

doValue

"H1 2022 Financial Results Conference Call"

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MODERATORS: ANDREA MANGONI, CHIEF EXECUTIVE OFFICER
 MANUELA FRANCHI, GENERAL MANAGER OF CORPORATE
 FUNCTION AND CHIEF FINANCIAL OFFICER
 ALBERTO GORETTI, HEAD OF INVESTOR RELATIONS

ALBERTO GORETTI: Good morning, ladies and gentlemen. I'm pleased to welcome you to our H1 2022 Financial Results Presentation. Alberto Goretti here, Head of IR at doValue, and I'm here with Andrea Mangoni, CEO, Manuela Franchi, General Manager of Corporate Functions and CFO. As customary, Andrea will walk you through the developments of doValue's business activity since the beginning of the year, and Manuela will give you an update on the financial performance. Andrea will then wrap up for a few final remarks. Following the presentation, we will be glad to answer all of your questions.

Andrea, over to you.

ANDREA MANGONI: Thank you, Alberto, and welcome to all of you. Starting from Page 3 of the presentation. We have posted very strong results for the first half of this year, in particular in terms of revenues and EBITDA. This is a remarkable result. And it follows the strategic choice we made in the last few years and it's a reflection of our strong execution and of our commitment to deliver on the business plan, both on the revenue side and on the cost side.

We are particularly proud of our collection results, which have grown year-on-year by 4% in the context of a 6% decline in GBV in the same period. We believe that our collection performance will remain strong in the second half of the year as also demonstrated by our historical track record of performing the collection in tough macroeconomic phases.

We are finally pleased to share that the turnaround in Spain is accelerating with financial performance well ahead of budget and stronger commercial effort resulting in a number of key initiatives being launched and tested through focused pilot project with selected clients.

As you know, we are also working on other key activities with very satisfactory results so far this year. For example, Fitch has improved our

outlook on the credit rating to positive. doValue has been admitted to the STAR segment. And on the ESG front, Sustainalytics assigned a better rating moving from medium to low risk. Finally, our doTransformation plan is progressing well, both in terms of investments planned and savings locked in.

Let us now drill down in more details on the financial performance for the first half of 2022. You can see here that we posted high-single-digit growth rate in revenues year-on-year and double-digit growth in EBITDA, increasing our EBITDA margin above 30% in what is typically a slower part of the year. These results were achieved by growing our top line in Italy and in the Hellenic Region and by controlling costs as well.

As said, in Spain, the turnaround is accelerating with REO activity being particularly strong in both May and June, partially offsetting the weaker NPL performance, which was also affected by the Sareb off boarding process. Cost control and FTE reduction in Spain remain a key focus, and this was particularly evident in the performance of the second quarter of the year.

Focusing on the collection side on Page 5. Italy posted a double-digit collection growth year-on-year, more than offsetting the decline in GBV. In Italy, we also delivered a 10 bps increase in collection rate moving from 2.4% to 2.5%. In the Hellenic Region, collection activity continues to be stronger with a double-digit growth rate over performing the growth in GBV.

In Iberia, collection decreased year-on-year, but less than the corresponding decrease in GBV. As already mentioned, REO sales in Spain were particularly strong and managed to partially offset the decline in NPL

collection, which were negatively affected by the off boarding process of the Sareb NPL portfolio ultimately completed on the 1st of July.

All in all, we collected €2.8 billion for our clients in the first half of the year, an increase of 4% year-on-year, particularly remarkable considering the macro environment, which started to deteriorate already in the second quarter. We are, in any case, confident about our collection performance for the remainder of the year on the basis of our track record and of the resilience of our program business model.

If we move to Page 6, history shows that our collection performance has a very low correlation to GBV cycles. This page shows the cumulated and yearly collection of a large portfolio we have been managing in Italy for now more than 15 years. And as you can see, the volatility in collection year after year is very low compared to the volatility in Italian GDP, which saw 3 recessions since 2007. The flattering of the collection curve is a customary feature of our business, whereby collections tend to be strong when the portfolio age is young and tend to decrease with a time as the portfolio age becomes more mature.

