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## Press Release

# Intrum presents 2020 strategy, financial targets and updates on recent continued strong business development

At the Capital Markets Day, to be held in Stockholm today, Intrum outlines its strategy “Intrum 2020” including strategic priorities in the years ahead. Certain areas will receive particular attention:

- **Strong business momentum in Q4 to date**
- **Updated financial targets**
- **Intrum’s positioning and strategy**
- **Merger integration update**

Mikael Ericson, President and CEO, says: “*The integration of the two companies is well on track and the merger of Intrum Justitia and Lindorff has so far proven to be very successful from both an operational and client perspective. Already by the end of this year, we will have realized more than SEK 190 million in annualized run-rate cost synergies. The combined entity Intrum, present in 24 markets, has the scale, market position and unique value proposition to capture the unprecedented growth opportunities presented by the ongoing structural trends in the banking sector. We have seen this materialise during the second half of 2017, and the current pipeline of portfolio investments and BPO contracts is the largest we have seen in recent history. We will lead the way to a sound economy and I am really excited about the prospects for Intrum which we today outline in detail through updated financial targets and describing our main strategic priorities going forward. Intrum will continue to be the most innovative and profitable CMS provider and generate significant values to our clients, shareholders and society.*”

### **Strong business momentum in Q4 2017 to date**

Since the end of the third quarter 2017, Intrum has seen continued strong business development including the following key developments:

- Agreements to acquire a number of large debt portfolios across several countries, for a total investment of about EUR 200 million. This figure includes the previously announced debt portfolio from Eurobank in Greece as well as the Italian debt portfolio announced on December 3.

- Additional agreements to acquire debt portfolios with a forward flow structure, which will generate estimated portfolio investments of about EUR 50 million over the next three years.
- As announced on December 3, agreement to acquire the Italian credit management services company CAF and a large diversified debt portfolio serviced by CAF, for a total consideration on a cash- and debt free basis of about EUR 200 million. This acquisition establishes Intrum as one of the market leaders in the important Italian market with a strong and balanced business model.
- Two additional acquisitions of smaller but complementary credit management service companies in Germany and Italy.

Furthermore, as published in a press release on November 2, 2017, Intrum entered into a definitive agreement with Lowell to divest Lindorff's business in Denmark, Estonia, Finland and Sweden as well as Intrum Justitia's business in Norway for about EUR 700 million.

## Updated financial targets

At the Capital Markets Day today, on December 7, 2017, Intrum presents updated financial targets following the merger between Intrum Justitia and Lindorff as well as the divestment of certain businesses:

### 1. EPS growth of at least 75% in 2020 vs. 2016

EPS (earnings per share) growth is the central driver for shareholder value creation and highly correlated with total shareholder returns. Intrum will aim to grow its EPS by at least 75% by 2020 compared with 2016 EPS, which translates into approximately 15% average annual growth and an EPS of approximately SEK 35 by 2020.

### 2. Portfolio ROI of at least 13% p.a.

Return on Portfolio Investments (ROI) is a key profit driver and Intrum aims to grow its book value of portfolios significantly in the years to come, while maintaining an ROI of at least 13% p.a. The return target level is on an unlevered basis and implies strong risk-adjusted shareholder value creation.

### 3. Net debt / Cash EBITDA multiple of between 2.5 to 3.5 times

Comparing the net indebtedness to a cash flow metric is the most relevant way to assess Intrum's debt capacity. The metric net debt / Cash EBITDA was at the end of Q3 approximately 3.5x on a pro forma basis and adjusted for the proceeds from the divested units in November.

Intrum aims to maintain a range of 2.5-3.5x going forward, a range which reflects Intrum's strong cash flow generation, low risk profile from a diversified and balanced business model, as well as the strong outlook and pipeline within portfolio investments and BPO contracts. Net debt / Cash EBITDA may temporarily deviate from the target range as a result of strategic acquisitions or otherwise.

#### **4. Dividend policy to distribute at least 50% of net earnings p.a.**

Intrum's Board of Directors intends to annually propose a dividend or its equivalent to shareholders that over time averages at least half of the net earnings for the year after tax. Decisions relating to dividend proposals will take into account estimates of future revenue growth, financial position, capital requirements and the business status in general.

#### **Intrum's strategy for continued market leadership and strong growth**

During today's Capital Markets Day, Intrum will give an overview of its competitive position in the market and its strategic priorities to maintain market leadership, further leverage its competitive advantages and continue its strong profitable growth.

#### **Strong competitive position**

Intrum has an unrivalled scale and reach being present in 24 markets in Europe with a uniquely balanced and integrated business model. Intrum's scale and capabilities enable Intrum to take on large strategic projects such as structuring complex deals and BPO contracts. The business model combines debt collection and debt purchasing, allowing Intrum to maximise revenues by offering solutions to clients along the entire value chain.

The complementarity between Portfolio Investments and Credit Management Services results in clear synergies and tangibles benefits, including flexibility towards clients, preferred access to purchase serviced portfolios, operational scale advantages and financial synergies including, for example, ability to use capital light earnings from Credit Management Services for portfolio investments and deleveraging.

