



# PRAGMA GROUP

presentation

**PRAGMA**

# About Pragma Group

- Pragma is one of largest polish financial non-banking group that provides services to SME companies.
- The Group operates in Poland but approaches expansion in CEE countries.
- The Group main activities fit in three separate but complementary business lines: loan collection, factoring and corporate NPL (non-performing loans) management.
- Two companies from the Group are listed on the Warsaw Stock Exchange.
- Total assets in 2015 year amounted to PLN 186m and equity exceeded PLN 60m.
- The Group employs over 140 people and is supported by an external network of lawyers, collaborating bailiffs, business intelligence offices and real estate brokers.

# Business lines

## Loan collection

**Debt collection** – comprehensive b2b debt recovery at any stage, one-off debt purchase and off-balance sheet non-performing loans

Net revenues **PLN 4,6 m**

Turnover **PLN 33m**

Total equity **PLN 62,7m**

Market cap **43,7 PLN m**

Raised capital by issuing bonds (2013-2016) **PLN 19,5m**

**Strategy and operations development** – exploiting synergy effects of incasso debt collection and NPL portfolios management

## Factoring

**Factoring** for micro and SME like regular factoring – export, recourse and non recourse, invoice discounting and business loans

Net revenues **PLN 17,3m**

Turnover **PLN 521m**

Total equity **PLN 36,3m**

Market cap **32,2 PLN m**

Raised capital by issuing bonds (2013-2016) **PLN 65m**

**Strategy and operations development** – further growth of fast revolving, well diversified receivables, reducing financial costs

