



# Q1 2019 results presentation

## KRUK Group

April 25th 2019



# Agenda

## Introduction

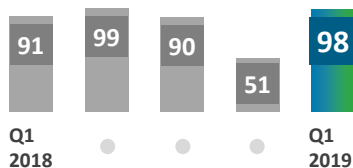
Operating activities

Financial performance

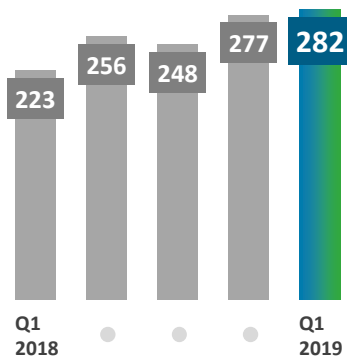
Additional information

# KRUK began the year delivering PLN 98m in net profit and PLN 427m in recoveries from purchased debt portfolios

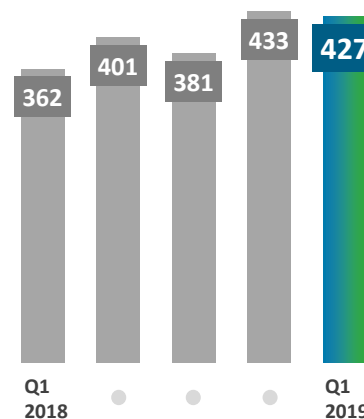
**NET PROFIT**  
**PLN 98m**  
FY 2018: PLN 330m



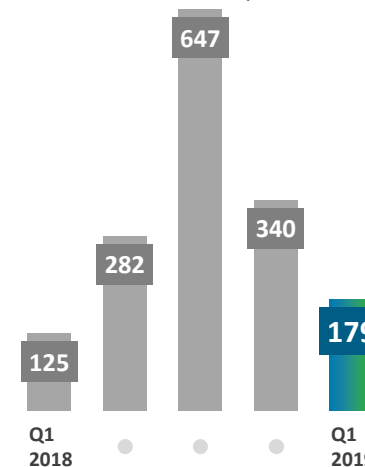
**CASH EBITDA\***  
**PLN 282m**  
FY 2018: PLN 1,005m



**RECOVERIES FROM PURCHASED DEBT PORTFOLIOS**  
**PLN 427m**  
FY 2018: PLN 1,577m



**INVESTMENTS**  
**PLN 179m**  
FY 2018: PLN 1,395m



**EPS GROWTH**  
**Q1/Q1**

**8%**

2018/2017: 11%

**ROE**

**18%**

2018: 19%

**PORTFOLIO**  
**CARRYING AMOUNT**

**PLN 4.1bn**

Dec 31 2018 PLN 4.1bn

**NET DEBT/**  
**CASH EBITDA**

**2.3x**

Dec 31 2018 2.3x

\*- Cash EBITDA = operating profit + amortisation + recoveries from purchased debt portfolios - revenue from collection of purchased debt.

# KRUK in Q1 2019: the Group has already generated 30% of the net profit figure for 2018 and increased investment in PL and RO, with rising returns

## Net profit

- In Q1 2019, the KRUK Group earned PLN 97.9m in net profit, one of the highest bottom-line figures on record, representing 30% of the full-year net profit reported for 2018.
- The solid bottom line was chiefly attributable to strong recoveries in KRUK's core markets Poland and Romania and lower operating costs despite the adverse impact of currency exchange rate movements on performance in Romania.

## Cash recoveries

- Recoveries from purchased debt portfolios reached PLN 426.7m, up 18% year on year, representing 27% of the full-year figure for 2018.
- The highest recoveries were reported for Poland (PLN 201.0m) and Romania (PLN 131.1m), with recoveries in Italy at PLN 40.6m, in line with expectations. In the remaining markets at PLN 54.1m.

## New investments

- The KRUK Group invested PLN 179.5m in 37 debt portfolios with a total nominal value of PLN 1.4bn, up 43% on Q1 2018.
- KRUK was particularly active in Poland and Romania, where investments reached approximately 45% and 34% of total expenditures, respectively.
- Investments in Q1 2019 were made assuming higher expected returns than in 2017 and 2018.

## Positive EBITDA across all segments

- KRUK delivered EBITDA of PLN 136.4m, up 9% year on year.
- EBITDA was positive across all geographical segments, with the strongest EBITDA reported for Poland (PLN 91.5m) and Romania (PLN 49.0m). In Italy EBITDA came in at PLN 7.1m, whereas the total for the other markets was PLN 7.3m.

