



Kredinor

Sustainable debt collection in the Nordics

Presentation to DNB NPL conference,
27 September 2023

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Agenda

1. **Intro to Nordic debt collection**
2. Sustainability in debt collection
3. Portfolio Investments
4. Financials

Executive Summary

Kredinor has Norway's largest debt collection platform

- History back to 1876 as the dominant 3PC player in Norway, handling around 1.8m cases annually
- Tailored value propositions towards deep and longstanding client relationships in Norway
- Digital leader delivering the best self-service functionality with high self-service rate and customer satisfaction

Nordics: a unique debt collection market

- Strong social safety net and efficient legal enforcement create predictable cash flows
- Long ERC tails (180 months) due to strong legal protection of claims
- Well-functioning market for sale of NPLs through both forward flow and one-off agreements

Solid financial position

- Attractive business mix with 50% 3PC and 50% NPL, with total gross revenue of NOK 1.2bn in 2022
- Total cash collections of NOK >11bn in 2022 and an adj. Cash EBITDA of NOK 1 bn
- Large and growing Nordic NPL ERC base of more than NOK 11bn

Nordic focus with positive industry fundamentals and outlook

- Positioned for growth across the attractive Nordic markets
- Expected supply of NPLs represents an opportunity for profitable growth going forward
- ESG forms a foundation for developing a new and more efficient customer journey



Kreditor at a glance



1876

Founded in 1876



600 employees

Norway (550), Sweden (23),
Finland (27) Denmark (2)



NOK 1.4bn

Gross revenue in Kreditor AS



NOK 11.6bn

Total cash collected



NOK 1.1bn

Adj Cash EBITDA










NOK 1.8m

3PC cases annually

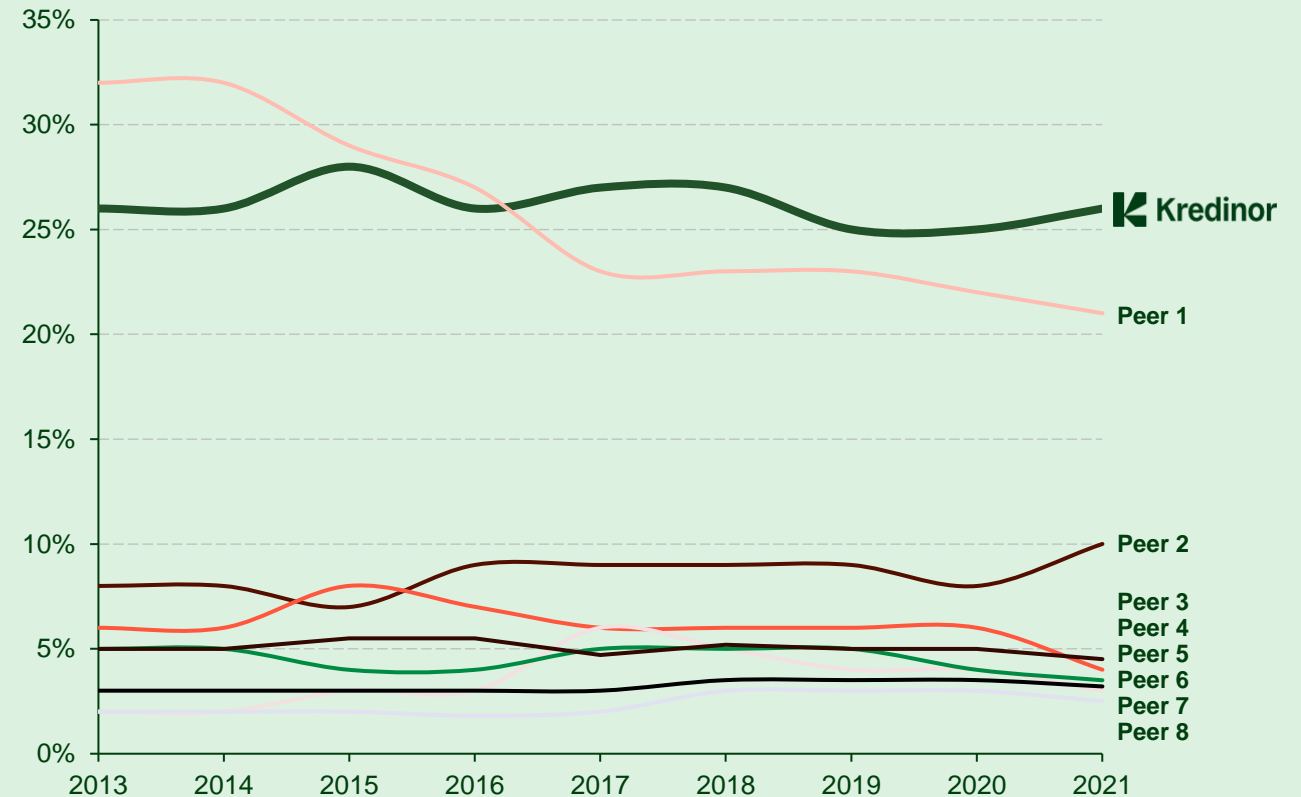


Kreditor provides tailored solutions within all sectors

This in turn drives client satisfaction, client stickiness, and client revenue

-  Payment solutions
-  Fines & complaint handling
-  Termination, disconnection and reopening of services
-  Billing & ledger services
-  Call centre
-  Let's pay
-  AML check

Market share - CMS - Norway



Re-inventing debt collection, in the place where it started

Nordics are a debt-collection friendly place, with efficient legal enforcement, high digital maturity and generous fee levels.

