



Presentation of Q1 2018 results

KRUK Group

April 26th 2018



Agenda

Introduction

Operating activities

Financial performance

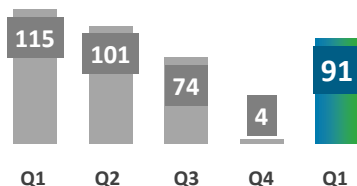
Additional information

Beginning the year with PLN 91m in net profit, PLN 362m in recoveries from purchased portfolios and record-breaking cash EBITDA

NET PROFIT

PLN 91m

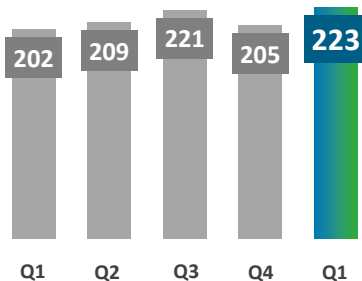
FY 2017: PLN 295m



CASH EBITDA*

PLN 223m

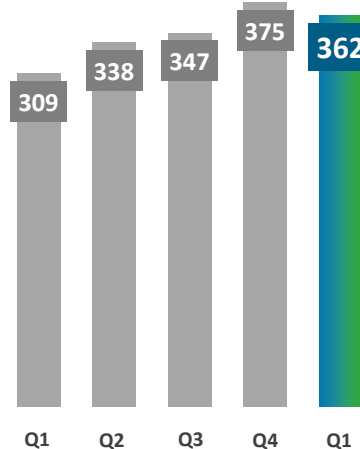
FY 2017: PLN 837m



RECOVERIES FROM PURCHASED DEBT PORTFOLIO

PLN 362m

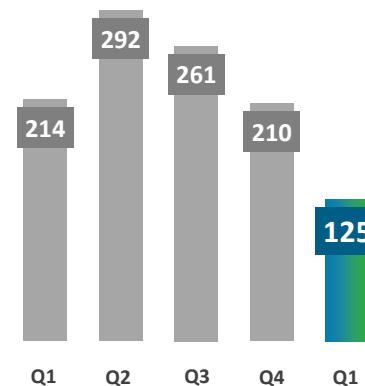
FY 2017: PLN 1,369m



INVESTMENTS

PLN 125m

FY 2017: PLN 977m



NET MARGIN

32%

FY 2017: 28%

MARKET CAPITALISATION

PLN 4.2bn

Dec 31 2017: PLN 4.9bn

PORTFOLIO CARRYING AMOUNT

PLN 3.2bn

Dec 31 2017: PLN 3.2bn
Dec 31 2016: PLN 2.7bn

NET DEBT/EQUITY

1.1x

Dec 31 2017: 1.2x
Dec 31 2016: 1.1x

(*) - Cash EBITDA = EBITDA + recoveries from purchased debt portfolios - revenue from collection of purchased debt

KRUK in Q1 2018: the Group has already generated 31% of the net profit figure for 2017 and is continuing to grow in Poland and other markets

Net profit

- In Q1 2018, the KRUK Group earned PLN 90.7m in net profit, one of the highest bottom-line figures in history. It represents 31% of the full-year net profit reported for 2017.
- The strong profit was attributable to higher than expected recoveries in KRUK's two main markets, Poland and Romania, as well as highly cost-effective operations across all markets.

Cash recoveries

- Recoveries from purchased debt portfolios reached PLN 362.4m, up 17% year on year, representing 26% of the recoveries for the full year 2017 .
- In addition to strong results in Poland and Romania, KRUK recorded a growing flow of recoveries in its new markets, primarily Italy.
- This performance was the combined effect of a growing portfolio of sound investments and favourable macroeconomic climate in all countries where the Group is present.

New investments

- The KRUK Group invested PLN 125.5m in 35 debt portfolios with a total nominal value of PLN 600m.
- The Group was primarily active in Poland, where it invested PLN 85m. In the reported first quarter, KRUK invested primarily in unsecured retail portfolios of loan providers.
- After the end of the first quarter, KRUK also reported the purchase of two bank debt portfolios in Poland, with a total nominal value of PLN 700m. These investments will boost performance for the second quarter.
- KRUK is expecting to make further investments in Poland, given mainly a growing supply of debt from financial institutions and rationalised competition.

Foreign expansion

- KRUK has been developing its operations in new markets of Western Europe, focusing on Italy and Spain. The number of KRUK employees in the two countries rose to 434 in March 2018.
- After the end of the quarter, KRUK signed an agreement to acquire a 51-per cent equity interest in Agecredit srl of Cesena, operating in the Italian third party debt collection market.

