

Legal Balance

Investment teaser
2024 Q1



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 96 mln. €**



Managed debt cases – **> 30 000**



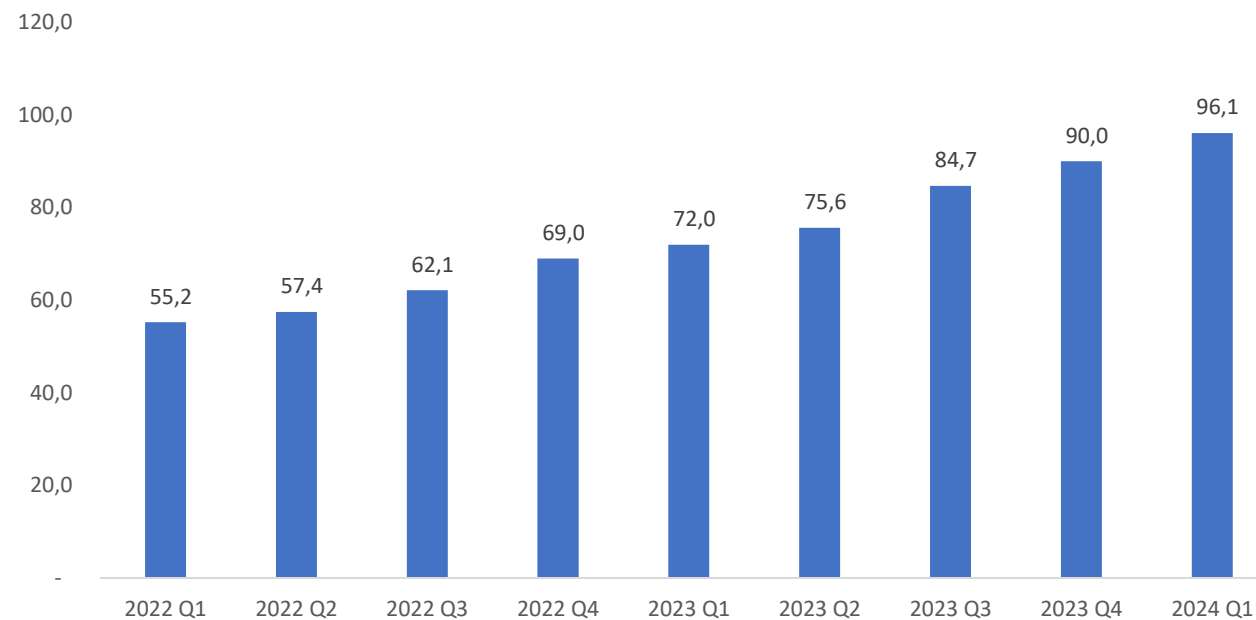
In 2024 Q1 company invested more than **3 mln. €** into debt purchase



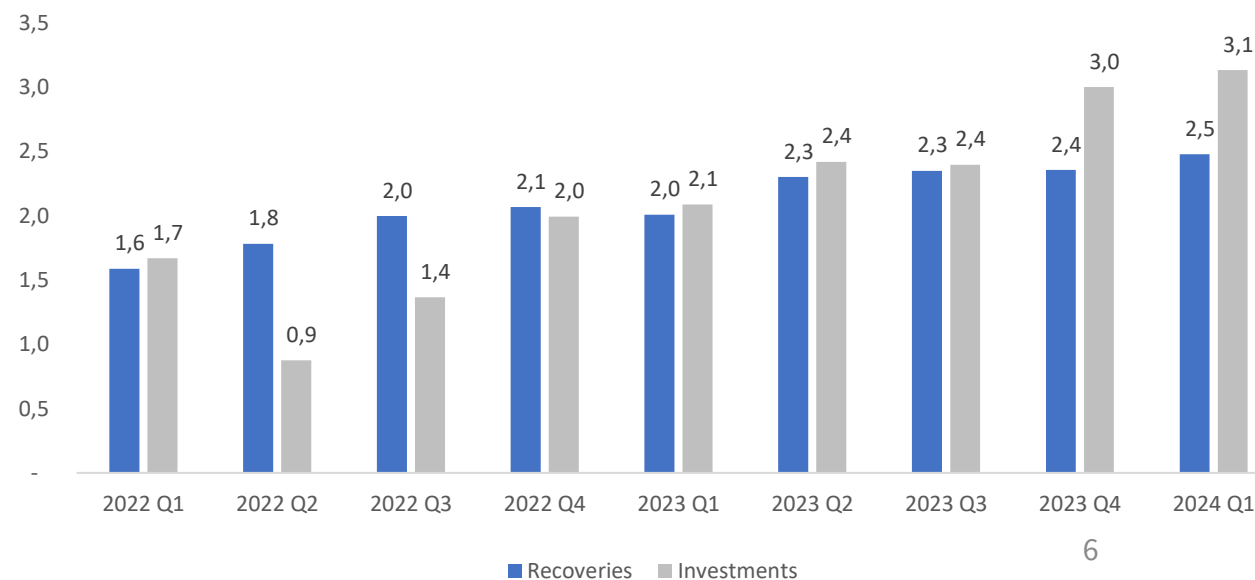
In 2024 Q1 company recovered more than **~2,5 mln. €** from purchased debts