This has led to complacency and complexity:

- Regulatory backlash and a reduction in fees
- Companies with large geographical footprints and low levels of integration
- Sector out of favor with markets, as “black box risk” causes high credit spreads and low equity valuations

Our strategy addresses each of these:

- New business models with ESG at their core
- Exclusively Nordic focus, with centralized operations and tight integration
- Creating an asset light model based on securitization and debt servicing



A clear strategy ...



... with clear deliverables



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1. Brief introduction
2. **Sustainability in debt collection**
3. Portfolio Investments
4. Financials

How can debt collection be sustainable?

Sustainable debt collection does not mean using less paper – it means focusing on the “S” in ESG

Debt collection today is not socially sustainable

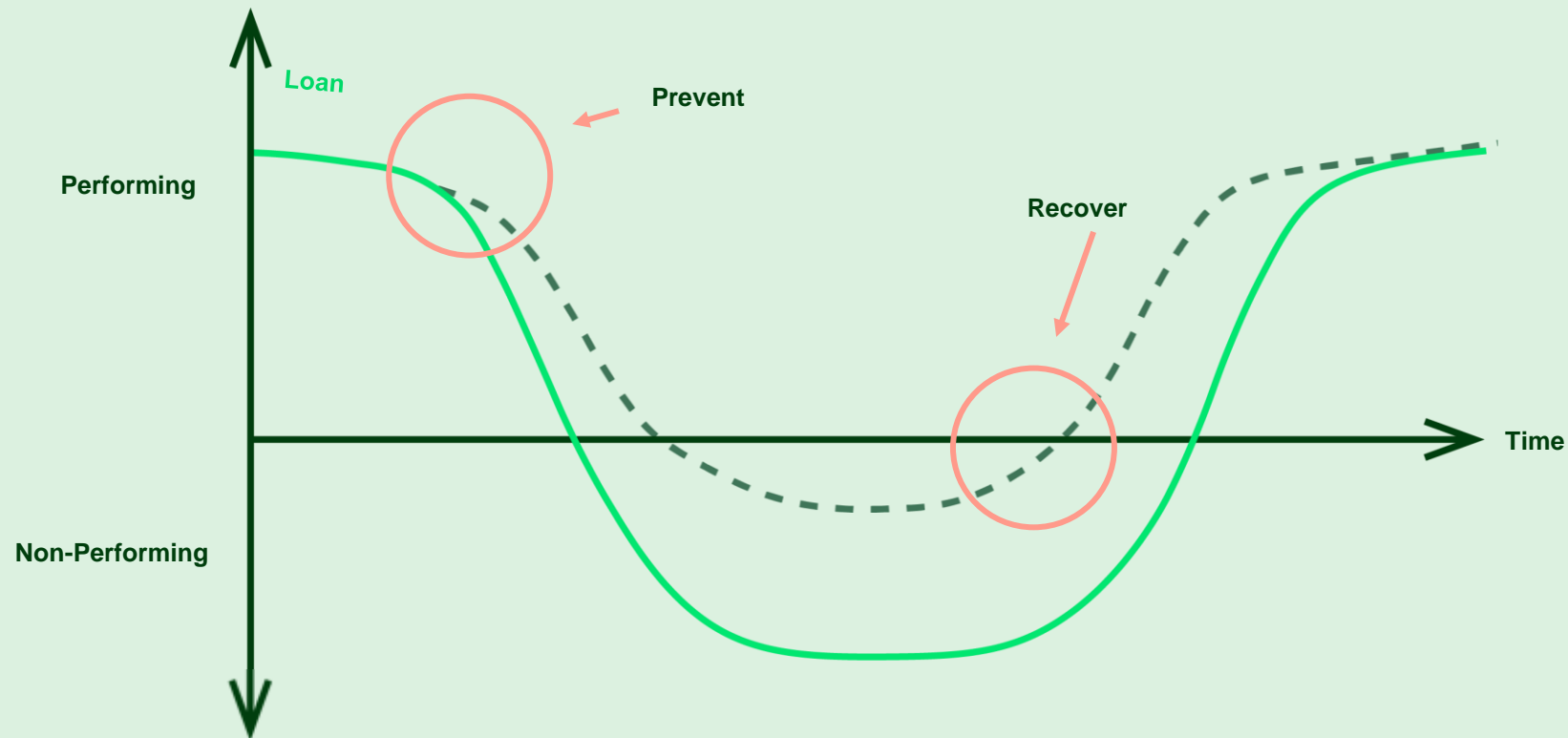
- The distressed *customer* pays collection costs
- Costs escalate throughout the default period
- This is a perverse incentive – the longer the customer is in default, the more revenues

***Fewer and shorter* defaults benefit everyone**

- Lenders get lower credit losses and capital requirements
- Borrowers get lower costs and less distress
- Society gets higher productivity and lower social welfare costs

The answer is a business model which rewards debt collectors for **reducing** defaults

What is *value creation* when customers have financial difficulties?





