



Q2 2018 Axactor AB

July 25, 2018

AXACTOR

Key highlights Q2 2018

GROSS REVENUE

66.7

EUR MILLION

+148% y/y

ERC

979

EUR MILLION

+92% y/y

EBITDA

10.6

EUR MILLION

+158% y/y*

CASH EBITDA

40.6

EUR MILLION

+423% y/y*

CASH BALANCE

121.0

EUR MILLION

- Continued margin expansion – EBITDA margin of 20% in Q2 2018
- Cash EBITDA of EUR 41m, illustrating the strong cash flow from the REO segment
- More than 1.000 REO units sold (since entering this market segment in 2017)
- EUR 23m portfolio investments, as well as several large forward flow deals with start date later in the year
- Optimization of co-investment structure with Geveran completed
- Completed reverse share split in the ratio of 10:1

Axactor events post Q2 closing

- New funding line for REOs with Nomura International plc
 - Will release approximately EUR 100m in cash
 - Lowering funding cost for REOs significantly
 - Subject to final documentation. Signing/closing within 3 weeks
- Signed important forward flow contract in Germany
 - Expect acquisition cost of EUR 20m over a 12 month period
 - Complements the large forward flow contract closed in June
- Signing a of large unsecured claims from Banco Sabadell:
 - Conditional to formal authorization of the contract
 - Outstanding balance of EUR 875m
- Added two new outsourcing contracts in Spain
 - Servicing contracts for secured debt



Axactor will establish new credit line for funding of REOs

- Axactor will establish a new funding line for REOs with Nomura International plc
- The transaction will release cash of approximately EUR 100m and will be used to pay down intercompany loan to Axactor AB
- The released funds will be available for Axactor to allocate freely within the group, providing increased flexibility for future investments
- The new loan facility will significantly reduce the REO portfolios funding cost
- Axactor expects the funds to be available in approximately 3 weeks

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 robot
 - Business Intelligence (BI)
 - Data Warehouse (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

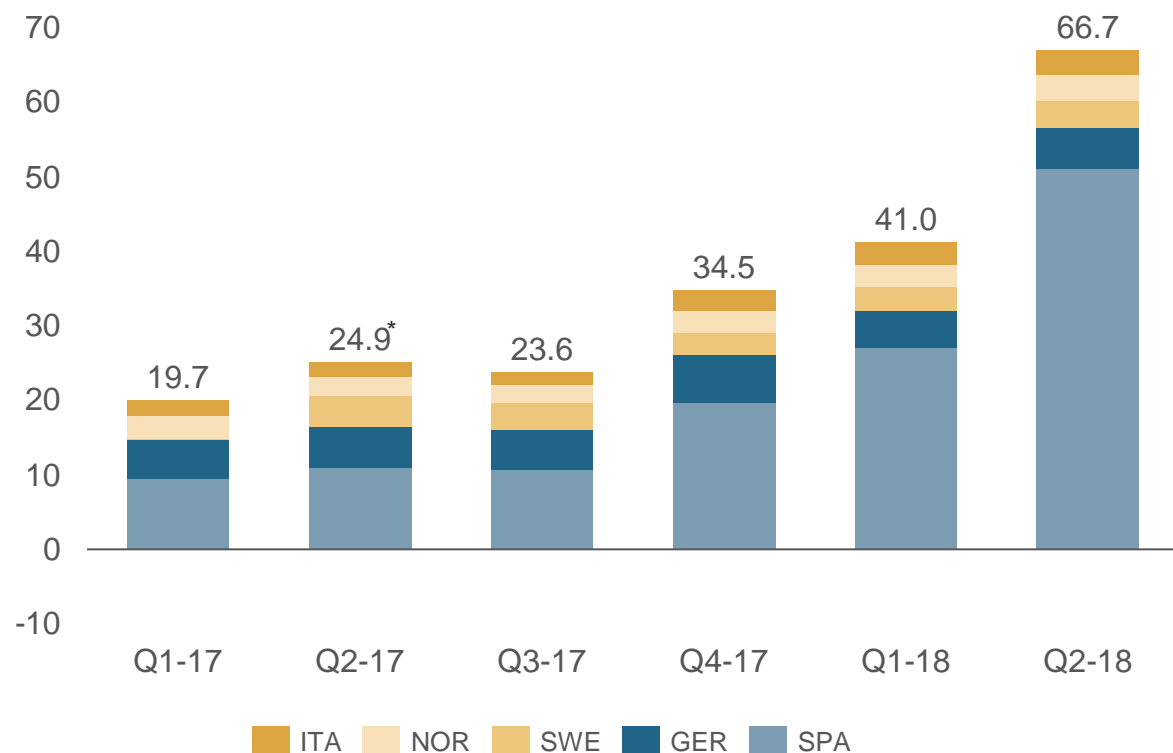
- Possibility to perform internal benchmarking

4

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

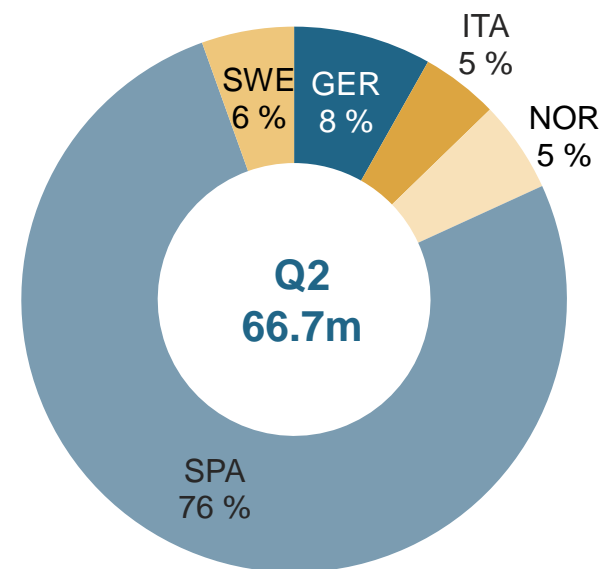
Axactor revenue mix – distribution per country

Gross revenue per quarter (EUR million)



- Significant growth in Spain driven by the REO segment
- Growth compared to Q1-18 in all geographies

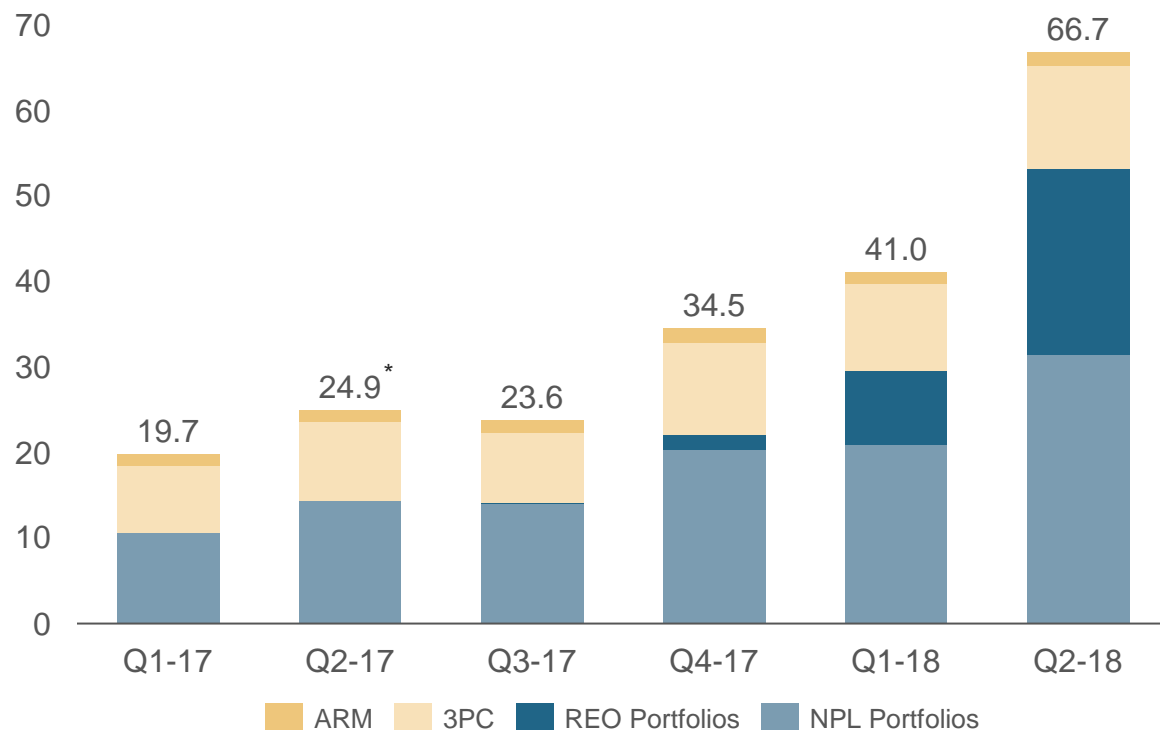
Q2 Revenue Distribution per Country



- REO segment in Spain driving the shift in business mix compared to Q1-18
- Expect large forward flow contracts to increase the relative size of Germany and Norway the next quarters

