



KREDYT INKASO

Miejsce dobrych rozwiązań

Financial results of the Kredyt Inkaso Group for the first six months of the financial year 2022/2023

20 December 2022

The presented material has been prepared for informational purposes only and cannot be treated as an offer or recommendation to conclude any transactions, it is not any investment, legal or tax advice, nor is it an indication that any investment or strategy is appropriate in the individual situation of the investor. Investing in financial instruments, including bonds, involves the risk of losing part or all of the invested capital. Investors should get their own independent advice before making any investment decision. The investor uses the information contained in this material at their own risk and responsibility.

Changes in the Management Board in the reporting period

- Appointment of Mateusz Boguta as a member of the Management Board (25.10.2022)
- Barbara Rudziks was appointed as the President of the Management Board; Maciej Szymański was appointed as the Vice-President of the Company (24.11.2022).

The role switch within the Management Board results from internal needs of the organisation and composition of the Management Team, which will allow to optimally utilise the rich experience, competences and talents of individual members of the Management Board.

This demonstrates internal trust and the ability to share responsibilities in a way that is the best for the organisation as a whole at the current stage of its development.



Key information

Recoveries from debtors

PLN 155.8 mln

(+10% y/y)

Cash EBITDA¹

PLN 88.9 mln

(+6% y/y)

Net profit

PLN 15.3 mln

(-41% y/y)

ERC

PLN 1,068 mln

(-6% y/y)

Net debt / equity

0.83

(-0.29% y/y)

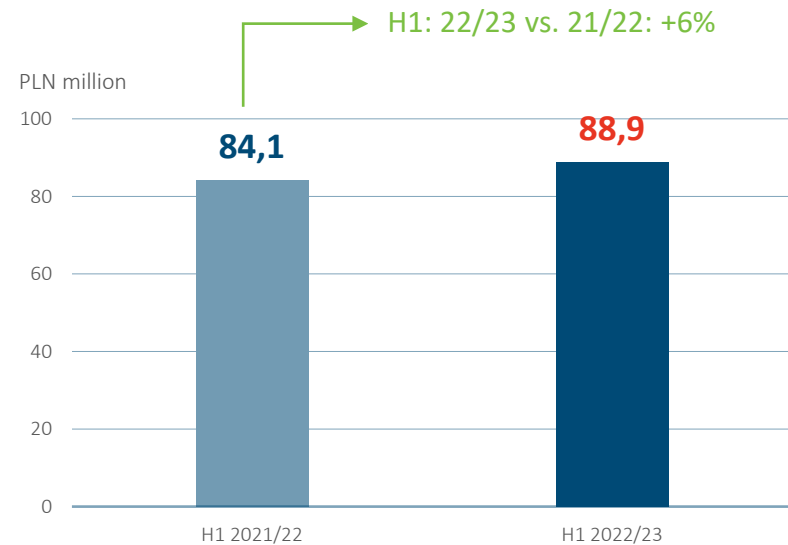
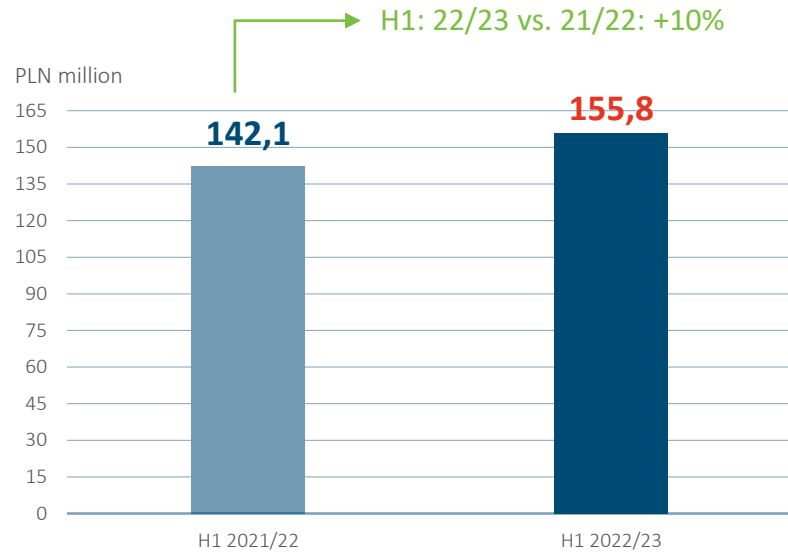
Net debt / Cash EBITDA¹

1.66

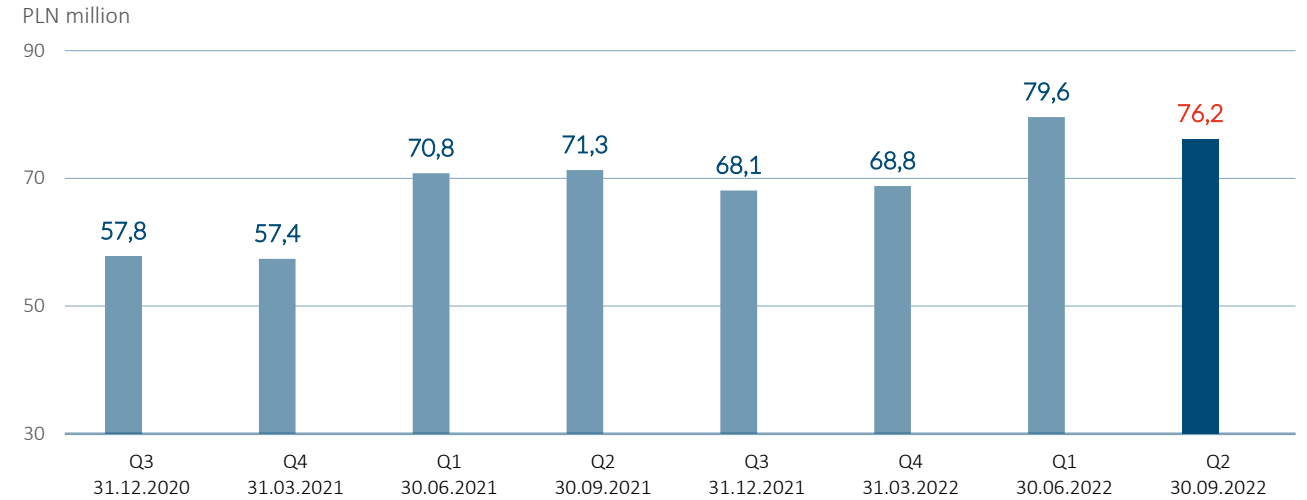
(-0.64% y/y)

