9M 2019 Earnings Presentation

November 19th, 2019

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Today´s Presenters

Carlos Abad Rico

CEO & Director of the Board

Bárbara Zubiría Furest

CFO

Agenda

1

9M´19 - Key Highlights

1. We have signed a new contract with Sareb after a very competitive process. Haya has been selected to carry out the transition to Sareb´s new business model. The new contract will be effective on 1st January 2020

2. Assets under management increased by 7% in 9M´19, up to €42BN comprised by >200,000 real estate units and ~120,000 loans under management

3. Transaction volumes have increased by 9% (+€293MM) achieving €3,574.3MM as result of a strong performance in REO volumes, in particular in Bankia, Sareb and the contribution from Divarian, Apple and BBVA

4. Revenues have also increased by 7% to €199.1MM in 9M'19 driving Adjusted EBITDA to €70.5MM. Continued efforts in cost savings according to the plan established at the beginning of the year

5. Strong free cash flow generation of €70.8MM (cash conversion ratio above 100%) allowing us to end the quarter with a significant cash position of €72.2MM

6. Divarian integration on track. Strong focus to speed up the commercial ramp up in the new clients (BBVA, Divarian and Apple)

2. Business Review

2 Recent Developments

Sareb

- **New servicing contract signed** with Sareb in a very **competitive process**
- Again, we **prove our capacity to renew** our existing servicing contracts due to the **quality** of the **service offered**
- **Best opportunity to capture new AuMs in 2021** when the other servicers´ contracts come up for renewal

Divarian & Apple

- **Divarian integration on track;** we continue with the **plan established**
- Employees **voluntary return to BBVA** are taking place as expected**,** with **focus on retention of key talent** (Currently, 297 FTEs vs 345 FTEs at the beginning of the contract)
- Strong **focus on speed up of commercial ramp** to achieve commercial targets for next years
- **Apple** portfolio **onboarded**. **Focus** also on **commercial activity**

New Debt Services unit

- Creation of a **best-in-class debt servicing unit** to manage **entire recovery value chain** for the clients
- Provide a **service** that **covers all stages** of the recovery process
- **New project launched** with one of our core clients **for retail secured debt recovery**
- **Opportunity** to **increase** our **scope of services** to **early stages** with other of our existing clients
- Some **synergies** could be reached **having the same servicer / provider in all stages** of the process

Securitization

- **Haya Titulización** continues as the most **active manager in the constitution of FABs** (Banking Assets Fund) **with Sareb**
- During the quarter, **Haya Titulización has been awarded** the legal administration and representation of **ESLA FAB with initial AuMs of €74MM, but capacity to reach €700MM**

Property Management

- Continued collaboration and **opportunity to manage rental units from Cerberus portfolios**
- **Participating in rentals management licitation for Sareb**

3 Sareb – New Contract Outcome

Highlights

- We have been **selected** by Sareb to **manage all of the assets tendered in the Esparta process**
- We will be the **first servicer to support Sareb´s transition** to its **new business model**

Opportunity for HRE

- Sareb is the **largest asset holder in Spain**
- **Unparalleled opportunity** to retain these AuMs

- **First mover advantage**
- We could be in a **unique position** to capture **additional volumes in 2022** (maturity of the remaining contracts, Dec.´21). **Licitation on rentals management** already underway

Main Terms

Upfront Payment	• **Not required**
Maturity	• **2.5 years** (mid 2022)
Perimeter	• **€8.4BN in NBV (~€15BN in GBV)**. We have been awarded the total perimeter auctioned, Sareb wants to manage directly the large debtors and a list of specific REOs
Scope of services	• Mainly, **commercialization activities in REDs, REOs, insolvencies and Deeds in Lieu.** Sareb will assume certain non-commercial functions (i.e. technical management and property maintenance, land development and litigation control)
Fee Structure	• Model based on **success fee (volume fee) combined** with a very **low fixed fee** due to: (i) no upfront payment /guarantee; (ii) reduction in services (with corresponding reduction in costs) and (iii) price reduction from competitive process • Reduction in the scope of services • **EBITDA margins** will tend to "market like" margins, as in recently awarded contracts

