



# Company presentation

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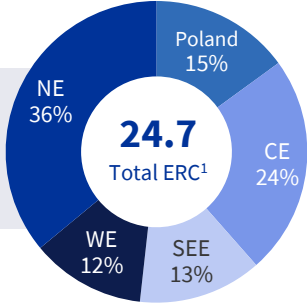
**B2 HOLDING®**  
*Making each other better*

Rasmus Hansson, Head of M&A and IR – 8 January 2020

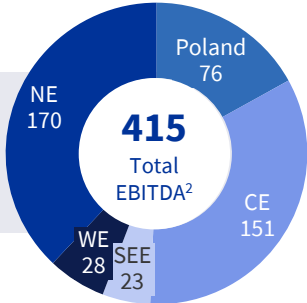
# Well diversified across Europe

Strategic spread across the regions

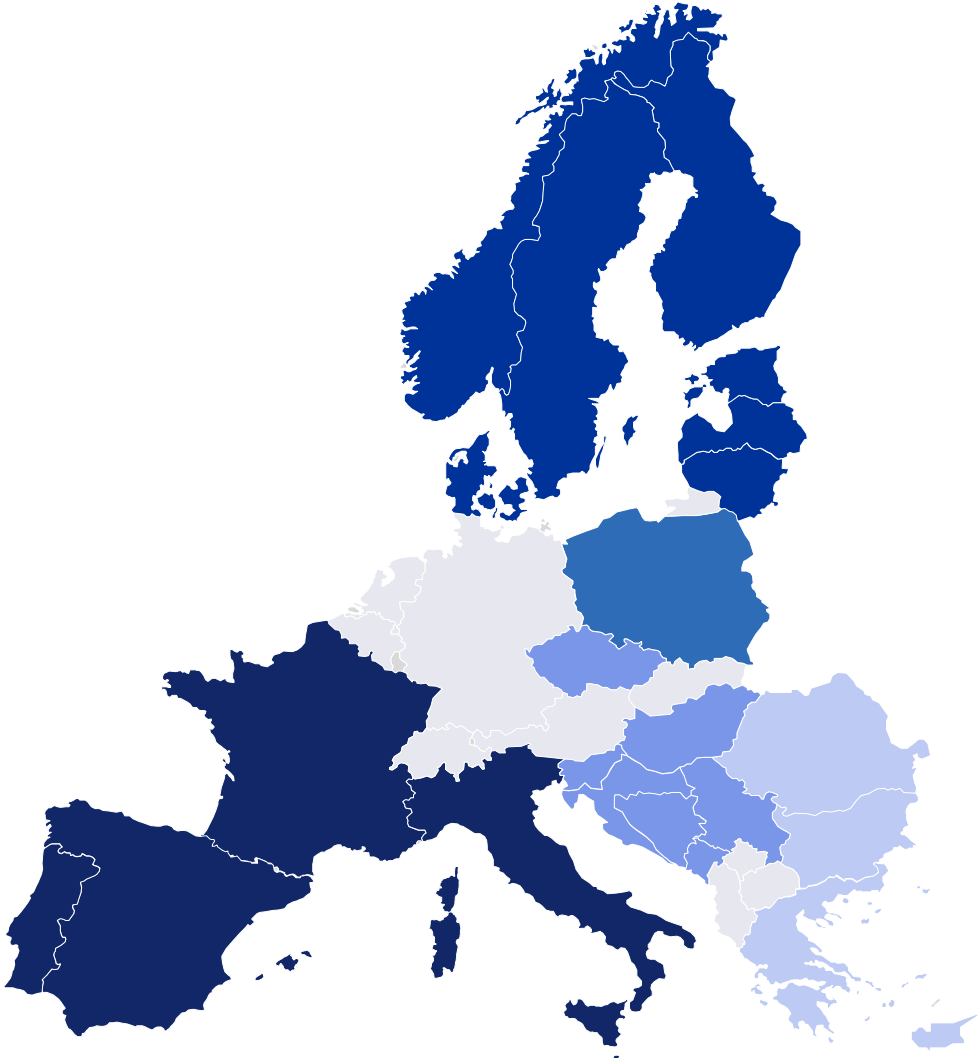
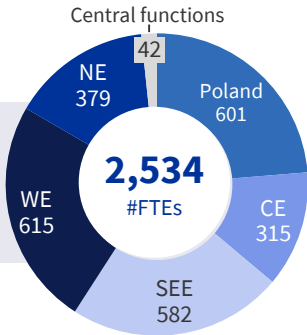
**Total ERC<sup>1</sup>**  
Q3'19  
NOKbn



**EBITDA**  
Q3'19  
NOKm



**#FTEs**  
Q3'19



## GROUP REGIONS

### Northern Europe (NE)

Norway, Sweden, Denmark, Finland, Latvia, Lithuania, Estonia

### Poland

Poland

### Western Europe (WE)

Spain, Portugal, Italy, France

### Central Europe (CE)

Czech Republic, Slovenia, Croatia, Hungary, Serbia, Bosnia and Herzegovina and Montenegro

