Sohn London Conference

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INTERTRUST N.V.

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Recommendation: Long Intertrust N.V.

TICKER: INTER NA, PRICE: €15.76, MARKET CAP: €1.43BN, NET DEBT: €712MM, EV: €2.1BN

A Misunderstood Franchise with Significant Upside and Strong Margin of Safety

First the bad news: the share price is up 18% since the idea's initial submission two weeks ago at €13.33

What Would You Pay For This?

HINT: A LOT IN THIS MARKET

Highly Recurring Revenue Stream

Ability to Consolidate Fragmented Market or Return Capital

Barriers to Entry due to Regulatory Licenses and Global Scale

Global Leader in Oligopolistic Industry

CAPX/Sales ratio < 2% and 18% Tax Rate

Non Cyclical Organic Growth of 3-5%

EBITDA Margins circa 40% + Incremental Margins circa 60%

And now the good news:
INTERTRUST is
still available today
for ~10x FCF

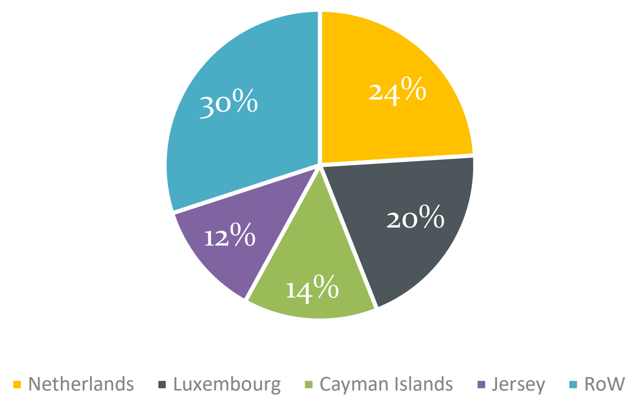
Re-rate
or Become a Target?

Intertrust N.V. Description

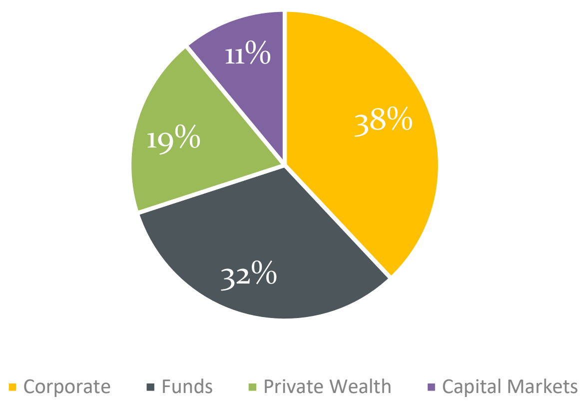
GLOBAL LEADER IN TRUST & CORPORATE SERVICES

- Intertrust is the global leader in trust and corporate services (T&CS) with over 26% market share and over 17,000 clients worldwide served by 2,500 FTEs spread across 39 offices in 28 countries with headquarters in Amsterdam
- Clients include 70% of Fortune Global 500's Top 10 and 52% of the Top 50 as well as the majority of global PE firms
- It offers a comprehensive range of specialised administrative services that ensure the sound financial administration of companies and enable clients to comply with their applicable legal, tax and regulatory regimes
- The industry is domiciled in countries with predictable tax laws and regulations. Key jurisdictions are the Netherlands (Intertrust has #1 market share, 1-3% est. growth), Luxembourg (#2 share, 6-8%), Cayman (#2 share, 2-3%), Jersey (#1 share, 3-5%), ROW (3-5%)
- Key competitors: TMF Group, CITCO, Vistra, Sanne, SGG, Equiniti. Via organic growth and M&A Intertrust has become the largest and most diversified global player in a highly fragmented market with many smaller regional and local players
- Main industry drivers are regulatory complexity, the rate of corporate outsourcing, and foreign direct investment (FDI)

