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## **BEST GROUP**

# **PRESENTATION OF FINANCIAL RESULTS FOR THE FIRST HALF OF 2020**

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Warsaw, 16 September 2020

## Management summary

### Key events in BEST Capital Group (BEST CG) in H1 2020

- high repayments from managed claim portfolios despite limited investments in new portfolios
- further debt reduction – net debt to equity ratio at a very low level
- majority of the staff switched to telework in connection with the COVID-19 pandemic – process continuity and operational efficiency maintained
- the Payhelp service became part of the e-services of Santander Bank Polska under the name “eWindykacja”
- support for the effort to combat the COVID-19 pandemic – a total of PLN 600 thousand donated to hospitals in Gdynia and Elbląg, and the local government of Gdynia

Key financial and operating parameters	H1 2020	H1 2019	Movement
▪ repayment of claims from managed portfolios, including:	PLN 182.5 million	PLN 141.3 million	29%
• due to BEST Capital Group	PLN 164.4 million	PLN 123.5 million	33%
▪ operating revenues	PLN 132.6 million	PLN 136.2 million	(3%)
▪ cash EBITDA*	PLN 105.9 million	PLN 83.5 million	27%
▪ net profit attributable to BEST’s shareholders	PLN 25.8 million	PLN 40.2 million	(36%)

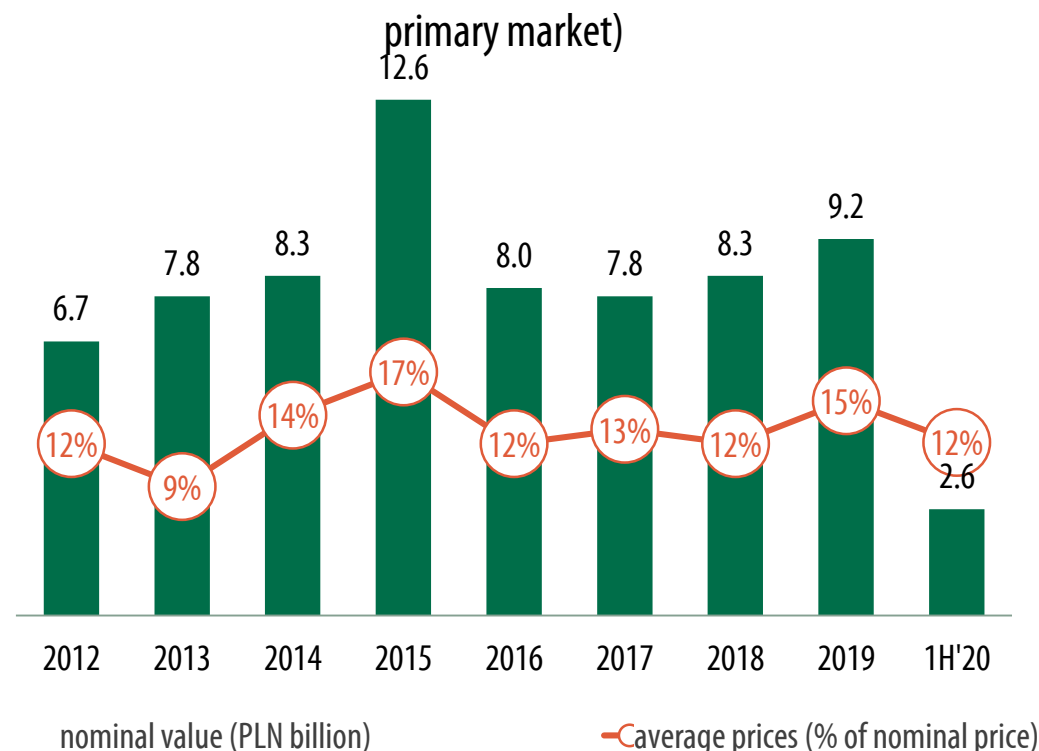
\* based on the calculation on slide 16 (attached)

