



H1 2021 Earnings Presentation

July 30, 2021

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Today's Presenters



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Agenda



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1 Key Highlights H1'21

1

- 🎯 The real estate environment is showing signs of recovery; second part of the year mainly depend on COVID-19 evolution. Higher visibility on banking sector mergers, regulatory measures and Sareb process is expected in the coming quarters

2

- 🎯 Transaction Volumes of €1,243MM (€2,680MM LTM) driving an increase in revenues to €95MM (€188MM LTM) +13% compared to H1'20, which was deeply impacted by COVID-19 crisis

3

- 🎯 Adjusted EBITDA of €30MM (€62MM LTM) implying a 32% Adjusted EBITDA margin (33% LTM). Gradual recovery in activity and efforts in cost management are driving stable margins

4

- 🎯 Free cash flow generation of €49MM (€68MM LTM) with a cash conversion of 163% resulting in €88MM cash position as of June'21



2. Business Review

2 Q2'21 Business Review

General Context

- **Positive evolution of the vaccination process in Spain** has allowed the reduction of restriction measures (**herd immunity** is expected to be reached by end of **Sept. '21**). However, in the last weeks the **infections have increased substantially** in some provinces and the regional Governments **are adopting restriction measures**. Unclear yet if will be a temporarily spike focused on non vaccinated/young people if would drag for several months with impact on economic activity.
- Government measures such us **moratoriums and temporary government-aided furloughs** expected to end by **Q3-Q4'21**, no further extensions are contemplated

Unclear visibility

- around:
- The **evolution of the pandemic** due to the new variations of the virus
 - The **movements** in banking **sector** and Sareb's tender

Sector

- **Unicaja & Liberbank** merger in progress, expected by end of July
- **Sareb** process outcome is **uncertain**. Sareb's yet to decide whether to maintain current distribution of portfolios and potential reduction of servicers or not. We anticipate a highly competitive process which may drag into Q1'22

Business Activity

REDs

- **NPL and REO Co are recovering** the activity, we expect to practically reach pre-COVID status in some asset classes (residential, lands,..) by the end of the year
- New **NPL inflows are expected in 2022** once Government's protective measures end and bank's defaults rates show the real impact of COVID-19 crisis
- **Portfolio sales activity** expected to flow in **2022**

REOs

- **Continued improvement of commercial activity** although still below initial expectations
- **Slow down** in activity in **Q3'21** due to summer season (normalized seasonality)
- 2021 performance will depend on Q4'21, strongest quarter in the business

Business activity is **improving** however performance is still **below pre-COVID levels**



3. Financial Review

3

Key Financial Highlights – H1'21



**Assets Under Management
June '21**

€30,519MM

Transaction Volumes H1 '21

€1,242.7
LTM €2,679.7MM

NPL Volumes H1 '21

€145.4MM
LTM €409.0MM

REO Co Volumes H1 '21

€244.1MM
LTM €664.2MM

REO Volumes H1 '21

€853.3MM
LTM €1,606.5MM

Revenues

€94.5MM
LTM €188.2MM

Avg. Volume serv. fee 4.15%
Avg. Mgmt. fee 0.18%

Adjusted EBITDA¹

€30.0MM
LTM €61.6MM

EBITDA margin 32%
LTM EBITDA margin 33%

Free Cash Flow²

€49.0MM
LTM €68.0MM

Cash conversion 163%
LTM Cash Conversion 110%

Net Debt

€335.6M

Leverage ratio 5.4x

Net Loss

€3.1MM

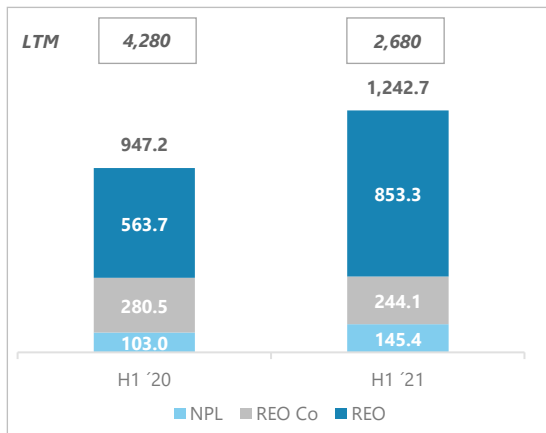
(1) Adjusted EBITDA is the sum of GAAP operating profit plus D&A, adding back €6.4MM of non recurring costs in Q1'20 (restructuring labour process cost); (2) Free Cash Flow is defined as Adjusted EBITDA less capital expenditures and change in working capital

