



Q1 2019 Earnings Presentation

23 May 2019



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Today's Presenters



Carlos Abad Rico

CEO & Director of the
Board



Bárbara Zubiría Furest

CFO

Agenda



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Key Highlights

02

Business Review

03

Financial Review

1 Q1'19- Key Highlights

- ✓ **Transaction Volumes of €846.9MM in Q1'19, driving revenues to €59.7MM, 7% increase vs Q1'18**
- ✓ **Results in the quarter impacted by growth in operating and personnel costs, driving Adjusted EBITDA to €19.5MM. Costs increase linked to strong REO activity and transitorily impacted by BBVA servicing through Divarian**
- ✓ **New SLA contract signed in March 2019, for the management of the "Apple" REO portfolio (JVCo between Cerberus and Santander). Over 24K new REO assets under management, or €2.2BN**
- ✓ **Strong focus in the quarter on preparing for the Divarian integration, with Business Purchase Agreement signed in April. The culmination of this transaction consolidates Haya as the leader in the Spanish real estate servicing market**
- ✓ **Negotiations with Sareb on potential new contract ongoing. Strong focus on service delivery under existing contract.**



2. Business Review

2 Divarian Integration



Highlights

- **Servicing business / operational assets** and **capabilities** (and related cost base) transferred to Haya
- **Purchase price of 1€**
- **Divarian, as “Prop Co.”**, will remain with core corporate functions
- **Servicing contract (SLA)** between Divarian and **Haya, will be in effect on June 1st**, for 8 years and similar terms to BBVA’s SLA
- **Haya will directly service BBVA’s assets** (currently subcontracted to Divarian)

- **~€10BN¹** GBV (€6.0BN¹ Appraisal Value)
- **+60,000** REO units
- **+340** employees
- **+150** BPO FTEs

Key Priorities

- ✓ Ensure **no business disruption** for both BBVA and Divarian
- ✓ **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 commercial focus**
- ✓ Secure **retention of key talent**

2

Business Rationale



2 Combined capabilities between HRE & Divarian



Haya Real Estate

- **Independent multi-client servicer** with a solid financial track record
- **Leader in debt management** and real estate assets (REs and REOs)
- **Revenues coming from a variety of clients** (Bankia, BBVA, Liberbank, Cajamar, ING, Sareb, Cerberus and other investment funds)
- **Integral management** across the full loans and real estates assets' value chain

Divarian + Haya

Aum (#)



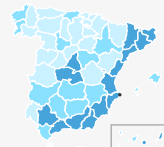
Aum (€M)



FTEs (#)



AuM Location



- < 700
- Between 700 and 2,000
- More than 2,000

Divarian

- Company dedicated to **real estate assets management**
- **Prop. Co. - Joint Venture** between Cerberus (80%) and BBVA (20%)
- **Present across all national territory** through 6 geographical divisions with significant capillarity
- **Diversification** of asset types (residential, industrial, commercial, land)

2 Sareb - Contract Status



Existing servicing contract

- **Existing contract** matures in **December 2019**
- Will **continue working** with Sareb on **business as usual under existing contract** terms until the **maturity** of the contract, **December 31st 2019**.
- Six months **notice of non-renewal** expected on **June 30th**; otherwise, **one year automatic renewal (end of 2020)**
- Discussions on **renewal process** started in February
- Sareb has formally **launched Project Esparta** and communicated to us their desired **servicing business model and strategy**
- **2019 RED Volumes** expected to be **impacted by Sareb's** recently communicated **business strategy (strong focus on margins)**, with growth to come from REO Conversion and REOs



