

# Q2

Second quarter 2021



**B2**HOLDING



# Highlights Q2 2021

## Operations

- Strong unsecured collections
- Solid secured recoveries both in cash and in successful repossessions
- REOs sold in the quarter well above book value

## Effectiveness & efficiency

- Sustained low cost base
- New Chief Data & Analytics Officer to accelerate the Group's digital processes

## Investments

- Continued focus on disciplined and selective investments
- Market pipeline and activity is picking up

## Capital & funding

- Strengthened liquidity reserve
- Solid funding base to support future growth

## Key figures Q2 2021 (NOKm)

Net revenues

**756**

(687)

Gross Collections<sup>1)</sup>

**1,407**

(1,277)

Cash EBITDA<sup>2)</sup>

**977**

(927)

Net profit

**162**

(34)

Portfolio purchases

**220**

(473)

Leverage ratio

**2.52x**

(3.22x)

# Business update



## Market update

- Higher activity in Q2 compared to Q1 2021
- Pipeline activity has increased over the summer, signaling a more active second half of 2021
- Q3 portfolio purchases so far exceeding Q2
- Lower NPL recognition due to moratoria is still affecting many European countries



## Market outlook

- Increase of loan loss provisioning in European banks signals expected decrease in asset quality
- The largest European banks have more than doubled loan loss provisions in 2020 vs 2019<sup>1)</sup>
- Stage 2 loans, a leading indicator for future NPLs, rose to 9.1% in December 2020 from 6.5% in December 2019<sup>2)</sup> of total loans across Europe
- We still expect activity to pick up in second half of 2021 and going into 2022



# Improved operations and scalability

## Sustainable cost savings

- Optimized collection strategies and processes
- Developed hybrid working models allowing for reduction of office space

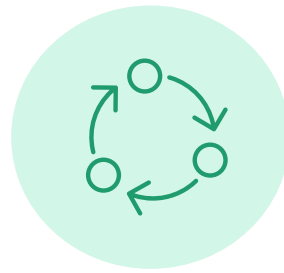
## Digitalization

- Accelerating migration to digital and automated collection channels
- Digital self-service for debtors implemented in several countries and expected to include most countries by end of the year

## Analytics

- New analytical tools to improve amicable collection implemented in several countries
- Increased use of machine learning to support identification and handling of debtors likely to go into debt restructuring

# Core priorities going forward



## Operations

- Sustainable lower cost base with several cost saving initiatives carried out
- Accelerate Data & Analytics initiatives with key resource recently hired



## Investments

- Strong balance sheet will enable us to harvest from an expected favourable market going forward
- Increased focus on investments in core markets to utilize economies of scale



## Investment partnerships

- Positive development in servicing revenues, but untapped potential
- Focus on increasing investment partnerships along with increased market activity

# Financial performance





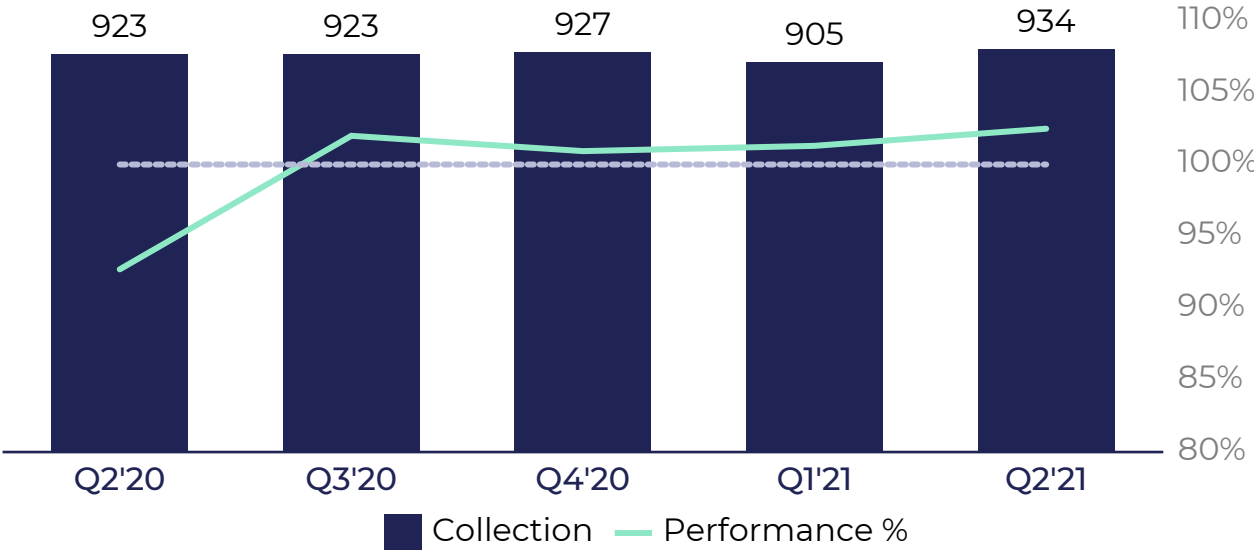
## Second quarter 2021 summary

NOK million	2021 Q2	2020 Q2	% Δ	2021 H1	2020 H1	% Δ	2020 Full Year
Net revenues	756	687	10%	1,518	1,451	5%	3,095
Adj. EBIT	321	245	31%	651	514	27%	1,246
Adj. EBIT %	43%	36%	7 pp	43%	35%	8 pp	40%
EBIT	341	245	39%	671	500	34%	1,224
Profit/(loss) after tax	162	34	378%	291	58	400%	309
Cash revenue <sup>1)</sup>	1,369	1,342	2%	2,793	2,707	3%	5,403
Cash EBITDA <sup>1)</sup>	977	927	5%	1,991	1,809	10%	3,646
Cash margin <sup>1)</sup>	71%	69%	2 pp	71%	67%	4 pp	67%
Cost to collect %	20%	22%	-2 pp	19%	22%	-3 pp	21%
Gross collections <sup>2)</sup>	1,407	1,277	10%	2,901	2,709	7%	5,659
Portfolio purchases <sup>3)</sup>	220	473	-54%	412	964	-57%	1,664
EPS	0.39	0.08		0.71	0.14		0.75
Return on equity	11.4 %	7.7 %	3.7 pp	11.4 %	7.7 %	3.7 pp	6.9 %

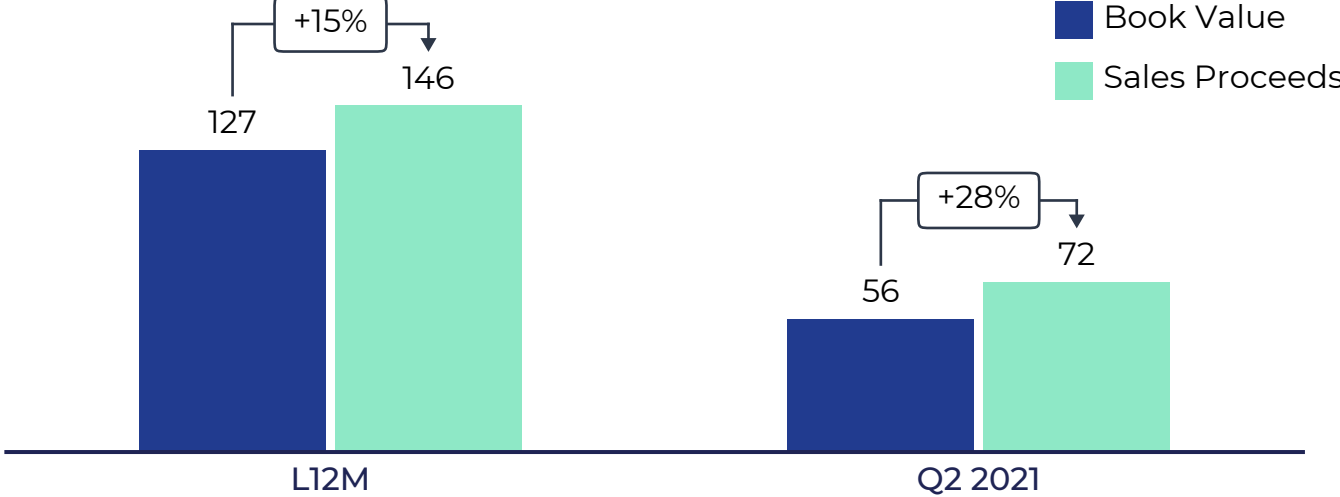
- Strong unsecured collections at 102.5% of the latest forecast
- Solid secured recoveries - both cash and successful repossessions
- Increased pace in REOs sold as well higher servicing revenues
- Sustained lower cost base driving Adj. EBIT growth
  - Net positive NRIs of NOK 20m
- Selective investments approach and focus on price discipline
- Strong cash generation with lower cost of debt and reduced leverage

