



KREDYT INKASO

Place of good solutions

Financial Results of Kredyt Inkaso Group for Q1 of the Financial Year 2022/2023

*2 September
2022*

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Key information

Recoveries from debtors

PLN 79.6 million

(+12% y/y)

Cash EBITDA¹

PLN 47.4 million

(+9% y/y)

Net profit

PLN 14.7 million

(+125% y/y)

ERC

PLN 1,043 million

(-9% y/y)

Net debt / equity

0.81

(-48bps y/y)

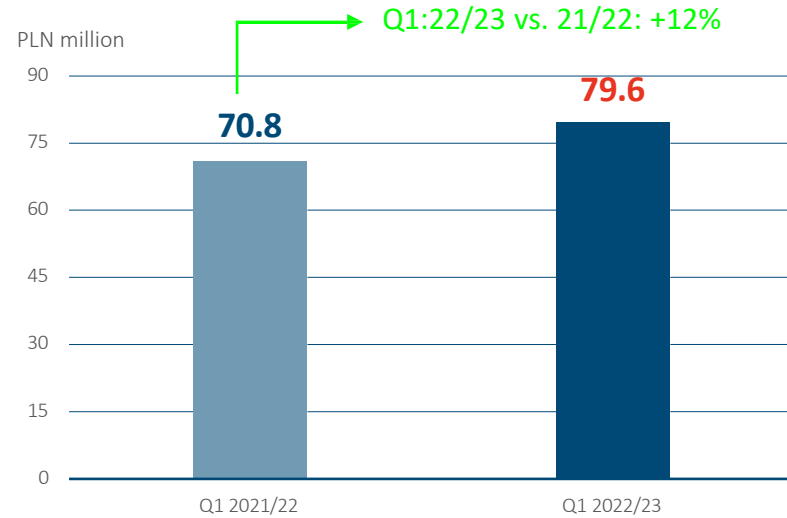
NET DEBT / CASH EBITDA¹

1.61

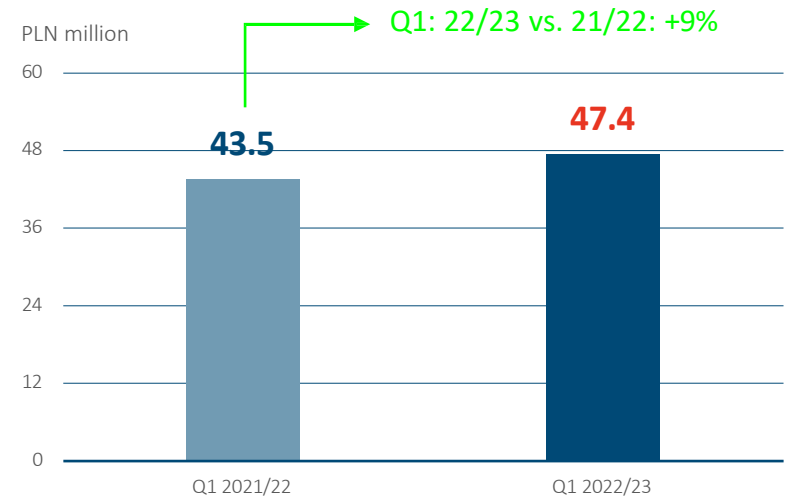
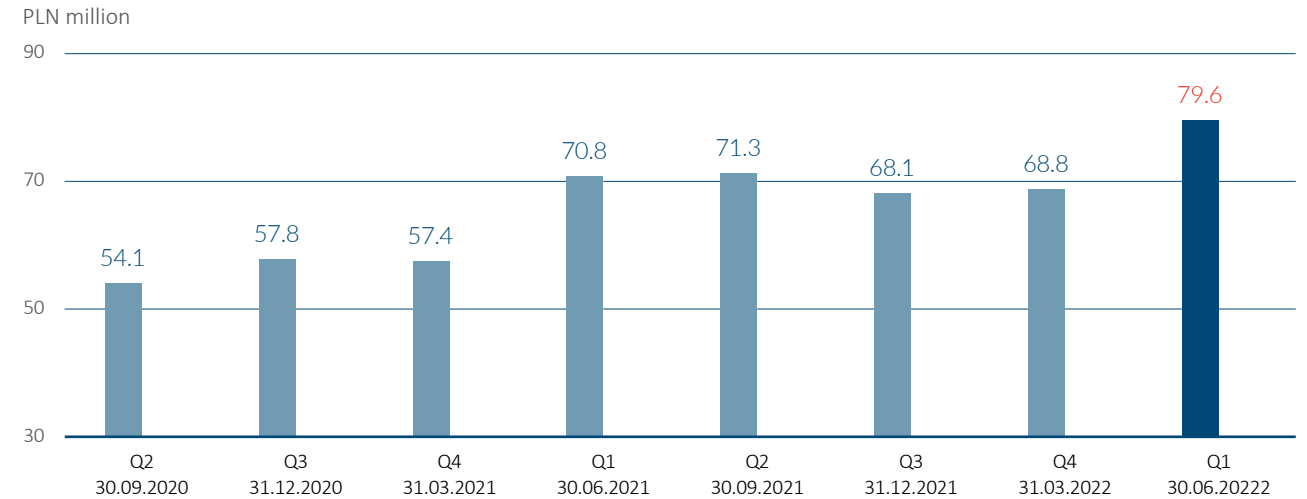
(-107bps y/y)

¹ Cash EBITDA = operating profit/(loss) + depreciation/amortisation of property, plant and equipment and intangible assets - interest income from purchased receivables - revaluation of purchased receivables + collections from purchased receivables.