# KRUK in Q1 2019: further expansion of attractive financing sources, Wonga investment, and dividend recommendation

## Solid financing sources and low debt

- KRUK maintained a conservative approach to debt, with the net debt to cash EBITDA ratio of 2.3x at the end of Q1 2019.
- In Q1 2019, KRUK raised PLN 140m in the bond market through issue of:
  - 5-year bonds for retail investors, worth PLN 25m (February 2019)
  - 6-year bonds for institutional investors, worth PLN 115m (March 2019)
- KRUK is working to increase the available credit facilities and to have a prospectus approved for its bonds.

## Wonga investment

- After the end of the first quarter of 2019, KRUK obtained clearance from the competition and consumer protection authority UOKiK to acquire all shares in wonga.pl sp. z o.o., the Polish operations of Wonga's international business. The clearance was a condition precedent for the transaction.
- The parties intend to sign an agreement for the sale (acquisition) of the company promptly after the UOKiK's approval is received.
- Wonga will remain independent of the Group's other operations, including Novum Finance, which will continue to serve its complementary customer base.

## Dividend recommendation

- The Management Board decided to recommend to the General Meeting the payment of a dividend of PLN 5 per share from the Company's profit for 2018. KRUK paid the same amount of dividend to shareholders last year.
- If the recommendation is accepted, KRUK will pay over PLN 94m in dividends.

# The KRUK Group in Q1 2019 by geographical segments

2018 2019

(PLNm)	Poland		Romania		Italy		Other		Head Office	TOTAL		
EXPENDITURE ON DEBT PORTFOLIOS	627	61	148	80	268	0	352	38	N/A	1,395	179	
RECOVERIES	768	201	528	131	126	41	155	54	N/A	1,577	427	
PORTFOLIO CARRYING AMOUNT (PLNbn)	1.8	1.9	0.9	0.9	0.7	0.7	0.6	0.5	N/A	4.1	4.1	
REVENUE	591	146	425	75	69	45	80	39	N/A	1,165	306	
INCLUDING FROM OWNED PORTFOLIOS	538	133	414	72	58	42	60	34	N/A	1,070	281	
INCLUDING FROM REVALUATION	N/A	12	N/A	19	N/A	-4	N/A	-3	N/A	107	25	
PORTFOLIO PROFITABILITY (LTM*)	29%	32%	46%	41%	9%	12%	13%	23%	N/A	30%	30%	
EBITDA **	N/A	92	N/A	49	N/A	7	N/A	7	N/A	-17	458	138

\* LTM portfolio profitability calculated as the sum of revenue from portfolios purchased in the last 12 months divided by the arithmetic mean of the portfolio value at the beginning and at the end of the last 12 months  
 \*\* EBITDA= operational profit + amortisation – other revenues from operations (unassigned) – other revenues from operations (unassigned), see more on slide nr 12

