



# Q1 2018 Earnings Presentation

24 May 2018

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# Today's Presenters

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**Carlos Abad Rico**

CEO & Director of the  
Board

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**Bárbara Zubiría Furest**

CFO

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# Agenda

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01

**Key Highlights**

02

**Business Review**

03

**Financial Review**

04

**Annex**



# 1. Key Highlights

# 1 Key Highlights

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- ✓ In Q1 '18, our transaction volumes increased by +40% (€895MM), allowing 12% growth in revenues (€55.9MM) and 6% growth in Adjusted EBITDA (€24.4MM)
- ✓ Strong free cash flow generation in Q1 '18 (€20.2MM, +59% YoY) driven by lower capex and an improvement of in working capital, resulting in a cash conversion above 80% in the quarter
- ✓ Leverage ratio below 3.0x
- ✓ Assets under management at €39.8BN with new contract wins in the quarter. We continue to develop our institutional asset management business
- ✓ In April, we have been awarded the new Bankia contract with a tenor of 10 years, including the REOs of Bankia's recently merged entity Banco Mare Nostrum (BMN). Bankia REDs to be managed by Bankia directly



## **2. Business Review**

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# 2 Strategic Update



2018

1

## Future of Sareb contract

**Strong performance in Q1 '18** across all business lines. Sareb is exploring **alternative scenarios** which include the potential sale of our portfolio

2

## Cajamar

**Excellent operational performance** in Q1 '18 across all business lines

3

## Bankia / BMN

Haya awarded the new **servicing contract** with Bankia/BMN in a very competitive process in April 2018

4

## Liberbank Integration

**Integration plans on schedule.** Focus on **improving commercial activity**

5

## BBVA

Initiating **joint planning activities** for the servicing of **BBVA's future REO flows.** **Set up of Cerberus/BBVA JV Co** yet to be completed

6

## Institutional Investors and New Servicing Business

Haya **has been awarded two new servicing contracts** with institutional investors. Continued focus to **capture new business** in the market

7

## Capital Markets

**Continuing preparatory works** for a potential **IPO.** Specific **timetable** will **depend on market conditions** and **visibility** over **Sareb and BBVA**



# 2

## Bankia / BMN Contract



◀ The novation of the Bankia contract proves our capacity to renew our existing contracts with our core clients

Bankia

BMN

- As a result of the Spanish government’s plan to add value to the bank, **Bankia bought BMN** (savings bank located in the Mediterranean region), **effective Jan 1<sup>st</sup> 2018**
- **Bankia has entrusted in Haya Real Estate** the management of all its real estate assets, including the BMN’s REOs portfolio

