

Legal Balance

Investment teaser
2023 Q3



Board of directors



Evaldas Remeikis

A business manager with a diverse business experience, he is board member at various companies. Among his most interesting and most significant career achievements is his participation in the creation of successful companies that operate in the technology and finance industry and investments in startup companies



Vaidotas Pupalaigis

An expert in customer relationship management, backed up by 15+ years experience as a private banker. Excels at understanding needs and offering optimal solutions that best suit customer needs in coordination with their financial background, objectives and goals



Arminas Sinkevičius

Active business professional who plays a crucial part in various businesses and is an owner of many companies adding the fact that he is an active member of boards in those companies



Juratė Stanišauskienė

Strategy and corporate management expert and professional board member. Has more than 15 years of top-level management, strategy formulation and implementation experience both in Lithuania and Europe.

Management team



Marius Šlepetis

Managing director of the company with more than 8 years of experience in debt collection industry. Since 2018 is also the head of Lithuanian credit management companies' association.



Šarūnas Šimkus

Company's Chief Operations Officer with more than 5 years experience in debt collection. He has a background in law.



Nerdas Sangavičius

Chief financial officer with a vast experience in finance sector. Previously Nerdas worked at Big4 and provided audit services to the largest banking groups, investment and pension funds, state-owned enterprises. Main focus on FSI industry.



Julija Žiūkaitė

Head of legal department of the company, has a master degree in law. She also takes part in Lithuanian credit management companies' association.

Executive summary



Legal Balance is a company operating in Lithuania and Latvia working as a receivables management company specializing in collection and purchasing of non-performing private consumer debt portfolios.

Our clients are major telecommunications companies, banks, sports clubs and finance companies.

We are a preferred partner of EOS Global Collection network.

Our personnel is a team of passionate, ambitious and professional individuals. We manage to achieve outstanding results. We do not work with clients, we work for their interests and goals they want to achieve.

Investments into debt purchase

Debt portfolios are purchased for 10 – 70 % of the debt amount through auctions organised by sellers usually operating in financial, telecommunications and utilities sector. Acquisition price is determined through modeling projections of portfolio using historical data and benchmark portfolios. Cashflows projections are made 10 years into the future, acceptable investment project **IRR threshold – 20%**.

Shareholders actively participate in the business, with the goal of keeping equity ratio no less than **20%**.



Our partners



Purchased debts



Managed purchased debt portfolio – **above 84 mln. €**



Managed debt cases – **> 30 000**



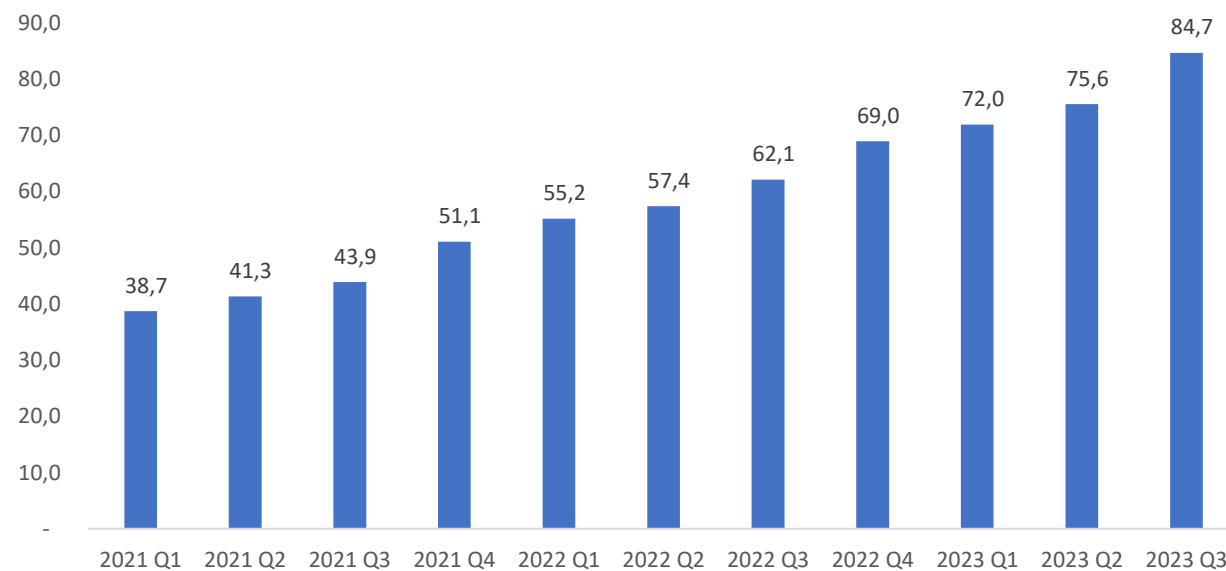
This year (until 2023 Q3) company invested **6.9 mln. €** into debt purchase



