

Legal Balance

Investment teaser
2023



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 90 mln. €**



Managed debt cases – **> 30 000**



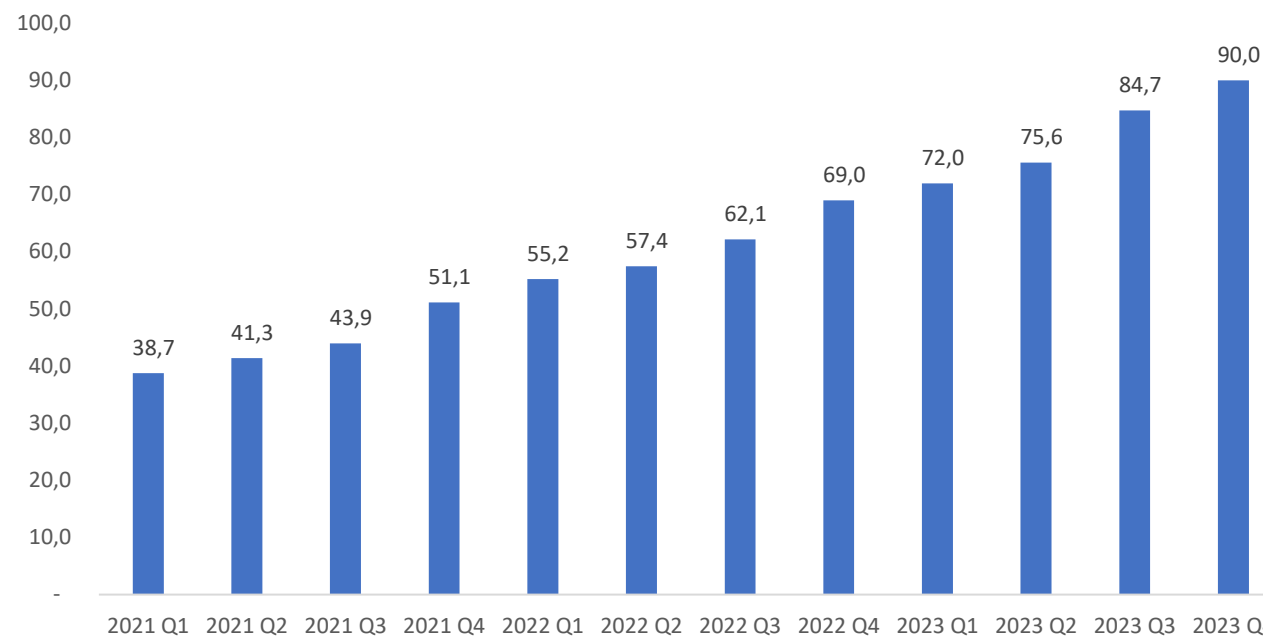
In 2023 company invested more than **9.9 mln. €** into debt purchase