# Collection Performance

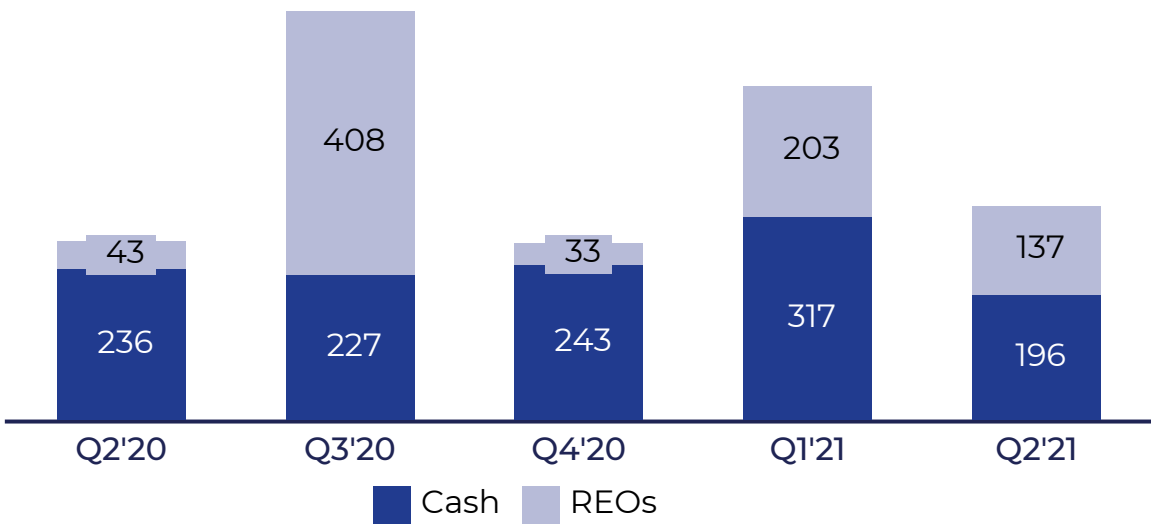
Unsecured collection performance



REOs sold



Secured recoveries

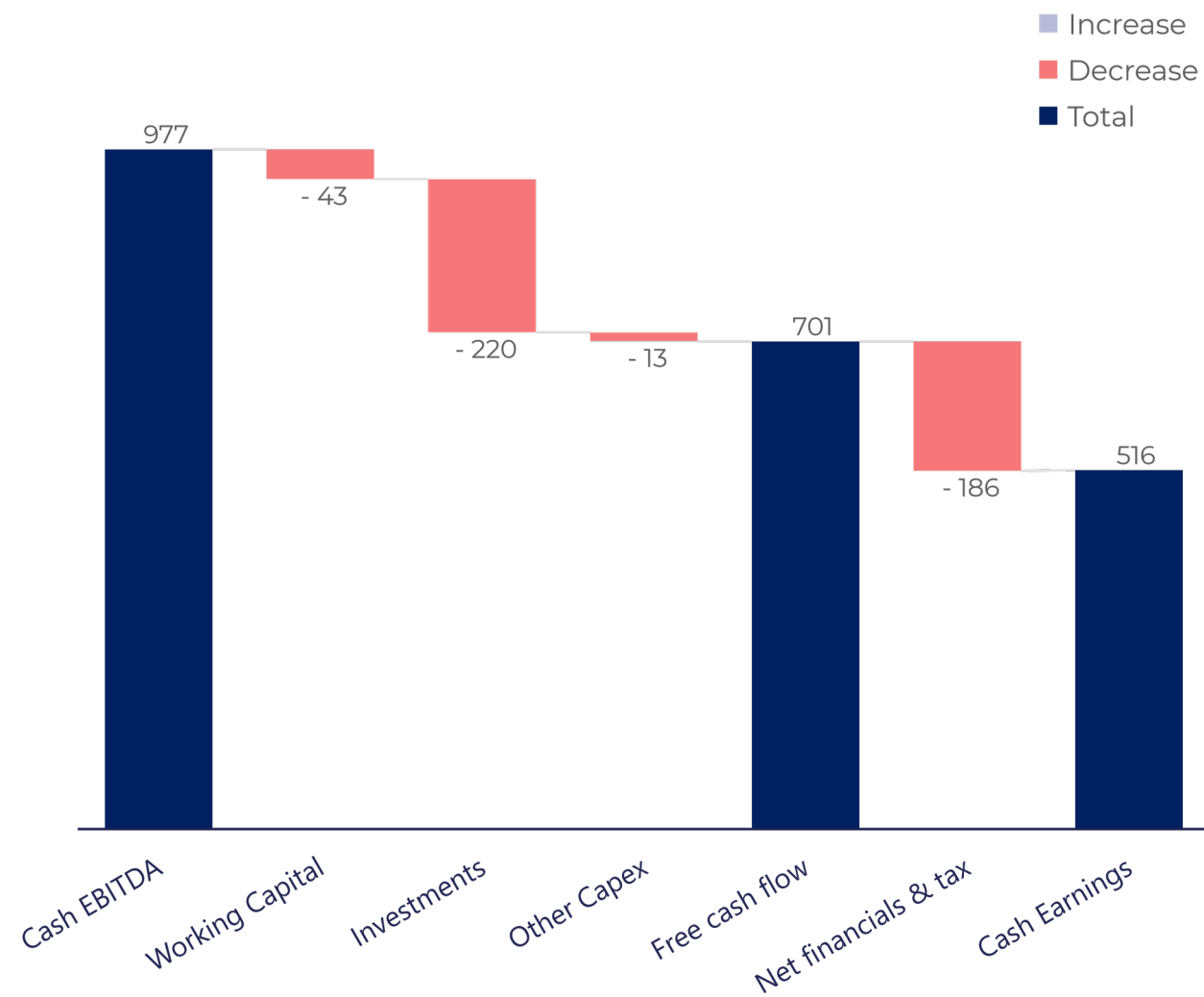


- Unsecured collections performance 102.5% in Q2 and 102% LTM
- Total secured cash recoveries (incl. REOs) NOK 268m
- REOs sold comfortably above book value in Q2

