

Vindexus S.A.



Price target: PLN 22.30

Update

Rating: BUY

After beating our estimates on all levels in 2023, Vindexus also delivered strong profitability figures for Q1/24, which allowed it to become net cash. But at the same time the cash proceeds from debt collection and the value of the purchased debt/receivables portfolio declined by 9.5% y-o-y and 3.2% respectively, which could have a negative impact on VIN's future results. Nevertheless, we have increased our estimates for the EBIT margin/net margin in 2024E and 2025E by 10.1%/7.7% and 9%/7% respectively. Since our last report in September 2023, the company has acquired 1.05m own shares for PLN 12.5m (total buyback program: max. PLN 18m at PLN 12/share). While the Kuchno family, which controls the majority of the shares, wants to acquire 100% and de-list Vindexus, we believe that they will have to increase the offered price significantly, which in our view constitutes an opportunity for investors at current level. With a P/Tangible BVPS = 0.4x, Cash-to-market cap ratio of 61.4% and P/E 2024E-2026E of 4.9x-5.1x (adjusted for treasury shares), Vindexus remains attractively valued. Moreover, the soon decreasing interest rates should lower its financing costs and allow a write-up of its debt portfolios. Our new 12-months PT (70% DCF, 30% peer group) for Vindexus is PLN 22.30 (prev. PLN 13.90, BUY rating maintained). We expect the DPS, which has increased every year since 2014, to increase further in the coming years.

In Q1/24, which is usually the company's weakest quarter, VIN's revenues declined by 1.4% y-o-y but its net income advanced by 63.9%. While revenues were negatively affected by lower cash proceeds from debt collection, profitability improved due to especially a 11% higher gross margin. Positive was the strong operating cash flow (PLN 18.8m vs. PLN 16.5m in Q1/23) and the significant decline of net debt (PLN -1.5m vs. PLN 9.2m).

We have increased our estimates for the EBIT margin in 2024E-2026E to 29.8%-32.2% (prev. 21.8%-22.1%) while at the same time trimmed our sales forecasts by 7.9%-15.3% due to the declining value of the debt portfolio. However, we remain confident for the future as VIN has proven in the past that it knows the Polish debt collection market in and out, never pays too much for new debt and manages liquidity wisely.

in PLNm	2021	2022	2023	2024E	2025E	2026E
Net sales	125.61	115.83	105.41	102.35	104.75	107.59
EBITDA	69.21	43.21	32.11	33.61	33.19	32.74
EBIT	68.39	42.64	31.45	32.92	32.48	32.01
Net income	36.00	32.20	18.63	20.47	20.79	19.96
EPS	3.08	2.75	1.59	1.75	1.78	1.71
DPS	0.25	0.27	0.40	0.45	0.50	0.55
Dividend yield	2.61%	2.82%	4.18%	4.70%	5.22%	5.74%
RoE	17.27%	13.40%	7.16%	7.47%	7.18%	6.55%
Net gearing	13.94%	10.40%	3.35%	-2.07%	-6.33%	-8.42%
EV/Sales*	0.80x	0.87x	0.95x	0.98x	0.96x	0.93x
EV/EBITDA*	1.45x	2.33x	3.13x	2.99x	3.03x	3.07x
P/E*	2.8x	3.2x	5.5x	5.0x	4.9x	5.1x

* Adjusted for 1.0476m treasury shares

Company profile

Vindexus S.A. is a family-owned Polish debt management company. It has been listed on the Warsaw Stock Exchange since 2009.

Date of publication	15 July 2024 / 6:30 am
Website	www.gpm-vindexus.pl/pl
Sector	Debt Collection
Country	Poland
ISIN	PLVNDX00013
Reuters	VIN.WA
Bloomberg	VIN PW

Share information

Last price	9.58
Number of shares (m)	11.70
Market cap. (PLNm)	112.09
Market cap. (EURm)	26.31
52-weeks range	PLN 12.68 / PLN 6.56
Average volume (shares)	8,922

Performance

4-weeks	14.13%
13-weeks	-11.73%
26-weeks	-11.73%
52-weeks	41.53%
YTD	-5.90%

Shareholder structure

Jan Kuchno (CEO)*	33.63%
Marta Currit (daughter of the CEO)*	10.25%
Piotr Kuchno (Head of the Supervisory Board)*	8.83%
Julia Kuchno (Member of the Board)*	7.64%
Treasury shares**	8.95%
Free float	30.70%

* Shareholders' agreement since 13/06/2023 with the objective

to take Vindexus private

** 4.16% are held directly and 4.79% through 98.7% subsidiary Fingo Capital S.A.

Financial calendar

H1/24 report	September 14, 2024
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Analyst

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Q1/24 results

Revenues and Profitability

For Q1/24, Vindexus reported flat revenues y-o-y of PLN 25.5m that stemmed solely from Poland. The largest segment "Management of own portfolios" (89.5% of total sales) reported a 1.4% decline of revenues y-o-y, which resulted from the fact that in Q1/23 the company received PLN 5m from the seller of the large consumer debt portfolios that it had acquired until the end of 2022.

