



Q3 2018 presentation

Axactor SE

October 30, 2018

AXACTOR

Key highlights Q3 2018

GROSS REVENUE

56.5

EUR MILLION

+139% y/y

ERC

1.1

EUR BILLION

+114% y/y

EBITDA

10.0

EUR MILLION

+397% y/y

CASH EBITDA

32.7

EUR MILLION

+426% y/y

CASH BALANCE

112.0

EUR MILLION

- Continued margin expansion: 21 % EBITDA margin in Q3 2018
- EUR 33m in cash EBITDA, illustrating the strong cash flow from the NPL & the REO segments
- Portfolio investments of EUR 113m, with several signed forward flow contracts to start in Q4 2018 and in 2019
- Closed re-financing transaction for REO portfolios with Nomura International plc
- Completed conversion from AB to SE company, an important step in the process of relocating to Norway

Axactor events post Q3 closing

- Acquisition of 100% of the shares in SPT - providing a servicing platform in the Finnish market
- Acquired a significant unsecured portfolio from Bank Norwegian in Finland
- Upsized the REO funding facility with Nomura to EUR 119m
- Acquisition of a NPL portfolio in Spain with outstanding balance of EUR 180m
- Added 5 large 3PC outsourcing contracts in Spain



Axactor enters the Finnish market through a scalable platform in combination with a major NPL transaction

SPT

Strategic rationale

Nordic value proposition

Geographical diversification

Leverage Axactor's business model to fuel further growth

SPT in a nutshell:

- Established in 2008, 27 employees
- Offers traditional collection services to small and medium sized companies
- Located in Jyväskylä with back office functions in the Baltics
- Estimated revenues of ~2 mEUR with 10% margin

Axactor benefits:

- Immediate access to the Finnish market
- Scalable platform with skilled personnel and necessary licenses
- Low cost operations with back office functions established in the Baltics



Bank Norwegian Portfolio acquisition

Axactor's largest NPL acquisition to date

- The portfolio will immediately provide a large paying book and cash flow
- Total outstanding balance of EUR 160m (16,000 cases)
- The claims represents fresh debt with a long and stable collection curve
- Axactor has significant experience in handling similar claims (from the Bank Norwegian portfolio acquired in Sweden in 2017)
- This acquisition will increase the Axactor ERC by approximately 15%.

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

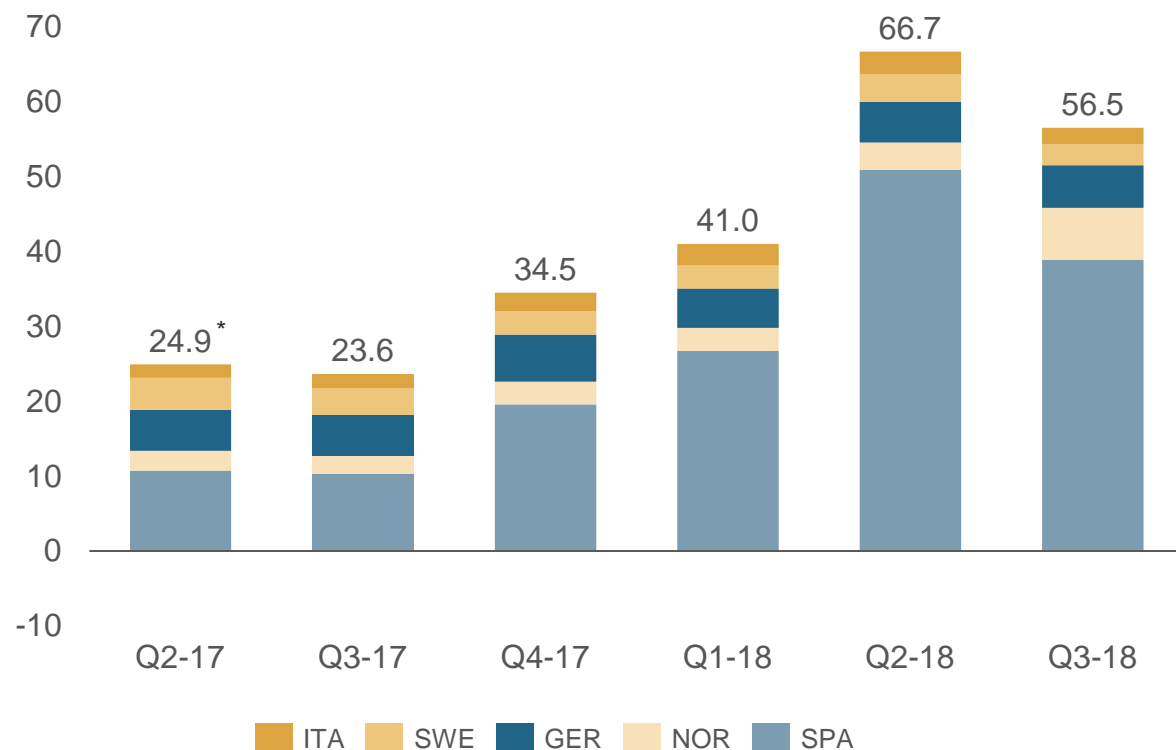
- Possibility to perform internal benchmarking