## Corporate NPL management

**Non-performing loans portfolios** acquisitions, loan management, debt servicing

Net revenues **PLN 9,7m**

Turnover **PLN 13m**

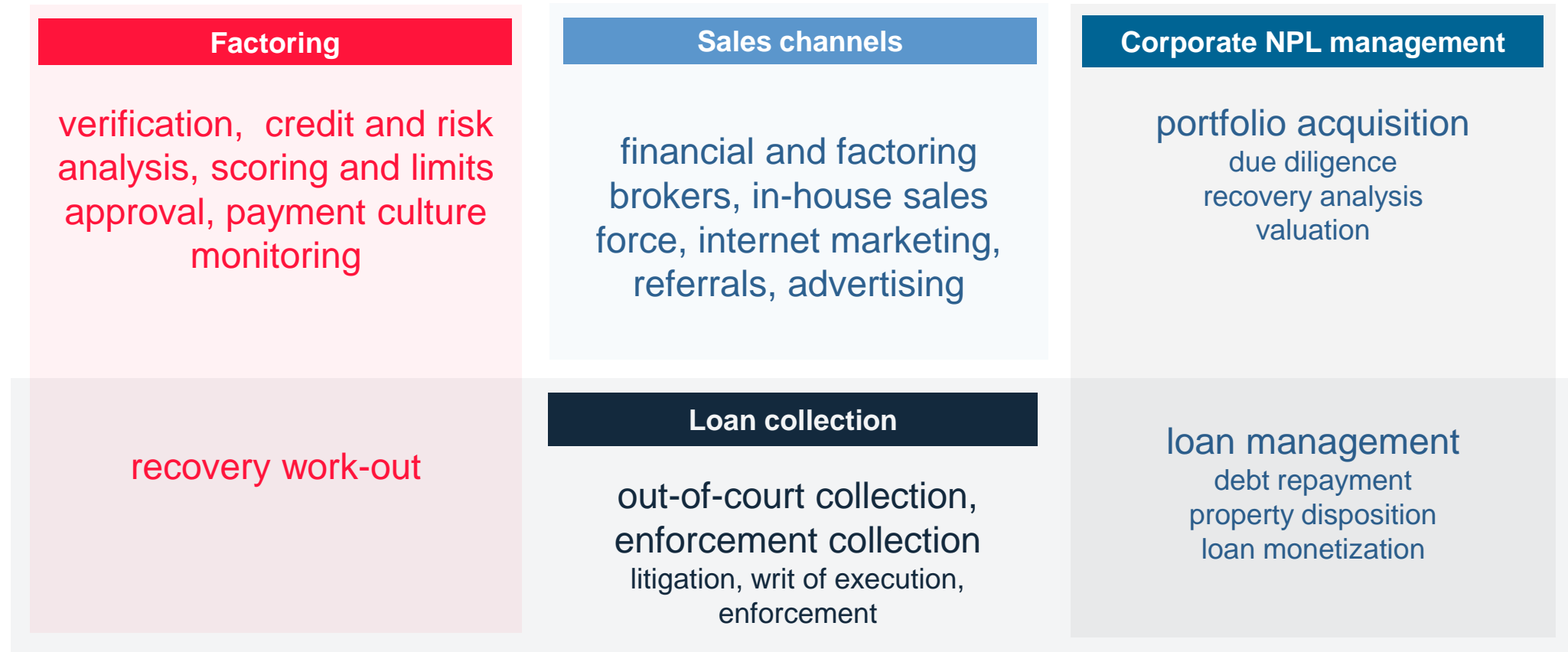
Total equity **PLN 83,9m**

Market cap **n/a**

Raised capital (2013-2016) **PLN 75m**

**Strategy and operations development** – increasing scale of operations by starting new funds

# Business model



# Corporate nonperforming loans management

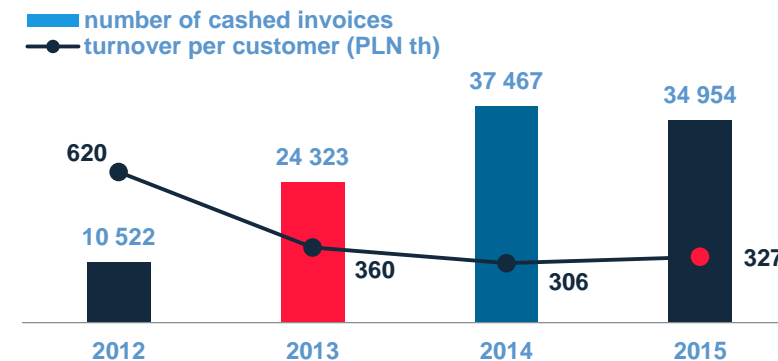
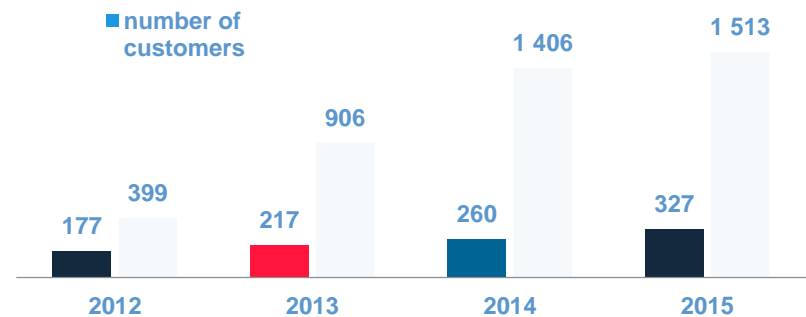
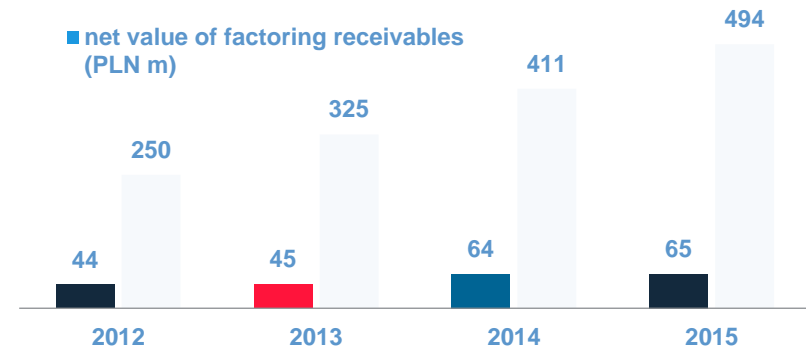
- Pragma Inkaso with over 15 years of experience gained requisite knowledge to collect due corporate debt, adequately price the corporate NPL portfolios and manage securitization funds (as a licensed servicer).
- Pragma Inkaso enjoys strong position in this relatively small but up-and-coming market of non-performing corporate loans. In 2015 the company purchased NPL portfolios of PLN 470m face value grabbing over 20% market share.
- In 2013 year Pragma Inkaso originated first securitization fund called Pragma1, where with no help of coinvestors acquired PLN 1,5bn of NPLs in 20 transactions. Up-to-date asset value of the fund exceeds PLN 85m.
- This year Pragma together with one of the most prominent and innovative banking Group in Poland established next two securitization fund raising PLN 50m.
- Together with daughter companies, Pragma Inkaso employs a staff of 140 staff supported by an external network of lawyers, collaborating bailiffs, business intelligence offices and real estate brokers

