



Q2 2017 Axactor AB

August 14, 2017

AXACTOR

Key highlights Q2

REVENUE*

26.9

EUR MILLION

+245% y/y

ERC

511

EUR MILLION

+20% q/q

EBITDA*

6.1

EUR MILLION

26% margin

CASH EBITDA*

9.4

EUR MILLION

CASH BALANCE

19.6

EUR MILLION

- 3PC growth 18% compared to Q1
- Successful entry to secured space in Spain through acquisition of secured portfolio
- Deployed EUR 54 million in NPL CAPEX and increased ERC by 20% compared to Q1
- Positive net profit after tax (NPAT) for the first time with EUR 4.6 million reported for the quarter
- Increased the borrowing facilities by EUR 71 million to a total of EUR 175 million by end of Q2
- Axactor received EUR 1.6 million cash and EUR 0.4 million in none cash items as settlement with former IGE Board

*Includes settlement with former IGE Board members

Events after Q2 closing

DNB/Nordea facility

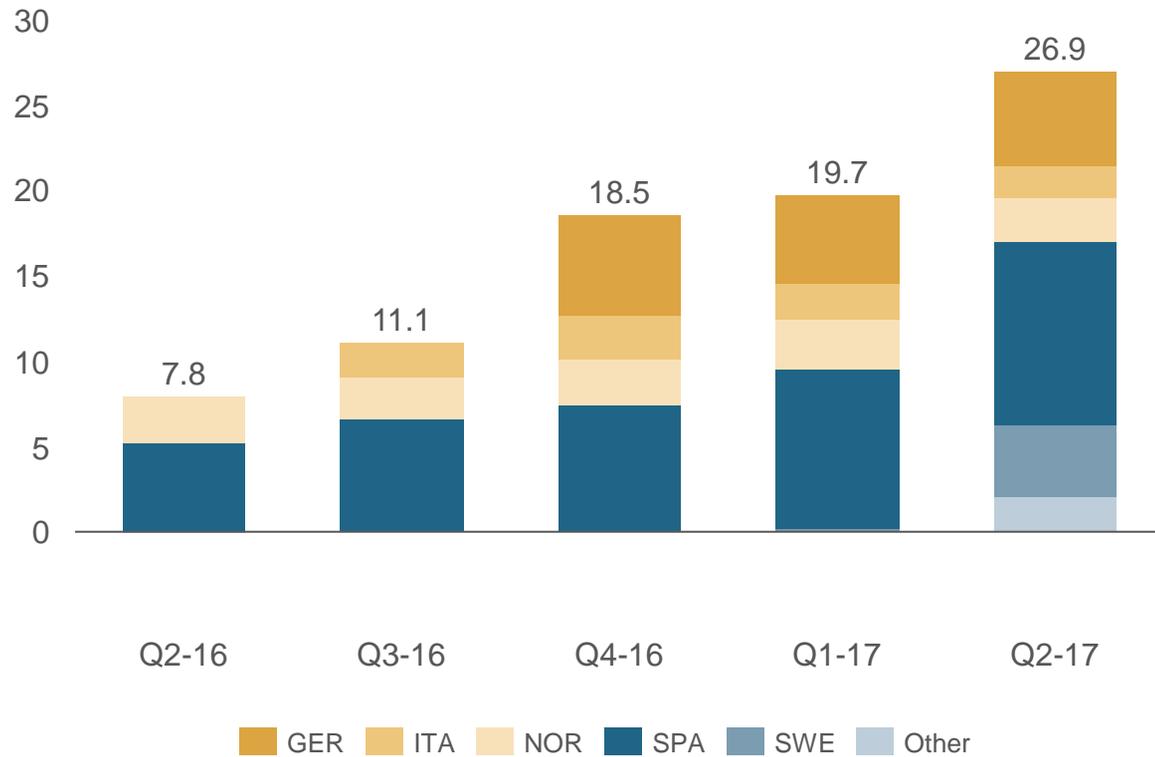
- DNB/Nordea made a 5th tranche of EUR 40 million available with 100% gearing allowed on new NPLs – total facility increased from EUR 120 million to 160 million

New 3PC Agreements

- Third party collection growth continues with new agreements announced in Spain

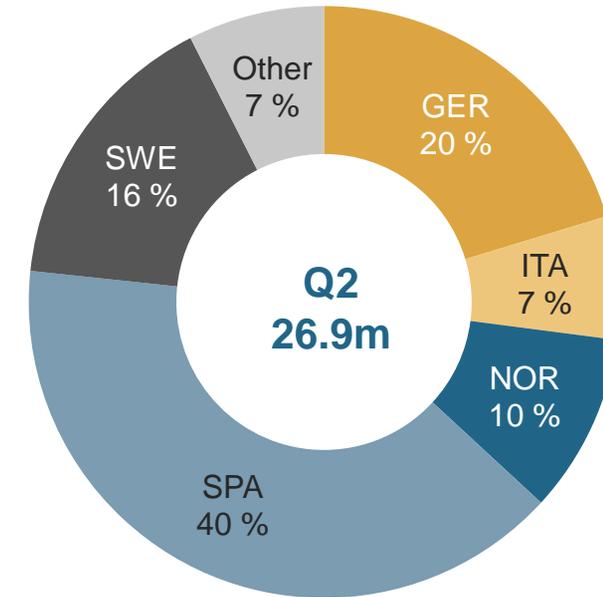
Balanced revenue mix

Revenue per Quarter (EUR million)



