

Q1 2016 presentation



Oslo, 9 May 2016

B2 Holding current status

Highlights for the first quarter

- B2Holding has established itself as one of the leading players in the markets where the Group operates
- Important events
 - The bond was listed on 3 March
 - High portfolio purchases in Q1 with a total of NOK 448m invested
- Organisational developments
 - **Acquisition of Debt Collection Agency (DCA), one of the two leading players in Bulgaria and with operations in Romania**
 - Established a new office in Prague
 - Hired key personnel for analysis of secured assets, and established work-out teams
 - Implemented organisational efficiency measures
- Q1 typically a seasonally soft quarter – continuing growth, but results affected by regulatory changes and start-up of collections on secured portfolios
 - In Poland and Romania, changes in the legal system have caused some delay in payments. We expect this to have a temporarily effect on the revenues
 - Some revenue actualisation in Balkans related to secured portfolios, as collections are somewhat delayed relative to estimated collection curves
 - Continued positive development in Finland and Sweden

B2H has acquired Debt Collection Agency AD (“DCA”)



Headquarter	Sofia, Bulgaria
Type	Retail unsecured
Presence	Bulgaria + Romania
Employees	159 (134 + 25)
ERC	EUR 40m
Face value	EUR 180m



Population	7.3m	20m
GDP	EUR 42bn	EUR 151bn
GDP growth	1.7%	2.9%
Bank assets	EUR 44bn	EUR 90bn
Bank loans	EUR 28bn	EUR 48bn
NPL ratio	17%	14%

Highlights

- Debt Collection Agency AD is a company specialised in acquiring and collecting non-performing loans in Bulgaria and Romania
- Licensed by National Bank of Bulgaria, focusing mainly on consumer unsecured debt
 - Approx. 75% of acquired portfolios are consumer fast loans
 - Framework agreements with three of the largest fast loan providers in Bulgaria
 - Face Value of portfolios approx. EUR 180 million, ERC of approx. EUR 40 million
- Number 2 player in Bulgaria after EOS
- Established fully owned subsidiary in Romania in 2013 (accounts for approx. 32% of collections)
- The company had collection revenues of EUR 5.9 million and a net profit of EUR 1.9 million
- Transaction structured through a mix of cash, earn-out and bonus
 - Structure similar to previous, successful, acquisitions (OK Perinta, Ultimo and Creditreform)

Through the acquisition of DCA, B2Holding will even further strengthen its position as one of the leading players in the Balkans. We see DCA as an excellent platform for further growth in the region.

Two new platforms: Bulgaria and Romania added through the acquisition of DCA – B2H is progressing according to the strategy



Pre acquisition of DCA

Post acquisition of DCA

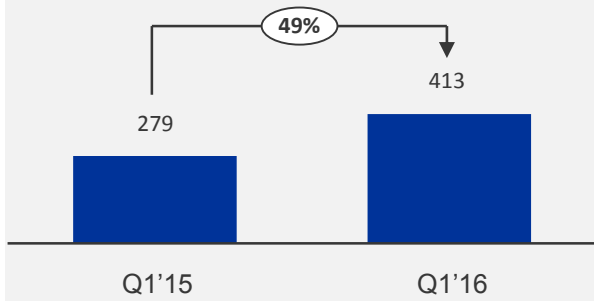
Platforms	10	12
Countries with portfolios	14	15
Employees	1,331	1,490
ERC (NOKm)	6,822	7,195

*EUR 40m, EUR / NOK 9.33

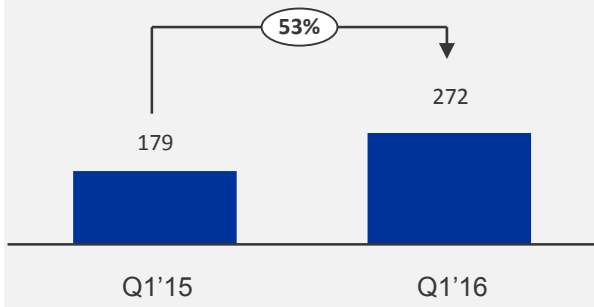
Financial highlights as of Q1'16

Increasing collections and Cash EBITDA

Cash collection (NOK)

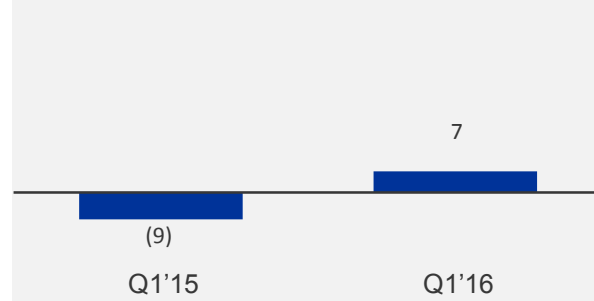


Cash EBITDA (NOK)²

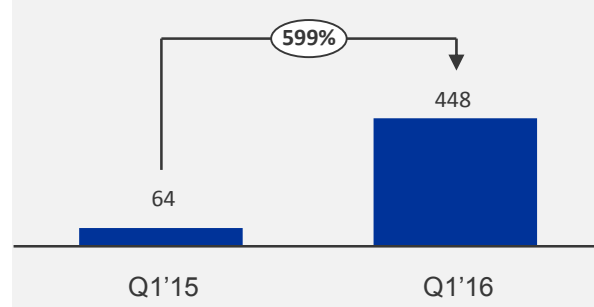


Increasing profits and acquisition activity

Adjusted net profit (NOK)¹



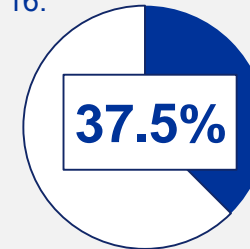
Portfolio acquisitions



Solid balance sheet and return on capital

Equity ratio

Q1'16:



2015: 35.5%

Adjusted ROE¹

Q1 '16 LTM:

19.0%

2015: 18.2%

Available liquidity (NOK)³

Q1'16:

NOK 1.3 billion

1) Adjusted for extraordinary items. ROE based on average equity LTM

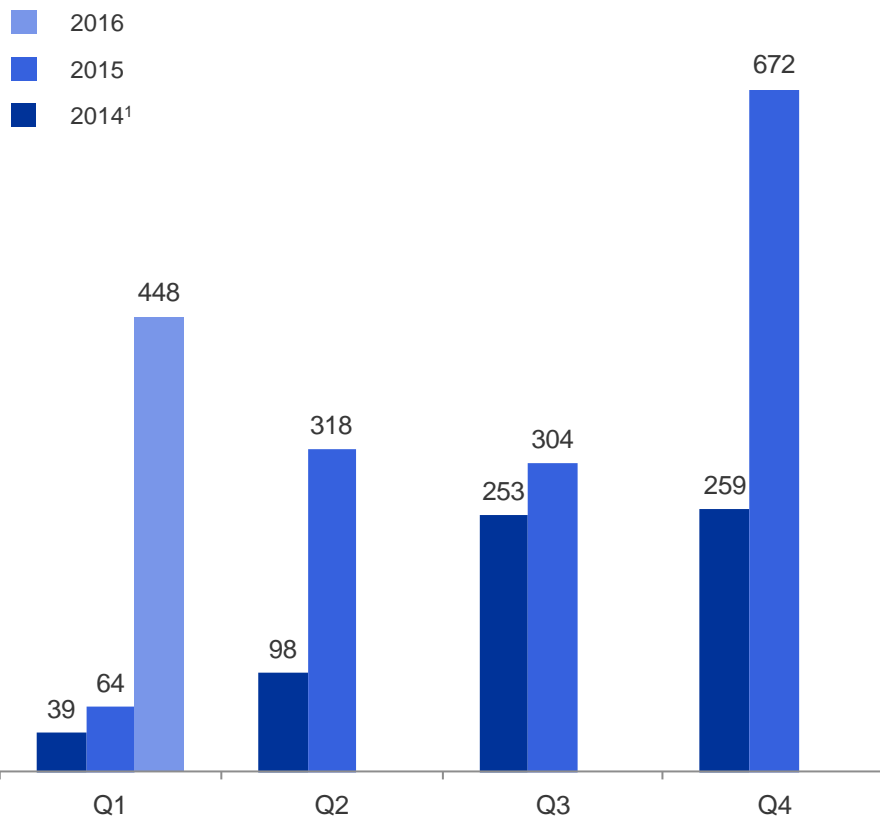
2) Cash EBITDA defined as operating EBITDA plus portfolio amortisation

3) Excess cash (cash above minimum cash position of NOK 300m) plus undrawn amount on the revolving credit facility

Strong acquisition activity in the first quarter

Portfolio purchases

NOK million

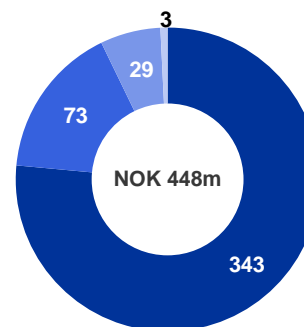


Comments

- Activities in connection with portfolio acquisitions were high even if adjusting for some portfolios that were acquired before year end, but where closing took place in 2016
- Poland represented 76% of new portfolio purchases
- The company did not acquire any secured portfolios during the quarter