Revenue By Geography



Revenue By Client Type



Source: Intertrust

Intertrust N.V. Product Offering

FULL RANGE OF T&CS SERVICES

- **Corporates**
  - Est. Market Growth
  - (16-21E): 3-5%

Formation & Implementation
Escrow & Process Agent
Domiciliation & Management
Legal Administration
Intellectual Property
Accounting & Treasury
Performance Management

- **Funds**
  - Est. Market Growth
  - (16-21E): 5-8%

Formation & Implementation
Escrow & Investor Relations
Fiduciary Services
Domiciliation & Management
Legal Administration
Depository Accounting & Reporting

cross selling

Formation & Implementation
Process Agent
Domiciliation & Management
Portfolio Administration
Corporate Administration
Agency Services
Accounting & Reporting
Investor Reporting

- **Capital Markets**
  - Est. Market Growth
  - (16-21E): 2-4%

Formation & Implementation
Accounting & Reporting
Domiciliation & Management
Treasury & Investment Services
Legal Administration

- **Private Wealth**
  - Est. Market Growth
  - (16-21E): 0-2%

Source: Intertrust

Intertrust N.V. Corporate History

MULTIPLE OWNERSHIP CHANGES

1952
- Intertrust's origins date back to the incorporation of NV Trust Corporation Pierson, Heldring & Pierson

1975
- Acquired by AMRO Bank. Post the latter's merger with ABN Bank, its businesses were merged and became MeesPierson in 1993

1997
- Acquired by Fortis which grew it via the purchase of Holland Intertrust and rebranded it to Intertrust Group

2009
- Sold to Dutch private equity firm Waterland Private Equity Investments

2013
- Acquired by the Blackstone Group

2015
- IPO on the Amsterdam Stock Exchange in October at €15.50

Virtually at IPO price two years later

Current T&CS Trends

ACCORDING TO INDUSTRY EXPERTS BAIN & CO.

"…long a fragmented group of small, local offices often spun out of law firms, now finds itself rapidly becoming professionalized…"

"..the industry has undergone brisk consolidation through rollups by regional leaders, as well as acquisitions by private equity (PE) funds attracted to the stable revenues and the opportunities to inject more rigorous management methods…"

"**The global market is likely to grow at a healthy 3% to 5% per year through 2020**, Bain & Company estimates, on the back of rising household wealth and greater corporate and tax regulation, as well as more outsourcing of administrative services by PE and real estate funds."

"But not all firms will gain from the rising tide…As a result, many remain subscale, relatively inefficient in operations and unproven at cross-selling. "

"New risks to the industry, moreover, emerged after the leak of millions of tax haven documents."

"Leading T&CS firms have been taking actions to ensure that they have sterling compliance processes and an impeccable customer base."

"Intertrust, for example, has thrived by identifying its most profitable customers and building an integrated service offering and salesforce around their priorities. Intertrust has enjoyed a 22% compound annual growth rate (CAGR) in revenue from 2011 through 2016 and an EBITDA margin of 37.5% in 2016. "

"Our survey found that 80% of clients hardly ever change their provider before liquidation of the entity… Moving a thousand entities can often create more problems than it solves."

