



# Debt Collection Seminar

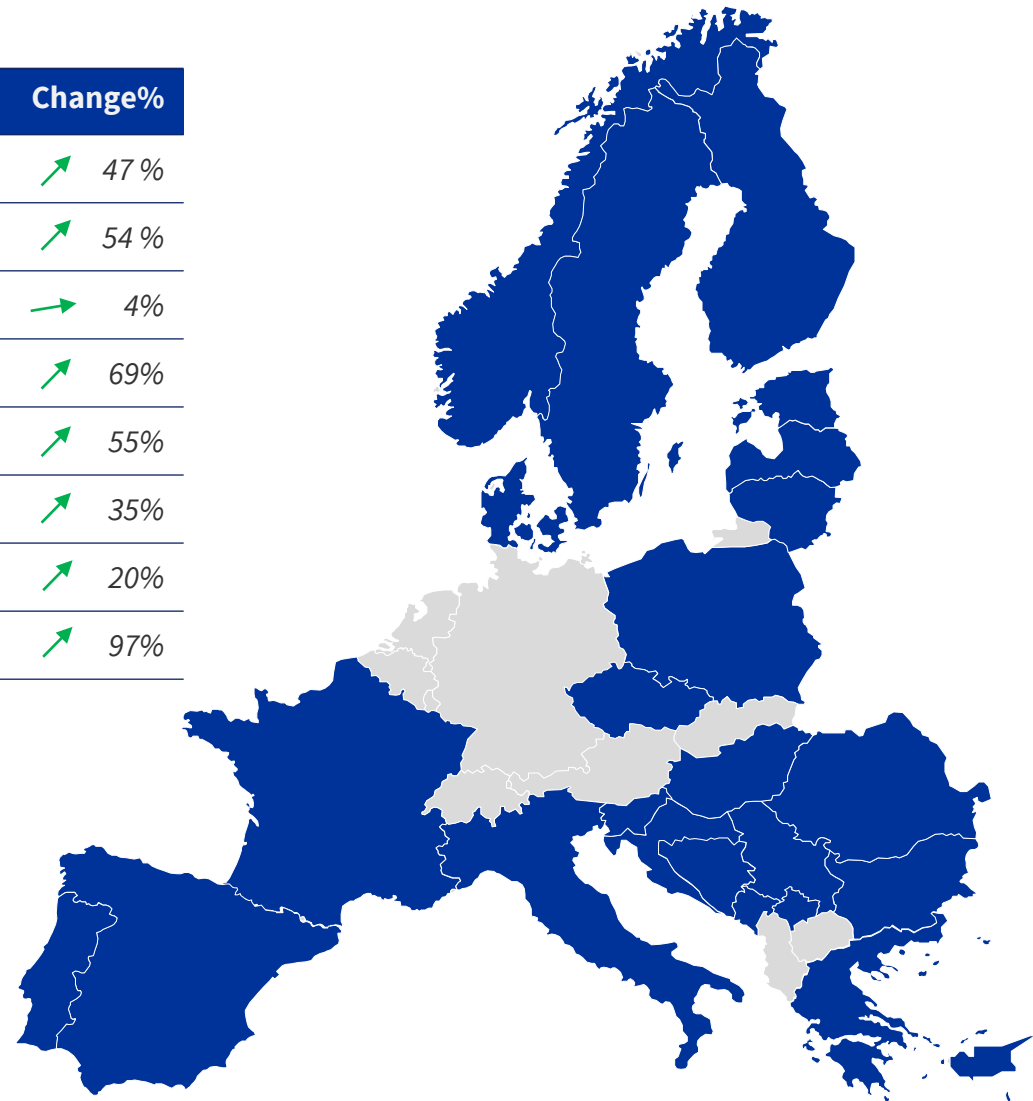
**B<sup>2</sup>HOLDING<sup>®</sup>**  
*Making each other better*

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Olav Dalen Zahl, CEO and Erik J. Johnsen, CFO - Oslo, 10 January 2019

# B2Holding Group – Third quarter overview

NOKm	YTD Q3'2018	YTD Q3'2017	Change%
Revenues	2,153	1,461	↑ 47 %
EBIT	1,052	683	↑ 54 %
EBIT margin	49%	47%	→ 4%
ERC	20,608	12,191	↑ 69%
Gross Cash Collection	2,829	1,829	↑ 55%
#FTEs	2,284	1,688	↑ 35%
#Claims	~7.1m	~5.9m	↑ 20%
Face value of portfolios	~152bn	~77bn	↑ 97%









# Strong and experienced Group management









**Olav Dalen Zahl**  
CEO

**Group functions**

	<b>Erik J. Johnsen</b> Chief Financial Officer
	<b>Danckert Mellbye</b> Chief Org & Improvement Officer
	<b>Jeremi Bobowski</b> Chief Investment Officer
	<b>Harald Henriksen</b> Chief Compliance Officer
	<b>Thor Christian Moen</b> Chief Legal Officer
	<b>Rasmus Hansson</b> Director M&A and Investor Relations

**Regional Directors**

	<b>Tore Krogstad</b> RD Scandinavia
	<b>Kari Ahlström</b> RD Finland & Baltics
	<b>Maria Haddad</b> RD Western Europe
	<b>Adam Parfiniewicz</b> RD Poland
	<b>Ilija Plavcic</b> RD Central Europe
	<b>George Christoforou</b> RD South East Europe

# Track record of delivering on our strategy

## Key developments since IPO

### Strategy in IPO-prospectus

Focus on **maturing markets** with **higher IRRs** and **strengthen market position** on current platforms.

- ✓ Entered seven new markets, including the four largest NPL markets in Europe
- ✓ Increased position in both growth and maturing markets in Europe
- ✓ Obtained economies of scale in several markets, supported by strong growth

**Investment strategy** based strict profitability requirements, thorough analytics and a balanced portfolio composition.