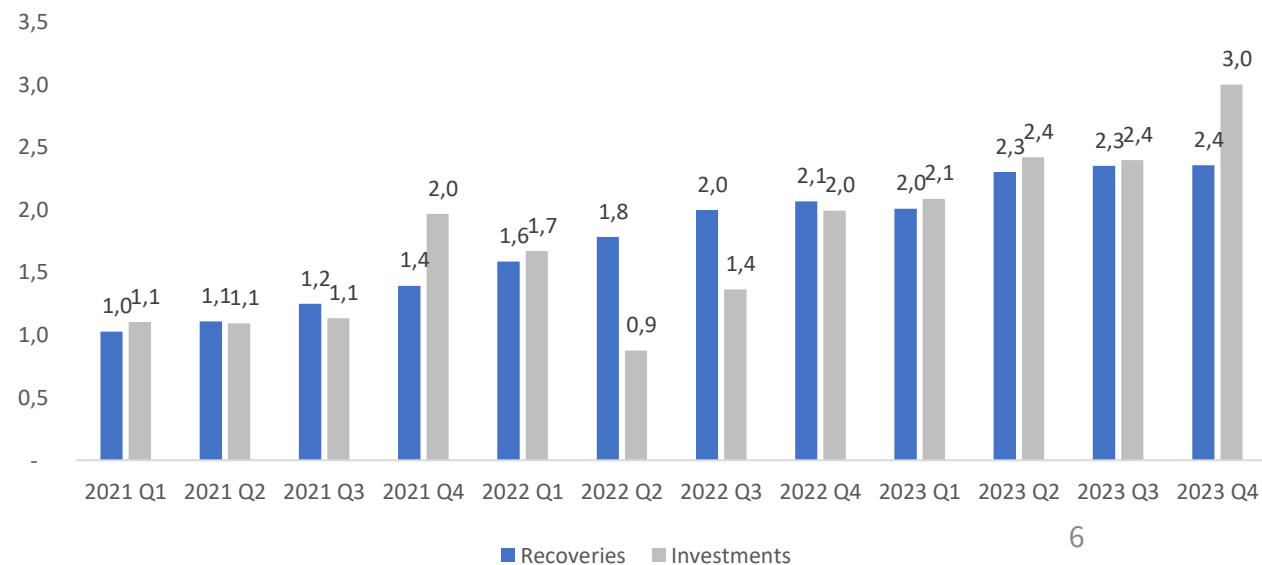
In 2023 company recovered more than **9 mln. €** from purchased debts

| Acquisition year | Purchase price | Recoveries until 2023 | Gross Cash-on-cash multiple | Forecasted recoveries | Cash-on-cash multiple |
|------------------|-------------------|-----------------------|-----------------------------|-----------------------|-----------------------|
| 2016 | 367 663 | 1 550 025 | 4,22 | 125 316 | 4,56 |
| 2017 | 2 121 422 | 5 673 565 | 2,67 | 915 274 | 3,11 |
| 2018 | 1 997 177 | 3 389 993 | 1,70 | 1 054 021 | 2,23 |
| 2019 | 3 688 742 | 4 993 249 | 1,35 | 2 328 727 | 1,98 |
| 2020 | 4 518 939 | 5 488 878 | 1,21 | 4 959 826 | 2,31 |
| 2021 | 4 807 431 | 4 693 098 | 0,98 | 5 876 642 | 2,20 |
| 2022 | 6 485 670 | 3 780 510 | 0,58 | 13 777 388 | 2,71 |
| 2023 | 9 934 664 | 1 114 730 | 0,11 | 17 304 389 | 1,85 |
| TOTAL | 31 044 184 | 30 684 047 | 0,90 | 46 341 582 | 2,27 |

Accumulated debt portfolio, mEUR



Recoveries and investments, mEUR



Client debts (servicing)



