



# Q4 2017 Axactor AB

February 13, 2018

**AXACTOR**

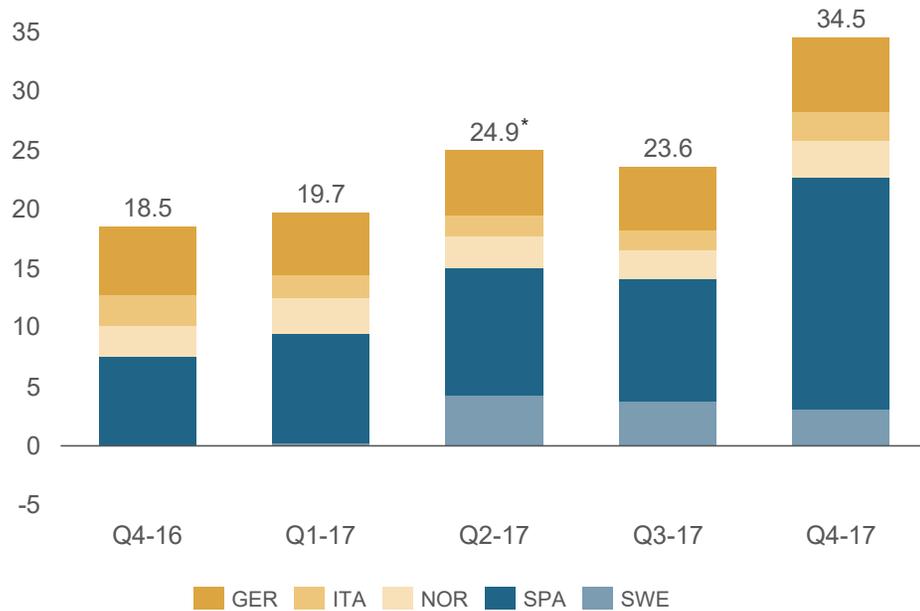
## Key highlights Q4



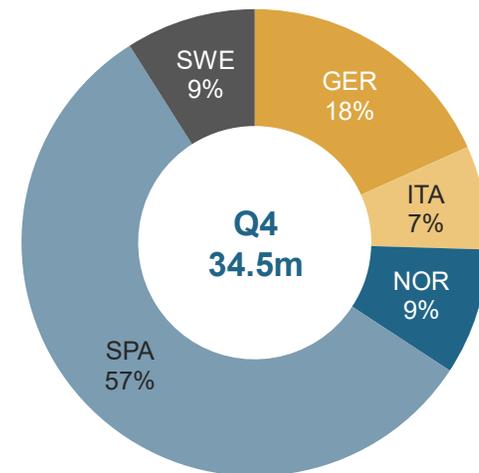
- Co-investment partnership with Geveran established - first transaction completed
- Refinancing of existing debt facility with a new facility of EUR 350m (EUR 250m + EUR150m accordion)
- EUR 234m portfolio investments - including EUR 147m of REO assets in Spain
- Cash EBITDA at EUR 13.5m for the quarter. Full year Cash EBITDA of EUR 32.7m
- Non-recurring items related to SPV setups and restructuring cost of EUR 1.2m included in 2017

# Axactor revenue mix

Revenue per Quarter (EUR million)



Q4 Revenue Distribution per Country

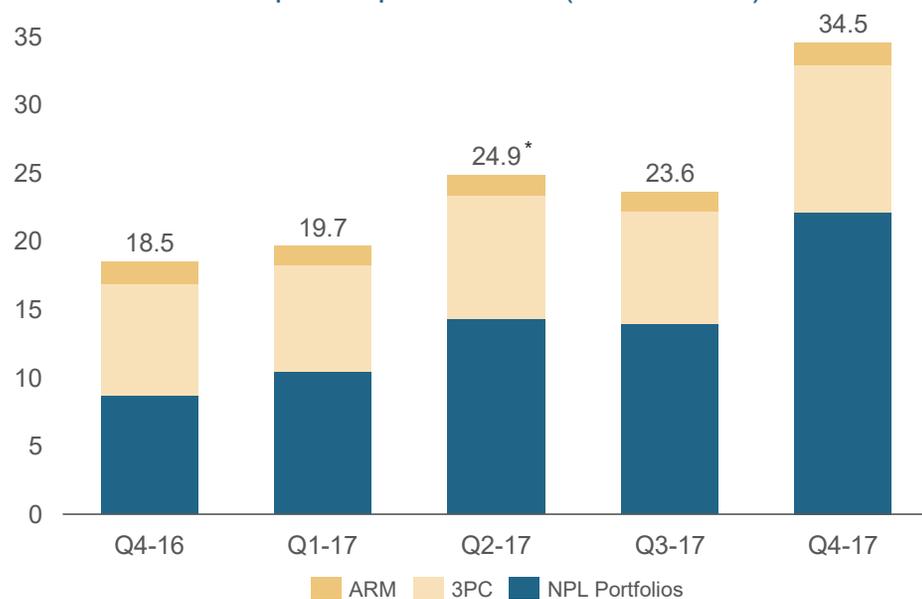


- Significant CAPEX investments in 2H – securing 2018 growth
- Q4 with strong seasonality
- Q4 with strong performance in all countries
- Several new 3PC contracts in Spain during 2H

