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## BEST GROUP

# PRESENTATION OF FINANCIAL RESULTS FOR Q1-Q3 2019

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Warsaw, 3 December 2019

## Executive summary

### Key events in the BEST Group

- improvement of operating efficiency and key profitability ratios
- further reduction of debt
- preparation for increasing BEST's share capital through a share issue addressed to a selected financial investor
- implementation of Payhelp – on-line B2B/B2C platform for recovery of money from unpaid invoices
- launch of own debt collection operations in the Italian market
- reduction of investments in new debt portfolios due to the passing of the maturity phase of the business cycle

| Operating and financial results for                          | 9M2019                       | 9M2018                       |
|--|------------------------------|------------------------------|
| ▪ operating revenue  | PLN 205.8 million (+26% y/y) | PLN 163.9 million (+6% y/y)  |
| ▪ repayment of debt due to the Group                         | PLN 189.9 million (-5% y/y)  | PLN 199.0 million (+13% y/y) |
| ▪ net profit, including:                                     | PLN 78.5 million (+58% y/y)  | PLN 49.6 million (+7% y/y)   |
| ▪ attributable to BEST's shareholders                        | PLN 63.8 million (+34% y/y)  | PLN 47.4 million (+3% y/y)   |
| ▪ adjusted cash EBITDA (without the share of Kredyt Inkaso)* | PLN 127.7 million (-6% y/y)  | PLN 135.4 million (+32% y/y) |

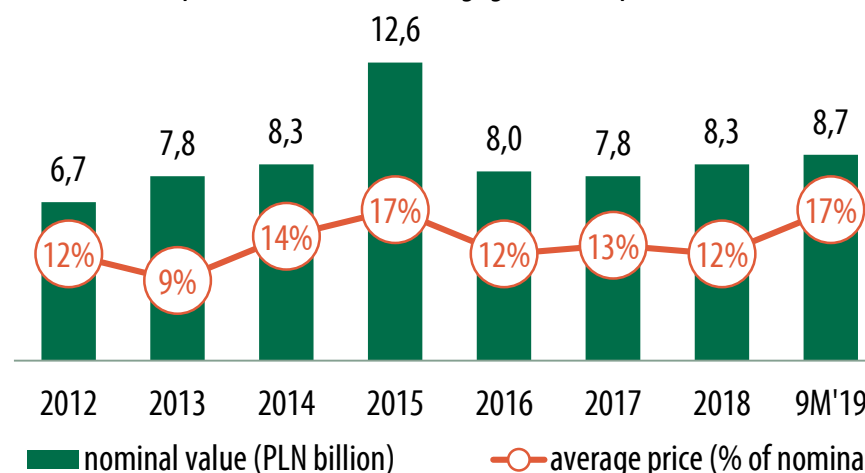
\* in accordance with the calculation on slide 15

## Poland – non-performing debt market

### MARKET SITUATION IN Q1-Q3 2019:

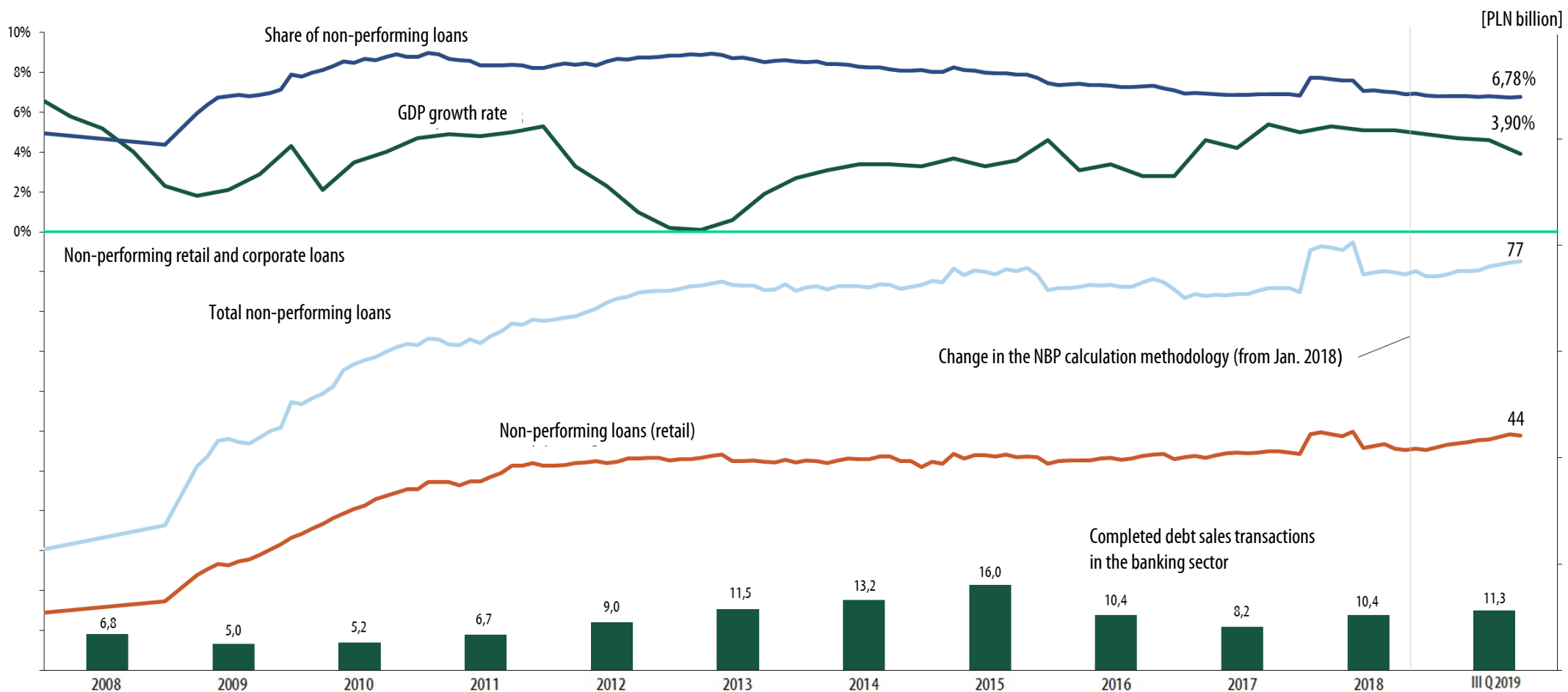
- higher supply of bank debt y/y (+20%)
- increase of the share of “fresher” debt
- due to changes in the regulations, some banks choose to outsource debt collection
- looking for a new price consensus (after the changes in the legal environment)
- banks still have substantial portfolios of debt from BTE, which are worthless for the debt collection business
- the first successful bond issues of debt collection companies, addressed mainly to institutional investors