# Strong secured & REO monetization resulting in solid cash earnings

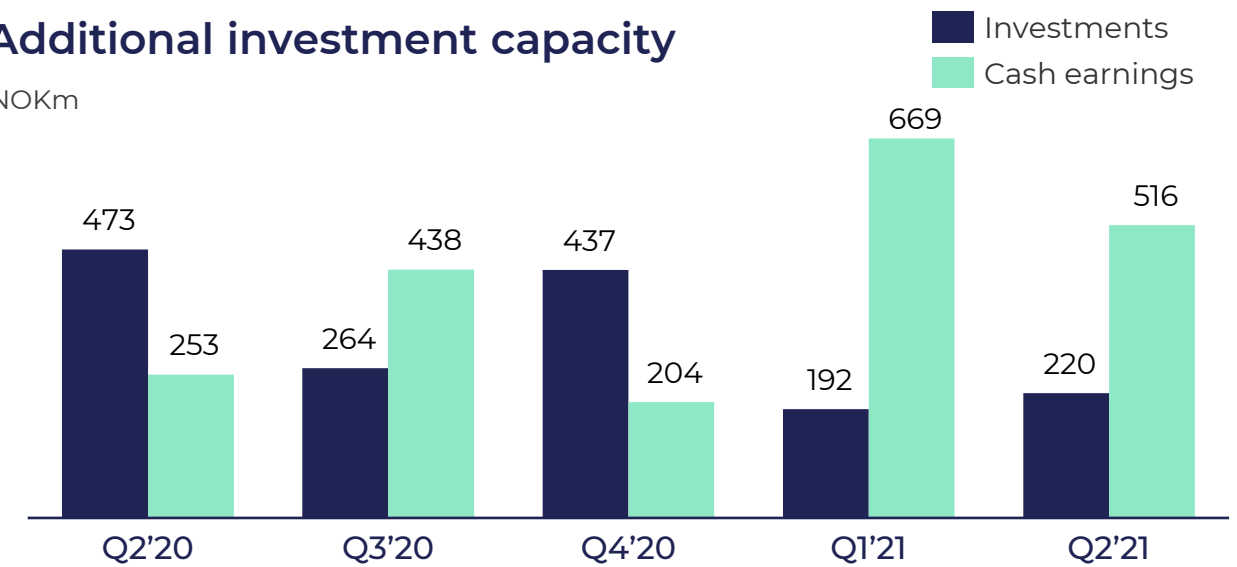
## Cash flow Q2 2021

NOKm

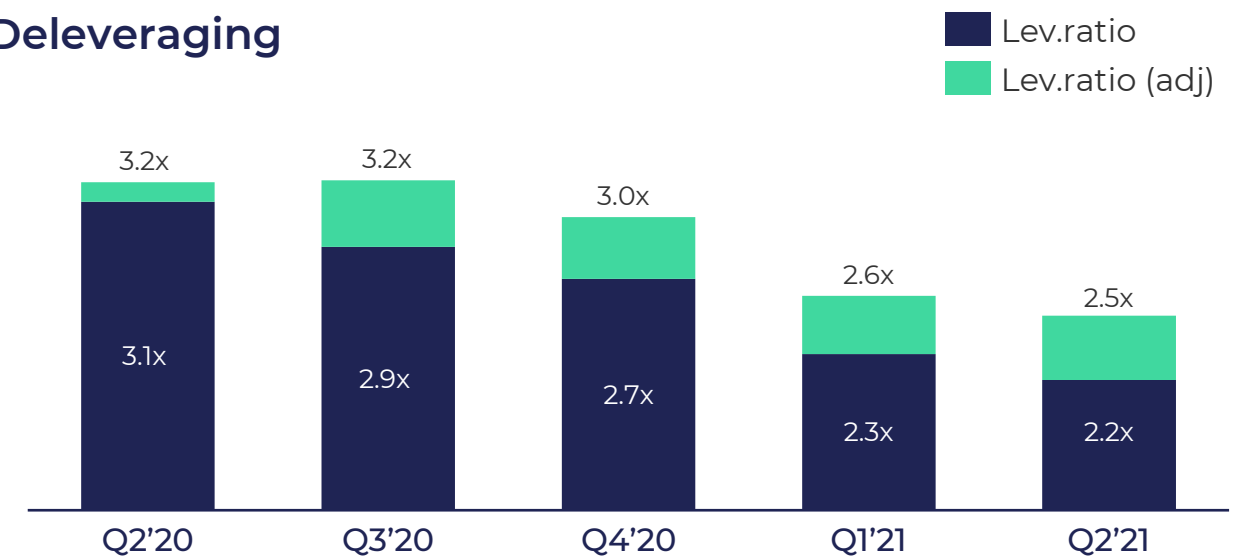


## Additional investment capacity

NOKm

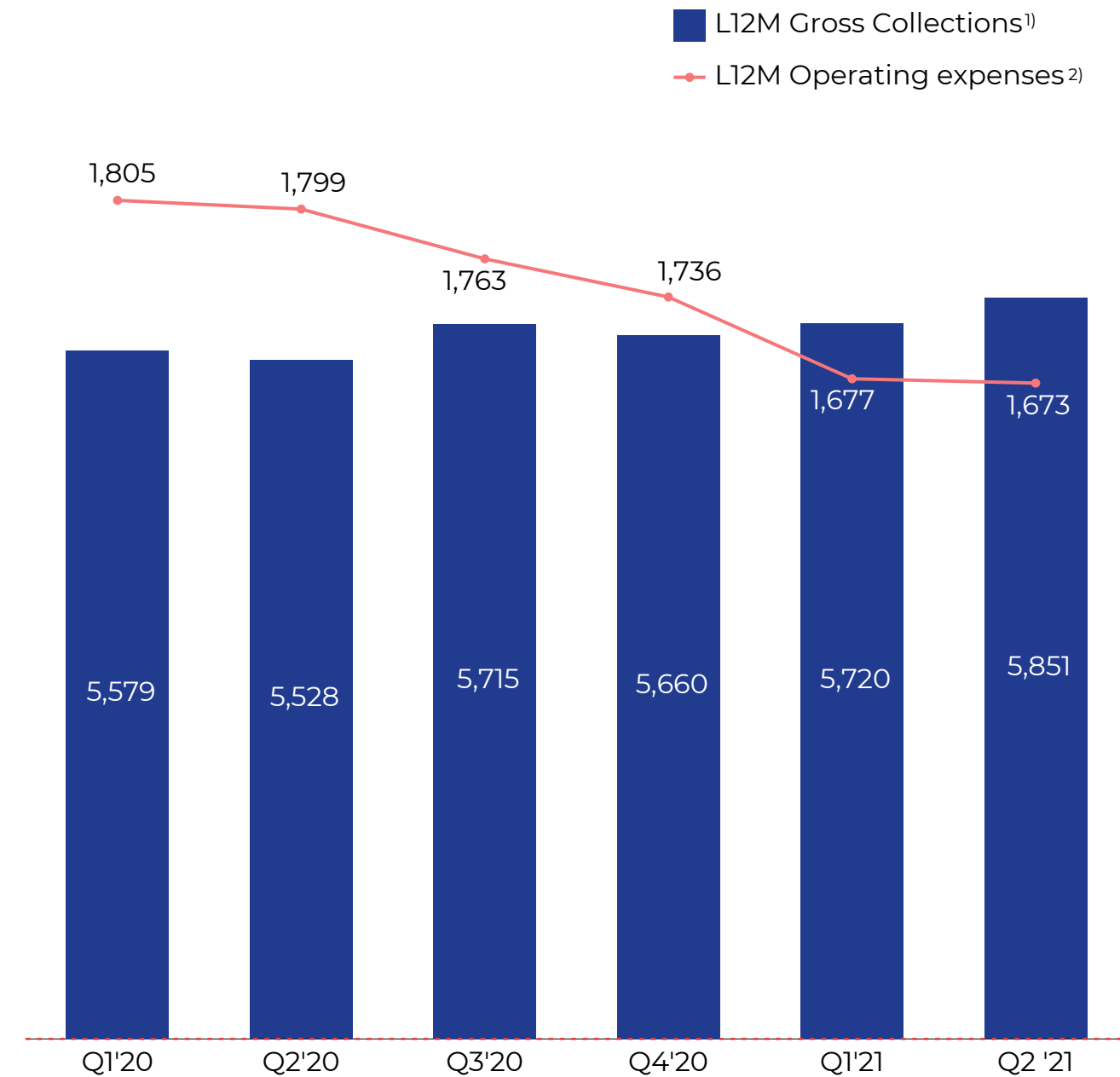


## Deleveraging



# Sustained lower cost base while maintaining high collection activity

- Initiated cost saving program Q2 2020
- Accumulated savings compared to Q1 2020 of NOK 316m
- Sustained lower cost base despite higher collections



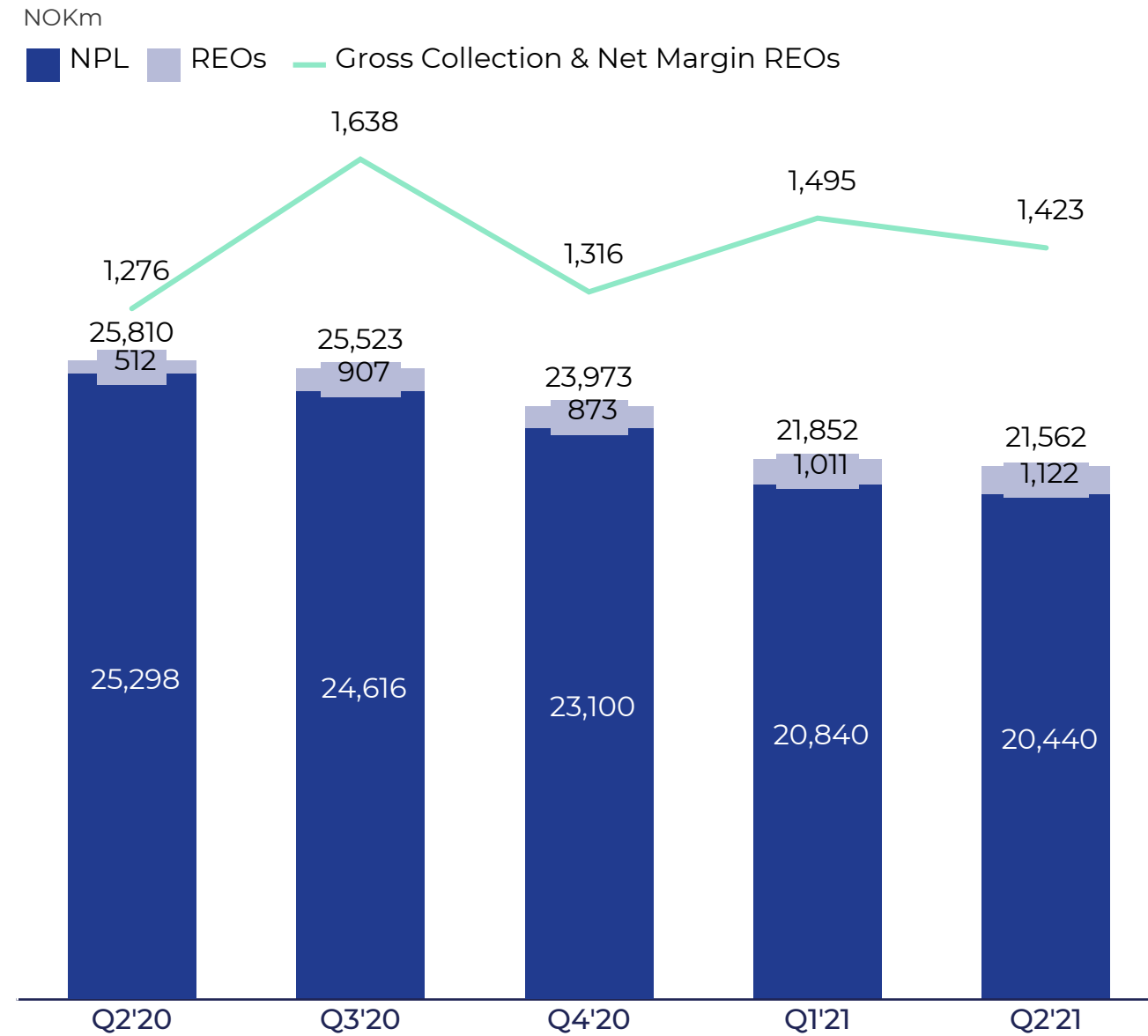
Numbers in NOK million

1) Gross Collections includes share of cash from JVs

2) Operating expenses excluding Depreciation, Amortisation, Impairment and Non Recurring Items

