

# Q1

First quarter 2021



**B2**HOLDING®

# Highlights Q1 2021

## Operations

- Strong cash generation after portfolio investments and interest coverage
- Strong momentum in secured recoveries
- The organization has fully adapted to a new working environment

## Effectiveness & efficiency

- Solid unsecured collections, main markets continue to outperform forecasts
- Strong quarter for secured recoveries both in cash and in successful repossessions
- Continued cost focus delivered further savings

## Investments

- Modest portfolio investments with focus on price discipline
- Anticipating significant amount of NPL volumes coming to the market later in 2021 and in 2022

## Capital & funding

- Lower cost of funding following bond buybacks and repayment of bond 1 (B2Ho1)
- Increased covenant headroom and significant available investment capacity

## Key figures Q1 2021 (NOKm)

Total revenues

**782**

(775)

Gross Collections<sup>1)</sup>

**1,494**

(1,433)

Cash EBITDA<sup>2)</sup>

**1,014**

(881)

Net profit

**130**

(24)

Portfolio purchases

**192**

(491)

Leverage ratio

**2.62x**

(3.04x)

# Business update



## Market update

- Q1 2021 has seen continued low transaction activity, largely as a result of government schemes such as payment holidays and loan moratoria.
- Caps on interest rates introduced in several markets in 2020 caused temporary reductions in consumer lending and respective NPL volumes. These limits are expected to expire in Q3/Q4 2021.



## Market outlook

- According to the European Banking Authorities, credit risk on bank loans across Europe has risen significantly in Q4 2020
- Loans under moratoria or public guarantee schemes stood at EUR 660bn at the end of 2020
- Significant rise in NPLs expected when moratoria and public guarantee schemes expire
- The Group expects the NPL activity to pick up significantly late in 2021 and in 2022





# Committed to ESG

## Highlights

- Reviewed materiality analysis for 2020
- Annual report 2020 included the first sustainability report based on GRI standards
- Initiated solicited ESG rating process
- UN Global Compact participant from February 2021
- ESG Strategy for the next 3 years (2021-24) to be approved by the Board

## Prioritized Sustainable Development Goals (SDGs)



## 6 ESG strategic lines



## Core priorities going forward



### Operations

- Build on the positive development within secured recoveries and REO management
- Continue to deliver on our strategy within unsecured where our target is to increase efficiency even further



### Investments

- Further strengthen our balance sheet to position ourselves for expected NPL volumes
- Continued focus on JV and co-investment structures to further optimize the risk exposure and diversify revenues



### ESG

- Approve and implement the Group ESG Strategy
- Focus activities around the 6 strategic lines of action identified as key to achieve success on our sustainable development

# Financial performance





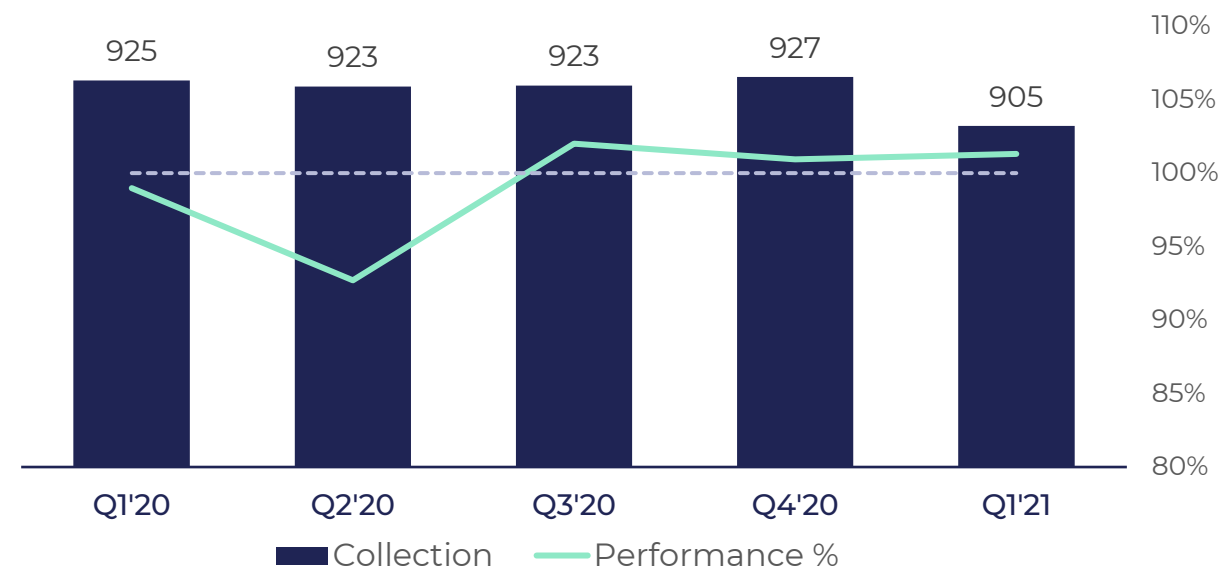
## First quarter 2021 summary

NOKm	2021 Q1	2020 Q1	% Change	2020 Full year
Total revenues	782	775	1 %	3,174
Operating profit (EBIT)	330	255	30 %	1,224
EBIT %	42 %	33 %	9 pp	39 %
<b>Profit after tax</b>	<b>130</b>	<b>24</b>	<b>431 %</b>	<b>309</b>
Cash revenue	1 424	1 364	4 %	5 403
Cash EBITDA	1 014	881	15 %	3 646
<b>Cash margin</b>	<b>71 %</b>	<b>65 %</b>	<b>7 pp</b>	<b>67 %</b>
Cost to collect %	18.3 %	22.9 %	-4,6 pp	20.9 %
<i>Basic earnings per share, NOK</i>	0.32	0.06		0.75
<b>Return on equity</b>	<b>8.8 %</b>	<b>0.6 %</b>	<b>8.3 pp</b>	<b>6.9 %</b>
Gross collection from purchased loan portfolios <sup>1)</sup>	1,494	1,433	4 %	5,659
Portfolio purchases <sup>2)</sup>	192	491	-61 %	1,664

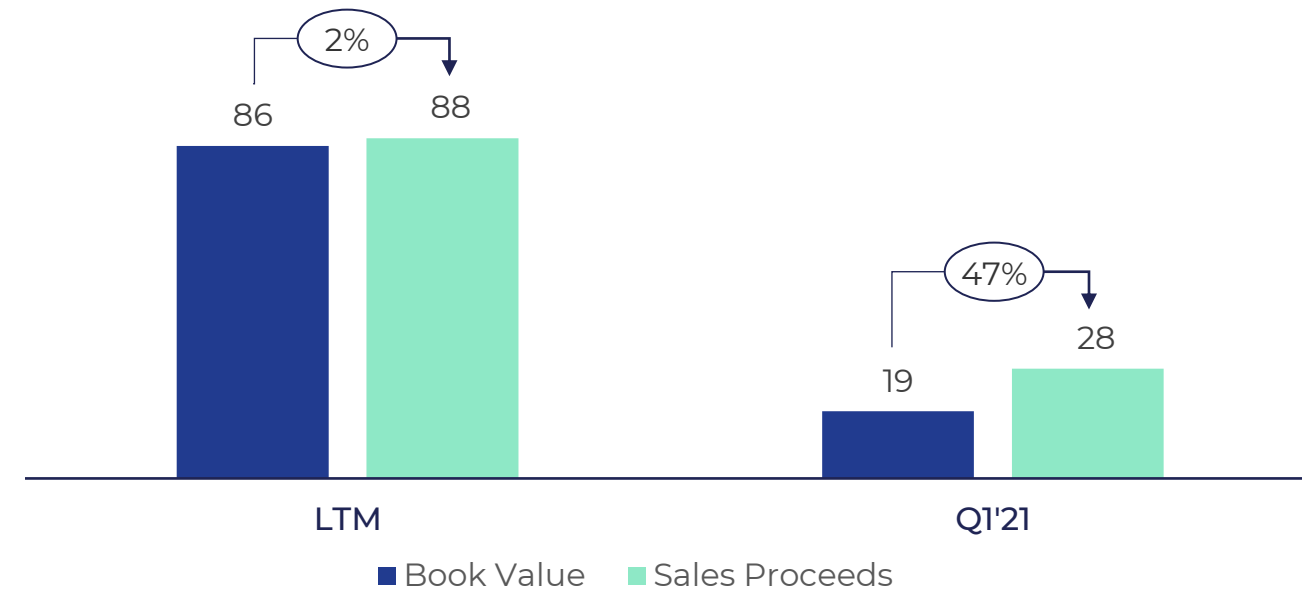
- Stable unsecured collections at 101% of the latest forecast
- Solid secured recoveries - both cash and successful repossessions
- REOs sold notably above book value contributed to strong cash flow
- Improved scalability driven by cost focus and efficiency initiatives
- Modest portfolio investments with focus on price discipline
- Lower cost of funding following buybacks and repayment of bond 1