- Sweden is contributing to further geographical diversification

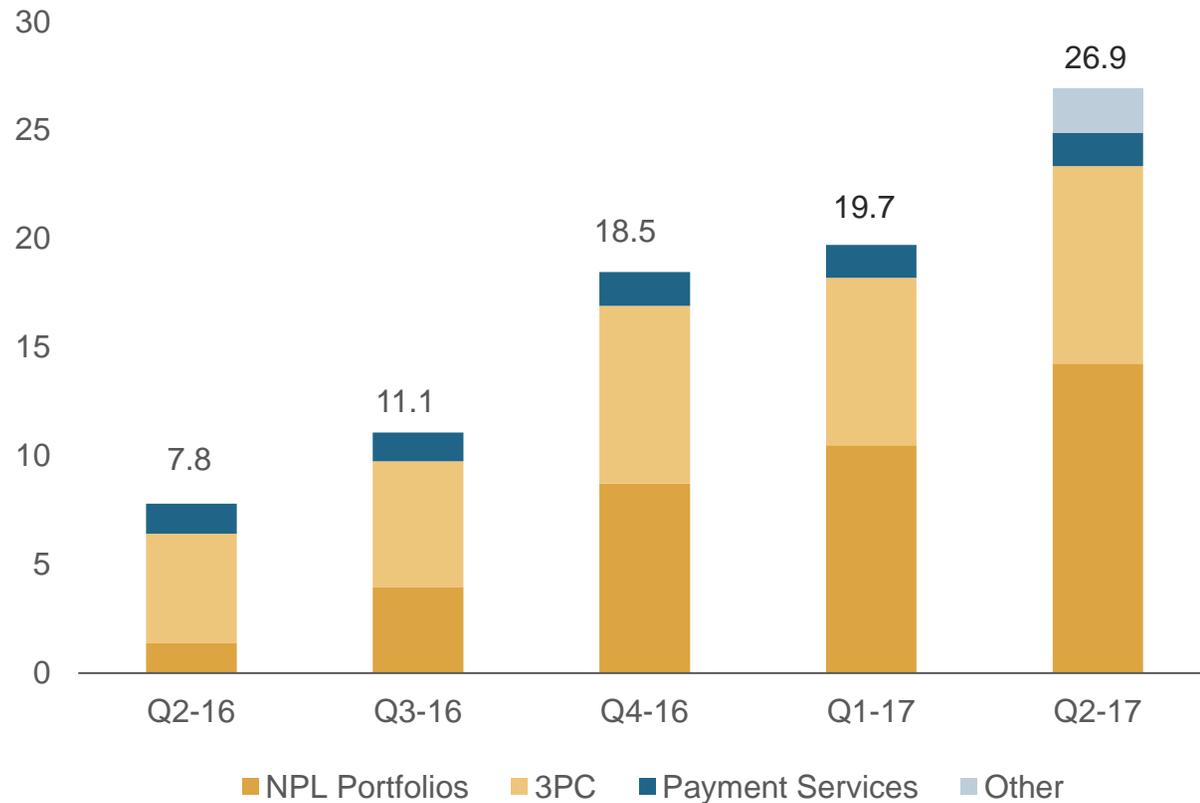
Q2 Revenue Distribution per Country



- Swedish revenue mainly derived from the BN portfolio acquired in Q1
- Other revenue is settlement amount received from former IGE Board members

Balanced revenue mix

Revenue Development per Product (EUR million)

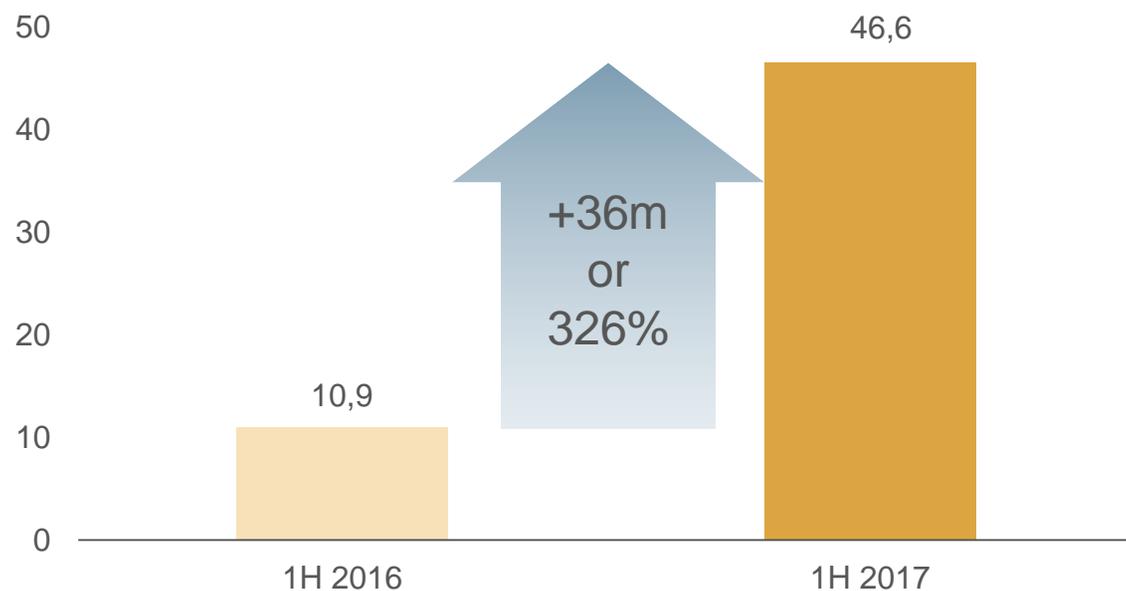


37% revenue growth in Q2 versus previous quarter

- Main driver is NPL collections where BN portfolio acquired in Q1 performs strongly
- 3PC grows 18% mainly driven by Spain where 7 new 3PC agreements were signed in Q2
- Payment services being rolled out in SWE, GER and ITA during 2H 2017
- Other Revenue includes settlement with former IGE board members.

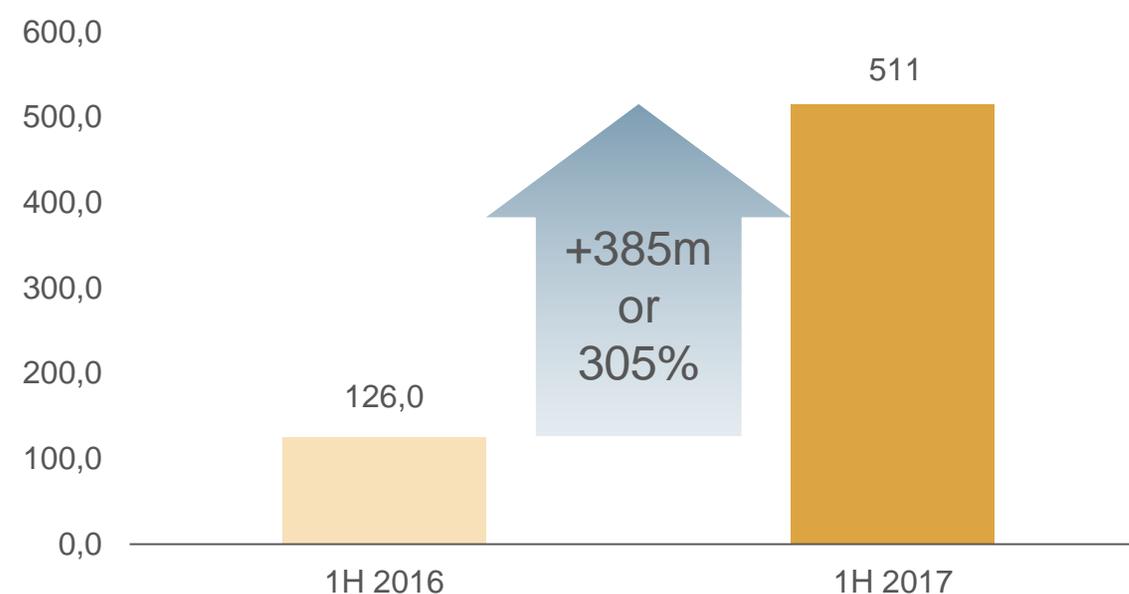
Financial performance 1H 2017 vs 1H 2016

Gross Revenue (EUR million)



- Revenue growth driven by additional platforms added (Italy, Germany and Sweden) as well as substantial investments in new NPL portfolios.