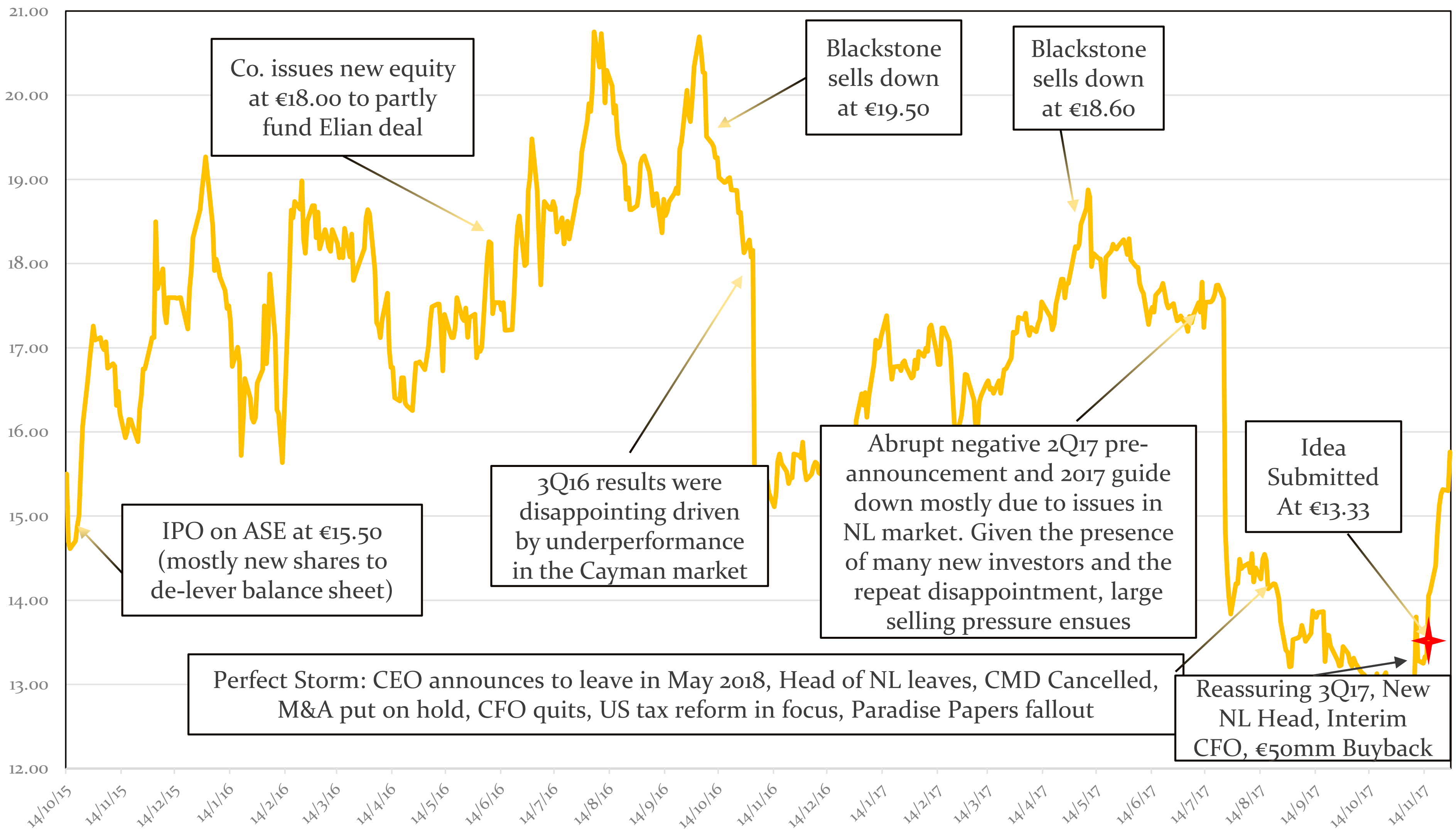
"…about half of new client business still originates via intermediaries such as lawyers, bankers and accountants."

"We expect consolidation to pick up over the next decade, with the lion's share of the global market controlled by the top 10 firms."

Source: Bain & Company, The Coming Shakeout in Trust and Corporate Services by Tom Cochrane, Marc Lino, and Lennert Spek published on July 6th, 2017

Why Does This Opportunity Exist?

INTERTRUST SHARE PRICE HISTORY



Intertrust N.V. Re-rating?