Between January and March 2024, the cash inflow from debt collection equalled PLN 33m, which corresponds to a 9.5% decline y-o-y. At the same time, Vindexus only acquired PLN 4.3m of new debt and reported a gain on its debt portfolio of PLN 11.3m.

in PLNm	Q1/24	Q1/23
Management of own portfolios	22.79	23.10
<i>Share in total sales</i>	<i>89.5%</i>	<i>89.4%</i>
EBIT margin	36.5%	25.0%
Management of third-party portfolios	2.68	2.67
<i>Share in total sales</i>	<i>10.5%</i>	<i>10.3%</i>
EBIT margin	0.6%	0.7%
Other revenues*	0.00	0.06
<i>Share in total sales</i>	<i>0.0%</i>	<i>0.2%</i>
EBIT margin	n.a	50.0%
Net sales	25.47	25.83

* mainly relates to subsidiary Fiz-Bud Sp. z.o.o, which constructs and renovates buildings

Source: Company information, East Value Research GmbH

in PLNm	Q1/24	Q1/23	change y-o-y
Net sales	25.47	25.83	-1.4%
Cash EBITDA*	18.69	19.40	-3.7%
EBITDA	8.44	5.99	40.9%
<i>EBITDA margin</i>	<i>33.1%</i>	<i>23.2%</i>	
EBIT	8.27	5.82	42.0%
<i>EBIT margin</i>	<i>32.5%</i>	<i>22.5%</i>	
Net income	6.75	4.12	63.9%
<i>Net margin</i>	<i>26.5%</i>	<i>15.9%</i>	

* EBITDA + sales from acquired debt portfolios + cash from acquired debt portfolios

Source: Company information, East Value Research GmbH

In Q1/24, Vindexus' EBIT increased by 42% y-o-y to PLN 8.3m and the company's operating margin from 22.5% in Q1/23 to 32.5%. The main reason was the segment "Management of own portfolios", where the EBIT margin improved from 25% to 36.5%. When it comes to expense categories, court notification and enforcement fees (-34.6% y-o-y to PLN 3.6m) and costs of external services (-21.1% to PLN 7.1m) decreased the most. Vindexus employs external consultants for legal analyses and updating creditor data.

Net income (+63.9% y-o-y to PLN 6.8m) was additionally positively affected by a better net financial result (PLN -1.8m vs. PLN -2m in Q1/23).

In Q1/24, cash EBITDA equalled PLN 18.7m and was thus 3.7% below the previous year.

Balance sheet and Cash flow

As of 31 March 2024, Vindexus had consolidated equity excl. minorities worth PLN 266.4m (31/12/2023: PLN 266.1m), which corresponds to an equity ratio of 74.2% (77.8%). The second-largest balance sheet position were acquired receivables (or debt) at amortized costs, which amounted to PLN 246.6m (PLN 254.7m). In our opinion, the decline q-o-q indicates that the company currently has issues with finding new attractive debt portfolios, which in turn could negatively affect its results in the future. Moreover, as stated in the company's 2023 Annual Report most of new portfolios are related to consumer debt, which in our view is far less attractive than especially bank debt.

Structure of VIN's debt portfolio at the end of 2023

in PLNm	Book value	Portfolio acquisitions in 2023
Bank debt	116.43	0.86
Telco	44.73	0.00
Consumer	77.34	27.22
Others	16.15	6.22
Total	254.65	34.29

Source: Vindexus' Annual Report 2023, East Value Research GmbH

As of 31/03/2024, fixed assets amounted to PLN 11.8m (PLN 12m), intangible assets to PLN 70k (PLN 5k) and goodwill that relates to subsidiary Fiz-Bud Sp. z.o.o PLN 162k (PLN 162k). Shares in associated companies equalled PLN 417k (PLN 417k) and relate to Vindexus' 30% and 25% stake in Eurea Sp. z.o.o and Pollease Sp. z.o.o. that both are consolidated at-equity. Other shareholdings e.g. a 8.33% stake in an insurance company and 6.34% stake in a producer of cranes were worth PLN 6.2m (PLN 6.1m). Inventories of PLN 2.7m (PLN 2.7m) relate almost completely to the shareholding Fiz-Bud Sp. z.o.o.

At the end of March 2024, interest-bearing debt equalled PLN 67.2m (31/12/2023: PLN 50.4m), of which 47.3% (67.8%) was short term. Net debt equalled PLN -1.5m (PLN 9.2m) and net gearing -0.6% (3.4%).

Between January and March 2024, Vindexus generated an operating cash flow of PLN 18.8m compared to PLN 16.5m in the previous year. The main reasons were a much higher net income y-o-y, lower receivables (decrease by PLN 1.9m vs. increase by PLN 1.3m) and an increase of liabilities (PLN 266k vs. PLN -945k). Cash flow from investing equalled PLN 172k (Q1/23: PLN -1.4m) and cash flow from financing PLN 8.6m (PLN -575k) following an issue of 3-year bonds worth PLN 21.7m as well as a share buyback of PLN 6.5m. In Q1/24, Vindexus cash position went up by PLN 27.5m to PLN 68.8m.

