



KREDYT INKASO

*Miejsce dobrych rozwiązań*

# Kredyt Inkaso Capital Group financial results for Quarter 1

## 2023/2024

30.08.2023

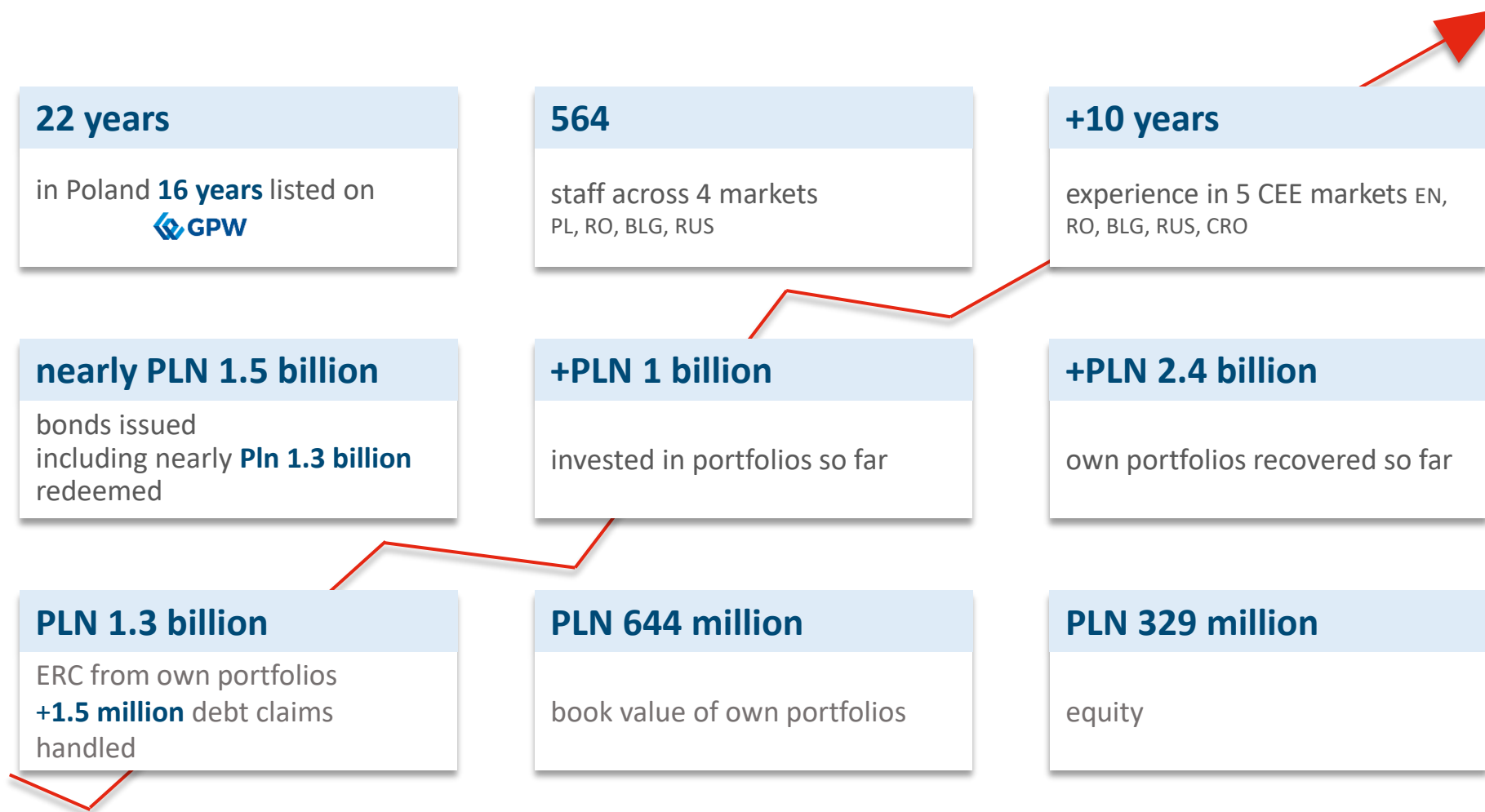


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# Agenda

- 1 Q1 Summary
- 2 Financial and Operational Performance
- 3 Financial Position
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- 6 Growth Perspectives

# KI Group – key figures



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## Record levels of own portfolios recovered **PLN 93.2 m**

in 3M (+17% y/y)



## Growing share of repayments in latest portfolios

32% of recoveries in Q1 2023/24 concerned portfolios acquired after April 2020



## Continued high investment in new portfolios

**PLN 85.7 m**

in 3M (+1,371% y-o-y), noticeable effects of new acquisitions to appear in coming periods



## Secured finance for further development - line of credit and bond issues

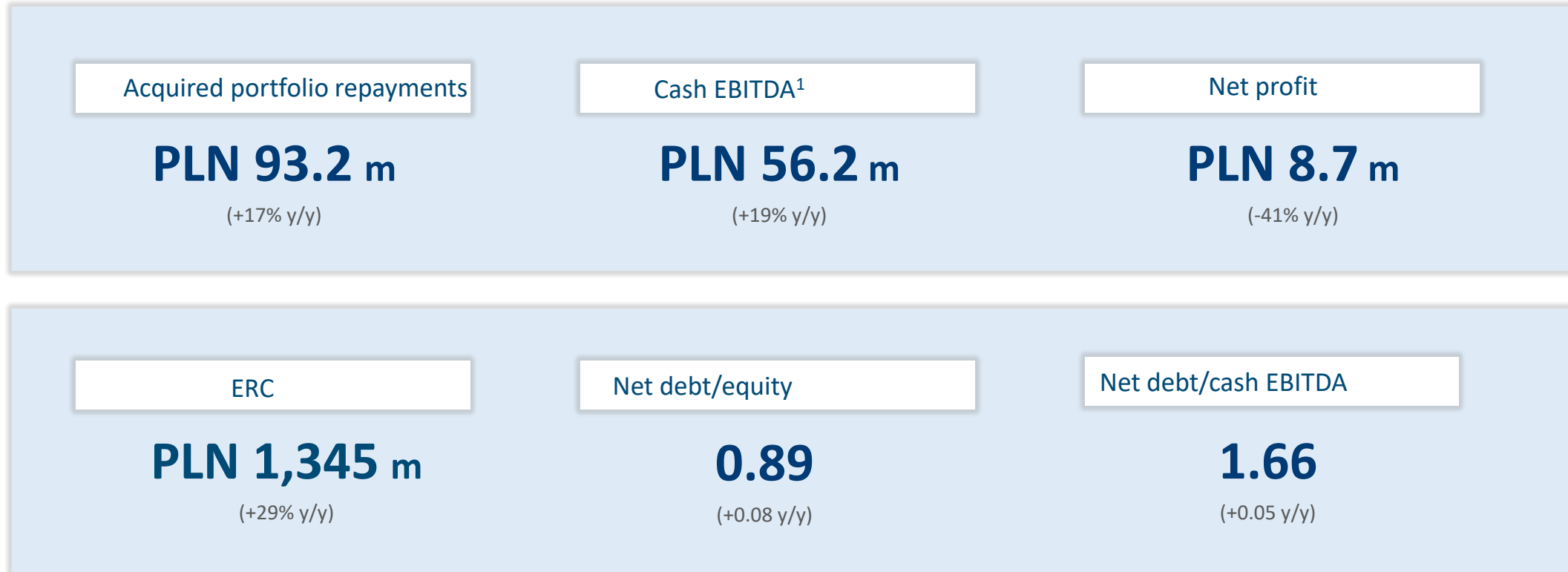
Issue prospectus up to PLN 100 m until 16 February 2024 Successful issue of bonds M1 (PLN 15 m, subscriptions reduced by 11%) and N1 (PLN 18 m, subscriptions reduced by 38%). Overdraft facility up to PLN 10 million