In addition, on the right-hand chart of the slide, you can see that our cumulated collection performance on all the Italian portfolios we manage has been pretty in line with the original underwriting plans with minor variances across the years. It's important also to stress that base fee protect us from macro swings thanks to the buffer that base fee provide us. So we can decide the best collection strategy for our portfolio also according to the evolution of the macro conditions.

Moving to Spain, Page 7. As said, the turnaround is accelerating and the region is performing well versus budget and is on track to achieve its EBITDA target for 2022. In particular, collection activity was particularly

strong, considering that the decline in GDP. Also, let me remind you that as of 1st of July, half of the Sareb off boarding process has been completed with the remainder to be completed in October.

We have started our client diversification journey by winning the first mid-sized portfolio from a reputable investor with which we already work in Italy and in Greece, and that is assigning to us a first portfolio in Spain. The team in Spain is very busy pitching new initiatives, and we formally launched the 2 business units, one focused on SMEs and the other focused on the UTP/Early Arrears segment where the team in Spain is actively pitching several solutions to commercial banks. Lastly, we are also actively deploying in Spain the BidX1 technology with a first successful real estate auction pilot on several assets.

On top of being very focused on the business plan delivery, we are also constantly covering additional areas, which have brought us some results year-to-date. In particular, despite the challenging market condition, both Fitch and S&P reaffirmed our BB credit rating and Fitch has also improved our credit outlook to Positive. We are constantly in dialogue with ESG rating agencies, and we have collected another result a few weeks ago with Sustainalytics upgrading us to low risk, following the upgrade we received from MSCI last year. Finally, as you know, we have also been admitted to the STAR segment in June and a couple of weeks ago, Mediobanca initiated the coverage of doValue from a research point of view with a rating and a target price reflecting a potential 40% upside from current levels, getting now to 9 equity analysts covering the stock.

Moving to Page 9. Here is an update in terms of where we stand vis-a-vis our GBV intake targets for the year. We are currently more than halfway done with a couple of new mid-sized portfolio having been secured since we reported our last results in mid-May. We will continue to work hard in the

following months to meet our €13 billion to €14 billion target of new GBV per annum asset in our business plan in January. On this side, we recently reached an agreement with UniCredit to increase the threshold of our current long-term contract from €1 million to €5 million. This will increase the forward flow from September onwards and positively contribute to our GBV formation.

A particular interest in the mandate is Frontier II, which has been announced last week. The mandate was won by doValue purely on the basis of the trust and the track record that we built through the Frontier I process. And this time, it did not involve an upfront payment.

Moving to Page 10. In terms of pipeline, we continue to see a healthy market ahead of us with approximately €20 billion worth of GBV up for grabs in 2022. The pipeline should intensify in the second part of the year, considering the new NPE permission on the back of the macro deterioration we are seeing in Europe. As you may have seen, the Ariadne process has been put on hold by the Greek State a few weeks back. But we believe it should come back to the market in the next few quarters, possibly sliced up in sub-portfolios or with a smaller overall size in order to maximize its appeal to a broader investor audience.

Now let me hand it over to Manuela to cover the financial results in more details.

MANUELA FRANCHI: Thank you, Andrea, and good morning to all of you. Starting from Page 12, as you can see, the H1 2022 results have been very strong in terms of collection, which saw an increase of 4% in the context of a GBV reduction of 6%. Our collection rate has remained stable at 4.2% in the last 6 months and remain substantially higher than the one recorded one year ago, which

was still affected by the COVID-related lockdowns. This has translated in gross revenue growth of 7% year-on-year.

And thanks to particularly strong cost control measures, we have managed to boost EBITDA by 15% year-on-year. This is particularly good, considering that in the first part of last year, we benefited from the €4 million capital gain on project Relais. Taking that contribution out, EBITDA grew by more than 20% year-on-year. Net income grew by 72% year-on-year, boosted by EBITDA growth, lower D&A and provisions, particularly offset by higher taxes and minorities. As anticipated, leverage remains comfortably low at around 2.2x, a marginal increase from the end of March mainly due to the dividend payment and other items, which we will cover in more details later in the presentation.