### South East Europe (SEE)

Greece, Romania, Bulgaria, Cyprus

1) Including the Group's share of portfolio purchased and held in joint ventures  
2) Total EBITDA include central functions

# Highlights Q3 2019

## Key financials

Total revenues

**880**

NOK million

Gross Cash Collections

**1,386**

NOK million

Cash EBITDA

**1,062**

NOK million

Net profit

**181**

NOK million

Portfolio purchases

**1,231**

NOK million

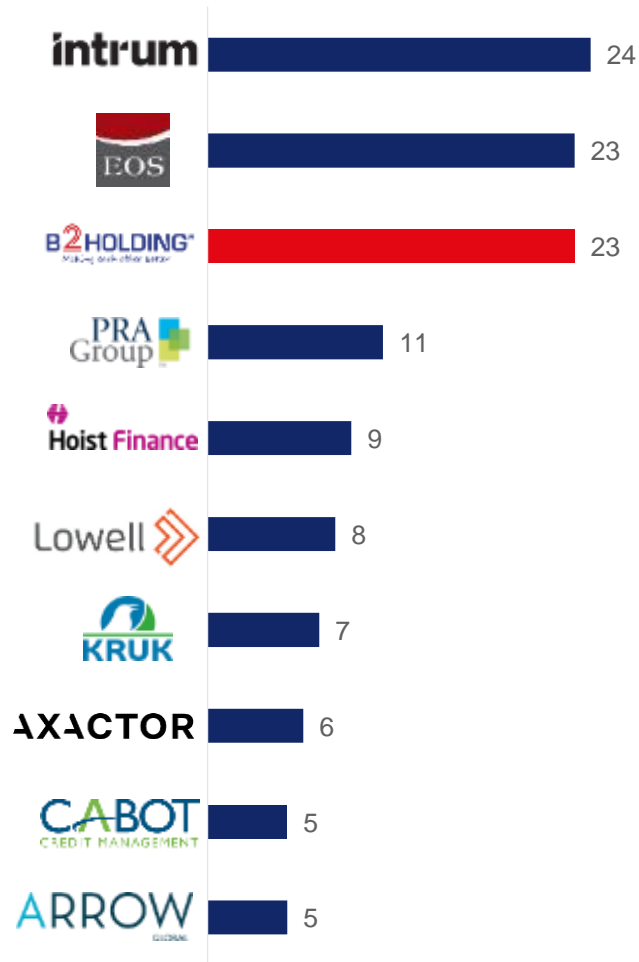
Leverage ratio

**3.0x**

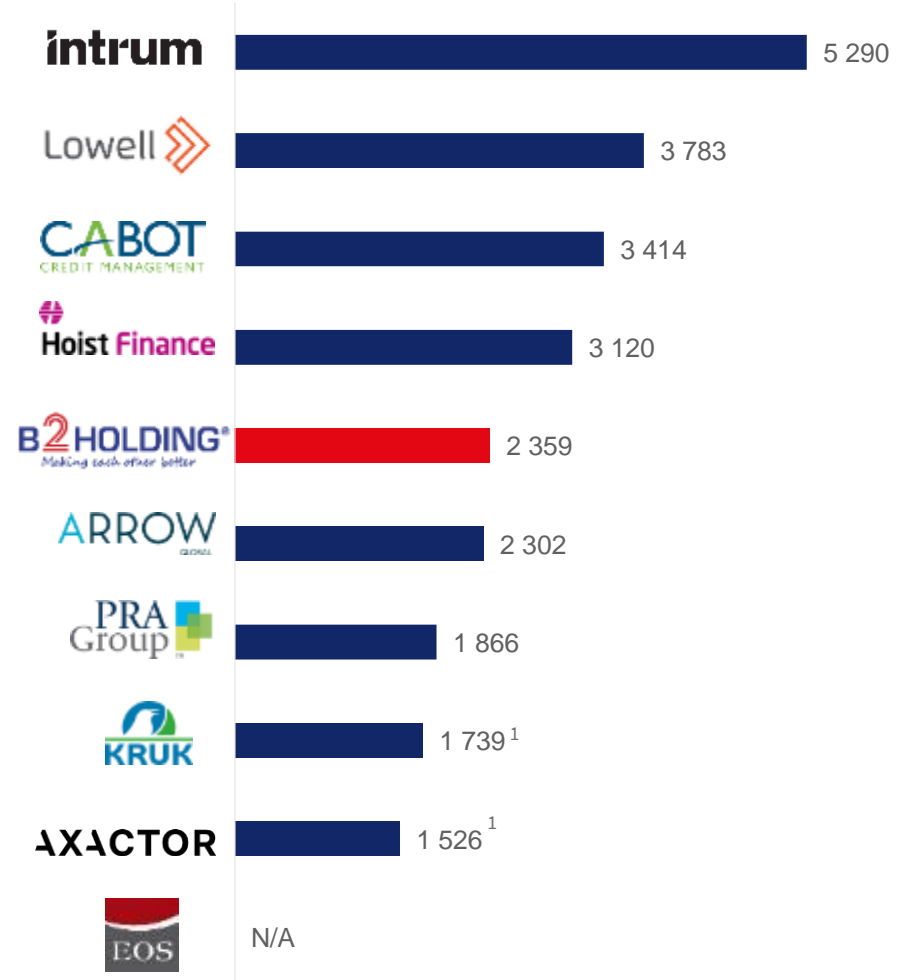
- All-time high Gross Cash Collections and Cash EBITDA
- Leverage ratio down from 3.2x (Q2 2019) to 3.0x verifying a solid debt service capacity
- Earnings per share NOK 0.44
- Equity ratio 24.1% up from 23.4% in last quarter

