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## **BEST GROUP**

# **PRESENTATION OF FINANCIAL RESULTS FOR 2019**

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Warsaw, 26 May 2020

## Management summary

### Key events in BEST Capital Group (BEST CG) in 2019

- high repayments from managed claim portfolios despite limited investments in new portfolios
- acquisition of 3 portfolios with a nominal value of PLN 342 million for PLN 31 million
- continued reduction of debt – repayment of financial liabilities of PLN 92 million
- debt collection operations launched on the Italian market
- Payhelp implementation – an online tool for recovering money from unpaid invoices
- preparations for increasing the share capital of BEST through the issue of shares for a designated financial investor

Financial and operating results	2019	2018	Movement
▪ operating revenues		PLN 222.2 million	PLN 190.2 million 17%
▪ repayment of claims from managed portfolios		PLN 299.1 million	PLN 298.5 million 0%
▪ full cash EBITDA*		PLN 222.9 million	PLN 220.4 million 1%
▪ net profit, of which:		PLN 43.3 million	PLN 34.9 million 24%
▪ attributable to BEST's shareholders		PLN 20.3 million	PLN 32.1 million (37%)

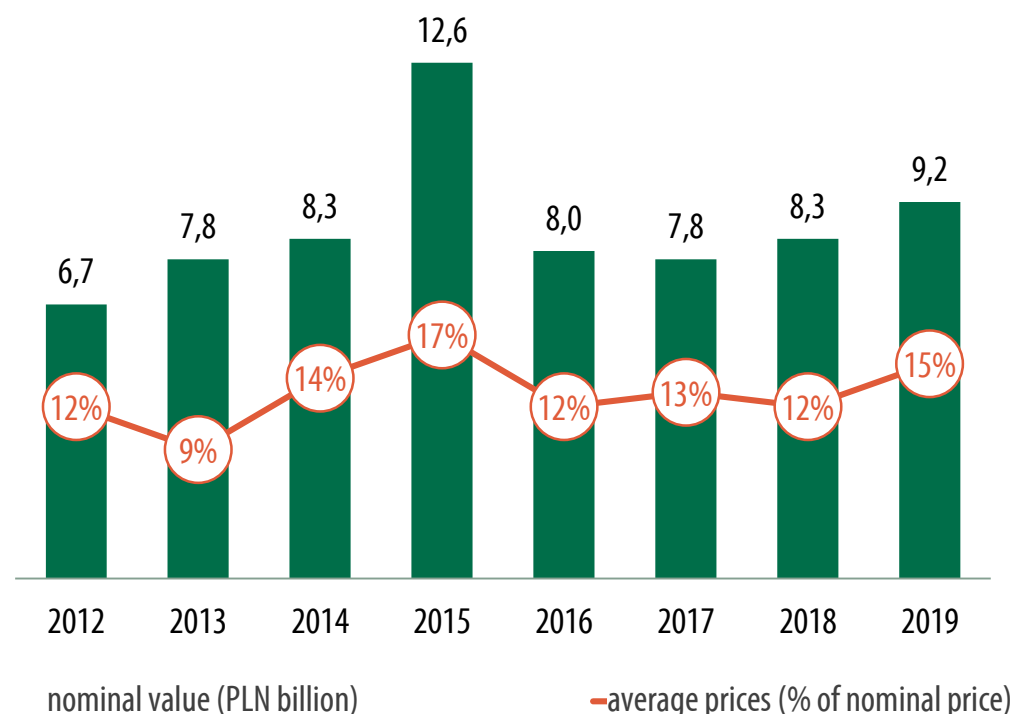
\* based on the calculation on slide 17

## Poland – non-performing debt market

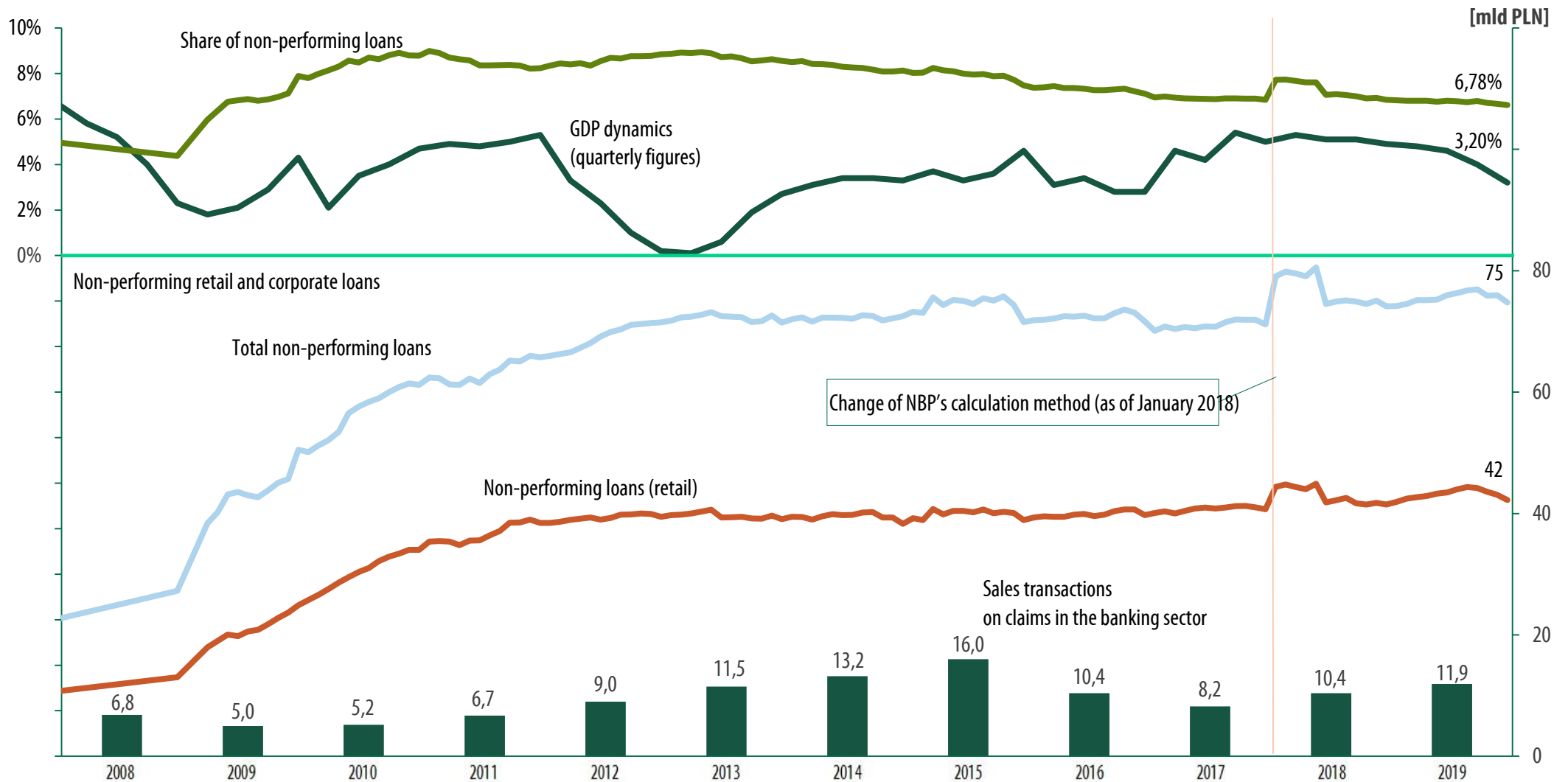
### MARKET SITUATION IN 2019:

