

Q2 2016 presentation



Oslo, 26 August 2016

B2Holding current status

Highlights for the second quarter

- B2Holding has established itself as one of the leading players in the markets where the Group operates
- Financial developments
 - Successful listing on Oslo Stock Exchange in June, raising NOK 687m in new equity¹⁾
 - High portfolio purchases in Q2 with a total of NOK 827m invested (NOK 1,275m in the first half)
- Organisational developments
 - The acquisition of Debt Collection Agency (DCA), one of the two leading players in Bulgaria and with operations in Romania, closed 10 June
 - New Ultimo CEO (Poland) starting 1 September
 - Continued strengthening of the work out departments handling secured portfolios in the Balkans
- Operational development
 - Strong operational performance in the Nordics and on the Balkans
 - The situation with the bailiff system in Poland is yet not back to 2015 performance, as expected
 - Strong focus on streamlining operations (emphasising on best practice between platforms and exploiting data capabilities)

¹⁾ Gross amount including greenshoe of NOK 37m

12 platforms managing over 2,500 portfolios in 15 countries, expected to generate NOK ~8.2bn in collection



Mature market



- The Nordics**
- Stable flow
 - Mainly unsecured debt
 - High cash flow projection certainty
 - High price in % of face value

- Poland**
- Large and stable cash flows
 - Mainly unsecured debt
 - Significant growth in secured debt from non-banks

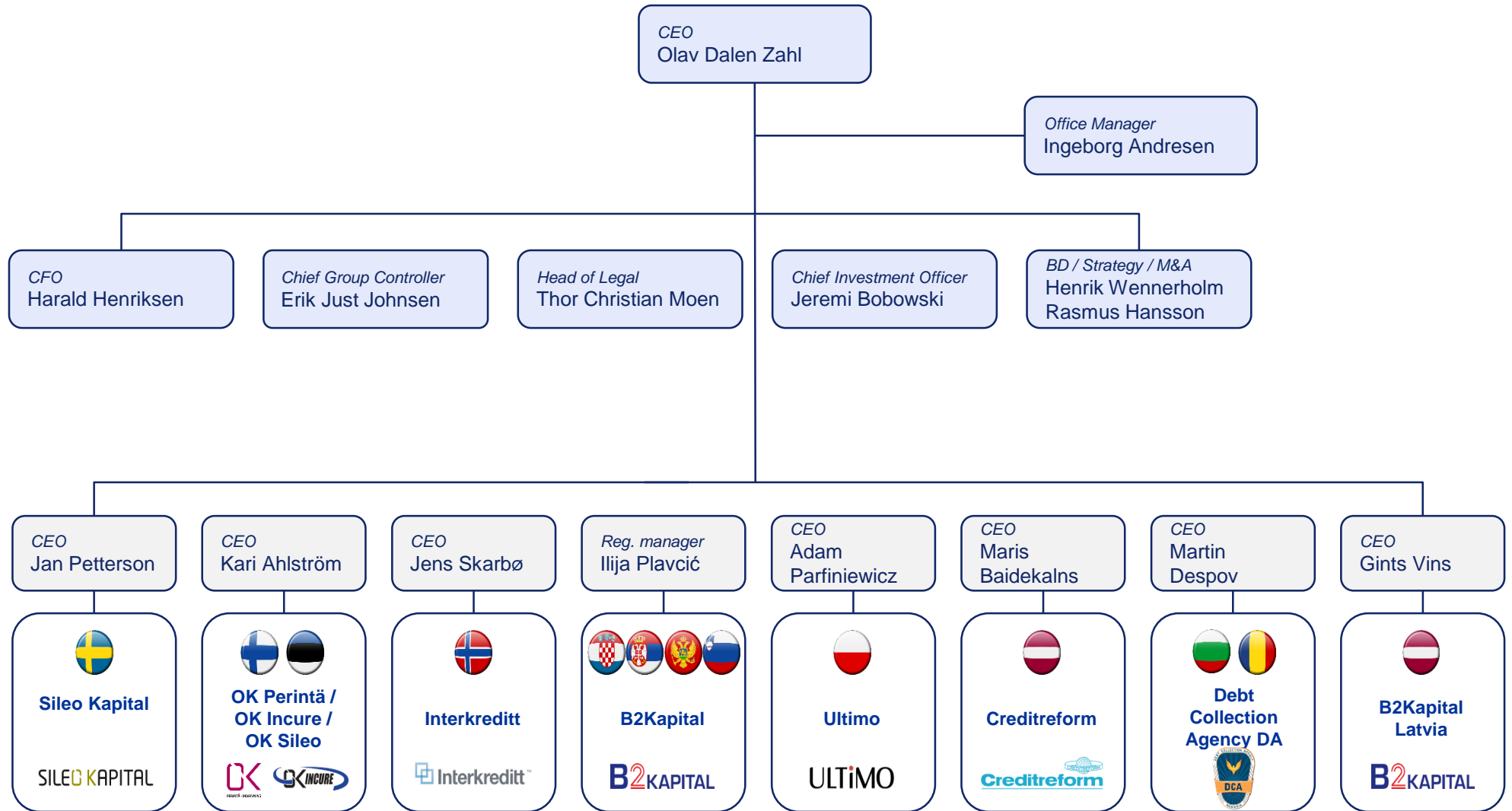
- The Baltics**
- Mainly unsecured debt
 - Low transaction volume
 - Focus redirection from third party collection to DP
 - Significant growth in secured debt

- The Balkans**
- Growth market
 - Chunky portfolios
 - Mix unsecured/secured
 - Low price in % of face value

Growth market

Platforms	12
Countries with portfolios	15
Employees	1,490
Gross ERC (NOKm)	8,186

B2Holding group functions

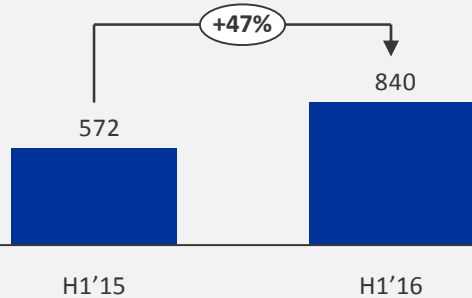


(portfolio acquisitions Baltics)

