# BEST GROUP

## PRESENTATION OF 2017 FINANCIAL RESULTS

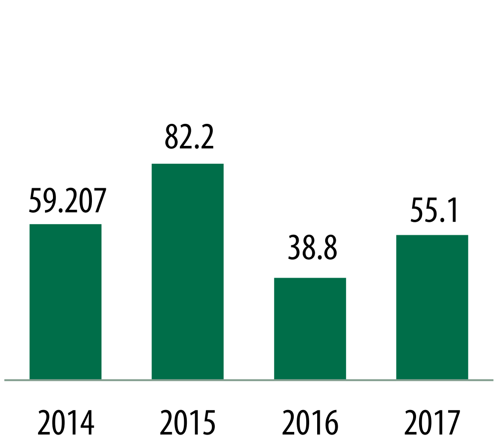
Warsaw, April 2018

# BEST GROUP

## Strong business growth and excellent financial performance

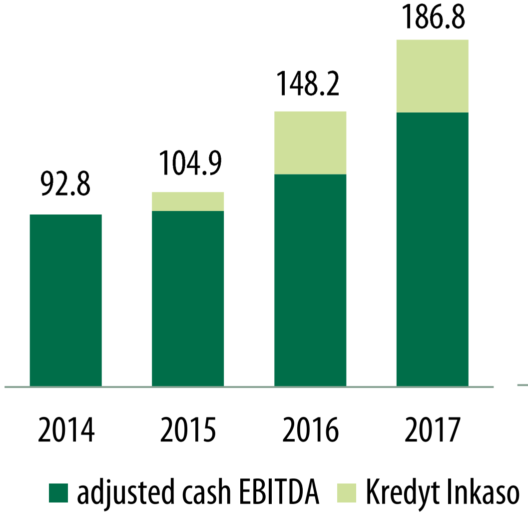
Net profit (PLNm)

CAGR -2%



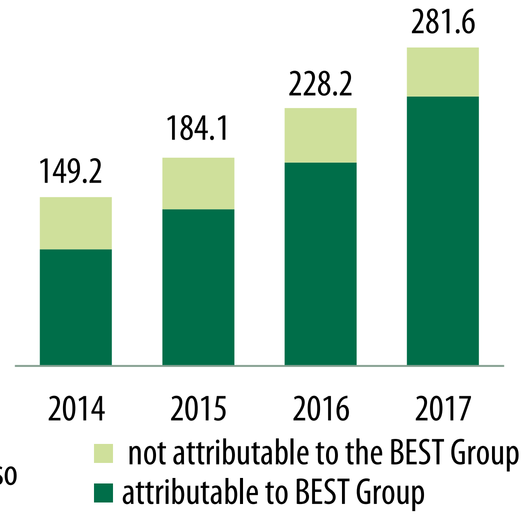

Full cash EBITDA** (PLNm)

CAGR +26%



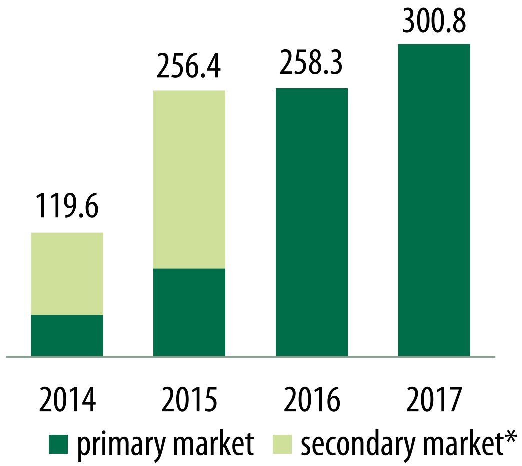

Recoveries (PLNm)

CAGR +32%




Investments in debt portfolios (PLNm)

CAGR +36%




MARKET CAPITALIZATION

**PLN 725m**

(as at Dec 29 2017)
EPS: 2.39
EPS growth: 37%

FAIR VALUE OF PORTFOLIOS

**PLN 1bn**

(at December 31st 2017)

RECOVERIES FOR THE LAST FIVE YEARS

**PLN 1bn**

(owned and third-party accounts, until Dec 31 2017)

INVESTMENTS IN THE LAST FIVE YEARS

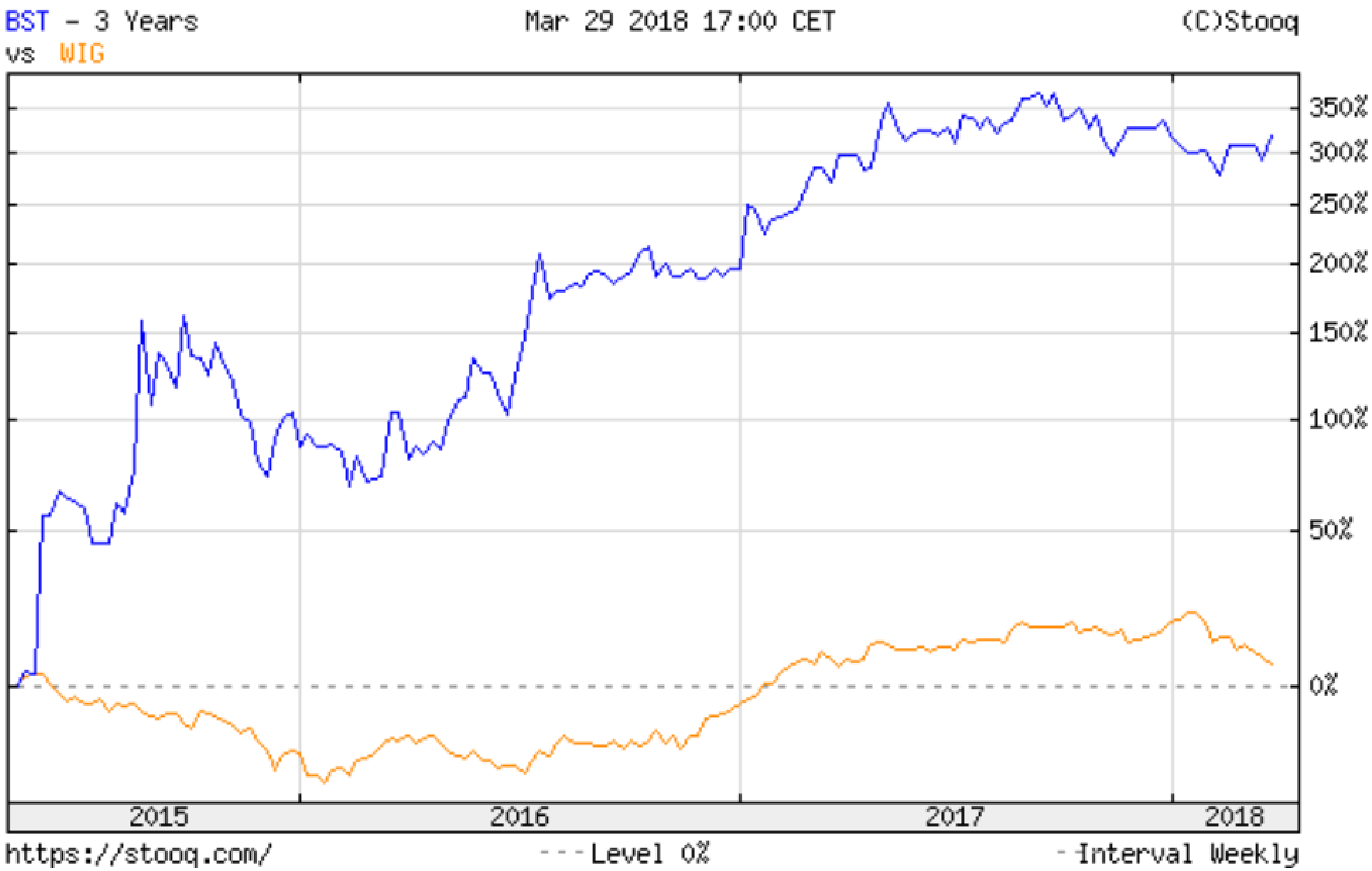
**PLN 1bn**

(until Dec 31 2017)

* Net profit adjusted for a PLN 69.3m impairment loss on the investment in Kredyt Inkaso
** Includes Kredyt Inkaso's cash EBITDA based on its available financial statements

# 18 years at the Warsaw Stock Exchange – posting steady solid growth based on healthy fundamentals

Rates of Return: 3 Years: **+334.29%**, YTD: -3.49%




Operations (▲): 2015-09-21 [Split 4:1]

# MARKET TRENDS

## Poland – macroeconomic indicators

We are at the peak of the macroeconomic cycle

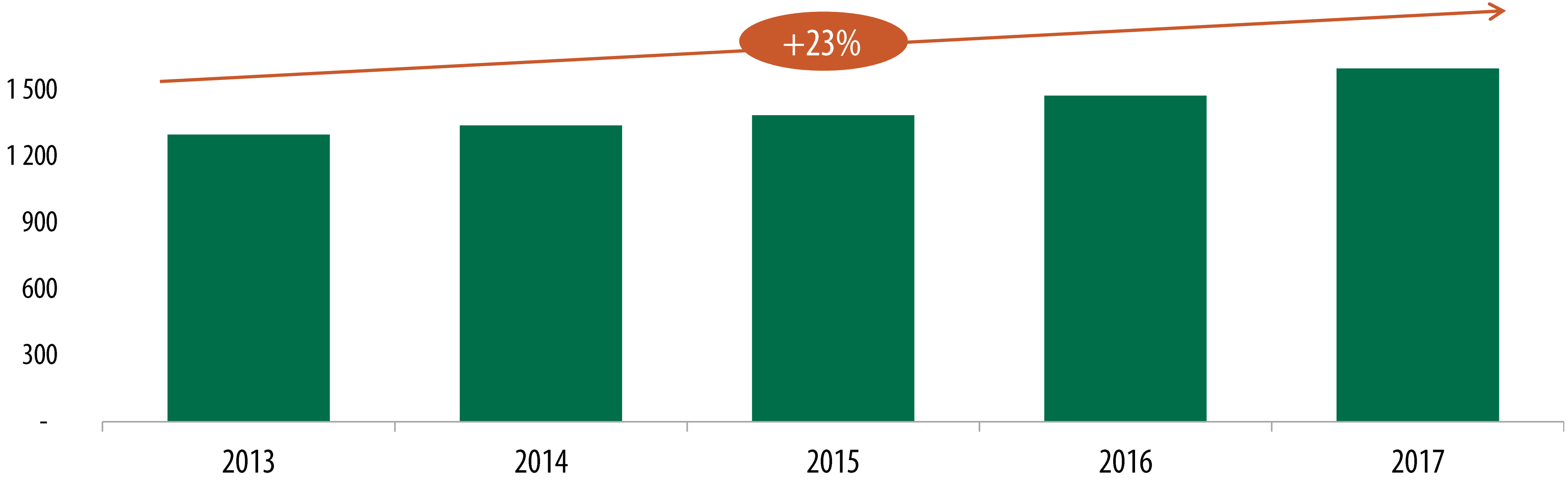
| Macroeconomic indicators | 2016 | 2017 | 2018F |
|---|---|---|---|
| GDP growth (y/y) | 2.7% | 4.6% | 3.8% |
| Private consumption (y/y) | 3.8% | 4.8% | 3.1% |
| Public consumption (y/y) | 2.8% | 2.8% | 2.8% |
| Inflation [HICP] (y/y) | -0.6% | 2% | 2.3% |
| Unemployment rate (%) | 8.2% | 6.6% | 6.4% |

*Source: In-house analysis based on Central Statistics Office data, the 2018 Budget Act, and projections by the Ministry of Family, Labour and Social Policy*

# BEST GROUP

## Poland – macroeconomic indicators

Disposable household income per capita in Poland in 2013–2017 (PLN)