# Collection Performance

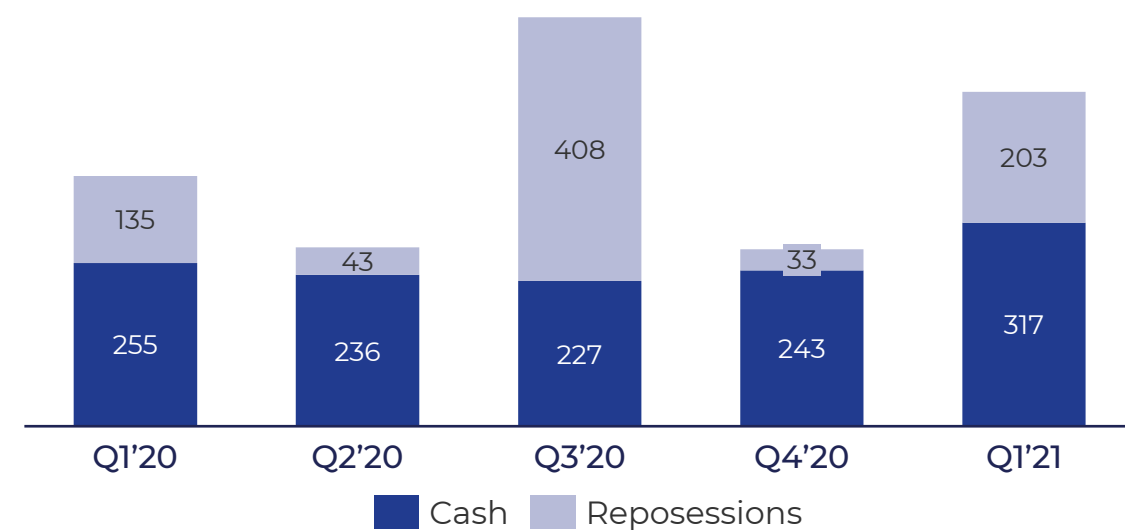
## Unsecured collection performance



## REOs sold



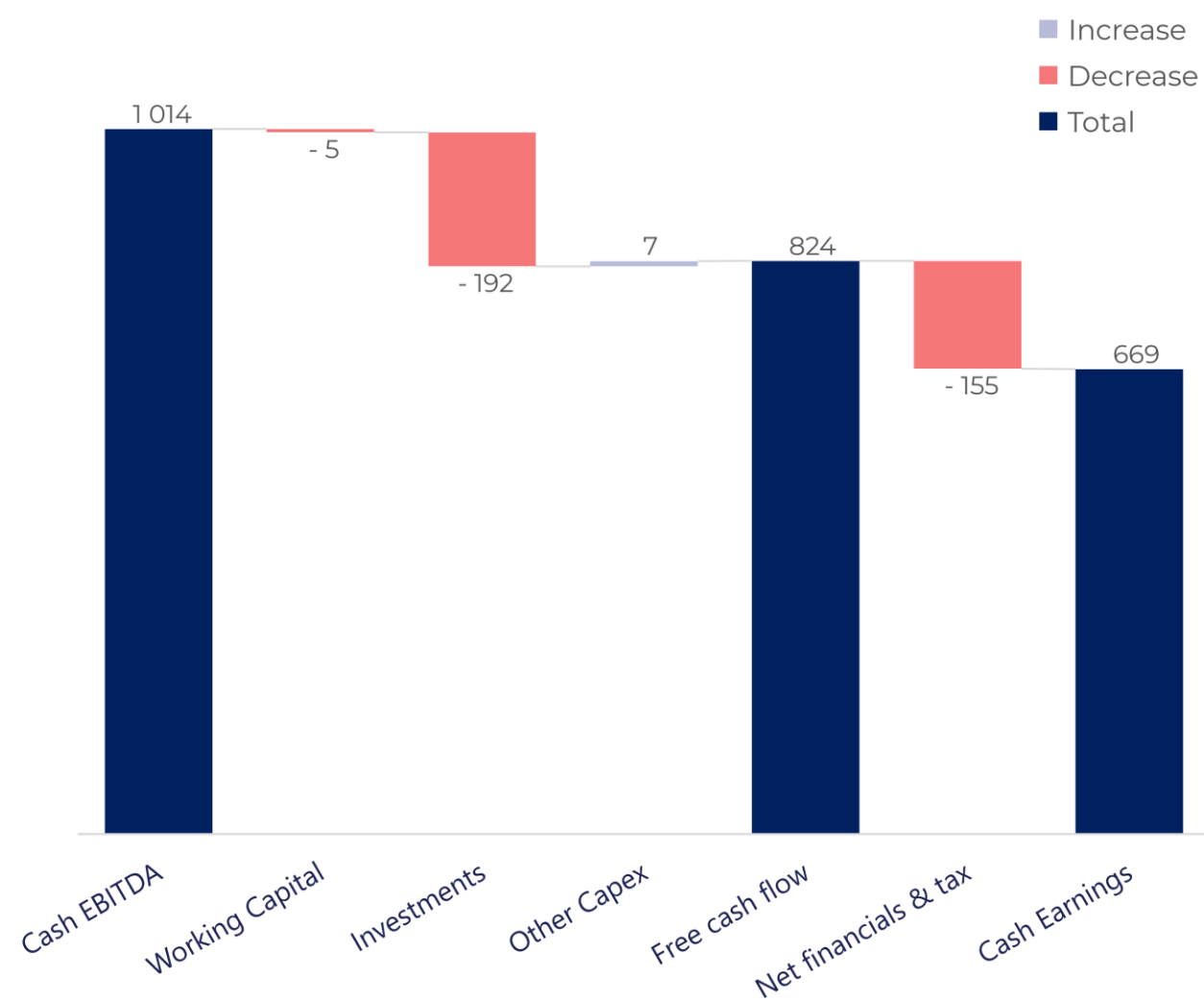
## Secured recoveries



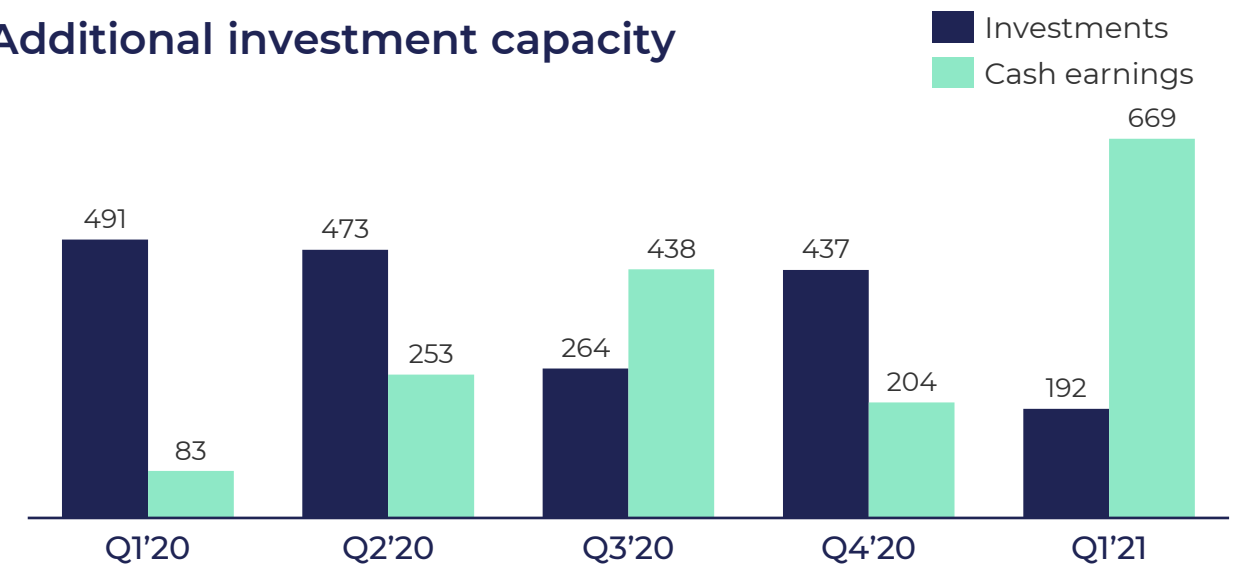
- Unsecured collections performance LTM 99%
- Steady increase in cash recoveries on secured
- REOs sold comfortably above book value in Q1