## Robust internal debt ratios

(net debt/equity 0.89; net debt/cash EBITDA 1.66)

# Key financial for Q1 2023/2024



<sup>1</sup> Cash EBITDA = Operating profit/(loss) + depreciation of tangible assets (PP&E) and amortisation of intangible assets - interest income from acquired debt claims - revaluation of acquired claims + acquired claim repayments; adjusted for non-cash effect of the tax inspection (KI RUS) provision of PLN 5.7 million

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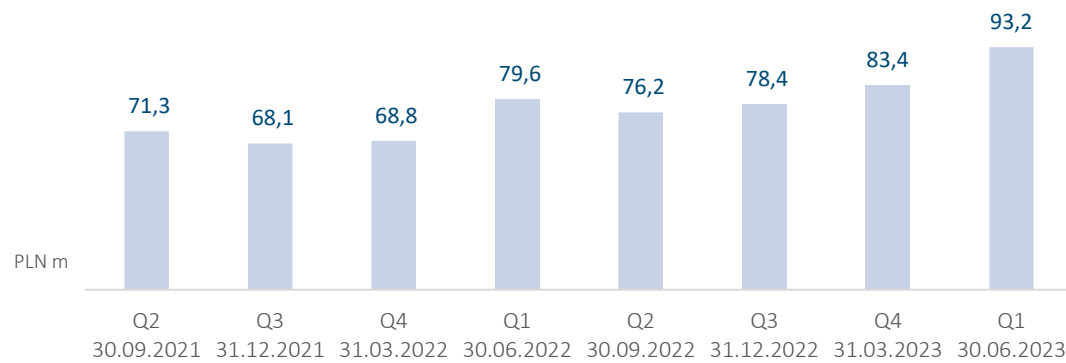
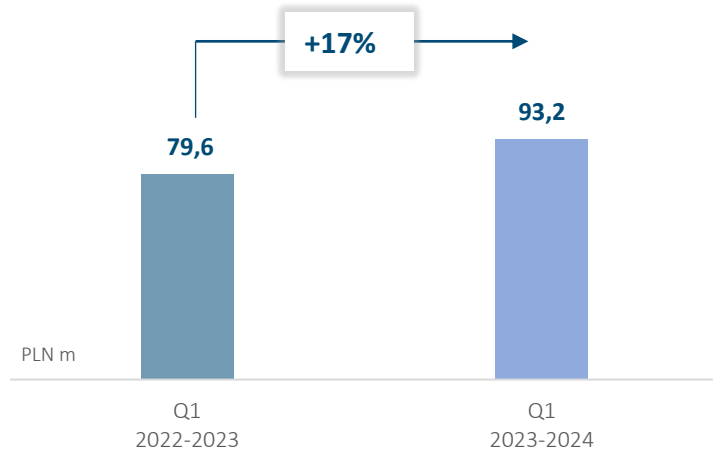
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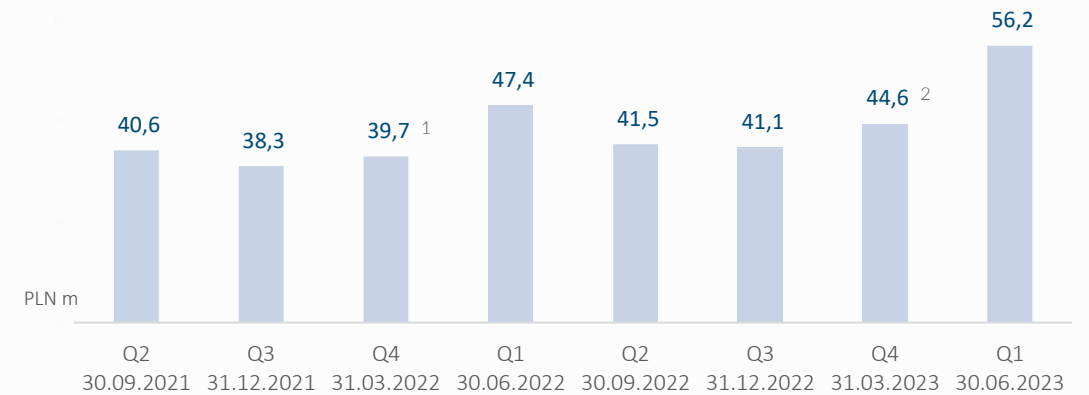
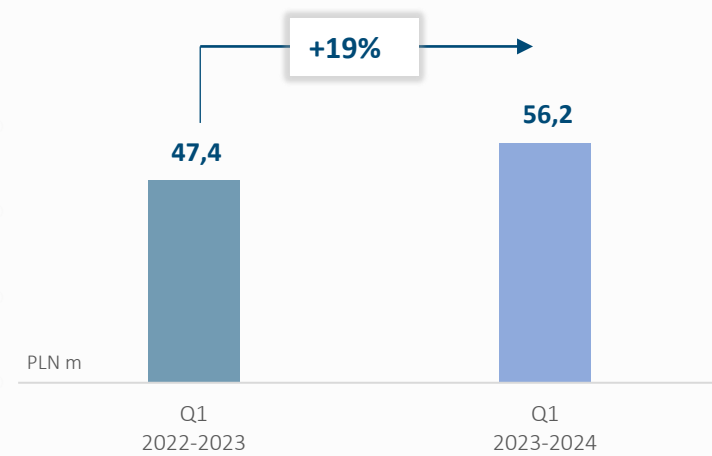