Estimated Results

- **2020 year**, we expect to have a combination between:
  - **New contract** contribution
  - **Transition period** of old contract until full migration of activities not under the scope of the new contract
  - Additionally, we expect to have **an improvement in working capital** from pending collections under the existing contract
- We hope to **increase our scope of services** gradually as Sareb selects suppliers for other activities across the value chain and participate in future bids for additional volumes on other contracts end

3. Financial Review

3 Key Financial Highlights – 9M´19

Assets Under Management

€42,431MM

Transaction Volumes

9M´19

€3,574.3MM
LTM €5,087.1MM

RED Volumes 9M´19

€930.5MM
LTM €1,326.2MM

REO Co. Volumes 9M´19

€846.6MM
LTM €1,186.0MM

REO Volumes 9M´19

€1,797.2MM
LTM €2,574.8MM

Revenues

€199.1MM
LTM €286.4MM
Avg. Volume serv. fee 2.90%
Avg. Mangmt. fee 0.24%

Adjusted EBITDA[1]

€70.5MM
LTM €114.3MM
LTM EBITDA margin 40%

Free Cash Flow[2]

€70.8MM
LTM €105.6MM
LTM Cash conversion 92%

Net Debt

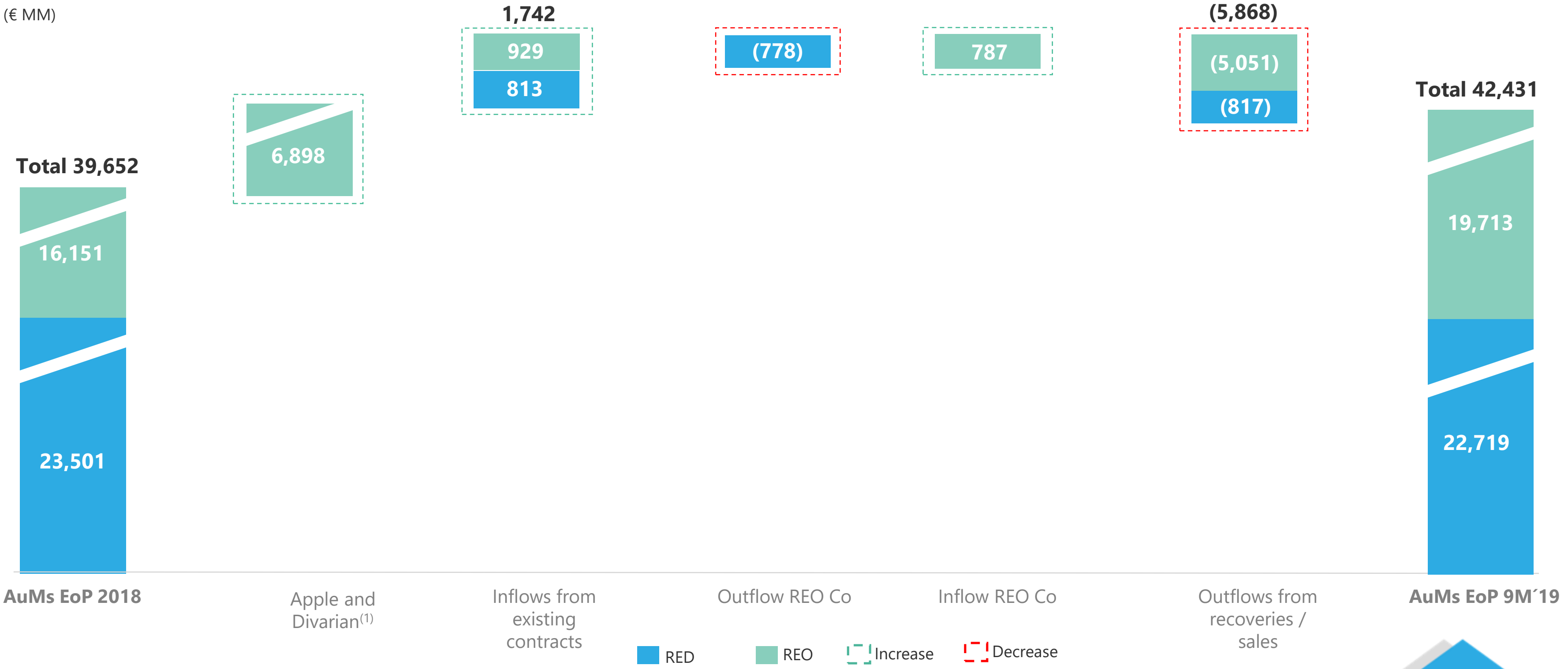
€402.0MM
Leverage ratio 3.5x

(1) Adjusted EBITDA is the sum of GAAP operating profit plus D&A, adding back €4.2MM of non recurring costs (mainly M&A expenses); (2) Free Cash Flow is defined as Adjusted EBITDA less capital expenditures and change in working capital