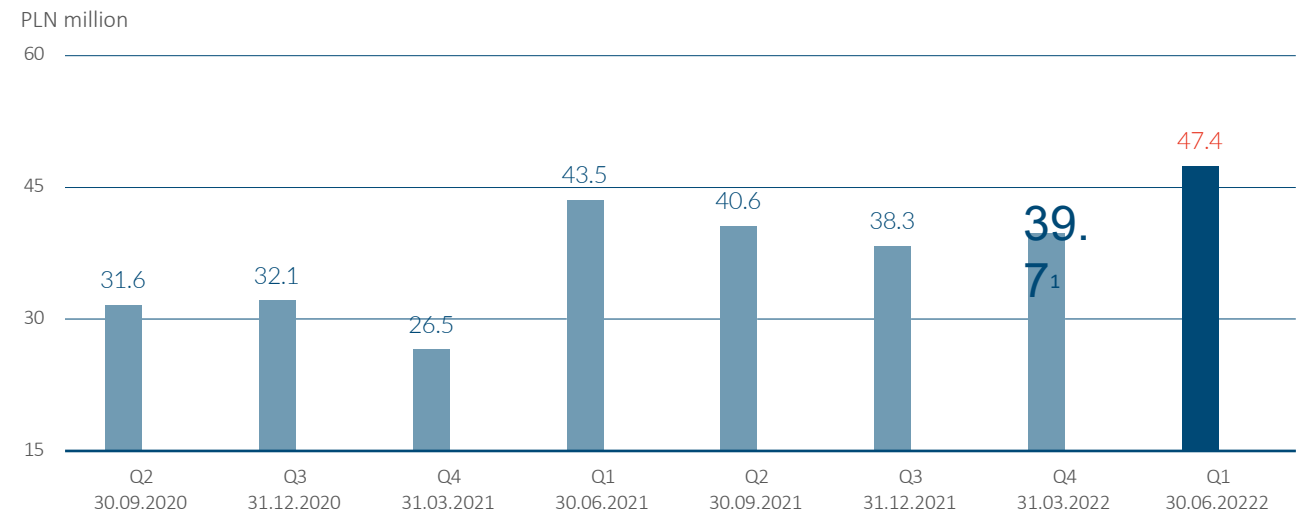
Key results I



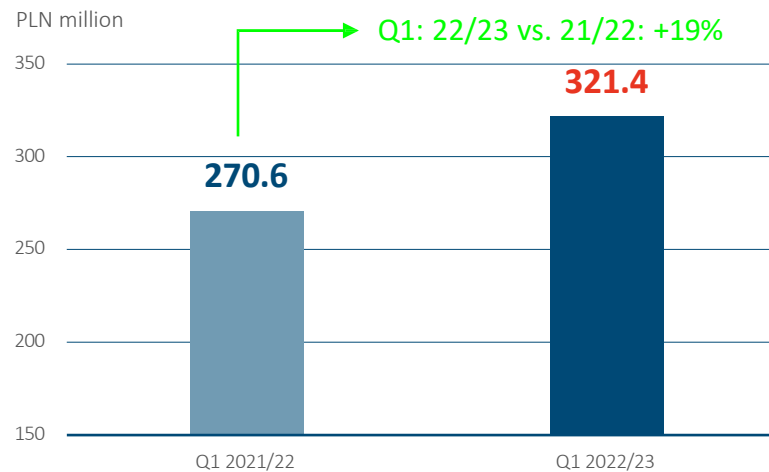
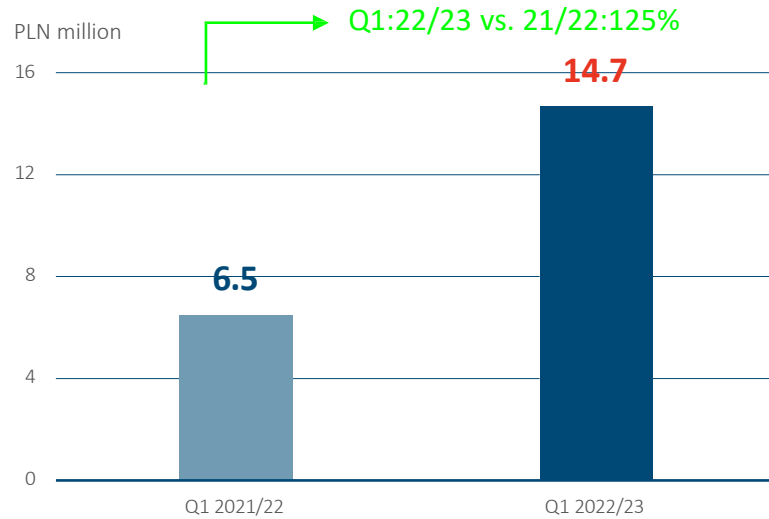
GROSS COLLECTIONS BY DEBTORS



