



Q1–Q3 2019 results presentation

KRUK Group

October 24th 2019



Agenda

Summary

Discussion of the results

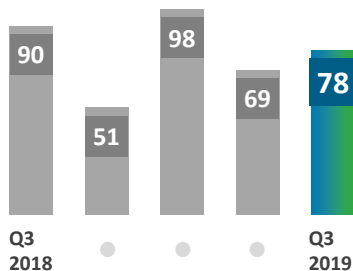
Financial statements

Additional information

KRUK in Q1–Q3 2019: high recoveries from purchased portfolios in Romania and strong cash EBITDA

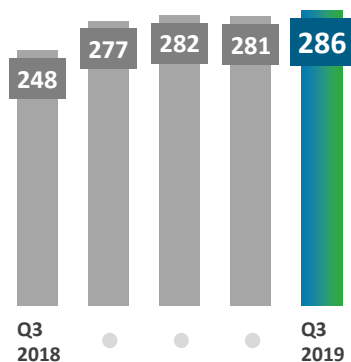
NET PROFIT
PLN 245m

H1 2019: PLN 167m
FY 2018: PLN 330m



CASH EBITDA*
PLN 850m

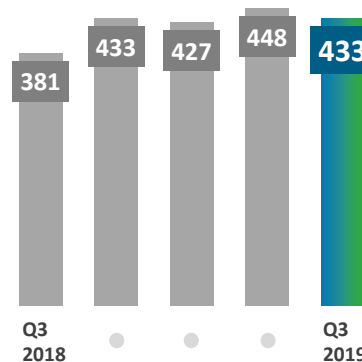
H1 2019: PLN 564m
FY 2018: PLN 1,005m



RECOVERIES FROM
PURCHASED DEBT PORTFOLIOS

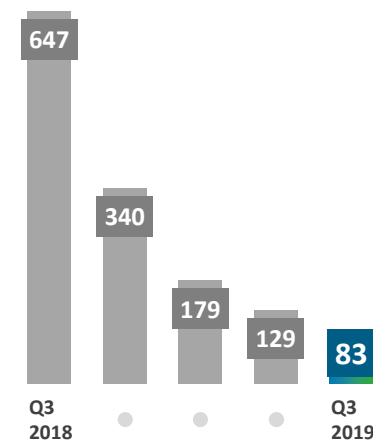
PLN 1,307m

H1 2019: PLN 874m
FY 2018: PLN 1,577m



INVESTMENTS
PLN 392m

FY 2018: PLN 1,395m



Q1–Q3 2019 EPS

12.93

Q1–Q3 2018: 14.81

ROE LTM

15%

H1 2019: 17%
2018 FY: 19%

PORTFOLIO
CARRYING AMOUNT

PLN 4.1bn

Jun 30 2019: PLN 4.0bn
Dec 31 2018: PLN 4.1bn

NET DEBT/
Cash EBITDA

2.1x

Jun 30 2019: 2.1x
Dec 31 2018: 2.3x

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

KRUK after Q1–Q3 2019 – summary

Net profit

- Q1–Q3 2019 net profit came in at PLN 244.8m, representing 74% of the full-year 2018 figure.
- In Q3 2019, net profit was PLN 77.8m, down 14% year on year.

Recoveries from purchased debt portfolios

- In Q1–Q3 2019, recoveries from purchased debt portfolios amounted to PLN 1,307.2m, representing 83% of the previous year's figure. In the third quarter, KRUK recorded recoveries of PLN 433m.
- Recoveries in Poland and Romania accounted for 77% of the total. Recoveries in Romania significantly exceeded the accounting forecast.
- In Italy, recoveries for the first nine months of 2019 amounted to PLN 128m and exceeded the full 2018 figure. Also in Spain, recoveries for the reporting period exceeded recoveries for the entire previous year.

Investments in new portfolios

- In the period January 1st–September 30th 2019, the KRUK Group invested PLN 391.9m in debt portfolios with a total nominal value of more than PLN 4bn. In the third quarter, investments amounted to PLN 83m, while the nominal value of the debt was PLN 734m.
- The return on transactions is higher than in the case of purchases made in last two years.
- We observe an increase in the debt portfolio supply in the fourth quarter.

Sound balance sheet and good access to financing

- Until the end of Q3 2019, KRUK issued bonds (both in public and private placements) with a total nominal value of PLN 215m.
- KRUK signed an annex amending the agreement of 2017 with a bank syndicate financing the KRUK Group, increasing the facility limit by EUR 10m. The facility amount that may be drawn by KRUK to invest in debt portfolios is now EUR 260m.
- With a net interest-bearing debt to equity ratio of 1.2x and flexible access to financing, KRUK is well positioned to increase its investment activity in Poland, Romania and other European countries.

