



S P A X S

Strategic Plan 2018 - 2023

**Andrea Clamer**

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NPL Division

# Our goals



Become a leader in the **Corporate secured and unsecured NPL** market

Very strong **acquisition capacity**

Widespread **use of data** across the entire NPL lifecycle

Stricter regulation...



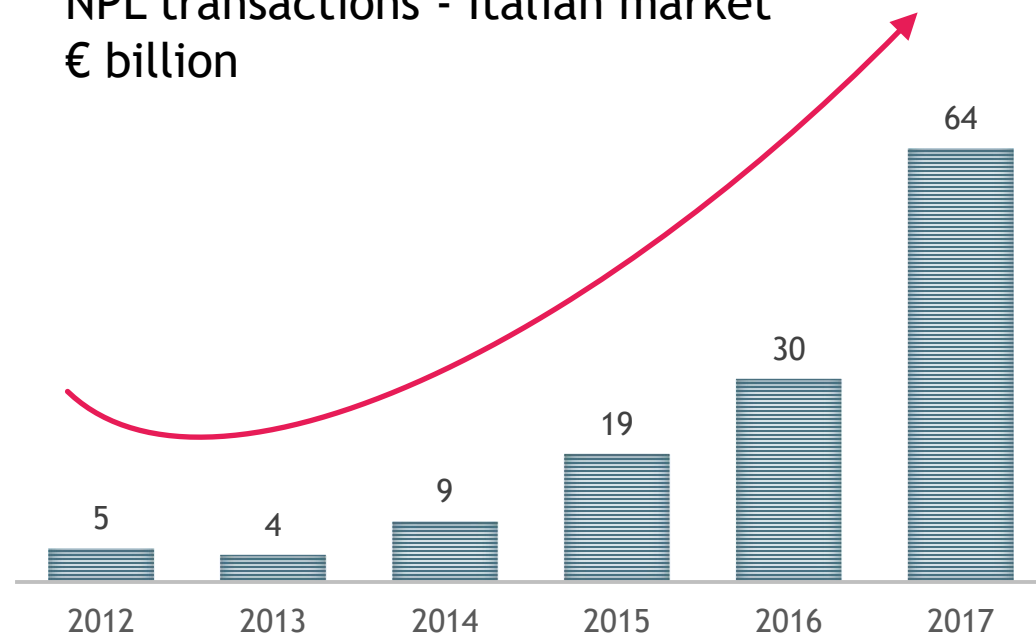
Reduction of banks'  
NPL ratios



Calendar  
provisioning  
increasing NPE  
coverage

... to create opportunities for NPL  
players

NPL transactions - Italian market  
€ billion



# We will focus on Corporate NPLs

## Why?

NPL distribution by asset class



### Large market

4 times larger than Retail NPL



### Uncharted territory

Few information, limited data, non-specialised pricing model



