

Legal Balance

Activity report
2024 Q2



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 103 mln. €**



Managed debt cases – **> 30 000**



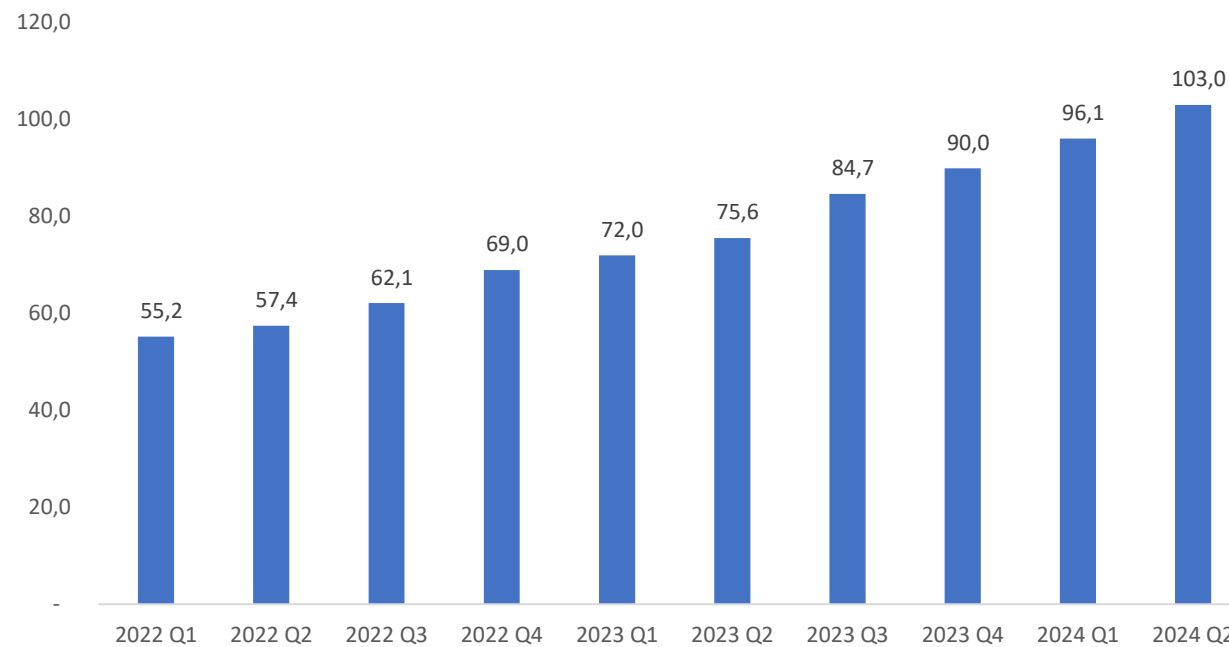
In 2024 H1 company invested more than **6.5 mln. €** into debt purchase



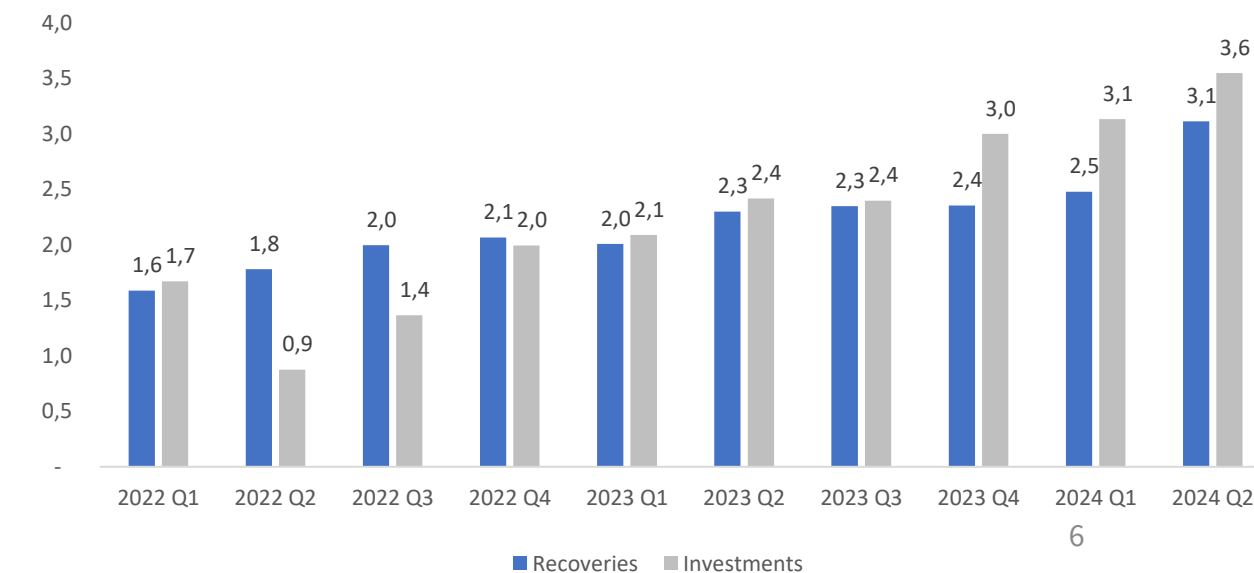
In 2024 H1 company recovered more than **5.5 mln. €** from purchased debts

