



9M 2018 Earnings Presentation

15 November 2018

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Today's Presenters



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Agenda



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1. Key Highlights

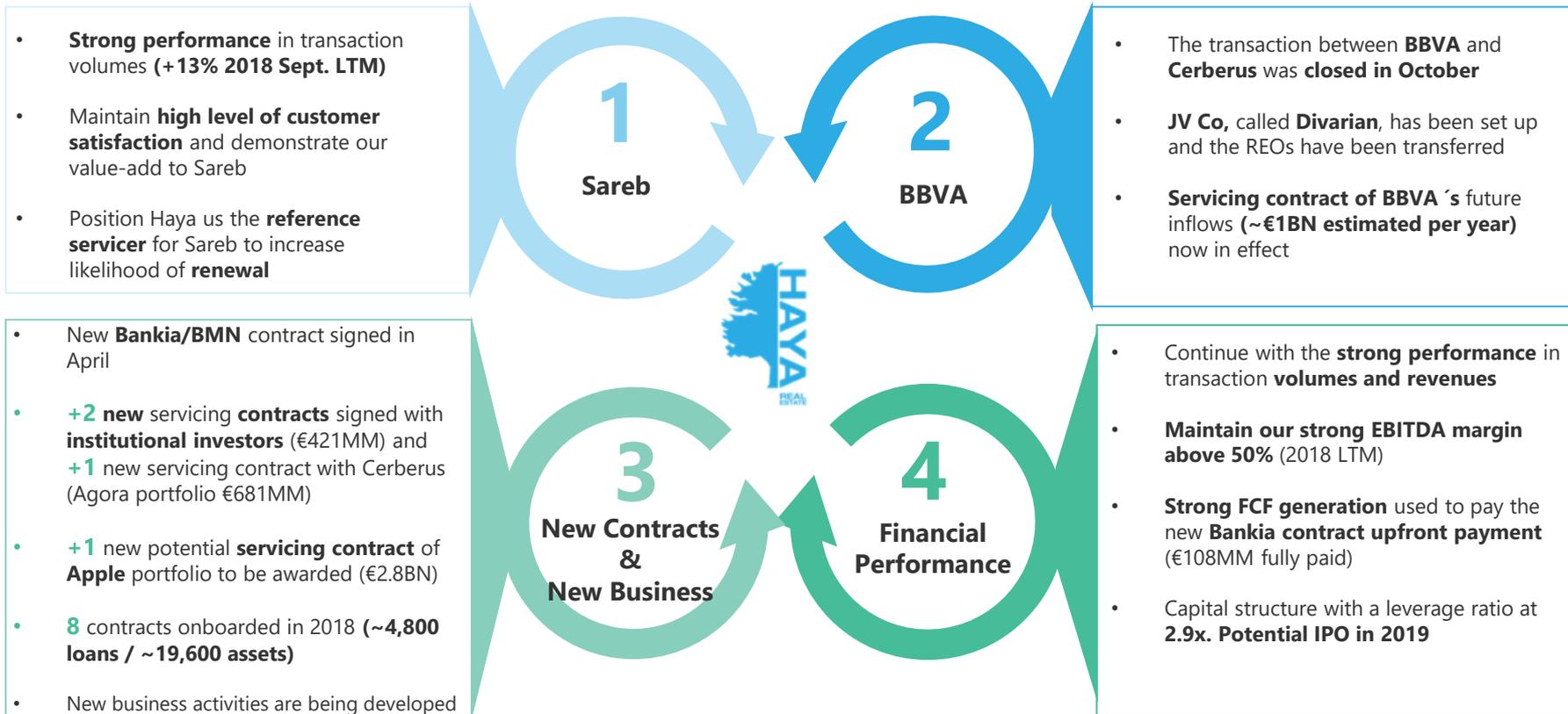
1 9M'18 - Key Highlights

- ✓ **Transaction volumes increased by +33% (€3,281.5MM) in 9M'18, allowing for 12% growth in revenues (€186.4MM)**
- ✓ **Adjusted EBITDA of €88.8MM (+1.3% vs 9M'17) with a strong EBITDA margin of ~50%**
- ✓ **Strong free cash flow generation with €87.9MM, +95% YoY, with a cash conversion ~100% in the period**
- ✓ **Assets under management of €38.2BN at September 30, 2018, with two new contracts win of €923.8MM in the third quarter. Additionally, Haya is expected to be the servicer of the Apple portfolio (€2.8BN of REOs owned by JV Co to be created between Cerberus and Santander)**
- ✓ **The transaction between Cerberus and BBVA was closed in October. JV Co, called Divarian, has been set up and the REOs have been transferred. Servicing contract of BBVA's stock and future flow now into effect**