Acquisition year	Purchase price	Recoveries until 2024 Q1	Gross Cash-on-cash multiple	Forecasted recoveries	Cash-on-cash multiple
2016	367 663	1 566 774	4,26	111 606	4,56
2017	2 121 422	5 747 426	2,71	834 460	3,10
2018	1 997 177	3 485 172	1,75	966 552	2,23
2019	3 688 742	5 172 321	1,40	2 160 924	1,99
2020	4 518 939	5 801 199	1,28	4 636 405	2,31
2021	4 807 431	5 069 353	1,05	5 423 167	2,18
2022	6 485 670	4 398 543	0,68	11 045 001	2,38
2023	9 934 664	1 840 496	0,19	19 208 782	2,12
2024 Q1	3 234 379	116 966	0,04	5 792 228	1,83
TOTAL	37 156 106	33 198 250	0,89	50 179 123	2,24

Accumulated debt portfolio, mEUR



Recoveries and investments, mEUR



Client debts (servicing)



Managed client debt portfolio **more than 34,4 mln. €**



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

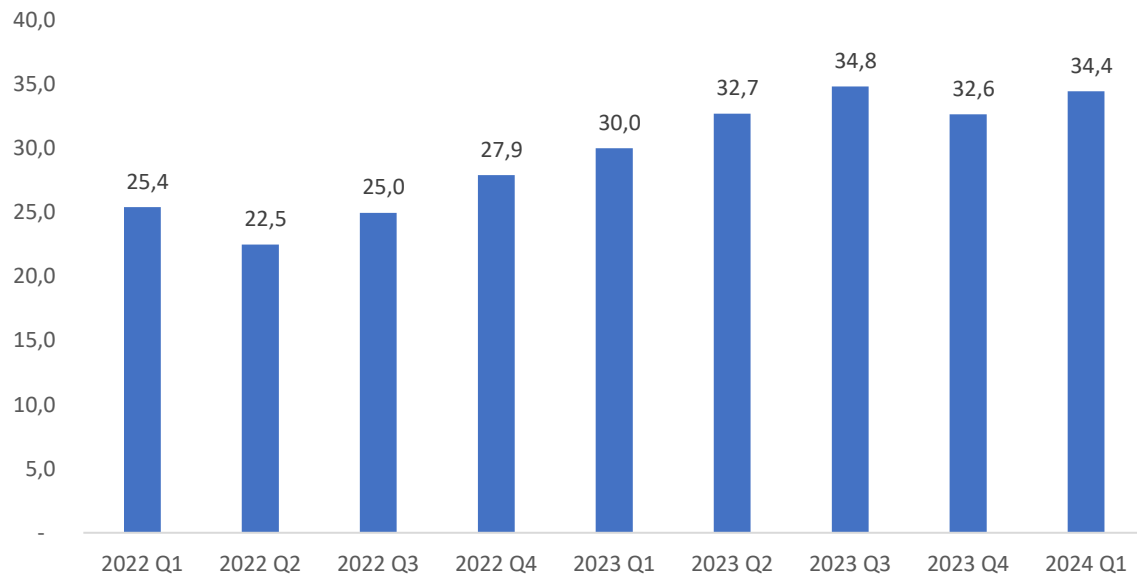


In 2024 Q1 company received **~4,8 mln. €** of new client cases

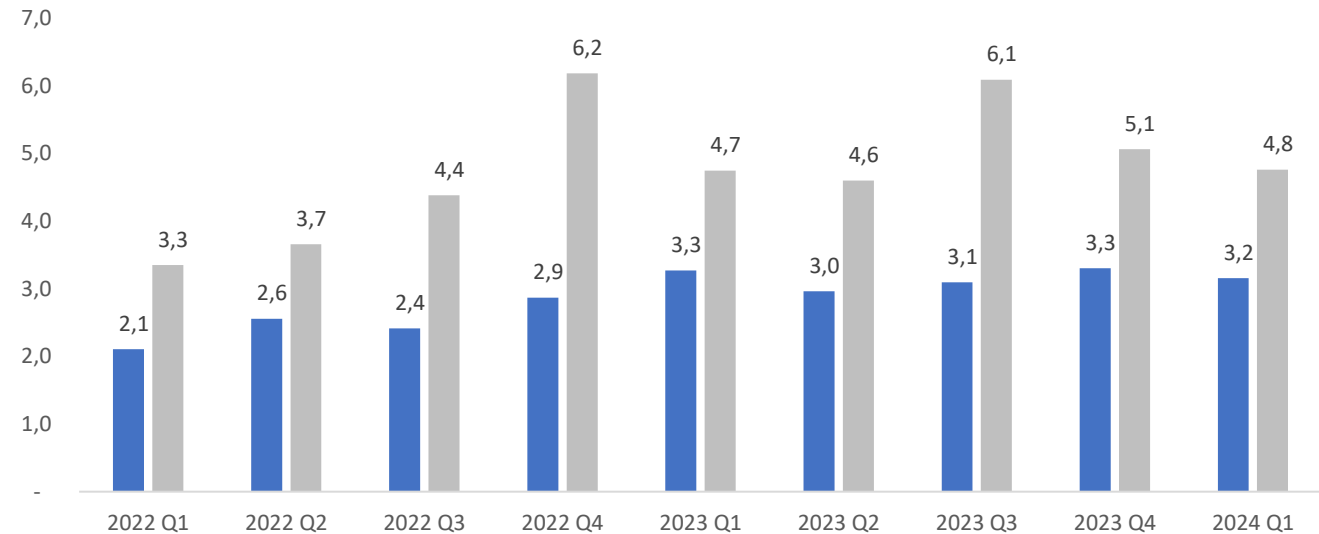


In 2024 Q1 company recovered **more than 3,2 mln. €** from administered client debts

Servicing portfolio, mEUR



Recoveries and new debt transfers, mEUR



■ Recoveries ■ Received new cases

eSkolos platform



Managed eSkolos debt portfolio – **more than 38,5 mln. €**



Number of cases – **more than 6 000**

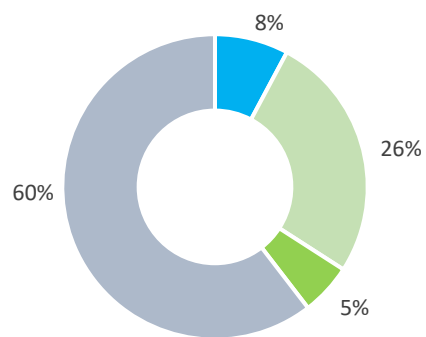


In 2024 Q1 company acquired **~5 mln. €** nominal value debts through eSkolos platform