Kreditor has alternative business models

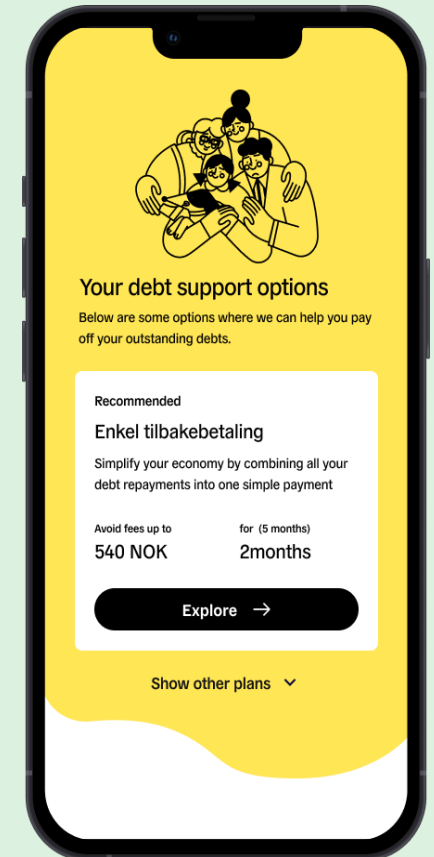
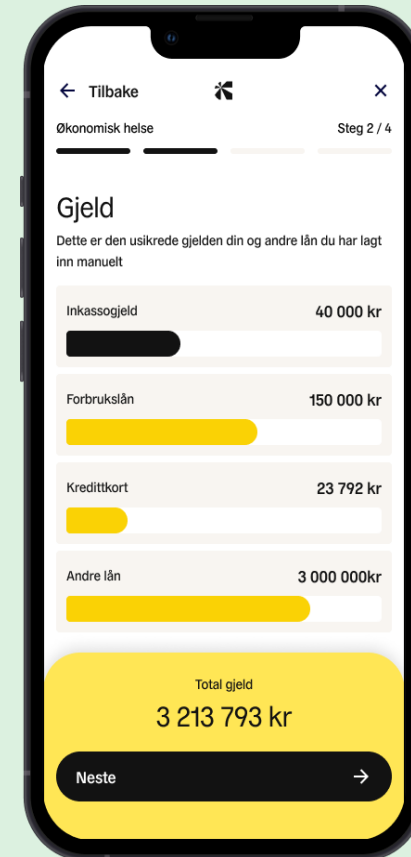
Kreditor and a Norwegian bank built a machine learning model to monitor payment problems.

By intervening early, the bank **saved its customers NOK 5 million in fees.**

- We receive commission based on how much is *not sent* to debt collection
- The bank gets lower costs and increased revenue, thanks to lower churn and reduced loan-loss provisions
- This is a win-win-win for Kreditor, the bank and its customers

“Kan by Kredinor”

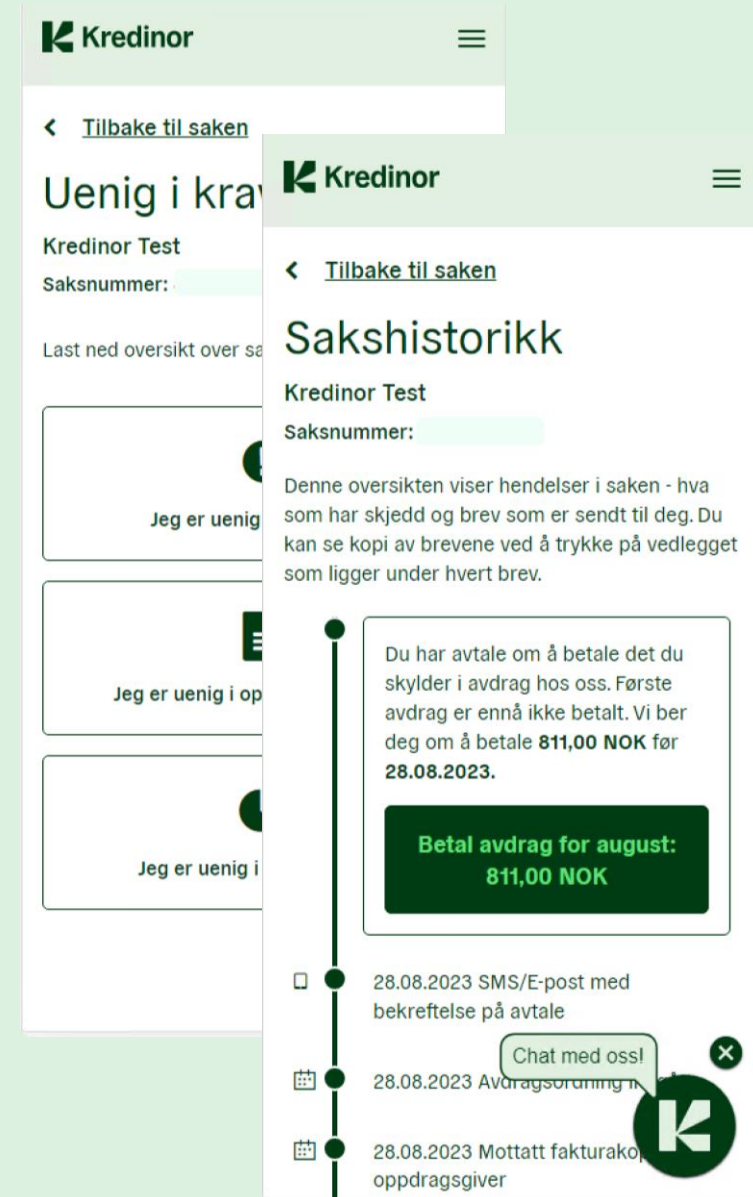
- “Kan by Kredinor” is "financial health insurance" delivered through employers as an employee benefit
- Improves employees' financial health, engagement, productivity and reduces sick leave
- Leverages Kredinor’s data advantage and access to financial information infrastructure
- Distinctive branding to avoid association to traditional debt collection



Our portal serves more than one million customers annually

An easy-to-use interface helps customers through every step, including dispute resolution, creating payment plans, getting copies of the original invoice, and other potentially time-consuming steps.