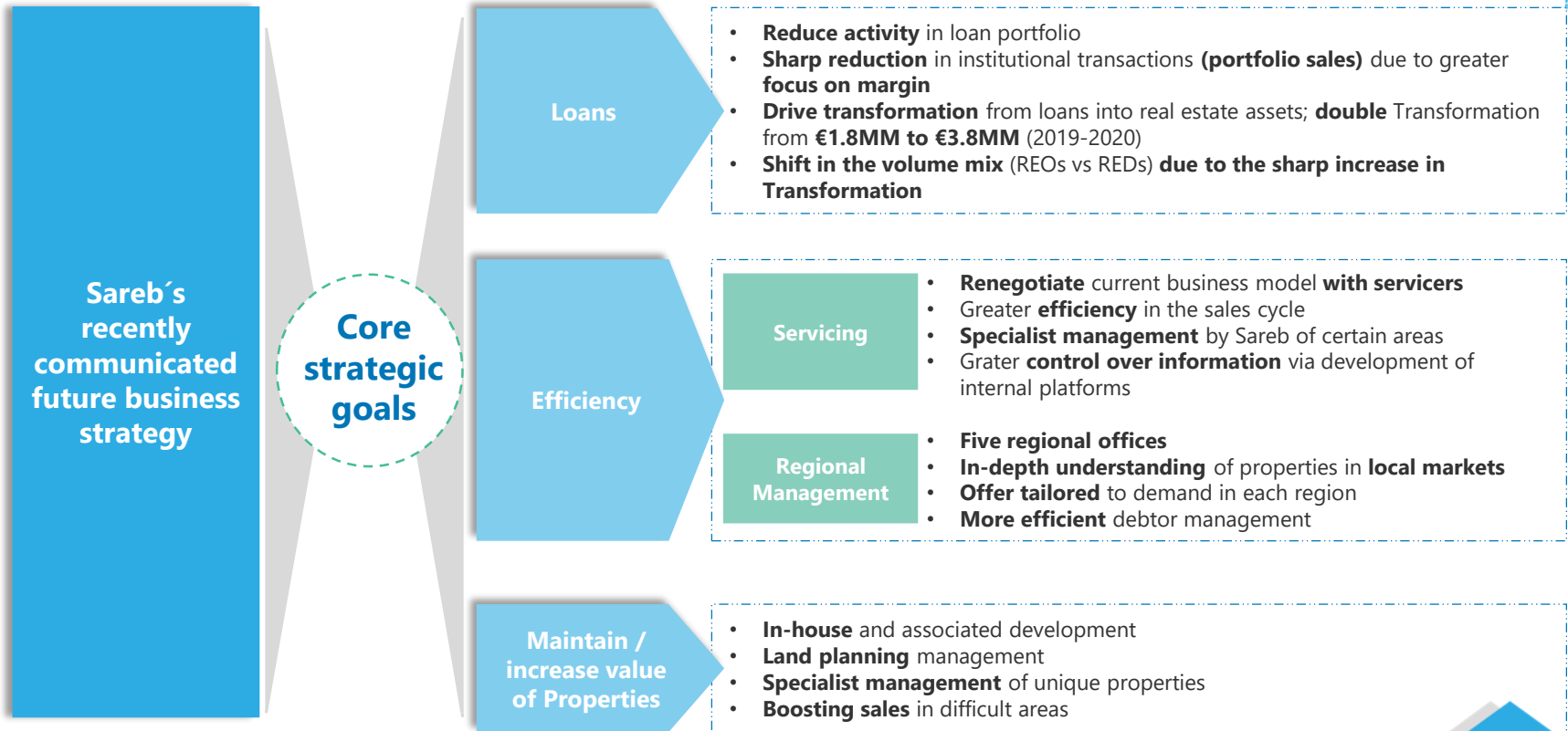
Delivery under Existing contract

- **#1** Ranked in latest **client satisfaction survey**
- **Strong compliance** with SLA requirements
- **Top ranked** in latest external **KPI benchmark** for REDs
- **Very strong budget over achievement** in **Q1'19** and top results achieved in **2018**

	%ENE	%FEB	%MAR	%ACUM ENE - MAR
	88%	97%	100%	99%
	100%	100%	97%	99%
	85%	93%	95%	91%
	3%	2%	1%	2%
	-	-	-	-
	100%	100%	100%	100%
	85%	100%	100%	98%
	100%	100%	100%	100%
	88%	78%	71%	79%
	-	-	-	-
	-	-	-	-
	50%	5%	10%	10%
	100%	100%	100%	100%
	100%	100%	100%	100%
	98%	89%	99%	96%
	93%	94%	93%	93%
	98%	98%	97%	97%
	100%	100%	100%	100%
	100%	100%	100%	100%
	100%	100%	98%	99%
	100%	100%	100%	100%
	-	100%	100%	100%
	100%	100%	-	100%
	96%	96%	94%	96%
	-	-	-	-
	-	100%	-	100%
	-	-	100%	100%
	24%	96%	92%	93%
	97%	97%	94%	96%