# Agenda

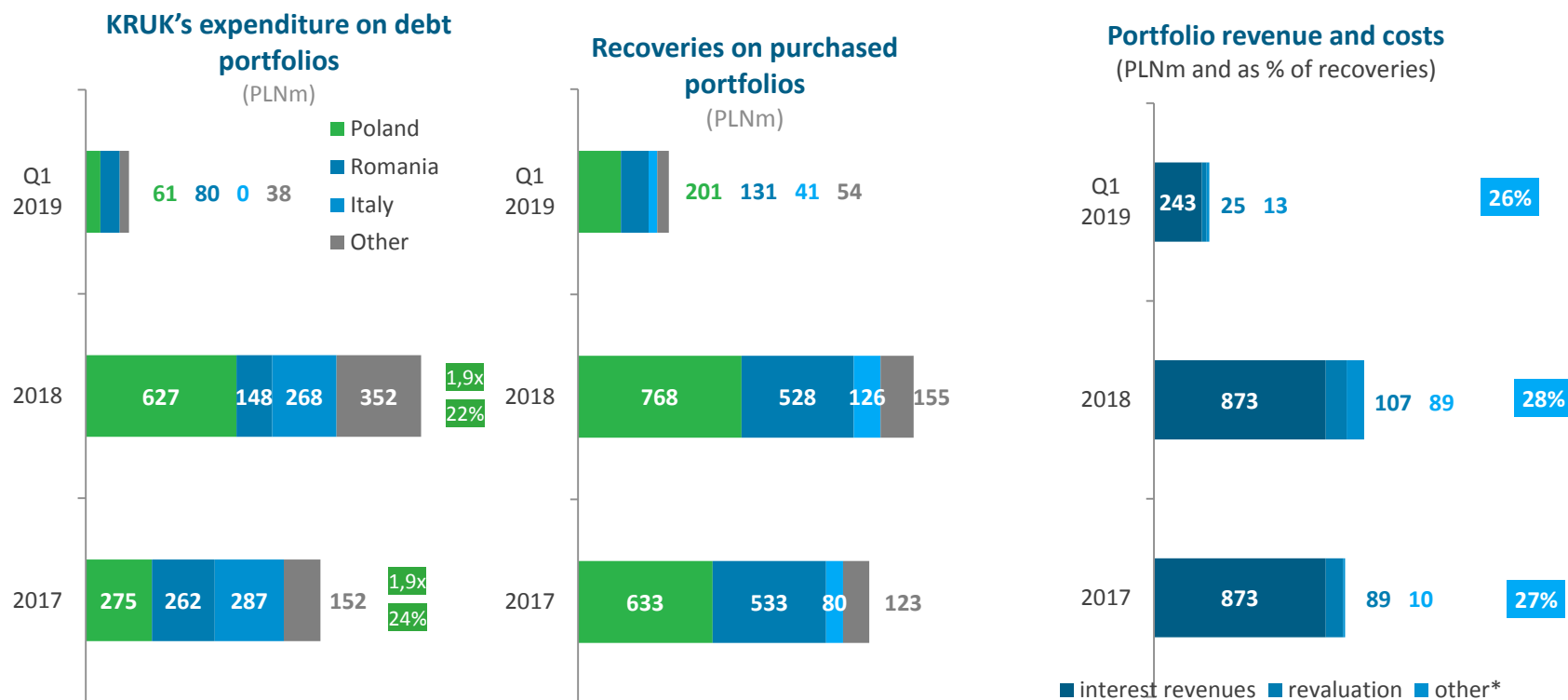
## Introduction

## Operating activities

## Financial performance

## Additional information

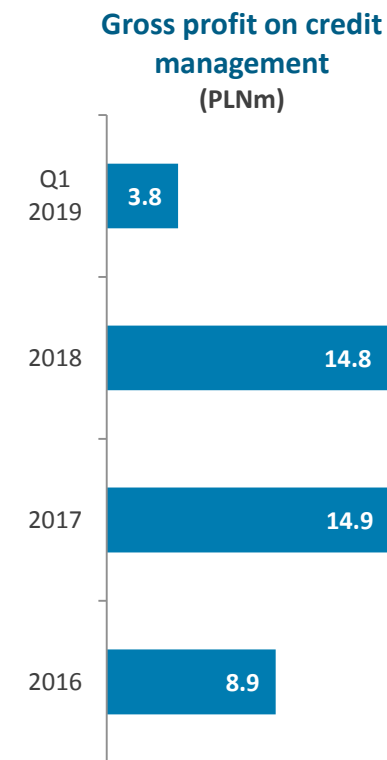
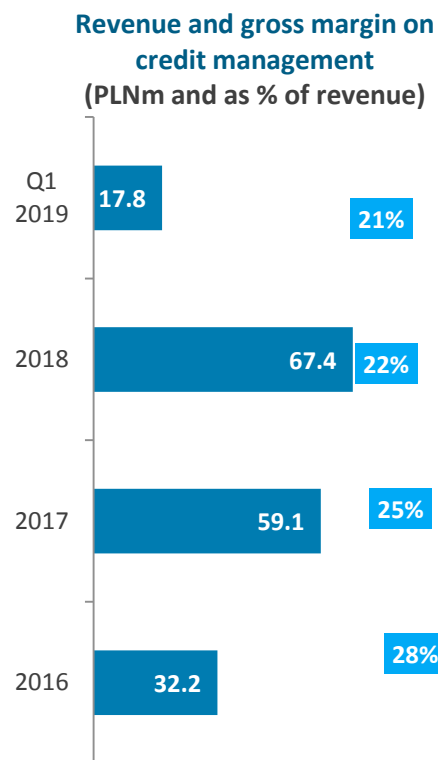
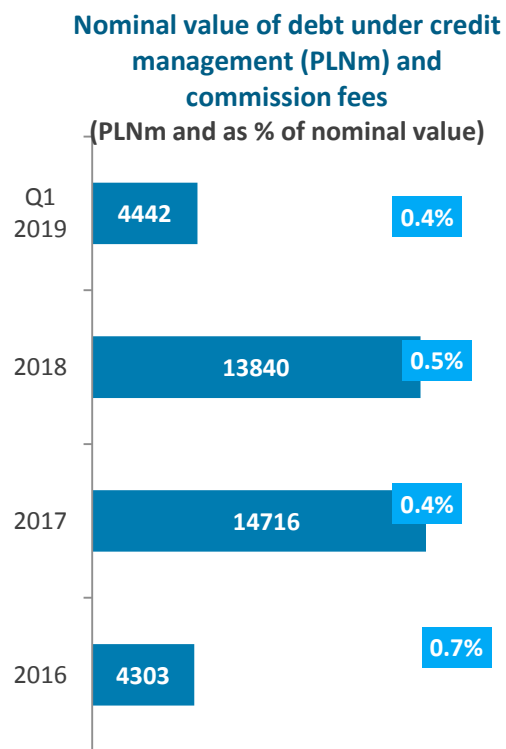
# Results on purchased portfolios business line