Acquisition year	Purchase price	Recoveries until 2024 Q2	Gross Cash-on-cash multiple	Forecasted recoveries	Cash-on-cash multiple
2016	367 663	1 586 246	4.31	106 761	4.60
2017	2 121 422	5 823 456	2.75	753 733	3.10
2018	1 997 177	3 597 836	1.80	910 101	2.26
2019	3 688 742	5 348 132	1.45	1 967 898	1.98
2020	4 518 939	6 129 665	1.36	4 174 684	2.28
2021	4 807 431	5 428 342	1.13	4 753 192	2.12
2022	6 485 670	5 119 362	0.79	11 261 200	2.53
2023	9 934 664	2 760 802	0.28	17 263 433	2.02
2024 Q2	6 784 728	549 599	0.08	15 988 197	2.44
TOTAL	40 706 455	36 343 442	0.89	57 179 197	2.30

Accumulated debt portfolio, mEUR



Recoveries and investments, mEUR



Client debts (servicing)



Managed client debt portfolio **more than 39 mln. €**



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

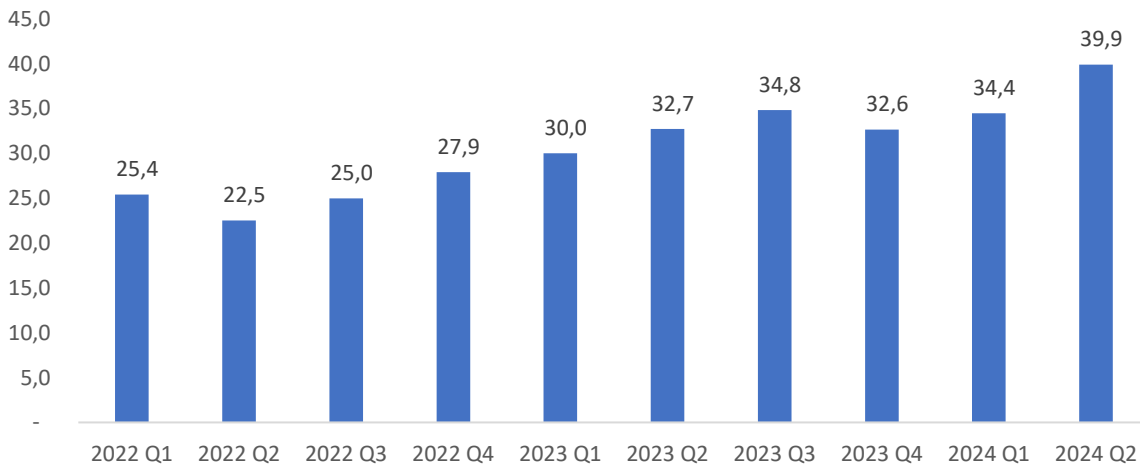


In 2024 H1 company received **more than 15 mln. €** of new client cases

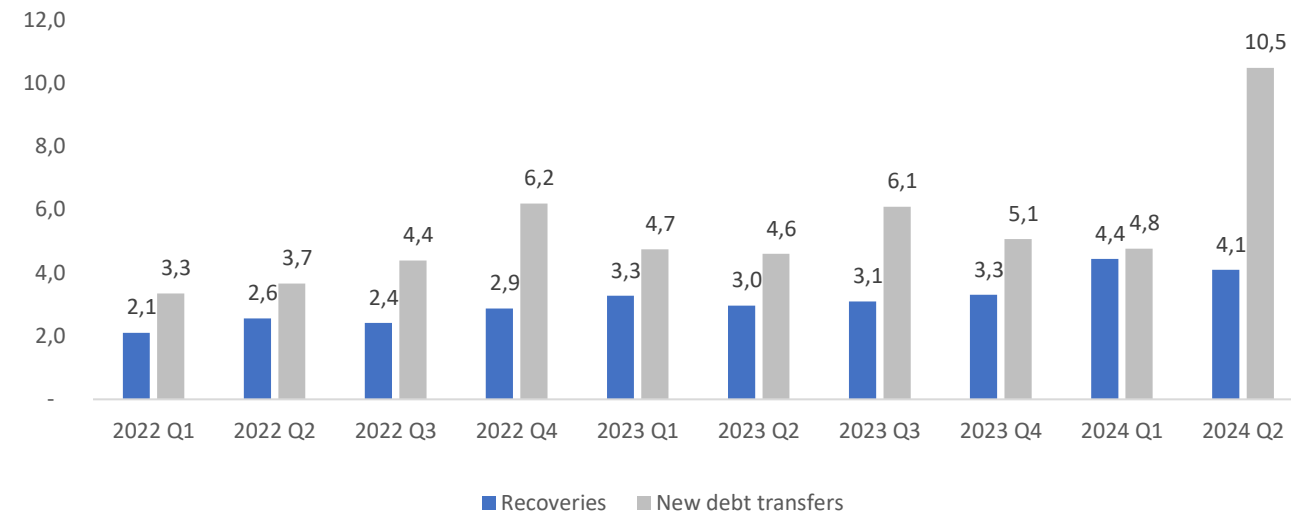


In 2024 H1 company recovered **more than 8.5 mln. €** from administered client debts

Servicing portfolio, mEUR



Recoveries and new debt transfers, mEUR



eSkolos platform



Managed eSkolos debt portfolio – **more than 41 mln. €**



Number of cases – **more than 6 000**

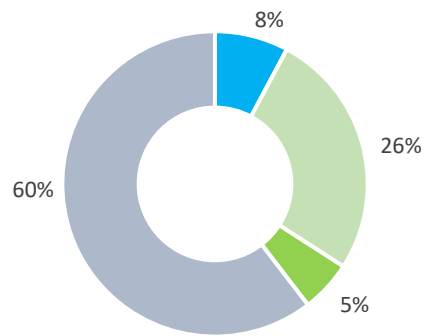


In 2024 H1 company acquired **~ 9 mln. €** nominal value debts through eSkolos platform