### Contract Highlights

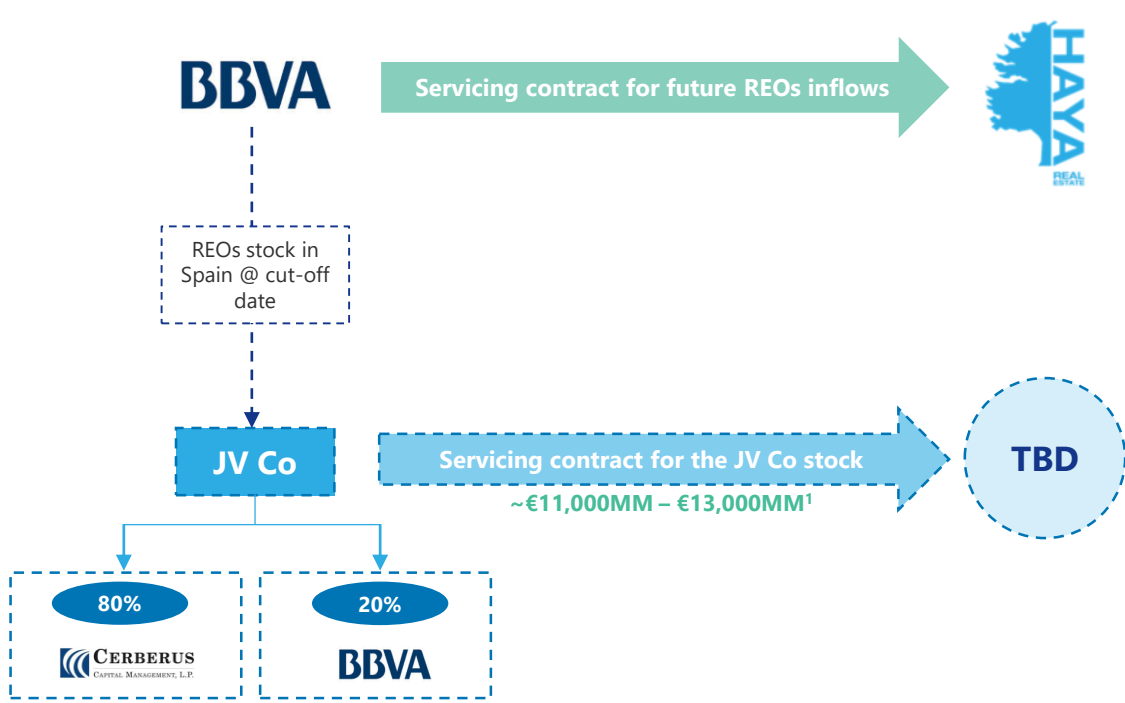
- ✓ **Key contract** for the company’s long-term strategy
- ✓ **10 years contract** (expires April, 2028) **for the management and commercialization** on a exclusive basis of **Bankia’s REO stock and future flow** with **€5.7BN of assets under management** at the beginning of the contract
- ✓ **Bankia’s prohibition to lend to real estate developers has been lifted**
- ✓ HRE has been awarded the contract in a very **competitive process** demonstrating our capacity to retain core clients
- ✓ **Pre-eminent position to capture new business** due to our **long-term relationship** and our **excellent service**
- ✓ **Upfront payment of €108MM** to be **financed** through **operating cash flows**

# 2

## BBVA/Cerberus transaction



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



### Servicing contract: BBVA & Haya

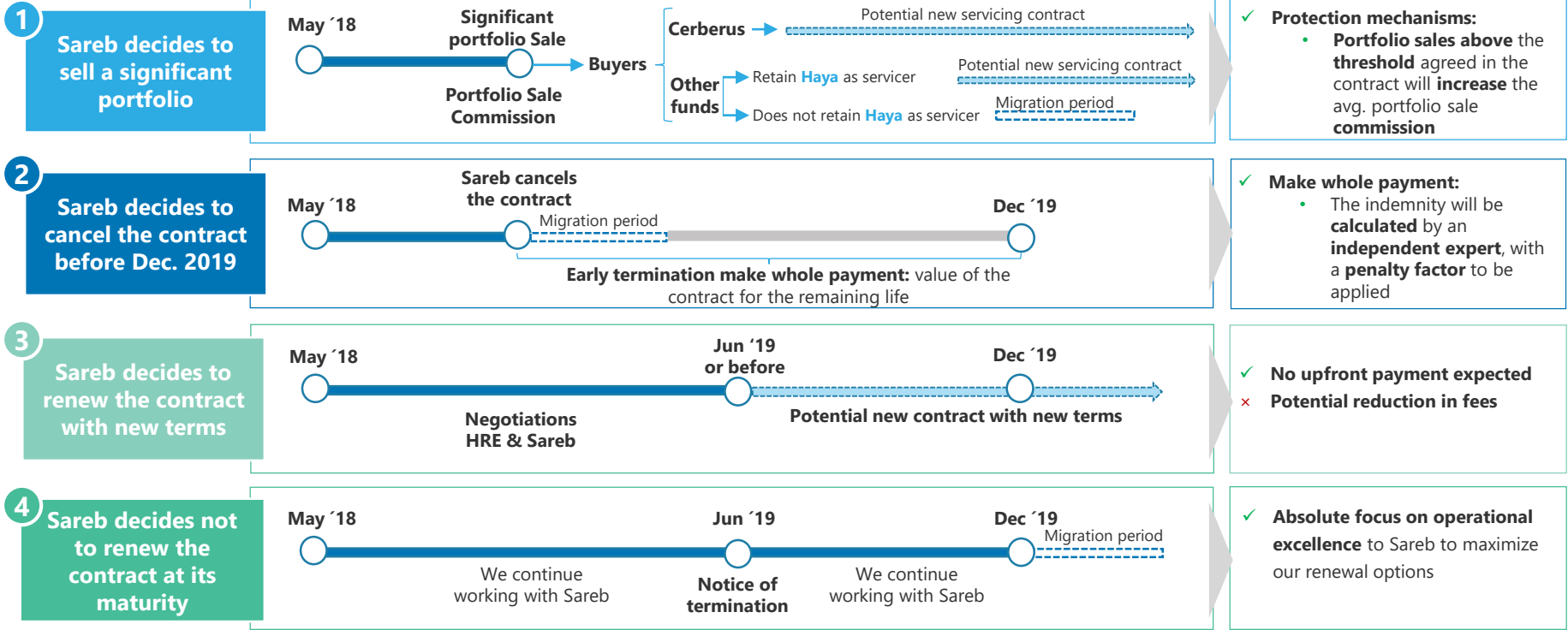
- **Agreed form** subject to the closing of the Cerberus/BBVA JV transaction
- **8 yr.** with a potential extension of **two additional years**
- **No upfront payment will be required**
- **Preparatory activities** with BBVA / Anida have begun

