

**AXACTOR**



*Investor presentation*  
**October, 2016**

# The Altor acquisition

# Altor transaction details

---

## Key transaction details

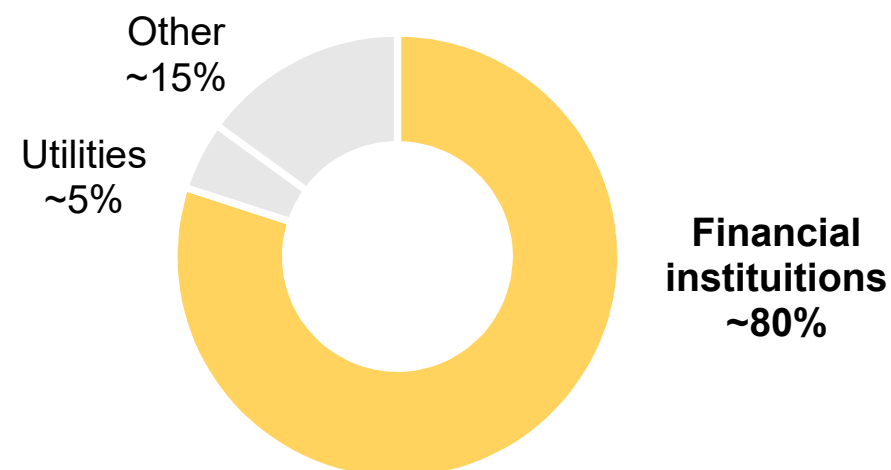
- Deal value of EUR 34.1m on an enterprise value basis with equity valued at of ~EUR 17.7m
  - The acquisition (on an enterprise value basis) will be financed through ~EUR 17.1m debt financing from the DNB and Nordea facility, remaining amount will be settled with cash on hand<sup>1)</sup>
- The transaction was closed 30 September 2016
- The acquisition includes NPL portfolios with a principal value of EUR 1.0bn, whereof 16 portfolios has been acquired the last 5 years with a principal value of 0.8bn
- In addition, the company has 1.1bn under management on behalf of external clients
- ALTOR group has been family owned with two individuals holding 100% of the holding company and all group companies

# Altor in brief

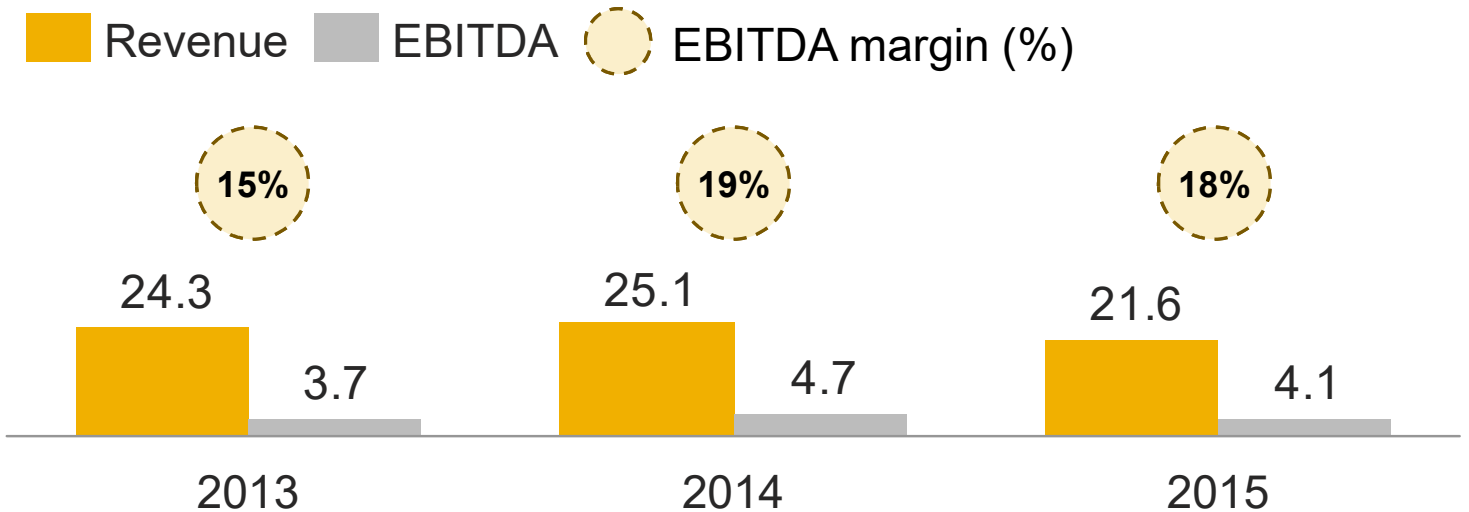
## Overview

- A leading independent debt purchase/debt collection company in Germany with EUR 2.1bn under management
- Altor had gross collections of more than EUR 10m in 2015
- In 2016, the company acquired a large portfolio with a capex of EUR 13m
- Strong portfolio analysis and pricing team
- New collection system implemented

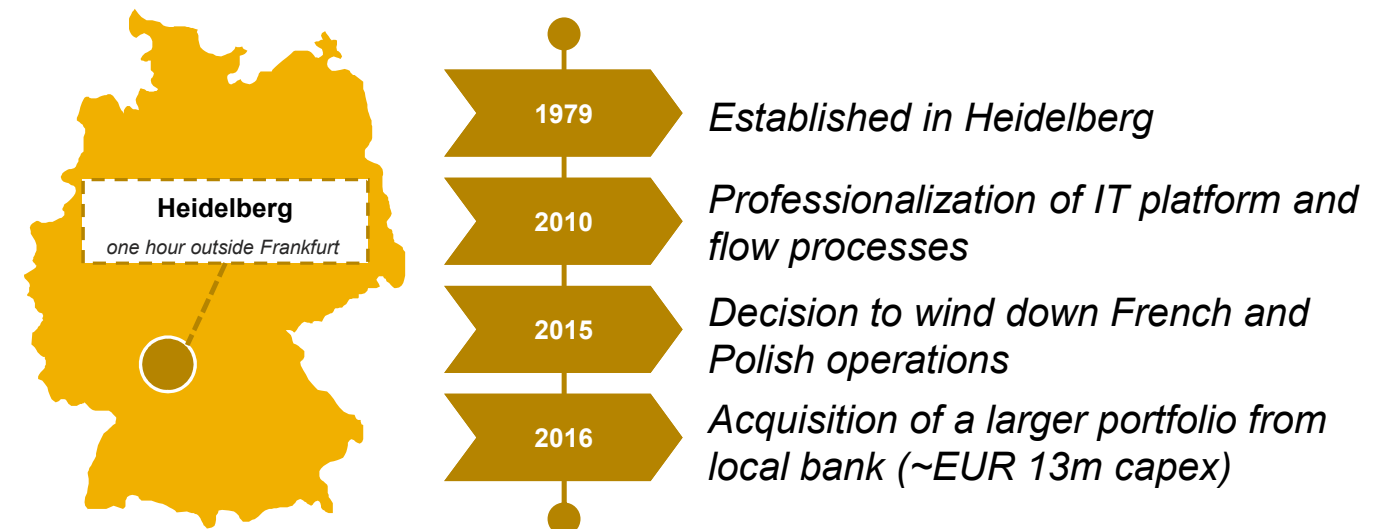
## Strong focus on financial institutions<sup>1)</sup>



## Key financials (EURm) – German GAAP<sup>2</sup>




## Located in Heidelberg – a key “collection cluster area”



Notes: 1) based on outstanding balance of receivables 2) Amortization of portfolios over approx. 4 years according to German GAAP (booked below EBITDA)