## Poland – non-performing debt market

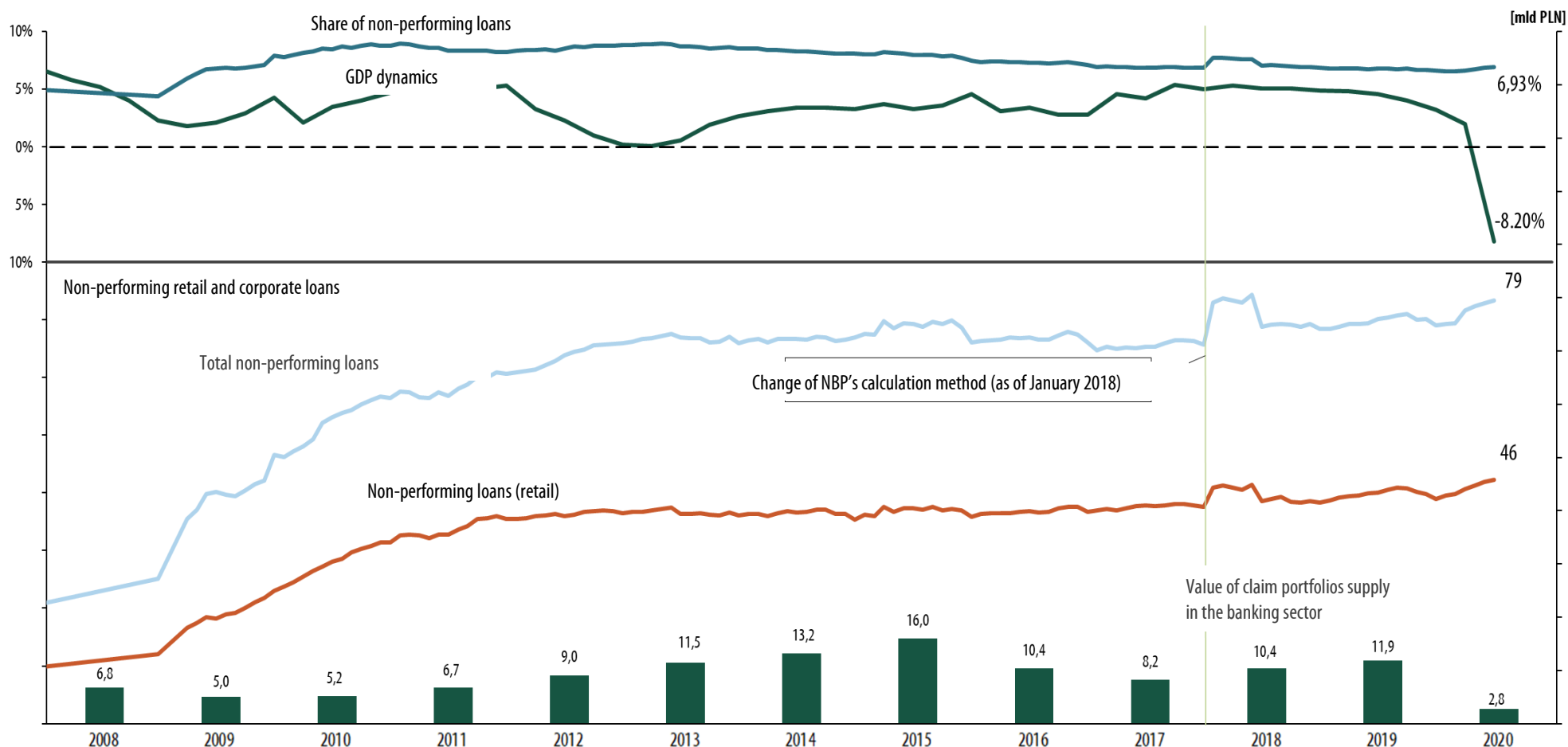
### MARKET SITUATION IN H1 2020:

- non-performing debt market uncertainty due to the COVID-19 pandemic deepens in Q2 2020
- a major part of supply moved to subsequent quarters of 2020 and 2021
- some of the tender procedures suspended in Q1/Q2 2020 were resumed
- worsening situation in the banking sector (decrease in ROE) – expected sale of large accumulated claim portfolios in 2021
- potential increase in the amount of non-performing loans and the supply of claim portfolios as a result of the economic downturn

Bank NPL – supply of claim portfolios 2012 - H1 2020  
(retail portfolios, excluding mortgages and corporate portfolios, primary market)



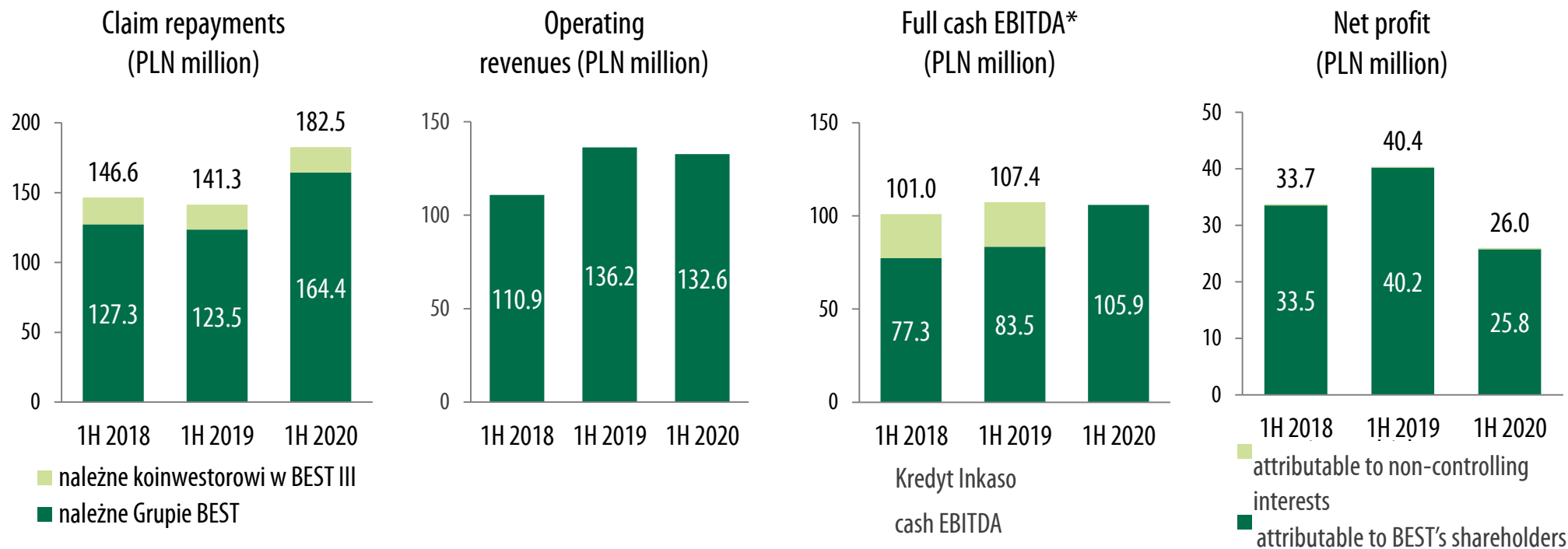
## Poland – non-performing debt market



## DISCUSSION OF FINANCIAL RESULTS FOR H1 2020



## High levels of claim repayments and increase in cash EBITDA



**33%**

INCREASE IN REPAYMENT OF CLAIMS DUE TO BEST CG (H1 2020 YOY)