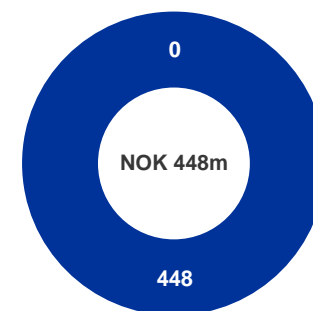
Key details portfolio purchases

Geography distribution



- Poland
- Rest of Nordics
- Finland & Estonia
- Baltics

Distribution by type

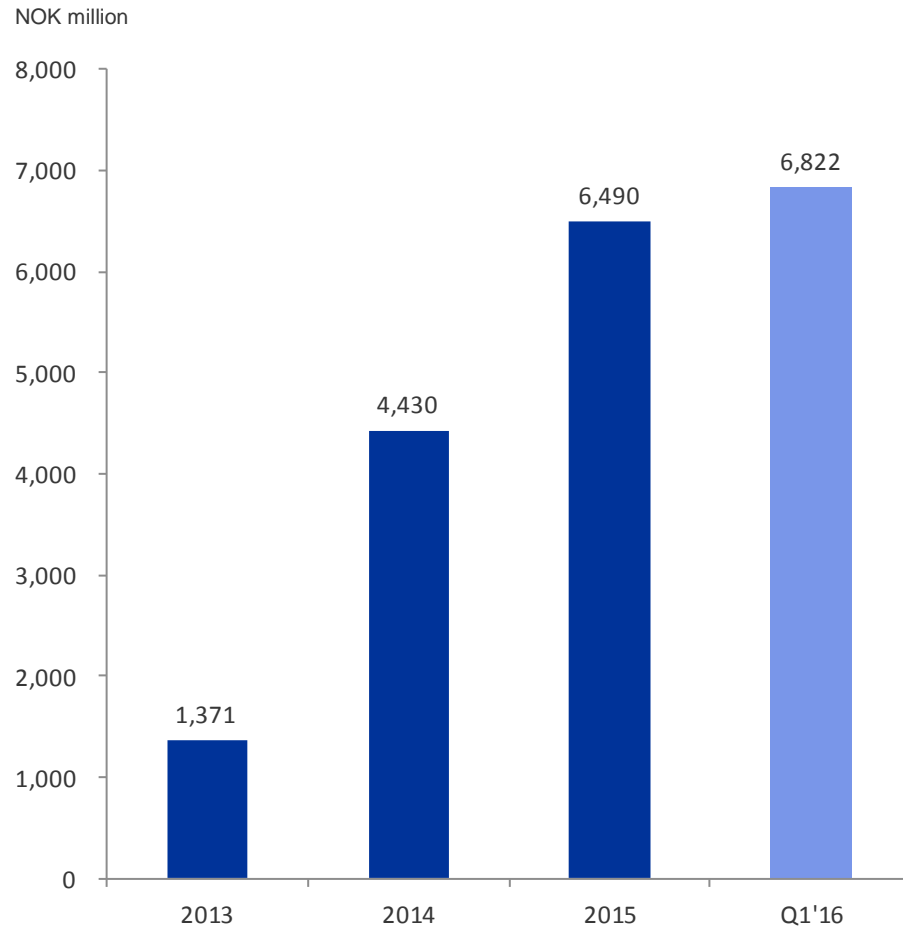


- Unsecured
- Secured

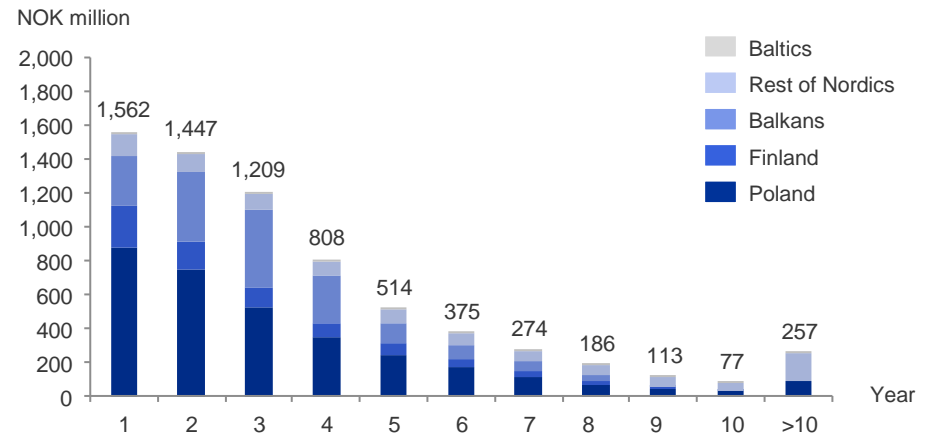
1) Pro forma including Ultimo

Diversified debt portfolio with Poland as largest contributor

Development in Gross ERC



Gross ERC split by estimated collection time



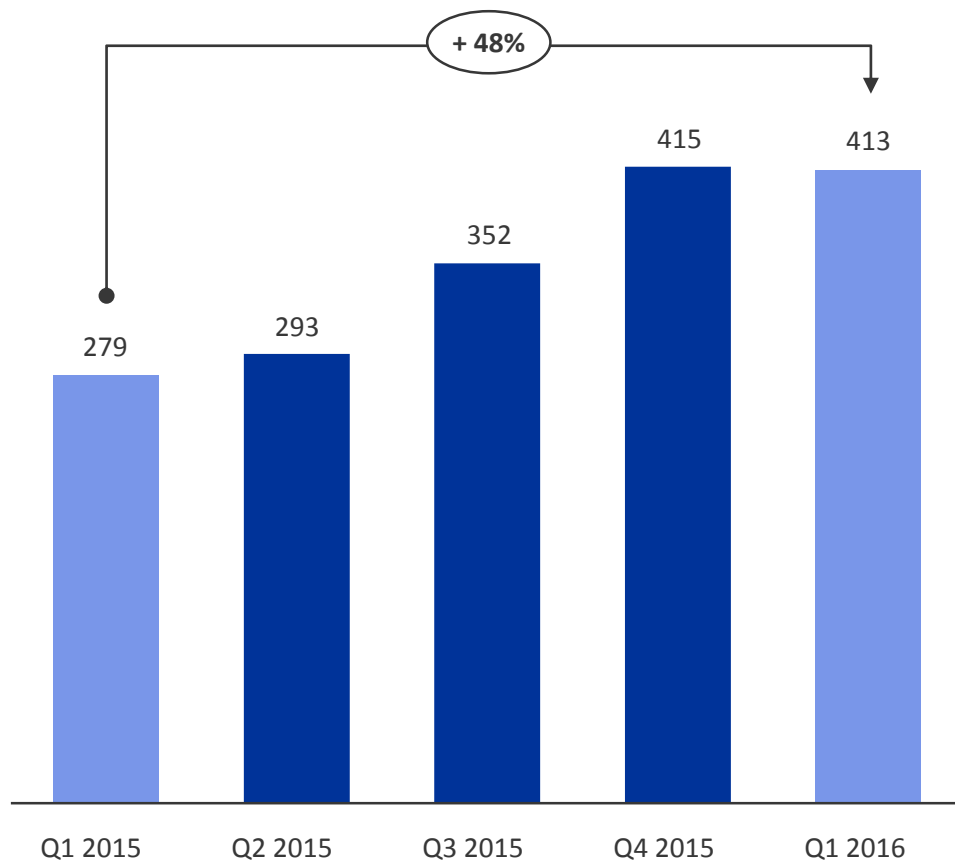
Gross ERC split by estimated collection time table

Region	Year											120m ERC	Total ERC
	1	2	3	4	5	6	7	8	9	10			
Poland	881	745	524	346	248	171	110	62	41	31	3,158	3,242	
Finland & Estonia	244	167	122	88	67	51	39	31	14	1	824	824	
Balkans	294	414	457	280	113	75	54	30	4	0	1,723	1,723	
Rest of Nordics	124	108	97	87	80	74	68	61	53	43	794	959	
Baltics	19	13	9	7	5	4	3	2	2	1	66	73	
Total	1,562	1,447	1,209	808	514	375	274	186	113	77	6,564	6,822	