### Potential servicing contract: JV Co & Haya

- Cerberus/BBVA JV transaction has been **approved** by **Anti-trust/Competition Authorities**
- JVCo management bodies are pending to entrust **servicing** of acquired stock
- **Haya is well positioned** to participate in the **servicing** of the JV Co due to demonstrated **experience, track record and relationship with Cerberus/BBVA**

(1) Depends on final perimeter agreed between BBVA & Cerberus

# 2 Sareb – Potential Scenarios



Leverage ratio under any scenario not to exceed 3.5x in 2020

# 2

## New business update



1

New servicing agreements with institutional investors

New servicing agreements

- **Two new servicing agreements awarded** by two different **institutional investors**
- In both cases, we **continue to service portfolios** sold by our clients
- Our **knowledge** of the **NPAs** allows us to **offer our services** to potential **buyers**

Potential Opportunities

- **3 potential portfolio sales** in *Non Binding Offer* or *Binding Offer* phases
- **1 strong HPM lead** (250 assets with potential to grow up to 5,000)



2

Insurance companies

- **Rental management business**
- **New contract awarded** with an insurance company
- **Identifying new opportunities** in the market with other insurance companies



3

Developers

- Negotiations in place **to offer**:
  - **Land identification**
  - **Due diligence and administration**
  - **REOs commercialization** for their **non core portfolio**



4

Other opportunities

- **Ancillary services** with current clients: tax, residential mortgage debt and property management
- Managing **ad-hoc REO commercialization**
- Land development: **50 new land plots analysed in Q1 '18**; potential purchases: family offices, private bankers