- **PLN 72.3 billion** – total value of non-performing loans (6.4% of the carrying amount of non-financial sector loans)
- **PLN 9.2 billion** – estimated value of bank claims being sold (retail portfolios, excluding mortgages)
- **15%** – average prices paid by buyers for unsecured retail portfolios from the banking sector
- share increase of “fresh” claims
- due to changes in legislation, some banks have decided to outsource their debt collection process
- search for a new price consensus (following changes in the legal environment)
- banks still have significant claim portfolios relating to the bank enforcement order, which are worthless for the debt collection industry
- continued limited access to financing through the bonds market

Bank NPL – primary market transactions 2012-2019 (retail portfolios, excluding mortgages and corporate portfolios)

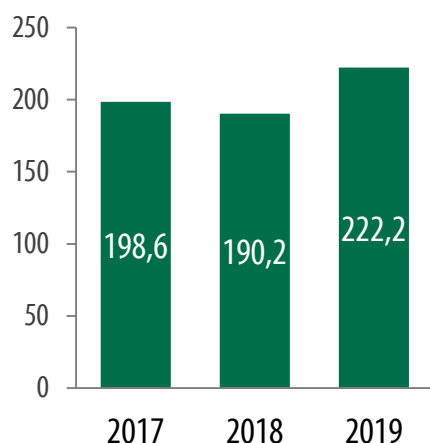


## Poland – non-performing debt market

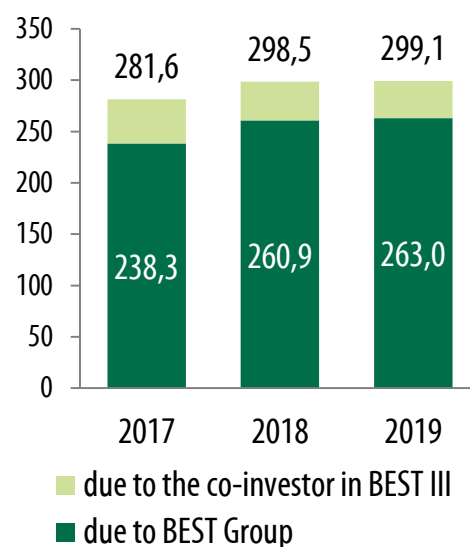


## High claim repayments and stable key financial results

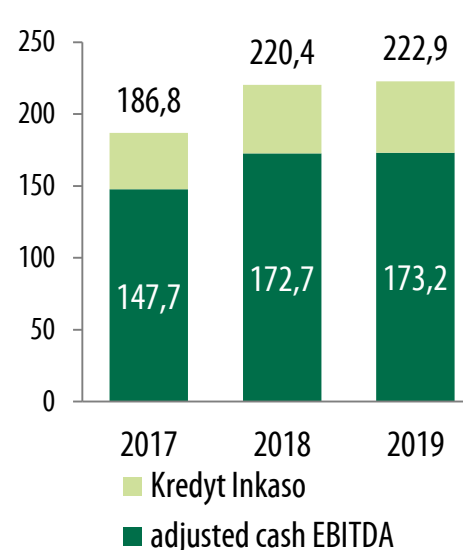
Operating revenues (PLN million)



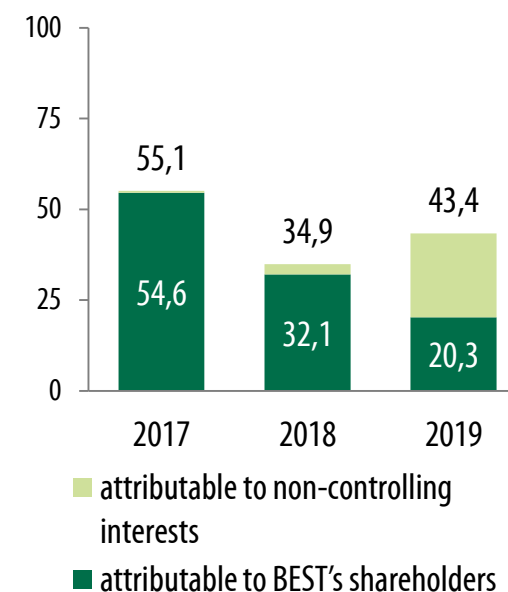
Claim repayments (PLN million)