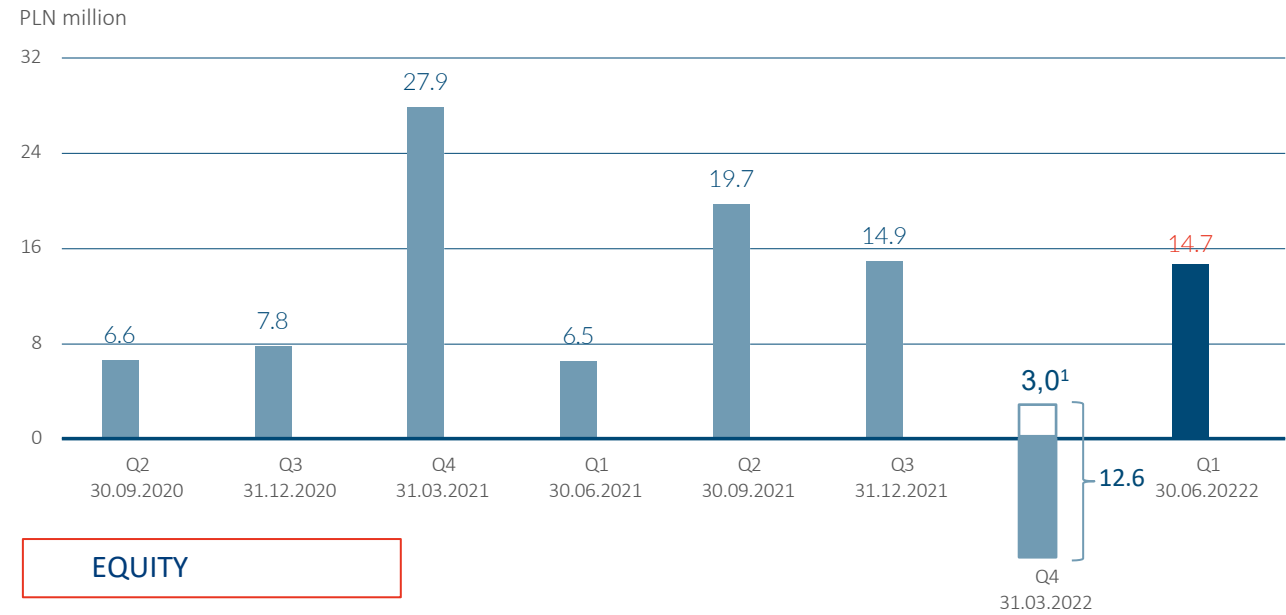
CASH EBITDA



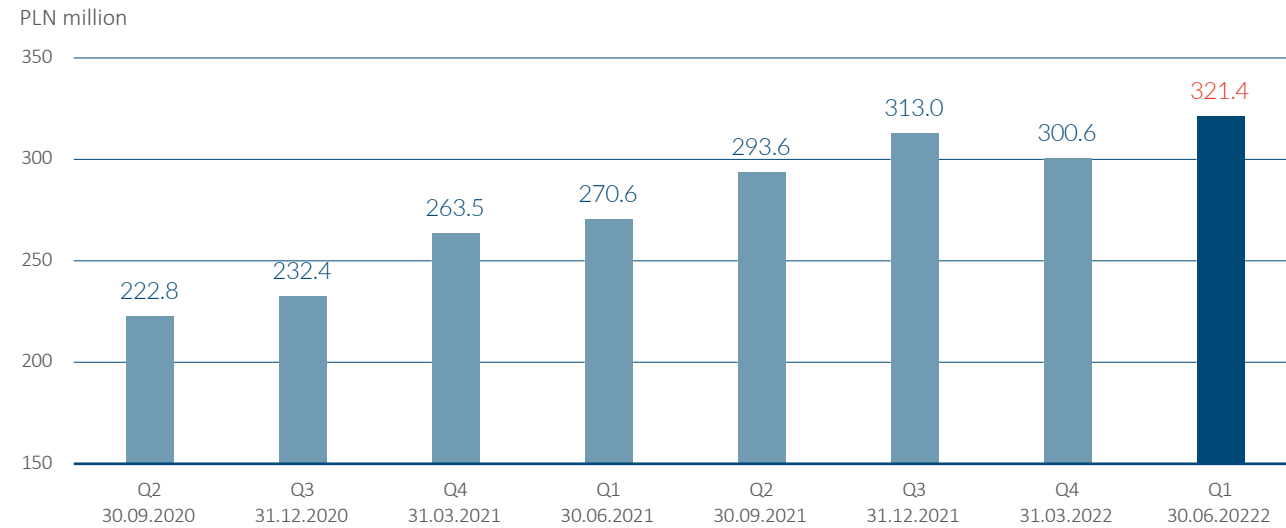
Key results II



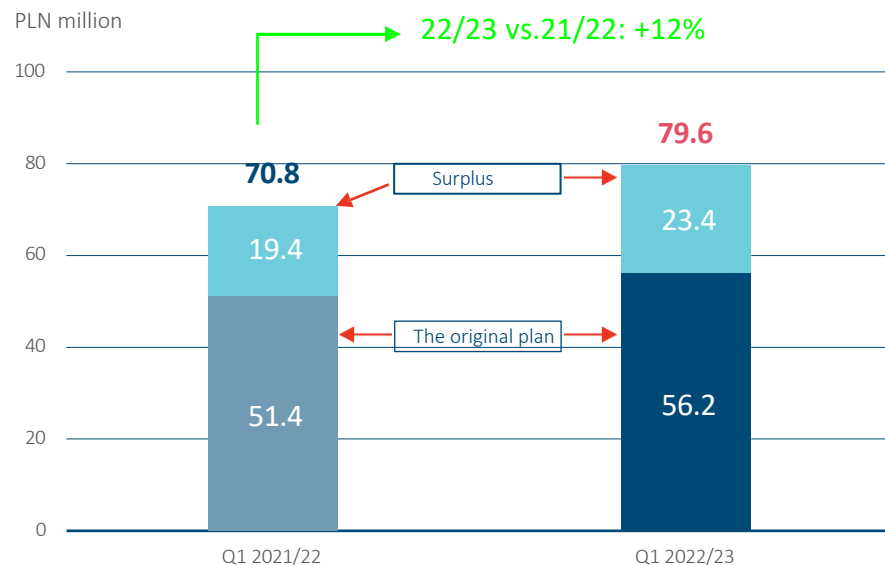
NET PROFIT (LOSS)



EQUITY



Record-breaking collections from own portfolios



- The highest quarterly level of collections in the history of KI Group
- Collections on own portfolios in KI Group in Q1 2022/23 were higher by 12% than in the same quarter of the financial year 2021/22, and by 16% compared to Q4 2021/22.
- Yet another quarter in which collections go beyond expectations and exceeded the accounting targets, especially in the field of telecommunications and retail receivables.

Investments in new portfolios



PLN 5.8 million in Q1

(+161% y/y)

Stable employment in the Group



524 employees

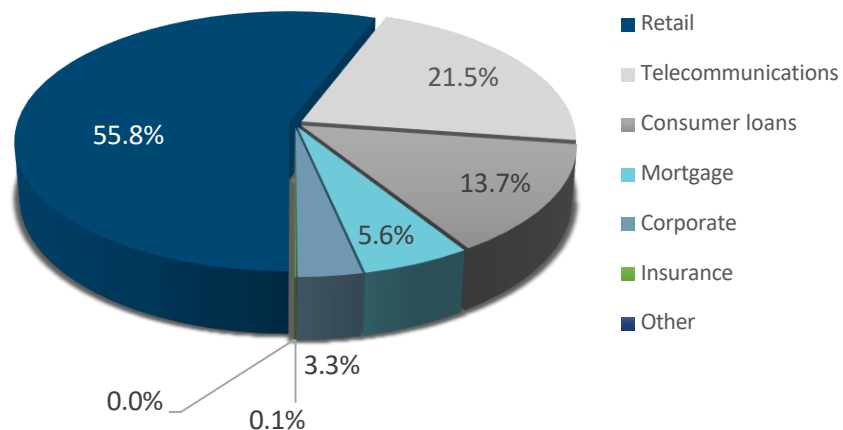
(-1% y/y)