<sup>3</sup> \*Q2 settlement with former IGE board members is excluded

# Axactor revenue mix

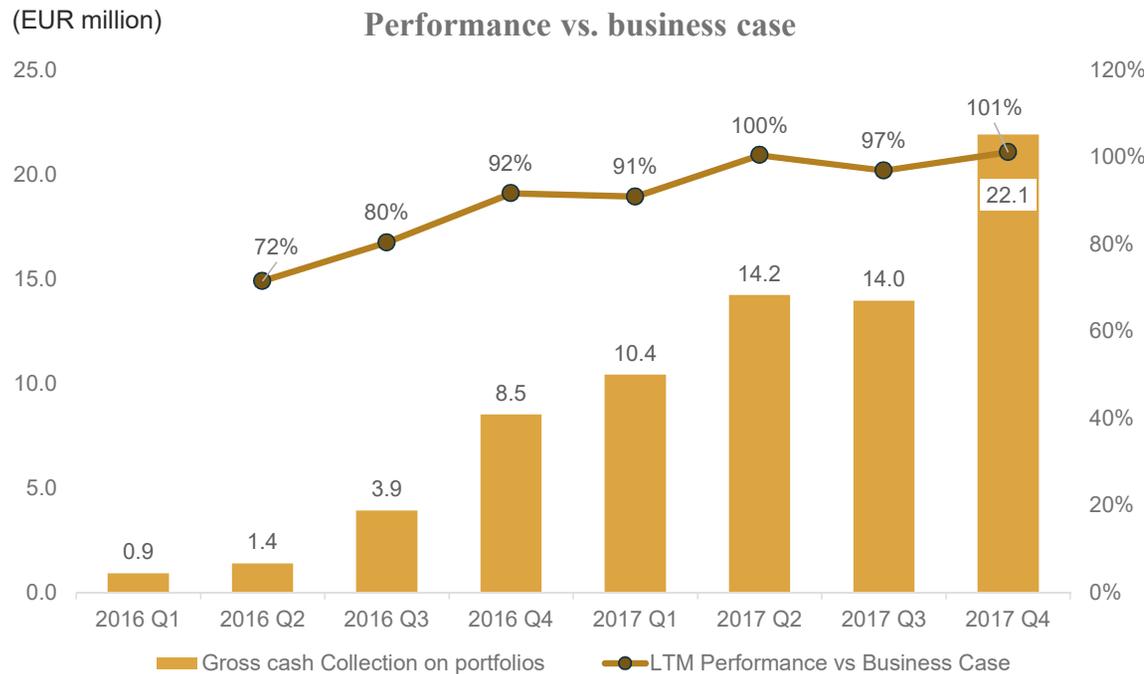
Revenue Development per Product (EUR million)



- Good balance between NPL and 3PC
- NPL segment (including REO) growing significantly on the back of Q4 investments
- 87% revenue growth y/y in Q4 '17 driven by new business secured in 2017
- Stable Accounts Receivable Management (ARM) development
  - Roll-out in SWE, GER and ITA ongoing

4 \*Q2 settlement with former IGE board members is excluded

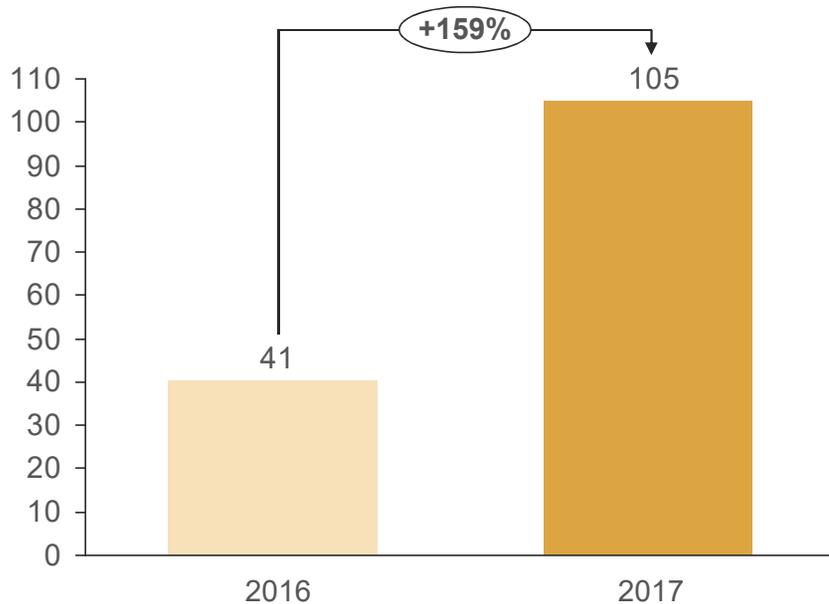
# Collection on NPL portfolios vs. Initial business case



- Continued positive trend in collection performance
- Effect partly driven by new collections systems and robot dialer system
- Performance graph includes REO
- Significant uplift in collections on the back of Q4'17 investments

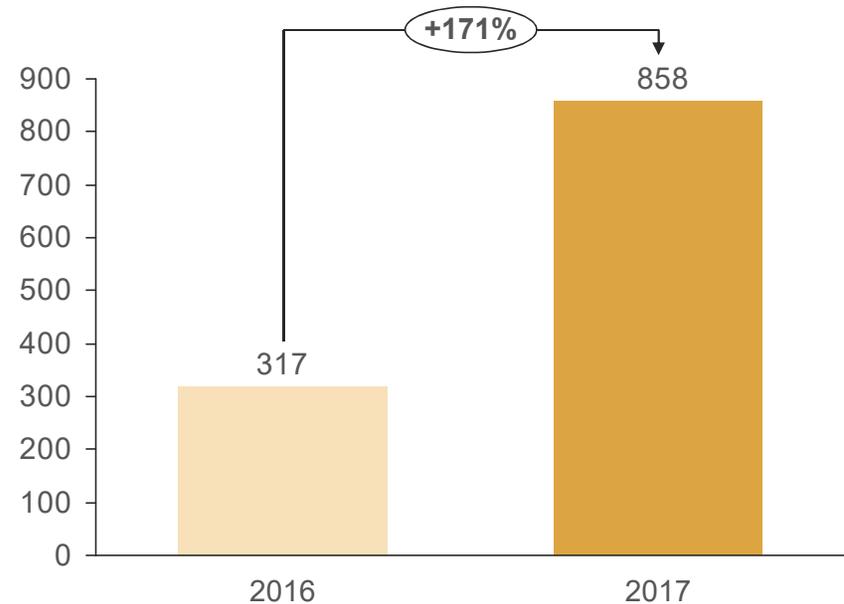
# Financial performance 2017 vs 2016

Gross Revenue (EUR million)



- Revenue growth driven by NPL acquisitions in all countries and 3PC growth, particularly in Spain

