



## Presentation of Q1 2016 results KRUK Group

May 8th 2016



# Agenda

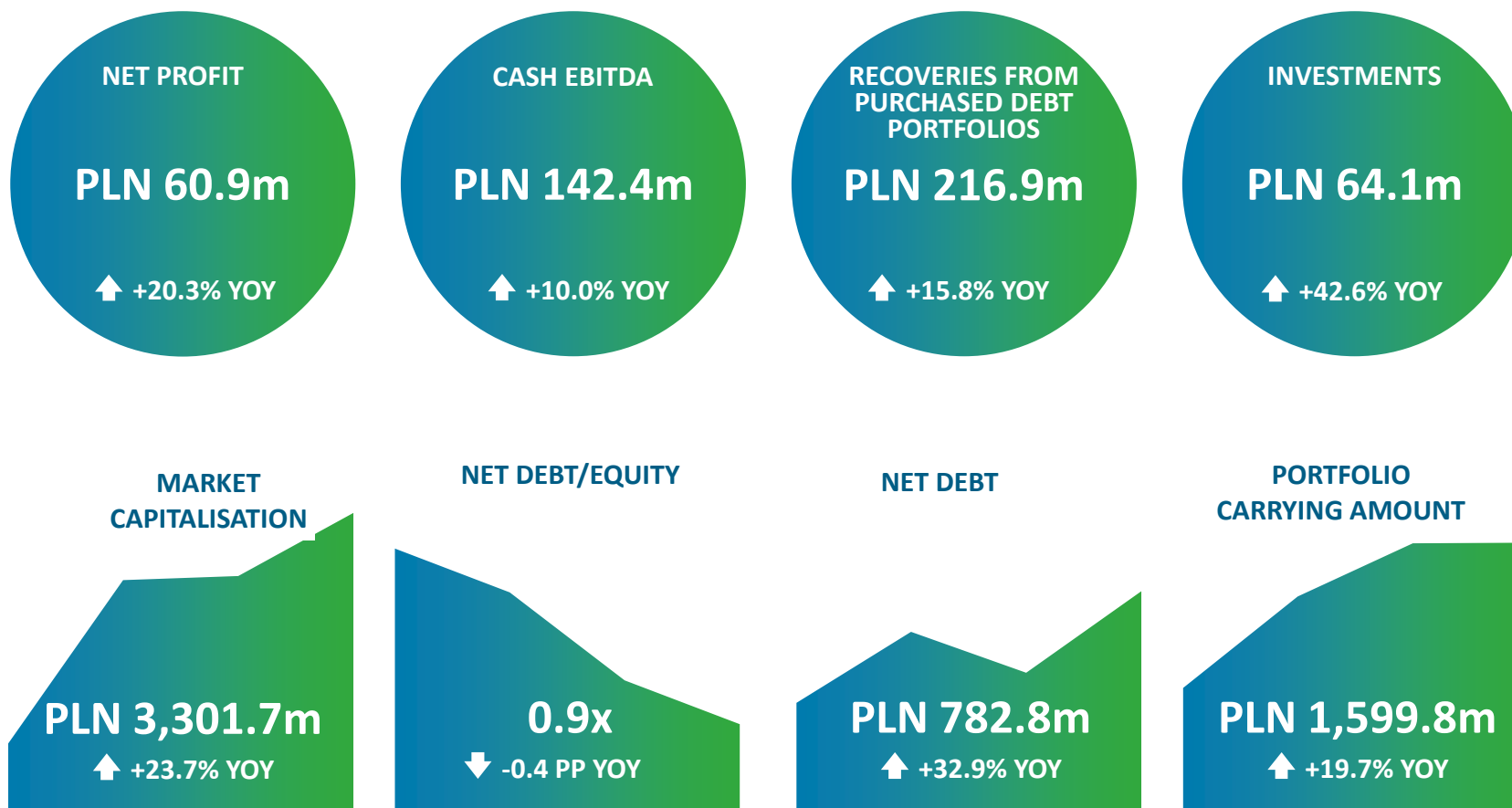
## Introduction

Operating activities

Financial performance

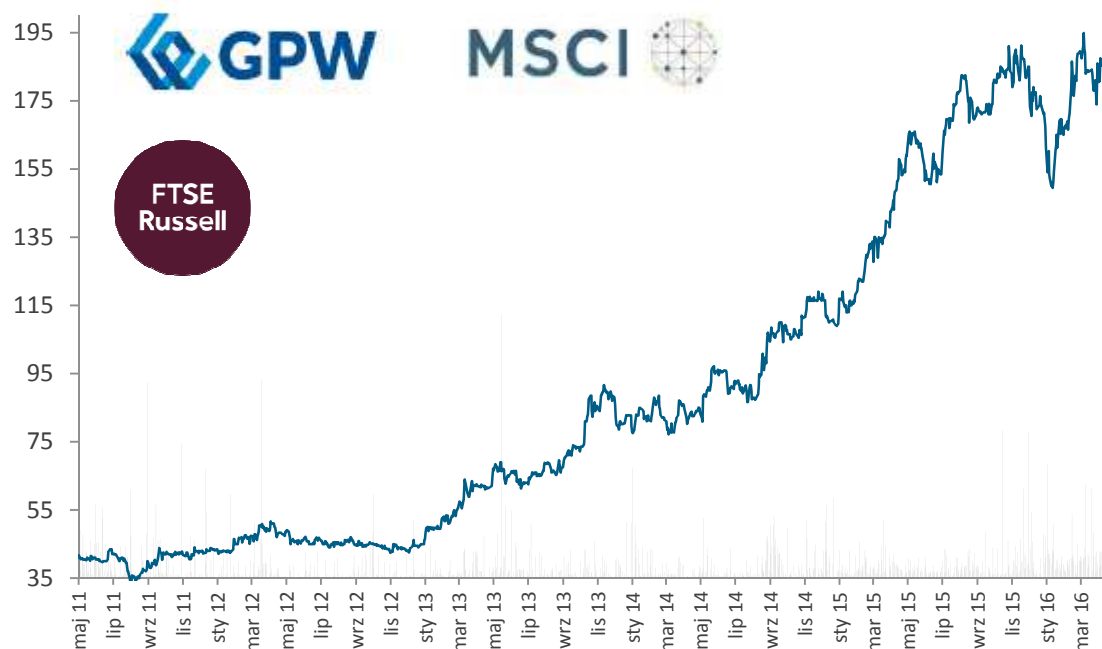
Additional information

## KRUK in Q1 2016: record performance, strong recoveries and new investments in five markets



# KRUK marks five years on the stock exchange on May 10th 2016. Grow with us!

	2011	2012	2013	2014	2015	CAGR increase	2015 / 2011
EPS (PLN)	4.03	4.80	5.77	8.95	<b>11.84</b>	<b>30.9%</b>	<b>2.9x</b>
EPS growth rate	72.2%	19.1%	20.2%	55.1%	<b>32.3%</b>	-	-
ROE trailing*	27.9%	25.6%	23.5%	25.9%	<b>26.0%</b>	-	-
Net profit (PLNm)	66.4	81.2	97.8	151.8	<b>204.3</b>	<b>32.4%</b>	<b>3.1x</b>



## KRUK shares on the WSE \*\*

Share price PLN 188.50

Change 1Y / 3M +20% / +14%

Max / Min 1Y PLN 194.90 / 139.74

Market cap. PLN 3.3b

Rank on the WSE by the market cap.: 35

## Liquidity

Avg. daily turnover (yoy) PLN 3.2m (+ 87%)