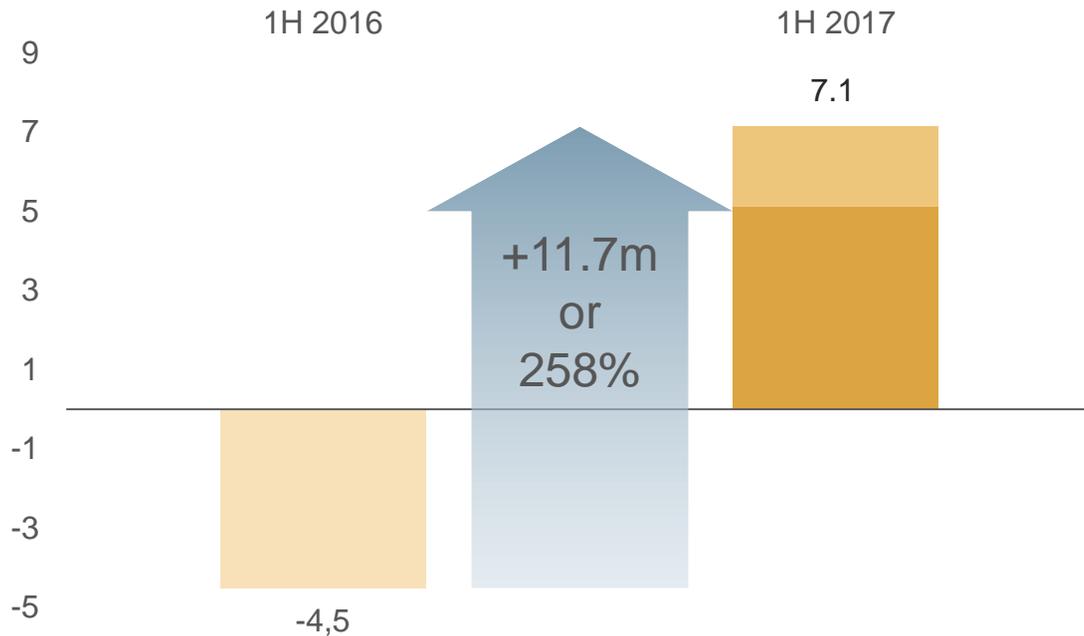
ERC (EUR million)



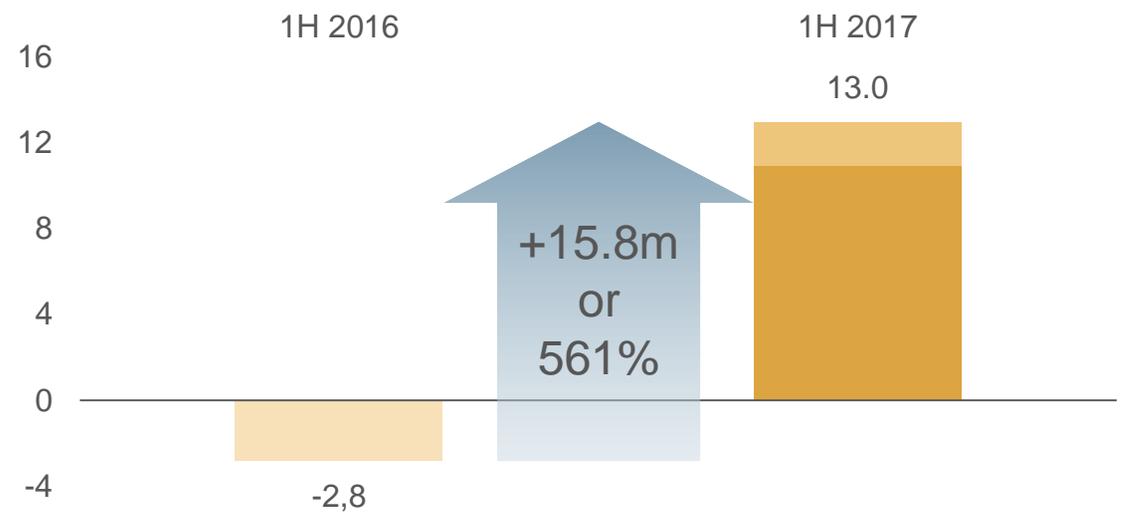
- Book value of NPL portfolios has increased from 64m to 242m from 1H-2016 to 1H-2017

Financial performance 1H 2017 vs 1H 2016

EBITDA (EUR million)

