



# Q1 2018 Axactor AB

May 3, 2018

**AXACTOR**

# Key highlights Q1 2018

GROSS REVENUE

**41.0**

EUR MILLION

+108% y/y

ERC

**1.0**

EUR BILLION

+134% y/y

EBITDA

**6.1**

EUR MILLION

17% margin

CASH EBITDA

**18.1**

EUR MILLION

CASH BALANCE

**195.9**

EUR MILLION

- EUR 92m portfolio investments - including EUR 45m REO assets in Spain
- ERC reached EUR 1 billion
- 34% growth in Cash EBITDA compared to last quarter, primarily driven by the REO investments in 2017
- Successful bond placement of EUR 150m in March
- Cash balance of approximately EUR 196m will be partly used to repay bridge financing for REO acquisitions

# Axactor events post Q1 closing

- Signing of largest unsecured NPL forward flow contract ever:
  - Komplett Bank (Norway)
  - Expected annual capex of appx. EUR 60m when fully operational
  - 18 month duration, plus 6 month extension option
- Signed term sheet and mandate letter with global bank\*
  - Refinance REOLux bridge loan
  - Increase REO investment capacity
- Signed 24 month forward flow contract with a Swedish consumer bank
  - Estimated annual outstanding balance EUR 3-4m



# Standardization is used to reduce costs and to drive efficiency

## Standardization - “One Axactor”

- 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 Management (ARM)

## Positive effects from “One Axactor”

1

IT & SG&A share of cost will continue to decrease year over year

2

Efficiency will increase as a result of best practise sharing

- Establishing CoE in different areas

3

Improved operational control through common KPIs

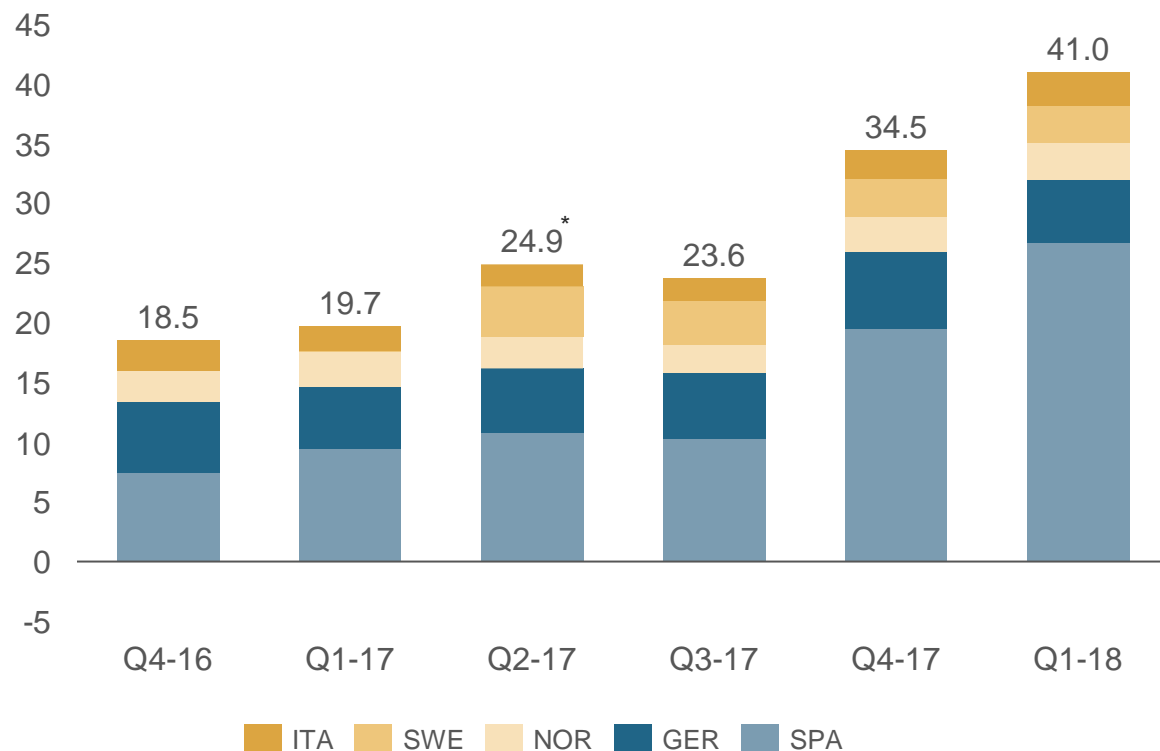
- Possibility to perform internal benchmarking

4

Building one “corporate culture”, eliminate “negative legacy”

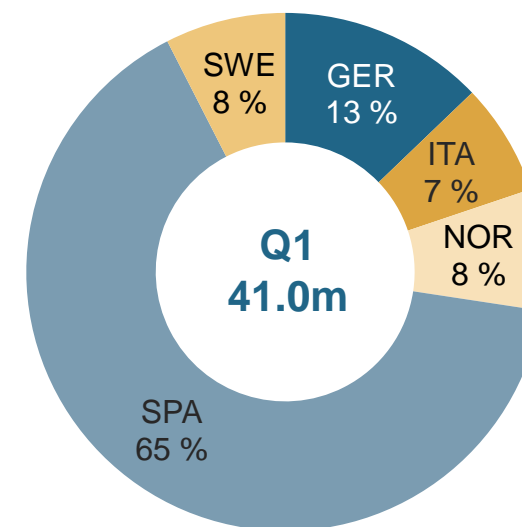
# Axactor revenue mix – distribution per country

Gross revenue per quarter (EUR million)



- Continued growth on the back of large investments in 2017
- Q1 and Q3 with negative seasonally effect

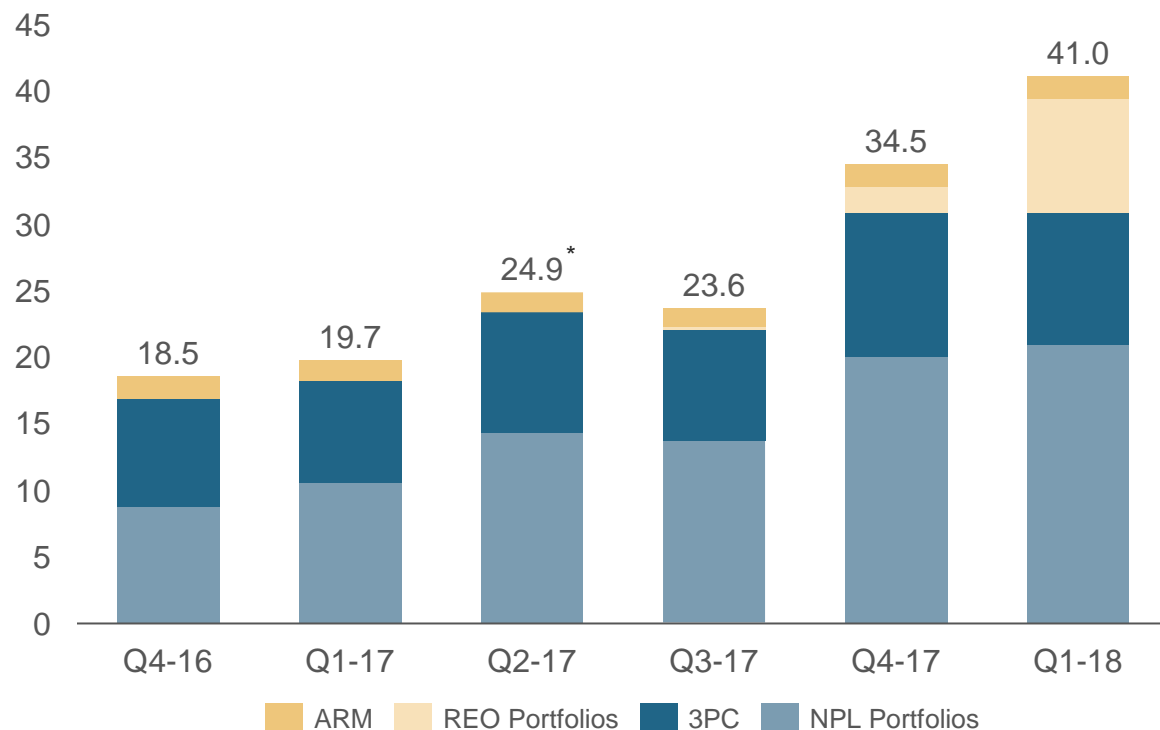
Q1 revenue distribution per country



- Investments in Spain and Italy in Q4-17 driving the shift in revenue mix compared to last quarter
  - Spain up to 65% from 57%
  - Italy at 7% as in Q4 2017