- In Q1 2019, most recoveries were derived from the Polish and Romanian markets, totalling PLN 331m. Recoveries in Italy were PLN 41m, and the remaining markets generated PLN 54m. KRUK conducts amicable debt collection processes in Italy and Spain while continuing to build a court portfolio by regularly referring cases to court, which will help to generate higher recoveries in the future.
- In 2017 and 2018, KRUK invested PLN 2.4bn in debt portfolios, assuming a transactional return on investment of 1.9x and 1.9x, respectively (recovered amount to expenditures) and a gross rate of return of 24% and 22%, respectively (gross IRR calculated as the internal rate of return on recoveries and expenditures).



# Results on debt collection business line

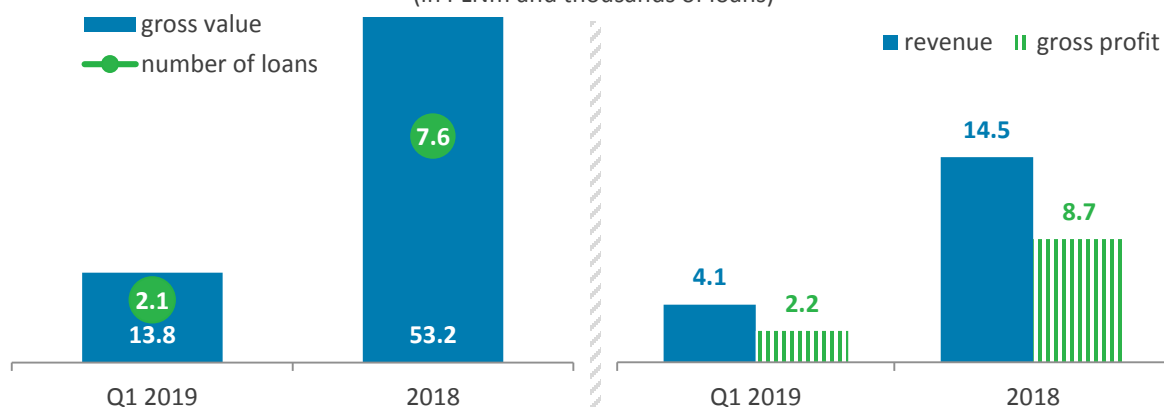


- KRUK performs well on the competitive credit management market by leveraging economies of scale and high operational efficiency. The debt collection business offers important additional synergies in combination with the debt purchasing business line.
- Poorer performance delivered by the credit management segment in Q1 2019 (revenues -7% q/q) was driven by, among other factors, lower-than-expected revenue from a large business partner in Italy and a delay in new customer acquisition.

# Results on Novum and ERIF

## Novum year-on-year performance – financial highlights

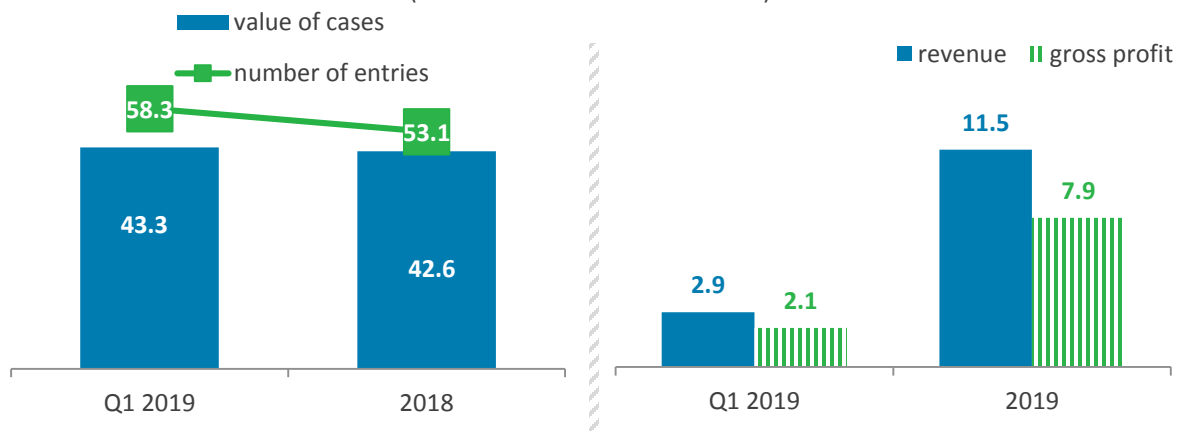
(in PLNm and thousands of loans)