Bank NPL – transactions in the primary market in 2012-2019  
(retail portfolios, without mortgages and corporate debt)

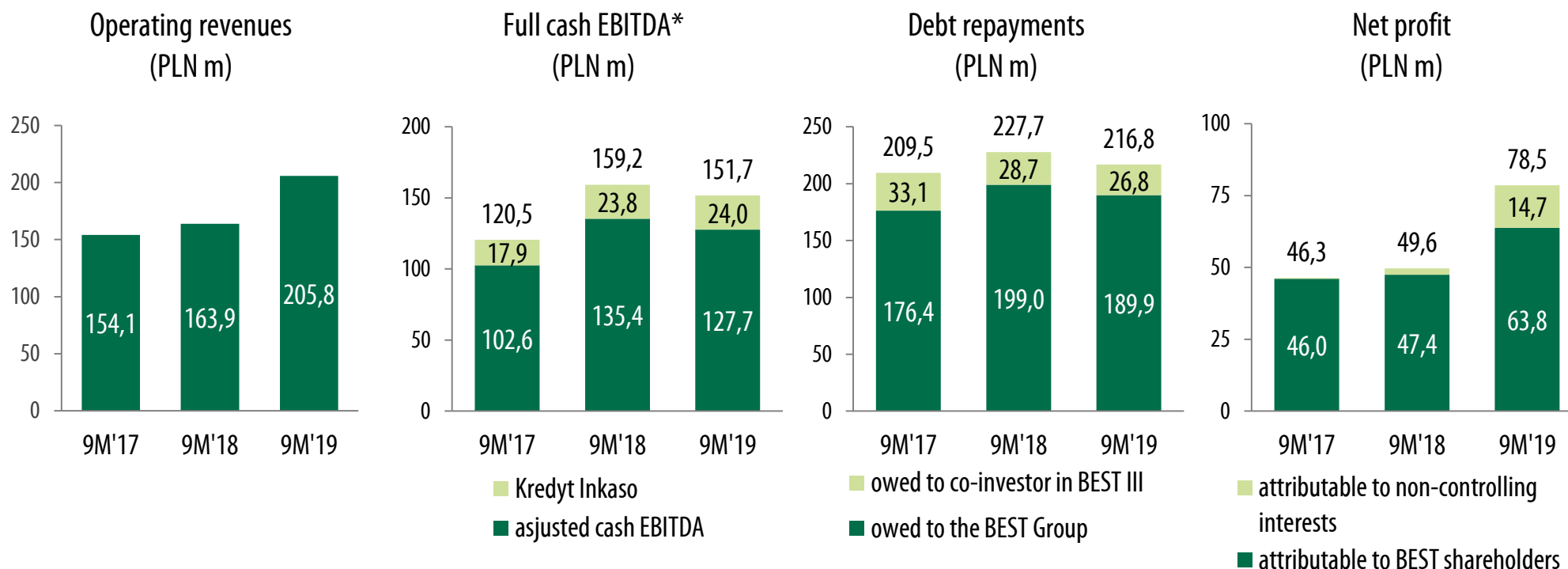


| Supply (estimate nominal value)       | Q1-Q3 2019 (PLN billion) | 2019 forecast (PLN billion) |
|---------------------------------------|--------------------------|-----------------------------|
| retail (without mortgages)            | 8.7                      | 10.1                        |
| mortgages                             | 2.6                      | 2.7                         |
| corporate                             | 1.1                      | 1.5                         |
| secondary market (various portfolios) | 3.4                      | 3.6                         |

