



Q1 2021 Earnings Presentation

May 27, 2021



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Today's Presenters



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Agenda



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1 Key Highlights Q1'21

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- ⊙ **Uncertainty continues to be a key driver in 2021. No clear visibility around the evolution of the pandemic and therefore economic activity, regulatory measures, impact of banking consolidation and the Sareb's upcoming tender process**

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- ⊙ **After a slow start, gradual recovery in activity in Q1'21 mainly since March. This trend is expected to continue during the year if the pandemic and economic activity evolve as currently expected**

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- ⊙ **Transaction Volumes of €561.5MM (€2,440.9MM LTM) driving revenues of €44.7MM (€176.5MM LTM and -1% vs. Q1'20) and Adjusted EBITDA of €13.6MM (€59.6MM LTM) implying a 30% Adjusted EBITDA margin (34% LTM)**

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- ⊙ **Continued efforts to manage costs start paying off. Total costs in Q1'21 are 20% below Q1'20, with similar Revenues. Ongoing Transformation Plan will help to consolidate and drive further improvements**

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- ⊙ **Free cash flow generation of €13.9MM in the quarter (€54.3MM LTM) resulting in a strong cash conversion >100%. Cash position of €61.9MM at the end of the period**



2. Business Review



COVID Situation

- End of **State of Alarm in May '21** due to the improvement in the pandemic situation
- **Significant improvement and increased pace of vaccination process in Q2'21** targeting to reach 70% of immunized population by Q3'21
- **Unclear potential impact of new virus strains** but so far, contagion figures show progressive decrease
- **Reduction in restriction measures** implemented due to the pandemic

These effects are improving activity and the macro situation which could imply a recovery in the economy in H2'21



Regulatory & Legal Environment

- **Government measures expected to be maintained until Q4'21** but **no** current expectations of **further extensions (moratoriums)** expected to finish in Sept.'21 for resi mortgages and Dec.'21 for bankruptcies) and **other protection measures** (temporary labour restructuring process and protection against evictions expected to finish in Q2-Q3'21)

Due to moratoriums, increase in bank's NPAs is not expected until 2022



Banking Consolidation

- **Caixabank & Bankia** were merged in Q1'21
 - Caixabank has confirmed its desire to continue working under current (former Bankia) contract conditions
 - Currently, working with Caixabank on the integration project

Unicaja & Liberbank merger:

- Shareholder meeting has approved the transaction in Q1'21
- The banks expect to close the transaction and obtain regulatory approvals in Q2-Q3'21

Once mergers and integration processes are completed, we might have higher visibility about the implications to our contracts



Sareb

- Sareb is expected to **launch in Q2'21 a similar process** to the one conducted in 2019 for Haya's perimeter
- As of today, the **details** on this process **are still uncertain**:

Opportunity: potential capture of new perimeter from other servicers

Risk: Sareb could decide to reorganize their entire portfolio including our contract

Working with Sareb to exceed 2021's objectives and preparing to participate in the upcoming tender

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Business and Performance Update



NPLs

- **Government measures:**
 - **Moratoriums:** potential no further extension for resi mortgages moratoriums (**Sept. '21**) and bankruptcies moratoriums (**Dec. '21**)
 - Government approved a **Code of good practices** for debtors affected by COVID-19
- **Improvement in NPL cash** volumes vs to Q1'20

- **NPLs** performance expected to continue in this **stable** trend
- **Progressive improvement in REO Co** (DILs and foreclosures) is expected over 2021
- **Inflows** are still lower than expectations. New NPLs likely to be delayed to **2022**
- Some of our banking clients **have recently announced an increase in provision levels**, ahead of the end of moratoriums
- Potential **portfolio sales** activity in **2022**

REO Co

- **Courts** continuing **recovering** a normalized **activity**
- **Gradual recovery in REO CO** performance but **is below** vs **last year** despite the judicial suspensions of mid March'20