**PLN 2.25 billion**

NOMINAL ESTIMATED REMAINING COLLECTIONS (ERC) (30/06/2020)

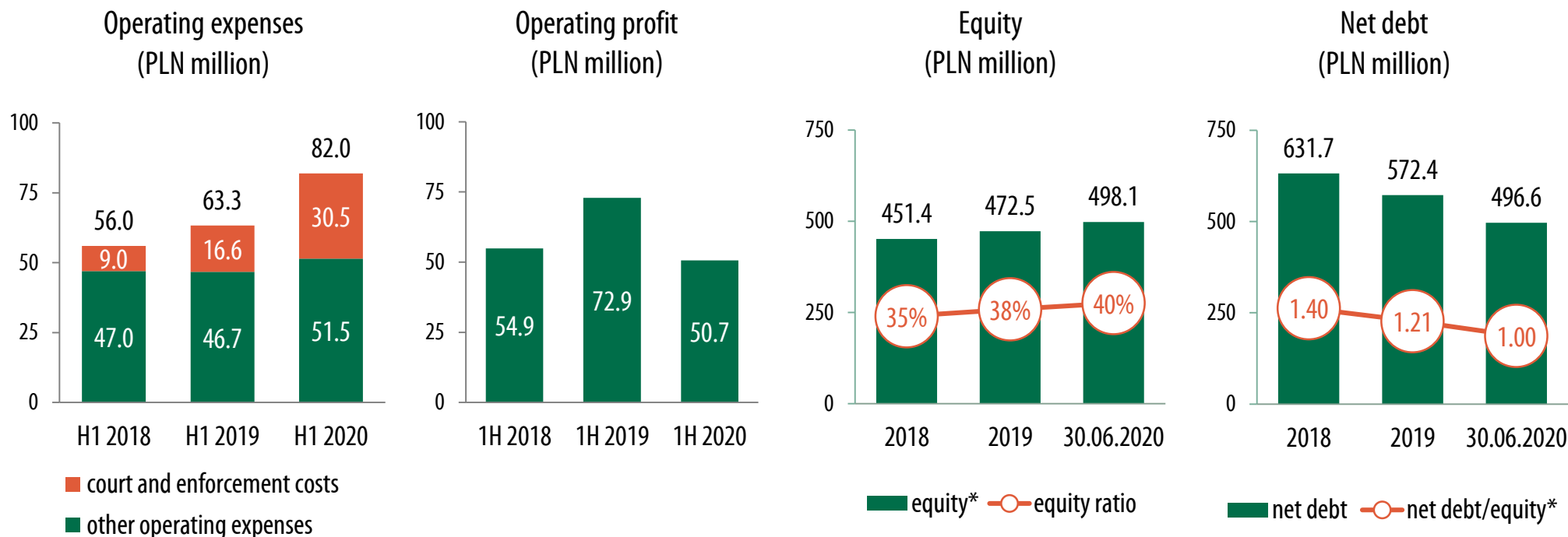
**PLN 952 million**

CARRYING VALUE OF CLAIM PORTFOLIOS (30/06/2020)

**PLN (16.4) million**

PORTFOLIO REVALUATION RESULT (H1 2020)

## Cost discipline and continued improvement of the balance sheet structure



**84%**  
 INCREASE IN COURT AND  
 ENFORCEMENT COSTS  
 (H1 2020 YOY)

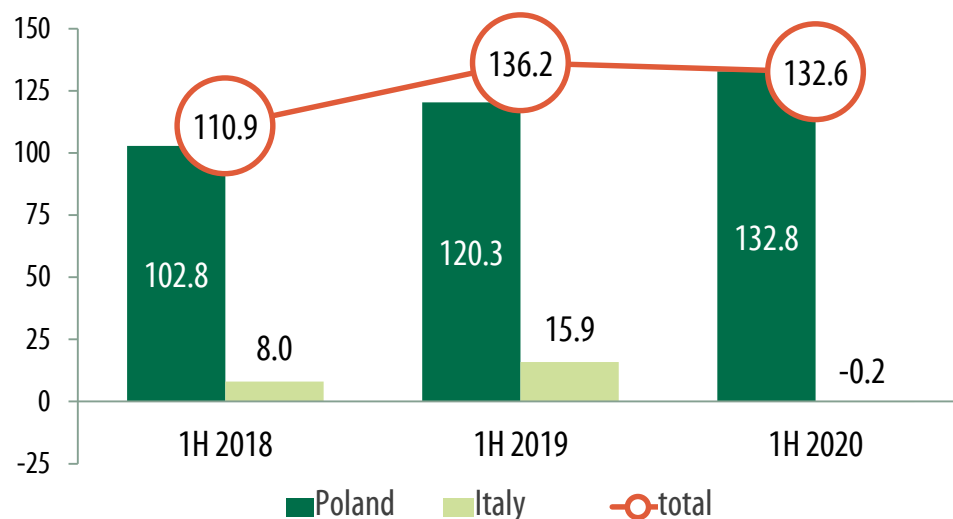
**38%**  
 OPERATING  
 PROFITABILITY  
 (H1 2020)