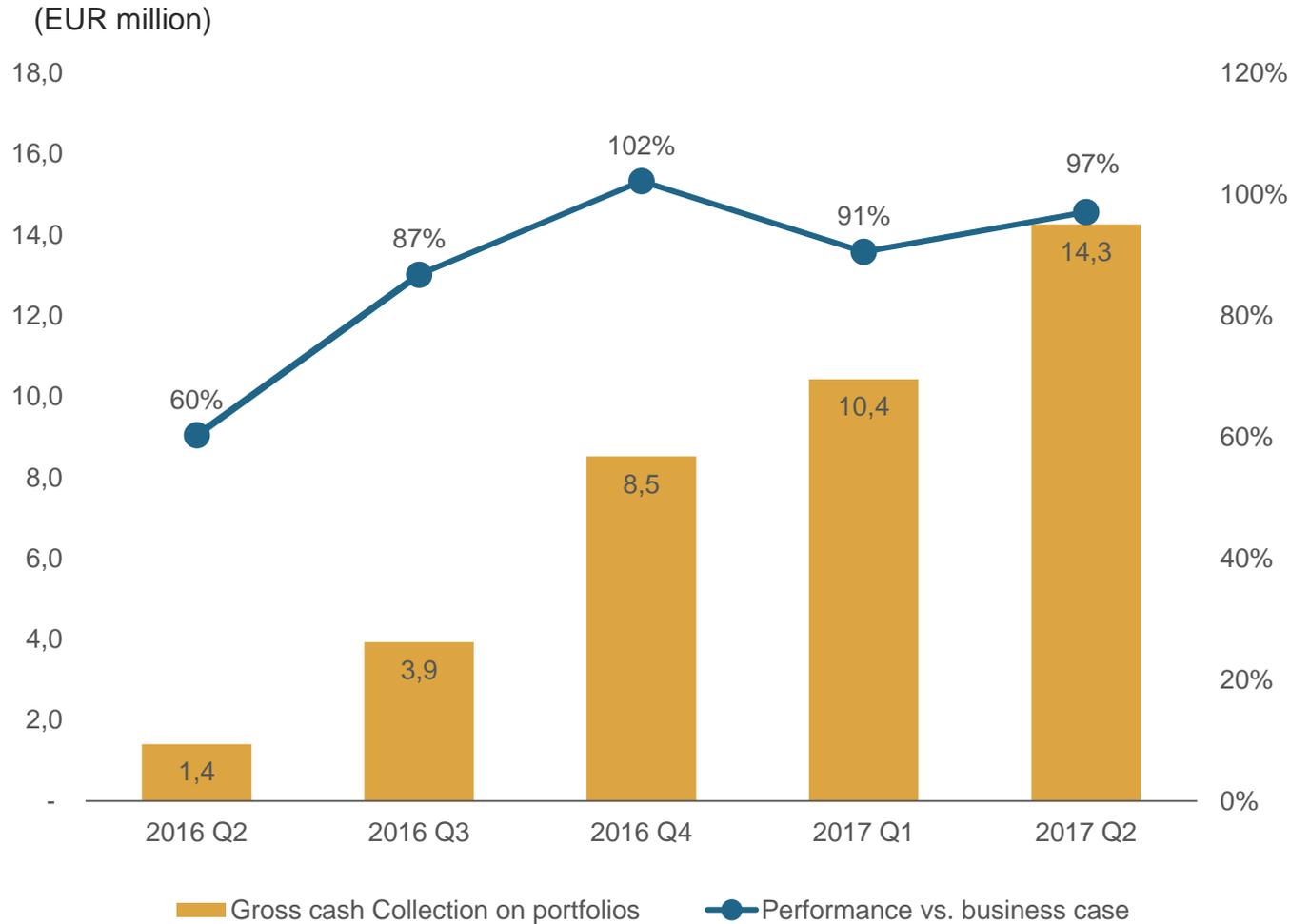


CASH EBITDA (EUR million)



- EBITDA growth driven by increasing business volumes and less cost related to M&A transactions
- Positive effects of increased business volume on current operating platform is becoming evident

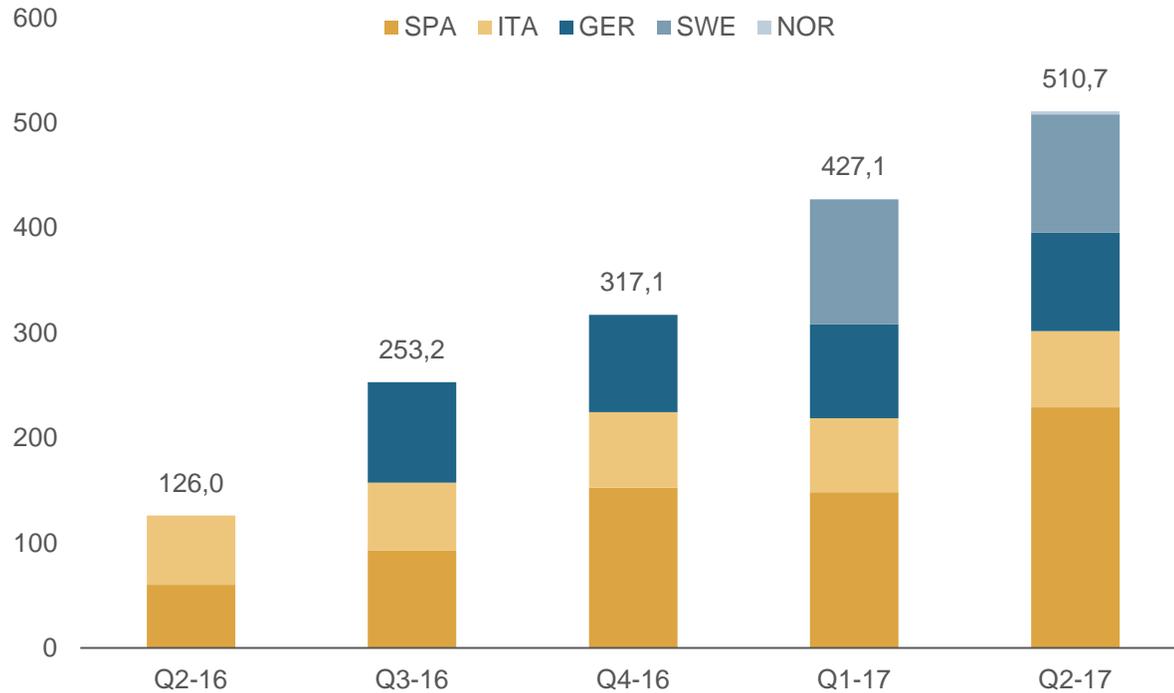
Collection on NPL portfolios vs. Initial business case



- 2016 performance colored by external servicing and replacement of old collection systems in all countries
- Q4-16 collection includes a large settlement of 900k which was not modelled in initial business case.

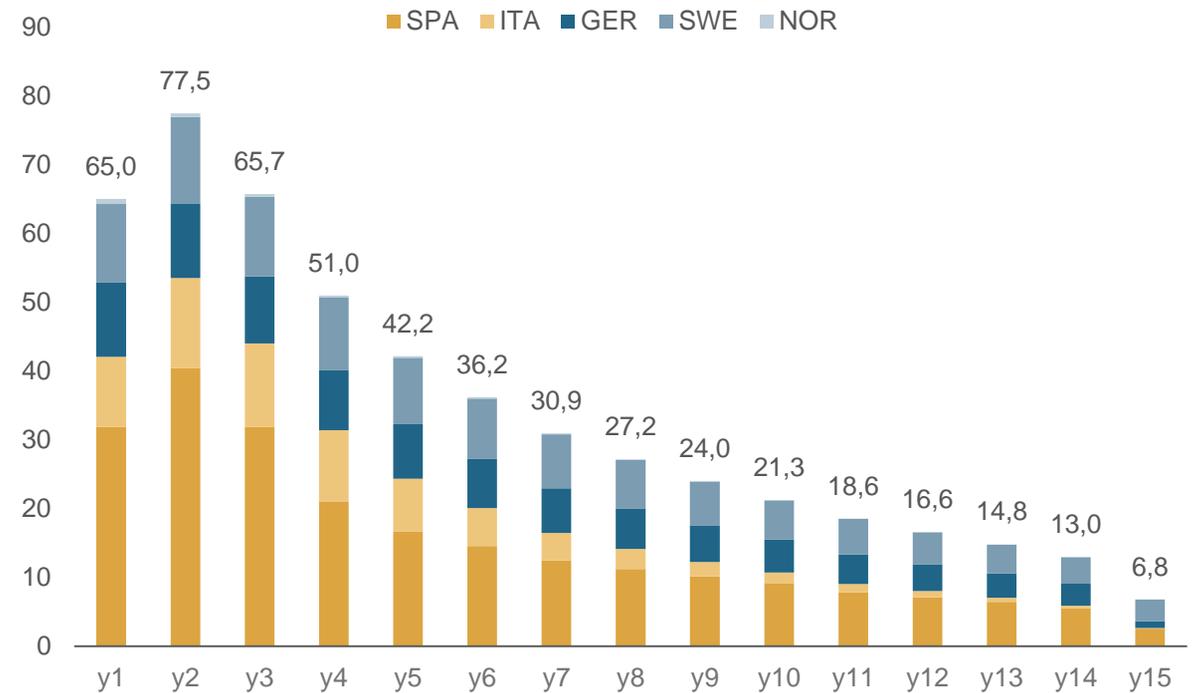
Portfolio Statistics

Historical Development ERC (EUR million)



