



H1 2019 Earnings Presentation

August 30th, 2019



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Today's Presenters



Carlos Abad Rico

CEO & Director of the
Board



Bárbara Zubiría Furest

CFO

Agenda



01

Key Highlights

02

Business Review

03

Financial Review

1

H1'19 and YTD - Key Highlights



- ✓ **Transaction Volumes of €1,692.2MM in H1'19 driving revenues to €118.6MM; Adjusted EBITDA of €36.4MM impacted by growth in operating and personnel costs vs previous year. Continued efforts in cost savings generating quarter-on-quarter improvements.**
- ✓ **Large portfolio sold by Bankia ("October portfolio"), expected in June, finally closed in July. Total portfolio sale of >€1BN (>€650MM REOs and ~€500MM NPLs), representing close to €20MM of EBITDA for Haya.**
- ✓ **Including October portfolio, Transaction Volumes in H1'19 would have been >€2.8BN, with an Adjusted EBITDA of ~€55MM.**
- ✓ **Assets under management increased 14% in H1, up to €45.3BN, reinforcing the company's leadership in the Spanish market.**
- ✓ **Negotiations with Sareb on Esparta Process ongoing and expected to be finalized in Q4'19. Strong focus on service delivery under existing contract.**
- ✓ **Divarian integration on track. Servicing business capabilities and 345 employees were transferred to Haya during the quarter.**



2. Business Review

Divarian - Integration

- **Servicing Business/operational** assets and capabilities **transferred**
- Haya's **direct servicing of BBVA's** and **Divarian** assets starting June 1, 2019

Sareb – Renewal Process

- Haya is **participating in Project Esparta**; the transaction is under **strong confidentiality clauses**. We expect Project Esparta will be **finalized in Q4'19**
- In the meantime, Haya is focused on **delivering under the existing contract** according to Sareb's new business strategy
- **Full support provided to Sareb** on its IT roadmap, **leading the two first successful migrations**

Bankia – October portfolio

- **Bankia** has sold a **large portfolio** in July; the portfolio is composed of **>€650MM REOs** and **~€500MM NPLs**
- Haya will receive a **sales fee** for the **REOs** under its management. But **also for the REDs** sold, due to certain **protection mechanisms** included in the servicing contract

Haya Titulización - FAB

- Haya Titulización has been awarded the **legal administration and representation of a Sareb Bank Assets Fund** valued in more than **€811MM, Árqura Homes FAB**. Haya Titulización will be responsible for the **management and administration** of the FAB.
- The FAB is composed of land and **residential projects in development** in different parts of the Spanish geography





Integration
Process on
track

Creation of
IMO¹ to ensure
a smooth
transition

1

- Ensure **no business disruption** for both BBVA and Divarian assets
- Follow a **clearly defined integration** plan focused on business continuity to decouple systems and leverage on combined capabilities to minimise business risk
- **Minimise operational risk** with regular work stream contact and frequent team reviews
- Strong **involvement** at all **management** levels

2

- **Strong commercial focus**
- **Maintain current commercial ramp up** and ongoing key transformation initiatives at Divarian to achieve commercial targets
- Ability to carry out a wide variety of **quality services**

3

- **New integrated organizational structure**
- **345 employees transferred; currently 321** (>100 employees have the right to return to BBVA)
- Secure **retention of key talent**
- Divarian's **business model is highly flexible** as it **relies largely on external support / BPO's**
- **Office relocation plans** to be completed by end of **Q3**
- **Increased productivity** due to convergence to Haya levels

4

- **IT integration roadmap:**
 - **Communications** network and **workplace** already **integrated**
 - **HRE and Divarian websites have been integrated** into an all-in website offering one sale point for all assets managed

2

Continuous improvement in our platform...



Reinforcement of Management Team

New talent added



Enrique Dancausa
Chief Operating Officer

- Enrique has over 30 years of experience in distressed assets
- Chairman and CEO of Divarian
- Global Head of Real Estate Services for Lindorff
- Founder and CEO of Aktua, leading the company for over eight years
- Banesto, now part of Santander Group



Elena Pozuelo
Real Estate Asset Operations Director

- Elena has over 20 years of relevant industry experience
- REAM / Operations Director at Aktua / Intrum Group
- GE Money Bank: Mortgages Closing and Formalization Manager
- Citibank Mortgages