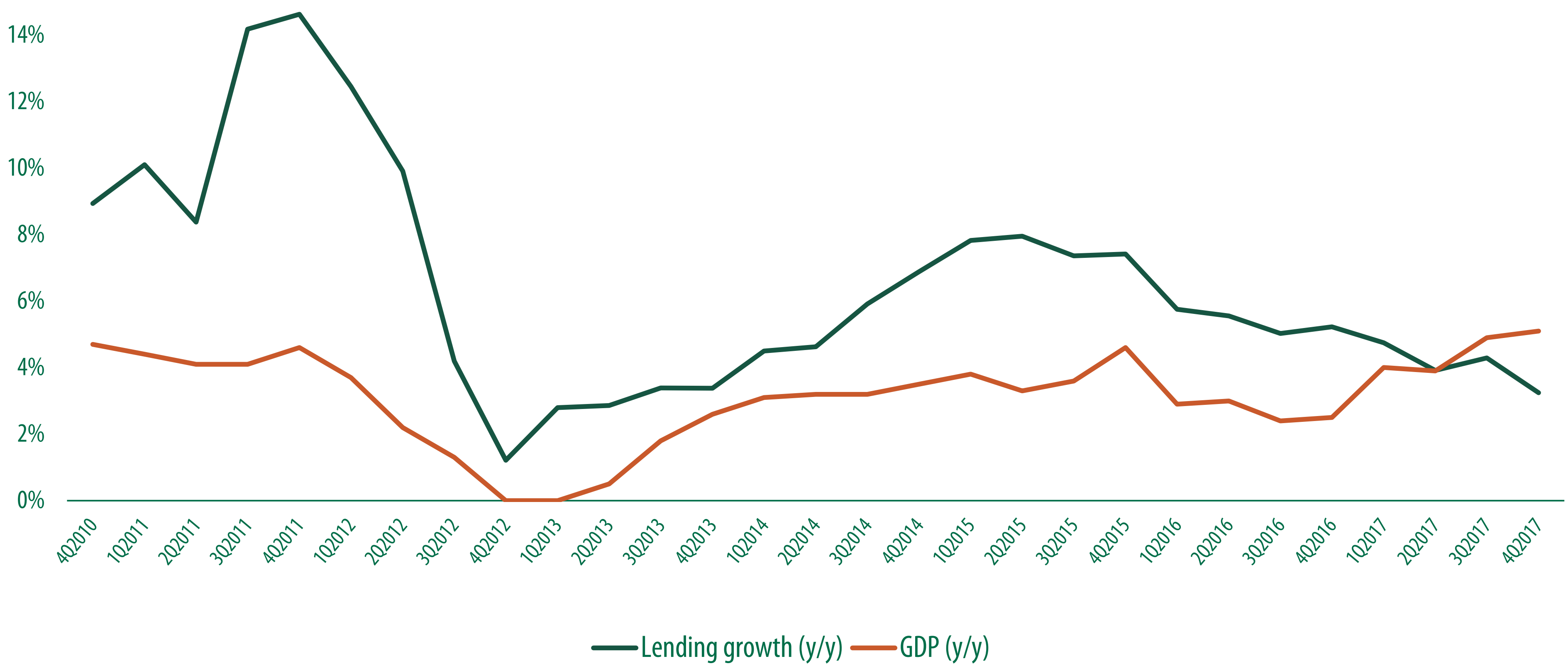



*Source: In-house analysis based on Central Statistics Office data*

- Recent years have seen a steady increase in disposable incomes, driven by improving conditions in the labour market (with falling unemployment and wage growth in real terms), rising social benefits spending (including under the *Rodzina 500+* government scheme), as well as an increase in minimum wages (up from PLN 1,850 in 2016 to PLN 2,100 in 2017) and the minimum hourly wage rate.
- These positive trends in the labour market have contributed to the Polish people's growing affluence, which in turn determines consumption levels and households' ability to service and repay debt. High internal consumption is also a factor stimulating further economic growth.

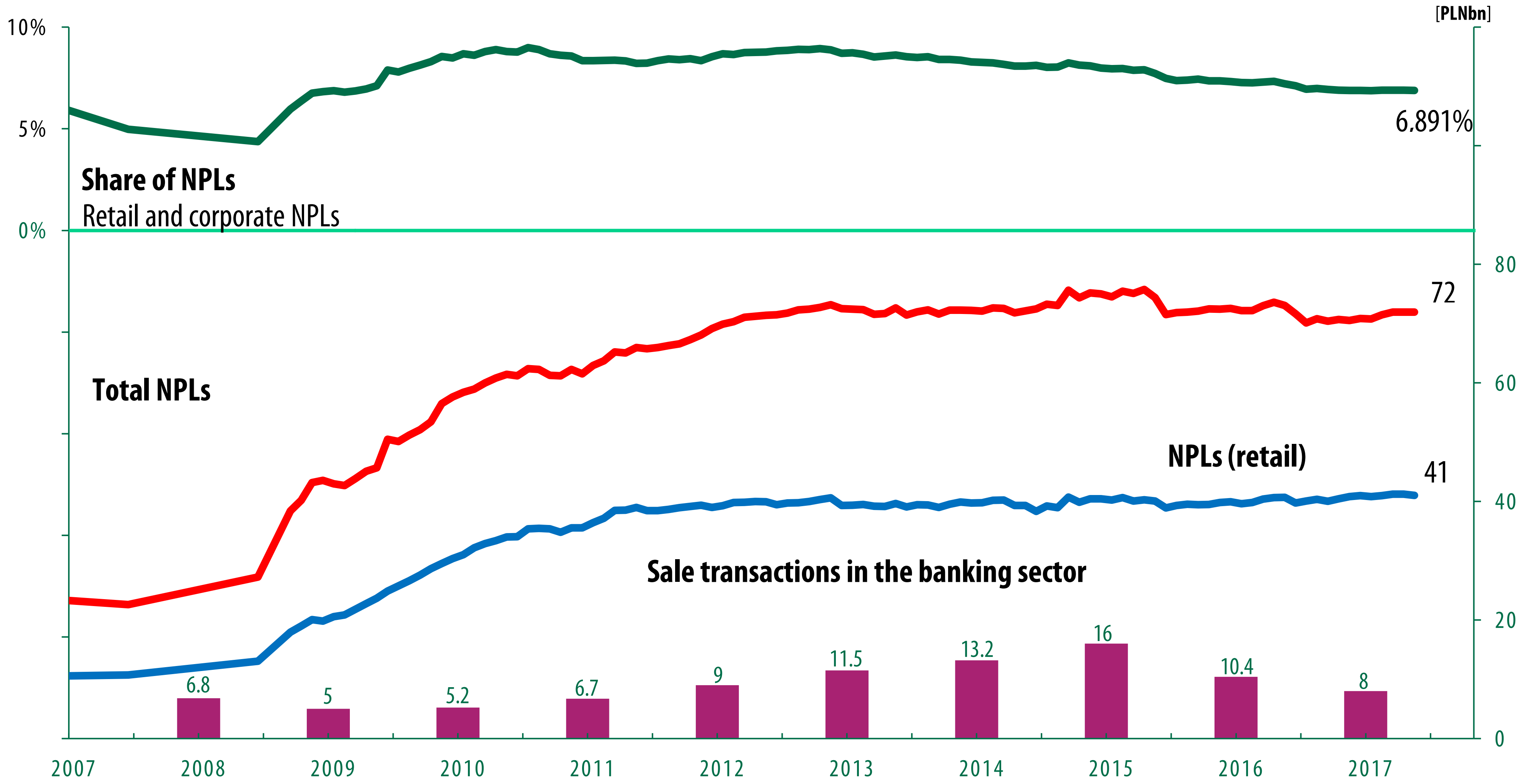
# Poland – macroeconomic indicators

Lending growth in the banking sector




Lending tends to grow in correlation with the nominal GDP growth (assuming a stable loan portfolio quality).

## Poland – banking sector non-performing loans




*Source: In-house analysis based on National Bank of Poland and Company data*

BEST GROUP

## Poland – market of banking sector NPLs

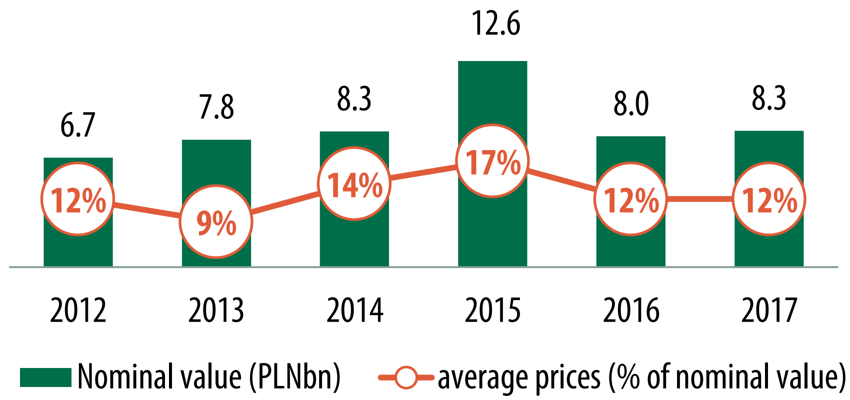
### SUPPLY

- 2017 – lower volume of primary market transactions following consolidation processes within the industry (relatively more attractive portfolios acquired in the secondary market)
- 2018 – expected supply of banking sector NPLs (retail, excluding mortgage loans) of between PLN 8bn and PLN 10bn
- supply of mortgage and corporate loan portfolios expected to be gradually growing

### GROUP'S INVESTMENTS:

- 2018 – expected reduction in portfolio prices (more expensive financing, review of earlier transactions, less competition)
- Strengthening the business presence in Italy

Banking sector retail NPLs

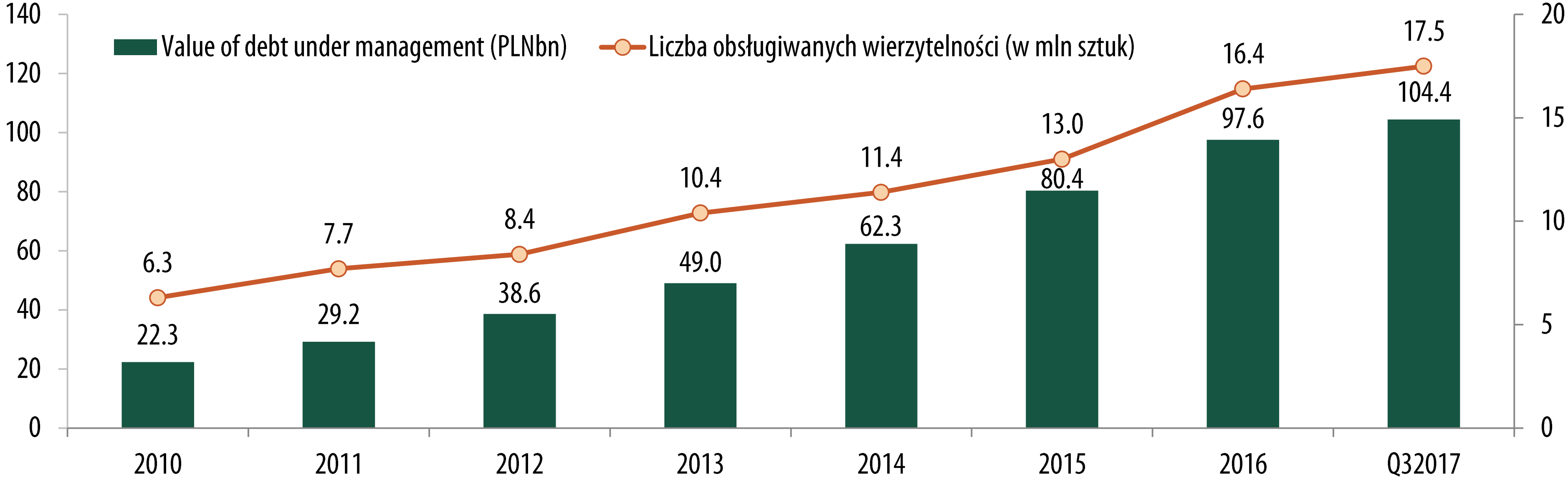



**NOMINAL VALUE OF NPL TRANSACTIONS IN 2017**

| | |
|---|---|
| PLN 8.3bn | banking sector retail NPLs |
| PLN 1.3bn | banking sector corporate NPLs |
| PLN 2.1bn | secondary market |