## Poland – non-performing debt market



## Stable repayments of debt and improvement of key financial results



**26%**  
REVENUES GROWTH  
(9M 2019 y/y)

**PLN 511 million**  
MARKET CAPITALIZATION  
(30 September 2019)

**PLN 1.05 billion**  
CARRYING VALUE  
OF PORTOLIOS  
(30 September 2019)

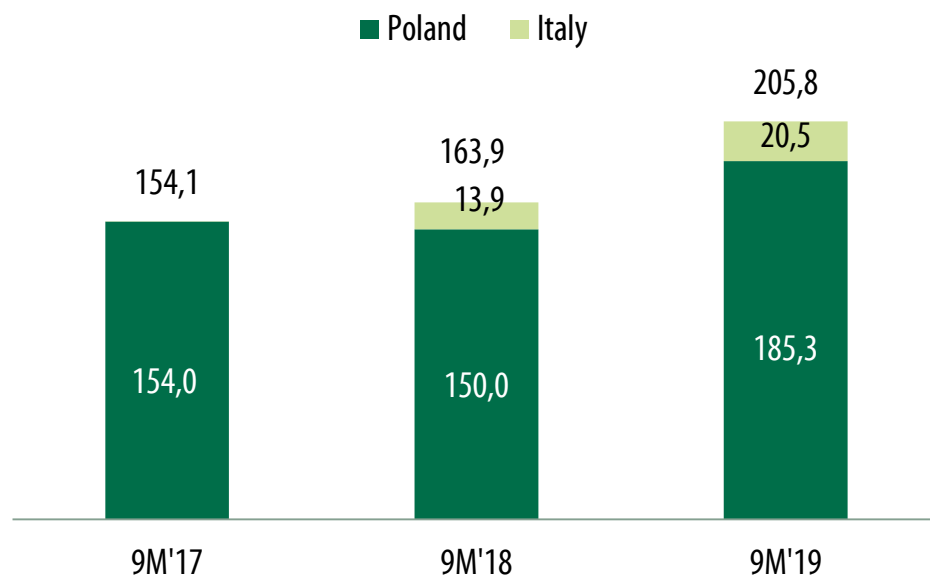
**38%**  
NET PROFITABILITY  
(9M 2019)

## SUMMARY OF RESULTS FOR THE FIRST THREE QUARTERS OF 2019

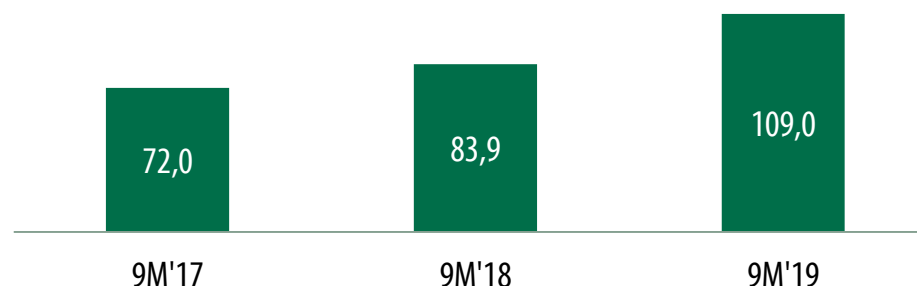


## Key business parameters

operating revenues by market (PLN m)



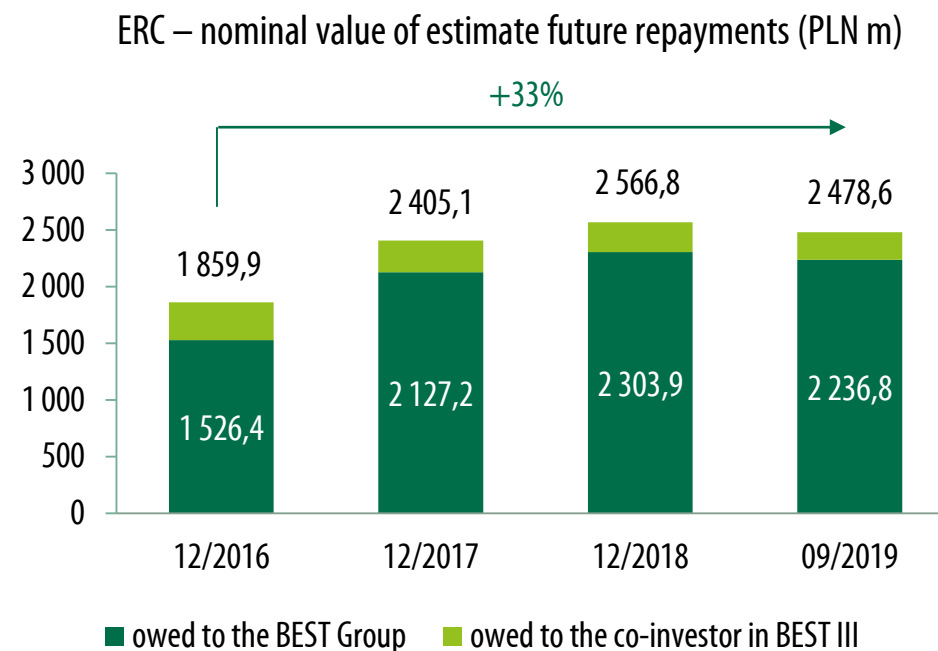
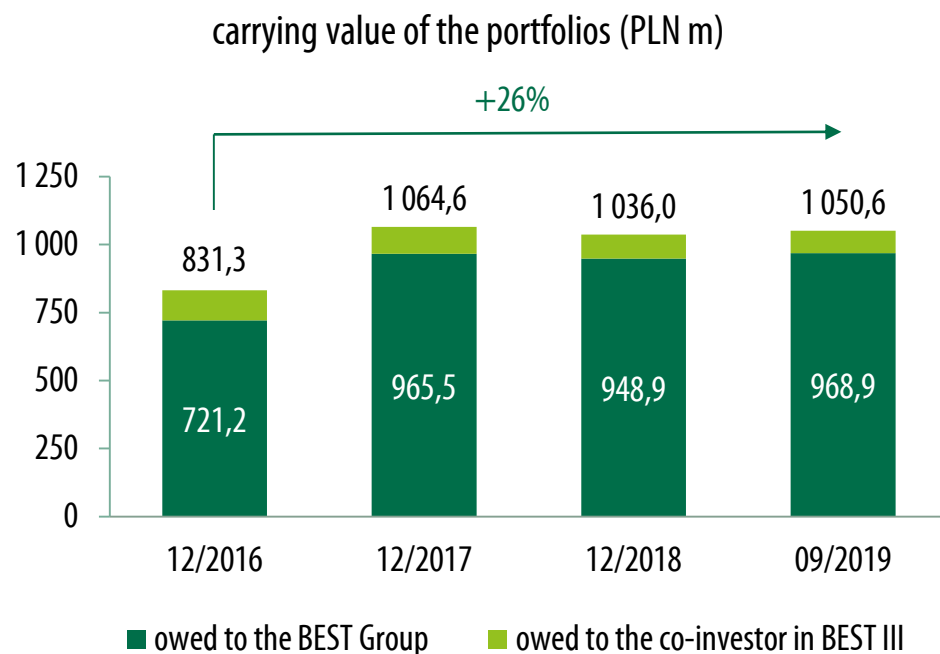
operating profit (PLN m)