# Strong secured & REO monetization resulting in solid cash earnings

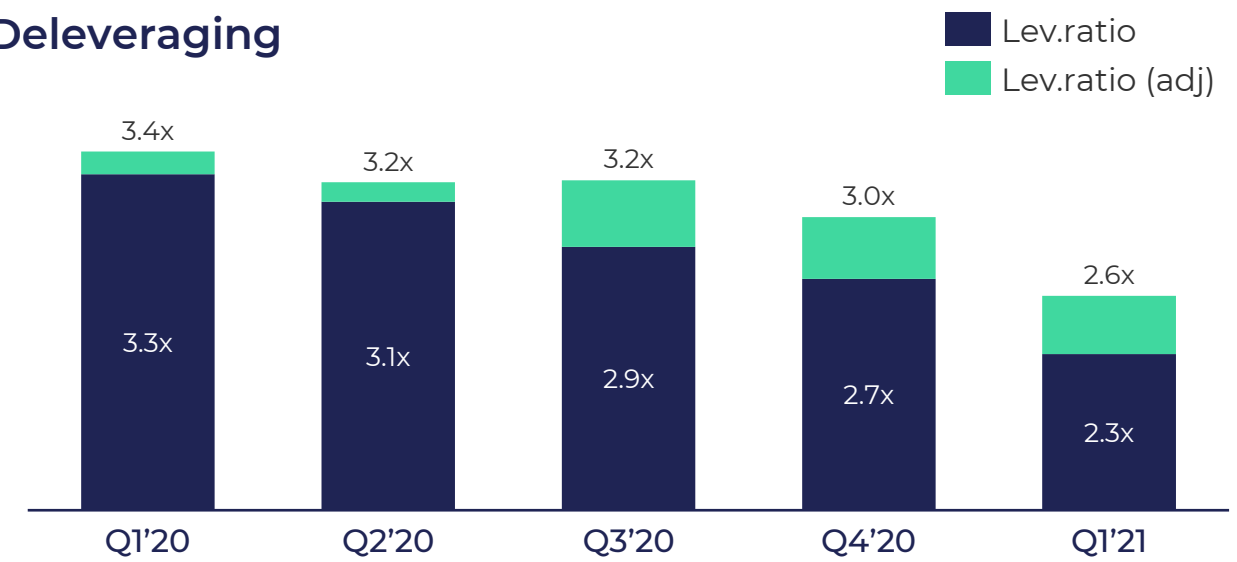
Cash flow Q1 2021



Additional investment capacity



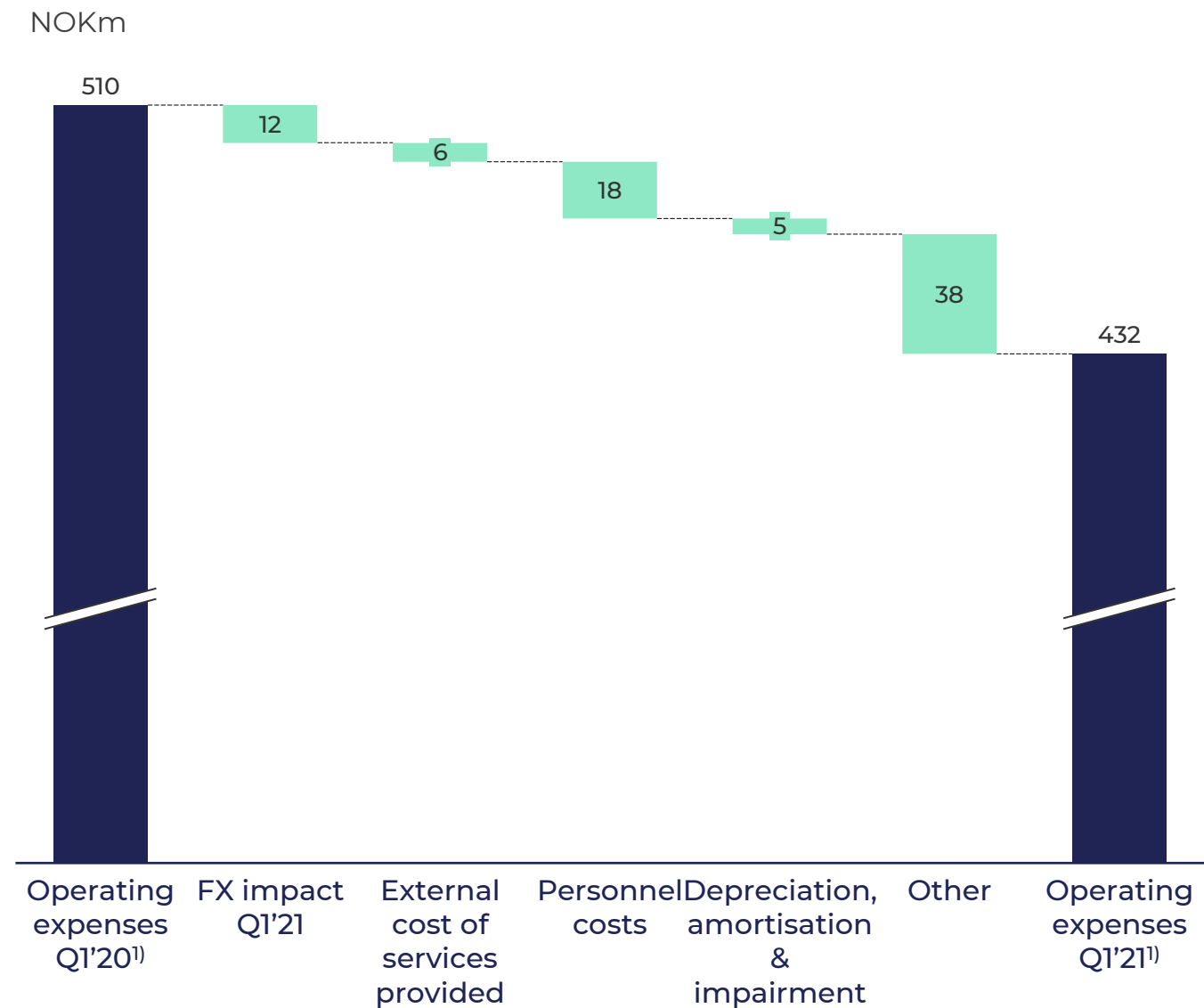
Deleveraging



# Operating expenses reduced in accordance with cost saving targets

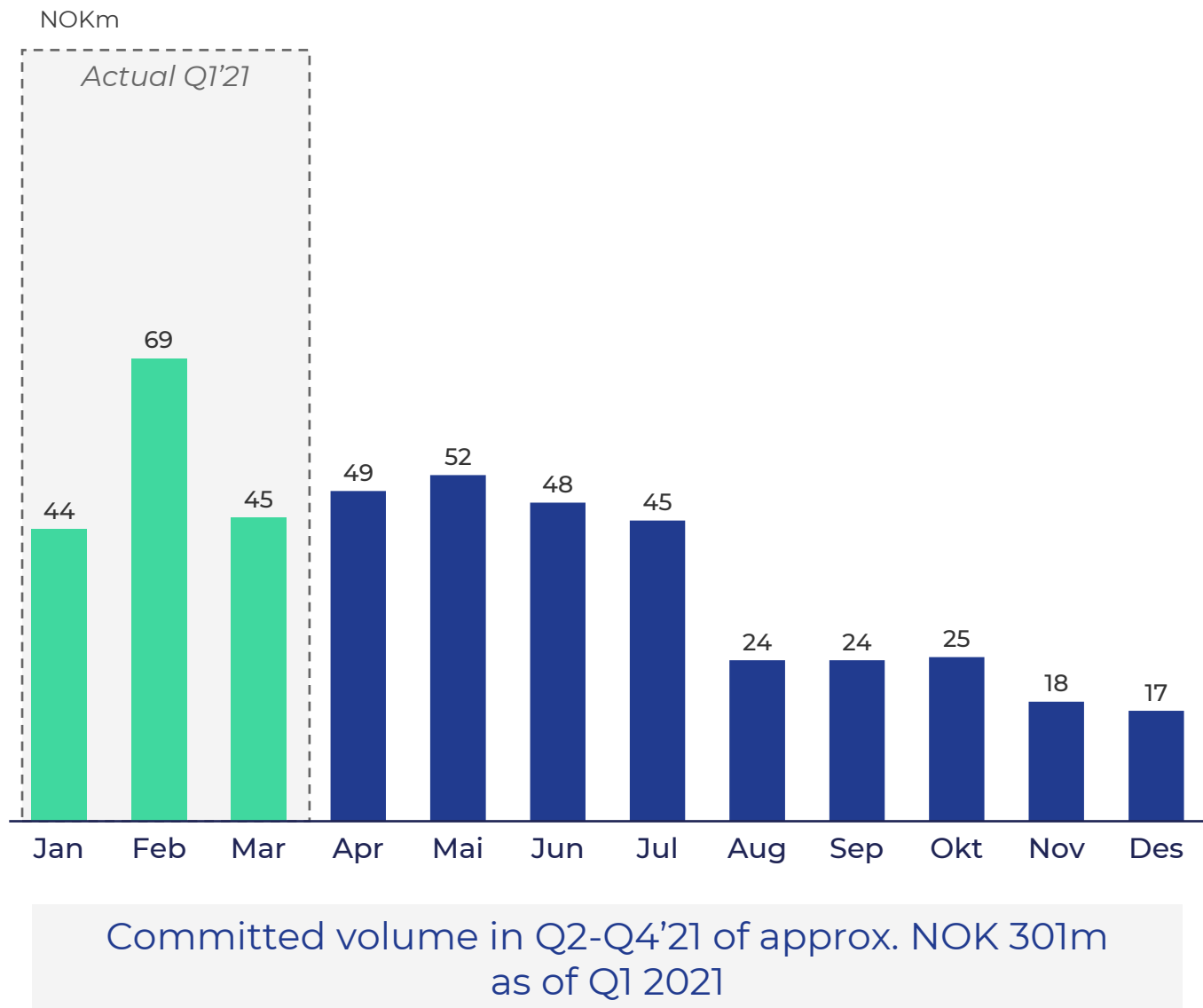
- In line with cost saving programme launched in Q1 2020
- Cost savings of NOK 62m (12 %) in the quarter compared to Q1 2020 (constant FX)
- Savings of NOK 265m compared to Q1 2021 for the period Q2 2020 to Q1 2021

Cost savings Y-on-Y, FX adjusted



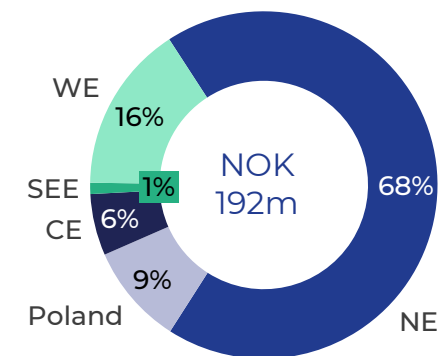
# Portfolio Investments and Estimated Remaining Collections