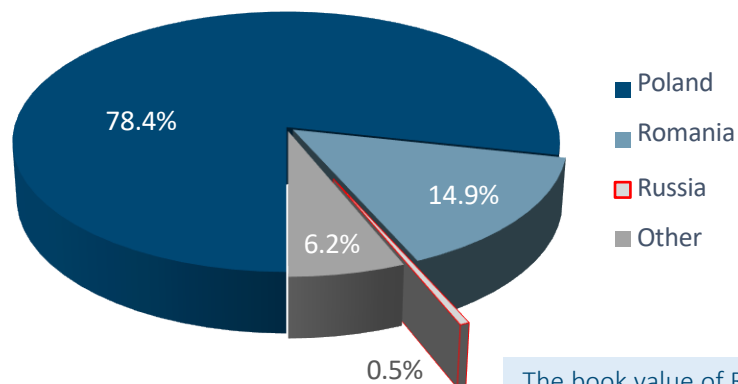
Increase in efficiency –
value of payments per FTE + 13% y/y

Portfolio characteristics

Types of portfolios managed according to their carrying amount as at 30 June 2022



Carrying amount of receivables portfolios by country of origin as at 30 June 2022



The book value of Russian portfolios represents 0.5% of the balance sheet value of all purchased receivables and amounts to PLN 2.6 million

Carrying amount of GK KI's receivables portfolios broken down by type (PLN million)

	Carrying amount as at 30.06.2022	Percentage share (%)
Retail	312.0	55.8
Telecommunications	119.9	21.5
Consumer loans	76.6	13.7
Mortgage	31.4	5.6
Corporate	18.3	3.3
Insurance	0.5	0.1
Other	0.1	0.0
Total	558.8	100.0

Debtors collections and carrying amount of debt portfolios GK KI (PLN million)

	Debt collections Q1 2022/2023	Carrying amount as at 30.06.2022	Percentage share
Poland	55.7	437.9	78.4
Romania	10.7	83.4	14.9
Bulgaria	5.1	33.8	6.0
Russia	8.0	2.6	0.5
Croatia	0.1	1.1	0.2
Total	79.6	558.8	100.0

Profit and loss account

PLN thousand	Q1 2022/23	Q1 2021/22	Change (%)	Q1 2022/23	Q4 2021/22	Q3 2021/22	Q2 2021/22	Q1 2021/22	Q4 2020/21	Q3 2020/21	Q2 2020/21
Collections	79,604	70,776	12%	79,604	68,775	68,116	71,323	70,776	57,357	57,772	54,130
Cash EBITDA	47,357	43,494	9%	47,357	34,832	38,311	40,609	43,494	26,470	32,058	31,594
Interest revenues	29,624	31,876	-7%	29,624	27,845	31,200	29,257	31,876	31,602	30,998	30,578
Revaluation of portfolios	25,808	13,394	93%	25,808	5,043	19,376	33,211	13,394	41,401	11,781	12,723
Other net revenue	1,115	1,080	3%	1,115	4,079	1,217	539	1,080	(767)	2,351	2,662
Total net revenues	56,547	46,350	22%	56,547	36,967	51,793	63,007	46,350	72,236	45,130	45,963
Remunerations, social insurance contributions and other benefits	(12,473)	(10,683)	17%	(12,473)	(13,501)	(12,073)	(11,849)	(10,683)	(10,389)	(11,241)	(9,380)
External services	(10,968)	(8,966)	22%	(10,968)	(9,886)	(10,417)	(10,931)	(8,966)	(9,749)	(9,764)	(8,631)
Court and enforcement fees	(8,532)	(7,727)	10%	(8,532)	(8,462)	(7,140)	(7,285)	(7,727)	(8,728)	(5,959)	(6,539)
Other	(3,309)	(2,668)	24%	(3,309)	(8,146)	(3,007)	(2,888)	(2,668)	(2,753)	(2,645)	(2,237)
Total operating expenses	(35,282)	(30,044)	17%	(35,282)	(39,995)	(32,637)	(32,953)	(30,044)	(31,619)	(29,609)	(26,787)
Profit (loss) on operating activities	21,265	16,306	30%	21,265	(3,029)	19,156	30,054	16,306	40,617	15,521	19,176
Net financial costs	(5,759)	(9,504)	-39%	(5,759)	(4,729)	(2,840)	(5,614)	(9,504)	(7,386)	(7,318)	(8,406)
Profit/(loss) before tax	15,506	6,802	128%	15,506	(7,757)	16,316	24,440	6,802	33,231	8,203	10,770
Income tax	(796)	(274)	191%	(796)	(1,896)	(1,326)	(4,817)	(274)	(5,377)	(351)	(4,217)
Net profit/(loss)	14,710	6,528	125%	14,710	(9,653)	14,990	19,623	6,528	27,854	7,852	6,553

PLN thousand	Q1 2022/23	Q1 2021/22
Revision of projection	1,614	(4,040)
Deviations from actual payments	23,394	19,365
Extension of projected recoveries	308	338
Changes to exchange rates	492	(2,269)
Revaluation of portfolios	25,808	13,394

- The increase in operating costs, mainly due to the increase in costs of wages and salaries, external services, and court and enforcement fees.
- The increase in wages and salaries costs was mainly due to the preparation of the **organisation for a significant increase in the scale of operations** (the process was conducted intensively during 2021/2022, the growth of the cost base slowed down at the turn of Q4 21/22 and Q1 22/23).
- **Front Office** costs, excluding court and enforcement fees (operating departments responsible for debt collection activities) increased by **29% y/y**, for **Back Office** (support departments) this increase was 15% y/y (mainly inflationary pressure).
- **Court and enforcement fees** are growing at a rate similar to that of debtors (10% vs. 12% y/y).