Axactor revenue mix – distribution per business segment

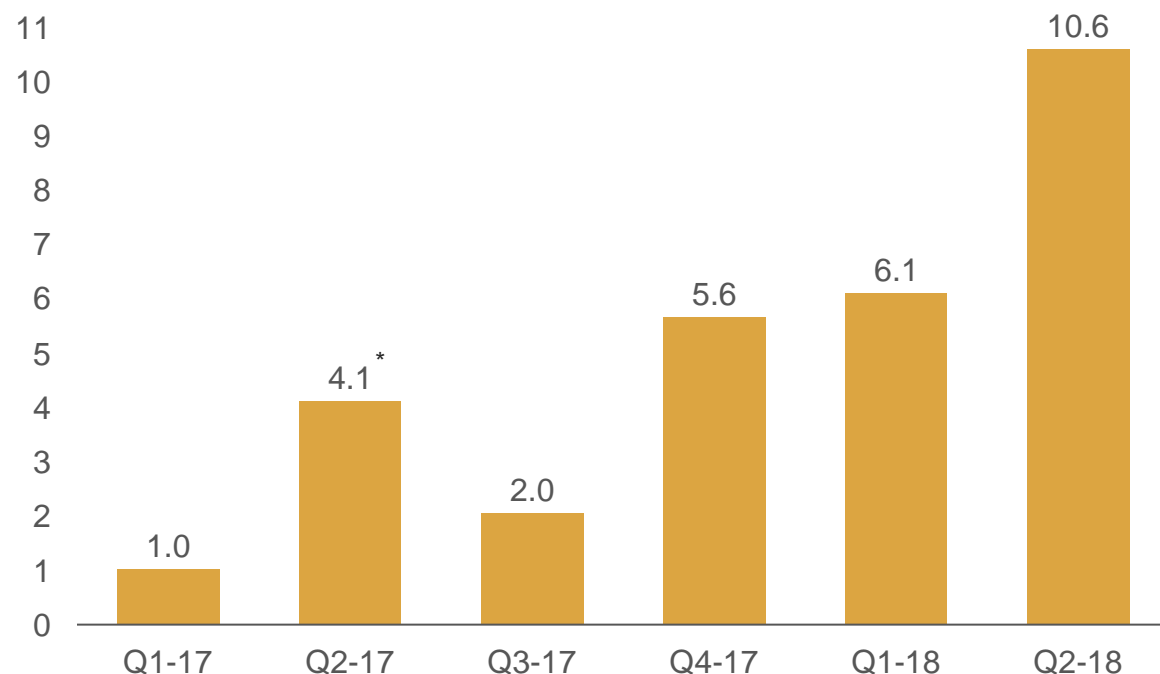
Gross revenue development per segment (EUR million)



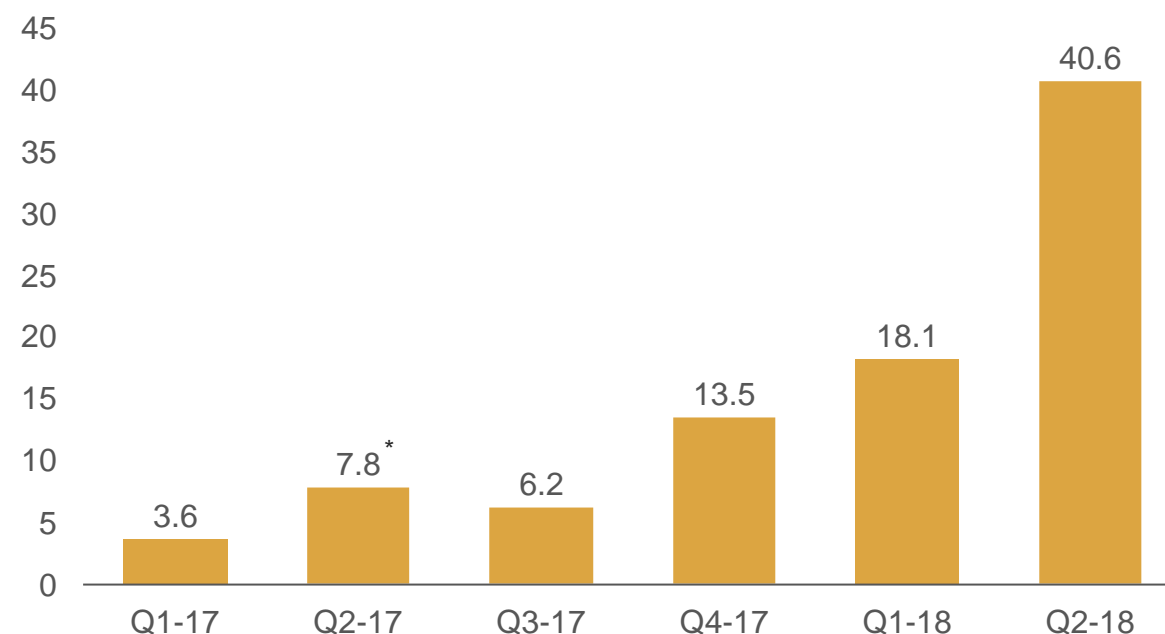
- 148% revenue growth y/y* in Q2 2018 primarily driven by REO and NPL portfolios
- Ramp-up of the REO segment continues, and REOs represented 33% of total gross revenue in Q2 2018
- 3PC with 30% growth y/y
- Growth in all segments compared to Q1 2018

Profitability development – EBITDA and Cash EBITDA

EBITDA per quarter (EUR million)



Cash EBITDA per quarter (EUR million)



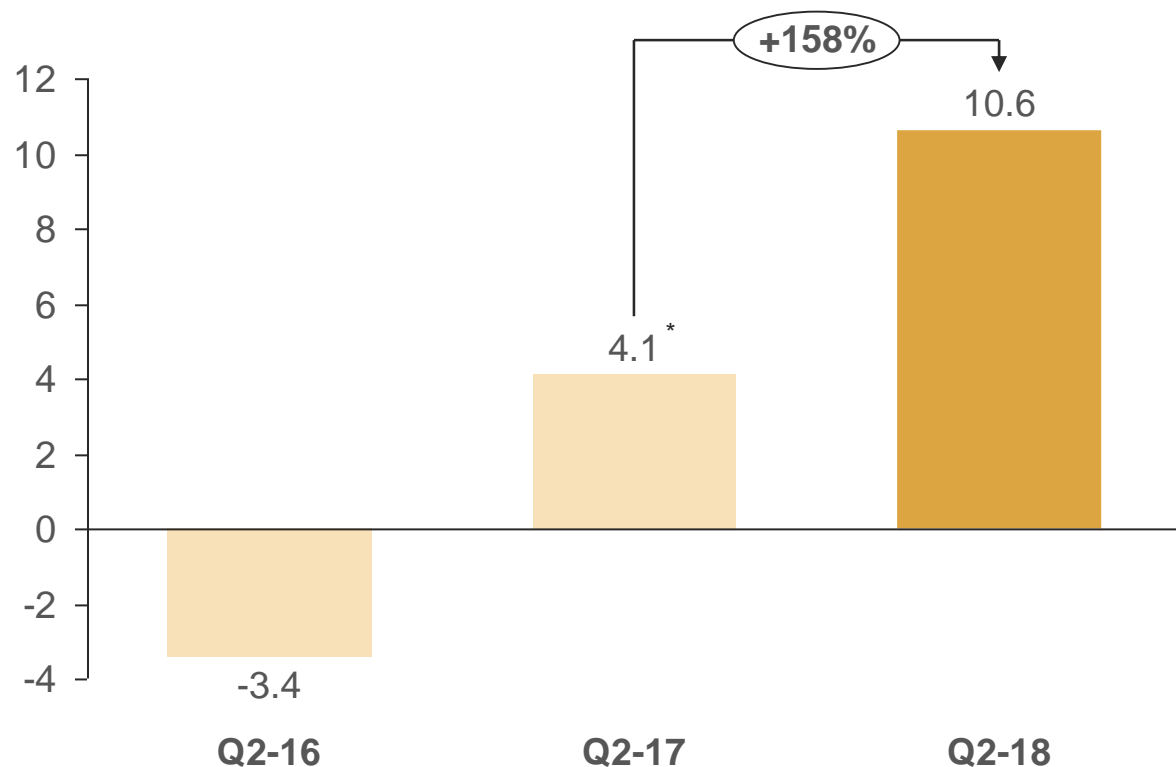
- 158% EBITDA growth compared to the same quarter last year*
- 74% EBITDA growth compared to last quarter
- 20% EBITDA margin in Q2-18
- Q2 and Q4 are seasonally strong quarters

- Strong REO cash flow ramping up the Cash EBITDA
- Good performance on NPL portfolios
- Gross margin of 61% in Q2-18, up from 44% last quarter