# **3. Financial Review**

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# 3

## Q1 2018 Key Financial Highlights



**Assets Under Management**

**€39,807 MM**  
↓+0.9% YoY

**Transaction Volumes**

**€895.2 MM**  
↑+40% YoY

**RED Volumes**

**€272.0 MM**  
↑ +2% YoY

**REO Co. Volumes**

**€296.8 MM**  
↑ +104 YoY

**REO Volumes**

**€326.4 MM**  
↑ +46% YoY

**Revenues**

**€55.9 MM**  
↑+12% YoY

Avg. Volume serv. fee 3.59%  
Avg. Mangmt. fee 0.20%

**Adjusted EBITDA**

**€24.4 MM**  
↑ +6% YoY

EBITDA margin 44%

**Free Cash Flow**

**€20.2 MM**  
↑+59% YoY

Cash conversion 83%

**Net Debt**

**€414 MM**

Leverage ratio 2.8x

# 3

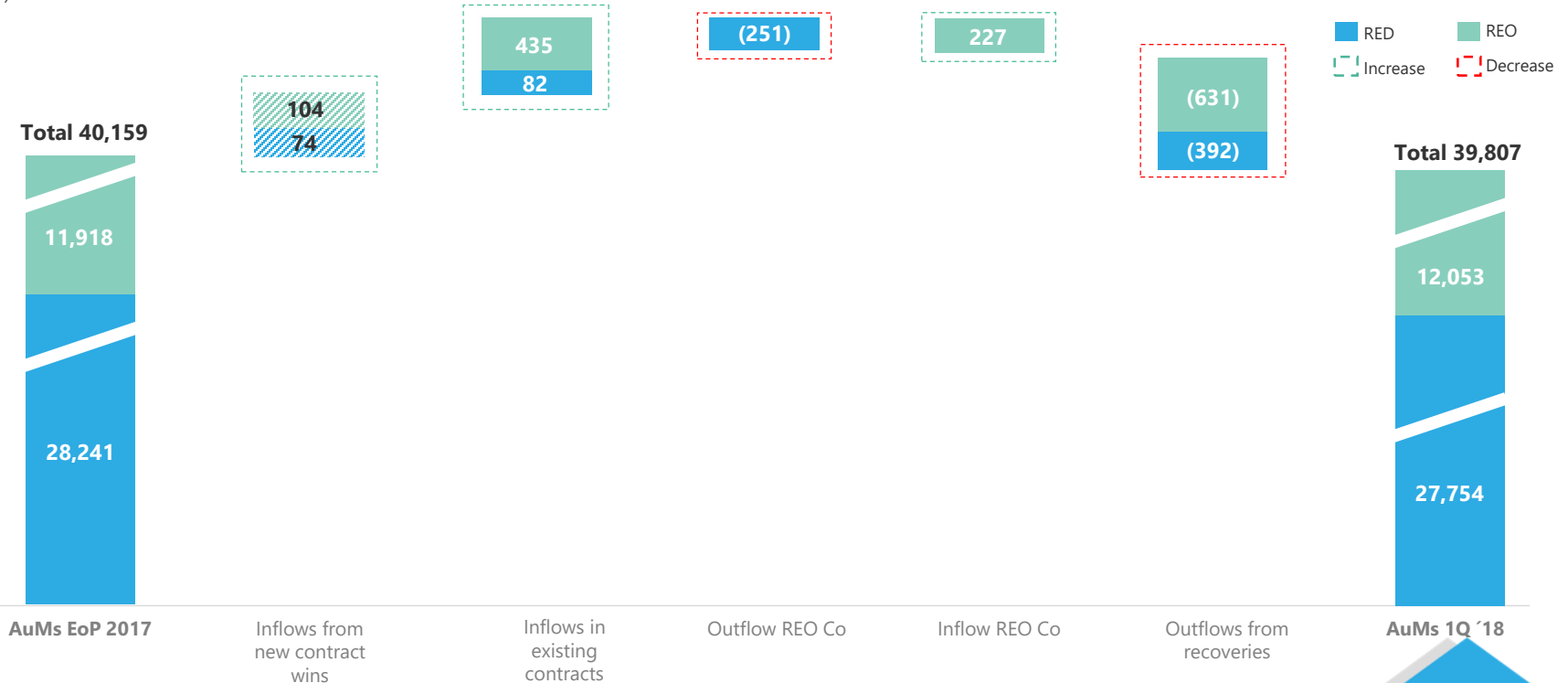
## Assets Under Management



◀ AuMs decreased by €352MM compared to December 2017 mainly due to natural evolution of the Sareb portfolio (closed perimeter) partially offset by the inflows from the existing contracts during the first quarter of 2018

### Asset under Management evolution (GBV)

(€ MM)