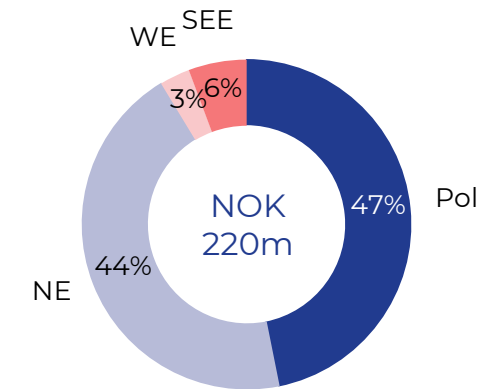
# Portfolio investments and Estimated Remaining Collections (ERC)

## ERC incl. REO book value

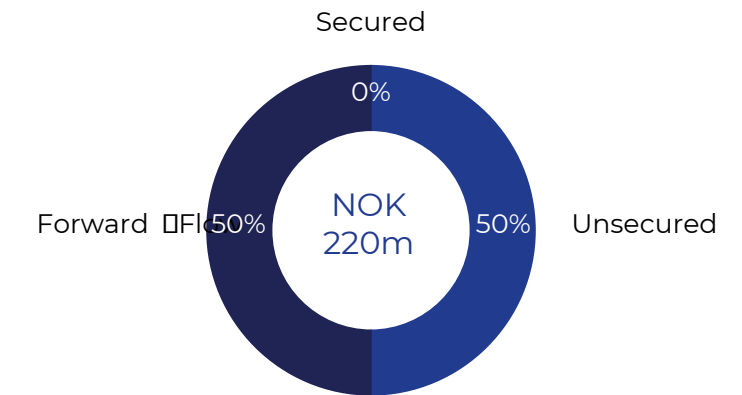


## Portfolio investments in Q2

### Geographical distribution

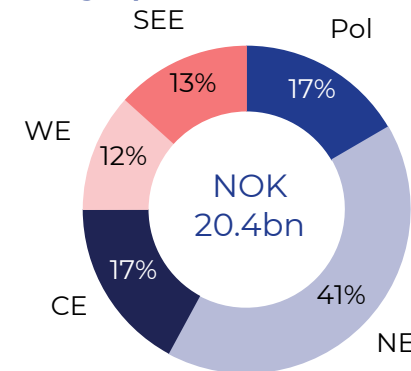


### Asset class distribution

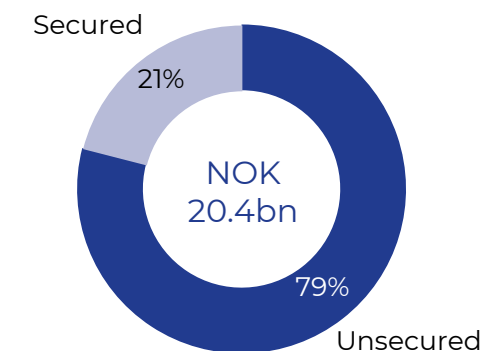


## Total ERC as of Q2

### Geographical distribution



### Asset class distribution

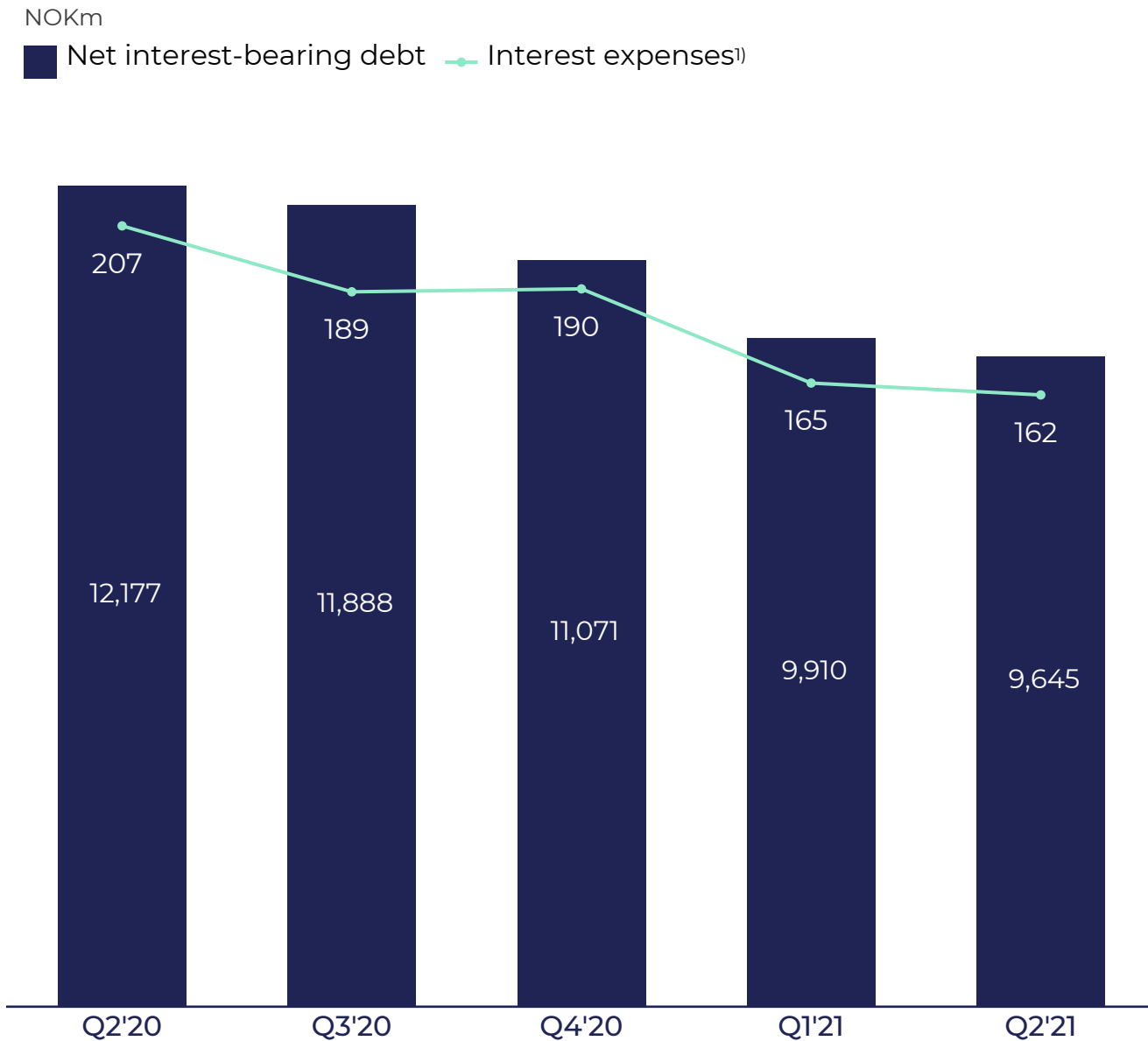


# Deleveraging and increased liquidity reserve

## Decreased leveraging and strong liquidity reserve

- Net interest-bearing debt reduced by NOK 2.5bn year-on-year
  - NOK 1.8bn adjusted for FX effects
  
- Interest expenses reduced by NOK 44m year-on-year
  - Driven by debt repayment and buyback of bonds
  
- Full flexibility to take out Bond 2 maturing in October 2021
  - Refinancing via a combination of the RCF and the Bridge Facility
  
- Liquidity reserve of EUR 407m

## Interest expenses decreasing due to lower debt



<sup>1)</sup>Consisting of interest expenses, commitment fees and arrangement fees

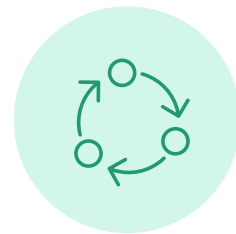
# Summary



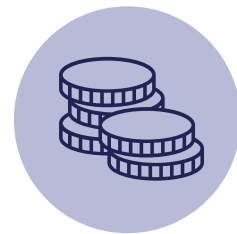
# Key takeaways



Strong collection performance in all asset classes



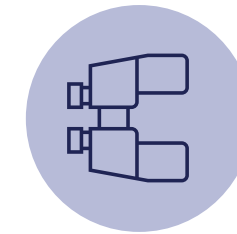
Improved collection efficiency coupled with increased scalability in several markets



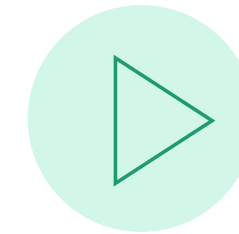
Solid cash flow and reduced leverage



Promising pipeline for REO sales – increased volume expected



Higher visibility in NPL pipeline with increased activity observed



Well positioned to take advantage of a growing NPL market

- Robust balance sheet and liquidity reserve
- Positive cash flow trajectory
- Well diversified geographically
- Increased interest in future JVs