KRUK in Q1 2018: a growing, dividend paying company

Healthy balance sheet and attractive financing

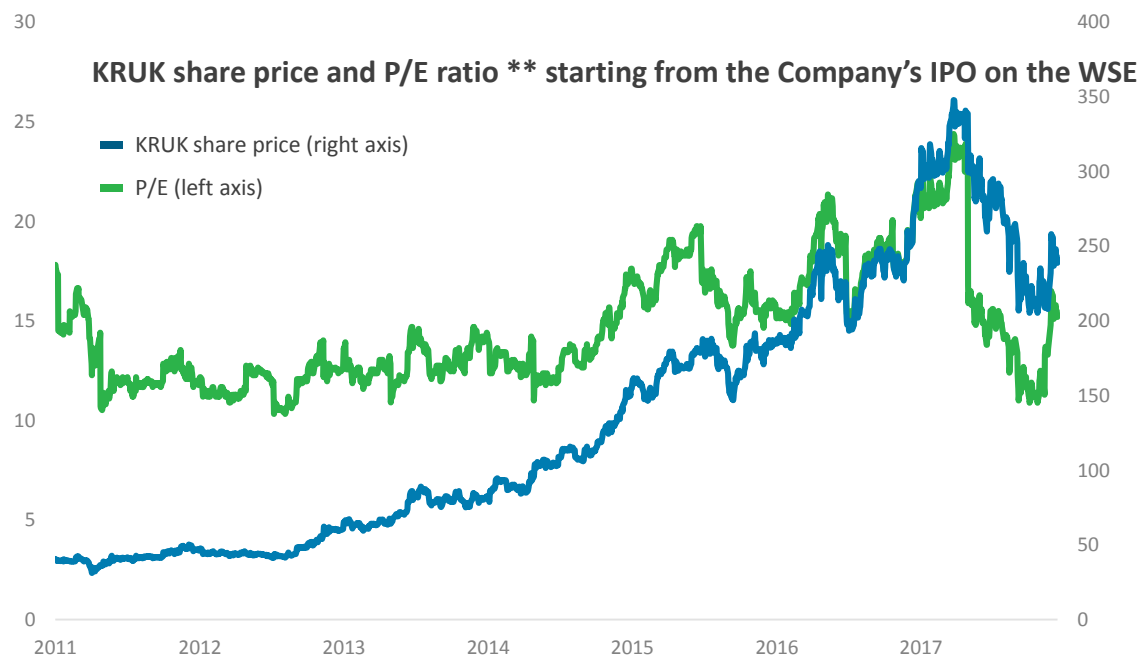
- Enjoying the industry's lowest debt ratios and flexible access to financing, KRUK is well placed for further growth and new investments. At the end of Q1 2018, its net debt to equity ratio was 1.1x.
- After the end of the quarter, the Polish Financial Supervision Authority approved the prospectus for KRUK's 5th Public Bond Issue Programme. On its basis, KRUK will be able to issue bonds for one year from the approval date. The nominal value of the entire bond programme is PLN 500m.

PLN 5 of dividend per share

- After the end of the quarter, in line with the Management Board's recommendation, the shareholders decided on a dividend payment of PLN 94.0m, i.e. PLN 5 per share.

20 years of KRUK's history and 7 years of KRUK's presence on the WSE: Strong value growth based on healthy fundamentals

	2011	2012	2013	2014	2015	2016	2017	CAGR
EPS (PLN)	4.03	4.80	5.77	8.95	11.84	14.08	15.74	25.5%
EPS growth rate	72.2%	19.1%	20.2%	55.1%	32.3%	18.9%	11.8%	-
ROE rolling	27.9%	25.6%	23.5%	25.9%	26.0%	24.3%*	20.1%	-
Net profit	66.4	81.2	97.8	151.8	204.3	248.7	295.2	28.2%



KRUK shares on the WSE***

Share price	PLN 225.00
Change from IPO/3M	+470% / +1%
1Y Max/Min	PLN 349.70 / PLN 202.40
Market capitalisation	PLN 4.2bn

KRUK's position on the WSE in terms of market capitalisation: 30

Stock trading liquidity

Average daily trading volume (yoy)	PLN 15m (+100%)
Free float****	78.7%

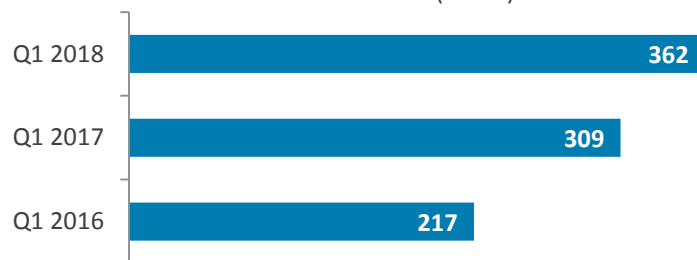
KRUK's position on the WSE in terms of liquidity: 18

(*) ROE for the last four quarters; equity at end of period, excluding the share issue of December 2016
 (**) P/E – price-to-earnings ratio, calculated on the basis of the Company's performance for the last four quarters
 (***) source: Stooq.com, GPWInfostrefa.pl, data as at April 20th 2018, or GPW.pl, data as at March 2018
 (****) Free float – shareholders with a holding of less than 10%

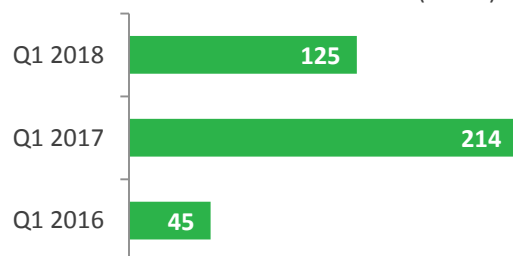
Cash recoveries from purchased portfolios exceeded PLN 360m, with results on other services remaining stable

Purchased debt portfolios

Cash recoveries (PLNm)

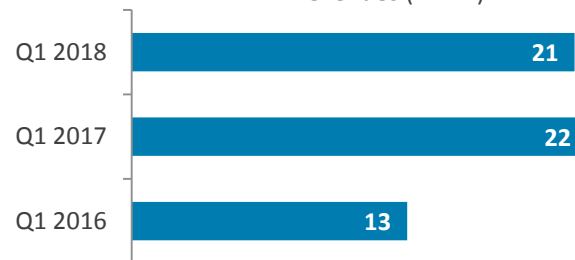


Investments (PLNm)

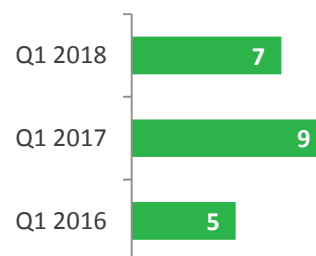


Third-party debt collection and other services*

Revenues (PLNm)



Gross profit (PLNm)



(PLNm)	Q1 2017	18/17	Q1 2018	2017	actual
Revenue	264.1	64%	285.3	1,055.5	27%
EBIT	131.1	87%	120.0	420.8	29%
Cash EBITDA	201.8	42%	223.0	836.6	27%
Net profit	115.5	90%	90.7	295.2	31%
ROE rolling	23.0%	-	17.0%	20.2%	-