2. Business Review

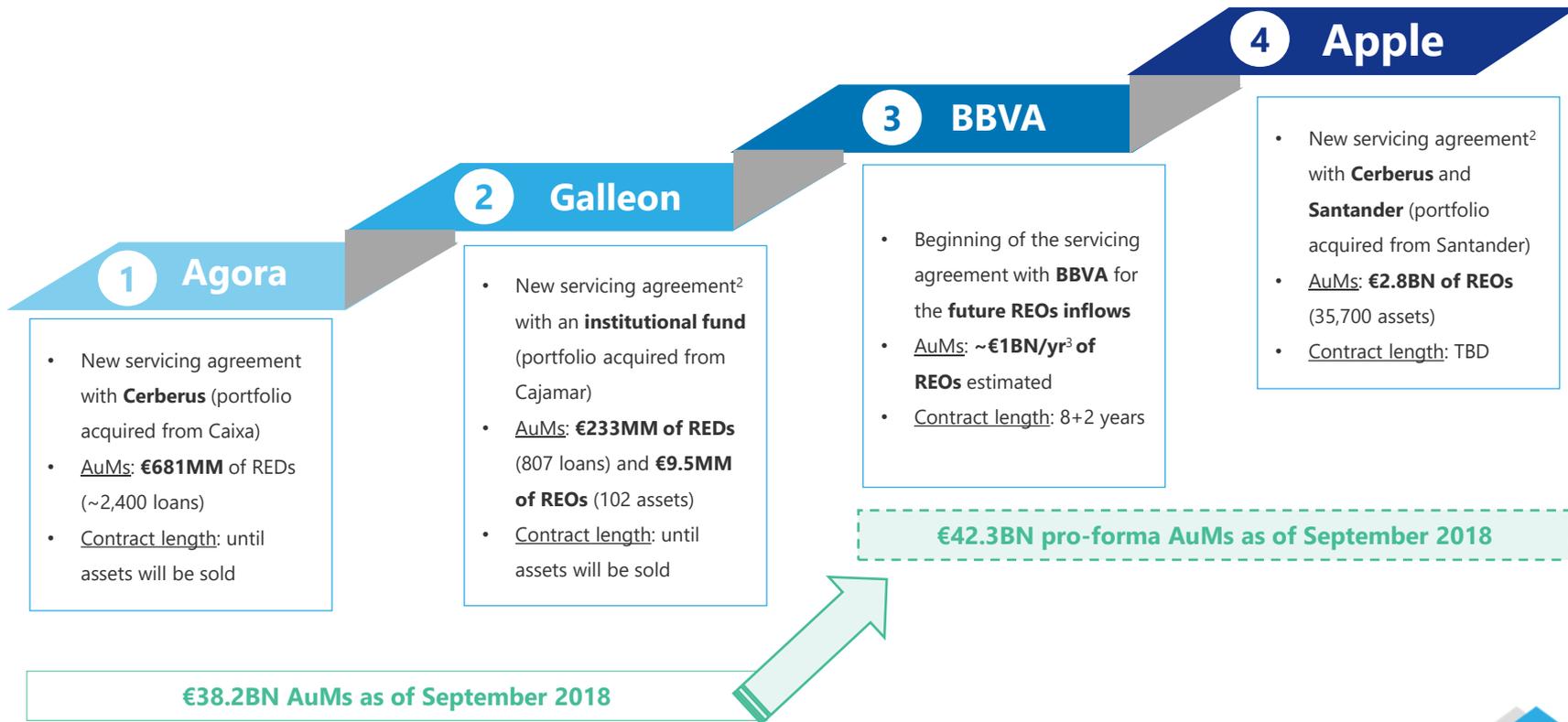
2 2018 Key Strategic Priorities



2 New servicing contracts awarded in the last months



◀ Six¹ new contracts have been awarded since the beginning of 2018



(1) Includes a new servicing contract with an institutional fund awarded in Q1'18 and the novation of the Bankia contract in April 2018; (2) Servicing agreements pending to close; (3) Estimated future REOs inflows based on historical information reported by BBVA