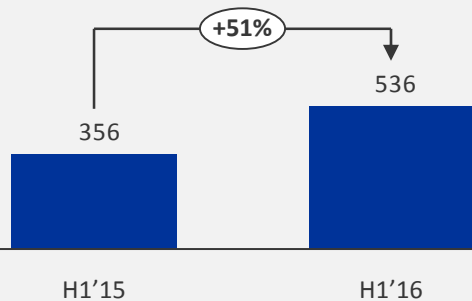
Financial highlights as of H1'16

Increasing collections and cash EBITDA

Gross Cash collection (NOK)¹⁾

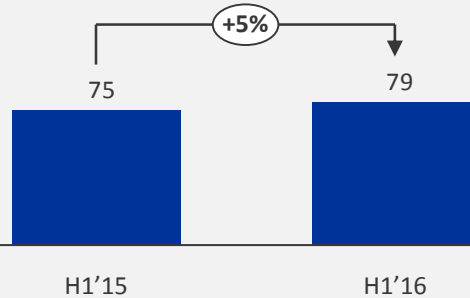


Cash EBITDA (NOK)³⁾

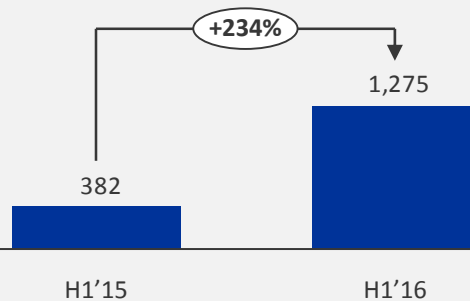


Increasing profits and acquisition activity

Adjusted net profit (NOK)²⁾



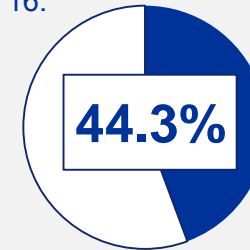
Portfolio acquisitions



Solid balance sheet and return on capital

Equity ratio

Q2'16:



Q1'16: 37.5%

Adjusted ROE²⁾

Q2'16 LTM:

16.1%

Q1'16: 19.0%

Available liquidity (NOK)⁴⁾

Q2'16:

NOK 1.3 billion

Q1'16: NOK 1.3bn

1) Gross Cash collection on portfolios

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

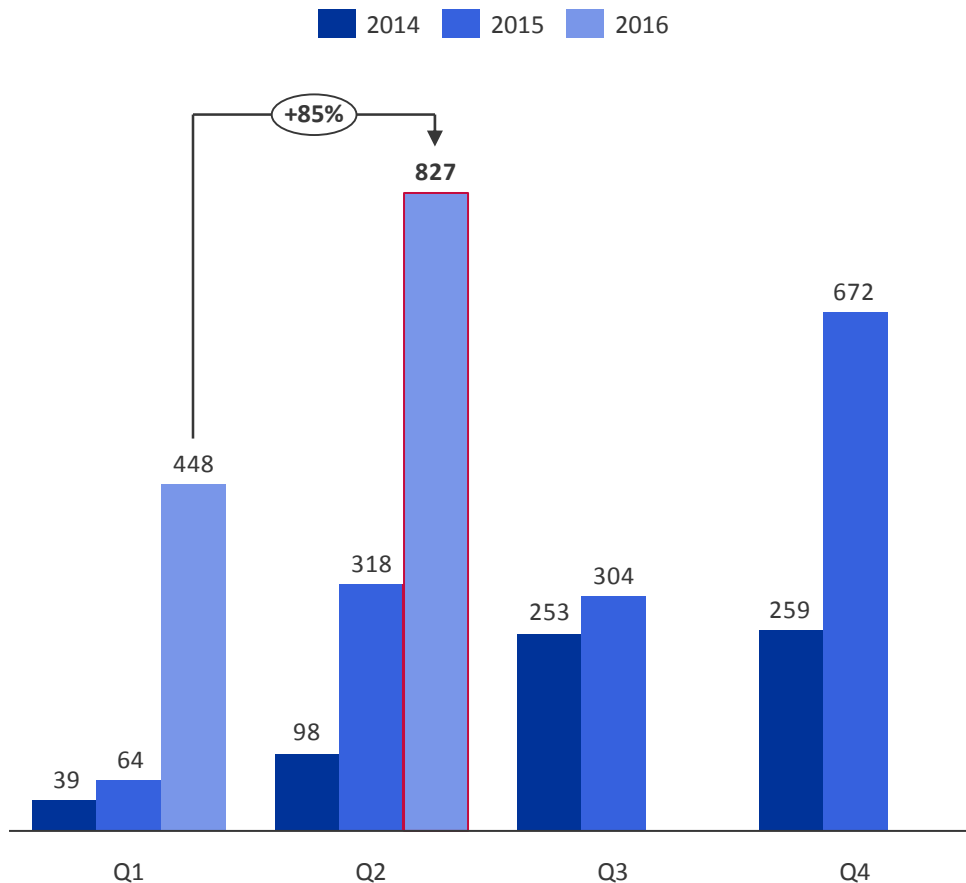
3) Cash EBITDA defined as operating EBITDA plus portfolio amortisation / revaluation

4) Excess cash (cash above minimum cash position of NOK 200m) plus undrawn amount on the revolving credit facility and the bank overdraft facility

Record quarter in terms of acquisition activity: NOK 827m invested

Portfolio purchases

NOK million

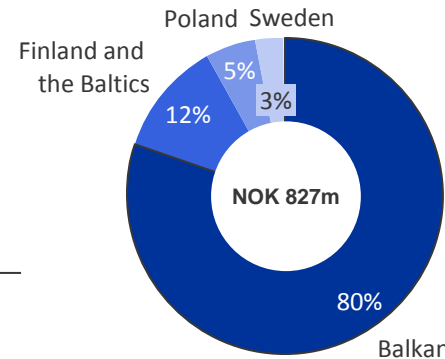


Comments

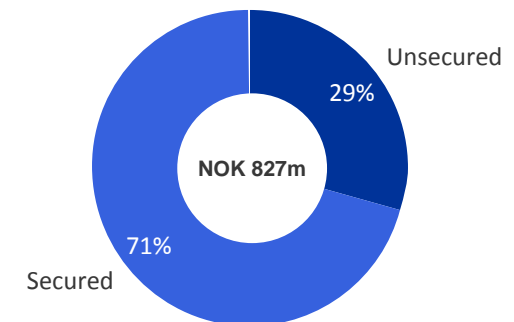
- Historic high purchase volume in Q2, portfolio purchases in all geographies present
- Further strengthening of the position in the West Balkans by purchasing one secured and one mixed portfolio
- 29% unsecured in the quarter vs. 100% in Q1
- Strong pipeline for 2nd half of 2016, majority in the 4th quarter