3 Assets Under Management

AuMs increased by €2.8BN compared to December 2018 mainly due to the Divarian and Apple contribution and the inflows from existing contracts; partially offset by the natural evolution of the Sareb portfolio (closed perimeter) and the large portfolio sold by Bankia

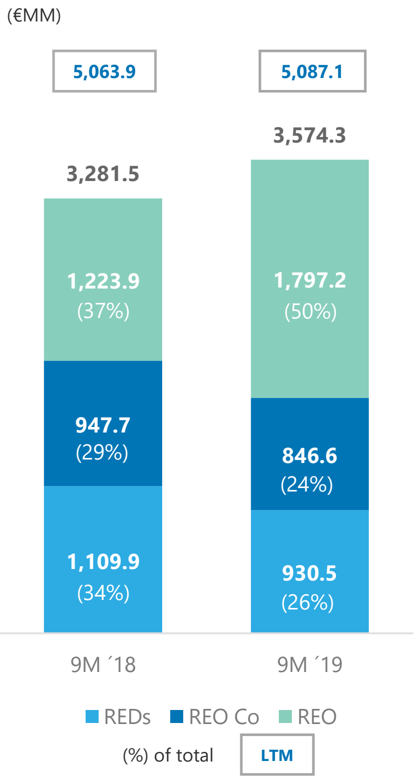
Asset under Management evolution (GBV[1])



(1) BBVA, Apple and Divarian perimeters included at appraisal value

3 Transaction Volumes

Transaction volumes comparison



REDs Transaction Volumes

€930.5MM
LTM €1,326MM

- **Strong performance in Bankia due to the October portfolio sold in July´19**, for which Haya earns a fee due to protection mechanisms established in the contract
- **Lower** recoveries in **Sareb** impacted by Sareb's **new business strategy,** strong focus on margins and the reduction of the loan activity
- **Lower activity in Cajamar** due to large portfolio sold in Q2´18 of +€200MM
- **Strong performance** in Cerberus portfolios

REO Conversion Transaction Volumes

€846.6MM
LTM €1,186MM

- REO Conversion impacted by **lower activity in foreclosures in Sareb** due to the large litigation plan carried out in 2017 and 2018**. Continued growth in DILs** and **Bankruptcies**, in line with new strategy
- **Decrease in Cajamar** as a result of **lower DILs** closed in 2019. **New pilot** is being developed to **boost** this business line

REOs Transaction Volumes

€1,797.2MM
LTM €2,575MM

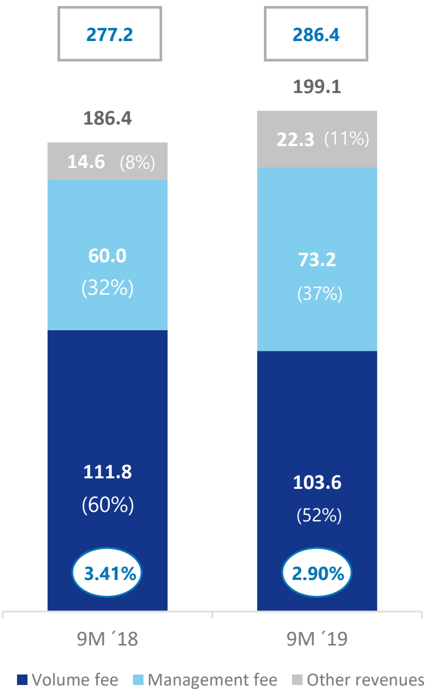
- **Strong performance in Bankia** due to the **October portfolio** sold in July. Also helped by a **good performance in retail sales**
- **Divarian, Apple and BBVA contribution in 9M´19 (+€200MM)** with no corresponding impact in 9M´18. **Still in commercial ramp up**
- **Lower activity in Cajamar and Liberbank** due to a portfolio sold in Q1´18 (+€100MM)