- positive effects of geographical diversification, already approx. 10% of revenues come from the Italian market

- further growth of financial results despite substantial reduction of investments in new portfolios
- the overheating period at the non-performing debt market used to increase operating efficiency and improvement of the balance sheet

## Key business parameters

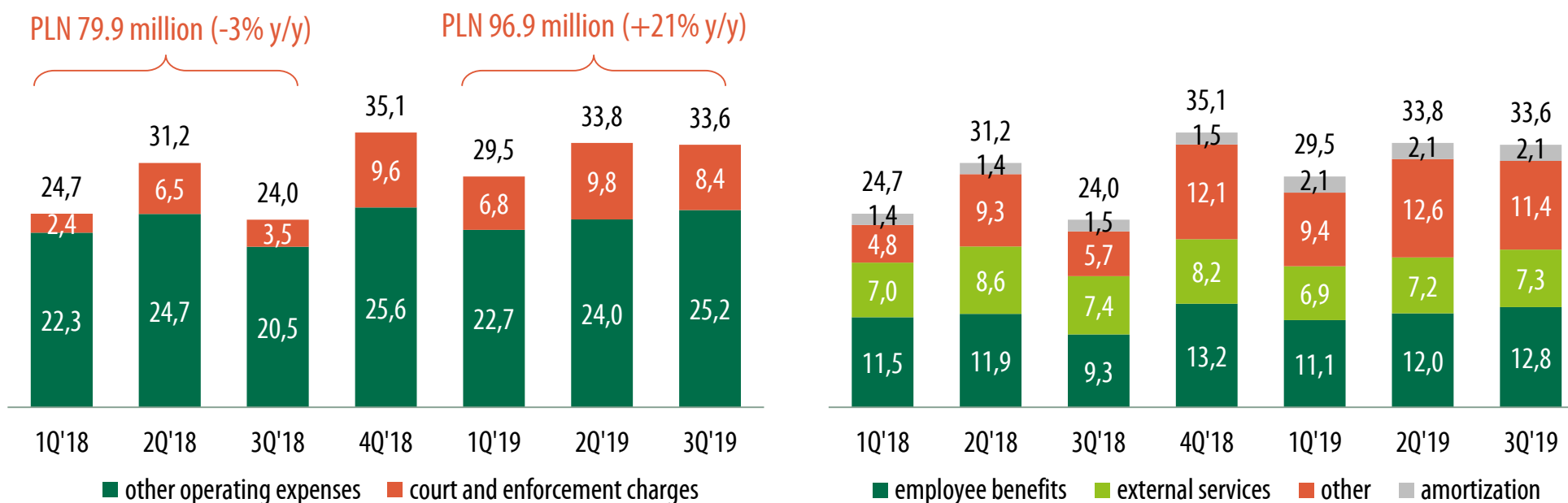


- significant reduction of investments in new debt portfolios due to the passing of the maturity phase of the business cycle (in the 9M'19 period, purchase of only two portfolios with the nominal value of PLN 231 million)
- starting from 2018, debt measured using the amortized cost method\*
- approx. 70% of the portfolio are bank debts, approx. 20% are telecoms and approx. 10% are para-bank debts
- the value of expected repayments (ERC) from the current portfolios is nearly PLN 2.5 billion