- ✓ Well diversified portfolio across different asset classes
- ✓ Improved analytics with Group Data Warehouse
- ✓ Improved risk management with Investment Office

Maintain focus on **debt purchasing**

- ✓ Among top ten debt purchasers in Europe
- ✓ Extensive experience and expertise on debt purchasing

Highly **professional** and **preferred** partner

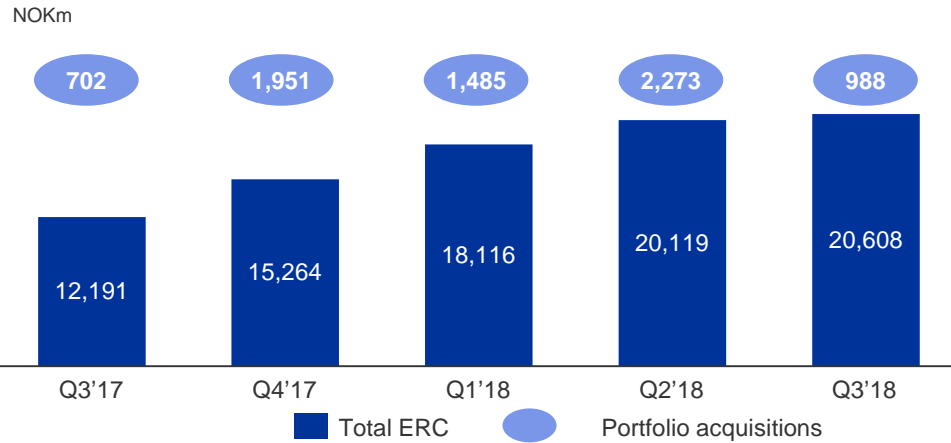
- ✓ Regarded a professional and preferred partner, supported by significant recurring business with vendors
- ✓ Established partnership structures

Focus on establishing **amicable solutions** with customers

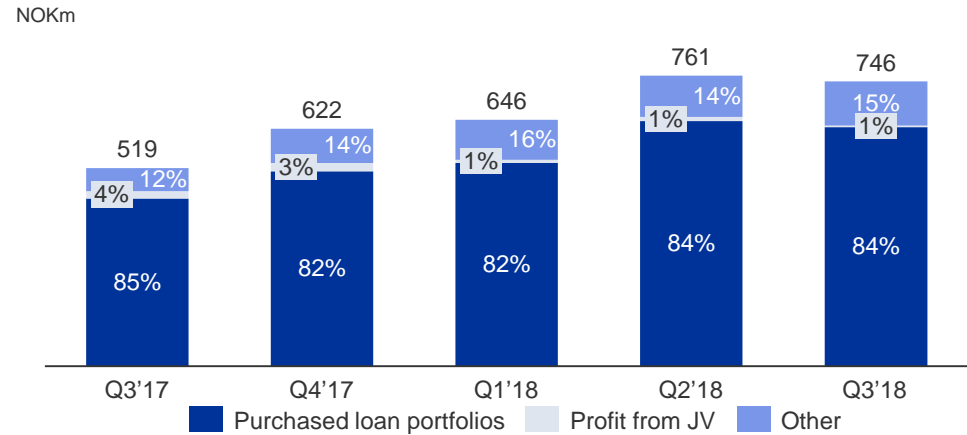
- ✓ Amicable negotiation and settlement process remains our focused collection strategy

