

Carnegie Debt Purchase Seminar

28 May 2021

B2Holding ASA: CEO, Erik Just Johnsen

B2HOLDING®

Highlights from Q1 2021

Operations

- Strong cash generation after portfolio investments and interest coverage
- Strong momentum in secured recoveries
- The organization has fully adapted to a new working environment

Effectiveness & efficiency

- Solid unsecured collections, main markets continue to outperform forecasts
- Strong quarter for secured recoveries both in cash and in successful repossessions
- Continued cost focus delivered further savings

Investments

- Modest portfolio investments with focus on price discipline
- Anticipating significant amount of NPL volumes coming to the market later in 2021 and in 2022

Capital & funding

- Lower cost of funding following bond buybacks and repayment of bond 1 (B2Ho1)
- Improved leverage ratio and liquidity reserve of EUR 360m

Key figures Q1 2021 (NOKm)

Total revenues

782

(775)

Gross Collections¹⁾

1,494

(1,433)

Cash EBITDA²⁾

1,014

(881)

Net profit

130

(24)

Portfolio purchases

192

(491)

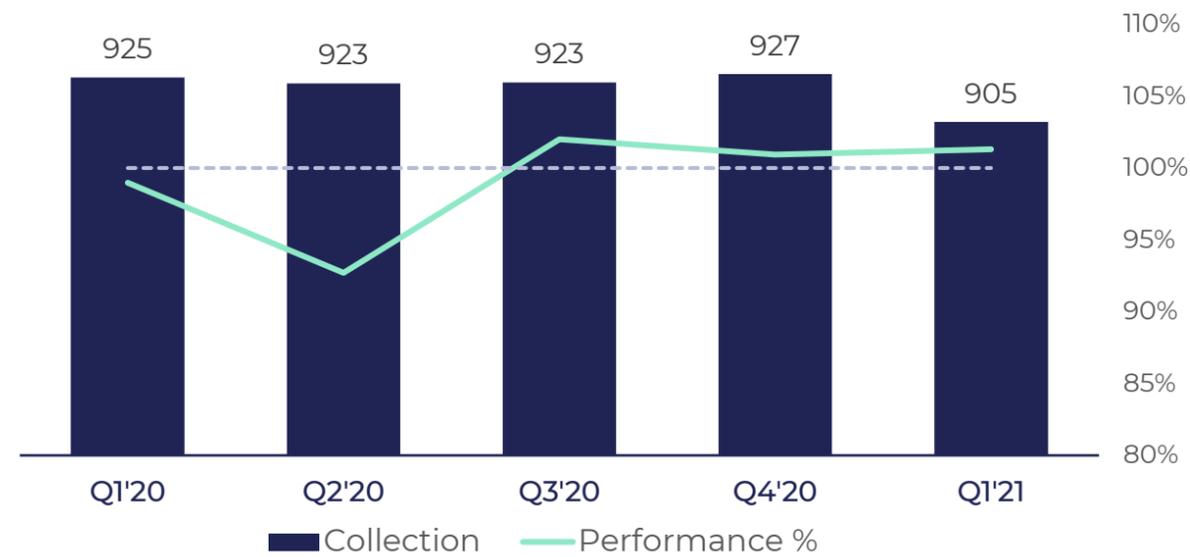
Leverage ratio

2.62x

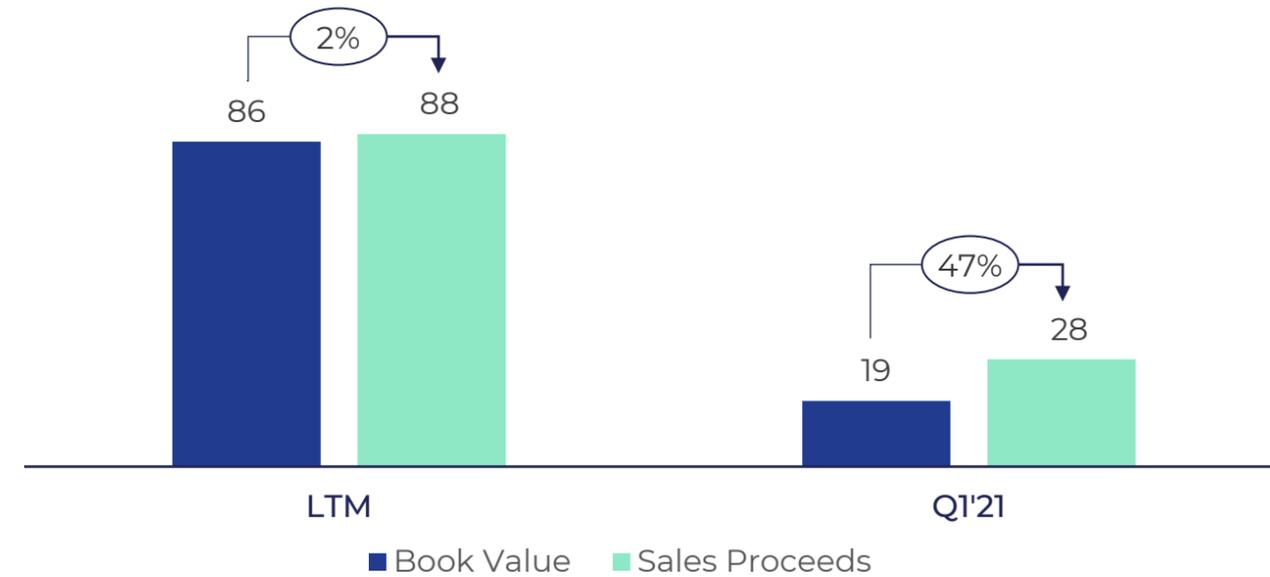
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Collection Performance