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

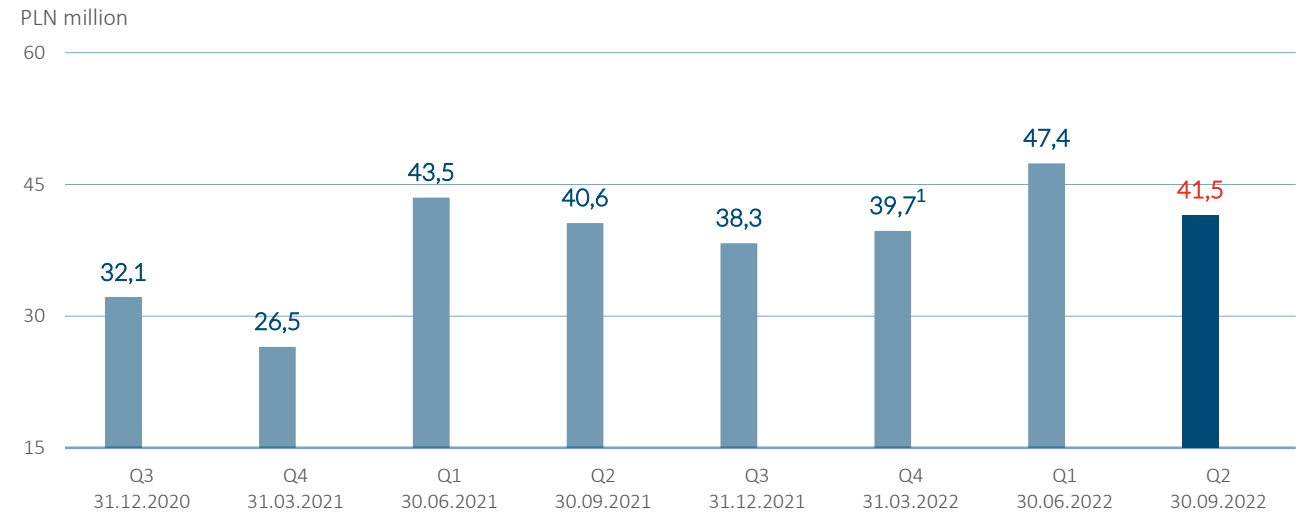
Key results I



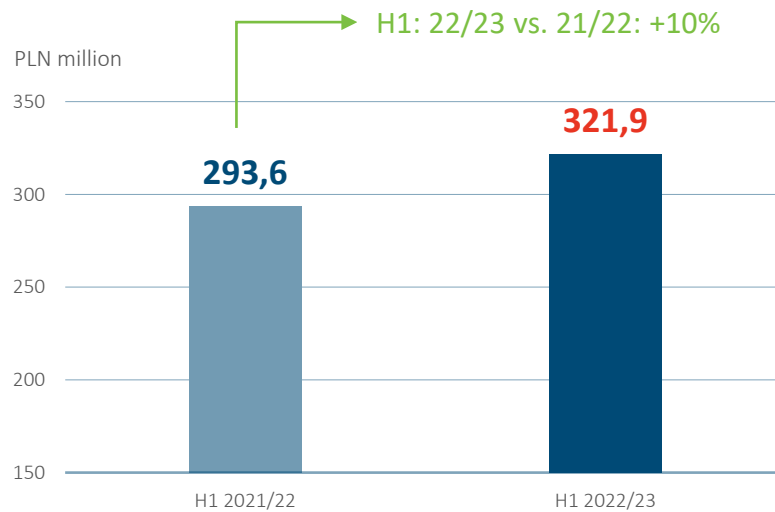
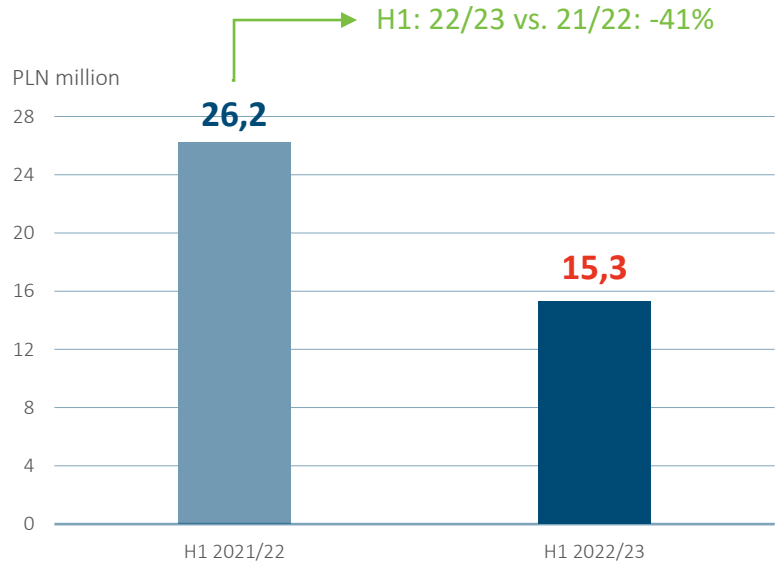
DEPOSITS BY DEBTORS