- 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 bank loans are not available to them.
- NOVUM grants consumer loans of up to PLN 10,000 for periods from 3 to 30 months.

## ERIF Biuro Informacji Gospodarczej – financial highlights

(in PLNm and thousands of cases)



- In February 2019, ERIF BIG S.A. was awarded the Business Partner of the Year 2018 title for building credibility and responsibility in business relations.

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Introduction

Operating activities

**Financial performance**

Additional information

# The KRUK Group – Statement of profit or loss

PLNm	Q1 2019	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018	Q1 2019/ 2018	Q1 2019/ Q1 2018
<b>Purchased debt portfolios</b>								
Expenditure on debt portfolios	179.5	125.4	281.8	647.5	339.9	1,394.6	13%	43%
Recoveries	426.7	362.4	400.7	381.0	432.7	1,576.8	27%	18%
<b>Statement of profit or loss</b>								
<b>Operating income</b>	<b>305.7</b>	<b>285.3</b>	<b>319.6</b>	<b>288.6</b>	<b>271.3</b>	<b>1,164.8</b>	<b>26%</b>	<b>7%</b>
Purchased debt portfolios	280.7	264.4	295.9	265	244.7	1,070.0	26%	6%
including revaluation	24.6	22.9	47.5	50.9	-13.9	107.4	23%	7%
Debt collection services	17.8	14.5	17.2	16.5	19.2	67.4	26%	23%
Other products and services	7.2	6.4	6.6	7.1	7.3	27.4	26%	13%
<b>Gross profit</b>	<b>178.3</b>	<b>164.3</b>	<b>193.9</b>	<b>170.1</b>	<b>135.6</b>	<b>663.9</b>	<b>27%</b>	<b>9%</b>
<i>Gross profit margin</i>	58%	58%	58%	-57%	50%	57%	-	-
Purchased debt portfolios	170.1	157.3	186.3	162.3	126.8	632.7	27%	8%
Debt collection services	3.8	3.1	3.8	3.2	4.7	14.8	26%	23%
Other products and services	4.4	4.0	3.7	4.6	4.1	16.4	27%	10%
<b>Overheads</b>	<b>-39.9</b>	<b>-38.2</b>	<b>-40.4</b>	<b>-36.9</b>	<b>-45.5</b>	<b>161.0</b>	<b>25%</b>	<b>4%</b>
Other revenues from operations (unass.)	0.9	0.6	1.4	1.5	1.4	4.9	18%	50%
Other costs from operations (unass.)	-2.8	-1.7	-2.9	-2.8	-2.2	-9.6	29%	>100%
<b>EBITDA</b>	<b>136.4</b>	<b>125.0</b>	<b>152.0</b>	<b>131.8</b>	<b>89.4</b>	<b>498.2</b>	<b>27%</b>	<b>9%</b>
<i>EBITDA margin</i>	45%	44%	48%	46%	33%	43%	-	-
<b>NET PROFIT</b>	<b>97.9</b>	<b>90.7</b>	<b>98.6</b>	<b>90.0</b>	<b>51.1</b>	<b>330.4</b>	<b>30%</b>	<b>8%</b>
<i>Net profit margin</i>	32%	32%	31%	31%	19%	28%	-	-
<i>ROE rolling</i>	18%	17%	16%	17%	19%	19%	-	-
<b>CASH EBITDA</b>	<b>282.2</b>	<b>223.0</b>	<b>256.8</b>	<b>247.8</b>	<b>277.4</b>	<b>1,005.0</b>	<b>27%</b>	<b>18%</b>