In April and July 2024, Vindexus issued another series of 3-year bonds worth PLN 18.2m and PLN 10m respectively.

As the table below shows, in Q2-Q4 2024E Vindexus has to repay/refinance two bonds worth in total PLN 22.7m, while in 2025E two others are due with a value of PLN 22.6m. At the end of March 2024, the company's cash position was sufficient enough to cover both these payments.

Scheduled repayments of VIN's bonds

in PLNm	Bonds (Series B2)	Bonds (Series F2)	Bonds (Series G2)	Bonds (Series H2)	Bonds (Series I2)	Bonds (Series O2)	Bonds (Series P2)	Total
Q2/24				3.95				3.95
Q3/24					2.00			2.00
Q4/24	2.77	10.00	4.00					16.77
Q2/25	2.68			7.90				10.58
Q3/25					2.00	2.00	2.00	6.00
Q4/25					2.00	2.00	2.00	6.00
Q1/26					4.00	2.00	2.00	8.00
Q3/26						15.75	12.25	28.00
Total nominal value	5.45	10.00	4.00	11.85	10.00	21.75	18.25	81.30

Source: Vindexus' Q1/24 report, East Value Research GmbH

Financial forecasts

Revenues and Profitability

After beating our estimates in full-year 2023 by 2.7% on top-line and 26.6%-37.7% on profitability level, Vindexus delivered another strong set of numbers for Q1/24. Moreover, since our initiating report in September 2023 the company bought back 1.05m own shares for in total PLN 12.5m (its share buyback program foresees the purchase of max. 1.5m shares for max. PLN 18m by 2027E) and the owner-family Kuchno now effectively has control over 69.3% of its stock.

While the declining purchased receivables position does not bode well for results going forward, we have lowered our revenue estimates for Vindexus, but following surprisingly strong Q1/24 – the seasonally weakest quarter - now assume a much higher profitability going forward. We would like to emphasize the following: 1. As inflation shows a downward trend, the Polish central bank will likely start lowering interest rates again soon, which will both lower VIN's financing costs and increase the fair value of its purchased receivables, and 2. Over the last years Vindexus' management has proven that it understands its business in Poland very well and is able to grow profitably.

For full-year 2024E, we now forecast revenues for Vindexus of PLN 102.4m (previously: PLN 111.2m), an EBIT margin of 32.2% (22.1%) and a net income of PLN 20.5m (PLN 13.6m). In the following year, we expect these figures to go up to PLN 104.8m (PLN 120.5m), 31% (22%) and PLN 20.8m (PLN 15.4m).

While new regulations should increase the costs of operation going forward - which is why we forecast declining EBIT margins in the future - we believe that there is still significant growth potential for Vindexus in Poland in the segment "Management of external portfolios". To achieve even higher growth, the company would however have to expand abroad, which is risky. While the strategic aim of the Kuchno family is to take Vindexus private, it will have to offer the remaining investors a significantly higher price than the PLN 12 of the current share buyback program. Moreover, given the company's cheap valuation it seems likely that it will attract potential buyers soon, especially as the regulatory changes aimed at improving consumer protection further increase the consolidation pressure in Poland.

Below are our detailed estimates for Vindexus' segments:

Management of own portfolios: This segment relates to the collection of debt that Vindexus acquires itself and has on its balance sheet. Its revenues are comprised of interest on the acquired debt portfolios and revaluations that stem from better-than-expected recovery of debt.

We have modelled the revenues of this segment based on the ratio of recoveries to revenues. Starting from 67.4% in 2023, we have conservatively assumed that the ratio will decline by 1.8% y-o-y to 65.6% in 2024E and afterwards remain stable (previously: stable ratio of 60.2%). With a CAGR 2023-2032E of 1.8% (4.6%) for cash recoveries per annum – thus in-line with the respective CAGR for the portfolio of purchased receivables - we arrive at a new revenue forecast for 2024E of PLN 90.5m (previously: PLN 97.9m).

Regarding EBIT margin, we now expect a value of 36.3% (24.9%) following the positive Q1/24 figures. In our view, profitability of this segment will go down in the future as it is already well-developed in Poland, competition is fierce and debt collection costs are increasing.

Management of external portfolios: This segment relates to the management of debt portfolios, for which Vindexus has been commissioned by third parties e.g. banks. The respective revenues are based on a success fee, which the company receives for each recovered cash flow. Unfortunately, Vindexus does not provide any details about the volume of managed debt and the average success fee it receives.

As in Q1/24 revenues were flat y-o-y, we have assumed that in full-year 2024E they will remain so and thus now expect sales of PLN 11.8m (previously: PLN 11m). For the following years, we have maintained our view that they will grow at a higher average rate than those related to management of own debt (6% vs. 1.8%) as debt servicing for third parties is much less developed in Poland than abroad. Regarding the EBIT margin, we now believe that it will reach 0.6% (0.8%) in 2024E and increase to 0.8% (1%) in the long run.