### Immature servicing market

No servicers dedicated to unsecured corporate NPLs

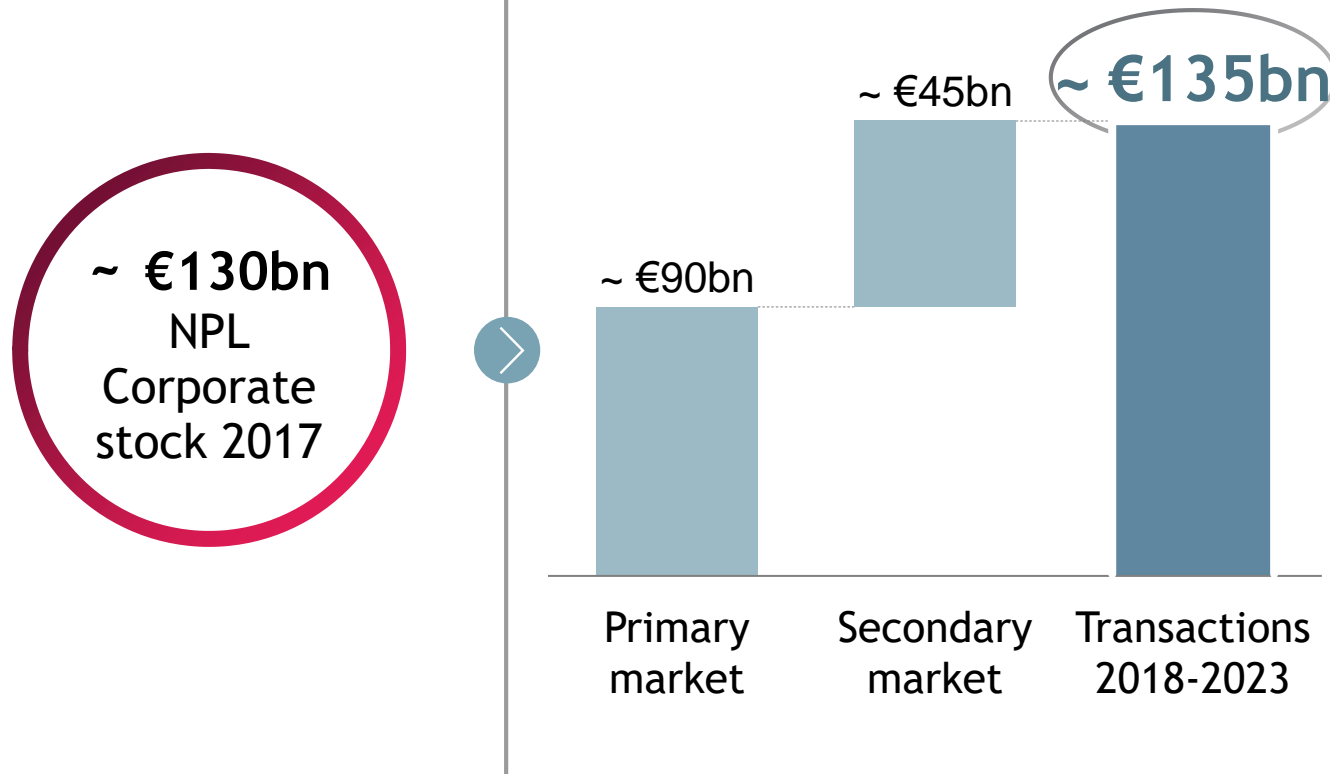


### Limited competition

Few players

# Robust NPL supply in the next 5 years

Estimate of Corporate NPL market transactions 2018-2023



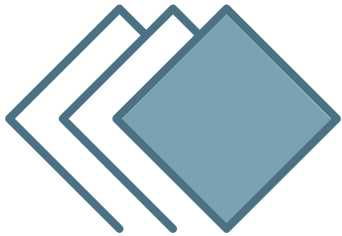
Our focus

We will focus on Corporate NPLs<sup>1</sup> - a huge, immature and un-tackled market

1. NPLs including Bad Loans and Unlikely to Pay (UTP) very close to Bad Loans  
Source: Bank of Italy (Statistic report March '18), BCG estimates, see Disclaimer attached at the end of this document

# Three core offerings for institutions and NPL investors

## Purchasing



Investing in **Corporate NPL** portfolios and single names disposed of by banks or other players