This reduces friction and stress in what is otherwise a fraught process.



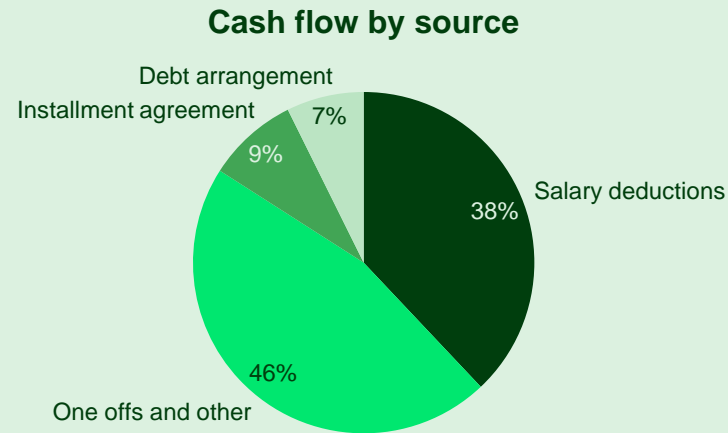
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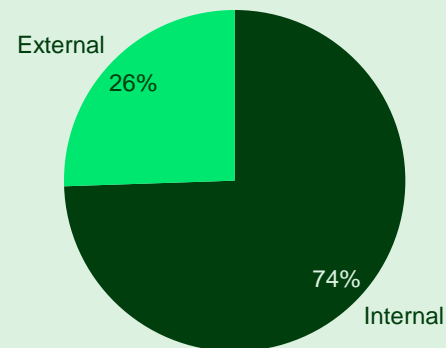
Nordic NPL portfolio built over time with focus on own 3PC clients

Key portfolio elements

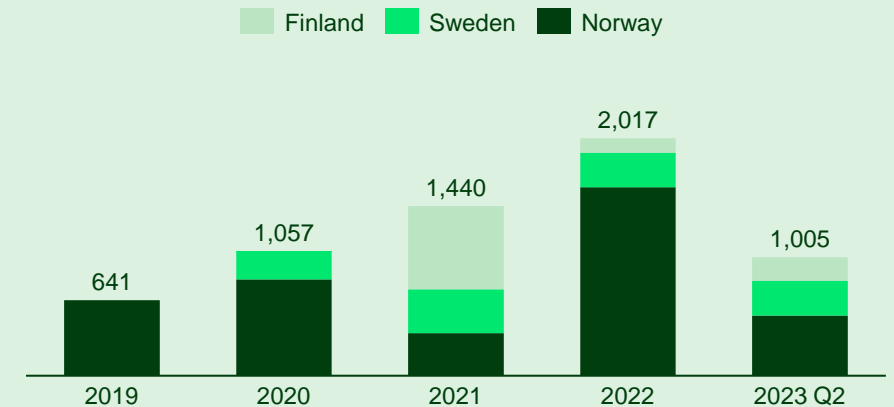
- Stable recurring cash flow represents > 50%
- ~75% of purchases from own 3PC clients in **Norway**
- ~50% of purchases made after the debt register was introduced in **Norway**



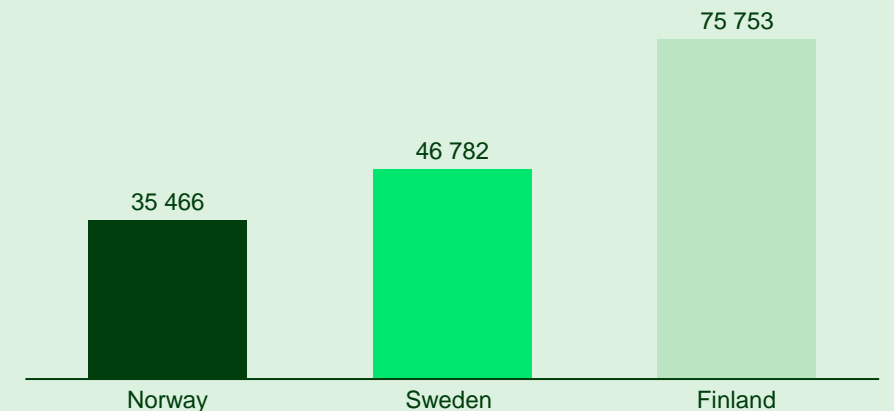
Purchases from 3PC clients in 2023



Portfolio purchases (NOKm)