3

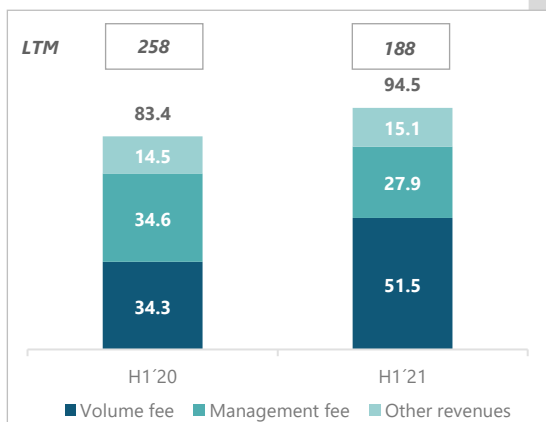
Transaction Volumes and Revenues



Transaction Volumes (€MM)



Revenues (€MM)



NPL volumes

- **Volumes increased by +€42MM** compared to last year which was deeply impacted by COVID-19 crisis since March '20.
- However the **activity in NPL volumes are still lower versus other years**

REO Co Volumes

- **Recoveries decreased by -€36MM** affected by **lower performance in Q1'21**
- Gradual recovery in activity in Q2'21

REOs Volumes

- **Volumes increased by +€290MM** due to **progressive recovery in activity** across the clients, specially compared to Q2'20 which was impacted by the lock down period

% Volume servicing fee

- **Volume servicing fee increase to 4.15% vs 3.62%** as result of higher % of REOs transactions in 2021 which implies higher commissions than REO Co volumes (although, in turn, have a higher direct cost associated)