Strong growth in both total operating revenues and gross cash collection

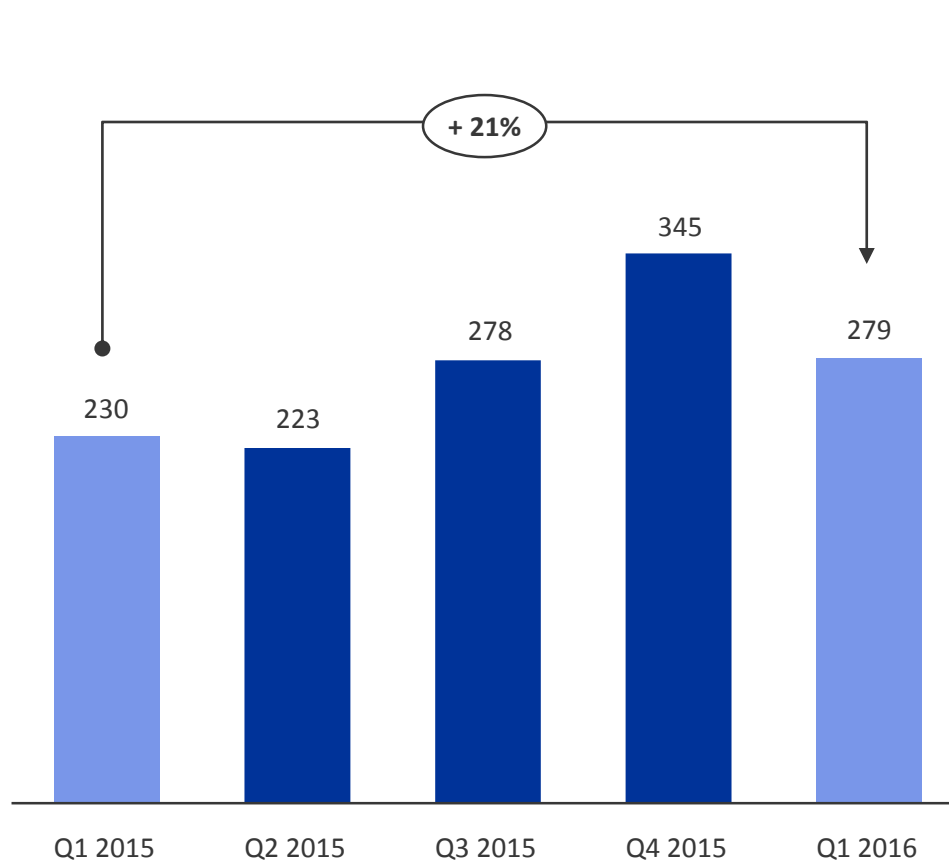
Gross cash collection

NOK million



Net operating revenue

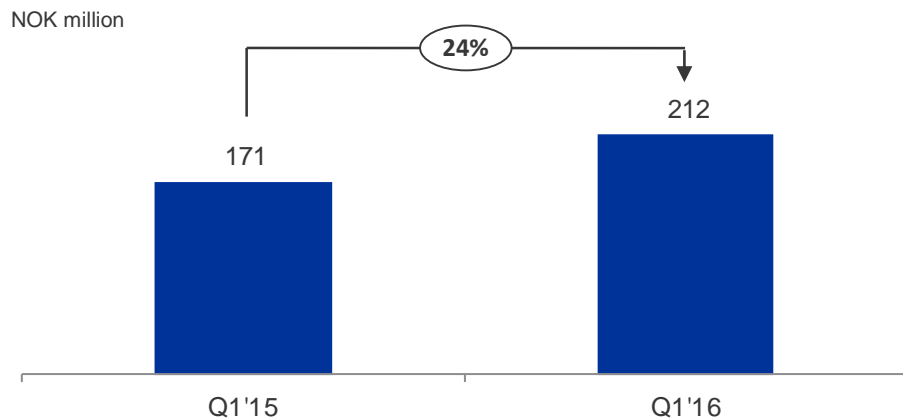
NOK million



Segment financials – Poland and Romania



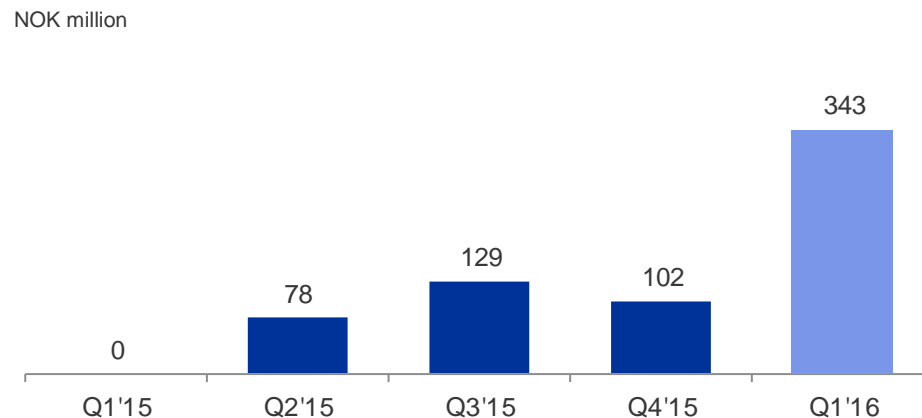
Gross cash collection



Key financials

NOKm	Q1'15	Q1'16	% growth
Interest income on purchased loans	131	129	(1.6%)
Cash EBIT	99	123	24.3%
EBIT	59	40	(32.7%)
Changes in portfolio cash flow estimates	0	-10	
Carrying value of loans	1,197	1,634	36.6%

Purchased loan portfolios



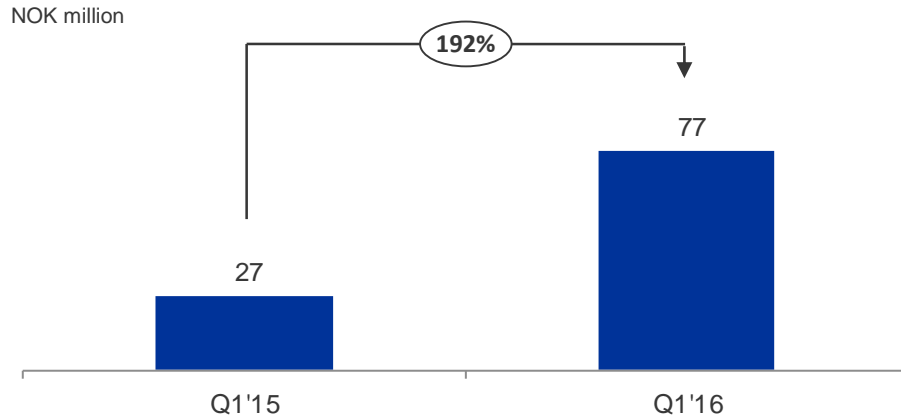
Comments

- Introduction of legislation in 2015 in Poland has affected the operations of the bailiff system, and created a temporary adjustment period with lower efficiency in legal collections
- The company sees gradual improvements in the system, and expects collection efficiency to recover over time
- Growth in the supply of NPLs in the market expected to continue
- Introduction of legislation in Romania also affected the future outlook for collection costs and efficiency. Incorporation of new collection assumptions yielded NOK ~9m in portfolio revaluation

Segment financials – Balkans



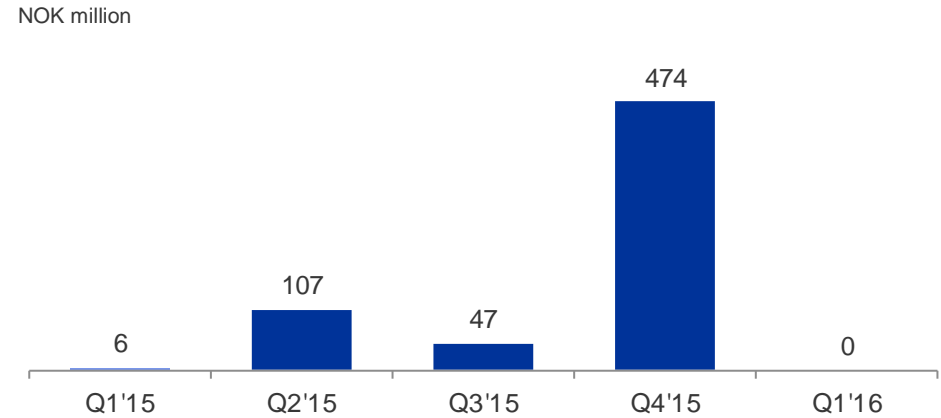
Gross cash collection



Key financials

NOKm	Q1'15	Q1'16	% growth
Interest income on purchased loans	21	51	136.8%
Cash EBIT	20	55	177.4%
EBIT	15	28	92.8%
Changes in portfolio cash flow estimates	0	-4	
Carrying value of loans	178	830	366.9%

Purchased loan portfolios



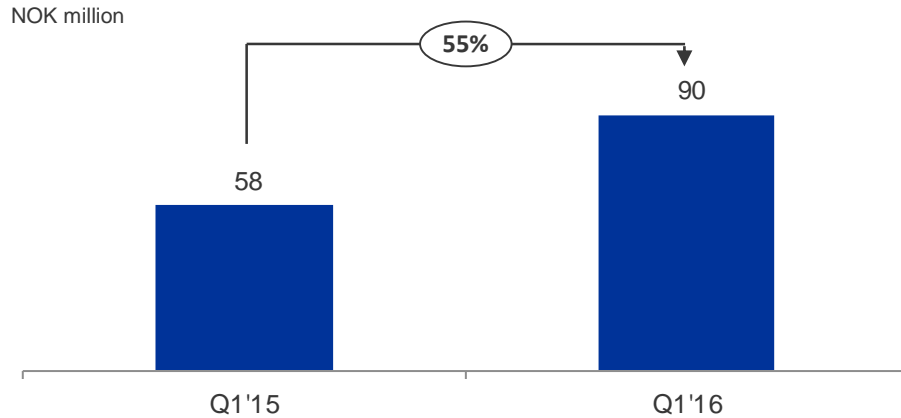
Comments

- Revenue actualisation due to delayed collections relative to the assumed collection curves related to secured portfolios had a negative effect of NOK ~30m on net operating revenues
- Strong growth in gross cash collection with y-o-y growth of 192%