## Cost discipline

### operating expenses (PLN m)



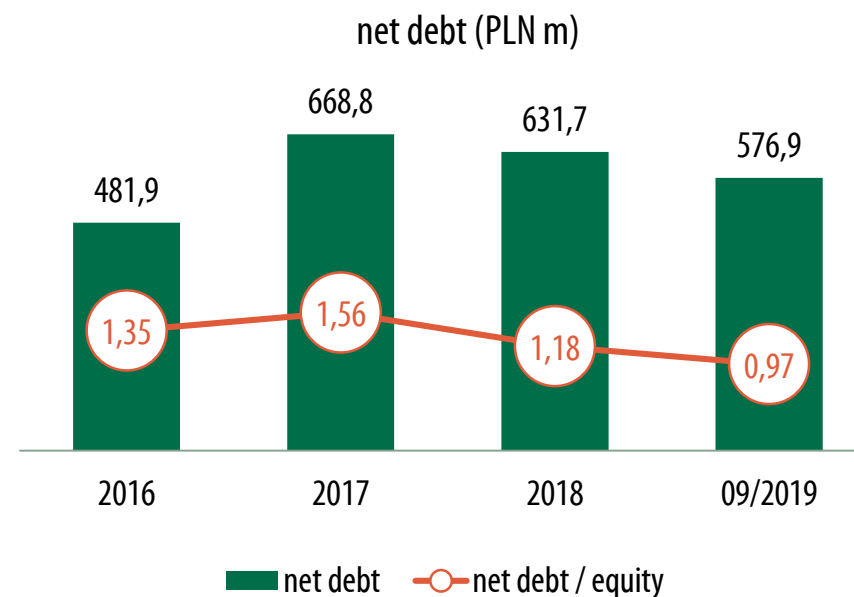
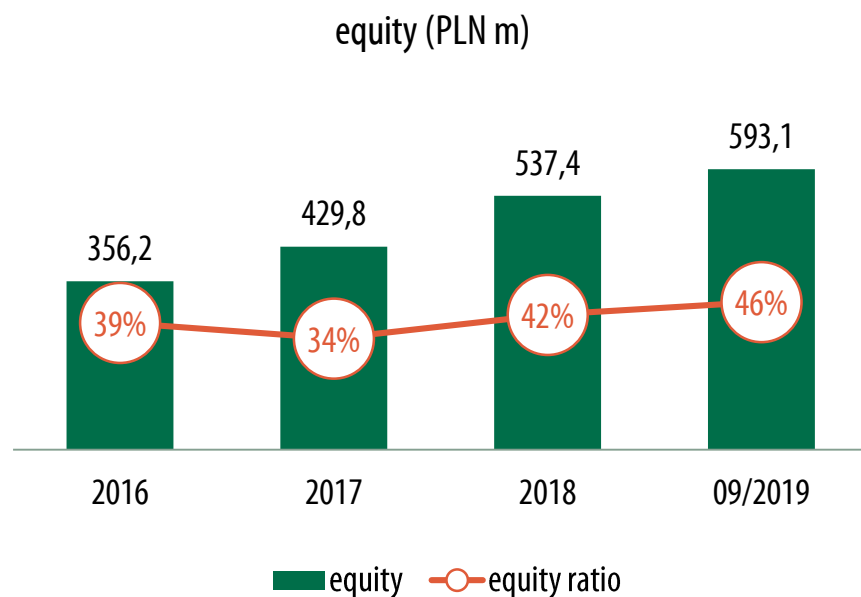
- thanks to the cost discipline, operating expenses, excluding court and enforcement charges, in the period Q1-3'19 increased 7% y/y, with the revenues increasing 26% y/y
- the Group incurs substantial court and enforcement costs (included in the 'other' line item), associated with securing the assets which should make it possible in the future to obtain higher proceeds from the debt; in the period Q1-3'19 court and enforcement costs reached PLN 24.9 million, i.e. went up by over 100% y/y

## Financial results

| (PLN m)   | 3Q'19       | Q3'18       | change y/y   | 9M'19        | 9M'18        | change y/y  |
|---|-------------|-------------|--------------|--------------|--------------|-------------|
| <b>operating revenues</b> , including:                              | <b>69.6</b> | <b>53.0</b> | <b>31%</b>   | <b>205.8</b> | <b>163.9</b> | <b>26%</b>  |
| revenues from acquired debt   | 69.3        | 42.3        | 64%          | 211.5        | 131.6        | 61%         |
| <i>interest calculated using the effective interest rate method</i> | 67.5        | 57.8        | 17%          | 198.3        | 157.4        | 26%         |
| <i>deviations from actual payments</i>                              | 1.2         | 6.1         | (80%)        | 10.8         | (2.9)        | -           |
| <i>revaluation result</i>   | 0.6         | (21.5)      | -            | 2.0          | (23.0)       | -           |
| profit/(loss) from the interest in Kredyt Inkaso                    | -           | -           | -            | (6.9)        | 3.4          | -           |
| profit from the interest in BEST III                                | -           | 3.4         | -            | -            | 13.7         | -           |
| revenues from management of BEST III                                | -           | 2.4         | -            | -            | 9.8          | -           |
| <b>operating expenses</b>   | <b>33.6</b> | <b>24.0</b> | <b>40%</b>   | <b>96.9</b>  | <b>80.0</b>  | <b>21%</b>  |
| <b>operating profit (EBIT)</b>                                      | <b>36.0</b> | <b>29.1</b> | <b>24%</b>   | <b>109.0</b> | <b>83.9</b>  | <b>30%</b>  |
| balance of financial revenues and expenses                          | (6.6)       | (11.7)      | (44%)        | (25.7)       | (29.9)       | (14%)       |
| <b>net profit</b> , including:                                      | <b>28.1</b> | <b>15.9</b> | <b>77%</b>   | <b>78.5</b>  | <b>49.6</b>  | <b>58%</b>  |
| attributable to BEST's shareholders                                 | 23.3        | 13.9        | 68%          | 63.8         | 47.4         | 34%         |
| <b>adjusted cash EBITDA</b>   | <b>44.3</b> | <b>58.2</b> | <b>(24%)</b> | <b>127.7</b> | <b>135.4</b> | <b>(6%)</b> |

- in the period Q1-3'19 revenues from purchased debts increased by 61% y/y
- cost discipline: in the period Q1-3'19 the y/y operating expenses growth rate was clearly lower than the revenues growth rate
- significant increase of operating profit and net profit despite limited investments in new portfolios