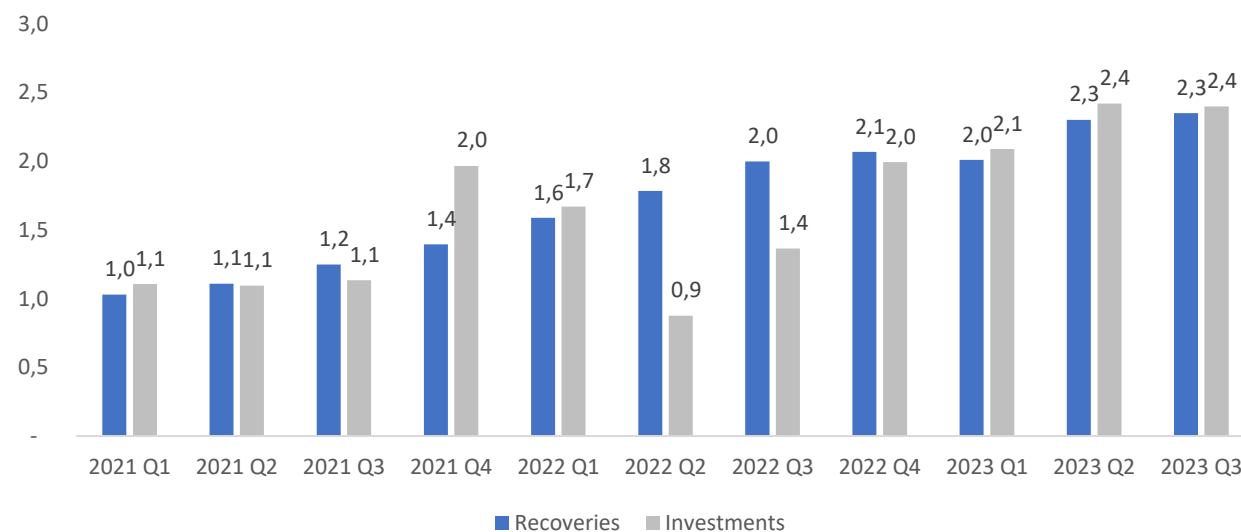
This year (until 2023 Q3) company recovered more than **6.7mln. €** from purchased debts

Acquisition year	Purchase price	Recoveries until 2023 Q3	Gross Cash-on-cash multiple	Forecasted recoveries	Cash-on-cash multiple
2016	367 663	1 531 154	4,2	133 103	4,5
2017	2 121 422	5 579 917	2,6	992 510	3,1
2018	1 997 177	3 288 787	1,6	1 051 454	2,2
2019	3 688 742	4 785 094	1,3	2 518 521	2,0
2020	4 518 939	5 175 228	1,1	5 278 571	2,3
2021	4 807 431	4 276 869	0,9	6 360 301	2,2
2022	6 485 670	3 078 989	0,5	12 533 044	2,4
2023 Q3	4 484 842	599 195	0,1	13 232 983	2,0
TOTAL	31 044 184	28 309 232	0,9	42 130 488	2,3

Accumulated debt portfolio, mEUR



Recoveries and investments, mEUR



Client debts (servicing)



Managed client debt portfolio **more than 34 mln. €**



Managed client cases– **more than 20 000**

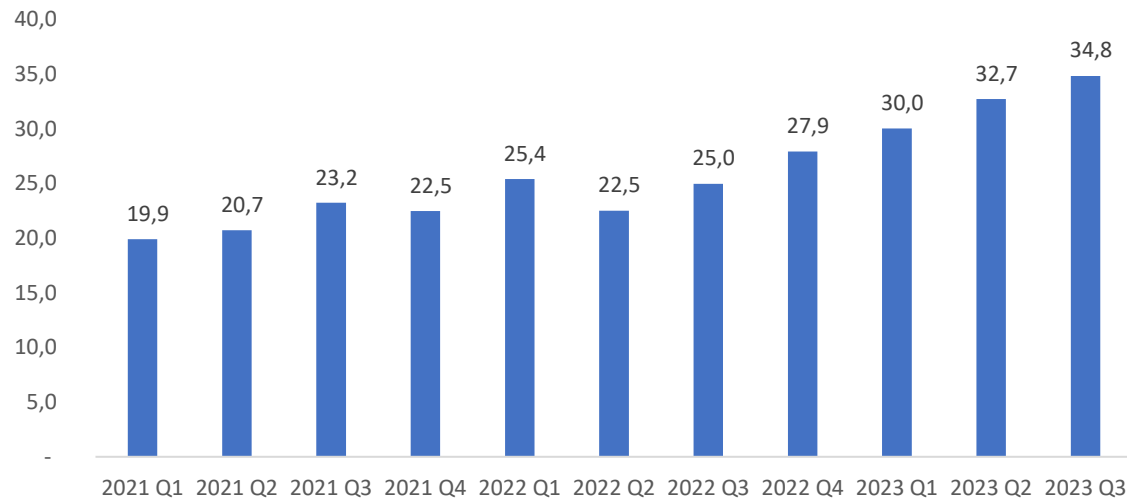


This year (until 2023 Q3) company received additional client cases of **15.4 mln. €**