- ERC increase of 20% compared to previous quarter

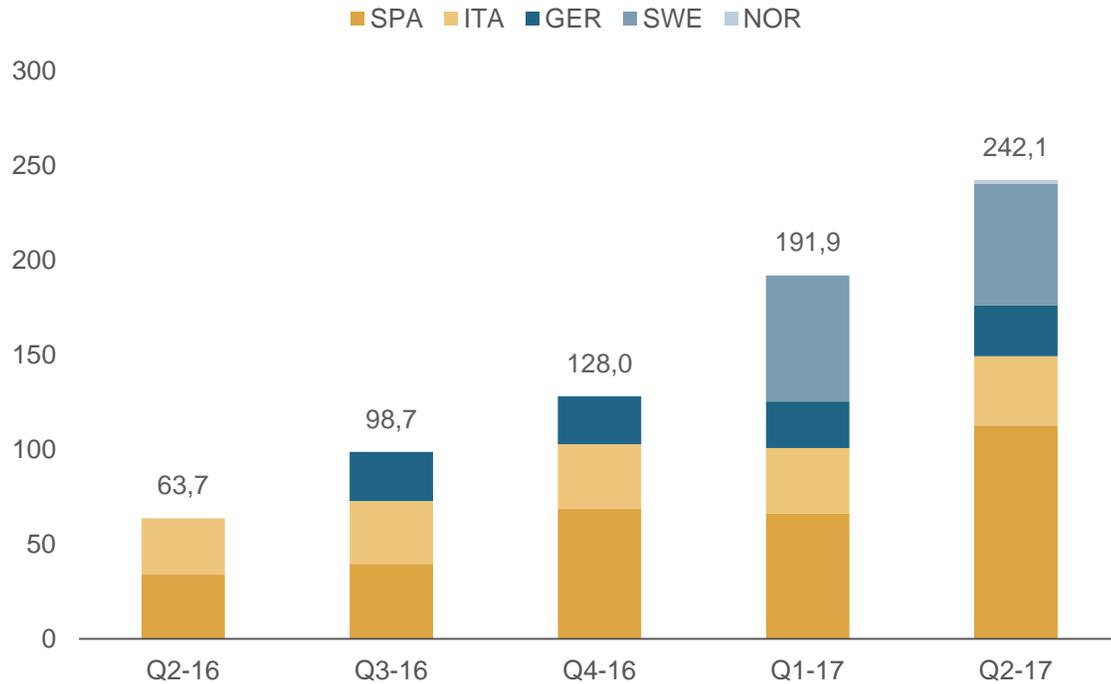
ERC per year (EUR million)



- Increase in Y2 and Y3 improved by forecasted collection on new secured portfolio in Spain

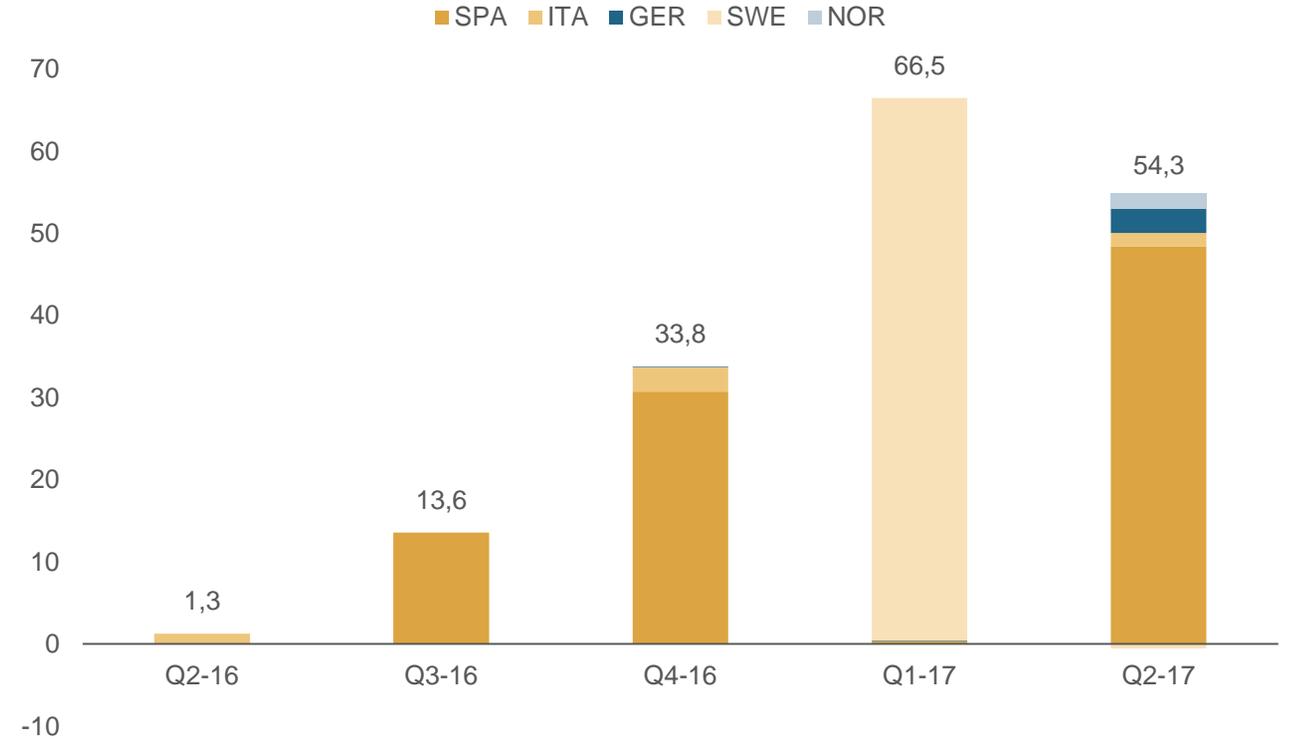
Portfolio Statistics

Book value Portfolios (EUR million)



- Two smaller portfolios acquired in Italy in Q2-17
- Large NPL portfolio acquired in Spain in Q2-17
- First secured portfolio for Axactor acquired in Spain during the quarter

Capex (EUR million)



- Entire 2017 NPL CAPEX budget deployed within H1.