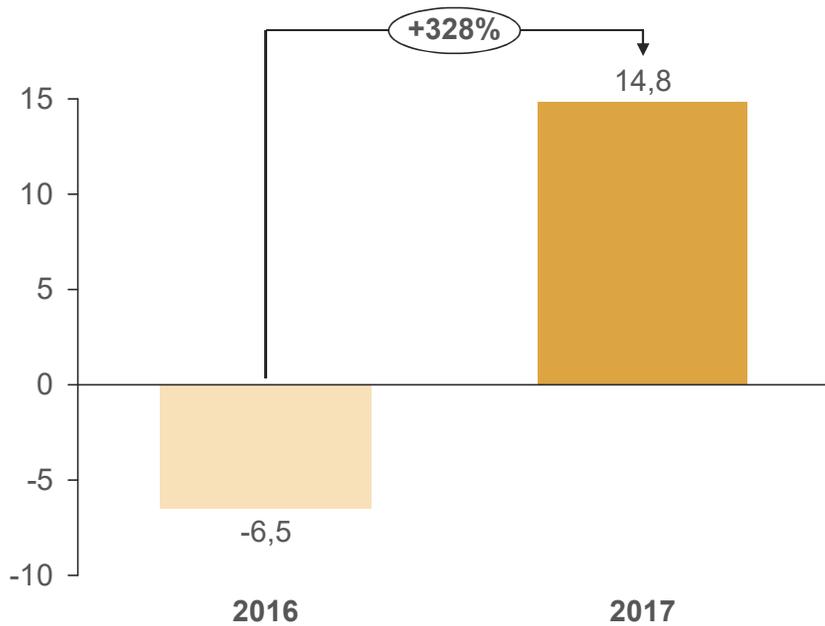
ERC (EUR million)



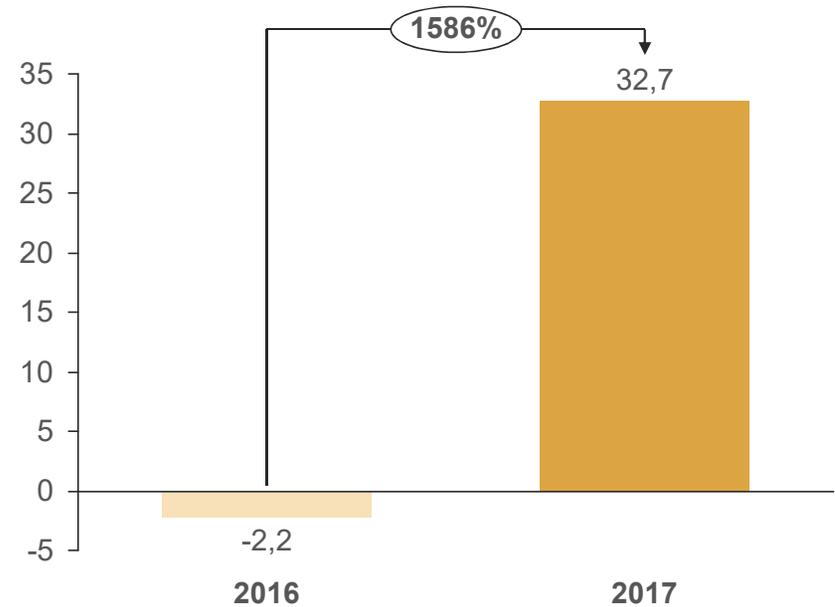
- Book value of NPL portfolios has increased from EUR 128m to EUR 471m from 2016 to 2017
- REO is a significant contributor to the growth

# Financial performance 2017 vs 2016

EBITDA (EUR million)



Cash EBITDA (EUR million)



- Profitability improves with growth in revenue and better utilization of resources
- Significantly reduction in M&A activities in 2017

# What we said (from Q4'15 presentation).....

	Step 1 	Step 2 	Step 3 
Strategy	<ul style="list-style-type: none"> <li>Establish debt collection service platform in Spain</li> </ul>	<ul style="list-style-type: none"> <li>Top 3 market share in debt collection in Spain </li> <li>Collection of debt on acquired Non-Performing loan portfolios </li> </ul>	<ul style="list-style-type: none"> <li>Enter new growth markets with platform and portfolio acquisitions in Germany and Italy </li> </ul>
Action	<ul style="list-style-type: none"> <li>Acquisition of a Spanish debt collection platform with the ALD Abogados transaction</li> </ul>	<ul style="list-style-type: none"> <li>Debt portfolio purchase from Financial Institutions </li> <li>Expand the 3rd party collection business and increase work force </li> </ul>	<ul style="list-style-type: none"> <li>Acquire attractive platforms in Germany and Italy </li> <li>Cost optimisation and synergies with integration of all platforms in one debt collecting group </li> </ul>
Economics	<ul style="list-style-type: none"> <li>Acquisition of ALD Abogados at attractive multiples</li> </ul>	<ul style="list-style-type: none"> <li>Collect debt 2.0x – 3.0x purchase price </li> </ul>	<ul style="list-style-type: none"> <li>Acquisitions of platforms at attractive multiples </li> </ul>
Timeline	December 2015	2016	2016 - 2018

# 2016/2017 Major Achievements

## Platform Acquisitions



- +900 employees
- System consolidation
- One Axactor/3PC/Portfolios/ARM

## Portfolio Acquisitions

- € 485m Investments
- 120 Portfolios

- € 471m book value
- € 858m est. remaining collection
- Unsecured/Secured/REOs

## Financial Events

- 11 rights issues
- Geveran partnership
- Expanded bank facilities

- € 250m equity
- Geveran SPV € 300m funding
- DnB/Nordea facility € 350m (200+150)

# 2016/2017 Main Achievements/Priorities

## Group Priorities

- Intility (IT Infrastructure)
- Miratech partnership (AD/AM)
- ERP/Finance/HR
- Portfolio pricing
- Digitalization
  - Dialer
  - BI/DW
  - Core collection Systems
  - Debtor/Client Portals
  - Skill based collection
- CRM
- Branding
- Common KPIs
- Accounts Receivable Mgmt

**One  
Axactor**

## Country Priorities



- Improve old collection system
- Skill based collection
- ARM Roll-out



- New collection system implementation
- Bank of Italy 106 license
- Legal collection



- New collection system implemented
- Portfolio collection start up in 2017
- New ARM solution