⁸ *Q2 2017 settlement with former IGE board members is excluded

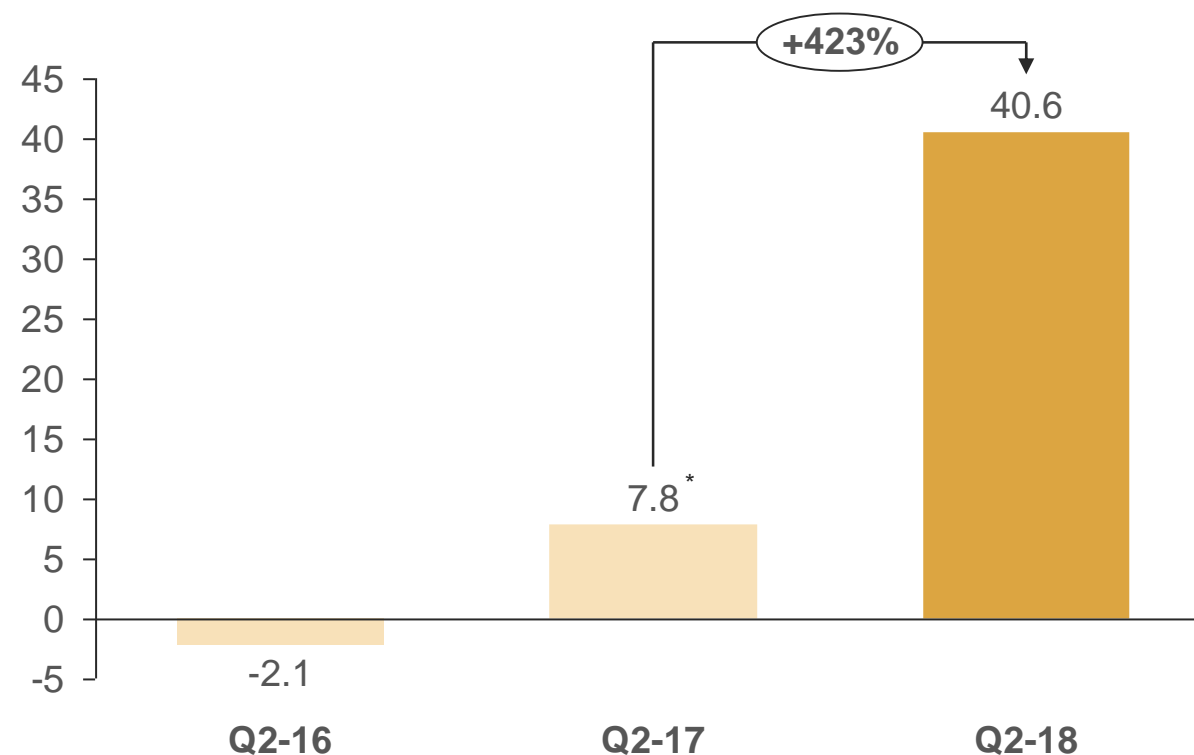
EBITDA and cash EBITDA - quarter by quarter

EBITDA (EUR million)



- Continued significant growth
- Increased EBITDA margin to 20%

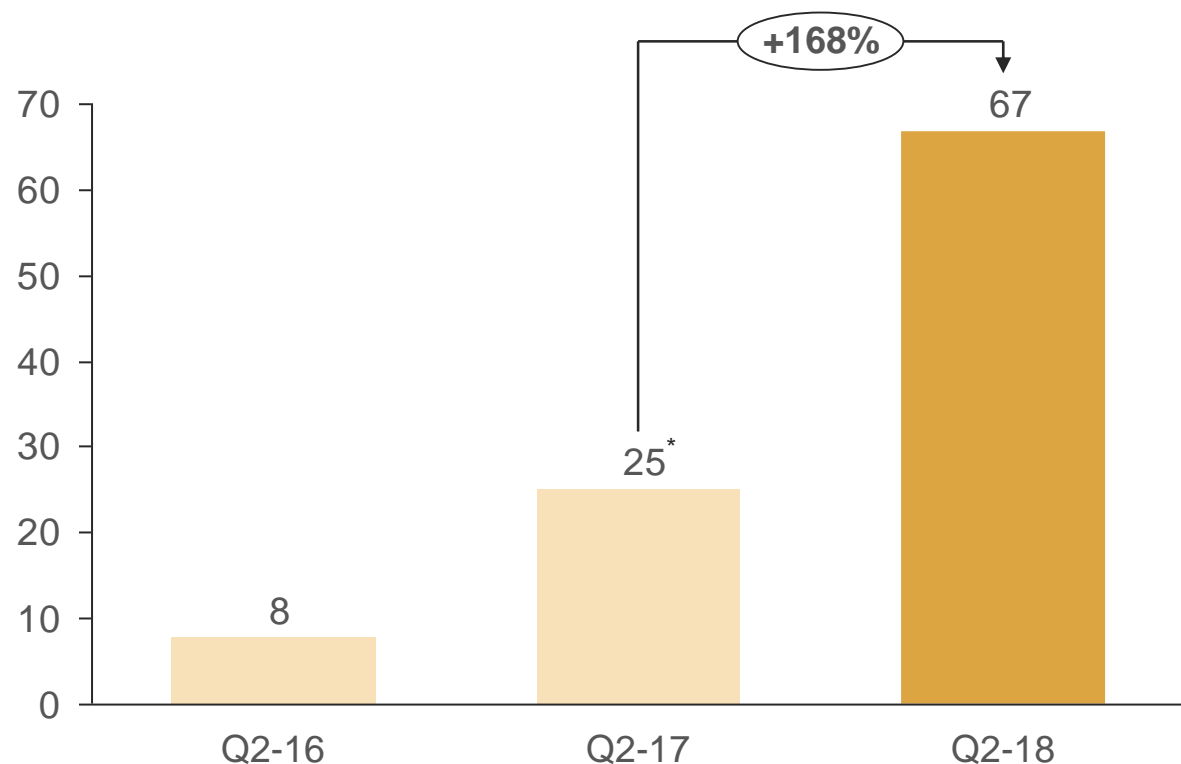
Cash EBITDA (EUR million)



- Maintained strong cash flow development
- Gross margin at a record high 61%

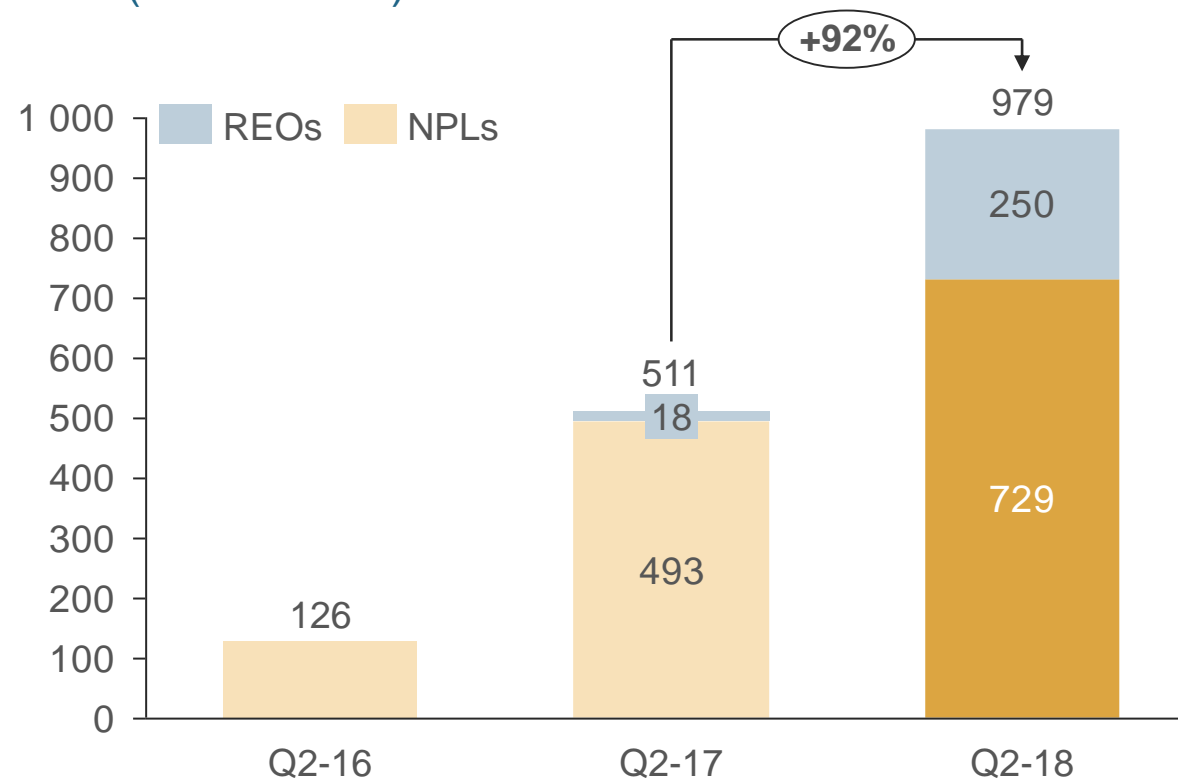
Gross revenue and ERC - quarter by quarter

Gross revenue (EUR million)



- The good development continues in Q2-18 with 168% gross revenue growth compared to last year*
- Significant growth across all segments