# BEST GROUP

## Poland – size of the non-performing debt market



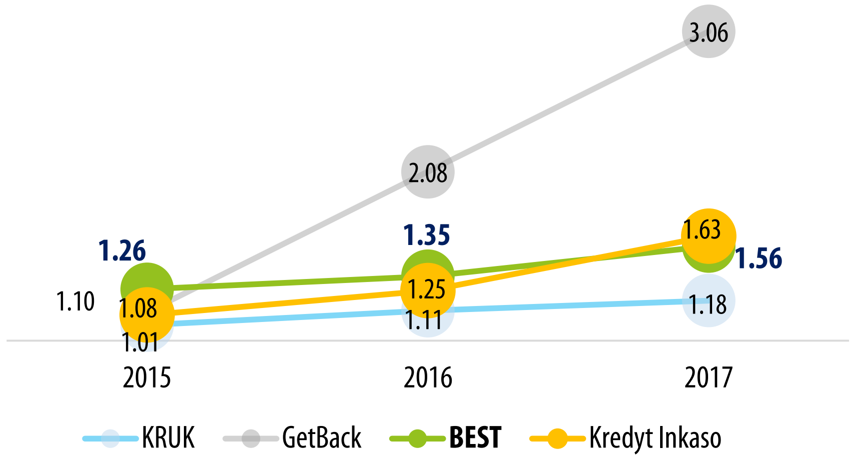

*Source: In-house analysis based on the 'Polish Debt Claims Market Volume' report by the Conference of Financial Companies in Poland – Association of Employers (KPF)*

- The value of non-performing debts under management has been on the rise since 2010 and is now at its all-time high. The number of non-performing debts under management has also been growing.
- On a CAGR basis, the total value of debts under management has grown faster than their number, reflecting a higher unit value.

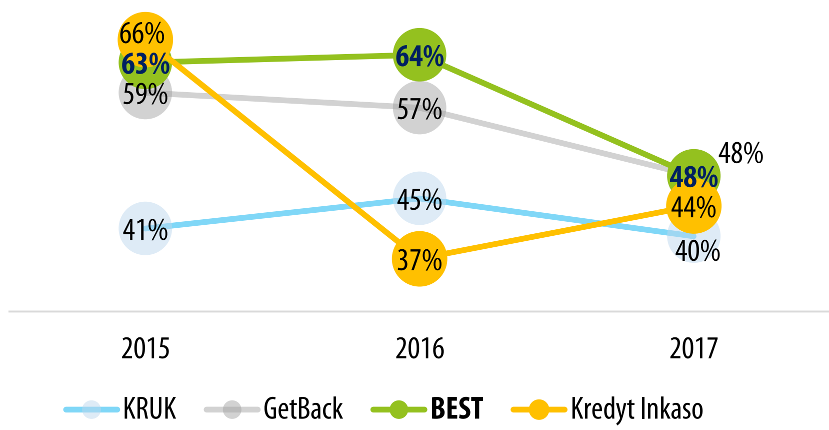
# BEST GROUP

## Poland – competition – key financial metrics

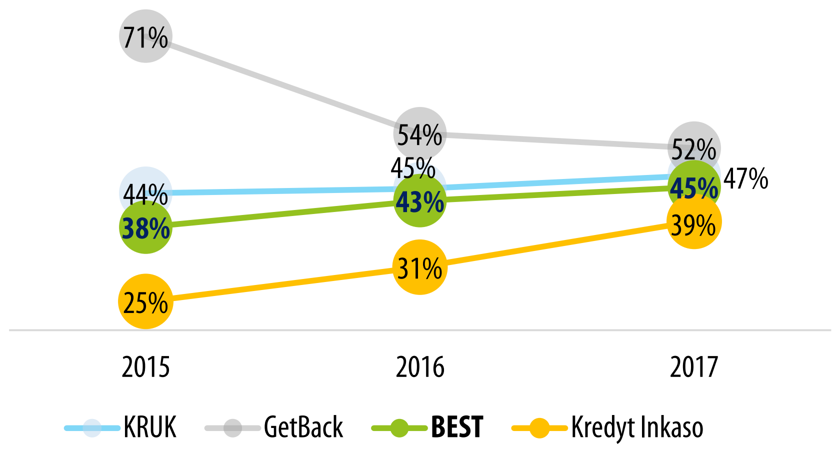
Net debt/equity*



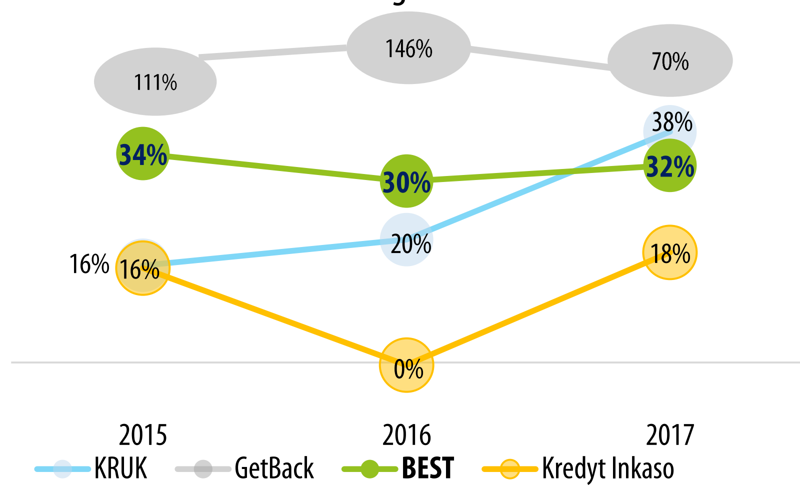

Operating profit margin*




Expenses/Cash collections*




Recoveries growth rate **






* Getback data for Q3 2017
** Consolidated operating expenses /cash collections on purchased portfolios
*** Recoveries attributable to the BEST Group. In the case of KI, data based on calendar periods

## 18 years at the Warsaw Stock Exchange – posting steady solid growth based on healthy fundamentals



# BEST GROUP

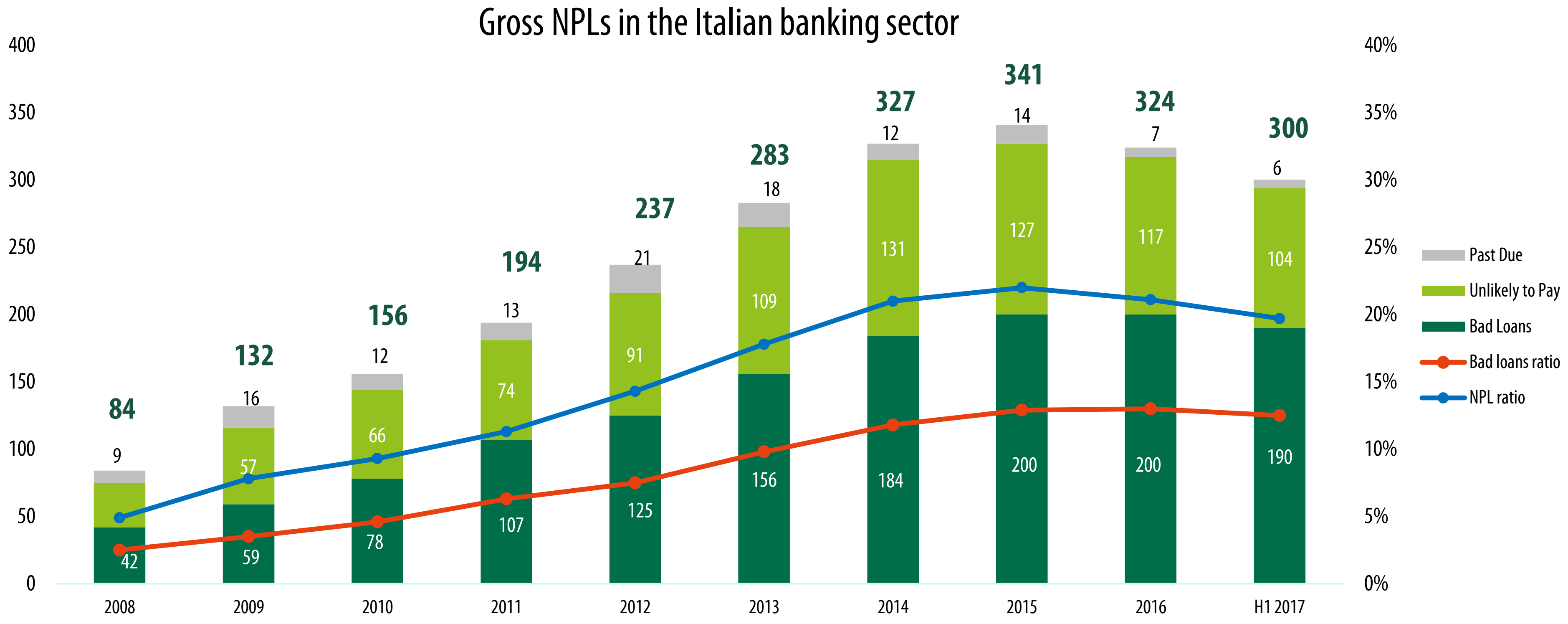
## Italy – macroeconomic indicators

| Macroeconomic indicators | 2015 | 2016 | 2017 | 2018* |
|---|---|---|---|---|
| GDP growth (y/y) | 1.0% | 0.9% | 1.5% | 1.5% |
| Private consumption (y/y) | 2.0% | 1.5% | 1.4% | 1.0% |
| Public consumption (y/y) | -0.6% | 0.6% | 0.8% | 0.5% |
| Inflation [HICP] (y/y) | 0.1% | -0.1% | 1.3% | 1.3% |
| Unemployment rate (%) | 11.9% | 11.7% | 11.6% | 11.1% |

*Source: Eurostat*
** forecast*

# BEST GROUP

## Italy – market of banking sector non-performing loans



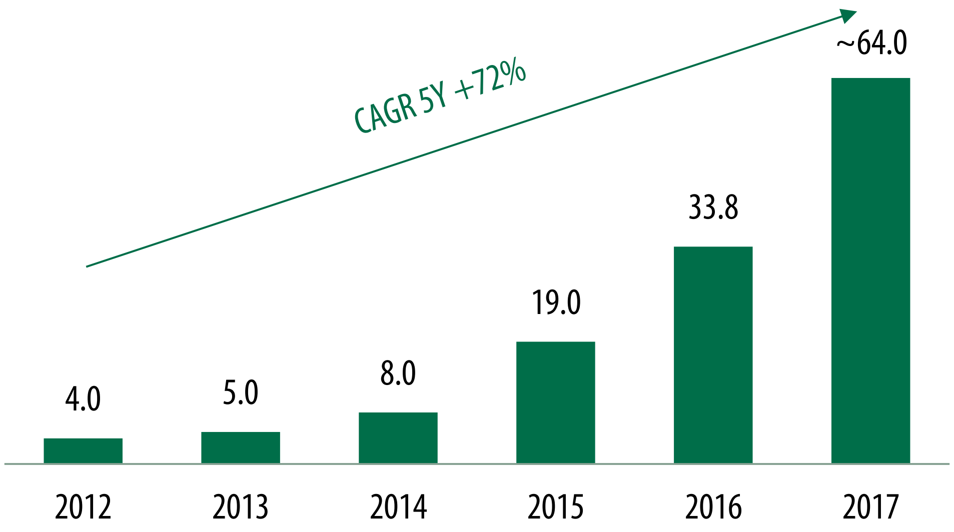

*Source: "The Italian NPL Market", PwC*

| Comparison of markets | Italy | Poland |
|---|---|---|
| ▪ NPLs on bank balance sheets | EUR 324bn | EUR 16.2bn (PLN 70.9bn) |
| ▪ share of NPLs on bank balance sheets | 13% | 7% |
| ▪ NPLs – retail | EUR 34bn | EUR 9.1bn (PLN 39.8bn) |