Key details portfolio purchases Q2

Geography distribution

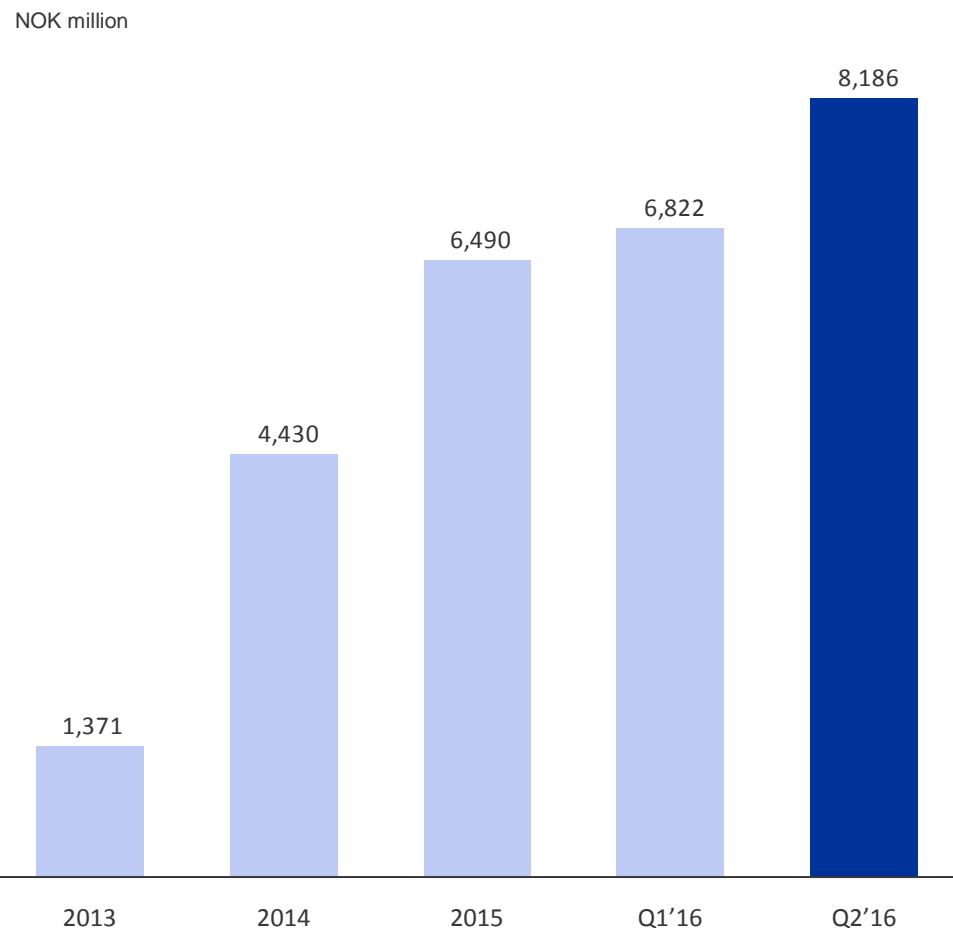


Distribution by type

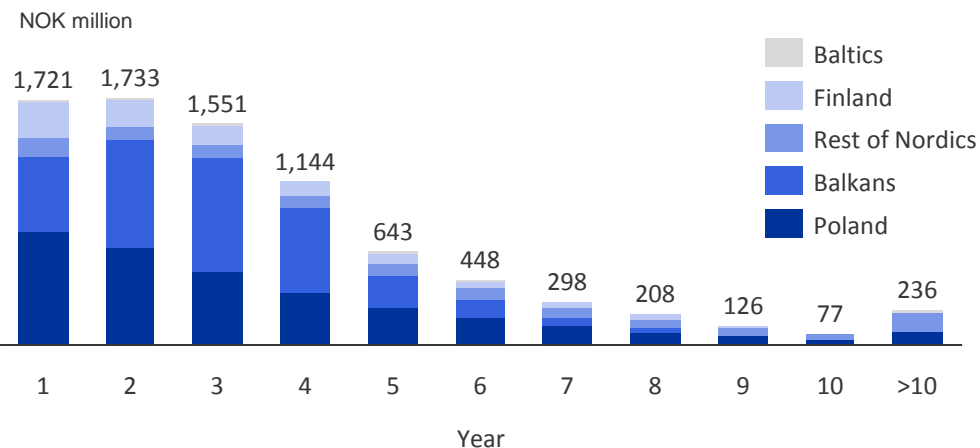


Total Gross ERC passed NOK 8bn in the second quarter

Development in Total Gross ERC



Total Gross ERC split by estimated collection time



Gross ERC split by estimated collection time table

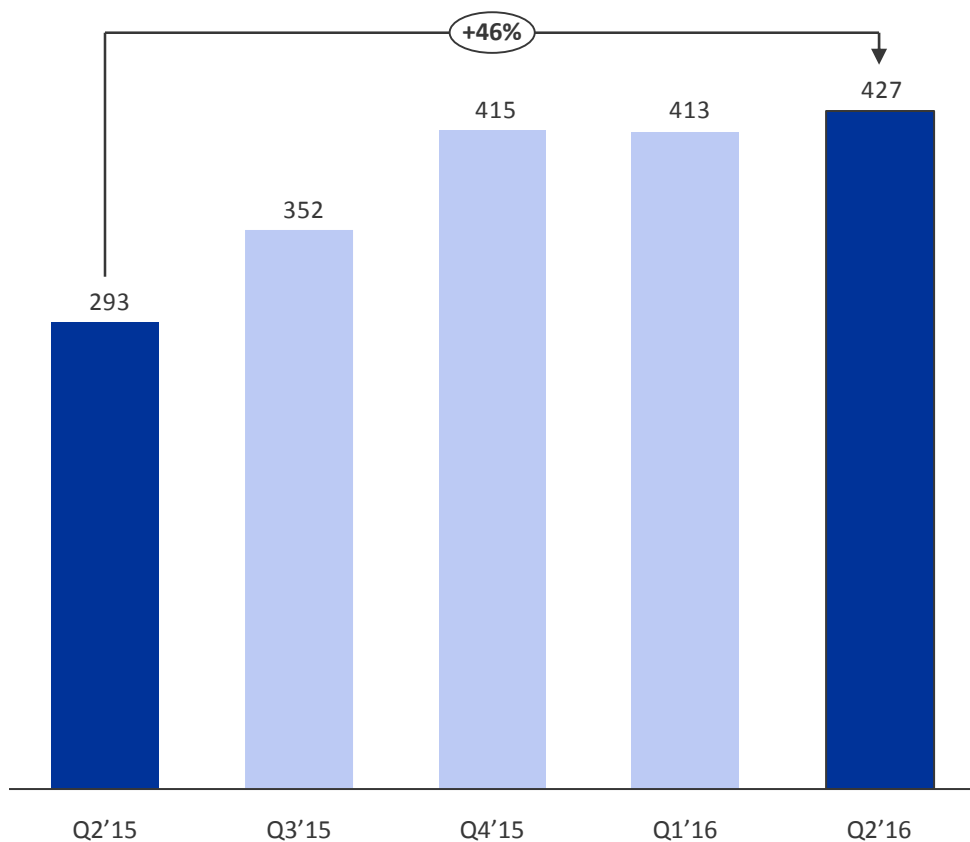
NOK million

Region	Year											120m ERC	Total ERC
	1	2	3	4	5	6	7	8	9	10			
Poland	787	682	510	365	254	186	123	83	53	31	3,074	3,153	
Balkans	534	753	804	590	232	129	63	31	9	2	3,147	3,147	
Rest of Nordics	125	108	95	86	79	72	66	59	50	41	782	931	
Finland & Estonia	257	178	132	96	73	55	44	33	12	1	881	881	
Baltics	18	13	9	7	5	4	3	2	2	2	66	74	
Total	1,721	1,733	1,551	1,144	643	448	298	208	126	77	7,949	8,186	

Gross cash collection and net operating revenues are continuing to display strong growth