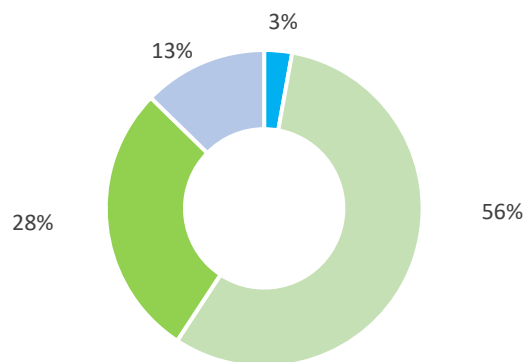


In 2024 Q1 company recovered **~0,5 €** from eSkolos platform debts

% purchased debts, EUR

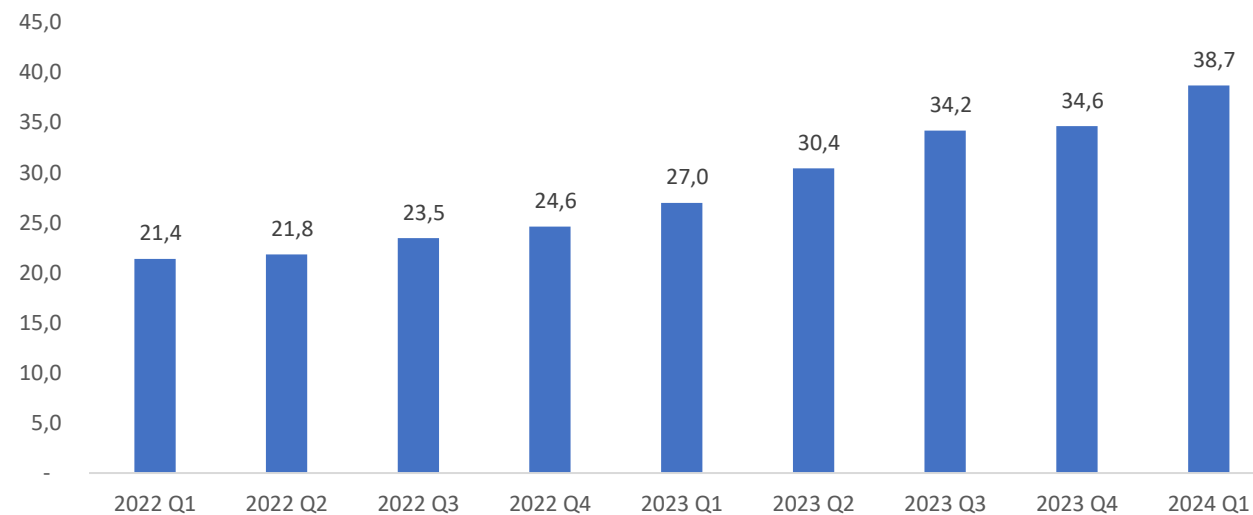


% success fee debts, EUR

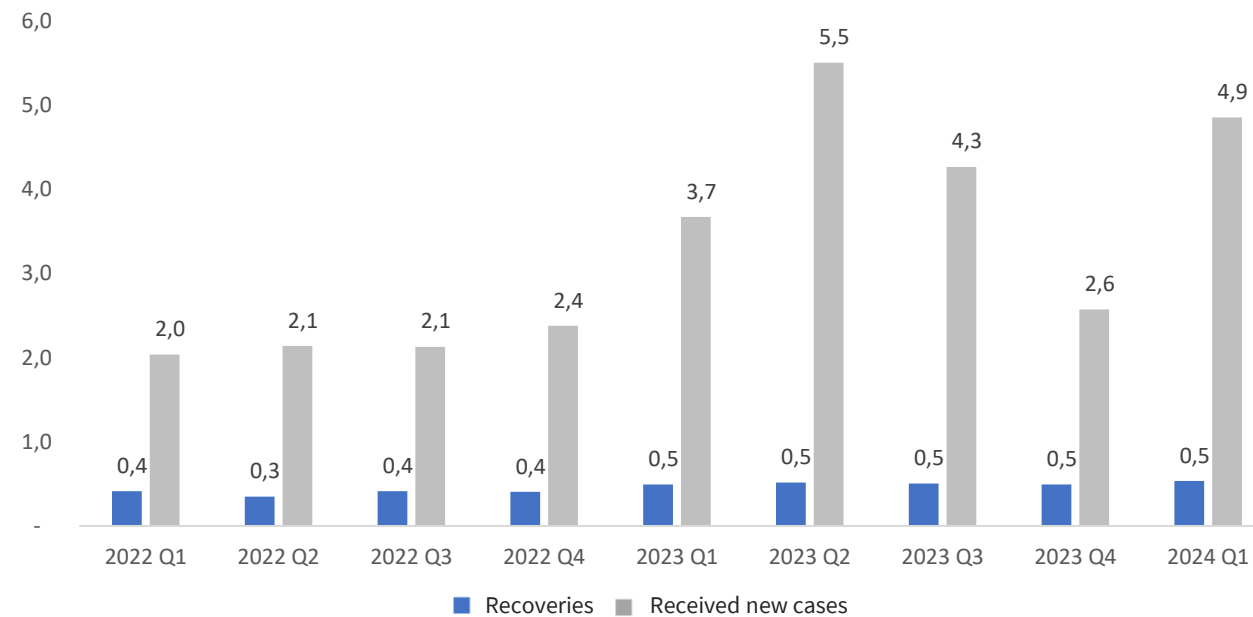


■ Salary dispute
 ■ Goods and services
 ■ Administrative breach
 ■ Loan