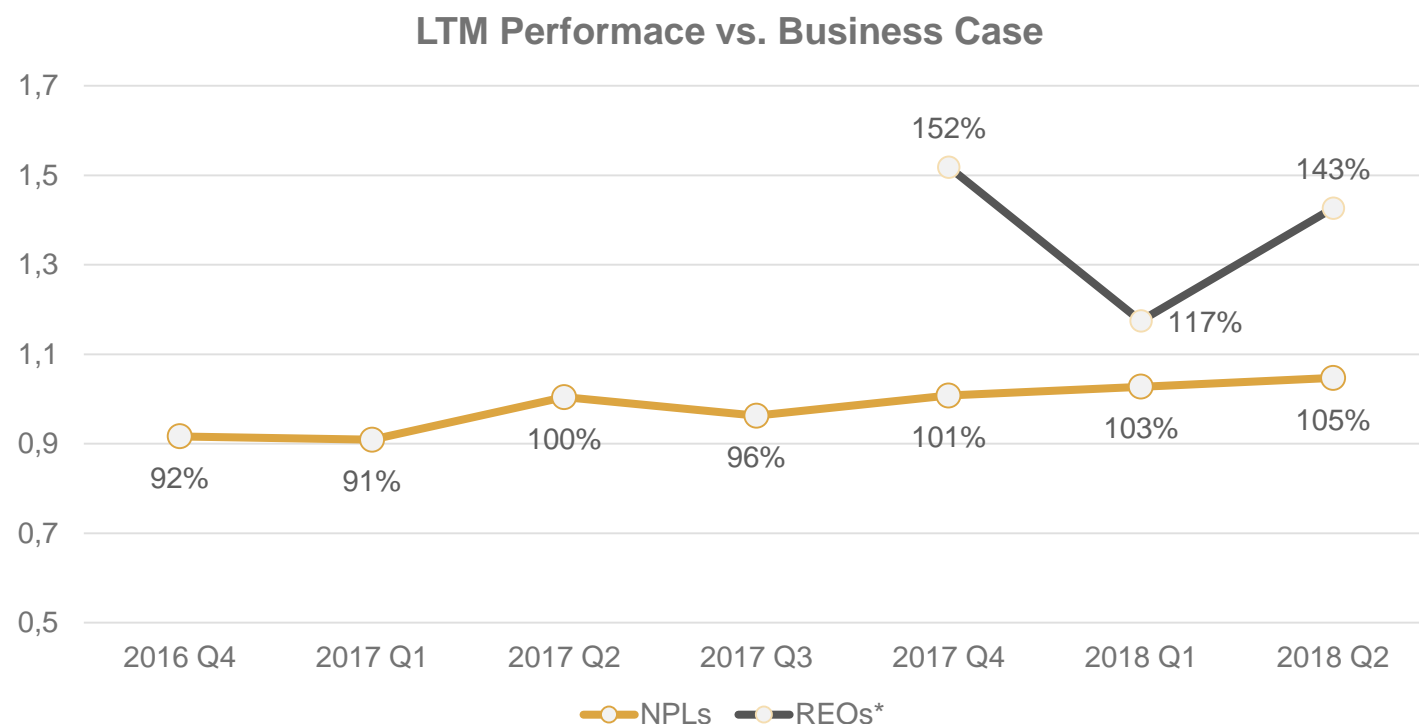
ERC (EUR million)



- ERC growth supported by investments of EUR 114m during the first half of 2018
- ERC is slightly down from Q1-18 due to the high liquidation of REO portfolios

¹⁰ *Q2 2017 settlement with former IGE board members is excluded

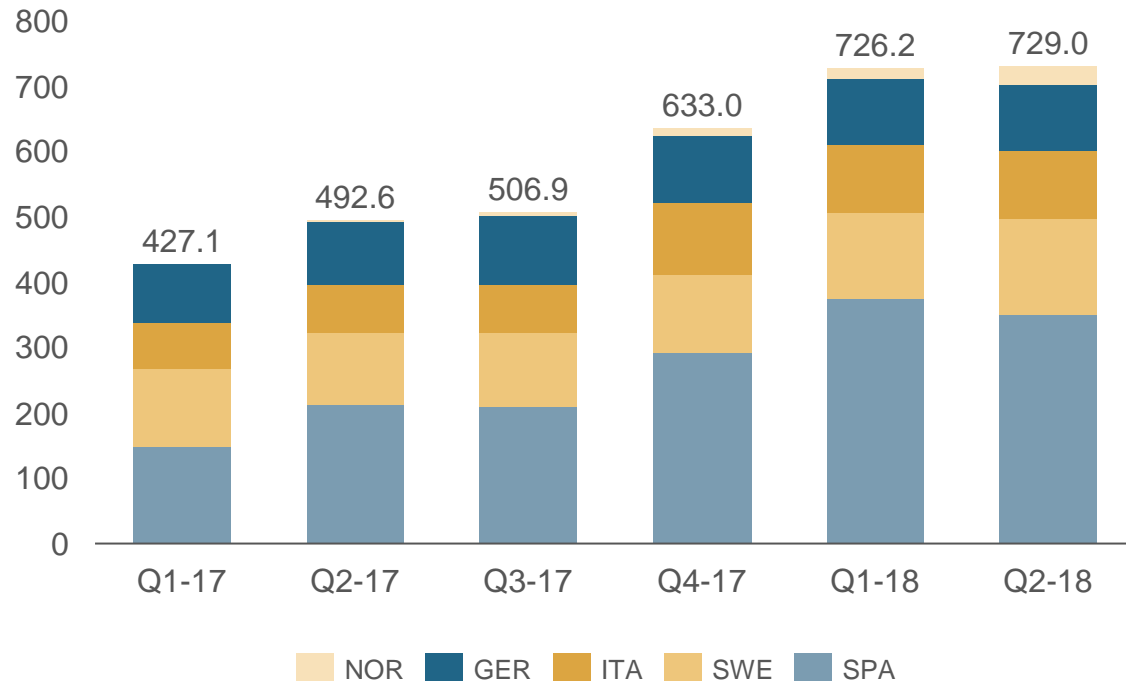
Collection on portfolios versus business case



- NPL collection performance stabilizing at ~100%, with a strong LTM performance of 105% in Q2-18
- High REO performance in Q4 2017 based on moderate volume
 - Conservative build-up in REO BC
 - Expect convergence towards business case over time

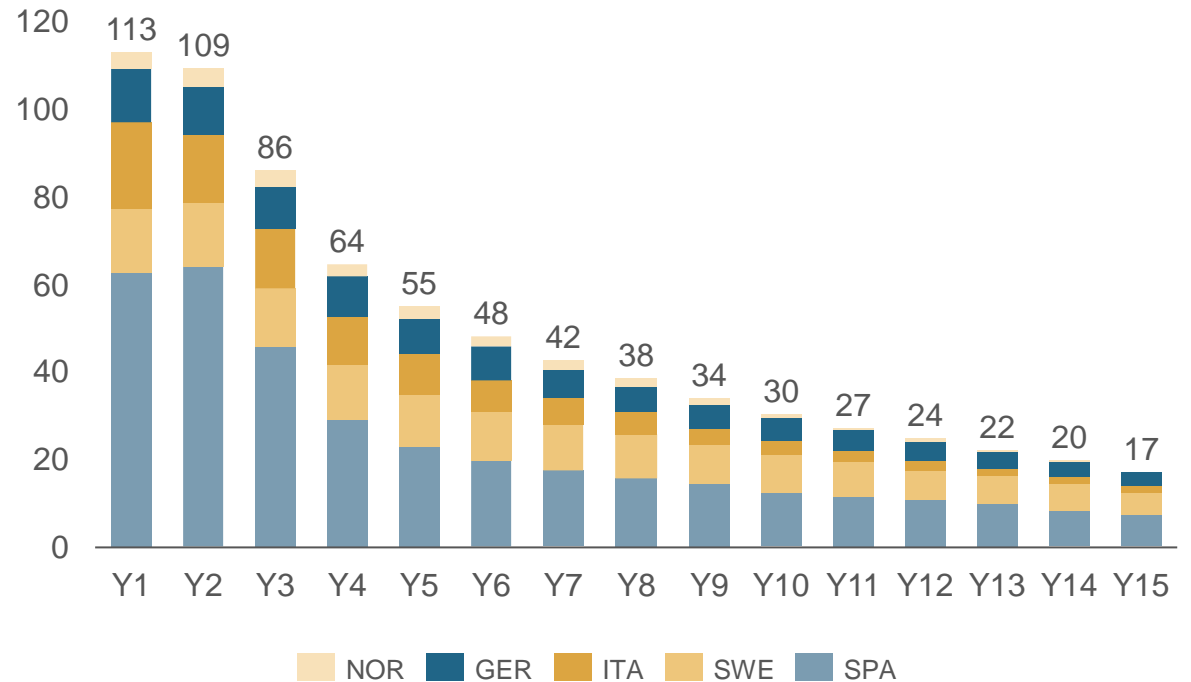
Portfolio statistics NPL

Historical development ERC (EUR million)



- ERC increase of 48% compared to same quarter last year
- Modest growth from Q1-18 due to the relatively low portfolio investments during the quarter

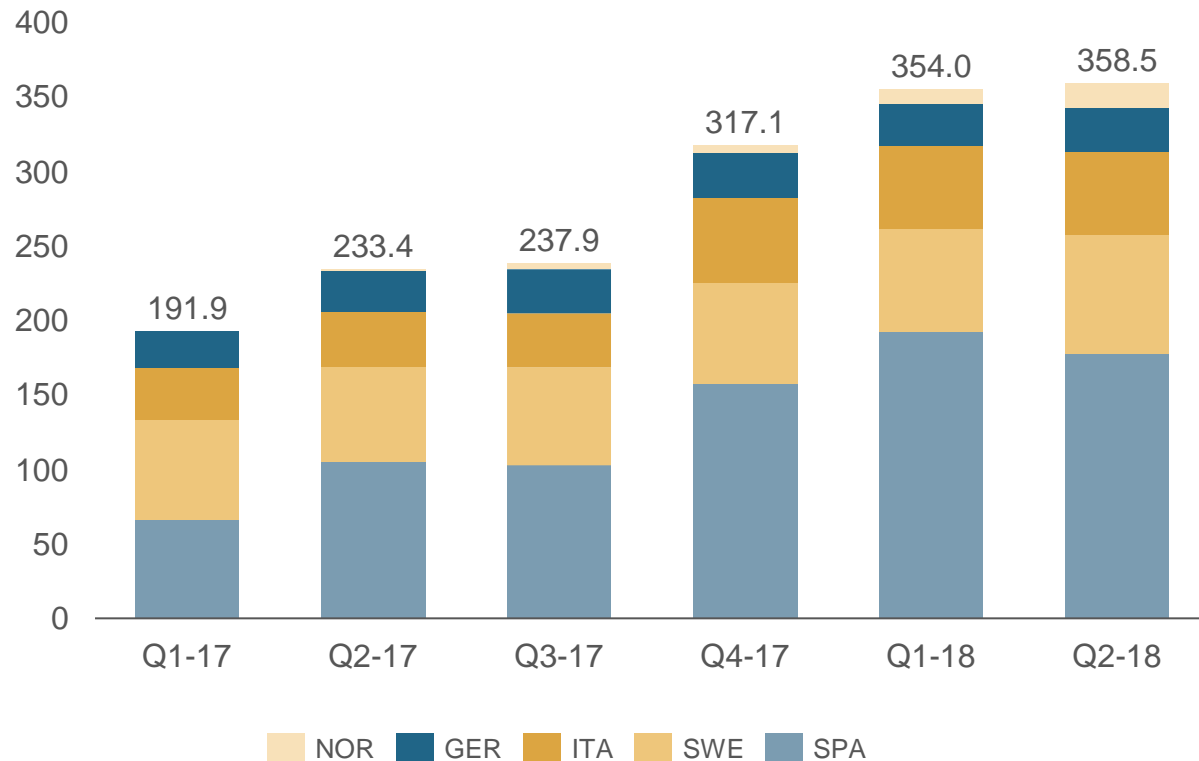
ERC per year (EUR million)