# Altor fulfills Axactor's strategy for market entry

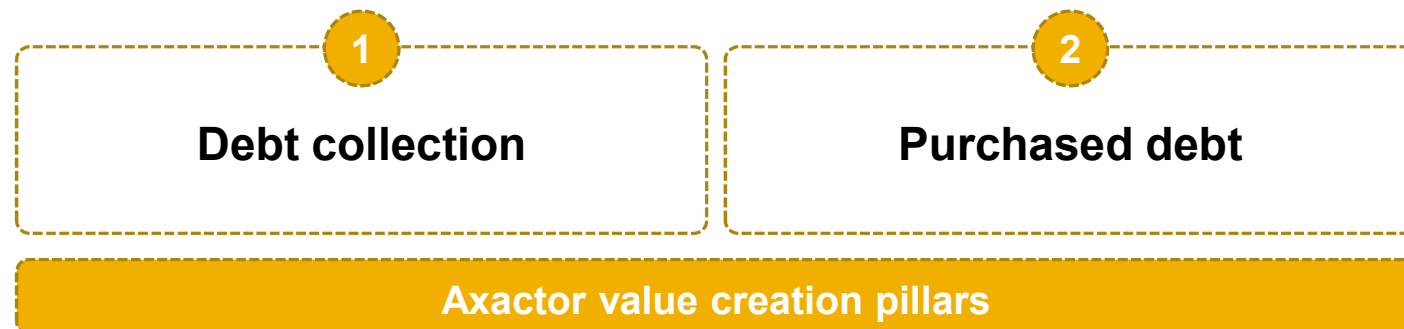
	<b>Highly attractive German market</b>	<ul style="list-style-type: none"><li>• Traditionally a strong NPL market, with large volumes for sale</li><li>• Highly attractive portfolios with stable cash flow</li><li>• We expect increased momentum in the German NPL the next 12-24 months</li></ul>
	<b>Strong business with profitable 3PC operations and several owned NPL portfolios</b>	<ul style="list-style-type: none"><li>• Profitable 3PC operations set to serve portfolio volumes to be acquired by Axactor</li><li>• Acquired 16 NPL (non-performing loans) portfolios with a total face value of more than EUR 800m over the last five years</li></ul>
	<b>Entering the remaining current priority geography – fulfilling Axactor's geographical strategy</b>	<ul style="list-style-type: none"><li>• Germany is the “missing piece” in order for Axactor to be established in the four key markets (Spain, Norway, Italy and Germany)</li><li>• The “preferred platform acquisition” for Axactor's growth strategy in Germany</li></ul>
	<b>An important step in being able to secure more financing and increase gearing</b>	<ul style="list-style-type: none"><li>• Passing the threshold in our existing bank facility with Germany as our fourth geographical market (third within the ring fence)</li><li>• The company has opened discussions with the bank consortium to make accordion option 3 and 4 available</li></ul>

This is Axactor

# This is Axactor

## Axactor in brief

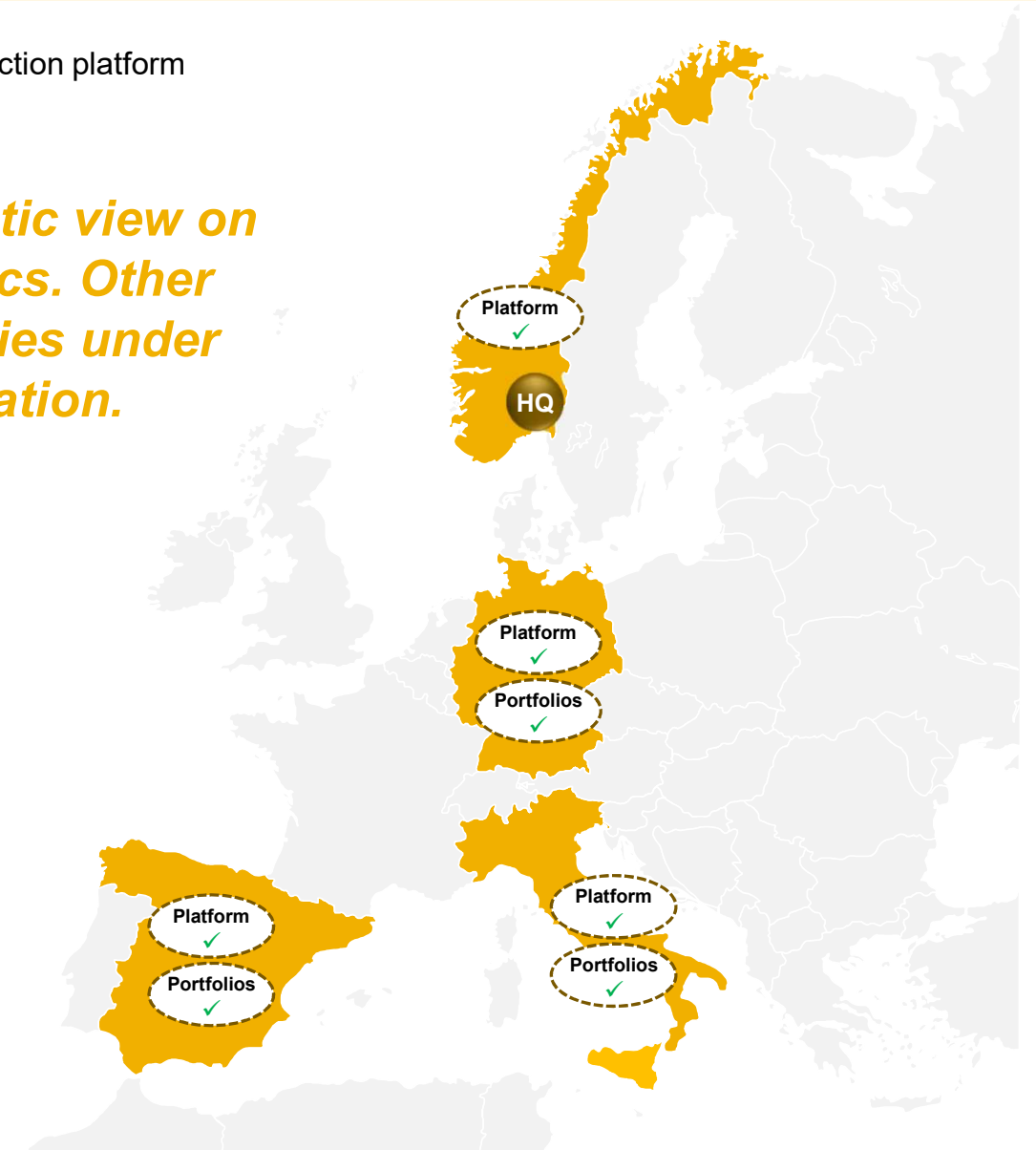
- Established in Q4 2015 as an ambitious and fast-growing debt collection and debt purchase company<sup>1)</sup>
- Main focus on collection and acquisition of non-performing loans (“NPL”) from financial institutions
- Led by a management team with strong track record from the purchased debt and debt collection industry
- En route to execute on clearly defined entry strategy and build an efficient and high-quality company without any legacy burdens
- Headquartered in Oslo, Norway
- ~850 employees in Norway, Spain, Italy and Germany<sup>2)</sup>



## Pan-European growth strategy

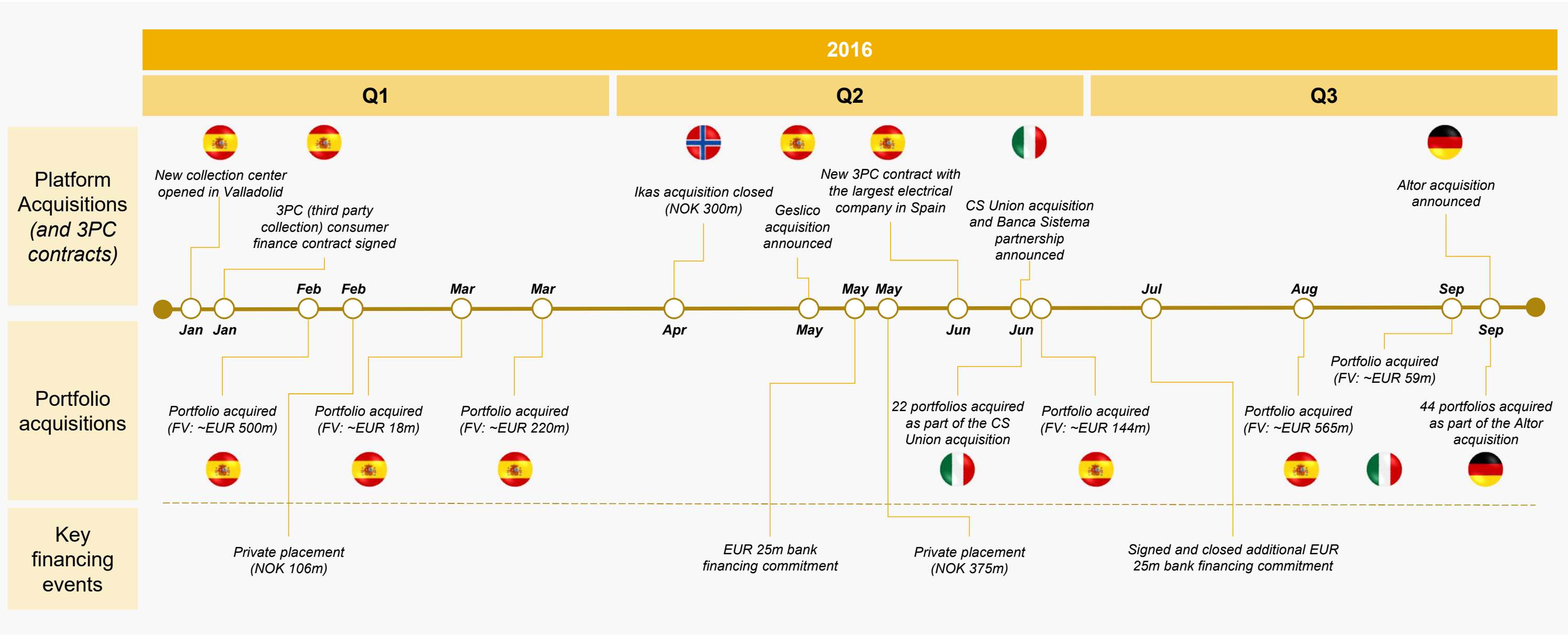
■ Established collection platform

*Opportunistic view on the Nordics. Other geographies under evaluation.*



Notes: 1) the legacy mineral activities related to Nickel Mountain Group AB were fully divested from January 2016 2) Full-time and part-time