## Improvement of the balance sheet structure

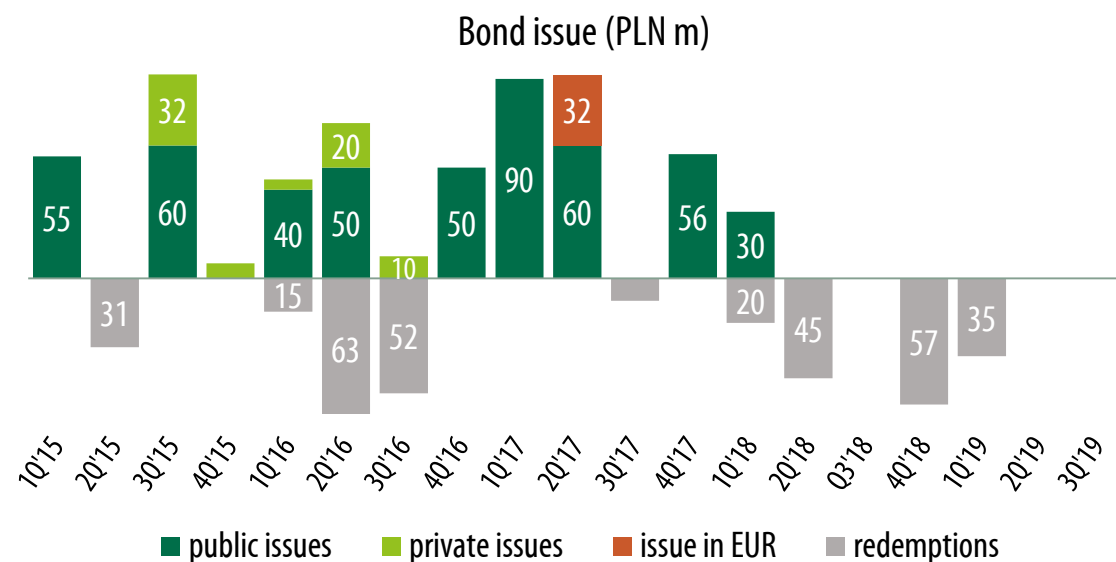


- systematic increase of equity – effect of the profit reinvestment policy
- further decrease of the main debt ratio (net debt / equity) to a very low level

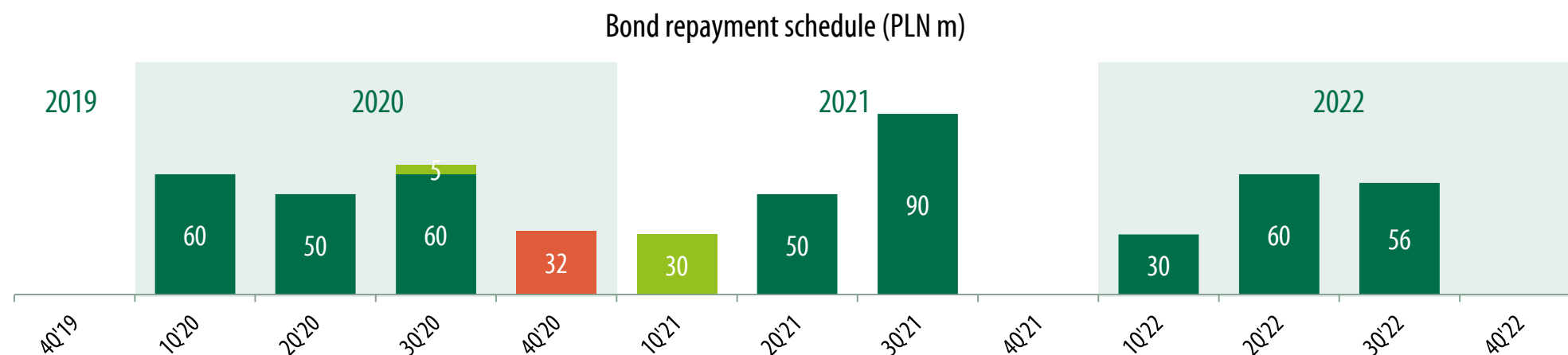
- Group's financial liabilities as at 30 September 2019:

521.3 PLN m - bonds  
 94.0 PLN m - bank loans  
 27.0 PLN m - loans from the management board  
 9.9 PLN m - leases

## Bonds as an important element in financing of the Group's operations



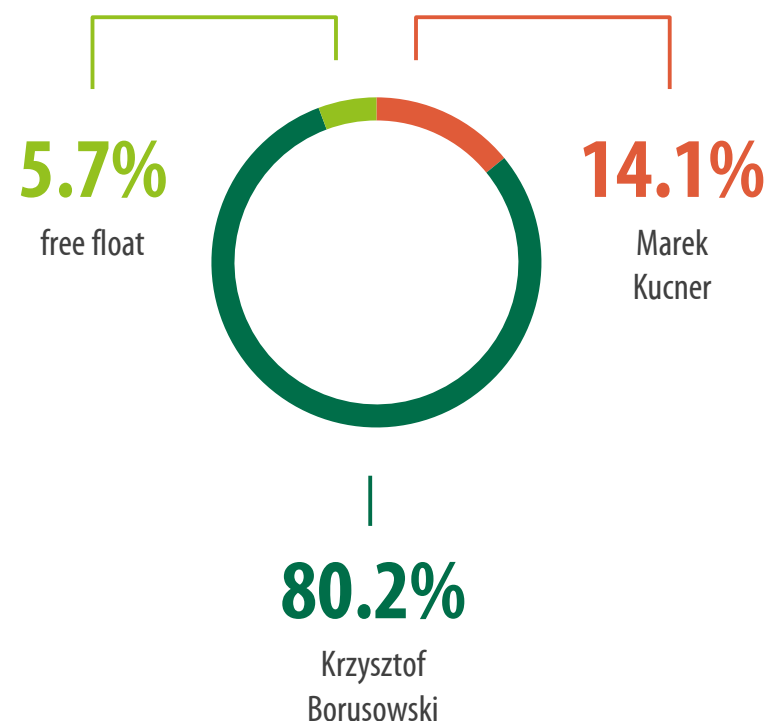
- over the past 12 months we redeemed bonds with the total amount of PLN 92 million
- next redemptions in Q1'20
- the total available credit limit is approximately PLN 110 million