# Key results I

ACQUIRED PORTFOLIO REPAYMENTS



CASH EBITDA



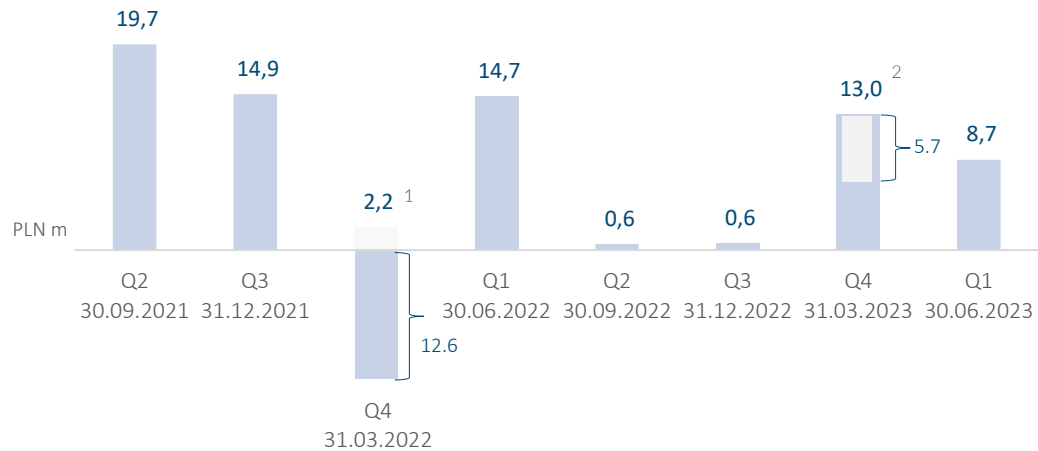
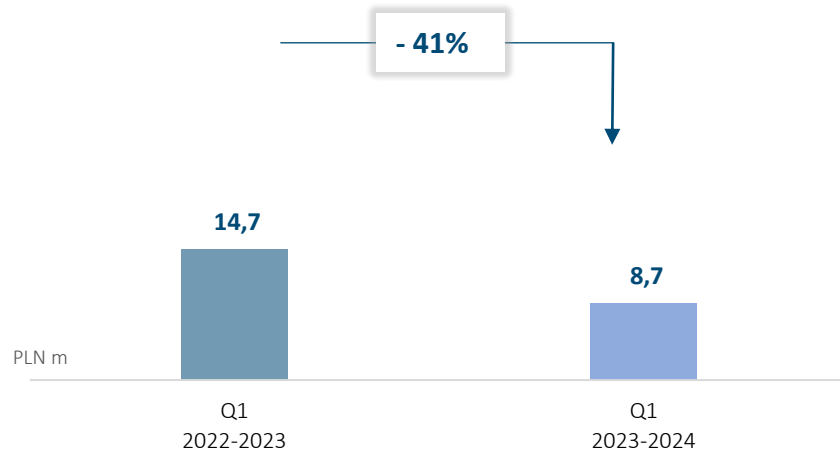
Presentation of results for the reporting period ending 30 June 2023.

<sup>1</sup> Adjusted for non-cash allowance related to KI RUS

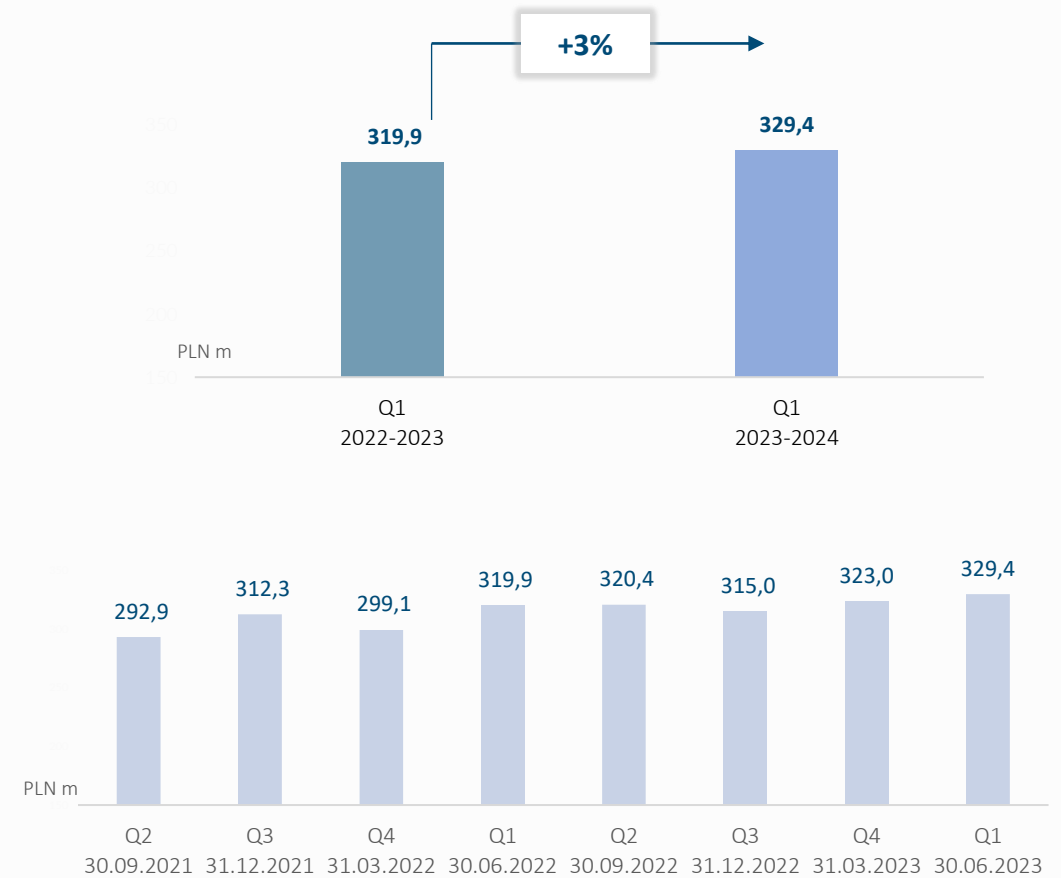
<sup>2</sup> Adjusted for non-cash effect of tax inspection provision related to KI RUS

# Key results II

NET PROFIT (LOSS)



EQUITY



<sup>1</sup> Adjusted for non-cash allowance related to KI RUS

<sup>2</sup> Adjusted for non-cash effect of tax inspection provision related to KI RUS