Borja Dávila
Marketing & Business Development Director

- Borja has 18 years of experience in the financial and servicing sector
- Business Development Director - Group Commercial and M&A at Aktua/Lindorff /Intrum
- Citi Corporate Banking department
- BBVA fixed Income origination



Daniel López
Recoveries and Debt Services Director

- Daniel has over 15 years of experience in the risk, debt management and recovery sectors
- Regional Clients and Sales Director for Iberia and Latin America at Aktua/Intrum Group.
- Banesto (now Santander Group) setting up its integrated investor debt recovery department



Ana González Pestana
BBVA KAM

- Ana has over 25 years of experience in Real Estate
- Anida (BBVA): Head of acquisition of assets for debt recovery and stock control
- Grupo Labaro: Technical Director for International projects in Poland and Bulgaria and business development in Hungary and Brazil
- DTZ: responsible of building consultancy projects



Improvements in our IT Platform

Commercial capabilities

- Migration of our commercial platform to **Salesforce**, company leader. This agreement will strengthen our commercial capabilities significantly and should increase our future sales speeding up the recovery curves for our clients

AML

- Launching of a new service for Anti Money Laundering, **ePBC**, that will allow to improve the documentation process needed in this sector and will offer a one-stop solution for our clients



3. Financial Review

3

Key Financial Highlights – H1'19



Assets Under Management

€45,296MM

Transaction Volumes

H1'19	w/ October³
€1,692.2MM	€2,844.1MM
LTM €4,112.5MM	LTM €5,264.5MM

RED Volumes H1'19

€333.7MM
LTM €962.7MM

REO Co. Volumes H1'19

€614.8MM
LTM €1,245.5MM

REO Volumes H1'19

€743.7MM
LTM €1,904.4MM

Revenues

€118.6MM
LTM €262.2MM

Avg. Volume serv. fee 3.37%
Avg. Mangmt. fee 0.21%

Adjusted EBITDA¹

€36.4MM
LTM €104.1MM

LTM EBITDA margin 40%

Free Cash Flow²

€38.6MM
LTM €120.4MM