## Financing



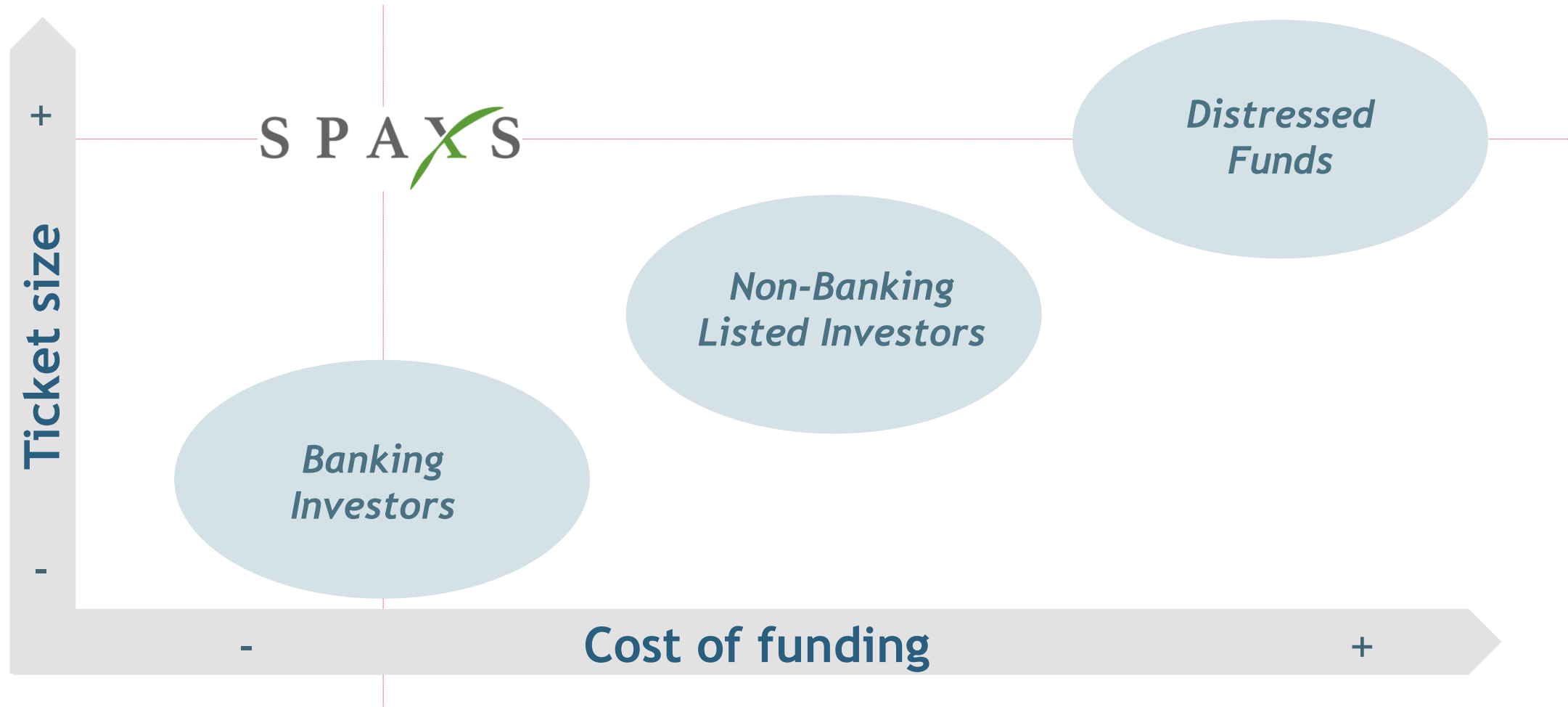
**Lending** and other financial services for NPL investors (e.g., bridge financing)

## Servicing



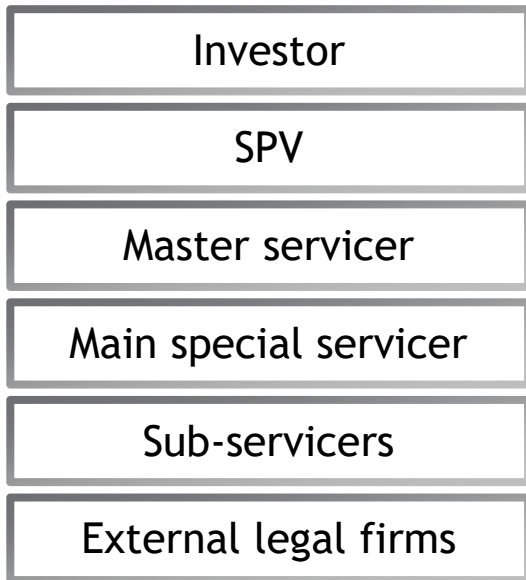
Managing through best-in-class **servicing platform** captive and non captive portfolios

