

CLEON | CAPITAL

Flexible Capital Solutions for SMEs



Project Lotus *Teaser*

May 2025

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Unique Buy and Build in Tech-enabled Legal Services

Executive Summary

- **Transaction:** Opportunity to invest in Lotus (the “Platform”), the Spanish leading tech-enabled alternative legal service provider (ALSP) for banks, financial institutions and blue-chip corporations. In addition, the opportunity includes Target #1, an accretive and complementary acquisition of Spain’s largest provider of tech-enabled legal representation (court agents) services. Combined entity with c.€70m in sales, €24m in EBITDA and best-in-class cash conversion of over 80%.
- **Highlights:** i) Consolidate Platform’s market leadership: well-identified M&A Pipeline in a highly fragmented market, with Lotus being the only natural consolidator with critical mass, advanced tech platform and wide range of services; ii) Strong and fully aligned management team: excellent track record (having founded and developed Platform through organic growth and 4 add-ons, while working with PE firms), now backing the spin off and reinvesting; iii) Entering new verticals through targeted acquisitions: clear M&A path to grow into new services and acquire new clients (e.g. insurance and public administration); and iv) Increase efficiency and effectiveness: leverage on second-to-none volume of data to further invest and enhance Platform through software (ML⁽¹⁾ and AI⁽²⁾).
- **Business Model:** Lotus and Target #1 (together “Targets”) offer financial institutions and corporates: (i) defendant services for mass claims, (ii) plaintiff services (pre-court and in-court), and (iii) legal representation (court agents). These services are typically outsourced and require a special combination of legal expertise, seamless work processes and software, to successfully handle very high volume of files. Targets have c.0% churn rate and benefit from increasing number of lawsuits, persistent need to manage non-performing debt, clients’ prevalent outsourcing trends for non-core tasks, all within a highly regulated judicial system. Accumulated proprietary legal data base is key for AI enhanced software. Approximately 70% of total sales are coming from fixed milestone fees, with great visibility (backlog >12 months).
- **Cleon Angle:** Over 25 years of experience investing in and supporting medium-sized companies, both in Spain and internationally, to achieve ambitious business plans alongside management teams. Since 2018, Cleon completed six projects (three in Spain and three in Italy), six strategic “add-on” acquisitions to support inorganic development of its portfolio companies, and two divestments, both in Spain, achieving unlevered returns of c.3x invested capital and IRRs above 25%.
- **Proposed Transaction:** Acquire Lotus, use it as “buy and build” platform, acquiring Target #1 and other add-ons to grow into new services and clients. Platform EV is c.€108m + €15m EO⁽⁴⁾ 1 + €20m EO 2. Expected EV of €123m (EO2 subject to BP outperformance) and €18m EBITDA, entry multiple is c.6.7x. Target #1 multiple would be lower at 6.3x. Funding includes 3.5x of senior debt and an equity ticket from Cleon of c.€70m plus undrawn equity of c.€30m for add-ons. Expected MoM of c.4.1x with IRR of c.30% in 2030.
- **Deal Status:** Under exclusivity with both Platform and Target #1, undergoing financial, legal and fiscal due diligences. Commercial and Technology Due Diligences concluded.

Key Stats

c.€70m

Combined Sales FY24

c.€24m

Combined EBITDA FY24

>80%

Cash Conversion

6.7x

Comb. Entry Multiple⁽³⁾

#5

AI Projects in Pipeline

4.1x

MOIC Base Case⁽⁵⁾

Company Overview – Lotus (Platform)