# Axactor 2016 milestones - to date



Notes: FV = face value



# Overall strategic direction remains unchanged

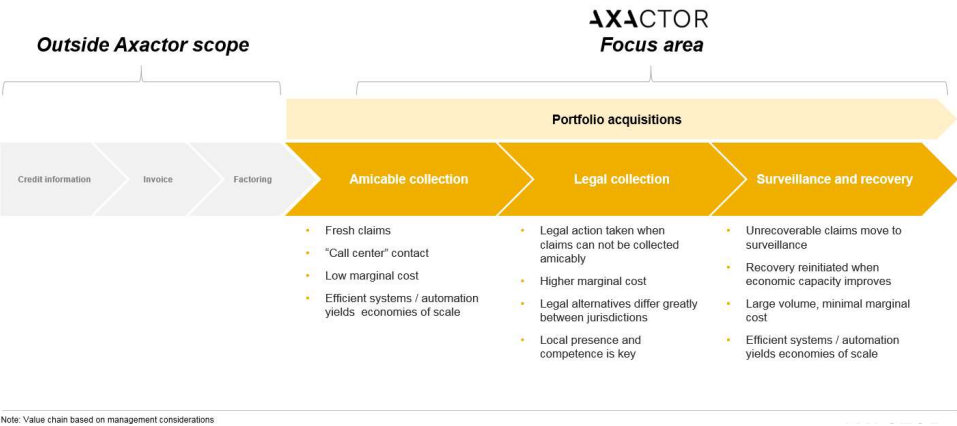
## Focus on established markets with strong growth



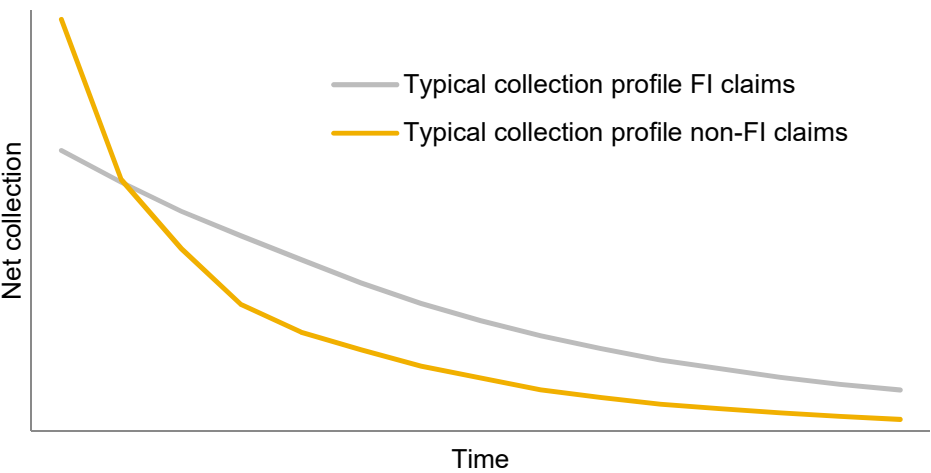
## Axactor entry strategy



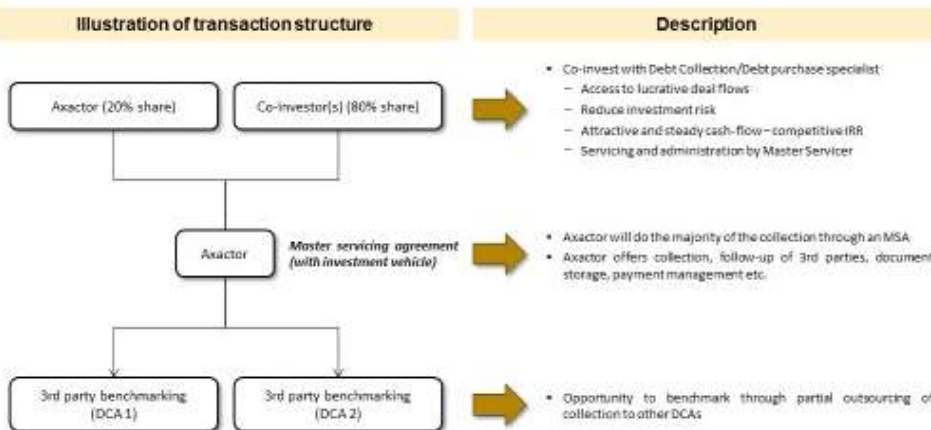
## Cover all major parts of the value chain



## Focus mainly on Financial Institutions market



## Co-investment with Master Servicing



# Axactor short-term priorities

---

**1**

Continue acquisition of attractive portfolios in all four countries

**2**

Secure new 3PC clients in all markets, including bank carve-outs

**3**

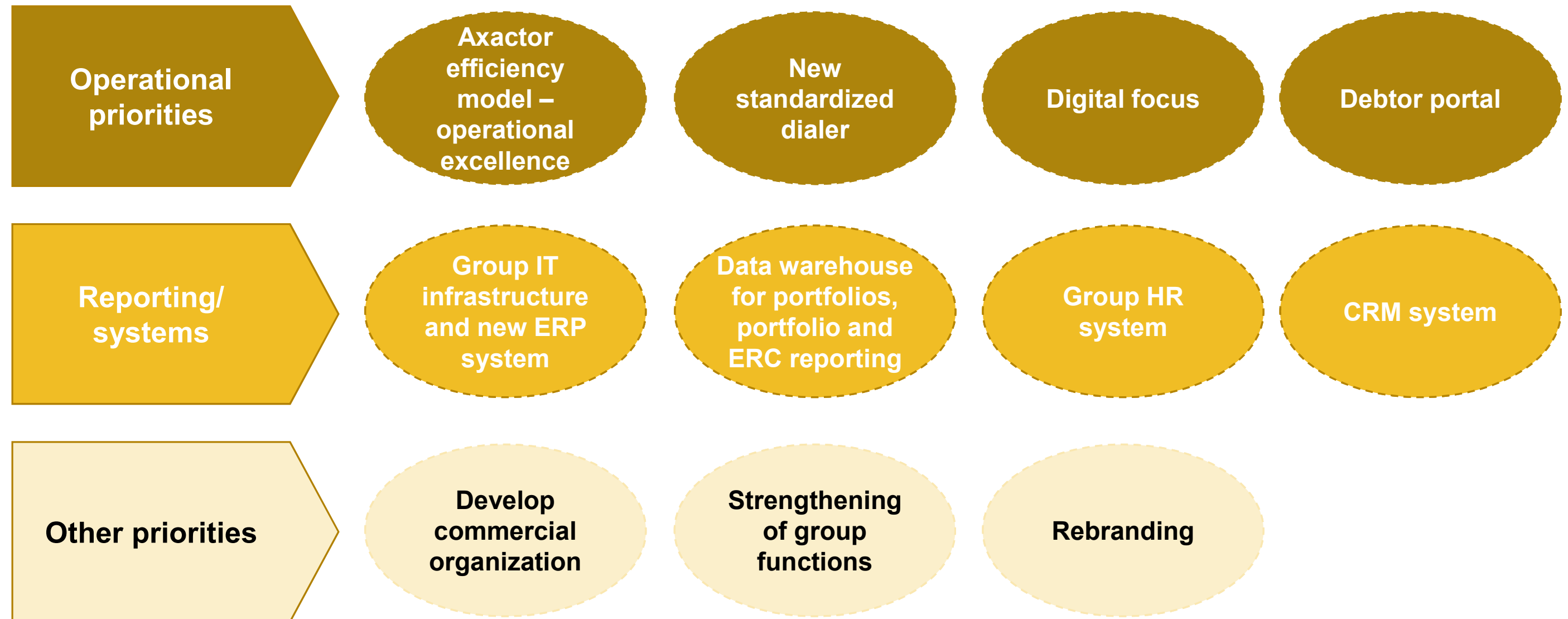
Operational focus – standardize IT platform, implement group dialer in all countries, align KPIs across countries and cross-country learning