# Established as one of top ten European debt collectors

European countries present (#)








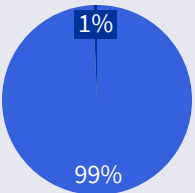
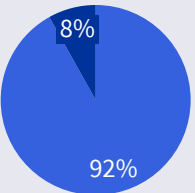
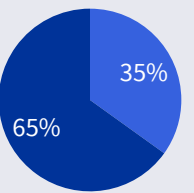
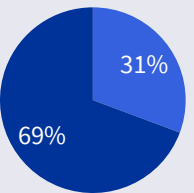
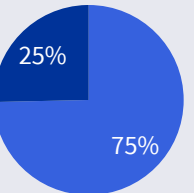
Estimated remaining collection (120m ERC, EURm)



Source: Company information and J.P.Morgan Credit Management Services Valuation update 03 December 2019, all figures as of Sep-19.

<sup>1</sup> 120m ERC calculated as 1.8x carrying value for KRUK; 180m ERC for Axactor

# Well positioned to support the new strategic direction

	Northern Europe	Poland	Western Europe	Central Europe	South East Europe
					
Market position	Top 3	Top 3	Top 10	Top 3	Top 3
ERC <sup>1)</sup> %	36 %	15%	12%	24%	13%
% of ERC <sup>1)</sup> ■ Secured vs. ■ Unsecured					
Third Party Servicing	✓		✓	✓	✓
Other	Credit Information in Latvia	Consumer lending through Takto	Telemarketing for banks in Spain		

1) Including the Group's share of portfolio purchased and held in joint ventures

# Access to a vast opportunity set for the future

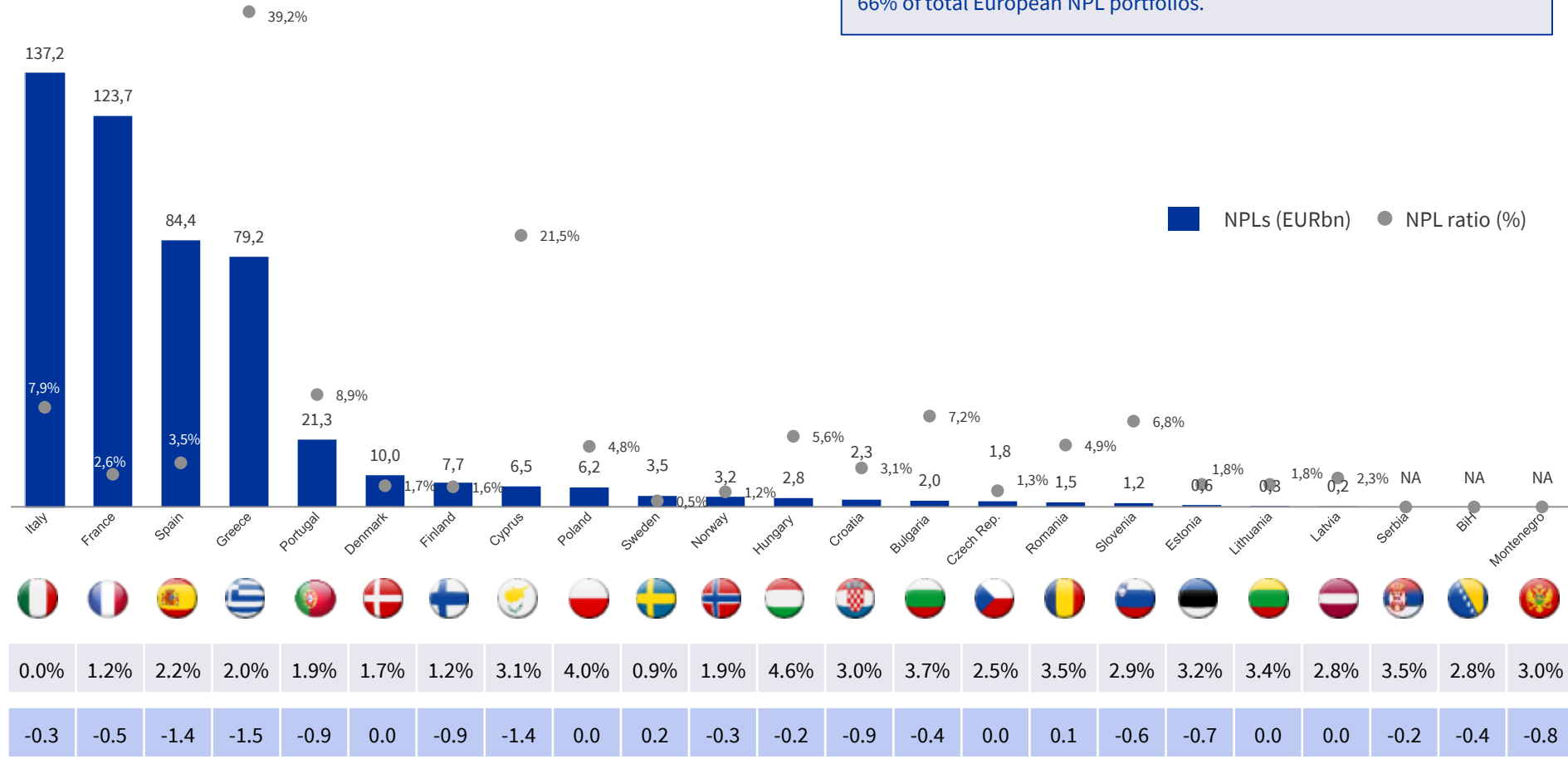
## Coverage of 78% of the EU NPL stock across our 23 countries