**1.0**  
 LOW DEBT RATIO  
 (30/06/2020)

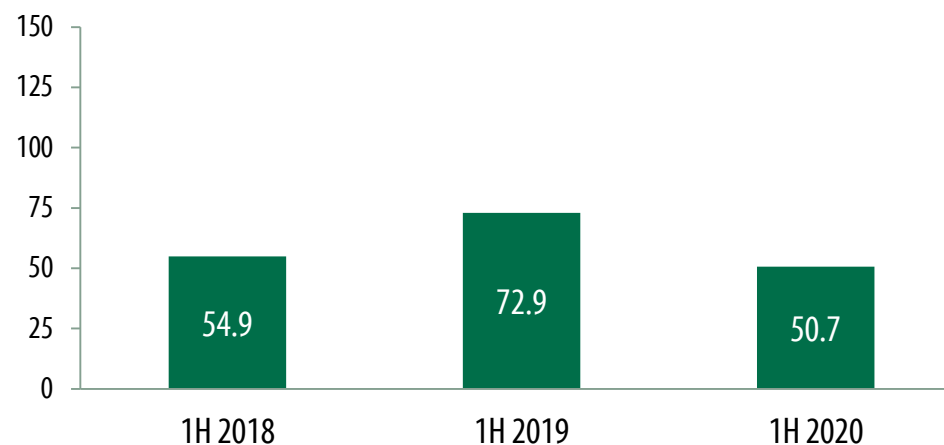
**18%**  
 DECREASE IN NET DEBT  
 (30/06/2020 vs. 30/06/2019)

## Main business parameters

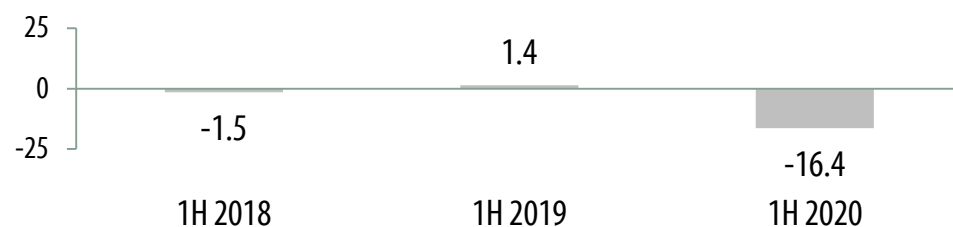
operating revenues by market (PLN million)



operating profit (PLN million)



revaluation results;  
effect on operating revenues (PLN million)

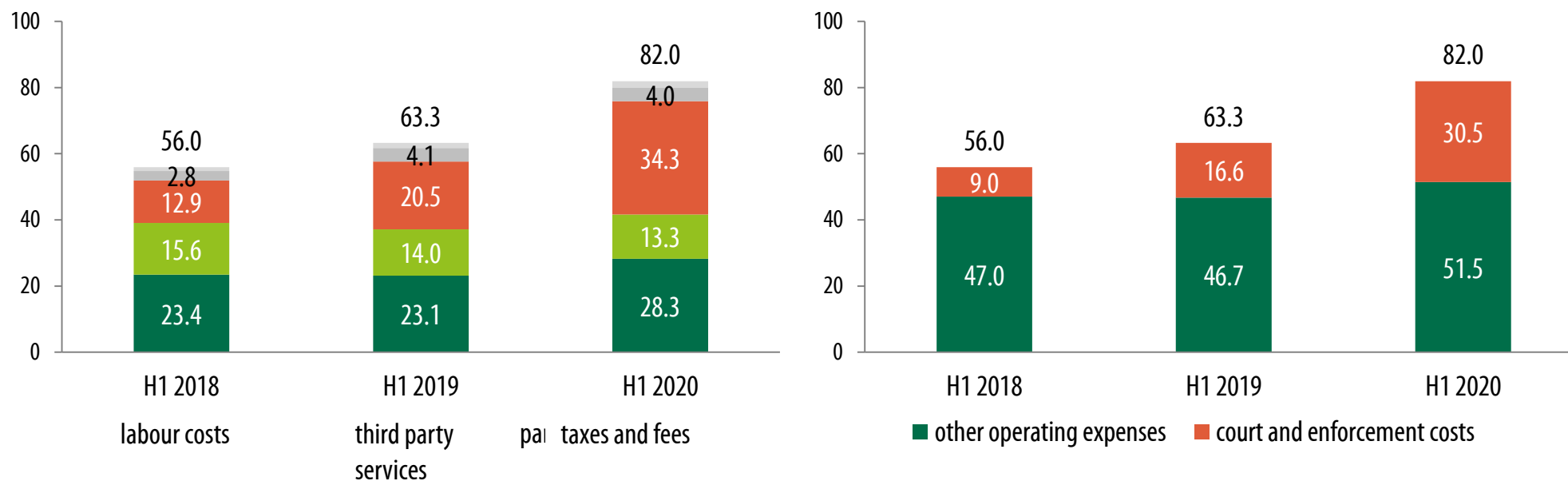


- limited purchases of new claims in 2019 and H1 2020 – result generated on similar portfolios as a year earlier
- 10% increase in revenues from the Polish market
- the negative value of operating revenues in Italy is mainly due to the negative revaluation of claim portfolios on that market (PLN 7.9 million)



## Cost regime

operating expenses (PLN million)



- The Group incurs significant court and enforcement costs (shown in the left chart under 'taxes and fees') related to securing assets, which should generate higher revenues from claims in the future; in H1 2020, court and enforcement costs amounted to PLN 30.5 million, up by 84% year-on-year
- operating expenses, excluding court and enforcement fees, increased in H1 2020 by 10% YOY, mainly due to higher labour costs, including an investment in new employees