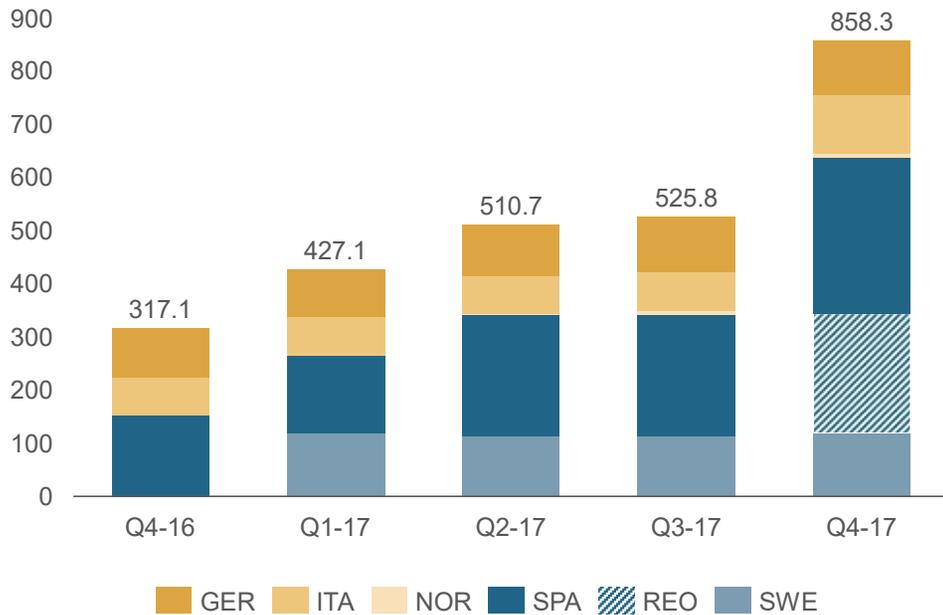
- Consolidate core collection systems
- New infrastructure
- REO start-up



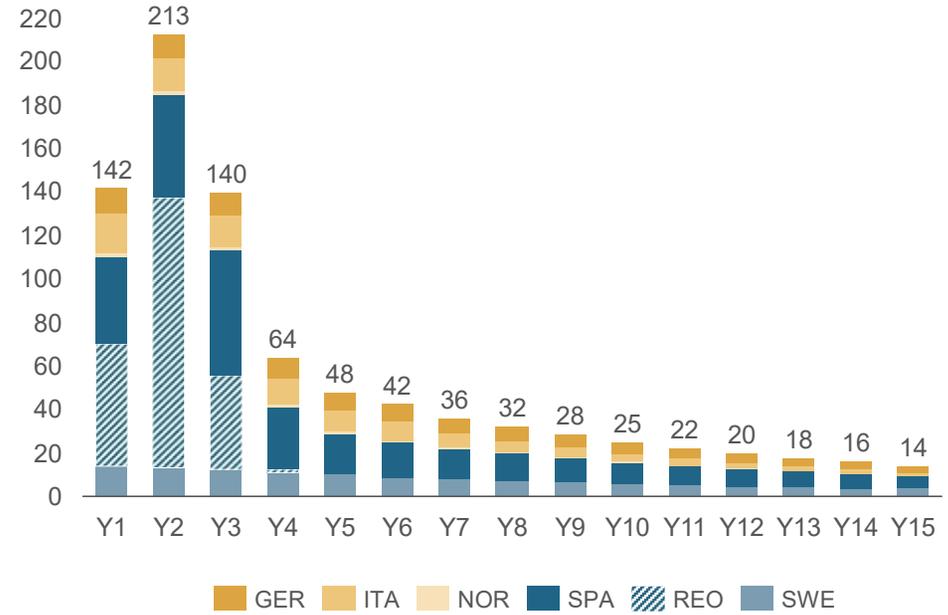
- New organisation
- ARM roll-out
- 3PC collection start up

# Portfolio Statistics

Historical Development ERC (EUR million)



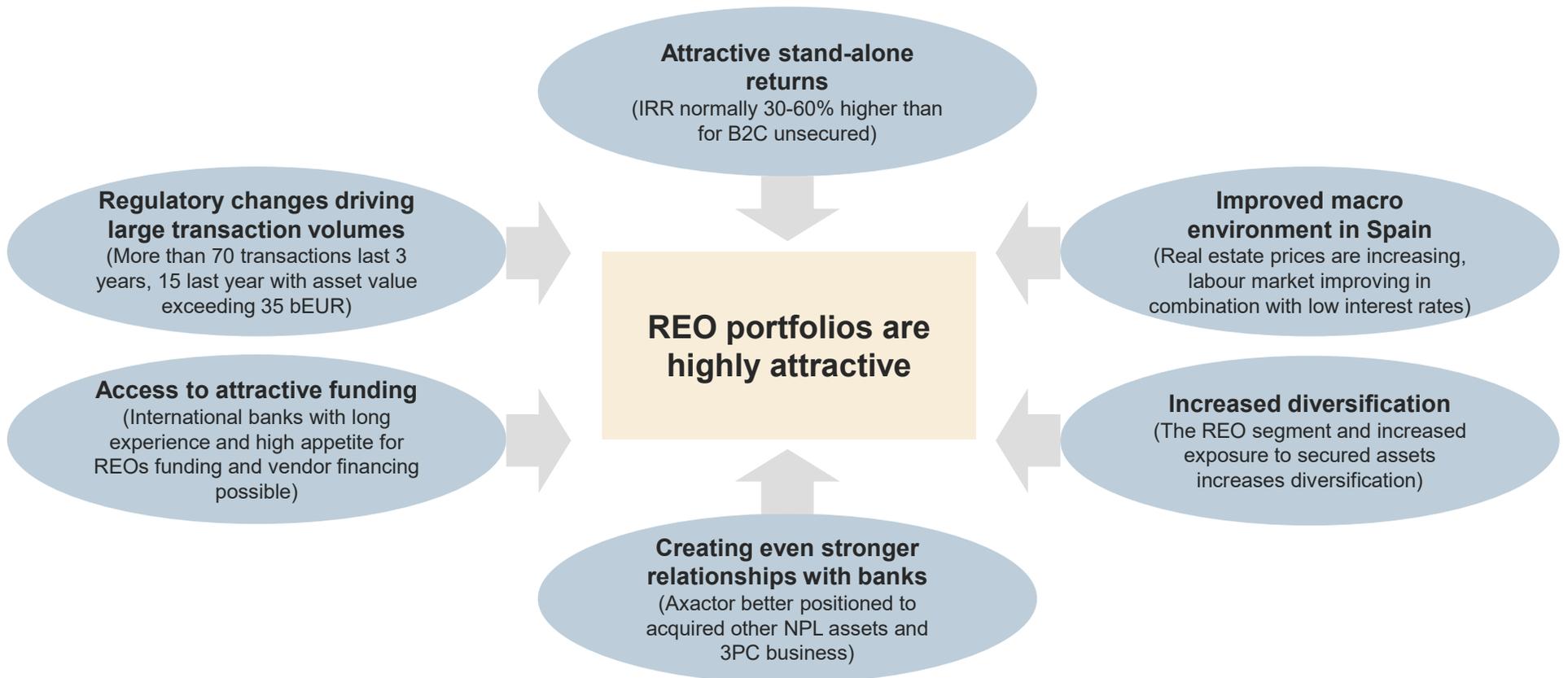
ERC per year (EUR million)