Managed client debt portfolio **more than 32 mln. €**



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

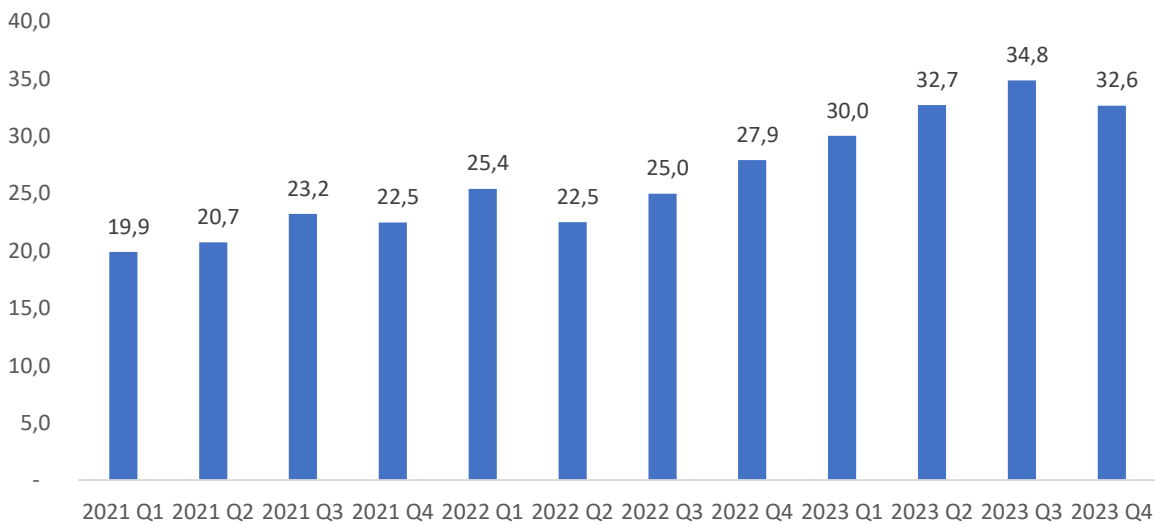


In 2023 company received **more than 20 mln. €** of new client cases

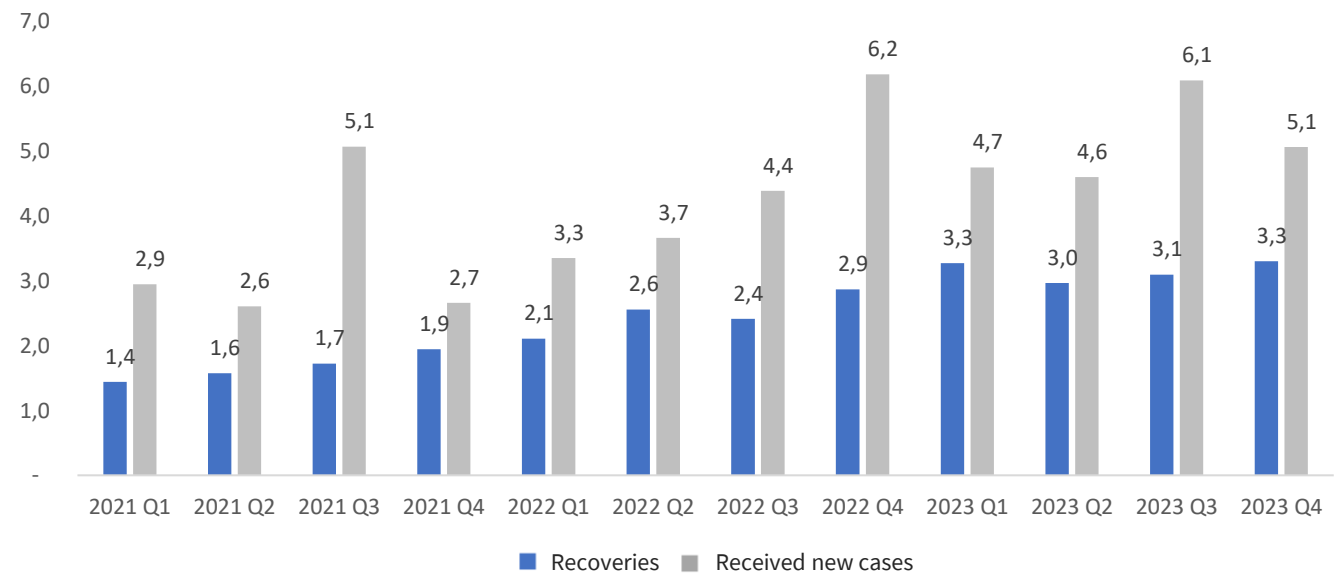


In 2023 company recovered **more than 12 mln. €** from administered client debts

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**

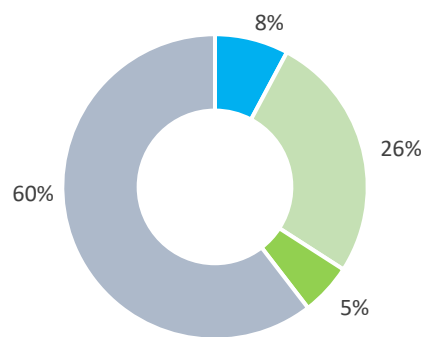


In 2023 company acquired **more than 16 mln. €** nominal value debts through eSkolos platform