4

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

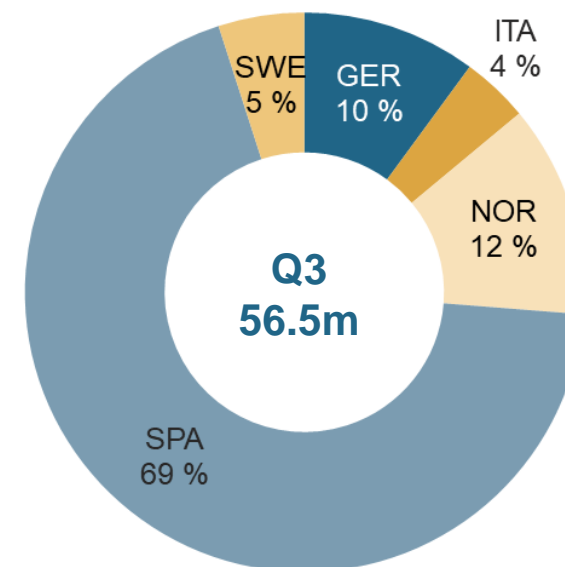
Axactor revenue mix – distribution per country

Gross revenue per quarter (EUR million)



- 139% growth vs Q3 2017
- Significant growth in Norway driven by large portfolio investments
- Q3 2018 with seasonality effect compared to Q2 2018