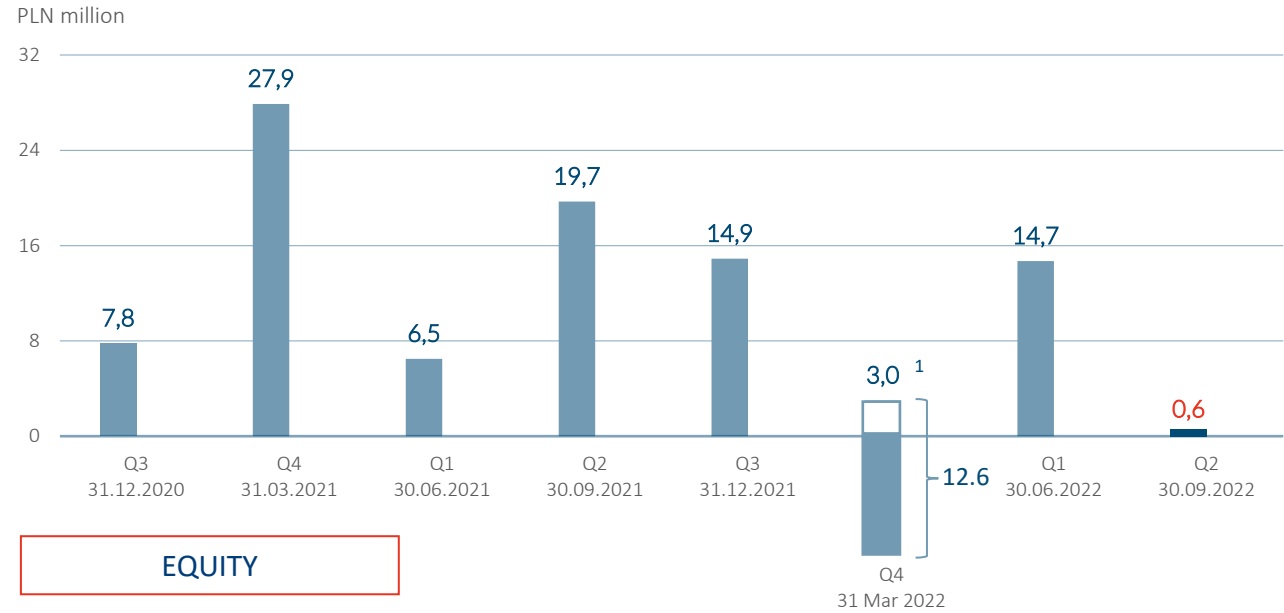
CASH EBITDA



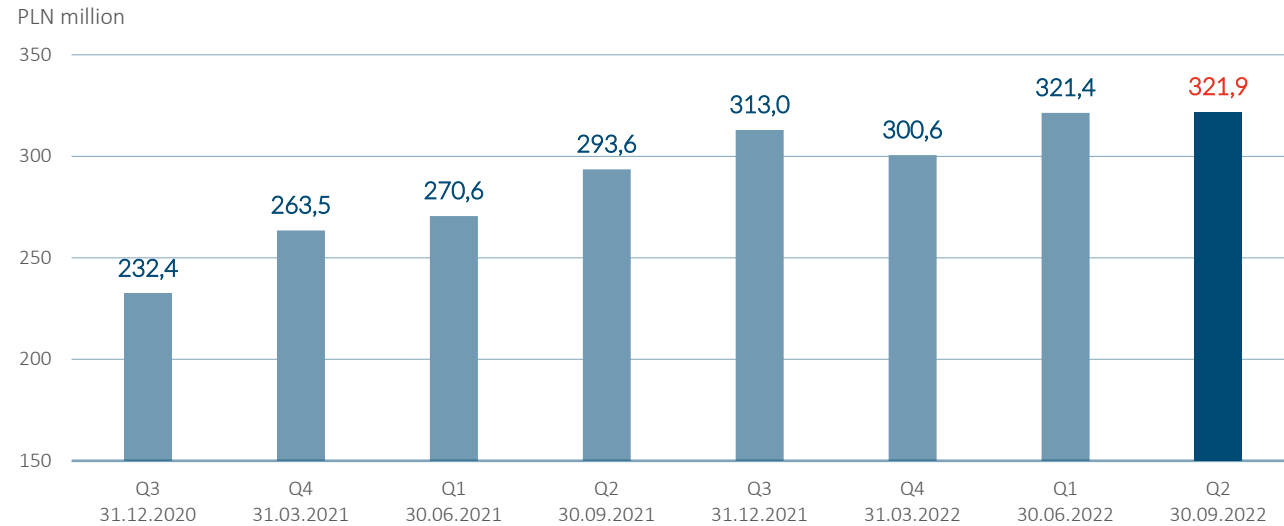
Key results II



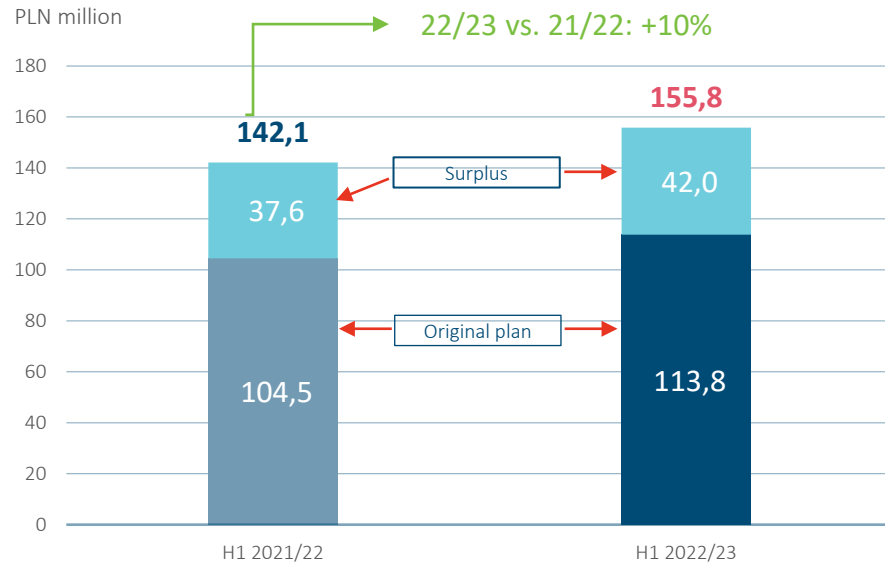
NET PROFIT (LOSS)



EQUITY



Record-breaking repayments from own portfolios



- The highest quarterly level of repayments in the history of KI Group was recorded in Q1, with the level recorded in Q2 being only slightly lower (the effect of natural interim seasonality in KI Group).
- Repayments on own portfolios in KI Group in H1 2022/23 were **10% higher** than in the same half of the financial year 2021/22.
- Yet another quarter in which repayments are **beyond expectations** and exceeded the **accounting targets**.