# Strong financial performance

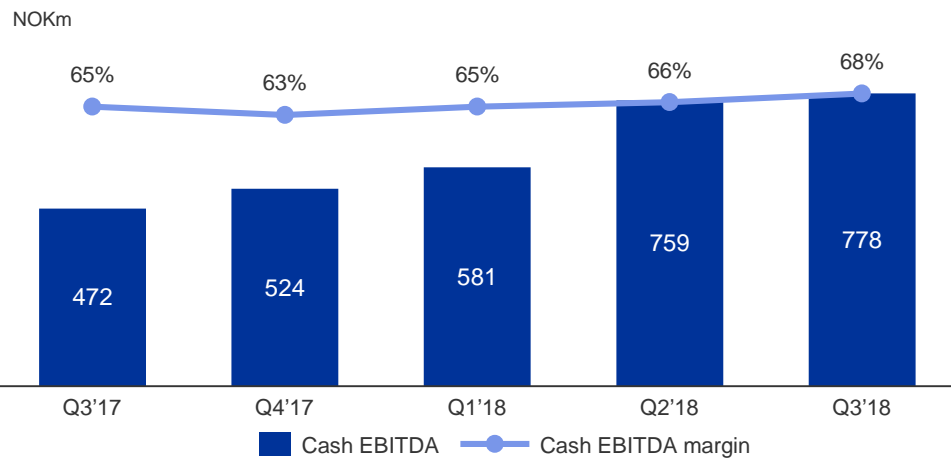
## Total ERC and portfolio acquisitions



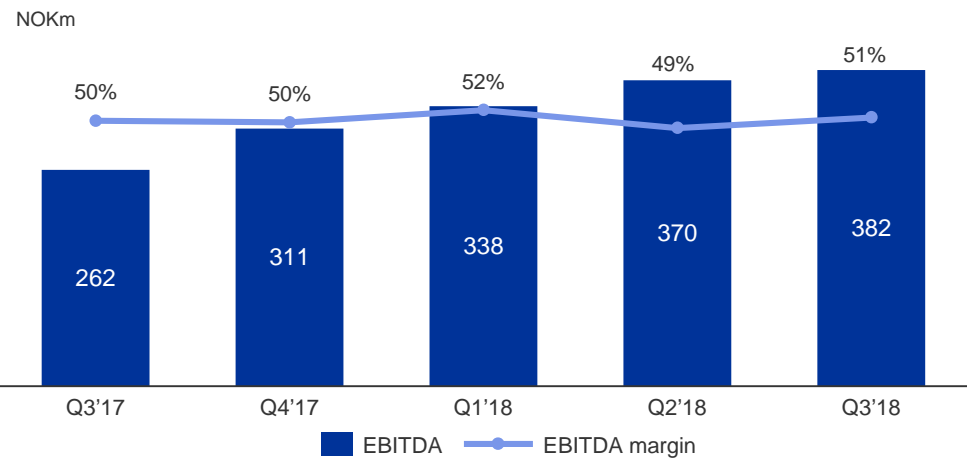
## Total revenues



## Cash EBITDA

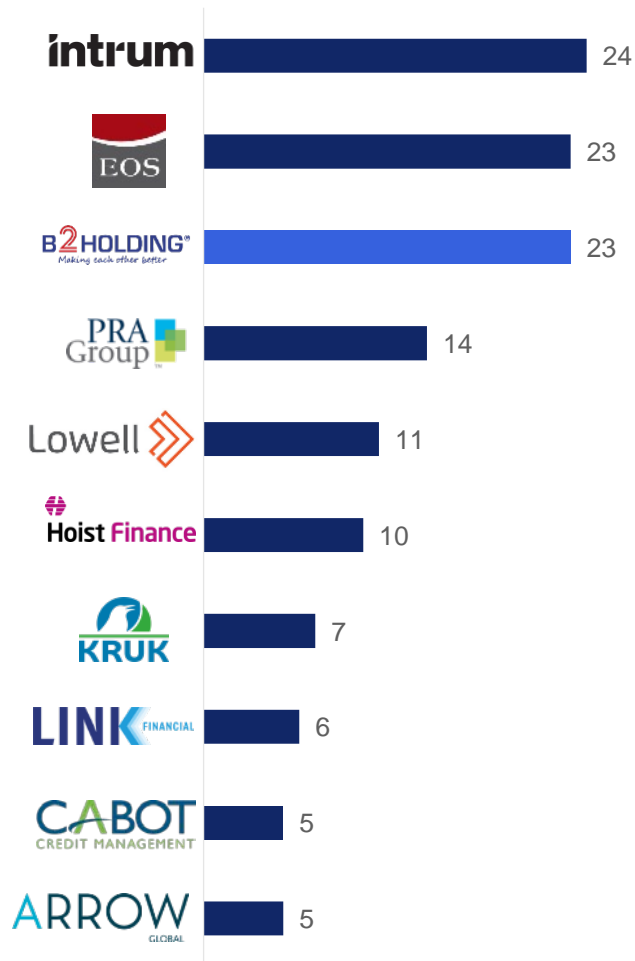


## EBITDA

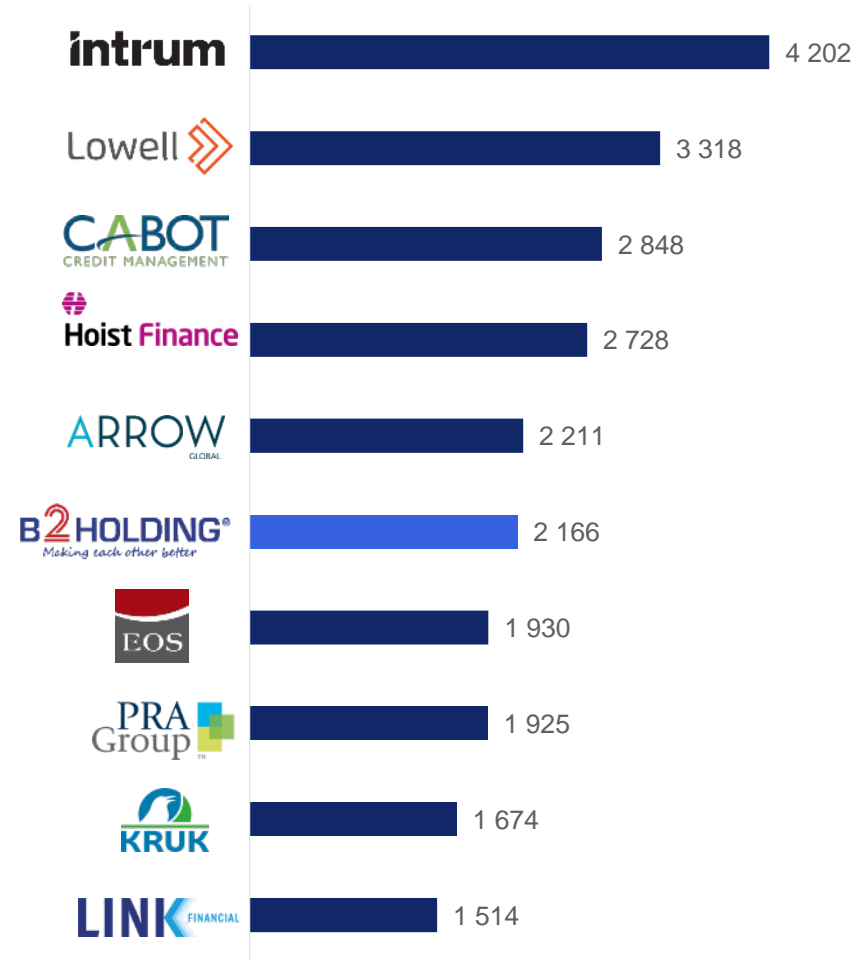


# Established as one of top ten European debt collectors

European countries present (#)



Estimated remaining collection (120m ERC, EURm)