- **High Deviations from actual payments** is a cash effect (real cash inflow to GK).
- **Positive verification of the projections** amid still **conservative** assumptions as to the yield curves.
- **No negative impact** of the Russian subsidiary on Q1 2022/23 results (the write-off on KI RUS portfolios from Q4 2021/22 maintained), but all KI RUS projections are **burdened with a large dose of uncertainty**

PLN thousand	Q1 2022/23	Q1 2021/22	Change (%)
Remuneration and related amounts	12,473	10,683	17%
External services	10,968	8,966	22%
Court and enforcement fees	8,532	7,727	10%
Depreciation and amortisation	1,920	1,682	14%
Taxes and charges	272	315	-14%
Consumption of materials and energy	535	284	88%
Other costs by type	582	387	50%
Costs	35,282	30,044	17%

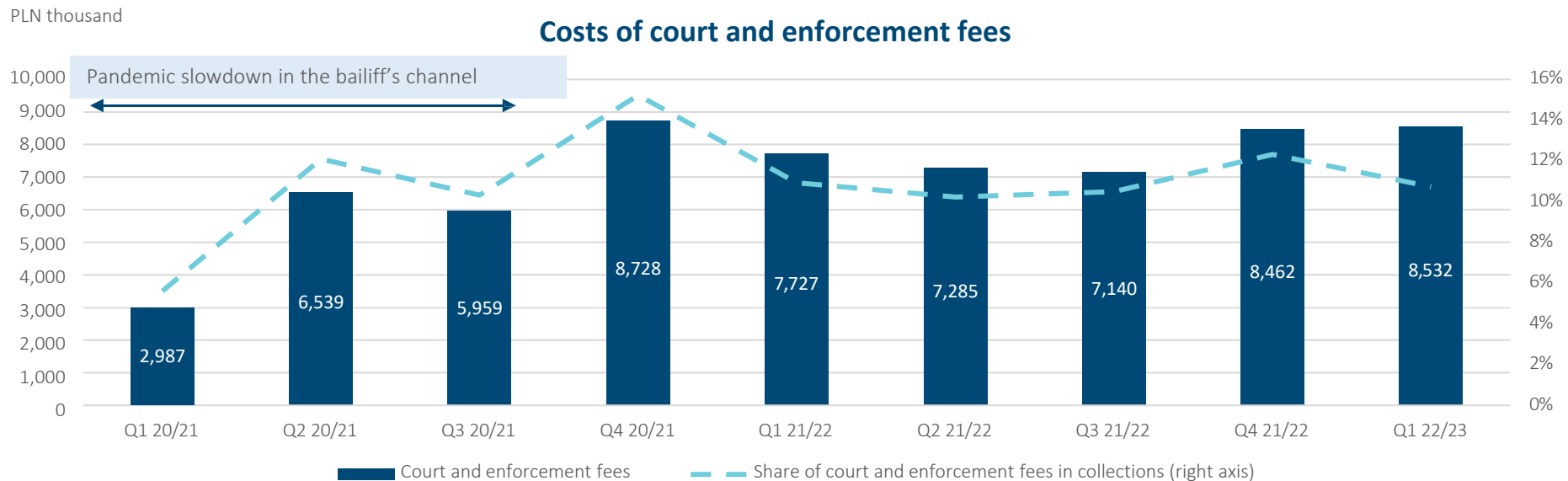
Profit and loss account III

Operating costs (excluding court and enforcement fees)



- The systematic improvement of profitability in the long term – the share of operating costs (excluding court and enforcement fees) in collections decreased from 43% in Q1 20/21 to 34% in Q1 22/23.
- Share of remuneration in collections (16% in Q1 22/23) at the level of the best industry benchmarks.

Costs of court and enforcement fees

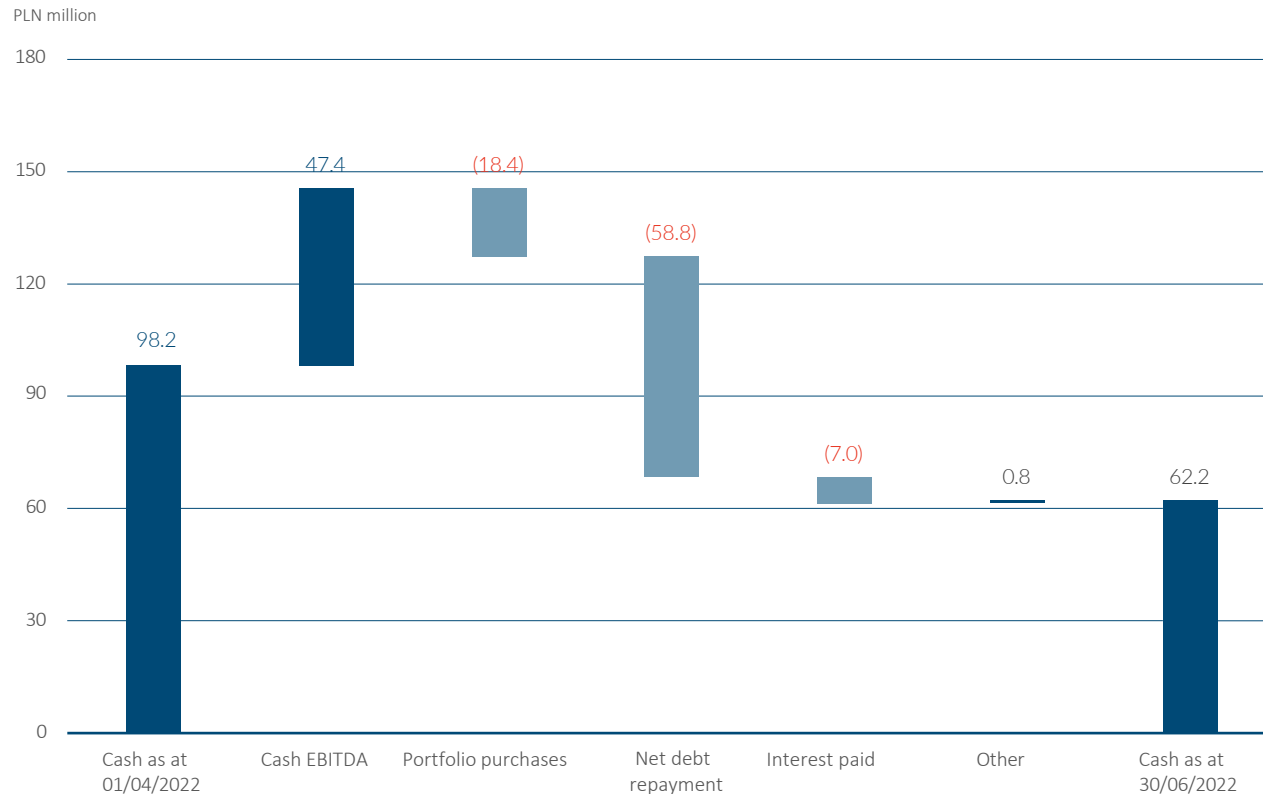


- Stable share of court and enforcement fees in collections – similar growth rates for both items.