- ERC increase of 171% compared to same quarter last year
- REO portfolios represent EUR 225.3m of ERC in Q4'18
- ERC figures include minority shareholders interest

- NPLs with finance claims have long and stable cash flows (15 years+)
- REO portfolios typically last 3-5 years before depletion
- REOs typically have a low money multiple, but short payback time which ensures healthy IRR levels

# The Spanish Real Estate Owned (REO) market



# REO vs NPL portfolios - examples

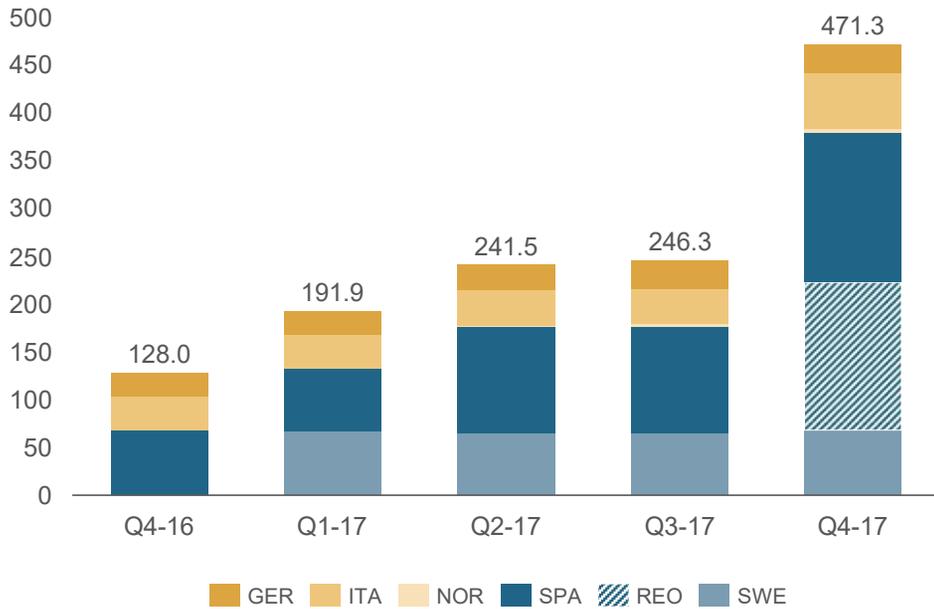


- NPL portfolios with finance claims are characterized by long and stable cash flows (15 years+)
- REO portfolios typically last 3-5 years before depletion
- REOs with a low money multiple, but short payback time ensures healthy IRR levels
- Accounting treatment of NPLs rely on amortized cost principle, i.e. amortization is based on forecasted collections and posted above net revenue
- Accounting treatment of REOs rely on stock held for sale principle, i.e. cost of sale is performed when an asset is sold and posted as opex

	NPL (FI)	REO
Gross payback	40-50 months	20-30 months
Money multiple	> 2.0	≈ 1.4
Lifetime	> 15 years	3-5 years

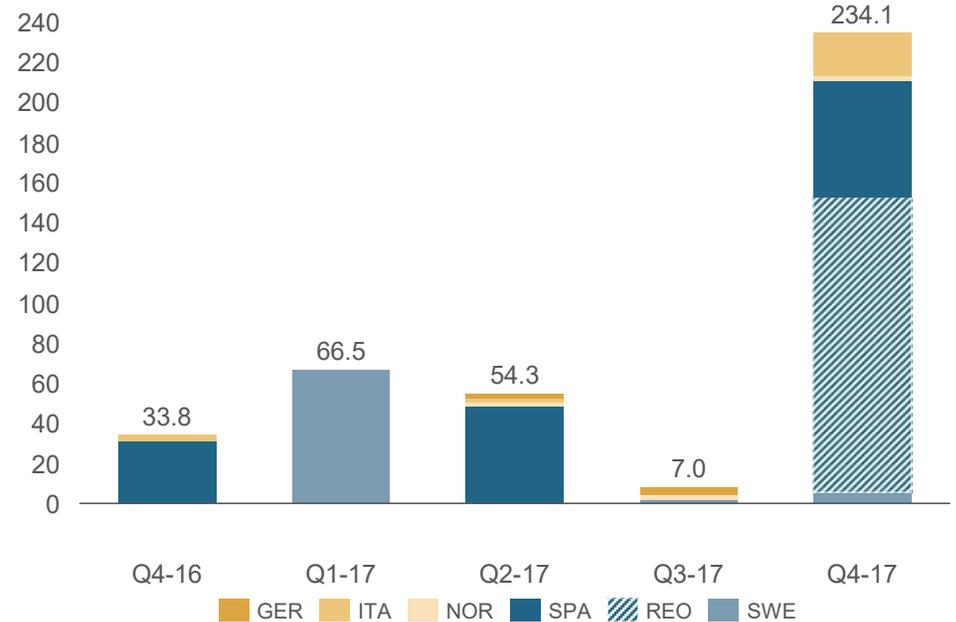
# Portfolio Statistics

Book value Portfolios (EUR million)