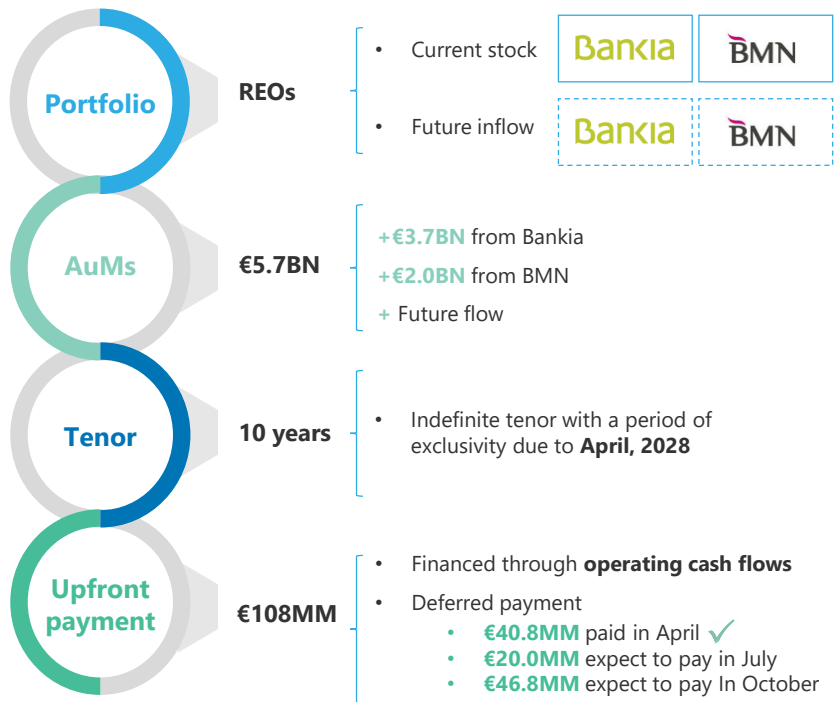


# 3

## Terms of New Bankia Contract

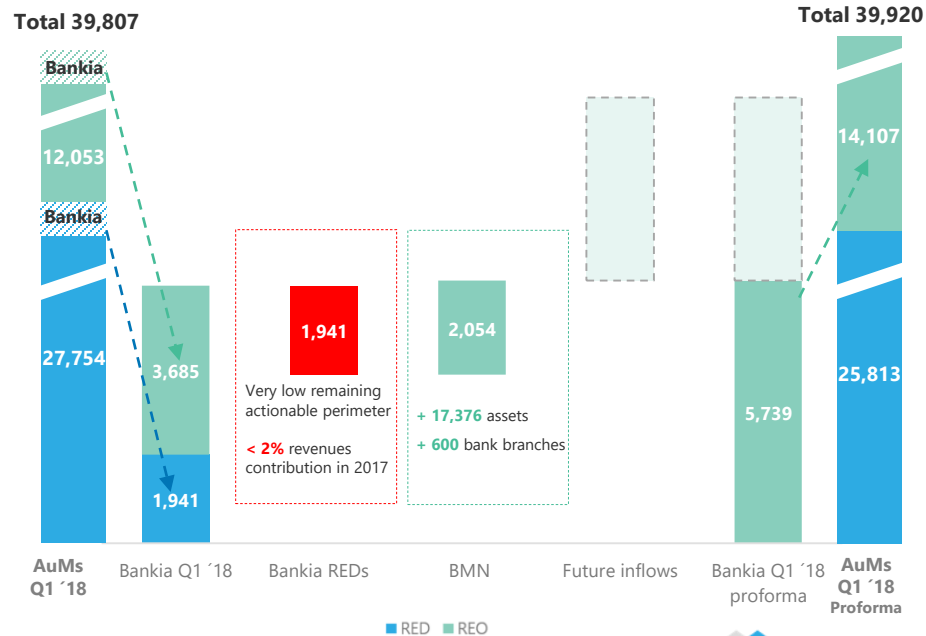


### Main Terms



### AuMs evolution proforma

(€ MM)