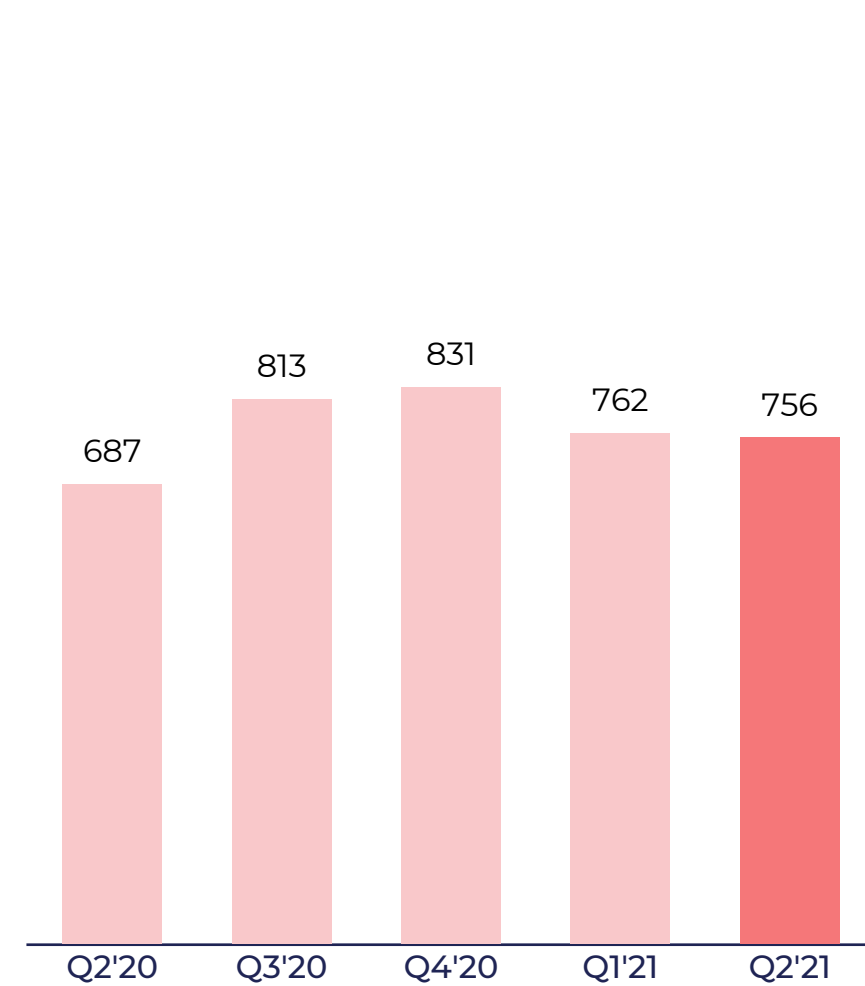
# Q&A



# Quarterly financial performance

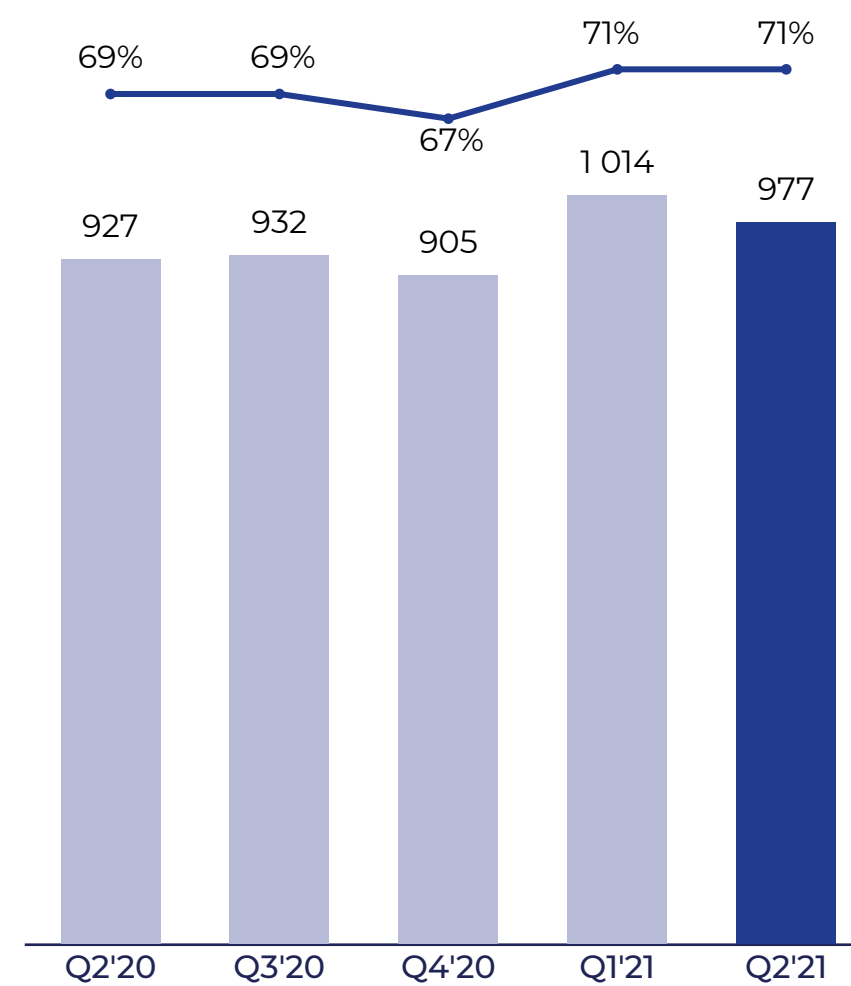
## Net revenues

NOKm



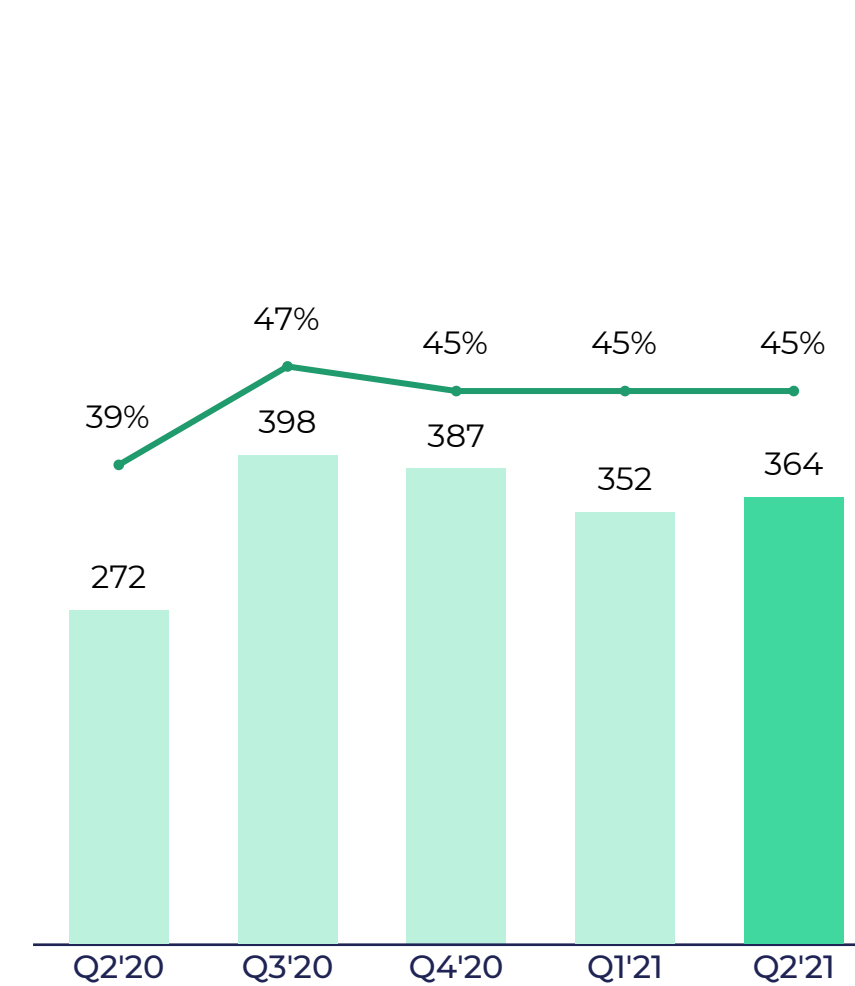
## Cash EBITDA

NOKm Cash EBITDA Cash margin



## EBITDA

NOKm EBITDA EBITDA margin



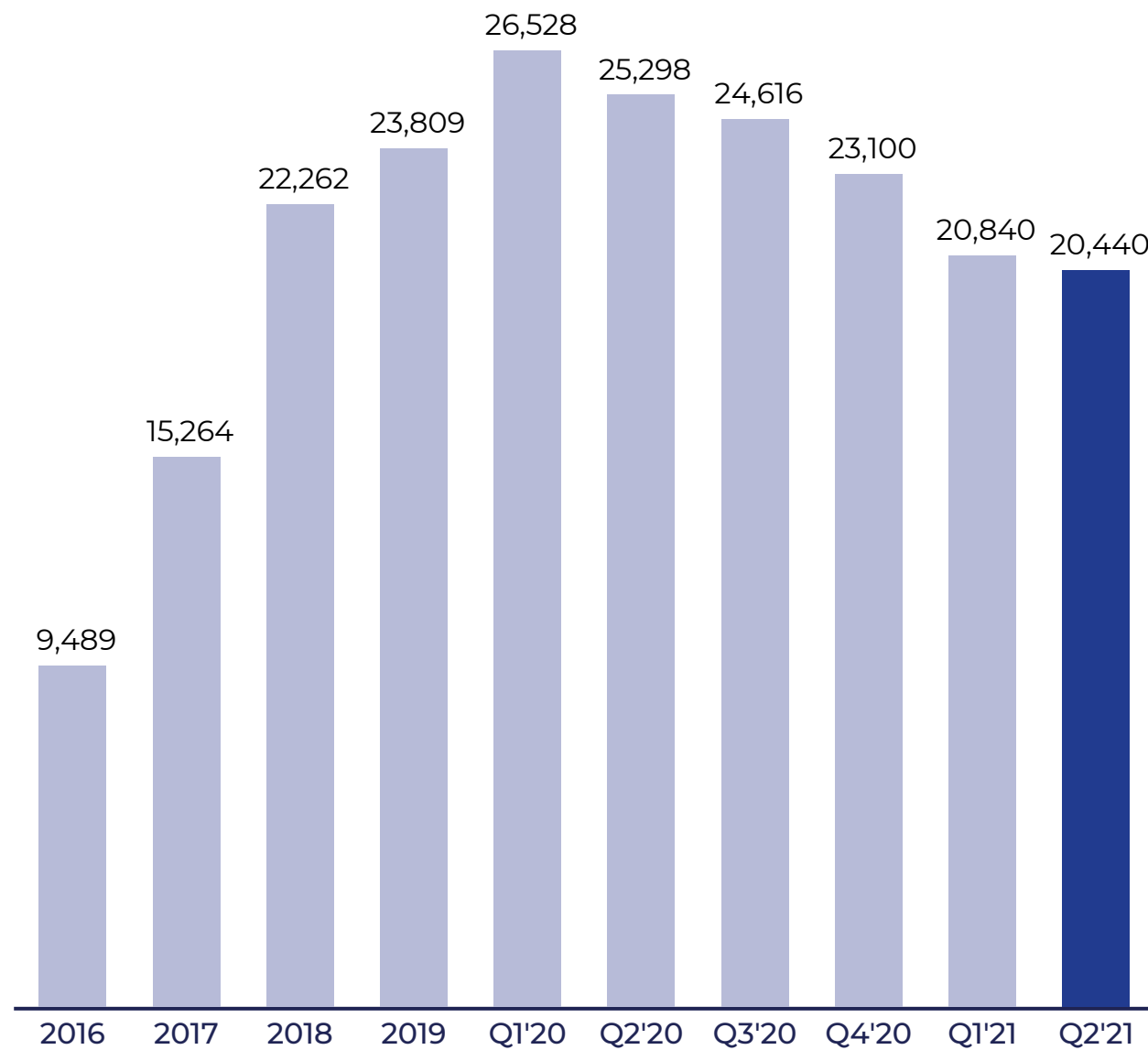
## Second quarter 2021 summary

NOKm	2019 Q3	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4	2021 Q1	2021 Q2
Net revenues			764	687	813	831	762	756
EBIT	387	291	255	245	369	355	330	341
<b>Profit (loss) after tax</b>	<b>181</b>	<b>90</b>	<b>24</b>	<b>34</b>	<b>128</b>	<b>123</b>	<b>130</b>	<b>162</b>
Cash revenue	1,492	1,396	1,364	1,342	1,348	1,349	1,424	1,369
Cash EBITDA	1,034	940	881	927	932	905	1,014	977
<b>Cash margin</b>	<b>69%</b>	<b>67%</b>	<b>65%</b>	<b>69%</b>	<b>69%</b>	<b>67%</b>	<b>71%</b>	<b>71%</b>
Cost to collect %	22.4%	24.0%	22.9%	21.7%	16.9%	23.2%	18.3%	20.0%