**4**

Increase gearing towards long-term target of 75% and continue to evaluate co-investment partners

# Company priorities next 3-6 months

---



# Axactor key investment attractions

## 1 Attractive fundamentals within NPL purchase market

- Large European NPL stocks on banks' balance sheets
- Double-digit growth in NPL sales volume in Europe driven by regulatory changes (Basel III, IFRS etc.)
- Strong growth trend in second-hand portfolio sales

## 2 Experienced management team with demonstrated track record

- Unparalleled industry track record, in particular within the target geographical regions
- Long-lasting relationships with Financial Institutions across Europe
- Unique debt portfolio pricing and collection competencies

## 3 Strong position established in key markets – enabling bilateral portfolio and platform discussions

- Strong position created in Spain, Italy and Norway – entering Germany with the “best platform” available establishes Axactor in all four “key markets”
- Access to attractive portfolios through invitations to bilateral discussions and closed tenders
- Proven execution capabilities through a number of completed portfolio acquisitions
- Full focus on driving returns through further portfolio acquisitions and operational excellence

## 4 Attractive financial profile and flexible financing structure to ensure gearing of portfolio purchases towards target leverage

- Attractive cash generation locked in as the company continues to invest and collect on debt portfolios
- Increasing leverage will be a key value driver going forward as the company acquires portfolios
- On the path of gradually increasing gearing from 35% up towards 75%<sup>1)</sup> long term target

Notes: 1) Loan agreement gives a maximum gearing of 65%; Long-term target 75% supported by industry standards

# Key market dynamics





# Key market dynamics in Spain

## Portfolio dynamics

### AXA key focus

**IRR: 10% - 11%**  
**Size: EUR 30m+**

- Firsthand portfolios, sold directly from the largest banks
- Tender offers with several bidders invited, both industrial and financial investors
- Large transactions



**IRR: 13%+**  
**Size: EUR 1-15m**

- Medium-sized portfolios
- Possible to be negotiated bilaterally or with 1-2 other bidders
- Relations key to gain access to portfolios



**IRR: 15%+**  
**Size: EUR 10-30m**

- Secondhand portfolios (e.g. investment funds exiting portfolio investments/or market)
- Negotiated bilaterally or with 1-2 other bidders
- Relations key to gain access to portfolios



## Key highlights / trends

- Funds shifting focus more towards secured assets
- However, still strong competition on large, firsthand portfolios in B2C unsecured
- Relationship key element in getting access to bilateral negotiations and hence portfolios with more attractive IRRs
- Bank carve-out trend continues



# Key market dynamics in Italy

## Portfolio dynamics

### AXA key focus

**IRR: 10% - 13%**  
**Size: EUR 30m+**

- Firsthand portfolios, sold directly from the largest banks
- Tender offers with several bidders invited, both industrial and financial investors
- Large transactions

**IRR: 13%-15%**  
**Size: EUR 1-15m**

- Medium-sized portfolios
- Possible to be negotiated bilaterally or with 1-2 other bidders
- Relations key to gain access to portfolios



**IRR: 15%+**  
**Size: EUR 10-30m**

- Secondhand portfolios (e.g. investment funds exiting portfolio investments/or market)
- Negotiated bilaterally or with 1-2 other bidders
- Relations key to gain access to portfolios



## Key highlights / trends

- The international funds have clear focus on secured debt due to higher ticket/investments
- The market for B2C unsecured is opening up and the number of portfolios is increasing
- Axactor meets usually a handful of competitors in B2C, but some local players are investing aggressively in the segment
- Strong focus on improving/simplifying the regulatory environment (from the Italian government)



# Key market dynamics in Germany

## Portfolio dynamics

### AXA key focus

**IRR: 10% - 11%**  
**Size: EUR 30m+**

- Firsthand portfolios, sold directly from the largest banks
- Tender offers with several bidders invited, both industrial and financial investors
- Large transactions



**IRR: 11%-15%**  
**Size: EUR 1-15m**

- Medium-sized portfolios
- Possible to be negotiated bilaterally or with 1-2 other bidders
- Relations key to gain access to portfolios



## Key highlights / trends

- All the largest industrial players are represented in Germany, creating tough competition for large FI portfolios
- The bank carve-out trend continues
- The bad banks have not been forced to sell off NPLs, however, we believe this is about to change over the next 12-24 months
- The market is more or less fully consolidated with the exception of some small, family owned collection companies



# Key market dynamics in Norway

## Portfolio dynamics

### AXA key focus

**IRR: 10% - 11%**  
**Size: EUR 30m+**

- Firsthand portfolios, sold directly from the largest banks
- Tender offers with several bidders invited, both industrial and financial investors
- Large transactions

**IRR: 11%-13%**  
**Size: EUR 1-15m**

- Medium-sized portfolios
- Possible to be negotiated bilaterally or with 1-2 other bidders
- Relations key to gain access to portfolios



## Key highlights / trends

- We have seen some large transactions the last 12 months at high prices and single digit IRR
- The NPL volumes have increased significantly over the last years, and past due cases are record high
- A high number of new consumer banks have been established the last 2-3 years and we expect these banks to start selling off NPL when the volumes of unpaid debt reaches a certain size (we have already seen some minor portfolio sales from these banks)
- E-commerce players selling portfolios and makes “forward flow” deals