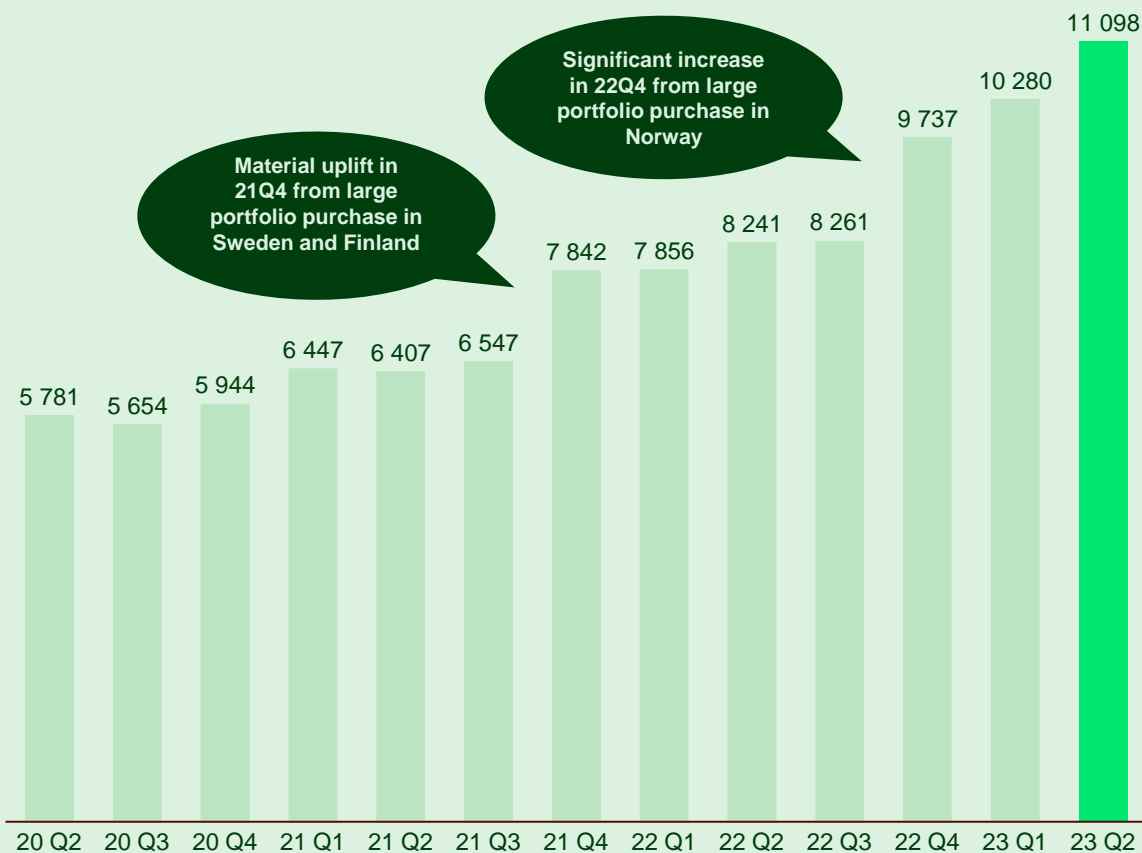


Average ticket sizes (NOK)

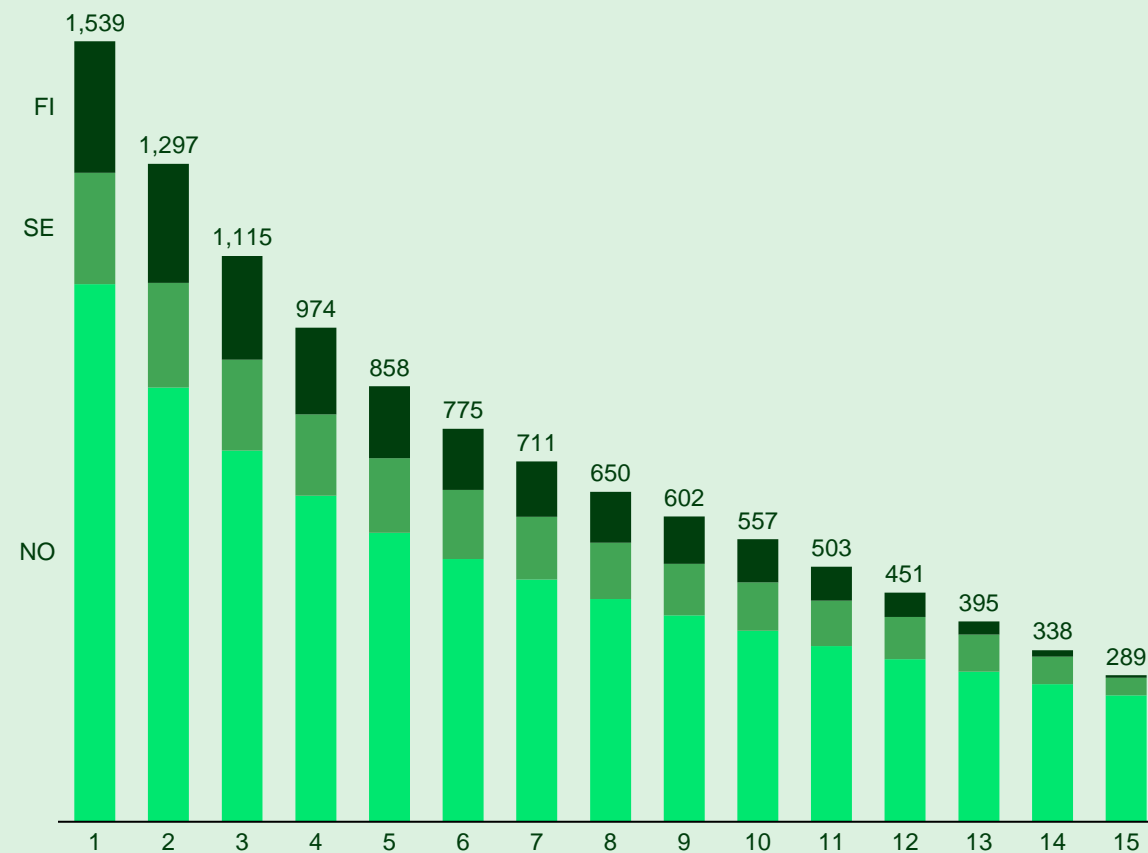


Large and growing Nordic ERC base exceeding NOK ~11bn

Development in total ERC per quarter (NOKm)