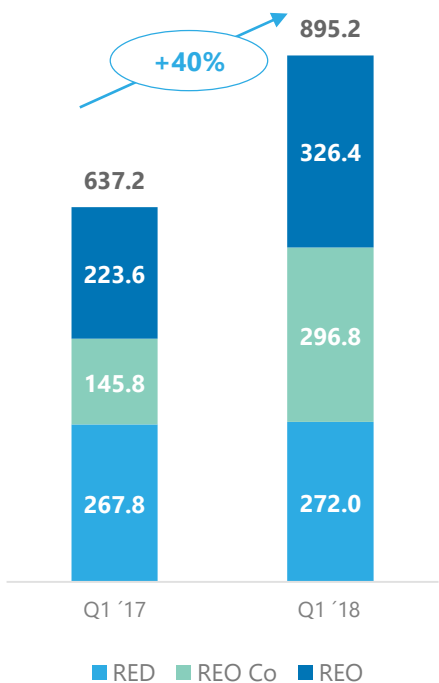
# 3 Transaction volumes



Transaction volumes increased by 40% compared to Q1 '17 due to the overall strong performance in all of our contracts

## Transaction volumes comparison

(€ MM)



### REO



- **REO volumes increased by 46%** due to:
  - Overall **strong performance in the contracts** and the inclusion of **€75MM** coming from the **Liberbank** contract
  - **Portfolio sales in Bankia and Cajamar** with no corresponding impact in 2017

### REO Co.



- **REO Conversion** volumes **increased by 104%** impacted by:
  - **Strong activity in Sareb** resulting in a sharp **increase** in number of **claims filed** during the period
  - **Large deeds in lieu** and **foreclosures** in **Cajamar**

### RED



- **RED volumes increased by 2%** impacted by:
  - Lower recoveries in Sareb, offset by stronger performance in Bankia and in other clients

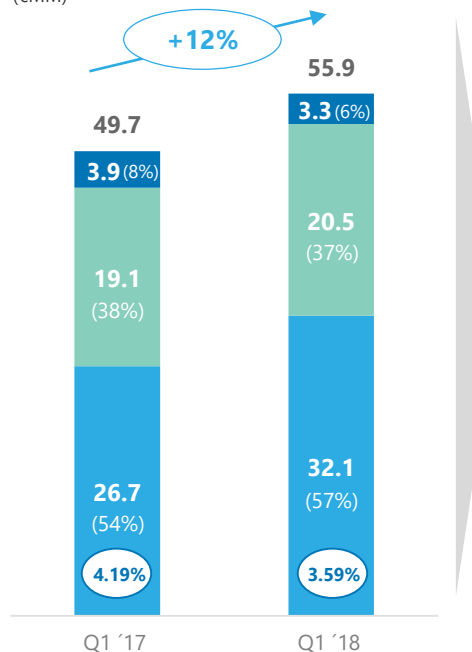
# 3 Revenues



Revenues increased by 12% due to the increase in volume and management fees mainly impacted by the strong performance in REOs, REO Conversion and the Liberbank contribution during Q1 '18

## Revenues Comparison

(€MM)



### Volume fee



- Volume fee increased by 20% mainly due to:
  - strong performance in REOs due to the Liberbank contribution
  - improvement in REO Co due to high transaction volumes in Sareb and Cajamar
- The average volume servicing fee as % of volumes was 3.59% due to the product mix and the portfolio sales which have contractually lower commissions

Breakdown by product



### Management fee



- The management fee increased by 7% due to the Liberbank and other clients contribution, which have offset the decline in Sareb due to the closed nature of the perimeter under management

### Other Revenues



- The other revenues decreased by 16% (€0.6MM) impacted by lower activity in Advisory and Securitization business lines

### Revenues from Sareb contract

- In the context of the CNMV review of our 2017 Financial Statements due to the IPO preparatory works, we have changed the accounting policy applied to Sareb's upfront payment, treating it in 2017 as an intangible asset, and amortized over the contract term, in consistency with the accounting treatment given to other contracts. Therefore, no adjustment to revenues is required and prior periods have been restated for comparative purposes

Volume fee Management fee Other revenues  
 (% of total) % average volume servicing fee