Other revenues: This segment relates to Vindexus' consolidated non-core shareholdings. As in Q1/24 it generated zero revenues, we have not accounted for it in our model.

in PLNm	2024E	2025E	2026E
Management of own portfolios	90.51	92.32	94.17
<i>(% of net sales)</i>	<i>88.4%</i>	<i>88.1%</i>	<i>87.5%</i>
EBIT margin	36.3%	35.1%	33.9%
Cash recoveries (in PLNk)	137,949	140,708	143,522
Recoveries-to-revenues	65.6%	65.6%	65.6%
Management of external portfolios	11.83	12.43	13.42
<i>(% of net sales)</i>	<i>11.6%</i>	<i>11.9%</i>	<i>12.5%</i>
EBIT margin	0.6%	0.6%	0.7%
Other revenues	0.00	0.00	0.00
<i>(% of net sales)</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
EBIT margin	-16.6%	-16.6%	-16.7%
Net sales	102.35	104.75	107.59
<i>(change y-o-y)</i>	<i>-2.9%</i>	<i>2.3%</i>	<i>2.7%</i>

Source: East Value Research GmbH

in PLNm	2023		2024E		2025E		2026E	
	act	est	new	old	new	old	new	old
Net sales	105.41	102.61	102.35	111.17	104.75	120.45	107.59	127.08
EBITDA	32.11	23.49	33.61	25.29	33.19	27.22	32.74	28.49
<i>EBITDA margin</i>	<i>30.5%</i>	<i>22.9%</i>	<i>32.8%</i>	<i>22.7%</i>	<i>31.7%</i>	<i>22.6%</i>	<i>30.4%</i>	<i>22.4%</i>
EBIT	31.45	22.83	32.92	24.57	32.48	26.44	32.01	27.67
<i>EBIT margin</i>	<i>29.8%</i>	<i>22.2%</i>	<i>32.2%</i>	<i>22.1%</i>	<i>31.0%</i>	<i>22.0%</i>	<i>29.8%</i>	<i>21.8%</i>
Net income	18.63	14.72	20.47	13.62	20.79	15.38	19.96	16.62
<i>Net margin</i>	<i>17.7%</i>	<i>14.3%</i>	<i>20.0%</i>	<i>12.3%</i>	<i>19.8%</i>	<i>12.8%</i>	<i>18.5%</i>	<i>13.1%</i>

Source: East Value Research GmbH

in PLNm	Q1/22	Q2/22	Q3/22	Q4/22	2022	Q1/23	Q2/23	Q3/23	Q4/23	2023	Q1/24
Net sales	31.89	27.07	22.64	34.24	115.83	25.83	35.72	24.62	19.25	105.41	25.47
<i>y-o-y change</i>	<i>41.6%</i>	<i>9.9%</i>	<i>-14.3%</i>	<i>-34.2%</i>	<i>-7.8%</i>	<i>-19.0%</i>	<i>32.0%</i>	<i>8.7%</i>	<i>-43.8%</i>	<i>-9.0%</i>	<i>-1.4%</i>
EBITDA	6.12	11.64	7.87	17.59	43.21	5.99	18.12	8.42	-0.42	32.11	8.44
<i>EBITDA margin</i>	<i>19.2%</i>	<i>43.0%</i>	<i>34.7%</i>	<i>51.4%</i>	<i>37.3%</i>	<i>23.2%</i>	<i>50.7%</i>	<i>34.2%</i>	<i>-2.2%</i>	<i>30.5%</i>	<i>33.1%</i>
EBIT	5.95	11.53	7.72	17.44	42.64	5.82	17.96	8.25	-0.58	31.45	8.27
<i>EBIT margin</i>	<i>18.7%</i>	<i>42.6%</i>	<i>34.1%</i>	<i>50.9%</i>	<i>36.8%</i>	<i>22.5%</i>	<i>50.3%</i>	<i>33.5%</i>	<i>-3.0%</i>	<i>29.8%</i>	<i>32.5%</i>
Net income	4.20	7.41	6.14	14.44	32.20	4.12	9.18	6.99	-1.66	18.63	6.75
<i>Net margin</i>	<i>13.2%</i>	<i>27.4%</i>	<i>27.1%</i>	<i>42.2%</i>	<i>27.8%</i>	<i>15.9%</i>	<i>25.7%</i>	<i>28.4%</i>	<i>-8.6%</i>	<i>17.7%</i>	<i>26.5%</i>

Source: Company information, East Value Research GmbH

CAPEX and Working capital

Vindexus is a company, whose business model only requires investments in new debt portfolios that are part of its working capital. We have assumed that the share of working capital to sales will remain at between 254.7% and 266.9% in the future.

Valuation

We have valued Vindexus by using a weighted average of our DCF model (70%) and peer group (30%). After accounting for 1.05m treasury shares, our approach derives a 12-months price target for the stock of PLN 22.30 (previously: PLN 13.90). Our BUY rating remains unchanged and implies an upside of 132.8% at present.