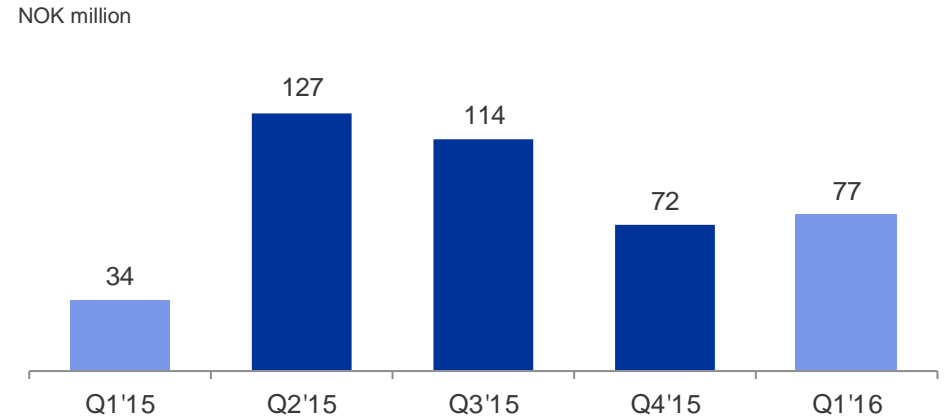
Segment financials – Finland and the Baltics



Gross cash collection



Purchased loan portfolios



Key financials

NOKm	Q1'15	Q1'16	% growth
Interest income on purchased loans	28	47	70.6%
Cash EBIT	46	72	55.2%
EBIT	16	29	84.1%
Changes in portfolio cash flow estimates	0	-1	
Carrying value of loans	224	462	105.9%

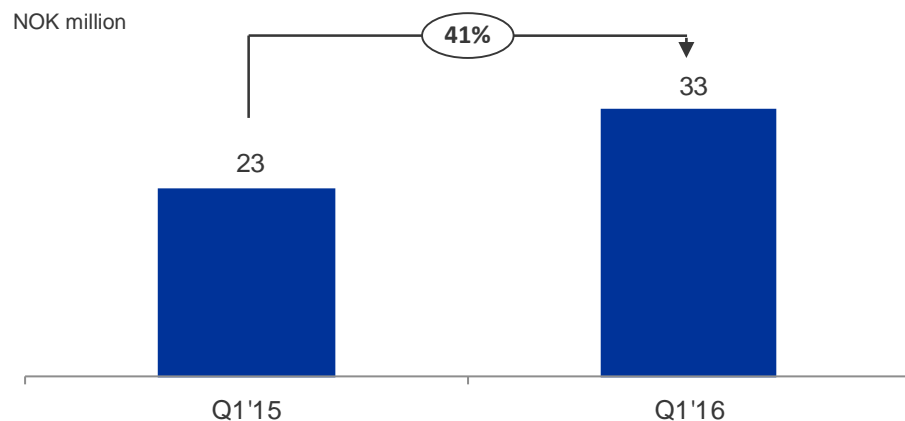
Comments

- Portfolio purchases increased significantly compared to Q1'15; 122% y-o-y
- Solid volumes from forward flow agreements
- Continued strong growth in all key metrics; both gross cash collection's and cash EBIT increased by 55% y-o-y

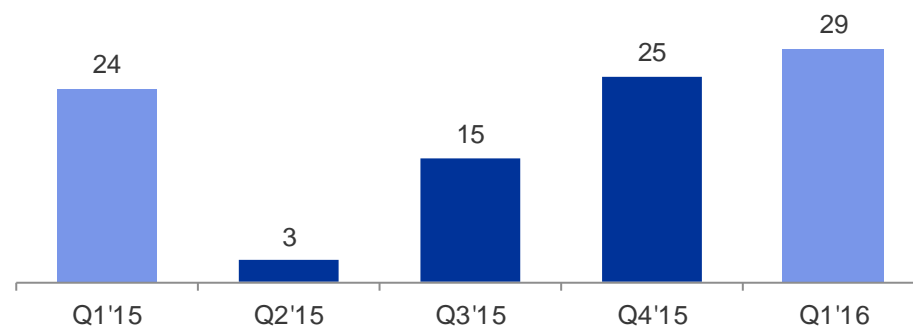
Segment financials – Rest of the Nordics



Gross cash collection



Purchased loan portfolios



Key financials

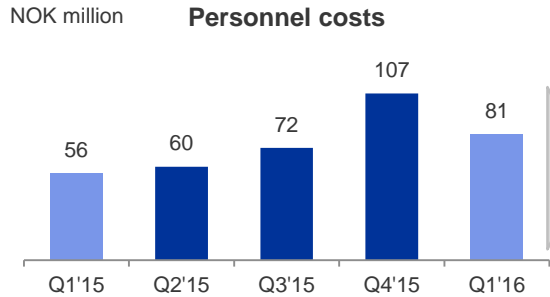
NOKm	Q1'15	Q1'16	% growth
Interest income on purchased loans	16	23	41.9%
Cash EBIT	17	23	37.9%
EBIT	10	13	36.1%
Changes in portfolio cash flow estimates	0	-1	
Carrying value of loans	385	453	17.7%

Comments

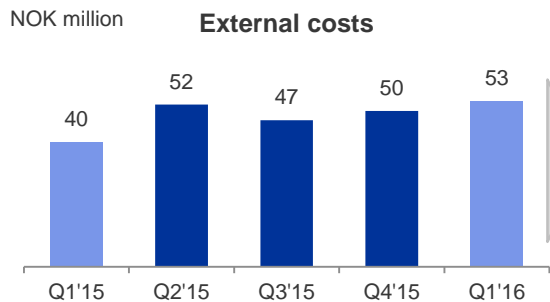
- Portfolio purchases increased 21% y-o-y with most being on forward flow agreements
- Gross cash collection increased 41% y-o-y and cash EBIT with 38%

Operating cost development reflecting a company in growth

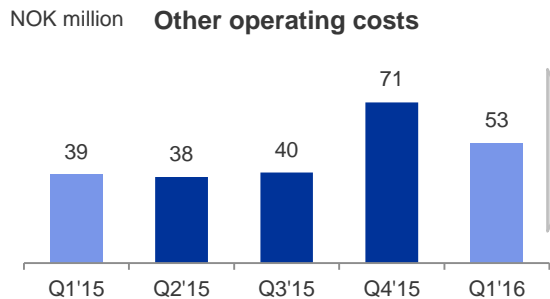
Total operational costs per quarter



Even though the number of employees increased from 961 (measured in FTEs) at the beginning of the quarter to 1,186 at the end costs declined. This is because Q4'15 included non recurring-items related to transaction bonuses