SPAXS will compete on large corporate NPLs with a lower cost of funding

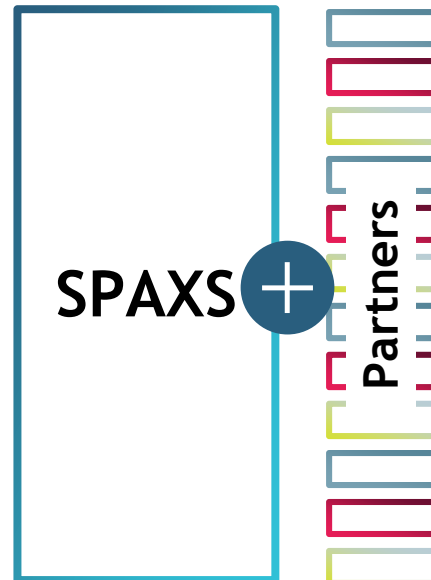


# Integrated servicing platform

## Traditional NPL value chain



## SPAXS value chain



**Lower costs** - both collection and legal costs



**Faster collection** with early involvement of lawyers



**Higher recovery rate** with cross-fertilisation of competencies along the value chain



**Distinctive skills** leveraging on partners with proven qualified expertise



Development of **internal know-how** in collection



# Data-centric approach

Sources and inputs

Data analysis and methodology fine-tuning

Output

Info providers



Borrowers' data



Market data

Machine Learning



Unstructured data

Workout units



Recovery data

*Internal proprietary knowledge*



Enriched Database



Advanced Analytics



Platform



Pricing

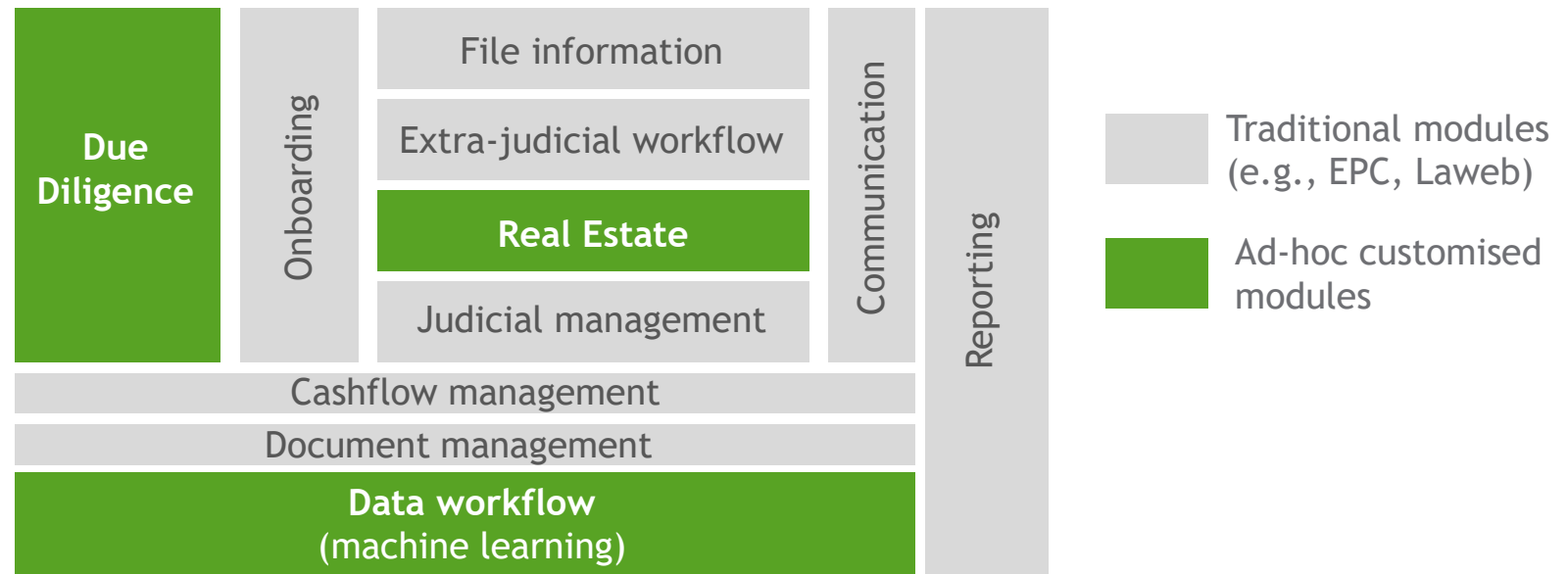
Collection Workflow



Best-in-class  
market  
solution with  
**customised  
add-ons**

## IT solution for collection platform

### Core NPL collection system



**NPL IT system 1<sup>st</sup> release:  
October 2018**