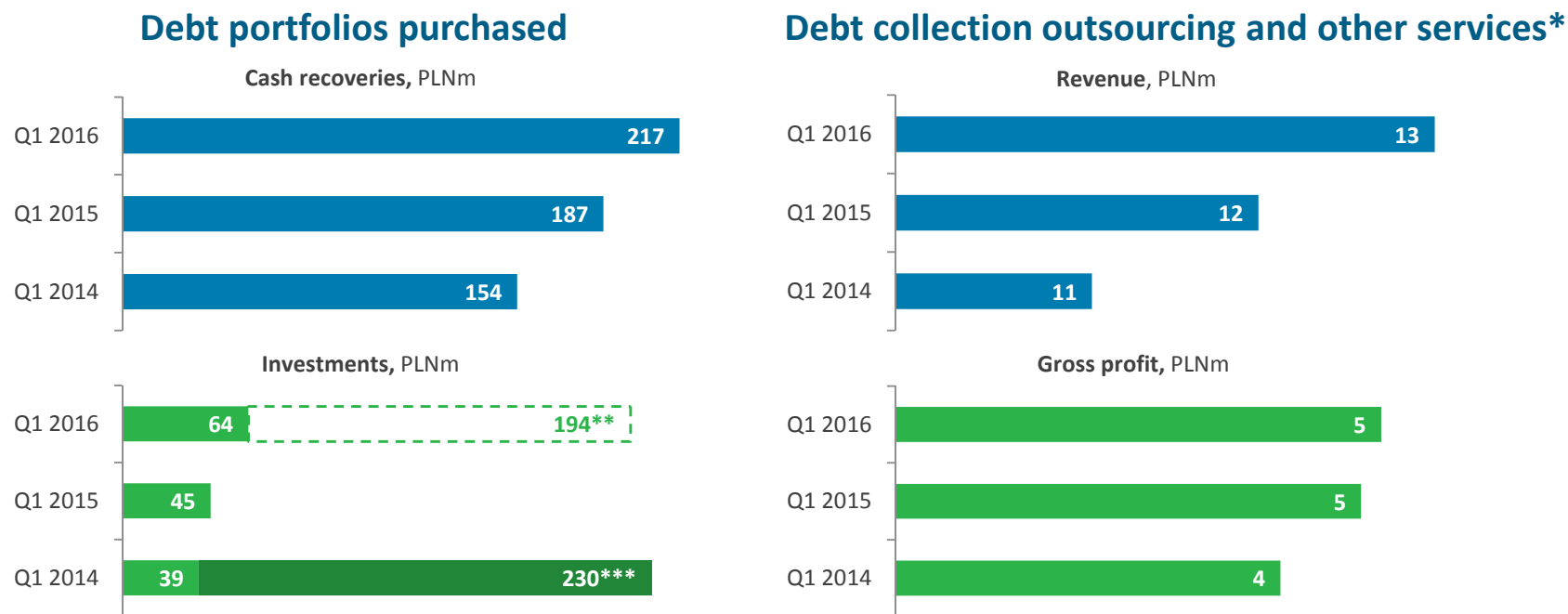
Free float\*\*\* 77,2%

Rank on the WSE by turnover: 20

## KRUK in Q1 2016: strong recoveries, new investments and lowest-on-record debt ratios

<b>Strong increase in net profit</b>	<ul style="list-style-type: none"><li>▪ In Q1 2016, net profit increased to PLN 60.9m and was 21% higher year on year and 38% higher quarter on quarter.</li><li>▪ In Q1 2016 alone, the Company generated a net profit representing almost one-third of its net profit for the entire 2015.</li></ul>
<b>High recoveries</b>	<ul style="list-style-type: none"><li>▪ Recoveries from purchased debt reached PLN 216.9m, up 16% on Q1 2015.</li><li>▪ KRUK maintains debt recoveries at a high quarterly level in excess of PLN 200m.</li><li>▪ The macroeconomic situation has a positive effect on recoveries from the debt portfolios purchased to date. The nominal value of the portfolios stood at PLN 27.0bn at the end of Q1 2016.</li></ul>
<b>New investments</b>	<ul style="list-style-type: none"><li>▪ In Q1 2016, the KRUK Group invested PLN 64.1m in seven debt portfolios with a total nominal value of PLN 413m. The investments were up 43% year on year.</li></ul>
<b>Good access to financing</b>	<ul style="list-style-type: none"><li>▪ PLN 530m in lines of credit available at the end of the quarter.</li><li>▪ KRUK launched the PLN 300m Third Public Bond Issue Programme, issuing Series AB1 bonds with a value of PLN 65m, bearing interest at a rate of 315 basis points above 3M WIBOR, and issued six-year bonds with a value of PLN 150m and a margin of 325 basis points above 3M WIBOR in a private placement.</li><li>▪ KRUK keeps its debt at record-low levels, with the interest-bearing net debt to equity ratio down to 0.9x.</li></ul>

## Recoveries on purchased debt portfolios totalling PLN 217m, up 16% year on year, with growth reported also by other business segments



(PLNm)	Q1 2014	15/14	Q1 2015	16/15	Q1 2016	2015	% of
Revenue	120.1	11%	133.2	20.8%	160.7	611.2	26.3%
EBIT	51.4	18%	60.7	16.5%	70.2	251.4	27.9%
Cash EBITDA****	98.8	31%	129.5	9.8%	142.4	523.9	27.2%
Net profit	40.0	26%	50.6	21.3%	60.9	204.3	29.8%
ROE trailing	25.7%	-	25.5%	-	25.1%	26.0%	-

## KRUK after the end of Q1 – consistent delivery of the plan

### Transaction closed with P.R.E.S.C.O. Group

- After the end of the quarter, KRUK closed the acquisition of a portfolio from the P.R.E.S.C.O. Group in Poland
- The final acquisition price was PLN 194m, after the adjustments provided for in the investment agreement of December 2015.
- KRUK acquired 2 million accounts with a nominal value of PLN 2.7bn

### KRUK wins auction to buy first portfolio in Spain

- In April, the KRUK Group won its first auction in Spain to buy a debt portfolio with a nominal value of PLN 13m
- The portfolio comprises unsecured consumer debt acquired from a Spanish bank BIGBANK AS Consumer Finance.

### Bid accepted in a project partnered by IFC in Romania

- In April, KRUK and International Finance Corporation, a member of the World Bank Group, received a notice of acceptance of a bid placed in an investment project in Romania.
- The nominal value of the portfolio of unsecured consumer loan debt is PLN 2.6bn.

