



PRESS RELEASE

BOARD OF DIRECTORS APPROVES THE BUSINESS PLAN 2024-2026: UNLOCKING NEW FRONTIERS

THE NEW BUSINESS PLAN AIMS FOR IMPROVED PROFITABILITY AND CASH FLOWS, FOCUSING ON DIVERSIFICATION, INNOVATION AND EFFICIENCY TO LEVERAGE ON ANTICIPATED MARKET TAILWINDS

RESILIENT PERFORMANCE DESPITE A CHALLENGING MARKET, WITH TANGIBLE TAILWINDS EXPECTED

- Past market conditions reflect a temporary “perfect storm” scenario, with banks achieving record capital generation and low NPE formation and servicers suffering from limited inflows and declining RE prices in Italy.
- Despite this challenging situation, doValue has offered a resilient performance in 2022 and 2023:
 - 2023 results almost in line with 2021, excluding the impact of Sareb;
 - Excellent results in the Hellenic Region thanks to the performance of doValue Greece;
 - High quality contracts, with 110+ clients and a GBV portfolio with a 15-year residual life on average;
 - Cost control & doTransformation leading to stable 37% EBITDA margin in 2023;
 - Tech enabled collections leading to growth in collection rate at 4.6% in 2023.
- doValue is now poised to capture expected favourable market tailwinds:
 - Expected growth in default rates;
 - Favorable regulatory developments;
 - €42bn pipeline in Hellenic, Italy and Spain in the next 18 months;
 - Opportunities in adjacent sectors for value added services.

BUSINESS PLAN 24-26: INVESTING TO UNLOCK NEW FRONTIERS

- The 2024-2026 plan is predicated on further reinforcing DOV’s competitive strengths going beyond servicing:
 - Independence, high quality contracts and clients, diversification into adjacent segments, and leadership in Southern Europe.
- The 2024-2026 plan is grounded upon 5 pillars:
 - Client oriented approach to enhance origination and preserve core business;
 - Growth and diversification beyond servicing;
 - Re-engineered operating model to achieve a leading efficiency level;
 - Focus on technology and innovation;
 - Promoting an inclusive culture, nurturing talents and building a sustainable financial system.
- Targets for operating results to 2026:
 - Market share in Southern Europe targeting 15-20%;
 - At least €8bn new AUMs each year;
 - Reaching ~35-40% non-NPL Revenues;
 - Efficiency with Total Costs/ Revenues at 61%;
 - >30% automation in collection;
 - Leverage in the range of 2.1-2.3x;
 - Being a leader in sustainability.

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FINANCIAL TARGETS 2024-2026 AND AMBITIONS BEYOND 2026

- The 2024-2026 Business Plan is founded on conservative assumptions that reflect the current challenging market dynamics, with a strong focus on technological innovation and cost efficiencies in order to protect profitability and foster cash flow generation.
- 2024 focus on investment and transformation, with €45m one-off cash costs aimed at achieving €25m cost savings over the 2024-2026 timeframe, in addition to the ongoing doTransformation project which is terminating in 2024.
- Financial Targets to 2026 envisage reaching the following results:
 - Gross Revenues in 2026E in the €480-490m range, of which 35-40% non-NPL;
 - Gross Book Value in 2026E of c.€110bn, with a collection rate of c.5.5%;
 - EBITDA ex-NRIs in the €185-195m range, with an EBITDA margin of c.39%;
 - Operating Cash Flow ex-NRIs in the €140-150m range, leading to leverage in the 2.1x-2.3x range;
 - Dividend policy with no distribution in calendar 2024, €0.15/ share in 2025 subject to leverage <2.8x in 2024, and €0.25/ share in 2026 subject to leverage <2.5x in 2025.
- Solid and growing Operating Cash Flows expected to generate robust Free Cash Flow for debt and equity in the 2024-2026 timeframe, driving down leverage and creating the conditions to refinance the upcoming debt maturities.
- Ongoing efforts on M&A with strategy of entering into adjacent businesses and consolidating existing markets, albeit subject to strict and conservative guidelines regarding timing, size, leverage, valuation, geography and structure.
- Ambitions for the timeframe after 2026 point toward a solid and sustainable growth and cash flow generation, with Revenues >€500m, EBITDA >€200m, Operating Cash Flow >€150m and Leverage <2x.

Rome, March 21st, 2024 – the Board of Directors of doValue S.p.A. (“doValue”, or the “Company”, or the “Group”) yesterday approved the Business Plan 2024-2026 which will be presented to the financial community today through a virtual (webcast) event. Details to access the webcast presentation and a detailed agenda are available on the Company website in the Investor Relations area.