Debts managed through eskolos platform, mEUR



Recoveries and obtained new cases, mEUR



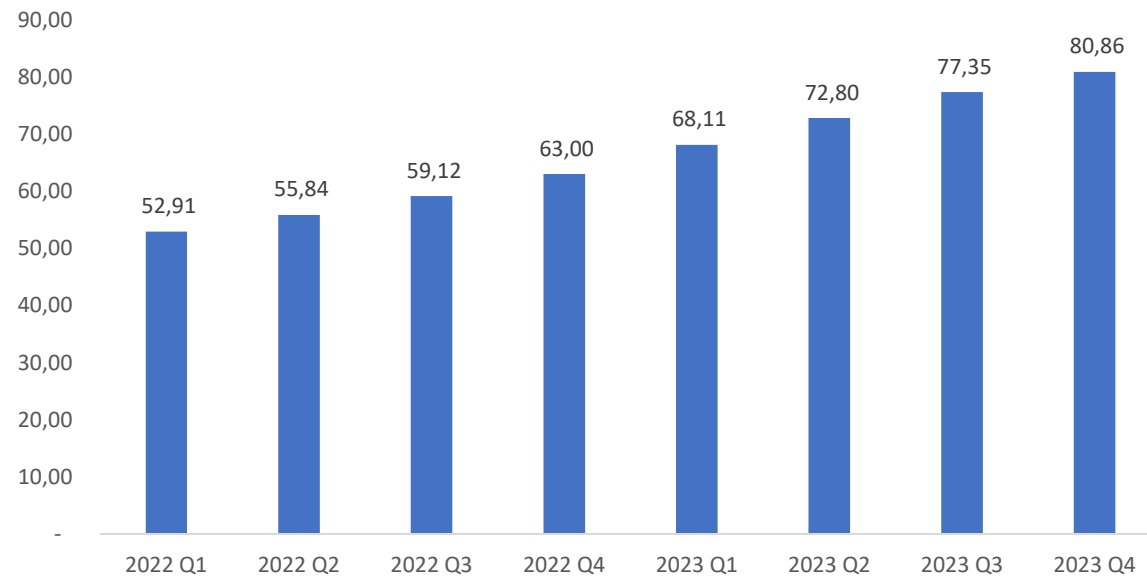
Business environment

According to the data of the Bank of Lithuania, the amount of overdue consumer credits >90 days in Q4 2023 amounted to 80,86 mEUR (+28% 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.