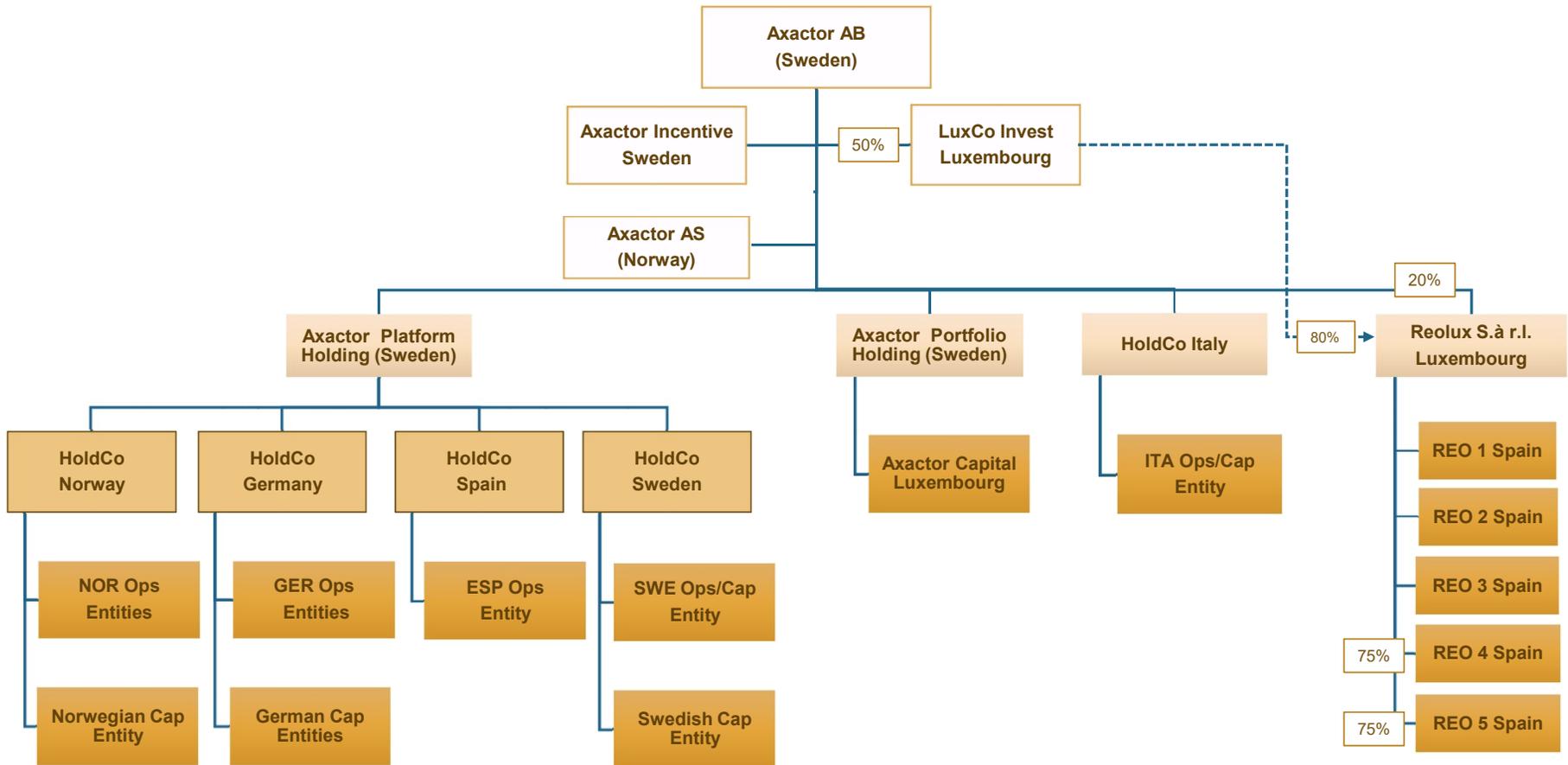
- REO acquisitions in SPVs
- Book value of REO assets amounted to EUR 154.1m in Q4'17
- Book value and capex include minority shareholders interest

Capex (EUR million)