# Axactor revenue mix – distribution per business segment

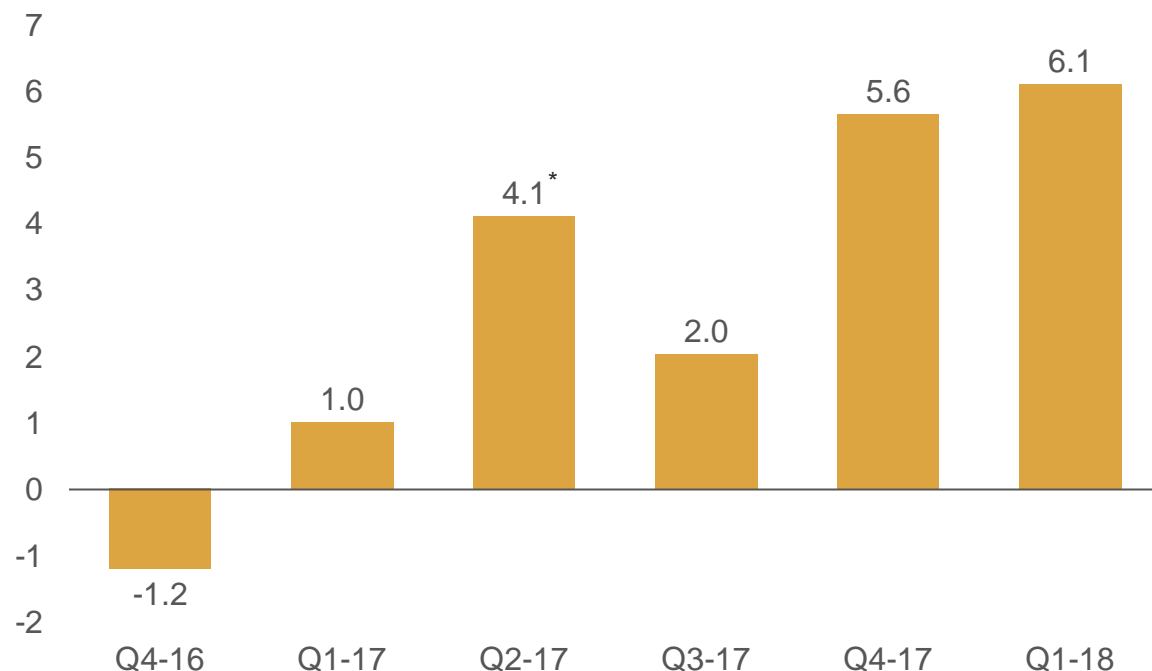
Gross revenue development per segment (EUR million)



- 108% revenue growth y/y in Q1 2018 primarily driven by contracts signed in 2017
- REO established as a major business segment
- Capital light business segments (3PC and ARM) represent ~30% of total gross revenue in Q1 2018
- Stable Accounts Receivable Management (ARM) development
  - Roll-out in Sweden, Germany and Italy ongoing

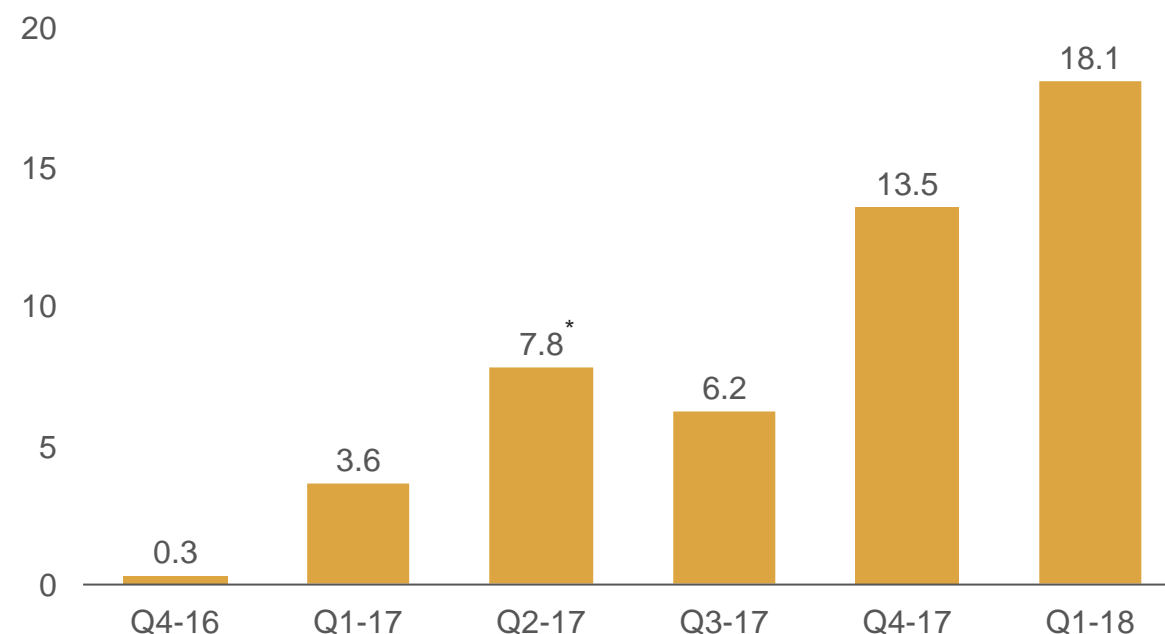
# Profitability development – EBITDA and Cash EBITDA

EBITDA per quarter (EUR million)



- 507% EBITDA growth compared to the same quarter last year
- 8% EBITDA growth compared to last quarter
- Q1 and Q3 with negative seasonality effect

Cash EBITDA per quarter (EUR million)



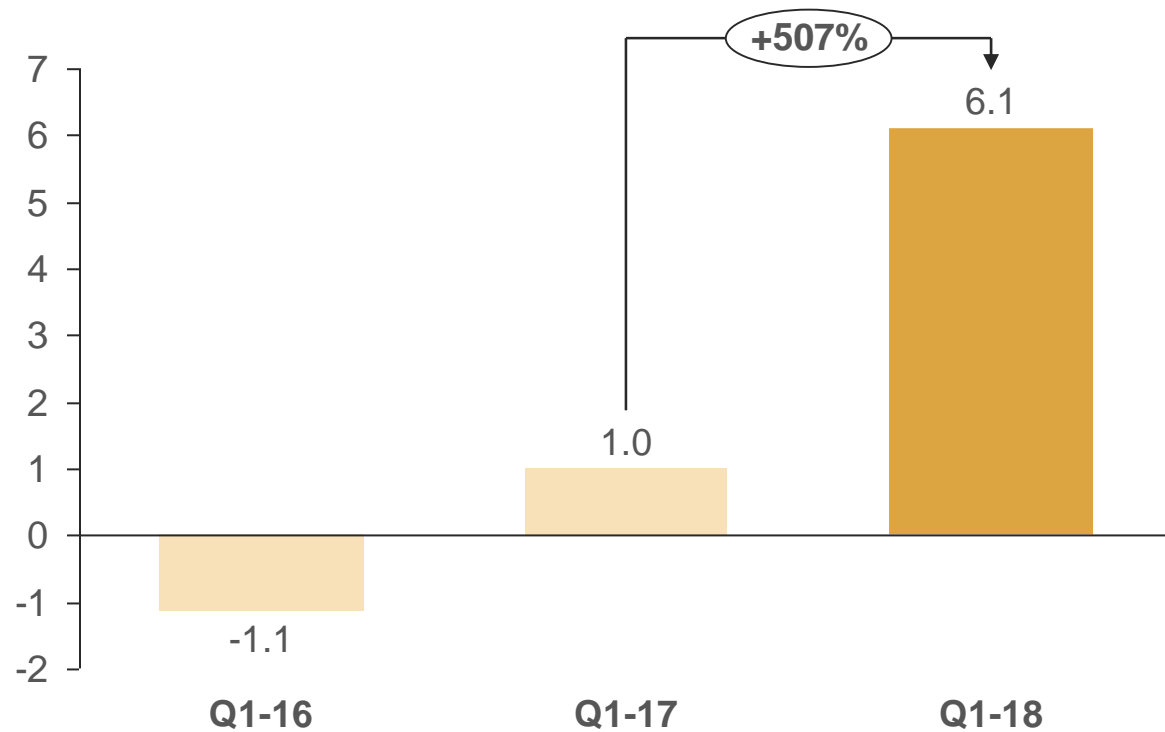
- REOs contributing significantly to cash EBITDA growth, and we are still in a transfer/build-up phase on REO assets
  - Total of 551 assets sold since project start-up
- Gross margin of 44% in Q1-18, up from 39% last quarter