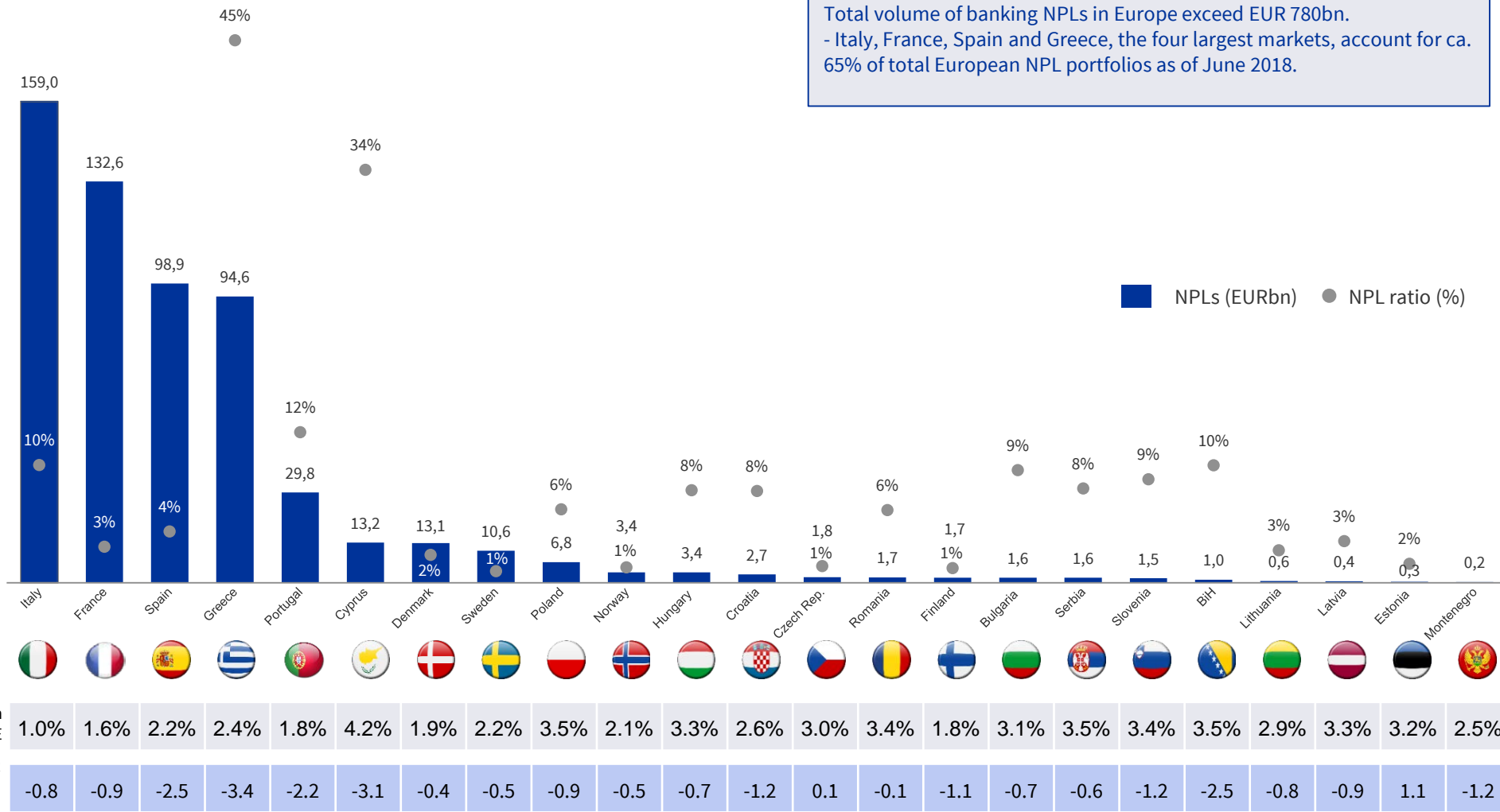


# Access to a vast opportunity set for the future

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

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

EURbn






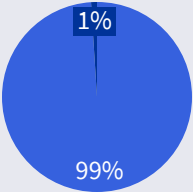
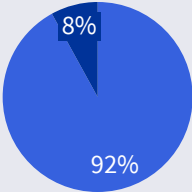
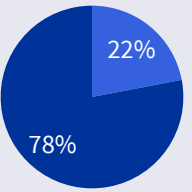
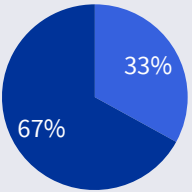
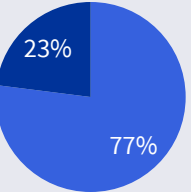


Total volume of banking NPLs in Europe exceed EUR 780bn.  
 - Italy, France, Spain and Greece, the four largest markets, account for ca. 65% of total European NPL portfolios as of June 2018.

Source: EBA, ECB & IMF data.

<sup>1</sup> Data as of June 2018


# A major player in all our regions

	Northern Europe	Poland	Western Europe	Central Europe	South East Europe
					
Market position	Top 3	Top 3	Top 10	Top 3	Top 3
ERC	NOK 5.33bn	NOK 3.42bn	NOK 2.30bn	NOK 5.68bn	NOK 3.87bn
% of ERC ■ Secured vs. ■ Unsecured					
3PC	✓		✓	✓	✓
Other	Credit Information in Latvia	Consumer lending through Takto	Telemarketing for banks in Spain		



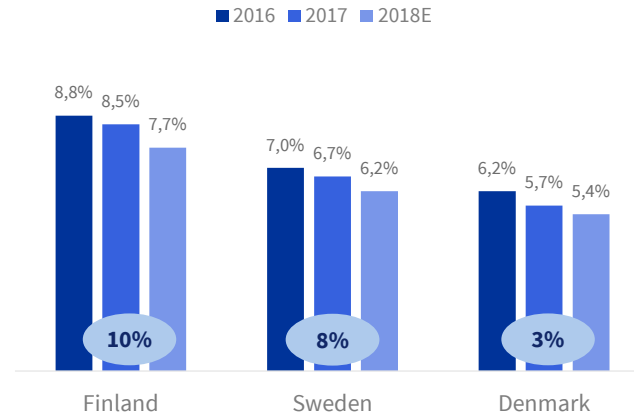
# Trends in key countries for B2Holding

## Development unemployment rate

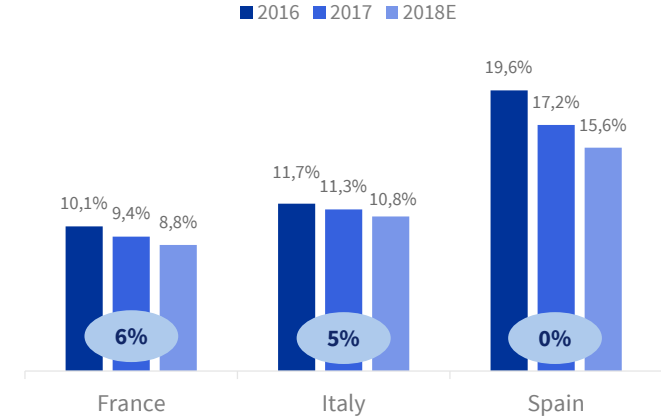
 % of total portfolio ERC

- Key countries possess almost 95% of Group total portfolio (measured as % of total portfolio ERC).
- Strong macroeconomic situation support positive outlook on the labor market of countries with highest ERC.