(*) ERIF credit information agencies and Novum loans

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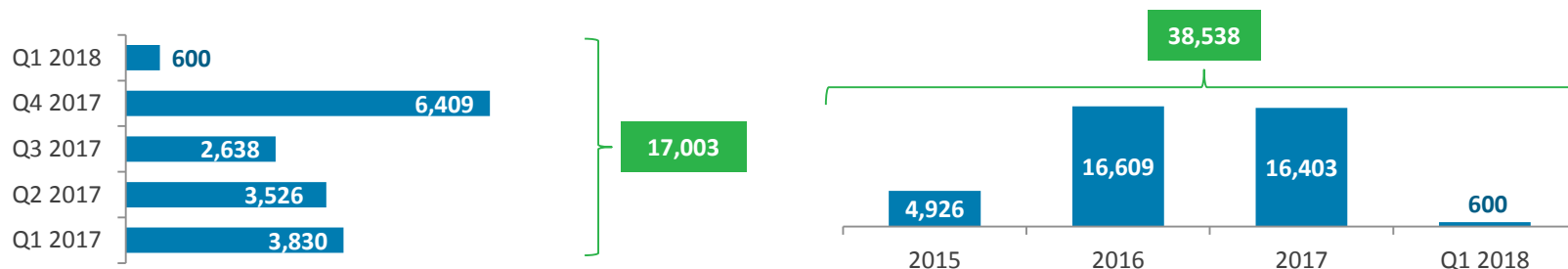
Operating activities

Financial performance

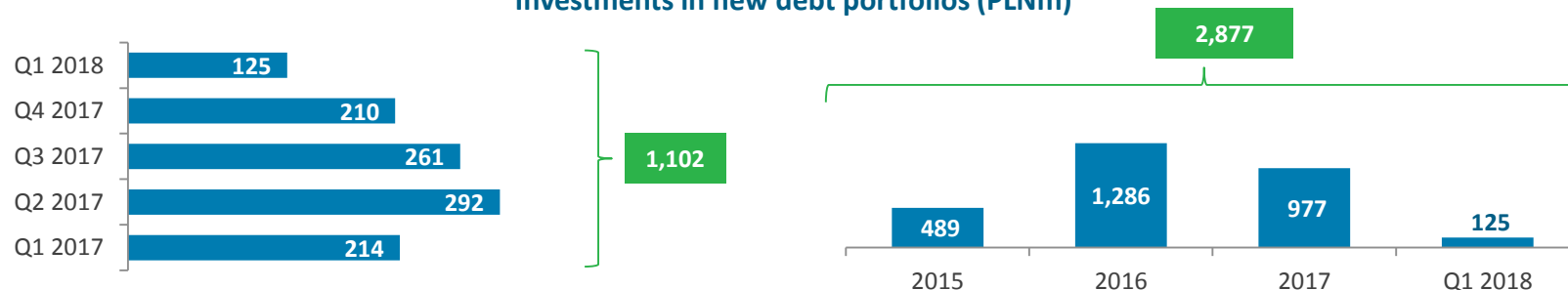
Additional information

KRUK began the year on a strong note in terms of new investments, buying 35 debt portfolios for PLN 125m, mostly in Poland

Nominal value of purchased debts (PLNm)



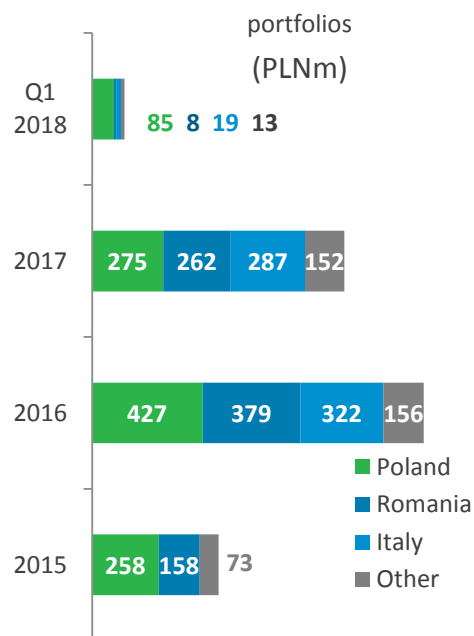
Investments in new debt portfolios (PLNm)



- All purchases made by KRUK in Q1 2018 totalled PLN 125.4m. The amount was invested to buy 35 portfolios in six European markets: Poland, Romania, the Czech Republic, Germany, Spain and Italy. The nominal value of the purchased debt was PLN 600m.
- Significant investments were made in Poland, which accounted for two-thirds of the total amount invested. The largest share was represented by unsecured retail portfolios from loan providers.
- KRUK expects to increase its investments in Poland further in the year, mainly in view of the rationalized competition level and growing supply of debt portfolios from banks and other financial institutions.