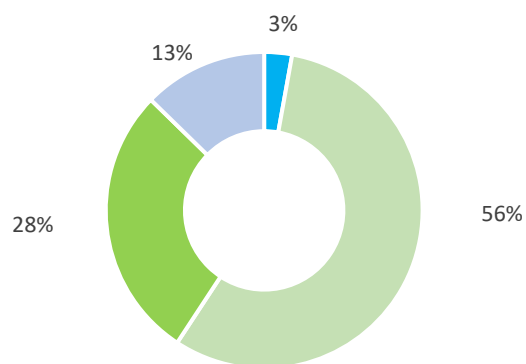


In 2023 company recovered **more than 2 mln. €** from eSkolos platform debts

% purchased debts, EUR

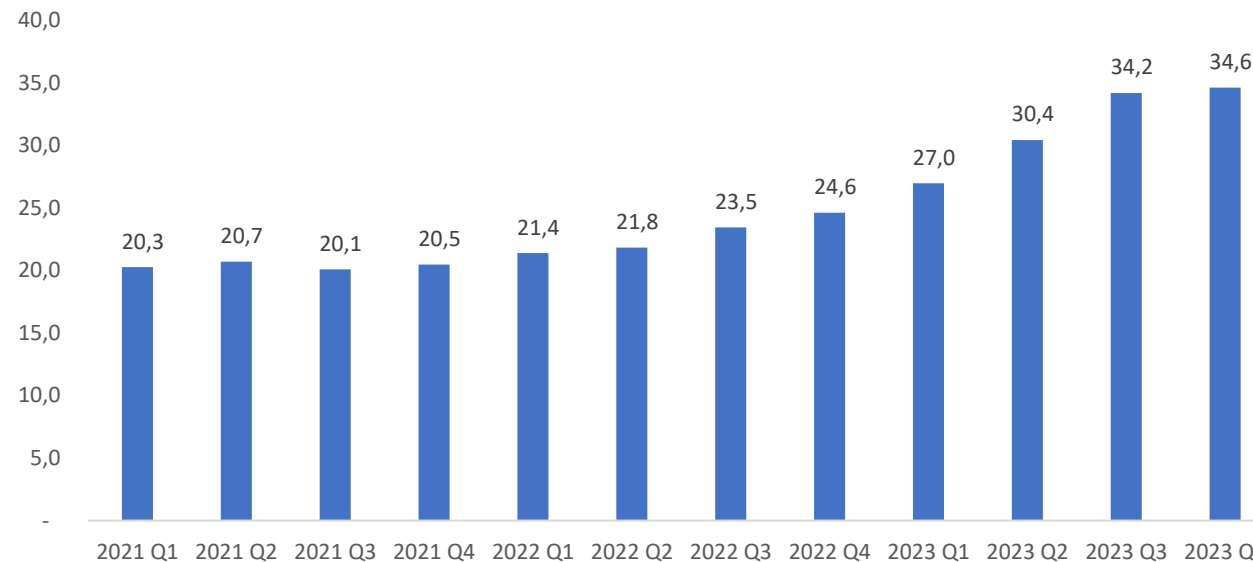


% success fee debts, EUR

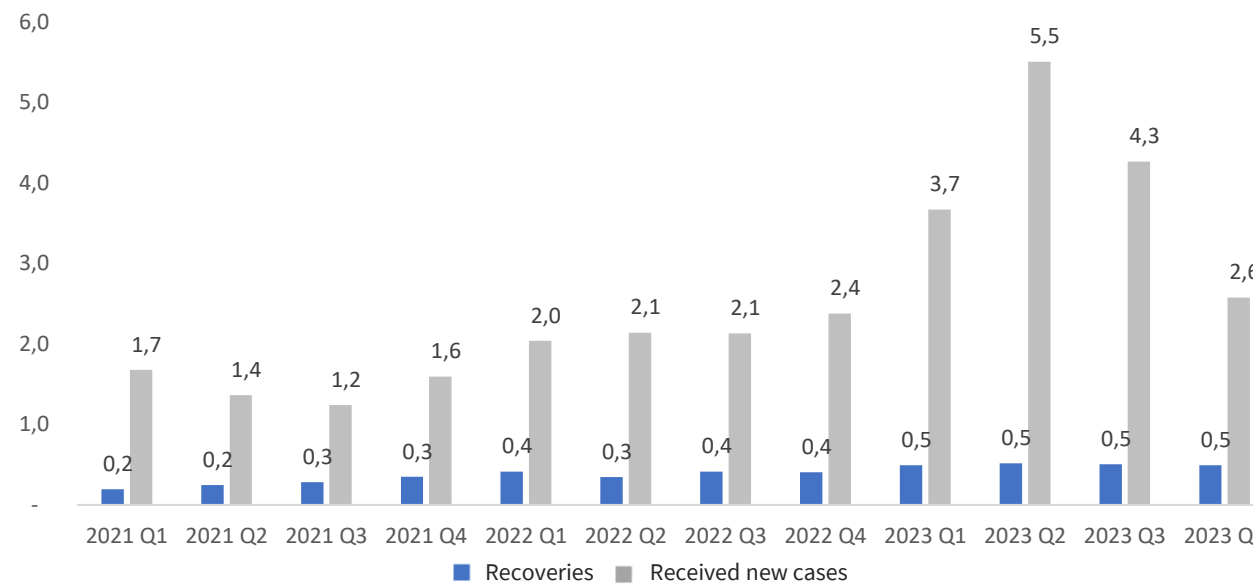


■ Salary dispute
 ■ Goods and services
 ■ Administrative breach
 ■ Loan

Debts managed through eskolos platform, mEUR