Moving to Page 13. GBV has remained broadly stable in the first part of the year, considering that the strong origination activity, which led to €7.5 billion of onboarding portfolio, plus €1 billion of inflows through our forward flow agreements more than compensated the acceleration in collection and disposals. It's worth also mentioning that disposals were indemnified by clients according to customary contractual closes. We have almost €5 billion of mandates already secured, which will be onboarded in the next few months. As already mentioned by Andrea, the €21 billion Sareb portfolio off boarding process should complete before year end. And as such, our pro forma GBV stands at €133 billion of Sareb.

Moving to Page 14. The performance in terms of gross revenue in both Italy and in the Hellenic Region has been remarkable with double-digit growth rates year-on-year, whilst the revenue decline in Iberia has been modest compared to the decrease in GBV in the same period. In general, in Italy, all revenue segments contributed to growth, whilst in the Hellenic Region, the growth in NPL, REO and ancillary activities was marginally

compensated by lower early arrears activity, which is the result of the Mexico securitization.

In Iberia, REO activity was particularly strong with the peak of REO sales in June and May, which was the strongest months in the last 4 years. Whilst the NPL activity has been affected by the Sareb off boarding process, which for the NPL piece completed July 1. Outsourcing fees have remained relatively stable in absolute terms and marginally declined as a percentage of revenue.

Moving to Page 15. In the first half of the year, we have focused on keeping costs down, and this has yielded a positive result in terms of increasing our EBITDA margin. In absolute terms, OPEX grew only by €5 million, while net revenue increased by €16 million. More in detail, HR costs have remained flat year-on-year on a consolidated basis. When looking at the different region, HR cost declined both in Italy and in Iberia, while they grew in the Hellenic Region on the back of the Frontier FTEs integration process. On the other hand, IT and SG&A costs have increased €5 million or 12% year-on-year, particularly as a result of the 2 transformation process, one-off OPEX cost and in Iberia and in the Hellenic Region due to the local transformation process.

Some more details on doTransformation on Page 16. The program is progressing very well. The completion level is currently higher than 10% after only 6 months with committed investment exceeding 40% of the plan. Thanks to the activity performed so far this year, we have already secured savings for more than €4 million per annum, and we have already accomplished savings for close to 4% of the 30% of the procurement spend under management. This has resulted in the operating KPI improving and higher EBITDA margin than in the past.

Moving to Page 17, EBITDA has been increasing strongly year-on-year. In more detail, in Italy, revenue growth of 14% was amplified by general cost reduction of 2%, helping EBITDA growing more than 80% year-on-year. In the Hellenic Region, EBITDA growth was also strong at close to 20% with revenue growth only partially offset by higher costs. Lastly, performance in Iberia is sub-optimal, but as expected, vis-a-vis the previous year, but improving as the doTransformation project in the region meant a double-digit increase in SG&A and IT costs, particularly offset by a reduction in HR costs year-on-year. EBITDA margin on a consolidated basis is improving by 220 basis points and steadily above the 30% level.

Looking in more details at our regional performance on Page 18, you can observe that collection rates were favorable in Italy, increasing to 2.5% and in Iberia, above 7%. In the Hellenic Region, collection rates were marginally declining compared to the 3 months ago, mainly affected by different portfolio mix, in particular, reflecting the lower curing activity performed as a result of the Mexico securitization. The revenue contribution of the 3 regions is similar, but it remains very clear that the Hellenic Region is leading in terms of EBITDA generation as the combination of higher fees on portfolio, strong collection performance and lower operating costs.

On Page 19, again, we see strong net income growth year-on-year, both on a reported as well as on an adjusted basis. Below EBITDA, we saw a reduction of D&A as well as a provision for risk and charges. NRIs were limited in the first part of the year with €1.3 million of NRI above EBITDA related to consultancy costs and the net negative item of €0.5 million below EBITDA, composed by redundancy plans and litigation costs, partially compensated by the reimbursement of an insurance claim.