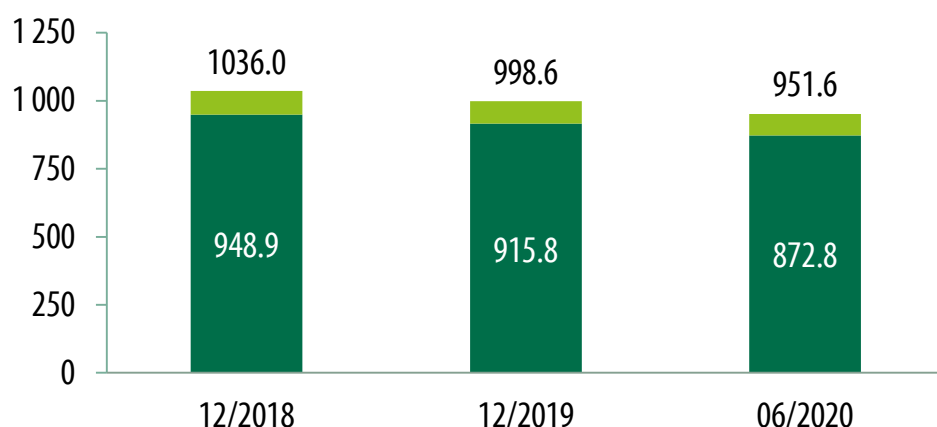
## Financial results

(PLN million)	H1 2020	H1 2019	change YOY	Q2 2020	Q2 2019	change YOY
<b>operating revenues</b> , including:	<b>132.6</b>	<b>136.2</b>	<b>(3%)</b>	<b>68.8</b>	<b>71.5</b>	<b>(4%)</b>
revenue from claims acquired	131.3	142.2	(8%)	68.1	77.7	(12%)
<i>interest calculated using the effective interest rate method</i>	126.9	130.8	(3%)	62.7	65.4	(4%)
<i>deviations from actual payments</i>	20.9	9.6	117%	14.7	8.2	79%
<i>revaluation result</i>	(16.4)	1.4	-	(9.4)	3.7	-
share in the profit/(loss) of Kredyt Inkaso	-	(6.9)	-	-	(6.9)	-
<b>operating expenses</b> , including:	<b>82.0</b>	<b>63.3</b>	<b>29%</b>	<b>40.6</b>	<b>33.8</b>	<b>20%</b>
court and enforcement costs	30.5	16.6	84%	14.3	9.8	47%
<b>operating profit (EBIT)</b>	<b>50.7</b>	<b>72.9</b>	<b>(31%)</b>	<b>28.2</b>	<b>37.7</b>	<b>(25%)</b>
financial revenues and expenses	(19.4)	(29.1)	(33%)	(8.5)	(14.9)	(43%)
<b>net profit</b> , of which:	<b>26.0</b>	<b>40.4</b>	<b>(36%)</b>	<b>14.6</b>	<b>20.2</b>	<b>(28%)</b>
attributable to BEST's shareholders	25.8	40.2	(36%)	14.5	20.1	(28%)
<b>cash EBITDA*</b>	<b>105.9</b>	<b>83.5</b>	<b>27%</b>	<b>58.1</b>	<b>43.7</b>	<b>33%</b>

- a significant increase in operating expenses with stable operating revenues translated into a decrease in operating profit and, as a consequence, net profit
- the decrease in debt translated into a significant reduction of financial costs

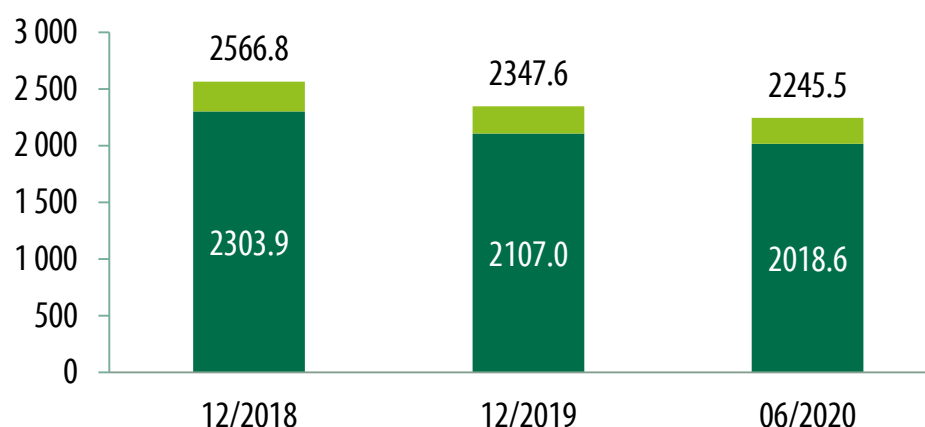
## Claim portfolios are the biggest item of assets

book value of portfolios (PLN million)



■ due to BEST Capital Group    ■ due to the co-investor in BEST III

Nominal estimated remaining collections (ERC) (PLN million)