Gross collections <sup>1)</sup>	1,448	1,370	1,433	1,277	1,636	1,315	1,494	1,407
Portfolio purchases <sup>2)</sup>	1,231	566	491	473	264	437	192	220
Basic earnings per share, NOK	0.44	0.22	0.06	0.08	0.31	0.30	0.32	0.39

# ERC development

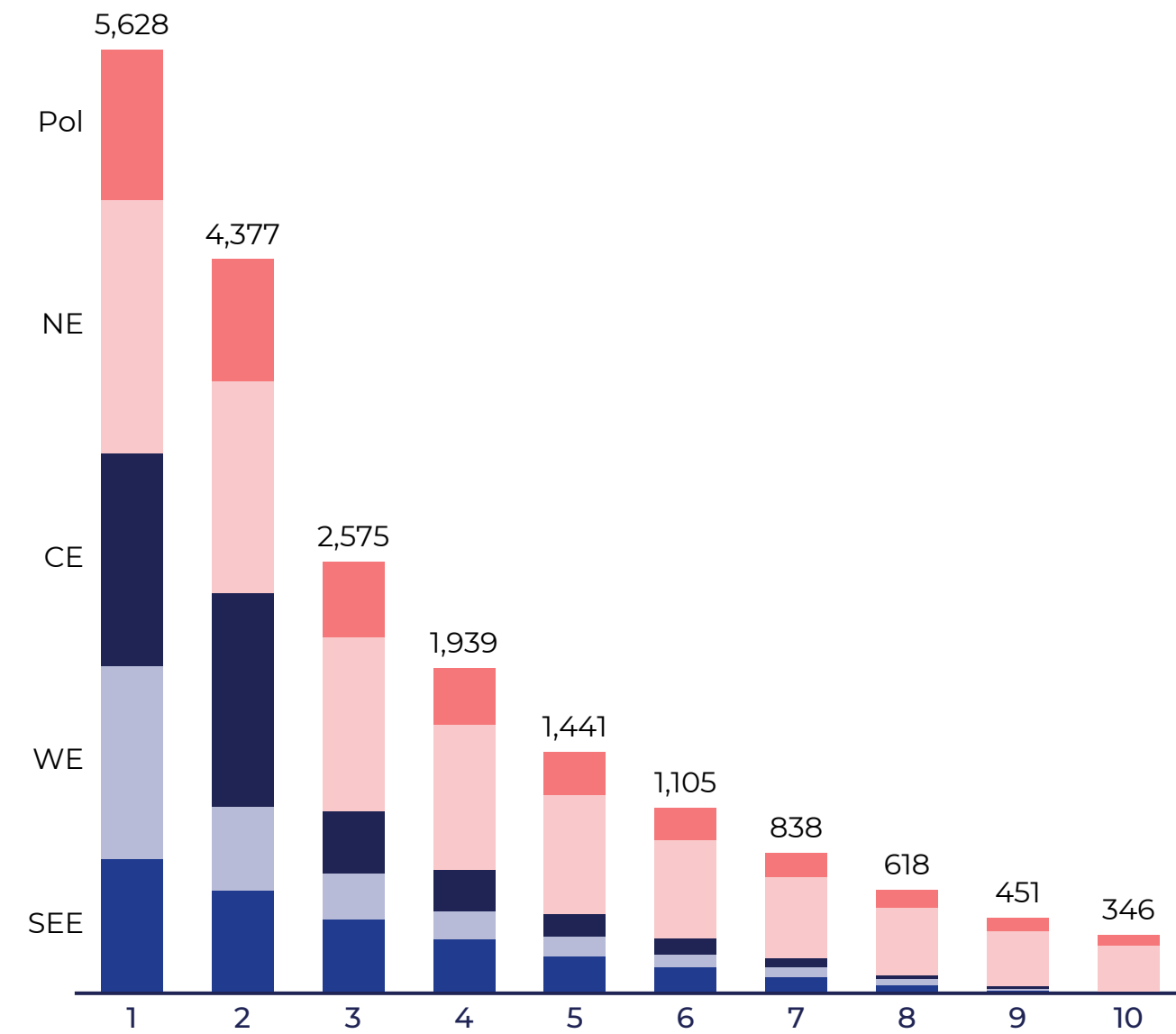
## Development in total gross ERC<sup>1)</sup>

NOKm



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

NOKm



## Portfolio diversification

Unsecured	Year 1	2	3	4	5	6	7	8	9	10	120m ERC	Total ERC
Pol	809	600	435	331	254	190	141	103	79	60	3,003	3,159
NE	1,507	1,255	1,037	864	711	585	486	402	330	273	7,450	8,402
CE	304	261	213	164	127	90	52	24	14	7	1,258	1,262
WE	222	185	151	108	84	66	45	27	6	1	893	893
SEE	571	505	413	320	221	153	94	49	16	2	2,343	2,343
<b>Sum</b>	<b>3,414</b>	<b>2,806</b>	<b>2,248</b>	<b>1,787</b>	<b>1,397</b>	<b>1,083</b>	<b>818</b>	<b>607</b>	<b>444</b>	<b>344</b>	<b>14,947</b>	<b>16,060</b>