Now moving to Page 20 and looking at our cash flow for the first half of 2022. The conversion of EBITDA into cash flow has been affected by the increase in CAPEX related to the doTransformation program, an increase in net working capital for close to €40 million mainly related to a portion of the fee booked in the second quarter being paid in the month of July. In fact, €15 million have already been absorbed in July and an increase in other assets and liability for €45 million related to the Eurobank fee prepayment scheme as well as leasing payments, VAT payments and redundancy programs. As mentioned, part of the net working capital cash absorption has already been normalized in July. And all in all, we expect cash flow generation to normalize in the coming months, with an expected net cash flow generation of more than €30 million in the second part of the year.

To wrap up on Page 21, you have the details of our financial structure. And as of the end of June 2022, reflecting the cash flow figures I discussed in the previous slide. All in all, our financial leverage remain conservative at 2.2x, at the low end of our leverage target and is expected to remain stable during the course of H2 2022. It's important to remind you that we don't have any medium-term refinancing maturities as our first bond matures only in 2025.

Now let me hand over to Andrea for some final remarks.

ANDREA MANGONI: Thank you, Manuela. Now I wanted to take a couple of minutes to remind you of why we believe we are an attractive investment proposition in the current markets. It boils down to 6 simple, but important factors. First, we have a very attractive, generous and visible dividend policy. Second, we have no direct exposure to the dramatic events that have unfolded in Ukraine. Third, our debt structure is set until 2025 and not affected by the current interest rate moves. Fourth, our cost structure has no strong links with inflation. Fifth, our GBV is mostly made of secured credit with real

estate collateral. Lastly, all the ongoing stress in the macroeconomic and financial system is very likely to produce a new wave of NPEs in the months to come, effectively allowing us to replenish our asset under management with fresh vintages of NPLs.

Before moving to Q&A, on Page 24, we wanted to reiterate our financial guidance for 2022. In particular, considering the results achieved in the first half of 2022 and of the visibility on the evolution of the business so far this year, we anticipate reaching in line with the indication provided at the CMD, gross revenues in the range of €555-565 million, EBITDA, excluding nonrecurring items, in the range of €190-195 million, net income, excluding nonrecurring items, of €45-50 million, whilst remaining at around 2.2x in terms of financial leverage till year end.

Whilst all-in-all 2022 is likely to see lower revenues and EBITDA than 2021, the growth of the underlying business is quite clear, if we strip out Sareb and the effect of two capital gains booked in 2021. Also, we feel quite confident in our ability to reach the top part of the 2022 guidance ranges. In addition, in line with the dividend policy approved in the context of the business plan 2022-2024, doValue expects to distribute a dividend per share of at least €0.60 for 2022, subject to the approval of the Board of Directors and shareholders, representing a 20% growth over the '21 dividend per share of €0.50.

So thanks to all of you for your attention. And now let me hand it over to Alberto to start the Q&A session.

Q&A

ALBERTO GORETTI: Thank you very much, Andrea and Manuela. And as usual, I will take questions one by one. And you can register by pressing "*" and "1" as usual

and if you wish to register for questions. Maybe the first one we can take from Nicholas at Intermonte.

NICHOLAS BINDA: Okay. Thank you for the presentation. I have 3 questions. The first one is looking at the full year 2022 guidance, I was wondering what are the main upside and downside risk you currently see? The next one is on the financial position. If I remember well, in the past, you guided for a leverage ratio of 2x at the end of the year, now increased it to 2.2x. Could you please explain the main driver of such increase? And finally, on the GBV, inflows from forward flow agreements in the second quarter were just €0.2 billion compared to €0.8 billion of the first quarter. What are you seeing in terms of asset quality deterioration? So any color will be appreciated. Thank you.

ANDREA MANGONI: I will take the first and the last question on the guidance. I do not foresee any downside risk. I think in terms of upside, we can do slight better because of our performance on the collection side. On GBV, we are extremely positive on the forward flow generation for the second half of the year on a stand-alone basis. And on top of this, as I said before, we have to increase to the forward flow generation the agreement with UniCredit to increase the threshold from €1 million to €5 million. So summing up the deterioration of the situation in terms of NPE generation and the new agreement we reached with UniCredit, we are positive on the GBV dynamic in the second half of the year.