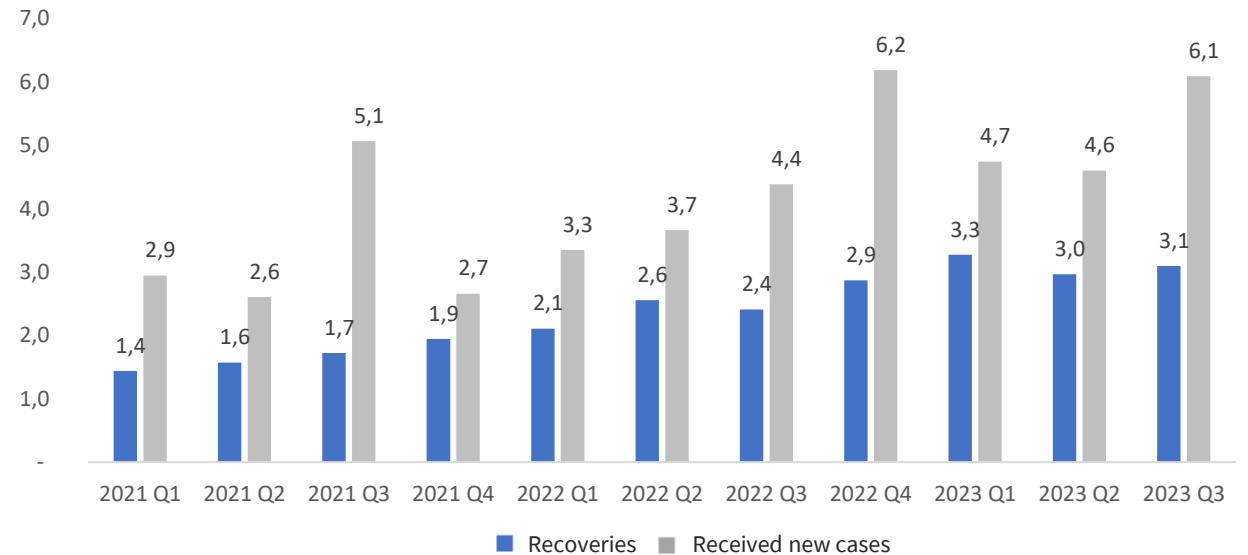


This year (until 2023 Q3) company recovered **more than 9.3 mln. €** from administered client debts

Servicing portfolio, mEUR



Recoveries and new debt transfers, mEUR



eSkolos platform



Managed eSkolos debt portfolio – **more than 34 mln. €**



Number of cases – **more than 6 000**

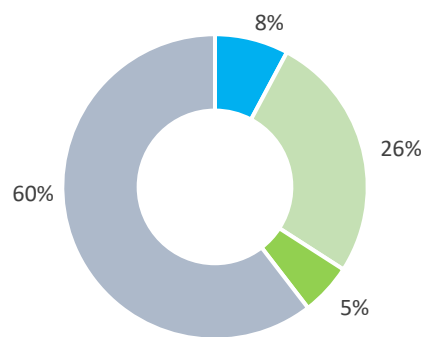


This year (until 2023 Q3) company acquired **more than 13 mln. €** nominal value debts

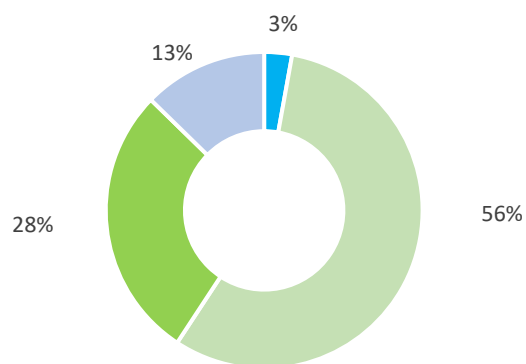


This year (until 2023 Q3) company recovered **more than 1.5 mln. €** from eSkolos platform debts