Below are the key assumptions of our WACC calculation:

- (1) *Risk-free rate*: Current yield of Polish long-term government bonds with maturity in 2047E is 5.67% (Source: www.boerse-stuttgart.de)
- (2) *Beta*: Average 4-year unlevered beta of companies from the Financial Services (Non-Bank & Insurance) of 0.41x
- (3) *Levered beta*: 0.49x
- (4) *Equity risk premium (Poland)*: 5.84% (Source: www.damodaran.com)
- (5) *Target equity ratio*: 80%
- (6) *After-tax costs of debt*: 10.1%
- (7) *Equity costs*: 8.5%
- (8) *WACC*: 8.9%
- (9) *Sales growth in the terminal period*: 2%
- (10) Free cash flows and residual values are discounted to July 14, 2024

DCF model

in PLNm	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E		
Net sales	102.35	104.75	107.59	110.55	113.63	116.52	119.52	122.61	125.81		
(y-o-y change)	-2.9%	2.3%	2.7%	2.7%	2.8%	2.6%	2.6%	2.6%	2.6%		
EBIT	32.92	32.48	32.01	31.52	30.99	30.42	29.81	29.16	28.20		
(EBIT margin)	32.2%	31.0%	29.8%	28.5%	27.3%	26.1%	24.9%	23.8%	22.4%		
NOPLAT	26.67	26.31	25.93	25.53	25.10	24.64	24.14	23.62	22.84		
+ Depreciation & amortisation	0.69	0.70	0.72	0.74	0.76	0.78	0.80	0.82	0.85		
= Net operating cash flow	27.35	27.01	26.66	26.27	25.86	25.43	24.95	24.44	23.69		
- Total investments (Capex and WC)	-0.17	-5.62	-5.80	-5.92	-6.04	-6.12	-6.24	-6.37	-6.50		
Capital expenditure	-0.01	-0.17	-0.17	-0.17	-0.17	-0.17	-0.17	-0.18	-0.18		
Working capital	-0.16	-5.45	-5.63	-5.75	-5.87	-5.94	-6.07	-6.19	-6.32		
= Free cash flow (FCF)	27.18	21.39	20.86	20.35	19.82	19.31	18.71	18.08	17.19		
PV of FCF's	24.00	17.35	15.54	13.93	12.46	11.15	9.93	8.81	7.70		
PV of FCFs in explicit period	120.88										
PV of FCFs in terminal period	125.35										
Enterprise value (EV)	246.23										
+ Net cash / - net debt (31 March 2024)	1.53										
+ Investment / - minorities	-0.70										
Shareholder value	247.07										
Number of shares excl. own shares (m)	10.65										
					Terminal EBIT margin						
WACC	8.9%				19.4%	20.4%	21.4%	22.4%	23.4%	24.4%	25.4%
Cost of equity	8.5%				4.9%	5.9%	6.9%	7.9%	8.9%	9.9%	9.9%
Pre-tax cost of debt	12.5%				51.52	39.01	31.60	26.68	23.17	20.52	18.45
Normal tax rate	19.0%				53.89	40.62	32.77	27.57	23.86	21.07	18.90
After-tax cost of debt	10.1%				42.23	32.77	27.57	23.86	21.07	18.90	19.35
Share of equity	80.0%				43.83	33.94	28.46	24.55	21.63	19.35	19.81
Share of debt	20.0%				58.64	43.83	35.11	29.34	25.94	22.19	20.26
Fair value per share in PLN (today)	23.19				61.01	45.44	36.27	29.34	25.94	22.74	20.26
Fair value per share in PLN (in 12 months)	25.25				63.38	47.05	37.44	30.23	26.64	23.30	20.71
					65.76	48.65	38.61	31.11	27.33	23.85	21.16

Source: East Value Research GmbH

Peer Group Analysis

We have found the following listed companies, which operate in the same segment as Vindexus. M&A transactions in the sector, which have been conducted in the last years, had an implied valuation of up to 2x sales and 4.8x book value.

Vindexus operates in the second tier of the Polish market, where debt portfolios are much less complex and it rather competes with smaller players, especially BEST S.A. and Kredyt Inkaso S.A..

Listed companies:

(1) *KRUK S.A.*: KRUK, which is based in Wroclaw/Poland and was founded in 1998, provides debt management services in Poland, Romania, Italy, the Czech Republic, Slovakia, Germany, and Spain. It purchases and manages debt portfolios, including consumer, mortgage-backed, and corporate debts; and offers (through the subsidiaries Wonga and Novum) consumer unsecured, mortgage, and SME/corporate loans, as well as credit management services. The company manages receivables of banks, loan brokers, insurers, leasing companies, landline and mobile telecommunication operators, cable TV operators, digital TV operators, and FMCG companies. KRUK employs >3,200 people, thereof >200 in IT.

In 2023, KRUK, which currently has a market cap of PLN 9.2bn, generated revenues of PLN 1.8bn and a ROE of 23.7%. Last year, it acquired PLN 2.97bn of new debt (74% abroad due to more attractive yields there) and had a cash inflow from debt collection of PLN 3.06bn (thereof: 56% from abroad). At the end of March 2024, its debt portfolio was worth PLN 9.1bn.

According to our discussions with KRUK's representatives, in its domestic market, where it has an estimated market share of 25%, the company only competes with the largest European players e.g. Hoist, Intrum.