Description

- **Company Description:** Lotus is the largest tech-enabled ALSP in Spain for banks, financial institutions and blue-chip corporations. Through proprietary technology software, Lotus has developed a highly automated system, which is fully integrated with the Spanish legal system, managing over 3.7m documents per year.
- **Services:** (i) defendant services for mass claims (c.39% of FY24 Sales), (ii) plaintiff services (pre-court and in-court) (c.42% of FY24 Sales), and (iii) legal representation (court agents)(c.20% of FY24 Sales).
- **Revenue Model:** The fee model depends on business line, with mix between fixed and variable fees. Approximately 60% of sales are milestone (fixed) fees from achieving certain pre-determines process steps. Only Pre-Court Plaintiff services are solely variable fee based.
- **Management Team:** Lotus is led by a highly experienced professional management team with proven track-record of M&A and operational improvements. The CEO has been with the Company since 2010 and Operations Leaders for each vertical have been with Lotus (or respective add-on) for over 20 years.
- **Equity Story:** Founded in 2004 as a division of a local law firm to focus on mass defendant and plaintiff services, Lotus was later carved out by a local PE firm, who pursued a successful buy and build strategy by acquiring 3 complementary companies to increase service offering. The company was later sold to a portfolio company of a large international PE firm, which did not integrate it, slowing down its buy-and-build trajectory and leaving the asset as an "orphan asset. In addition, Lotus and the company that currently owns it represent a very small asset within the PE's portfolio.
- **Key Financials and Budget 2025:** Sales of €52.4m in 2024 (CAGR 2017-21: 12.1%; CAGR 2017-24: 7.0%) and EBITDA of €17.5m (CAGR 2017-21: 26.0%; CAGR 2017-24: 12.2%). 2025 management budget at €54.0m sales (+c.3.1% vs. 2024) and EBITDA of €18.5m (+c.6.3% vs. 2024).

Selection of KPIs

€52m

Sales FY24

€18m

EBITDA FY24

>80%

Cash Conversion

c.0%

Net Churn Rate

c.€32m

Backlog

c.3.7m

Files Processed p.a.

Market positioning⁽¹⁾

1st

Claims Processor

2nd

Independent Debt Processor

Serving a Blue-Chip Customer Base⁽²⁾

Banks – c.71%



Funds & Servicers – c.8%



Auto, Utilities & Others – c.21%



Company Overview – Target #1

Description

- **Company Description:** Target #1 is the largest provider of tech-enabled legal representation (court agents; c.300 individuals) services in Spain (Madrid HQ), operating with two proprietary technology systems and full country coverage. Target #1 has developed a technology ecosystem (Software I) based on ML⁽¹⁾, RPA⁽²⁾, and OCR⁽³⁾ models that automatize the recognition and extraction of image data, to easily incorporate and manage new documents, allowing for significant scale efficiencies.
- **Services:** (i) Court Agents (c.77% of FY24 Sales); (ii) Defendant Services (c.12% of FY24 Sales); (iii) Back-Office and Other Software I related Services (c.8% FY24 of Sales); and (iv) Software II (c.3% FY24 of Sales), which is a promising SME focused debt recovery software.
- **Clients:** Financial institutions and large corporates, non colluding and highly complementing with Platform client base. However, the natural next step is to target SMEs through the Software II.
- **Revenue Model:** The fee model depends on business line, with mix between fixed and variable fees. For Court Agents, c.90% of fee is paid upfront (fixed fee), for Defendant Services, milestone base (fixed fee), and for Software II, a c.15% success fee on recovered amount is paid at process conclusion plus fixed fees for certain milestones.
- **Management:** The management team has wide sector experience and has recently taken over executive roles from the founders, who still hold 24% of the equity. Target #1 and Platform management know each other and would form a good combination to lead the Combined Entity.
- **Equity Story:** Founded in 2015 in Madrid, the company is the result of the 2022 merger of two companies, Company A, based in Madrid, and Company B, based in Barcelona, complementing each-other's customer base.
- **Key Financials and Budget 2025:** Sales of €17.6m in 2024 (CAGR 2019-24: 54.3%) and EBITDA of €6.4m (CAGR 2019-24: 53.9%). 2025 budget at €19.6m sales (+c.11.9% vs. 2024) and EBITDA of €7.0m (+c.10.4% vs. 2024).

Selection of KPIs

€18m

Sales FY24

€6m

EBITDA FY24

>80%

Cash Conversion

300+

Court Agents

500+

Recognizable Doc Types

c.500k

Files Processed p.a.