Secured	Year 1	2	3	4	5	6	7	8	9	10	120m ERC	Total ERC
Pol	87	126	14	3	1	1	1	1	1	0	234	235
NE	6	6	4	3	3	3	2	2	2	1	33	39
CE	960	1,014	155	83	6	2	1	1	2	1	2,225	2,229
WE	931	314	125	59	32	15	14	7	3	0	1,501	1,501
SEE	230	109	28	5	1	1	1	0	-	-	377	377
<b>Sum</b>	<b>2,214</b>	<b>1,571</b>	<b>327</b>	<b>152</b>	<b>44</b>	<b>22</b>	<b>20</b>	<b>11</b>	<b>7</b>	<b>3</b>	<b>4,371</b>	<b>4,380</b>

<b>Total</b>	<b>5,628</b>	<b>4,377</b>	<b>2,575</b>	<b>1,939</b>	<b>1,441</b>	<b>1,105</b>	<b>838</b>	<b>618</b>	<b>451</b>	<b>346</b>	<b>19,318</b>	<b>20,440</b>
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## Northern Europe (NE)

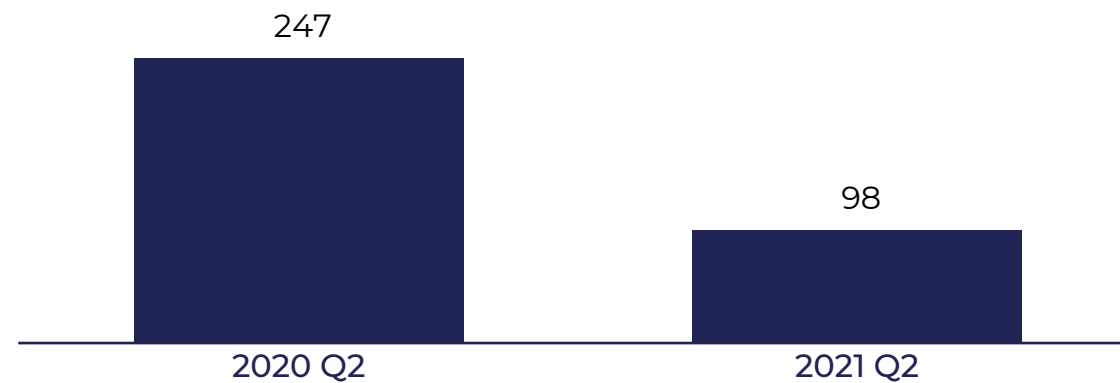
NOKm	2021 Q2	2020 Q2	Change %
Total revenues	255	243	5%
EBIT	153	136	13%
Profit margin (%)	60%	56%	4pp
ERC	8,441	9,716	-13%

### Highlights & KPIs

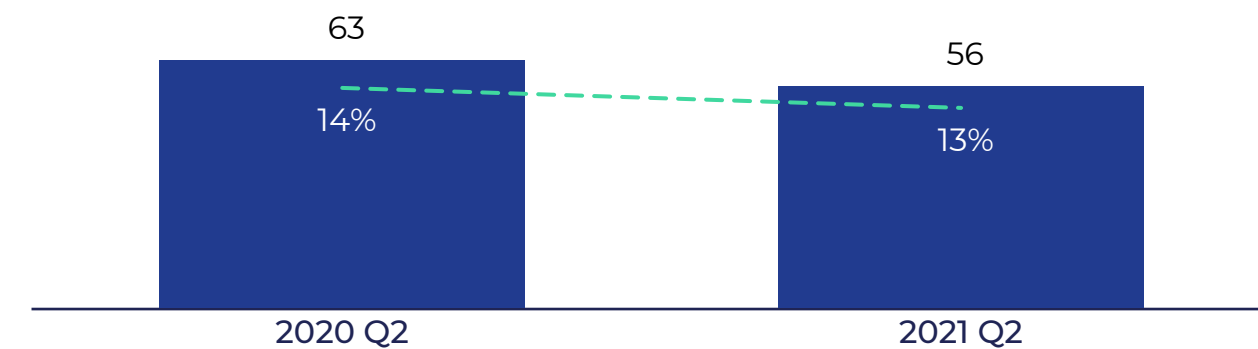
- Portfolio purchase volume of NOK 98m in the quarter
- Gross collection of NOK 443m



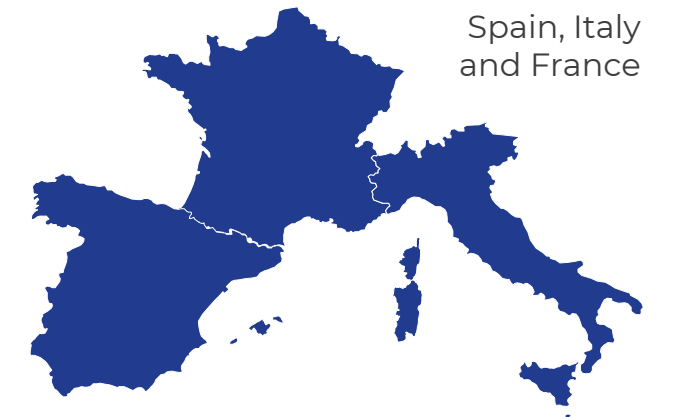
### Portfolio purchases



### Cost to Collect



# Western Europe (WE)

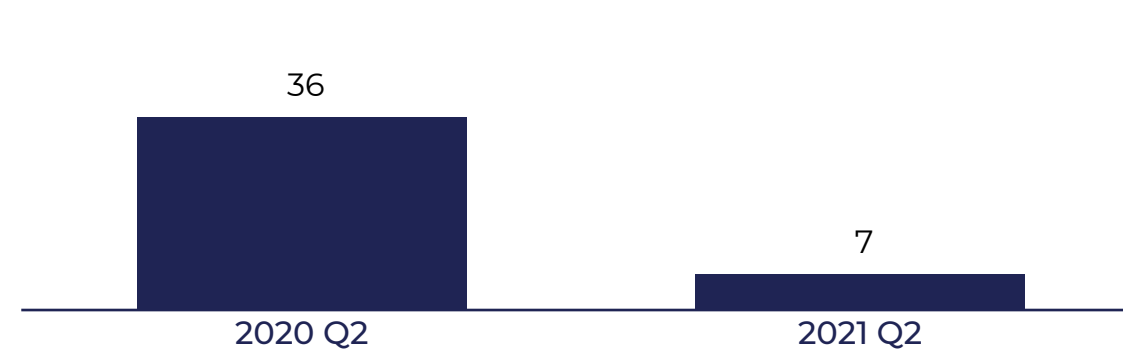


NOKm	2021 Q2	2020 Q2	Change %
Total revenues	94	105	-10%
EBIT	6	16	-64%
Profit margin (%)	6%	15%	-9pp
ERC	2,395	2,992	-20%

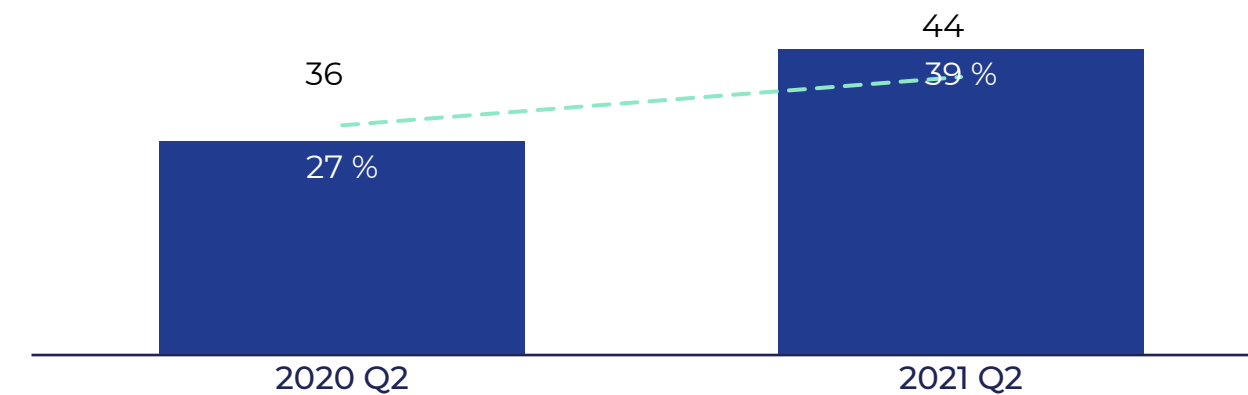
## Highlights & KPIs

- Portfolio purchases of NOK 7m in the quarter
- Gross collection of NOK 114m

Portfolio purchases

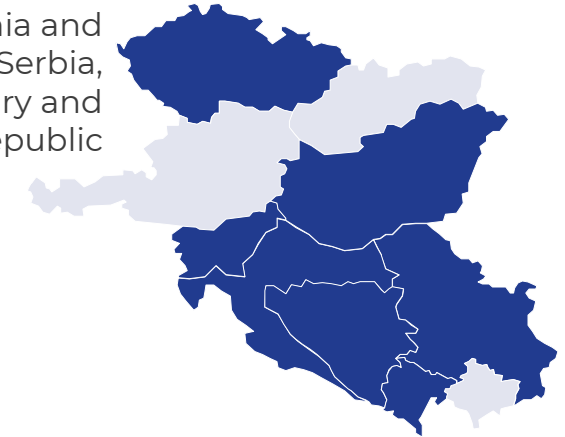


Cost to Collect



# Central Europe (CE)

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



NOKm	2021 Q2	2020 Q2	Change %
Total revenues	160	135	19%
EBIT	63	82	-22%
Profit margin (%)	40%	61%	-21pp
ERC	3,490	5,299	-34%