<sup>7</sup> \*Q2 2017 settlement with former IGE board members is excluded



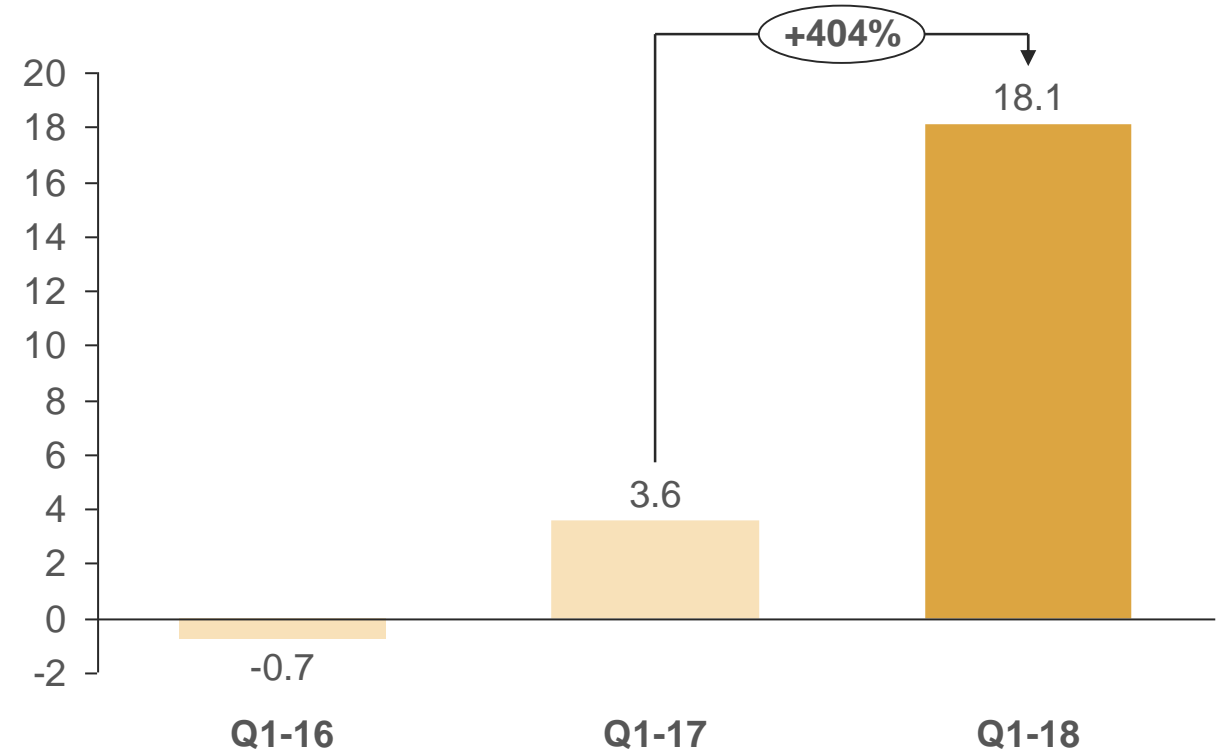
# EBITDA and cash EBITDA - quarter by quarter

EBITDA (EUR million)



- Increased volume improves profit margins through scale and skill benefits

Cash EBITDA (EUR million)

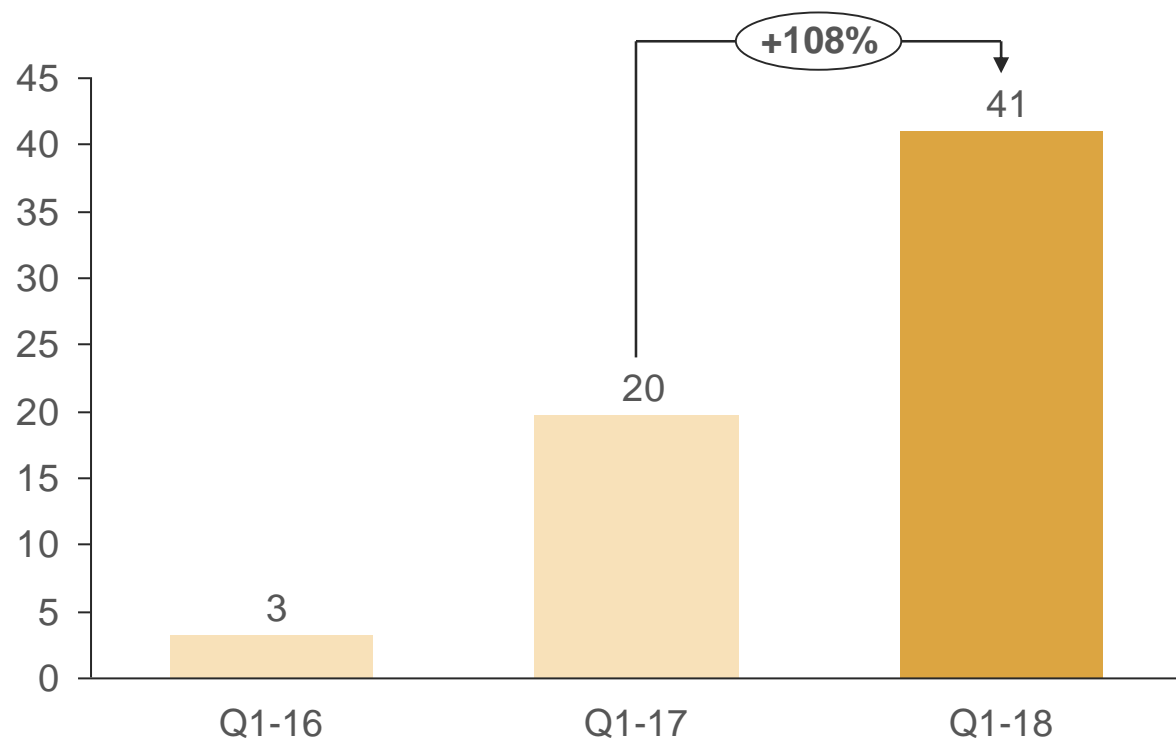


- REO portfolios a significant contributor to growth in Cash EBITDA



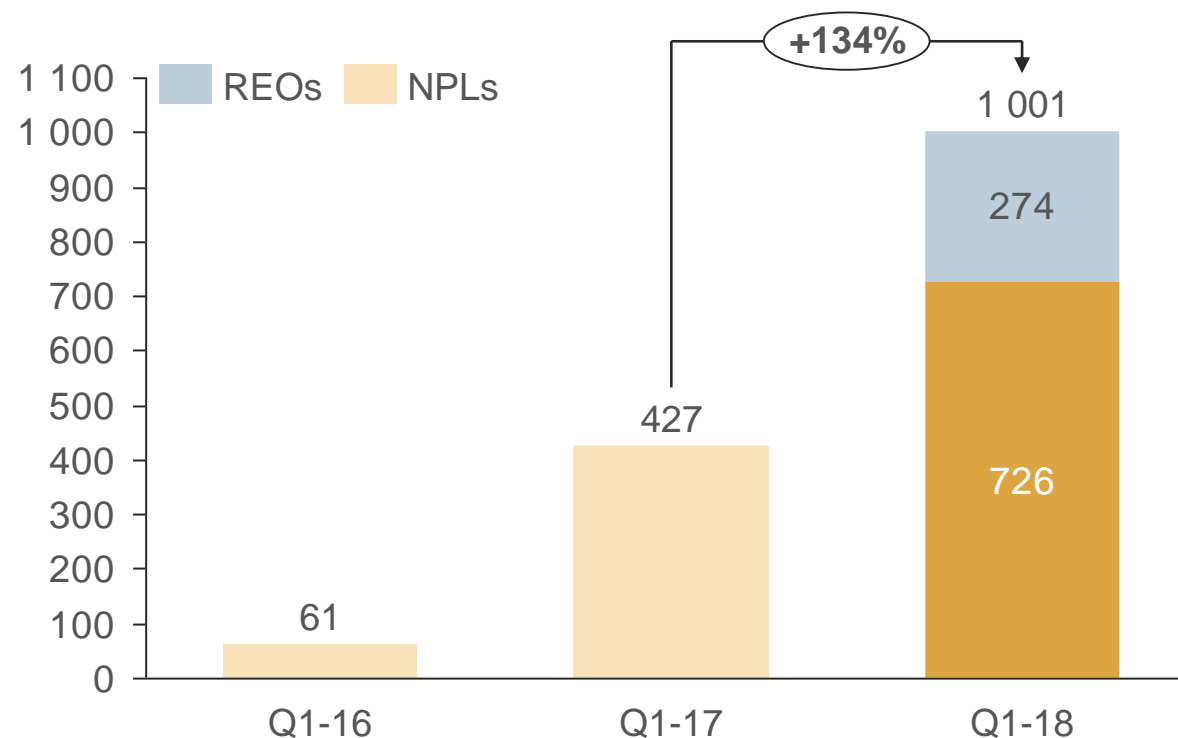
# Gross revenue and ERC - quarter by quarter