% purchased debts, EUR

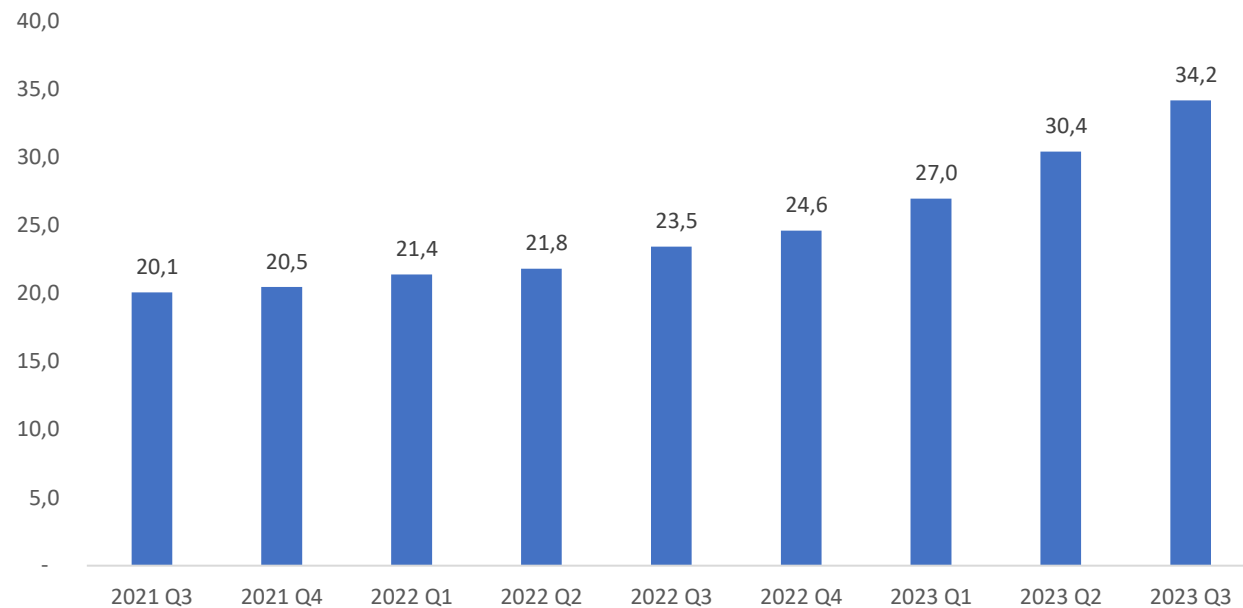


% success fee debts, EUR

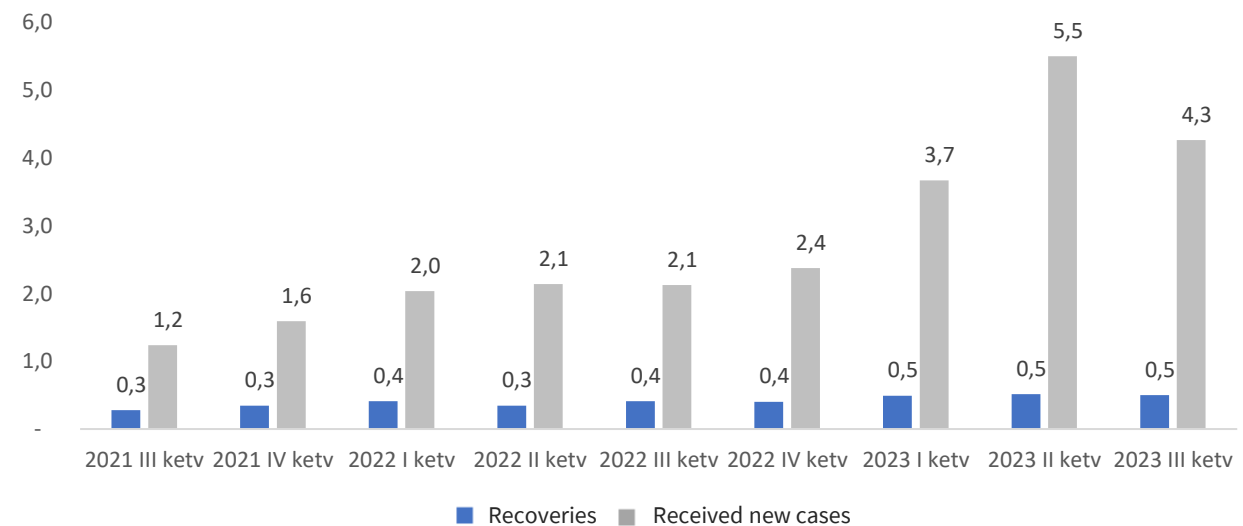


■ Salary dispute
 ■ Goods and services
 ■ Administrative breach
 ■ Loan

Debts managed through eSkolos platform, mEUR



Recoveries and obtained new cases, mEUR



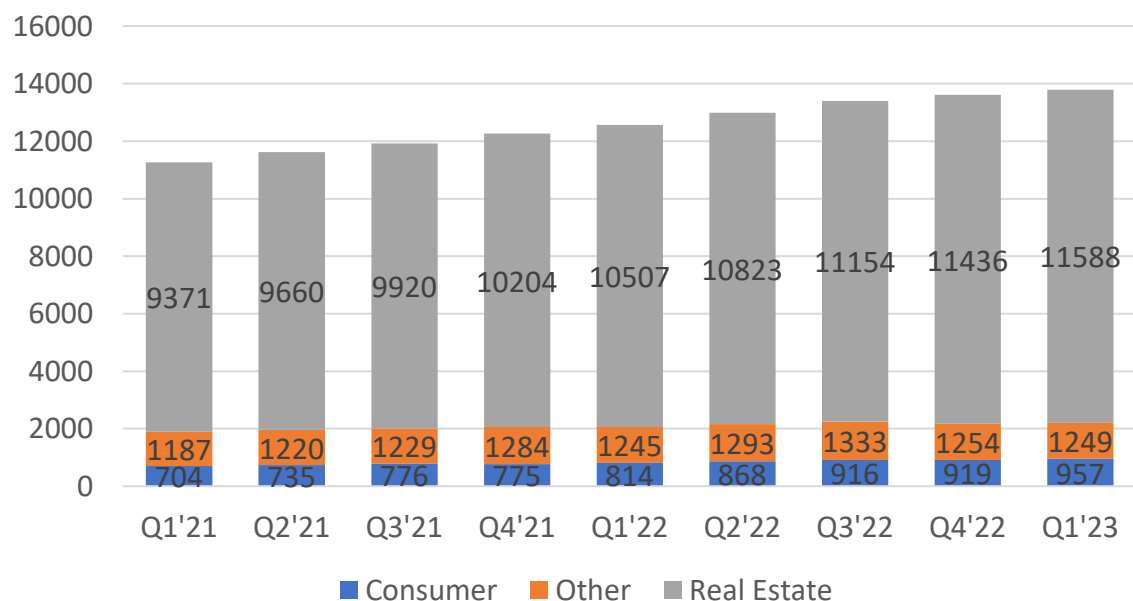
Business environment

According to the Bank of Lithuania, outstanding loans to households in Q1 2023 amounted to 13.8 billion EUR (9.8% more than the same quarter a year ago). Indebtedness volumes are increasing not only in the housing loan segment, but also in the consumer and other loan segments.

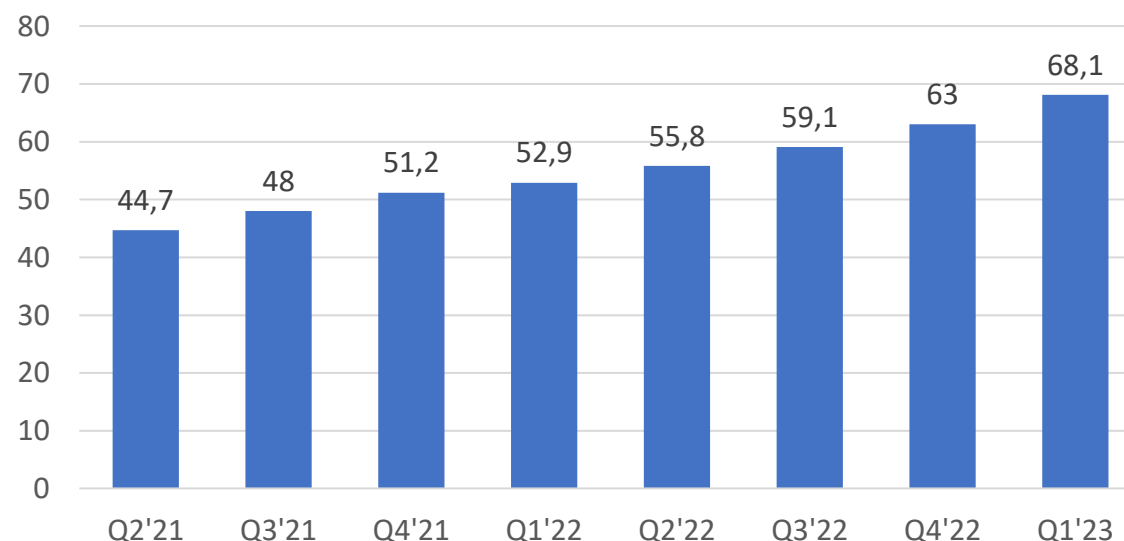
A larger amount of debt inevitably leads to a higher volume of non-performing loans. According to the data of the Bank of Lithuania, the amount of overdue consumer credits >90 days in Q1 2023 amounted to 69.1 mEUR (+28,7% YoY). Due to limited resources, financial institutions very often hand over insolvent clients to debt collection specialists for administration, and at a later stage to get rid of NPLs.

The difficult inflationary environment and rising interest rates are likely to further increase the number of customers who will find it increasingly difficult to meet their financial obligations. The company expects to be able to expand its customer base and increase investments during this period.