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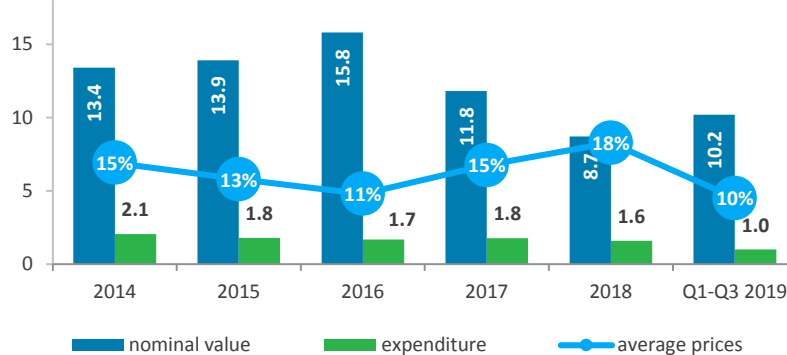
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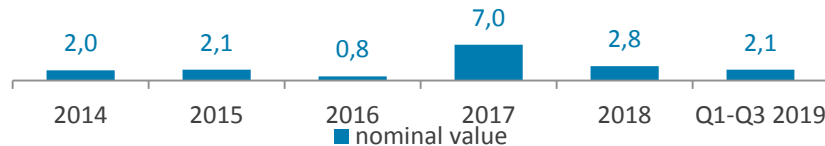
Debt sale market in Poland



Supply of retail unsecured and secured debt portfolios (PLNbn)



Supply of corporate portfolios (PLNbn)



- The supply of retail debt in the first nine months of the year was PLN 10.2bn of nominal value, which consists of:
 - ✓ unsecured retail portfolio with nominal values of PLN 9.6 billion
 - ✓ retail mortgage claims with a nominal value of PLN 0.6 billion
- The total value of unsecured portfolios was affected by secondary market transactions. The primary market reached PLN 3.9 billion, with an average price of approximately 15%.
- The supply on the primary market was lower than forecast by KRUK, especially in the segment of bank retail portfolios.
- KRUK expects increased portfolio supply in the fourth quarter of 2019, primarily in the area of unsecured retail portfolios.
- The supply of corporate portfolios after three quarters of 2019 reached PLN 2.1 billion and continues the upward trend. In 2017, the secondary market transaction had an impact on the market value.

Purchased portfolios – Poland



(PLNm)	Q1-Q3 2019	Q1-Q3 2018	yoy	2018
EXPENDITURE ON DEBT PORTFOLIOS	159.1	521.3	-70%	626.6
RECOVERIES	597.6	550.2	+9%	767.5
PORTFOLIO CARRYING AMOUNT	1,804.2	1,832.4	-1,5%	1,841.9
REVENUE FROM PURCHASED PORTFOLIOS	394.5	409.9	-4%	538.0
INCLUDING FROM REVALUATION	40.2	77.3	-52%	N/A
PORTFOLIO PROFITABILITY (LTM)*	29%	34%	-15%	33%

(PLNm)	Q3 2019	Q2 2019	Q1 2019
EXPENDITURE ON DEBT PORTFOLIOS	41.3	56.4	61.4
RECOVERIES	197.3	199.3	200.9
PORTFOLIO CARRYING AMOUNT	1,804.2	1,885.6	1,903.0
REVENUE FROM PURCHASED PORTFOLIOS	111	150.7	132.9
INCLUDING FROM REVALUATION	-3.2	31.3	12.1
PORTFOLIO PROFITABILITY (LTM)*	29%	31%	32%

- In the first nine months of 2019, KRUK invested in debt portfolios 70% less than in the previous year, but with the return on transactions higher than in last two years.
- The amount of expenditure results, among others from a smaller than expected market of banking portfolios, while we observe an increased supply of debts in the 4th quarter.
- With recoveries meeting the accounting expectations, KRUK did not recognise any revaluation on the retail portfolio in Q3, while disclosing a negative revaluation of PLN -3m on corporate portfolios.
- The value of the portfolio remained above PLN 1.8bn (45% of the Group's total portfolios) in 2019, with recoveries of PLN 0.6bn and nearly PLN 0.2bn of new investments.
- The lower rate of return on the portfolio in Q1–Q3 2019 was attributable, among other things, to lower revaluation of the portfolio relative to the same period of the previous year.