- NPL portfolios with finance claims have long and stable cash flows (15 years+)

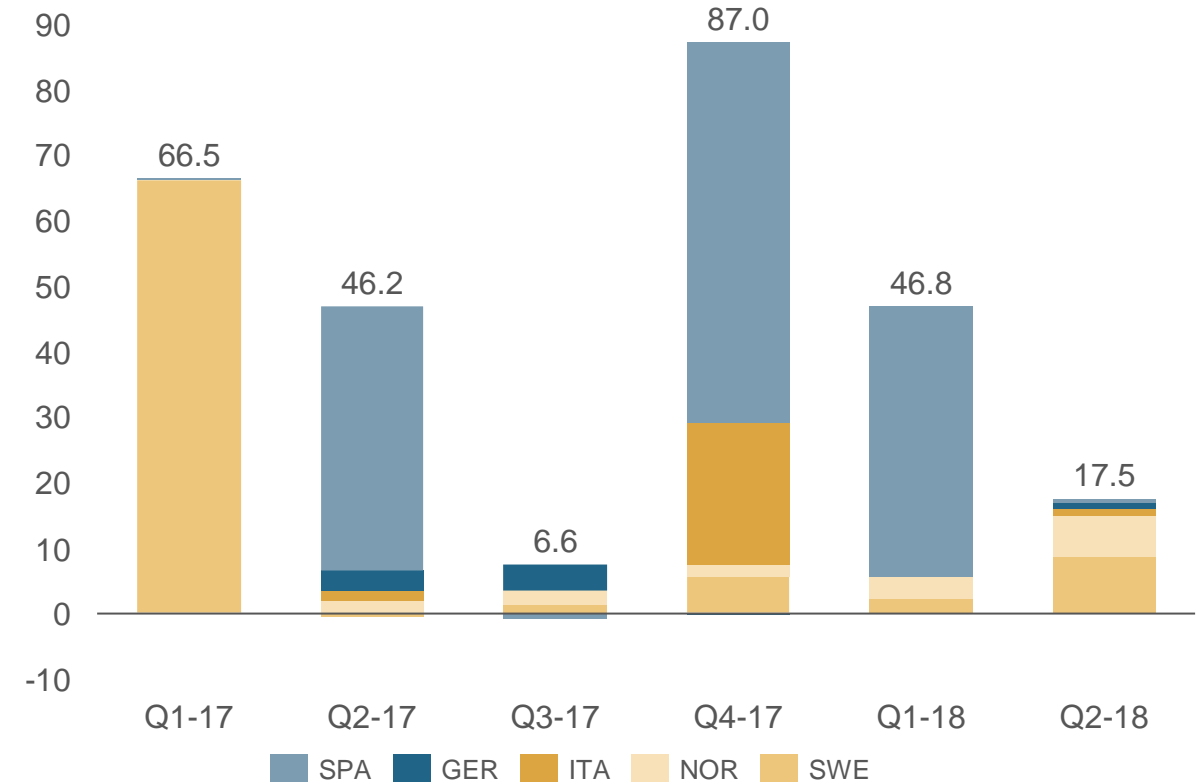
Portfolio statistics NPL

Book value portfolios (EUR million)



- Book value increased 54% compared to Q2 2017
- Modest growth of 1% from Q1 2018 due to the modest investment level during the second quarter

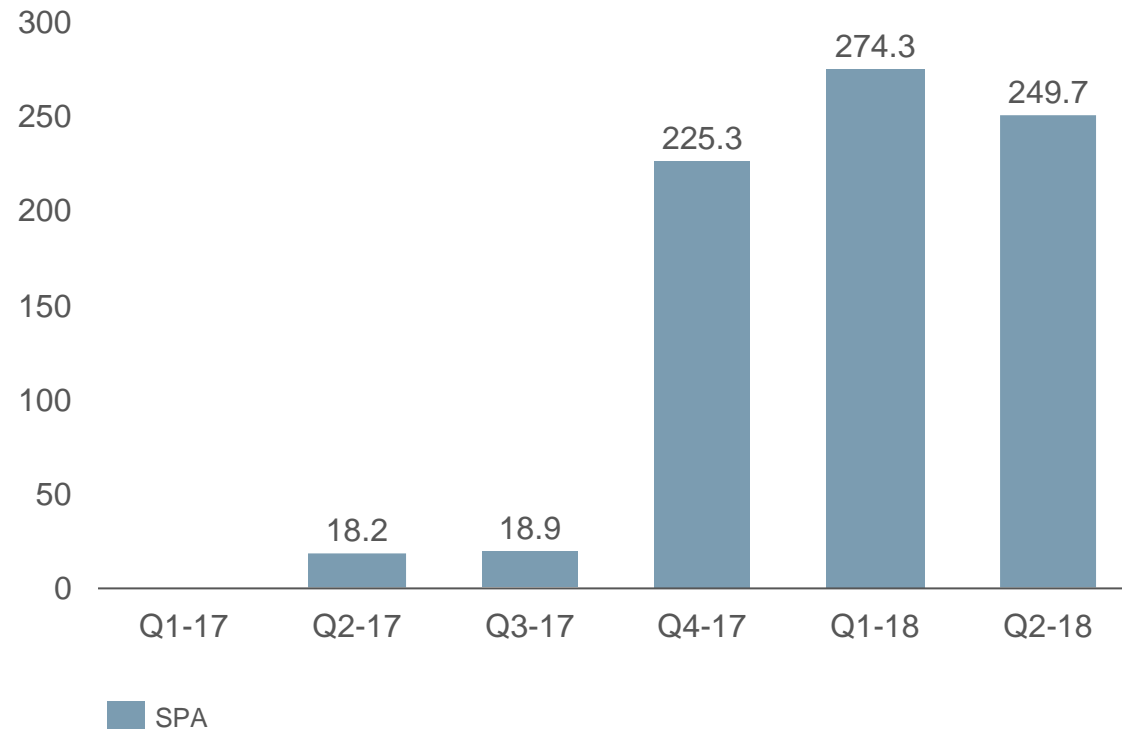
Capex (EUR million)



- One portfolio acquired in Sweden in Q2-18
- Forward flow contracts signed during the quarter will start during Q3 and Q4
- Several potential deals delayed to Q3

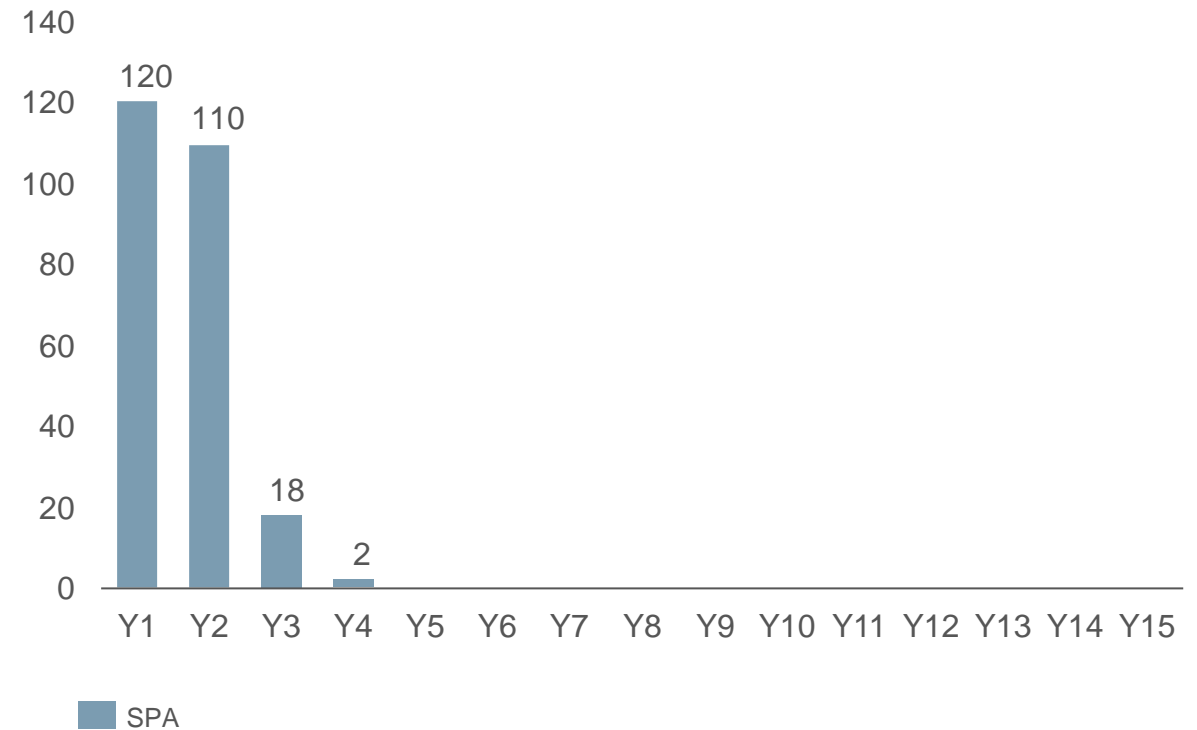
Portfolio statistics REOs

Historical development ERC (EUR million)