# Profit & Loss Statement

	3M 2023/24 k PLN	3M 2022/23	Change (%)	Q1 2023/24	Q4 2022/23	Q3 2022/23	Q2 2022/23	Q1 2022/23	Q4 2021/22 restated	Q3 2021/22	Q2 2021/22
Payments	93 172	79 604	17%	93 172	83 350	78 398	76 151	79 604	68 775	68 116	71 323
Cash EBITDA	56 200	47 357	19%	56 200	38 914	41 094	41 521	47 357	34 832	38 311	40 609
Interest revenues	34 582	29 624	17%	34 582	32 582	29 515	29 503	29 624	27 845	31 200	29 257
Revaluation of packages	27 320	25 808	6%	27 320	30 167	19 857	17 787	25 808	5 043	19 376	33 211
Other net revenues	707	1 115	-37%	707	2 270	1 176	(662)	1 115	4 079	1 217	539
<b>Total net revenues</b>	<b>62 609</b>	<b>56 547</b>	<b>11%</b>	<b>62 609</b>	<b>65 019</b>	<b>50 548</b>	<b>46 628</b>	<b>56 547</b>	<b>36 967</b>	<b>51 793</b>	<b>63 007</b>
Remunerations, social insurance	(14 548)	(12 473)	17%	(14 548)	(14 833)	(14 071)	(13 029)	(12 473)	(13 501)	(12 073)	(11 849)
External services	(12 167)	(10 968)	11%	(12 167)	(11 837)	(10 996)	(10 473)	(10 968)	(9 886)	(10 417)	(10 931)
Court and enforcement fees	(9 245)	(8 532)	8%	(9 245)	(10 620)	(11 521)	(9 206)	(8 532)	(8 462)	(7 140)	(7 285)
Other	(3 843)	(3 309)	16%	(3 843)	(11 423)	(3 848)	(3 019)	(3 309)	(8 146)	(3 007)	(2 888)
<b>Total operating expenses</b>	<b>(39 803)</b>	<b>(35 282)</b>	<b>13%</b>	<b>(39 803)</b>	<b>(48 713)</b>	<b>(40 436)</b>	<b>(35 727)</b>	<b>(35 282)</b>	<b>(39 995)</b>	<b>(32 637)</b>	<b>(32 953)</b>
<b>Profit (loss) on operating activities</b>	<b>22 806</b>	<b>21 265</b>	<b>7%</b>	<b>22 806</b>	<b>16 306</b>	<b>10 112</b>	<b>10 901</b>	<b>21 265</b>	<b>(3 028)</b>	<b>19 156</b>	<b>30 054</b>
Net financial expenses	(13 171)	(5 759)	129%	(13 171)	(10 418)	(9 906)	(6 694)	(5 759)	(4 928)	(2 840)	(5 614)
<b>Profit (loss) before tax</b>	<b>9 635</b>	<b>15 506</b>	<b>-38%</b>	<b>9 635</b>	<b>5 888</b>	<b>206</b>	<b>4 207</b>	<b>15 506</b>	<b>(7 956)</b>	<b>16 316</b>	<b>24 440</b>
Income tax	(984)	(796)	24%	(984)	1 418	405	(3 599)	(796)	(2 502)	(1 326)	(4 817)
<b>Net profit (loss)</b>	<b>8 651</b>	<b>14 710</b>	<b>-41%</b>	<b>8 651</b>	<b>7 306</b>	<b>611</b>	<b>608</b>	<b>14 710</b>	<b>(10 458)</b>	<b>14 990</b>	<b>19 623</b>

# Profit & Loss Statement II

	k PLN	3M 2023/24	3M 2022/23
Verification of the forecast		(5 357)	1 614
Deviations of actual payments from forecasts		34 560	23 394
Extension of forecasted recoveries		276	308
Change in exchange rate		(2 159)	492
<b>Revaluation of packages</b>		<b>27 320</b>	<b>25 808</b>

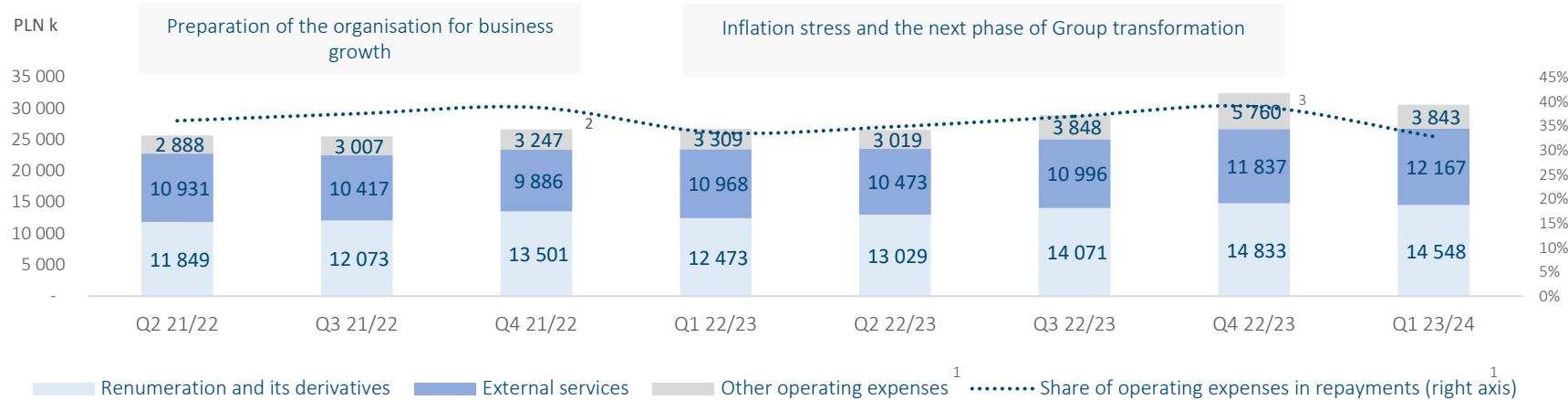
	k PLN	3M 2023/24	3M 2022/23	Zmiana (%)
Remunerations, social insurance contributions and other benefits		14 548	12 473	17%
External services		12 167	10 968	11%
Court and enforcement fees		9 245	8 532	8%
Depreciation and amortization		2 124	1 920	11%
Taxes and charges		524	272	93%
Consumption of materials and energy		581	535	9%
Other costs by type		614	582	5%
<b>Operating expenses</b>		<b>39 803</b>	<b>35 282</b>	<b>13%</b>
without the cost of court and enforcement fees		30 558	26 750	14%

- High **deviation of actual vs forecast repayments** is the cash effect (real cash incoming to the Group) observed in all relevant Group countries.
- The negative **revision of the forecast** based on the **conservative model of repayment curves**, in particular in the case of secured claims (non-cash effect).
- Negative impact of **foreign exchange differences (RON)** - non-cash effect.

- Year-on-year increase in recurring operating expenses mainly due to rising **payroll costs, court & enforcement charges and third-party services**.
- **Operating costs** (less court & enforcement charges) **grow slower than the growth in repayments (14% vs. 17% y/y)**.
- Higher salary costs mainly caused by inflation stress and the organisation preparing for **significant upscaling of the business**.
- Higher **court & enforcement charges closely linked to the high level of investments in portfolios**, leading to **better repayments from debtors** in future quarters.

# Profit & Loss Statement III

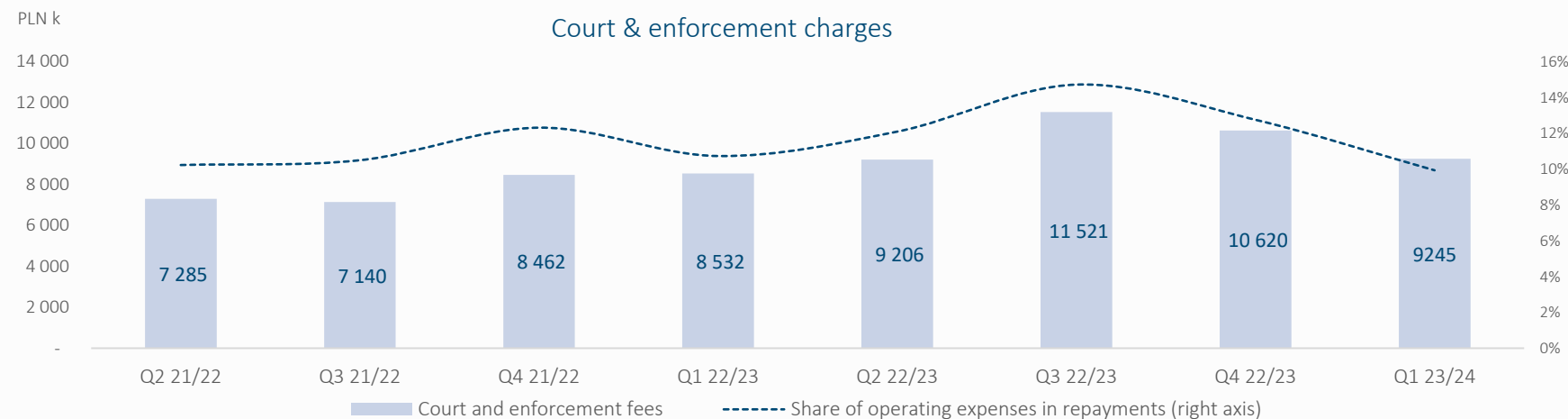
Operating expenses (excl. court and enforcement charges)