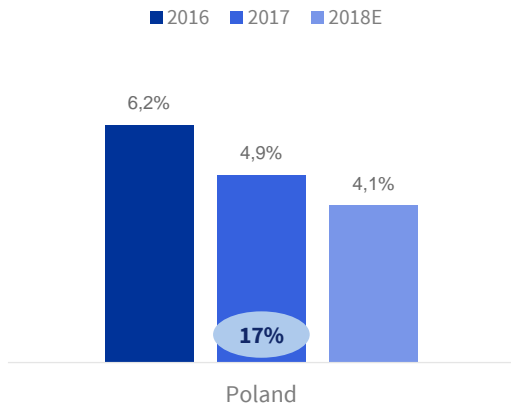
### Northern Europe Top 3 countries



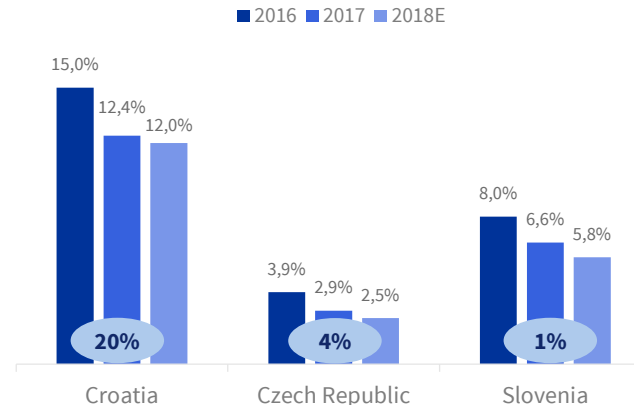
### Western Europe Top 3 countries



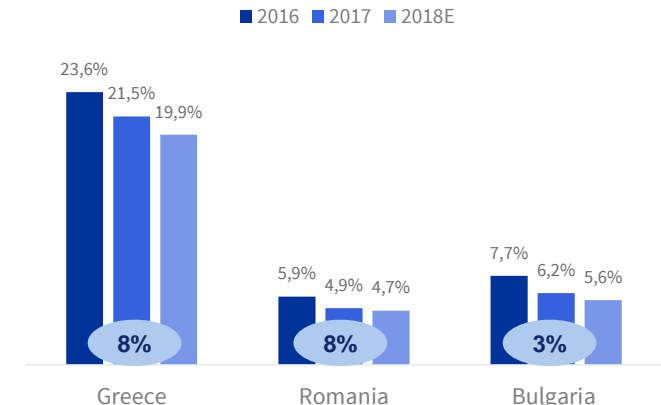
### Poland



### Central Europe Top 3 countries



### South East Europe Top 3 countries

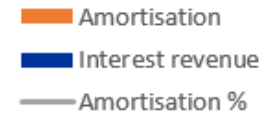


# Key figures used in the sector

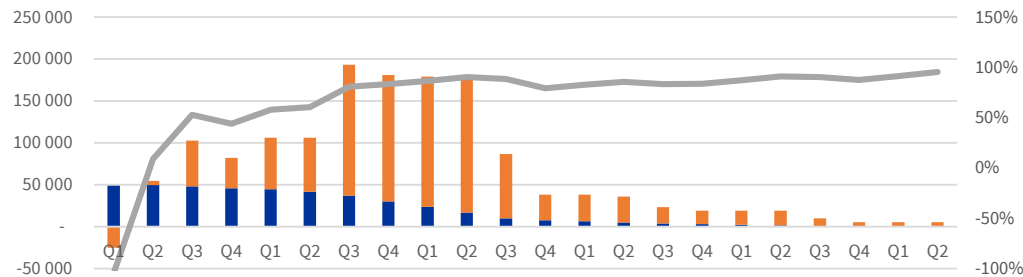
KPI	Description
Money Multiplier (MM)	Is the sum of gross expected cash flows (ERC) divided by the portfolio purchase price.
Net IRR	Is the expected net return before tax on a portfolio investment based on gross expected cash flow less cost to collect on a given portfolio
Return On Investments (ROI)	Is the total revenue from portfolios less cost to collect on portfolios divided by average book value of portfolios in the period. This is unlevered ROI before interest, depreciation and taxes.
ROE	Net income divided by average total shareholder's equity in the period

# Key figures used in the sector

Different portfolios with different MM and ERC but same net IRR, will have the same return on investment over time given reinvestment of the amortized amount in the same type of portfolio



## Secured portfolio

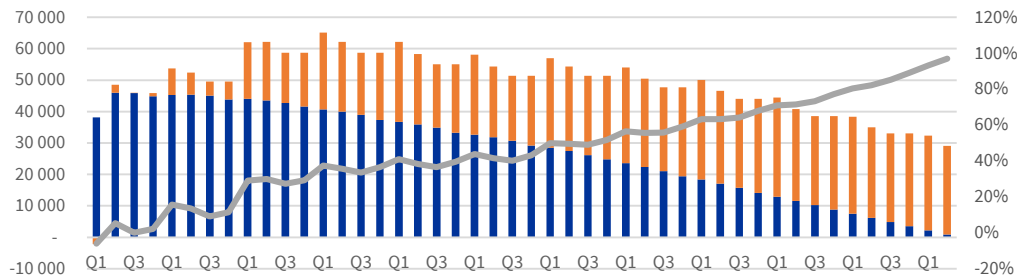


## Portfolio Characteristics

MM	1,5
Gross IRR	19 %
CTC%	10 %
<b>NET IRR</b>	<b>14 %</b>
Invested amount	1 000 000
ERC	1 514 550
Expected collection of total ERC after 4 years	93 %

- Short curve
- Higher reinvestment
- Lower interest rate risk
- Lower CtC%

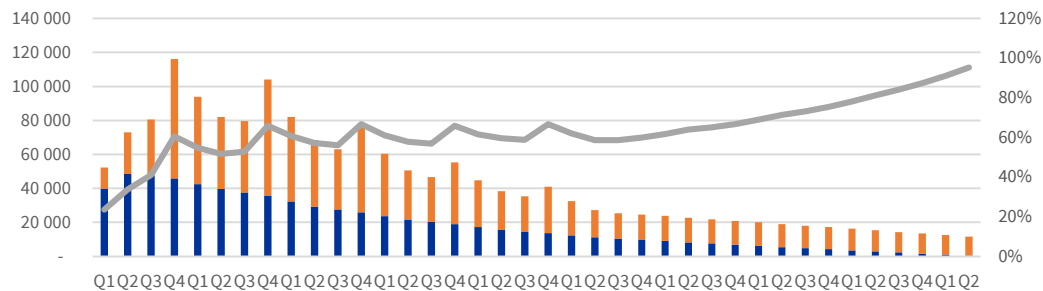
## Retail unsecured Bank portfolio



MM	2,3
Gross IRR	20 %
CTC%	18 %
<b>NET IRR</b>	<b>14 %</b>
Invested amount	1 000 000
ERC	2 276 401
Expected collection of total ERC after 4 years	38 %