Investments in new portfolios



PLN 34.6 million in H1

(+391% y/y)

Stable employment in the Group



541 employees

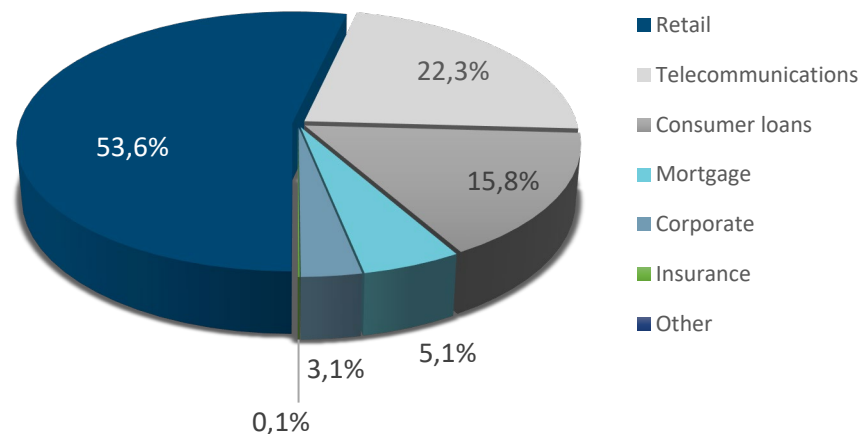
(+1% y/y)



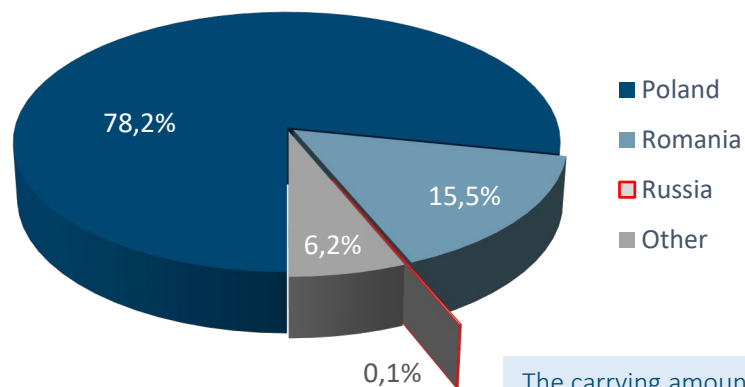
Increase in efficiency –
value of payments per FTE +8% y/y

Portfolio characteristics

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



Carrying amount of debt portfolios by country of origin as at 30 September 2022



The carrying amount of Russian portfolios represents 0.1% of the balance sheet value of all purchased debts and amounts to PLN 0.8 million; no further discount related to war in Ukraine

Carrying amount of KI Group's debt portfolios broken down by type (PLN million)

	Carrying amount as at 30.09.2022	Percentage share (%)
Retail	301.1	53.6
Telecommunication	125.4	22.3
Consumer loans	88.6	15.8
Mortgage	28.6	5.1
Corporate	17.6	3.1
Insurance	0.5	0.1
Other	-	-
Total	561.8	100.0

Debt repayments and carrying amount of KI Group's debt portfolios (PLN million)

	Debt repayments H1 2022/2023	Carrying amount as at 30.09.2022	Percentage
Poland	107.4	439.4	78.2
Romania	22.1	87.0	15.5
Bulgaria	10.3	33.4	6.0
Russia	15.9	0.8	0.1
Croatia	0.1	1.2	0.2
Total	155.8	561.8	100.0

Profit and loss account

PLN thousand	H1 2022/23	H1 2021/22	Change (%)	Q2 2022/23	Q1 2022/23	Q4 2021/22	Q3 2021/22	Q2 2021/22	Q1 2021/22	Q4 2020/21	Q3 2020/21
Payments	155,755	142,099	10%	76,151	79,604	68,775	68,116	71,323	70,776	57,357	57,772
Cash EBITDA	88,878	84,103	6%	41,521	47,357	34,832	38,311	40,609	43,494	26,470	32,058
Interest revenues	59,127	61,133	-3%	29,503	29,624	27,845	31,200	29,257	31,876	31,602	30,998
Revaluation of portfolios	43,595	46,605	-6%	17,787	25,808	5,043	19,376	33,211	13,394	41,401	11,781
Other net revenues	453	1,619	-72%	(662)	1,115	4,079	1,217	539	1,080	(767)	2,351
Total net revenues	103,175	109,357	-6%	46,628	56,547	36,967	51,793	63,007	46,350	72,236	45,130
Remunerations, social insurance contributions and other benefits	(25,502)	(22,532)	13%	(13,029)	(12,473)	(13,501)	(12,073)	(11,849)	(10,683)	(10,389)	(11,241)
External services	(21,441)	(19,897)	8%	(10,473)	(10,968)	(9,886)	(10,417)	(10,931)	(8,966)	(9,749)	(9,764)
Court and enforcement fees	(17,738)	(15,012)	18%	(9,206)	(8,532)	(8,462)	(7,140)	(7,285)	(7,727)	(8,728)	(5,959)
Other	(6,328)	(5,556)	14%	(3,019)	(3,309)	(8,146)	(3,007)	(2,888)	(2,668)	(2,753)	(2,645)
Total operating costs	(71,009)	(62,997)	13%	(35,727)	(35,282)	(39,995)	(32,637)	(32,953)	(30,044)	(31,619)	(29,609)
Profit (loss) on operating activities	32,166	46,360	-31%	(10,901)	21,265	(3,029)	19,156	30,054	16,306	40,617	15,521
Net financial costs	(12,453)	(15,118)	-18%	(6,694)	(5,759)	(4,729)	(2,840)	(5,614)	(9,504)	(7,386)	(7,318)
Profit (loss) before tax	19,713	31,242	-37%	4,207	15,506	(7,757)	16,316	24,440	6,802	33,231	8,203
Income tax	(4,395)	(5,091)	-14%	(3,599)	(796)	(1,896)	(1,326)	(4,817)	(274)	(5,377)	(351)
Net profit (loss)	15,318	26,151	-41%	608	14,710	(9,653)	14,990	19,623	6,528	27,854	7,852