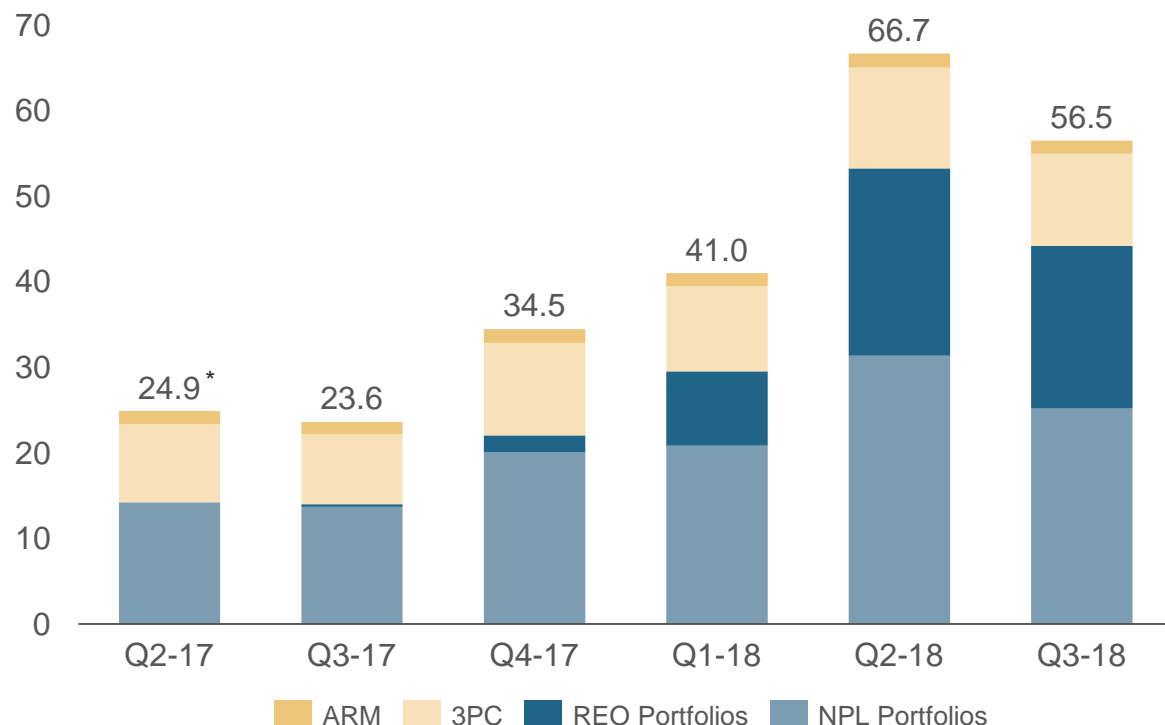
Q3 Revenue Distribution per Country



- Shift from Q2 2018 with increased share for Norway and Germany driven by large unsecured FF portfolios signed in Q2 and Q3 2018
- This trend is expected to continue over the next 1-2 years

Axactor revenue mix – distribution per business segment

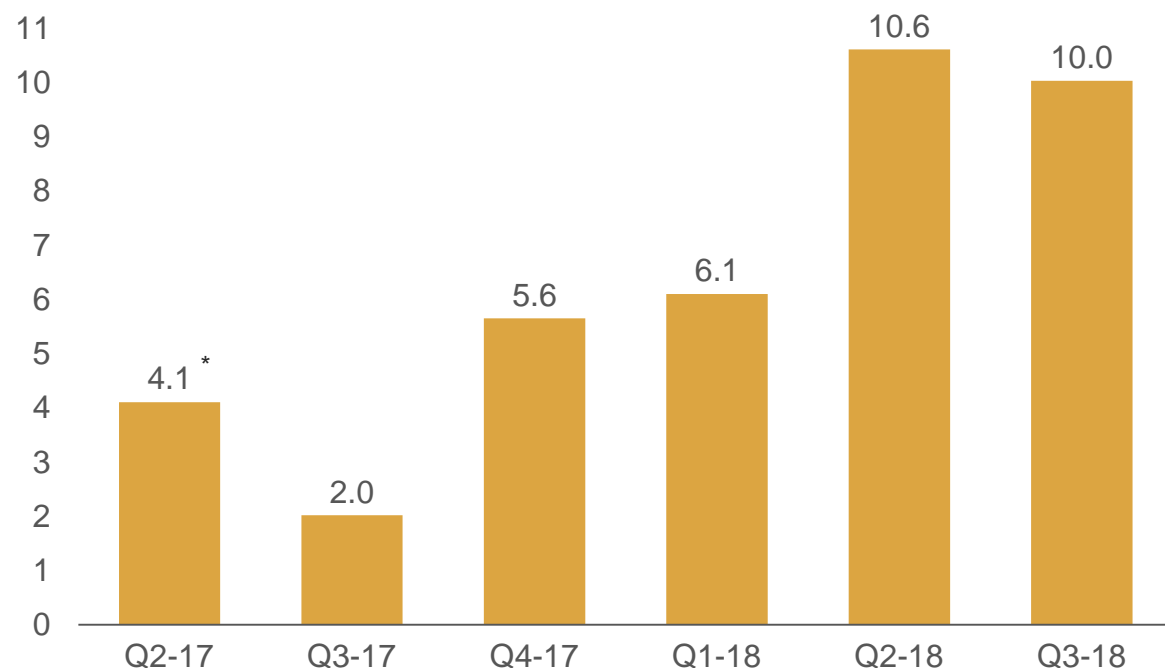
Gross revenue development per segment (EUR million)



- Q3 2018 y/y growth primarily driven by NPL and REO portfolios
- REO segment continues to grow as share of total revenue, accounting for 34% in Q3 2018
- 3PC with 31% y/y growth