Gross revenue (EUR million)



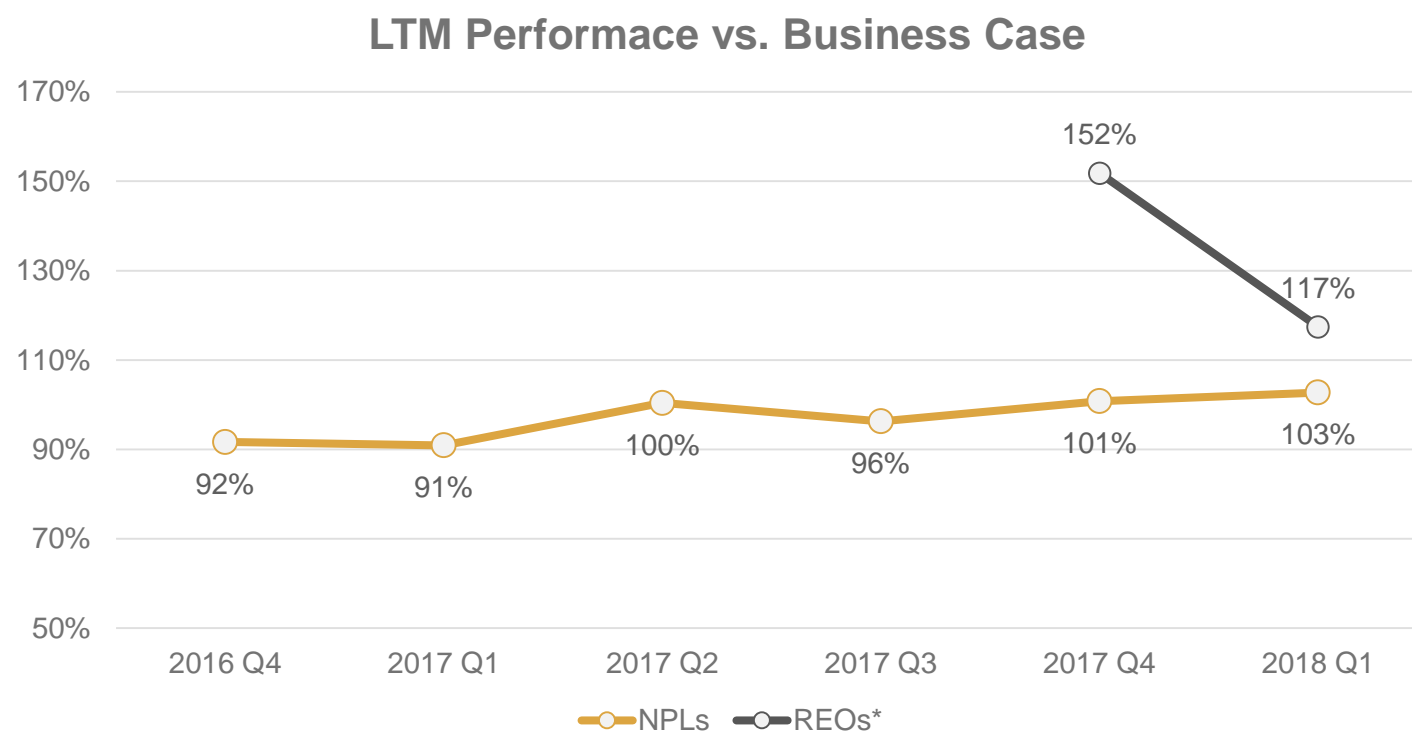
- Continued solid revenue growth leveraging on new business signed in 2017
- REO is a significant contributor to the growth, however, still in build-up phase

ERC (EUR million)



- ERC passed the EUR 1bn mark in Q1 2018
- Book value of NPL and REO portfolios has increased from EUR 471m in Q4 2017 to EUR 547m in Q1 2018

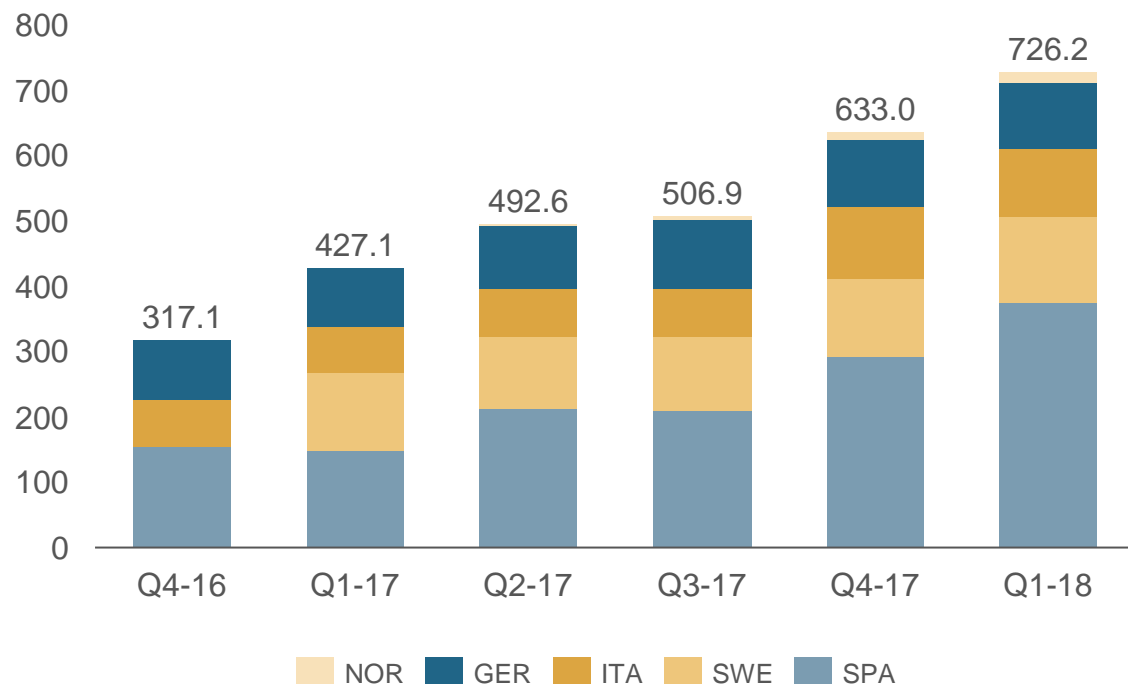
# Collection on portfolios versus business case



- NPL collection performance stabilizing at ~100%
- High REO performance in 2017 based on moderate volume
  - Conservative build-up in REO BC
  - Assets still under notarial transfer
  - Expect convergence towards business case over time