**Noticeable improvement in profitability** in the long term - the ratio of operating expenses (excl. court fees & enforcement charges) to repayments dropped from 43% in Q1 20/21 to 33% in Q1 23/24.

Ratio of **salaries** to repayments (16% in Q1 23/24) at the level of the **best industry benchmarks**.

Court & enforcement charges



The higher ratio of court fees & enforcement charges to repayments in 2022/2023 will translate into **increased repayments in future periods** (mainly PL and RO).

<sup>1</sup> Excl. court & enforcement charges

<sup>2</sup> Adjusted for non-cash allowance related to KI RUS

<sup>3</sup> Adjusted for non-cash effect of tax inspection provision related to KI RUS

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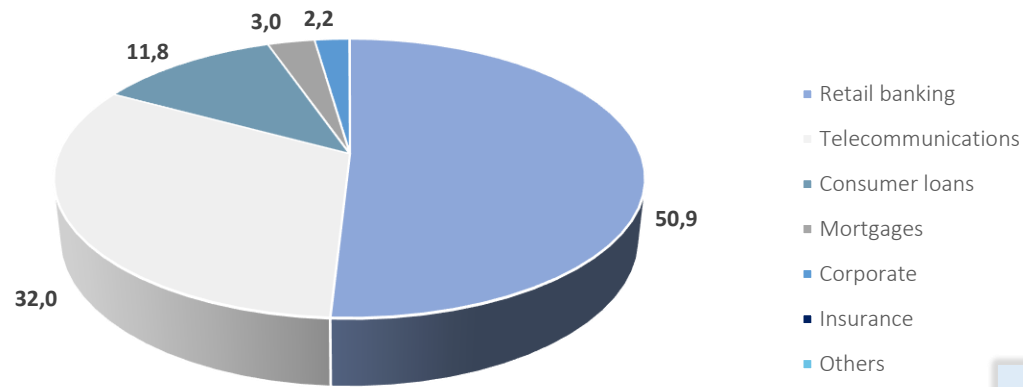
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# Group portfolio features

Types of debt portfolios managed by their book value as at 30 June 2023

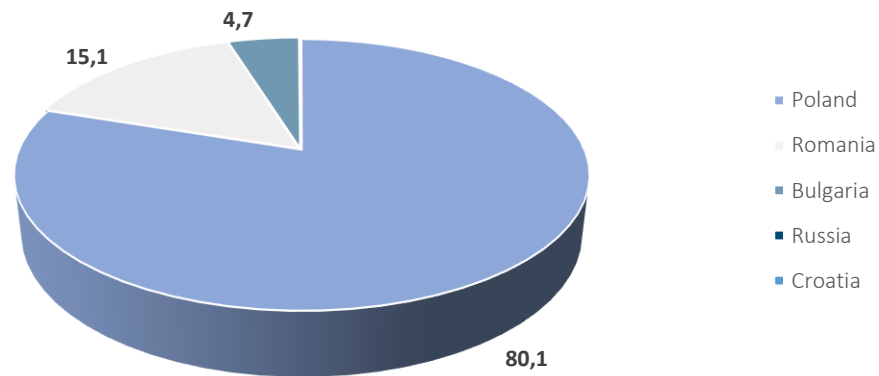


Book value  
as at 30 June 2023  
**PLN 643.9 m**

Book value of Group's debt portfolios (PLN m) by types (PLN million)

	Book value as at 30.06.2023	Percentage (%)	Change y/y (p.p)
Retail banking	327,7	50,9	(4,94)
Telecommunications	206,2	32,0	10,57
Consumer loans	75,7	11,8	(1,95)
Mortgages	19,6	3,0	(2,59)
Corporate	14,4	2,2	(1,04)
Insurance	0,3	0,0	(0,05)
Others	0,0	0,0	0,00
<b>Total</b>	<b>643,9</b>	<b>100,0</b>	

The book value of debt portfolios by country of origin as at 30 June 2023



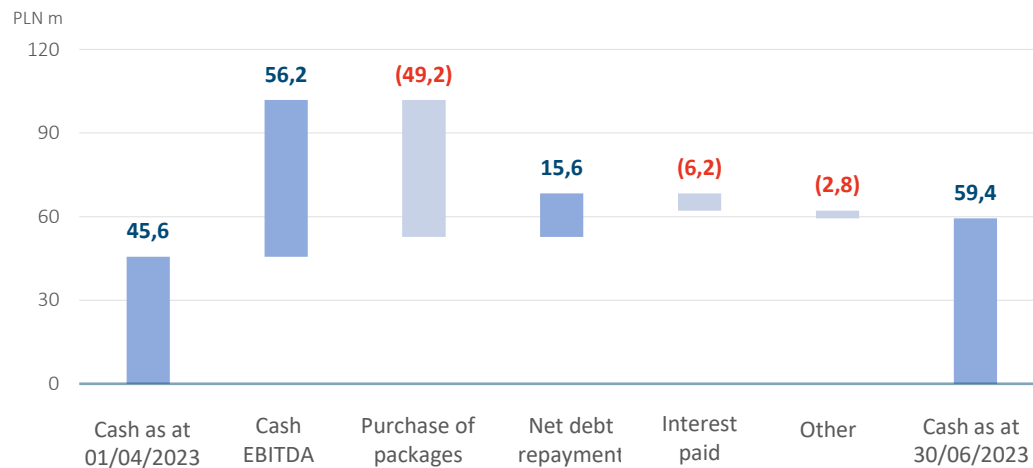
Book value of Group's debt portfolios (PLN m)

	Payment of debtors 3M 2023/2024	Book value as at 30.06.2023	Percentage (%)	Change y/y (p.p)
Poland	70,4	515,6	80,1	1,72
Romania	13,2	97,4	15,1	0,20
Bulgaria	5,6	30,4	4,7	(1,34)
Russia	3,8	0,3	0,0	(0,41)
Croatia	0,1	0,2	0,0	(0,17)
<b>Total</b>	<b>93,2</b>	<b>643,9</b>	<b>100,0</b>	

The book value of the Russian portfolios is close to 0% of all claims acquired and amounts to **PLN 0.3 m**; no further discounting related to the war in Ukraine.