# The KRUK Group – Cash flow (presentation format)

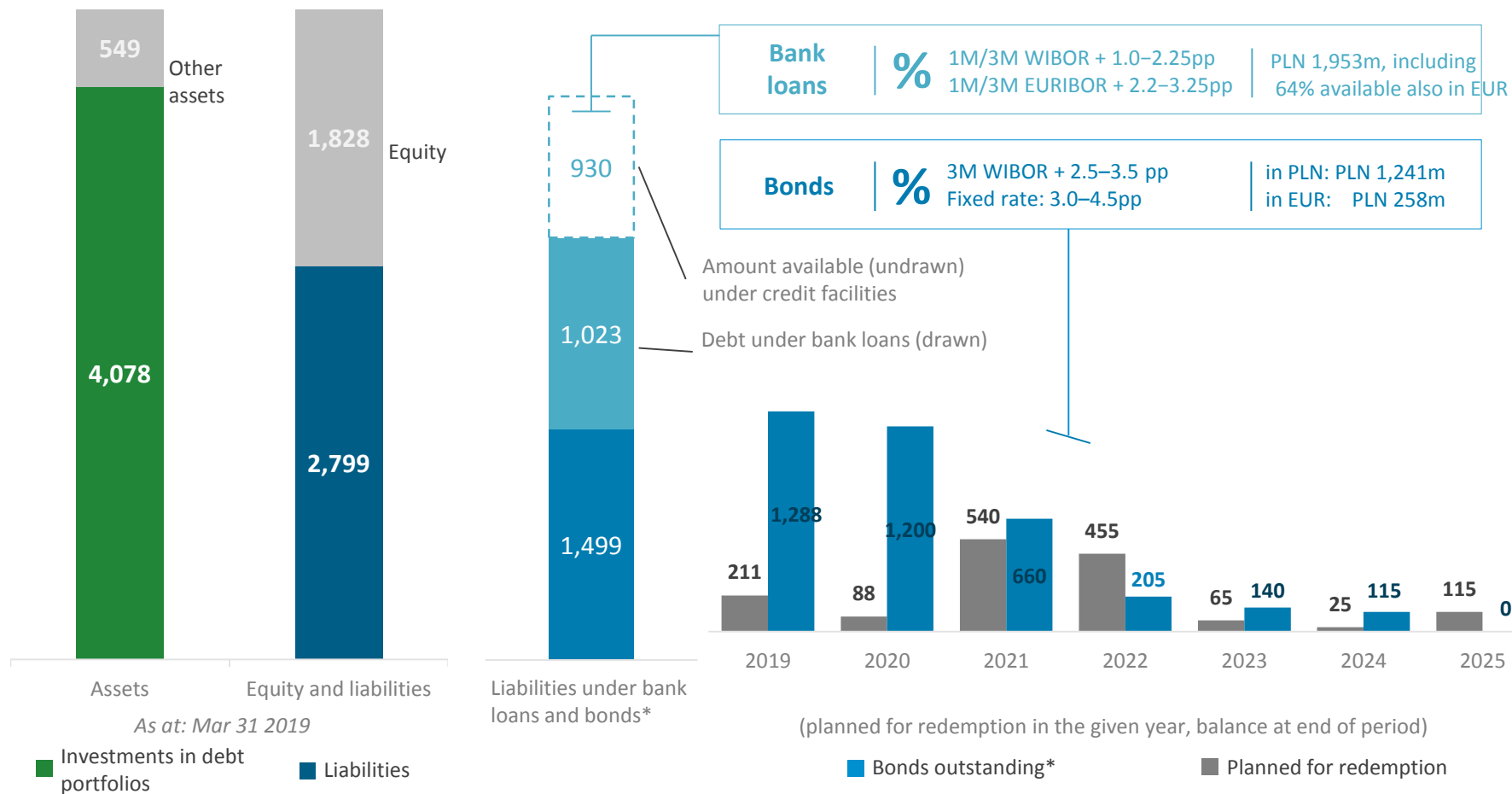
PLNm	Q1 2019	Q1 2018	Q2 2018	Q3 2018	Q4 2018	2018	Q1 2019/ 2018	Q1 2019/ Q1 2018
<b>Cash flows from operating activities:</b>	<b>238.2</b>	<b>215.6</b>	<b>211.5</b>	<b>229.2</b>	<b>241.4</b>	<b>897.7</b>	<b>27%</b>	<b>10%</b>
Recoveries from debtors – purchased debt portfolios	426.7	362.4	400.7	381.0	432.7	1,576.8	27%	18%
Operating costs – purchased debt portfolios	-110.6	-107.2	-112.5	-99.7	-117.9	-437.3	25%	3%
Operating margin – debt collection	3.8	3.1	3.8	3.2	4.7	14.8	25%	21%
Overheads	-39.9	-38.2	-40.4	-36.9	-45.5	-161.0	25%	4%
Other operating cash flow	-41.8	-4.5	-40.1	-18.4	-32.6	-95.6	44%	>100%
<b>Cash flows from investing activities:</b>	<b>-184.0</b>	<b>-130.5</b>	<b>-288.1</b>	<b>-650.9</b>	<b>-342.2</b>	<b>-1,411.7</b>	<b>13%</b>	<b>41%</b>
Expenditure on debt portfolio purchases	-179.5	-125.4	-281.8	-647.5	-339.9	-1,394.6	13%	43%
Other investing cash flow	-4.6	-5.1	-6.3	-3.4	-2.3	-17.1	27%	-11%
<b>Cash flows from financing activities</b>	<b>-9.0</b>	<b>-53.1</b>	<b>33.8</b>	<b>410.8</b>	<b>96.5</b>	<b>488.0</b>	<b>-2%</b>	<b>-83%</b>
Issue of shares	0.0	0.0	-94.0	0.0	0.0	-94.0	0%	-
Increase in borrowings and lease liabilities	352.8	198.6	517.4	1,014.3	665.0	2,395.4	15%	78%
Issue of bonds	140.0	0.0	0.0	0.0	65.0	65.0	215%	-
Decrease in borrowings and lease liabilities	-461.7	-219.1	-384.5	-637.9	-513.9	-1,755.4	26%	>100%
Redemption of bonds	0.0	0.0	-15.0	-50.0	-50.0	-115.0	0%	-
Other financing cash flow	-40.0	-44.0	-166.7	84.4	118.4	-7.9	>100%	-9%
<b>Net cash flows:</b>	<b>45.2</b>	<b>32.0</b>	<b>-42.8</b>	<b>-10.9</b>	<b>-4.3</b>	<b>-26.0</b>	<b>N/A</b>	<b>41%</b>