¹ Excluding court and enforcement fees

² After adjusting for non-cash write-off on KI RUS

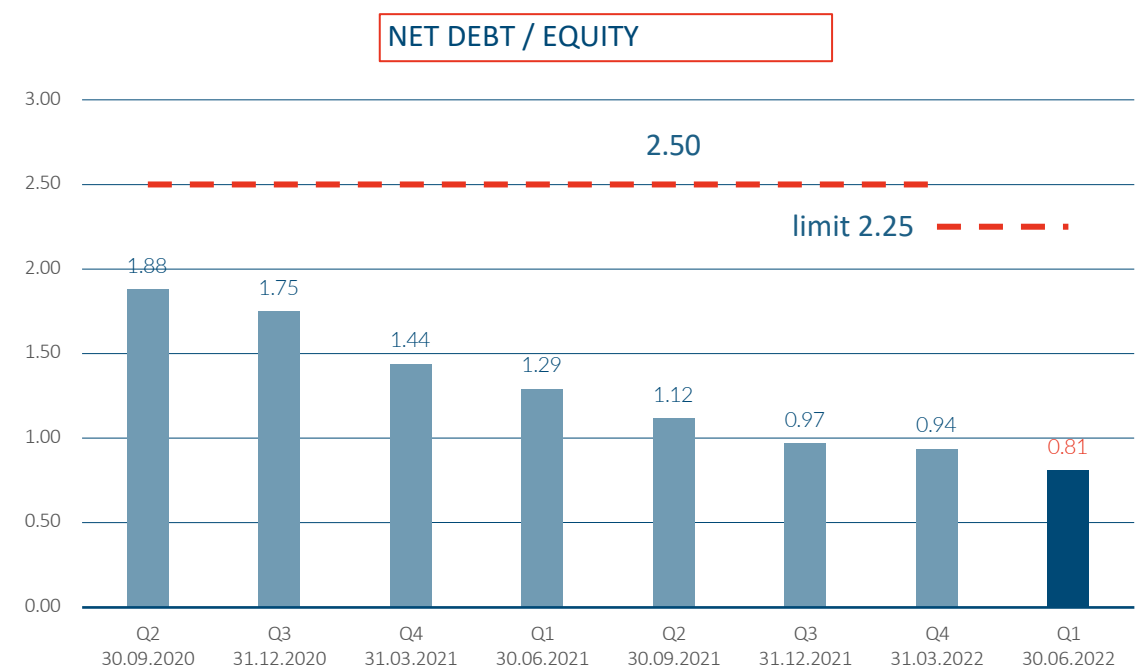
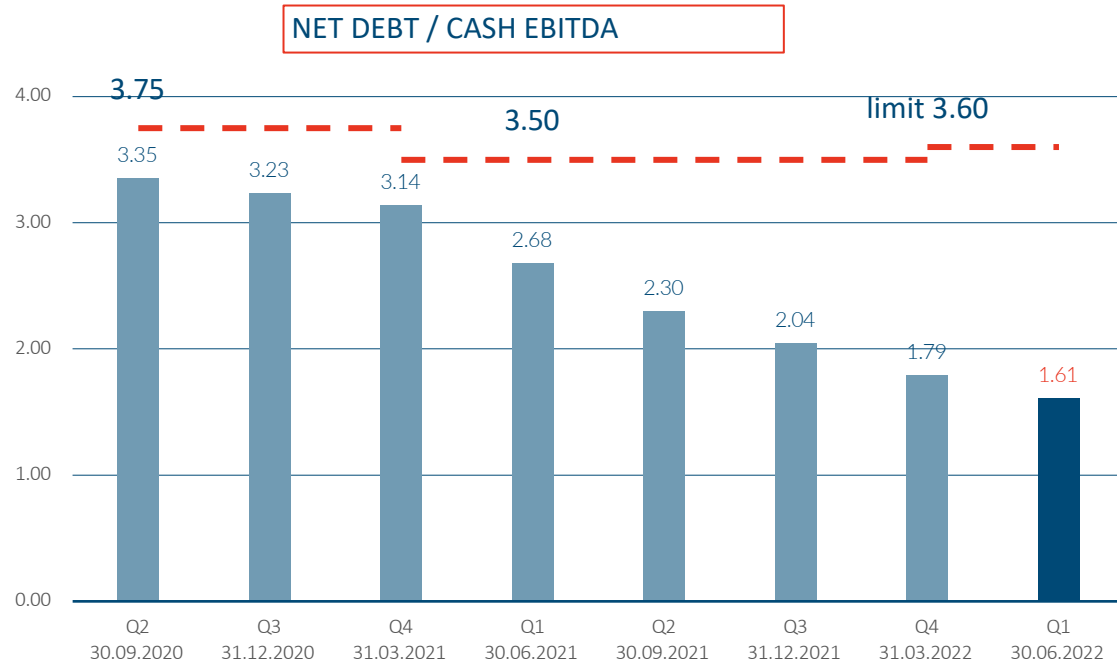
Cash flow – functional vs reporting approach



Cash flows [PLN million]	Q1 2022/23	Q1 2021/22
Cash at the beginning of the period	98.2	74.0
Operating activities	48.9	45.3
Investment activities	(19.0)	(8.2)
Financial activities	(65.9)	(51.3)
Cash closing balance	62.2	59.8

- In Q1, the Group concluded portfolio purchase transactions for the amount of PLN 5.8 million and settled its purchase liabilities for the amount of PLN 12.6 million.
- The group is prepared to spend [significantly more on portfolio purchases – promising prospects in the coming quarters.](#)