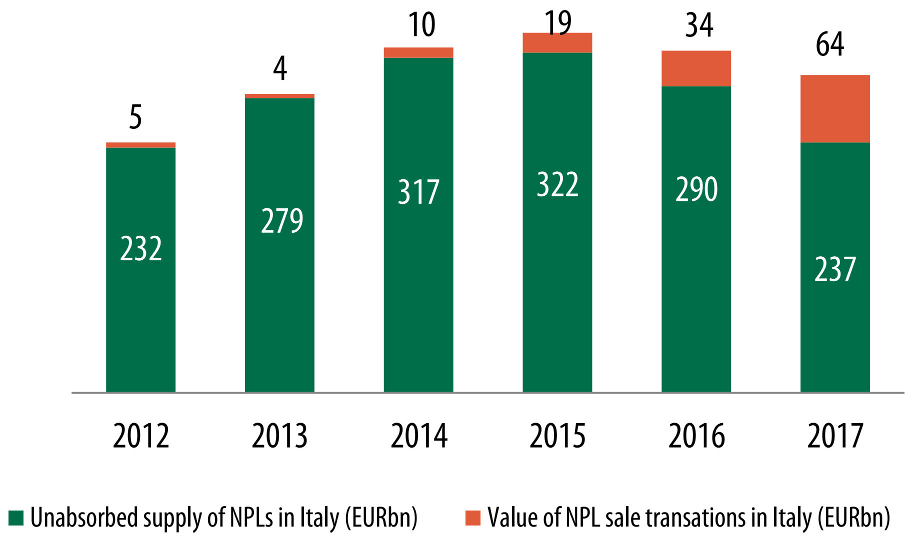
# BEST GROUP

## Italy – market growth prospects

Transactions in the NPL market, at nominal value (EURbn)




Absorption of the NPL supply (EURbn)

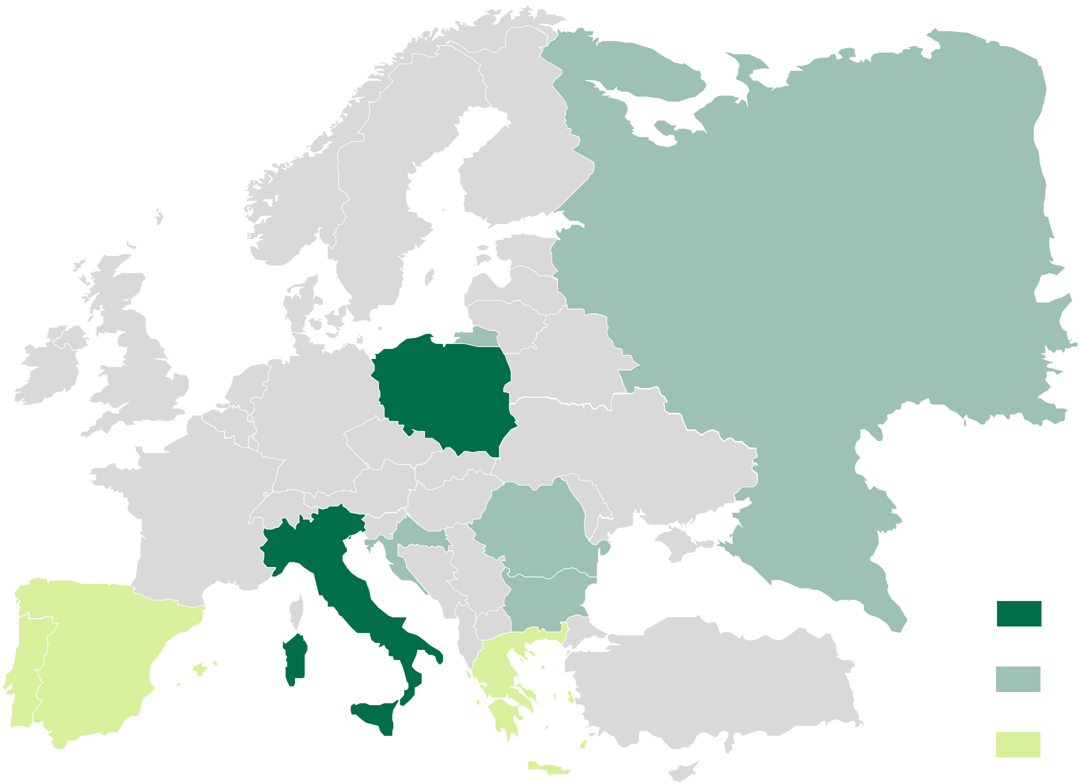



*Source: "The Italian NPL Market", PwC*

| Comparison of markets | Italy | Poland |
|---|---|---|
| ▪ banking sector NPL transactions in 2016 | EUR 33.8bn | EUR 2.3bn (PLN 10.1bn) |
| ▪ banking sector NPL transactions in 2017 | EUR 64bn | EUR 1.9bn (PLN 8bn) |

# BEST GROUP

## Italy – market growth prospects



Key advantages of BEST's presence in the Italian market:

- Europe's largest NPL market, at an early stage of development
- EUR 200bn of unabsorbed supply of NPLs
- BEST's unique know-how that allows us to gain an operational and technological edge
- geographical diversification allowing the Group to maintain the growth of its business

BEST's presence

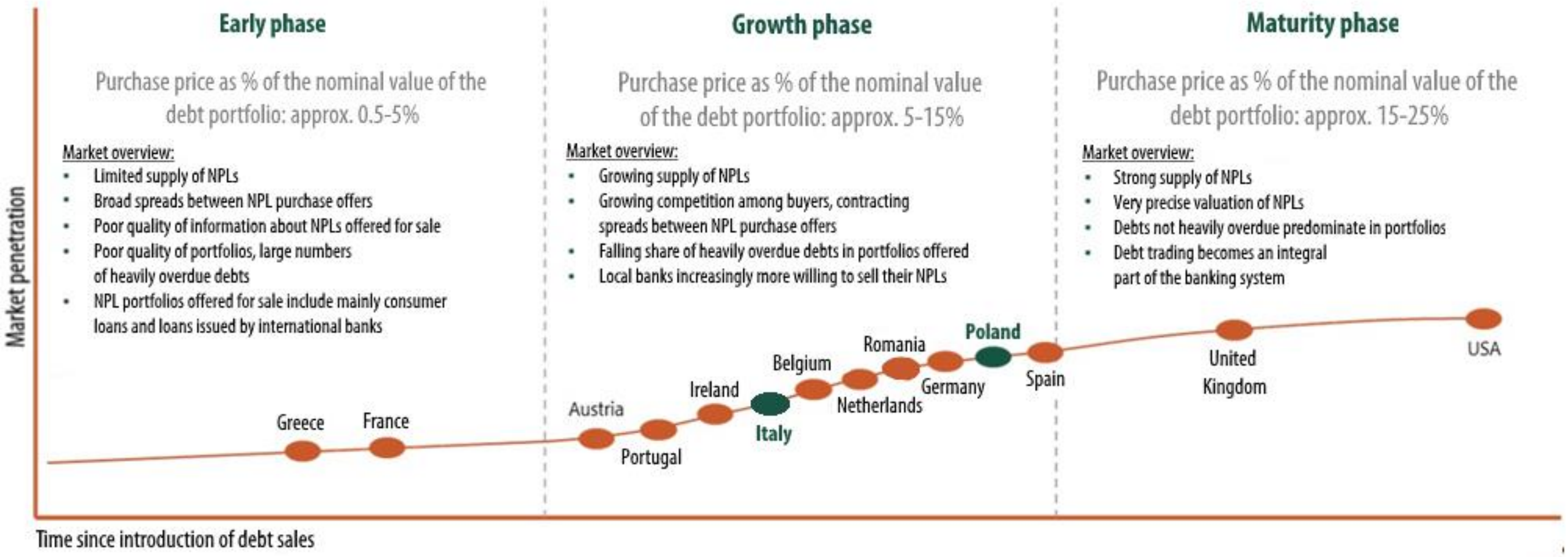
presence through Kredyt Inkaso

other markets where the Group looks to gain a foothold

**Italy will be our second home market**

# BEST GROUP

## Debt trading market cycle




*Source: In-house analysis and Hoist Finance Annual Report 2016*

Competition affects the prices of debt portfolios offered for purchase. According to the Group's estimates, in 2017 the average prices paid by debt purchasers amounted to approximately 12% of the nominal value of the acquired portfolios. The volume of transactions fell also in the primary market, following consolidation processes within the industry (relatively more attractive portfolios acquired in the secondary market).

## Market consolidation across Europe

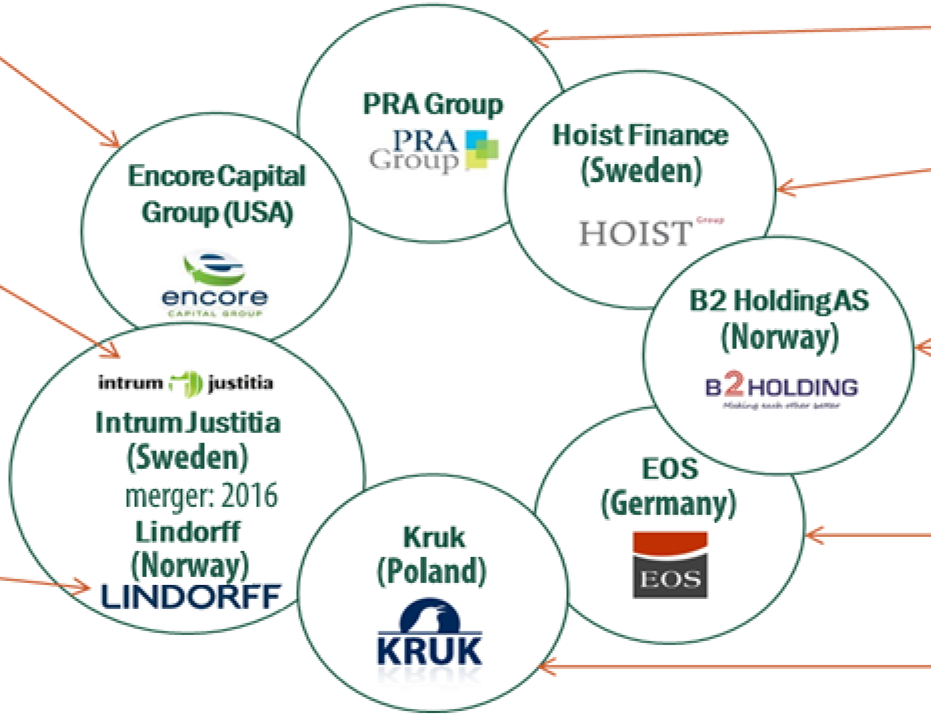
Recent years have witnessed increased interest in the Polish debt trading market from international financial institutions and debt management companies. Across Europe, the industry has undergone a wave of consolidation. As a result, over 30 entities operating in the European market have been consolidated into seven corporate groups in just a few years.