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BBVA / Divarian transaction update



◀ BBVA/Cerberus transaction extends HRE's success in securing new contracts



BBVA

- Agreement between BBVA and Cerberus
- Sale of ~€11BN of foreclosures assets

- ✓ JV Co set up (80% Cerberus / 20% BBVA)
- ✓ JV Co management bodies being set up
- ✓ Transaction approval by **Anti-trust/Competition Authorities**
- ✓ Transfer the assets from BBVA's different entities to JV Co

- ✓ **Divarian** (JV Co) as the **owner** of the **assets**
- ✓ **Anida** (BBVA's servicer) forms part of Divarian

- **Potential new servicing agreement** for the JV Co assets
- **Haya is well positioned** due to demonstrated **experience, track record and relationship with Cerberus/BBVA**

BBVA

- BBVA's future REOs inflows

- ✓ **Servicing agreement** between **BBVA & HRE in agreed form**
- ✓ **8 yr.** with a potential extension of **two additional years**
- ✓ **No upfront payment** required

- ✓ **Contract** comes into **effect** after **JV Co transaction closed**
- ✓ **Beginning of the management** of BBVA's REO stock generated after cut-off date begins

- Exclusive management of future REOs inflow in Spain
- **~€1BN/year** estimated¹ inflows

2 Other Business and new business initiatives update



1

Advisory

- **Underwriting of 17 portfolios** in 2018, among which are **Sabadell REOs** portfolio (Challenger & Colliseum portfolio), **Agora portfolio (NPLs Caixa)**, **Apple portfolio (Santander REOs)**
- **Valuations** of over **30,000 REO assets** and **collaterals** under management
- **Diversified customer base comprising institutional funds**

2

Securitization business

- Manages over c. **€29BN AuMs** in securitization funds (231,078 securitization assets)
- New opportunities for **structuring two new funds** with a trade receivables platform and a synthetic guarantee program with an Insurance company. Working with two financial institutions to securitise mortgage loans (€2.3BN), SMEs loans (€500MM) and other products
- New potential **securitization funds auto dealer floor plan financing**

3

Rental Business

- Management of **19,796 units (13,490 of which are rented units)**
- New contracts with an insurance company and REITs to manage its property portfolios

4

Land Management & Development

- More than **4,300 (+12,900 registered properties)** land management projects managed for our core clients
- New residential development: **10 new developments (303 houses)**, **104 WIPs** completed (1,709 houses) and **95 under completion** (1,236 houses)
- **+200 new land plots analysed**; potential transactions with family offices and investment funds.
- **Targeting new clients** (banks, institutional funds) to offer them our land management and development services

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New business initiatives

- **Ancillary services** with current clients: tax and property management
- New potential business with: **intermediaries** or **insurance companies** to manage its property portfolio
- New business initiative with rental business to structure a securitization fund with the rental contracts as collateral, the target client will be the REITs



3. Financial Review

3

Key Financial Highlights



Assets Under Management

€38,225 MM

↓ -4.8 YTD

Transaction Volumes

€3,281.5 MM

↑ +33% YoY

RED Volumes

€1,109.9 MM

↑ +22% YoY

REO Co. Volumes

€947.7 MM

↑ +26% YoY

REO Volumes

€1,223.9 MM

↑ +54% YoY

Revenues

€186.4 MM

↑ +12% YoY

Avg. Volume serv. fee 3.41%
Avg. Mangmt. fee 0.21%

Adjusted EBITDA¹

€88.8 MM

↑ +1% YoY

EBITDA margin 48%

Free Cash Flow²

€87.9 MM

↑ +95% YoY

Cash conversion 99%

Net Debt

€425.3 MM

Leverage ratio 2.9x

(1) Adjusted EBITDA is the sum of GAAP operating profit plus D&A, adding back €2.1MM costs estimated to have been incurred in connection with the IPO exploratory activities. (2) Free Cash Flow is defined as Adjusted EBITDA less capital expenditures and change in working capital.