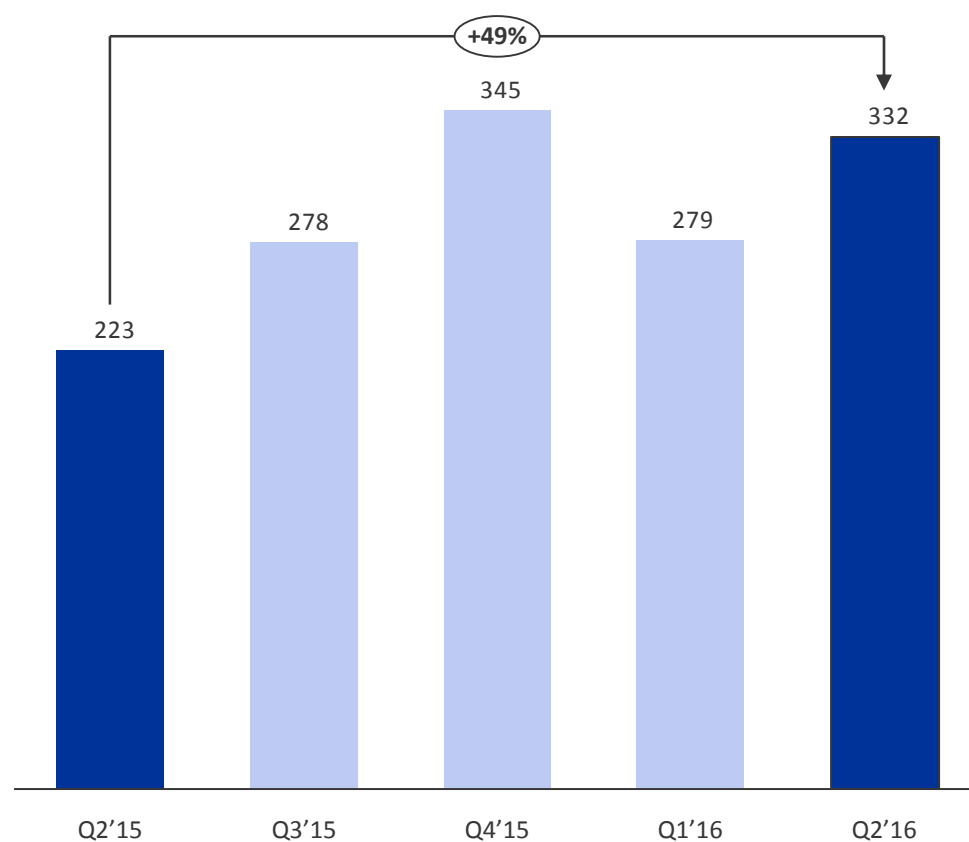
Gross cash collection on portfolios

NOK million



Net operating revenue

NOK million

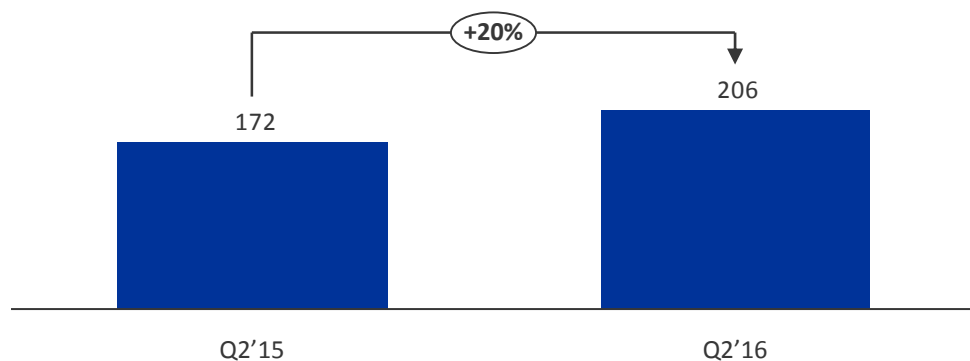


Segment financials – Poland



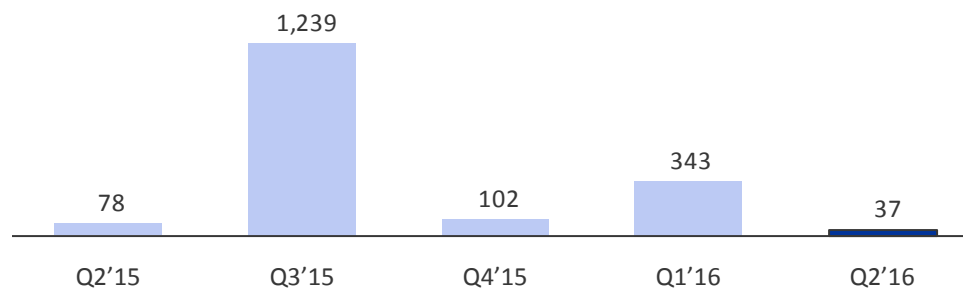
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



Key financials

NOKm	Q2'15	Q2'16	% growth
Interest income on purchased loans	116	119	2.8 %
Cash EBIT	90	128	42.1 %
EBIT	34	41	21.5 %
Changes in portfolio cash flow estimates	0	7	
Carrying value of loans	1,200	1,512	25.9 %

Comments

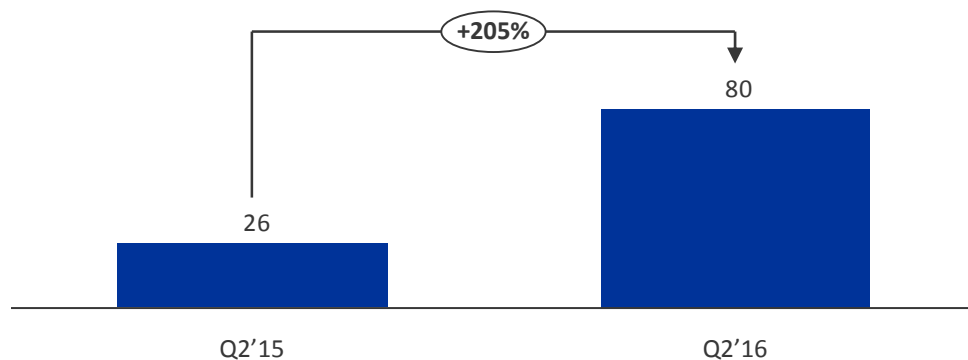
- Adam Parfiniewicz new CEO from 1 September
- The bailiff system still not back to 2015 performance, as expected
- Strong NPL supply
- Focus on streamlining operations

Segment financials – Balkans



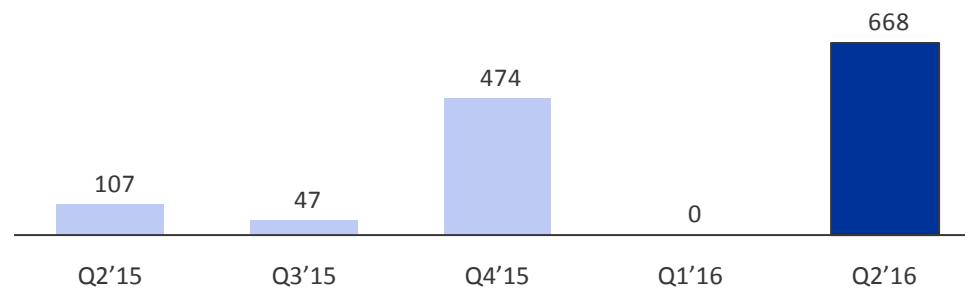
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