- First REO portfolio acquired in Q2-17
- Reduction in Q2-18 due to the quick liquidation of the REO portfolios

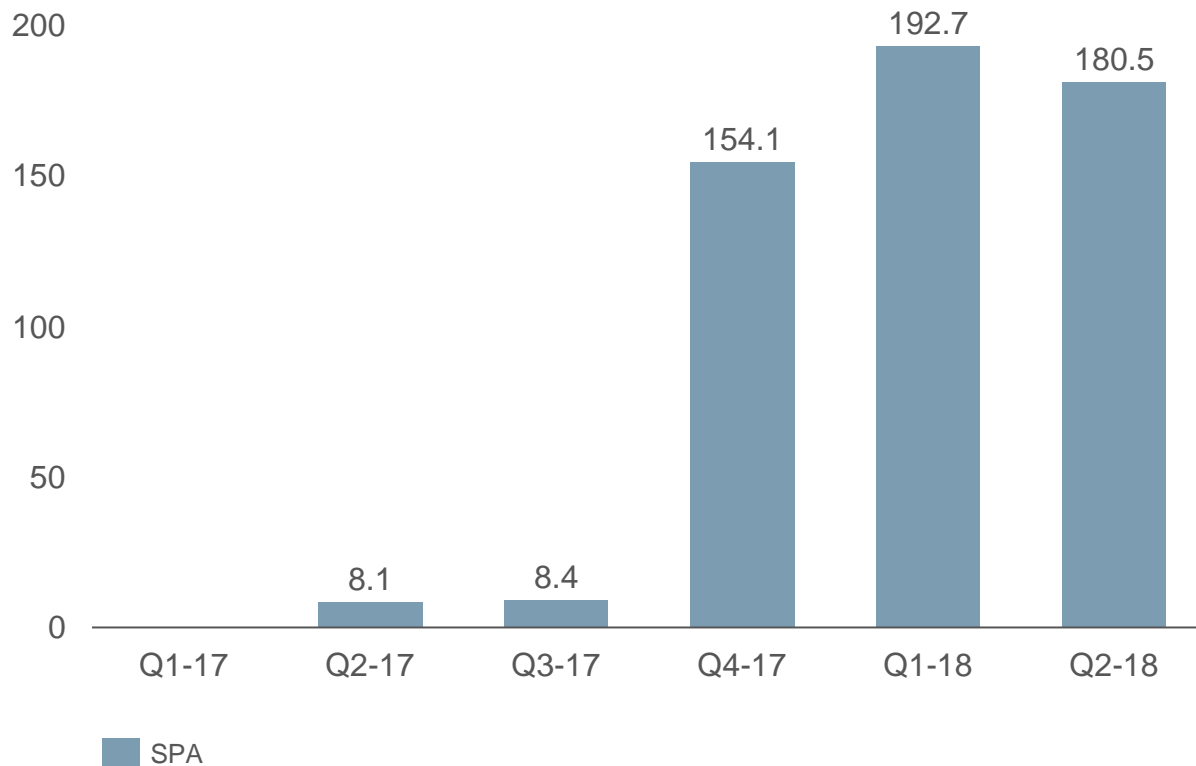
ERC per year (EUR million)



- 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

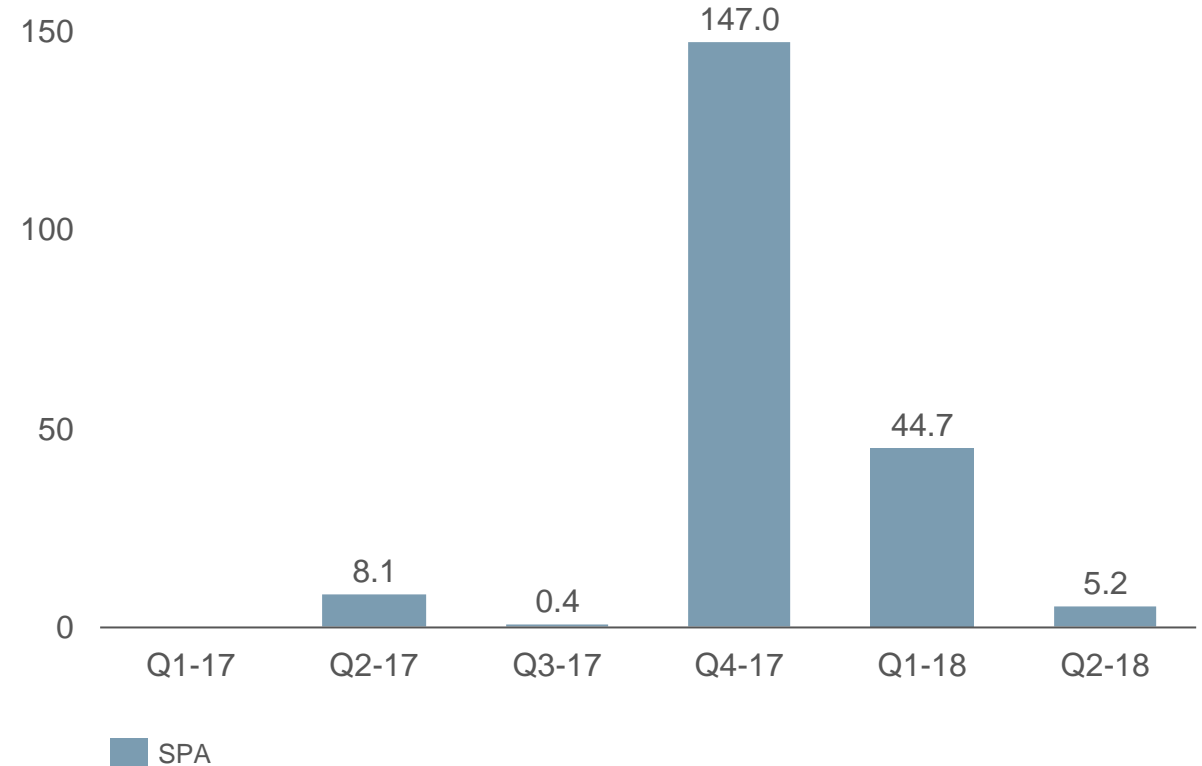
Portfolio statistics REOs

Book value portfolios (EUR million)



- REO portfolios account for 33% of total portfolio balance

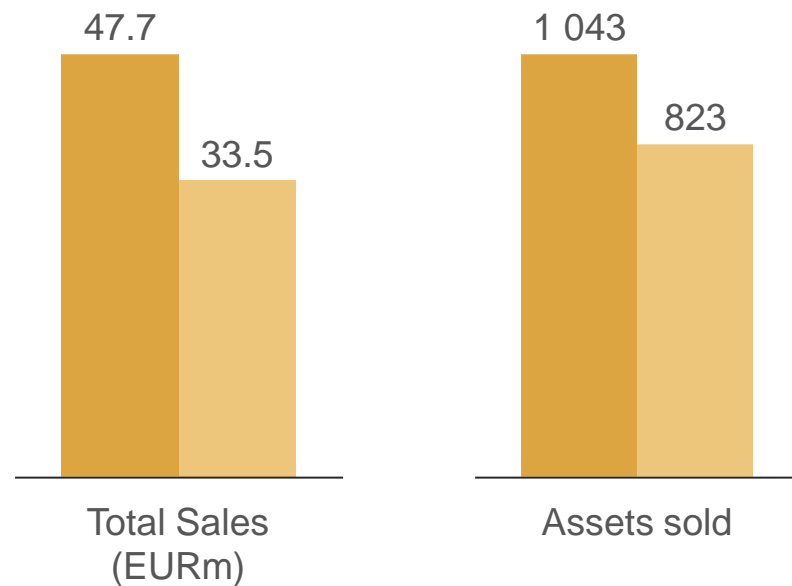
Capex (EUR million)



- No new portfolios acquired in Q2-18
- Capex in the quarter represent activated costs on assets in inventory and transfer of remaining assets from one of the portfolios announced in Q1-18