Profit and loss account

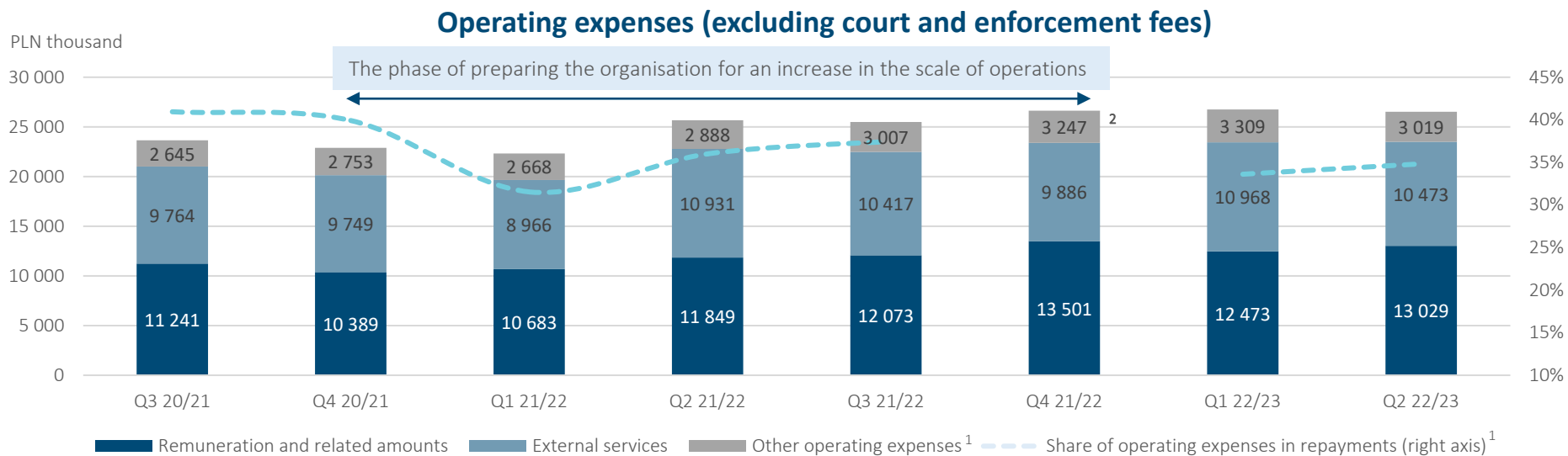
PLN thousand	H1 2022/23	H1 2021/22
Revision of projection	(1,652)	9,363
Deviations of actual payments from projected payments	41,975	37,627
Extension of projected recoveries	611	661
Changes to exchange rates	2,661	(1,046)
Revaluation of portfolios	43,595	46,605

- High **Deviations of actual payments from projected payments** is a cash effect (real inflow of cash to the Group).
- Negative **Revision of projection** due to maintaining a **conservative** approach to repayment curves (non-cash effect).
- Positive impact of **exchange rate differences** (RON) – non-cash effect.

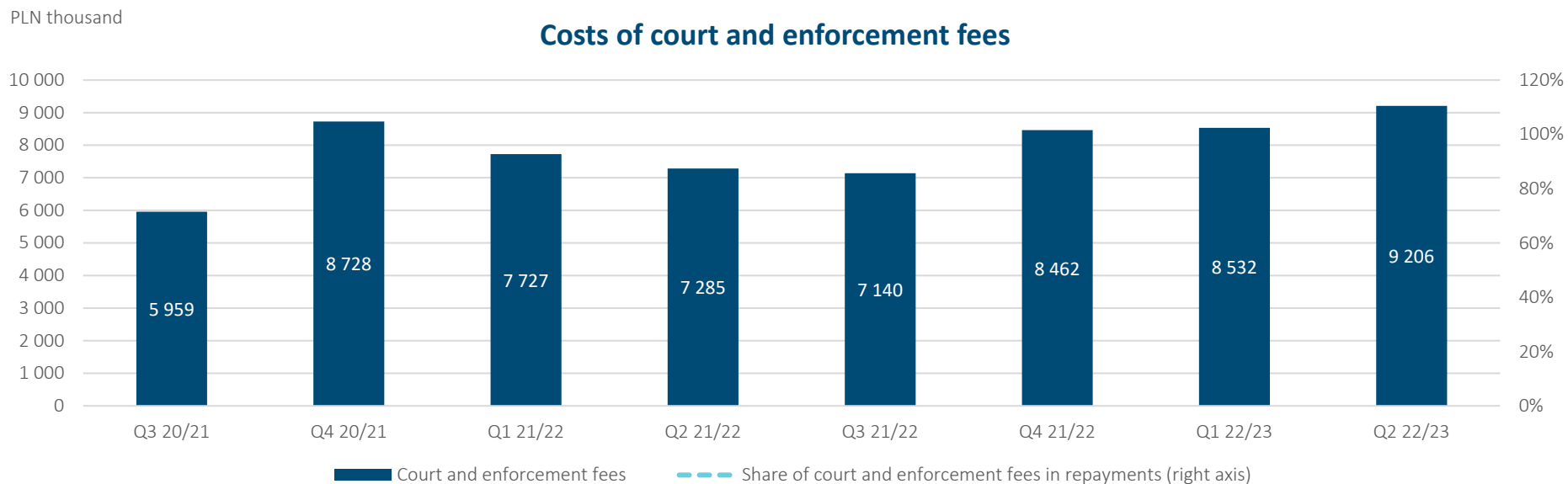
- Increase in operating expenses year over year primarily due to **higher costs of remunerations, third party services, court and enforcement fees**.
- Increase in remuneration costs caused primarily due to the preparation of the organisation for a **significant increase in the scale of activity** (the process was conducted intensively during the year 2021/2022, **growth of the cost base slowed down at the turn of Q4 21/22 – Q2 22/23**), **inflation pressure**.
- Increase in the cost of **court and enforcement fees** in future quarters should bring about higher **recoveries from debtors**.
- **Stabilisation** of expenses in Q2 22/23 compared to Q1 22/23.

PLN thousand	H1 2022/23	H1 2021/22	Change (%)
Remuneration and related amounts	25,502	22,532	13%
External services	21,441	19,897	8%
Court and enforcement fees	17,738	15,012	18%
Depreciation and amortisation	3,679	3,382	9%
Taxes and charges	665	609	9%
Consumption of materials and energy	965	663	46%
Other costs by type	1,019	902	13%
Operating expenses	71,009	62,997	13%

Profit and loss account III



- Systematic improvement of profitability in the long term – the share of operating expenses (excluding court and enforcement fees) in repayments decreased from 43% in Q1 20/21 to 35% in Q2 22/23.
- Share of remuneration in repayments (17% in Q2 22/23) at the level of the best industry benchmarks.