Key financials

NOKm	Q2'15	Q2'16	% growth
Interest income on purchased loans	22	84	278.4 %
Cash EBIT	18	53	194.1 %
EBIT	14	57	308.8 %
Changes in portfolio cash flow estimates	0	-3	
Carrying value of loans	286	1,566	448.1 %

Comments

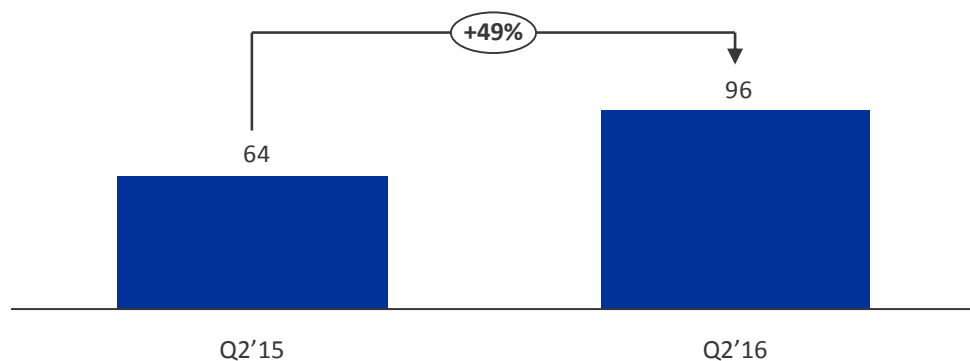
- Acquisition of DCA purchase closed in June
- Strong operational results for the quarter
- Record purchase volume
- Attractive pipeline

Segment financials – Finland and the Baltics



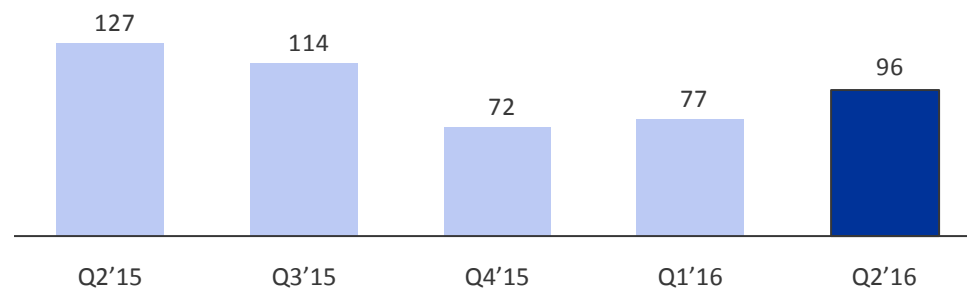
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



Key financials

NOKm	Q2'15	Q2'16	% growth
Interest income on purchased loans	30	50	67.3 %
Cash EBIT	52	76	45.8 %
EBIT	17	30	69.4 %
Changes in portfolio cash flow estimates	0	0	
Carrying value of loans	324	506	56.0 %

Comments

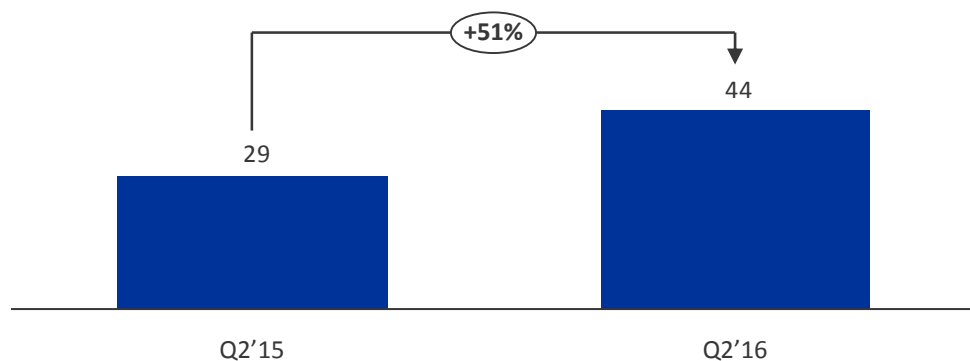
- Continuing the solid performance
- Steady acquisition volume
- Strong operational efficiency

Segment financials – Rest of the Nordics



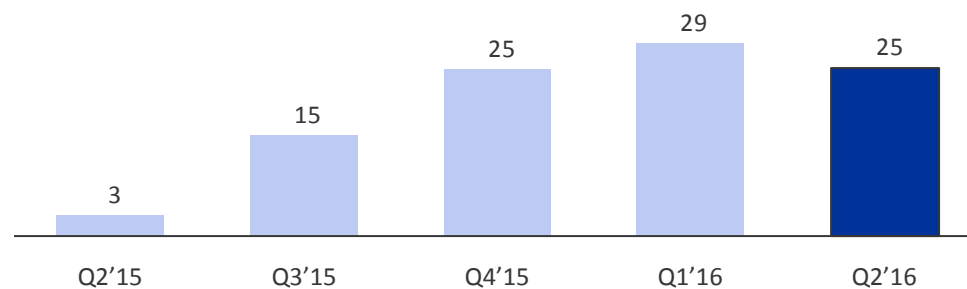
Gross cash collection on portfolios

NOK million



Purchased loan portfolios

NOK million



Key financials

NOKm	Q2'15	Q2'16	% growth
Interest income on purchased loans	20	26	28.8 %
Cash EBIT	23	36	56.8 %
EBIT	14	18	29.4 %
Changes in portfolio cash flow estimates	0	0	
Carrying value of loans	385	446	15.8 %

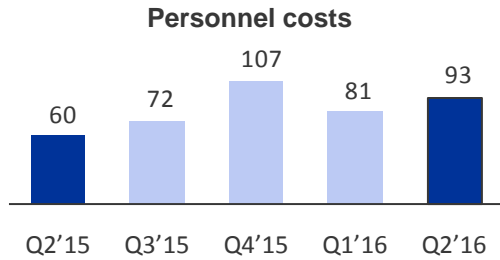
Comments

- Continued strong collection compared to forecasted curves
- Increased forward flow purchases

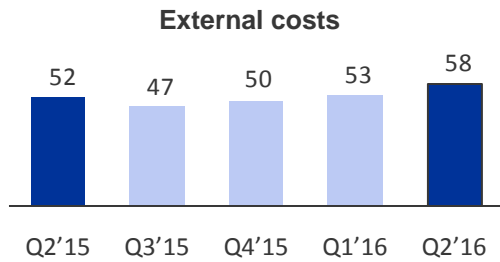
Continuing to display disciplined cost control

Total operational costs per quarter

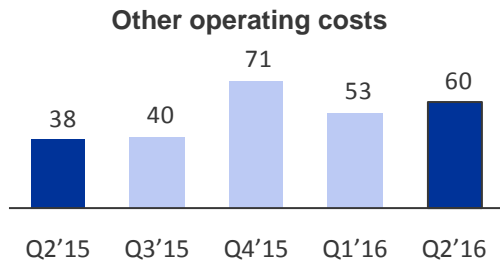
NOK million



Higher costs due to an increase in number of employees from 1,186 to 1,374 (FTEs) and NOK 5,1 million in non-recurring personnel costs