Full cash EBITDA\* (PLN million)



Net profit (PLN million)



**17%**

REVENUE INCREASE  
(2019 YOY)

**PLN 2.35 billion**

NOMINAL ESTIMATED REMAINING  
COLLECTIONS (ERC)  
(31 December 2019)

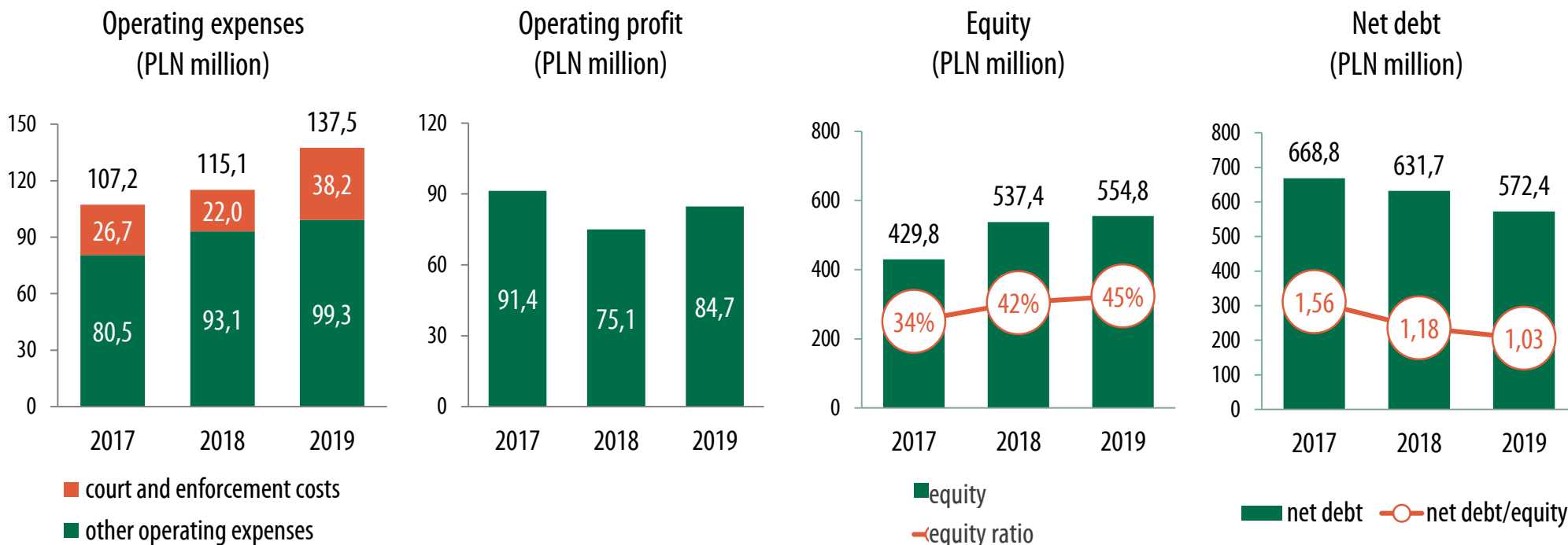
**PLN 999 million**

CARRYING VALUE  
OF CLAIM PORTFOLIOS  
(31 December 2019)

**PLN (40) million**

PORTFOLIO REVALUATION RESULT  
(2019)

## Strict cost regime and constant improvement of the balance sheet structure



**74%**  
INCREASE IN COURT AND ENFORCEMENT COSTS  
(2019 YOY)

**13%**  
OPERATING PROFIT INCREASE  
(2019 YOY)

**3%**  
EQUITY INCREASE  
(2019 YOY)

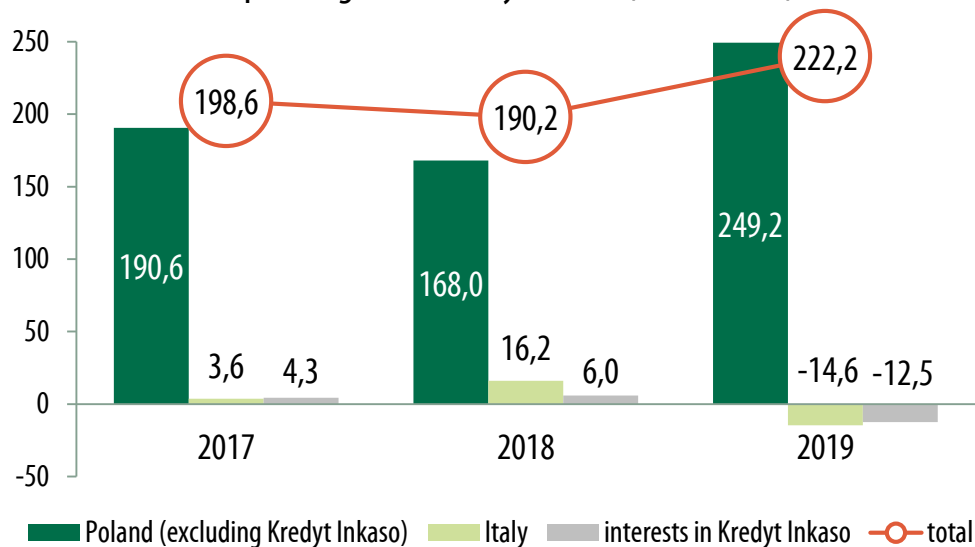
**1.03**  
LOW DEBT RATIO  
(31 December 2019)