### Consolidation of Europe's debt management sector

| | |
|---|---|
| (UK) CABOT Credit Management | 2013 |
| (IRL) Marlin Finance Group | 2014 |
| (E) Gestif | 2015 |

| | |
|---|---|
| (IRL) Legal&Trade Collections | 2004 |
| (BE) Solutius | 2008 |
| (F) Cronos Group i SEE | 2008 |
| (S) Nice Invest Nordic | 2010 |
| (D) Commerzbank (Central CA) | 2011 |
| (DK) Difko Inkaso | 2011 |
| (NL) Buckaroo | 2012 |
| (CZ) Profidebt | 2014 |

| | |
|---|---|
| (NL) Transfair Holding | 2007 |
| (DK/D) Finance Service | 2010 |
| (E) Reintegra CC (Santander) | 2011 |
| (NL) Solveon (ABN Amro) | 2012 |
| (DK) Multi Finans Administration | 2014 |
| (E) Banco Mare Nostrum | 2015 |
| (E) Banco Sabadell (debt unit) | 2015 |
| (PL) Casus Finanse | 2015 |




| | |
|---|---|
| (UK) Mackenzie Hall Holdings | 2012 |
| (N) Aktiv Kapital | 2014 |
| (PL) DTP | 2015 |

| | |
|---|---|
| (UK) Robinson Way | 2012 |
| (UK) Lewis Group | 2013 |
| (I) TRC | 2014 |
| (PL) Navi-Lex | 2014 |
| (E) Optimus | 2016 |

| | |
|---|---|
| (S) Gothia Financial Group | 2006 |
| (FIN) OK Perinta | 2012 |
| (PL) KCW Ultimo | 2014 |
| (LV) Creditreform Latvija | 2014 |
| (RO/BG) Debtr Collection Agency AD | 2016 |
| (H) Consequence Europe | 2017 |

| | |
|---|---|
| (F) Credirec | 2011 |
| (E) Banco Popular Espanol (debt unit) | 2013 |
| (D) SAF Forderungsmanagment | 2013 |
| (CH) Alphapay | 2015 |
| (F/B) Contentina | 2016 |

| | |
|---|---|
| (PL) PRESCO | 2015 |
| (I) Credit Base International | 2016 |

Given the Group's strategic goal for 2016–2020 to achieve a position among Europe's top ten largest debt management groups in terms of market capitalization, the Group keeps an eye on the development directions of the market leaders.

# GROWTH PROSPECTS

# Outlook for the coming quarters

### FURTHER INVESTMENTS

- geographical diversification
- reasonable prices
- market niches
- openness to consolidation within the industry

### IMPROVING FINANCIAL PERFORMANCE

- expected KPI improvements:
  - recoveries
  - cash EBITDA

### STABLE FINANCING STRUCTURE

- favourable bond maturity structure
- diversified financing sources
- raising of euro-denominated financing

### PROCESS OPTIMISATION

- efficiency gains, e.g. through the use of technologies
- development of technologies, e.g. based on artificial intelligence and automation

### BUSINESS DEVELOPMENT IN ITALY

- further investments
- building the Group's own operational structures

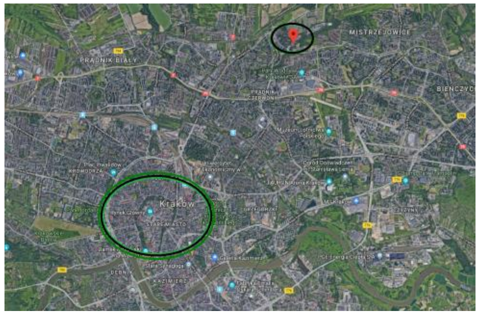
### TRANSPARENCY

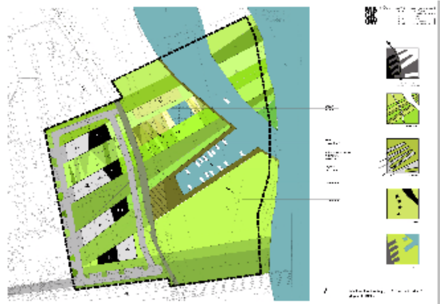
- transparent presentation of data
- regular communication with the market
- stable shareholder base

# BEST GROUP

## Properties for sale

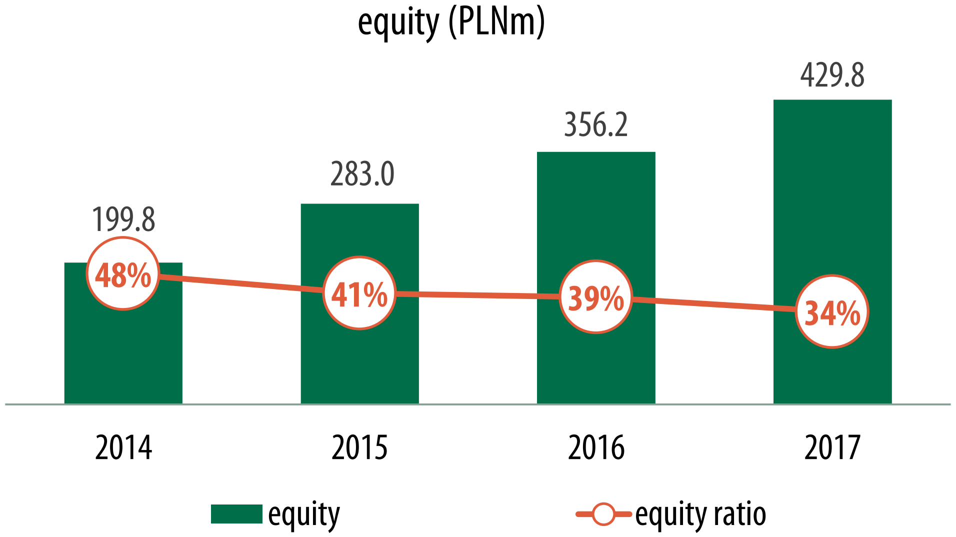
| | Kraków | Wrocław |
|---|---|---|
| Location | Śródmieście (Prądnik Czerwony)<br>4.5 km of straight line distance from the Main Market Square | Old Town<br>3.5 km of straight line distance from the Main Market Square |
| Property type | office building (800 sqm), warehouse (2,400 sqm) | land property |
| Zoning | Area covered by a Local Development Plan (MPZP) Intended use: Services. Application is pending to change its intended use (to residential). | Area covered by a Study of Land Use Conditions and Directions.<br>Residential buildings and services. Work on a Local Development Plan is under way. |
| Property area | 2.2336 ha | 4.0138 ha |

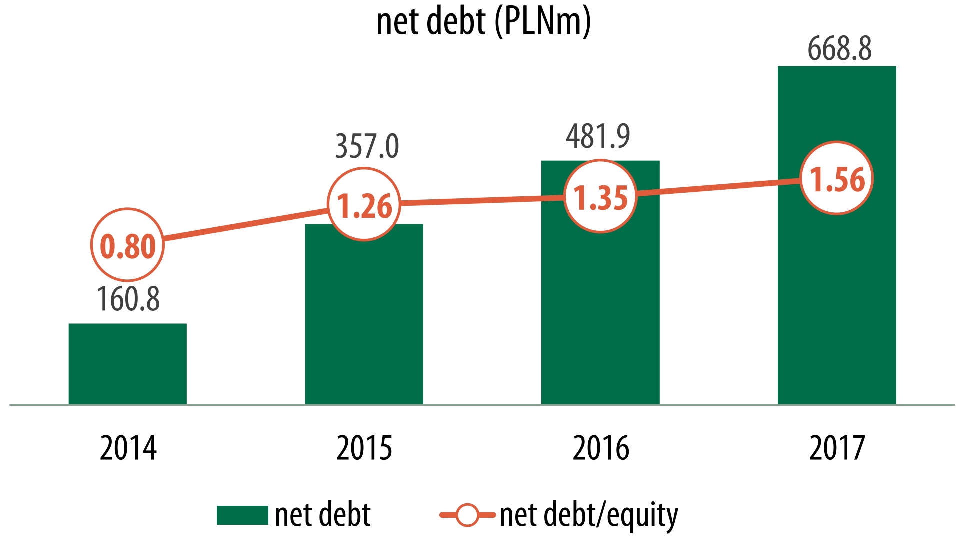





# STABLE FINANCING STRUCTURE

## Stable financing structure



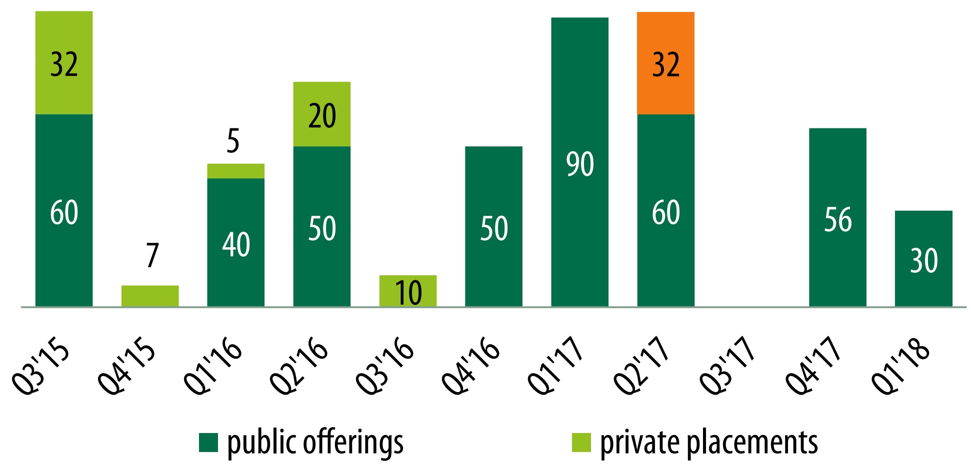




- steadily growing equity – effect of the profit reinvestment policy
- share capital was increased by PLN 19m through an issue of shares in Q2 2017 to a fund managed by a financial investor

- stable level of the key debt ratio (net debt/equity) – its rise driven by investments
- the Group's debt financing as at Dec 31 2017:
  - PLN 644.8m – bonds
  - PLN 83m – bank borrowings (total facilities available – PLN 142m)
  - PLN 31.5m – loan from owners

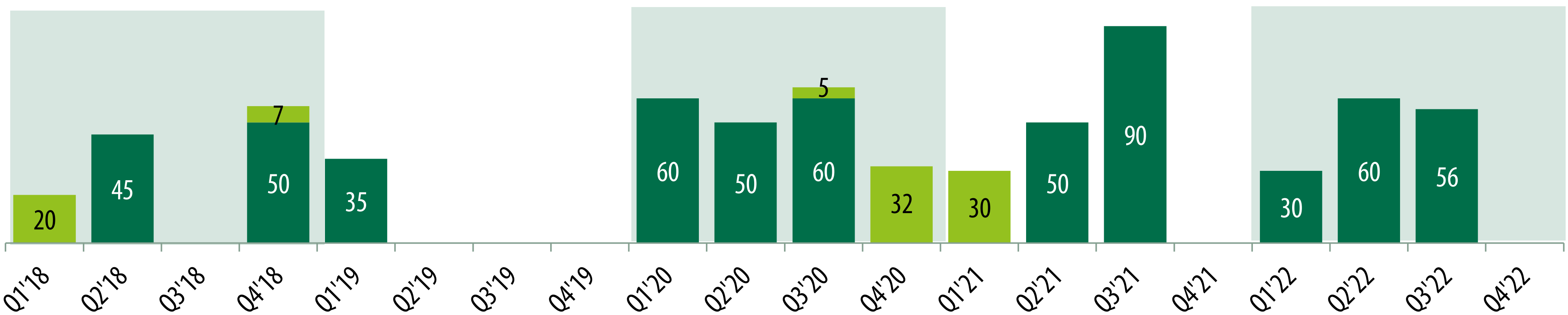
# Bond issues are a vital part of financing the Group's business

bond issues (PLNm)




- activity in 2017: PLN 206m of bonds issued in public offerings, EUR 7.6m raised through private placements, PLN 10m of bonds repaid
- first issue of euro-denominated bonds: EUR 7.6m of financing raised, for 3.5 years, through a private placement
- strong demand for public bonds
- issue of T2 bonds, worth PLN 30m, after the reporting date
- favourable bond maturity structure –
  moderate redemptions in 2018 and 2019, with more significant repayments starting from 2020

bond redemption schedule (PLNm)



# COMPETITIVE ADVANTAGES OFFERED BY THE GROUP'S BUSINESS MODEL

# BEST GROUP

## Our business is focused on debt

THREE COMPLEMENTARY AREAS

### INVESTING IN DEBT PORTFOLIOS

- POLISH MARKET – through Polish-law based securitization funds, in accordance with the Act on Investment Funds, under the PFSA's supervision
- ITALIAN MARKET – through a 130-type SPV as defined in the Italian securitization laws, under the Bank of Italy's supervision
- Portfolios bought from banks, loan providers, telecom companies, insurers and utility suppliers