MULTIPLE WAYS TO WIN

- Global Leader in an Oligopolistic Industry
- Highly Recurring Revenue Stream
- Barriers to Entry Due to Regulatory Licenses and Scale
- Non-Cyclical, Organic Growth of 3-5%
- EBITDA margins circa 40% + Incremental Margins circa 60%
- CAPX/Sales < 2%, 18% Tax Rate
- Ability to Consolidate Fragmented Market or Return Capital via Exceptional FCF Generation

- Intertrust is #1 globally with 26% share, Top 3 players have 50%+ of the market
- The average client entity has a 7-10 year shelf life and 85% of the associated revenue stream is non-discretionary
- Each entrant needs a license from a regulatory body to operate in each jurisdiction. There is a big margin gap between Intertrust and smaller players
- Historically the industry has grown 4-5% and Bain & Company projects growth of 3-5% through 2020. Intertrust's top line grew during the GFC
- Adjusted EBITDA margins have been in the 38-43% range
- CAPX/Sales ratio is coming down to ~1.5% of Sales as more IT spend is expensed. Tax rate naturally low due to operations in low tax jurisdictions and likely to decrease further with diversification away from NL
- Intertrust has bought Close Brothers Cayman (2011), Walker Global (2012), ATC (2013), CRS (2014), CorpNordic (2015), and Elian (2016). Announced a 50mm buyback and there is a 4%+ dividend yield

LBO Target?

Intertrust has been private during its entire history excluding the last 2 years. Blackstone is a seller in the €18-20 range. Long-time CEO is on his way out and there is no permanent CFO yet. Regulatory transition may be better managed away from public scrutiny.
A buyer can pay a full premium and expect an attractive IRR

Thesis Part 1:

STRONG FUNDAMENTAL UPSIDE

- Recent performance issues are likely to be transitory and the current upheaval provides a great entry point
- Fundamentally this is a very attractive long term story that will compound due to strong organic growth as well as further consolidation in what continues to be a very fragmented industry
- Growth to stabilize at a slightly lower rate, which given the non-cyclical and highly recurring nature of its revenues, should be sufficient for a re-rating
- Business is somewhat defensive (it grew during the GFC) which ought to be viewed as increasingly valuable, particularly at this point of the global economic cycle
- Remainder of the synergies from Elian ought to fully come through in 2018 and provide a further earnings tailwind
- Outgoing management team had a publicly announced target to grow long term EBITA margins to the 43.4-43.9% range. Therefore a return to a 39-40% EBITA should be feasible, particularly as some recent issues such as IT spend, legal fees, and staff expenses due to higher turnover, are one-time in nature
- Even if long-term growth slows down from 4-5% to 3%, Intertrust ought to continue to compound earnings at a low double digit rate given incremental margins in the 50-60% range
- It should continue to generate significant cash flow, which can be used toward increasing capital returns (current yield is approaching 4% and it just started a €50mm buyback) and /or resume consolidation as leverage in 2018 should fall below its long term target of 3.5x Net Debt/EBITDA. The debt covenants are set at 4.5x in 2017 and 4.25x in 2018 while even after hefty capital returns, Intertrust ought to be 3.2x levered by YE18

Key Projections

10.3% 2018E FCF YIELD AND 3.7% DIVIDEND YIELD WITH 3.2X LEVERAGE

	2017E	2018E	2019E	2020E	2012-16 Avg
Revenue	479.8	494.4	511.7	529.6	
yoy chg		*3.0%*	*3.5%*	*3.5%*	*9.3%*
Adj EBITDA	191.4	200.2	210.6	221.3	
Adj EBITDA Margin	*39.9%*	*40.5%*	*41.2%*	*41.8%*	*41.8%*
Adj EBITA	181.4	189.8	199.8	210.2	
Adj EBITA Margin	*37.8%*	*38.4%*	*39.1%*	*39.7%*	*39.7%*
CAPX	8.6	7.4	7.7	7.9	
% of Revenue	*1.8%*	*1.5%*	*1.5%*	*1.5%*	*3.2%*
Net Debt	677.9	635.1	536.7	432.4	
ND/EBITDA	*3.5*	*3.2*	*2.5*	*2.0*	*4.4*
FCF to Equity	135.7	146.3	156.6	167.2	
FCF Yield	***9.5%***	***10.3%***	***11.0%***	***11.7%***	
DPS	0.53	0.59	0.64	0.69	
Divi Yield	*3.4%*	*3.7%*	*4.1%*	*4.4%*	