3 Revenues

Revenues increased by 7% driven by higher management fee and other revenues (Divarian, BBVA and Apple contribution)

Revenues Comparison

(€MM)



% average volume servicing fee (%) of total LTM

Volume fee

- Volume fee **decreased by 7%** mainly due to :
  - Decrease in **REDs volume fee** impacted by the **lower activity in Sareb**, as well as **lower Cajamar** fees comparatively due to a large portfolio sold in 2018; **partially offset by the October portfolio** sold by Bankia in July´19
  - Slight **decrease in REO Co** fees due to **Cajamar** performance partially **offset by** volume fee from **Sareb**
  - **Increase in REOs volume fee** due to the **good performance in Bankia, Sareb** and the contribution of the **new contracts (Apple, Divarian and BBVA)**
  - The **average volume servicing fee** as % of volumes was **2.90%** mainly due to the large October portfolio sale (**3.46%** ex October portfolio)

Breakdown by product

9M´18 : €111.8MM

9M´19: €103.6MM

Management fee

- **Management fee increased by 22%** mainly due to the **contribution of** the **new contracts** (BBVA, Divarian, Apple) and existing contracts (Liberbank and other clients) which have offset the natural decline in Sareb and Cajamar

Other Revenues

- Other revenues **increased by 53%** due to: (i) **contribution from** the **new contracts** (BBVA, Apple and Divarian) and (ii) an increase in **ancillary services related mainly to maintenance of REOs under management**, mainly in Bankia and Sareb, as the Company is acting as a **central maintenance agency** on behalf of its clients; which have a corresponding impact in operating costs

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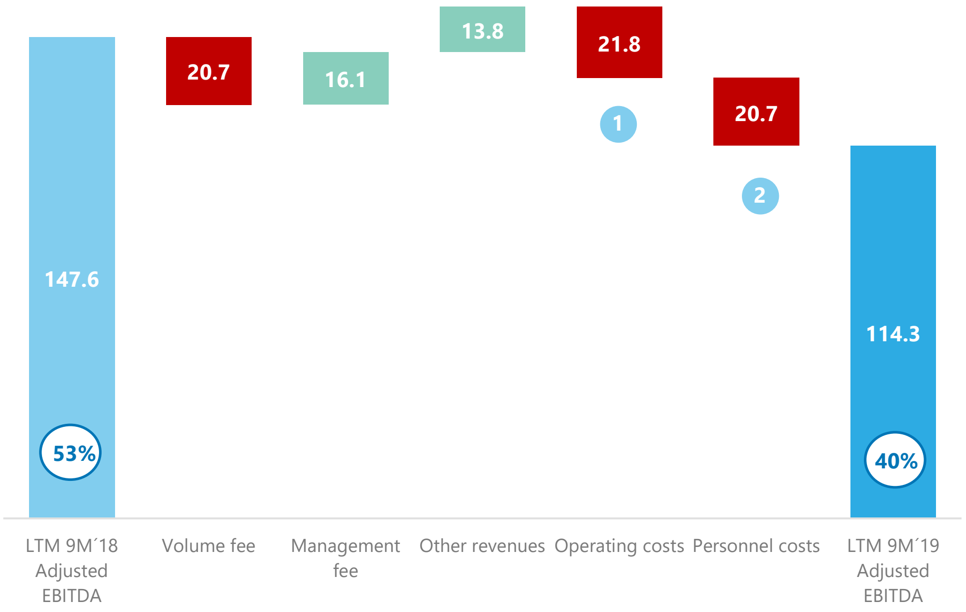
Adjusted EBITDA bridge

Adjusted EBITDA has been impacted by an increase in operating and personnel costs mainly due to the strong performance in REOs and the Divarian integration; it has been partially offset by an increase in management fee and other revenues contribution from the new clients

Adjusted[1] EBITDA LTM Bridge

(€MM)