### European bank NPL per country<sup>1</sup>

EURbn

Total volume of banking NPLs in Europe exceed EUR 635bn.

Italy, France, Spain and Greece, the four largest markets, account for ca. 66% of total European NPL portfolios.



Source: EBA (Risk Dashbord), IMF World Economic Outlook (October 2019);

<sup>1</sup> Data as of June 2019

# Regulatory environment: Prudential backstop

Capital requirements applying to banks with NPLs on their balance sheets

## Bank regulation for minimum loss coverage (%) for NPLs

After year	1	2	3	4	5	6	7	8	9
Secured by immovable collateral	0%	0%	25%	35%	55%	70%	80%	85%	100%
Secured by movable collateral	0%	0%	25%	35%	55%	80%	100%		
Unsecured	0%	35%	100%						

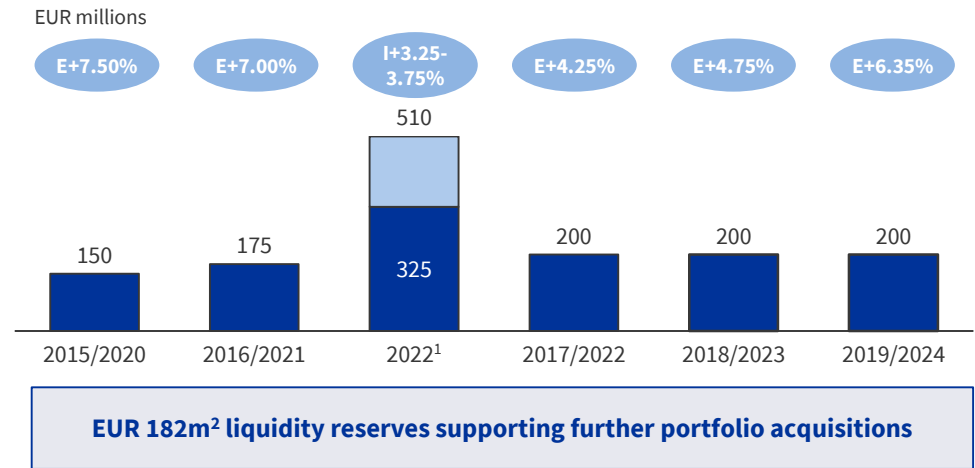
- The prudential backstop aim to ensure that banks set aside sufficient resources when new loans become non-performing and to create appropriate incentives to avoid the accumulation of NPLs.
- Its is expected that the backstop will motivate the banks to sell of NPLs more frequently, ensuring a more steady inflow of portfolios to the NPL market.

# Capital structure with prudent leveraging

## Status

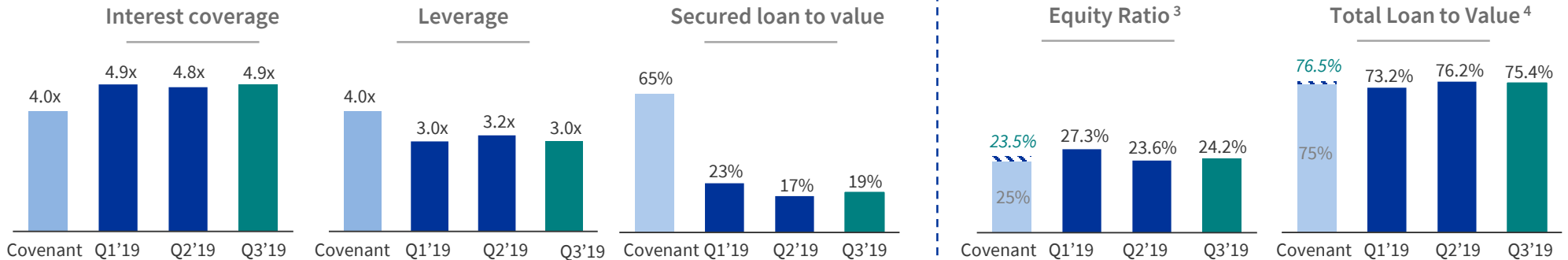
- Funding structure with sound leverage levels, significant financial flexibility and supporting liquidity reserves
- Leverage ratio down to 3.0x
  - Target to stabilize below 3.0x in 2020
- Positive development in the ratios covered by the waiver
- Public rating (Corporate Family Rating/Bond Issue)
  - S&P: BB-/BB-
  - Moody's: Ba3/B1