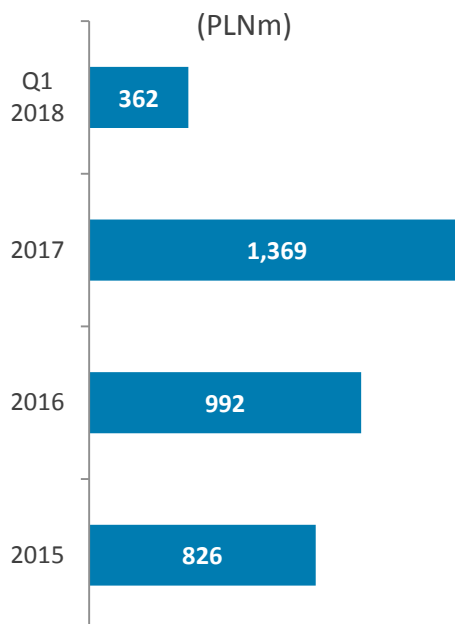
Geographical diversification of investments translates into a growing stream of recoveries from foreign markets

KRUK's investments in debt



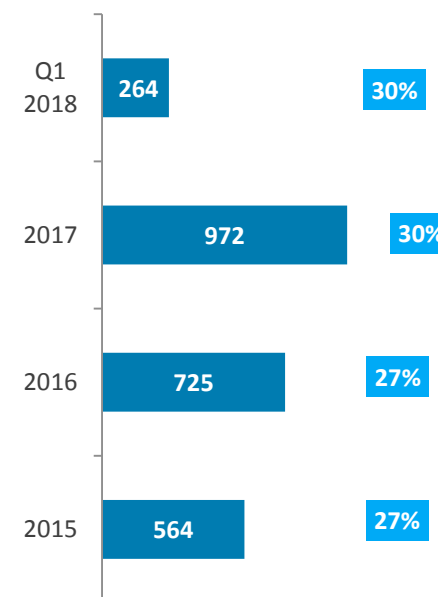
- KRUK was an active participant of the debt buying market in Poland, where it invested PLN 85m in 17 portfolios, including mostly unsecured retail debt from loan providers.
- The Q1 investments do not include the cost of another two debt portfolios purchased in Poland, with an aggregate nominal value of PLN 700m.

Recoveries on purchased portfolios



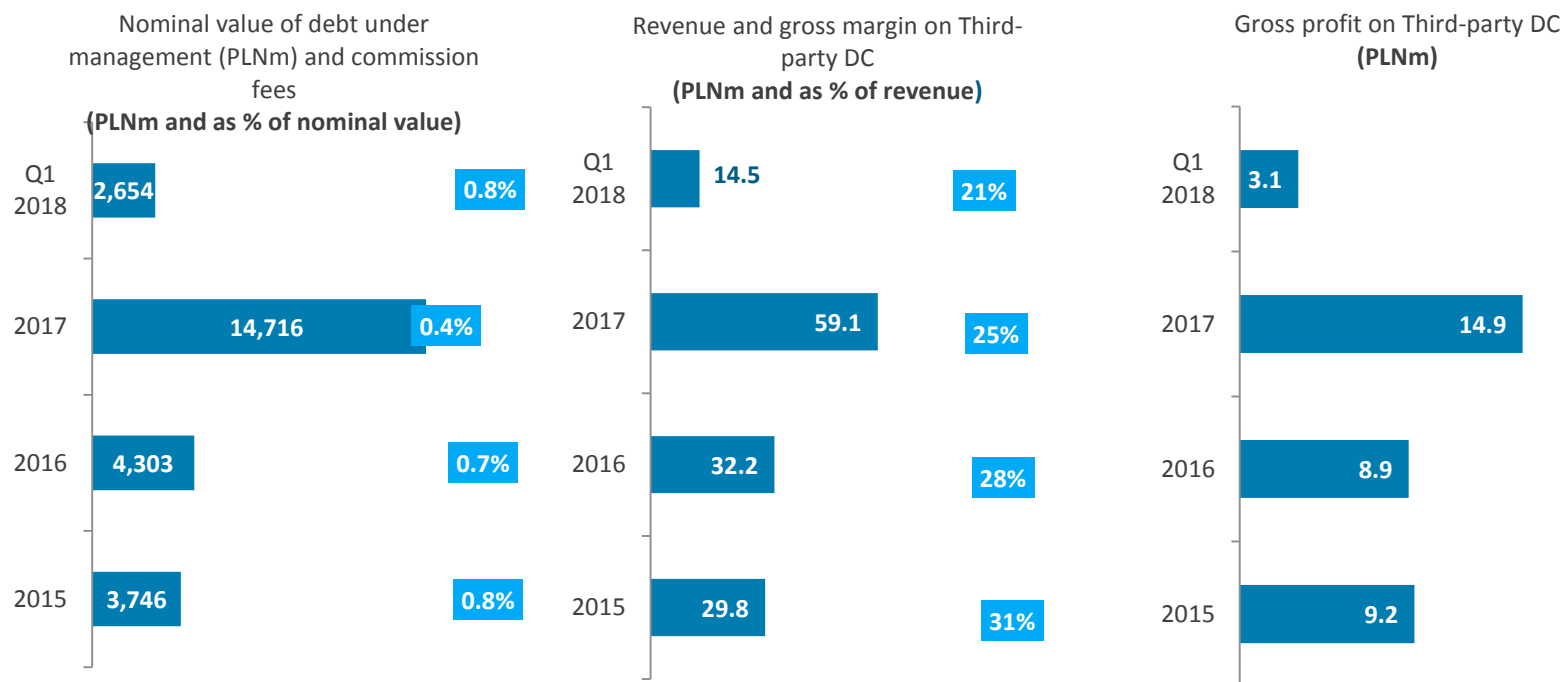
- In 2017, average monthly recoveries exceeded PLN 100m.
- The macro situation supports positive debt recovery trends.
- The strong recoveries led to an upward revaluation of KRUK's Polish and Romanian assets.

Portfolio revenue and costs (PLNm and as % of recoveries)



- In 2017, its cost to recovery ratio was relatively higher year on year, as more cases in Poland were referred to courts and bailiffs.
- In Q1 2018, the level of cost to recovery ratio was maintained due to higher court collection costs in Italy.