# Financial considerations



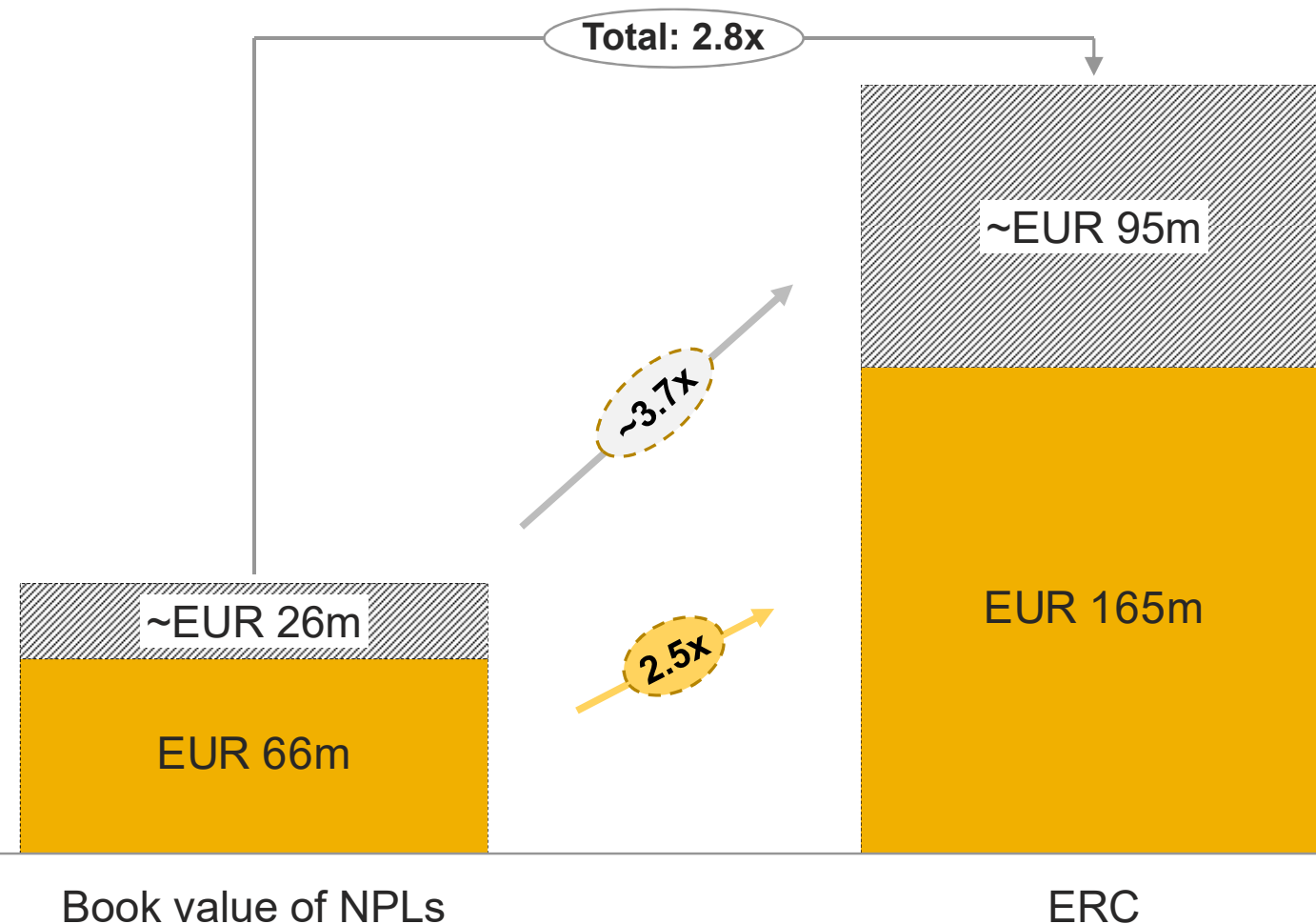
# Axactor financial targets

Target		To date	Medium-to-long term target
1 Portfolio size (EURm)	Axactor investments	Portfolio investment sizes of ~EUR 1-15 million	Portfolio investment sizes of ~EUR 1-25 million
	Co-investments	n.a.	Portfolio investment sizes of ~EUR 25-100 million
2	Portfolio MoC ("Multiple on Capital")	~2.5x	2.0x - 3.0x
3	Gross portfolio payback time	~3 years	~3-4 years
4	Gearing	35% on portfolios outside Italy 100% on portfolios in Italy	65% - 75% on corporate level
Medium-to-long term financial targets will vary significantly in based on geography and maturity of each market			

# Axactor purchased debt portfolio overview

## Axactor debt portfolio

Altor (final numbers to be concluded)



## Comments

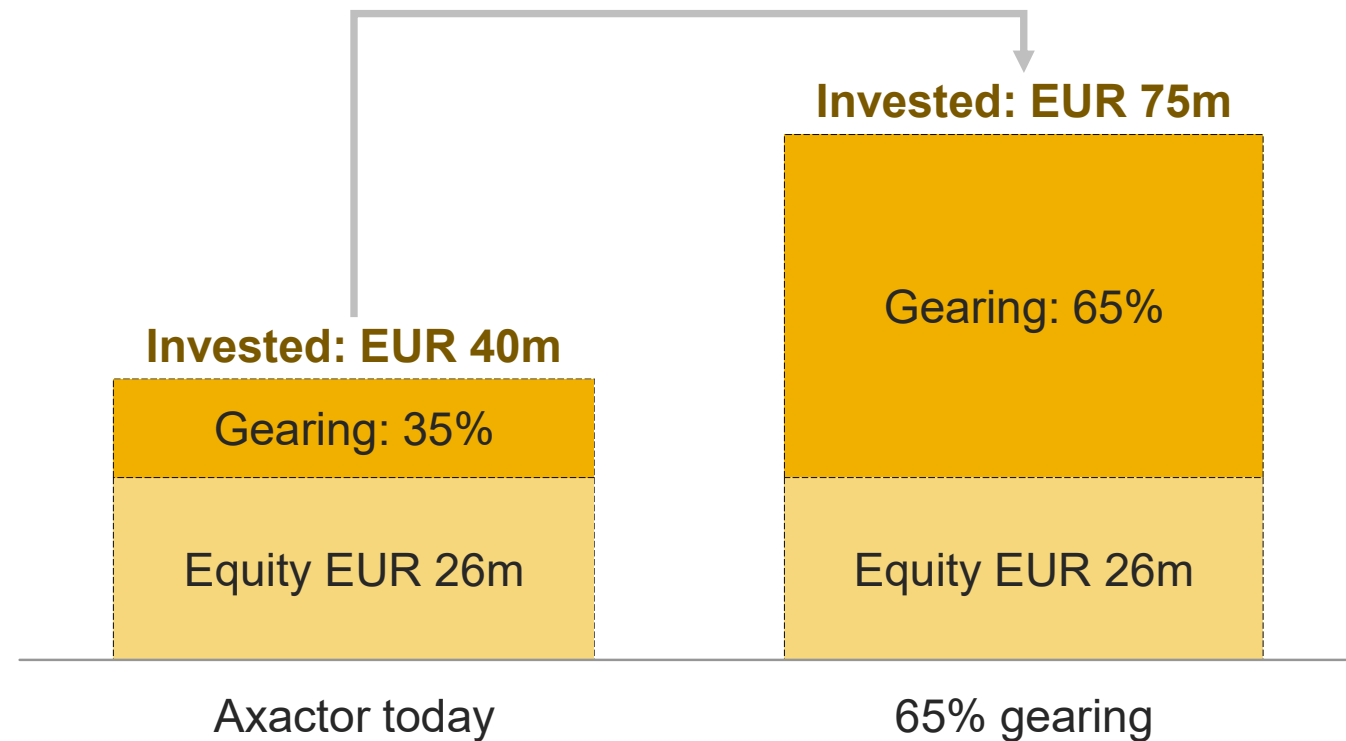
- Book Value (BV) includes portfolios in Spain and CS Union at the time of acquisition
- Combined face value of portfolios in Spain and Italy is EUR 2.2 billion
- MoM combined 2.8x
- Altor acquired a larger portfolio (EUR 13m capex) in May 2016

# Financing – gearing to increase investment capacity...

## Spain illustrative example (EURm)



*Incremental investment capacity of  
**EUR 35m** from increasing gearing to 65%  
without any increase in equity*



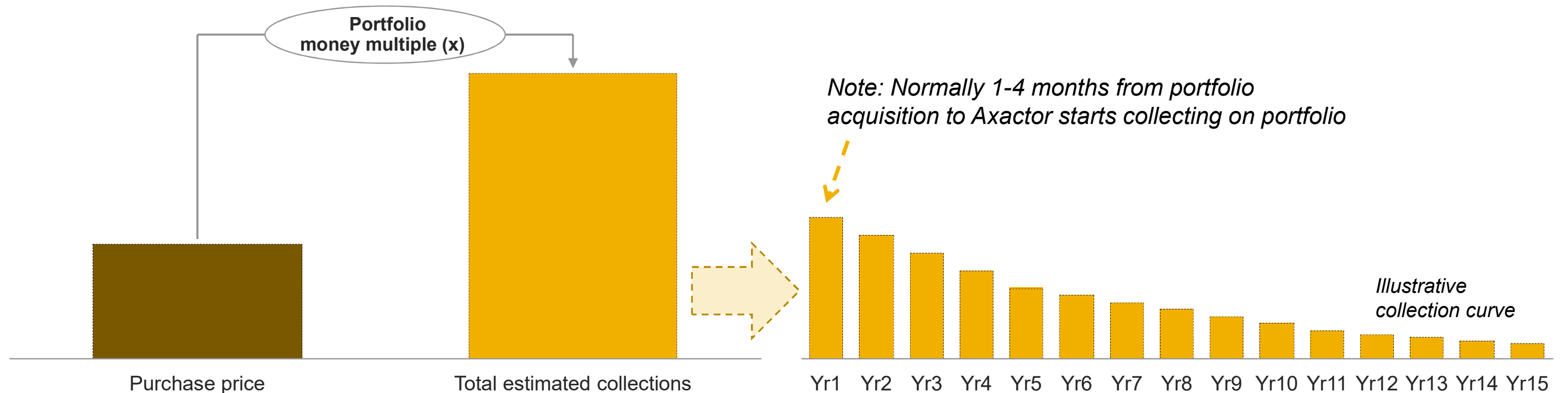
## Considerations

- Gearing will increase gradually as the portfolio becomes more diversified
- 50% gearing targeted by Q2 2017, and 65% by year-end 2017 on portfolio level
- Axactor's long-term target is a total gearing of 75% on a group level, including Italy which is presently outside the ring fence
  - Separate credit facility in Italy with local banks providing 100% gearing on portfolio acquisitions (2.0-2.5% margin)
  - Local Italian banks are eager to lend to a publicly listed vehicle in Scandinavia

# ... and be a direct value contributor

Cash collection from portfolios acquired by increased gearing amplified by portfolio money multiple...