Proving Resilience in a Challenging Environment

Current market conditions for the credit servicing industry have significantly changed in the last couple of years, becoming significantly more complex. There has been a temporary “perfect storm” with healthy banks thanks to high interest rates, low default rates and good liquidity of counterparties, low NPE formation and stagnant RE prices in Italy. There is also significant pressure from the capital markets, increasing financial pressure on debt purchasers, and unfairly rising doubts on the servicing industry, leading to exposure reductions and/or exits. And finally, the market is entering into a first wave of consolidation, especially in Italy and Spain, where scale will play a fundamental role.

Despite these challenging conditions, doValue offered a highly resilient performance:

- From 2021 to 2023, the decline in GBV, largely due to the loss of the Sareb contract, resulted in a much lower decline in EBITDA, thanks to continuing efforts to secure new GBV and contain costs, as well as to the growth of FPS in Greece;
- The quality of the GBV improved, mitigating the impact on Revenues from the reduction of GBV, in fact young GBV (originated after 2020) increased from 7% of total GBV in 2021 to 18% in 2023;
- doValue enjoys stable and long term contracts with a residual life of 15 years on average, and more than 80% of the revenues expected in the next 3 years are based on existing contracts;



- more diversification with +50% value added revenues in 2023 vs 2021 and increased UTP and Early Arrears, and also the number of clients has increased from 96 in 2021 to over 110 in 2023;
- doValue has an excellent track record in terms of cost reduction, also thanks to the doTransformation project which resulted in group opex declining at a CAGR of 15% from 2021 to 2023 and to the downside of the Spanish operations post exit of Sareb; and finally;
- doValue has benefited from its geographic diversification, with the excellent performance in Greece compensating for Spain.

Tangible Market Tailwinds

Going forward, there are a number of tangible market tailwinds which doValue is well positioned to take advantage of: (i) default rates are expected to grow, driving new NPE formation, and Stage 2 growth (over 25% over past 4 years) is anticipating this; (ii) NPE servicing will remain attractive as it normalizes towards "steady state", with banks striving to keep low NPE ratios; (iii) doValue is strategically well positioned as it holds the unique position of "independent, large scale, European, capital light" service provider; (iv) very material opportunities beyond NPEs (worth c.€530bn) such as early arrears (worth c.30-40bn) and performing loans (worth c.€5 trillion); (v) €20-25bn of non-banking defaulted positions such as utilities and telcos and buy-now-pay-later represent an additional target; (vi) large portfolios of state-sponsored entities or state-sponsored guarantees are expected to be either outsourced or sold to the open market and (vii) tailwinds from regulatory developments such as calendar provisioning and the NPL directive.

Strategic Guidelines for New Frontiers

Our work is inspired by the ambition to grow as a financial services provider, becoming a trusted advisor for our clients offering innovative products throughout the entire life cycle of loans and beyond. Innovation and operational excellence are our lighthouses for any strategic move and they are embedded into a set of Group wide values. These are the foundations of what we want to be and of how we will behave to reach our ambition, that we have defined also in quantified, measurable terms.

doValue's plan is founded upon 5 pillars:

- Client oriented approach: strengthening the business development team and adopting a proactive approach to consolidate leadership on the core business and to unlock new growth opportunities;
- Growth and diversification: identifying new segments and industries beyond collection including asset management through co-investment fund, dedicated advisory unit focused on origination for clients (thanks to developed infrastructure, geographical footprint, people, data, information), mortgage brokerage, also supported by M&A;
- Re-engineered operating model: innovating throughout the collection journey, fostering productivity, and adopting leaner operations and optimized procured spend;
- Leader in technology and innovation: adopting new technological applications to enable minimum human touch, strengthening technology and analytics capabilities, also by extracting value from data;
- Promoting an inclusive Group culture, nurturing talents and building a sustainable financial system, with sustainability goals embedded into our purpose with tangible actions toward environment, people and governance.

The client-oriented approach pillar is predicated on preserving doValue's leadership in Southern Europe, with strong business development with respect to the pipeline of identified opportunities of €42bn combining the Hellenic Region, Italy and Spain. Our objective is to become the best partner of our clients from origination of loans to recovery of defaulted loans, whether banks or investors, and not only in the management of NPE portfolios but throughout the credit value chain including integration of real estate services with credit management to increase service revenues and expansion of value added services (e.g.



legal service, credit information developed internally, etc). To reach these objectives, doValue has adapted its organization with the creation of a stronger Business Development & Innovation unit at group level with new additions from other industries, and a new dedicated legal entity for advisory services and for analytical portfolio management.