### MANAGEMENT OF DEBT PORTFOLIOS

- BEST – debt management based on a PFSA authorization
- R.P.U. Rybszleger law office – legal debt collection and legal representation

### INVESTMENT FUND MANAGEMENT

- BEST TFI investment fund management company – management of investment funds and execution of transactions, under the PFSA's supervision

# BEST GROUP

## Key drivers of success

BEST AS A MODERN LEADER OF DEBT MANAGEMENT

### TRANSACTIONS

- own investment fund management company (TFI)
- purchases of debt portfolios guaranteeing a sound profit margin
- co-investments
- international expansion

### FINANCING

- diversification of sources
- flexible bank financing
- interest rate and FX risk management
- financial support from shareholders
- bonds

### OPERATIONS

- new proprietary operating system
- refinement and automation of operational processes
- broad range of products offered as part of amicable solutions
- modern organizational culture

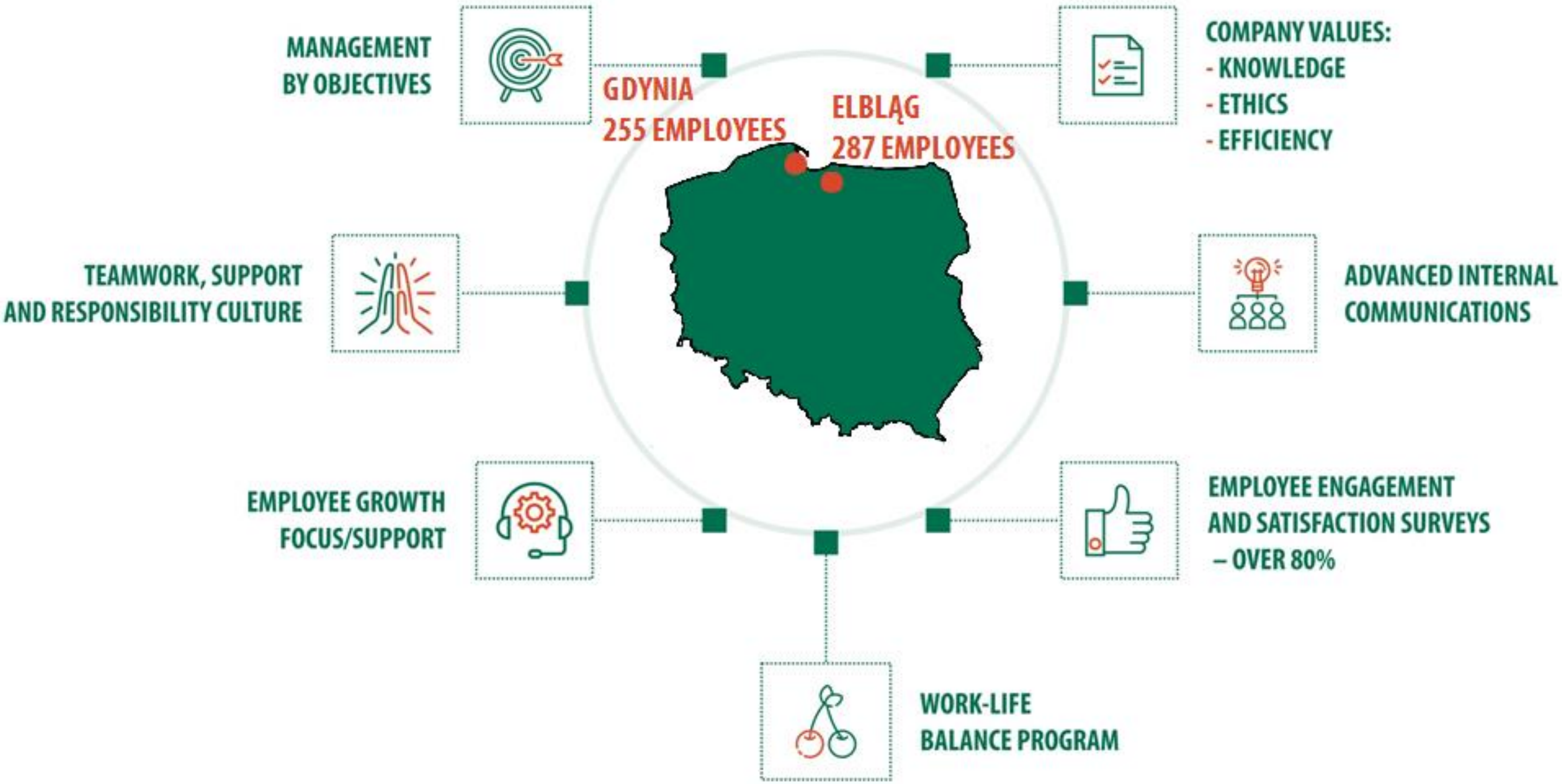
# BEST GROUP

## Operations – an effective business model

- **WIDE PRODUCT OFFER**
- **MODERN CONTACT CHANNELS**
- **CUSTOMER RELATION MANAGEMENT**
- **CUSTOMER SERVICE QUALITY MANAGEMENT**
- **ANALYTICAL CULTURE**
- **PROJECT MANAGEMENT OFFICE**
- **PROCESS AUTOMATION**
- **COOPERATION WITH COURTS AND BAILIFFS**