# Agenda

## Introduction

## Operating activities

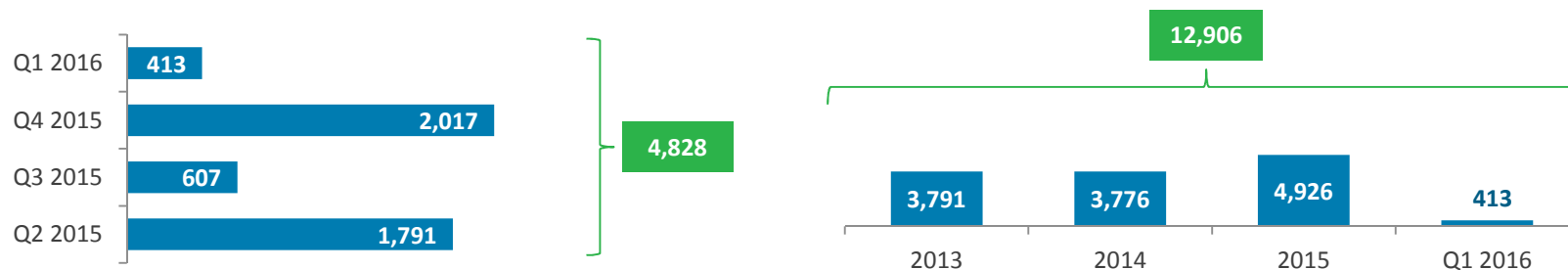
## Financial performance

## Additional information

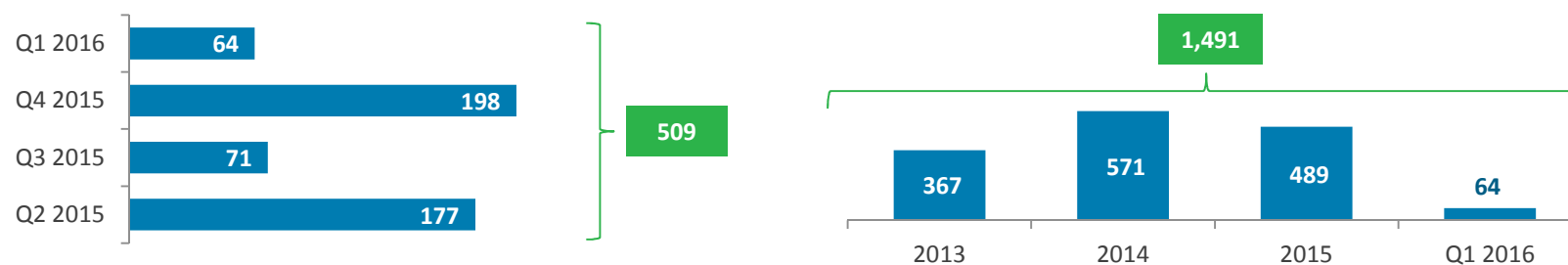


## KRUK starts the year with strong recoveries and high level of investments

Nominal value of purchased debts (PLNm)



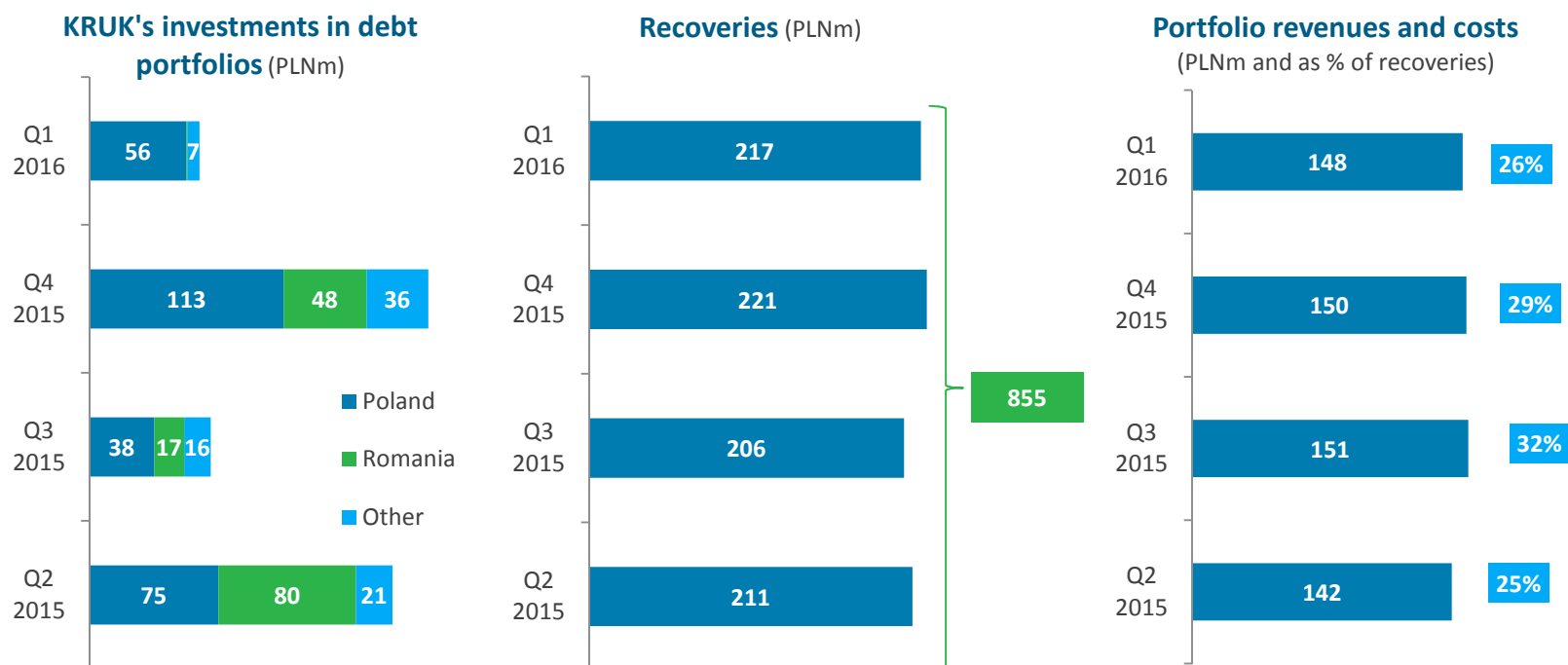
Investments in new debt portfolios (PLNm)



- Despite the usual slow start into the year, the Group managed to invest PLN 64.1m buying seven portfolios with a total nominal value of PLN 412.9m, most of them in Poland. The investments were up 43% year on year.