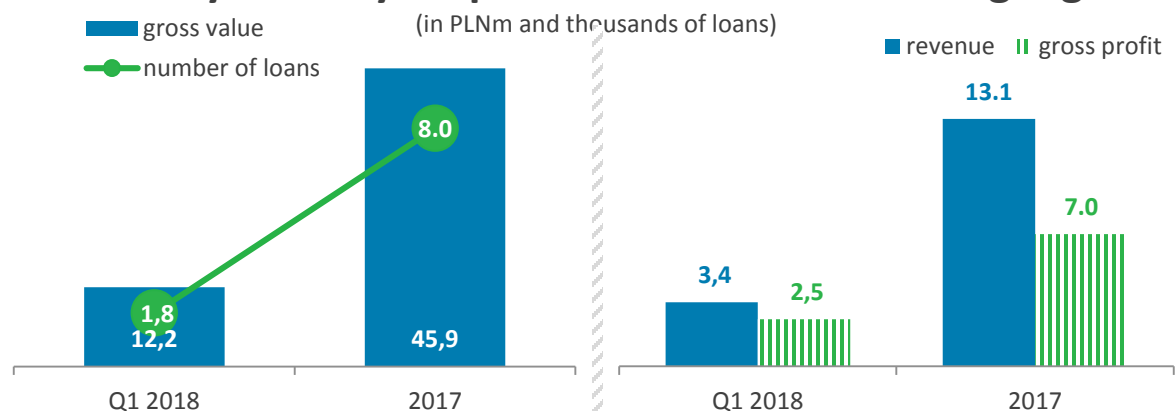
KRUK fares well on the competitive third party debt collection market thanks to its high operational efficiency



- KRUK performs well on the competitive third party debt collection market by leveraging economies of scale and high operational efficiency.
- The third party debt collection business offers important synergies in combination with the debt purchasing business line.
- After the end of Q1 2018, KRUK signed an agreement to acquire a 51-per cent equity interest in Agecredit srl of Cesena, operating in the Italian debt collection market. The transaction will fuel the growth of one of the Group's key business segments, which is the provision of fee-based debt management services. Ultimately, within a few months, KRUK expects to wholly own the company.

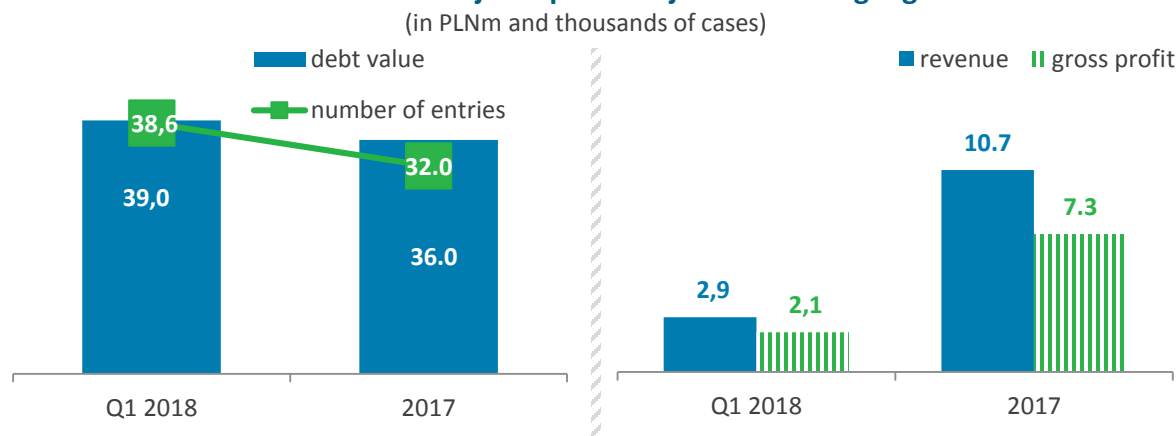
NOVUM and ERIF BIG businesses are a source of major support to the principal activities and positive contributors to total performance figures