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

PLNm	Mar 31 2019	Dec 31 2018	Mar 31 2018
<b>ASSETS</b>			
Cash and cash equivalents	192.5	147.3	205.3
Investments in debt portfolios and loans	4,107.7	4,157.0	3,238.9
Other assets	326.4	177.9	220.9
<b>Total assets</b>	<b>4,626.6</b>	<b>4,482.2</b>	<b>3,665.1</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>1,827.9</b>	<b>1,732.8</b>	<b>1,589.3</b>
of which: Retained earnings	1,473.9	1,376.1	1,230.6
<b>Liabilities</b>	<b>2,798.7</b>	<b>2,749.4</b>	<b>2,075.8</b>
of which: Bank loans and leases	1,086.9	1,140.2	478.0
Bonds	1,501.1	1,359.9	1,402.0
<b>Total equity and liabilities</b>	<b>4,626.6</b>	<b>4,482.2</b>	<b>3,665.1</b>
<b>METRICS</b>			
<b>Interest-bearing debt</b>	<b>2,588.0</b>	<b>2,500.0</b>	<b>1,880.0</b>
<b>Net interest-bearing debt</b>	<b>2,395.5</b>	<b>2,352.7</b>	<b>1,674.7</b>
Net interest-bearing debt to equity	1.3	1.4	1.1
Interest-bearing debt to 12-month cash EBITDA	2.3	2.3	2.0

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

Net debt/equity 1.3x  
 Net debt/cash EBITDA: 2.3x



\* Nominal value.