... feeding directly into the company's profitability



## Illustrative example:

**EUR 35m**  
Incremental investment from increasing gearing

**2.5x**  
Assumed money multiple

**EUR 87.5m**  
Cash collections from increase in gearing

## Illustrative example over the collection period:

**EUR 57m**  
Net revenue assuming 35% amortization

**55%**  
Incremental gross margin

**EUR 31m**  
Incremental gross profit over the collection period

**EUR 62m**  
Incremental cash gross profit<sup>1)</sup> over the collection period

Notes: 1) Gross profit (accounting) + add-back of portfolio amortizations (non-cash)

# Funding considerations

---



Approx. EUR 20m cash available post Q3 2016 + available gearing

## **Funding opportunities:**



Italy outside ring fence – own funding



Increase gearing towards 50% gearing targeted by Q2 2017, and 65% by year-end 2017 on portfolio level



Bank carve-outs – 3PC (seller's credit)



Will evaluate using all parts of the capital markets (medium term)



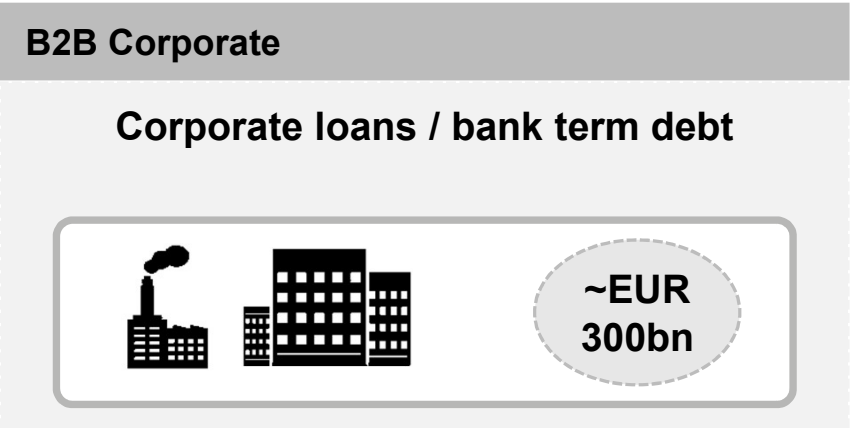
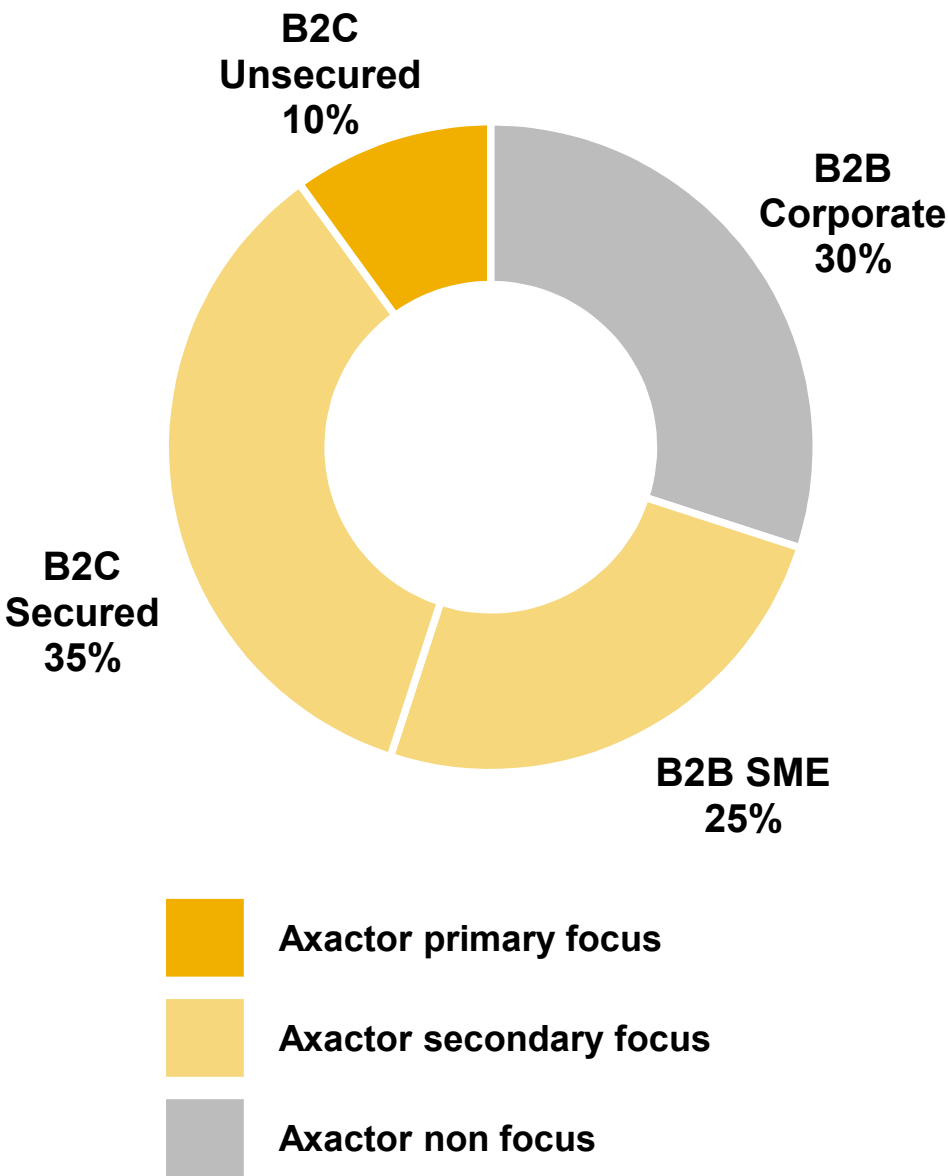
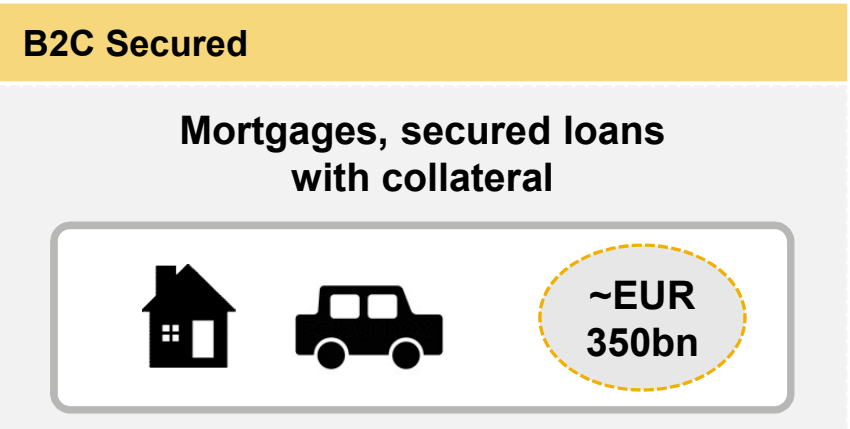
# Key financials Q1- and Q2-16

Income statement				
SEK thousand	Q2-16	Q1-16	H1-16	2015
Gross revenue	72 270	29 404	101 674	4 437
Amortization of debt portfolios	-7 833	-1 492	-9 325	0
<b>Net revenue</b>	<b>64 437</b>	<b>27 912</b>	<b>92 349</b>	<b>4 437</b>
Operating expenses	-59 844	-18 152	-77 996	-29 940
Personnel expenses	-36 112	-20 258	-56 370	-5 089
<b>EBITDA</b>	<b>-31 519</b>	<b>-10 498</b>	<b>-42 017</b>	<b>-30 592</b>
Amortization and depreciation	-6 671	-2 464	-9 135	-837
<b>EBIT</b>	<b>-38 190</b>	<b>-12 962</b>	<b>-51 152</b>	<b>-31 429</b>
Financial revenue	17 112	4 253	21 365	329
Financial expenses	-8 288	-6 960	-15 248	-30 218
Net financial items	8 824	-2 707	6 117	-29 889
<b>Profit/(loss) before tax</b>	<b>-29 366</b>	<b>-15 669</b>	<b>-45 035</b>	<b>-61 318</b>
Tax expense	3 511	773	4 284	0
<b>Net profit/(loss) from continued operations</b>	<b>-25 855</b>	<b>-14 896</b>	<b>-40 751</b>	<b>-61 318</b>
<b>Cash EBITDA</b>	<b>-19 300</b>	<b>-6 800</b>	<b>-26 100</b>	<b>-</b>
<b>Normalized EBITDA</b>	<b>-14 400</b>	<b>-10 300</b>	<b>-24 700</b>	<b>-</b>