## Staggered maturity with ample liquidity headroom



### Bond Loan covenants

### RCF covenants



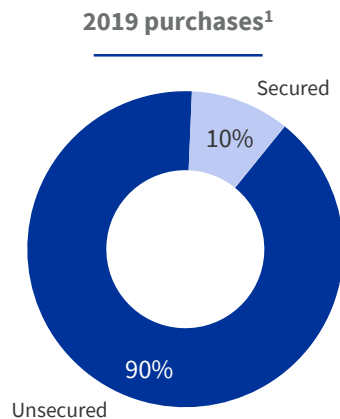
<sup>1</sup> Springing maturity from March 2021 when less than EUR 175m outstanding in Bond 1 and Bond 2 <sup>2</sup> As of 30 September 2019. Calculated as EUR 165m undrawn existing RCF plus EUR 20m undrawn overdraft plus EUR 32m cash on balance sheet less NOK 200m (EUR 20m) in cash reserves less deferred payment for portfolio purchases of EUR 15m. <sup>3</sup> Total Equity over Total Assets excluding book value of IFRS 16 right-of-use assets. <sup>4</sup> Net Debt adj. for Vendor Loan, Earn Out and FX Hedge MTM over Assets (Portfolio, JV, loan receivables, REO and goodwill)



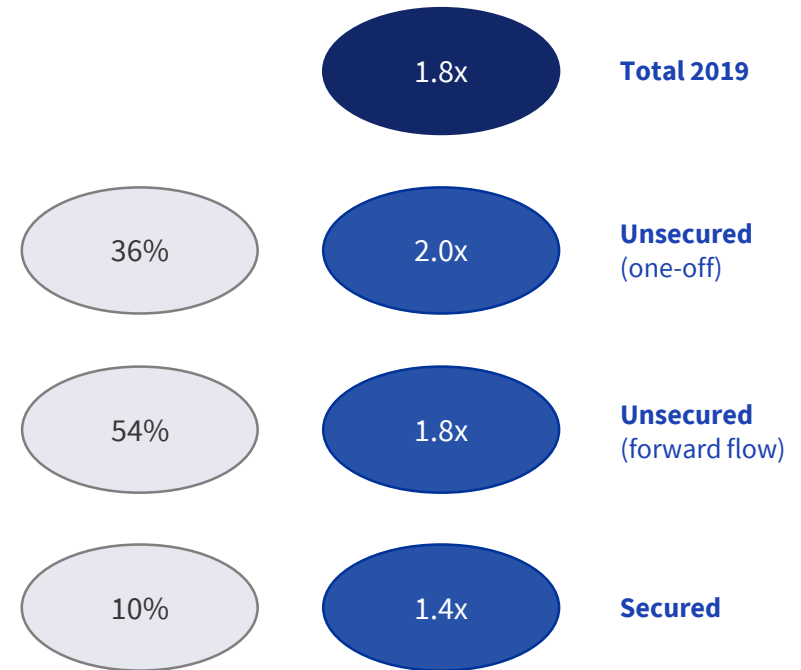
# Diverse portfolio mix – good returns regardless of money multiples

## Secured portfolios and forward flows provide lower cash multiples, but not lower returns

- Unsecured portfolios: good returns with high cash-on-cash multiples and long-term recoveries
- Forward flow transactions: good returns with steady and predictable investment, low transaction costs and low collection costs
- Secured portfolios: good returns with high volumes and front-loaded collection curves (fast repayment)



## Cash multiples depend on asset type



2019 purchase<sup>1</sup> %    Money Multiple    Asset type

1) YTD per Q3 2019. Excluding the Group's share of portfolio purchased and held in joint ventures