# 3

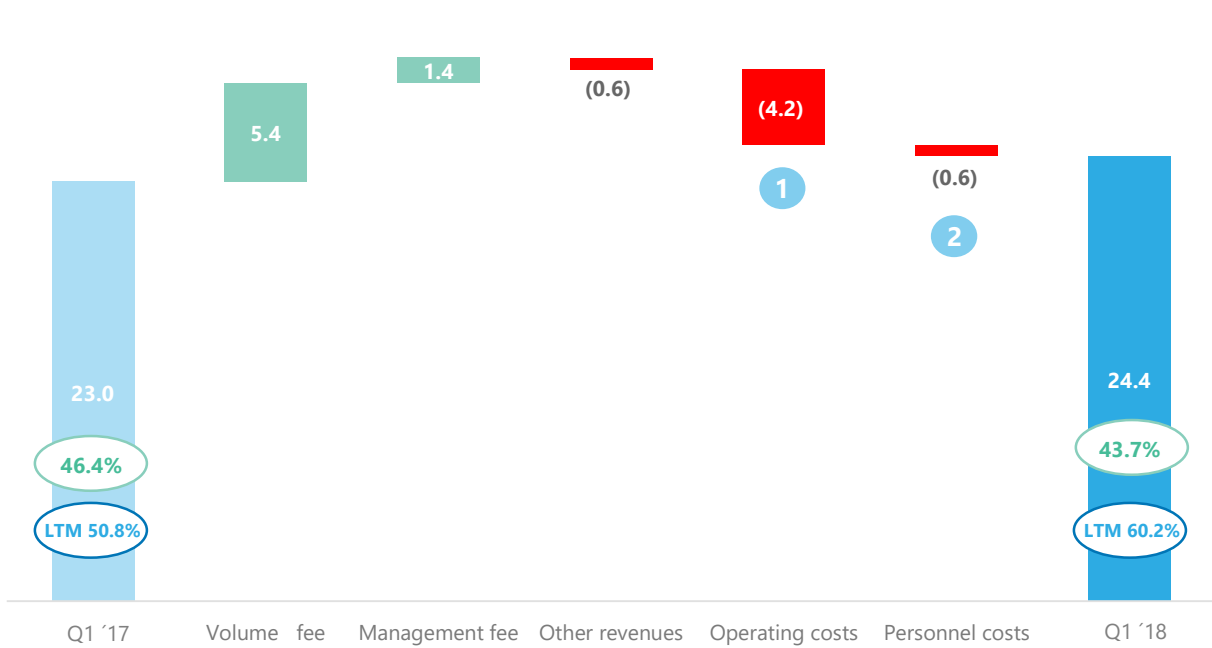
## Adjusted EBITDA bridge



Adjusted EBITDA increased by 6% compared to Q1 '17 explained by a strong performance in REO Co, REOs and the Liberbank contribution

### Adjusted<sup>1</sup> EBITDA Bridge

(€ MM)



#### 1 Operating costs impacted by:

- New costs associated to the **Liberbank contract**
- Higher related **direct costs** (litigation) due to REO Conversion transaction volumes increase
- Higher opex due to temporary **external workforce and professional services** and **new commercial campaigns**

#### 2 Personnel costs impacted by:

- **Liberbank** contract acquisition, partially offset by lower severance costs.

○ ○ % Adjusted EBITDA margin

(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

# 3

## Free Cash Flow and Net Debt Position



Free cash flow increased by 59% (€20.2MM) and the leverage ratio is 2.8x as of March 2018