## SUMMARY OF RESULTS FOR 2019

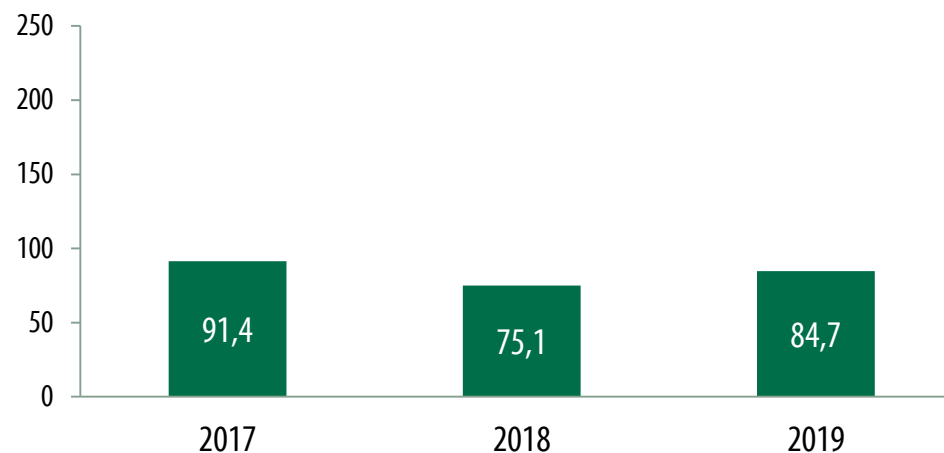


## Main business parameters

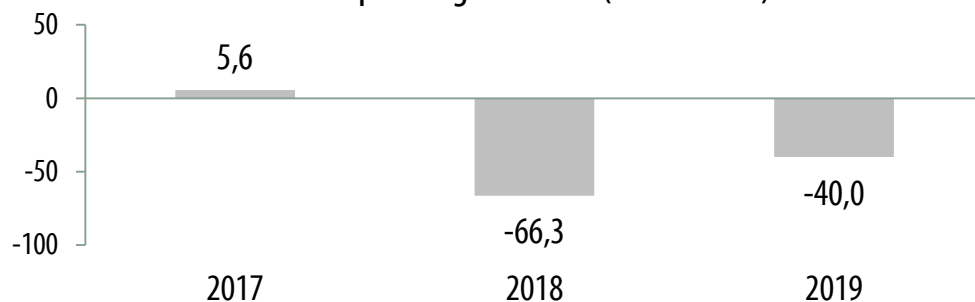
operating revenues by market (PLN million)



operating profit (PLN million)



revaluation results;  
effect on operating revenues (PLN million)

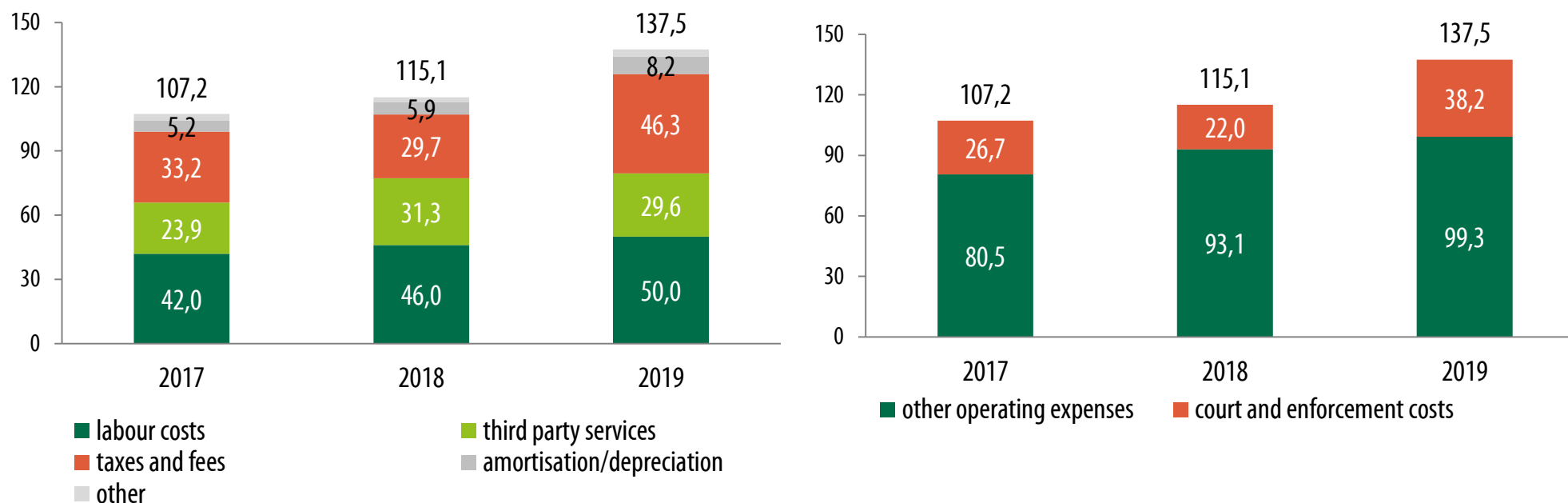


- limited purchases of new claims in 2019, result generated on similar portfolios as a year earlier
- the negative value of operating revenues in Italy is mainly due to the negative revaluation of claim portfolios on that market
- negative effect of investment in Kredyt Inkaso on the results



## 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 2019, court and enforcement costs amounted PLN 38.2 million, up by 74% year-on-year
- in 2019, operating expenses, excluding court and enforcement fees, increased by 7%, while revenues increased by 17% YOY
- the significant increase in amortisation/depreciation costs results from disclosing the amortisation of rights to use office space according to IFRS 16 (as of 1 January 2019)