# Experienced management team

## NPL Division

### Acquisition

#### Portfolios

10+ years' experience in loan portfolio and distressed asset sales across Europe

#### Single Names

10+ years' experience in Real Estate management

#### Senior financing

10+ years' experience in Securitisation and Debt Capital Markets

### Servicing

#### Recovery

10+ years' experience in NPL recovery with top player servicers

#### Real Estate

10+ years' experience in Real Estate management

#### IT & Ops

10+ years' experience in IT and operations across different businesses

**Head of servicing platform** is a former entrepreneur with 18 years' experience including strategic consulting and NPL collection

# Four steps to understanding NPL accounting

## 1

Logic

### Business

- 7-year lifetime
- Cash revenues distributed unevenly



### Accounting

- Annual reporting
- Accounting revenues distributed evenly

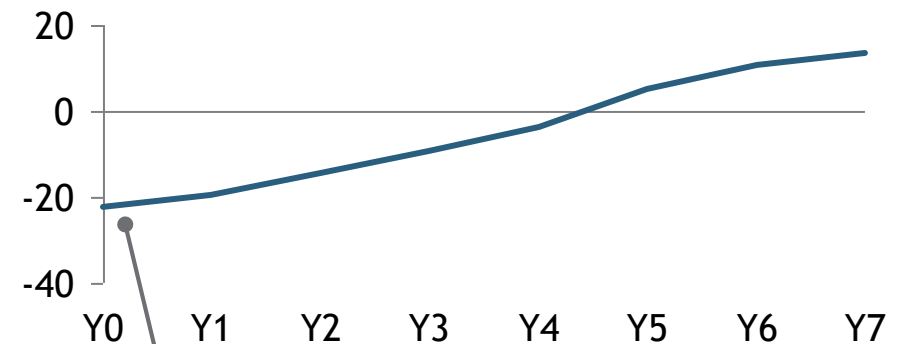
## 2

Cash Flows

### Typical NPL investment

- 4 years to recover price
- 7 years to complete collection

Cumulated cashflows



Starting point is equal to the price paid to acquire NPL portfolio

# Four steps to understanding NPL accounting

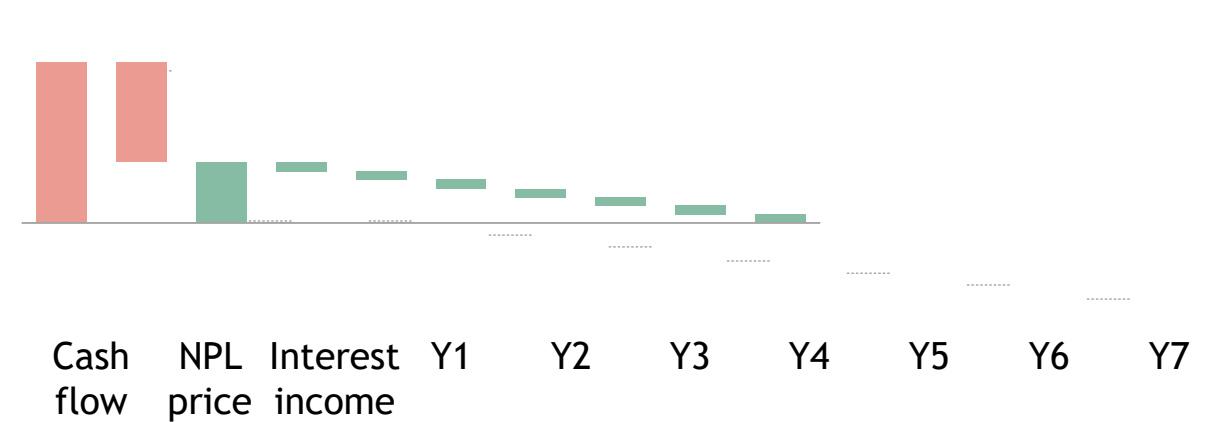
3

P&L

IFRS 9 asks to:

Based on expected cashflows

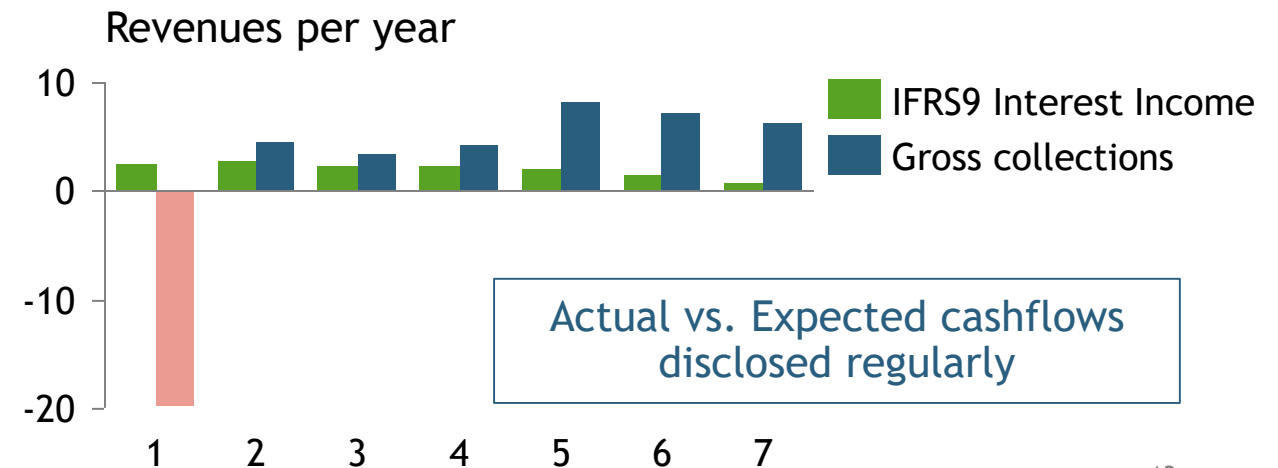
- Calculate an IRR for the 7 year investment
- Book the yearly P&L accordingly



4

Cash Flows vs. P&L

- Yearly IFRS 9 Interest income is initially higher than cashflows



# Our Targets

2023

**~€3bn**  
Cumulative  
NPL  
Purchase  
(NBV)

**~€135m**  
Net  
Profit

**~€1.3bn**  
Senior  
Financing  
gross  
origination

**~€12bn**  
Servicer AuM  
GBV (captive  
+ non  
captive)

## Our business plan: KPIs

<b>Deployment</b> (€bn)			<b>Profitability</b> (€m and %)		
	<b>2020</b>	<b>2023</b>		<b>2020</b>	<b>2023</b>
<b>Net loans to customers</b>	<b>1.9 - 2.3</b>	<b>2.6</b>	<b>Net profit</b>	<b>40 - 48</b>	<b>135</b>
<i>NPL direct investments</i>	<i>1.8 - 2.0</i>	<i>2.3</i>	<b>ROE</b>	<b>10 - 12%</b>	<b>25%</b>
<i>Lending to NPLs non-bank investors</i>	<i>0.2 - 0.3</i>	<i>0.3</i>	<b>Cost/Income</b>	<b>45 - 55%</b>	<b>25%</b>
<b>Assets under management</b> Servicing platform (GBV, captive + non captive)	<b>7.0 - 7.5</b>	<b>12.0</b>	<b>Servicing revenues</b> % (on NPL Division Revenues)	<b>5%</b>	<b>10%</b>
			<b>FTE</b>	<b>125 - 150</b>	<b>~200</b>

# Toolkit for investors to understand NPL division

## Business plan assumptions

~4

Years to recover price

7

Years to complete collection

1.6  
x

Cash on cash multiple

6%

Average collection fees

## Regular disclosure



Gross cash collections



Collection costs



Update on collection curves



Total portfolio ERC



# Making this real

- Pipeline of **6** transactions for **€4bn GBV**
- Signed an agreement for **€260mln GBV**

## October 2018

## H2 2019



### Projects

- NPL pricing tool
- NPL IT system 1st release

- Full IT architecture completed

### Team

- Hired **20** professionals with extensive experience in NPLs

- **90** professionals on board (both acquisition and servicing)

### Servicing platform

- Set up of servicing company (obtained licence ex art. 115)

- Servicer ready for non captive portfolios

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