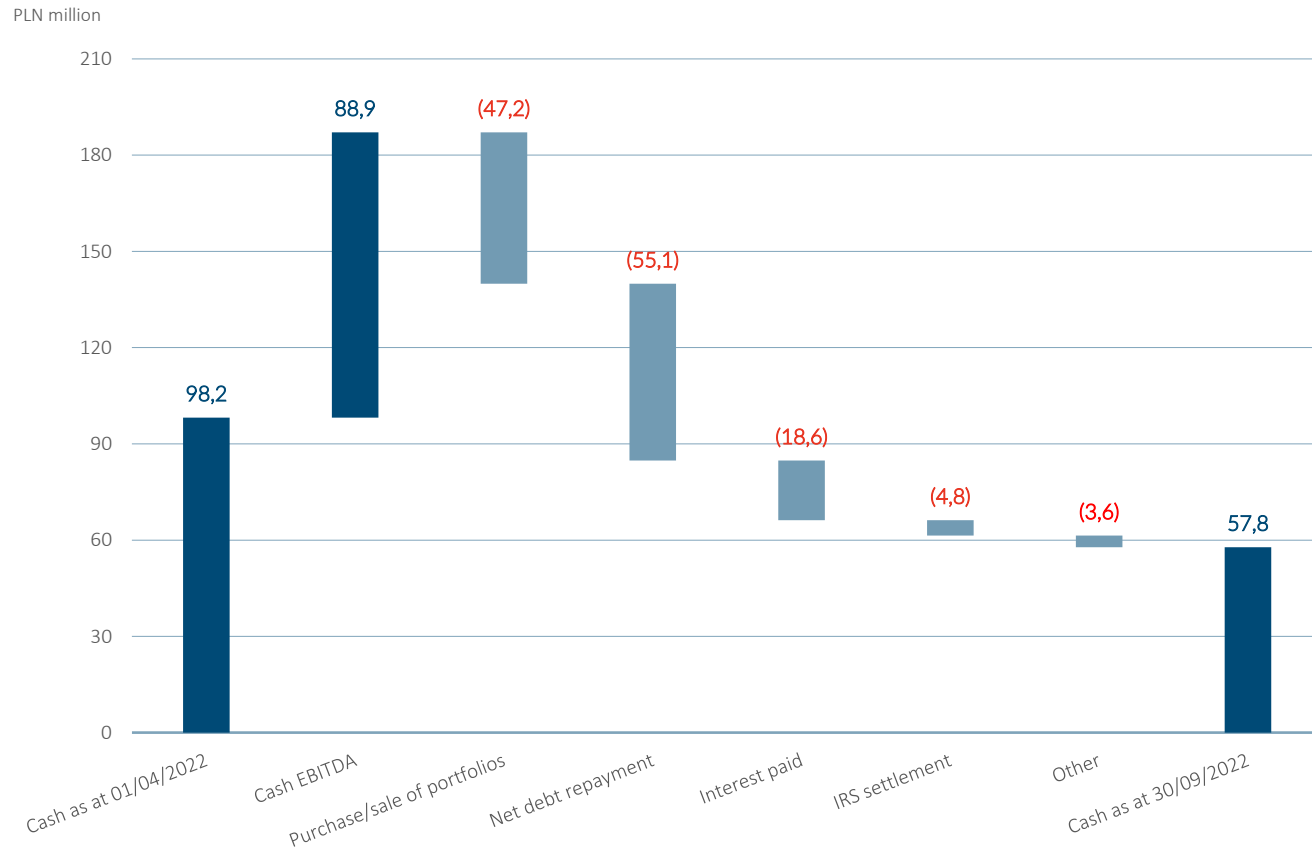


- Stable share of court and enforcement fees in repayments.