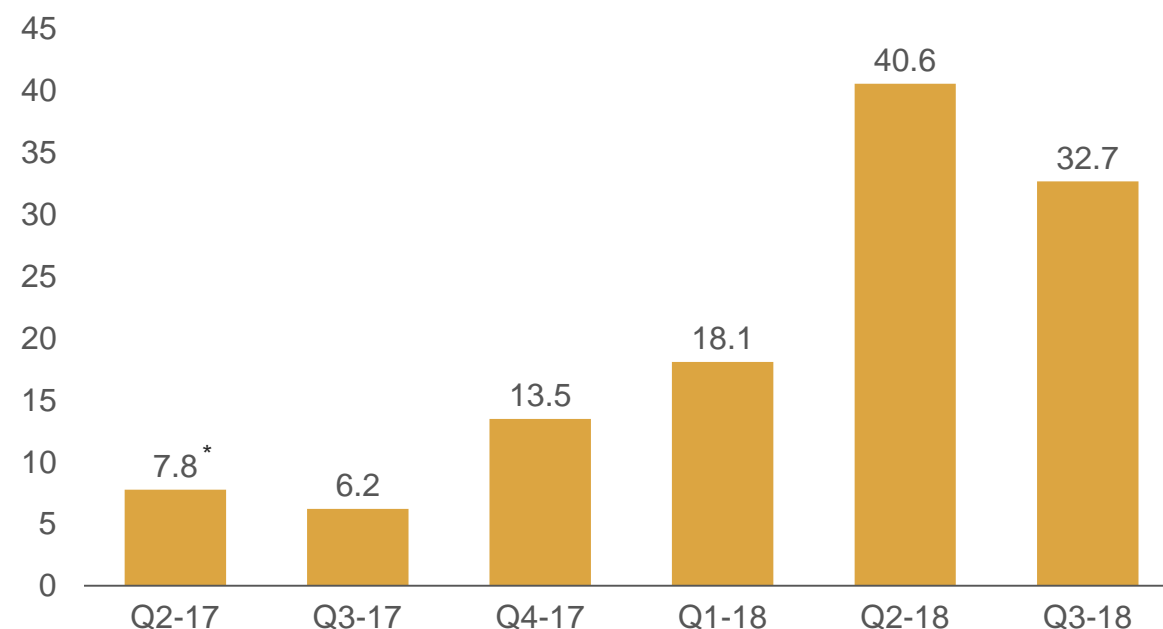
Profitability development – EBITDA and Cash EBITDA

EBITDA per quarter (EUR million)



- 397% EBITDA growth compared to the same quarter last year
- Seasonality impacts in Q3 2018 vs Q2 2018
- 21% EBITDA margin in Q3 2018, up from 20% in Q2 2018

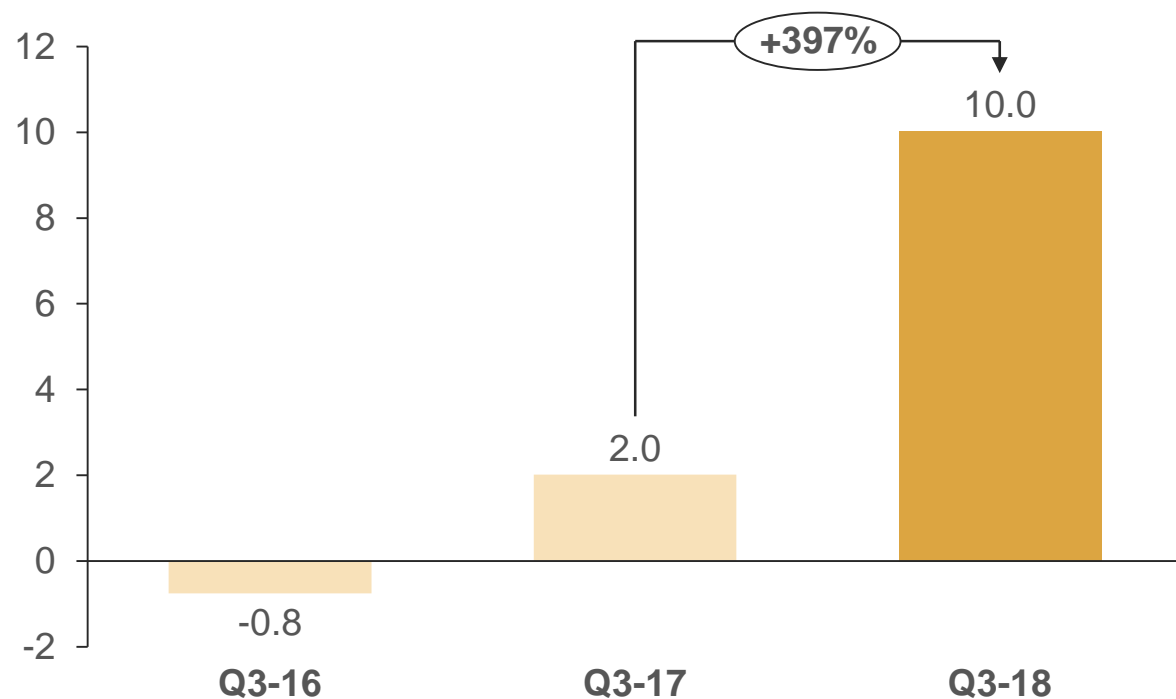
Cash EBITDA per quarter (EUR million)