(2) *BEST S.A.*: BEST, which is based in Gdynia, operates in the Polish and Italian debt collection industry and provides respective services for banks, borrowing companies, telecommunication operators, utilities, among others. In addition, it manages securitized assets of respective funds. BEST is owned by its CEO and Vice President of the Board, who together have 94.2% of its shares.

In 2023, the company, which currently has a market cap of PLN 475.7m, generated revenues of PLN 279.5m and a ROE of 6.5%. Last year, it reported a cash inflow from debt collection of PLN 414.4m and increased its debt portfolio by PLN 310.8m (the nominal value of acquired debt equalled PLN 2.06bn). At the end of March 2024, its debt portfolio was worth PLN 1.36bn.

- (3) *Kredyt Inkaso S.A.*: Kredyt Inkaso, which is based in Warsaw, is owned by the Dutch private equity fund Waterland Private Equity. Its competitor BEST S.A. has a 33.1% stake. The company provides debt management services in Poland, Russia, Croatia, Romania and Bulgaria. It offers payment monitoring and debt collection services relating to court and enforcement procedures. Its clients include banks, insurances and Telco companies.

In 2022/23, Kredyt Inkaso generated revenues of PLN 218.7m and a ROE of 6.5%. In the last fiscal year, it reported a cash inflow from debt collection of PLN 196.3m and bought new debt portfolios worth PLN >132m. At the end of Q3 2023/24, it had a total debt portfolio worth PLN 705.7m. The company's current market cap equals PLN 257.3m.

- (4) *Hoist Finance AB*: Hoist Finance, which is based in Stockholm/Sweden, acquires and manages Non-Performing Loans (NPL) in Europe. The company also provides current account and fixed-term deposits.

In 2023, Hoist Finance generated revenues of SEK 3.52bn and a ROE of 11.4%. Last year, it bought debt portfolios worth SEK 7.1bn and had a cash inflow from debt collection of SEK 7.4bn. At the end of Q1/24, the company had a total debt portfolio worth SEK 26.3bn. Hoist's current market cap equals SEK 4.6bn.

- (5) *Intrum AB*: Intrum, which is headquartered in Stockholm/Sweden, offers credit optimisation services and debt collection, monitoring and purchase services. The company operates in 25 countries and is the European leader in its sector.

In 2023, Intrum generated revenues of SEK 19.9bn. Last year, it reported debt collections of SEK 13.7bn and bought debt portfolios worth SEK 5.5bn. At the end of Q1/24, it had a total debt portfolio worth SEK 24.5bn. The company's current market cap equals SEK 4.6bn.

- (6) *Banca IFIS S.p.A*: Banca IFIS, which is based in Mestre/Italy and has a banking license, provides purchase/management services related to Non-Performing Loan portfolios, among others. In 2023, Banca IFIS generated revenues of EUR 704.6m, a ROE of 9.3% and reported debt collections of EUR 397m. At the end of Q1/24, it had a total debt portfolio worth EUR 1.6bn. The company's current market capitalisation equals EUR 1.1bn.

- (7) *Credit Corp Group Ltd.*: Credit Corp Group, which is based in Sydney/Australia, was founded in 2022 and provides debt ledger purchase and collection, and consumer lending services in Australia and the United States. In 2022/23, it generated revenues of AUD 394.7m, a ROE of 12% and reported collections of AUD 493.8m. At the end of December 2023, it had a total debt portfolio worth AUD 1.7bn. The company's current market cap equals AUD 979.3m.

(8) *Axactor ASA*: Axactor, which is based in Oslo/Norway, is a debt management and collection company with operations in Sweden, Finland, Germany, Italy, Norway, and Spain. It operates through two segments: Non-performing Loans and Third-Party Collection. The Non-performing Loans segment invests in portfolios of non-performing loans collected through amicable or legal proceedings. The Third-Party Collection segment provides debt collection services on behalf of third-party clients.

In 2023, Axactor generated revenues of EUR 344m, a ROE of 84.5% and reported debt collections of EUR 287m. At the end of Q1/24, the company had a total debt portfolio worth EUR 1.2bn. Its current market cap equals NOK 1.2bn.

Company	P/E		P/BVPS	ROE	Net debt/EBITDA	Net interest cover	Net gearing
	2024E	2025E	Latest	Last FY	Last FY	Last FY	Latest
KRUK S.A. (PLN)	8.0x	7.5x	2.2x	23.7%	2.9x	5.0x	117.6%
BEST S.A. (PLN)	n.a	n.a	0.6x	6.5%	2.1x	2.7x	35.8%
Kredyt Inkaso S.A. (PLN)	n.a	n.a	0.7x	6.5%	-5.2x	2.1x	-94.9%
Hoist Finance (SEK)	6.6x	5.6x	0.7x	11.4%	7.1x	n.a	97.3%
Intrum AB (SEK)	3824.0x	4.2x	0.3x	neg.	10.4x	1.2x	332.8%
Banca IFIS SpA (EUR)	7.0x	6.8x	0.6x	9.3%	13.7x	n.a	237.1%
Credit Corp Group Ltd. (AUD)	12.0x	10.5x	1.3x	12.0%	2.2x	n.a	44.9%
Axactor ASA (NOK)	5.5x	3.0x	2.8x	84.5%	0.6x	1.5x	212.3%
Median	7.5x	6.2x	0.7x	11.4%	2.6x	2.1x	107.5%
Vindexus S.A. (PLN)	5.5x	5.4x	0.4x	7.2%	0.3x	4.1x	-0.6%
Premium/Discount	-26.6%	-13.5%	-48.0%				
Fair value Vindexus (PLN)	14.18						