Intrinsic Value Analysis

1-YEAR PRICE TARGET: €20.5 (30% UPSIDE), 3-YEAR IRR: 21.8%

	2017E	**2018E**	**2019E**	**2020E**
Invested Capital (PPE + WC + Goodwill/Intangibles)	**1520.7**	**1521.6**	**1522.6**	**1523.7**
Adj. UFCF (Adj. NOPAT + D&A - CAPX + Chg in WC)	***156.8***	***165.4***	***173.7***	***182.6***
EV/Adj UFCF	***13.6***	***12.9***	***12.3***	***11.7***
ROIC	***10.3%***	***10.9%***	***11.4%***	***12.0%***
r	*3.0%*	*3.0%*	*3.0%*	*3.0%*
WACC	*8.0%*	*8.0%*	*8.0%*	*8.0%*
Multiplier (ROIC-r)/(WACC-r)	*1.46*	*1.57*	*1.68*	*1.80*
Implied Enterprise Value	2224.3	2394.1	2561.0	2737.3
Adj Net Debt	677.9	635.1	536.7	432.4
Implied Equity Value	1546.4	1759.0	2024.4	2304.9
PF Shares (*)	90.6	88.3	88.3	88.3
Intrinsic Value per Share	**17.6**	**20.5**	**23.6**	**26.8**
Upside/(Downside)	***12%***	***30%***	***50%***	***70%***

(*) 2018-20 share count pro forma for €50mm buyback at avg. price of €16, 73% of shares to be retired

Conservative LT growth at low end of range

Balance sheet allows further M&A or capital return upside in 2019/20

Multiples at Intrinsic Value in 12 months:

Implied EV/EBITDA: 12.0x vs 12-13x historical upper bound
*Implied EV/EBITA: 12.6x vs comps at 17.9x**
*Implied P/E: 17.5x vs comps at 18.8x**
*Implied FCF Yield: 8.3% vs comps at 6.0%**

* Source: Latest available set of broader T&CS and BPO comps can be found in UBS Intertrust report published on Oct 26, 2017

Thesis Part 2:

RIPE FOR ANOTHER LEVERAGED BUYOUT

- Intertrust should be viewed as a legitimate takeover target and if there is no re-rating, it could be taken private in the next 6-12 months and particularly before a new management team takes over
- Blackstone still owns 23% of the shares and has been a seller in the €18-20 range
- My cursory LBO analysis shows that a takeout around €20 is doable and should be attractive to a buyer who can expect an IRR of 20%. That return excludes any additional benefits from further consolidation and margin improvement toward current management's long-term goal of over 43%
- Intertrust screens as levered with 3.69x Net Debt/EBITDA at the moment, however headline leverage is quite misleading due to its recurring revenue profile, the stability of its cash flows, negligible CAPX needs, and its low 18% tax rate. As a result management has signalled to investors that optimal leverage is 3.5x. With cash conversion in the 95% range, Intertrust has been levered as high as 7.2x historically and could again take on similar leverage and should have no issues paying down its debts in the absence of serious structural issues
- The business lends itself to being private as it may never re-rate sufficiently in the public markets unless investors give it full credit for its impressive and consistent free cash generation
- A new owner also has the opportunity to bring in their own management team, which is typically preferred by a private equity buyer
- Regulatory transition can be managed much more effectively away from public scrutiny

LBO Summary

ESTIMATED TAKEOUT PRICE: €20

Uses	
INTER Current Price	15.76
LBO Premium	*27.0%*
Takeout Price	**20.02**
Shares	90.6
Equity	1812.8
Net Debt YE17	677.9
LBO Fees	22.4
Uses	**2513.1**
2017 EBITDA	**191.4**
EV/LTM EBITDA	***13.1***
EV/LTM UFCF	***16.0***
ND/LTM EBITDA	***6.5***
PF Net Debt at Entry	***1244.3***

Sources		Debt Turns	Int Exp
Snr Debt	861.4	*4.5*	*4.0%*
Sub Debt	382.9	*2.0*	*7.0%*
Equity	1268.8	50%	
Sources	**2513.1**		