Recoveries and obtained new cases, mEUR



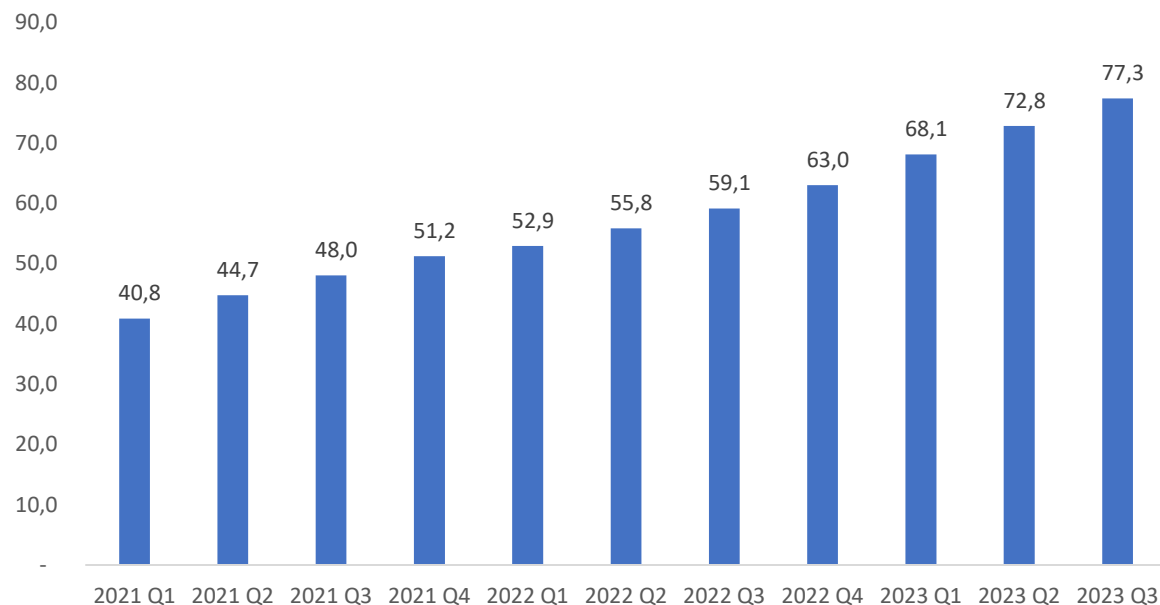
Business environment

According to the data of the Bank of Lithuania, the amount of overdue consumer credits >90 days in Q3 2023 amounted to 77.35 mEUR (+30% 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 by selling them with discount to such companies as Legal Balance.