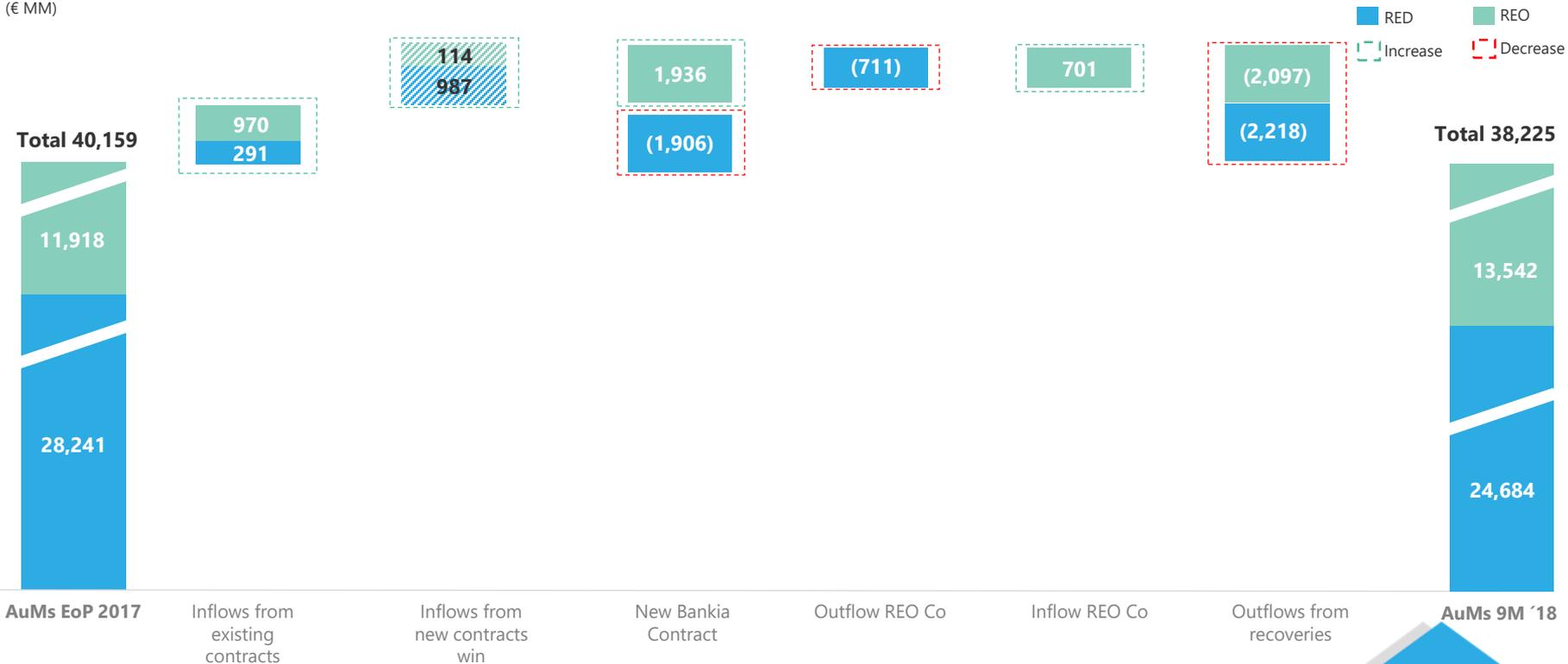
3 Assets Under Management



◀ AuMs decreased by €1,934MM compared to December 2017 mainly due to the natural evolution of the Sareb portfolio (closed perimeter) partially offset by inflows from the existing contracts and the new contracts awarded in the period

Asset under Management evolution (GBV)

(€ MM)

