Edenred

Non-Edenred/
third party

Selected examples



Meal
& Food



Gift



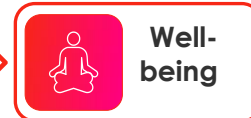
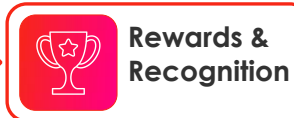
Health



Mobility

Edenred

Employee Engagement



**Reward
Gateway**

ESG IS EMBEDDED IN BOTH COMPANIES' DNA

Committed to putting ESG at the heart of all actions



Improve quality of life



Empower our people to
be their true selves



Preserve the environment



Measure and reduce
environmental impact

Create value responsibly



Build sustainable value for
clients and suppliers



ENRICH CONNECTIONS.
FOR GOOD.



MAKE THE WORLD A
BETTER PLACE TO WORK



AGENDA

1. Reward Gateway, a leading employee engagement platform
2. A strategic acquisition to go Beyond
- 3. A plan to scale and expand Reward Gateway internationally**
4. Financial considerations
5. Key takeaways

COMBINING EDENRED AND REWARD GATEWAY'S COMPELLING OFFERS

Edenred in the UK

- ▶ Started in **1982**
- ▶ **10k+** customers
- ▶ **4m+** users
- ▶ **42k+** merchant partners
- ▶ **165** employees
- ▶ A wide offer in Employee Benefits, Rewards & Recognition and Incentive



Employee Benefits

Complementary
Solutions



A combination of both offers

- ▶ A dedicated team around 5 tracks to ensure the successful combination of UK operations
- ▶ 3 key enablers:
 - People & Culture** > **Retain talent and foster engagement** through change management and cultural integration
 - Product & Tech** > **Build an integrated roadmap** to support commercial ambition
 - Operating Model** > **Align with the Edenred target operating model** (organizational structure, governance, reporting)

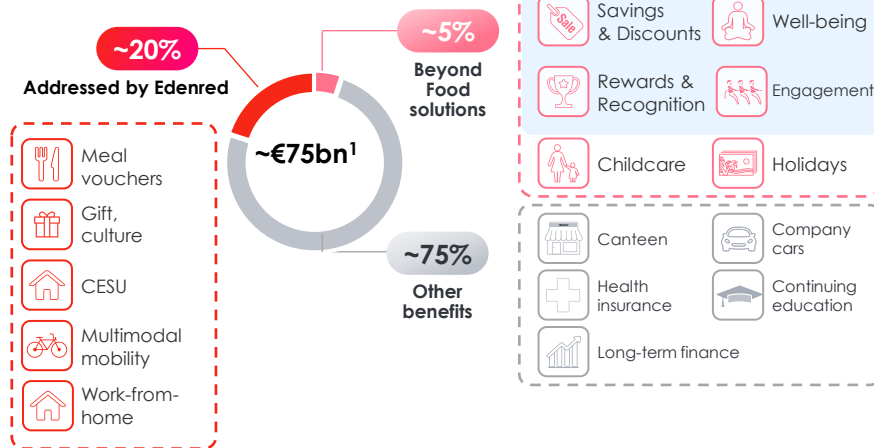
EXPAND REWARD GATEWAY IN SELECTED COUNTRIES

Focus on France

illustration



Employee benefits & engagement market



Aggregating new benefits and expanding to engagement would increase addressed market by **+25%**



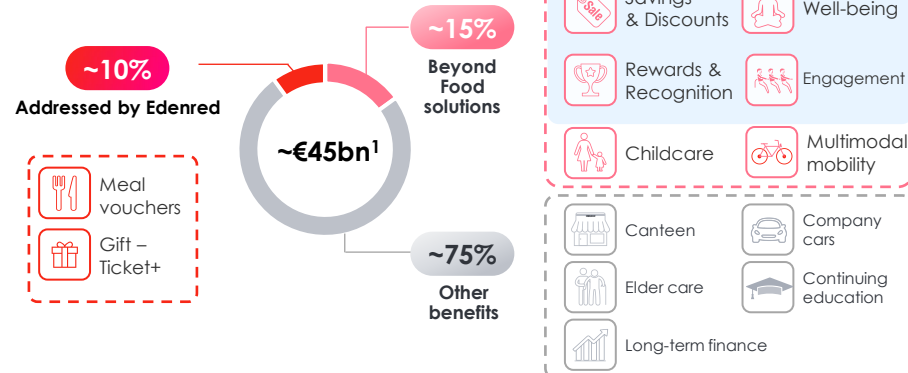
1. Total Business Volume, 2022

Focus on Germany

illustration



Employee benefits & engagement market



Aggregating new benefits and expanding to engagement would increase addressed market by **+150%**

A DEAL WITH SIZEABLE EXPECTED SYNERGIES

UK integration synergies

- ▶ **Combining the existing businesses of Edenred and Reward Gateway**
- ▶ **Tech platform mutualization**
- ▶ **Economies of scale on variable costs**

>€10m

in annual synergies
expected within 2 years



Extended value proposition and business synergies

- ▶ **International roll-out** with expansion to 6 countries already planned (Belgium, France, Germany, Italy, Romania, Spain)
- ▶ **Cross-selling boosted** with existing employers through platform model and extended value proposition
- ▶ **Client retention further improved** through platform solutions with higher costs to switch and better experience overall
- ▶ **Higher monetization of merchants' revenue streams** (increased user touchpoints)

>€50m

in potential additional Operating
Revenue within 5 years



AGENDA

1. Reward Gateway, a leading employee engagement platform
2. A strategic acquisition to go Beyond
3. A plan to scale and expand Reward Gateway internationally
- 4. Financial considerations**
5. Key takeaways

FINANCIAL CONSIDERATIONS

Transaction considerations

- ▶ **Acquisition of 100% of the share capital** from two private equity firms (Abry Partners and Castik Capital)
- ▶ **A £1.1bn (~€1.3bn) cash-out** financed thanks to:
 - €1.0bn bridge financing (to be refinanced in the coming months on the debt capital market)
 - €0.3bn from corporate cash
- ▶ A deal based on a **~20x EV/EBITDA 23e** multiple (post run-rate integration synergies)
- ▶ Transaction to be completed in the coming days

Solid financial profile post-transaction

- ▶ A transaction adding **€51m (£45m) in additional EBITDA before synergies in FY 2023** for Edenred
- ▶ **An accretive transaction in terms of FCF generation** as from day 1
- ▶ An **EPS accretive** transaction as from 2024
- ▶ **S&P rating recently upgraded to A-/Stable**
- ▶ **Significant post-transaction M&A firepower** thanks to Edenred's high FCF generation



AGENDA

1. Reward Gateway, a leading employee engagement platform
2. A strategic acquisition to go Beyond
3. A plan to scale and expand Reward Gateway internationally
4. Financial considerations
- 5. Key takeaways**

KEY TAKEAWAYS

1

Edenred acquires **a leading Employee Engagement platform** with market leading positions in the UK and in Australia and building presence in the USA



A critical milestone in accelerating the *Beyond* vision to extend Edenred Employee Benefits offer

2

Edenred acquires **a fully scalable SaaS platform**, which can be rolled over in some of its core geographies



Capturing short-term synergies (tech platform mutualization, economies of scale on variable costs) as well as **medium-term synergies thanks to international roll-out**

3

Edenred acquires **a strong performer generating high double-digit topline growth, EBITDA margin and level of free cash flow**



A value-creative transaction contributing to generate sustainable and profitable growth

The most trusted global Employee Benefits & Engagement platform



Enrich
connections.
For good.