		2018	2019	2020	2021	2022
Exit LTM EBITDA Multiple						13.1
Enterprise Value						3245.7
Equity Value incl Divi	-1268.8	81.5	89.3	97.6	107.2	2509.5

IRR	**20%**

€ mm	2018	2019	2020	2021	2022
Revenue	494.4	511.7	529.6	550.7	572.8
yoy chg	*3.0%*	*3.5%*	*3.5%*	*4.0%*	*4.0%*
Adj EBITDA	**200.2**	**210.6**	**221.3**	**234.0**	**247.2**
Margin	***40.5%***	***41.2%***	***41.8%***	***42.5%***	***43.2%***
D&A	54.4	56.3	58.3	60.6	63.0
% of Rev	*11.0%*	*11.0%*	*11.0%*	*11.0%*	*11.0%*
Adj EBIT	145.8	154.3	163.1	173.4	184.2
NII	60.8	57.9	54.7	51.1	47.3
PBT	85.0	96.4	108.4	122.3	136.9
Tax Rate	*10%*	*10%*	*10%*	*10%*	*10%*
Taxes	8.5	9.6	10.8	12.2	13.7
Net Income	76.5	86.8	97.5	110.1	123.2
CAPX	7.4	7.7	7.9	8.3	8.6
% of Rev	*1.5%*	*1.5%*	*1.5%*	*1.5%*	*1.5%*
FCF	123.4	135.4	147.9	162.4	177.7
ND	1202.3	1156.3	1106.0	1050.8	853.4
ND/EBITDA	***6.0***	***5.5***	***5.0***	***4.5***	***3.5***
EBIT/Int Exp	***2.4***	***2.7***	***3.0***	***3.4***	***3.9***

Recent Buyout of Main Competitor

CONSISTENT WITH ESTIMATED TAKEOUT PRICE OF €20

- On October 27th, 2017 the sale of TMF Group by Doughty Hanson to CVC Capital was announced for €1.75bn and its pending IPO in the UK was cancelled
- TMF Group is Intertrust's biggest competitor but it also has a large BPO business which depresses consolidated margins
- Based on information filed in a preliminary prospectus, the takeout multiple CVC paid for TMF Group triangulates nicely with private market value for Intertrust around €20, consistent with the findings of the LBO analysis

		Intertrust Price Target at TMF Takeout Multiple of 12.0x EV/ LTM EBITDA	***17.8***
Intertrust Takeout Target	<------------	***Upside***	***13%***
20.2	Avg		
	<------------	***Intertrust Price Target at TMF Takeout Multiple of 17.3x EV/LTM UFCF***	***22.5***
		Upside	***43%***

- In summary, the presence of a motivated seller as a shareholder of influence, exploitable management vacuum, as well as a large recent de-rating of a stable and strong free cash flow generating business with attractive prospects should not last long. Unless Intertrust's price performance improves, a take-private transaction is logical

Thesis Part 3:

ACTIVISM COULD IMPROVE 3-YEAR IRR TO 26%

- If the de-rating persists, Intertrust is ripe for activist involvement
- An activist could exploit the management vacuum and force the company to formally explore strategic alternatives with the tacit approval of its largest shareholder
- Intertrust is not a big employer in the Netherlands and its sale should not be political unlike other recent Dutch examples
- The success of an activist campaign does not necessarily hinge on a sale
- An activist could get involved in selecting the new management team and press for margin improvement in line with the prior management's long-term EBITA target of 43.4-43.9%
- It could demand more aggressive capital returns and nudge management to run the business to a rolling leverage target of 3.5x
- The above might free up significant additional buyback capacity of close to €400mm over the 2018-2020 period
- This may result in a €30 share price by YE2020, about 100% upside

Multiples at €30 at YE2020:

Implied EV/EBITDA:	12.4x
Implied EV/EBITA:	13.0x
Implied P/E:	16.8x
Implied FCF Yield:	8.6%
Net Debt/EBITDA:	3.5x

Note: Analysis assumes current buyback is executed at an average cost of €16 per share and further buybacks are done at 15% annual price increases in 2019 and 2020

3Q17 Results and Outlook

INFLECTION POINT?