* 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

Purchased portfolios – Romania



(PLNm)	Q1-Q3 2019	Q1-Q3 2018	yoy	2018
EXPENDITURE ON DEBT PORTFOLIOS	176.4	69.8	+153%	147.5
RECOVERIES	414.1	393.2	+5%	527.7
PORTFOLIO CARRYING AMOUNT	986.5	860.8	+15%	932.2
REVENUE FROM PURCHASED PORTFOLIOS	282.4	315.8	-11%	413.9
INCLUDING FROM REVALUATION	79.6	120.1	-34%	N/A
PORTFOLIO PROFITABILITY (LTM) *	41%	51%	-13%	46%

(PLNm)	Q3 2019	Q2 2019	Q1 2019
EXPENDITURE ON DEBT PORTFOLIOS	29	67.3	80.1
RECOVERIES	143.7	139.4	131.1
PORTFOLIO CARRYING AMOUNT	986.5	972.8	947.1
REVENUE FROM PURCHASED PORTFOLIOS	103.3	107	72.1
INCLUDING FROM REVALUATION	27.8	32.4	19.4
PORTFOLIO PROFITABILITY (LTM)*	41%	39%	41%

- KRUK's expenditure in the first nine months of 2019 exceeded the expenditure for the entire 2018.
- The value of the Romanian debt portfolio is PLN 986.5m, which represents 24% of the total value of the Group's debt portfolios.
- In the third quarter, KRUK recognised total positive revaluation of almost PLN 28m on the back of retail portfolio recoveries exceeding accounting expectations.
- The lower rate of return on the portfolio in Q1–Q3 2019 was attributable, among other things, to lower revaluation of the portfolio relative to the same period of the previous year.

* 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

Purchased portfolios – Italy



(PLNm)	Q1-Q3 2019	Q1-Q3 2018	yoy	2018
EXPENDITURE ON DEBT PORTFOLIOS	0.0	266.8	N/A	268.3
RECOVERIES	128	87.9	+46%	126.0
PORTFOLIO CARRYING AMOUNT	730.3	779.6	-6%	742.9
REVENUE FROM PURCHASED PORTFOLIOS	103.0	63	+63%	57.9
INCLUDING FROM REVALUATION	-27.1	-38	+29%	N/A
PORTFOLIO PROFITABILITY (LTM)*	13%	3%	+44%	9%

(PLNm)	Q3 2019	Q2 2019	Q1 2019
EXPENDITURE ON DEBT PORTFOLIOS	0.0	0.0	0.0
RECOVERIES	42.8	44.5	40.6
PORTFOLIO CARRYING AMOUNT	730.3	709.1	744.3
REVENUE FROM PURCHASED PORTFOLIOS	43.6	17.7	41.7
INCLUDING FROM REVALUATION	0	-23.5	-3.6
PORTFOLIO PROFITABILITY (LTM)*	13%	13%	12%

- As assumed, in Q1–Q3 2019, KRUK did not make any new investments in Italy, focusing on its purchased portfolios and further streamlining of its operating process.
- Recoveries increased by 46% year on year and were higher than for the entire 2018. Recoveries in Q3 alone were subject to seasonal changes due to holiday time.

- The value of the Italian debt portfolio is PLN 0.7bn, which represents 18% of the total value of the Group's debt portfolios.
- The profitability of the Italian portfolio is reduced by the negative revaluation.

* 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

Purchased portfolios – other markets



(PLNm)***	Q1-Q3 2019	Q1-Q3 2018	yoy	2018
EXPENDITURE ON DEBT PORTFOLIOS	56.4	196.6	-84%	351.9
RECOVERIES	167.5	112.8	+48%	155.5
PORTFOLIO CARRYING AMOUNT	529.9	447.8	+18%	560.6
REVENUE FROM PURCHASED PORTFOLIOS	71.7	36.6	+96%	60.2
INCLUDING FROM REVALUATION	-39.9	-38.2	-4%	N/A
PORTFOLIO PROFITABILITY (LTM)*	20%	9%	+21%	14%
(PLNm)	Q3 2019	Q2 2019	Q1 2019	
EXPENDITURE ON DEBT PORTFOLIOS	12.7	5.8	37.9	
RECOVERIES	49.2	64.3	54.1	
PORTFOLIO CARRYING AMOUNT	529.9	480.4	513.3	
REVENUE FROM PURCHASED PORTFOLIOS	30.0	7.8	33.9	
INCLUDING FROM REVALUATION	-3.2	-33.3	-3.3	
PORTFOLIO PROFITABILITY (LTM)*	20%	22%	23%	

- In the first nine months of 2019, KRUK made relatively small investments in Spain, focusing on its purchased portfolios and further streamlining of its operating processes. Investments in the Czech Republic and Slovakia were made as planned.
- Recoveries on the other markets rose by 48% year on year and were higher than for the entire 2018. In Spain, recoveries in Q3 alone were subject to seasonal changes observed in August and September.
- The low rate of return on portfolios in the ‘other markets’ segment results from relatively large impairment losses reducing revenue for the period.