¹ Excluding court and enforcement fees

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

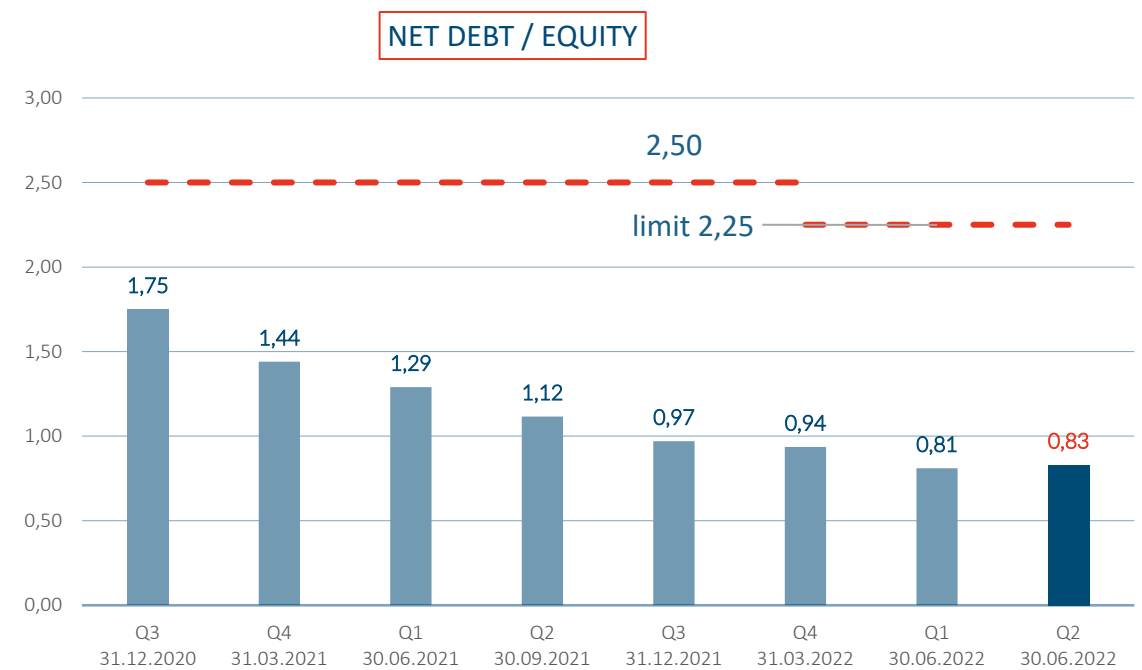
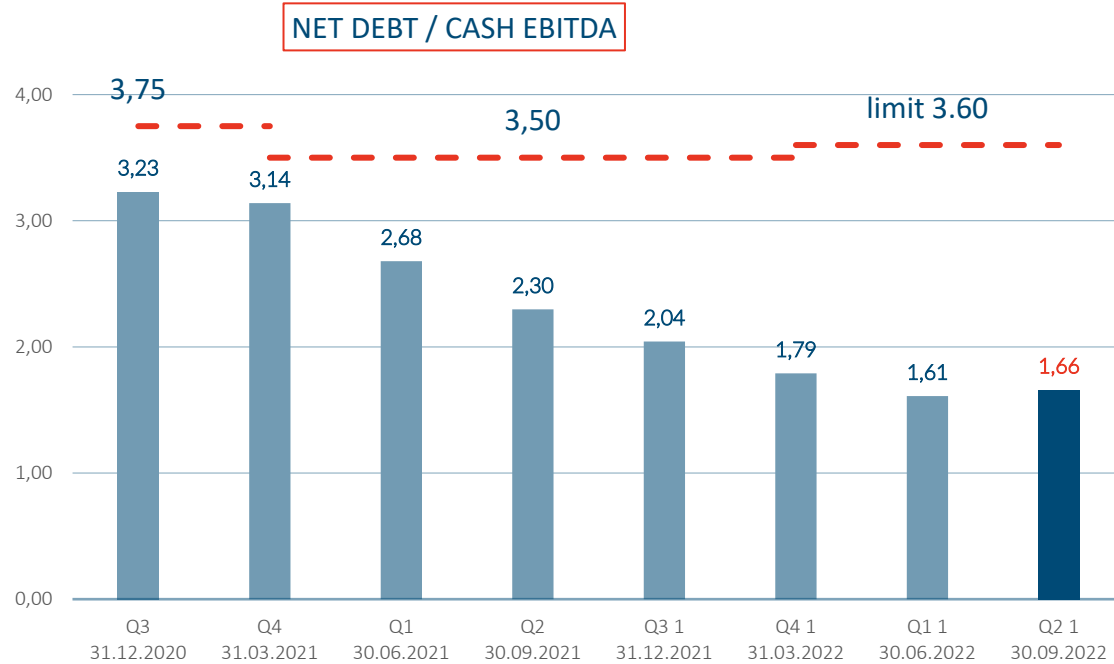
Cash flows – functional vs reporting approach



Cash flows [PLN million]	H1 2022/23	H1 2021/22
Cash opening balance	98.2	74.0
Operating activities	86.7	89.5
Investment-related activity	(47.9)	(12.6)
Financing activities	79.3	(72.2)
Cash closing balance	57.8	78.7

- In H1, the Group concluded portfolio purchase transactions for the amount of PLN 34.6 million and settled its purchase liabilities for the amount of PLN 12.6 million.
- In H1, completed purchases of a comparable scale to those made **throughout the previous financial year (subsequent investments at an advanced stage of negotiations)**.
- The Group is prepared to **spend significantly more on portfolio purchases – promising prospects in the coming quarters**.

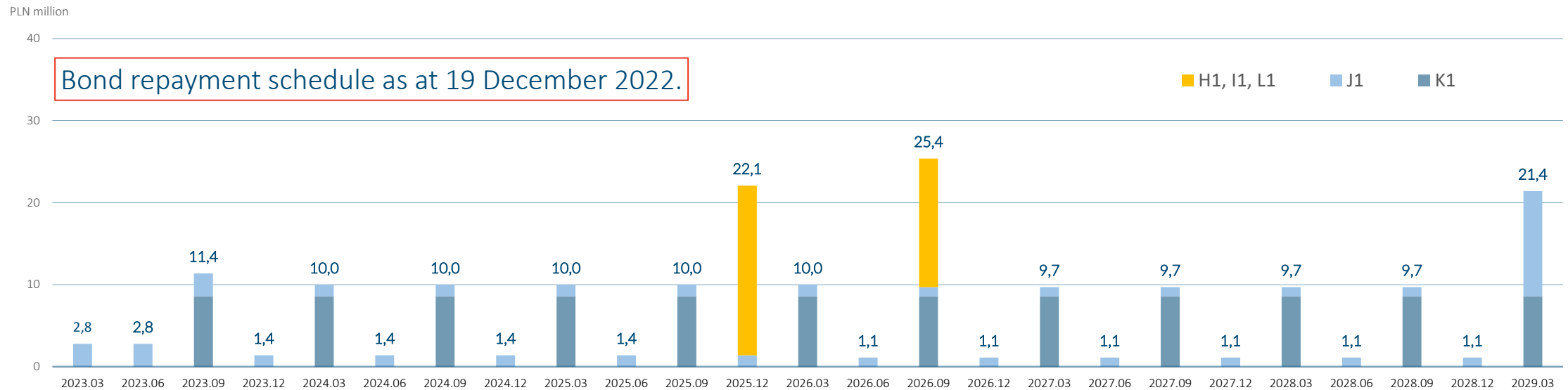
Debt ratios



- Ambition and capacity for new investments thanks to safe debt levels (Net debt/EBITDA and Net debt/equity).
- Net debt amounting to **PLN 268.4 million (-18% y/y)** as at 30 September 2022.

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.
- 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.
- As at 30 June 2022, the Group had PLN 57.8 million in cash.