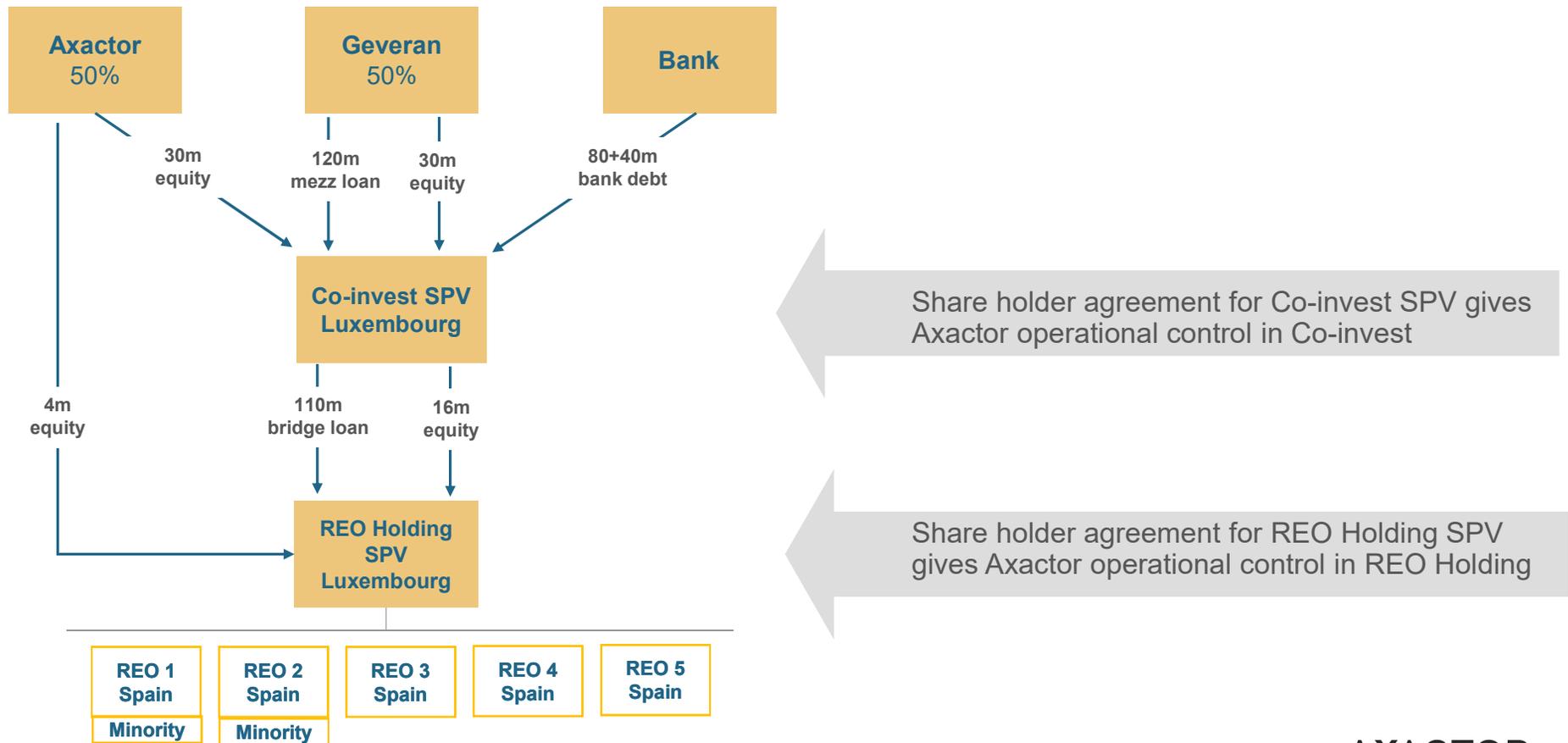


- Total of EUR 362m invested in portfolios in 2017
- REO investments in Q4'17 of EUR 147m (incl. minority)
- Capex deployed in all Axactor geographies in Q4'17
- EUR 20m invested in NPL in Italy in Q4'17

# Axactor Structure Chart



# Co-invest and REO capital structure



# Q4 Income statement

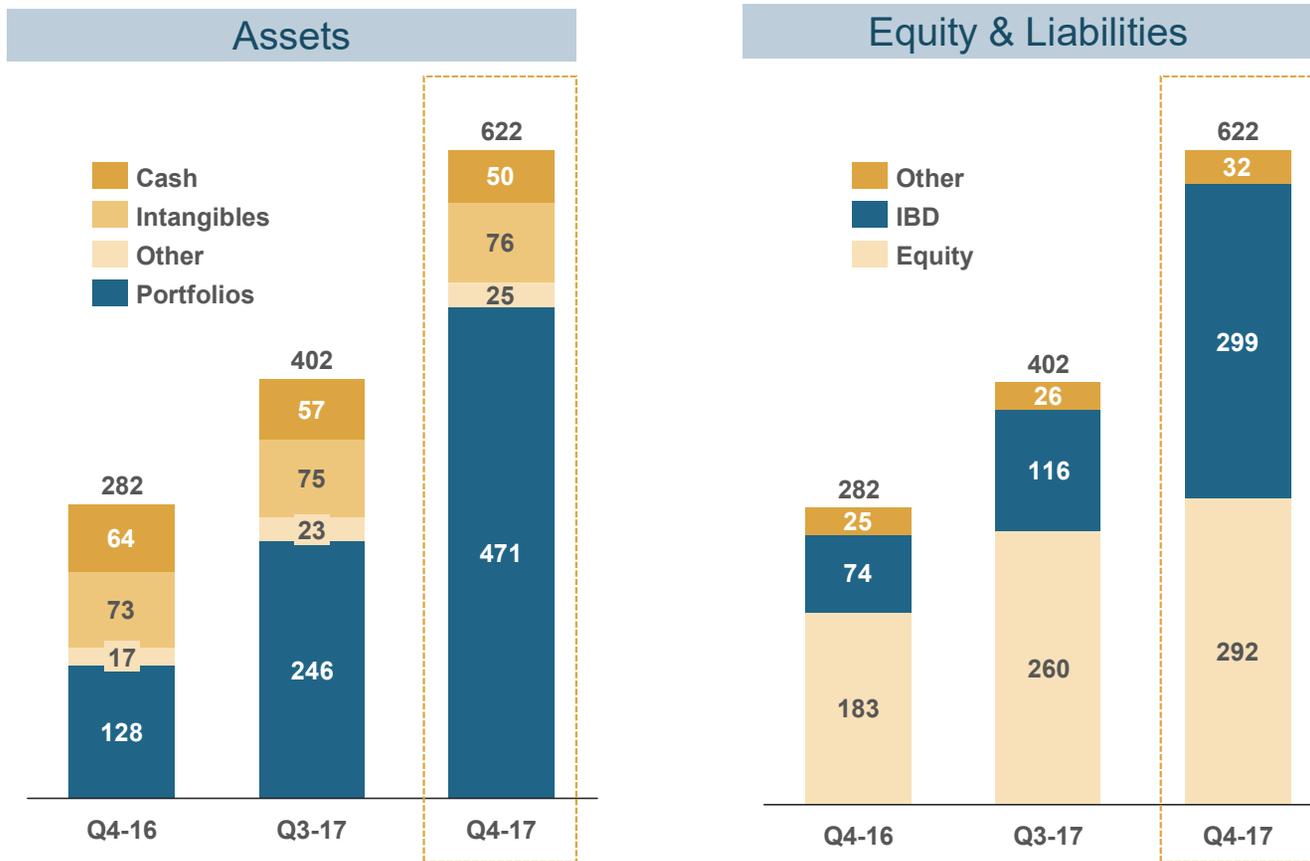
## Income statement

EURO 1000'	4Q 2017	4Q 2016	Jan - Dec 2017	Jan - Dec 2016
Income	34 485	18 473	104 734	40 490
Amortization of debt portfolios	-5 833	-2 034	-14 948	-3 417
<b>Net revenue</b>	<b>28 652</b>	<b>16 439</b>	<b>89 785</b>	<b>37 074</b>
Cost of secured assets sold	-1 321		-1 445	
Personnel expenses collection	-7 400	-6 773	-26 578	-12 038
Personnel expenses other	-5 431	-3 270	-17 331	-9 703
Operating expenses	-8 852	-7 604	-29 616	-21 821
<b>EBITDA</b>	<b>5 649</b>	<b>-1 208</b>	<b>14 815</b>	<b>-6 488</b>
Amortization and depreciation	-1 412	-1 197	-5 327	-3 126
EBIT	4 237	-2 406	9 488	-9 614
Financial revenue	252	-1 767	3 070	1 279
Financial expenses	-5 848	-1 379	-10 585	-3 562
Net financial items	-5 596	-3 145	-7 515	-2 283
Profit/(loss) before tax	-1 359	-5 551	1 974	-11 897
Tax expense	706	872	611	727
<b>Net profit/(loss) from continued operations</b>	<b>-653</b>	<b>-4 679</b>	<b>2 585</b>	<b>-11 169</b>
Result for the period attributable to:				
Equity holders of the Parent Company	-653	-4 679	2 585	-11 169
<b>Result for the period</b>	<b>-653</b>	<b>-4 679</b>	<b>2 585</b>	<b>-11 169</b>
<b>CASH EBITDA</b>	<b>13 491</b>	<b>267</b>	<b>32 695</b>	<b>-2 469</b>