## Preparations for increase of the share capital

- BEST's Management Board conducts talks with selected financial investors interested in acquiring a minority, non-controlling stake of new issue shares
- capital strengthening will quickly increase the investment capacity and support further dynamic growth of the Group's business
- Rothschild & Co advises BEST in this process
- expected closing of the capital increase: by 30 June 2020
- BEST managers – shareholders uphold their intention of their long-term commitment to the Company's development

BEST SA shareholders  
(percentage of share capital held)



# Thank you

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## Attachment – Cash EBITDA

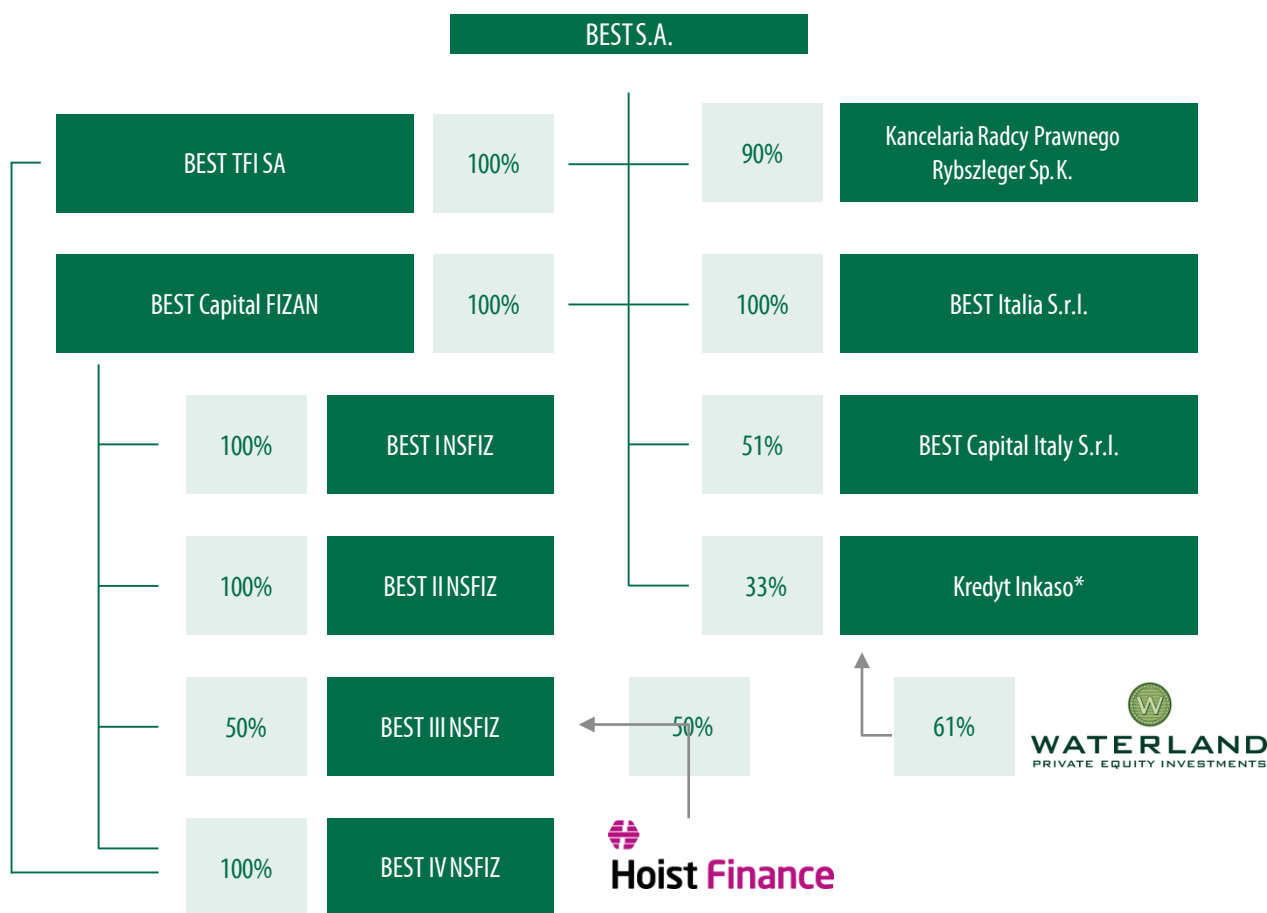
| (PLN m)                        | Q3 2019       | Q3 2018       | change y/y    | 9M 2019       | 9M 2018       | change y/y    |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>BEST</b>                    | <b>44.3</b>   | <b>53.6</b>   | <b>(17%)</b>  | <b>127.7</b>  | <b>116.2</b>  | <b>10%</b>    |
| <i>BEST's share</i>            |               |               |               |               |               |               |
| debt repayments                | 75.4          | 68.7          | 10%           | 216.8         | 176.6         | 23%           |
| other revenues                 | 0.3           | 7.4           | (95%)         | 1.7           | 15.3          | (89%)         |
| OPEX (without amortization)    | (31.5)        | (22.5)        | 40%           | (90.7)        | (75.6)        | 20%           |
| <b>BEST III*</b>               | <b>0.0</b>    | <b>4.6</b>    | <b>(100%)</b> | <b>0.0</b>    | <b>19.2</b>   | <b>(100%)</b> |
| <i>BEST's share</i>            | <i>50.00%</i> | <i>50.00%</i> |               | <i>50.00%</i> | <i>50.00%</i> |               |
| Cash EBITDA                    | 0.0           | 9.2           | (100%)        | 0.0           | 38.4          | (100%)        |
| debt repayments                | 0.0           | 12.4          | (100%)        | 0.0           | 51.1          | (100%)        |
| other revenues                 | 0.0           | 0.0           | -             | 0.0           | 0.0           | -             |
| OPEX                           | 0.0           | (3.3)         | (100%)        | 0.0           | (12.7)        | (100%)        |
| <b>adjusted cash EBITDA</b>    | <b>44.3</b>   | <b>58.2</b>   | <b>(24%)</b>  | <b>127.7</b>  | <b>135.4</b>  | <b>(6%)</b>   |
| <b>Kredyt Inkaso**</b>         | -             | -             | -             | <b>23.9</b>   | <b>23.7</b>   | <b>1%</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          | 71.7          | 1%            |
| debt repayments                | -             | -             | -             | 124.6         | 109.2         | 14%           |
| other revenues                 | -             | -             | -             | 7.3           | 7.0           | 4%            |
| OPEX (without amortization)*** | -             | -             | -             | (59.7)        | (44.5)        | 34%           |
| <b>Full cash EBITDA</b>        | <b>44.3</b>   | <b>58.2</b>   | <b>(24%)</b>  | <b>151.7</b>  | <b>159.2</b>  | <b>(5%)</b>   |