Intrum benefits from clear competitive advantages to be able to lead the industry and capture the unprecedented opportunity for growth and expansion presented by ongoing structural trends in the banking sector.

#### **Strategic plan and 2020 ambitions**

Intrum has a well-developed strategy of being the most innovative and profitable CMS provider that balances market growth opportunities with commitment to operational excellence and further efficiency improvements. Today Intrum outlines the following key strategic priorities and ambitions for 2020:

##### **1. Growing Portfolio Investments**

Intrum is currently present in 24 markets with a portfolio investments book value of SEK 19 billion, primarily within unsecured consumer debt. The merger between Intrum Justitia and Lindorff strengthened a world class portfolio investments business built on strong relationship and debt purchasing expertise.

Expansion into new asset classes has allowed Intrum to apply best practices across a wider pool of assets which has contributed to the build-up of a very strong current pipeline, the largest seen in recent history. Intrum has built a strong presence and capabilities within SME and secured asset classes, with a presence today in 8 markets and SEK 2.5 billion in portfolio book value as of Q3-2017, and believes it possesses the key success factors to capture market opportunities and grow these businesses significantly.

## 2. Growing Credit Management Services

Intrum aims to continue to deliver strong organic growth within Credit Management Services through its commercial excellence programme Xpand, a programme focused on driving targeted organic growth through, for example, more integrated and sales-driven approach, a holistic client service offering across all products, a new common sales and performance culture and a new CRM system. In addition to organic growth within Credit Management Services, Intrum sees strong market opportunities to grow revenues significantly from BPO contracts and acquisitions in a fragmented market with ongoing consolidation.

## 3. Digitalisation and data analytics

Digitalisation and data analytics are the key transformational catalysts to be able to simultaneously grow and increase efficiency in a changing market. Being the most innovative CMS provider and pushing the industry standards within digitalisation and data analytics has always been at the core of Intrum's strategy and Intrum will in the coming years accelerate its ambitions within this critical business area.

## 4. Operational excellence

Intrum has a long history of commitment to operational excellence and continuous improvement and will continue to focus on extracting value from the large and scalable platform and to operate more efficiently at a lower cost base. Intrum will in the years to come focus on strategic operational excellence initiatives within i) scaling up its Shared Service Centers, ii) IT effectiveness and efficiency, iii) utilising scale within sourcing and procurement and finally iv) driving best practices across the CMS value chain.

## 5. Merger benefits

A key value creating strategic priority for Intrum in the years ahead will be to extract financial and strategic benefits from the recent merger between Intrum Justitia and Lindorff. Significant synergies have already been taken out and Intrum aims to secure further synergy realisations through detailed implementation plans with clear ownership, accountability and a detailed tracking tool to follow each initiative. In total, Intrum expects cost synergies of approximately SEK 580 million on an annual run-rate basis toward the end of 2019.

In addition to cost synergies, Intrum sees significant potential from revenue synergies in the medium-term, primarily through a larger dataset and improved collections and portfolio pricing, complementary products and services as well as geographical expansion with existing clients.

## Merger integration update

Since the merger of Intrum Justitia and Lindorff was closed in June 2017, the combined company has seen a high level of activity to implement the merger. The company has announced a new brand, Intrum, and a new shared identity for the merged company.

The integration is progressing according to plan at a very good pace and quality in the process including, for example, implementation of a joint IT infrastructure and a new organisational model. Key focus areas going forward for the integration include further

harmonisation of IT systems, office location consolidation, migrating services to the shared service center, procurement optimisation and integration of operational centers.

By the end of 2017, Intrum will have realized about SEK 190 million in annualized run-rate cost synergies, and in total Intrum expects cost synergies of approximately SEK 580 million on an annual basis within e.g. countries with overlapping operations, group functions and IT. The associated one-off costs to realise the synergies amounts to approximately SEK 725 million. Outlined below is an updated detailed timeline for cost synergy realisation and associated one-off costs.

Annualized, SEK million	FC Q4'17	FC Q4'18	FC Q4'19
End of year run-rate of realized cost synergies	190	440	580

Full-year estimate, SEK million	FC FY'17	FC FY'18	FC FY'19	Total
One-off costs to realise synergies	200	380	145	725

## Capital Markets Day

The Capital Markets Day will be held in Stockholm at GT30, Grev Turegatan 30, Stockholm on 7 December 2017 between 10.00 a.m. and 4.30 p.m. The presentation material will be made available on [www.intrum.com/cmd2017](http://www.intrum.com/cmd2017) around 10.00 a.m on 7 December, and the webcast will be available latest on Monday 11<sup>th</sup> December.

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Intrum is the industry-leading provider of Credit Management Services with a presence in 24 markets in Europe. Intrum helps companies prosper by offering solutions designed to improve cash flows and long-term profitability and by caring for their customers. To ensure that individuals and companies get the support they need to become free from debt is one important part of the company's mission. Intrum has more than 8,000 dedicated and empathetic professionals who serve more than 100,000 companies across Europe. In the 12 months ending September 2017, pro-forma revenues amounted to SEK 12.1 billion. Intrum is headquartered in Stockholm, Sweden and the Intrum share is listed on the Nasdaq Stockholm exchange. For further information, please visit [www.intrum.com](http://www.intrum.com).

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