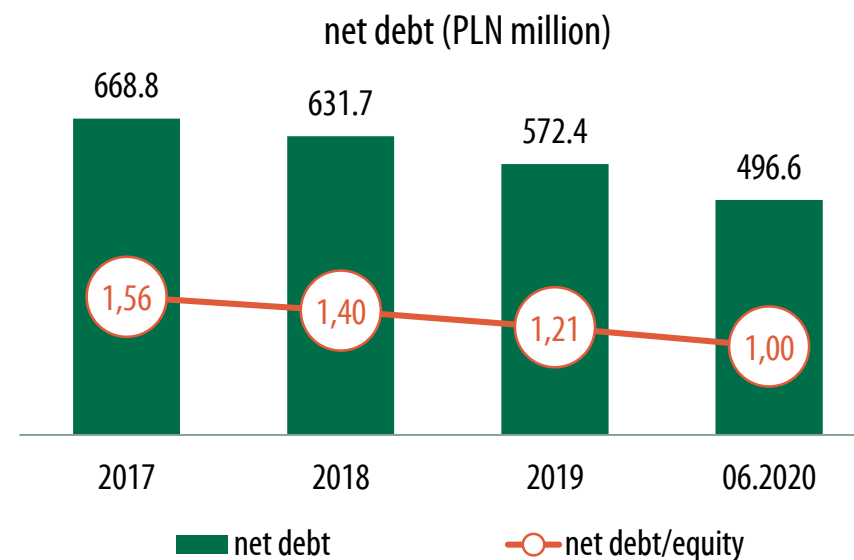
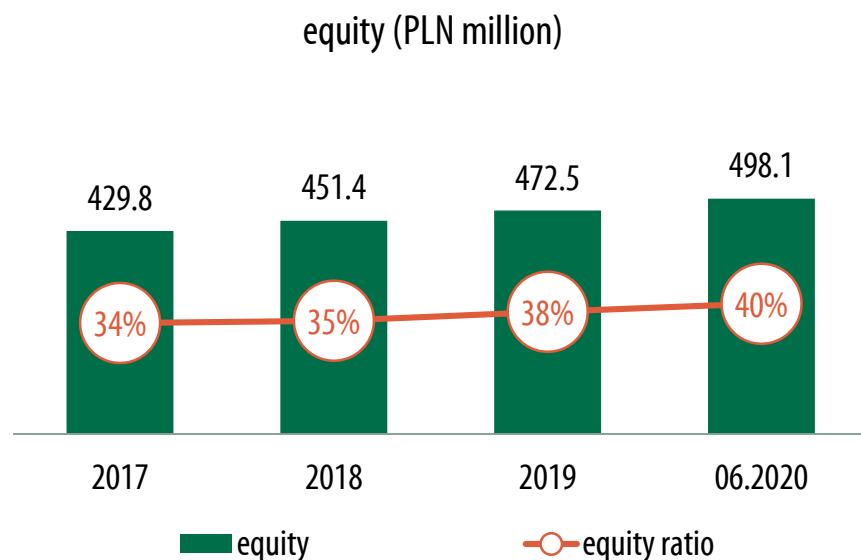
■ due to BEST Capital Group    ■ due to the co-investor in BEST III

- structure of claims managed by segments:
  - 67.8% – bank
  - 23.7% – telecoms
  - 8.4% – near bank
  - 0.2% – other
- geographic structure of claims managed:
  - 94.4% – Poland
  - 5.6% – Italy

- a significant reduction in investments in new claim portfolios due to the shift of the peak of the economic cycle (in H1 2020, only one portfolio with a nominal value of PLN 8.4 million was acquired for PLN 1.5 million)
- estimated remaining collections (ERC) from current portfolios amount to over PLN 2.2 billion

\* Since 2018, we measure the claims with the amortised cost method (also referred to as the adjusted price of acquisition method). Following initial recognition, the acquisition price of a portfolio is increased by the amount of interest accrued and decreased by the amount of repayments made.

## Continued improvement of the balance sheet structure



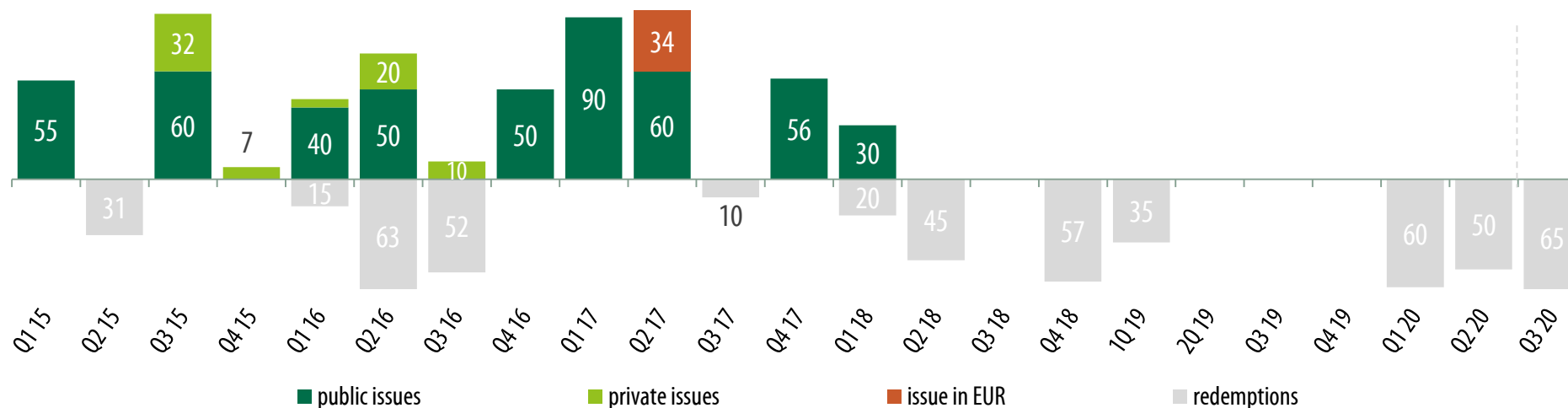
- systematic increase in equity as a result of the profit reinvestment policy
- continued decrease of the main debt ratio (net debt/equity) to a very low level;  
the allowed maximum level of this ratio specified in the terms of bond issue is 2.50