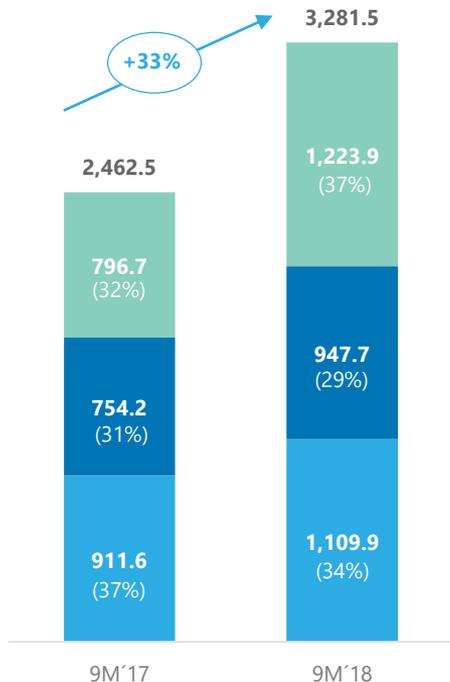


3 Transaction Volumes



Transaction volumes comparison

(€ MM)



(%) of total ■ RED ■ REO Co ■ REO

REDs Transaction Volumes

€1,110MM
+22%

- Very **strong performance** in **Cajamar**, helped by a significant **portfolio sale >€200MM in the Q2'18**. Haya has been awarded the **servicing of the portfolio sold**
- **Lower recoveries y-o-y in Bankia** due to the novation of the contract in April
- **Lower recoveries in Sareb y-o-y** as no significant portfolio sales have yet been closed

~126,000 loans managed

~20,000 loans recovered

REO Conversion Transaction Volumes

€948MM
+26%

- **Continued strong performance** in **REO Conversion** mainly due to the **strong activity in Sareb** resulting in a sharp **increase** in the **number of claims** filed during the nine months of 2018 (+2,400)
- **Lower activity in Cajamar REOCo** impacted by the large REDs portfolio sold in the period

~79% REDs portfolio is litigated

REOs Transaction Volumes

1,224MM
+54%

- **Good performance** in **Liberbank**
- **Strong performance** in **Bankia** (+25% y-o-y), due mainly to two **portfolio sales and an increase in land & commercial asset sales**
- **Good performance** in REOs sales in **Cajamar** (+23%), due to an increase in **retail and wholesale** sales; also helped by a portfolio sale in Q1'18
- **Continued growth** in **Sareb** REO retail sales (+38% YoY)

+123,000 assets managed

~23,000 assets sold

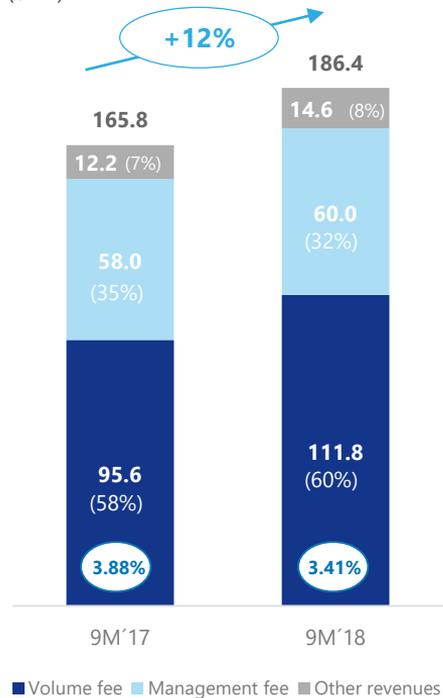
3 Revenues



Revenues increased by 12% due to the increase in volume and management fees mainly impacted by the strong performance in all REOs and REDs transaction volumes

Revenues Comparison

(€MM)



Volume fee



- Volume fee increased by 17% mainly due to:
 - Continued **strong performance** in **REOs** across all clients
 - Good performance** in **REDs** due mainly due to large **Cajamar portfolio sale** and the contribution from other clients
 - Stable **REO Co** fees in the period, good performance in Sareb partially offset by a decrease in Cajamar
 - The average volume servicing fee** as % of volumes was **3.41% mainly** due to the **portfolio sales included in the mix**