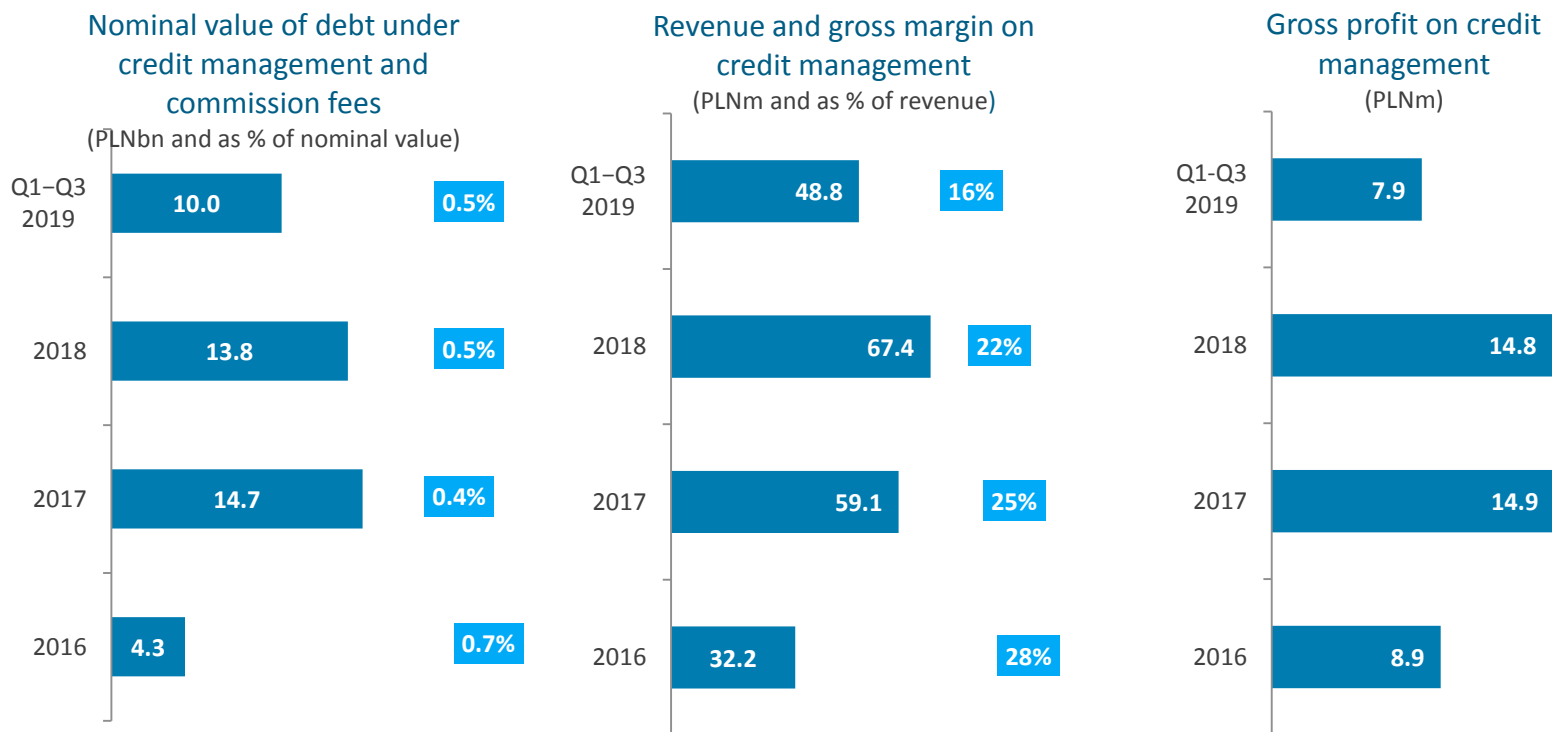
* LTM portfolio profitability calculated as the sum of revenue from portfolios purchased in the last 12 months divided by the arithmetic mean of the portfolio value at the beginning and at the end of the last 12 months