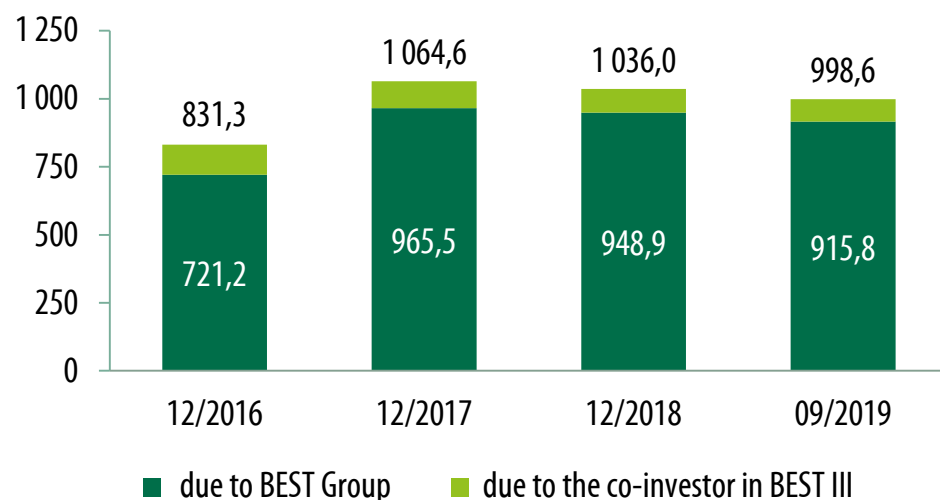
## Financial results

(PLN million)	2019	2018	change YOY	Q4 2019	Q4 2018	change YOY
<b>operating revenues, including:</b>	<b>222.2</b>	<b>190.2</b>	<b>17%</b>	<b>16.4</b>	<b>26.3</b>	<b>(38%)</b>
(1) claim revenues	231.7	155.0	50%	20.2	23.4	(14%)
<i>interest calculated using the effective interest rate method</i>	266.2	224.3	19%	67.9	66.9	2%
<i>deviations from actual payments</i>	5.1	(2.9)	-	(5.7)	-	-
<i>revaluation result</i>	(40.0)	(66.3)	(40%)	(42.0)	(43.3)	(3%)
(2) profit from share in BEST III	-	13.7	-	-	-	-
(3) revenues from the management of BEST III	-	9.8	-	-	-	-
(4) profit/(loss) from share in Kredyt Inkaso	(12.5)	6.0	-	(5.6)	2.6	-
<b>operating expenses, including:</b>	<b>137.5</b>	<b>115.1</b>	<b>19%</b>	<b>40.6</b>	<b>35.1</b>	<b>16%</b>
court and enforcement costs	38.2	22.0	74%	13.3	9.6	38%
<b>operating profit (EBIT)</b>	<b>84.7</b>	<b>75.1</b>	<b>13%</b>	<b>(24.3)</b>	<b>(8.8)</b>	<b>-</b>
financial revenues and expenses	(36.6)	(39.4)	(7%)	(10.9)	(9.5)	15%
<b>net profit, of which:</b>	<b>43.4</b>	<b>34.9</b>	<b>24%</b>	<b>(35.1)</b>	<b>(14.7)</b>	<b>-</b>
attributable to BEST's shareholders	20.3	32.1	(37%)	(48.6)	(13.6)	-
<b>adjusted cash EBITDA*</b>	<b>173.2</b>	<b>172.7</b>	<b>0%</b>	<b>45.4</b>	<b>37.3</b>	<b>22%</b>

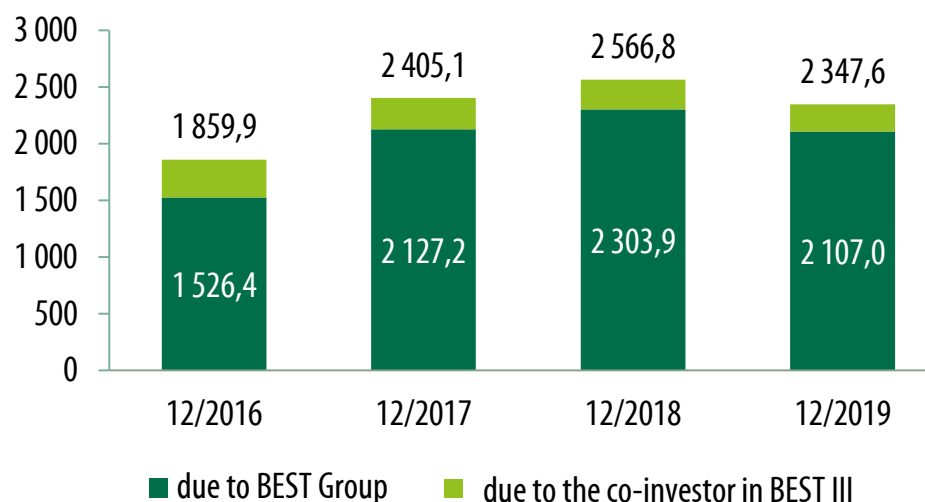
- thanks to the continued cost regime, operating profit in 2019 increased by 13% YOY
- the decrease in net profit attributed to BEST's shareholders was due to a negative revaluation of claims, which did not affect the fund BEST III NSFIZ

## Claim portfolios are the biggest item of assets

book value of portfolios (PLN million)



Nominal estimated remaining collections (ERC) (PLN million)