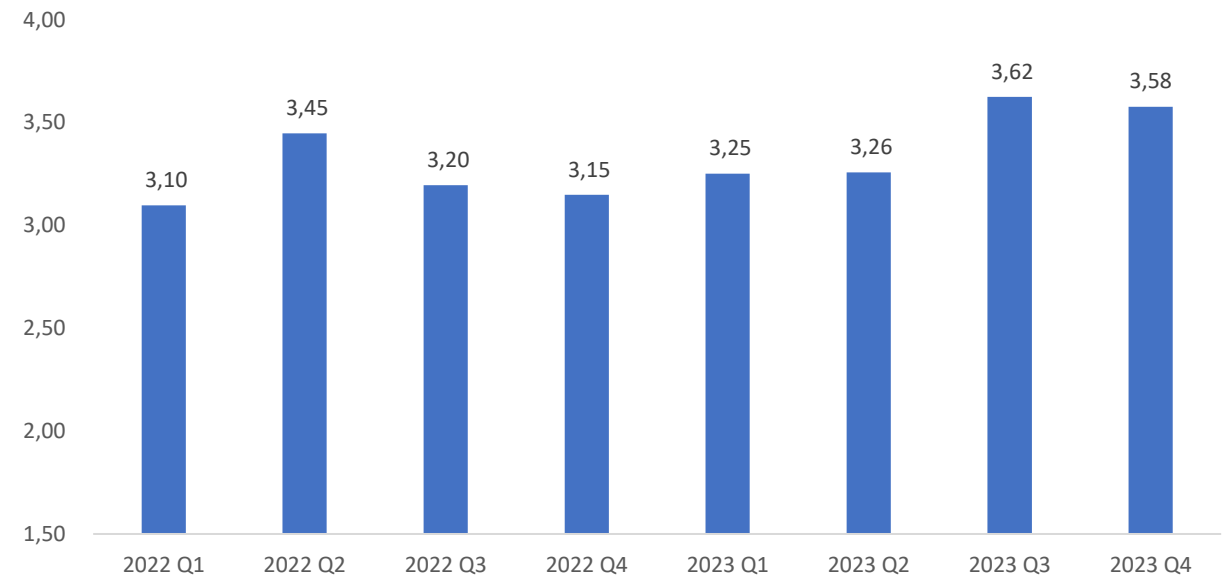
The difficult inflationary environment and high interest rates are likely to further increase the number of customers who will find it increasingly difficult to meet their financial obligations. The company expects to be able to expand its customer base and increase investments during this period.

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

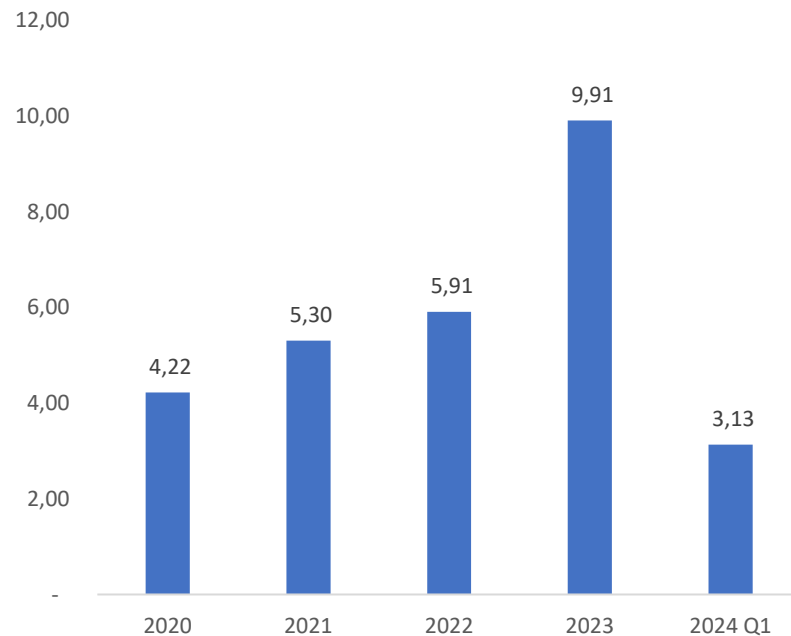


Profitability and investments (LT)