## Committed Forward Flow contracts 2021

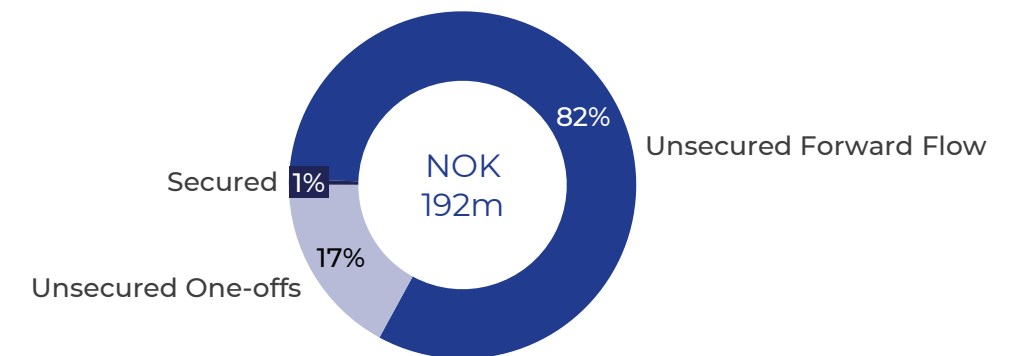


## Portfolio investments in Q1

### Geographical distribution

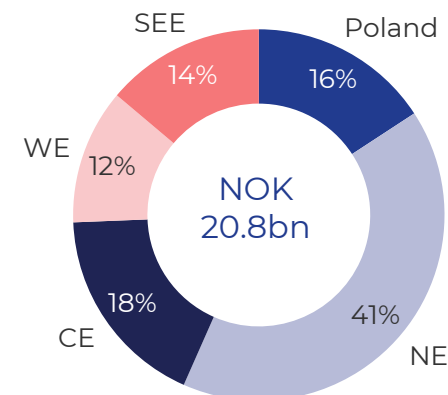


### Asset class distribution

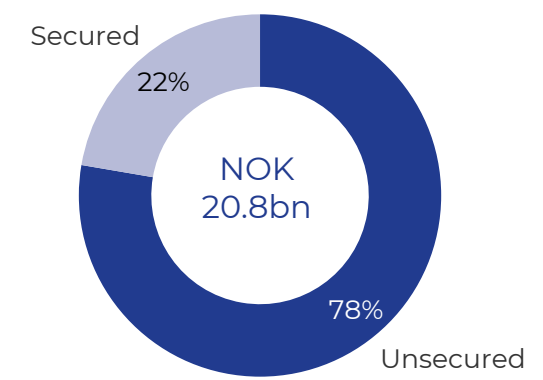


## Total ERC as of Q1

### Geographical distribution



### Asset class distribution



# Capital structure

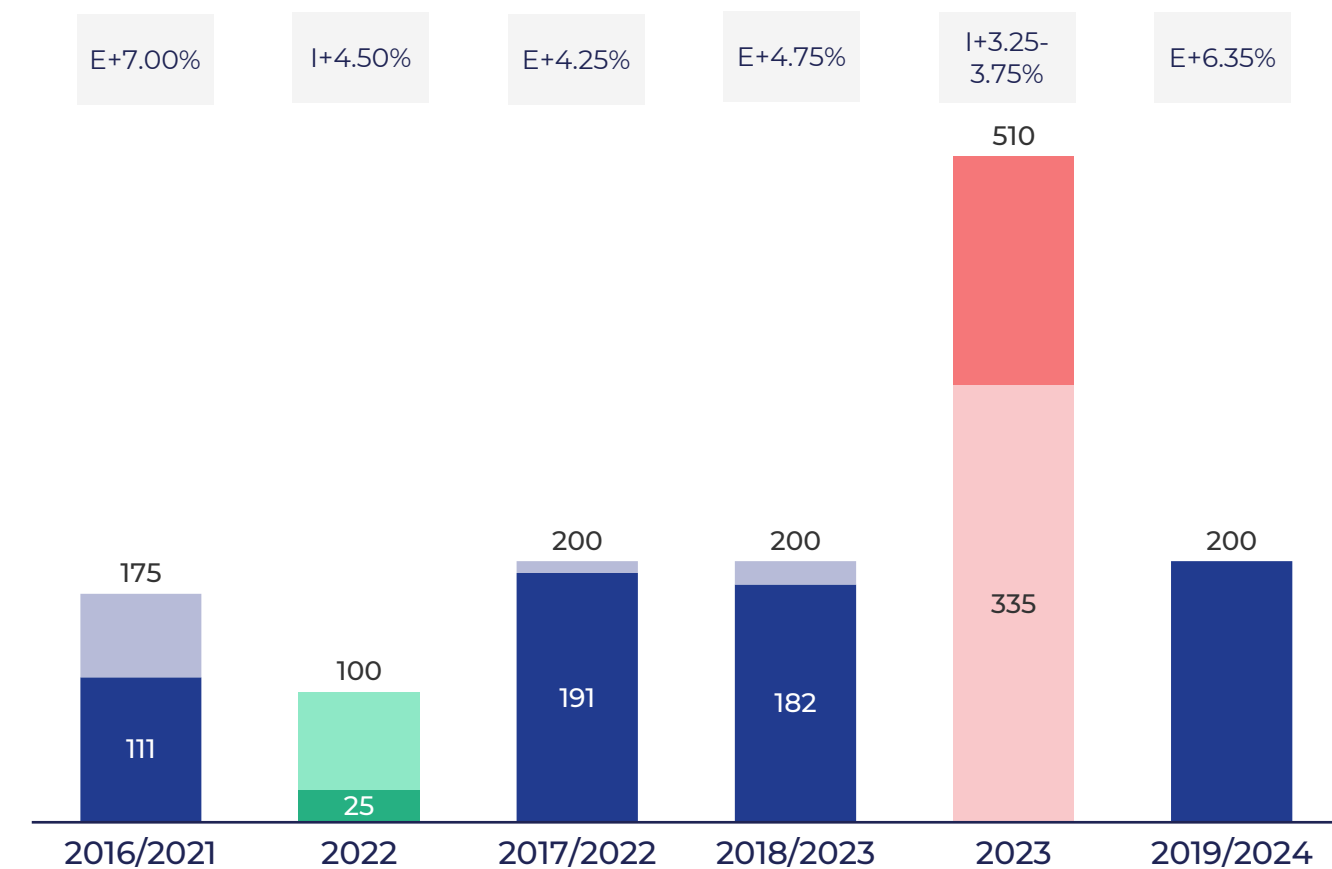
## Improved cost of funding and flexibility

- Full flexibility to take out Bond 2 maturing in October 2021
- Strong liquidity reserve of EUR 360m
- Leverage ratio down to 2.6x from 3.0x
  - Equity ratio: 29.3 %
  - Total Loan to Value: 69.2 %
- Public rating (Corporate Family Rating)
  - S&P: B+ (stable outlook)
    - Outlook was revised from negative to stable in February
  - Moody's: Ba3 (negative outlook)

## Funding profile

EUR millions

- Outstanding bonds
- Utilised RCF
- Utilised bridge facility
- Treasury bonds
- Unutilised RCF
- Unutilised bridge facility



EUR 360m<sup>1)</sup> liquidity reserves of which EUR 250m available in RCF + bridge

1) Calculated as EUR 136m undrawn existing RCF plus EUR 75m in undrawn bridge facility plus EUR 39m in undrawn overdraft plus EUR 40m cash on balance sheet less NOK 200m (EUR 20m) in cash reserves less deferred payment for portfolio purchases of EUR 3m plus fair value of Treasury Bonds of EUR 93m.

# Summary

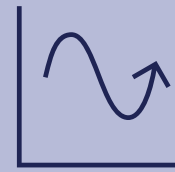




# Summary



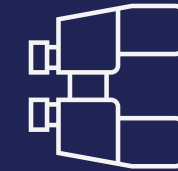
Stable operations with increased scalability throughout the Group