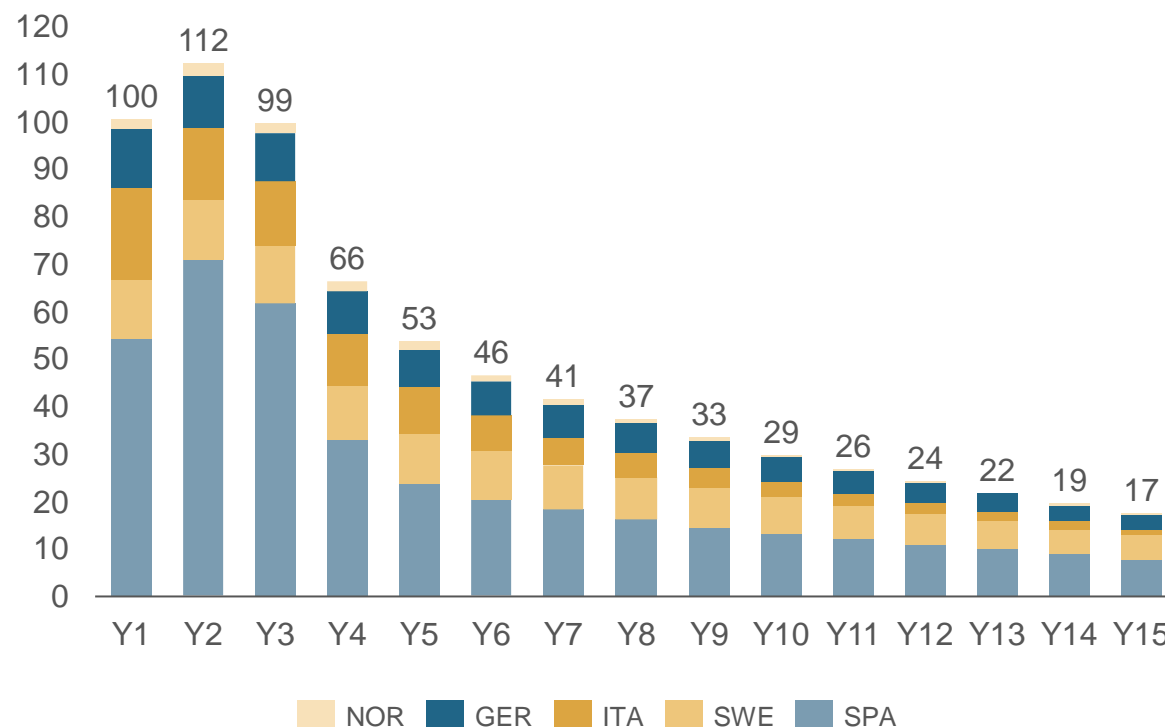
# Portfolio Statistics NPL

Historical development ERC (EUR million)



- ERC increase of 70% compared to same quarter last year
- Two significant one-off investments in Spain in Q1-18, as well as a range of ongoing forward flow deals

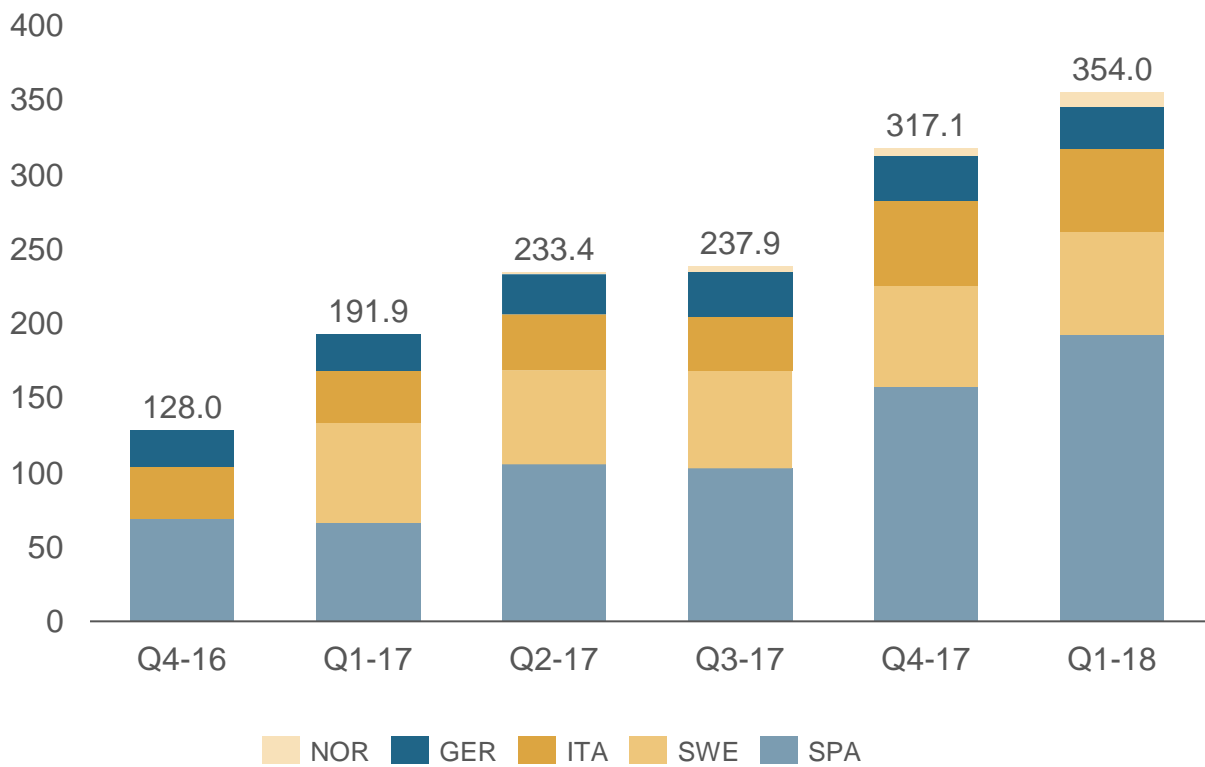
ERC per year (EUR million)



- NPL portfolios with finance claims have long and stable cash flows (15 years+)
- Increase in Y2 mainly due to secured NPL portfolios in Spain

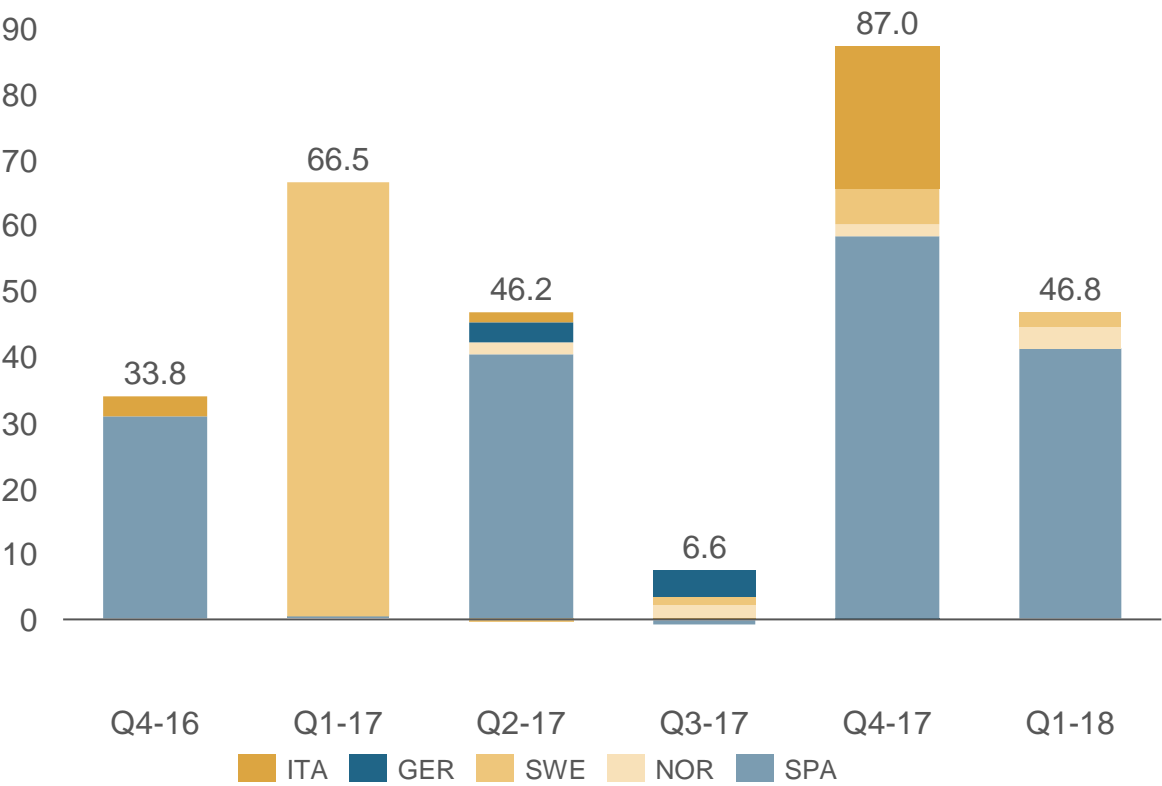
# Portfolio Statistics NPL

Book value portfolios (EUR million)