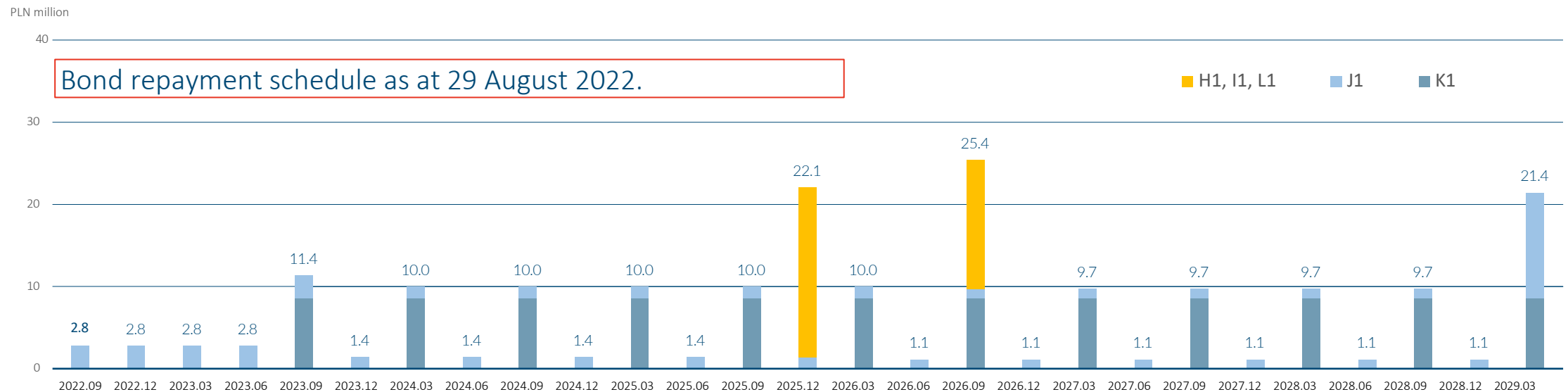
Debt ratios



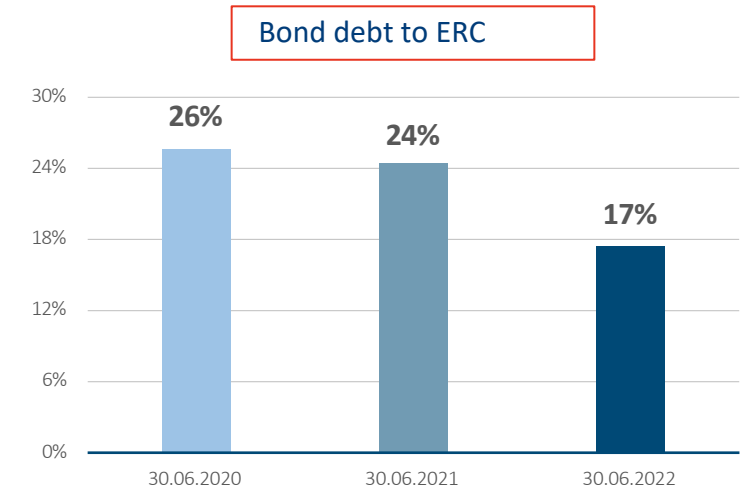
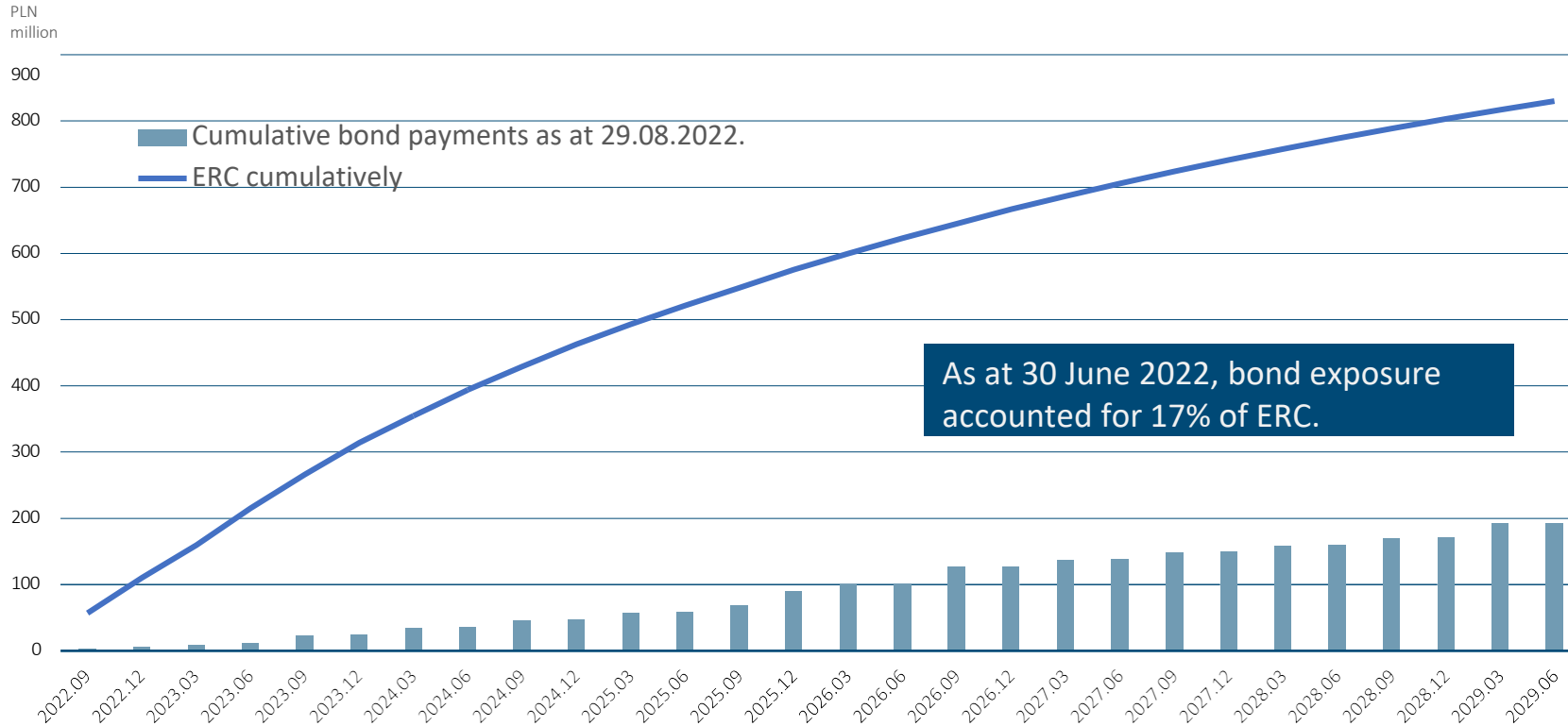
- Further decrease in debt ratios mainly due to improved financial results.
- Ambition and capacity for new investments thanks to **safe debt levels** (DN/\$EBITDA and DN/KW).
- **Net debt** on 30 June 2022 at **PLN 258.9 million (-26% y/y)**.