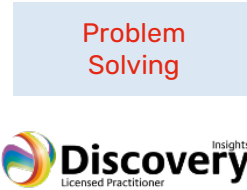
Consistent organisational transformation

Efficiency and quality



implementation of the LEAN schedule as regards operating processes in PL (on the Romanian market – 37%)*

New organisation culture



Digitisation, automation and security

- Renewal of ISO27001 certificate
- ZPF Ethical Audit Certificate
- Microsoft 365
- Implementation of a new antivirus system and DLP
- Anniversary and development of online portal

ugodowi.pl

Continuous optimisation of the recovery strategy

- Further development of data analytics
- Number-based management
- Test and Learn
- Champion/challenger
- Intensification of court and enforcement actions

Internationalisation

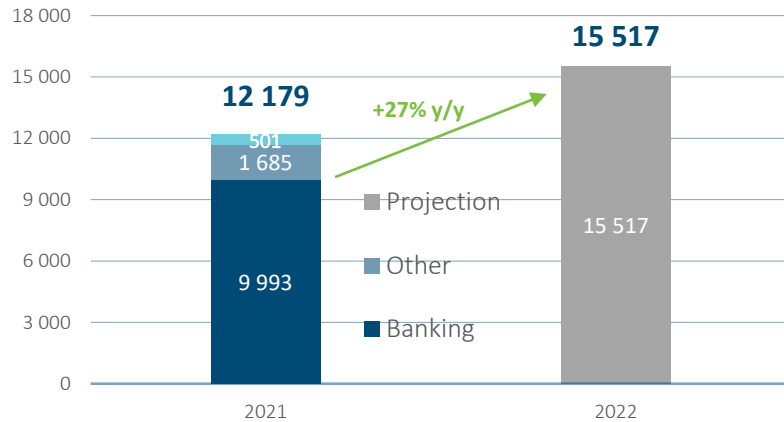
- Systems and technologies
- Processes and strategies
- Knowledge and best practices

Competitive and committed Team

*data until 30.11.2022

Market environment – NPL supply*

Poland – year-on-year (PLN million)

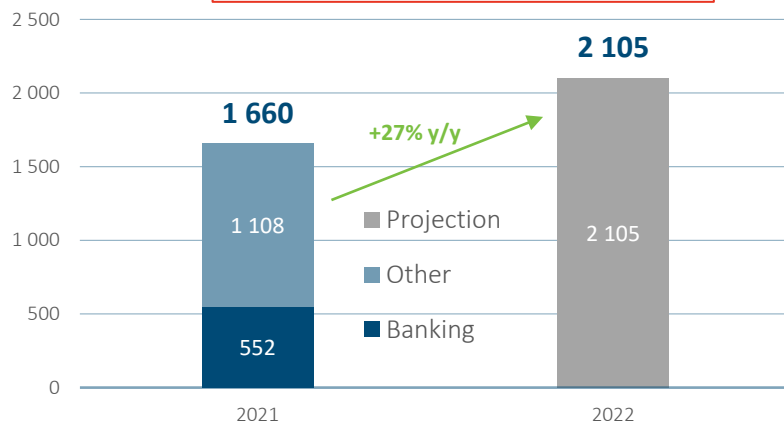


HICP inflation
16.4%
in 10.2022

Poland

- Noticeable growth by 13.5% in the supply of non-performing debt portfolios (primary market) to a total of 27.4% in 2022 compared to the year 2021.
- The level of sales of non-performing debt portfolios is normalising following the pandemic-driven disorder and return to standard seasonality.
- In the period of 01-09.2022, the supply for bank debts on the primary market grew by 15% y/y, but the supply of non-bank debts declined.

Romania – year-on-year (RON million)



HICP inflation
13.5%
in 10.2022

Romania

- Expected 27% increase in the supply of non-performing debt portfolios in 2022 compared to 2021 and further increase by 35% in 2023.
- Higher supply of debt is likely to occur already in the first half of 2023.
- Expected percentage breakdown of Banking/Other - unchanged.
- In 2023, the average annual inflation dropped to 11.2% according to the National Bank of Romania, compared to 16.3% in the current year.

- Additional costs associated with aid schemes such as “credit holidays” force banks to seek better results by selling debt.
- Poor market sentiments with continued low unemployment.
- 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.

- **Establishment of the bond issue programme** – 22.09.2022 (up to PLN 100 million; prospectus submitted to the PFSA – awaiting approval).
- Resolution of the Ordinary General Meeting (30.09.2022): request to the Management Board to **commence the review of strategic options concerning the future of the Company**.
- **Changes in the Supervisory Board** (30.09.2022) – resolution of the Ordinary General Meeting concerning the appointment of the Supervisory Board for a new term of office:
 - Raimondo Eggink was appointed as Member of the Supervisory Board delegated to individually perform supervisory functions on a permanent basis,
 - Karol Szymański resigned from applying for another term of office.
- **Changes in the composition of the Audit Committee** (11.10.2022) – appointment of the Audit Committee composed of: Raimondo Eggink, Daniel Dąbrowski, Marcin Okoński.
- **Changes in the Management Board:**
 - Barbara Rudziks was appointed as the President; Maciej Szymański – Vice President (24.11.2022),
 - appointment of Mateusz Boguta as a Member of the Management Board (25.10.2022).
- No significant changes in the situation of KI RUS.

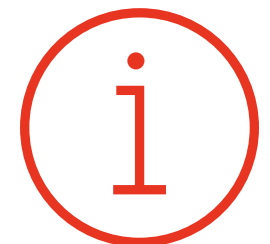


- **Draft Act on Debt Collection Activity and the Profession of Debt Collector of 3 October 2022:**

- debt collection company must hold a permit and debt collector must hold a licence,
- amicable debt collection limited by entity (e.g. persons aged 75+, deaf and blind) and subject matter (e.g. time barred cases, cases where the debtor lodged an objection),
- obligation to prepare additional documentation for debt collection activities (including request to initiate debt collection activities, debt collection note, debt collection protocol, statement of telephone calls, audiovisual connections and text messages sent, including by: fax, electronic mail, text message, MMS or instant messengers, list of debt collection under way),
- shorter limitation period,
- strict penal provisions for the debt collection company of the debt collector.

- **Draft Act of 24 October 2022 amending certain acts in connection with ensuring financial market growth and protection of investors on that market:**

- elimination of authorisation for servicers to manage securitised receivables, management would be carried out solely by Investment Fund Companies that will be liable on that account,
- stricter and more expansive administrative functions, ability to impose penalties on individual members of bodies regardless of proceedings against institutions, depending on the breach,
- *vacatio legis* – 18 months.



Solid financial, technological, analytical and human resources foundations.

Preparations for reviewing strategic options concerning the future of the Company.

Potential for further growth in operating efficiency.

Planned subsequent bond issues after approval of prospectus by the PFSA.

Planned significant growth in investments in Poland, Romania, and eventually Belgium.

Awaiting for a PFSA licence to be issued for KI TFI.

ORGANISATIONAL TRANSFORMATION PROGRAMME implemented consistently.



KREDYT INKASO

Place of good solutions

Thank you for your attention!

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