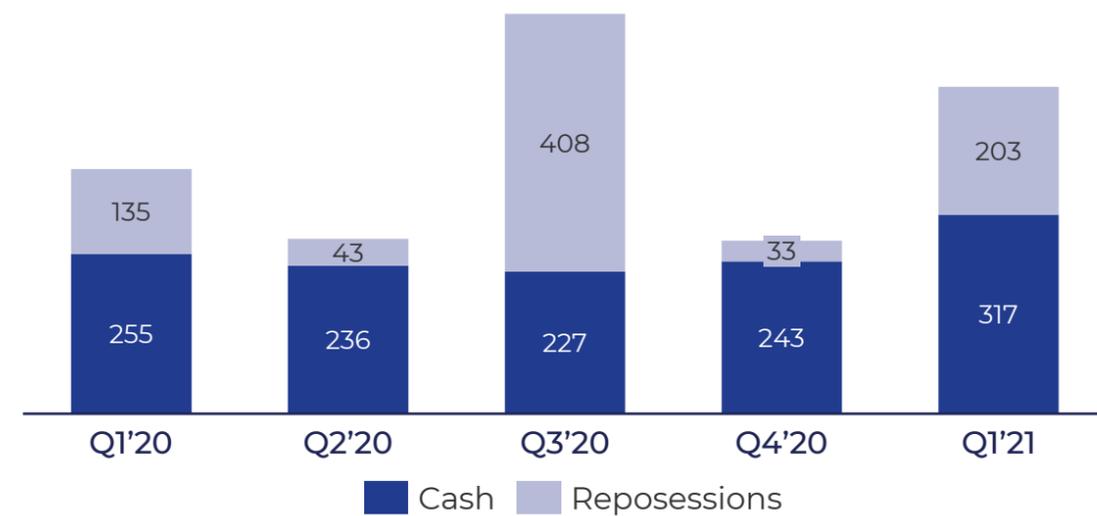
Unsecured collection performance



REOs sold



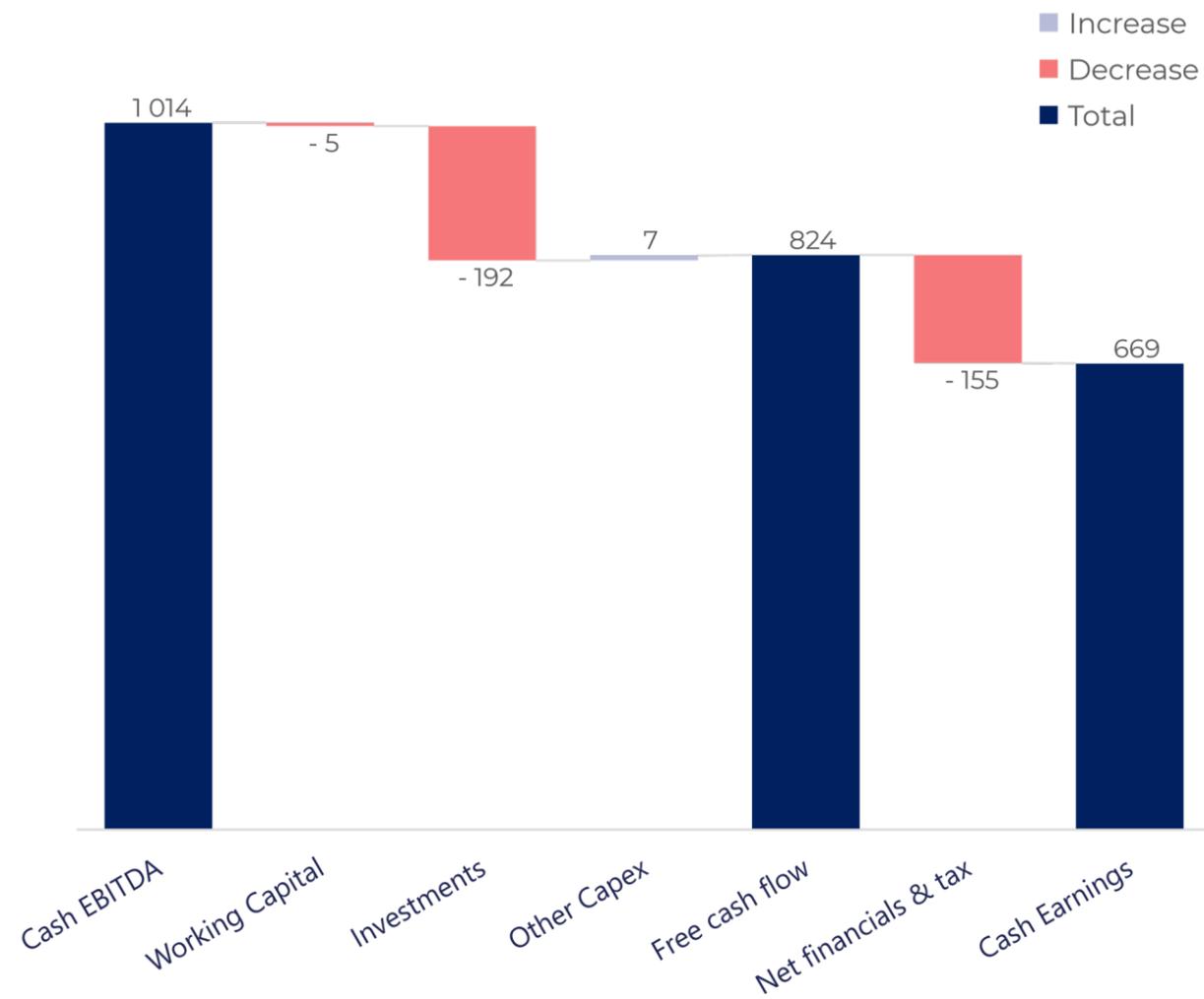
Secured recoveries