- After the end of the first quarter, the Group closed the acquisition of a debt portfolio with a nominal value of PLN 2.7bn from the P.R.E.S.C.O. Group in Poland. Also, the Group won its first auction to buy a PLN 13m nominal value portfolio in Spain, and received a notice of acceptance of its offer to buy, jointly with the World Bank, a debt portfolio with a nominal value of PLN 2.6bn in Romania
- The Group has acquired or is finalising the acquisition of debt with a total nominal value in excess of PLN 5.3bn

## Quarterly recoveries from purchased debt portfolios average PLN 200m plus

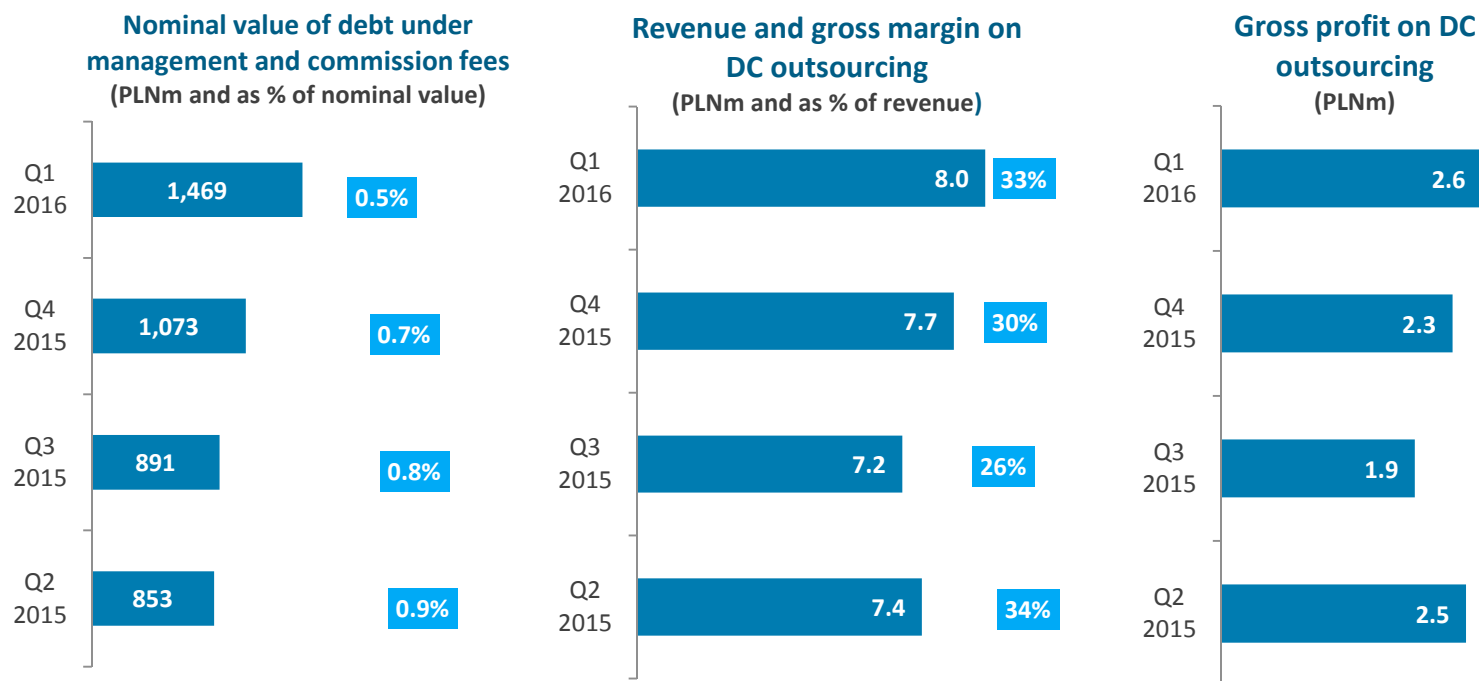


- The Group expects debt supply to reach record levels in 2016.
- Over the last twelve months, KRUK has invested in seven countries and expects the geographical distribution of its purchases to become more even in the medium term.

- Another quarter of strong recoveries with no major one-off events .
- High recoveries result in another positive revaluation of purchased portfolio assets
- The macroeconomic situation has a positive effect on recoveries.

- In 1st quarter 2015 KRUK generated lower *cost-to-recoveries* ratio due to lower court and bailiff fees (PLN 4.2m) and cost of advertisement (PLN 5.4m) compared to 4th quarter 2016.

## KRUK performs well on the competitive DC outsourcing market by leveraging high operational efficiency.



- The nominal value of accounts accepted for collection in the first quarter of 2016 again exceeded PLN 1bn, with growth in revenue and margin.
- The KRUK Group performs well on the competitive DC outsourcing market by leveraging economies of scale and high operational efficiency.