Financial institutions' loans to households, mEUR



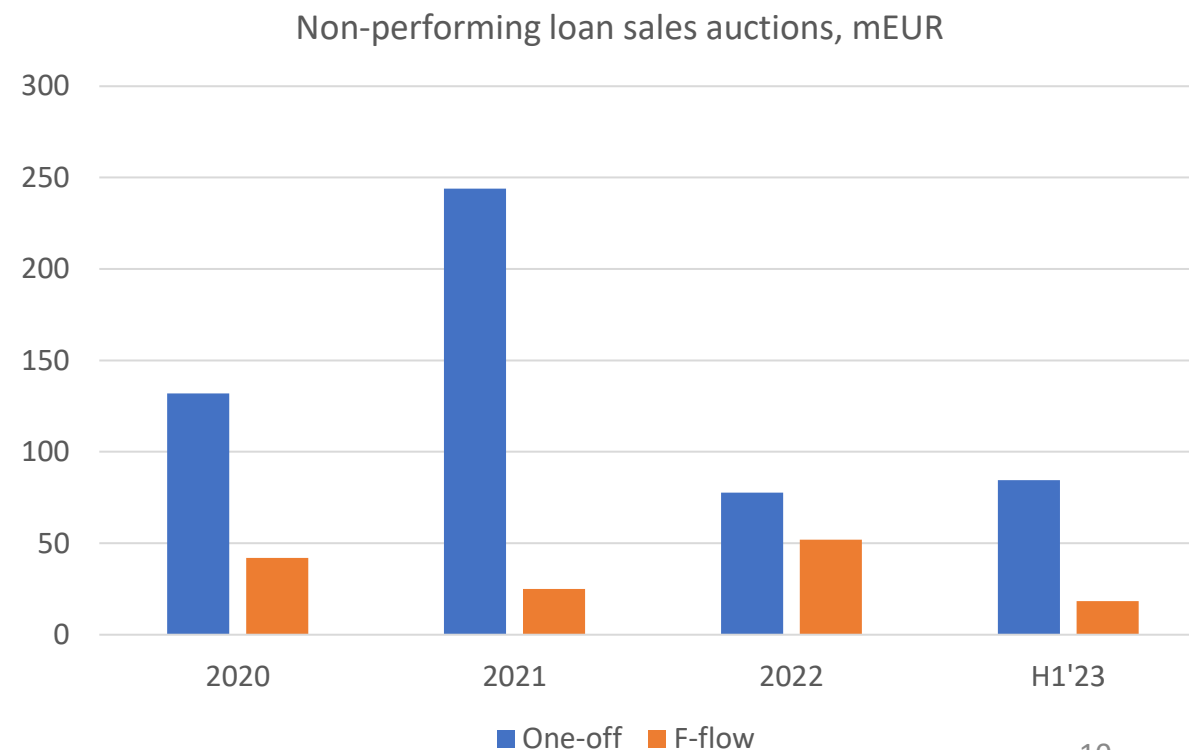
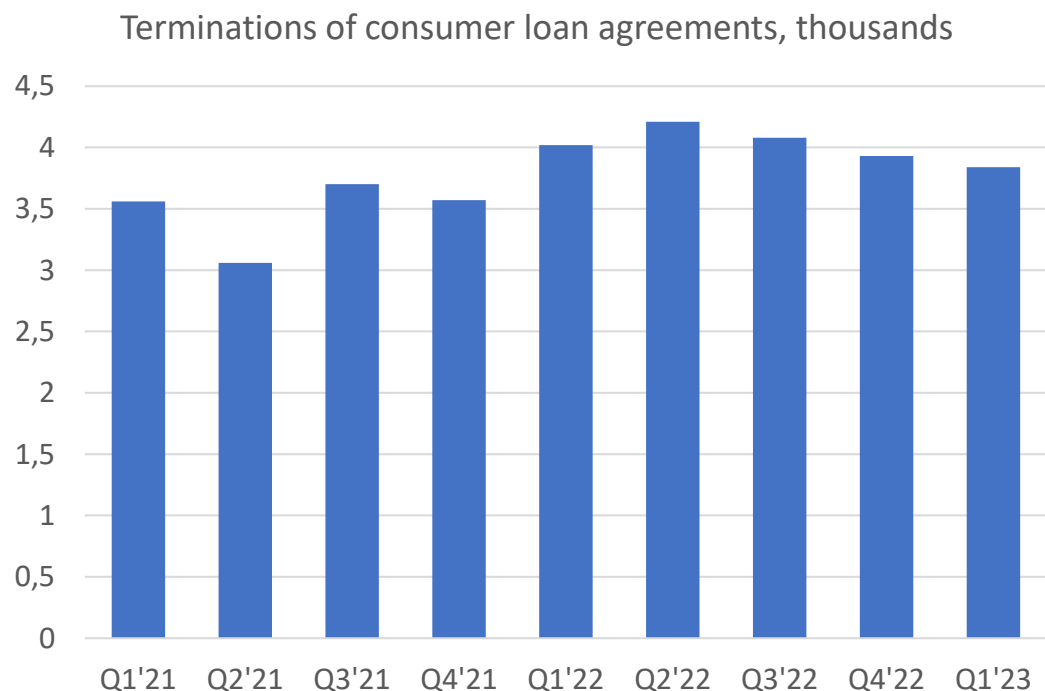
Consumer loans late over 90 days, mEUR



Business environment, continued

The company mainly invests in terminated consumer credit agreements (>80% of all investments). In Lithuania, the market practice is gradually settling down, where an increasing number of financial market players conclude periodic claim transfer contracts (so-called “forward flow”, or “F-flow”). This is usually a 6-12 month contract, where the buyer undertakes to buy freshly terminated consumer credit contracts from the creditor every month.