Market positioning⁽⁴⁾

1st

In Legal Representation

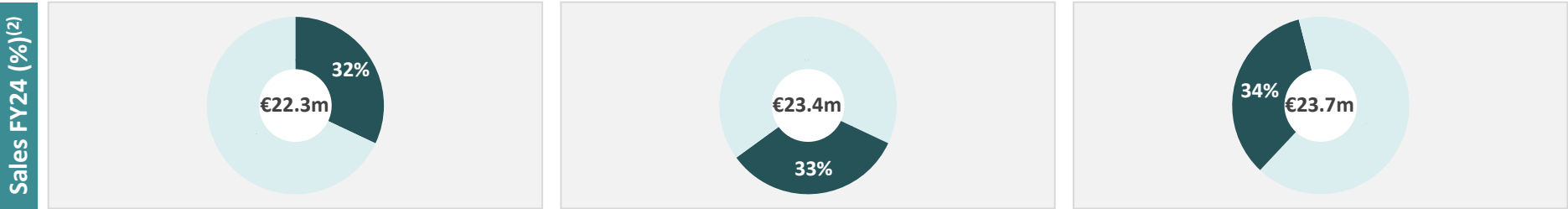
Geographic Coverage












Business Overview – An Integrated Platform for Legal Processing Solutions

	Defendant Services	Plaintiff Services	Legal Representation (Court Agents)
Service	Legal claims processing (primarily targeted at large scale mass consumer), leveraging on proprietary workflow software platform that visualizes all court-related processes	Pre-legal or legal proceedings of defaulted debt (NPLs), covering plaintiff services managing any type of debt recovery throughout all phases of the process	Specialised court agent solutions (procedural representation) before Spanish judicial bodies. Provided independently and fully integrated with defendant and in-court plaintiff solutions
Selected Activities	<ul style="list-style-type: none">• Claim receipt and data processing• Claim response submittal• Trial preparation• Appearance and defence during trial• Issuance of “informes de quebranto⁽¹⁾”• Procedural strategy design• Settlement preparation and negotiation, when applicable	<p>Pre-court Services Include:</p> <ul style="list-style-type: none">• Case evaluation• Negotiation• Process management <p>In-court Services Include:</p> <ul style="list-style-type: none">• Trial preparation• Representation in court• Controlling / monitoring of processes	<ul style="list-style-type: none">• Following judicial procedures• Client representation• Delivering documentation/instructions to lawyers• Filling documents• Court appearances• Record keeping• Paying and collecting all expenses