2

Sareb – Future Strategy

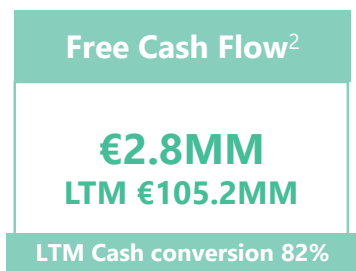




3. Financial Review

3

Key Financial Highlights – Q1'19



(1) Adjusted EBITDA is the sum of GAAP operating profit plus D&A, adding back €2.4MM of non recurring costs (2) Free Cash Flow is defined as Adjusted EBITDA less capital expenditures and change in working capital.

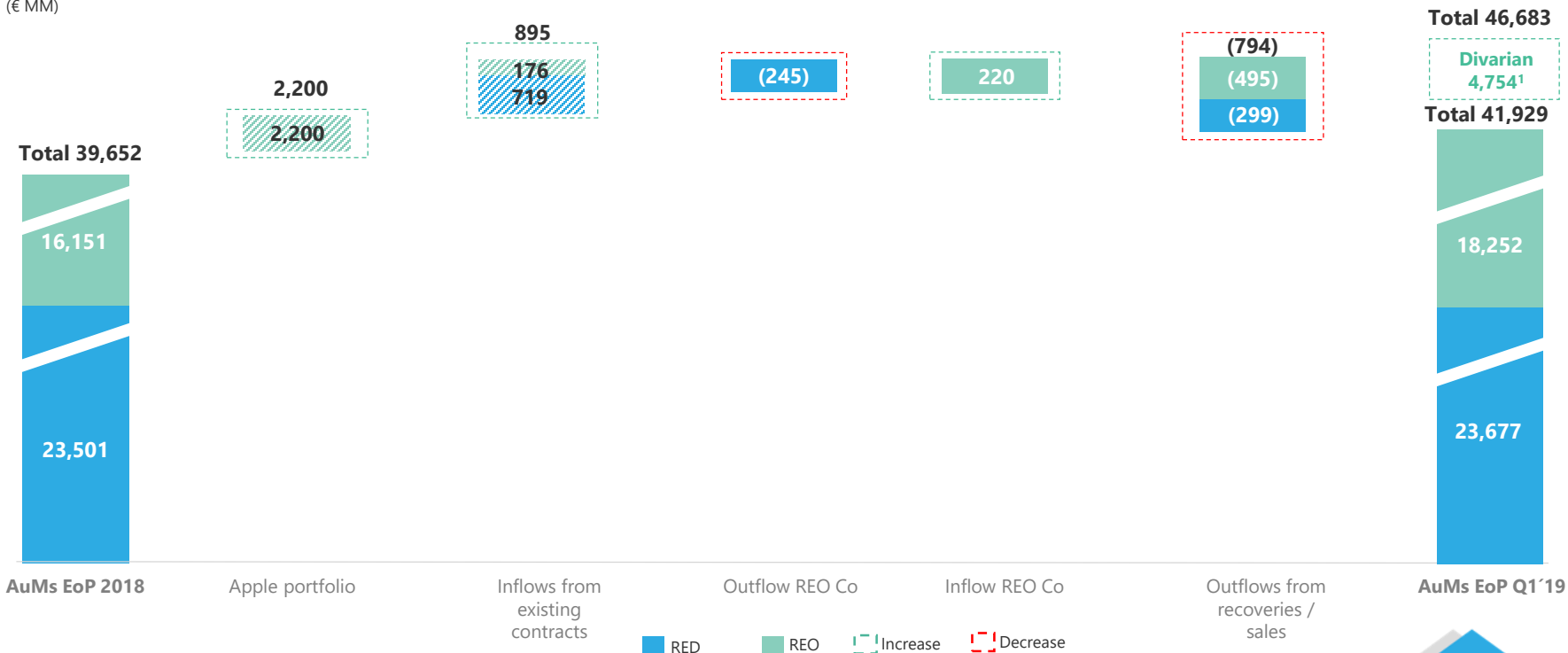
3 Assets Under Management



◀ AuMs increased by €7BN compared to December 2018 mainly due to the Divarian, 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 Divarian / BBVA transaction: Resulting SLAs



BBVA

Divarian¹ Cerberus (80%) BBVA (20%)