Safe repayment plan for current bonds, increasing financing options

- Due to the reconstruction of the financing term structure, the Group eliminated the risk of refinancing bonds and extended the financing period.
- As at 30 June 2022, the Group had PLN 62.2 million in cash.
- In April 2022, the Group issued I1 series prospectus bonds worth PLN 17.0 million.
- The issue of L1 bonds in August (PLN 15.7 million) and an increase in the credit line limit by PLN 60 million ensure that the Group has sufficient liquidity to execute new large investments.

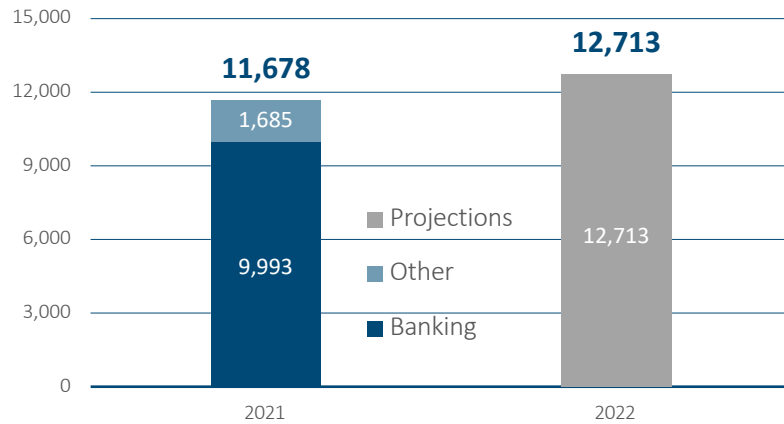


Expected portfolio repayments (ERC) and planned bond repayments



Market environ – NPL supply *

Poland – year-on-year (PLN million)

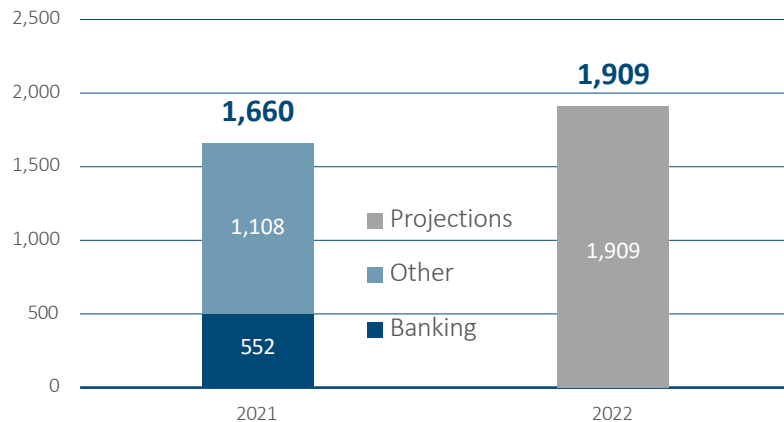


Polan

- Expected 9% increase in the supply of non-performing debt portfolios in 2022 compared to 2021.
- The level of sales of non-performing debt portfolios shall be normalised the following pandemic-driven disorder and return to standard seasonality.
- In Q1 2022 the supply of bank receivables increased by 16% y/y, but the supply of non-bank receivables decreased significantly

HICP inflation
14.2%

Romania – year-on-year (RON million)



Romania

- Expected 15% increase in the supply of non-performing debt portfolios in 2022 compared to 2021.
- Expected percentage breakdown Banking/Other – no changes
- Expected higher supply of non-performing debt in H2 of the year as compared to H1 of the year

HICP inflation
19.0% in July

- Despite high profits in recent quarters, the equity of banks in Poland decreased, among others due to losses on government bonds. Additional costs related to aid programmes such as “credit holidays” will not allow reversing this negative trend for the banking sector.
- The cost of credit risk will probably increase due to growing interest and decreasing purchasing power of customers.
- High inflation in all major markets will most likely be reflected in the increase in NPLs

- The court securing the claim from the lawsuit of two members of the Supervisory Board:
 - ✓ no impact on the operating activities of the Company and the Group,
 - ✓ legal effects: Mr Karol Szymański remains a member of the Supervisory Board and its committees; loss of the right to exercise permanent individual supervision right.
- No significant changes in the situation of KI RUS (maintenance of the write-off from the end of 2021/2022).
- Changes in the Management Board: as of 11 July 2022 Mr. Tomasz Kuciel formally ceased to be a member of the Management Board of the Company.
- Change of the company's registered office address from Domaniewska 39 to Postępu 21B.
- Choosing PKF Consult as the auditor of separate and consolidated statements in 2022/23 and 2023/24.



Summary of the quarter and plans for the upcoming periods



Summary

- **The effects of organisational transformation are evident in very good financial results:**
 - ✓ Growing operational efficiency – record-breaking collections, again significantly above projections;
 - ✓ Organisation systematically prepared for a significant increase in the scale of operations – while keeping satisfactory profitability levels;
- ✓ Strong balance sheet, stable cash generation and growing possibilities of financing capital expenditures with profitability levels;
- **Operation financing**
 - ✓ issue of series I1 (April) and L1 (August) bonds for a total amount of PLN 32.7 million;
 - ✓ increasing the available credit line by PLN 60 million, to the level of PLN 200 million;
 - ✓ currently available debt financing for a total amount of over PLN 390 million.
- **Return to investments in debt portfolios:**
 - ✓ Investments finalised in Q1 relatively low, but ambitions and prospects for subsequent quarters much higher

Plans

- Continuation of the transformation programme, starting the implementation of the LEAN methodology in Romania.
- Deployment of the self-service portal in Romania, further development of its functionality in Poland.
- Further development of advanced data analytics.
- Increasing investments in new debt portfolios in Poland and Romania, and ultimately also in Bulgaria.
- Achieving and keeping gross financial debt in the region of PLN 400 million.
- Preparation of the next prospectus for the issue of retail bonds.
- Maintaining high operational efficiency in conditions of high inflation.



KREDYT INKASO

Place of good solutions

Thank you for your attention!

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