During 2022, the company actively participated in tenders for the purchase of claim rights in Lithuania and Latvia, the total nominal value of those tenders was >125 mEUR. In Lithuania, we successfully managed to invest over EUR 3 m and acquire over EUR 6.5 m of nominal value debt.

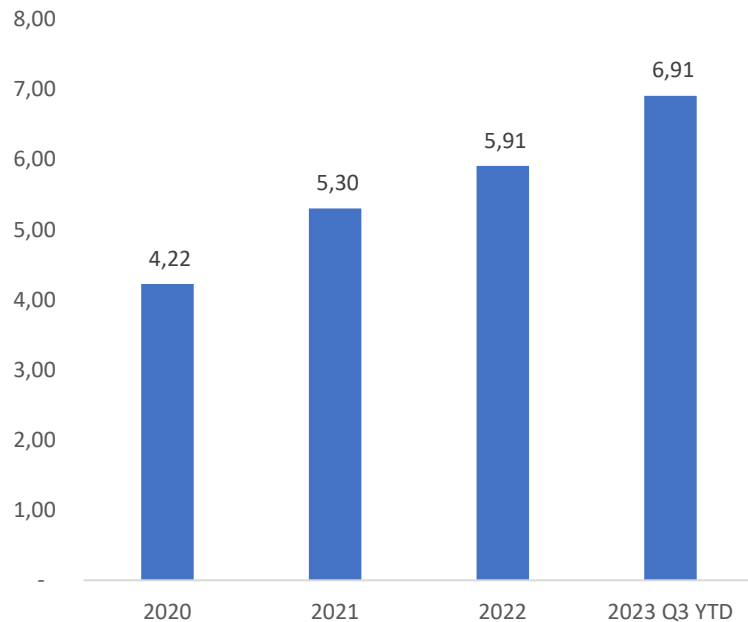


Profitability and investments (LT)

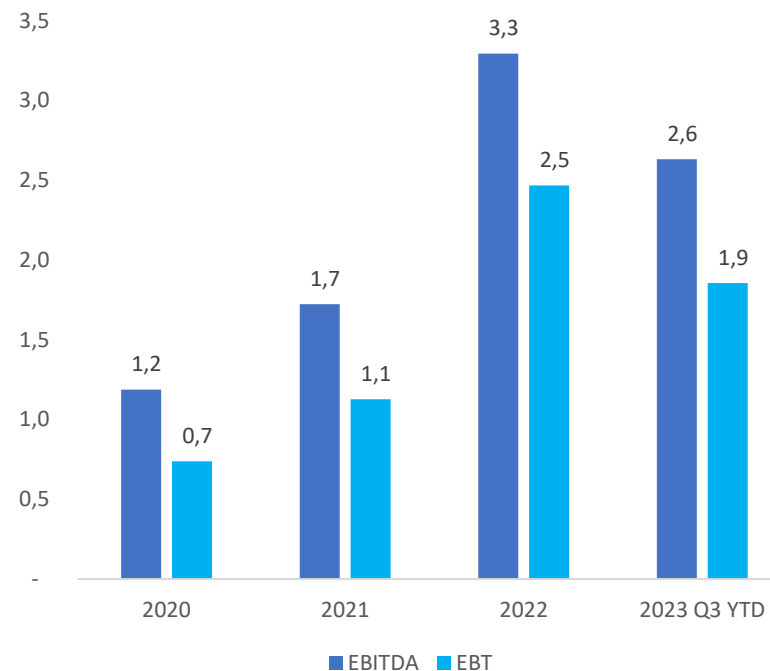
The largest share in the company's income structure (>70%) is the income from purchased debts.

The growth of investments in bad debts and the growing portfolio of managed debts continuously leads to better company results. The company collects significantly more receivables from borrowers than planned, which directly affects higher EBITDA and pre-tax profit numbers.