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**Financial performance**

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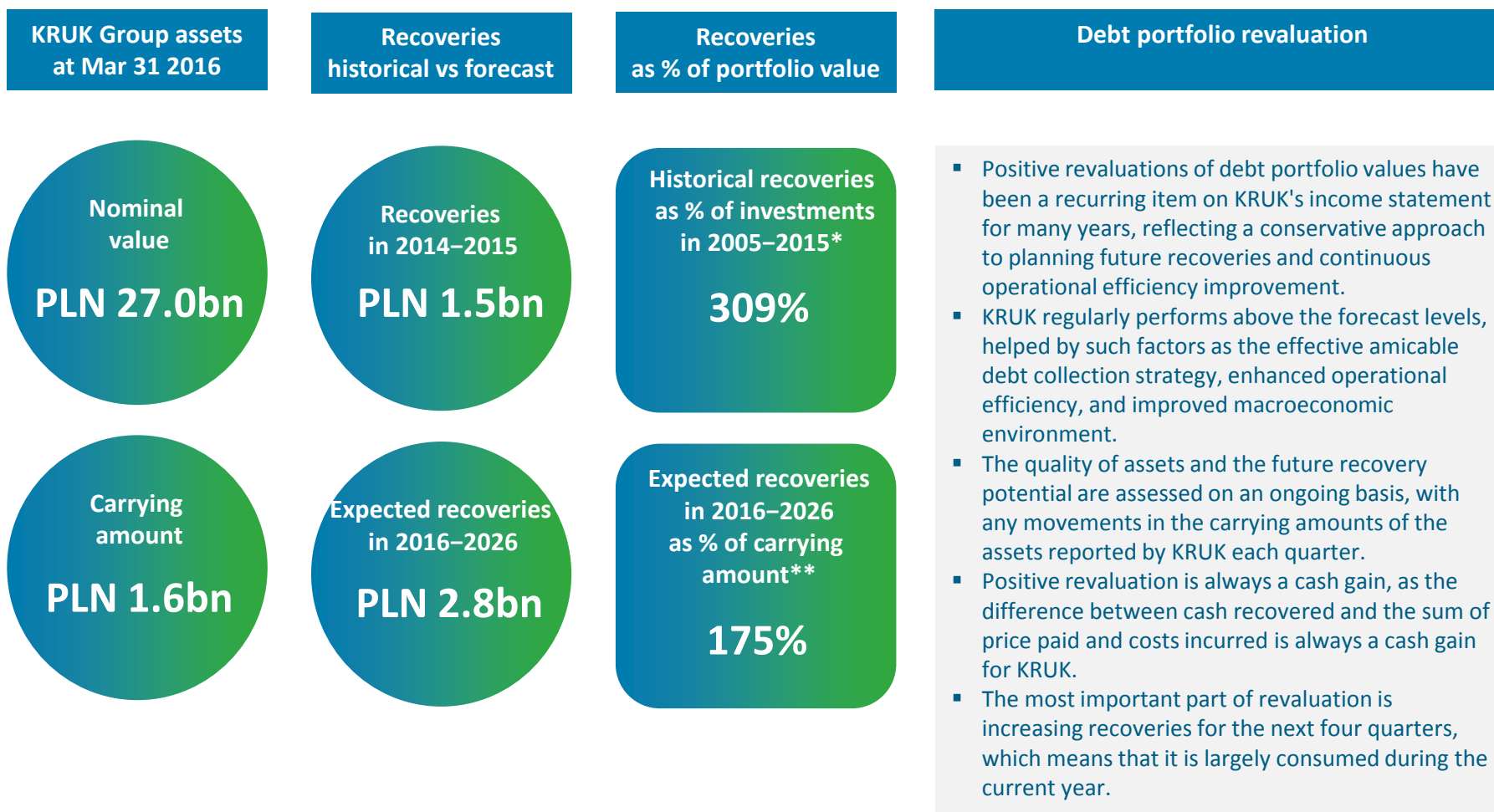
## KRUK – fast-growing and highly profitable business with strong cash flows

PLNm	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015	Q1 2016	yoy
<b>Debt portfolios purchased</b>							
Investments in debt portfolios	44.9	177.3	70.1	196.9	489.3	64.1	+43%
Recoveries	187.2	211.5	206.0	220.9	825.7	216.9	+16%
<b>Statement of profit or loss</b>							
<b>Revenue</b>	<b>133.2</b>	<b>153.6</b>	<b>162.4</b>	<b>162.0</b>	<b>611.2</b>	<b>160.7</b>	<b>+21%</b>
Revenue from own debt portfolios	121.4	141.7	150.9	149.6	563.6	148.0	+22%
including revaluation	2.1	8.9	21.4	20.5	52.8	23.9	+ >100%
Revenue from collection services	7.6	7.3	7.2	7.7	29.8	8.0	+5%
Revenue from other products and services	4.2	4.5	4.4	4.7	17.8	4.7	+12%
<b>Gross profit</b>	<b>83.4</b>	<b>93.2</b>	<b>90.5</b>	<b>90.8</b>	<b>357.9</b>	<b>96.3</b>	<b>+15%</b>
<i>Gross margin</i>	63%	61%	56%	56%	59%	60%	-
Own debt portfolios	78.6	88.3	86.0	85.7	338.6	91.4	+16%
Collection services	2.5	2.4	1.9	2.4	9.2	2.6	+4%
Other products and services	2.3	2.5	2.6	2.7	10.1	2.3	0%
<b>Administrative expenses</b>	<b>19.2</b>	<b>24.1</b>	<b>21.3</b>	<b>29.8</b>	<b>94.4</b>	<b>22.7</b>	<b>+18%</b>
Cost of management stock options	2.7	5.8	2.9	2.8	13.3	1.9	-30%
<b>EBITDA</b>	<b>63.6</b>	<b>68.5</b>	<b>68.7</b>	<b>61.1</b>	<b>261.9</b>	<b>73.5</b>	<b>+16%</b>
<i>EBITDA margin</i>	48%	45%	42%	38%	43%	46%	-
<b>NET PROFIT</b>	<b>50.6</b>	<b>57.1</b>	<b>52.6</b>	<b>44.0</b>	<b>204.3</b>	<b>60.9</b>	<b>+20%</b>
<i>net profit margin</i>	38%	37%	32%	27%	33%	38%	-
<i>ROE rolling</i>	25%	23%	25%	26%	26%	25%	-
<b>CASH EBITDA*</b>	<b>129.5</b>	<b>138.2</b>	<b>123.8</b>	<b>132.0</b>	<b>523.9</b>	<b>142.4</b>	<b>+10%</b>