KRUK Group after three quarters, by segment

■ Q1-Q3 2019 ■ Q1-Q3 2018 ■ 2018

(PLNm)	Poland			Romania			Italy			Other			Head Office	Total				
	Q1-Q3 2019	Q1-Q3 2018	2018	Q1-Q3 2019	Q1-Q3 2018	2018	Q1-Q3 2019	Q1-Q3 2018	2018	Q1-Q3 2019	Q1-Q3 2018	2018	Q1-Q3 2019	Q1-Q3 2018	2018			
EXPENDITURE ON DEBT PORTFOLIOS	159	521	627	176	70	148	0	267	268	56	197	352	N/A	392	1,055	1,395		
RECOVERIES	598	550	768	414	393	528	128	88	126	168	113	155	N/A	1,307	1,144	1,577		
PORTFOLIO CARRYING AMOUNT (PLNbn)	1.8	1.8	1.8	1.0	0.9	0.9	0.7	0.8	0.7	0.5	0.4	0.6	N/A	4.1	3.9	4.1		
REVENUE	461	449	591	293	324	425	112	70	69	82	51	80	N/A	948	893	1,165		
PURCHASED DEBT PORTFOLIOS	395	410	538	282	316	414	103	63	58	72	37	60	N/A	852	825	1,070		
CREDIT MANAGEMENT SERVICES	19	19	26	8	8	10	10	7	11	10	14	20	N/A	49	48	67		
WONGA	27												N/A	27	N/A	N/A		
OTHER ACTIVITIES	20	20	27	0.6	0.2	0.4	0	0	0	0	0	0	N/A	20	20	27		
EBITDA	259	253		218	253		-15	-22		-12	-29		-52	-43	N/A	398	413	N/A

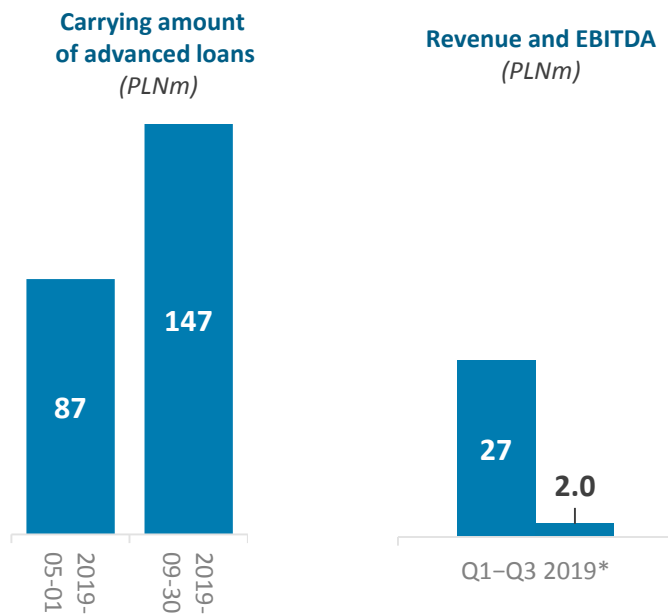
Performance of the credit management segment



KRUK provides credit management services in Poland, Romania, Spain and Italy.

Wonga's performance in May–September 2019

Wonga is an online lender operating in Poland. The company was In April 2019 incorporated into the KRUK Group. Wonga is a new-technology company, focusing on modern and innovative solutions. The company offers its products to customers who know how to manage their budgets and financial liquidity. Such customers are provided with convenient online access to financial products. Wonga focuses on selling instalment loans, which today account for 90% of its portfolio.



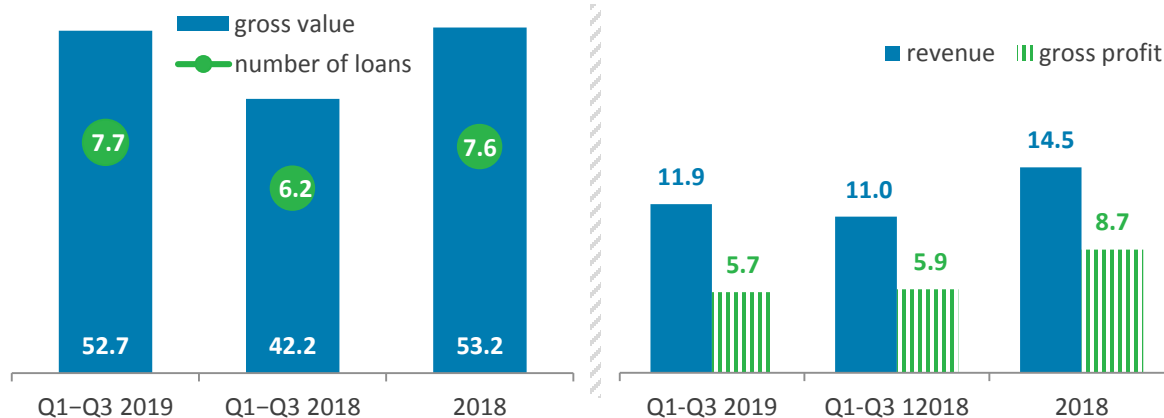
- At the end of Q3 2019, Wonga's loan portfolio was worth PLN 147.0m.
- The team focuses on building a low-risk customer portfolio.
- The company's operating activities and financial performance in the first months following the transaction are in line with the expectations at the time of acquisition.
- Potential amendments to Polish law may significantly change the non-banking consumer loan market, restricting the operations of lending companies or compelling some of them to withdraw from the market. Wonga focuses on acquiring customers with a low risk profile, expanding its operations in this very segment.

