

Article from Cision Promoted: Slovenia pulled DDM Holding forward in q3

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The extensive growth for DDM Holding in the third quarter was pulled forward by the group's largest transaction to date – €17 million, in Slovenia.

"Following the investment in Slovenia, DDM has had a significant increase in collected funds resulting in a strengthen cash flow.", says CEO Gustav Hultgren.



DDM Holding CEO, Gustav Hultgren.

DDM Holding, listed at stock exchange First North in Stockholm, is a specialized investor in and manager of consumer debt receivables. A, somewhat simplified, description of DDM Holdings sector and business is to invest in debt, also called distressed assets. DDM focuses on consumer receivables issued by banks and other credit institutions in so-called non-performing loans, where the debtor has stopped amortize. But unlike most other companies in the industry, DDM outsources the operating part of the collection to local partners.

"This is central to our business model. By outsourcing debt collection activities, we have no expensive set-up costs as we enter a new market. This means we do not need to linger in a particular country to support a local debt collection. It gives us great freedom to look at investment options across Eastern Europe and select portfolios with the best return.", says CEO of DDM Holding, Gustav Hultgren.

DDM Holding, based in Switzerland, was founded in 2007 by the Group's present Chairman of the Board, Kent Hansson. With great experience from the credit and debt collection industry, Kent Hansson saw a potential market for investment in Eastern Europe, where his employer at the time did not operate. The first portfolio investment for DDM was carried out in Russia in 2008 and became, together with Romania, the first geographic market for DDM. The challenges for the Russian economy, however, has resulted in reduced investments in the Russian market. Focus for DDM Holding today is instead on other Eastern European markets such as Slovenia, Hungary, Romania and the Czech Republic. Today, the

group has 2.3 million consumer debt receivables with a face value exceeding EUR 2 000 million.

“The key to success”

To reduce risk is, first and foremost, to calculate the repayment options of the debtor combined with the expenses of the portfolio. To answer the question of who is able to pay back on their debt, and how, is according to the CEO the key to success. The Group manages this risk with carefully designed strategies based on thorough analysis of the portfolio before investing.

"We go through historical data and analyze the conditions for repayment. Factors in need of clarifications is, for example, if the repayment is expected to be made in one single payment or in monthly installments, whether the case could go to court and so on. Revenue profile of the portfolio forms the basis for pricing and the decision to acquire the portfolio, or not. "

And to price a portfolio correctly is, according to the CEO, one of the Group's greatest strengths.

"To find and assess a portfolio is DDM's core competencies. After the acquisition, the portfolio is taken care of by our staff, many of whom have backgrounds in the collection industry. They govern the implementation of the strategy designed for our local partner. While the strategy is carried out, we are actively following up, adjusting if necessary, to maximize the development of the process - something we usually do better than our competitors."

DDM has gone from acquiring portfolios in the price range of €1-5 million to a current level of €15-25 million. There is less competition in this segment, because fewer companies have access to that amount of capital, explains the CEO. Also, lingering on the Eastern European markets are prejudices about lack of regulations and unethical actors, something that is simply not true, according to Gustav Hultgren.

"The Eastern European markets are currently being developed at a faster rate than the Western dittos. Many countries have or are close to catch up with Western Europe. The regulations continuously strengthens, mainly by consumer protection organizations, largely driven by EU regulations."

“Consistent progress of improvement”

In addition to the operation in Slovenia during the third quarter, the Group has also paid off loans of approximately €8 million as a result of the stronger cash flow; an important step in the right direction to strengthen the balance sheet, previously burdened by great capital expenses.

"To continue our growth and reduce our capital expenses is our number one priority today. A quick look at our finances and it's clear that the high capital expenses weighed down on our result. We are consistently working to improve this, but it is a lengthy process in which we must demonstrate we're delivering on our strategy. Recent quarters confirms that we are doing so."

DDM's portfolio has grown by 57 percent over the past twelve months after the major acquisitions in Slovenia and Hungary. The financial targets for 2016 as well as the full year of 2017, requires additional capital, says the CEO. The full year target for 2016 was set at €30 million in investments, but the Group has already reached an investment level of €34 million. For next year, the target is to invest €50 million.

"We have previously announced our intention to, within the near future, approach the capital market to finance a solution for our continued journey of strong growth." says Gustav Hultgren.

DDM Holding AB is listed on Nasdaq First North in Stockholm since August 2014. On Wednesday morning, DDM Holding traded for approximately SEK 38 per share.

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Key posts in third quarter, EUR (Y/Y)

Net collections: 10,4 mn (2,4 mn)

Cash EBITDA: 9,3 mn (1,1 mn)

Profit: 3,9 mn (-1,6 mn)

Gross ERC (cash flow forecast of portfolio): 89,6 mn (57,2 mn)