# Increasing share of forward flows

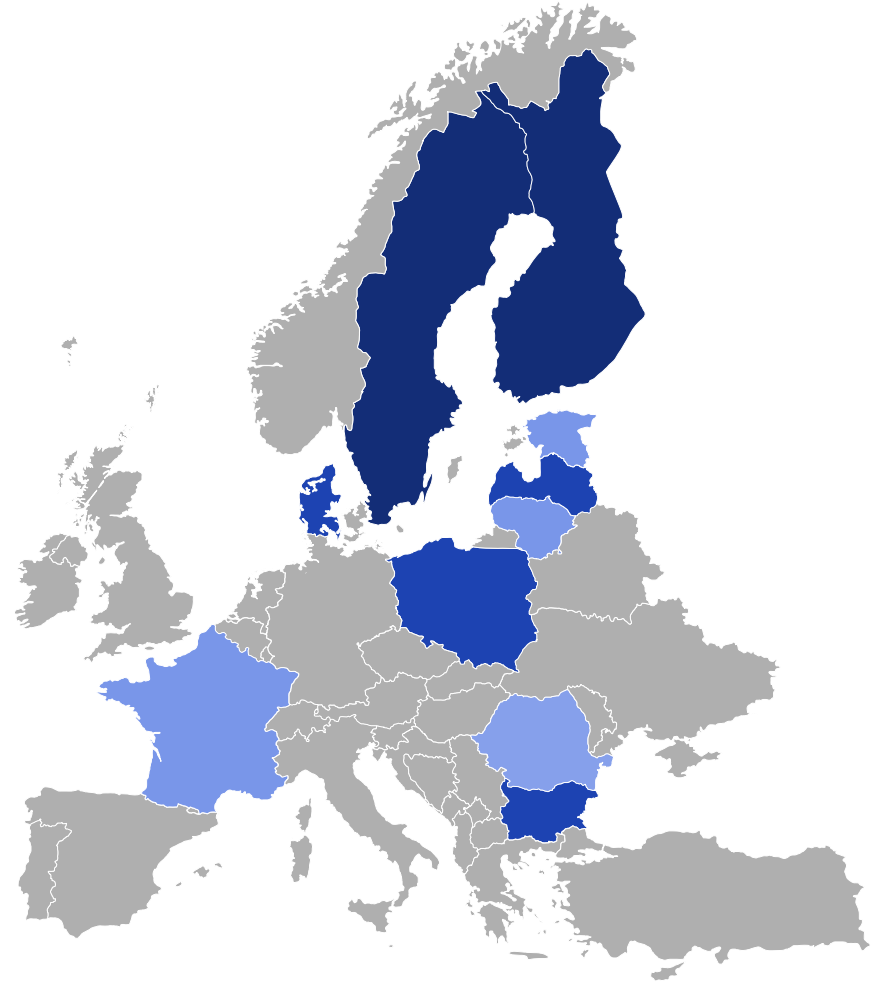
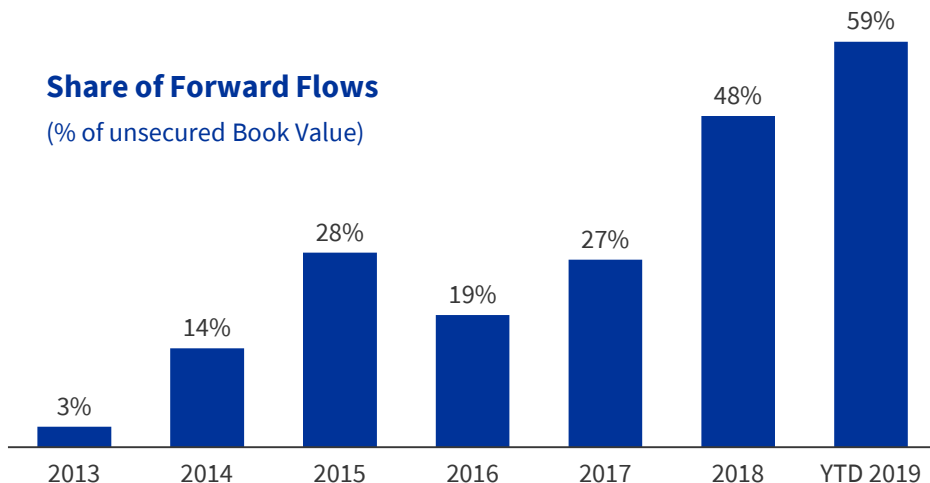
Profitable & stable collection profile

## Cost efficiency and stable long-term vendor relationships

- Stable flow of new NPLs and low-cost, low-risk cash flows
- Win-win:
  - Vendors sell NPLs early with minimal tender and migration costs
  - buyers have minimal transaction cost and on-boarding effort (repeatability / automation)
- Share of forward flows in mature markets at 50-70%
  - Increasing share of forward flow transactions across geographies

### Share of Forward Flows

(% of unsecured Book Value)