## Key comments

- 87% revenue growth Q4'17 y/y driven by new business secured in 2017
- Cash EBITDA at EUR 13.5 million for Q4'17
- Significant EBITDA margin expansion through scale benefits and efficiency improvements
- Non-recurring items related to SPV setups and restructuring cost of EUR 1.2m included in 2017
- Interest cost for the quarter was EUR 2.6 million
- Change of functional currency for Axactor Ab from NOK to EUR in Q4-2017, resulted in a one-time negative currency effect of EUR 2 million.
- 2017 gross collection EUR 104.7m
- 2017 EBITDA EUR 14.8m
- 2017 net result positive EUR 2.6m
- 2017 Cash EBITDA at 32.7m

# Balance Sheet structure

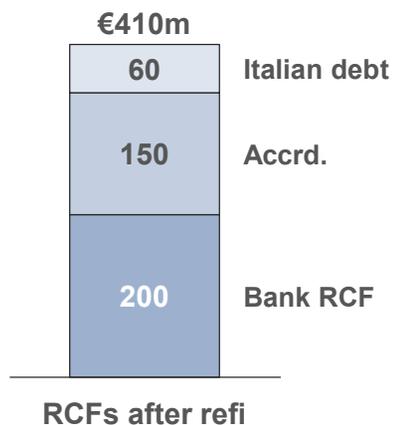


- Book value of NPLs is EUR 471m, including REO
- Available cash at end of Q4 is EUR 50.4m
- Equity ratio 47.0%
- Portfolio net LTV at 52.8%

# Axactor funding availability is strong and flexible

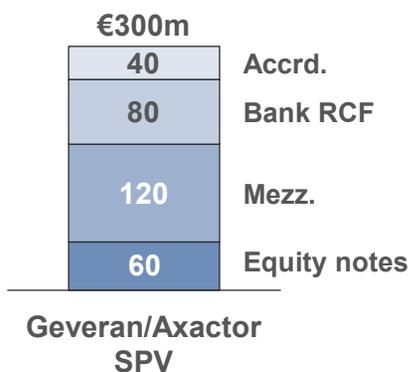
## Existing funding facilities

### Axactor base funding



- Agreement signed end Q4

### Geveran/Axactor funding



- Equity and mezzanine temporarily used for the Spanish REOs investments
- Bank financing not drawn yet

## Being Considered/additional capacity

### Bank facility – REO SPV

- Discussions with international banks ongoing
- Timing Q1/Q2 2018
- Will be used to refinance bridge from co-invest SPV

### Bond offering

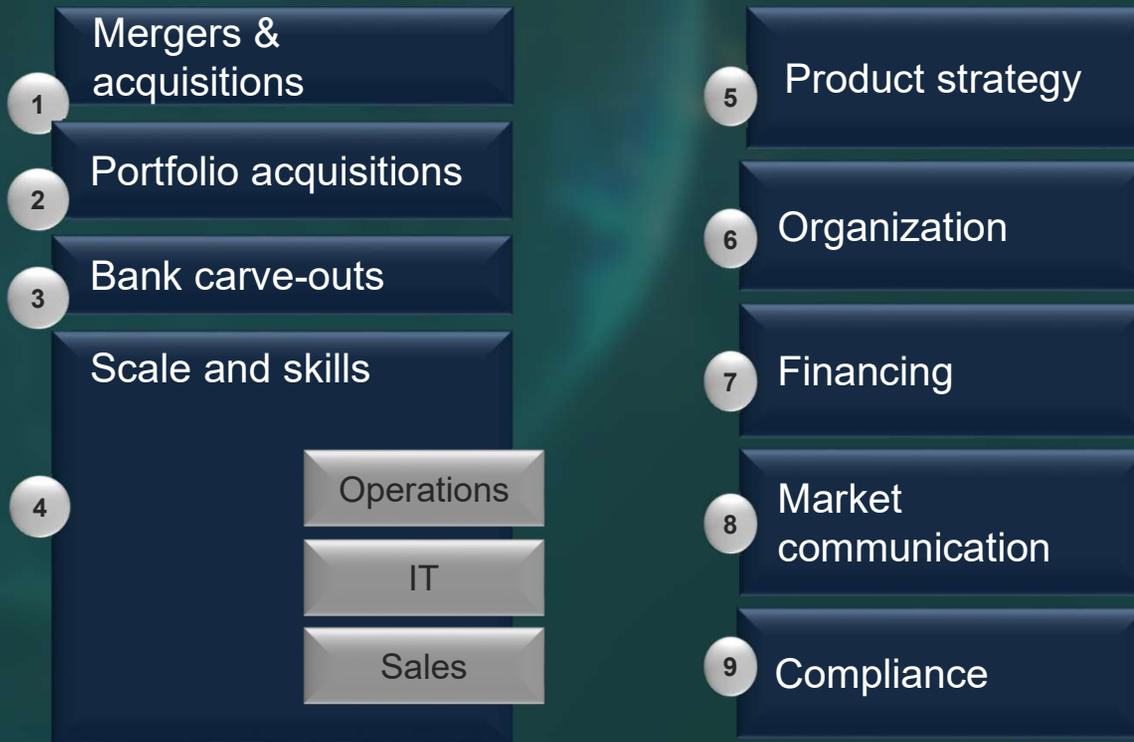
- Axactor is considering the bond market as a funding option in 2018

# Market Trends 2018

- Banks with € 2 billion of NPL
- Regulatory pressure (Basel III, IFRS, ECB, country specifics)
- Carve-out of collection platforms continues
- Consolidation of the CMS industry
- Large REO market opportunity in Spain



# Axactor Strategic Direction



# Summary Q4 Presentation

- 2017/2016 Revenue growth of 159%
- Strong Q4 financial performance
- Solid growth in 3PC from new business
- Closed first co-investment deal with Geveran
- Refinanced existing bank facilities with new facility of EUR 350m (incl. ERU 150m accordion option)
- Capex deployed in all five Axactor geographies during Q4'17
- First REO acquisitions in Spain – strong 2018 Pipeline
- Continue to drive efficiency and cost initiatives through One Axactor



# AXACTOR