% Adjusted[1] EBITDA margin

1 Operating costs impacted by:

- Increase in direct costs due to:
  - **Higher channel costs** due to the **strong performance in REO** volumes
  - **Higher** cost of **agencies** due to Bankia, Sareb contribution which are offset with a corresponding increase in **revenues** recognized in "other revenues"
  - **Higher direct costs related to Divarian and BBVA**, with no corresponding impact in 2018
- **Higher marketing costs** associated with the REO performance and higher general expenses due to the Divarian integration
- The increase in operating costs are **partially offset** with **lower temporary workforce** (substituted by BPOs), **lower IT opex, and mitigated by the synergies already captured and the cost reduction plan**

2 Personnel costs impacted by:

- **The new servicing contracts awarded and corporate functions reinforced** have increased number of FTEs. A **net reduction** has been achieved, however, when excluding Divarian
- **Divarian integration of 345 FTEs** starting June 1, 2019. FTEs **down to 328 as of Sept.´19 due to employees exercising their right to return to BBVA**

Focus on a **Cost Reduction Plan** allowing:

- **1) Reduce operating costs** quarter by quarter
- **2) Reallocate some FTEs** from existing clients to new clients, looking for **more efficiency in the contracts**

(1) Adjusted EBITDA is the sum of GAAP operating profit plus D&A, adding back €7.9MM of non recurring expenses (M&A expenses) in LTM 2019

3 Free Cash Flow and Net Debt

Free cash flow of €105.6MM YoY as a result of strong focus on cash collections in the quarter and less capex paid compared to LTM´18. Leverage ratio at 3.5x

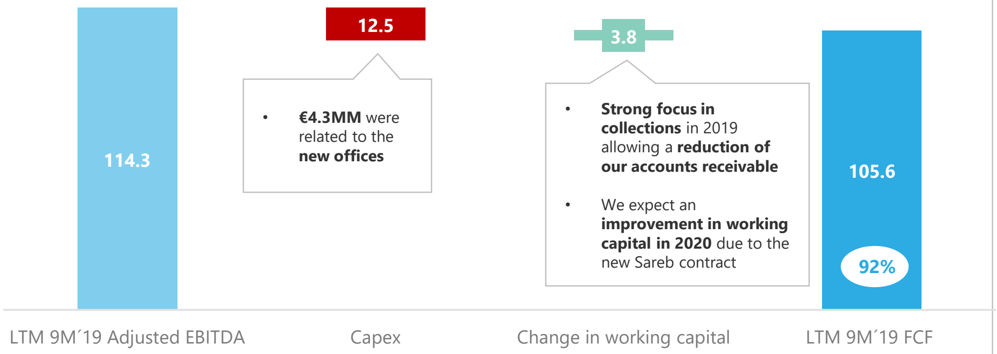
Free Cash Flow[1]

Highlights

	LTM 9M´18	LTM 9M´19
Adjusted EBITDA[2]	147.6	114.3
Capital expenditures paid	-13.1	-12.5
Change in working capital	7.8	3.8
Free Cash Flow	**142.3**	**105.6**
Cash conversion	***96%***	***92%***

- **Strong FCF LTM´19** of **€106MM** and **€71MM in 9M´19** (cash **conversion ratio>100%**)

(€ MM)



- **€4.3MM** were related to the **new offices**

- **Strong focus in collections** in 2019 allowing a **reduction of our accounts receivable**
- We expect an **improvement in working capital in 2020** due to the new Sareb contract

% Cash Conversion: FCF[1] / Adjusted EBITDA[2]

Net Debt Position

Highlights

- **Leverage ratio of 3.5x at end of 9M'19**
- **Strong recovery in cash position** during the quarter achieving **€72MM from €43MM in June´19 (+€29MM)**

(€ MM)

	FY 2018	Sept.´19
Total gross debt	**469.2**	**474.2**
Cash on Balance Sheet	21.0	72.2
Total net debt	**448.2**	**402.0**
Adjusted EBITDA LTM[2]	**132.6**	**114.3**
Leverage Ratio	**3.4x**	**3.5x**

(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 €7.9MM of non recurring costs (M&A expenses)

4. Conclusion

4 2019 Year to Go

Support and help our clients to achieve their annual objectives

Focus on the new Sareb contract, ready to start on January 1st

Achieve an adequate commercial ramp up in Divarian & Apple portfolios

Focus on the cost reduction plan. Savings achieved ex Divarian integration

Focus on cash flow generation, ending the year with a significant cash position

Year 2019

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