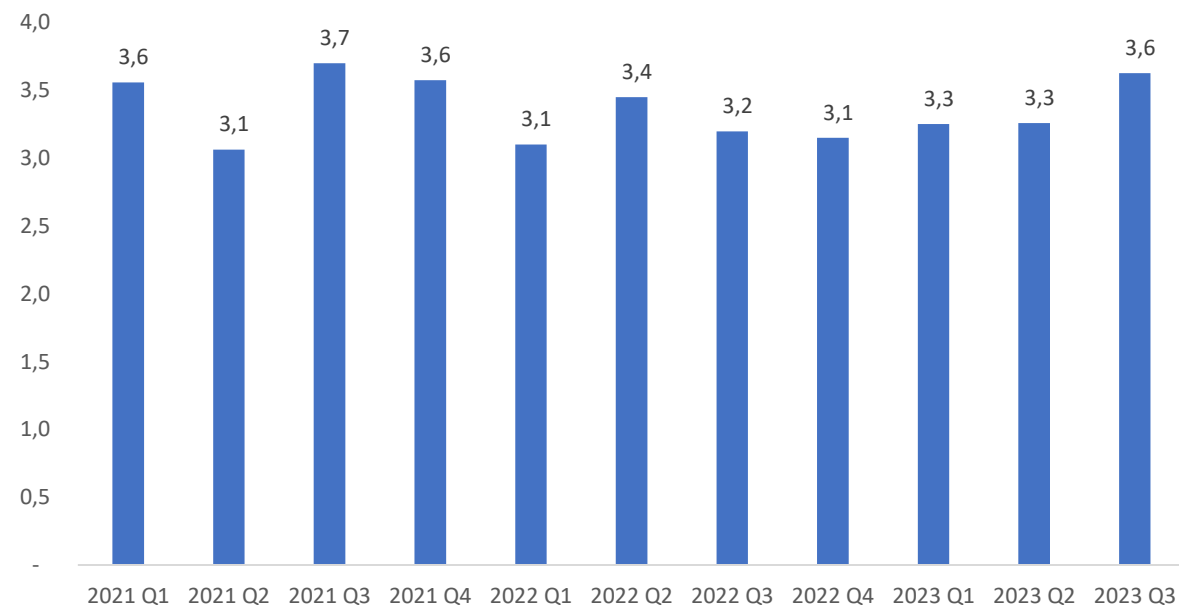
The difficult inflationary environment and high interest rates are likely to further increase the number of customers who will find it increasingly difficult to meet their financial obligations. The company expects to be able to expand its customer base and increase investments during this period.

In 2023, company participated in NPL purchase tenders with > 200 mEUR nominal value. In Lithuania and Latvia company managed to invest nearly 10 mEUR and purchase more than 23 mEUR nominal value debts.

Consumer credits, DPD >90, mEUR



Terminated consumer credit agreements, th of cases

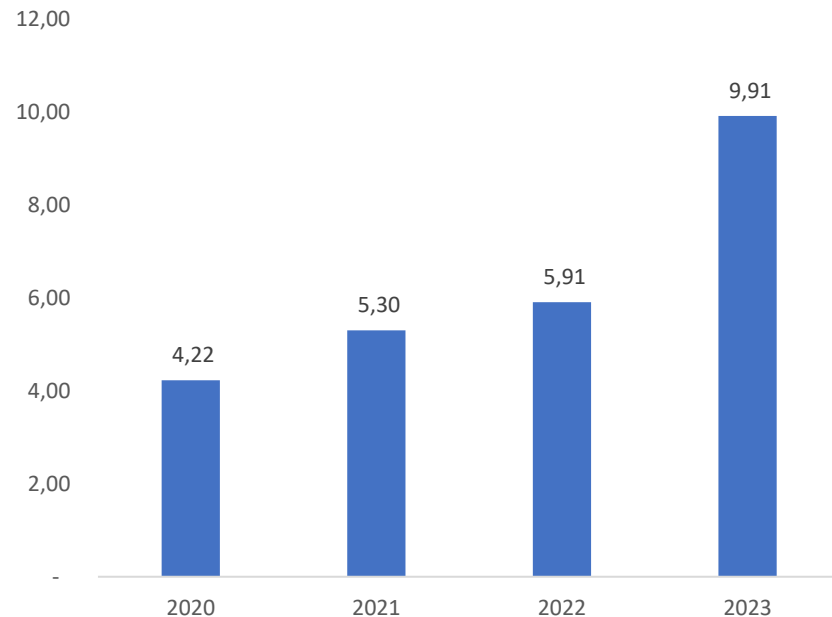


Profitability and investments (LT)