Q2 Income statement

Income statement

EURO 1000'	2Q 2017	2Q 2016
Income	26 922	7 792
Amortization of debt portfolios	-3 290	-845
Net revenue	23 632	6 948
Personnel expenses collection	-6 640	-1 644
Personnel expenses other	-3 601	-2 250
Operating expenses	-7 246	-6 453
EBITDA	6 145	-3 399
Amortization and depreciation	-1 148	-719
EBIT	4 997	-4 119
Financial revenue	1 849	1 845
Financial expenses	-1 633	-894
Net financial items	216	951
Profit/(loss) before tax	5 213	-3 167
Tax expense	-582	379
Net profit/(loss) from continued operations	4 631	-2 788
Result for the period attributable to:		
Equity holders of the Parent Company	4 631	-2 788
Result for the period	4 631	-2 788
CASH EBITDA	9 401	-2 085
NORMALIZED EBITDA	6 145	-203

Key comments

- 36.6% revenue growth compared to Q1-17
- Double digit EBITDA margin
- Cash EBITDA above EUR 9 million
- First full quarter including Profact
- Interest cost for the quarter is EUR 1.5 million
- Positive one-off revenue item of EUR 2.0 million

Market trends in NPL unsecured



Germany

- Strong macro situation increasing the long term expected recovery
- Strong competition on NPL portfolios, but limited number of competitors
- Increasing number of forward flow contracts



Italy

- Limited number of large sales
- High volume of medium / small transactions
- High competition from several purchasers
- Sales still primarily inventory



Norway

- Key financial institutions expected to move to fresh forward flow, or regular sales (annual)
- Limited number of inventory sales expected
- Strong volumes from consumer banks
- Prices relatively stable



Spain

- High volume of transactions expected to continue across all sizes and products
- Strong focus on legal actions, focused on benefiting from longer term macro recovery
- Inventory sales becoming fresher.
- Prices stabilized during first half 2017



Sweden

- Key financial institutions expected to move to fresh forward flow, or regular sales (annual)
- Some inventory sales expected over time
- Prices relatively stable



Comments:

- High consolidation and diversification activity
- Attractive industry for financial gearing
- Potential new markets available
- Significant number of transactions expected across Europe

2H 2017 main focus areas

NPL acquisitions – Primary Sales from FI

- Ensure volume growth on current platform and new SPV
- Growth in the “Forward Flow deals” segment

Product and market strategy

- Roll-out of Payment Services in SWE, ITA and GER
- Focus on growth in existing geographical markets

Entering Secured NPL market in Spain

- Build up of secured capabilities
- Performance ramp up on secured portfolios

Operational improvements and systems implementation

- New collection systems in all countries
- Implementing standard IT platform and systems

Future funding structure

- Bank refinancing
- Secure senior debt for the Co-invest SPV

Overview Operational systems – “One Axactor”



NEW COLLECTION SYSTEM	Gira	Ikaros	Predator	Recupera	Aptic
DIALER	Altitude	Altitude	Altitude	Altitude	Altitude
IT INFRASTRUCTURE	Intility	Intility	Intility	Intility	Intility
ERP SYSTEM/ INC. HR	UBW	UBW	UBW	UBW	UBW
DEBTOR PORTAL	Standard/TBD	Standard/TBD	Standard/TBD	Standard/TBD	Standard/TBD
BI/DATA WAREHOUSE	MicroStrategy	MicroStrategy	MicroStrategy	MicroStrategy	MicroStrategy
CRM	Dynamics 365				
INTEGRATION BROKER	Standardize	Standardize	Standardize	Standardize	Standardize
DIGITALISATION	Started	Started	Started	Started	Started
PAYMENT SERVICES	Axactor Office				

Country specific

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Group systems

Co-investment partnership and equity issue

What we said (from Q4/'15 presentation)