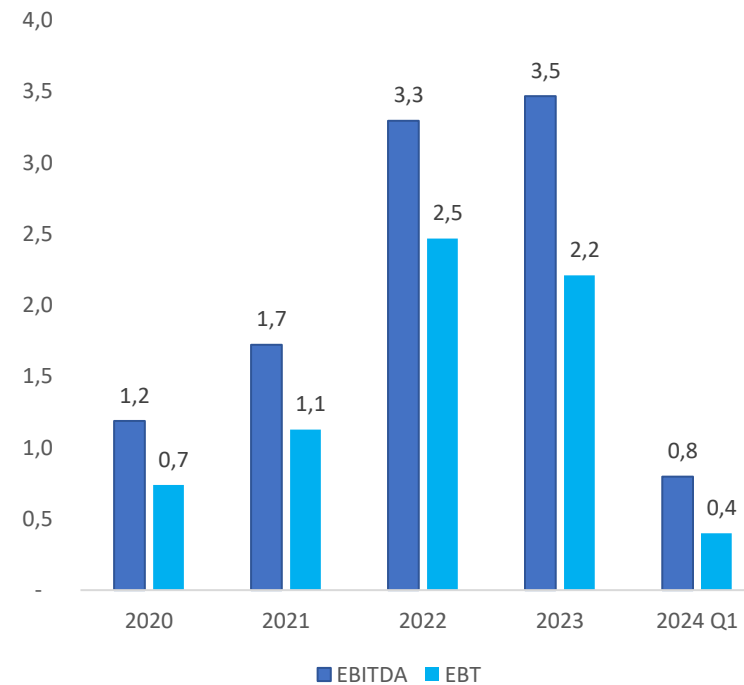
The largest share in the company's income structure (>70%) is the income from purchased debts.

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.

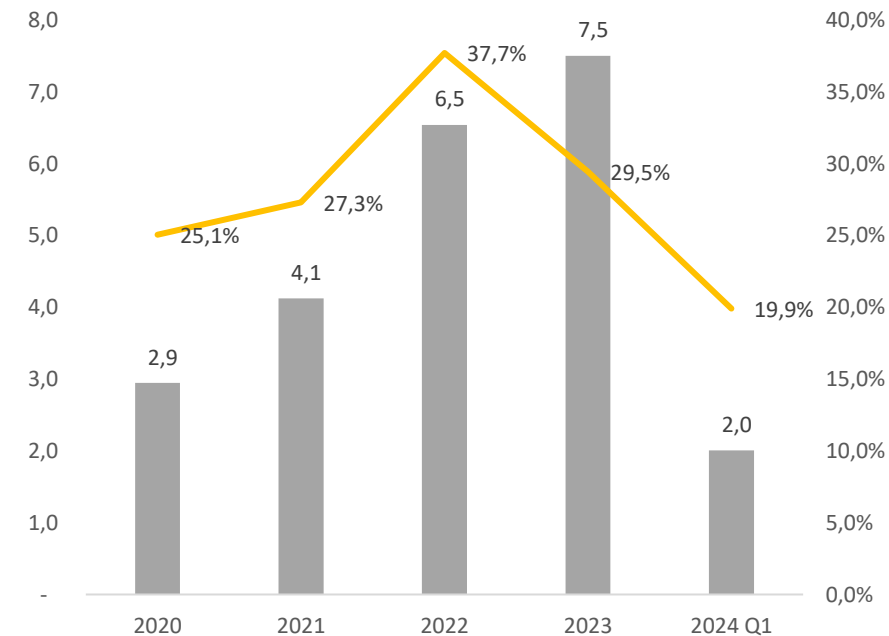
Investments in NPL, mEUR



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*	2024 Q1*
Revenue	2 947	4 125	6 542	7 503	2 008
<i>Annual change</i>	-	40.0%	58.6%	14.7%	
Cost of sales	501	499	997	1 064	453
<i>Annual change</i>	-	-0.4%	99.6%	6.7%	
Gross profit	2 445	3 625	5 544	6 438	1 555
<i>Annual change</i>	-	48.3%	52.9%	16.1%	
<i>Gross profit margin</i>	83%	87.9%	84.8%	85.8%	77,4%
Operating expenses	1 258	1 902	2 250	2 972	759
EBITDA	1 187	1 722	3 293	3 466	796
<i>EBITDA margin</i>	40.3%	41.8%	50.4%	46.2%	39,7%
Depreciation (amortisation)	24	18	10	1	6
EBIT	1 162	1 704	3 283	3 465	790
<i>EBIT margin</i>	39.5%	41.3%	50.2%	46.2%	39,4%
Interest expenses	424	577	816	1 255	390
EBT	738	1 126	2 467	2 210	400
<i>EBT margin</i>	25.1%	27.3%	37.7%	29.5%	19,9%

*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.