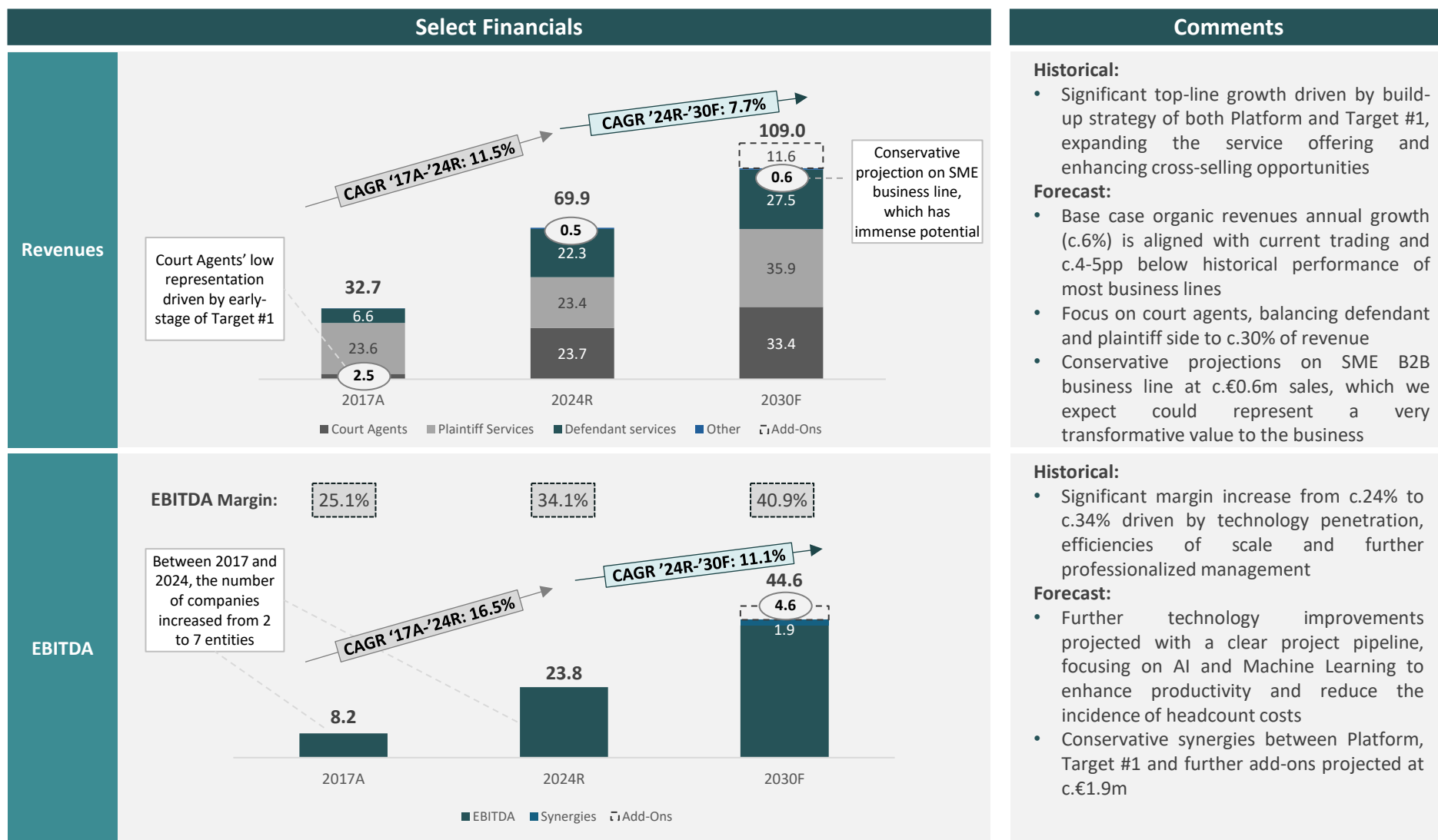
Proprietary software technology supports Automation and Scalability across services, strongly underpinning the competitive advantage



Market Overview

	Defendant Services	Plaintiff Services	Legal Representation (Court Agents)
Business Drivers	 <p>Highly professionalized and incentivised network of “Law firms” Identify inaccuracies in contracts and direct consumers to pursue legal cases against corporations</p>	 <p>NPL volume (€AuMs) stock and evolution The level of NPLs in the economy drives the number of claims that will need to be processed by servicers</p>	 <p>Civil litigation volume In Spain, court agents are required for most civil cases, while in other cases, some counterparties choose to have them voluntarily</p>
	 <p>Tendency of defendant companies to go to trial instead of settle</p> <ul style="list-style-type: none"> Avoid pull effect from consumers Long processes delay payments and allow defendants to better anticipate and manage cash flow positions 	 <p>Tendency of banks to outsource NPL management Limited specialization and the high administrative burden are key factors limiting banks' ability to manage NPLs in-house</p>	 <p>Capillarity of the coverage In this extremely fragmented market, being able to offer greater coverage allows access to larger corporate clients</p>
Expected Growth	<p>Estimate based on existing pipeline of cases in the market and incoming wave of new themes</p>	<p>Estimate based on the projected evolution of NPL stock in the coming years</p>	<p>Estimate in line with historical growth rate of civil litigation in Spanish jurisdiction</p>
			

Key Financials – Combined View



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