REO portfolios lifetime KPIs*

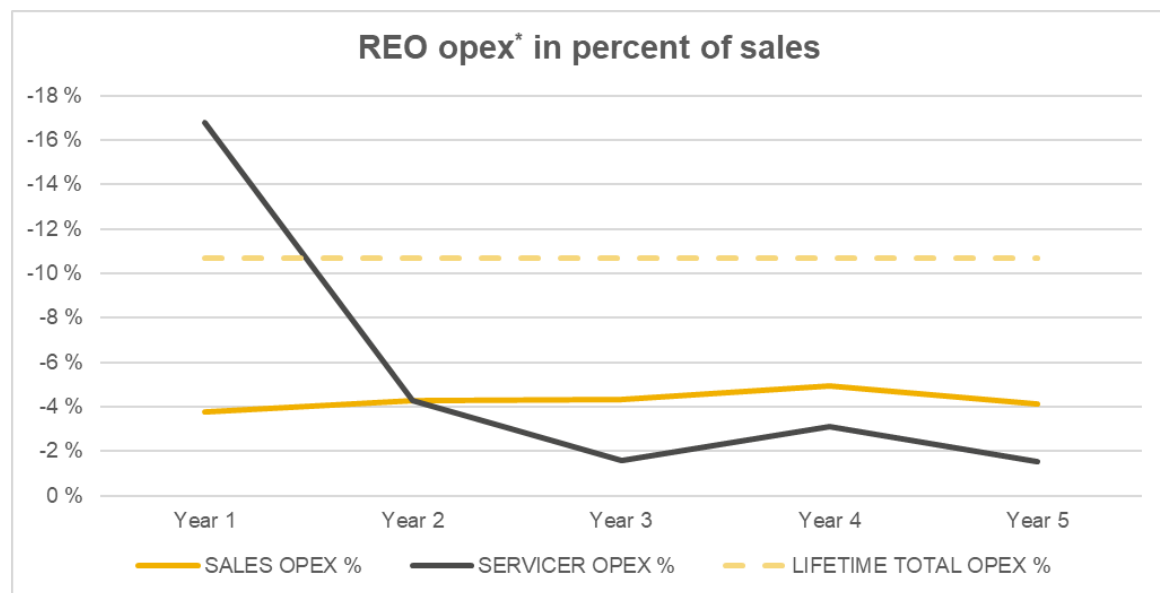
Actual Business case



- Average price per asset sold: EUR 46k
- Number of assets in inventory per end Q2-18: 6,153

- Lifetime performance ahead of business case
 - More than 1.000 units sold
 - Quicker liquidation
 - Higher money multiple
- Total of 6 portfolios serviced by two different providers: GIA and Altamira
- New funding line for REOs announced in July
 - Re-finance current stock and release cash to be deployed where Axactor sees fit

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

Q2 income statement

Income statement

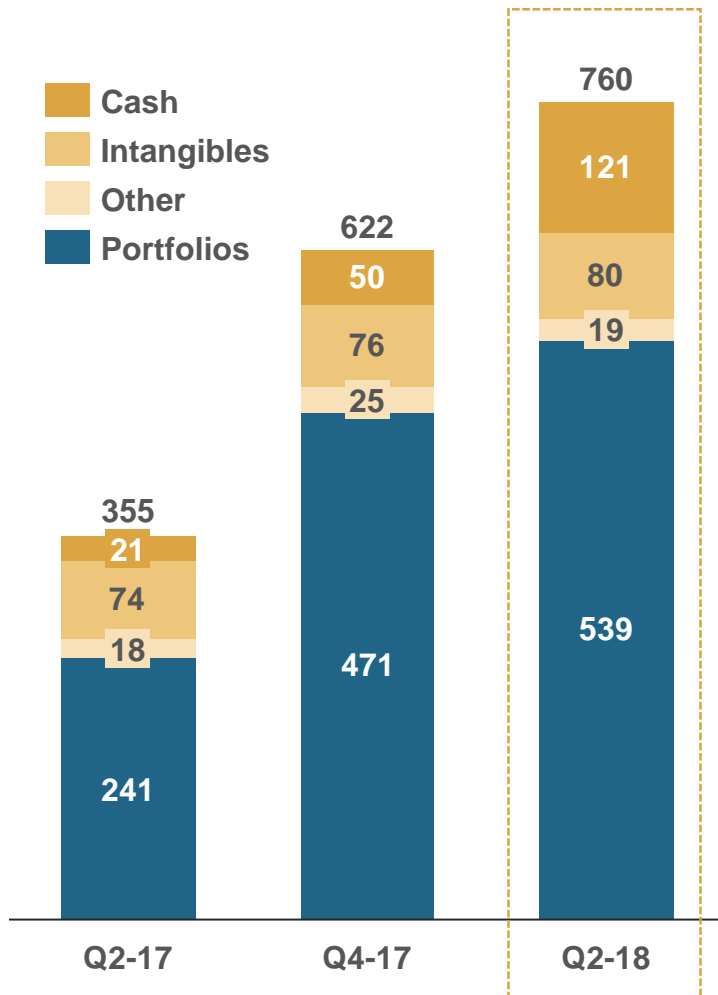
<i>EURO thousand</i>	2Q 2018	2Q 2017	LTM 2Q 2018	Jan - Dec 2017
Income	66,696	26,922	165,813	104,734
Amortization of debt portfolios	-12,310	-3,290	-26,901	-14,948
Net revenue	54,386	23,632	138,912	89,785
Cost of secured assets sold	-17,353		-24,921	-1,445
Personnel expenses collection	-7,975	-6,640	-30,111	-26,578
Personnel expenses other	-5,170	-3,918	-20,900	-18,378
Operating expenses	-13,278	-6,929	-38,605	-28,569
EBITDA	10,610	6,145	24,373	14,815
Amortization and depreciation	-1,476	-1,148	-5,569	-5,327
EBIT	9,134	4,997	18,805	9,488
Financial revenue	473	1,849	1,775	3,070
Financial expenses	-8,994	-1,633	-22,381	-10,585
Net financial items	-8,521	216	-20,607	-7,515
Profit/(loss) before tax	613	5,213	-1,802	1,974
Tax expense	-442	-582	585	611
Net profit/(loss) from continued operations	172	4,631	-1,217	2,585
CASH EBITDA	40,566	9,401	78,359	32,695

Key comments

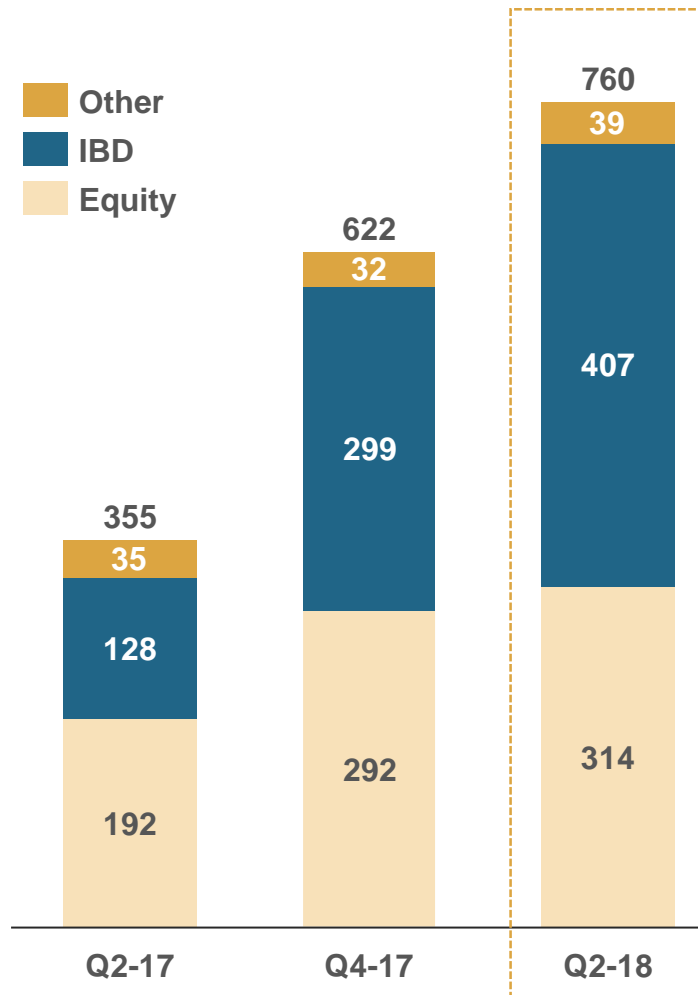
- Net financial items were negative EUR 8.5m for the quarter:
 - Interest cost of EUR 8.4m of which EUR 0.9m in amortized loan fees
 - Amortized warrant cost of EUR 0.4m
 - Positive net FX impact in the quarter of EUR 0.4m