# BEST GROUP

## Operations – organizational culture



# BEST GROUP

## Efficient operations supported by technologies

**PROPRIETARY** CENTRAL SYSTEM SUPPORTING THE ENTIRE DEBT MANAGEMENT PROCESS

BI SOLUTION, THE FOUNDATION OF THE GROUP'S **ANALYTICAL CULTURE**

**BEST ONLINE** – AN ONLINE PLATFORM DEDICATED TO THE GROUP'S CUSTOMERS AND CLIENTS

**BIOMETRIC SIGNATURE**

**SPEECH TO TEXT**

**MACHINE LEARNING, ARTIFICIAL INTELLIGENCE**

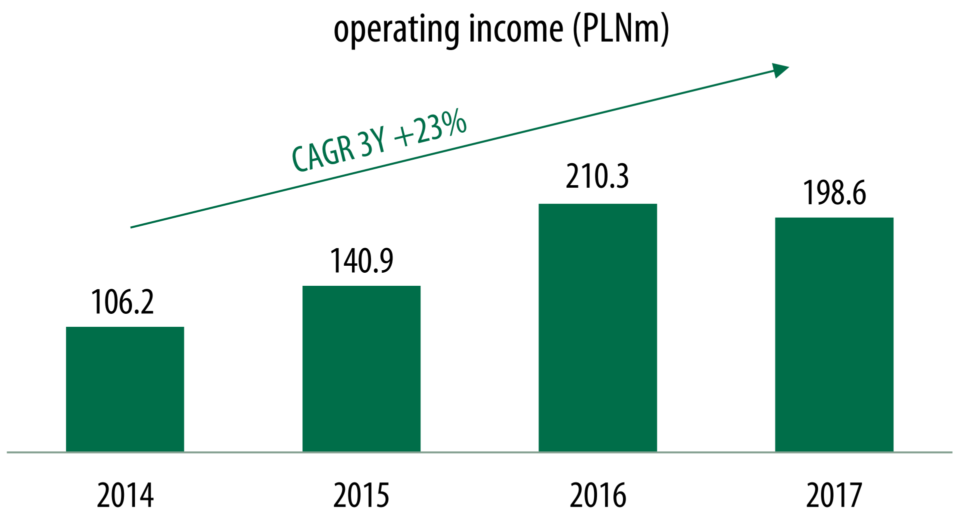
**AUTOMATION OF DOCUMENT PROCESSING**

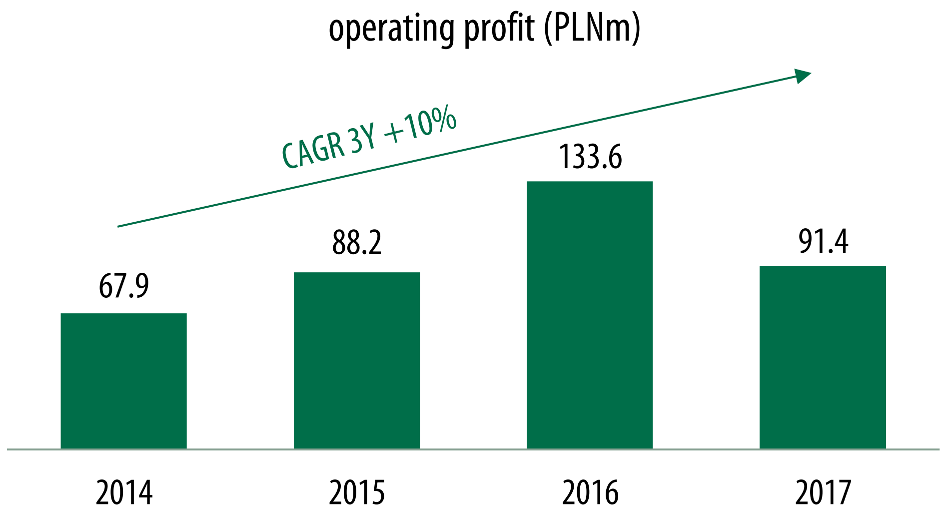
**MULTI-CHANNEL CONTACT CENTRE**

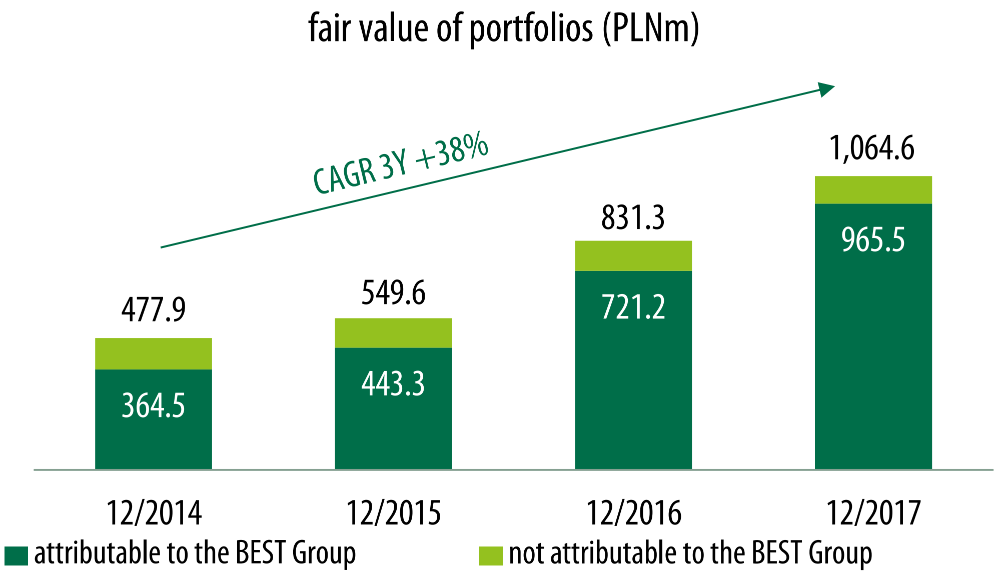
# SUMMARY OF 2017 PERFORMANCE FIGURES

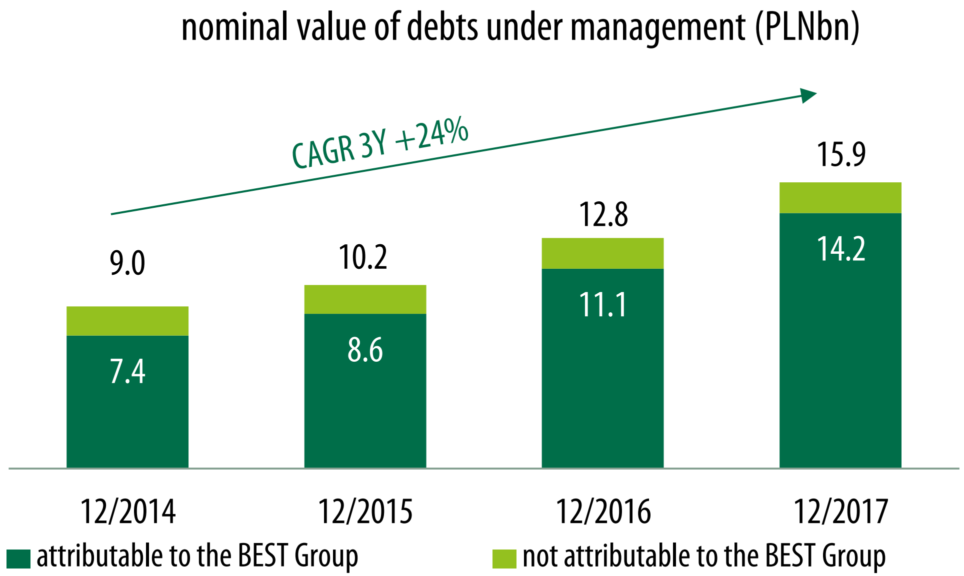
# BEST GROUP

## Key business metrics



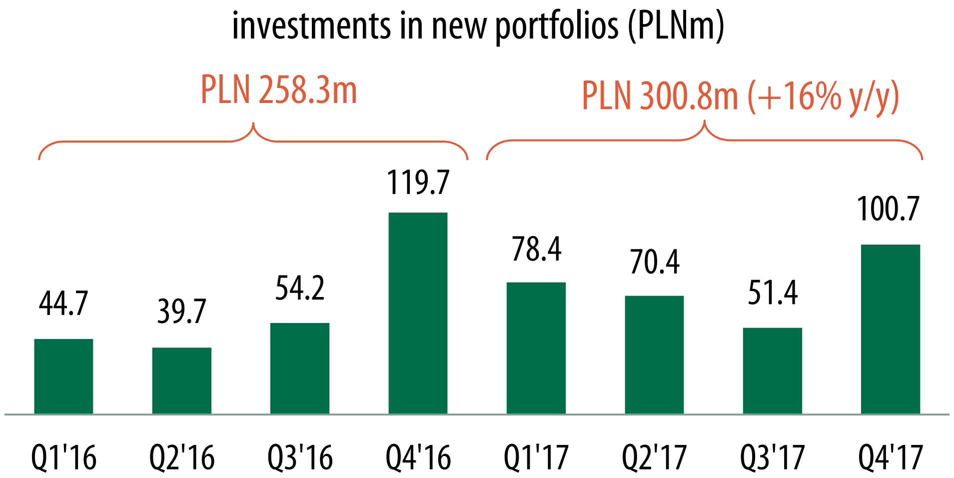



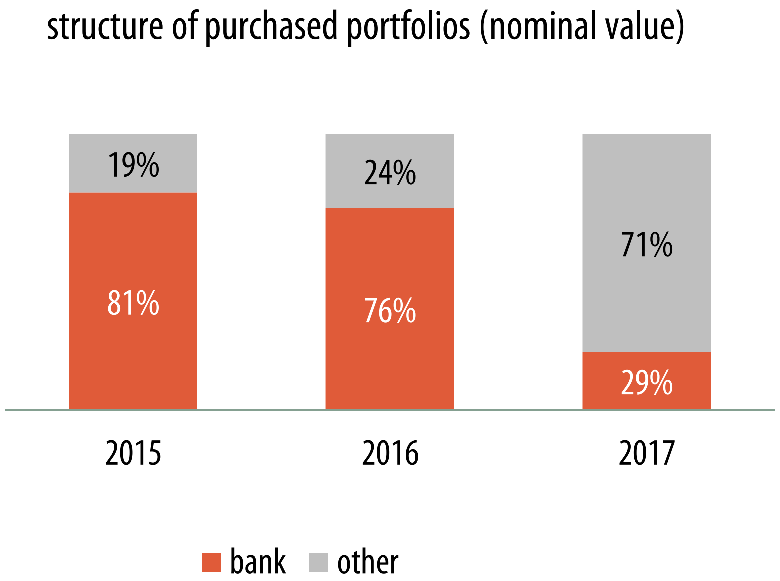



# BEST GROUP

## Strongly growing investments in new portfolios




- 2017 – the Group purchased 17 debt portfolios with a nominal value exceeding PLN 2.6bn (average purchase price: 11.4% of the nominal value)
- 3 portfolios acquired in the Italian market, with a nominal value of nearly EUR 300m

- investments in non-banking sector debt have increased significantly

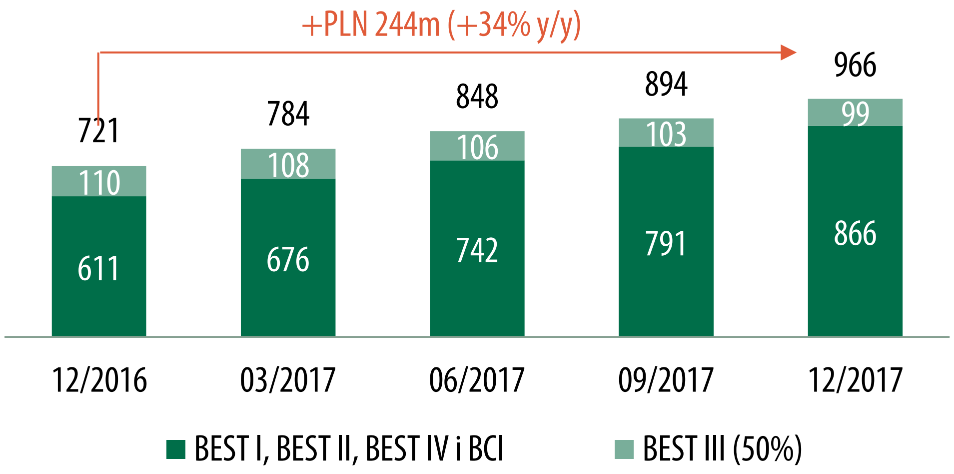
**NOMINAL VALUE OF PURCHASED NON-BANKING SECTOR DEBT PORTFOLIOS**

| | |
|---|---|
| 2017 | PLN 1.9bn |
| 2016 | PLN 0.5bn |
| 2015 | PLN 0.2bn |

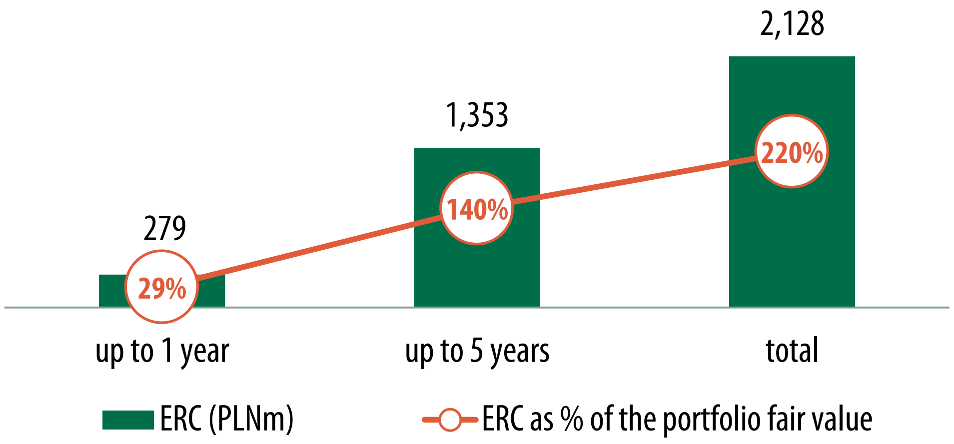
# BEST GROUP

## ...translate into growing fair value of the debts

fair value of the debt (PLNm)




estimated future recoveries from the portfolio (ERC)
(as at Dec 31 2017)

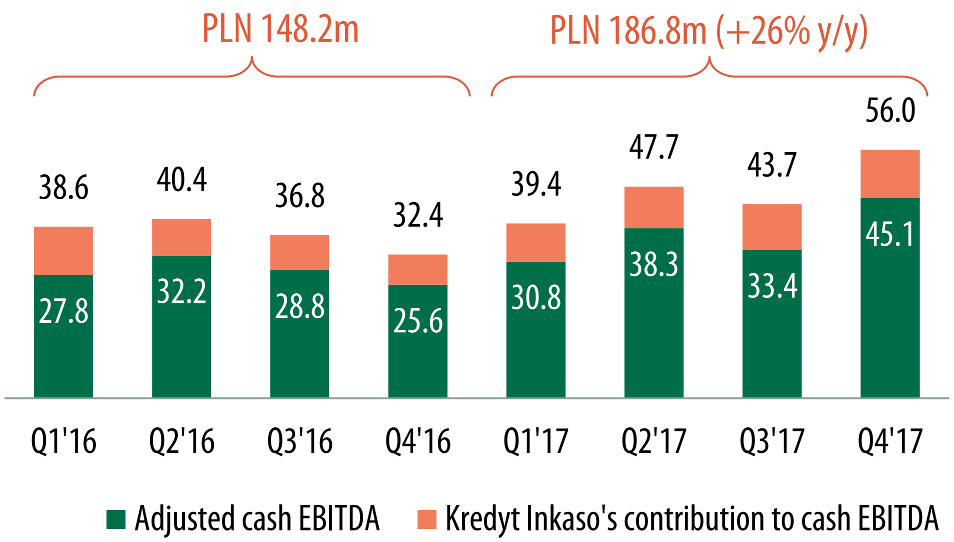



- the debt portfolio value growth is largely attributable to new portfolio investments
- as at the end of 2017, the value of the debt portfolio in the Italian market was equal to 6% of the fair value of the debts
- the nominal value of the debt, including owned and third-party accounts, was close to PLN 16bn

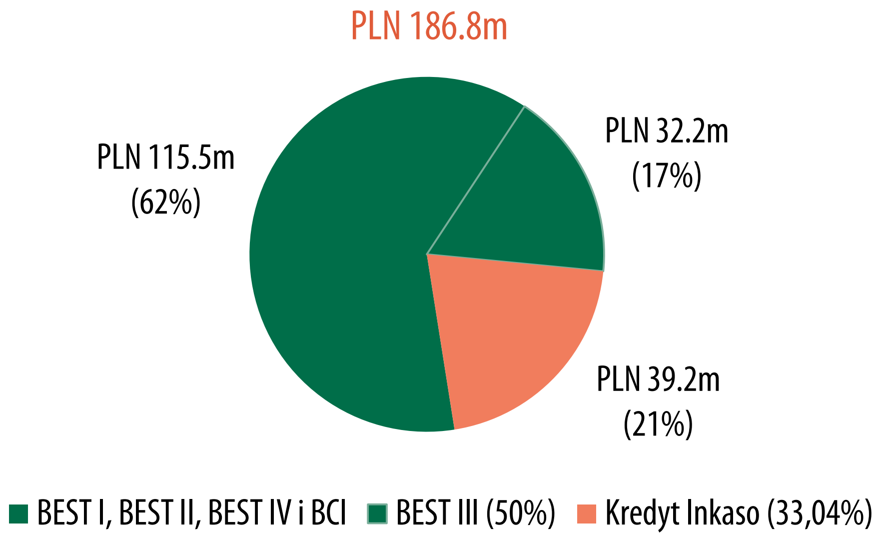
- estimated future recoveries from the portfolio attributable to the BEST Group, as at Dec 31 2017 (PLN 966m): PLN 2.1bn
- nearly PLN 1.4bn of expected recoveries from the current portfolio over the next 5 years (64% of total ERC)

## Favourable cash EBITDA trends

full cash EBITDA* (PLNm)




full cash EBITDA* 2017 (PLNm)




* in conformity with the calculation presented on slide 18

- recoveries from purchased portfolios will be the key driver of cash EBITDA generation
- growing recoveries in connection with new investments (in the last 12 months, the Group invested PLN 300m in new debt portfolios) will support further strong growth of performance figures