REO Residential Assets

- **Continue the commercial activity** increasing the formalization levels converting offers into sales (buyers looking for real estate as a safe haven asset)
- **The trend could change** once the banks increase their NPAs after the COVID crisis **should access to financing becomes more difficult**

- **REOs performance lower than expected in Q1'21** impacted by the third COVID-19 wave
- **Gradual recovery** observed since March'21
- **2021 performance will depend** on the **macro** and pandemic evolution in **H2'21**
- NPL increase **inflows** expected for **2022** but **REO inflows** derived from those will have a lag/go **beyond 22** given time to convert
- Potential **portfolio sales activity in 2022** as a result of the banking consolidation and divestments in NPAs before new inflows come

REO Land Assets

- **Strong pipeline** across the clients comprised by different typologies of lands
- **Potential improved performance** in 2021 if the situation evolves positively

REO Commercial Assets

- **Low demand** continues, however, a **slight recovery** could occur in **H2'21**
- **High liquidity** in the market which **could increase the sales**



3. Financial Review

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Key Financial Highlights – Q1'21



**Assets Under Management
March'21**

€31,766MM

Transaction Volumes Q1'21

€561.5MM
LTM €2,440.9MM

NPL Volumes Q1'21

€79.0MM
LTM €392.1MM

REO Co Volumes Q1'21

€96.8MM
LTM €674.4MM

REO Volumes Q1'21

€385.8MM
LTM €1,374.4MM

Revenues

€44.7MM
LTM €176.5MM

Avg. Volume serv. fee 4.22%
Avg. Mgmt. fee 0.18%

Adjusted EBITDA¹

€13.6MM
LTM 59.6MM

EBITDA margin 30%
LTM EBITDA margin 34%

Free Cash Flow²

€13.9MM
LTM €54.3MM

Cash conversion 102%
LTM Cash Conversion 91%

Net Debt

€364.2MM

Leverage ratio 6.1x

Net Loss

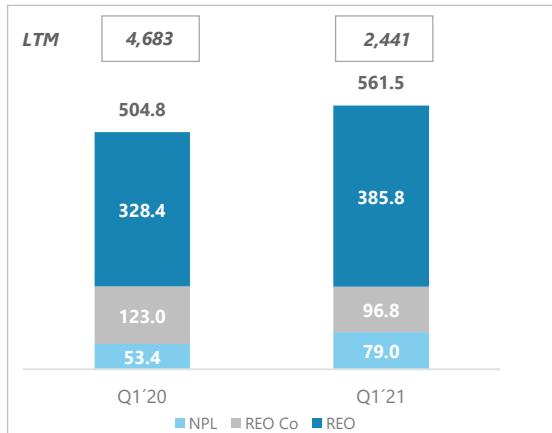
€2.0MM

(1) Adjusted EBITDA is the sum of GAAP operating profit plus D&A, adding back €6.4MM of non recurring costs in Q1'20 (restructuring labour process cost); (2) Free Cash Flow is defined as Adjusted EBITDA less capital expenditures and change in working capital

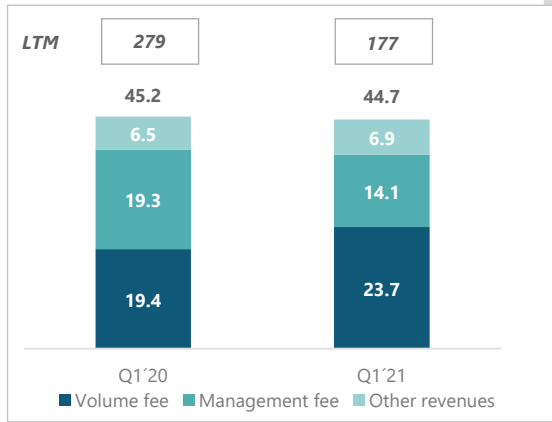
3 Transaction Volumes and Revenues Performance



Transaction Volumes (€MM)



Revenues (€MM)