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

PLNm	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015	Q1 2016	yoy
<b>Revenue</b>	<b>133.2</b>	<b>153.6</b>	<b>162.4</b>	<b>162.0</b>	<b>611.2</b>	<b>160.7</b>	<b>+21%</b>
Poland	70.2	92.3	86.9	82.8	332.2	86.0	+23%
Romania	58.4	54.9	67.7	77.2	258.2	66.0	+13%
Other countries	4.7	6.4	7.8	1.9	20.8	8.7	+85%
<b>Gross profit</b>	<b>83.4</b>	<b>93.2</b>	<b>90.5</b>	<b>90.8</b>	<b>357.9</b>	<b>96.3</b>	<b>+15%</b>
<i>Gross margin</i>	63%	61%	56%	56%	59%	60%	-
<b>Administrative expenses</b>	<b>-19.2</b>	<b>-24.1</b>	<b>-21.3</b>	<b>-29.8</b>	<b>-94.4</b>	<b>-22.7</b>	<b>+18%</b>
EBITDA	63.6	68.5	68.7	61.1	261.9	73.5	+16%
<i>EBITDA margin</i>	48%	45%	42%	38%	43%	46%	-
<b>Finance income/costs</b>	<b>-10.8</b>	<b>-9.4</b>	<b>-11.6</b>	<b>-9.8</b>	<b>-41.6</b>	<b>-10.2</b>	<b>-6%</b>
<b>Net profit</b>	<b>50.6</b>	<b>57.1</b>	<b>52.6</b>	<b>44.0</b>	<b>204.3</b>	<b>60.9</b>	<b>+20%</b>
<i>Net profit margin</i>	38%	37%	32%	27%	33%	38%	-

## Revaluation is a recurring element of the business and positive revaluation attests the strength of Group's assets



## The KRUK Group – strong cash flows ensuring high liquidity of operations

PLNm	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015	Q1 2016	yoy
<b>Cash flows from operating activities:</b>	<b>114.3</b>	<b>132.1</b>	<b>87.0</b>	<b>131.3</b>	<b>464.7</b>	<b>107.0</b>	<b>-6%</b>
Recoveries from debtors – purchased debt portfolios	187.2	211.5	206.0	220.6	825.7	216.9	+16%
Operating costs – purchased debt portfolios	-42.8	-53.4	-64.9	-64.9	-225.0	-56.6	-
Operating margin – debt collection outsourcing	2.5	2.4	1.9	2.4	9.2	2.6	+4%
Administrative expenses	-19.2	-24.2	-21.3	-29.3	-94.4	-22.7	+18%
Other operating cash flow	-13.6	-52.6	-34.7	2.3	-50.7	-146.4	-
<b>Cash flows from investing activities:</b>	<b>-46.8</b>	<b>-178.9</b>	<b>-72.8</b>	<b>-198.1</b>	<b>-496.6</b>	<b>-67.5</b>	<b>-44%</b>
Investments debt portfolio purchases	-44.9	-176.6	-70.1	-198.0	-489.3	-64.1	+43%
Other investing cash flow	-1.9	-2.3	-2.7	-0.1	-7.3	-3.4	-79%
<b>Cash flows from financing activities</b>	<b>-99.9</b>	<b>80.8</b>	<b>-34.2</b>	<b>155.4</b>	<b>102.1</b>	<b>-111.2</b>	<b>+16%</b>
Increase in borrowings and lease liabilities	212.8	241.4	111.6	373.7	939.5	239.9	+13%
Issue of bonds	0.0	113.4	0.0	130.0	243.4	169.2	-
Decrease in borrowings and lease liabilities	-254.8	-289.8	-115.3	-383.0	-1,042.8	-406.4	+59%
Redemption of bonds	-29.0	0.0	-12.0	0.0	41.0	-84.0	+190%
Other financing cash flow	-28.9	15.8	-18.5	35.4	-79.0	-34.6	-20%
<b>Net cash flows:</b>	<b>-32.4</b>	<b>34.0</b>	<b>-20.0</b>	<b>88.6</b>	<b>70.2</b>	<b>-71.7</b>	<b>121%</b>