# Cash flows and cash position

Cash flow [PLN million]	3M 2023/24	3M 2022/23
<b>Cash opening balance</b>	<b>45,6</b>	<b>98,2</b>
Operating activities	55,1	43,1
Investment activity	(48,9)	(19,0)
Financing activities	9,5	(65,9)
Exchange rate differences	(2,0)	5,7
<b>Cash closing balance</b>	<b>59,4</b>	<b>62,2</b>



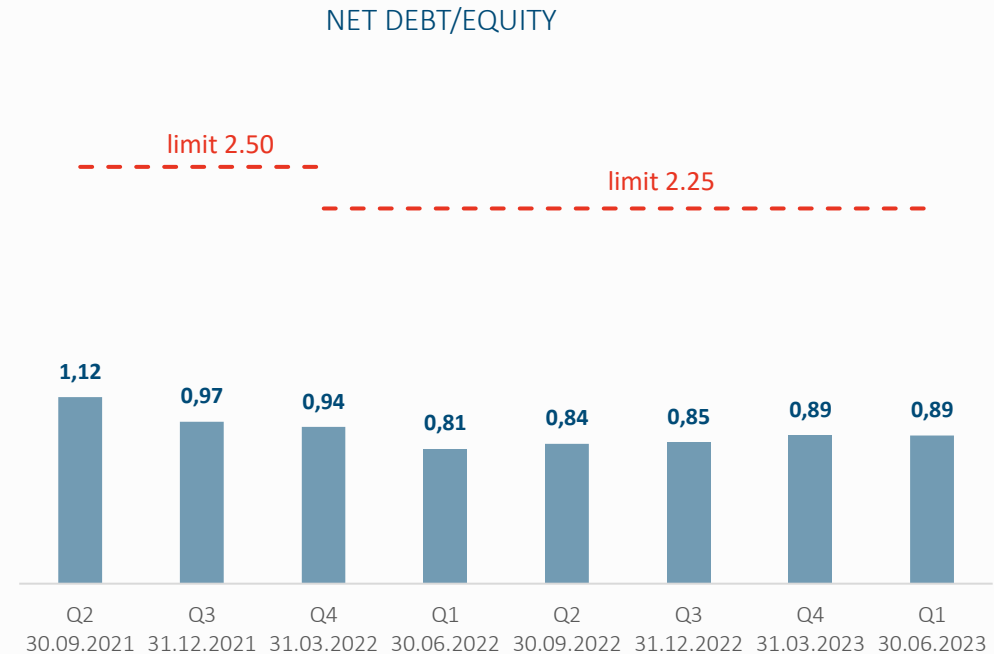
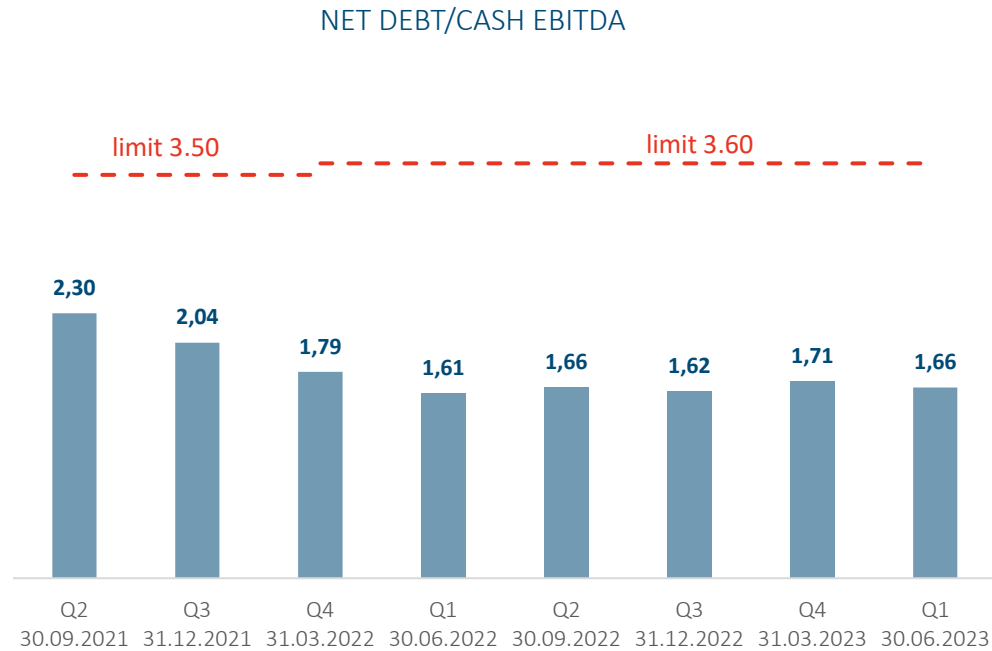
In 3M, the Group concluded portfolio acquisition transactions for **PLN 85.7 million**, of which **PLN 36.5 million** remains to be settled.

In 3M, purchases were nearly **15 times higher** than the scale of investments in the **same period of the previous financial year** (and further agreements for debt acquisitions were signed after the balance sheet date).

The Group is ready for **further significant funding of its portfolio acquisitions** - good prospects for the coming quarters (new supply of portfolios expected on the market).