NPL Volumes

- **Volumes increased by +€26MM** compared to last year which was mainly impacted by the beginning of COVID-19 crisis
- Slightly recovery since Jan.'21 due to an improvement in the macro situation, however the **activity is still lower versus other years**

REO Co Volumes

- **Recoveries decreased by -€26MM** affected by **lower performance in Jan.'21-Feb.'21** mainly driven by the third COVID-19 wave
- **Gradual improvement** month by month which is expected to continue in Q2'21

REO Volumes

- **Volumes increased by +€57MM versus Q1'20** due to **progressive recovery in activity in the quarter** in most of the clients. Moreover, COVID-19 crisis started in mid March'20 which affected significantly the performance last year (traditionally stronger month of the Q)

% volume servicing fee increase to 4.22% vs 3.85% in Q1'20 as consequence of higher weight in NPLs and REOs transactions which implies higher commissions compared to REO Co fees

Management fee mainly impacted by the **transition period in Sareb contract in Q1'20** which does not have any corresponding impact in 2021. Management fee also decreased due to the natural evolution of the perimeters

Other revenues remains almost stable compared to Q1'20

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Focus on Costs

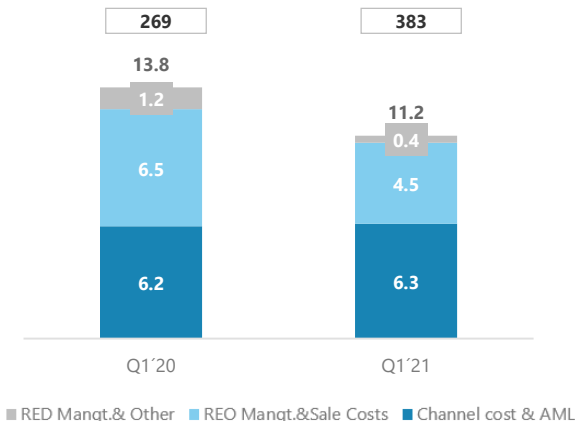


Operating Expenses

Personnel Cost¹

Direct Cost (€MM)

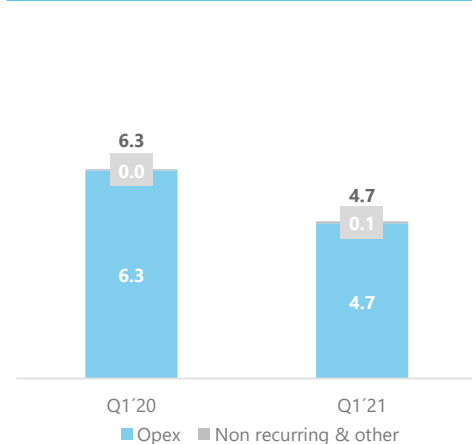
Main Driver: REO volumes, ex portfolios



Direct cost has decreased by -€2.7MM as a result of:

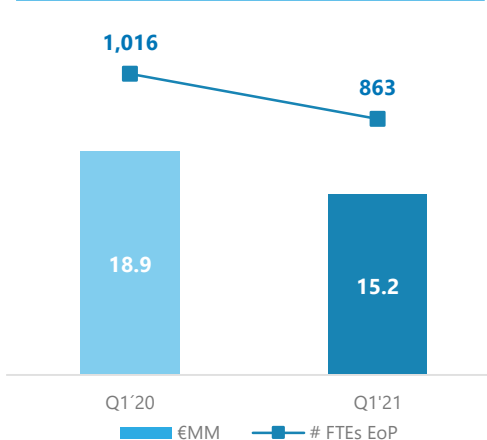
- **Lower channel cost** as % of REO volumes ex portfolio due to the **Transformation Plan** measures implanted and change in channel mix vs last year
- **Lower REO and NPL management** costs as a result of the new **Sareb contract** has a different scope of services and does not imply certain services

Opex (€MM)



- **Total Opex has decreased by -€1.6MM** mainly due to **cost reductions** within IT and external consultancy services thanks to cost reduction **measures established** in the **Transformation Plan**