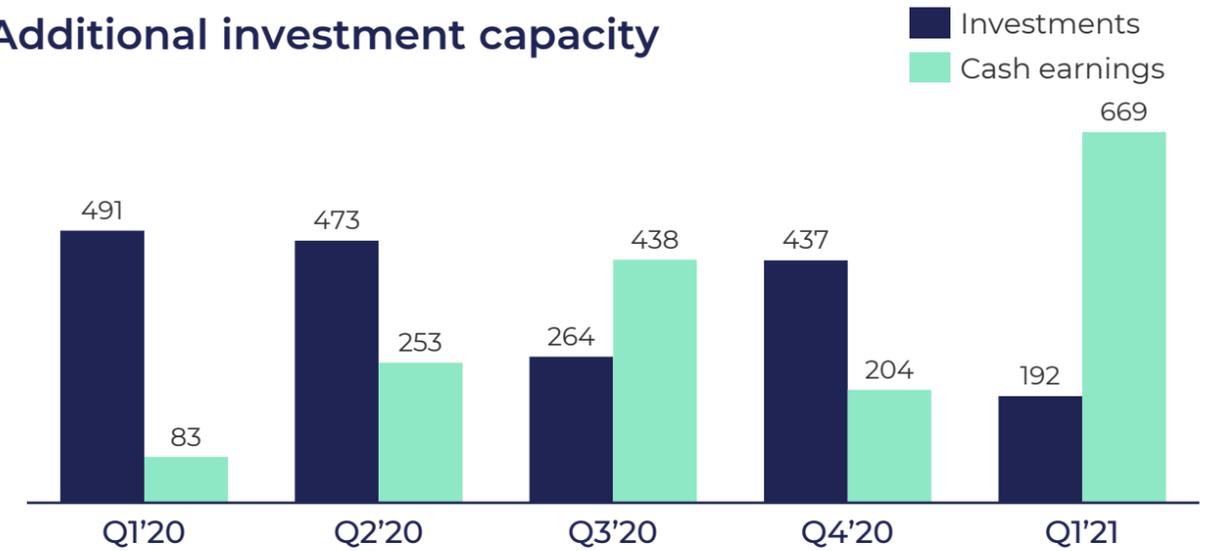
- Unsecured collections performance LTM 99%
- Steady increase in cash recoveries on secured
- REOs sold comfortably above book value in Q1