Management fee



- Management fee **increased by 3%** due to the **Liberbank and other clients contribution**, which have offset the decline in other contracts, mainly Sareb, due to the natural evolution of its closed perimeter

Other Revenues



- Other revenues **increased by 20%** mainly due to an **increase in ancillary services** in the core contracts, mainly Bankia and Liberbank, partially offset by the lower activity in the **Securitization** and **Advisory** business

(%) of total ○ % average volume servicing fee

3

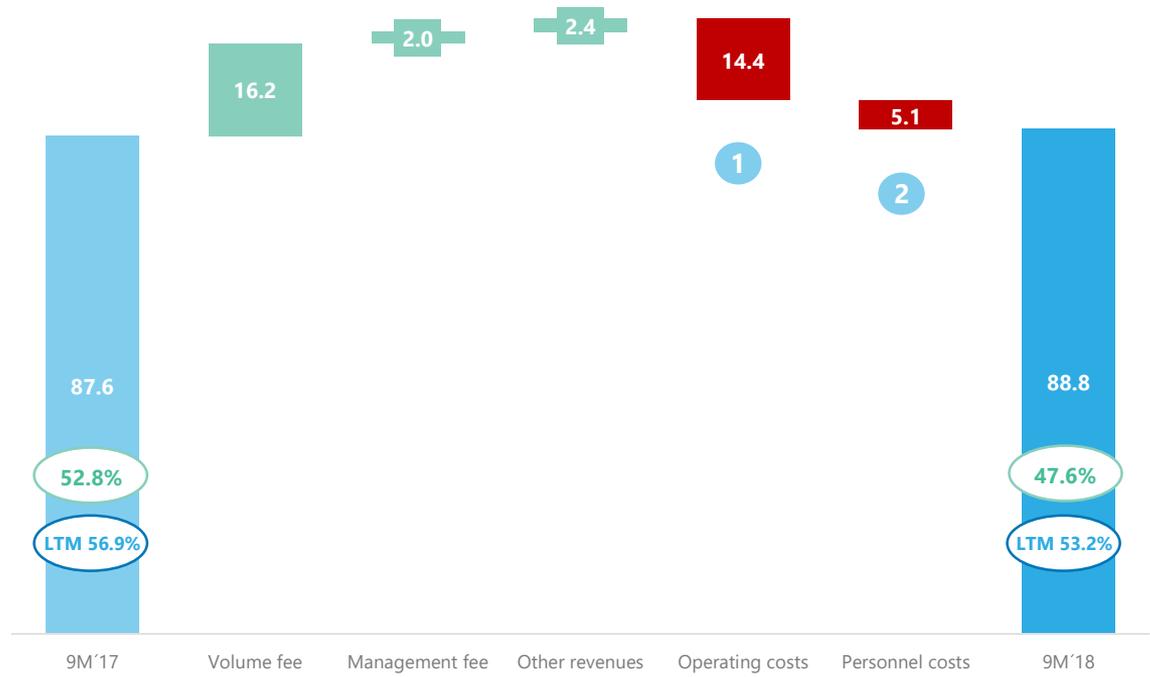
Adjusted EBITDA bridge



Adjusted EBITDA increased by 1.3% explained by a strong performance in revenues partially offset by an increase in costs mainly due to the strong performance in REOs and the costs related to the new contracts

Adjusted¹ EBITDA Bridge

(€ MM)



1 Operating costs impacted by:

- Higher **professional services** (channel costs, cost of agencies and litigation costs) due to the increase in REO and REO Co transaction volumes
- Higher **other professional services**, partially offset by **lower IT operating expenses** incurred in the period
- Higher **marketing** and **contact center** costs due to increase in REOs activity and **new commercial campaigns**
- Higher **non-recurring costs** due to M&A activity

2 Personnel costs impacted by:

- **Liberbank** and **new servicing portfolios** awarded have increased number of FTEs

○ % Adjusted EBITDA margin

3

Free Cash Flow and Net Debt Position



Free cash flow increased by 95% (+€43MM vs 9M'17) and the leverage ratio below 3.0x as of September 2018