Management Fee

- **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 perimeters

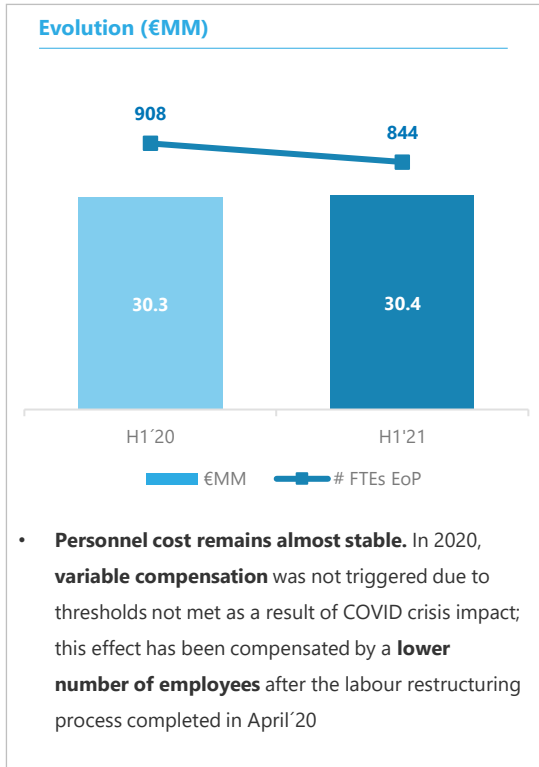
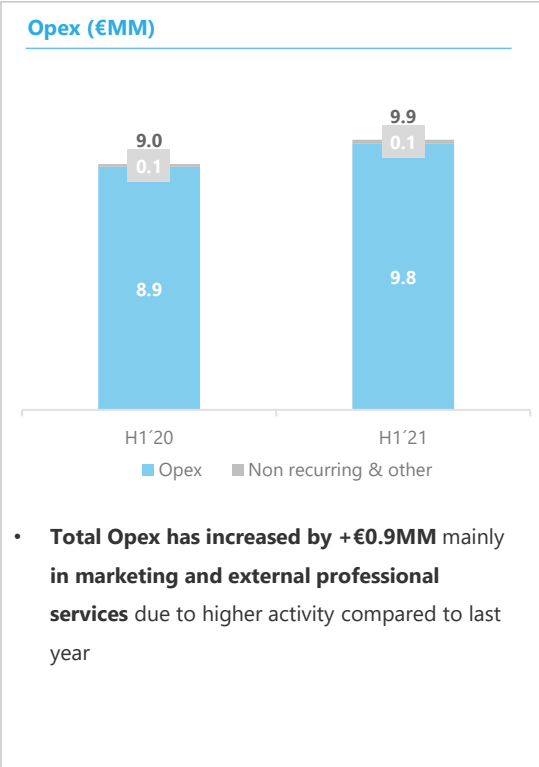
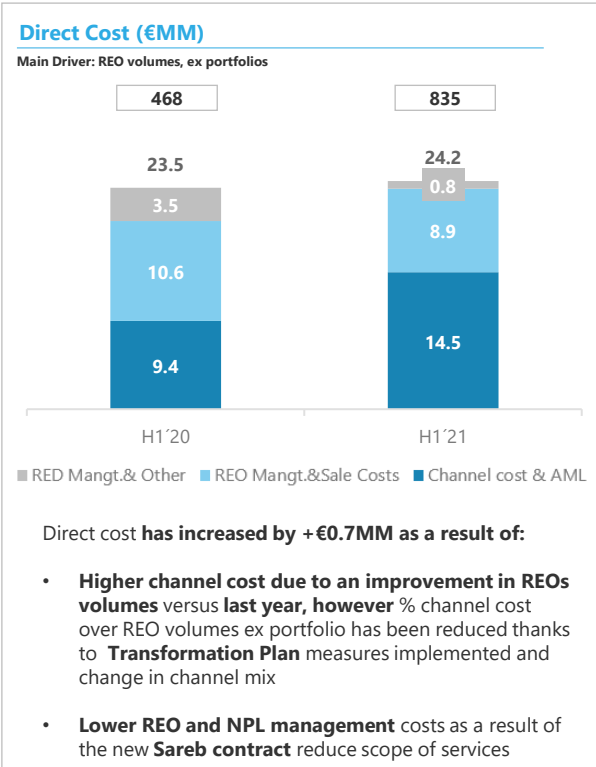
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Focus on Costs



Operating Expenses

Personnel Cost¹



3 Free Cash Flow and Net Debt



Free Cash Flow¹

Highlights

- **FCF of €49.0MM in H1'21 (€68.0MM LTM H1'21)** continuing with an exceptional **cash conversion of 163% (110% LTM Q1'21)**
- Accounts receivables have been reduced to €72.1MM from €93.6MM as of December'20 due to **strong focus on collections and reduction of WC in the semester**

(€ MM)	LTM H1'20	LTM H1'21
Adjusted EBITDA²	90.0	61.6
Capital expenditures ³	-14.1	-9.6
Change in working capital	0.0	16.0
Free Cash Flow¹	75.9	68.0
Cash conversion	84%	110%

Cash & Net Debt Position

Highlights

- **Strong cash position of €88.3MM as of June'21**
- **RCF totally repaid in February'21**
- **Leverage ratio of 5.4x as of June'21** which continues **impacted by COVID-19 crisis**

(€ MM)	FY 2020	H1'21
Total gross debt	426.8	423.9
Cash on Balance Sheet	54.0	88.3
Total net debt	372.8	335.6
Adjusted EBITDA LTM²	52.2	61.6
Leverage Ratio	7.1x	5.4x

(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

Macro Environment

- Spain is starting to suffer **5th wave of COVID-19**, but we expect to reach **herd immunity** by end of Sept.'21 thanks to the acceleration in vaccination process
- Good expectations regarding **economic activity recovery**, but will mainly depend on the **pandemic evolution**

Servicing Sector

- **Higher visibility** is expected in H2'21 on:
 - **Liberbank & Unicaja** merger implications
 - **Sareb** tender process