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Introduction

Operating activities

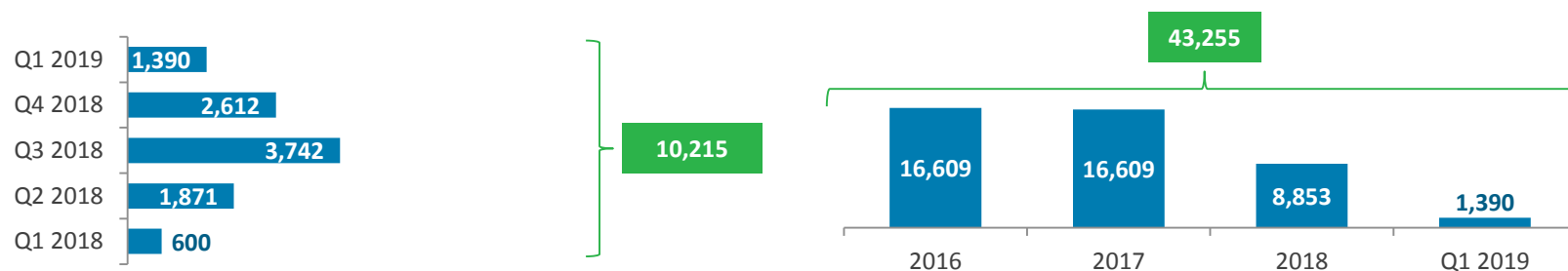
Financial performance

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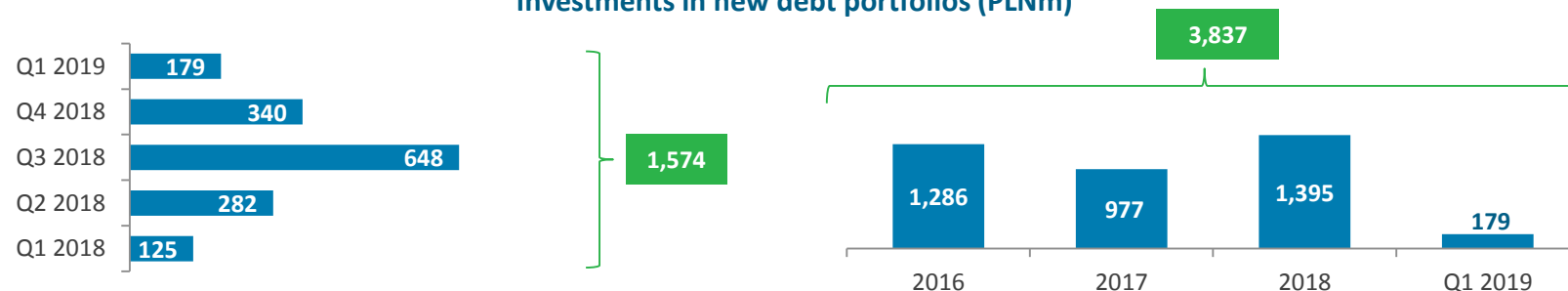


# KRUK began the year on a strong note in terms of new investments, buying 37 debt portfolios for PLN 179m, most of them in Romania

Nominal value of purchased debts (PLNm)



Investments in new debt portfolios (PLNm)



- In Q1 2019, KRUK invested PLN 179.4m in 37 debt portfolios with a nominal value of PLN 1.4bn, mostly in Poland and Romania, with the two markets accounting for ca. 45% and 34% of total expenditures, respectively.
- KRUK expects its investment expenditure in Poland to further increase during the year and an uptrend in transaction returns to continue, mainly in view of the rationalised competition level and continued strong supply of debt portfolios from banks and other financial institutions.

# IR events

## Financial statements release dates in 2019

Date	Financial statements
March 7th	2018 full-year financial statements
April 25th	Q1 2019 financial statements
September 5th	H1 2019 financial statements
October 24th	Q3 2019 financial statements

## Selected IR events planned for 2019

Date	Event
Jan 15	J.P. Morgan Cazenove CEEMEA Opportunities Conference, <b>London</b>
Mar 18-19	PKO BP Polish Capital Market 2019, <b>London</b>
Mar 20	Carnegie Debt Collectors Day, <b>Stockholm</b>
Mar 21	Pekao Financial Sector in Poland-outlook for 2019, <b>Warsaw</b>
Apr 11-12	PKO BP CEMEA New York Conference, <b>New York</b>
May 21-22	Wood MidCap Gems of Emerging Europe, <b>Warsaw</b>
May 31-Jun 02	WallStreet 2019, <b>Karpacz</b>
Jul 12-14	EME Financials & Greek Retreat Conference, <b>Athens</b>
Sep 30	Wood Polish Innovation & Growth, <b>Stockholm</b>
Oct 09-10	Erste Investor Conference, <b>Vienna</b>
Oct 28-29	Auerbach Frontier & Emerging Conference, <b>New York</b>
Dec 03-06	WOOD Winter 2019, <b>Prague</b>

## Most recent recommendations

Date	Institution	Recommendation	Target price
April 2019	DM PKO BP	<i>BUY</i>	236.0
March 2019	Erste Group	<i>SELL</i>	85.0
February 2019	Ipopema	<i>SELL</i>	128.8

For more details visit

[pl.kruk.eu/relacje-inwestorskie/raporty/raporty-analityczne](http://pl.kruk.eu/relacje-inwestorskie/raporty/raporty-analityczne)

## Sell-side analysts covering KRUK

Institution	Analyst	Email address
<b>Vestor DM</b>	Michał Fidelus	michal.fidelus@vestor.pl
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<b>Santander BM</b>	Kamil Stolarski	kamil.stolarski@santander.pl
<b>Ipopema</b>	Łukasz Jańczak	lukasz.janczak@ipopema.pl
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## KRUK's IR Team



**Michał Zasepa**  
CFO



**Tomasz Kałuziak**  
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