- More than EUR 350m of NPL stock

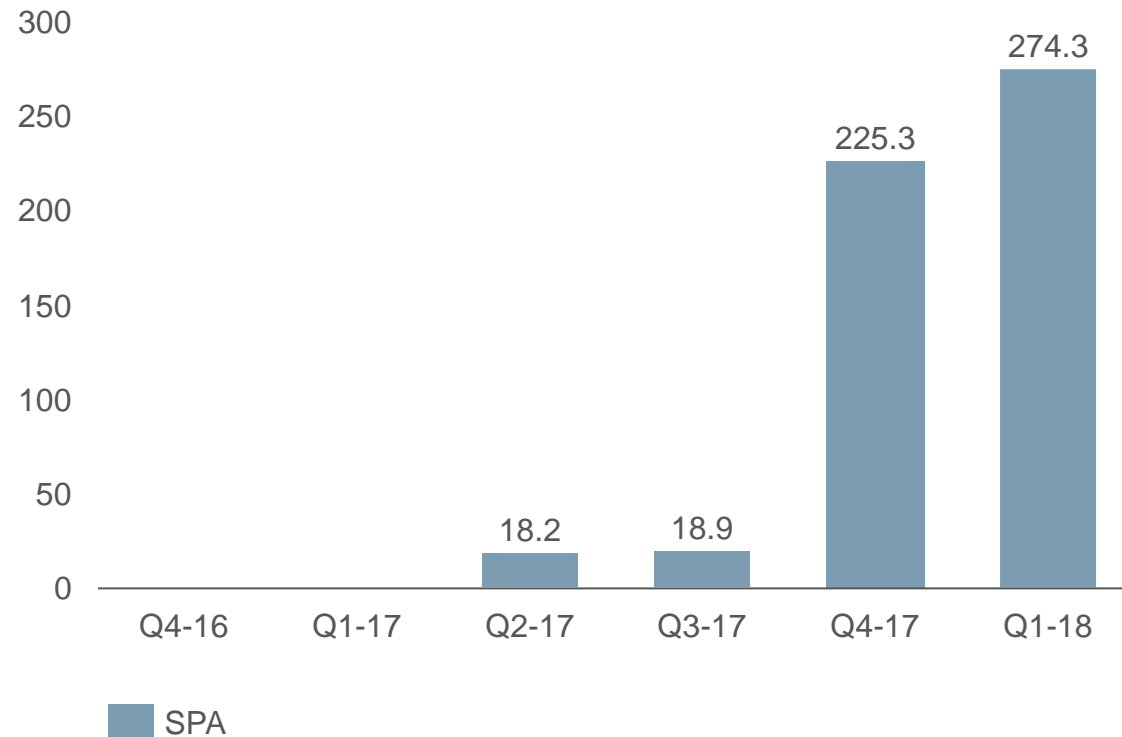
Capex (EUR million)



- Two major portfolios acquired in Spain during the quarter
- Continued build-up of FF deals securing monthly volumes

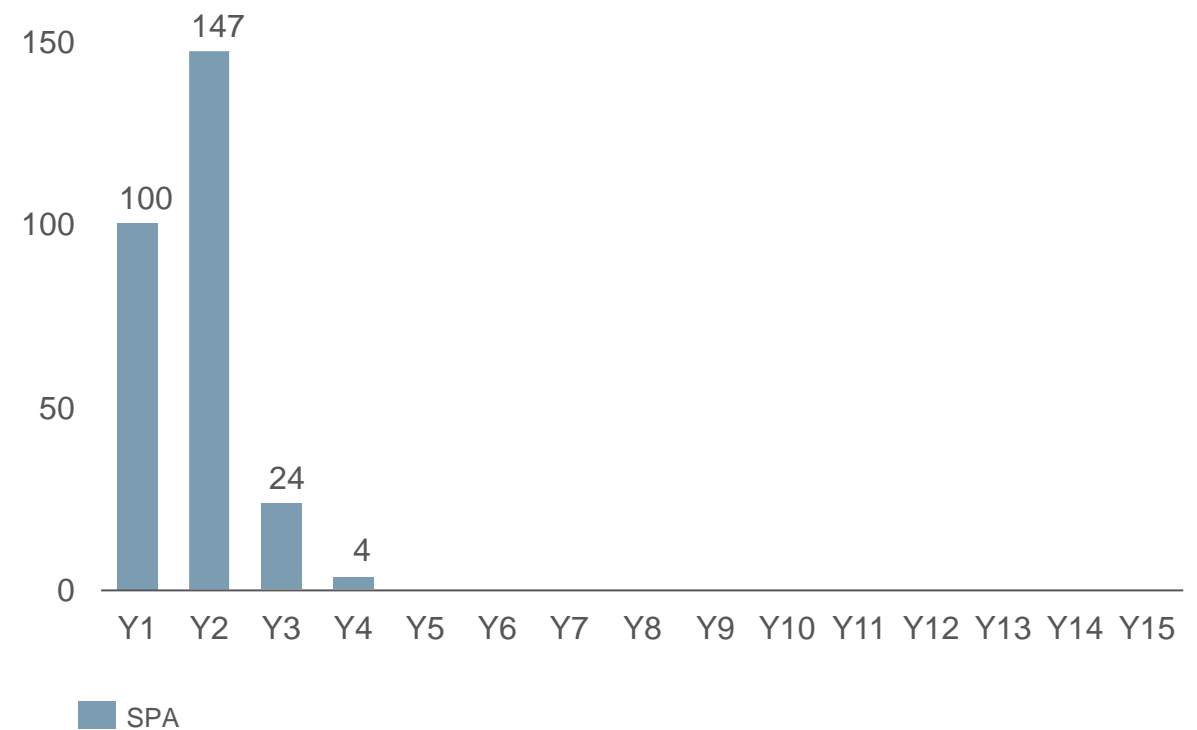
# Portfolio Statistics REOs

Historical development ERC (EUR million)



- First REO portfolio acquired in Q2-17
- Major investments in Q4-17 and Q1-18 increased the ERC

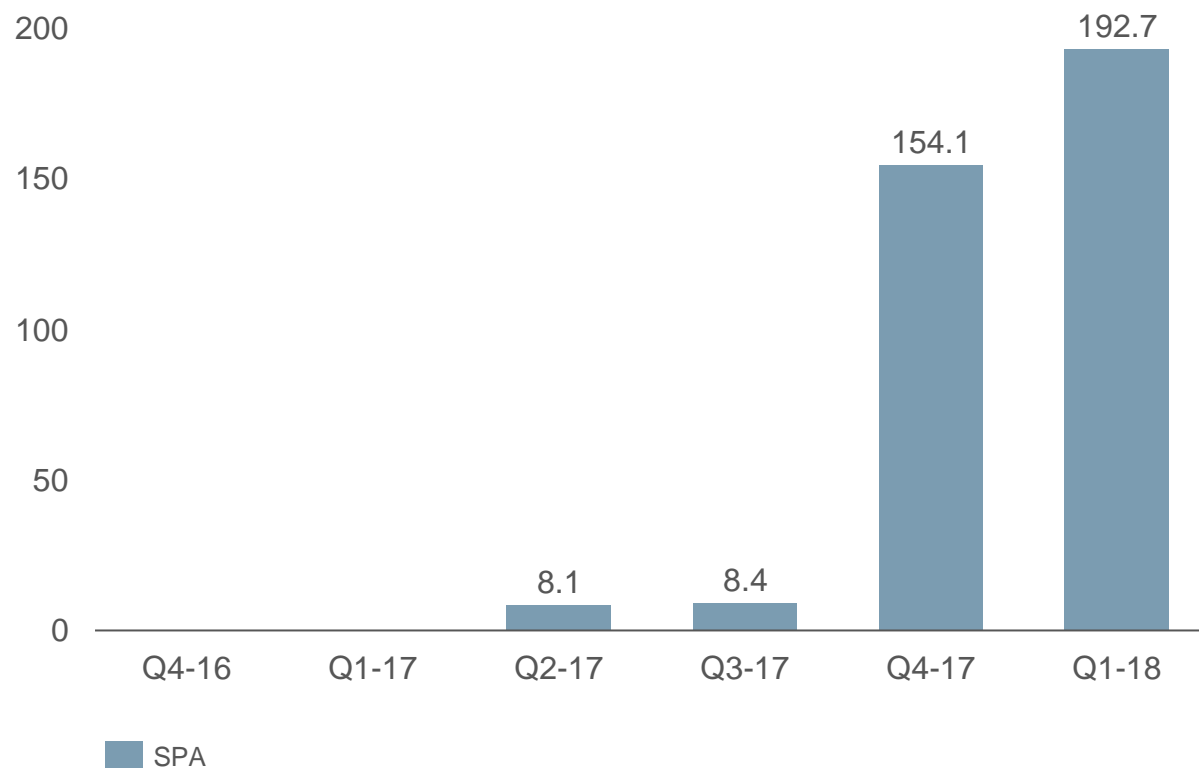
ERC per year (EUR million)