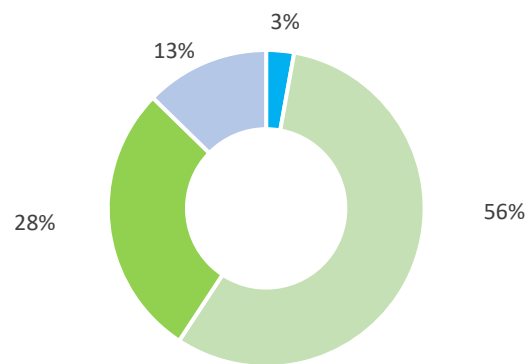


In 2024 H1 company recovered **~ 1.1 mln. €** from eSkolos platform debts

% purchased debts, EUR

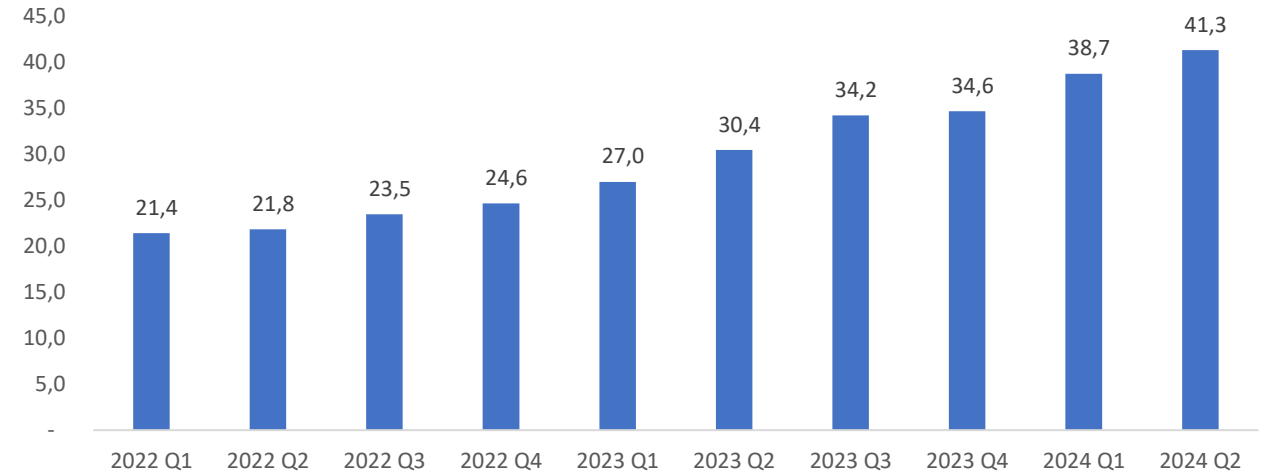


% success fee debts, EUR

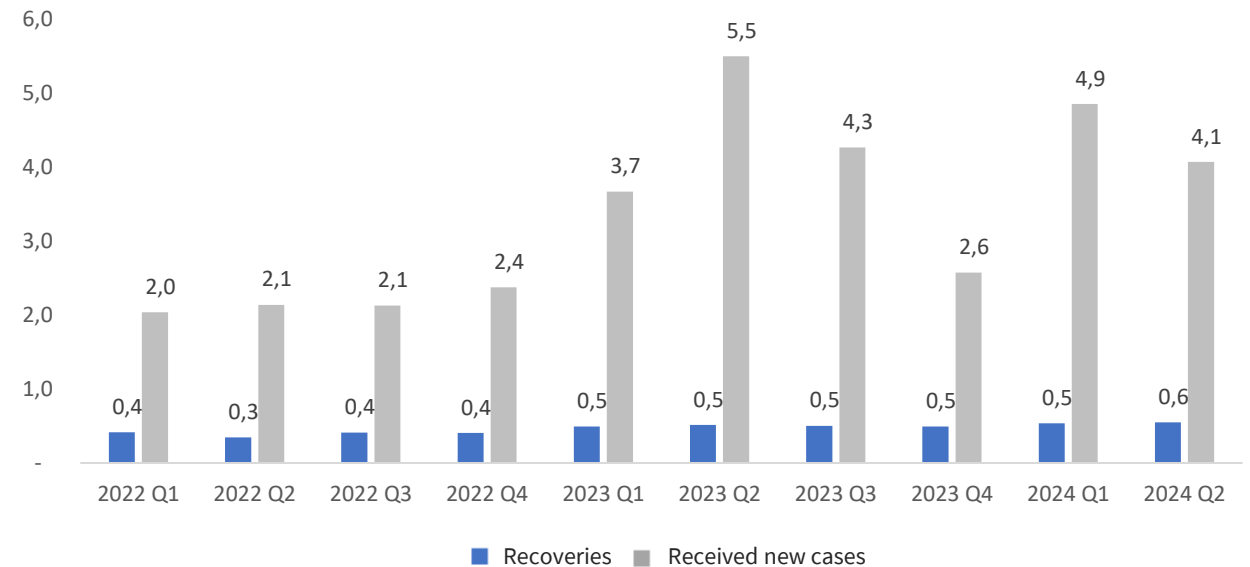


■ Salary dispute
 ■ Goods and services
 ■ Administrative breach
 ■ Loan

Debts managed through eskolos platform, mEUR



Recoveries and obtained new cases, mEUR



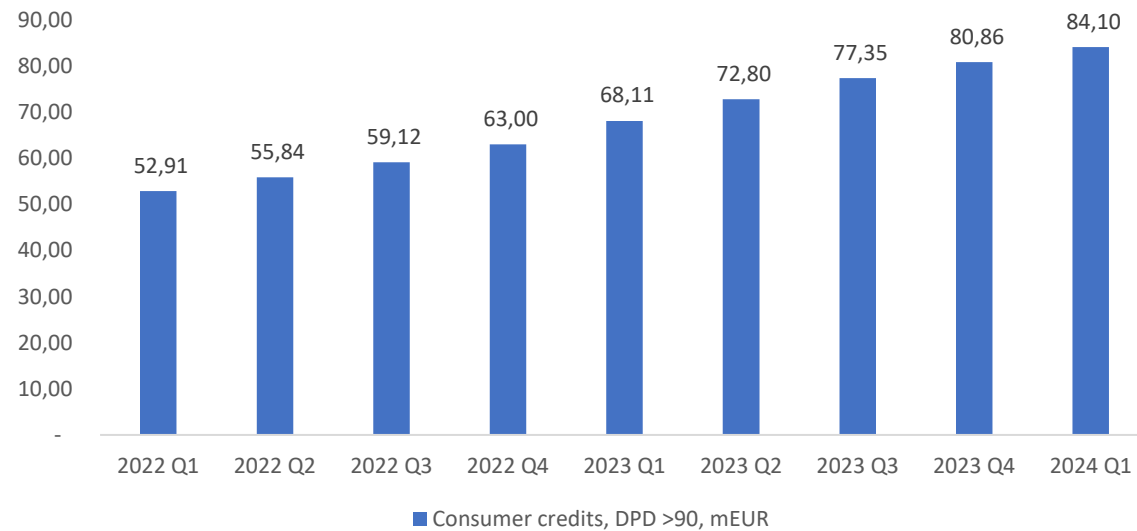
Business environment

According to the data of the Bank of Lithuania, the amount of overdue consumer credits >90 days in Q1 2024 amounted to 84,1 mEUR (+24% 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.