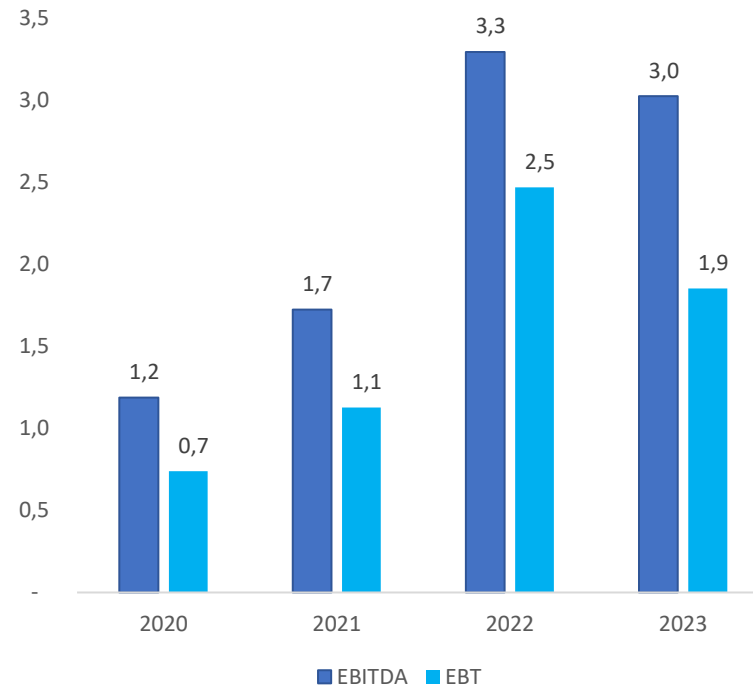
The largest share in the company's income structure (>70%) is the income from purchased debts.

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.

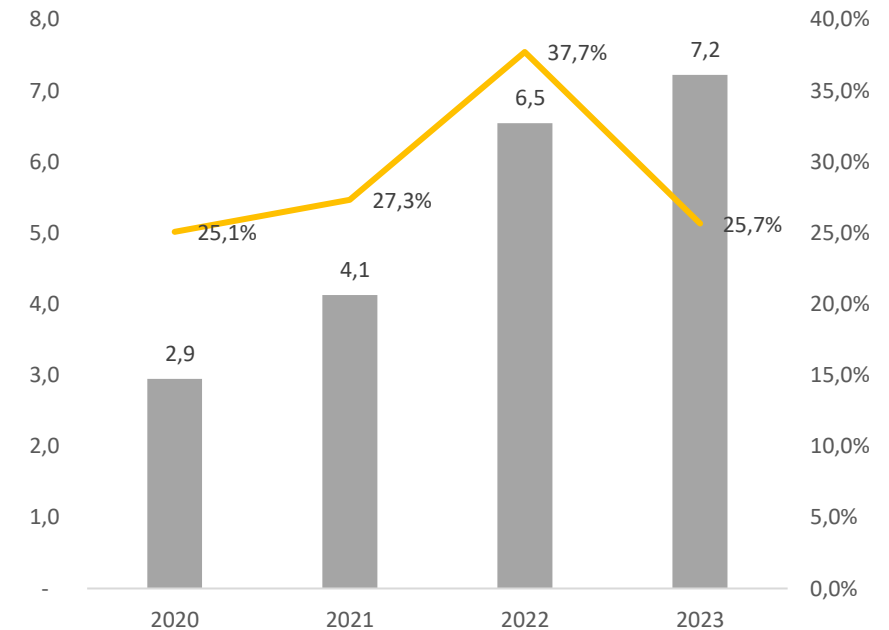
Investments in NPLs, mEUR



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.