Forward 15-year ERC profile by country (NOKm)



Market Dynamics and Prospects

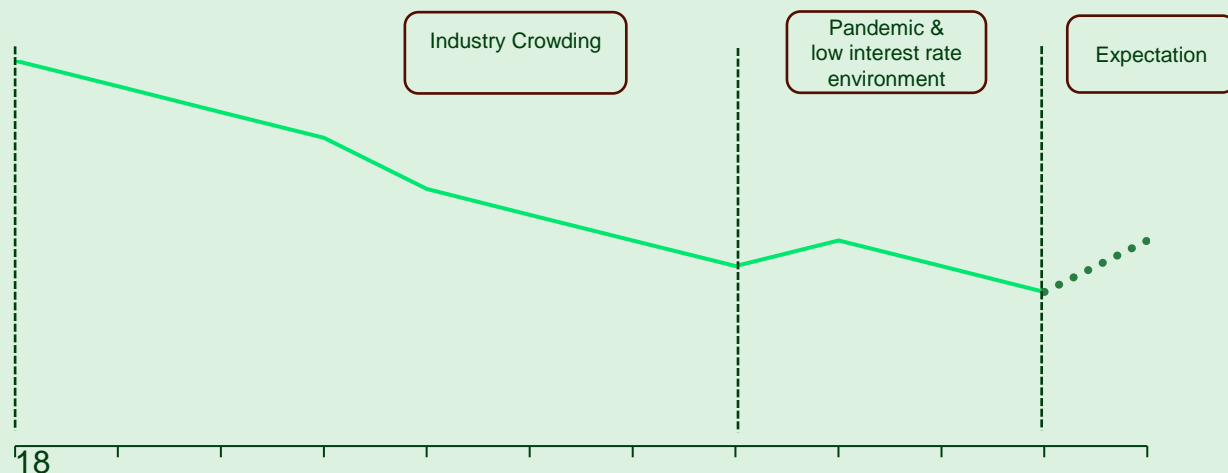
Plenty of activity in the market despite lower expectation on the price

- Clients are segmenting portfolios into lower volumes so to invite multiple players to the bidding processes
- IRR is trending upwards. We are experiencing that more sellers are switching to 3PC when prices doesn't match book values – will lead to more portfolio sales in the future
- Currently active in numerous processes with expected CAPEX of ~1.9b NOK within year end

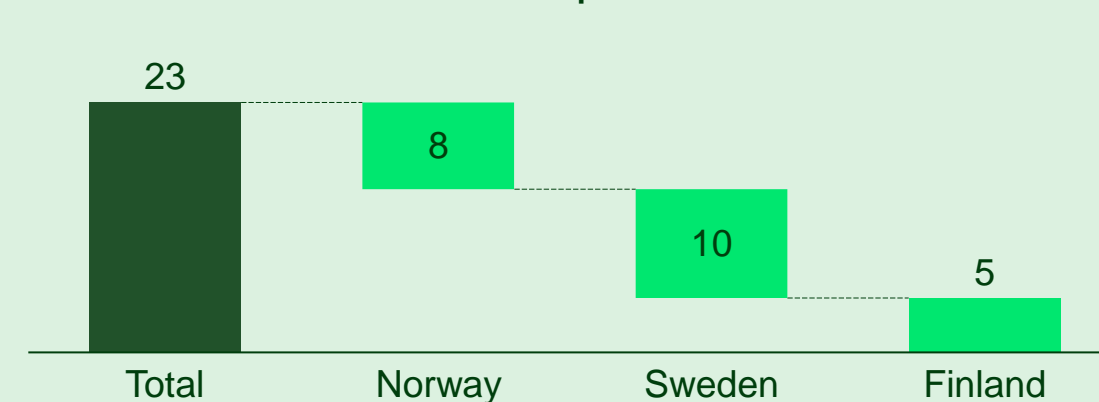
Expected CAPEX (NOKm)



Illustration of Perceived IRR



of active processes



We are close to completing the set-up of a flexible securitization structure for NPLs