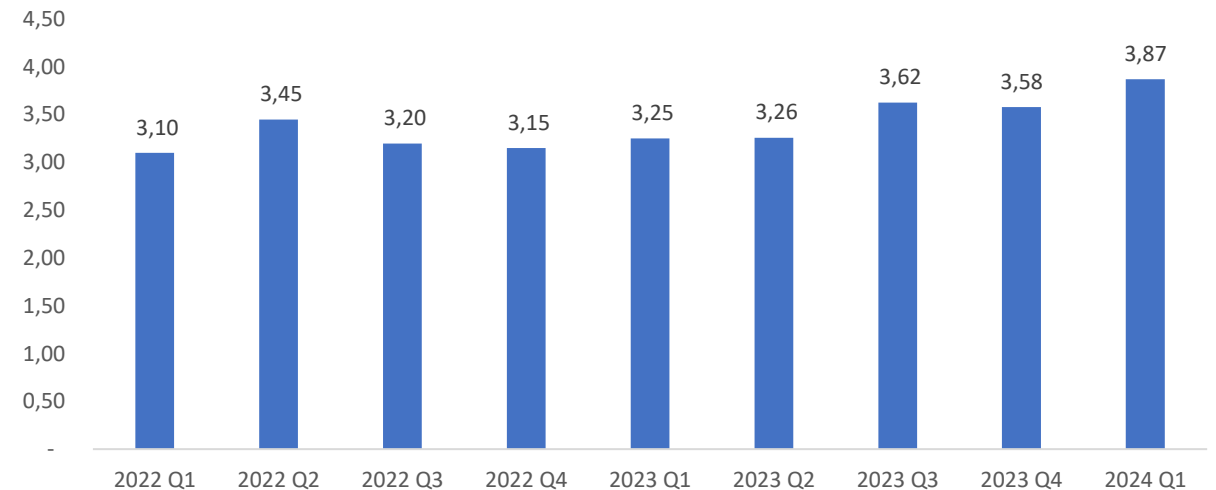
The difficult inflationary environment and high interest rates are likely to further increase the number of customers who will find it increasingly difficult to meet their financial obligations. The company expects to be able to expand its customer base and increase investments during this period.

In H1 2024, company participated in NPL purchase tenders with > 80 mEUR nominal value. In Lithuania and Latvia company managed to invest nearly 7 mEUR and purchase nearly 20 mEUR nominal value debts.