- | Key comments   |
|--|
| • ALD Abogados included in Q1-16 financials  |
| • Full quarter effect of IKAS in Q2-16, in addition to 1.5 month P&L effect of Geslico           |
| • No P&L effect of CS Union, but included in the balance sheet as of Q2-16                       |
| • In July 2016 the company had positive Cash EBITDA for the month isolated                       |
| • Cash EBITDA = adjusted for calculated cost of share option program and portfolio amortizations |
| • Normalized EBITDA = EBITDA adjusted for one-off costs mainly related to M&A activities         |

# Appendix

# > € 1trillion Non-Performing Loan (NPL) FI market in Europe



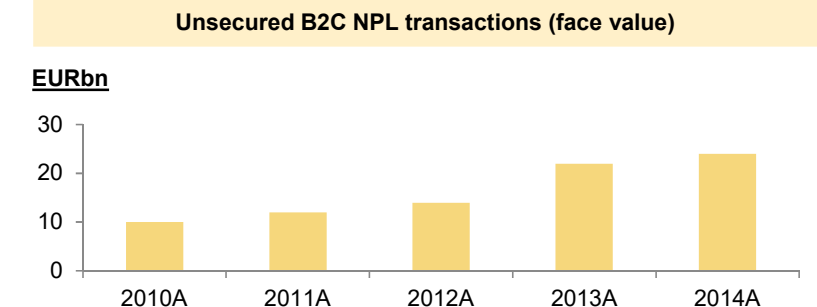
Source: ECB, Oxford Economics Note: (based on 2014 estimates)

# Key trends in the debt purchase/debt collection industry

1

## Strong growth of NPL portfolios coming to market

- Strong growth in second-hand portfolio transactions
- Regulatory changes driving debt sales
- Strengthened FI balance sheets enable portfolio sales
- Approaching “price equilibrium” between sellers and buyers



2

## Outsourcing trend (carve-outs of collection units)

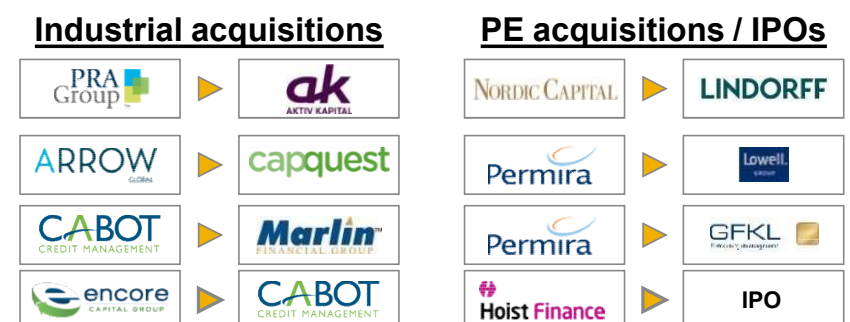
- Several major carve-outs from European banks
- FI regards debt collection as non-core operations
- Debt collection agencies achieve higher solution rates



3

## Industry consolidation

- Market maturity and professionalization
- Technology enables increased scale advantages
- Capital constraints – access to capital key success criteria
- Influx of private equity players / IPO activity

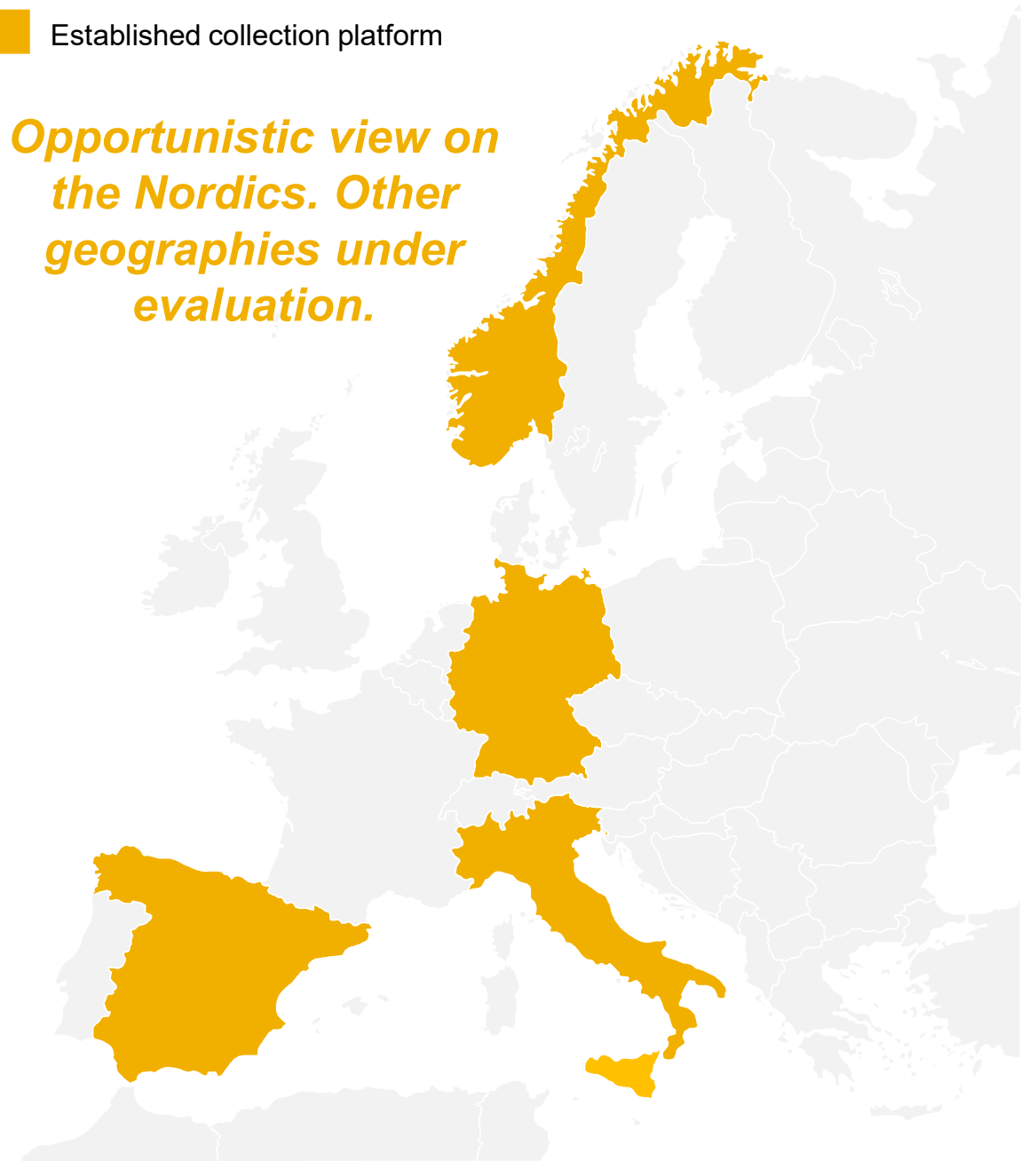


# Axactor entry strategy

- 1 Acquire high-quality debt collection company in each priority market
- 2 Grow through NPL portfolio acquisitions
- 3 Carve-out of collection platforms from financial institutions
- 4 Develop the 3PC business through Axactor customer relationships
- 5 Ensure operational excellence and benefit from scale advantages
- 6 Focus on the financial segment, but opportunistically investigate other segments