LTM Cash conversion 116%

Net Debt

€427.0MM

Leverage ratio 4.1x
Proforma⁽³⁾ Lvg ratio 3.3x

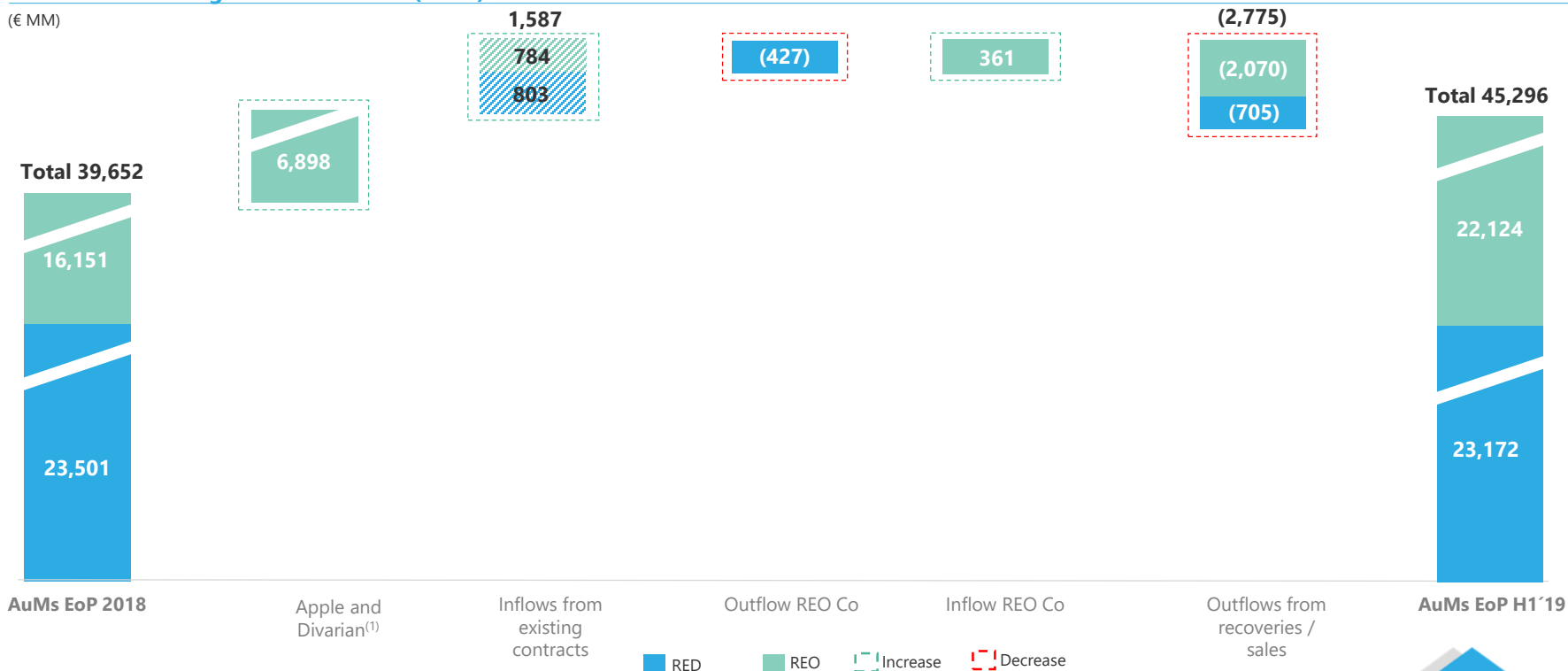
3 Assets Under Management



◀ AuMs increased by €5.6BN compared to December 2018 mainly due to the Divarian an Apple contribution and the inflows from existing contracts; partially offset by the natural evolution of the Sareb portfolio (closed perimeter)

Asset under Management evolution (GBV¹)

(€ MM)

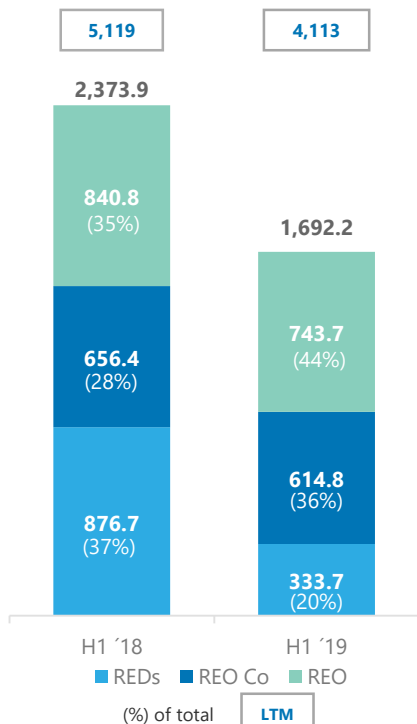


3 Transaction Volumes



Transaction volumes comparison

(€ MM)



REDs Transaction Volumes

€333.7MM
LTM €963MM

- **No recoveries in Bankia in H1'19** due to novation of the contract in April 2018 which removed REDs from perimeter. In July, Bankia sold **October portfolio** (~€500MM NPL volume not included in June reported volumes), 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)
- **Lower activity in Cajamar** due to large portfolio sold in Q2'18 (Galleon) of +€200MM
- **Strong performance** in institutional investors servicing contracts

REO Conversion Transaction Volumes

€614.8MM
LTM €1,246MM

- **Continued growth in Sareb REO Conversion** mainly due to the **strong activity** in **DILs** and **Bankruptcies** closed, in line with new strategy
- **Lower performance in Cajamar** in REOCO as a result of **lower DILs** closed in 2019. **New pilot** underway with Cajamar **to boost** this business line.

REOs Transaction Volumes

€743.7MM
LTM €1,904MM

- **Strong performance in Bankia** retail sales despite a portfolio sold in H1'18. Additionally in July, Bankia sold **October portfolio** (>€650MM REOs volume)
- **Divarian, Apple and BBVA contribution in H1'19 (€81MM)** with no corresponding impact in H1'18
- **Lower activity in Cajamar and Liberbank** due to large portfolios sold in Q2'18

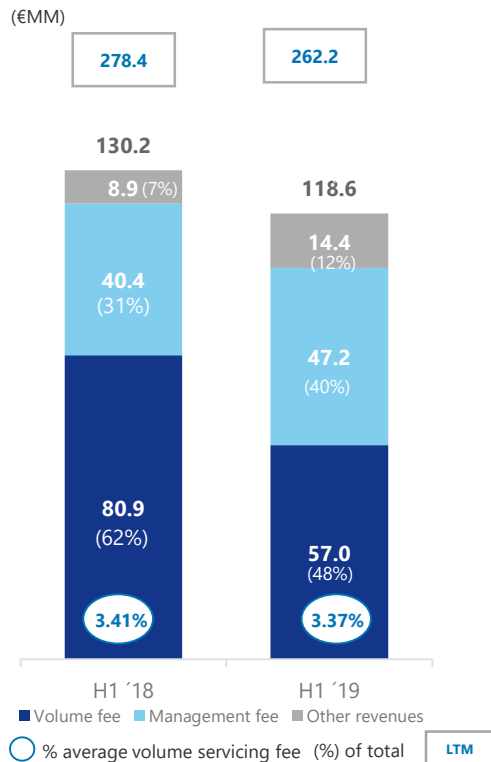
• **Total H1'19 transaction volumes including October portfolio sold by Bankia in July would have been >€2.8BN (+20% YoY)**