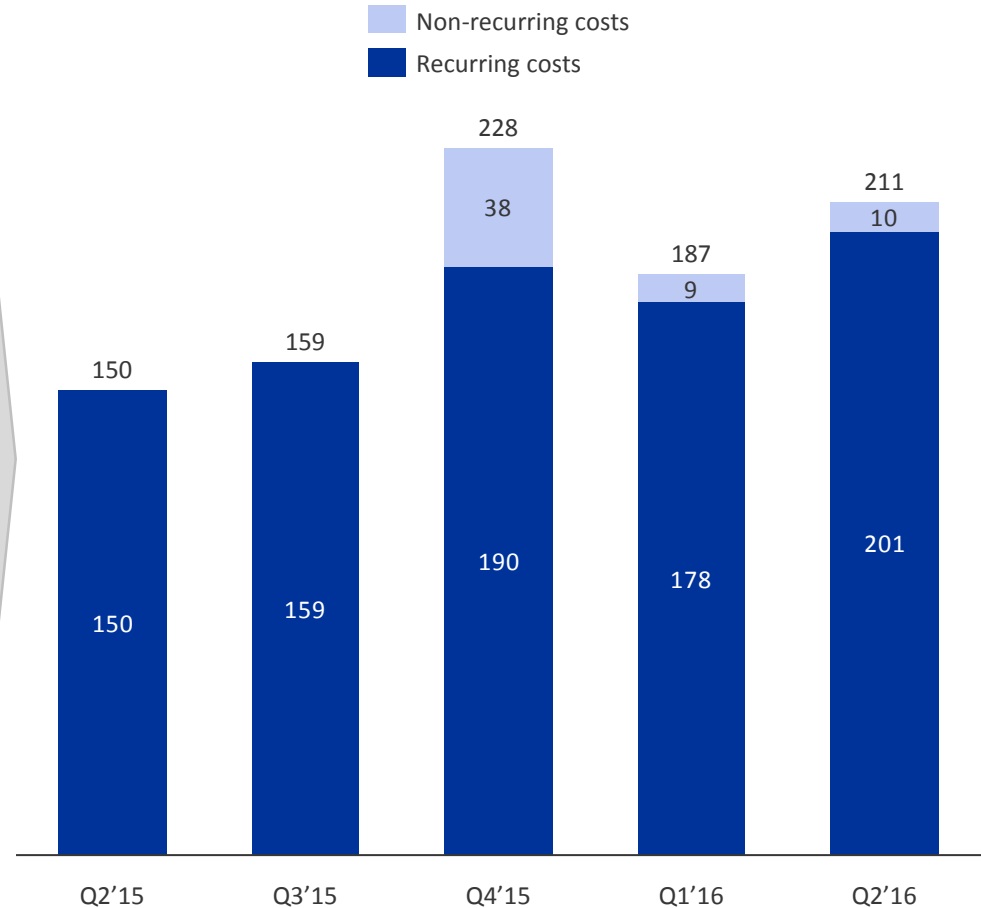
Stable development in external costs, as expected



Other operating expenses in Q2'16 adjusted for NOK 5m in advisory costs and expenses related to the IPO

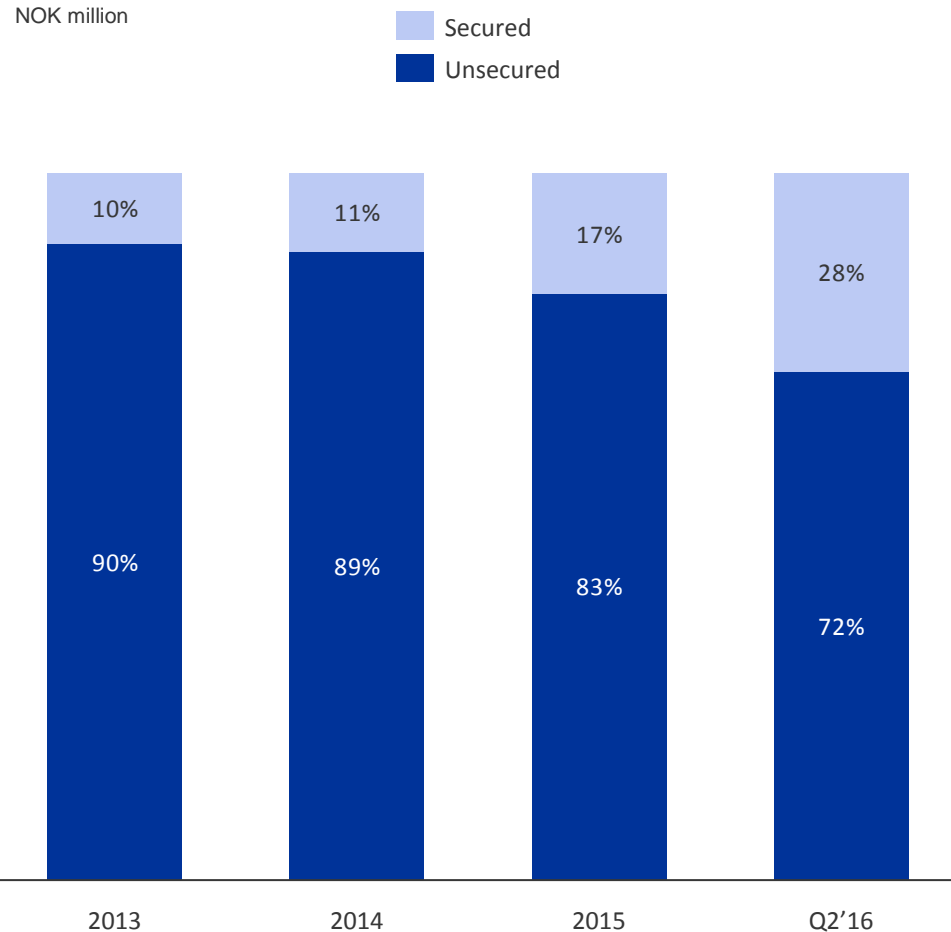
Operational costs split

NOK million

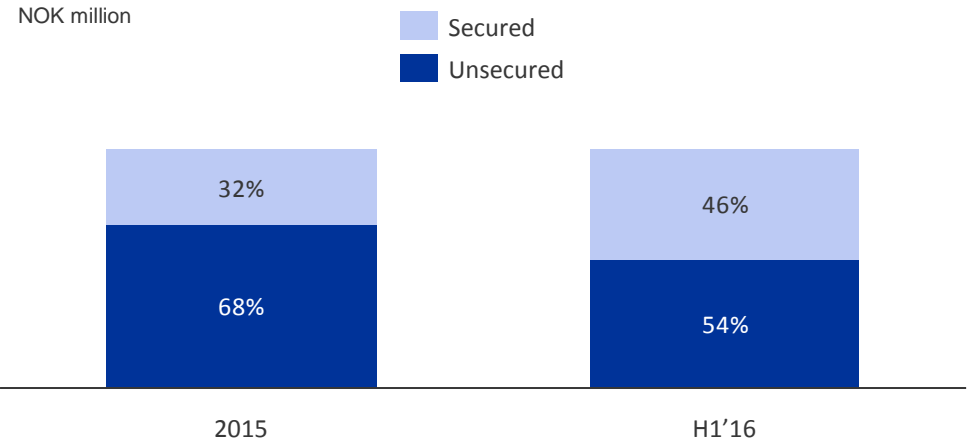


Portfolio and acquisition composition

Portfolio distribution by type (measured by purchase price)¹⁾



Acquisitions by type (measured by purchase price)