Free Cash Flow

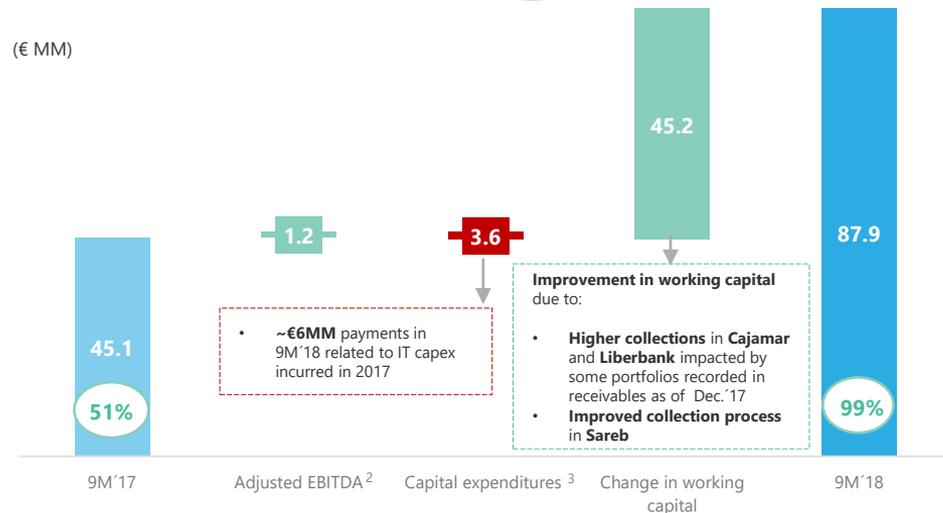
Free Cash Flow¹ Comparison

(€ MM)	9M '17	9M'18
Adjusted EBITDA²	87.6	88.8
Capital expenditures paid ³	-7.6	-11.3
Change in working capital	-34.9	10.4
Free Cash Flow	45.1	87.9

Net Debt

Main Highlights

- Leverage ratio in 9M'18 below 3.0x
- Repayment of €22MM of Bankia's VAT facility in July'18
- Bankia's upfront payment fully paid, €20MM in July and €46.8MM at the end of October



○ % Cash Conversion: FCF¹ / Adjusted EBITDA²

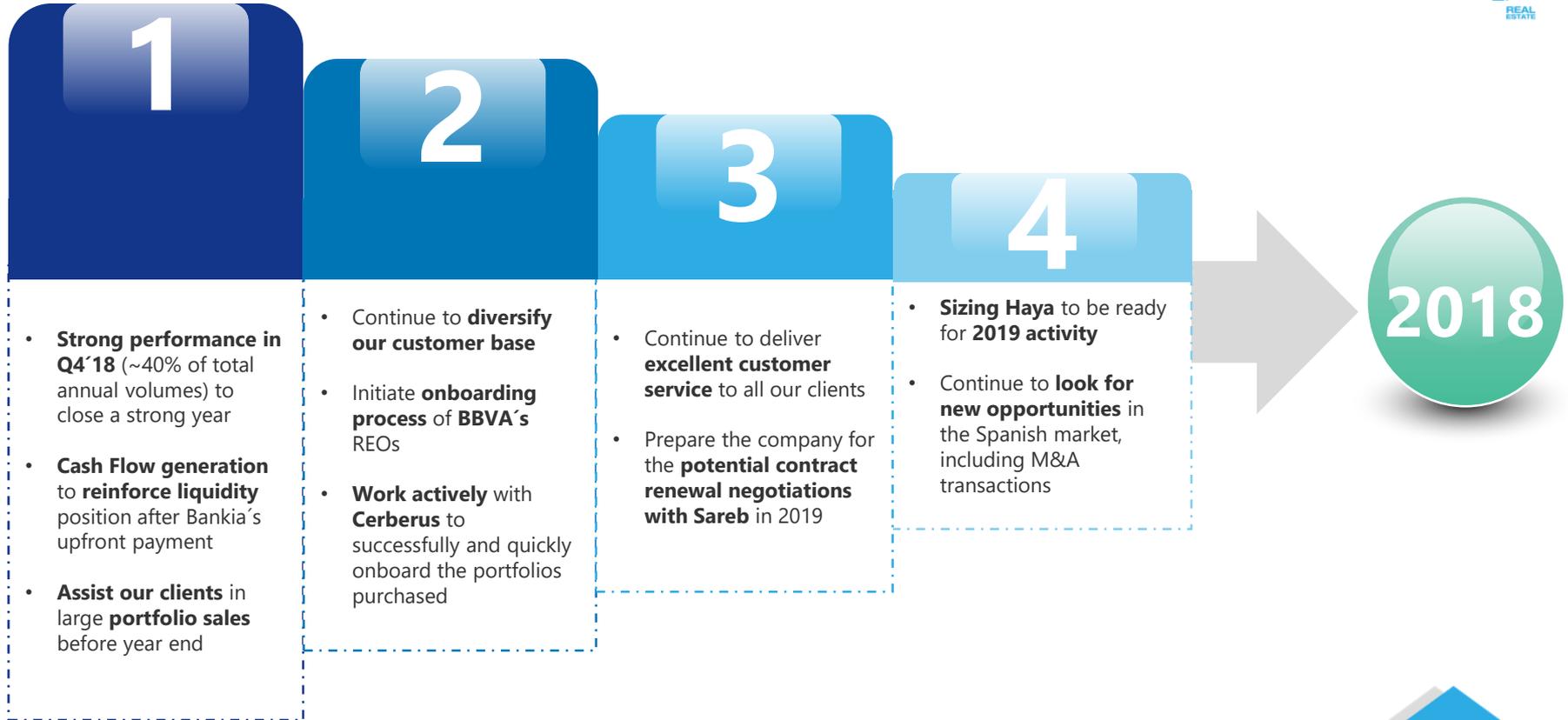
○ Leverage ratio: Net debt / Adjusted EBITDA²