3 Revenues



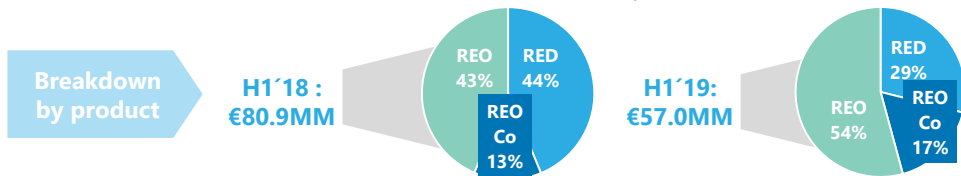
Revenues decreased by 9% impacted by volume fee due to lower activity in REDs and REOs. This effect is partially offset by the increase in management fee and other revenues as a result of the Divarian, BBVA and Apple contribution

Revenues Comparison



Volume fee

- Volume fee **decreased by 30%** mainly due to :
 - Decrease in **REDs volume fee** impacted by the **novation of the Bankia contract** and the **lower activity in Sareb**, as well as **lower Cajamar** fees comparatively due to a large portfolio sold in Q2'18
 - Slight **decrease in REO Co** fees due to **Cajamar** performance partially **offset by the good performance in Sareb**
 - Decrease in REOs volume fee** impacted by lower performance in Liberbank and Cajamar compensated by the good performance in the rest of the clients
 - The **average volume servicing fee** as % of volumes was **3.37%** mainly due to the **weight decrease in REDs** volumes and **increase in REO Co volumes** (which have contractually lower % volume fee)



Management fee

- Management fee increased by 17%** mainly due to the **contribution of the new contracts** (BBVA, Divarian, Apple) and existing contracts (Bankia, Liberbank and other clients) which have offset the decline in Cajamar and Sareb

Other Revenues

- Other revenues **increased by 62%** mainly due to the **contribution from the new contracts**, BBVA, Apple and the **good performance in the Advisory** division