## Attachment – statement of financial position

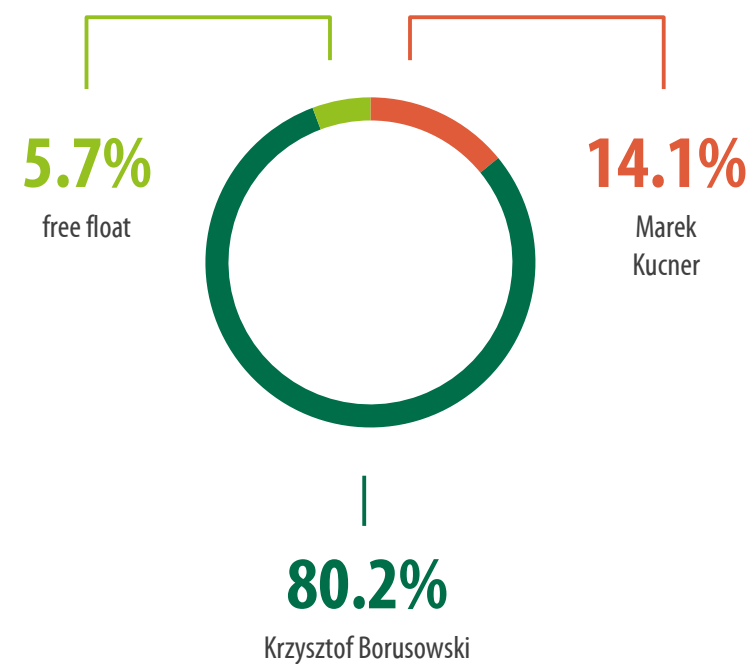
| (PLN m)                                   | 30.09.2018     | 31.12.2018     | 31.03.2019     | 30.06.2019     | 30.09.2019     |
|---|----------------|----------------|----------------|----------------|----------------|
| <b>assets, including:</b>                 | <b>1,349.4</b> | <b>1,283.3</b> | <b>1,254.1</b> | <b>1,278.9</b> | <b>1,293.9</b> |
| cash and cash equivalents                 | 101.6          | 72.0           | 39.6           | 54.3           | 75.4           |
| acquired debt                             | 1,070.2        | 1,036.0        | 1,033.6        | 1,053.8        | 1,050.6        |
| investments in joint ventures             | -              | -              | -              | -              | -              |
| investments in associates                 | 105.1          | 111.2          | 111.2          | 101.3          | 101.3          |
| investment property                       | 18.8           | 18.8           | 18.8           | 19.3           | 19.3           |
| <b>equity and liabilities, including:</b> | <b>1,349.4</b> | <b>1,283.3</b> | <b>1,254.1</b> | <b>1,278.9</b> | <b>1,293.9</b> |
| financial liabilities                     | 765.7          | 703.6          | 655.2          | 659.9          | 652.2          |
| equity                                    | 557.8          | 537.4          | 556.2          | 572.2          | 593.1          |
| <b>net debt</b>                           | <b>664.2</b>   | <b>631.7</b>   | <b>615.5</b>   | <b>605.5</b>   | <b>576.9</b>   |
| <b>net profit / equity</b>                | <b>1.19</b>    | <b>1.18</b>    | <b>1.11</b>    | <b>1.06</b>    | <b>0.97</b>    |



## Group structure



BEST SA shareholders  
(percentage of share capital held)



\* associate