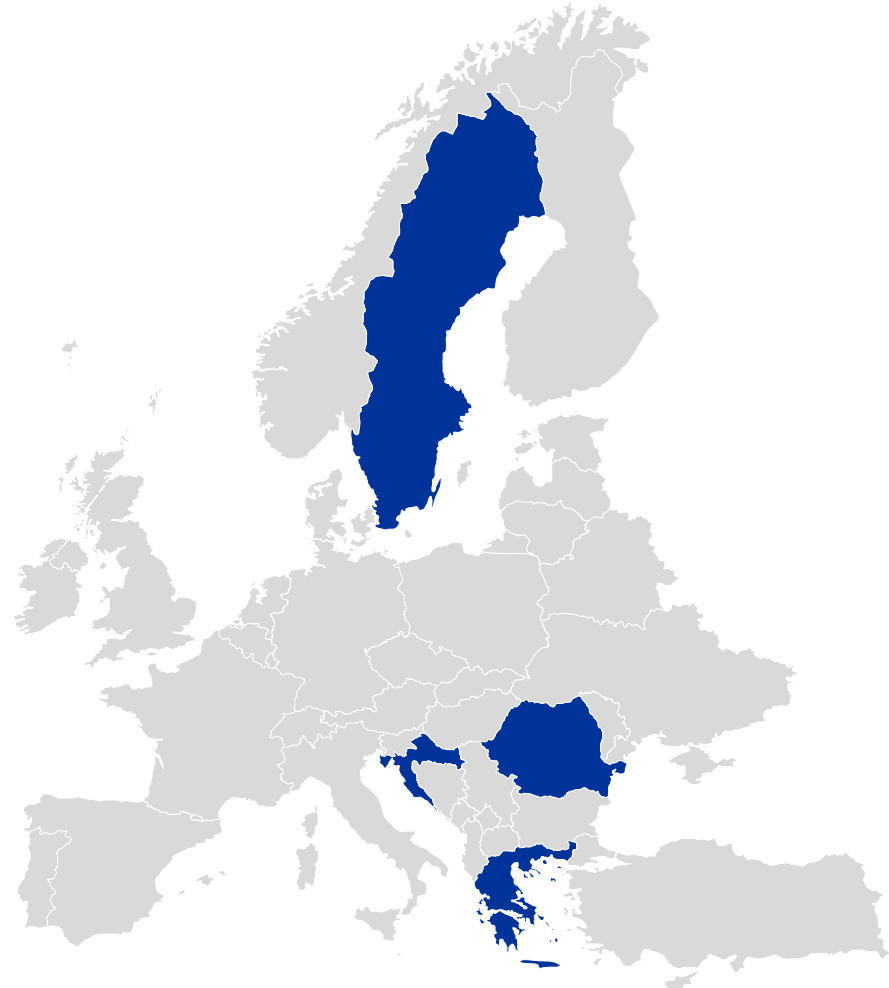
# Partnerships for large portfolios – higher capacity, lower risk

## B2Holding is actively pursuing joint ventures to gain access to a larger pipeline

As of today, the Group has co-investments on portfolios in Romania, Greece, Croatia and Sweden and further co-investments are under consideration.

The ability to transact with reputable investors creates a unique advantage for B2Holding:

1. **Flexible purchasing capacity** – ability to participate in large deals across many geographies with limited equity
2. **Improved returns** - opportunity to leverage servicing platforms by acting as servicer of portfolios for equity partners
3. **Lower risk** - ability to manage the risk vs return by adjusting own exposure depending on market WACC and desired overall allocation, regardless of transaction sizes



# Four main focus areas going forward

## 1 STRONGER FOCUS ON SECURED RECOVERIES

- Organizational changes within secured including additional specialized resources and stronger head office involvement and oversight

## 2 IMPROVE EFFICIENCY IN OPERATIONS

- Automation of manual processes, digitalization and standardization of platforms

## 3 INCREASE SERVICING REVENUES THROUGH FUNDS AND JVs MANAGEMENT

- Improved utilization of platforms by third party capital – considerable interest for new co-investment structures

## 4 FOCUS INVESTMENTS IN SELECTED GROWTH AREAS

- Concentrate investments by targeting selected markets/areas with growth potential and competitive advantage

**Q&A**



# Definitions

## ■ 120-month ERC

Estimated remaining collection, which expresses the gross cash collection in face value expected to be collected in the future over a 120-month period from the purchased portfolios owned at the reporting date. The 120-month ERC is a common measure in the debt purchasing industry; however it may be calculated differently by other companies and may not be comparable. These projections have been prepared for illustrative purposes only and may differ from the forecast we use to calculate the carrying value of our portfolio purchases as recognized in the Audited Financial Statements. We can provide no assurance that we will achieve such collections within the specified time period, or at all.

## ■ Actualisation

Actualisation is the difference between actual and forecasted collections for purchased loan portfolios for the reporting period.

## ■ Administration & management costs

Administration and management cost include Head Office and other Group costs such as Investment Office.

## ■ Amortisation

Amortisation is the reduction in the current value of the purchased loan portfolios during the period, which is attributable to collection taking place as planned.

## ■ Available investment capacity

Available investment capacity includes cash and short-term deposit (less NOK 200 million to cover working capital) plus unutilised bank overdraft, plus unutilised multi-currency revolving credit facility and less short-term vendor loans. Cash flow from future operations is not included in the number.