- Long Curve
- Lower reinvestment
- Higher interest rate risk
- Higher CtC%

## Retail unsecured Forward Flow portfolio



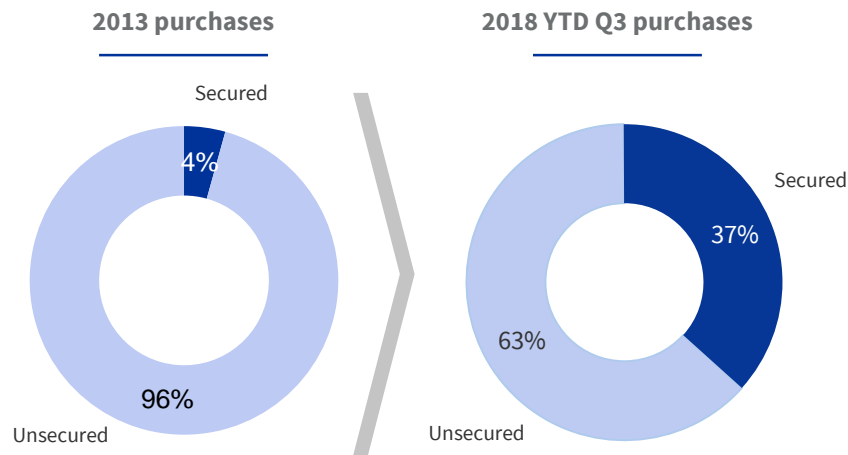
MM	1,7
Gross IRR	22 %
CTC%	15 %
<b>NET IRR</b>	<b>14 %</b>
Invested amount	1 000 000
ERC	1 705 909
Expected collection of total ERC after 4 years	70 %

- Front loaded curve
- Higher reinvestment
- Low interest rate risk
- Lower CtC%
- Low-risk / high predictability

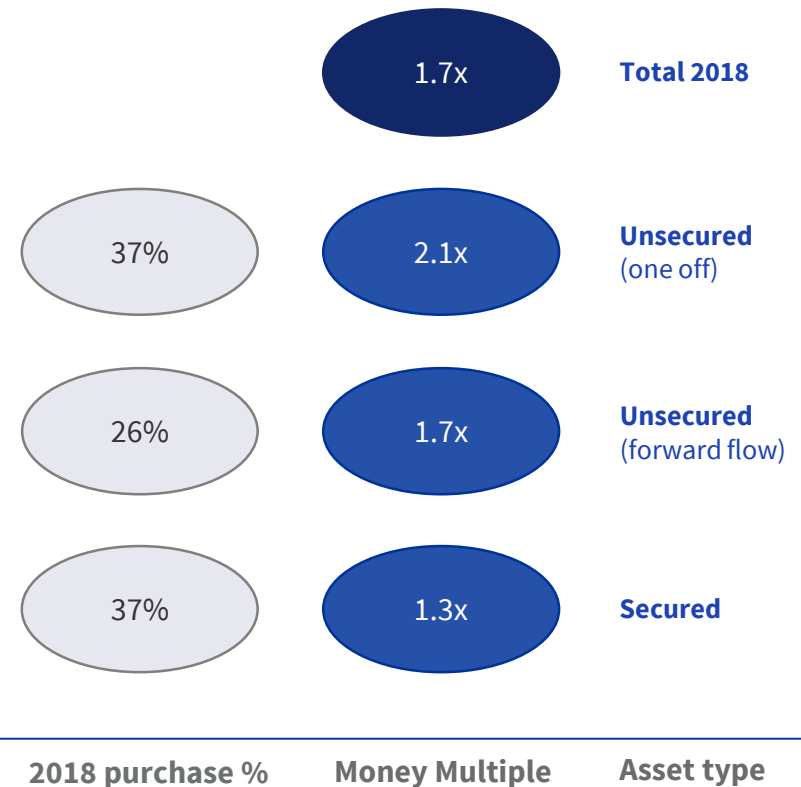
# Diverse portfolio mix – good returns regardless of money multiples

## 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



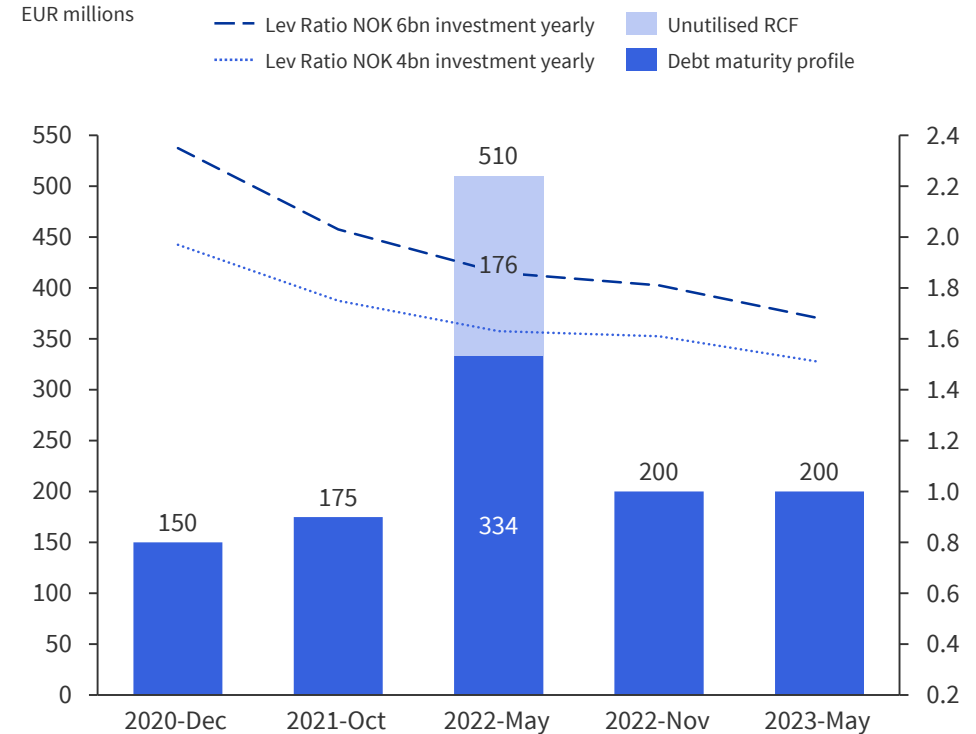
# Capital structure

Funding structure with sound leverage levels, significant financial flexibility and supporting liquidity reserves