* Wonga was acquired on April 30th 2019 and the KRUK Group's performance in Q1–Q3 2019 was only affected by five months from that period.

Novum's and ERIF's performance

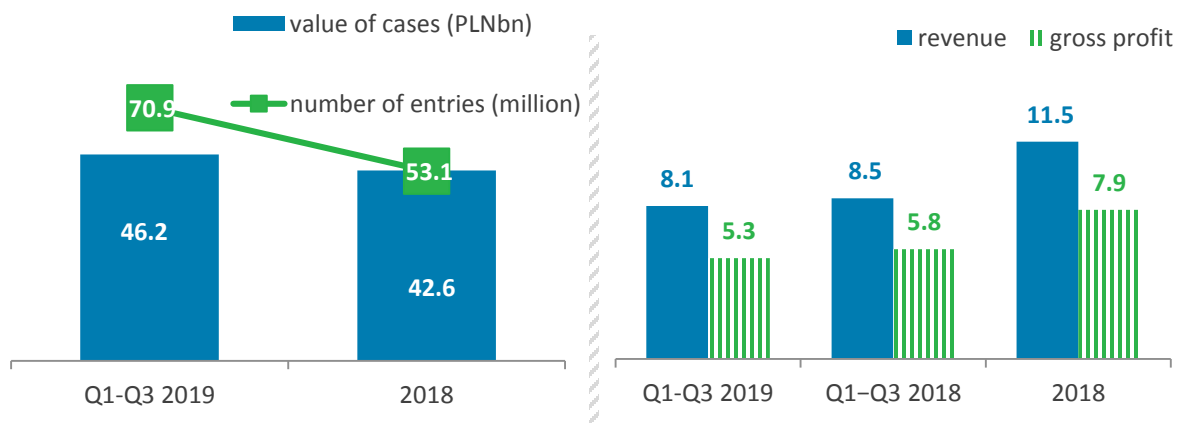
Novum year-on-year performance – financial highlights

(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.

ERIF Biuro Informacji Gospodarczej – financial highlights



ERIF's operating activities consist in collection, processing and provision of credit information on natural persons and businesses.

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KRUK Group – statement of profit or loss

PLNm	Q1-Q3 2019	Q3 2019	Q1-Q3 2018	Q3 2018	Q3 19/ Q3 18	Q1-Q3 19/ Q1-Q3 18	FY 2018
Purchased debt portfolios							
Expenditure on debt portfolios	391.9	83.0	1,054.7	647.5	-87%	-63%	1,394.6
Recoveries	1,307.2	432.9	1,144.1	381.0	14%	14%	1,576.8
Statement of profit or loss							
Operating income	948.1	326.5	893.5	288.6	13%	6%	1,164.8
Purchased debt portfolios	851.6	287.7	825.3	265.0	9%	3%	1,070.0
including revaluation	52.7	21.3	121.3	50.9	-58%	-57%	107.4
Credit management services	48.8	14.7	48.2	16.5	-11%	1%	67.4
Other products and services	47.7	24.1	20.1	7.1	239%	137%	27.4
Gross profit	525.5	183.3	528.3	170.1	8%	-1%	663.9
<i>Gross profit margin</i>	<i>55%</i>	<i>56%</i>	<i>59%</i>	<i>59%</i>			<i>57%</i>
Purchased debt portfolios	501.9	174.3	505.9	162.3	7%	-1%	632.7
Credit management services	7.9	1.7	10.1	3.2	-47%	-22%	14.8
Other products and services	15.7	7.3	12.3	4.6	54%	28%	16.4
Overheads	-127.2	-41.9	-115.5	-36.9	14%	10%	161.0
EBITDA	394.1	140.8	408.8	131.8	7%	-4%	498.2
<i>EBITDA margin</i>	<i>42%</i>	<i>43%</i>	<i>46%</i>	<i>46%</i>			<i>43%</i>
Finance costs	-102.4	-46.4	-94.8	-28.3	64%	8%	-125.7
Tax	-14.1	-5	-31.3	-6.4	-22%	-55%	-22.1
NET PROFIT	244.8	77.8	279.3	90.0	-14%	-12%	330.4
<i>Net profit margin</i>	<i>26%</i>	<i>24%</i>	<i>31%</i>	<i>31%</i>			<i>28%</i>
<i>ROE rolling</i>	<i>15%</i>	<i>15%</i>	<i>17%</i>	<i>17%</i>			<i>19%</i>
CASH EBITDA**	849.7	286.0	727.6	247.8	15%	17%	1,005.0