I'll leave to Manuela on the leverage.

MANUELA FRANCHI: Yes. On the leverage side, what we have said during the Capital Markets Day that we were going to be around 2 times. And actually, the 2.2x is in line with our budget for the year. We expect to do better working on the

working capital dynamic, which we have guided to be around €50 million overall, but this remains in line with our previous expectations for the year.

NICHOLAS BINDA: Thank you.

ALBERTO GORETTI: Maybe we can take the next question from Simonetta Chiriotti at Mediobanca.

SIMONETTA CHIRIOTTI: Yes. Hi, good morning, everybody. A couple of questions from me. We have seen a good acceleration of the turnaround in Spain. In the second half of the year, we will also have the impact of the termination of Sareb. So what do you expect, is it possible to land roughly at year-end in terms of EBITDA in that region? And the second question is on the cash flow. You have a 3 years target of €300 million free cash flow generation in light of the first half results and what happened on net working capital. Can you confirm that medium-term target? Thank you.

ANDREA MANGONI: On Spain, I think we can confirm our guidance of around €10 million EBITDA for year-end. We are extremely positive on the final result of the structure of the company after the off boarding of the Sareb because we are more than on track on our layoff program and the costs of the layoff program itself is lower than expected. On top of this, the company is reacting extremely well on the business development side. And I think we can give you some positive news flow on this from September this year onward.

MANUELA FRANCHI: On the free cash flow generation, we confirm our planned targets of around €300 million overall amount. Also because, as I mentioned before, we believe our first half is in line with our budget expectations. So it's in line with the plan for this amount of free cash flow generation.

SIMONETTA CHIRIOTTI: Thank you. And the guidance, I mean the target in terms of leverage includes the cash out for the Spain layoff program. Is it correct?

MANUELA FRANCHI: Yes, it's correct.

SIMONETTA CHIRIOTTI: Thank you.

SIMONETTA CHIRIOTTI: Thanks, Simonetta. And I think we can take the next question from Andreas Markou at Berenberg. Andreas?

ANDREAS MARKOU: Yes, I have few question on your presentation. Let's start with kind of the macro situation, which seems to be obviously deteriorating across Europe. Can you tell us if you're seeing any early signs of stress in the real estate market, if you're seeing liquidity dry up? And then also just to comment on the Ariadne portfolio, which the process basically failed, and the bids which were placed for the portfolio were not considered high enough by the state. Do you think this is, again, a sign of more difficult times to come ahead in terms of portfolios not coming to the market and then buyers not bidding high enough prices to buy these portfolios? So that's my first kind of macro question.

And the second question is a bit more on regional performance. So if I look at EBITDA margin quarter-on-quarter in Italy, this has increased quite a bit. And in Greece, it has gone down quite a bit in Q2 versus Q1. Is this driven basically by product mix? Or is there anything else that we should be aware? Thank you. And I have a few more.

ANDREA MANGONI: On Ariadne, I think, the main problem with Ariadne was the structure of the transaction and the size of the transaction itself because on the investor side, the investors were put off by the size of the deal. I think the Government is keen and address this point. So I really believe the plans new structure for

the transaction could be to reduce it to smaller sizes in order to maximize competition between investors. But whatever the actions will be, I think the Ariadne portfolio will come again to the market because the appetite of the investors is extremely high despite the current financial environment.

MANUELA FRANCHI: On the interest of investors for the market, we can see also in the Frontier II transaction, which has already been placed with a new investor that we have in the region. So to demonstrate that there are new investor even looking to the market and that are willing to work with us. So the process of diversification of the client base is very sustained.