Issuer: Luxembourg
Securitization Vehicle

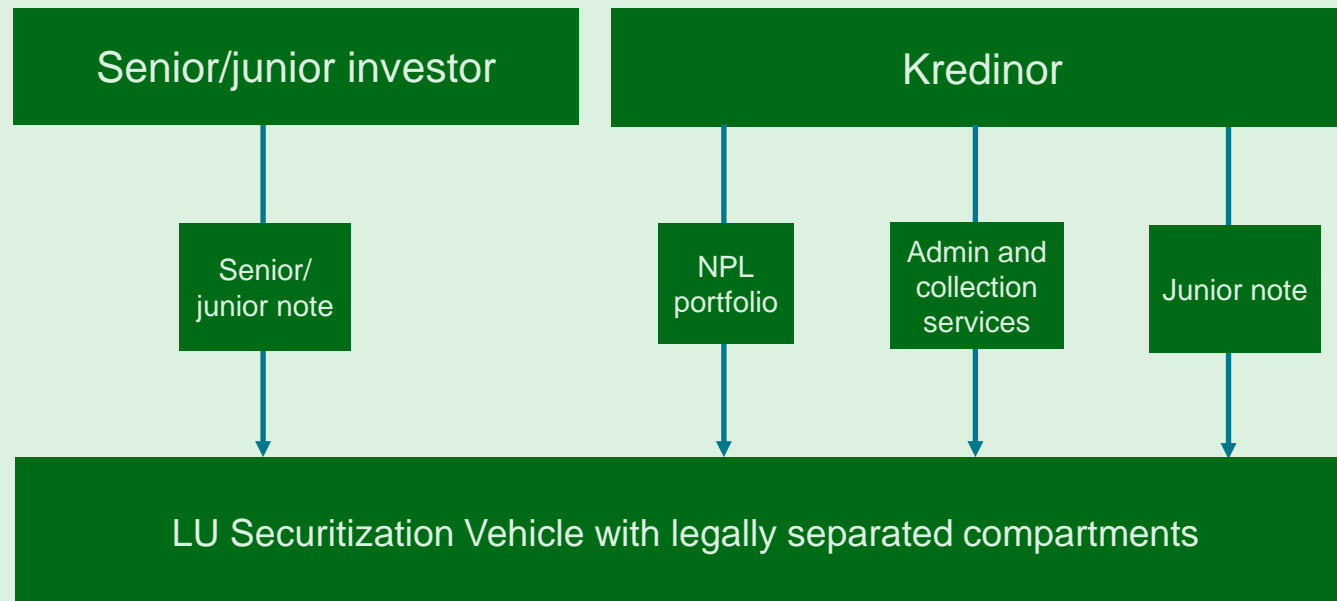
Originator: Kredinor

Servicer: Kredinor

Assets classes: NPL
consumer credits

Priority/waterfall:
Admin, servicing,
senior interest, junior
interest, senior
amortization and junior
amortization

Illustrative structure



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Q2 Highlights

- Increased volume to debt collection and higher revenues from portfolio investments
- Collection performance improved to 96.3% but still negative revaluations
- Progress on initiatives such as «Kan», B2B invoicing and AML-screening
- Synergy program on track, more cost reductions and efficiencies planned

Cash Revenues YTD, MNOK

1 161

YTD 2022: MNOK 962

Adjusted EBIT YTD, MNOK

178

YTD 2022: MNOK 177

Cash EBITDA YTD, MNOK

641

YTD 2022: MNOK 508

Adjusted EBIT YTD Margin

25%

YTD 2022: 27%

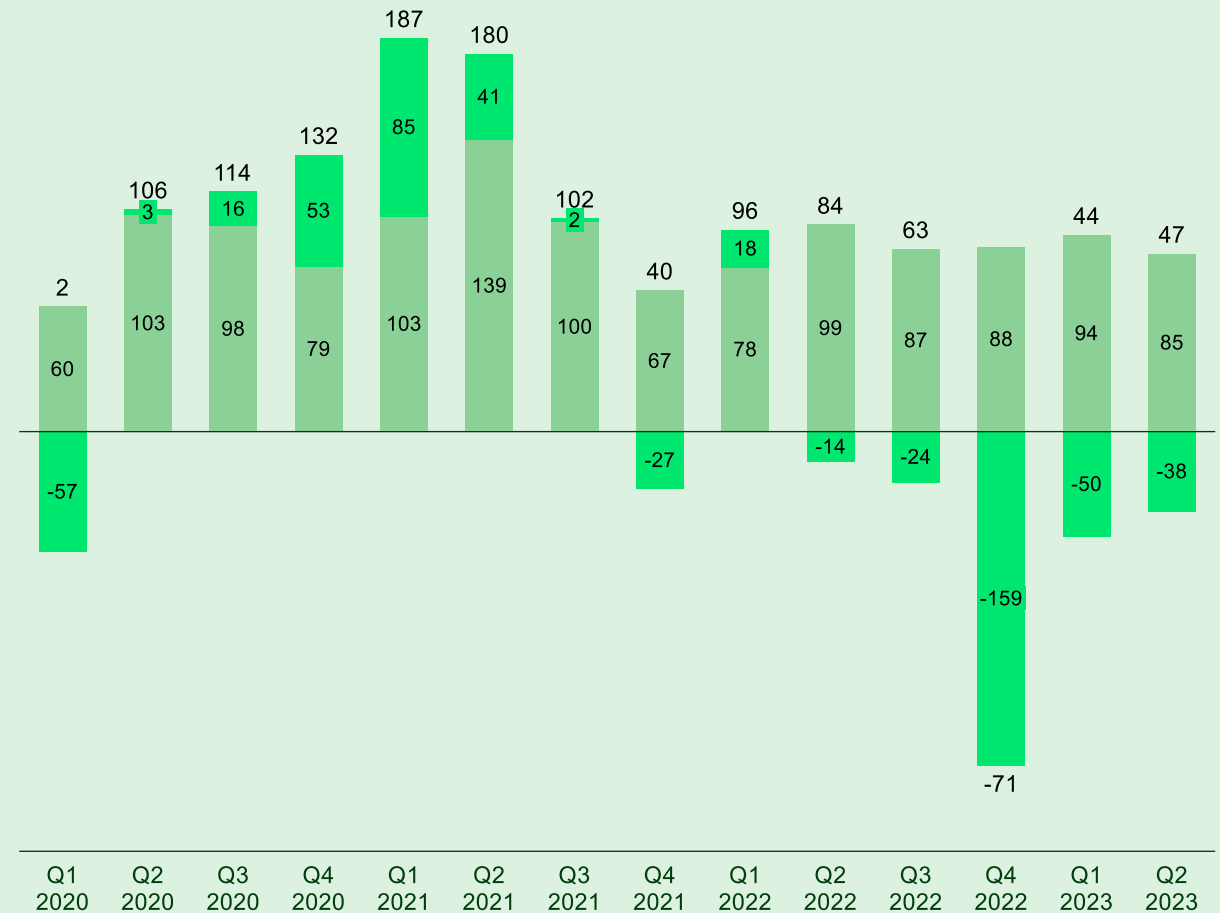
Note: Proforma numbers for 2022 are provided for improved comparison only and are not audited.