With respect to the growth and diversification pillar, our ambition is to diversify towards non-NPL products which should weight up to 40% of our revenues by 2026, increasing from the level of 33% in 2023. The first set of initiatives we are pursuing are aimed at expanding our core business to new segments and industries, thus chiefly performing loans and Stage 2, which represents a market of c.€5 trillions in Southern Europe, and non-banking NPLs which are worth c.€25 billion. These include the Digital Platform and the pre-delinquency model to support Stage 2.

The second set of initiatives we are pursuing is to grow beyond the collections of NPEs, hence focusing on advisory services, with an addressable market of over €500 million. This includes an advisory unit, a new co-investment fund and mortgage brokerage JV and the origination of DPO financing funded by financial Institutions. We also expect diversification to be assisted by bolt-on tactic and accretive M&A to accelerate the improve growth, diversification and Total Shareholder returns.

With respect to the streamlined operating model pillar, doValue aspires to becoming the leading player in the industry of efficiency and the set of initiatives to be introduced are aimed at achieving 61% Costs/Revenue ratio by 2026, with the ambition to reach 60% beyond 2026. doValue's operating model is more than an efficiency target where cost rationalization continues to be a key value driver aimed at decreasing the break-even point through implementation of technology, processes and procedures IT driven. The operating model is also a business enabler, and the roadmap includes numerous strategic actions that will optimize the way our frontline works, while offering a streamlined backbone with synergies at a group level and increased self service capabilities. These initiatives, are envisaged for all key geographies, with 4 key levers regarding (i) innovation throughout the collection journey, (ii) value-based outsourcing, (iii) specialization to improve productivity, and (iv) leaner operations.

With respect to the technology and innovation pillar, a key consideration is that technology is part of doValue's DNA and that it will continue to play a pivotal role in doValue's journey. doValue's ambition is to position itself at the forefront of technology and innovation, and the strategic roadmap entails many initiatives categorized into three groups: (i) new technology applications to enable minimum human touch: this is about a tech driven collection process with increased self service capabilities; (ii) strengthened technological and analytics capabilities, internalizing core competences and knowledge to increase the intellectual property of the group, and (iii) extracting value from data, which is the heart of the roadmap, with continuing efforts to implement sophisticated data products.

With respect to the pillar on inclusive group culture, the Human Resources strategy is to build a people-centered and performance driven culture, delivering an excellent service through the development of robust and common practices across countries, focus on efficiency, facilitating new talent capabilities and engagement to the group while encouraging the growth of the business and people. The organization is envisaged to undergo a right-sizing to achieve a more efficient operational model, with a 500 net FTE reduction combining 650-700 exits and 150-200 new positions to strengthen capabilities in key areas and aligned with the revenue generation capacity over time. Most of the exits are coupled with initiatives to support the workforce in the transition including re-skilling and up-skilling opportunities.

Country Specific Priorities and Initiatives

A key competitive advantage of doValue is its diversified presence in important markets such as the Hellenic Region and Italy, where it is the leading player, and Spain, which has been successfully restructured following the loss of the Sareb contract.

doValue's goal is to consolidate its presence in all geographies, pursuing strong origination with targeted strategies adapted to the different market conditions, along two main engines of growth: the management of NPLs remains the core engine of growth, and the expansion to UTPs and Early Arrears will be the second



Engine of growth. In the medium term GBV will become less relevant as measure to track revenue performance. A tailored approach is envisaged, correlated to each country's characteristics: in Greece and Cyprus, focus will be given to gain new contracts from banks not having a captive servicer; in Italy, focus is on new value-added services, such as early warning indicators and data enrichment, and in Spain, the opportunity lies in more outsourcing for banks. Across all countries, the data platform will be able to capture other financial and non-financial tech-enabled collections.

Outlook for the Hellenic market is strong, with a market opportunity of €15-20bn of transactions from 2024-2026, with €11bn in the identified market pipeline. The Business Plan conservatively assumes a slight reduction in GBV, with mild growth in revenues thanks to higher collection rates, and a gradual reduction of operating costs thanks to efficiency actions.

Outlook for the Italian market points to a high volume of NPE transactions of €70-75bn from 2024-2026, with €23bn in the identified market pipeline. GBV is expected to moderately decline albeit with an improvement of vintage, leading to a slight growth in revenues, and a steady reduction of operating costs (excluding HQ) thanks to the transformation program.