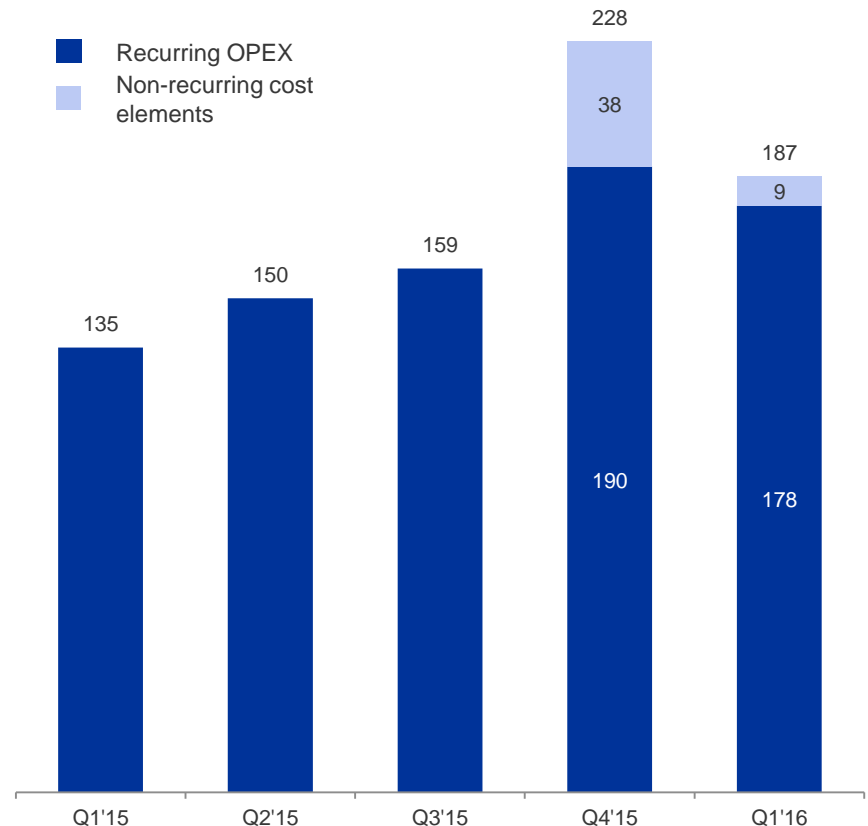
Stable development in external costs even though the company's collections grew substantially



Other operating expenses in Q1'16 adjusted for NOK 9m in advisory costs and expenses related to the IPO, were back to "normal" levels. Q4'15 included non-recurring items related to the debt refinancing and bond issue

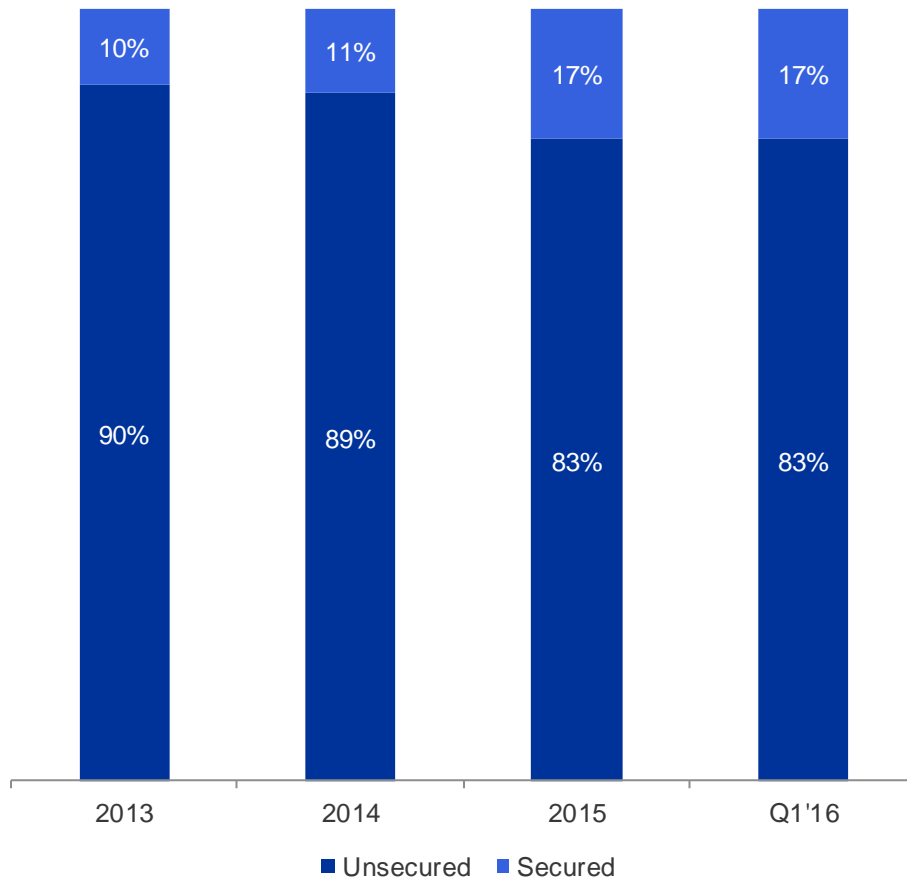
Operational costs split

The company continues its strong growth and accordingly ramps up its organisational capabilities to support this expansion

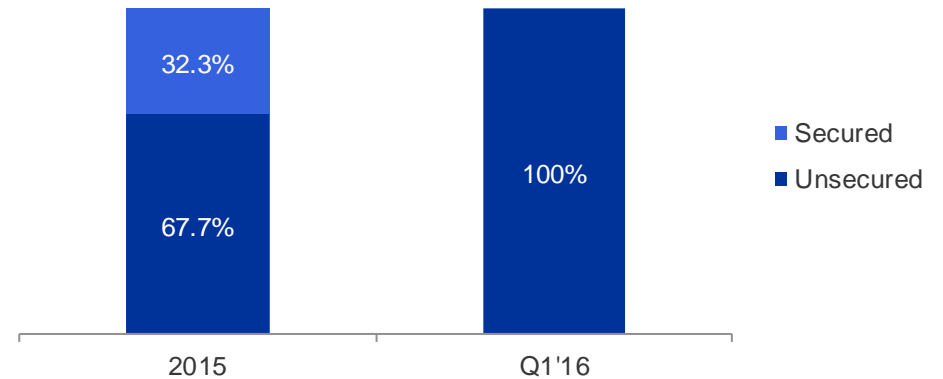


Portfolio and acquisition composition

Portfolio distribution by type¹



Acquisitions by type (measured by face value)



Comments

- Due to the Group's current scale and the maturity of the markets in which it operates in, the Group expects to continue to increase (although it acquired none in Q1'16) the share of secured portfolios it acquires relative to unsecured portfolios
- Given that the characteristics of portfolios of secured debt are more complicated than unsecured debt, the number of competitors are typically lower and the portfolios have, in general, had higher IRRs