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

Co-invest partnership and equity issue

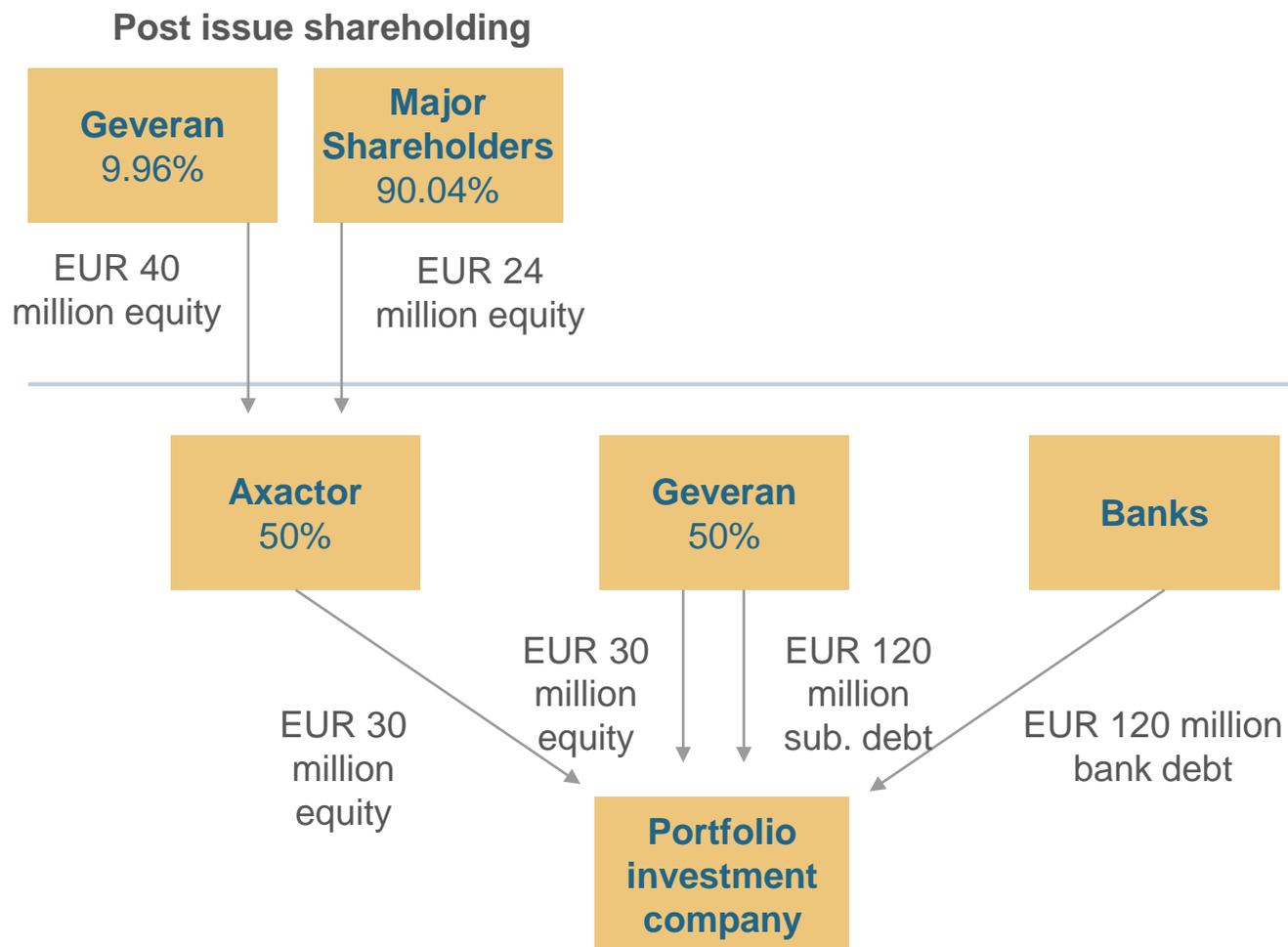
Co-investment with Geveran

- Axactor and Geveran Trading Co. Ltd. (“Geveran”) have entered into a Letter Of Intent regarding the establishment of a jointly owned portfolio investment company that will be 50 / 50 owned with EUR 300 million in investment capacity
- Geveran is indirectly controlled by trusts established by Mr. John Fredriksen for the benefit of his immediate family
- Axactor to issue 130,000,000 American warrants to Geveran at NOK 3.25 per share with maturity in 2 years, subject to jointly owned investment company being established

Private placement

- 240 million to be issued at NOK 2.49 with gross proceeds of NOK 598 million
- Geveran subscribed 151 million shares with 9.96% ownership post deal
- Remaining 89 million shares subscribed for by major shareholders

Overview of the transactions



1 Equity issue

Equity issue of 240 million shares at NOK 2.49 per share in Axactor with gross proceeds of c. EUR 64 million

- Geveran subscribed 151 million shares
- Major shareholders subscribed 89 million shares

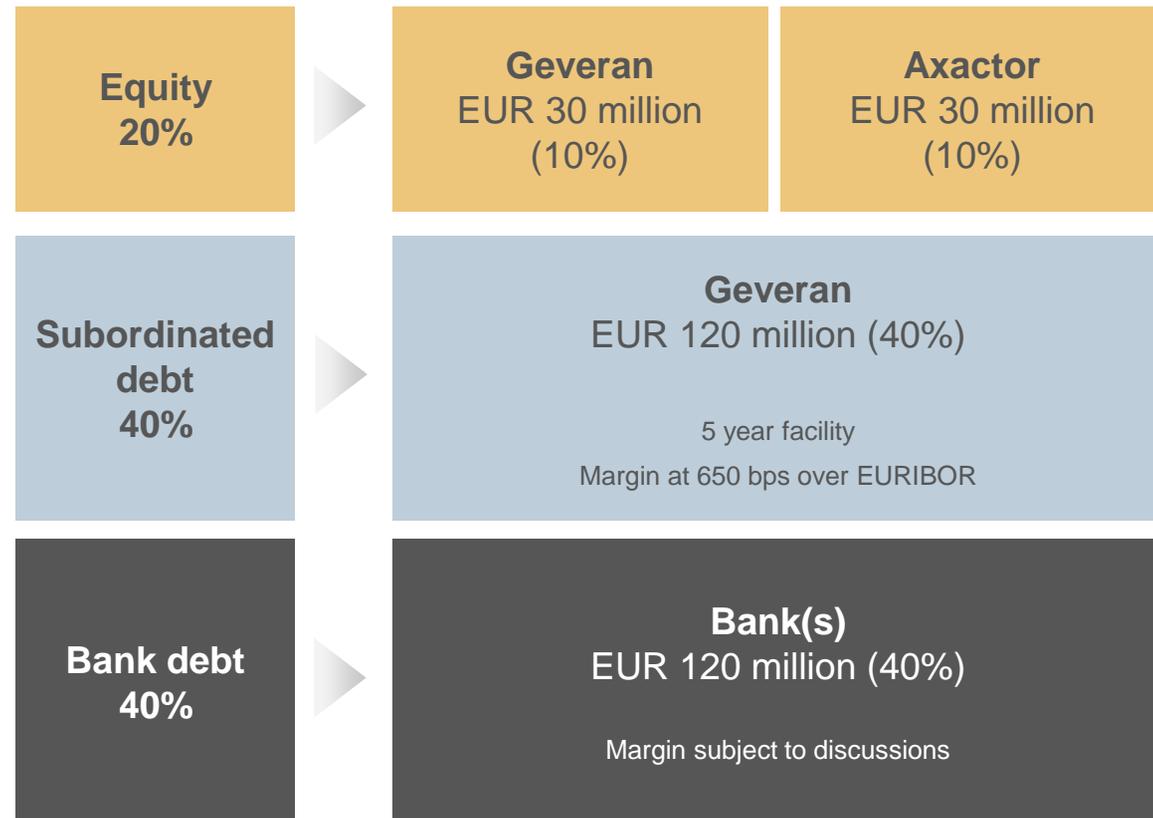
2 New portfolio investment company

New portfolio investment company will be capitalized with EUR 300 million

- EUR 60 million equity, of which Geveran and Axactor will contribute EUR 30 million each
- EUR 120 million subordinated debt from Geveran
- EUR 120 million bank debt

Portfolio investment company

Capital structure with EUR 300 mill capitalization



Rationale for Axactor

- Enables bid for significantly larger portfolios while managing risk with a partner
- Optimizes cost of capital for larger purchases due to leverage of up to 80% LTV
- Maximizes investment capacity while minimizing dilution
- Servicing agreement with Axactor with 5% mark up providing immediate cash flow effects
- Adding significant collection volumes to collection centers reducing marginal cost for entire operation

Head terms of Letter Of Intent (LOI) with Geveran

Scope

- Portfolio size: >EUR 30 million Capex
- Geography: All Axactor countries
- Type: Secured and unsecured consumer NPLs
- Investment period: 24 months

Subordinated debt facility

- Maturity: 5 years
- Drawn down available first 24 months
- Margin on drawn amount: 650 bps over EURIBOR
- Axactor to issue 130,000,000 American warrants to Geveran at NOK 3.25 per share with maturity in 2 years, subject to the jointly owned investment company to be established

Governance

- Axactor and Geveran to have 50% each of board representatives
- Open book principle on pricing and performance
- Investment company with right of first refusal on NPLs > EUR 30 million
- Endre Rangnes, Oddgeir Hansen and Johnny Tsois have agreed to enter into a 2-year lock up on their currently owned shares