Source: CapitalIQ, marketscreener.com, East Value Research GmbH

M&A transactions in the sector:

Closing year	Target	Buyer	Stake	Price	Implied EV/Sales	Implied P/E	Implied P/BVPS
2021	Arrow Group Global PLC	TDR Capital LLP	100.0%	GBP 545.4m	2x	35.2x	4.8x
2022	Collection House Ltd.	Credit Corp Group Ltd.	100.0%	USD 7.6m	1.6x	n.a	n.a
2016	Kredyt Inkasso S.A.	Waterland Private Equity	61.2%	PLN 25/share	n.a	8.9x	1.2x

Source: CapitalIQ, East Value Research GmbH

Price target calculation

Valuation method	Fair value	Weight
DCF model	23.19	70%
Peer Group Analysis	14.18	30%
Weighted average (present value)	20.49	
In 12-months (PV * (1+WACC))	22.30	

Source: East Value Research GmbH

Profit and loss statement

in PLNm	2021	2022	2023	2024E	2025E	2026E
Total revenues	125.61	115.83	105.41	102.35	104.75	107.59
Direct costs	-49.59	-63.88	-62.00	-58.54	-60.02	-61.76
Gross profit	76.02	51.95	43.41	43.80	44.73	45.83
Other operating income	0.14	0.25	0.26	0.13	0.14	0.16
Administrative expenses	-6.86	-8.24	-10.80	-10.03	-11.03	-12.14
Other operating expenses	-0.09	-0.76	-0.76	-0.29	-0.65	-1.12
EBITDA	69.21	43.21	32.11	33.61	33.19	32.74
Depreciation & amortization	-0.83	-0.57	-0.66	-0.69	-0.70	-0.72
EBIT	68.39	42.64	31.45	32.92	32.48	32.01
Net financial results	-6.20	-8.85	-7.75	-7.59	-6.76	-7.33
EBT	62.19	33.79	23.70	25.33	25.72	24.69
Income taxes	-26.23	-1.44	-5.07	-4.81	-4.89	-4.69
Minority interests	0.04	-0.15	0.00	-0.04	-0.04	-0.04
Net income / loss	36.00	32.20	18.63	20.47	20.79	19.96
EPS	3.08	2.75	1.59	1.75	1.78	1.71
DPS	0.25	0.27	0.40	0.45	0.50	0.55
Share in total sales						
Total revenues	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
Direct costs	-39.48 %	-55.15 %	-58.82 %	-57.20 %	-57.30 %	-57.40 %
Gross profit	60.52 %	44.85 %	41.18 %	42.80 %	42.70 %	42.60 %
Other operating income	0.11 %	0.22 %	0.25 %	0.13 %	0.14 %	0.15 %
Administrative expenses	-5.46 %	-7.11 %	-10.24 %	-9.80 %	-10.53 %	-11.28 %
Other operating expenses	-0.07 %	-0.65 %	-0.72 %	-0.29 %	-0.62 %	-1.04 %
EBITDA	55.10 %	37.30 %	30.46 %	32.84 %	31.68 %	30.43 %
Depreciation & amortization	-0.66 %	-0.49 %	-0.63 %	-0.67 %	-0.67 %	-0.67 %
EBIT	54.44 %	36.81 %	29.83 %	32.17 %	31.01 %	29.76 %
Net financial results	-4.93 %	-7.64 %	-7.35 %	-7.42 %	-6.46 %	-6.81 %
EBT	49.51 %	29.17 %	22.48 %	24.75 %	24.55 %	22.95 %
Income taxes	-20.88 %	-1.25 %	-4.81 %	-4.70 %	-4.66 %	-4.36 %
Minority interests	0.03 %	-0.13 %	0.00 %	-0.04 %	-0.04 %	-0.04 %
Net income / loss	28.66 %	27.80 %	17.68 %	20.01 %	19.85 %	18.55 %