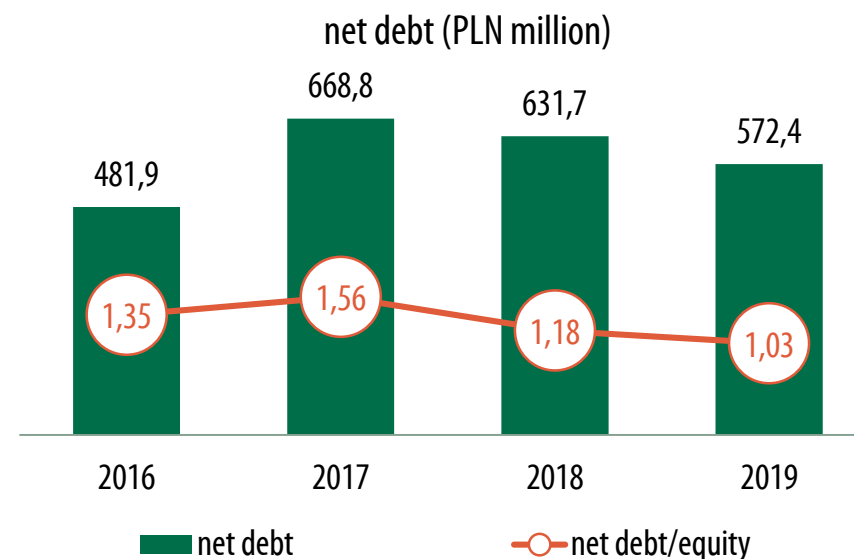
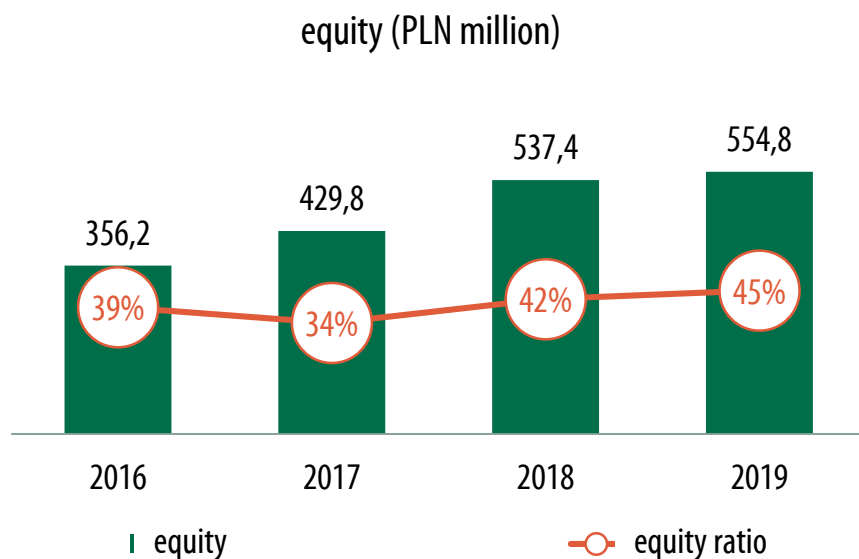


- structure of claims managed by segments:

- 67.5% – bank portfolios
- 23.7% – telecoms portfolios
- 8.6% – near bank portfolios
- 0,2% – other

- a significant reduction in investments in new claim portfolios due to the shift of the peak of the economic cycle (in 2019, only three portfolios with a nominal value of PLN 342 million were acquired for PLN 31 million)
- estimated remaining collections (ERC) from current portfolios amount to over PLN 2.3 billion

## 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

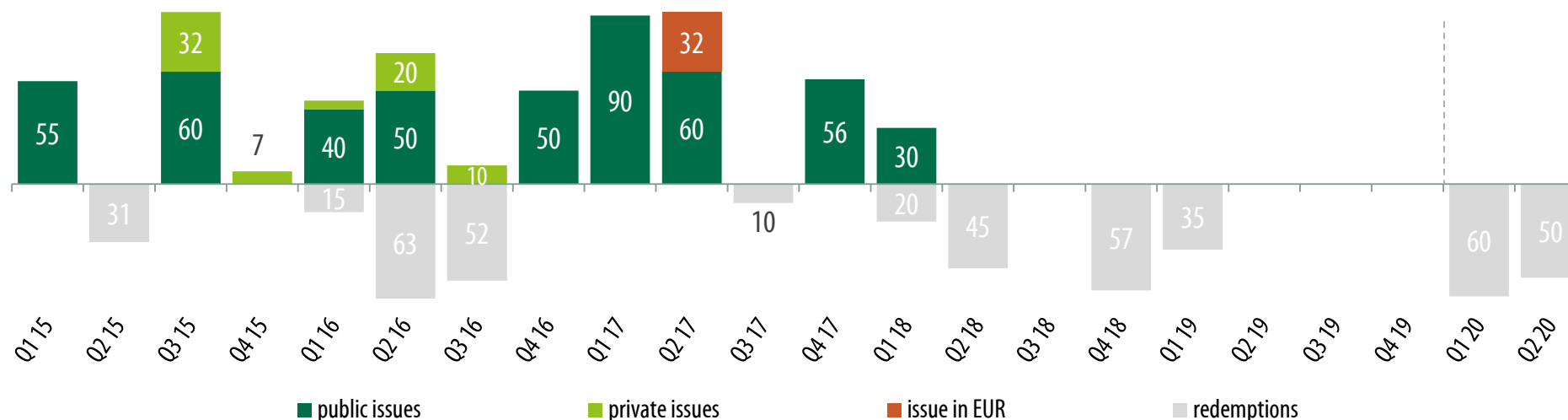
- Group's financial liabilities as of 31/12/2019:
  - 520.7 PLN million - bonds
  - 97.2 PLN million - bank loans
  - PLN 27.0 million - borrowings from the management board
  - PLN 9.5 million - lease and other

- cash as of 31/12/2019:

PLN  
82.0 million - cash and cash equivalents

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

Issue and redemption of bonds (PLN million)



Bond repayment plan (PLN million)