## ■ Cash EBITDA

Cash EBITDA consists of EBIT added back depreciation and amortisation of tangible and intangible assets and added back amortisation and revaluation of purchased loan portfolios. Cash EBITDA is a measure of actual performance from the collection business (cash business) and other business areas.

## ■ Cash EBITDA margin (cash margin)

Consists of cash EBITDA expressed as a percentage of cash revenue.

## ■ Cash revenue.

Cash revenue consists of “Total revenues” added back amortisation and revaluation of purchased loan portfolios. Cash revenue is a measure of actual revenues (cash business) from the collection business and other business areas. Cash revenue is an alternative performance measure used by the Company in order to reflect the performance of its purchased loan portfolios and external collection and consumer lending businesses. Cash revenue is an alternative performance measure frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the debt collection industry

## ■ Cost to collect.

All external and internal operating costs related to the Group’s collection business.

## ■ EBITDA

Operating profit before depreciation and amortisation (EBITDA) consists of operating profit (EBIT) adding back depreciation and amortisation of tangible and intangible assets.

## ■ EBITDA margin: EBITDA over total operating revenues.

## ■ ERC.

Estimated remaining collection (ERC) expresses the gross cash collection in nominal values expected to be collected in the future from the purchased loan portfolios owned at the reporting date and the Group’s share of gross cash collection on portfolios purchased and held in joint ventures. ERC includes ERR. The Total ERC is a common measure in the debt purchasing industry; however it may be calculated differently by other companies and may not be comparable.

## ■ ERR

Estimated remaining recoveries (ERR) expresses the gross cash collection in nominal values expected to be recovered in the future from the purchased secured loan portfolios owned at the reporting date and the Group’s share of gross cash collection on secured portfolio purchased and held in joint ventures.

# Definitions (cont'd)

## ■ **Forward flow agreements**

Forward flow agreements are agreements where the Group agrees with the portfolio provider that it will, over some period in fixed intervals, transfer its non-performing loans of a certain characteristics to the Group.

## ■ **Gross cash collection**

Gross cash collection is the actual cash collected from purchased portfolios before costs related to collect the cash received

## ■ **Interest income from purchased portfolios**

Interest income from purchased loan portfolios is the calculated amortised cost interest revenue from the purchased loan portfolios using the credit-adjusted effective interest rates set at initial acquisition.

## ■ **Interest Coverage**

The ratio of Cash EBITDA divided by net interest expenses

## ■ **Leverage ratio**

Net Interest-bearing debt over Cash EBITDA calculated for the last 12 months

## ■ **Net debt**

Net debt consist of nominal value of interest-bearing loans and borrowings plus utilised bank overdraft less cash and short-term deposits.

## ■ **Net credit gain/(loss) from purchased loan portfolios**

The Group's exposure to credit risk from the purchased loan portfolios is related to actual gross cash collection deviating from collection estimates and from changes in future cash collection estimates. The Group regularly evaluates the current collection estimates at the individual portfolio level and the estimate is adjusted if collection is determined to deviate from current estimate over time. The adjusted collection estimate is discounted by the initial rate of return at acquisition of the portfolio. Changes from current estimate adjust the book value of the portfolio and are included in the profit and loss statement in the line item "Net credit gain/(loss) from purchased loan portfolios". Cash collection above collection estimates and upward adjustments of future collection estimates increase revenue. Cash collection below collection estimates and downward adjustments of future collection estimates decrease revenue. Net credit gain/(loss) equals net actualisation/revaluation.

## ■ **Operating cash flow per share**

Operating cash flow per share is operating cash flow from consolidated statement of cash flows divided on the weighted average number of shares outstanding in the reporting period. Operating cash flow per share is a measure on actual cash earned from operating business per share.

## ■ **Other revenues**

Other revenues includes revenue from external collection, interest on loan receivables as well as subscription income for credit information, telemarketing and other services which is recognised proportionately over the term of the underlying service contract which is usually one year.

## ■ **Participation loan/notes**

Participation loan/notes consist of investment agreements with co-investors for the purchase of loan portfolios through SPVs. The contractual arrangement of the participation loan/notes is directly related to the performance of the portfolios purchased in the SPVs

## ■ **Portfolio purchases**

Portfolio purchases are the investments for the period in secured (with collateral) and unsecured (without collateral) loan portfolios.

## ■ **Profit margin**

Profit margin consists of operating profit (EBIT) expressed as a percentage of total operating revenues.

## ■ **Revaluation**

Revaluation is the period's increase or decrease in the current value of the purchased loan portfolios attributable to changes in forecasts of future collection.

## ■ **Secured Loan to Value Ratio**

Net interest-bearing debt of secured facilities plus any vendor loans less cash and short term deposits over Assets (portfolio, JV, loan receivables, REO and goodwill).

## ■ **Total Loan to Value (TLTV)**

Net debt adjusted for vendor loan, earn out and FX hedge MTM over Assets (portfolio, JV, loan receivables, REO and goodwill).



**B2 HOLDING®**  
*Making each other better*

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