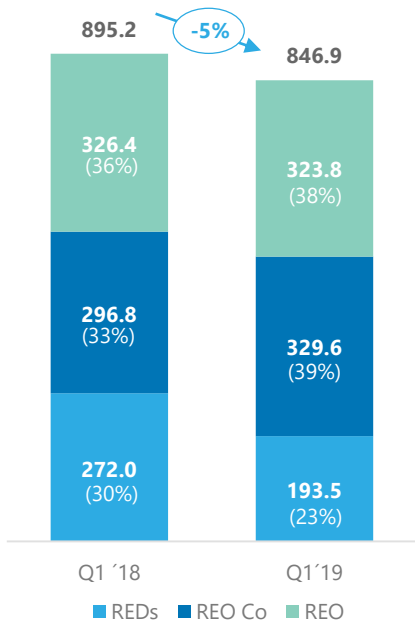
	BBVA	Divarian ¹ Cerberus (80%) BBVA (20%)
AUMs	<ul style="list-style-type: none"> • €1.6BN (Appraisal value) • ~€2.6BN (estimated GBV) • +14,000 REO units 	<ul style="list-style-type: none"> • €6.0BN² (Appraisal value) • ~€10BN (estimated GBV) • +60,000 REO units
Perimeter	Stock + Future Flow	Stock
Term	<ul style="list-style-type: none"> • 8 years +2 yr extension 	<ul style="list-style-type: none"> • 8 years + automatic annual extensions
REO/RED	REO	REO
Exclusivity	✓	✓
Upfront payment	-	-
Fee structure	<ul style="list-style-type: none"> • Sales fee/Asset management fee/ Portfolio sales fees/ Asset Inscription fees/ Rent fees 	<ul style="list-style-type: none"> • Sales fee/Asset management fee/ Portfolio sales fees/ Rent fees
Termination fee	✓	✓

3 Transaction Volumes

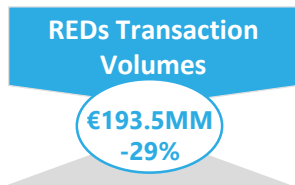


Transaction volumes comparison

(€ MM)



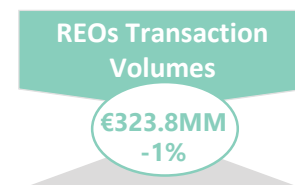
(%) of total



- **No recoveries in Bankia in Q1'19** due to novation of the contract in April 2018 which removed REDs from perimeter
- **Lower recoveries in Sareb** impacted by Sareb's new **business** strategy (strong focus on margins)
- **Strong performance** in Cerberus Servicing Contracts due to **new portfolio awarded in H2 '18**



- **Continued strong performance in REO Conversion** mainly due to the **strong activity in Sareb** resulting in a sharp **increase in DILs** and **Bankruptcies** closed
- **Lower performance** in Cajamar in **REOC** as a result of **less focus by client in DILs** during **Q1'19** compared to Q1'18



- **BBVA contribution in Q1'19** with no corresponding impact in Q1'18
- **Strong performance** in Sareb (**+74%**) due to an increase in **retail REO sales**
- **Lower activity** in Cajamar and **Bankia** due to **large portfolios** sold in Q1'18 (€62MM)
- **Lower performance** in Liberbank impacted by significant bulk REO sales in Q1'18

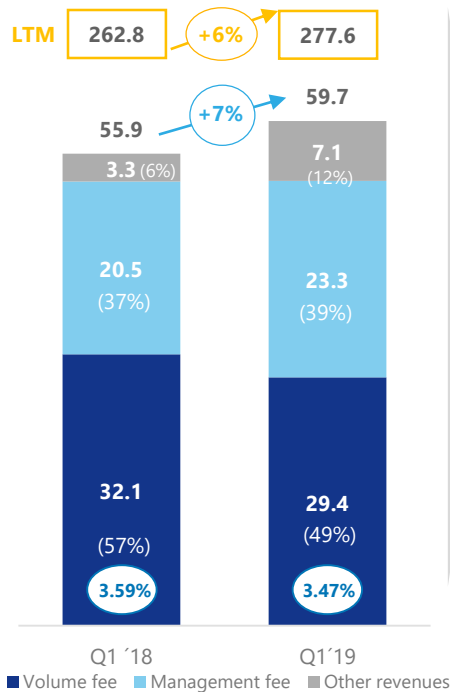
3 Revenues



Revenues increased by 7% due to the increase in management fees and other revenues mainly impacted by the BBVA contribution during the first three months of 2019