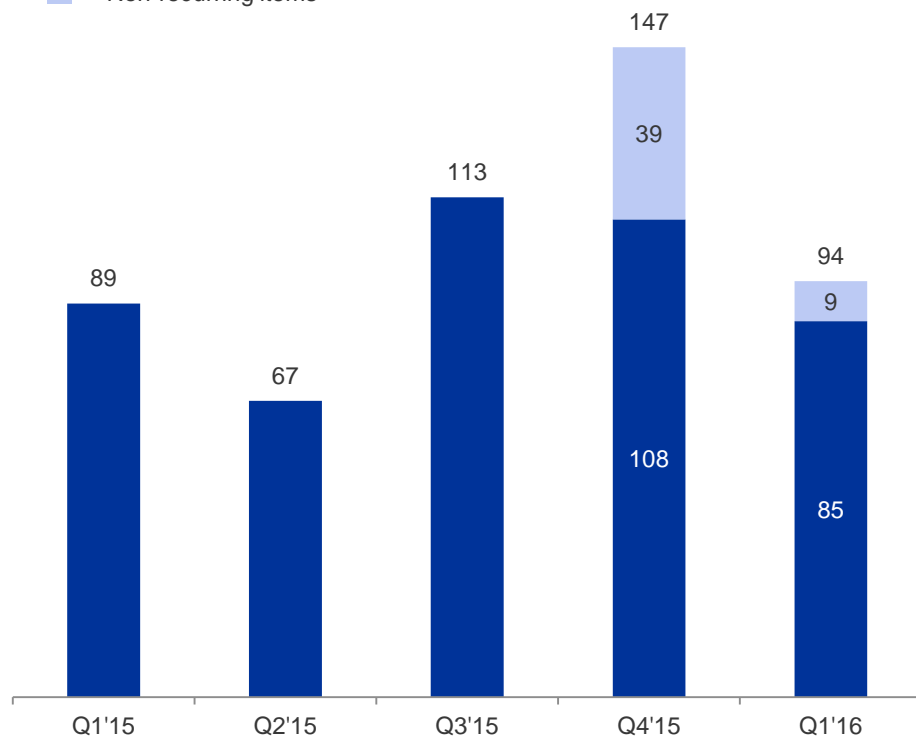
1) 2013 and 2014 extrapolated based on portfolios per 31/12/2015

Strong top-line growth and disciplined cost control, even in a rapid expansion phase which has significant one-off costs, have increased profitability

Operating profit

NOK million

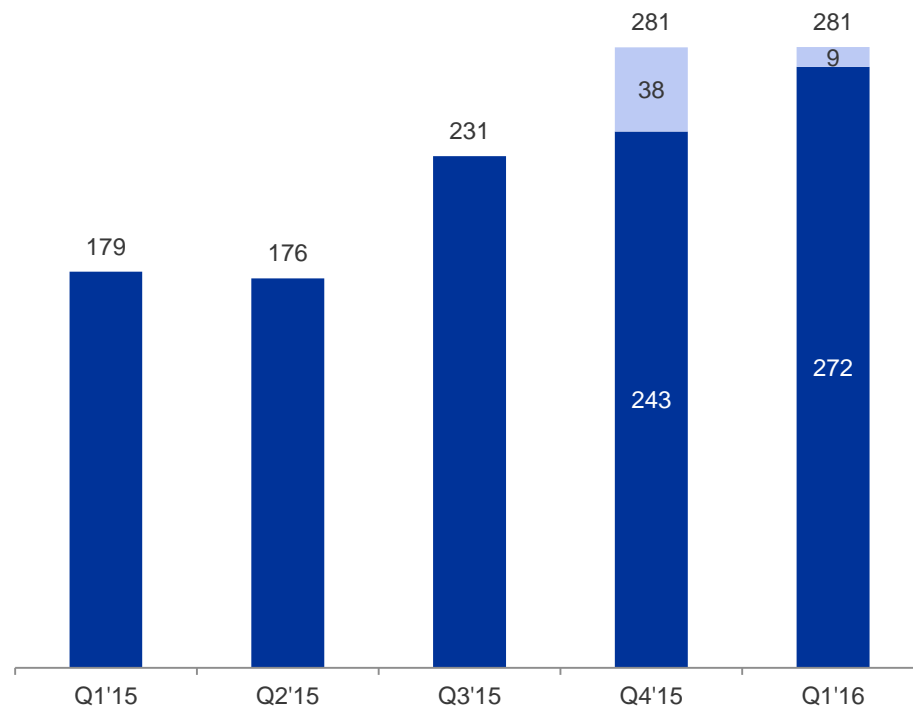
- As reported
- Non-recurring items



Cash EBITDA

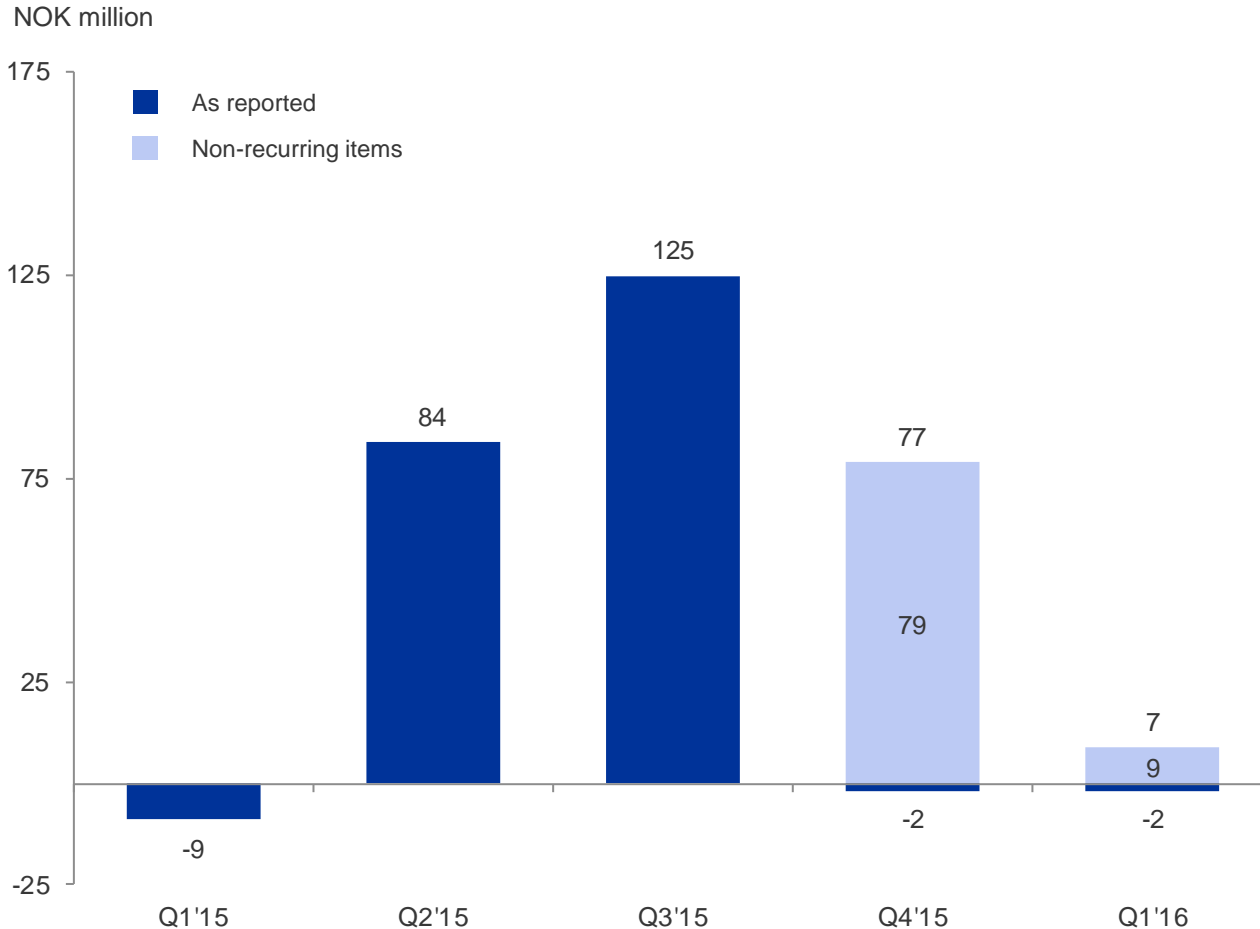
NOK million

- As reported
- Non-recurring items



Reported and adjusted net profit

Net profit and non-recurring items



Comments

Q1'16 comments

- Non-recurring operational expenses related to advisory costs and expenses related to the IPO of NOK 9m (net of tax)
- The company also had changes in the collection curves related to secured portfolios which had a negative effect of NOK ~30m on net operating revenue