Balance sheet structure

Assets

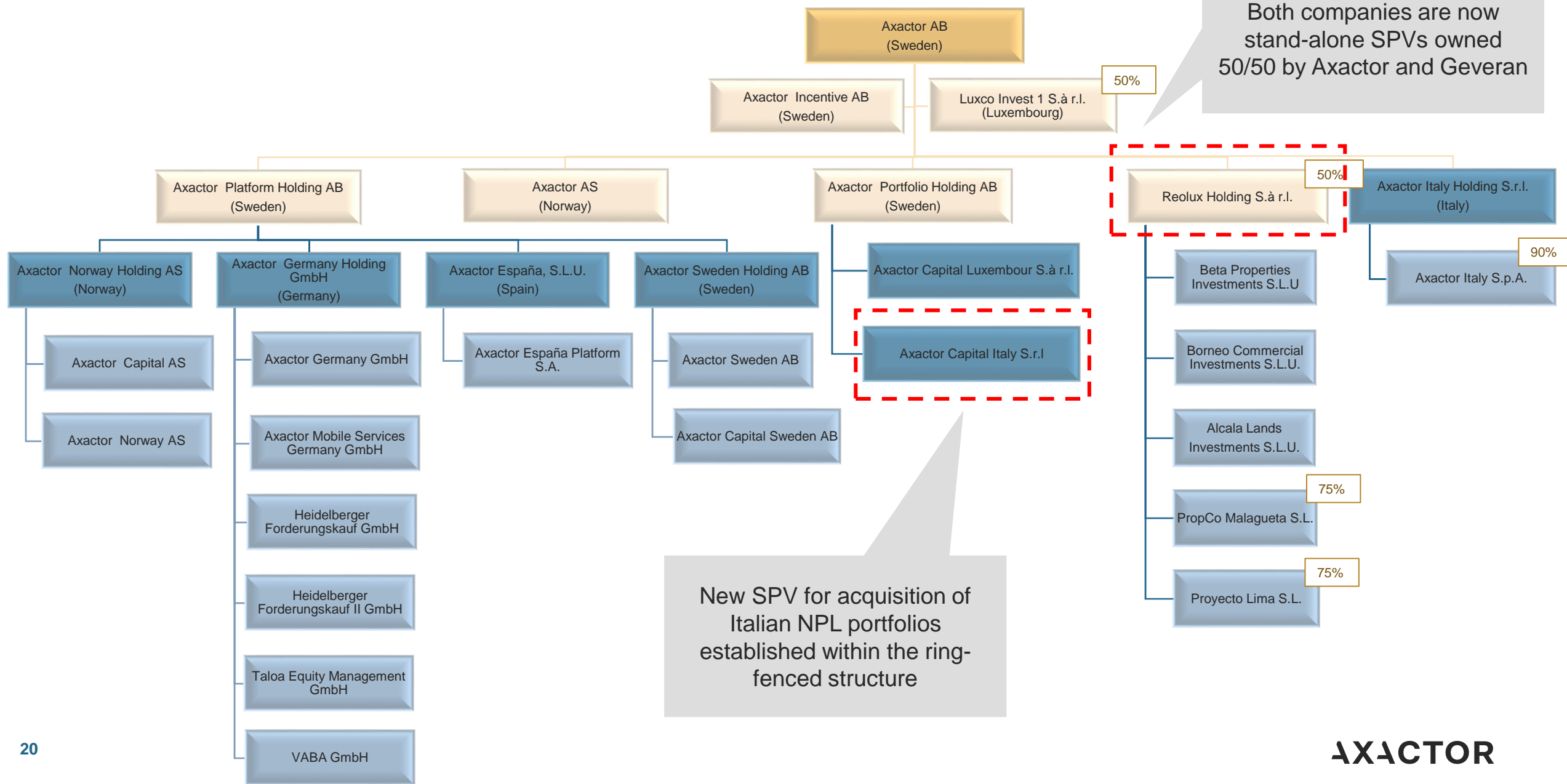


Equity & Liabilities

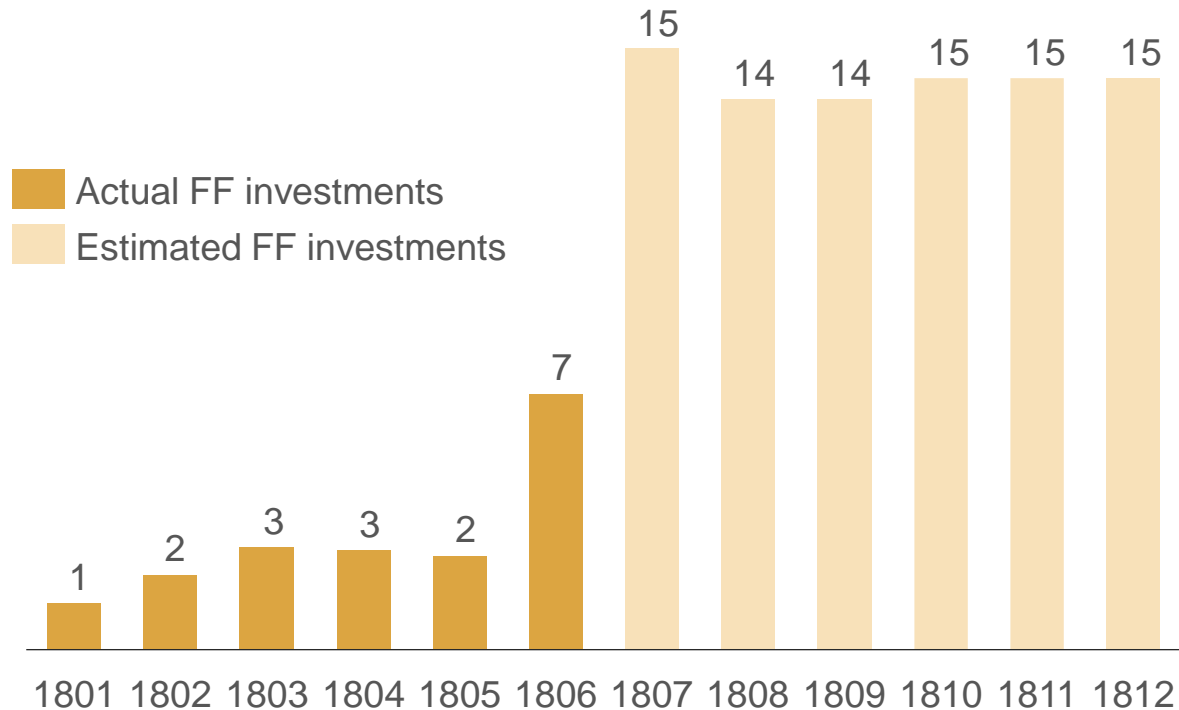


- Portfolio book value is EUR 539m, including REO
- Available cash at end of Q2 is EUR 121m
- Equity ratio of 41%

Legal organization July 2018

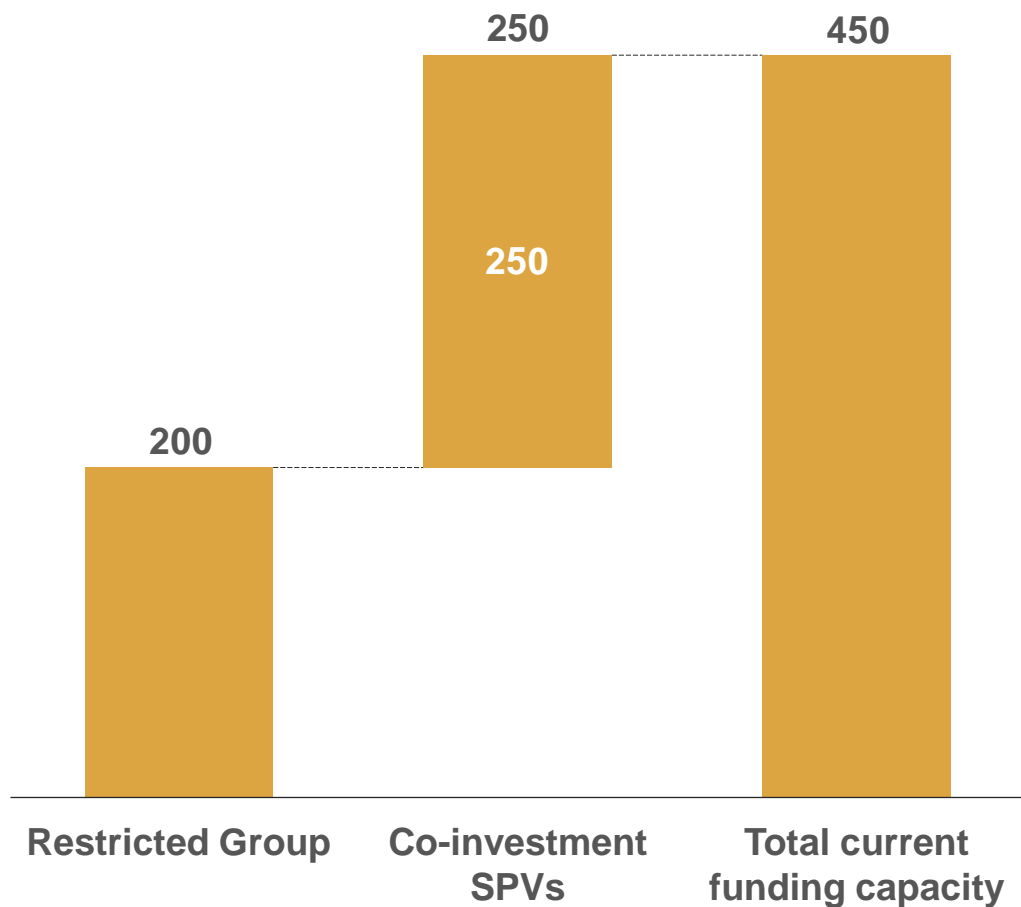


Forward flow build-up



- Significant forward flow contracts have been signed during the first half of 2018 in Germany, Italy, Norway and Sweden
- Some of the new contracts started late in Q2, while the rest are due to start later in the year
- With the new contracts, total annual forward flow investments will be in the region of EUR 175m
- Contracted forward flow volume will double NPL collections for Germany and Norway in 2019
- The forward flow pipeline is still strong

Axactor funding capacity



- Axactor with approximately 450 mEUR in funding capacity (after closing the Nomura agreement)
- Additional capacity
 - Axactor has close to 200 mEUR in accordion options with the Nordic banks
 - Bond tap option of 100 mEUR
 - Full utilization of additional capacity must be matched by approximately 40% equity

Outlook

- REO market in Spain remains strong
- Rapid growth in Spanish market for secured NPL
- Continued high volumes of unsecured NPL forward flow portfolios from Nordic consumer banks
- Solid 3PC pipeline in Spain
- Expect high cash flow generation to continue in the second half of 2018



Summary Q2 presentation

- Significant ramp-up of cash generation (Cash EBITDA of EUR 41m)
- 20% EBITDA margin in Q2
- Signed significant forward flow portfolios in Germany, Italy, Norway and Sweden
- Establishing new funding line for REO portfolios with Nomura, releasing approximately EUR 100m in cash at lower cost
- Continue to drive efficiency and cost initiatives through One Axactor
- Strong momentum into 2H 2018





AXACTOR