Comments

- Good portfolio flow in all markets present
- Strong supply of secured portfolios in Balkans
- Balanced investment mix between unsecured and secured YTD

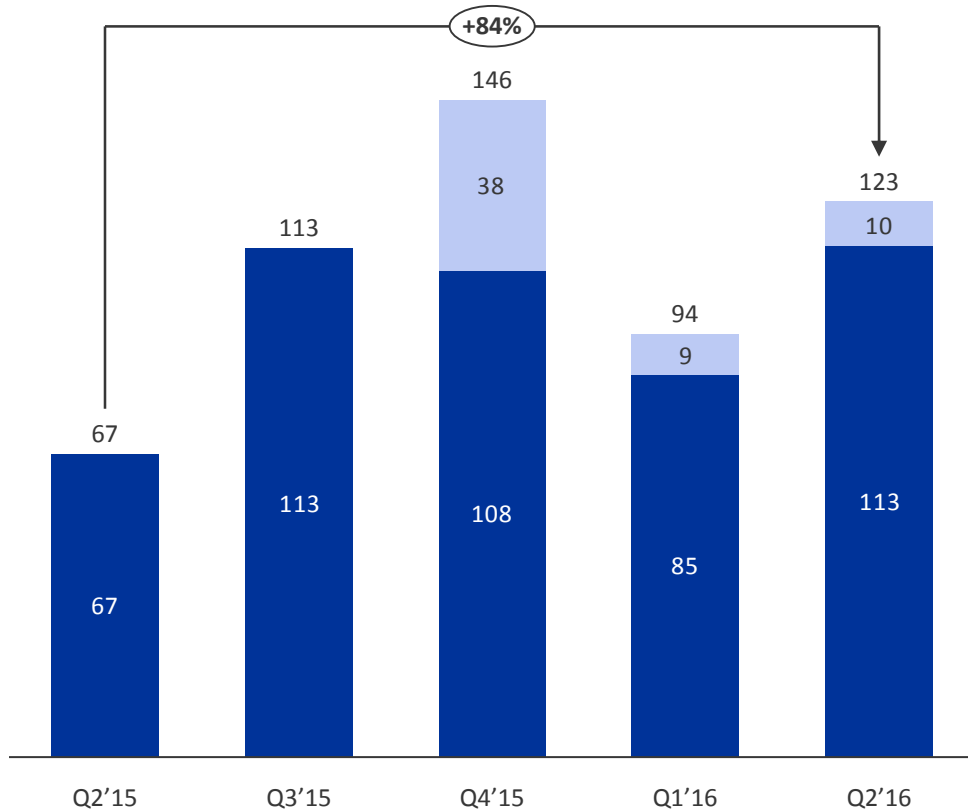
1) 2013 and 2014 extrapolated based on portfolios per 31/12/2015