## Strategy

- Equity, bond and bank debt is used to get access to capital when larger portfolios or platform acquisition opportunities arise
  - Total equity raised since 2011: EUR 307m (EUR 79m in 2018)
  - Senior Unsecured Bonds: EUR 725m
  - Senior Secured RCF: EUR 510m (EUR 40m carved out in an overdraft)
    - Solid banks: DNB EUR 230m, Nordea EUR 230m and Swedbank EUR 50m
- Significant tangible equity
  - Continued equity infusion and disciplined growth strategy resulting in good tangible equity situation
    - Tangible equity/Tangible assets: 22%
- Significant financial flexibility
- Strong cash flow generation (front loaded ERC curves)
  - NOK 5bn investment each year without any new funding lines or equity required
- Target for capital structure
  - Leverage Ratio below 3.0
    - NOK 6bn investment each year, see graph
    - NOK 4bn investment each year, see graph
      - Investment grade level (below 2.0) in 2020
    - **Zero investment case: Net Borrowings are repaid in less than 3 years**
- Public rating
  - S&P: BB- (stable outlook)
  - Moody's: Ba3 (stable outlook)

## Staggered maturity profile with ample liquidity headroom



EUR 226m<sup>1</sup> liquidity reserves supporting future growth in addition to strong cash flow generation in the years to come

<sup>1</sup> As of 30 Sept 2018. Calculated as EUR 159m undrawn existing RCF plus EUR 17m undrawn existing overdraft plus EUR 71m cash on balance sheet less NOK 200m (c. EUR 21m) in cash reserves. Deferred settlement of portfolio purchases of EUR 42m is not subtracted, being paid within next 12 months.

# Partnerships for large portfolios – higher capacity, lower risk

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

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### **Following a successful co-investment with EOS in Romania in 2016, new partnerships developed in 2018**

- Own licensed servicing platform launched in Greece
- B2Holding established a co-investment structure with Waterfall Asset Management and EBRD for the NPL portfolio purchased from Alpha Bank (Oct 2018)
- Further, B2Holding acquired together with Waterfall an NPL portfolio from Eurobank (Oct 2018)
- Over EUR 120m invested by partners overall – further co-investments are under consideration

### **Ability to transact with reputable investors creates a unique advantage for B2Holding**

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1. **Flexible purchasing capacity** – ability to participate in large deals across many geographies with limited equity
2. **Improved returns** - opportunity to leverage servicing platforms (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



**European Bank**  
for Reconstruction and Development

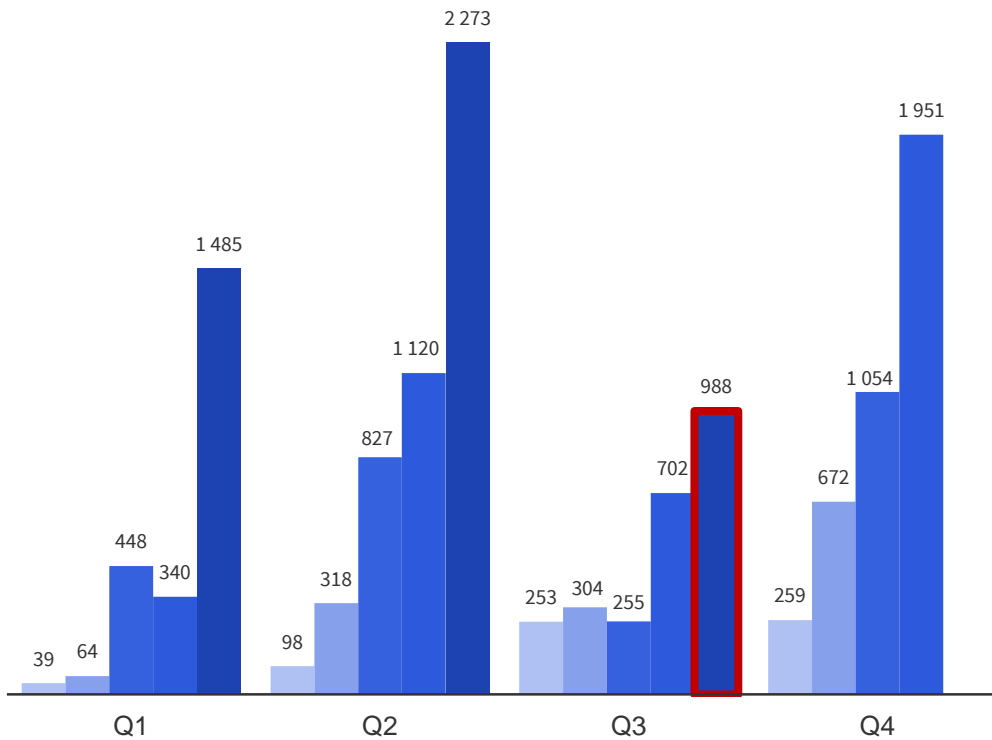


# Quarterly purchase volume: NOK 988m in Q3

## Portfolio purchase volumes

NOKm

2014 2015 2016 2017 2018

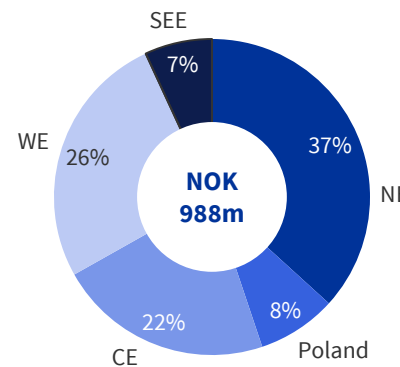


## Comments

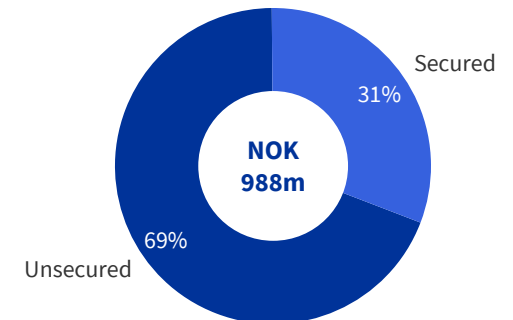
- Strong volume for a third quarter
  - 41% increase compared to Q3 2017
- Portfolios acquired in Northern Europe and Western Europe, represents 63% of portfolio purchases in the quarter
- Well diversified between asset classes YTD with 63% unsecured and 37% secured