Balance sheet

in PLNm	2021	2022	2023	2024E	2025E	2026E
Cash and cash equivalents	61.37	42.23	41.23	71.32	71.39	66.24
Other financial assets	6.17	0.00	0.00	0.00	0.00	0.00
Inventories	14.73	3.37	2.67	2.49	2.52	2.56
Trade accounts and notes receivables	3.75	16.58	19.33	18.72	19.10	19.56
Purchased receivables at amortised costs	259.94	269.08	254.65	255.42	260.53	265.74
Other current assets	0.20	0.44	1.52	1.55	1.58	1.61
Assets-held-for-sales	0.00	0.31	0.00	0.00	0.00	0.00
Current assets	346.16	332.00	319.40	349.48	355.11	355.70
Property, plant and equipment	9.89	12.01	11.99	11.85	11.97	12.09
Other intangible assets	0.49	0.01	0.01	0.08	0.08	0.08
Goodwill	0.16	0.16	0.16	0.16	0.16	0.16
Investments at-equity	0.74	0.64	0.42	0.42	0.42	0.42
Other investments	1.45	1.71	6.11	6.22	6.28	6.34
Deferred tax assets	3.59	2.97	3.76	3.90	-0.05	0.00
Non-current assets	16.31	17.50	22.45	22.62	18.85	19.08
Total assets	362.48	349.49	341.86	372.10	373.96	374.78
Trade payables	12.89	4.64	3.26	3.08	3.15	3.24
Short-term financial debt	22.44	30.71	33.93	25.49	18.58	12.00
Other liabilities	4.00	1.45	1.89	1.90	1.92	1.94
Provisions	0.71	0.78	0.84	0.97	0.99	1.02
Current liabilities	40.04	37.57	39.91	31.44	24.65	18.21
Long-term financial debt	70.41	38.00	16.21	40.00	34.00	28.00
Other long-term liabilities	0.02	0.02	0.02	0.02	0.02	0.02
Provisions	0.74	0.63	0.90	0.91	0.92	0.93
Deferred tax liabilities	24.87	18.05	18.04	17.13	16.20	15.31
Long-term liabilities	96.04	56.69	35.17	58.05	51.13	44.25
Total liabilities	136.08	94.26	75.08	89.49	75.78	62.46
Shareholders equity	225.84	254.53	266.08	281.87	297.40	311.50
Minority interests	0.56	0.71	0.71	0.75	0.79	0.83
Total liabilities and equity	362.48	349.49	341.86	372.10	373.96	374.78

Cash Flow Statement

in PLNm	2021	2022	2023	2024E	2025E	2026E
Net income / loss	36.00	32.20	18.63	20.47	20.79	19.96
Depreciation & amortization	0.83	0.57	0.66	0.69	0.70	0.72
Change of working capital	-30.58	-19.73	10.81	-0.16	-5.45	-5.63
Others	30.48	0.50	9.36	1.19	-2.99	0.98
Net operating cash flow	36.73	13.54	39.47	22.20	13.05	16.03
Cash flow from investing	-2.67	3.28	-5.56	-0.01	-0.17	-0.17
Free cash flow	34.06	16.83	33.90	22.18	12.88	15.86
Cash flow from financing	-3.48	-35.97	-34.90	7.90	-12.81	-21.01
Change of cash	30.58	-19.14	-1.00	30.09	0.07	-5.15
Cash at the beginning of the period	30.79	61.37	42.23	41.23	71.32	71.39
Cash at the end of the period	61.37	42.23	41.23	71.32	71.39	66.24

Financial ratios

Fiscal year	2021	2022	2023	2024E	2025E	2026E
Profitability and balance sheet quality						
Gross margin	60.52%	44.85%	41.18%	42.80%	42.70%	42.60%
EBITDA margin	55.10%	37.30%	30.46%	32.84%	31.68%	30.43%
EBIT margin	54.44%	36.81%	29.83%	32.17%	31.01%	29.76%
Net margin	28.66%	27.80%	17.68%	20.01%	19.85%	18.55%
Return on equity (ROE)	17.27%	13.40%	7.16%	7.47%	7.18%	6.55%
Return on assets (ROA)	11.64%	11.74%	7.72%	7.54%	7.37%	7.28%
Return on capital employed (ROCE)	12.26%	13.08%	8.19%	7.83%	7.53%	7.27%
Economic Value Added (in PLNm)	10.98	13.18	-2.03	-3.51	-4.63	-5.65
Net debt (in PLNm)	31.48	26.48	8.90	-5.83	-18.81	-26.24
Net gearing	13.94%	10.40%	3.35%	-2.07%	-6.33%	-8.42%
Equity ratio	62.30%	72.83%	77.83%	75.75%	79.53%	83.12%
Current ratio	8.65	8.84	8.00	11.12	14.41	19.54
Quick ratio	1.78	1.57	1.52	2.86	3.67	4.71
Net interest cover	11.03	4.82	4.06	4.33	4.80	4.37
Net debt/EBITDA	0.45	0.61	0.28	-0.17	-0.57	-0.80
Tangible BVPS	21.21	23.86	24.92	26.45	27.90	29.23
Capex/Sales	0.63%	-1.55%	-3.94%	-0.01%	-0.16%	-0.16%
Working capital/Sales	208.37%	244.93%	259.02%	266.93%	266.01%	264.22%
Cash Conversion Cycle (in days)	24	45	63	63	63	62
Trading multiples*						
EV/Sales	0.80	0.87	0.95	0.98	0.96	0.93
EV/EBITDA	1.45	2.33	3.13	2.99	3.03	3.07
EV/EBIT	1.47	2.36	3.20	3.05	3.09	3.14
P/Tangible BVPS	0.5x	0.4x	0.4x	0.4x	0.3x	0.3x
P/E	2.8x	3.2x	5.5x	5.0x	4.9x	5.1x
P/FCF	3.0x	6.1x	3.0x	4.6x	7.9x	6.4x

* Adjusted for 1.047m treasury shares

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The respective supervisory authority is:

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