Evolution (€MM)



- **Personnel cost decreases -€3.7MM versus Q1'20 as a consequence of lower employees.** Labour restructuring process was completed in April'20

3 Free Cash Flow and Net Debt



Free Cash Flow¹

Highlights

- **FCF of €13.9MM in Q1'21 (€54.3MM LTM Q1'21)** continuing with an exceptional **cash conversion of 102% (91% LTM Q1'21)**
- Continue to be **focused on collections** trying to **reduce** the level of **accounts receivable in our balance sheet**

(€ MM)	LTM Q1'20	LTM Q1'21
Adjusted EBITDA²	92.5	59.6
Capital expenditures ³	-11.0	-14.1
Change in working capital	9.5	8.8
Free Cash Flow¹	91.0	54.3
Cash conversion	98%	91%

Cash & Net Debt Position

Highlights

- **Strong cash position of €61.9MM as of March'21**
- **RCF drawn in 2020 was totally repaid in February'21 (€3.9MM)** due to no short-term liquidity needs
- **Leverage ratio of 6.1x as of March'21** which continues **impacted** by **COVID-19 crisis**

(€ MM)	FY 2020	Q1'21
Total gross debt	426.8	426.1
Cash on Balance Sheet	54.0	61.9
Total net debt	372.8	364.2
Adjusted EBITDA LTM²	52.2	59.6
Leverage Ratio	7.1x	6.1x

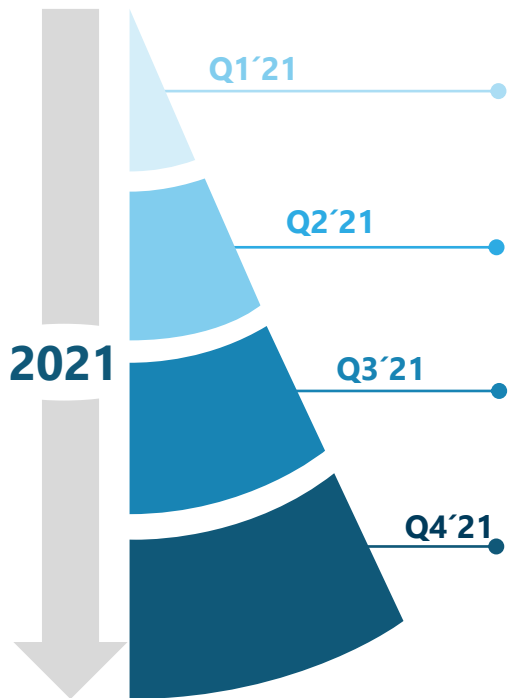
(1) Free Cash Flow is defined as Adjusted EBITDA less capital expenditures and change in working capital. (2) Adjusted EBITDA LTM is the sum of GAAP operating profit plus D&A, adding back €6.4MM of restructuring cost in Q1'20 (3) Payments for the right-of use assets are not included



4. Conclusion

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Conclusion



Macro Environment	Sector	Business Performance
<ul style="list-style-type: none"> • 3rd wave of COVID • Spain in State of Alarm with strong restriction measures 	<ul style="list-style-type: none"> • Caixabank & Bankia were merged • Unicaja & Liberbank merger approved by the Shareholders 	<ul style="list-style-type: none"> • Q1'21 performance lower than expectations • Improved Adjusted EBITDA thanks to cost management
<ul style="list-style-type: none"> • End of State of Alarm (May'21) • Faster pace in vaccination process 	<ul style="list-style-type: none"> • Sareb expected to launch a tender process to renew its servicing contracts • Potential completion of Unicaja & Liberbank merger 	<ul style="list-style-type: none"> • Progressive recovery seen since March'21 and is expected to continue during the quarter
<ul style="list-style-type: none"> • Potential herd immunity in Spain which could boost activity and economic recovery • Key quarters to see the evolution of macro situation 	<p>Potential higher visibility over:</p> <ul style="list-style-type: none"> • Sareb process outcome • Implications of Unicaja & Liberbank merger in our contract 	<ul style="list-style-type: none"> • Critical quarters for 2021 business performance, (specially Q4 due to seasonality) • Despite a potential macro improvement in H2'21, FY'21 results will still be impacted by COVID-19