Service agreement

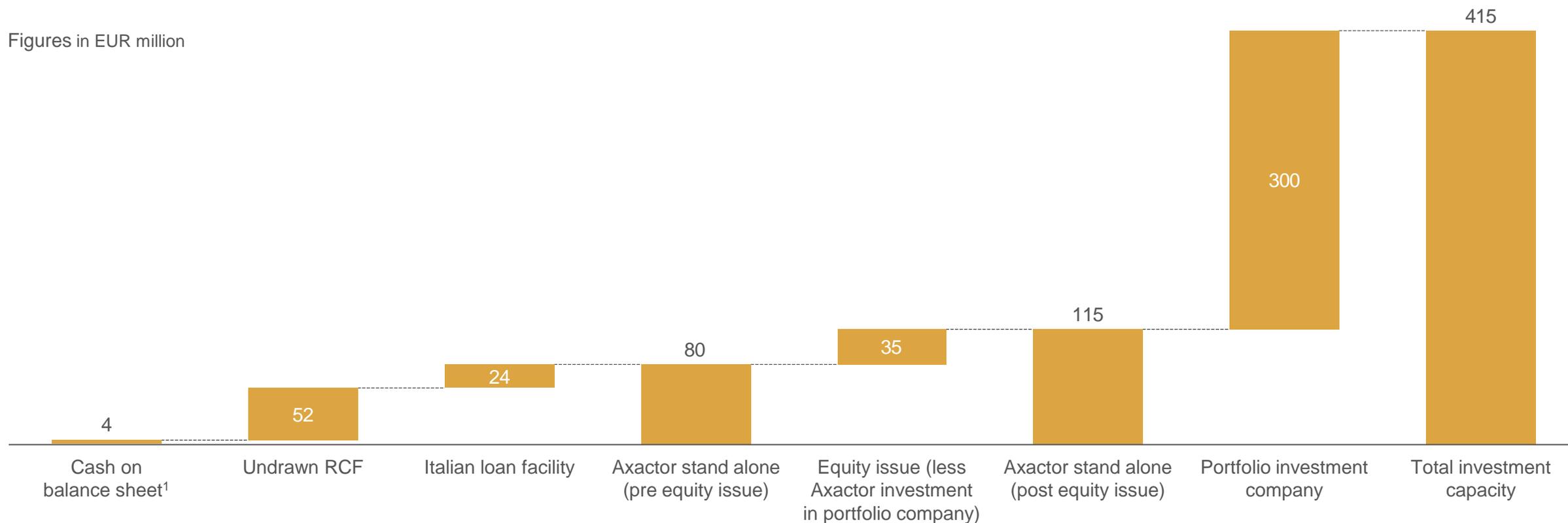
- Service level agreements (“SLA”) to be established between the investment company and the Axactor countries
- 5% markup on agreed SLA cost
- Investment company will cover own external cost and tax

Key terms of the Private Placement

Share issue	<ul style="list-style-type: none">• 240 million shares to be issued (of 400 million shares authorization approved by AGM in May 2017)• Post placement total number of outstanding shares will be 1,516 million
Price	<ul style="list-style-type: none">• NOK 2.49 per share
Gross proceeds	<ul style="list-style-type: none">• Approximately NOK 598 million / EUR 64 million
Investors	<ul style="list-style-type: none">• 151 million shares subscribed by Geveran• Post private placement Geveran will control 9.96% of outstanding shares• 89 million shares subscribed by major shareholders
Purpose	<ul style="list-style-type: none">• Approximately 50% to be used as equity in the portfolio investment company (EUR 30 million)• Remaining proceeds to be used for investments in new NPL portfolios
Board of Directors	<ul style="list-style-type: none">• Geveran has requested to appoint 1 director to the Axactor board of Directors• The Board of Directors will call for an EGM as soon as the nomination committee has made a proposal

Aggregate investment capacity of EUR 415 million

Figures in EUR million



Additional investment capacity available after refinancing

1: Note: Cash on balance sheet excludes approx. EUR 15 million reserved for working capital purposes

Summary Q2 Presentation

- 37% revenue growth (Q2 vs Q1)
- Solid EBITDA/Cash EBITDA
- 5th tranche from DNB/Nordea released after Q2 closing
- Successful entry to the Secured space in Spain
- Good performance in Sweden
- Equity issue with gross proceeds of appx EUR 64 million
- Letter Of Intent (LOI) with Geveran to establish a Portfolio Investment Company with EUR 300 million capacity
- Aggregated investment capacity of EUR 415 million
- Attractive market growth 2H 2017 - with Q3 seasonality

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Q2 Balance Sheet

Assets

EURO 1000'	30.06.2017	30.06.2016	31.12.2016
Intangible non-current assets			
Intangible assets	18 254	12 655	18 347
Goodwill	54 294	43 833	53 491
Deferred Tax Asset	1 590	0	1 442
Tangible non-current assets			
Property, Plant and equipment	2 442	2 173	2 365
Financial non-current assets			
Purchased debt portfolios	233 419	63 714	127 989
Other long term receivables	1 169	1 146	998
Other long term investments	221	43	415
Total non-current assets	311 390	123 565	205 046
Current Assets			
Stock of secured assets	8 070	0	
Current receivables	7 147	5 541	5 652
Other current assets	7 434	5 854	7 563
Restricted cash	1 800	5 260	1 510
Cash and cash equivalents	19 557	30 387	62 476
Total current assets	44 008	47 042	77 202
TOTAL ASSETS	355 398	170 607	282 248

Key comments

- Book value of NPLs is 242m, including Stock of Secured Assets (Spain)
- Available cash at end of Q2 is 19.7 million

Q2 Balance Sheet

Equity and liabilities

EURO 1000'	30.06.2017	30.06.2016	31.12.2016
Equity for equity holders of the parent			
Share capital	66 814	50 736	64 198
Other paid-in capital	142 416	201 994	262 414
Retained earnings for the period	-15 279	-142 669	-147 438
Reserves	-1 592	-319	3 714
Non-controlling interests	0	295	0
Total equity	192 360	110 038	182 888

Non-current liabilities

Non-current interest bearing debt	23 486	29 622	25 149
Deferred tax liabilities	6 488	2 558	5 960
Other non-current liabilities	3 418	1 402	3 400
Total long term liabilities	33 392	33 582	34 510

Current liabilities

Accounts payable	3 974	11 195	6 648
Current portion of non-current borro	104 749	7 735	48 852
Taxes Payable	58	1 637	387
Other current liabilities	20 866	6 419	8 962
Total current liabilities	129 646	26 987	64 850

		0	
TOTAL EQUITY AND LIABILITIES	355 398	170 607	282 248

Key comments

- Total interest bearing debt of EUR128.3 million whereof in Italy EUR 31.5 million in Italy.
- Equity ratio 54% similar to Q1 ratio of 53%
- Last AGM decided to reallocate EUR 128 million in losses from discontinued operation to Other Paid-in capital.