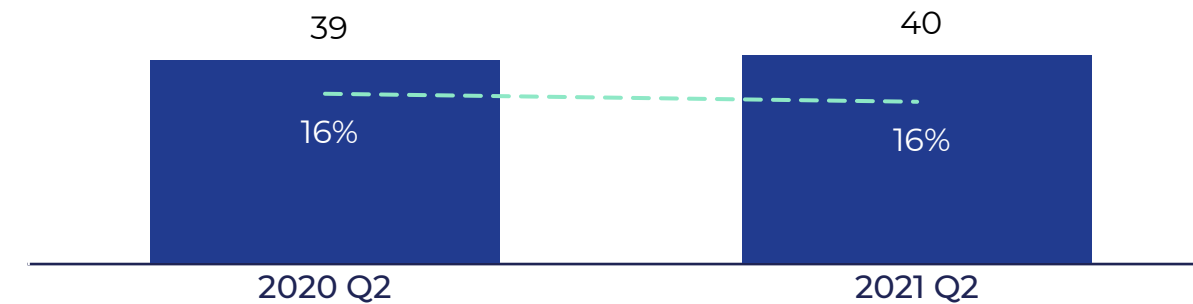
## Highlights & KPIs

- Portfolio purchases of NOK om in the quarter
- Gross collection of NOK 257m

Portfolio purchases



Cost to Collect





# South Eastern Europe (SEE)

Romania, Bulgaria, Greece and Cyprus



NOKm	2021 Q2	2020 Q2	Change %
Total revenues	121	60	101%
EBIT	32	-7	-574%
Profit margin (%)	27%	-11%	38pp
ERC	2,720	3,469	-22%

## Highlights & KPIs

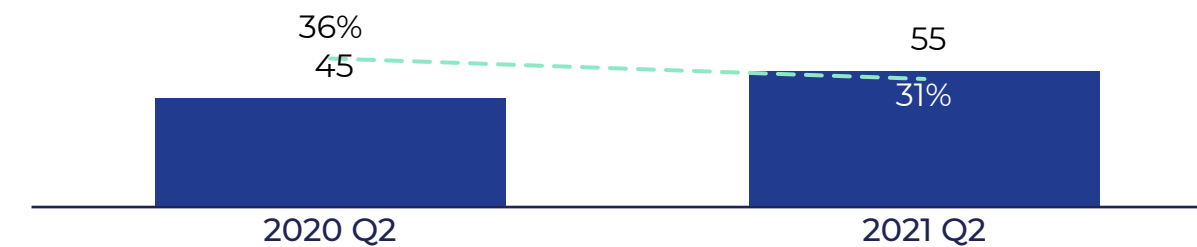
- Portfolio purchases of NOK 12m in the quarter
- Gross collection of NOK 177m



Portfolio purchases



Cost to Collect



# Poland

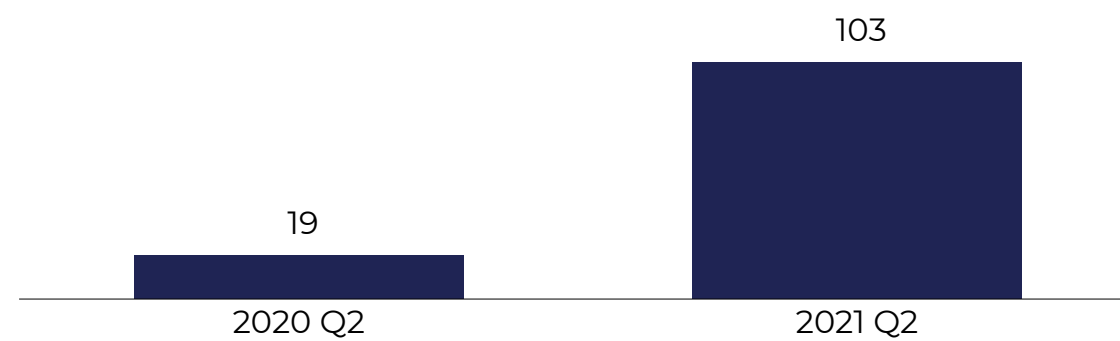


NOKm	2021 Q2	2020 Q2	Change %
Total revenues	182	159	15%
EBIT	130	57	127%
Profit margin (%)	71%	36%	35pp
ERC	3,394	3,823	-11%

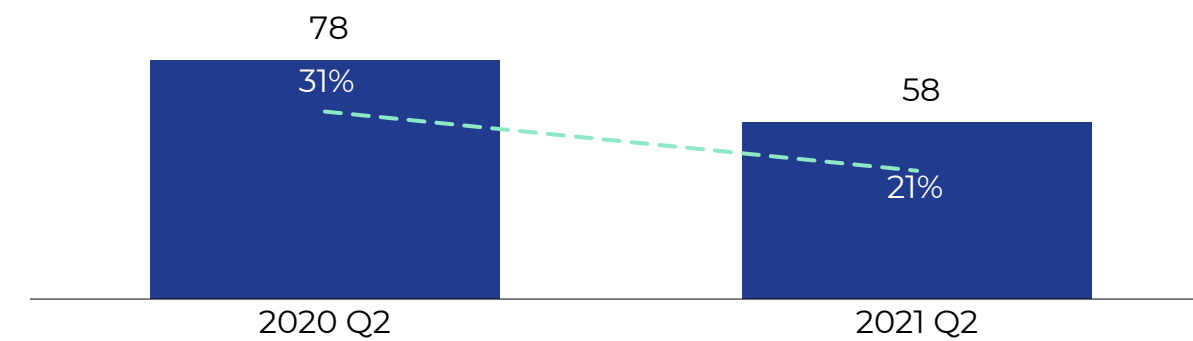
## Highlights & KPIs

- Portfolio purchases of NOK 103m in the quarter
- Gross collection 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 <sup>1)</sup>	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	15,271,688	3.73 %
6	DNB MARKETS AKSJEHANDEL/-ANALYSE	14,923,603	3.64 %
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	VERDIPAPIRFONDET DNB NORGE	6,505,296	1.59 %
12	STOREBRAND NORGE I VERDIPAPIRFOND	6,284,400	1.53 %
13	VPF DNB AM NORSKE AKSJER	6,229,301	1.52 %
14	GREENWAY AS	5,802,368	1.42 %
15	SKANDINAVISKA ENSKILDA BANKEN AB	5,451,112	1.33 %
16	VERDIPAPIRFONDET ALFRED BERG AKTIV	4,199,561	1.02 %
17	LIN AS	3,500,000	0.85 %
18	VERDIPAPIRFONDET KLP AKSJENORGE IN	2,957,991	0.72 %
19	RANASTONGJI AS	2,847,048	0.69 %
20	VJ INVEST AS	2,797,989	0.68 %
	OTHER	145,485,558	35.49 %
	<b>Total</b>	<b>409,932,598</b>	<b>100.00 %</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.
- **Adjusted EBIT (Adj. EBIT):** Adjusted EBIT consists of EBIT adjusted for Non-recurring items.
- **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.
- **Collateral asset:** In connection with acquisitions of portfolio investments and in connection with the recovery of collateral for purchased loan portfolios, the Group may become owners of property holdings or other physical goods. These have been acquired for the purpose of being divested within the Group's ongoing operations and are classified as inventories in accordance with IAS 2.
- **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.
- **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 loan receivables:** Interest income from loan receivables is the calculated amortised cost interest revenue from the loan receivable using the original effective interest rate.

## Definitions (cont'd)

- **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 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.
- **Net credit gain/(loss) from loan receivables:** The Group's exposure to credit risk from loan receivables is related to actual instalments deviating from loan schedules. The Group measures the impairment loss on loan receivables using a 3-stage model for expected credit loss (ECL) according to IFRS 9. Changes from current estimate adjust the book value of the loan receivables and are included in the profit and loss statement in the line item "Net credit gain/(loss) from loan receivables".
- **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 interest-bearing debt:** Net interesting-bearing debt consist of carrying value of interest-bearing loans and borrowings plus utilised bank overdraft less cash and short-term deposits.
- **Non-recurring items:** Significant profit and loss items that are not included in the Group's normal recurring operations, which are difficult to predict and are considered to have low forecast value for the future earnings trend. Non-recurring items may include but are not limited to restructuring costs, acquisition and divestment costs, advisory costs for discontinued acquisition projects, integration costs, termination costs for Group Management and country managers, non-portfolio related write offs, unusual legal expenses, extraordinary projects, and material income or expenses relating to prior years.
- **Net revenues:** Net revenues are the Total revenues reported less the Cost of collateral assets sold, including impairment.
- **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).



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