Novum year-on-year performance – financial highlights



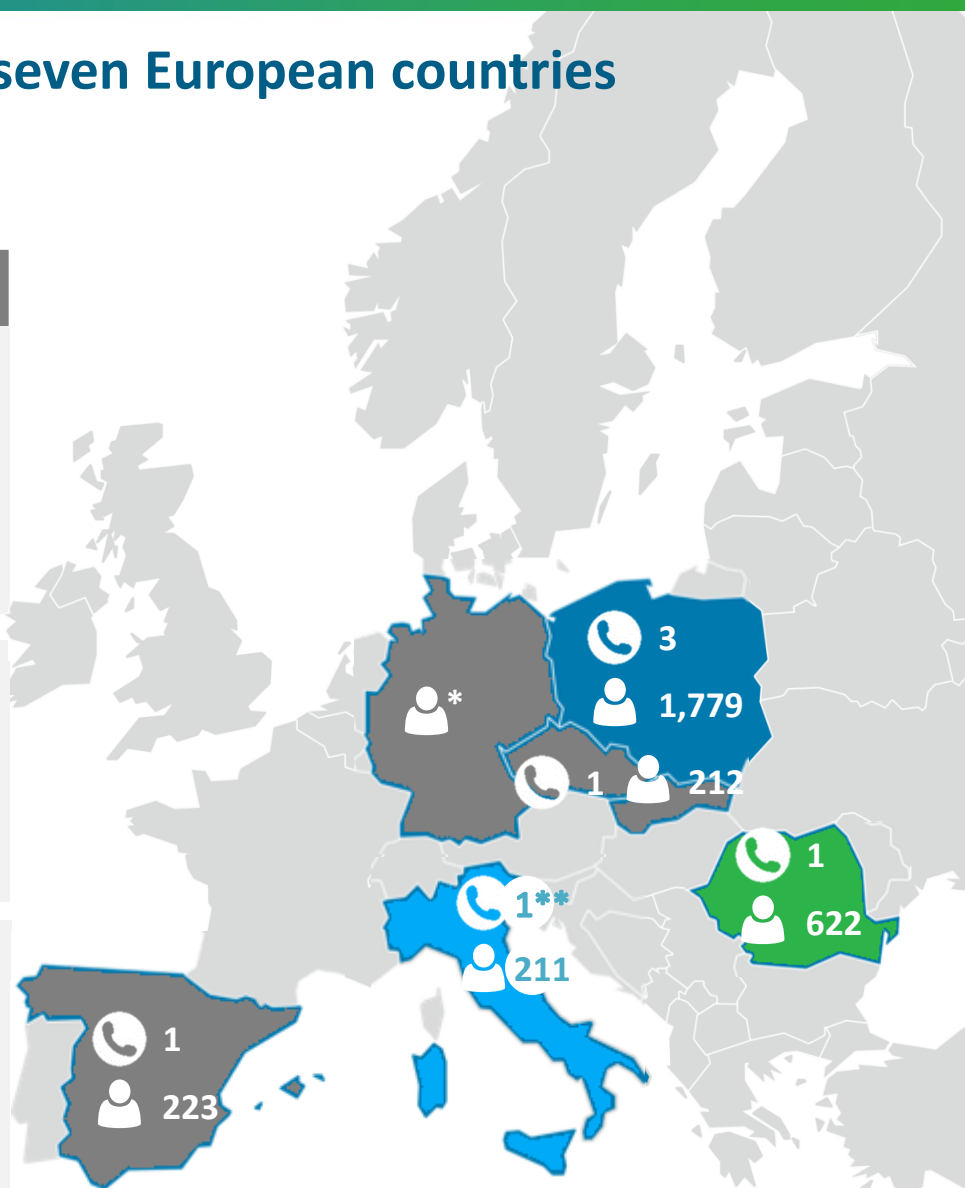
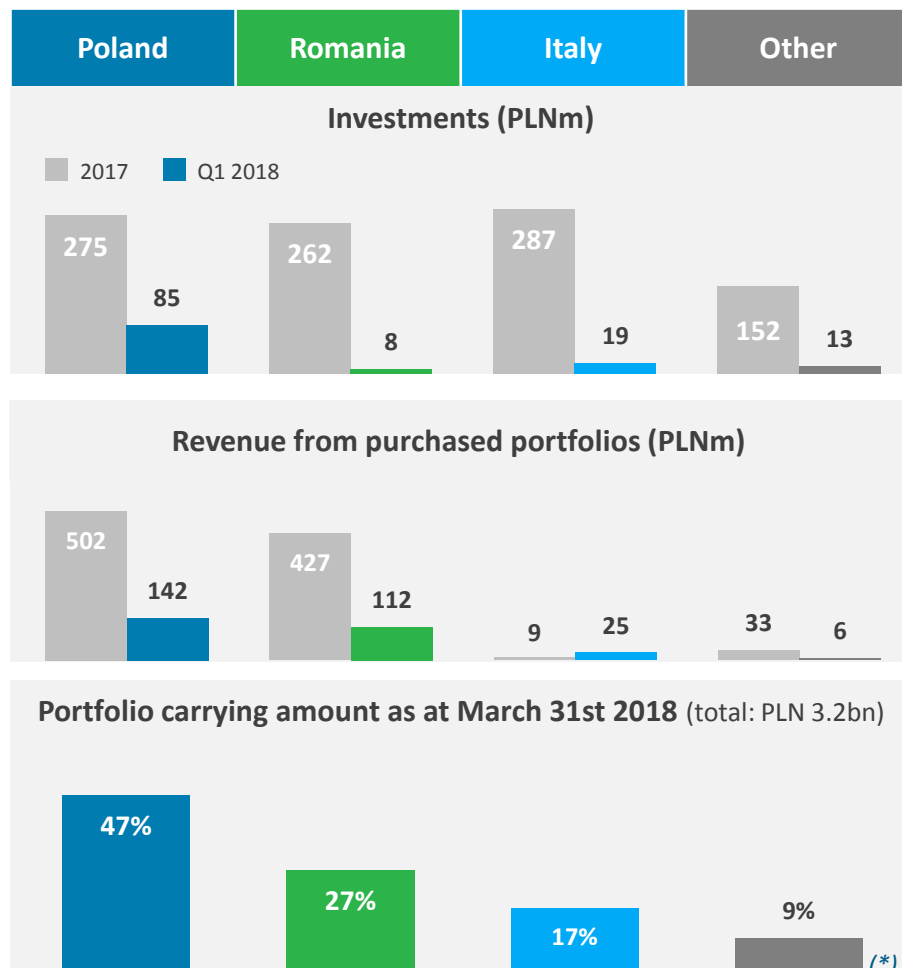
- The NOVUM service is dedicated to the KRUK Group's debtors in Poland and Romania who have repaid their debts or are repaying them in a timely manner, but remain excluded from the banking market.
- NOVUM granted consumer loans of up to PLN 10 thousand for periods from 3 to 30 months.

ERIF Biuro Informacji Gospodarczej – financial highlights



- ERIF BIG's revenue reached PLN 2.9m, with gross profit at 72%.
- The marked rise in the number and value of entries in 2017 followed from a partnership established with a large telecommunications company.