(1) Free Cash Flow is defined as Adjusted EBITDA less capital expenditures and change in working capital. (2) Adjusted EBITDA is the sum of GAAP operating profit plus D&A, adding back €2.1MM costs estimated to have been incurred in connection with the IPO exploratory activities (3) Capital expenditures adjusted by €102.7MM of Liberbank's upfront payment and VAT Facility in 9M'17 and €60.9MM of Bankia's upfront payment in 9M'18



4. Conclusions

4 2018 Year to Go - Focus on...





5. Annex

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9M '18 Key Metrics



	(€ MM)	9M '17	9M '18	(%)
P&L	Revenues	165.8	186.4	12.4%
	<i>Volume fee</i>	95.6	111.8	16.9%
	<i>Management fee</i>	58.0	60.0	3.5%
	<i>Other revenues</i>	12.2	14.6	19.6%
	Operating expenses	78.2	97.7	24.9%
	<i>Other operating expenses²</i>	43.6	58.0	33.1%
	<i>Personnel Cost</i>	34.6	39.7	14.7%
	Adjusted EBITDA³	87.6	88.8	1.3%
	Adjusted EBITDA margin	52.8%	47.6%	-9.9%
	Adjusted EBIT²	31.9	13.2	-58.5%
Adjusted EBIT margin	19.2%	7.1%	-63.1%	
APMs ¹	Assets under management	40,159⁴	38,225	-4.8%
	Total transaction volumes	2,462.5	3,281.5	33.3%
	Average volume servicing fee	3.88%	3.41%	-12.3%
	Average asset management servicing fee	0.19%	0.21%	6.7%
	Free cash flow	45.1	87.9	94.8%
	Cash conversion	51%	99%	92.3%
	Net debt	443.1⁴	425.3	-4.0%
	Leverage ratio	3.0⁴	2.9	-4.8%

(1) See Management Discussion & Analysis of Financial Condition and Results of Operations for the description of the Alternative Performance Metrics (APMs) (2) Other operating expenses adjusted by €2.1MM costs estimated to have been incurred in connection with the IPO exploratory activities (3) Adjusted EBITDA is the sum of GAAP operating profit plus D&A, adding back €2.1MM costs estimated to have been incurred in connection with the IPO exploratory activities (4) Figures as of December, 2017



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