# BEST GROUP

## Financial performance figures

| (PLNm) | 2017 | 2016 | y/y change | Q4'17 | Q4'16 | y/y change |
|---|---|---|---|---|---|---|
| **operating income** | **198.6** | **210.3** | **(6)%** | **44.5** | **43.7** | **2%** |
| income from debt portfolios (BEST I, BEST II, BEST IV, BCI) | 150.7 | 147.4 | 2% | 28.2 | 30.9 | (9)% |
| recoveries | 195.1 | 131.7 | 48% | 51.8 | 35.5 | 46% |
| portfolio amortisation | (50.2) | (33.4) | 50% | (14.4) | (11.6) | 24% |
| change in estimation parameters | 5.8 | 49.0 | (88)% | (9.2) | 7.0 | >(100)% |
| investments (BEST III, KI) | 25.5 | 42.3 | (40)% | 6.2 | 7.8 | (22)% |
| other income | 22.4 | 20.6 | 9% | 10.1 | 5.0 | >100% |
| **operating expenses** | **107.2** | **76.7** | **40%** | **25.2** | **24.3** | **4%** |
| **EBIT** | **91.4** | **133.6** | **(32)%** | **19.3** | **19.5** | **(1)%** |
| net finance costs | 35.3 | 24.6 | 44% | 10.1 | 6.8 | 48% |
| impairment loss on the investment in KI | | 69.3 | - | | 42.2 | - |
| **net profit (loss)** | **55.1** | **38.8** | **42%** | **8.7** | **(29.9)** | **>100%** |
| **adjusted cash EBITDA*** | **147.7** | **114.4** | **29%** | **45.1** | **25.6** | **76%** |

- growth in income from debt portfolios (+2% y/y) based on a growth in recoveries at the Group's own funds (+48% y/y)
- high cash EBITDA (+76% in Q4 2017 and +29% in 2017 y/y) generated as a result of increased investments in recent quarters and a focus on the Group's operating efficiency
- other income associated with BEST III (debt portfolio and fund management) and other services

* in conformity with the calculation presented on slide 18

# BEST GROUP

## Summary

| Key achievements and completed projects | | Q4'17 | 2017 |
|---|---|---|---|
| ▪ an investment vehicle set up in Italy and portfolios with a GBV of nearly EUR 300m purchased<br>▪ preventive measures taken with respect to debts at risk of becoming prescribed in connection with proposed amendments to the Polish Civil Code<br>▪ a prospectus for the Group's third public bond issue programme (up to PLN 350m) approved by the PFSA and a private bond issue programme (up to PLN 250m) established | | | |
| ▪ record high investments in new debt portfolios | | PLN 100.7m (-16% y/y) | PLN 300.8m (+16% y/y) |
| ▪ rapidly growing recoveries attributable to BEST | | PLN 61.9m (+31% y/y) | PLN 238.3m (+32% y/y) |
| ▪ activity in the debt market: | bond issues | PLN 56m (T1 – public offering) | PLN 206m (public offering)<br>EUR 7.6m (private placement) |
| | bond redemptions | - | PLN 10m (BEST II) |

| Financial performance figures | | Q4 2017 | 2017 |
|---|---|---|---|
| ▪ operating income | | PLN 44.5m (+2% y/y) | PLN 198.6m (-6% y/y) |
| ▪ net profit | | PLN 8.7m (+>100% y/y) | PLN 55.5m (+42% y/y) |
| ▪ adjusted cash EBITDA* | (excluding KI's contribution) | PLN 45.1m (+76% y/y) | PLN 147.7m (+29% y/y) |

* in conformity with the calculation presented on slide 18

# Thank you

SPÓŁKA AKCYJNA

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**BEST Investor Profile** – to receive key personalized information on the BEST Groupdirectly to your e-mail address, please register at www.best.com.pl in the For Investors -> BEST Investor Profile section.

## Disclaimer:

# BEST GROUP

## Appendix – cash EBITDA

| (PLNm) | 2015 | 2016 | 2017 |
|---|---|---|---|
| **BEST (BEST I, BEST II i BEST IV, BCI)** | **60.9** | **79.8** | **115.5** |
| *BEST's interest* | *100.00%* | *100.00%* | *100.00%* |
| recoveries | 93.1 | 131.7 | 195.1 |
| other income | 17.4 | 20.6 | 22.4 |
| OPEX (excluding D&A) | (49.5) | (72.5) | (102.0) |
| **BEST III** | **33.8** | **34.6** | **32.2** |
| *BEST's interest* | *50.00%* | *50.00%* | *50.00%* |
| cash EBITDA | 67.6 | 69.4 | 64.4 |
| recoveries | 91.1 | 96.5 | 86.5 |
| other income | 0.1 | 1.5 | 0.0 |
| OPEX | (23.6) | (28.6) | (22.1) |
| **adjusted cash EBITDA** | **94.7** | **114.4** | **147.7** |
| **Kredyt Inkaso*** | **10.2** | **33.8** | **39.2** |
| *BEST's interest* | *32.99%* | *32.99%* | *33.04%* |
| cash EBITDA | 30.8 | 102.5 | 118.7 |
| recoveries | 36.2 | 147.3 | 173.9 |
| other income | 9.0 | 37.6 | 30.9 |
| OPEX (excluding D&A)** | (14.4) | (82.4) | (86.1) |
| **full cash EBITDA** | **104.9** | **148.2** | **186.9** |

* The differences between the level of cash EBITDA presented in this table and in BEST's consolidated financial reports are attributable to the availability of financial information of Kredyt Inkaso as at the date of publication of the reports. In this presentation, financial information of Kredyt Inkaso has been accounted for in the periods to which it relates.

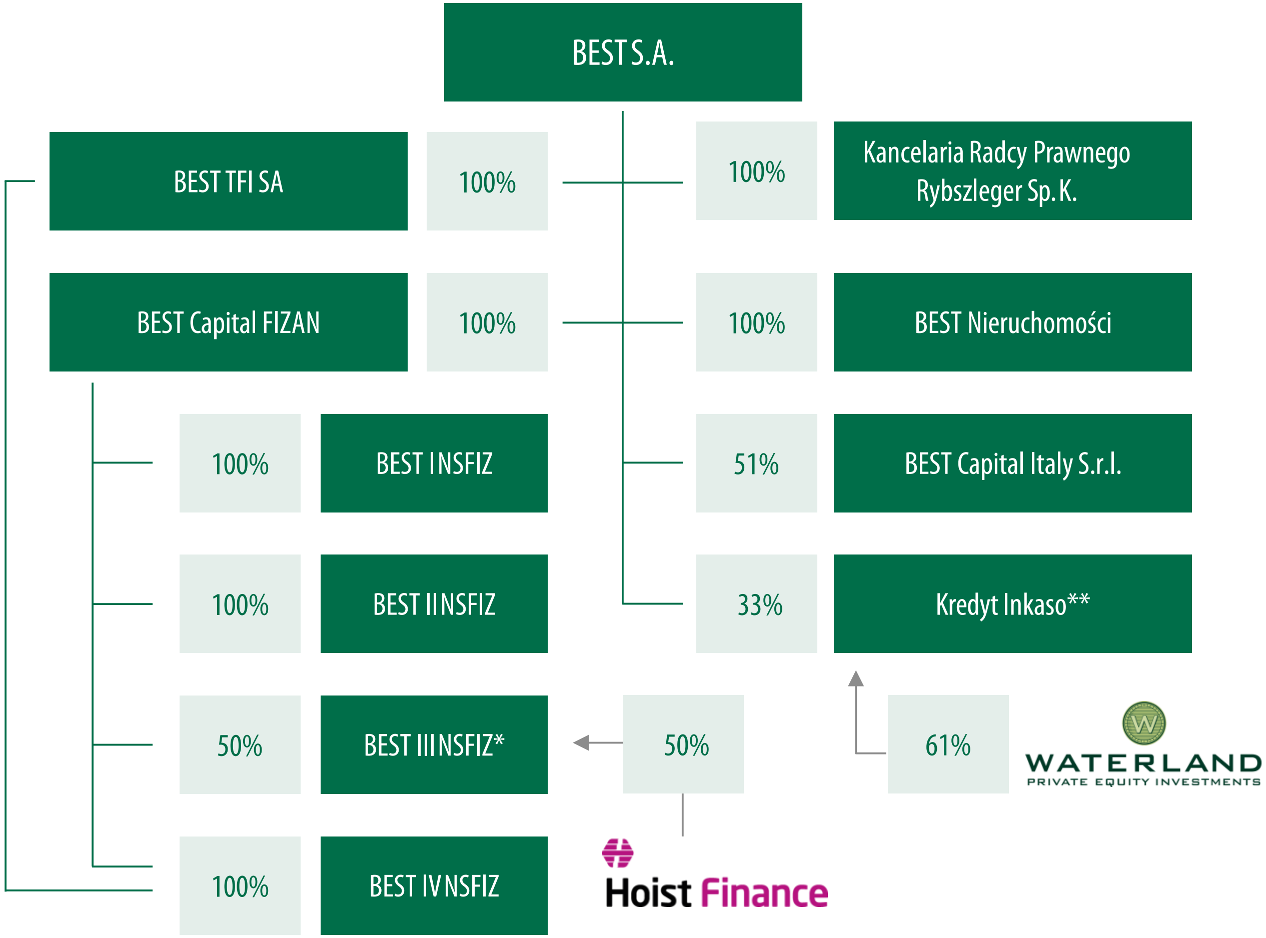
** Operating expenses plus income tax and profit attributable to non-controlling interests.

## Appendix – consolidated statement of financial position

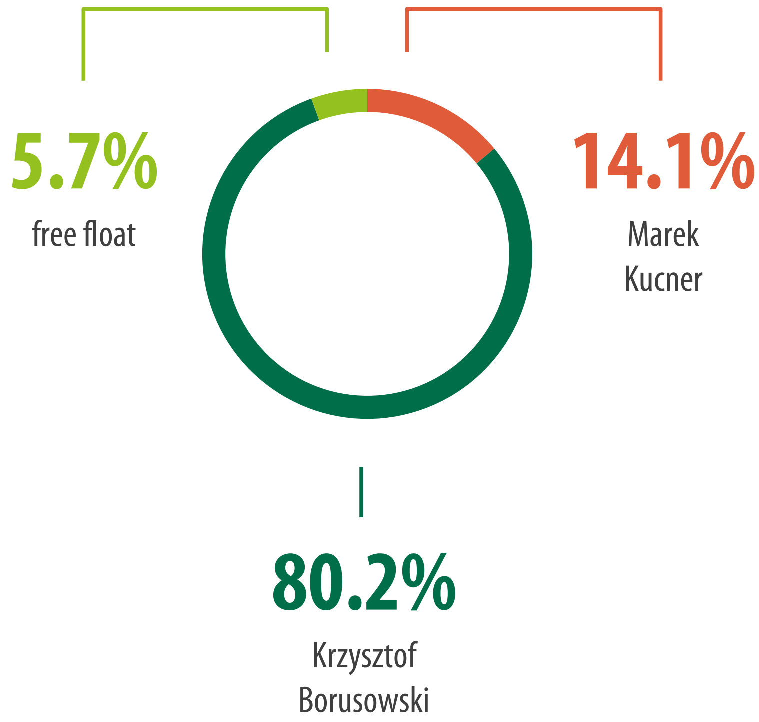
| (PLNm) | Dec 31 2015 | Dec 31 2016 | Dec 31 2017 |
|---|---|---|---|
| **assets, including:** | **694.1** | **904.9** | **1245.9** |
| cash and cash equivalents | 43.2 | 22.0 | 91.2 |
| purchased debt | 337.1 | 611.1 | 866.5 |
| investments in jointly controlled entities | 97.1 | 112.0 | 101.0 |
| investments in associates | 175.0 | 106.7 | 109.0 |
| investment property | 8.2 | 7.6 | 14.3 |
| **equity and liabilities, including:** | **694.1** | **904.9** | **1245.9** |
| financial liabilities | 400.2 | 503.9 | 760.0 |
| equity | 283.0 | 356.2 | 429.8 |
| **net debt** | **357.0** | **481.9** | **668.8** |
| **net debt/equity** | **1.3** | **1.4** | **1.6** |

# BEST GROUP

## Appendix – structure of the BEST Group




BEST S.A. shareholder structure
(% of share capital held)




* jointly controlled entity ** associate