Going back to your first question on the macro trends on the real estate, we don't see a sign of the generation so far. If you look to Page 6, where we are showing the trends of collection over the cycles, where the real estate has dropped significantly over certain previous cycles, still our performance has been strong. The deterioration was up to minus 20% in certain areas. And here we're talking in this specific example about Italy. You can realize how we are able to extract value from the type of assets we have. Obviously, we don't manage prime location. We don't manage assets of particularly sensitive to these trends. These are assets of a lower quality related to certain procedures for which there is a sort of floor in the market. Another signal of that is what I mentioned before regarding Spain. The month of May and June have seen the highest sales since 2018 of real estates in the Spanish region, in the Spanish market for Altamira. So this is to demonstrate still that this point is a valid one.

Going back to the EBITDA margin, specifically on Italy and Greece. In Italy, there have been 2 components playing positively on the margin. First, on the revenue side, the strong collection and the data quality products that have been yielding already in the first Q, which we have commented in the last call, very good mandates this year. On the cost side, there has been a

very high attention to the HR cost. As you know, it's difficult to decrease the HR cost, but we definitely didn't increase it. So despite the new activity, we have done it with the current perimeter, sometimes switching personnel from one business to another with the reconversion and specific training in order not to have an increase in cost base.

In Greece, the impact is just temporary given that we have onboarded Frontier. Obviously, we see the effect of Frontier collection only for one piece. While we had to hire those people that need to be used to manage this portfolio, which was a quite sizable uptick in terms of employees. We are talking about more than 150 people, which obviously need to be hired altogether because the portfolio needs to be managed altogether. And this is the difference between the revenue and the cost side, which has an impact on the margin. Obviously, this is going to be normalizing later on where the people are already there and they're going to have the impact on collection. Actually, Frontier is already performing ahead of the buy-side case of our investor.

ANDREAS MARKOU: Okay. Thank you very much. Thank you. I have a few more. Can I take them now?

MANUELA FRANCHI: Yes.

ANDREAS MARKOU: Okay. First one, what is the base fee as a percentage of your revenues, if you can give us that number? Second, I mean we've been talking about cash flow basically reiterating your 3-year target on the cash flow, the €300 million. But if I look at consensus this year for net debt versus what is implied by your new guidance, there is a significant difference of about €45 million. So effectively, the market consensus has been expecting this year higher free cash flow generation of about €40 million to €45 million. So why is that the case? Is it because you think just some people were overly

optimistic or maybe you didn't communicate very well? Or what was wrong here? That's the second one.

Third one is on the new AUM in Q1. So this under my numbers, it's only about €1 billion for Q2, which seems a bit weak. And then you're reiterating your target for the full year, which means that effectively, Q4 and Q3 need to be very strong. What's your visibility here?

And last one, I'm reading in Greece that your performance on the Cairo securitization. And when I say performance, I mean, basically, your collections versus budget is not very good, meaning that your collections are about 20% versus budget. And for that reason, you actually applied to the state to basically extend the duration, that you're allowed to have under the collections. So basically, if you don't meet the budget, then your fees are being cut by 20%. And this is also a reason why you're selling parts of the Cairo portfolio to basically fill in this gap of collection versus budget? How much truth is there in this piece? And if indeed, you are kind of underperforming your budget here, why is that? And what can you do to improve that? Thank you.

ALBERTO GORETTI: So, Alberto here. I will take a couple of questions and then we'll go back on the other 2. But in terms of the cash flow for the year, the consensus levels for net debt-to-EBITDA. I think probably the figure that you see is somehow biased by some analysts, which have overly optimistic cash flow production for the year, and we've tried to adjust them, but there's a bit of a sluggishness in the system. And hopefully, that would be rectified over the next few months. But as Manuela said, what we said in the past was around 2x. We are now saying 2.2x, so we are just being a bit more precise. And that 2.2x is probably a conservative and prudent assumption. We'll try and we hope to do better than that.

On your question around base fee, I think for the first half, the contribution to servicing revenues is 22%, which is not far from what we had last year, although here, we are only referring to the first part of the year. So should not be taken as a proxy for the full year. I think you had a question then on our targets in terms of new GBV between €13 million and €14 billion for the year. Maybe I'll leave that to Andrea to respond.

ANDREA MANGONI: Now, as I said before, I think we confirmed our expected results in terms of GBV acquisition for the end of the year despite the situation of the Ariadne portfolio. We currently see the market quite active, both in Italy and in Spain. So as we put in Page 10 of our presentation, we confirm our target. So we are positive on it.