Solid collections and recoveries continued into the second quarter



Strong cash flow and strengthened balance sheet



Transaction volume expected to gradually increase during the year

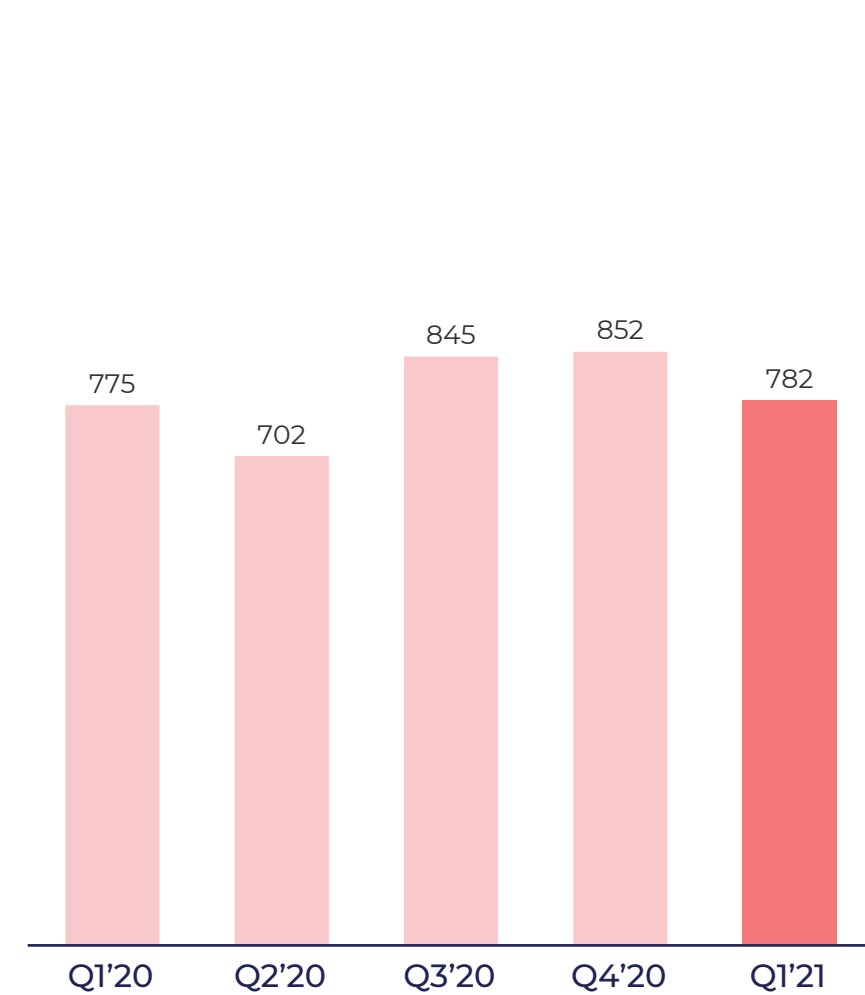
# Q&A



# Quarterly financial performance

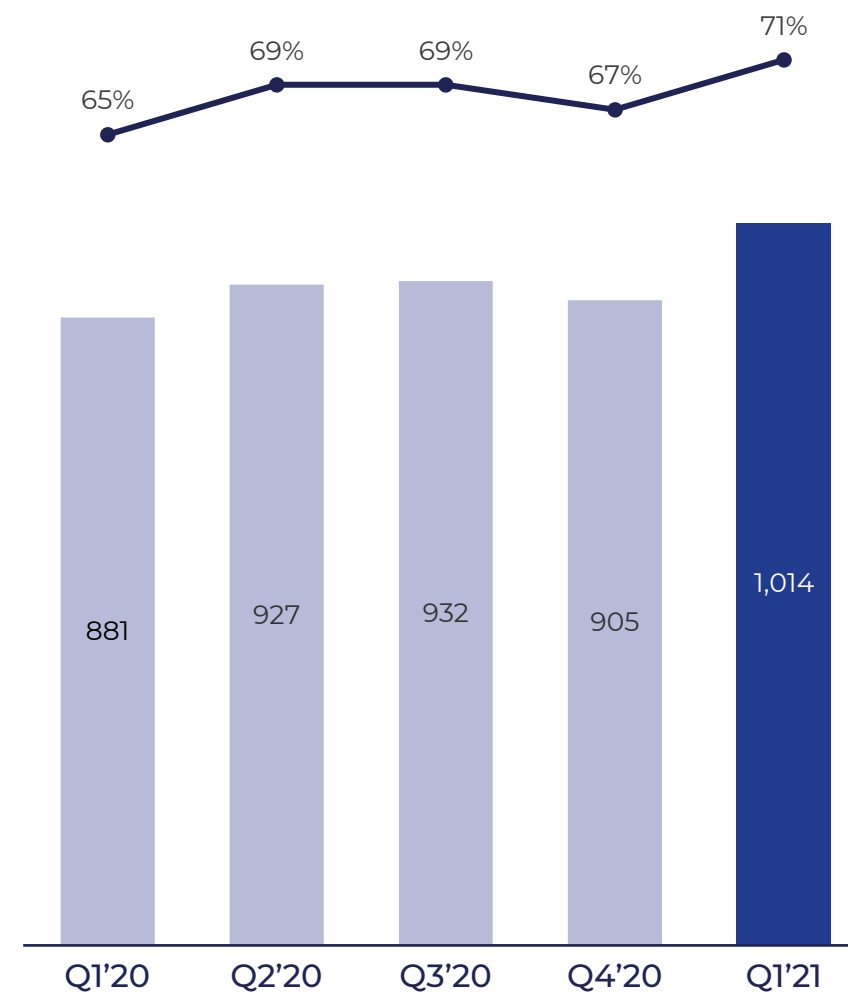
## Total revenues

NOKm



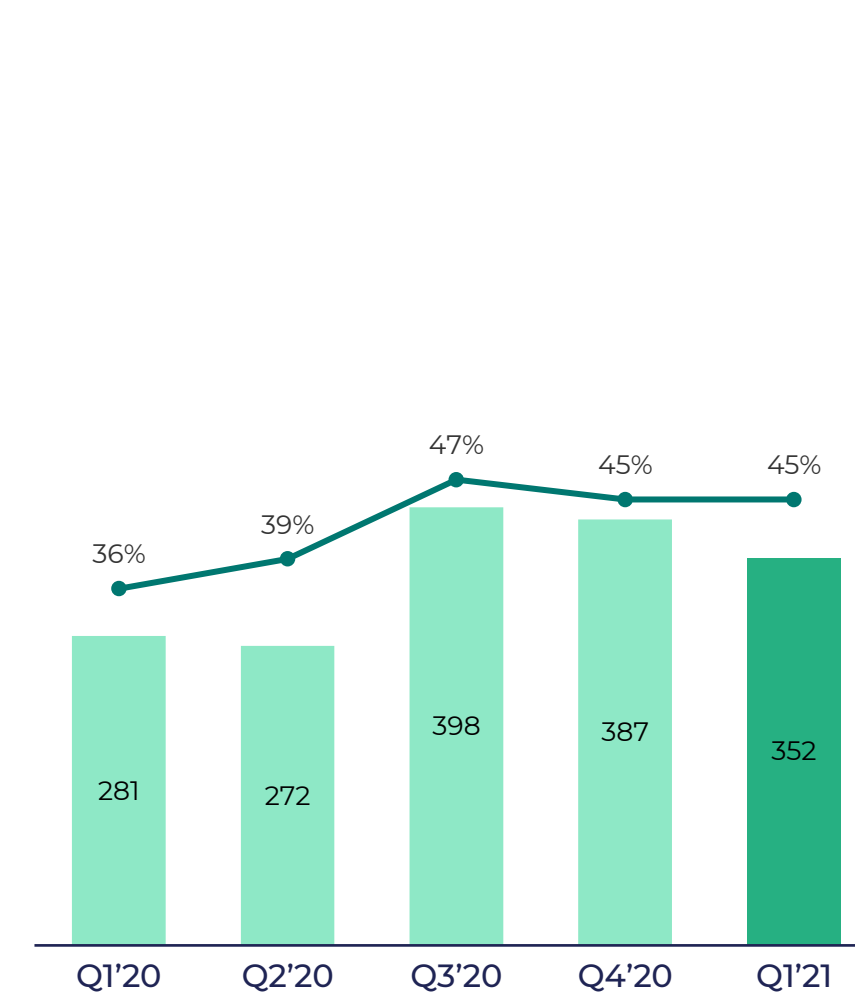
## Cash EBITDA

NOKm Cash EBITDA Cash margin



## EBITDA

NOKm EBITDA EBITDA margin



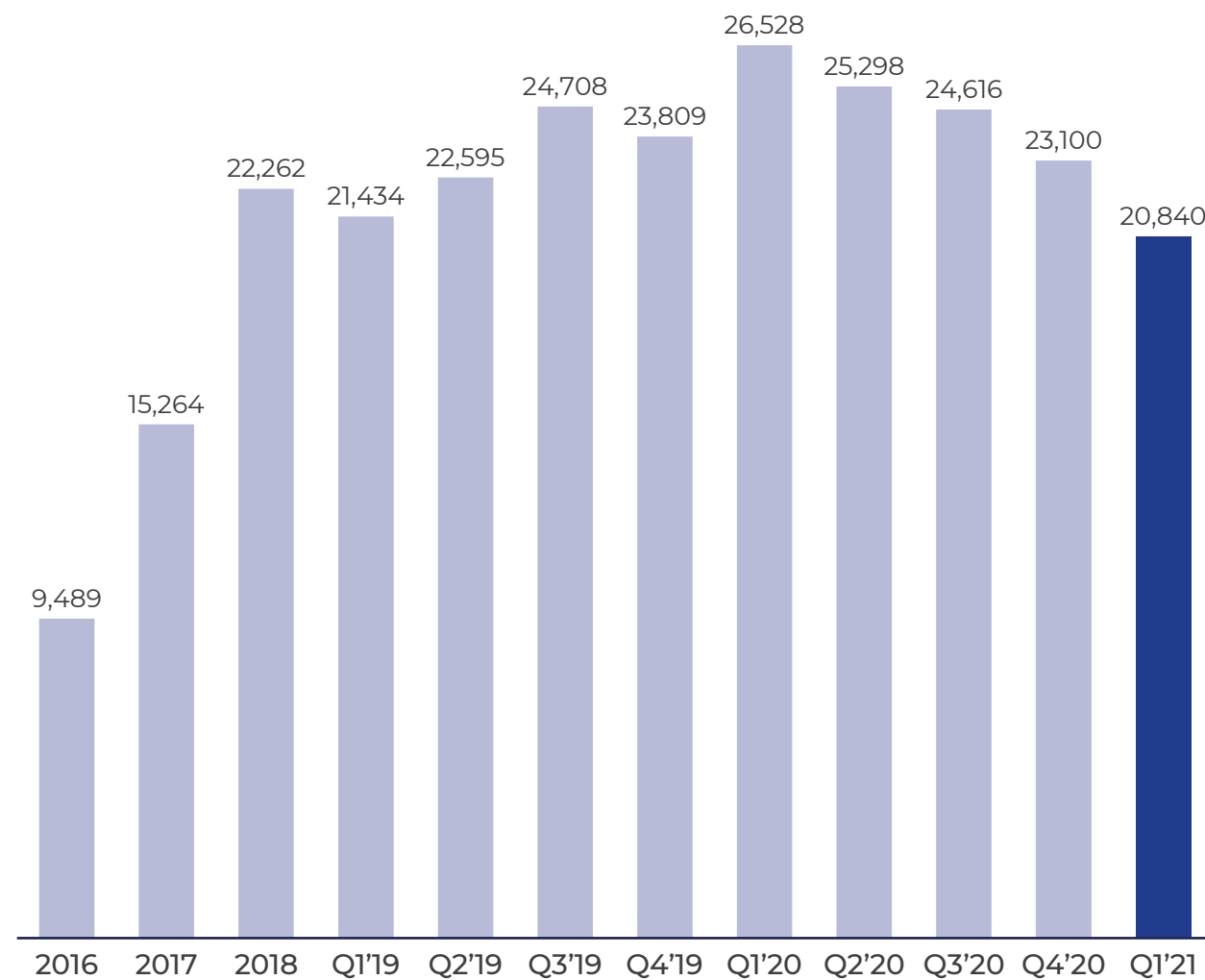
# First quarter 2021 summary

NOKm	2019 Q1	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1
Total revenues	795	379	880	819	775	702	845	852	782
Operating profit (EBIT)	350	-69	387	291	255	245	369	355	330
<b>Profit after tax</b>	<b>106</b>	<b>-270</b>	<b>181</b>	<b>90</b>	<b>24</b>	<b>34</b>	<b>128</b>	<b>123</b>	<b>130</b>
Cash revenue	1,354	1,401	1,492	1,396	1,364	1,343	1,348	1,349	1 424
Cash EBITDA	942	989	1,034	940	881	927	932	905	1 014
<b>Cash margin</b>	<b>70 %</b>	<b>71 %</b>	<b>69 %</b>	<b>67 %</b>	<b>65 %</b>	<b>69 %</b>	<b>69 %</b>	<b>67 %</b>	<b>71 %</b>
Cost to collect %	22.0 %	21.6 %	22.4 %	24.0 %	22.9 %	21.7 %	16.9 %	23.2 %	18.3 %
Basic earnings per share, NOK	0.26	-0.66	0.44	0.22	0.06	0.08	0.31	0.30	0.32
Gross collection from purchased loan portfolios <sup>1)</sup>	1,248	1,274	1,386	1,370	1,315	1,277	1,636	1,315	1,494