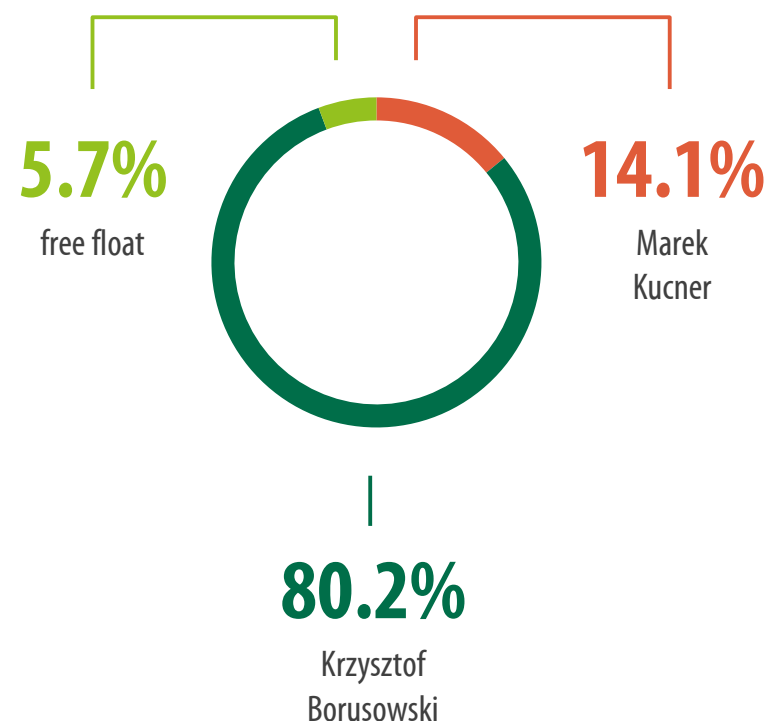


- in 2018-2019, we redeemed bonds with a total value of PLN 157 million
- this year, we have already redeemed bonds with a value of PLN 110 million
- the total unused credit limit at the end of 2019 was PLN 101 million

## Preparations for share capital increase

- in Q4 2019, the Management Board of BEST started talks with selected financial investors interested in acquiring a minority, non-controlling stake of the new issue of shares
- the capital injection will dramatically boost our investment potential and enable the Group to expand its business
- Rothschild & Co advises BEST in this process
- BEST's managers (also being its shareholders) are committed to the Company's growth in the long term
- due to the global pandemic, the investor selection process will not be completed as planned, i.e. by the end of June this year
- we expect to see growing interest in the claims management industry in late 2020

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



## Events after the balance sheet date

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- record repayments under managed claims in Q1 2020: PLN 86.6 million (+29% YOY), including due to BEST CG: PLN 77.8 million (+33% YOY)
- punctual redemption of series K4, L2 and L3 bonds with a total nominal value of PLN 110 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; in less than 10 days, 85% of our team switched to telework, including 90% of our call centre staff
- 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 see the following risks:
  - potential decrease in the repayment of claims, in particular in Italy, leading to a negative revaluation of the claims held
  - potential decrease of the value of our investment in Kredyt Inkaso

# Dziękujemy

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## Annex – cash EBITDA

(PLN million)	2019	2018	change YOY	Q4 2019	Q4 2018	change YOY
<b>BEST</b>	<b>173.2</b>	<b>153.5</b>	<b>13%</b>	<b>45.4</b>	<b>37.3</b>	<b>22%</b>
repayment of claims	299.1	247.3	21%	82.3	70.7	16%
other revenues	3.3	15.4	-79%	1.7	0.2	843%
OPEX (excluding amortisation/depreciation)	(129.3)	(109.2)	18%	(38.6)	(33.6)	15%
<b>BEST III NSFIZ</b>	-	<b>19.2</b>	-	-	-	-
<i>BEST's share</i>	-	<i>50.00%</i>	-	-	-	-
cash EBITDA	-	38.4	-	-	-	-
repayment of claims	-	51.1	-	-	-	-
other revenues	-	0.0	-	-	-	-
OPEX	-	(12.7)	-	-	-	-
<b>adjusted cash EBITDA</b>	<b>173.2</b>	<b>172.7</b>	<b>0%</b>	<b>45.4</b>	<b>37.3</b>	<b>22%</b>
<b>Kredyt Inkaso*</b>	<b>49.7</b>	<b>47.7</b>	<b>4%</b>	<b>12.7</b>	<b>12.1</b>	<b>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	150.1	143.9	4%	38.4	36.6	5%
repayment of claims	245.7	223.8	10%	57.4	60.8	-6%
other revenues	14.7	14.1	4%	3.3	2.4	36%
OPEX (excluding depreciation/amortisation)**	(110.4)	(94.0)	17%	(22.3)	(26.6)	-16%
<b>full cash EBITDA</b>	<b>222.9</b>	<b>220.4</b>	<b>1%</b>	<b>58.1</b>	<b>49.4</b>	<b>18%</b>