MANUELA FRANCHI: Maybe, Andreas, can you repeat the specific comment you made on what you have read on the Cairo securitization because it's one of the portfolios we have also invested in. So we know it's extremely, extremely well. So we are not very clear on your question there. Do you mind repeating?

ANDREAS MARKOU: Yes, sure. Yes. Thank you. This is just especially me reading from the press that you've asked for a 6-month extension on this portfolio. So under the HAPS scheme in Greece, which is kind of equivalent of GACS, you like to meet your targets under a specific period of time, which my understanding is 2 years. And given that you know what all the processing you haven't reached that target, you're basically asking for an extension.

MANUELA FRANCHI: The extension of the guarantee?

ANDREAS MARKOU: No extension of the time period to meet basically your budget on the collections.

MANUELA FRANCHI: Now, I think the articles are mixing up 2 things. All the banks in general are asking for measures related to COVID. It's not that it's because Cairo is underperforming vis-a-vis other portfolios. Actually, in Cairo, there are 3 portfolios, 2 are performing ahead of budget. One is performing slightly less than budget. The portfolio sales were already in the plan. So we are not anticipating them. And that is the one which is in the market today, it's not the only one, there will be subsequent sales of portfolio. And this is very common in all our books. For example, also on the Frontier, which has been just onboarded, we are doing a portfolio sale as we speak. Between this year and next year, there are 8 portfolio sales that we are going to run on the current portfolio. And most of them will continue to run the portfolio also after because this is what we requests the investor when we sell for the current ones. So we get the same fee in these processes, and we continue to manage the book.

And this will be the case, for example, in this one. So to the first point, the question of extension is not specific to this, but it's a general request for several of these books. So Cairo is not very different from others. And the performances are, as I mentioned, split into the 3 portfolios, 2 are performing better than the third portfolio, but this is also true for other portfolio where some are EBITDA above budget some are behind. So all in all, for the overall book in Greece, we are ahead.

ANDREAS MARKOU: Okay, great. Thank you very much for confirming and for taking all of my questions. Thank you.

ALBERTO GORETTI: Maybe we can take the next question from Tim Pedroni at Schrodgers.

TIMOTHY PEDRONI: Yes. Hello, can you hear me?

ALBERTO GORETTI: Yes, we can hear you. Maybe you can speak a bit louder.

TIMOTHY PEDRONI: Yes, sure, I will. I think most of my questions have been addressed by the previous people contributing to the Q&A. So actually, I don't have anything incremental. I guess maybe just a last date on anything to add on the UTPs, , sort of earlier stage, earlier years in UTPs. Is there any incremental sort of win or business trends that you might have seen in the last couple of months? But otherwise, thanks for all my questions have been addressed.

MANUELA FRANCHI: Yes. On UTP, in Italy, we have added to the effects of fund another €200 million. While we have completed successfully the first pilot in earlier years, from which we will likely almost double the size of that pilot. We have now an agreement with a new bank in Spain to run a project on SME earlier the year, starting from September. And we are pitching for the Efesto structure, which is completely new in Spain, also to the Spanish bank with quite positive feedback. Taking into account that Spain is one of these countries, which is quite behind in terms of securitization in general even for NPL. So to introduce such a scheme for UTP is a completely new thing. But this is one of our prerequisites to be innovative in our market of reference and to spread the knowledge we have built in other countries to the countries where these products are not present. So we hope to deliver to you this news about the new contracts also on this specific product in the later part of the year.

ANDREA MANGONI: Yes, the successful of Efesto in Spain was unbelievable. And as Manuela said before, we will start with a pilot project with the 4 main Spanish banks starting in the last quarter of this year.

TIMOTHY PEDRONI: Well, thank you very much. Thanks.

ALBERTO GORETTI: Thank you, Tim. Maybe we can take the next set of questions from Andrea Lisi at Equita.