The KRUK Group is expanding in seven European countries



(*) Germany – employees of the Polish-German organisation included in total for Poland
 (**) Italy: the data does not include AgeCredit

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KRUK – fast-growing and highly profitable business with strong cash flows

PLNm	Q1 2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	Q1 18/ Q4 17	Q1 18/ Q1 17
Purchased debt portfolios								
Investments in debt portfolios	125.4	213.5	292.1	260.9	210.0	976.5	-40%	-41%
Recoveries	362.4	309.3	337.9	346.8	374.9	1368.9	-3%	17%
Statement of profit or loss								
Operating income	285.3	264.1	283.4	259.4	248.6	1,055.5	15%	8%
Own debt portfolios	264.4	242.6	262.4	238.5	228.2	971.7	16%	9%
including revaluation	22.9	28.7	25.1	40.2	-5.3	88.7	-	-20%
Collection services	14.5	15.8	14.7	14.4	14.2	59.1	2%	-8%
Other products and services	6.4	5.7	6.2	6.6	6.1	24.6	5%	12%
Gross profit	164.3	166.6	171.0	149.9	101.9	589.4	61%	-1%
<i>Gross profit margin</i>	58%	63%	60%	58%	41%	56%	41%	-8%
Own debt portfolios	157.3	157.4	162.8	142.0	97.0	559.2	62%	0%
Collection services	3.1	5.6	4.2	3.5	1.6	14.9	94%	-45%
Other products and services	4.0	3.6	4.1	4.3	3.3	15.3	21%	11%
Overheads	-38.2	-30.4	-36.9	-36.6	-44.0	-147.9	-13%	26%
EBITDA	125.0	135.1	133.2	112.3	58.8	439.4	113%	-7%
<i>EBITDA margin</i>	44%	51%	47%	43%	24%	42%	-	-
NET PROFIT	90.7	115.5	101.5	74.3	3.9	295.2	>100%	-21%
<i>Net profit margin</i>	32%	44%	36%	29%	2%	28%	-	-
<i>ROE rolling</i>	17%	23%	26%	24%	20%	20%	-	-
CASH EBITDA*	223.0	201.8	208.7	220.6	205.5	836.6	9%	11%

Source: KRUK S.A.
*Cash EBITDA = EBITDA + recoveries from purchased debt portfolios - revenue from collection of purchased debt

The KRUK Group – P&L by geographical segments (presentation format)

PLNm	Q1 2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	Q1 18/ Q4 17	Q1 18/ Q1 17
Operating income	285.3	264.0	283.5	259.4	248.6	1,055.5	15%	8%
Poland	142.9	135.7	137.27	116.93	162.0	551.9	-12%	5%
Romania	111.8	87.5	114.7	106.5	127.5	436.2	-12%	28%
Italy	25.2	19.4	13.7	21.6	-41.4	13.3	-	30%
Other countries	6.3	21.4	17.8	14.40	0.5	54.1	>100%	-71%
Gross profit	164.3	166.6	171.0	149.9	101.9	589.4	61%	-1%
<i>Gross profit margin</i>	58%	63%	60%	58%	41%	56%	41%	-8%
Overheads	-38.2	-30.4	-36.9	-36.6	-44.0	-147.9	-13%	26%
EBITDA	125.0	135.1	133.2	112.3	58.8	439.4	113%	-7%
<i>EBITDA margin</i>	44%	51%	47%	43%	24%	42%	-	-
Finance income/costs	-30.5	-14.2	-24.5	-29.1	-17.8	-85.6	71%	115%
Net profit	90.7	115.5	101.5	74.3	3.9	295.2	>100%	-21%
<i>Net profit margin</i>	32%	44%	36%	29%	2%	28%	-	-

The KRUK Group – strong cash flows supporting high liquidity of operations

PLNm	Q1 2018	Q1 2017	Q2 2017	Q3 2017	Q4 2017	2017	Q1 18/ Q4 17	Q1 18/ Q1 17
Cash flows from operating activities:	215.6	123.1	176.1	175.8	166.4	641.4	30%	75%
Recoveries from debtors – purchased debt portfolios	362.4	309.3	337.9	346.8	374.9	1368.9	-3%	17%
Operating costs – purchased debt portfolios	-107.2	-85.2	-99.7	-96.5	-131.1	-412.5	-18%	26%
Operating margin – third party DC	3.1	5.6	4.2	3.6	1.5	14.9	107%	-45%
Administrative expenses	-38.2	-30.4	-36.9	-36.6	-44.0	-147.9	-13%	26%
Other operating cash flow	-4.5	-76.2	-29.4	-41.5	-34.9	-182.0	87%	94%
Cash flows from investing activities:	-130.5	-215.5	-295.6	-266.8	-218.5	-996.4	40%	39%
Investments in debt portfolio purchases	-125.4	-213.5	-292.1	-261.0	-209.9	-976.5	-40%	-41%
Other investing cash flow	-5.1	-2.0	-3.5	-5.8	-8.6	-19.9	41%	-155%
Cash flows from financing activities	-53.1	-26.7	94.2	97.7	95.8	261.0	-	-99%
Issue of shares	0.0	0.0	0.0	0.0	0.0	0.0	-	-
Increase in borrowings and lease liabilities	198.6	261.0	435.8	244.4	292.2	1233.4	-32%	-24%
Issue of bonds	0.0	0.0	168.4	0.0	0.0	168.4	-	-
Decrease in borrowings and lease liabilities	-219.1	-261.8	-416.4	-233.3	-94.4	-1005.9	132%	-16%
Redemption of bonds	0.0	-60.0	-60.0	0.0	-15.0	-135.0	-	-
Other financing cash flow	-44.0	34.1	-33.7	86.6	-86.9	0.1	49%	-
Net cash flows:	32.0	-119.1	-28.1	9.5	43.6	-94.1	-27%	-