Outlook for the Spanish market sees €30-40bn of NPE transactions, where doValue Spain is poised to capture market share, growing revenues and reducing costs, in line with the other geographies.

All of these targets assume a relative stability of the current macro environment without any potential credit or crisis event.

Financial Targets

doValue has a clear roadmap to return to sustainable growth of profitability and cash flow generation. While 2024 is a year of transformation, investment, and optimization of the capital structure, 2025 will be the year of return to growth and deleverage, and 2026 will mark the return to an equity story based on sustained growth and cash flow.

The key assumptions underlying the Business Plan are conservative and are consistent with recent results, excluding the impact of non-recurring events such as the loss of the Sareb contract. In terms of macro, there are no improvements compared to the status quo, in particular in terms of NPE formation and solid health of the banking system. Total GBV managed by doValue is expected to decline marginally over the business plan horizon. New GBV inflows, from future flow contracts and from new mandates, are envisaged at c.€8bn p.a.. The collection rate is expected to gradually improve, from 4.6% in 2023 to c.5.5% by 2026, as a combined effect of higher quality and younger GBV, and a more efficient and streamlined operating model.

Gross Revenues are expected to remain fairly stable over the business plan period, remaining in the range of €480-490m in 2026. This is the combined effect of higher collection rates on slightly lower GBV, and the successful diversification of services, entering into adjacent non-NPL areas with attractive long term growth prospects. Diversification is focused mainly in 3 areas: REO services, driven by the Hellenic Region, UTP and Early Arrears, driven by the Efesto fund in Italy and similar initiatives abroad as well Stage 2 and the Digital Platform, and a number of new Value Added Services, with high optionality value enabled by existing capabilities from Advisory Services, co-investment Revenues, and Mortgage Brokerage Services.

In order to protect profitability, doValue has continued and will continue to invest significantly. The doTransformation project launched in 2022 has been largely achieved, with €18m cost savings in 2023, and will be accompanied by a further transformation initiatives launched in 2024. A key element of the further transformation regards initiatives to contain the envisaged increase of the cost base, and in this respect doValue has planned a total net headcount reduction of c.500 FTEs, with 650-700 exits and 150-200 new positions to strengthen capabilities in key area.

Based on these cost reduction initiatives, and coupled with numerous initiatives to foster efficiency, EBITDA is expected to slightly reduce to €160-170m in 2024, which however does not include c.€10m of run-rate savings, had all the cost reduction initiative been fully achieved at the beginning of 2024. The EBITDA gradually increases to €185-195m by 2026, resulting in a margin of c.39%.



In terms of cash flow, ordinary capex of c.€20m p.a., and limited outflows for Net Working Capital and Other items, lead to Operating Cash Flow of c.€130m in 2024, which subsequently increases to c.€145m in 2026. The transformation initiatives undertaken by doValue have considerable one-off cash outflows from 2024 to 2026, which together with a total of €24m for the doValue Greece Earn-out, and taxation and dividend leakage, lead to Net Cash Flows before debt and equity servicing of €50m in 2024 which increases to c.€90m in 2025 and 2026.

Overall, doValue is expected to generate significant Net Cash Flow available for debt and equity servicing, which reduces the leverage ratio to an estimated 2.1-2.3x by 2026. Deleveraging is a key priority for doValue in order to facilitate the refinancing of its existing bond facilities which expire in August 2025 and 2026. In this respect, dividend distributions will be temporarily interrupted in 2024, but will resume in 2025 and 2026 subject to achieving leverage targets in the context of a more conservative dividend policy.

Throughout the business plan horizon, M&A is a strategic lever, either to enter into adjacent business areas less dependent on NPLs, or to consolidate the core NPL markets and achieve synergies. In any event, and considering current leverage, M&A activity is subject to a number of guidelines regarding timing, size, leverage, valuation, geography and structure.



doValue is the main operator in Southern Europe in the management of credit and real estate for banks and investors. With more than 20 years of experience and approximately €116 billion of assets under management (Gross Book Value) as of December 31st, 2023 across Italy, Spain, Portugal, Greece and Cyprus, doValue Group's activities contribute to the economic growth by promoting the sustainable development of the financial system. The doValue Group offers an integrated range of services: management of Non-Performing Loans (NPL), Unlikely To Pay (UTP), Early Arrears, performing credit, real estate management, master servicing, data processing and other ancillary services for credit management. The shares of doValue are listed on the STAR segment of Euronext Milan (EXM) and, in 2023, the Group reported Gross Revenues of €486 million and EBITDA excluding non-recurring items of €179 million.

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