## Key details portfolio purchase volume

### Geography distribution



### Distribution by type



# Highly diversified portfolio yielding stable and predictable cash flows: Total gross ERC of approx. NOK 20.6bn (69% growth y-o-y)

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

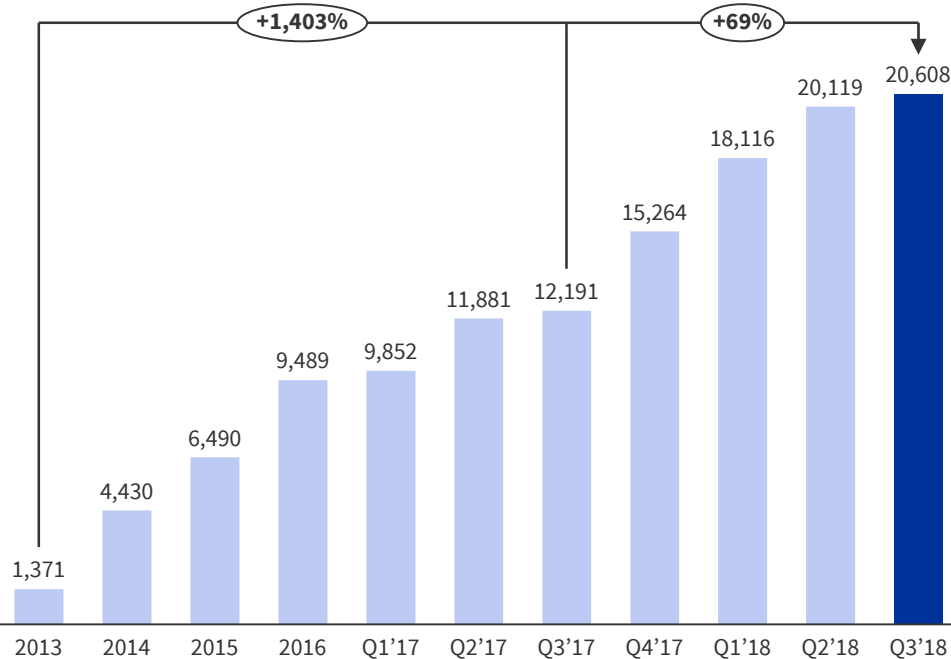
NOKm

Claims (#):

**~7.1m**

Face value (NOK):

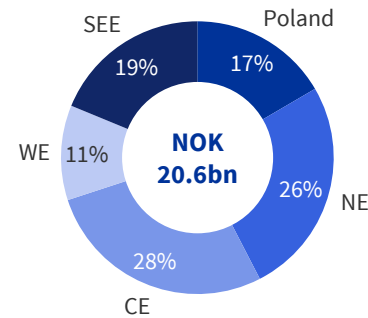
**~152bn**



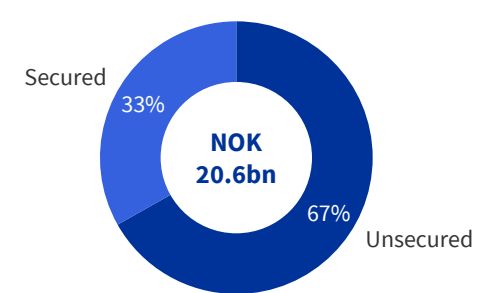
## Portfolio details (total gross ERC)<sup>1)</sup>

NOKm

### Geography distribution



### Distribution by type



Unsecured	1	2	3	4	5	6	7	8	9	10	120m ERC	Total ERC
Poland	787	658	470	349	261	194	143	106	73	44	3,086	3,144
NE	1,070	861	697	560	439	352	279	216	165	124	4,765	5,274
CE	389	347	281	240	199	152	126	88	33	20	1,875	1,900
WE	82	93	81	59	55	43	33	24	21	4	497	501
SEE	548	617	541	437	316	226	159	107	16	0	2,967	2,967
<b>Sum</b>	<b>2,878</b>	<b>2,577</b>	<b>2,071</b>	<b>1,646</b>	<b>1,271</b>	<b>966</b>	<b>741</b>	<b>540</b>	<b>308</b>	<b>193</b>	<b>13,189</b>	<b>13,787</b>

Secured	1	2	3	4	5	6	7	8	9	10	120m ERC	Total ERC
Poland	54	61	144	9	4	1	1	0	0	0	276	276
NE	12	13	9	7	5	4	3	3	2	-	57	57
CE	1,825	1,162	576	125	43	11	5	4	28	1	3,780	3,783
WE	285	433	399	394	165	86	18	10	2	4	1,798	1,798
SEE	435	304	118	35	11	4	-	-	-	-	907	907
<b>Sum</b>	<b>2,612</b>	<b>1,973</b>	<b>1,247</b>	<b>570</b>	<b>227</b>	<b>106</b>	<b>28</b>	<b>17</b>	<b>32</b>	<b>6</b>	<b>6,818</b>	<b>6,821</b>

Total	1	2	3	4	5	6	7	8	9	10	120m ERC	Total ERC
<b>5,489</b>	<b>4,550</b>	<b>3,317</b>	<b>2,216</b>	<b>1,498</b>	<b>1,073</b>	<b>769</b>	<b>557</b>	<b>340</b>	<b>199</b>	<b>20,007</b>	<b>20,608</b>	

1) Split and total ERC includes ERC attributable to JV with EOS in Romania

Disclaimer: B2Holding ASA emphasizes that every assessment of future conditions necessarily involves an element of uncertainty.





**B<sup>2</sup> HOLDING®**  
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