- Intertrust reported 3Q17 earnings on Nov. 9th which beat expectations and were generally reassuring
- Company confirmed 2017 guidance of 3.5%+ top line growth
- It also gave preliminary 2018 guidance of 3%+ top line growth
- Company now sees long-term growth in the 3-5% range. This is lower than the 4-5% previous target so expectations have been reset to a more realistic level
- Margins should gradually recover as exceptional 2017/18 IT spend subsides
- CAPX should decline starting in 2018 to 1.5% of Sales
- Tax rate should be about 18%
- Dividend policy of 40-50% of adjusted net income
- €50mm buyback program commenced with a goal to be completed no later than June 2018
- Finally, Intertrust announced the appointment of an interim CFO and a new MD for the Netherlands, both with strong pedigree

Regulation: Threat and Opportunity

LEGISLATION TO KEEP AN EYE ON

BEPS	Base Erosion and Profit Shifting - OECD Action Plan. Non-binding but some of the proposals have the potential to impact the reputation and attractiveness of certain jurisdictions
ATAD	EU framework similar to BEPS
PSD	EU Parent-Subsidiary Directive - amended to include provision against hybrid financing arrangements, include a general anti-abuse rule. Reduces tax advantages for certain entities
AIFMD	Alternative Investment Fund Managers Directive - EU legislation regulating investment funds. It demands fund manager "passports" and the appointment of independent depositaries
FATCA	Foreign Account Tax Compliance Act - US legislation requiring all foreign financial institutions to report financial records for US persons
CRS	Common Reporting Standard - information standard for the automatic exchange of information, similar to FACTA
AMLD	Directive to provide names of beneficial owners of legal entities

- Plenty of reasons for industry to continue to thrive: mitigation of double taxation, bankruptcy remoteness (e.g., SPVs), business reasons (e.g., JVs), regulatory compliance, bilateral treaties
- New regulations may lead to increased hours/entity and price/hour but they may ultimately limit the number of new entities
- Substance tests might lead to better staffed local client offices which may lead to more insourcing
- Compliance costs are going up – scale advantages matter
- Greater transparency among jurisdictions is a double-edged sword
- Political pressure is rising – random checks, easier to revoke licenses, name and shame officials
- Companies consciously turning away business from high risk jurisdictions suppressing growth

Risks and Challenges

REASONS FOR CURRENT DISCOUNT

Risks:

- Regulatory changes. US tax proposals remain fluid. Recent Dutch regulatory changes are benign and should help grow Intertrust share by raising the self-enforcement bar. Implementation of international regulations to accelerate in 2018
- Panama Papers/Paradise Papers. No Intertrust involvement but scandals hurt near-term sentiment
- Management turnover adds uncertainty. New CEO may re-base expectations
- Wage inflation and staff turnover. Staff-client relationships are not sticky
- Global FDI slowdown
- Liquidity is somewhat limited
- Lack of great hedging options. The only pure play public comp is Sanne PLC, a fast grower

Challenges (based on discussions with former Intertrust and other T&CS executives):

- The regulatory environment is shifting whereby it will be tougher to sustain historical growth rates and margins
- Companies need to innovate more, streamline operating procedures, and spend more on compliance and staff training
- Traditional corporate clients will have to build internal local presence which might lead to more in-sourcing
- Intertrust may be overly focused on growing revenue per entity and raising fees while at the same time replacing more seasoned staff with younger and cheaper hires resulting in client dissatisfaction and higher staff turnover
- New management needs to look at the business model with a fresh client-centric perspective
- Further growth via consolidation may be more difficult as fewer high quality assets are available

Special Thanks

THANK YOU FOR YOUR ATTENTION

Sohn Conference Foundation

Gerson Lehrman Group

Jennifer Schiamberg

Jennifer Manning

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