Adjusted EBIT on par with previous quarters

- Revenue growth for both business lines
- Higher operating costs
 - Cost inflation
 - Increased staff levels
- Collection performance at 96.3%
- Negative revaluations of MNOK 38

Adjusted EBIT (MNOK)

(Proforma numbers)



Adjusted EBIT refers to EBIT excluding revaluations and non-recurring items



Revaluations



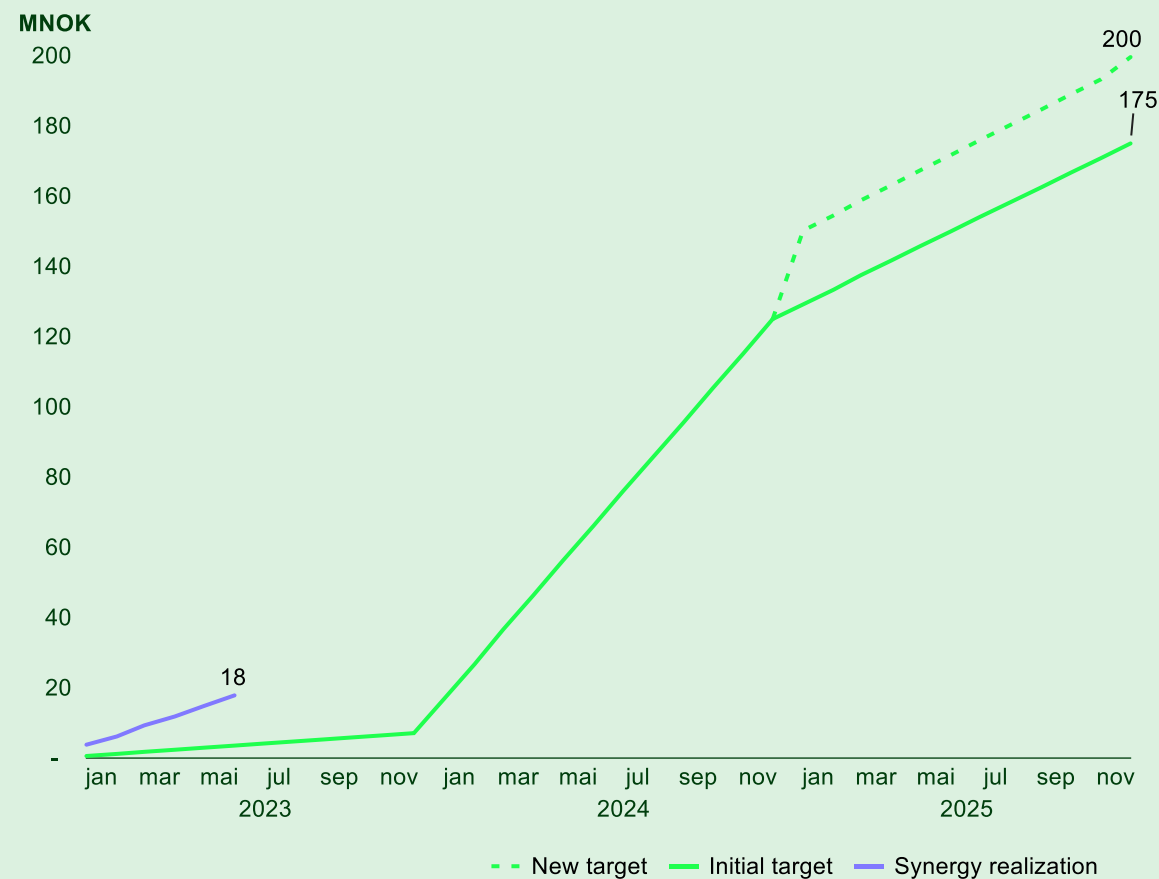
Adjusted EBIT

Synergy plan is on track to deliver cost savings

Key projects include:

- Closing branch offices in Norway
 - (75% complete)
- Digitalization and automation
 - (20% complete)
- VAT optimisation
 - (100% complete)
- IT Migration
 - (40% complete)
- Cross-sell, upsell and new revenues
 - (expected effect in 2024)

Synergy realization EBIT (MNOK)



K