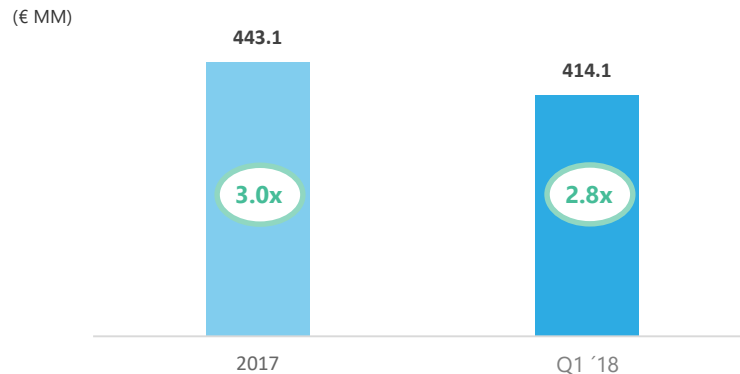
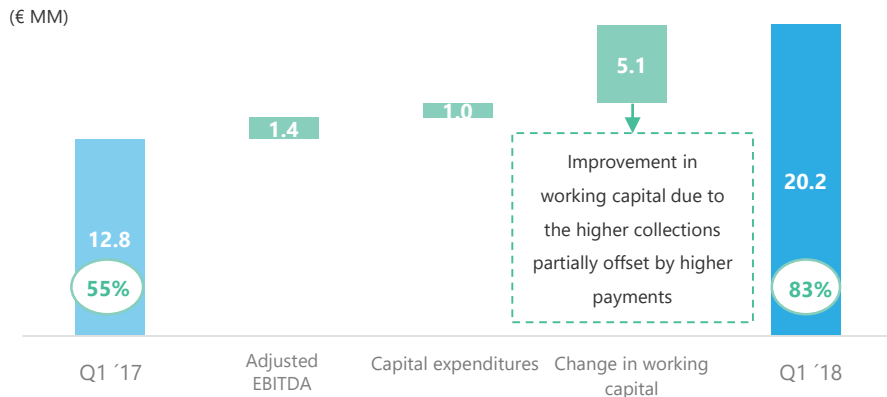
### Free Cash Flow

(€ MM)	Q1 '17	Q1 '18
<b>Adjusted EBITDA<sup>2</sup></b>	<b>23.0</b>	<b>24.4</b>
Capital expenditures paid	-5.9	-4.9
Change in working capital	-4.4	0.7
<b>Free Cash Flow</b>	<b>12.7</b>	<b>20.2</b>

Free Cash Flow<sup>1</sup> Comparison

### Net Debt

- Main Highlights
- **Repayment** of €18MM of Liberbank's VAT facility
  - **Leverage ratio in Q1'18 below 3.0x**
  - **The Bankia's upfront payment of €108MM** will be financed through the operating cash flows:



○ % Cash Conversion: FCF / Adjusted EBITDA<sup>2</sup>

○ Leverage ratio: Net debt / Adjusted EBITDA<sup>2</sup>

(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



# 4. Annex

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## 4

## Q1 '18 Key Metrics



(€ MM)

	Q1 '17	Q1 '18	(%)	
<b>P&amp;L</b>	<b>Total transaction volumes</b>	<b>637.2</b>	<b>895.2</b>	40.5%
	<b>Revenues</b>	<b>49.7</b>	<b>55.9</b>	12.4%
	Volume fee	26.7	32.1	20.3%
	Management fee	19.1	20.5	7.2%
	Other revenues	3.9	3.3	-16.1%
	<b>Operating expenses</b>	<b>26.6</b>	<b>31.4</b>	18.0%
	Other operating expenses <sup>1</sup>	14.3	18.5	29.4%
	Personnel Cost	12.4	13.0	4.8%
	<b>Adjusted EBITDA<sup>2</sup></b>	<b>23.0</b>	<b>24.4</b>	6.0%
	<b>Adjusted EBITDA margin</b>	<b>46.4%</b>	<b>43.7%</b>	-5.7%
<b>Adjusted EBIT<sup>1</sup></b>	<b>5.5</b>	<b>2.0</b>	-64.0%	
<b>Adjusted EBIT margin</b>	<b>11.2%</b>	<b>3.6%</b>	-68.0%	
<b>Other Key Metrics</b>	<b>Assets under management</b>	<b>40,159<sup>3</sup></b>	<b>39,807</b>	-0.9%
	<b>Average volume servicing fee</b>	<b>4.19%</b>	<b>3.59%</b>	-14.4%
	<b>Average management servicing fee</b>	<b>0.20%</b>	<b>0.20%</b>	0.3%
	<b>Free cash flow</b>	<b>12.7</b>	<b>20.2</b>	58.8%
	<b>Net debt position</b>	<b>443.1<sup>3</sup></b>	<b>414.1</b>	-6.5%
	<b>Leverage ratio</b>	<b>3.0x<sup>3</sup></b>	<b>2.8x</b>	-7.9%

(1) Other operating expenses adjusted by €2.1MM costs estimated to have been incurred in connection with the IPO exploratory activities (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) Figures as of December, 2017



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