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

EBITDA and EBIT numbers are identical because the company has almost no depreciation costs.

In 2023, the decreased profitability was mainly influenced by two things: increased interest costs (due to the situation in the capital market) and increased operating costs (higher processing costs are required for a large amount of new debt portfolios).

| Profit loss statement, th Eur | 2020 | 2021 | 2022 | 2023* |
|-------------------------------|--------------|--------------|--------------|--------------|
| Revenue | 2 947 | 4 125 | 6 542 | 7 219 |
| <i>Annual change</i> | - | 40.0% | 58.6% | 10.4% |
| Cost of sales | 501 | 499 | 997 | 1 541 |
| <i>Annual change</i> | - | -0.4% | 99.6% | 54,6% |
| Gross profit | 2 445 | 3 625 | 5 544 | 5 677 |
| <i>Annual change</i> | - | 48.3% | 52.9% | 2,4% |
| <i>Gross profit margin</i> | 83% | 87.9% | 84.8% | 78.8% |
| Operating expenses | 1 258 | 1 902 | 2 250 | 2 653 |
| | | | | |
| EBITDA | 1 187 | 1 722 | 3 293 | 3 023 |
| <i>EBITDA margin</i> | 40.3% | 41.8% | 50.4% | 41,8% |
| Depreciation (amortisation) | 24 | 18 | 10 | 5 |
| | | | | |
| EBIT | 1 162 | 1 704 | 3 283 | 3 018 |
| <i>EBIT margin</i> | 39.5% | 41.3% | 50.2% | 41,8% |
| Interest expenses | 424 | 577 | 816 | 1 166 |
| | | | | |
| EBT | 738 | 1 126 | 2 467 | 1 852 |
| <i>EBT margin</i> | 25.1% | 27.3% | 37.7% | 25.7% |

*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* |
|--|---------------|---------------|---------------|---------------|
| Intangible assets | 14 | 3 | 57 | 74 |
| Tangible assets | 18 | 12 | 5 | 27 |
| Financial assets | 6 904 | 8 827 | 12 074 | 15 108 |
| NON-CURRENT ASSETS | 6 936 | 8 842 | 12 135 | 15 209 |
| Inventories | 150 | 67 | 67 | 47 |
| Receivables | 3 235 | 4 805 | 6 314 | 10 429 |
| Other | 12 | 5 | 25 | 30 |
| Cash and cash equivalents | 537 | 470 | 944 | 589 |
| CURRENT ASSETS | 3 934 | 5 344 | 7 326 | 11 095 |
| TOTAL ASSETS | 10 870 | 14 190 | 19 487 | 26 304 |
| | | | | |
| EQUITY | 3 265 | 3 489 | 5 578 | 7 465 |
| Non-current part of financial debts | 5 538 | 6 843 | 10 251 | 11 874 |
| Other | 201 | 43 | 26 | 10 |
| NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES | 5 739 | 6 886 | 10 277 | 11 884 |
| Current part of financial debts | 1 388 | 1 984 | 2 153 | 4 897 |
| Trade amounts payable | 258 | 603 | 178 | 360 |
| Other | 186 | 1 228 | 1 301 | 1 698 |
| CURRENT AMOUNTS PAYABLE AND LIABILITIES | 1 832 | 3 815 | 3 632 | 6 955 |
| TOTAL EQUITY AND LIABILITIES | 10 870 | 14 190 | 19 487 | 26 304 |

*unaudited numbers

Peer comparison

| | Legal Balance | B2Holding | Lowell | Kruk | Arrow Global | Intrum | Hoist Finance | Axactor |
|------------------|---------------|-----------|--------|------|--------------|--------|---------------|---------|
| Return on Equity | 25% | 9% | < 0% | 40% | < 0% | < 0% | 12% | 8% |
| Leverage | 2,2x | 2,2x | 3,7x | 1,3x | 3,8x | 3.6x | 4,25x | 2,3x |
| Equity ratio | 28% | 33% | 10% | 24% | 18% | 18% | 18% | 29% |
| Cost of debt | 10% | 11% | 20% | 11% | 10% | 13% | 9% | 10% |

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.