3

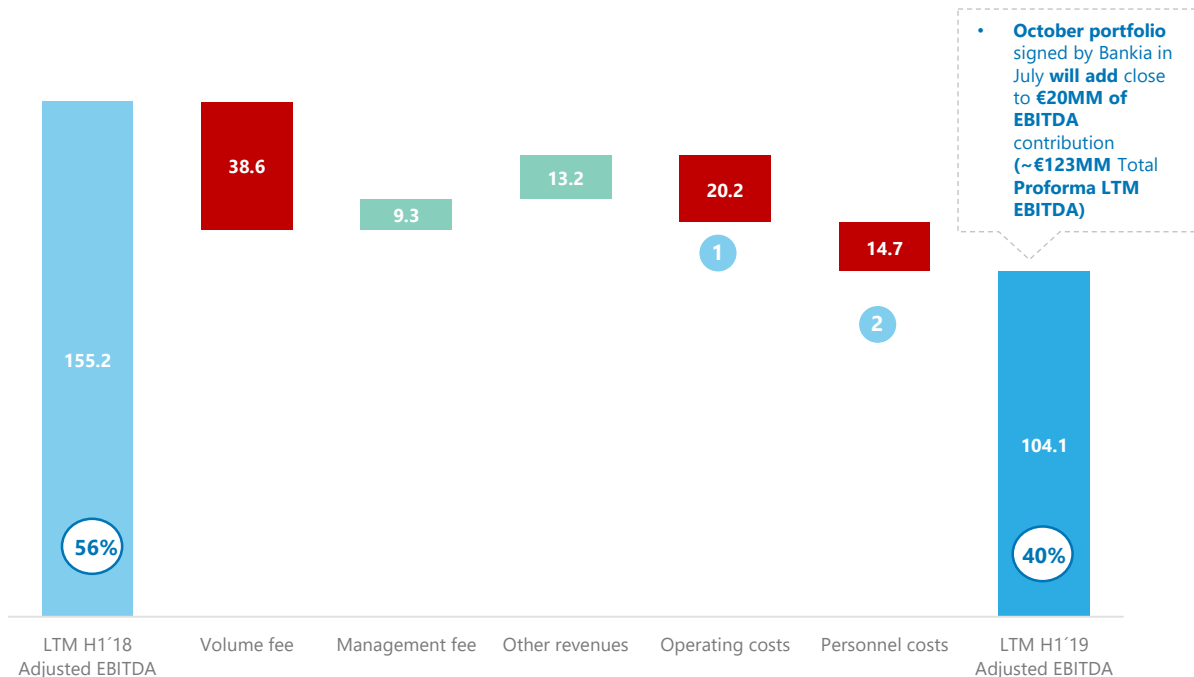
Adjusted EBITDA bridge



Adjusted EBITDA has decreased by the large portfolios sold in H1'18 and higher operating and personnel costs due to BBVA/Divarian contribution.

Adjusted¹ EBITDA LTM Bridge

(€ MM)



1 Operating costs impacted by:

- Increase in cost of **agencies** due to Bankia, Sareb and BBVA contribution which are offset with a corresponding increase in **revenues** recognized in "other revenues"
- Increase in **professional services** impacted by process outsourcing costs associated to new onboardings (BPOs), and costs associated to valuation services of new portfolios
- The increase in operating costs are **partially offset** with **lower temporary workforce, customer support, marketing and IT**
- **Continued efforts in cost savings**, allowing for a **quarter after quarter reduction** in Operating Costs

2 Personnel costs impacted by:

- **The new servicing contracts awarded in 2018** have increased number of FTEs.
- **Corporate functions reinforced in H2'18** impacting the personnel cost in 2019
- **Divarian integration of 345 FTEs** starting June 1, 2019. FTEs down to 321 with **over 100 with right to return**

○ % Adjusted¹ EBITDA margin

(1) Adjusted EBITDA is the sum of GAAP operating profit plus D&A, adding back €7.4MM of non recurring expenses in LTM 2019

3

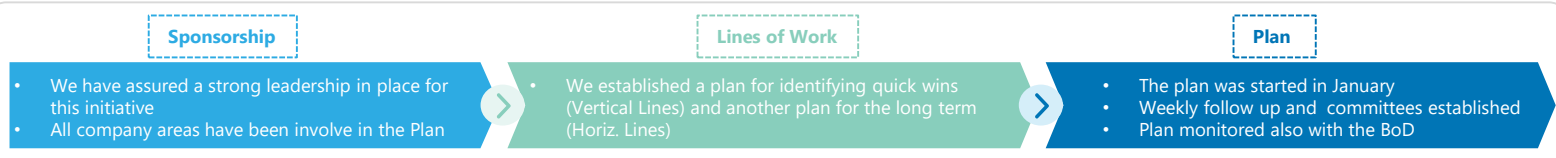
Cost Reduction Plan



1 Target

- **Reduction of cost structure** through detailed cost analysis, **cost control** and **cutting measures** and **new policies** aimed at involving all employees of the Company in the cost reduction initiative

2 Program Structure



- Sponsorship**
- We have assured a strong leadership in place for this initiative
 - All company areas have been involve in the Plan

- Lines of Work**
- We established a plan for identifying quick wins (Vertical Lines) and another plan for the long term (Horiz. Lines)

- Plan**
- The plan was started in January
 - Weekly follow up and committees established
 - Plan monitored also with the BoD

3 Plan initiatives

The plan contains **~80 detailed measures** comprised in the following concepts:

- Supplier Contracts**

 - Leverage market position and increased volumes to improve pricing
 - Analyze concentration of suppliers for a more efficient management
- Direct Costs**

 - New fees agreed with REO brokers, leveraging higher volumes
- Productivity**

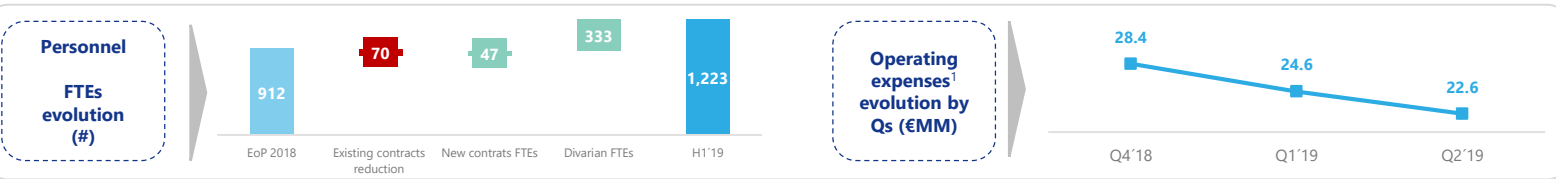
 - Implement tools to improve productivity across the organization
 - Make or Buy analysis on certain processes
- Capex**