Portfolio purchases <sup>2)</sup>	570	1,042	1,231	566	491	473	264	437	192
Leverage ratio				2.91	3.38	3.22	3.23	3.04	2.62

# ERC development

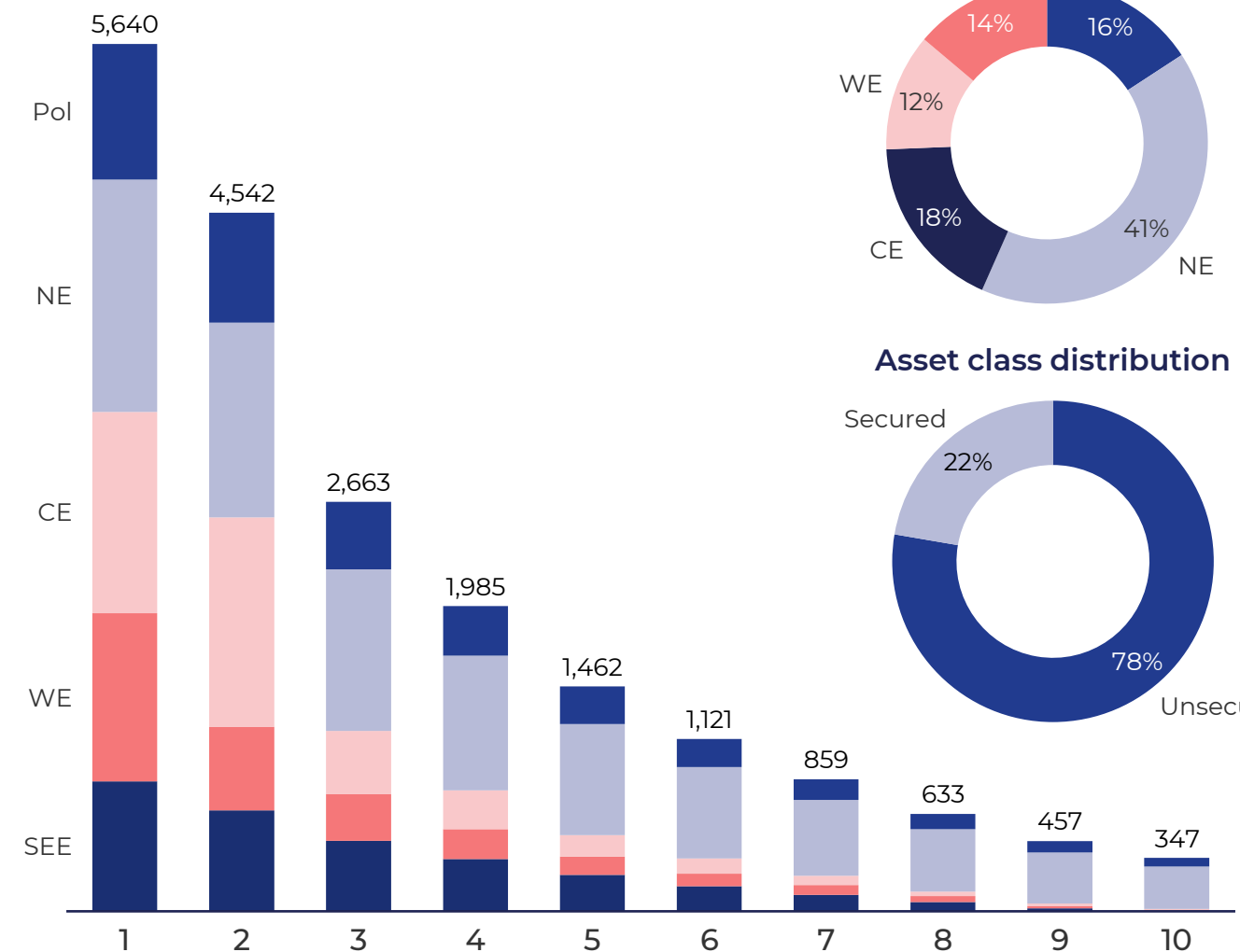
## Development in total gross ERC<sup>1)</sup>

NOKm

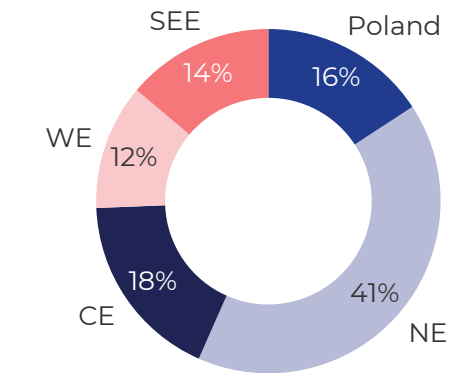


## Forward 120m ERC profile by year<sup>1)</sup>

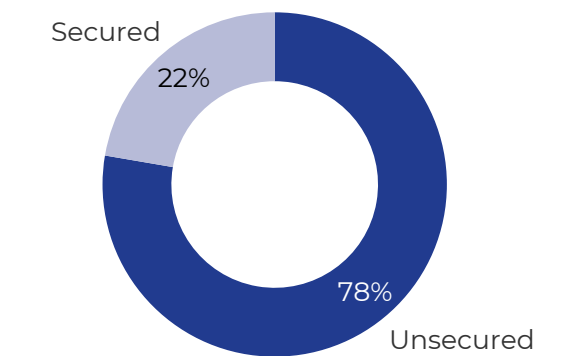
NOKm



### Geographical distribution



### Asset class distribution



# Portfolio diversification

Unsecured	Year 1	2	3	4	5	6	7	8	9	10	120m ERC	Total ERC
Pol	795	596	425	319	243	182	134	98	73	56	2,922	3,062
NE	1,502	1,259	1,045	873	720	592	490	404	331	273	7,489	8,467
CE	304	263	219	168	131	96	59	28	16	9	1,292	1,296
WE	220	190	156	112	86	65	50	30	10	2	922	923
SEE	575	532	422	332	236	161	104	59	19	4	2,444	2,444
<b>Sum</b>	<b>3,396</b>	<b>2,840</b>	<b>2,268</b>	<b>1,804</b>	<b>1,415</b>	<b>1,096</b>	<b>838</b>	<b>619</b>	<b>450</b>	<b>343</b>	<b>15,069</b>	<b>16,191</b>

Secured	Year 1	2	3	4	5	6	7	8	9	10	120m ERC	Total ERC
Pol	87	118	16	3	2	1	1	1	1	0	228	229
NE	9	7	5	3	3	3	2	2	2	1	37	44
CE	1,005	1,099	190	85	9	3	2	1	1	2	2,398	2,402
WE	872	354	149	82	31	17	15	10	3	0	1,533	1,533
SEE	270	124	36	7	1	1	1	1	-	-	442	442
<b>Sum</b>	<b>2,243</b>	<b>1,702</b>	<b>395</b>	<b>181</b>	<b>47</b>	<b>24</b>	<b>21</b>	<b>14</b>	<b>7</b>	<b>4</b>	<b>4,638</b>	<b>4,649</b>