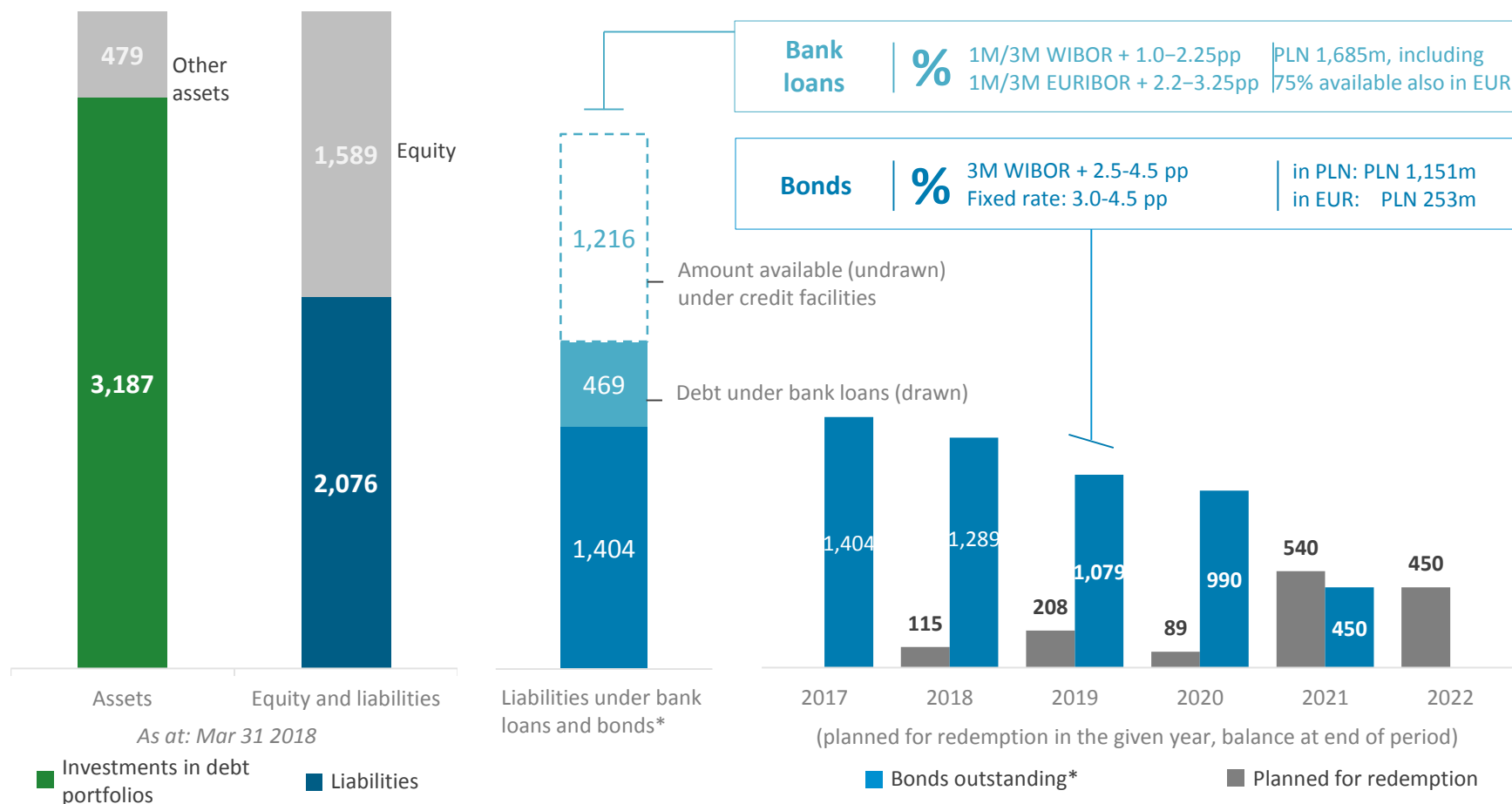
The KRUK Group – selected items of the statement of financial position (presentation format)

PLNm	Mar 31 2018	Dec 31 2017	Mar 31 2017
ASSETS			
Cash and cash equivalents	205.3	173.3	148.2
Investments in debt portfolios and loans	3,238.9	3,169.3	2,763.8
Other assets	220.9	217.5	157.7
Total assets	3,665.1	3,560.1	3,069.7
EQUITY AND LIABILITIES			
Equity	1,589.3	1,460.5	1,316.7
of which: Retained earnings	1,230.6	1,112.0	969.8
Liabilities	2,075.8	2,099.6	1,753.0
of which: Bank loans and leases	478.0	499.0	279.1
Bonds	1,402.0	1,398.3	1,311.6
Total equity and liabilities	3,665.1	3,560.1	3,069.7
METRICS			
Interest-bearing debt	1,880.0	1,897.2	1,581.4
Net interest-bearing debt	1,674.7	1,723.9	1,433.1
Net interest-bearing debt to equity	1.1	1.2	1.1
Interest-bearing debt to 12-month cash EBITDA	2.0	2.1	2.1

KRUK has ample room on its balance sheet and enjoys access to healthy financing sources to fund further investments

Net debt/equity 1.1x

Net debt/cash EBITDA: 2.0x



* Nominal value

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IR events

Financial statements release dates in 2018

Date	Financial statements
March 19th	2017 full-year financial statements
April 26th	Q1 2018 financial statements
September 9th	H1 2018 financial statements
October 28th	Q3 2018 financial statements

Selected IR events planned for 2018

Date	Event
21-22.03	[London] PKO BP Polish Capital Market Conference
21-22.03	[Frankfurt, Vienna] Investor meetings
26-27.03	[Boston, NYC] Investor meetings
10.04	[Stockholm] Wood Polish Innovation & Growth Conference
23-24.05	[New York] Wood CEE Investor Days 2018 Conference
25-27.05	[Karpacz, Poland] Wall Street 2018 Conference
13-14.06	[Warsaw] Wood Emerging Europe Financials Conference
13-14.09	[London] Investor meetings
05.10	[Warsaw] mBank Conference
11.10	[Stegersbach] Erste Investor Conference
29-30.10	[New York] Auerbach Frontier & Emerging Conference
6-7.12	[Praga] Wood Winter 2018 conference

Most recent recommendations

Date	Institution	Recommendation	Price target
April 2018	DM BDM	buy	301.0
March 2018	Vestor	buy	286.0
March 2018	DM PKO BP	buy	277.0

For more details, go to:

pl.kruk.eu/relacje-inwestorskie/raporty/raporty-analityczne

Sell-side analysts covering KRUK

Institution	Analyst	Email address
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