ANDREA LISI: Hi, the first question is on the Hellenic Region. If I look to the second quarter, I see that there is a decrease in servicing revenues quarter-on-quarter despite higher collection. If you can tell us why and what do you expect for the second half? Is there maybe some element that we do not know there. The second is on the EBITDA margin in Italy, that was really strong. It was 35% in the second quarter. Can you tell us which EBITDA margin do you expect in Italy for this year and also for the following years considering the fact that the region has also a major role of corporate centers. So if this 35% is something that can be seen as sustainable or not?

The third question is tax rate that was really low in the quarter, if you can explain why? And about the cash flow, the free cash flow generation, first, it's about the change in other assets and liabilities related mostly to the contract with Eurobank, if we should expect some reversal by year-end? And lastly, if you can confirm the target of CAPEX for the year in the €40 million, €45 million area. Thank you.

MANUELA FRANCHI: Going back to the first question. On the servicing fees, taking into account that we have shifted a piece of the portfolio to Mexico, obviously, Mexico is a securitization, which goes on the same type of portfolio and the same amount, but it has securitization fees. In fact, if you recall, in the second part of the year, we received from Mexico and indemnity fee, which was compensating for the difference in fees between the lower and the new one. So this is why when you do the quarter-on-quarter or the first half '22 versus '21, the indemnities in the second half of '21, you see a decline, but it's the adjustment of that. While on the collection side, you don't see that difference because the collections are performing well.

On the EBITDA margin in Italy, as I mentioned, it was the results of the factor related to the extraordinary revenue and the very extraordinary not in

the sense that they are one-offs, but they were above our budget expectation of very good projects we were able to close and very good collections. So both were ordinary business for us and very tight cost control. We guided in the past to a 25% margin in the medium term. We prefer to stick to these levels, although we might over perform this year because taking into account that all in all, to decrease the cost base in the Italian market is a challenging exercise for the HR component, as you mentioned. So we prefer to continue to be conservative.

Around the tax rate, it was 26% at the Group level and depends on a different mix between the different areas. So you have Greece, which was particularly low at 22%, but the impact on the Greek tax will reverse in the third quarter. So all in all, I would not change in a relevant way, the estimation of the full year despite the element of the 2Q.

The Eurobank contract, the fees of 2020 and '21 upfront payments has been flagged since we closed the acquisition of the company. So there were a higher base fee in these 2 years and an upfront payment for the 2022 fees at the end of last year. So you have these 2 effects. As I mentioned, a portion of it will reverse, not all of it in the second quarter, confirming the €300 million free cash flow generation we said.

Now on the CAPEX side, we had an overall amount of €55 million in the plan with an amount, which, as I mentioned, was around €40 million for this year. We think we can do better in the sense we will do less CAPEX but not because we will do less investment but because we have been able to negotiate better terms than our budget, we have been able to achieve to save also on the Sareb side because we had some investments related specifically to requirements of Sareb, which we will not do. So this will save money but will not decrease the efficiencies because they were done just for the purpose of the Sareb requirement and not to create extra

efficiencies. So all in all, the transformation plan will yield the same positive results with probably less spend.

ANDREA LISI: Thank you.

ALBERTO GORETTI: I think we can take the next, last set of questions from Luigi Tramontana at Banca Akros.

LUIGI TRAMONTANA: Yes, good morning. Thanks for the presentation and for taking my questions. Almost all have been answered. I think there's only one left on D&A, which is significantly down. We are now around €15 million per quarter. This will continue also in H2? Thank you.

MANUELA FRANCHI: Yes. We confirm our guidance, which was between €75 million and €80 million for the year. So given the amount of the first part around €31 million, the remainder will be in second half, of which around €25 million related to normal investments. And remainder related for a portion to IFRS 16. So €25 million is for the full year. So €10 million related to right of use and the rest around €40 million, and €45 million for the amortization. You know that the amortization part is very much connected to the collection. So that's why we have some variability there. It will depend on the actual collection.

LUIGI TRAMONTANA: Thank you.

ALBERTO GORETTI: Okay. I think the queue is clear. So there are no outstanding questions. Thank you, everyone, for participating, and have a good day.

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