Under this uncertain scenario we remain focused on ensuring maximum service quality to our clients, improving our results and continue to generate a high cash conversion ratio



5. Annex

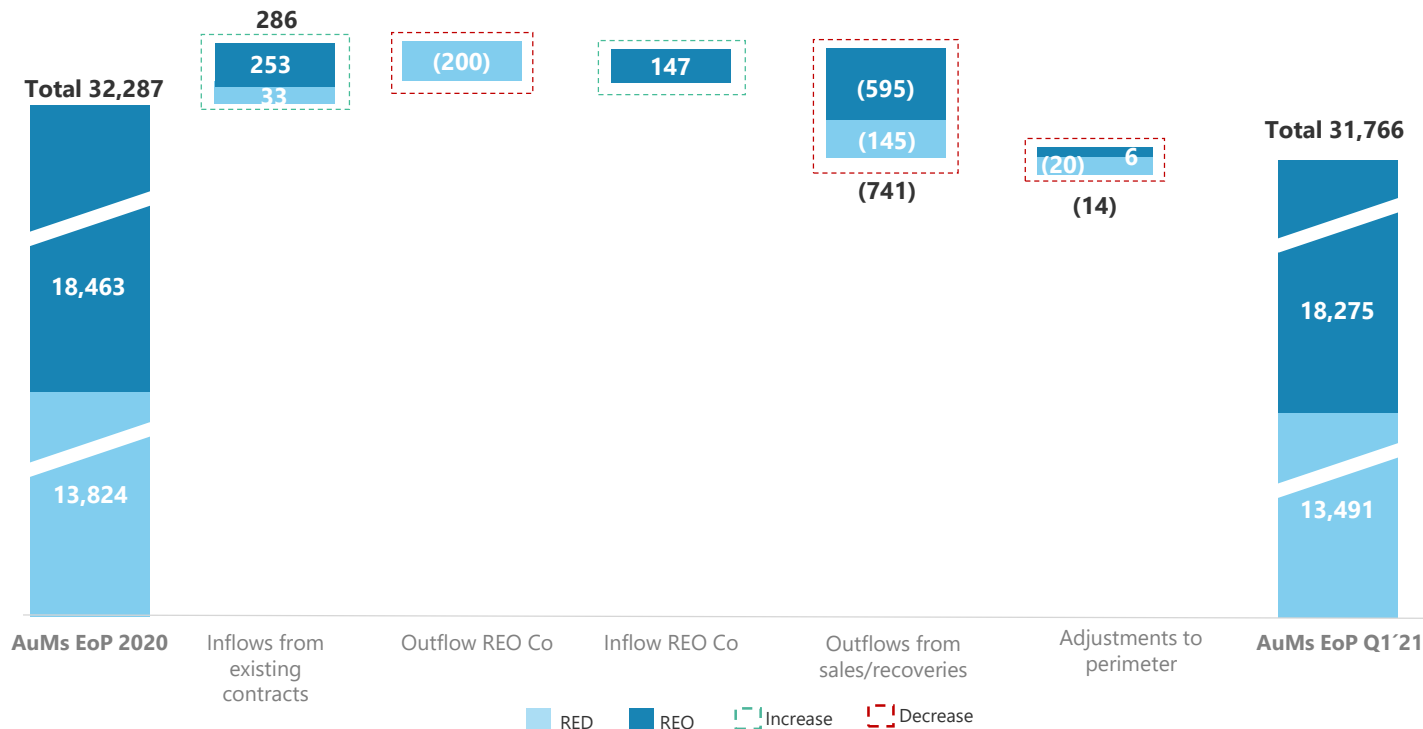
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Assets Under Management



Asset under Management evolution (GBV¹)

(€ MM)





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