* EBITDA = operating profit - depreciation and amortisation

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

Source: KRUK S.A.

KRUK Group – cash flows (presentation format)

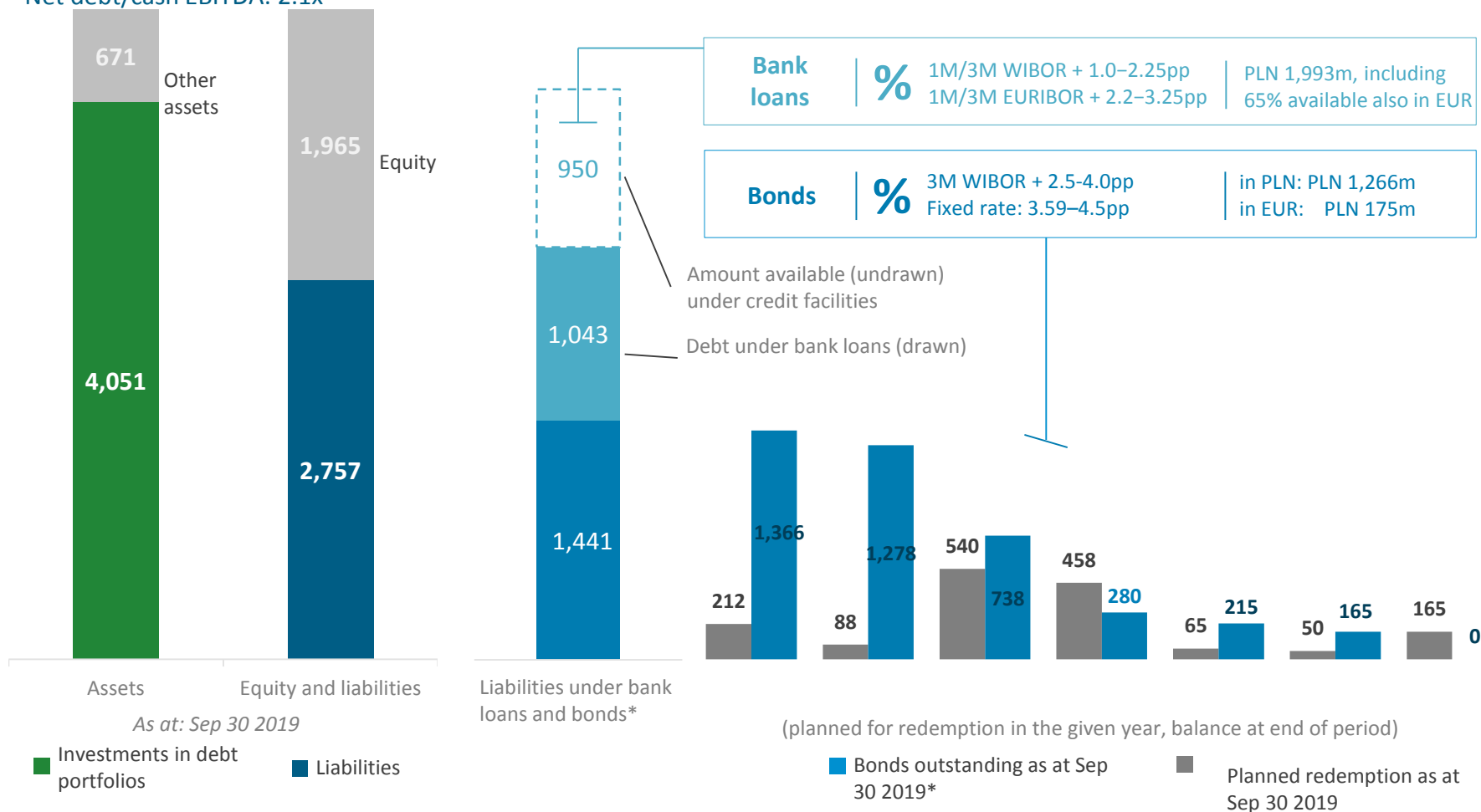
PLNm	Q1-Q3 2019	Q3 2019	Q1-Q3 2018	Q3 2018	2018	Q3 19/ Q3 18	Q1-Q3 19/Q1-Q3 18	Actual figure 2018
Cash flows from operating activities:	677.0	216.4	660.9	232.0	897.7	-7%	2%	75%
Recoveries from debtors – purchased debt portfolios	1,307.2	433.0	1,144.1	381.0	1,576.8	14%	14%	83%
Operating costs – purchased debt portfolios	-349.7	-113.5	-319.4	-102.8	-437.3	10%	9%	80%
Operating margin – credit management	7.9	1.7	10.1	3.3	14.8	-48%	-22%	53%
Administrative expenses	-127.2	-41.9	-115.5	-36.9	-161.0	14%	10%	79%
Other operating cash flow	-161.2	-62.9	-58.4	-12.7	-95.6	-359%	176%	169%
Cash flows from investing activities:	-482.1	-87.3	-1,069.5	-650.9	-1,411.7	-87%	-55%	34%
Expenditure on debt portfolio purchases	-391.9	-83.0	-1,054.7	-647.5	-1,394.6	-87%	-63%	28%
Other investing cash flow	-90.2	-4.3	-14.8	-3.5	-17.1	23%	509%	527%
Cash flows from financing activities	-177.1	-347.7	394.0	407.7	488.0	N/A	N/A	N/A
Dividend	-94.7	-94.7	-94.0	0.0	-94.0	N/A	N/A	101%
Increase in borrowings and lease liabilities	1,436.5	546.1	1,730.3	1,014.3	2,395.4	-46%	-17%	60%
Issue of bonds	215.0	25.0	0.0	0.0	65.0	N/A	N/A	331%
Decrease in borrowings and lease liabilities	-1,525.1	-644.2	-1,241.5	-637.9	-1,755.4	1%	23%	87%
Redemption of bonds	-137.7	-87.7	-65.0	-50.0	-115.0	75%	112%	120%
Other financing cash flow	-71.1	-92.2	-64.2	81.3	-7.9	N/A	11%	N/A
Net cash flows:	17.8	-218.6	-14.6	-11.2	-26.0	N/A	N/A	N/A