# Factoring

- Pragma Faktoring is part of Pragma Group which provides financial services to SME companies.
- We provide full range of factoring services from invoice discounting to fully covered by insurance, regular, non-recourse factoring.
- Our strategy is focused on optimization of capital structure, repeatable and well diversified transactions, on-line business and off-the-shelf services for the smallest entities.
- Large and growing cash-flows together with more and more recurring and diversified business gives space for much higher financial leverage.
- Over last few years we managed to lower our average cost of debt which enabled us to offer cheaper factoring services and considerably widened our target group.

# Factoring key insights

- We are a leading factor within the non-banking sector.
- We offer full range of factoring services for micro and SME like regular factoring, recourse and non-recourse, export and domestic, invoice discounting, microfactoring, ABL and business loans, bill of exchange discount, advance and pre invoice financing, confidential factoring.
- We tailored our documentation requirements and procedures to become friendly to micro, small- and medium-sized entities (SME).
- Every single year we enjoy steady increase in factoring portfolio, cash inflows, number of customers, and number of cashed invoices.
- This growth is healthy and balanced as asset turnover is getting higher every following year (cash inflow paid by customers and factorees is growing faster than average value of factoring portfolio).
- Steady growth of scale is not detrimental to diversification. Larger volumes goes together with increasing number of debtors, customers, cashed invoices. Average turnover per customer has decreased almost by half over last four years.



# Factoring financial results

- Net revenues for last two consecutive years were flat due to limiting our activity in more risky and less liquid loans.
- Our focus on core business results in dynamic growth of factoring revenues which weighs 90% now.
- Within factoring services we experience gradual evolution of the offer towards more secure, diversified factoring with regress to the factoree and fully covered by insurance.
- Results of 2015 do not include non-cash impairment loss on disputable claims (the second biggest commercial bank in Poland refused to honor issued in 2013 irrevocable, unconditional guarantee, one-off transaction).
- We see much space in profitability improvement by further reduce of relatively high financial costs.

	2013	2014	2015*	IH 2016
<b>Gross revenues</b>	337,7	427,0	501,5	231,7
<b>Net revenues</b>	15,6	19,7	18,9	9,2
<i>Factoring revenues</i>	11,1	14,7	15,9	8,3
<i>Loan revenues</i>	4,0	4,7	2,8	0,87
<b>OPEX</b>	9,5	9,6	9,3	4,8
<b>EBITDA</b>	5,2	9,4	8,5	4,2
<b>EBIT</b>	5,0	9,1	8,2	4,0
<b>Financial costs</b>	3,9	4,3	3,4	2,3
<b>Profit before tax</b>	2,5	5,1	5,0	2,1
<b>Net profit</b>	1,9	4,0	4,0	1,8

\* pro-forma data, PLN m



# lease link – first step into fintech Group



- This year Pragma Faktoring purchased 50% stake in fintech start-up LeaseLink, which boasts of being the only entity in Europe offering genuine online leasing of small ticket equipment. After achieving milestones stipulated in share purchase agreement Pragma is going to reach 71% in LeaseLink.
- E-leasing as one of multiple payment choices in ecommerce customized to entrepreneur's needs
- Software engine based on intelligent algorithms prompts best transaction structure
- On-line procedure – application, verification, credit decision and all valid documents are processed online in 15 minutes all year round 24/7

<b>24/7</b>	<b>E-commerce</b>	<b>Omnichannel</b>	<b>API</b>
-------------	-------------------	--------------------	------------



# Thank you

**PRAGMA**

## **PRAGMA GROUP**

Brynowska Street 72; 40-750 Katowice; POLAND

Czarnohucka Street 3; 42-600 Tarnowskie Góry; POLAND