Revenues Comparison

(€MM)

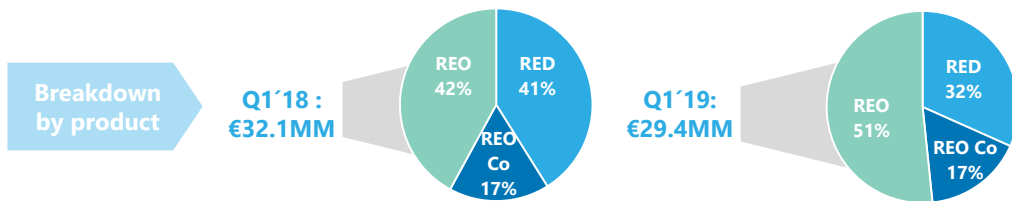


(%) of total ○ % average volume servicing fee

Volume fee



- Volume fee **decreased by 8%** mainly due to :
 - Decrease in **REDs volume fee** impacted by the novation of the Bankia contract and the lower activity in Sareb
 - Decrease in **REO Co fees** impacted by Cajamar partially offset by the good performance in Sareb
 - Increase in **REOs volume fee** impacted by BBVA contribution and the good performance in Sareb
 - The average volume servicing fee as % of volumes was 3.47% mainly due to the weight decrease in REDs and in REO Co which have contractually lower % volume fee



Management fee



- Management fee **increased by 14%** mainly due to BBVA, Bankia, Liberbank and other clients contribution which have offset the decline in Sareb due to the closed nature of the perimeter under management

Other Revenues



- Other revenues **increased by 116%** mainly due to the onboarding fee of the Apple portfolio and ancillary services rendered to Bankia and BBVA which are partially offset with the corresponding impact in operating expenses (direct costs).

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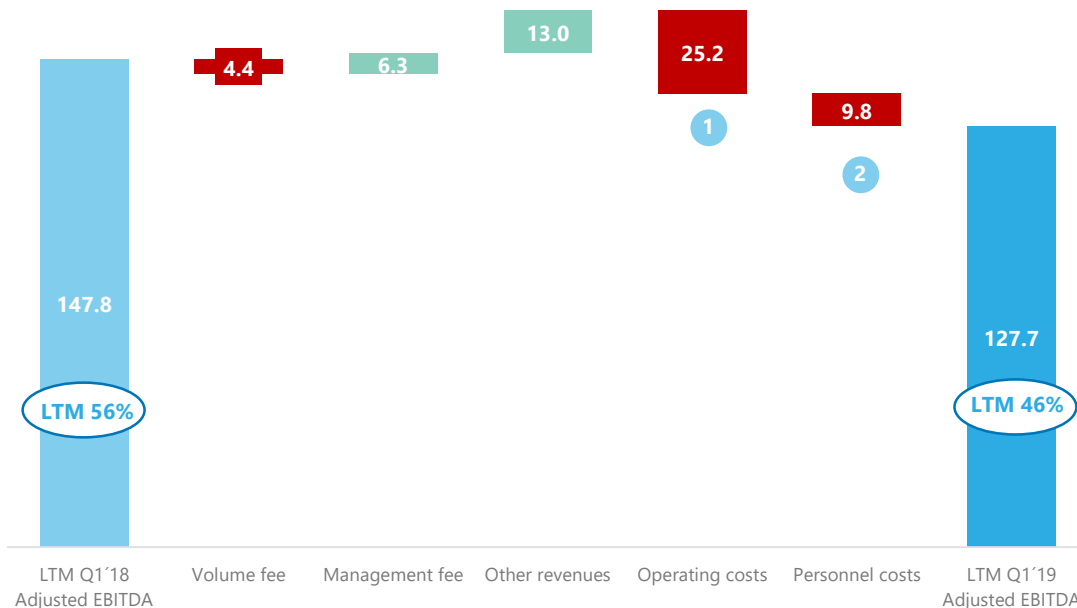
Adjusted EBITDA bridge



Adjusted EBITDA LTM decreased 14% year-over-year explained by an increase in operational and personnel costs due to the strong performance in REOs and new FTEs hired