Established collection platform

*Opportunistic view on the Nordics. Other geographies under evaluation.*





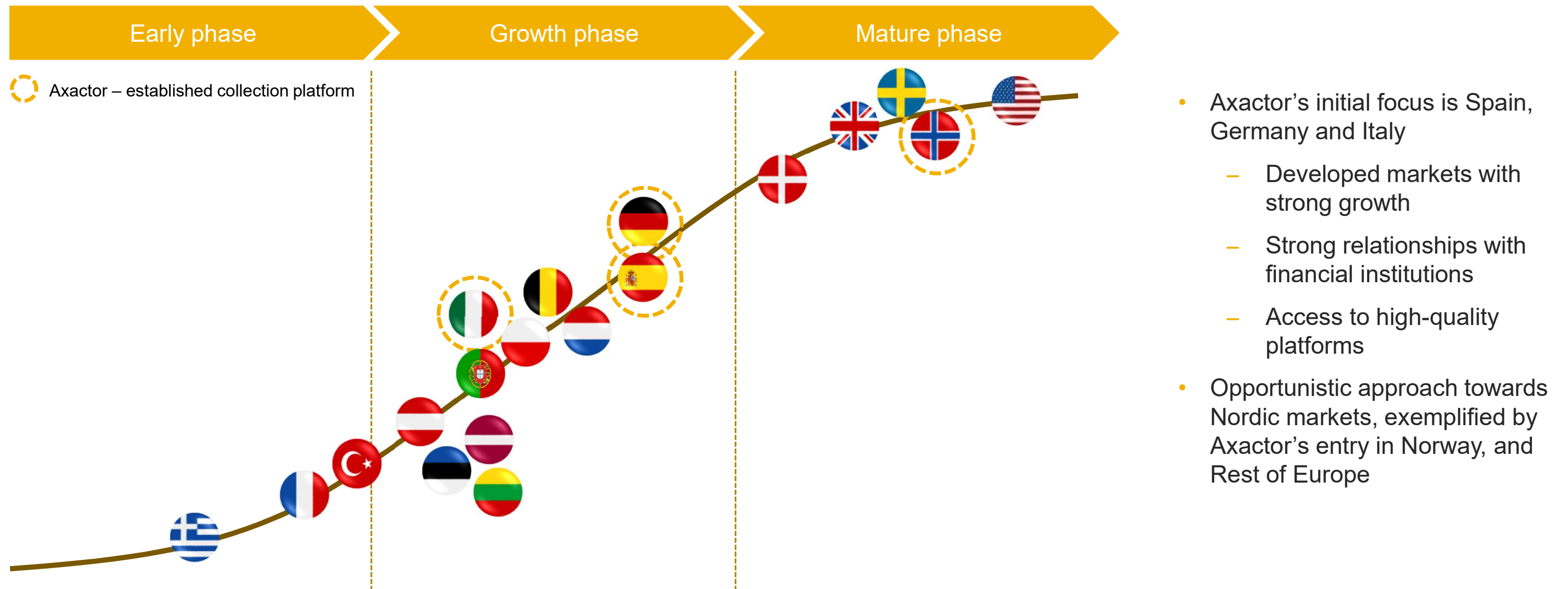
# Axactor will cover all major parts of the value chain



Note: Value chain based on management considerations

# Axactor focus on established markets with strong growth

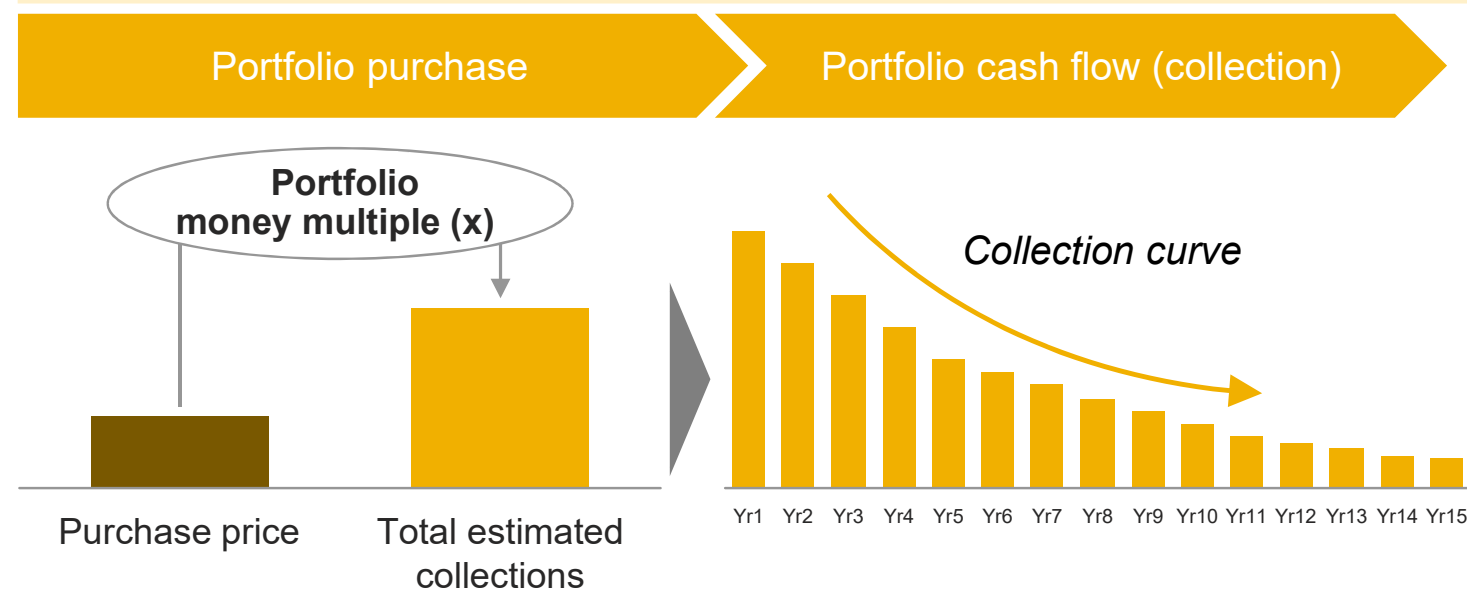
## The development curve of debt collection/debt purchase markets



Source: Hoist 2014 annual report, management considerations

# Axactor value drivers: debt purchase and debt collection

## Debt purchase



- Portfolios acquired with a target collection amount
- FI portfolios typically generate stable and long-term cash flows
- FI portfolios normally have low decay rates, and are hence long-tailed
- Cash flow visibility allows the best players to impact return and optimize value through pricing and pre-determined targets
- Axactor's management has a track record of strong pricing discipline and extending portfolio cash flows beyond the initial forecast period resulting in above estimated returns

## 3<sup>rd</sup> party debt collection

- Strong value proposition in Europe → many customers require cross-border 3<sup>rd</sup> party collection
  - Axactor has strong execution capabilities and provides reliability to its counterparts
- 3<sup>rd</sup> party collection often translates into portfolio acquisitions through due to existing track-record and relationships
  - Collection insight offers pricing advantage
- The 3<sup>rd</sup> party collection business generates attractive margins in an efficient setup benefiting from scale advantages
  - Stable and diversified businesses serving multiple customers
  - Good cash flow supporting portfolio acquisitions
  - Axactor has through its new setup a highly competitive cost structure with streamlined group functions and no legacy business
- 3<sup>rd</sup> party collection is a valuation driver

**Shorter time to market** for successful acquisitions of portfolios in the respective market

# Q2 balance sheet

Assets				Equity and liabilities			
SEK thousand	31.06.2016	31.03.2016	31.06.2015	SEK thousand	31.06.2016	31.03.2016	31.06.2015
<b>ASSETS</b>				<b>EQUITY &amp; LIABILITIES</b>			
<i>Intangible non-current assets</i>				<i>Equity attributable to equity holders of the parent</i>			
Intangible assets	118 044	43 718	31 742	Share capital	473 244	328 107	45 405
Goodwill	408 860	124 467		Other paid-in capital	1 884 121	1 541 773	1 256 648
<i>Tangible non-current assets</i>				Retained earnings and profit for the period	-1 330 758	-1 304 902	-1 226 461
Property, Plant and equipment	20 272	1 669	482	Reserves	-2 976	-1 917	-
<i>Financial non-current assets</i>				<i>Non-controlling interests</i>	2 755	-	75
Purchased debt portfolios	594 298	250 722	-	<b>Total equity</b>	<b>1 026 387</b>	<b>563 060</b>	<b>75 667</b>
Other long term receivables	10 689	0	52	<i>Non-current liabilities</i>			
Other long term investments	402	667	359	Non-current interest bearing debt	276 300		
<b>Total non-current assets</b>	<b>1 152 566</b>	<b>421 243</b>	<b>32 635</b>	Convertible loan	-	0	5 000
<i>Current Assets</i>				Deferred tax liabilities	23 862	10 820	
Current receivables	51 682	63 579	437	Other non-current liabilities	13 080	2 912	
Other current assets	54 600	6 462	224	<b>Total long term liabilities</b>	<b>313 241</b>	<b>13 732</b>	<b>5 000</b>
Restricted cash	49 062	-	-	<i>Current liabilities</i>			
Cash and cash equivalents	283 442	185 793	54 961	Accounts payable	104 426	13 559	881
<b>Total current assets</b>	<b>438 787</b>	<b>255 834</b>	<b>55 622</b>	Current portion of non-current borrowings	72 149	-	-
				Taxes Payable	15 273	-	-
				Other current liabilities	59 876	86 726	6 709
				<b>Total current liabilities</b>	<b>251 725</b>	<b>100 285</b>	<b>7 590</b>
<b>TOTAL ASSETS</b>	<b>1 591 353</b>	<b>677 077</b>	<b>88 257</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 591 353</b>	<b>677 077</b>	<b>88 257</b>





*axactor.com*