- REO portfolios typically last 3-5 years before depletion
- REOs generally have a lower money multiple than traditional NPL, short payback time ensures very attractive IRR levels

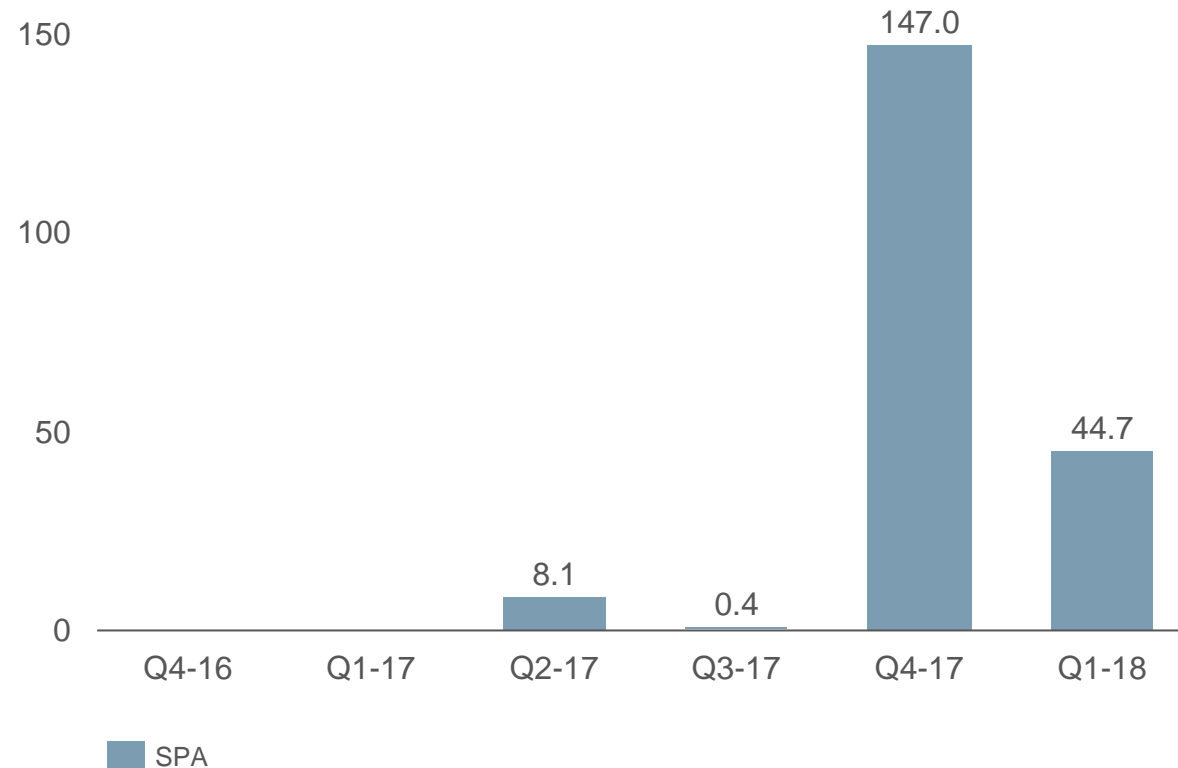
# Portfolio Statistics REOs

Book value portfolios (EUR million)



- REO portfolios account for 35% of total portfolio balance

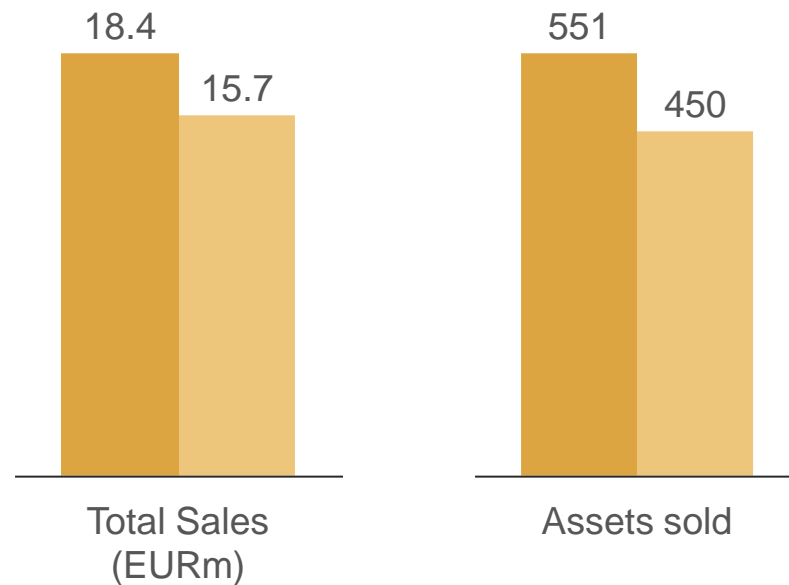
Capex (EUR million)



- Two new REO portfolios acquired in Q1 2018
- One of the new portfolios is a co-investment where Axactor acquired 75% of the portfolio, utilizing the existing setup

# REO Portfolios KPIs\*

Actual Business case

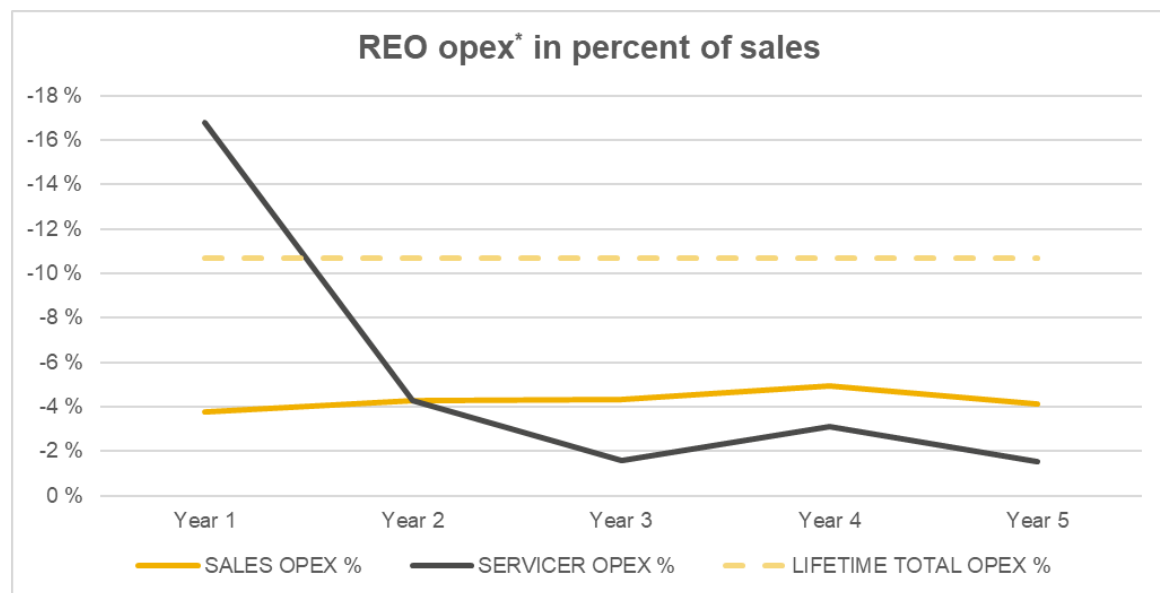


- Average price per asset sold: EUR 33k
- Number of assets in inventory per end Q1-18: 6,703