Adjusted¹ EBITDA Bridge

(€ MM)



○ % Adjusted EBITDA LTM margin

1 Operating costs impacted by:

- Increase in **intermediation costs** (channel costs) due to the LTM **strong performance in REOs** volumes
- Increase in cost of **agencies** due to Bankia, Sareb and BBVA contribution which are offset with the corresponding **revenues invoiced to the clients**
- Increase in **professional services** impacted by certain consultancy and business process outsourcing costs associated to new onboardings
- **Decrease** in operating expenses mainly due to **IT, temporary workforce and customer support**
- Nevertheless, during **Q1'19 the operational expenses have decreased** compared to Q4'18 due to a reduction in intermediation and professional services costs

2 Personnel costs impacted by:

- **The new servicing contracts awarded in 2018** have increased number of FTEs.
- **Compliance, Internal Audit, Data and Process Quality, Finance & Data Analytics departments have been reinforced** during 2018 which impacts the personnel in 2019.

(1) Adjusted EBITDA is the sum of GAAP operating profit plus D&A, adding back €6.2MM of non recurring expenses.

3

Free Cash Flow and Net Debt



Free cash flow decreased LTM by 2% leaving a leverage ratio of 3.6x as of March 2019

Free Cash Flow

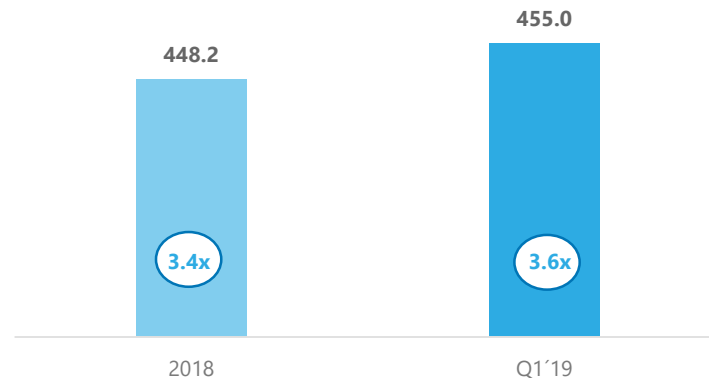
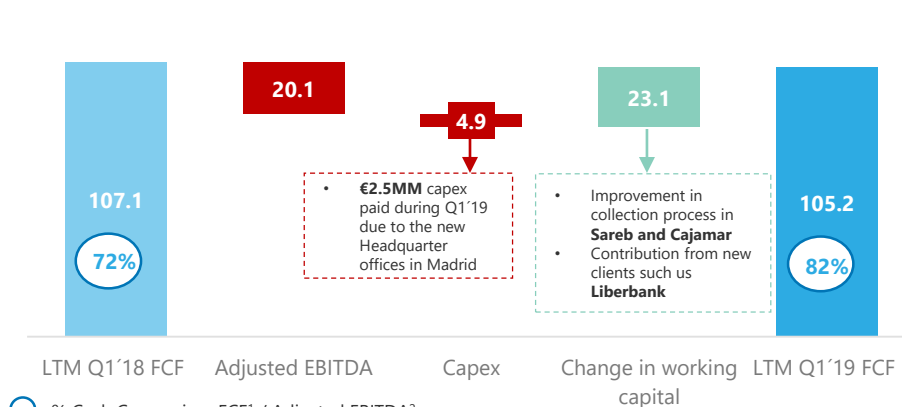
	(€ MM)	LTM 2018	LTM 2019
Free Cash Flow¹ Comparison	Adjusted EBITDA²	147.8	127.7
	Capital expenditures paid	-8.4	-13.3
	Change in working capital	-32.3	-9.2
	Free Cash Flow	107.1	105.2

Main Highlights

- **Leverage ratio of 3.6x**
- **Cash position** as of Q1'19 of **€18MM**
- **FCF** in Q1'19 weaker due to **working capital seasonality**, and **capex** associated to new Headquarter offices
- **Working capital improvements** LTM, with **strong** push in **collections** still to come

(€ MM)

(€ MM)



○ % Cash Conversion: $FCF^1 / \text{Adjusted EBITDA}^2$

○ Leverage ratio: $\text{Net debt} / \text{LTM Adjusted EBITDA}^2$



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