- Group's financial liabilities as of 31/06/2020:
  - 388.3 PLN million - bonds
  - 187.0 PLN million - bank loans
  - PLN 27.0 million - borrowings from the management board
  - PLN 9.8 million - lease
- cash as of 31/06/2020:
  - 115.6 PLN million - cash and cash equivalents

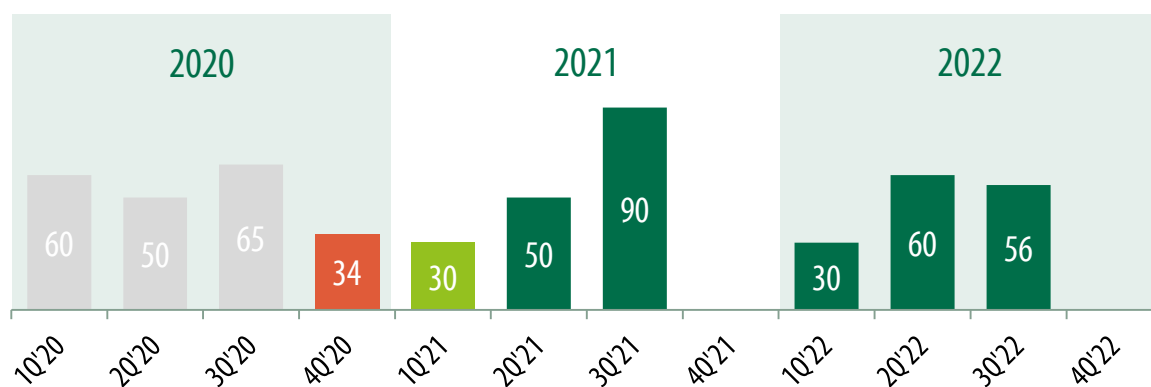
Beginning H1 2020, the Group presents non-controlling interests in BEST III NSFIZ under Liabilities (previously under Equity attributable to non-controlling interests). The data for 2018 and 2019 has been restated to ensure comparability.

## Bonds as a key element of financing the Group's business

Issue and redemption of bonds (PLN million)



Bond repayment plan (PLN million)



- since 2010, we have issued bonds with a total nominal value of PLN 1.04 billion, of which PLN 695 million has been repaid (PLN 175 million in 2020)
- we are preparing for new bond issues

## Events after the balance sheet date

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- punctual redemption of series L1 and P bonds with a total nominal value of PLN 45 million

## EFFECT OF COVID-19 PANDEMIC ON THE BUSINESS OF BEST CG

- no disruptions on operational level – since the day the state of epidemic was announced in Poland, we have provided telework opportunities for a large part of our team and ensured continuity of key processes;
- we have not yet observed any significant deviations in the repayment of claims; in the event that the pandemic and the resulting restrictions continue for a longer period of time, we could face a decrease in the repayment of claims due to rising unemployment, which may lead to a negative revaluation of the claims held

# Thank you

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## Annex – cash EBITDA

(PLN million)	H1 2020	H1 2019	change YOY	Q2 2020	Q2 2019	change YOY
<b>BEST</b>	<b>105.9</b>	<b>83.5</b>	<b>27%</b>	<b>58.1</b>	<b>43.7</b>	<b>33%</b>
repayment of claims	182.5	141.3	29%	96.0	74.4	29%
other revenues	1.3	1.3	(1)%	0.7	1.1	(36)%
OPEX (excluding amortisation/depreciation)	(77.9)	(59.2)	32%	(38.6)	(31.7)	22%
<b>cash EBITDA</b>	<b>105.9</b>	<b>83.5</b>	<b>27%</b>	<b>58.1</b>	<b>43.7</b>	<b>33%</b>
<b>Kredyt Inkaso*</b>	-	<b>23.9</b>	-	-	<b>13.5</b>	-
<i>BEST's share</i>	<i>33.14%</i>	<i>33.14%</i>		<i>33.14%</i>	<i>33.14%</i>	
cash EBITDA	-	72.2	-	-	40.7	-
repayment of claims	-	124.6	-	-	63.3	-
other revenues	-	7.3	-	-	2.5	-
OPEX (excluding amortisation/depreciation)	-	(59.7)	-	-	(25.1)	-
<b>full cash EBITDA</b>	-	<b>107.4</b>	-	-	<b>57.2</b>	-

\* Data of Kredyt Inkaso for H1 2020 is not available due to different report publication dates