Business Performance

- Gradual **improvement in performance and positive outlook** by the end of 2021
- **2021 results** will be driven by activity in **Q4'21** (main quarter in the business due to the seasonality)

The outlook
for the end of
2021 shows
**signs of a
potential
recovery** in our
business

**Under this market
conditions, we continue
focused on:**

- ⊙ ensuring maximum **service quality** offered to our clients
- ⊙ improving **our financial results** with sustainable margins
- ⊙ generating a high **cash conversion ratio**, to maximize cash position



5. Annex

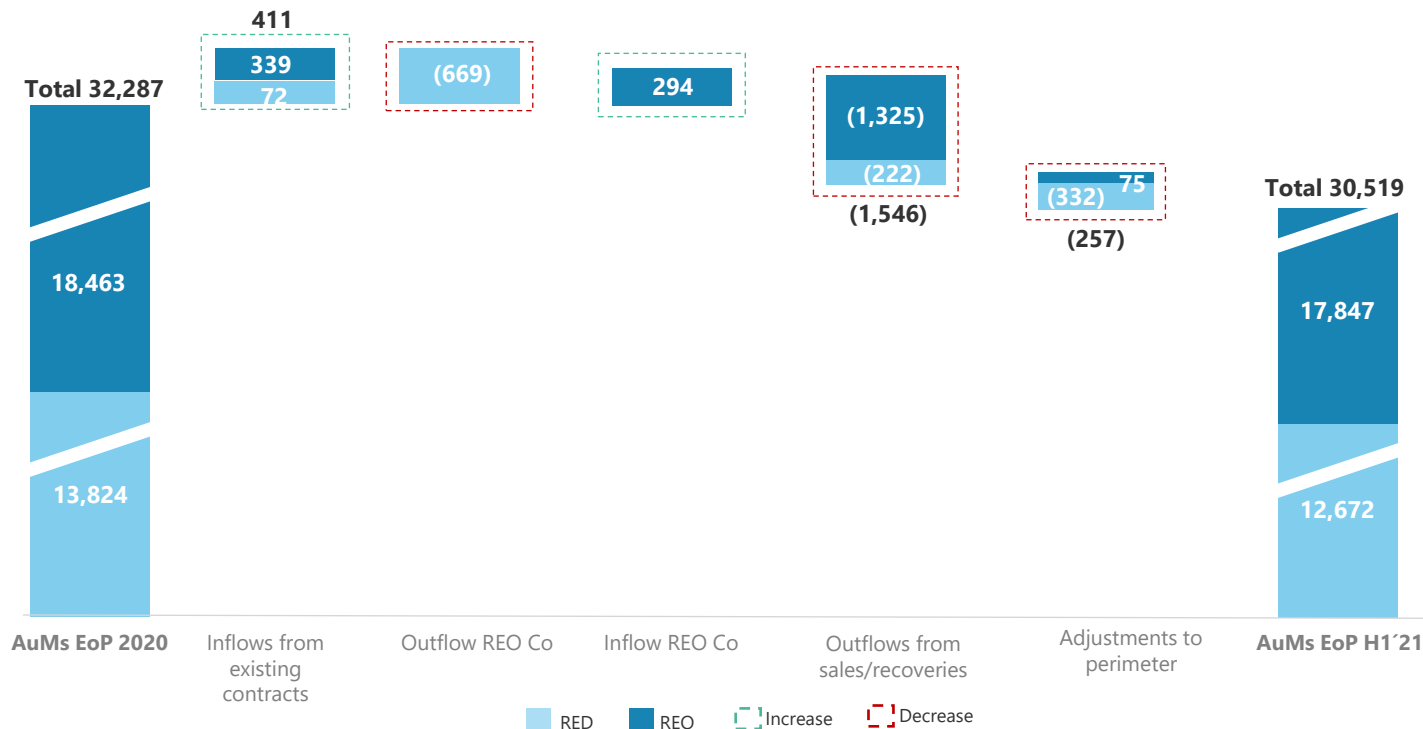
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Assets Under Management



Asset under Management evolution (GBV¹)

(€ MM)





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