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

PLNm	Q1 2015	2015	Q1 2016
<b>ASSETS</b>			
Cash and cash equivalents	36.3	140.7	69.0
Investments in debt portfolios and loans	1,287.0	1,620.6	1,622.5
Other assets	99.7	74.8	81.7
<b>Total assets</b>	<b>1,423.0</b>	<b>1,836.1</b>	<b>1,773.2</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>	<b>458.8</b>	<b>784.3</b>	<b>853.7</b>
including: Retained earnings	351.1	641.2	702.1
<b>Liabilities</b>	<b>964.2</b>	<b>1,051.8</b>	<b>919.5</b>
including: Borrowings and leases	103.7	245.7	78.7
Bonds	554.7	692.4	773.2
<b>Total equity and liabilities</b>	<b>1,423.0</b>	<b>1,836.1</b>	<b>1,773.2</b>
<b>METRICS</b>			
<b>Interest-bearing debt</b>	<b>658.4</b>	<b>784.3</b>	<b>851.9</b>
<b>Net interest-bearing debt</b>	<b>589.2</b>	<b>641.2</b>	<b>782.8</b>
Net interest-bearing debt to equity	1.3	1.0	0.9
Interest-bearing debt to 12-month cash EBITDA	1.6	1.5	1.5

## KRUK has good access to financing in the form of bank loans and bonds

### Bank loans

(PLNm)	Credit facilities granted as at Mar 31 2016	Amount drawn as at Mar 31 2016	Percentage drawn as at Mar 31 2016
Bank loans	600	70	12.0%
Lenders	BZ WBK, Getin Noble Bank, mBank, BGŻ BNP Paribas		
Interest rate	1M/3M WIBOR + margin of 1.0–2.25 pp		
Maturity date of the longest facility	2024		

### Bonds

(PLNm)	Q1 2016	2016	2017	2018	2019	2020	2021	2022
Issued	215	-	-	-	-	-	-	-
Redeemed	84	154	135	115	0	88	265	150
<b>Bonds outstanding at end of period</b>	<b>823**</b>	<b>753</b>	<b>618</b>	<b>503</b>	<b>503</b>	<b>415</b>	<b>150</b>	<b>0</b>

#### Financing entities

Institutional investors: OFE, TFI  
Retail investors

#### Interest rate

**Floating:** 3M WIBOR + margin of 2.9–4.6 pp  
**Fixed:** 4.5%

#### Maturity (counting from issue date)

48–72 months

#### Bonds – latest developments

- On April 25th 2016, KRUK decided to issue bonds with a nominal value of up to PLN 100m in a private placement.

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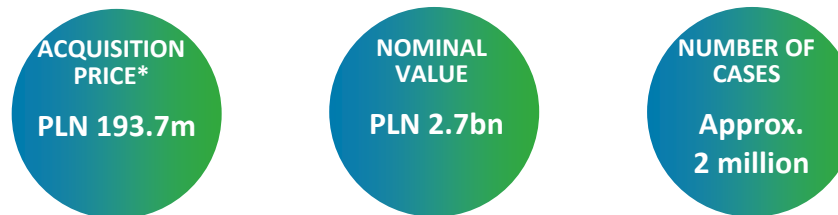
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# The purchase of a portfolio from P.R.E.S.C.O. marks the opening of the secondary debt trading market in Poland

Transaction highlights:



# KRUK's growth matrix

**KRUK has a strong potential for business growth across products and geographical regions.**

Current business lines		Poland	Romania	Czech Republic	Slovakia	Germany	Italy	Spain	...	...
Debt portfolio purchases	Consumer	✓	✓	✓	✓	✓	✓	✓		
	Mortgage	✓	✓							
	Corporate	✓	✓							
Debt collection outsourcing		✓	✓	✓	✓					
Consumer loans		✓								
Credit information		✓								

## Marketing and PR initiatives in Q1 2016

KRUK Deutschland as a partner of 8. Forderungs- und Risikomanagement tage, one of the largest debt management conferences in Germany

A study of debtors' behaviour patterns in Italy and Spain whose purpose was to present materials used in the debt collection process in the form of envelopes, letters, fliers, etc.

In February, Edyta Szymczak, President of the ERIF Management Board, was named 'Person of 2015' during the Loan Magazine Awards Gala 2015.

Websites dedicated to the Group's investment subsidiaries, Invest Capital and SeCapital, were developed in the first quarter.

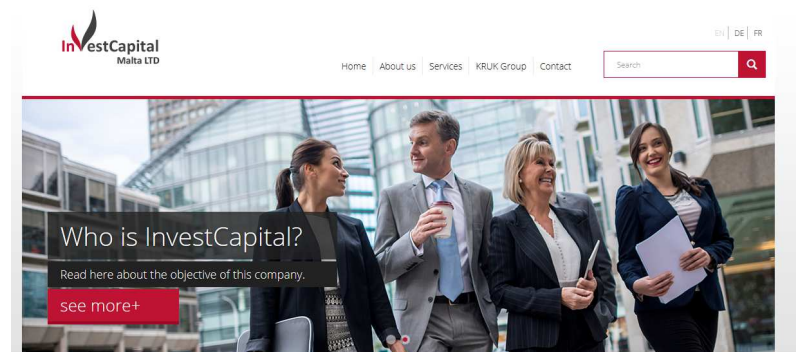
For the fourth time, the Group partnered the Business Run charity relay race organised to raise money for people in need.

### 8. Forderungs- und Risikomanagement Tage

Jetzt anmelden!

08.03.2016 Berlin | 17.03.2016 Frankfurt a.M. | 07.04.2016 München

Erfolgstreiber für das Payment und Forderungsmanagement



### KRUK Group Companies





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