# Debt ratios

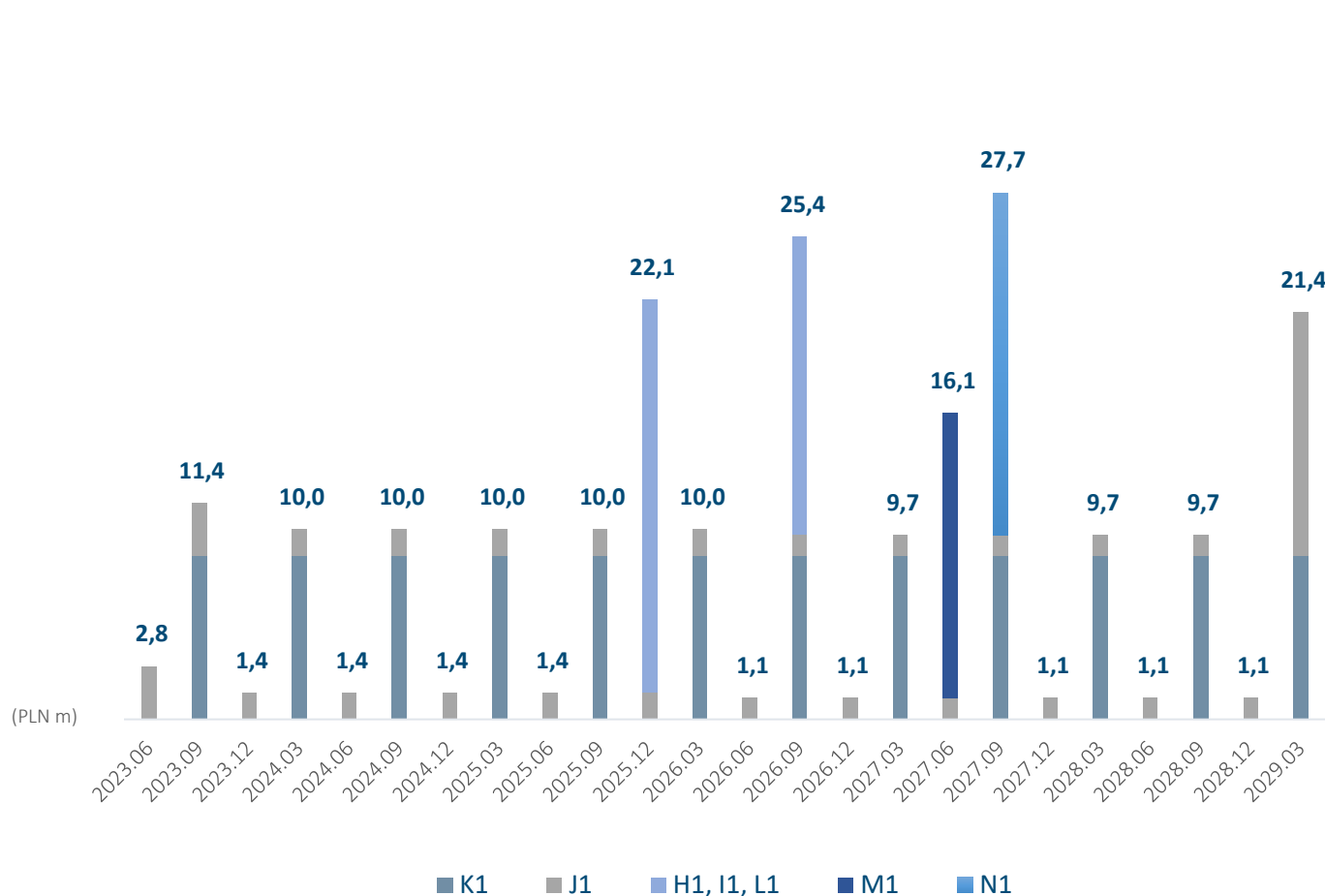


Ambitions and potential new investments thanks to **robust internal debt levels** (net debt/cash EBITDA and net debt/equity).

**Net debt** as at 30 June 2023 is **PLN 294.3 m** (+14% y/y).

# Secure repayment schedule for the current bonds, better funding opportunities

Bond repayment schedule as at 29 August 2023



- As at the balance sheet date (30 June 2023), there were 6 bond series issued by Kredyt Inkaso Group, total nominal value PLN 196.2 million. The bondholder structure is diversified, with significant interests held by both financial institutions and individual investors.
- **Further bond issues and the higher line of credit (by PLN 60 m in August 2022) ensure sufficient liquidity towards new major investments.**
- **On 14 April 2023, Series M1 bonds were issued worth PLN 15 million.** This was the first issue under the PLM 100m Bond Programme of 22.09.2022, based on the Issue Prospectus approved on 14.02.2023. **The issue concluded with 11.5% subscriptions cut.**
- **On 13 April 2023, Series N1 bonds were issued worth PLN 18 million.** This was another issue under the PLN 100m Bond Programme of 22.09.2022, based on the Issue Prospectus approved on 14.02.2023. **The issue concluded with 38.6% subscriptions cut.**
- **As at 30 June 2023, the Group utilised bank facilities outstanding at PLN 144 million.** These were two loans granted by ING Bank Śląski. **The total available credit limit is PLN 200 million and can be used to purchase debt portfolios.** Each loan under the facility is amortised over five years and the credit facility expires at the end of 2032.
- In Q1 2023/2024, the Company entered a credit facility with ING Bank Śląski S.A. which is a **PLN 10 m overdraft** and a line of guarantees up to PLN 449 thousand. Thanks to that agreement **the Group has further optimised its short-term liquidity management process.**
- As at 30 June 2023 **the Group held PLN 59.4 million in cash.**

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## Special auditor

- BEST SA, a shareholder of Kredyt Inkaso, requested the appointment of a special auditor during the General Meeting in April 2022. The special auditor's tasks were to cover the alleged manipulation of Kredyt Inkaso's share price in September 2016, the grounds behind the advisory agreement signed with Prosperus Partners in May 2016, and the grounds behind the 2017 advisory agreement signed with Waterland Private Equity Investments.
- The Management Board of Kredyt Inkaso included its opinion concerning BEST's request in the statement of the Board published in Current Report 24/22. The Supervisory Board of the Company expressed a similar position concerning the request.
- According to Current Report 27/23 of 21 July 2023, the Company was notified that its complaint against a court order appointing a special auditor for the Company was rejected, hence making Rödl Kancelaria Prawna sp. k. and Roedl Audit sp. z o.o. the validly appointed auditor of the Company.
- As previously stated, the Company meets its obligations under the court order and the special audit should be completed in early October 2023.

## Strategic options

- As part of the strategic options review, at the end of Q3 2023, potential investors will be provided with additional information about the Company and its Group Companies and discussions will be held with them. The Board and its advisors aim to complete the review before the end of March 2024.

## Tax inspection of the Russian subsidiary

- In 12.2022 - 06.2023, a tax inspection of the Russian subsidiary took place and covered taxes, charges and social security contributions in the period from 01 to 31 December 2021.
- The tax inspection report questioned how assignments of claims and the agency agreement of 2014 had been settled.
- The subsidiary submitted objections against the tax inspection report and is currently awaiting the concluding decision.
- The subsidiary will decide any further procedural strategy after receiving the concluding decision.
- However, out of precaution, the 2022/23 Consolidated Financial Statements included a provision established as at 31 March 2023 that secures the potential burden of RUB 79,800,499.28, equivalent to PLN 3,798,503.77 based on the exchange rate of 30 June 2023.

### Act on Collection and Debt Collector Profession – draft of 3 October 2022:

- a debt collection company needs an authorisation and a debt collector a licence;
- there are limitations concerning the person (e.g. over 75, certain disabilities) and the object of enforcement (e.g. time bar, debtor's objections) in the case of the amicable debt procedure;
- additional documentation needs to be kept concerning the debt collection activity (e.g. application for debt collection, debt collection notices, collection procedure report, list of telephone / audiovisual calls and text messages sent, including fax, e-mail, SMS, MMS or other instant messaging systems, list of conducted collection tasks);
- shorter time bar.

#### Current status:

Legislative work in the parliament has not yet begun.

### Act amending certain acts to ensure the development of financial market and the protection of its investors – draft of 12 June 2023:

- restricted offering of corporate bonds to retail clients outside the regulated market, alternative trading system and crowdfunding platforms;
- obligation to sell bonds to retail clients exclusively through investment firms;
- brokerage services to be provided also by banks based on a single banking licence;
- increased digitisation to assist Financial Supervision Authority (KNF) tasks, in particular inspections;
- higher and extended administrative sanctions, possible penalties on individual members of corporate bodies that can be imposed independently of proceedings against the entity (depending on a violation).

#### Current status:

Legislative work in the parliament has already been concluded. The law is likely to be enacted still during this term of chamber.

### Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit buyers and amending Directives 2008/48/EC and 2014/17/EU (NPL Directive):

- The directive regulates, among other things, the principles of disposal (relationship with the seller), the principles of debt servicing (relationship with the buyer), the principles of recovery (relationship with the debtor), cross-border debt servicing, authorisation and supervision,
- NPL Directive implementation in domestic system - by 23 December 2023.

### Directive implementing law – draft of 15 June 2023 ‘Act on Credit Servicers and Debt Buyers’:

- the proposed law is intended to clarify the conditions of business activity, rights and obligations of credit buyers who acquire the claims from a non-performing loan or the loan agreement itself, as well as to indicate a catalogue of entities to which the law will not apply (to lender's claims under a loan or the loan agreement itself managed, in certain situation, by a trust, an alternative investment company/fund manager and investment companies).

#### Current status:

The draft law prepared by the Ministry of Finance is in the public consultation phase. Legislative work in the parliament has not yet begun.

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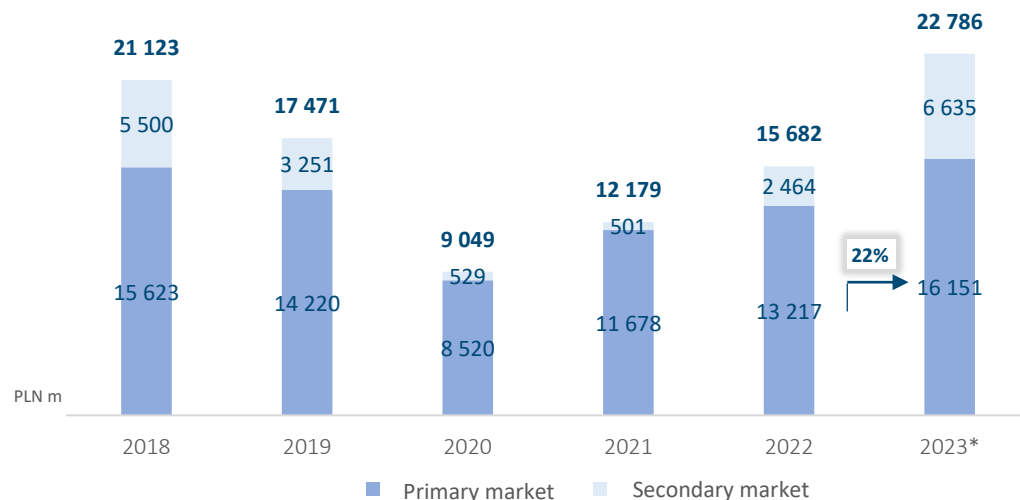
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# Supply of debt portfolios on the primary and secondary debt market in Poland (\*forecast 2023 - internal estimates)

Supply of debt portfolios in years



- Following the perturbations caused by Covid-19 pandemic the level of sales of NPL portfolios stabilised and an upward trend is now evident.
- According to current forecast of portfolio supply, it is highly likely to increase further by over 22%.
- The supply of portfolios in 2022 compared to 2021 increased by 13%, with NPLs of banks to total supply of portfolio reaching 85%.
- In Poland, unemployment remains low for yet another year at around 5.0%.
- High inflation rate translate into high levels of interest rates which will result in higher levels of NPLs in future years.
- Seeking to further improve their financial performance banks will be selling better quality debt portfolios.
- Further CJEU rulings could mean additional burdens on the banking sector.

	June 23	2023 forecast	2024 forecast
HICP inflation*	11,0%	12,4%	4,8%
Unemployment rate**	5,0%	3,4%	b/d
GDP growth rate***	0%****	0,7%	2,7%

\* Eurostat data  
 \*\* Ministry of Labour data  
 \*\*\* PFR's Analysis Office data ('Review of European Economies – Selected Macroeconomic Indicators in EU, EFTA and UK States). July 2023  
 \*\*\*\* Q1 2023 data



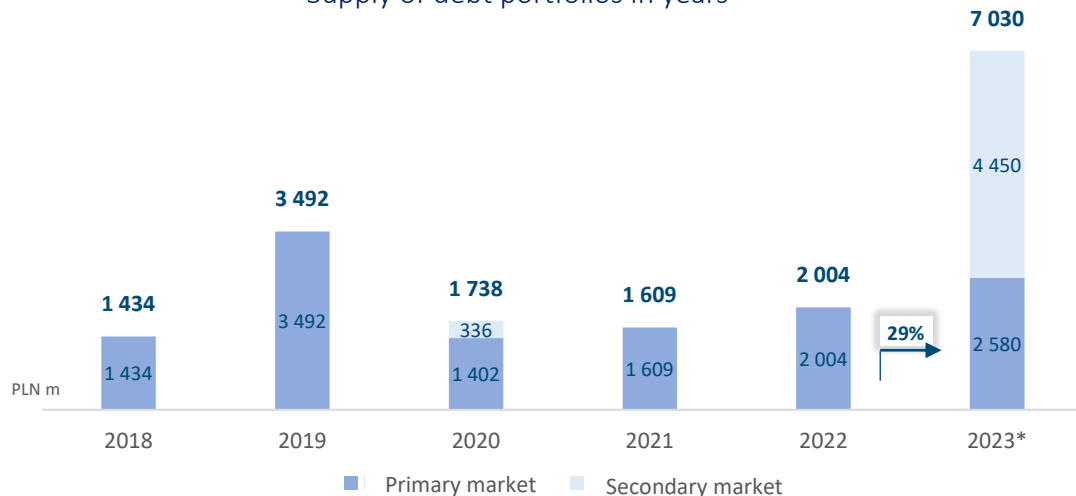
## Key market players in Poland



# The supply of portfolios on the primary and secondary debt market in Romania

(\*2023 forecast - internal estimates)

Supply of debt portfolios in years



- Supply of debt portfolios in 2022 increased by 27% compared to the previous year.
- A further increase of 29% of the debt portfolio sum can be expected in 2023.
- The increased supply has already been observed in H1 2023.
- The banks' share in the total supply is at 45% and will remain at its current level.
- According to EUROSTAT forecasts, Romania's annual average HICP index is expected to reach 7.1% in 2023 and fall to 4.2% in 2024.



	June 23	2023 forecast	2024 forecast
HICP inflation*	9,3%	7,1%	4,2%
Unemployment rate**	5,5%	bd	bd
GDP growth rate***	2,9%****	3,2%	3,5%

\* Eurostat data  
 \*\* data from tradingeconomics.com  
 \*\*\* PFR's Analysis Office data ('Review of European Economies – Selected Macroeconomic Indicators in EU, EFTA and UK States). July 2023  
 \*\*\*\* Q1 2023 data

## Key market players in Romania





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## Our plans

- Expansion of external finance, including new bond issues.
- Further investments in three key markets: Poland, Romania and Bulgaria.
- Development of our people through inclusive and diverse workplace.
- Implementation of modern technological solutions to improve process efficiency.
- Regardless of the growth scenario - continuous improvement of enterprise value and realisation of market opportunities.





**KREDYT INKASO**

*Good solutions*

**Thank you for your  
attention!**

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