- Total of 6 portfolios serviced by two different providers: GIA and Altamira
- Lifetime performance ahead of business case
  - Quicker liquidation
  - Higher money multiple
- Working with international bank to re-finance current stock and fund future investments
  - Term sheet and mandate letter signed



# Opex profile REOs



\*Excluding cost of sales

- REO opex consist of three main elements:
  - Sales commission paid to servicer
  - Servicing fee (maintenance, marketing etc.)
  - Cost of sale – reversal of book value upon sale (no cash impact)
- Sales commission generally fixed percentage of sales
- Servicing fee generally based on volume under management by the servicer
  - Opex to sales ratio declining with volume as the portfolio liquidates

# Q1 Income statement

## Income statement

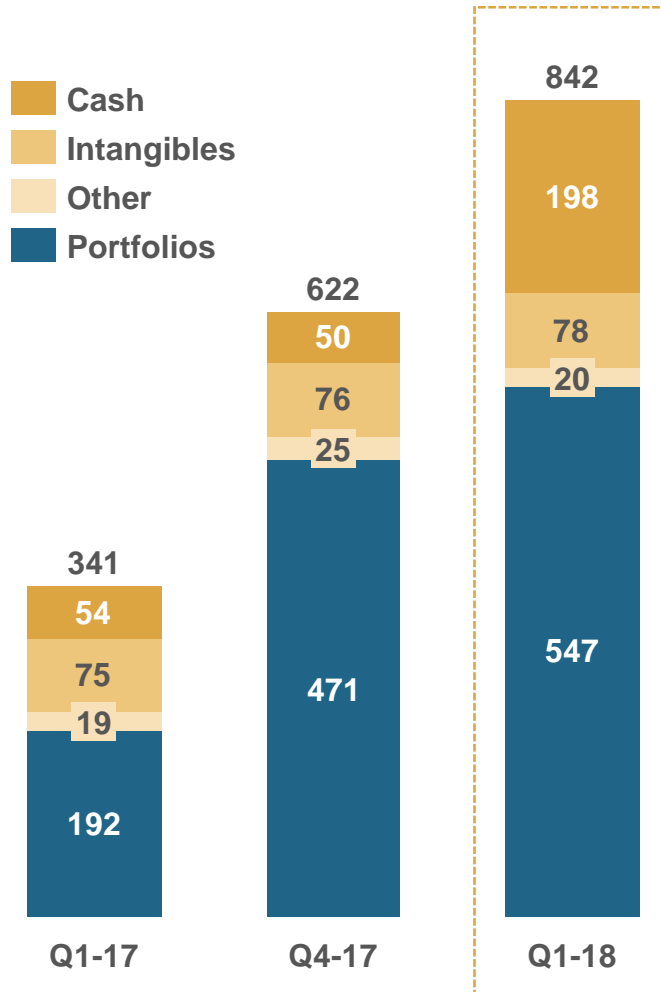
<i>EURO thousand</i>	1Q 2018	1Q 2017	LTM 1Q 2018	Jan - Dec 2017
Income	41 014	19 709	126 039	104 734
Amortization of debt portfolios	-5 214	-2 281	-17 881	-14 948
<b>Net revenue</b>	<b>35 800</b>	<b>17 428</b>	<b>108 158</b>	<b>89 785</b>
Cost of secured assets sold	-6 123		-7 568	-1 445
Personnel expenses collection	-8 086	-5 888	-28 776	-26 578
Personnel expenses other	-5 274	-4 004	-19 648	-18 378
Operating expenses	-10 219	-6 531	-32 256	-28 569
<b>EBITDA</b>	<b>6 097</b>	<b>1 004</b>	<b>19 909</b>	<b>14 815</b>
Amortization and depreciation	-1 341	-1 427	-5 241	-5 327
EBIT	4 757	-423	14 667	9 488
Financial revenue	91	10	3 151	3 070
<b>Financial expenses</b>	<b>-5 541</b>	<b>-1 105</b>	<b>-15 021</b>	<b>-10 585</b>
Net financial items	-5 450	-1 094	-11 870	-7 515
Profit/(loss) before tax	-693	-1 517	2 798	1 974
Tax expense	-303	-136	445	611
<b>Net profit/(loss) from continued operations</b>	<b>-996</b>	<b>-1 653</b>	<b>3 242</b>	<b>2 585</b>
<b>CASH EBITDA</b>	<b>18 089</b>	<b>3 590</b>	<b>47 194</b>	<b>32 695</b>

## Key comments

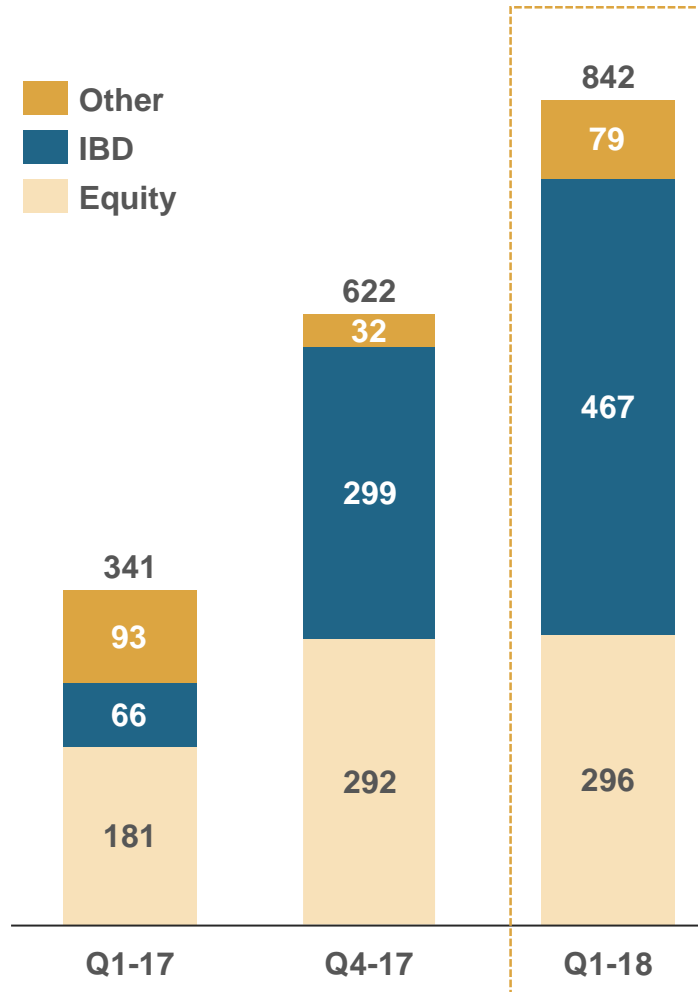
- Net financial items were negative EUR 5.4m for the quarter:
  - Interest cost of EUR 4.8 million, of which EUR 1.0m in amortized loan fees
  - Amortized warrant cost: EUR 0.4m
  - Waiver fee LuxCo Invest I facility: EUR 0.2m
  - Other expenses: EUR 0.1m

# Balance Sheet structure

## Assets



## Equity & Liabilities



- Portfolio book value is EUR 547m, including REO
- Available cash at end of Q1 is EUR 196m
- Equity ratio falls to 35% in wake of the bond issue in Q1

# Outlook

- Solid 3PC pipeline
- Nordic consumer unsecured NPL market appears strong
- REO market in Spain still highly active
- German NPL market shows positive trend
- Axactor with significant ramp-up of cash flow and margin expansion in 2018





# Summary Q1 Presentation

- Continued strong growth in revenue and earnings
- Cash EBITDA of EUR 18m
- Successfully raised EUR 150m in a bond issue
- Acquired portfolios for EUR 92m (o/w EUR 45m in REOs)
- ERC past the EUR 1bn mark
- Continue to drive efficiency and cost initiatives through One Axactor





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