<b>Sum</b>	<b>5,640</b>	<b>4,542</b>	<b>2,663</b>	<b>1,985</b>	<b>1,462</b>	<b>1,121</b>	<b>859</b>	<b>633</b>	<b>457</b>	<b>347</b>	<b>19,706</b>	<b>20,840</b>
------------	--------------	--------------	--------------	--------------	--------------	--------------	------------	------------	------------	------------	---------------	---------------

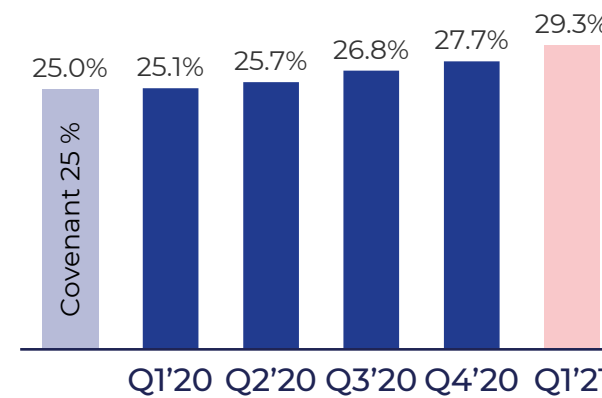
# Capital structure

## Covenants

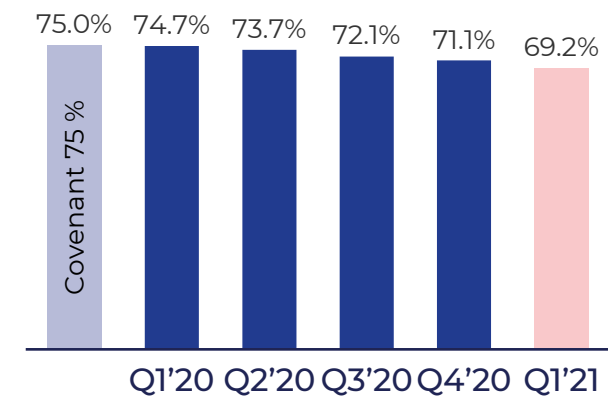
– Well in line with all original covenants<sup>1)</sup>

## RCF covenants

Equity Ratio<sup>2</sup>

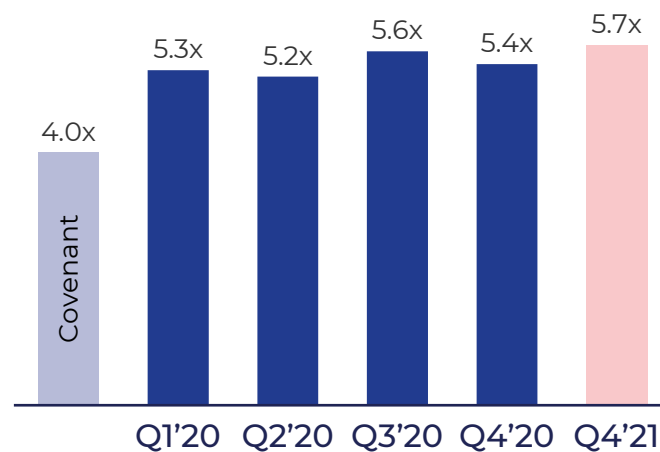


Total Loan to Value<sup>3</sup>

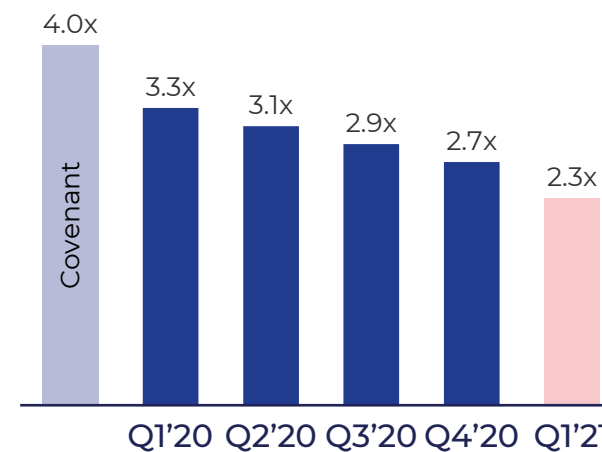


## Bond Loan covenants

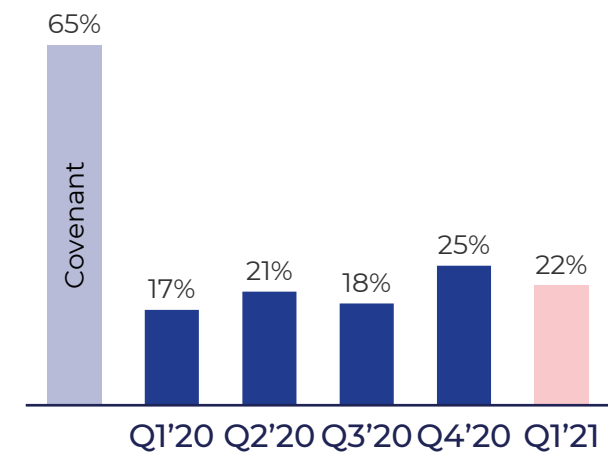
Interest coverage



Leverage<sup>4</sup>



Secured loan to value



1) See further details in Quarterly report, Q1-21. 2) Total Equity over Total Assets excluding book value of IFRS 16 right-of-use assets. 3) Net Debt adj. for Vendor Loan, Earn Out and FX Hedge MTM over Assets (Portfolio, JV, loan receivables, REO and goodwill). 4) Leverage ratio according to old definition of cash EBITDA





## Northern Europe (NE)

NOKm	2021 Q1	2020 Q1	Change (%)
Total revenues	256	257	-
EBIT	154	149	3 %
Profit margin (%)	60 %	58 %	2 pp.
ERC	8,510	10,135	-16 %

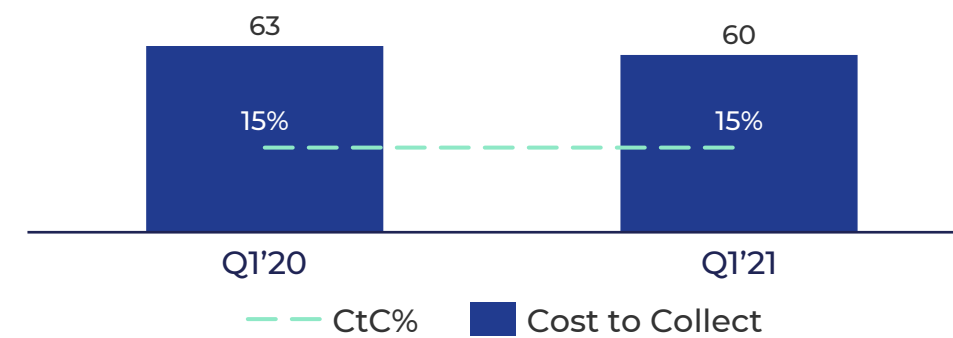
### Highlights & KPIs

- Portfolio purchase volume of NOK 131m in the quarter
- Gross collection in Q1 of NOK 409m

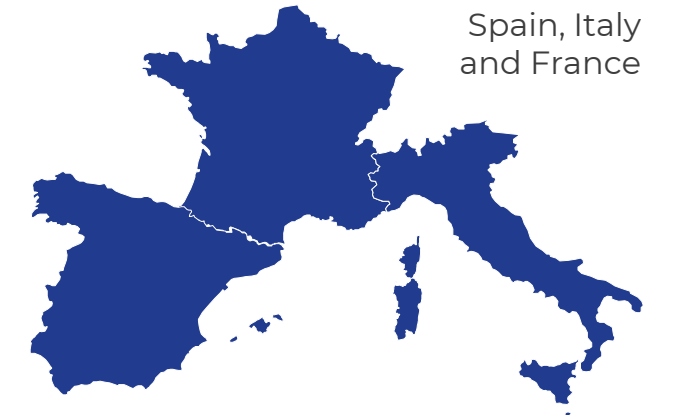
Portfolio purchases



Cost to Collect



# Western Europe (WE)



NOKm	2021 Q1	2020 Q1	Change (%)
Total revenues	94	112	-16 %
EBIT	14	16	-12 %
Profit margin (%)	15 %	14 %	1 pp.
ERC	2,456	3,236	-24 %

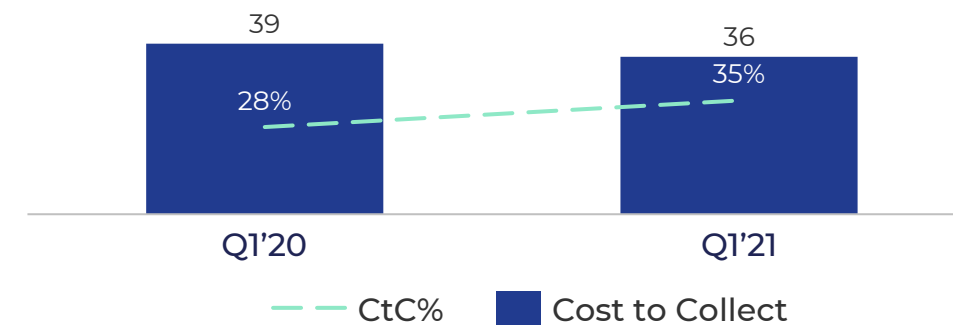
## Highlights & KPIs

- Portfolio purchases of NOK 2m in the quarter
- Gross collection in Q1 of NOK 102m