 - Detailed review of all capex initiatives, ensuring they bring value to the business
- Organization Structure**

 - Review of Organization structure, after new contract wins, to leverage existing capabilities as much as possible
 - Reorganization of processes, where needed, to improve efficiency
- G&A expenses**

 - Strict control over all G&A related expenses (travel, consultancy and other professional services, etc.) with strict approval policies

4 Results



(1) Excluding non recurring expenses

3

Free Cash Flow



Free cash flow increased by 13% YoY, reaching €120.4 million in the last twelve months (LTM) ended June 30, 2019, thanks to strong focus on working capital improvement

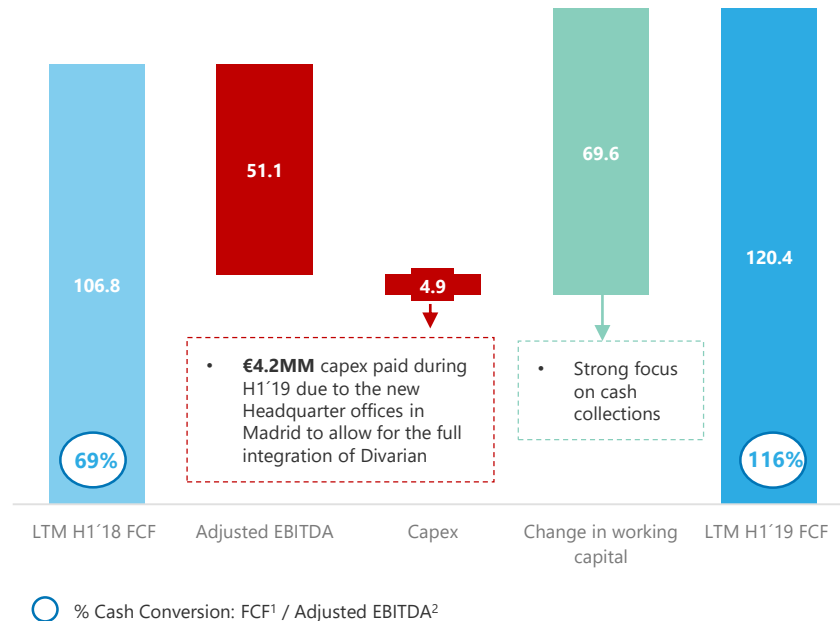
Free Cash Flow¹ Comparison

(€ MM)	LTM 2018	LTM 2019
Adjusted EBITDA²	155.2	104.1
Capital expenditures paid	-9.7	-14.6
Change in working capital	-38.7	30.9
Free Cash Flow	106.8	120.4

- **Strong LTM FCF of €120.4MM (€38.6MM H1'19)** thanks to **working capital improvements in the Q2'19** (€22.4MM) due to strong focus on cash collections

Free Cash Flow Bridge

(€ MM)



(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 €7.4MM of non recurring costs

3 Net Debt

◀ Leverage ratio of 4.1x (3.3x including October portfolio sale)



Net Debt Comparison

(€ MM)

	FY 2018	H1'19	H1'19 Proforma ¹	Main Highlights
Total gross debt	469.2	470.4	470.4	
Cash on Balance Sheet	21.0	43.4	63.1	
Total net debt	448.2	427.0	407.3	
Adjusted EBITDA LTM²	132.6	104.1	122.7	
Leverage Ratio	3.4x	4.1x	3.3x	

- **Strong recovery in cash position** during Q2'19 achieving **€43.4MM** from €18.0MM in Q1'19 (+€25MM)
- **July and August** also **very strong in cash collections**, expecting to end **August with >€65MM in cash position** due to strong focus on cash collections
- **Leverage ratio of 4.1x at end of H1'19; 3.3x proforma for October portfolio** sold at the end of July



Calle Medina de Pomar, nº 27. CP 28042, Madrid
901 11 77 88 | www.haya.es