Consumer credits, DPD >90, mEUR



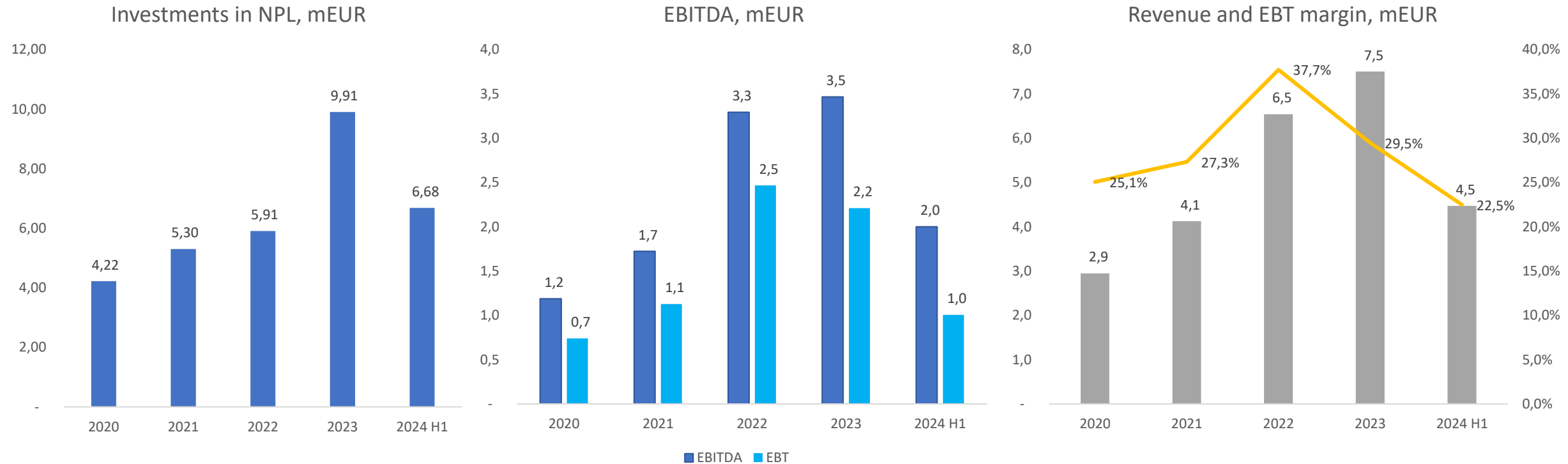
Terminated consumer credit agreements, th of cases



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.



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 nearly identical because the company has insignificant depreciation costs.

Decreased profitability was mainly influenced by two things: increased interest costs (due to the situation in the capital markets) 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 H1*
Revenue	2 947	4 125	6 542	7 503	4 471
<i>Annual change</i>	-	40.0%	58.6%	14.7%	
Cost of sales	501	499	997	1 064	656
<i>Annual change</i>	-	-0.4%	99.6%	6.7%	
Gross profit	2 445	3 625	5 544	6 438	3 815
<i>Annual change</i>	-	48.3%	52.9%	16.1%	
<i>Gross profit margin</i>	83%	87.9%	84.8%	85.8%	85.3%
Operating expenses	1 258	1 902	2 250	2 972	1 814
EBITDA	1 187	1 722	3 293	3 466	2 000
<i>EBITDA margin</i>	40.3%	41.8%	50.4%	46.2%	44.7%
Depreciation (amortisation)	24	18	10	1	65
EBIT	1 162	1 704	3 283	2 210	1 935
<i>EBIT margin</i>	39.5%	41.3%	50.2%	29.5%	43.3%
Interest expenses	424	577	816	1 255	930
EBT	738	1 126	2 467	1 991	1 005
<i>EBT margin</i>	25.1%	27.3%	37.7%	26.5%	22.5%

*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	2024 H1*
Intangible assets	14	3	244	430	501
Tangible assets	18	12	4	27	40
Financial assets	6 904	8 827	12 908	18 864	22 294
NON-CURRENT ASSETS	6 936	8 842	13 158	19 321	22 835
Inventories	150	67	67	31	29
Receivables	3 235	4 805	6 443	9 580	11 787
Other	12	5	25	27	13
Cash and cash equivalents	537	470	949	822	563
CURRENT ASSETS	3 934	5 344	7 459	10 460	12 380
TOTAL ASSETS	10 870	14 190	20 642	29 781	35 229
EQUITY	3 265	3 489	5 812	7 805	8 809
Non-current part of financial debts	5 538	6 843	10 986	15 067	18 721
Other	201	43	498	627	618
NON-CURRENT AMOUNTS PAYABLE AND LIABILITIES	5 739	6 886	11 484	15 695	18 722
Current part of financial debts	1 388	1 984	2 155	4 393	4 800
Trade amounts payable	258	603	242	404	479
Other	186	1 228	949	1 484	1 798
CURRENT AMOUNTS PAYABLE AND LIABILITIES	1 832	3 815	3 346	6 281	7 077
TOTAL EQUITY AND LIABILITIES	10 870	14 190	20 642	29 781	35 229

*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	2,5x	2,2x	3,7x	1,3x	3,8x	3.6x	4,25x	2,3x
Equity ratio	26%	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.