Portfolio purchases

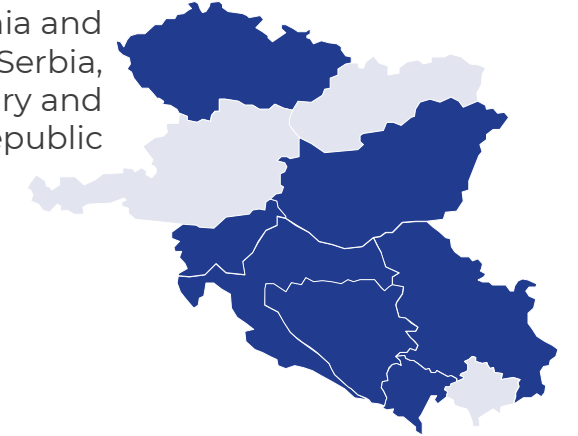


Cost to Collect



# Central Europe (CE)

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



NOKm	2021 Q1	2020 Q1	Change (%)
Total revenues	141	125	13 %
EBIT	70	52	35 %
Profit margin (%)	50 %	42 %	8 pp.
ERC	3,698	5,611	-34 %

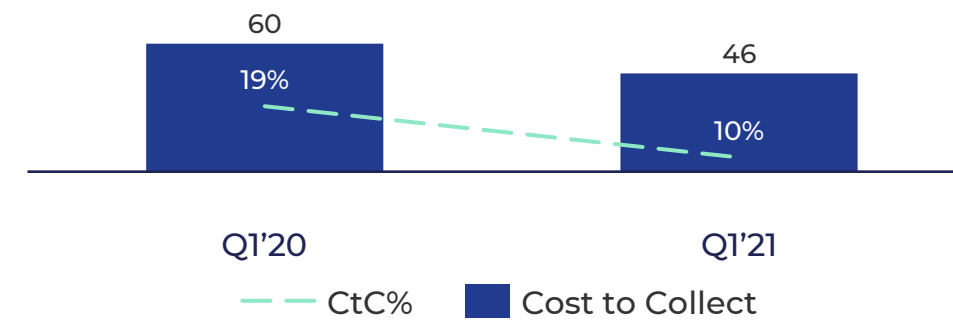
## Highlights & KPIs

- Portfolio purchases of NOK 11m in the quarter
- Gross collection in Q1 of NOK 484m

Portfolio purchases



Cost to Collect



Romania, Bulgaria, Greece and Cyprus



# South Eastern Europe (SEE)

NOKm	2021 Q1	2020 Q1	Change (%)
Total revenues	107	92	16 %
EBIT	28	6	367 %
Profit margin (%)	26 %	7 %	19 pp.
ERC	2,886	3,487	-17 %

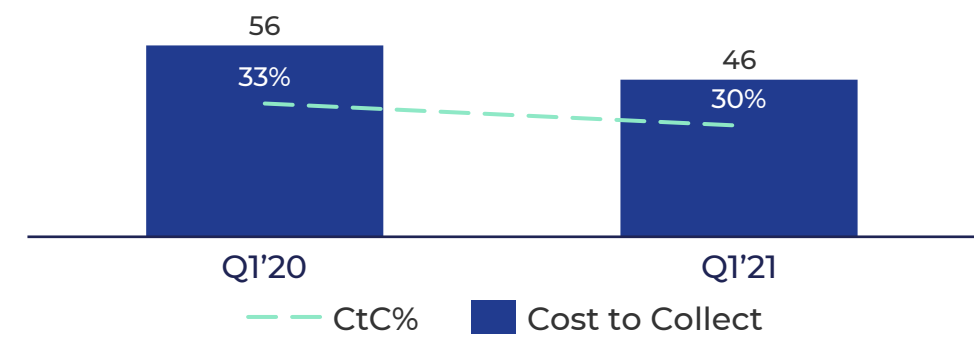
## Highlights & KPIs

- Portfolio purchases of NOK 30m in the quarter
- Gross collection in Q1 of NOK 153m

Portfolio purchases



Cost to Collect



# Poland



NOKm	2021 Q1	2020 Q1	Change (%)
Total revenues	184	189	-3 %
EBIT	95	76	25 %
Profit margin (%)	52 %	40 %	12 pp.
ERC	3,290	4,059	-19 %

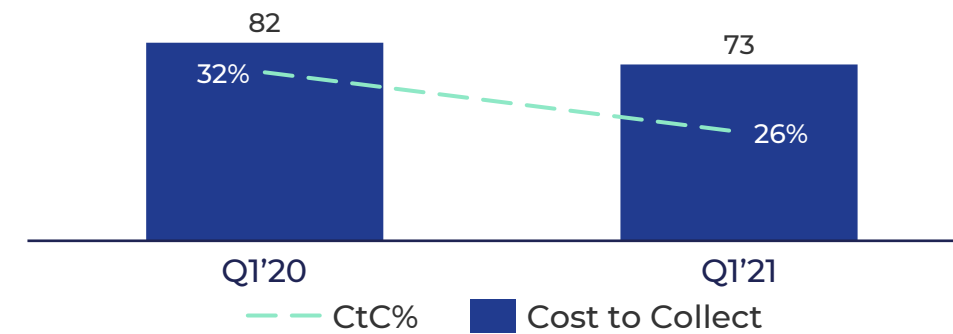
## Highlights & KPIs

- Portfolio purchases of NOK 18m in the quarter
- Gross collection in Q1 of NOK 276m

Portfolio purchases



Cost to Collect



## 20 largest shareholders

#	Shareholder	No. of shares	Percentage
1	PRIORITET GROUP AB	52 913 000	12.91 %
2	RASMUSSENGRUPPEN AS	51 873 266	12.65 %
3	VALSET INVEST AS	26 000 000	6.34 %
4	STENSHAGEN INVEST AS	24 600 143	6.00 %
5	VERDIPAPIRFONDET ALFRED BERG GAMBA	13 329 295	3.25 %
6	DNB MARKETS AKSJEHANDEL/-ANALYSE	13 279 295	3.24 %
7	DUNKER AS	8 676 690	2.12 %
8	K11 INVESTOR AS	8 266 680	2.02 %
9	RUNE BENTSEN AS	8 191 680	2.00 %
10	VERDIPAPIRFONDET ALFRED BERG NORGE	7 155 224	1.75 %
11	STOREBRAND NORGE I VERDIPAPIRFOND	6 584 400	1.61 %
12	VERDIPAPIRFONDET DNB NORGE	6 439 892	1.57 %
13	VPF DNB AM NORSKE AKSJER	6 365 830	1.55 %
14	GREENWAY AS	5 802 368	1.42 %
15	SKANDINAVISKA ENSKILDA BANKEN AB	5 451 112	1.33 %
16	VERDIPAPIRFONDET ALFRED BERG AKTIV	3 978 889	0.97 %
17	LIN AS	3 500 000	0.85 %
18	KVANTIA AS	3 073 100	0.75 %
19	VERDIPAPIRFONDET KLP AKSJENORGE IN	2 984 585	0.73 %
20	NORE-INVEST AS	2 862 165	0.70 %
	OTHER	141 804 954	34.59 %
	<b>Total</b>	<b>409 932 598</b>	<b>100 %</b>

# Definitions

- **120-month ERC:** Estimated remaining collection, which expresses the gross 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:** 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/Liquidity reserve:** Cash and short-term deposit (less NOK 200 million to cover working capital) plus unutilised bank overdraft, plus unutilised multi-currency revolving credit facility, plus fair value of treasury bonds 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, amortisation and revaluation of purchased loan portfolios, profit from shares in shares in associated parties/joint ventures and participation loan/notes and cost of collateral assets sold. Adjusted for repossession of collateral assets and cash received from shares in associated parties/joint ventures and participation loan/notes. Cash EBITDA is a measure of actual performance from the collection business (cash business) and other business areas.
- **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, profit from shares in shares in associated parties/joint ventures and participation loan/notes. Adjusted for repossession of collateral assets and cash received from shares in associated parties/joint ventures and participation loan/notes. Cash revenue is a measure of actual revenues (cash business) from the collection business and other business areas.
- **Cost other revenues:** Cost other revenues is all external and internal operating costs related to the Group's other business areas.
- **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 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 collection on portfolios purchased and held in joint ventures. ERC includes ERR.
- **ERR:** Estimated remaining recoveries (ERR) expresses the gross 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 collection on secured portfolios purchased and held in joint ventures.
- **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.



## Definitions (cont'd)

- **Gross collection:** Gross collection is the actual cash collected and assets recovered 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 collection deviating from collection estimates and from changes in future 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". Collection above collection estimates and upward adjustments of future collection estimates increase revenue. 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 are 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.
- **Return on equity (ROE):** Return on equity is calculated based on rolling 12-months profit/(loss) attributable to parent company shareholders divided by the average equity attributable to parent company shareholders, with average equity calculated as a simple average based on opening and closing balances for the respective 12-month period.
- **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.
- **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).



IR contact

**Rasmus Hansson**

Head of Commercial Strategy  
and Investor Relations

+47 952 55 842

[rh@b2holding.no](mailto:rh@b2holding.no)

B2Holding ASA

Stortingsgaten 22

P.O.Box 1726 Vika N-0121 Oslo

[www.b2holding.no](http://www.b2holding.no)

+47 22 83 39 50

[post@b2holding.no](mailto:post@b2holding.no)

**B<sup>2</sup>HOLDING®**