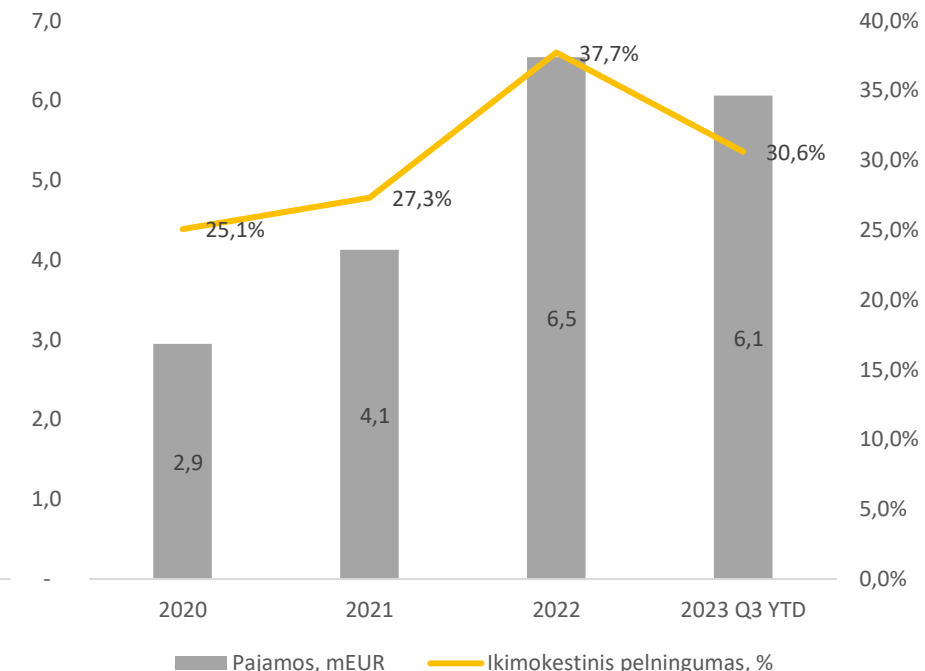
Investments in claims, mEUR



EBITDA, mEUR



Revenue and EBT margin, mEUR



Financials (Profit-loss)

The company's income growth was driven mainly by investments in NPL portfolios and the expanding number of clients for servicing. In 2022, income growth was also influenced by the positive effect of revaluation of portfolios (EUR 760k), which is a result of significantly higher collections than planned.

Cost of sales includes legal and enforcement costs, which increase as the amount of claims under management increases.

EBITDA and EBIT numbers for 2022 are identical because the company has almost no depreciation costs (IT system depreciation costs ended in 2021).

in 2021, the decrease in profitability was caused by increased operating costs, the bulk of which is wages. However, investments in human resources, along with optimization of processes and IT systems resulted in both revenue and profitability growth in 2022.

Profit loss statement, th Eur	2020	2021	2022	2023 Q3*
Revenue	2 947	4 125	6 542	6 060
<i>Annual change</i>	-	40.0%	58.6%	
Cost of sales	501	499	997	1 404
<i>Annual change</i>	-	-0.4%	99.6%	
Gross profit	2 445	3 625	5 544	4 656
<i>Annual change</i>	-	48.3%	52.9%	
<i>Gross profit margin</i>	83%	87.9%	84.8%	76.8%
Operating expenses	1 258	1 902	2 250	2 024
EBITDA	1 187	1 722	3 293	2 632
<i>EBITDA margin</i>	40.3%	41.8%	50.4%	43.4%
Depreciation (amortisation)	24	18	10	5
EBIT	1 162	1 704	3 283	2 627
<i>EBIT margin</i>	39.5%	41.3%	50.2%	43.3%
Interest expenses	424	577	816	771
EBT	738	1 126	2 467	1 856
<i>EBT margin</i>	25.1%	27.3%	37.7%	30.62%

*unaudited numbers

Financials (Balance sheet)

The largest part of the company's assets consists of purchased debt portfolios, which are accounted for using the amortized cost and effective interest rate method.

In order to maintain an optimal capital structure, the company invests in debt by consistently borrowing in the form of bonds. The company aims to maintain an equity ratio of at least 20%

Company's other liabilities include mainly amounts due to sellers of debt portfolios.

Balance sheet, th Eur	2020	2021	2022	2023 Q3*
Intangible assets	14	3	57	53
Tangible assets	18	12	5	14
Financial assets	6 904	8 827	12 074	15 893
NON-CURRENT ASSETS	6 936	8 842	12 135	15 960
Inventories	150	67	67	89
Receivables	3 235	4 805	6 314	7 559
Other	12	5	25	117
Cash and cash equivalents	537	470	944	1 464
CURRENT ASSETS	3 934	5 344	7 326	9 320
TOTAL ASSETS	10 870	14 190	19 487	25 281
EQUITY	3 265	3 489	5 578	7 433
Non-current part of financial debts	5 538	6 843	10 251	11 631
Other	201	43	26	14
NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES	5 739	6 886	10 277	11 645
Current part of financial debts	1 388	1 984	2 153	4 356
Trade amounts payable	258	603	178	397
Other	186	1 228	1 301	1 450
CURRENT AMOUNTS PAYABLE AND LIABILITIES	1 832	3 815	3 632	6 203
TOTAL EQUITY AND LIABILITIES	10 870	14 190	19 487	25 281

*unaudited numbers

Peer comparison

	Legal Balance	B2Holding	Lowell	Kruk	Arrow Global	Intrum	Hoist Finance	Axactor
Return on Equity	28%	6%	< 0%	25%	< 0%	< 0%	20%	10%
Leverage	2,2x	2,3x	3,5x	2,1x	4,1x	4,0x	3,9x	3,7x
Equity ratio	30%	32%	10%	25%	27%	24%	18%	29%
Cost of debt	10%	11%	20%	10%	10%	13%	9%	12%

Legal Balance is top of the class in terms of both leverage and return on equity, ready to embrace the period of opportunities that lies ahead. As the NPL industry is facing rough times ahead in an environment of rising interest rates, our balance sheet has spare capacity to invest in high-yielding portfolios of assets. As many of our peers struggle with refinancing, our debt maturities are currently matched with projected inflows from our NPL portfolio.