Strong y-o-y growth in EBIT and Cash EBITDA

EBIT

NOK million

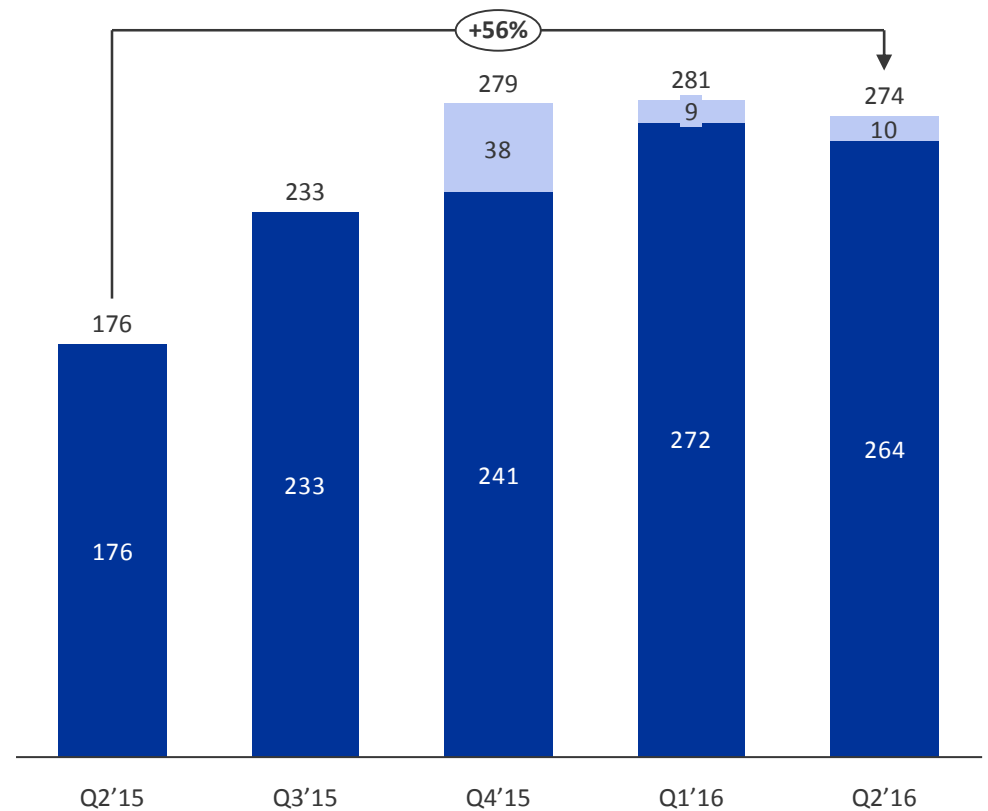
■ Non-recurring items
■ As reported



Cash EBITDA

NOK million

■ Non-recurring items
■ As reported

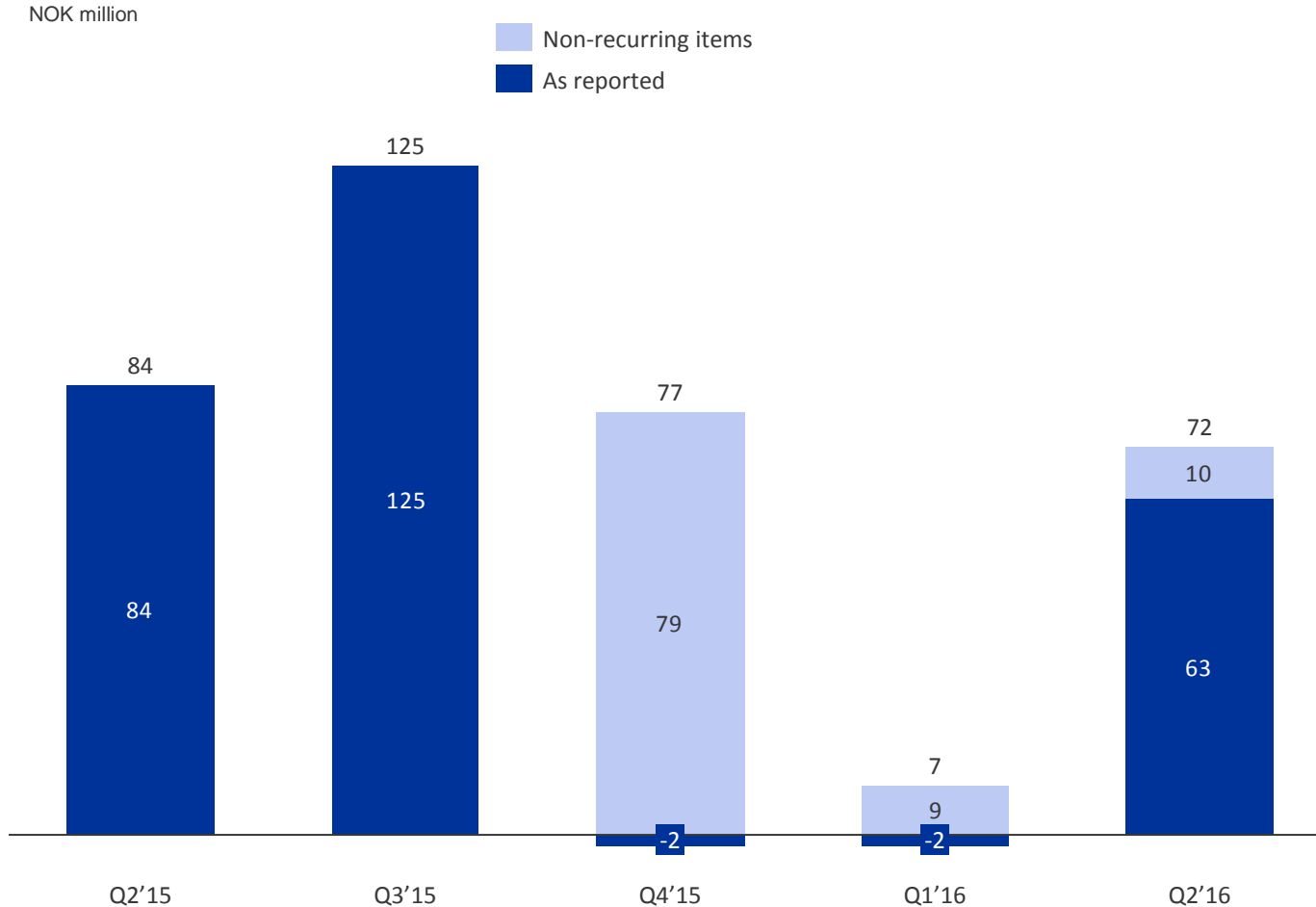


Reported and adjusted net profit

Net profit and non-recurring items

NOK million

■ Non-recurring items
■ As reported



Comments

- Non-recurring operational expenses related to advisory and the acquisition of DCA of NOK 4.6m
- NOK 5.1m related to personnel costs
- Q2'15 net profit includes unrealised currency gain of NOK 40m

Financial highlights: Income statement

Income statement

NOKm	Q2'15	2015 audited	Q1'16	Q2'16
Interest income on purchased loan portfolios ¹	189	915	233	284
Revenue from external collection	23	104	24	26
Other operating revenues	12	57	22	22
Net operating revenues	223	1,076	279	332
Excess cash from collection over income ²	103	424	182	143
Total cash revenue	327	1,500	461	474
External costs of services provided	-52	-189	-53	-58
Personnel costs	-60	-294	-81	-93
Other operating expenses	-38	-188	-53	-60
Cash EBITDA	177	829	274	264
EBITDA	73	405	92	121
Depreciation and amortization	-6	-28	-7	-7
EBIT	67	377	85	113
Net financials	26	-134	-79	-36
Tax	-8	-45	-8	-15
Net profit	84	198	-2	63
Non-recurring items (net of tax)	0	79	9	10
Adjusted net profit	84	277	7	72

Comments

- Strong operational performance in Q2, with cash EBITDA growing 49% on a y-o-y basis
- Strong growth in EBIT q-on-q

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 is equal to portfolio amortisation

Financial highlights: Balance sheet

Balance sheet

NOKm	Q2'15	2015 audited	Q1'16	Q2'16
Tangible and intangible assets	396	418	404	499
Other long-term financial assets	2	2	2	2
Non-performing loans portfolio	2,196	3,168	3,379	4,030
Loan receivables & other financial assets	202	286	297	307
Total long-term financial assets	2,400	3,455	3,678	4,339
Other short-term assets	55	70	95	92
Cash & short-term deposits	284	765	273	215
Total current assets	338	835	368	307
Total assets	3,133	4,708	4,450	5,145
Total equity	1,474	1,672	1,667	2,281
Long-term interest bearing loans & borrowings	1,149	2,526	2,471	2,410
Other long-term liabilities	64	91	87	138
Total long-term liabilities	1,212	2,617	2,558	2,547
Short-term interest bearing loans	145	0	0	46
Other short-term liabilities	302	419	225	271
Total short-term liabilities	447	419	225	317
Total equity and liabilities	3,133	4,708	4,450	5,145

Comments

- Strong growth in NPL and loan receivables with a 81% increase y-o-y
- Net debt of ~NOK 2.2bn and available liquidity (including excess cash above NOK 200m and undrawn amount under the RCF) of approximately NOK 1.3bn
- Equity ratio of 44.3%

Financial highlights: Cash flow

Consolidated cash flow

NOKm	Q2'15	2015 audited	Q1'16	Q2'16
Cash EBITDA	176	829	272	264
Interest expenses paid	-17	-91	-47	-39
Working capital and FX revaluation	-8	-145	-58	15
Income tax paid during the period	-9	-27	-6	-35
Other adjustments	47	24	-26	21
Cash flow from operation	189	591	135	226
Cash flow from investing activities				
Portfolio Investments	-318	-1,358	-448	-827
Acquisition of subsidiary	0	0	0	-87
Other	-6	-29	-164	-5
Net cash flow from investing activities	-324	-1,388	-612	-919
Cash flow from financing				
Net proceeds from new share issues	1	17	1	627
Change in interest bearing debt	112	1,216	0	-28
Other	0	0	0	0
Net cash flow from financing	113	1,233	1	599
Net cash flow in the period	-22	436	-476	-94
Opening cash and cash equivalents	290	294	765	273
Exchange rate difference on currency conversion	-2	34	-16	-10
Closing cash and cash equivalents	267	765	273	169

Comments

- Strong Cash flow from operation q-o-q
- Portfolio investments in the quarter equalled NOK 827m vs NOK 318m in Q2'15

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

- Strong focus on streamlining existing operations through implementing best practice between platforms and take advantage of B2H's vast data capabilities
- Strong pipeline with large portfolios - B2H is actively looking at potential co-investments
 - With the continued push for banks to delever and clean up their balance sheets, the portfolio pipeline is growing significantly
 - General volumes are increasing and we are seeing trend towards larger portfolios
 - In order to participate in larger portfolio acquisitions, B2H will consider entering co-investment agreements
- B2H is continuously evaluating further geographical expansion within the strategically defined areas (Central Eastern Europe, the Nordics and the Baltics)



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