Q4'15 comments

- Non-recurring operational expenses related to transaction bonuses, advisory costs and expenses related to the refinancing and bond issue of NOK 34m (net of tax).
- Non-recurring financial expenses related to contingent considerations to former owners of acquired subsidiaries amounted to NOK 45m in 2015
 - Increased earn-out payments due to strong performance in acquired companies

Financial highlights: Income statement

Income statement

NOKm	2014 inc. Ultimo	2015 unaudited	Q1'15	Q1'16
Interest income on purchased loan portfolios ¹	732	915	196	233
Revenue from external collection	91	104	25	24
Other operating revenues	23	57	9	22
Net operating revenues	846	1,076	230	279
Excess cash from collection over income ²	242	424	84	182
Total cash revenue	1,088	1,500	314	461
External costs of services provided	-183	-189	-40	-53
Personnel costs	-205	-294	-56	-81
Other operating expenses	-191	-188	-39	-53
Cash EBITDA	507	829	179	274
EBITDA	265	405	96	92
Depreciation and amortization	-16	-28	-6	-7
EBIT	249	377	89	85
Net financials	-119	-134	-86	-79
Tax	-24	-45	-12	-8
Net profit	106	198	-9	-2
Non-recurring items (net of tax)	49	79	0	9
Adjusted net profit	154	277	-9	7

Comments

- Strong operational performance in Q1, with Cash EBITDA growing 53% on a y-on-y basis
- NOK 9m (net of tax) in non-recurring items in advisory costs and expenses related to the IPO
- Changes in the collection curves related to secured portfolios had a negative effect of NOK ~30m on net operating revenues
- The company also had NOK 28m in negative net realized and unrealised currency effects

1) Interest income including change in portfolio cash flow estimates, explained by permanent deviations to initial NPV of non-performing loan portfolio

2) Actual cash collection less interest income on purchased loan portfolios – equal to portfolio amortisation

Financial highlights: Balance sheet

Balance sheet

NOKm	Q1'15 unaudited	2015 unaudited	Q1'16 unaudited
Tangible and intangible assets	404	418	404
Other long term financial assets	2	2	2
Non-performing loans portfolio	1,984	3,168	3,379
Loan receivables & other financial assets	188	286	297
Total long term financial assets	2,174	3,455	3,678
Other short term assets	51	70	95
Cash & short term deposits	290	765	273
Total current assets	341	835	368
Total assets	2,920	4,708	4,450
Total equity	1,422	1,672	1,667
Long term interest bearing loans & borrowings	1,016	2,526	2,471
Other long term liabilities	65	91	87
Total long term liabilities	1,080	2,617	2,558
Short term interest bearing loans	158	0	0
Other short term liabilities	259	419	225
Total short term liabilities	417	419	225
Total equity and liabilities	2,920	4,708	4,450

Comments

- Strong growth in NPL and loan receivables with a 69% increase y-o-y
- Net debt of ~NOK 2.2bn and available liquidity (including excess cash above NOK 300m and undrawn amount under the RCF) of approximately NOK 1.35bn
- Equity ratio of 37.5% (37.7% adjusted for excess cash)

Financial highlights: cash flow

Consolidated cash flow

Cash Flow Statement (NOKm)	2014	2015	Q1'15	Q1'16
Cash EBITDA	333	829	179	272
Interest expenses paid	-33	-91	-18	-47
Working capital and FX revaluation	-104	-145	16	-58
Income tax paid during the period	-11	-27	-8	-6
Other adjustments	24	24	-67	-26
Cash flow from operation	210	591	102	135
Cash flow from investing activities				
Portfolio Investments	-527	-1,358	-64	-448
Acquisition of subsidiary	-606	0	0	0
Other	-23	-29	-17	-164
Net cash flow from investing activities	-1,155	-1,388	-81	-612
Cash flow from financing				
Net proceeds from new share issues	1,004	17	16	1
Change in interest bearing debt	121	1,216	-40	0
Other	-17	0	0	0
Net cash flow from financing	1,108	1,233	-23	1
Net cash flow in the period	163	436	-3	-476
Opening cash and cash equivalents	118	294	294	765
Exchange rate difference on currency conversion	14	34	-1	-16
Closing cash and cash equivalents	294	765	290	273

Comments

- Solid growth in Cash EBITDA; 52% y-o-y
- Portfolio investments in the quarter equalled NOK 448m vs NOK 64m in Q1'15
- The portfolio investments were funded by the excess cash (the company aims at holding EUR ~30m at all times to be able to fast react to new opportunities) on the balance sheet at year end
- “Other” in the cash flow from investing activities segment is mainly related to payments of earn-out bonuses from previous acquisitions

Financial targets

Portfolio acquisitions

- Year-to-date 2016, B2Holding has acquired portfolios at a pace well above historical levels for comparable periods, and has a strong pipeline of opportunities being evaluated
- The company expects to acquire portfolios over the next years with a target to reach an equity ratio down towards ~30% by year-end 2017

Geographic and platform expansion

- The company is actively evaluating additional platforms, both to strengthen existing geographies and for possible entry into new markets
- The company's strategy to gain local presence before acquiring substantial portfolios remains firm

ROE target

- The company targets a return on equity (ROE) above 20%

Dividend policy

- As the company foresees significant opportunities in the near to medium-term, the company aims to distribute 20-30% of net profits as dividend to shareholders, starting at the low end for 2016 (to be paid in 2017)
- The strong cash generation capacity of the business supports a significantly higher long-term pay-out ratio target, and potential distribution through both dividends and share buybacks

Outlook

Highlights

- B2Holding's strategy going forward remains unchanged: Our focus is to further strengthen our position as one of the leading Pan-European players in the NPL industry

- We see a continuous push from the national banks and the ECB for banks to continue to deleverage and clean up their balance sheets
 - As a result, the volume of portfolios offered for sale, is increasing in several of the regions where we operate

- B2Holding will continue to expand geographically, but focus going forward will also be to streamline existing operations

- B2Holding will be looking to expand its investment capacity through the planned IPO in Q2 2016, but also through debt financing
 - NOK 500-1,000m in new equity
 - First day of trading expected to be Friday 3 June 2016

- EGM 19 May 08:30 at Bristol

B2 HOLDING®

Making each other better

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