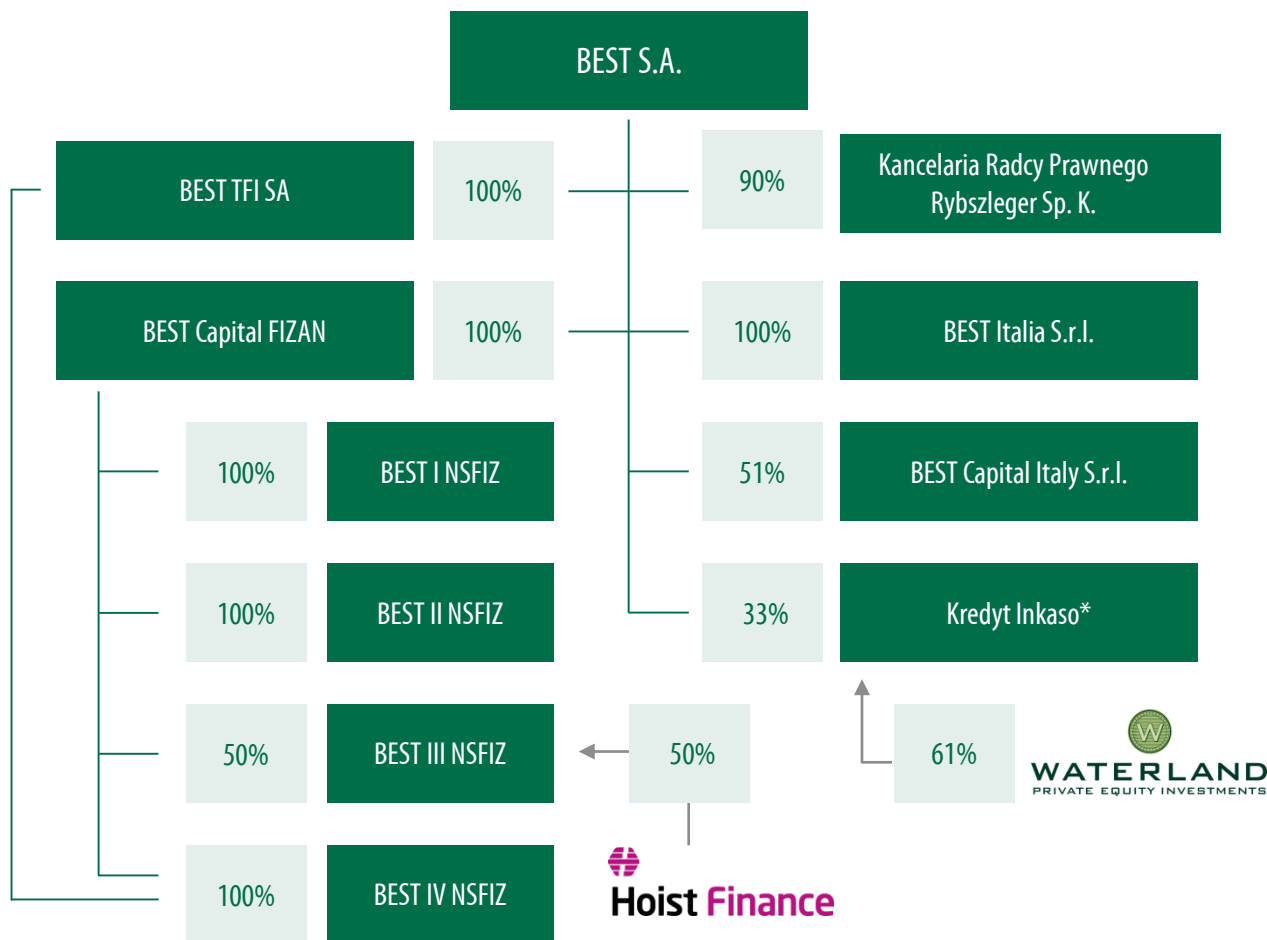
## Annex – statement of financial position

(PLN million)	31/12/2019	30/09/2019	30/06/2019	31/03/2019	31/12/2018
<b>assets, including:</b>	<b>1,244.9</b>	<b>1,293.9</b>	<b>1,278.9</b>	<b>1,254.1</b>	<b>1,283.3</b>
cash and cash equivalents	82.0	75.4	54.3	39.6	72.0
claims acquired	998.6	1,050.6	1,053.8	1,033.6	1,036.0
investments in jointly controlled entities	-	-	-	-	-
investments in associates	98.7	101.3	101.3	111.2	111.2
investment real property	20.6	19.3	19.3	18.8	18.8
<b>equity and liabilities, including:</b>	<b>1,244.9</b>	<b>1,293.9</b>	<b>1,278.9</b>	<b>1,254.1</b>	<b>1,283.3</b>
financial liabilities	654.4	652.2	659.9	655.2	703.6
equity	554.8	593.1	572.2	556.2	537.4
<b>net debt</b>	<b>572.4</b>	<b>576.9</b>	<b>605.5</b>	<b>615.5</b>	<b>631.7</b>
<b>net debt/equity</b>	<b>1.03</b>	<b>0.97</b>	<b>1.06</b>	<b>1.11</b>	<b>1.18</b>

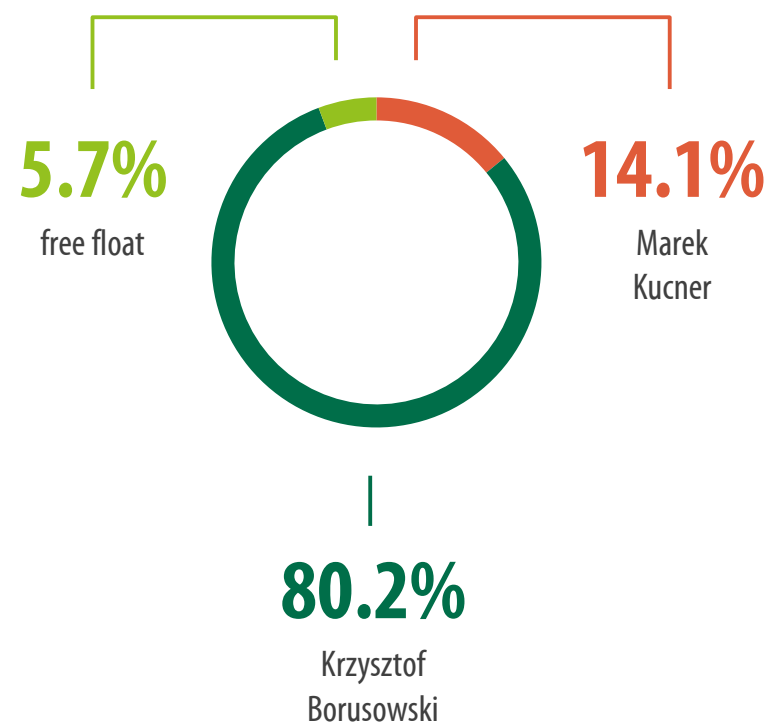
# BEST GROUP



## Capital Group Structure



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



\* associate