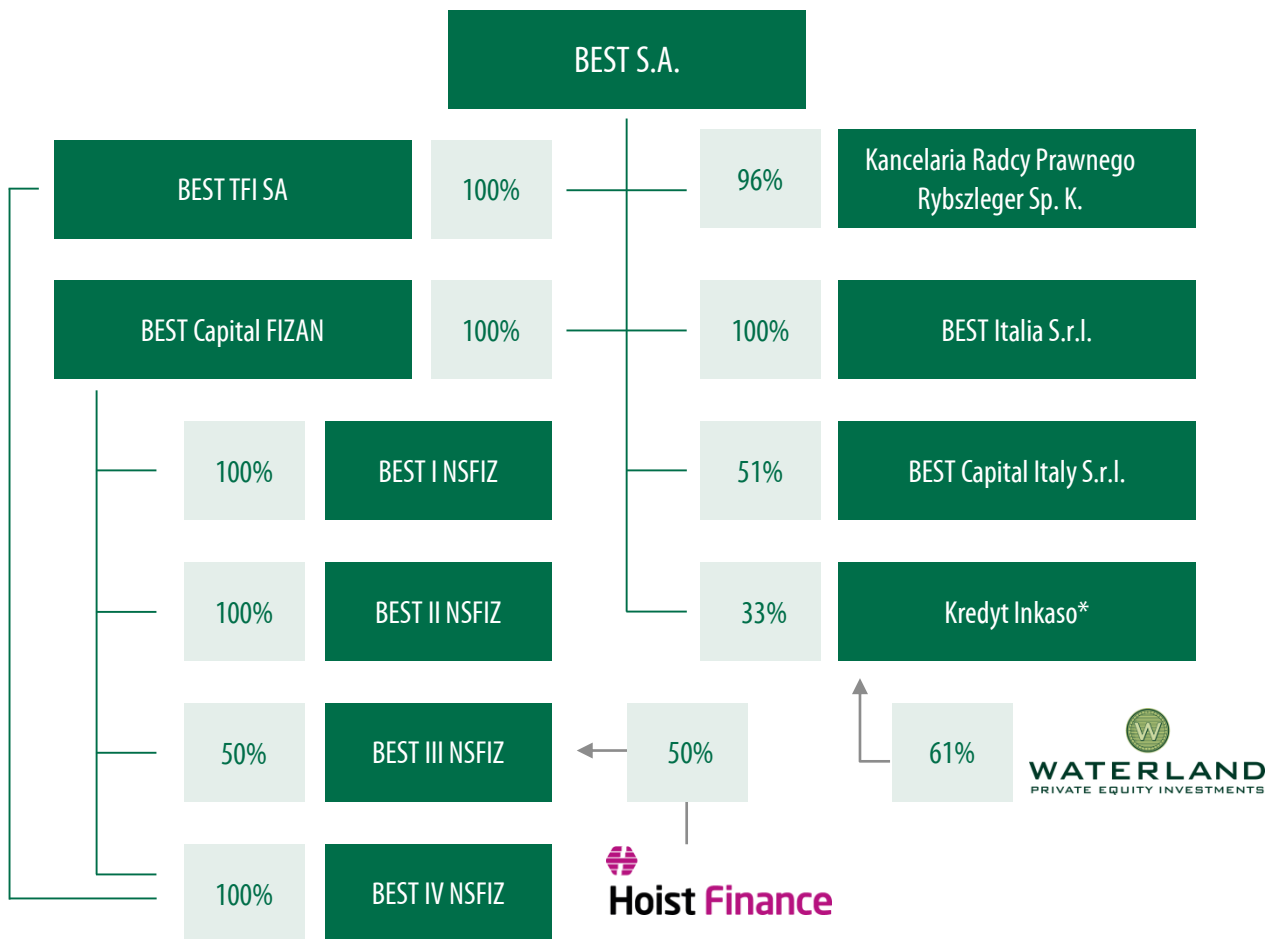
## Annex – statement of financial position

(PLN million)	30/06/2020	31/12/2019*	31/12/2018*
<b>assets, including:</b>	<b>1,231.1</b>	<b>1,244.9</b>	<b>1,283.3</b>
cash and cash equivalents	115.6	82.0	72.0
claims acquired	951.6	998.6	1,036.0
investments in associates	98.7	98.7	101.2
investment real property	20.6	20.6	18.8
<b>equity and liabilities, including:</b>	<b>1,231.1</b>	<b>1,244.9</b>	<b>1,283.3</b>
financial liabilities	612.1	654.4	703.6
equity	498.1	472.5	451.4
<b>net debt</b>	<b>496.6</b>	<b>572.4</b>	<b>631.7</b>
<b>net debt/equity</b>	<b>1.00</b>	<b>1.21</b>	<b>1.40</b>

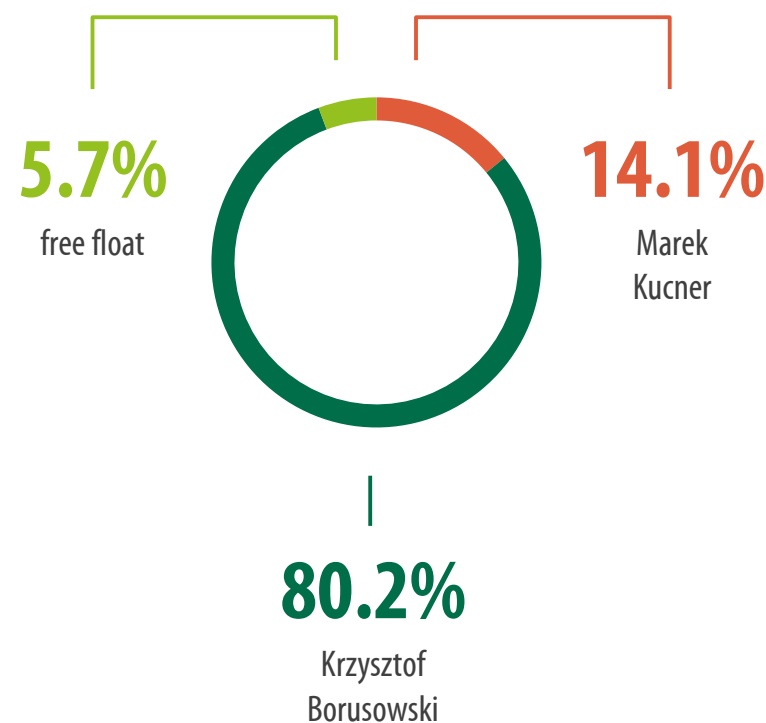
# BEST GROUP



## Capital Group Structure



Shareholding of BEST S.A.  
(share in share capital)



\* associate