Strong secured & REO monetization resulting in solid cash earnings

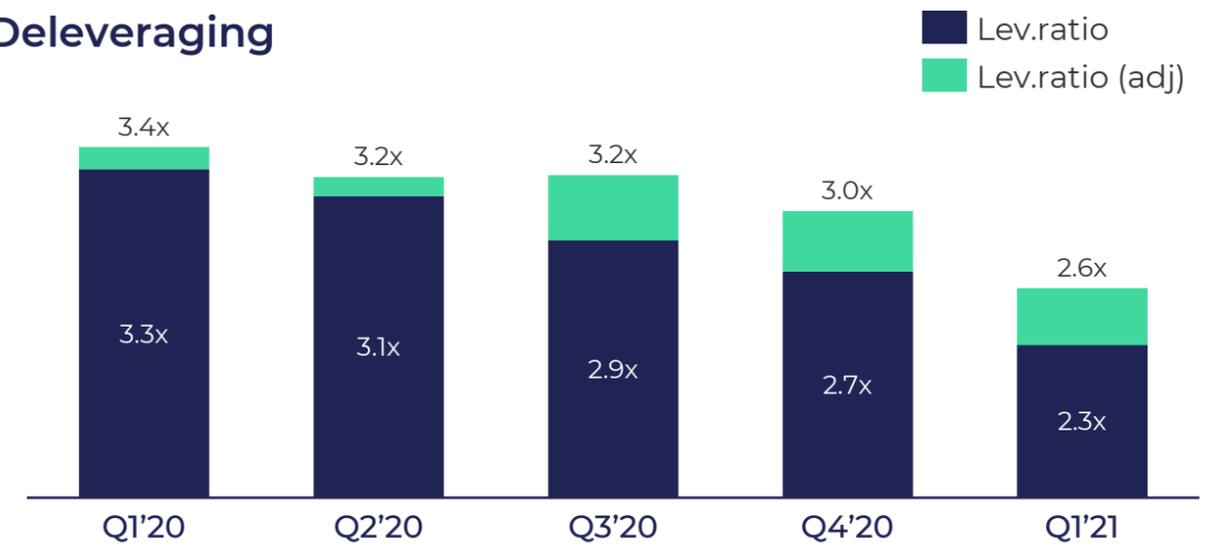
Cash flow Q1 2021



Additional investment capacity



Deleveraging



Market update

- Q1 2021 has seen continued low transaction activity, largely as a result of government schemes such as payment holidays and loan moratoria.
- Caps on interest rates introduced in several markets in 2020 caused temporary reductions in consumer lending and respective NPL volumes. These limits are expected to expire in Q3/Q4 2021.



Market outlook

- According to the European Banking Authorities, credit risk on bank loans across Europe has risen significantly in Q4 2020
- Loans under moratoria or public guarantee schemes stood at EUR 660bn at the end of 2020
- Significant rise in NPLs expected when moratoria and public guarantee schemes expire
- The Group expects the NPL activity to pick up significantly late in 2021 and in 2022



Committed to ESG

Highlights

- Reviewed materiality analysis for 2020
- Annual report 2020 included the first sustainability report based on GRI standards
- Initiated solicited ESG rating process
- UN Global Compact participant from February 2021
- ESG Strategy for the next 3 years (2021-24) to be approved by the Board

Prioritized Sustainable Development Goals (SDGs)



Committed to ESG

B2Holding has adapted its ESG framework around 6 strategic lines of action that are key to ensure success in its ESG strategy

01 Improvement of debtor knowledge and satisfaction

- Improve debtor satisfaction
- Increase debtor profiling to better adapt collection strategies to vulnerable segments

02 Responsibility in our value chain

- Actively raise awareness among vendors and banks about ESG impact in our industry
- Extend ESG priorities to suppliers through requirements

03 Reinforcement of the ESG performance

- Improve ESG rating's scoring
- Strengthen internal management model for ESG

04 Corporate governance & transparency

- Strengthen anti-corruption and compliance in all operations
- Adhere to leading corporate ESG standards

05 Proactive agent in the sector and the society

- Foster partnerships with key players such as regulators, consumer associations, etc.
- Promote the implementation of best practices along the financial chain
- Promote financial inclusion, especially regarding vulnerable groups

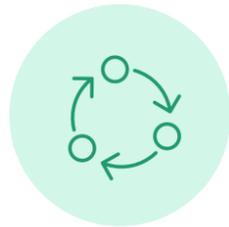
06 Attractive and sustainable work environment

- Foster talent development
- Strengthen information security
- Promote diversity and equal opportunities

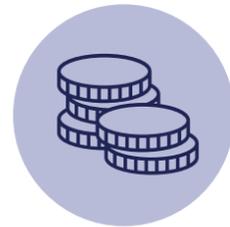
Key takeaways



Strong collection performance in all asset classes



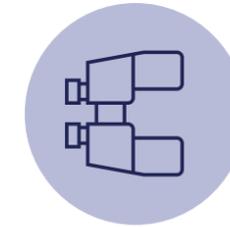
Improved collection efficiency coupled with increased scalability in several markets



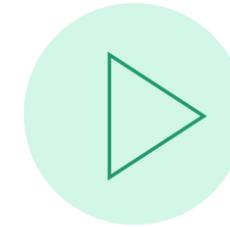
Solid cash flow and reduced leverage



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

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.
- **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.
- **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.

Definitions (cont'd)

- **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 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 debt:** Net debt consist of nominal value of interest-bearing loans and borrowings plus utilised bank overdraft less cash and short-term deposits.
- **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.
- **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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