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

PLNm	Sep 30 2019	Sep 30 2018	Dec 31 2018
ASSETS			
Cash and cash equivalents	165.1	151.6	147.3
Investments in debt portfolios and loans	4,282.1	3,985.9	4,157.0
Other assets	274.5	186.5	177.9
Total assets	4,721.8	4,324.0	4,482.2
EQUITY AND LIABILITIES			
Equity	1,965.1	1,702.0	1,732.8
of which: Retained earnings	1,526.3	1,325.2	1,376.1
Liabilities	2,756.7	2,622.0	2,749.4
of which: Bank loans and leases	1,111.4	988.9	1,140.2
Bonds	1,438.9	1,340.1	1,359.9
Total equity and liabilities	4,721.8	4,324.0	4,482.2
METRICS			
Interest-bearing debt	2,550.3	2,329.0	2,500.0
Net interest-bearing debt	2,385.2	2,177.4	2,352.7
Net interest-bearing debt to equity	1.2	1.3	1.4
Interest-bearing debt to 12-month cash EBITDA	2.1	2.3	2.3

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

Net debt/equity 1.2x
 Net debt/cash EBITDA: 2.1x



* nominal value.

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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, London
Mar 18-19	PKO BP Polish Capital Market 2019, London
Mar 20	Carnegie Debt Collectors Day, Stockholm
Mar 21	Pekao Financial Sector in Poland-outlook for 2019, Warsaw
Apr 11-12	PKO BP CEMEA New York Conference, New York
May 21-22	Wood MidCap Gems of Emerging Europe, Warsaw
May 31-Jun 02	WallStreet 2019, Karpacz
Sep 18	Raiffeisen Polish Day, Bucharest
Sep 30	Wood Polish Innovation & Growth, Stockholm
Oct 2	mBank European Financial Conference, Warsaw
Dec 03-06	WOOD Winter 2019, Prague

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 information, go to

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

Sell-side analysts covering KRUK

Institution	Analyst	Email address
Vestor DM	Michał Fidelus	michal.fidelus@vestor.pl
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JP Morgan	Michał Kuzawiński	michal.kuzawinski@jpmorgan.com
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