- 426% cash EBITDA growth compared to Q3 2017
- Continued strong NPL and REO portfolios performance
- 58% gross margin in Q3 2018, up from 26% in Q3 2017

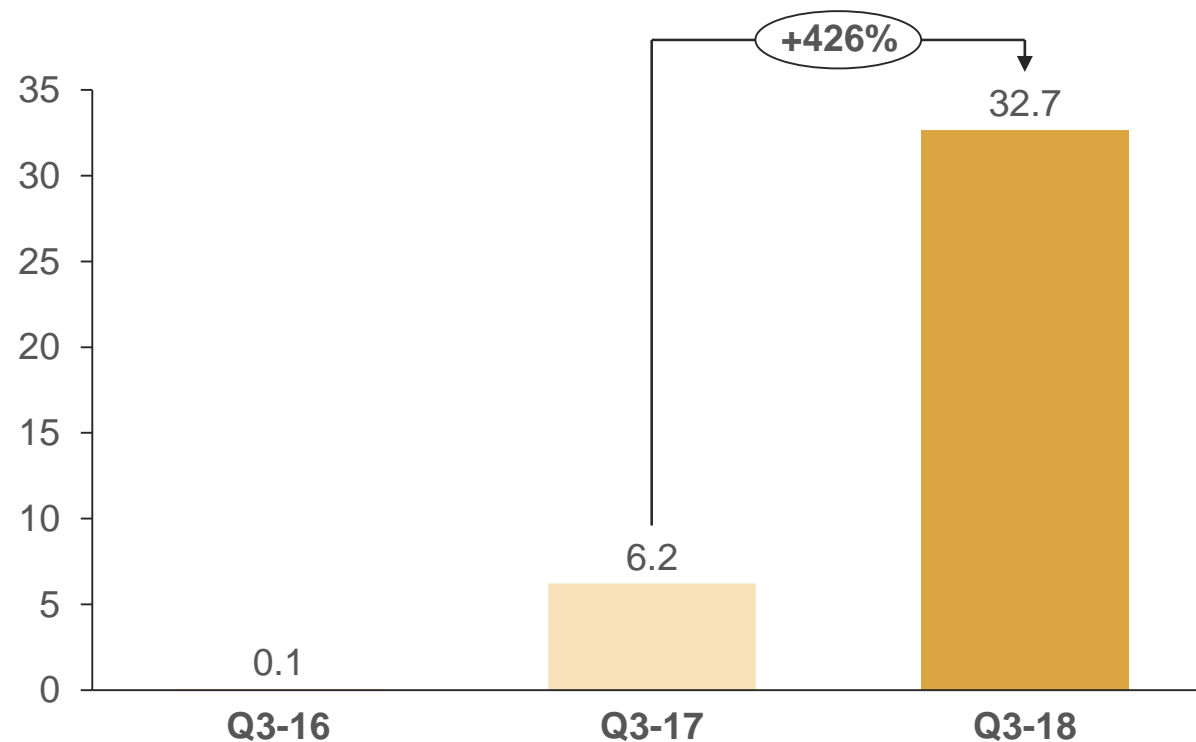
EBITDA and cash EBITDA - quarter by quarter

EBITDA (EUR million)



- Significant EBITDA growth continues
- 21% EBITDA margin

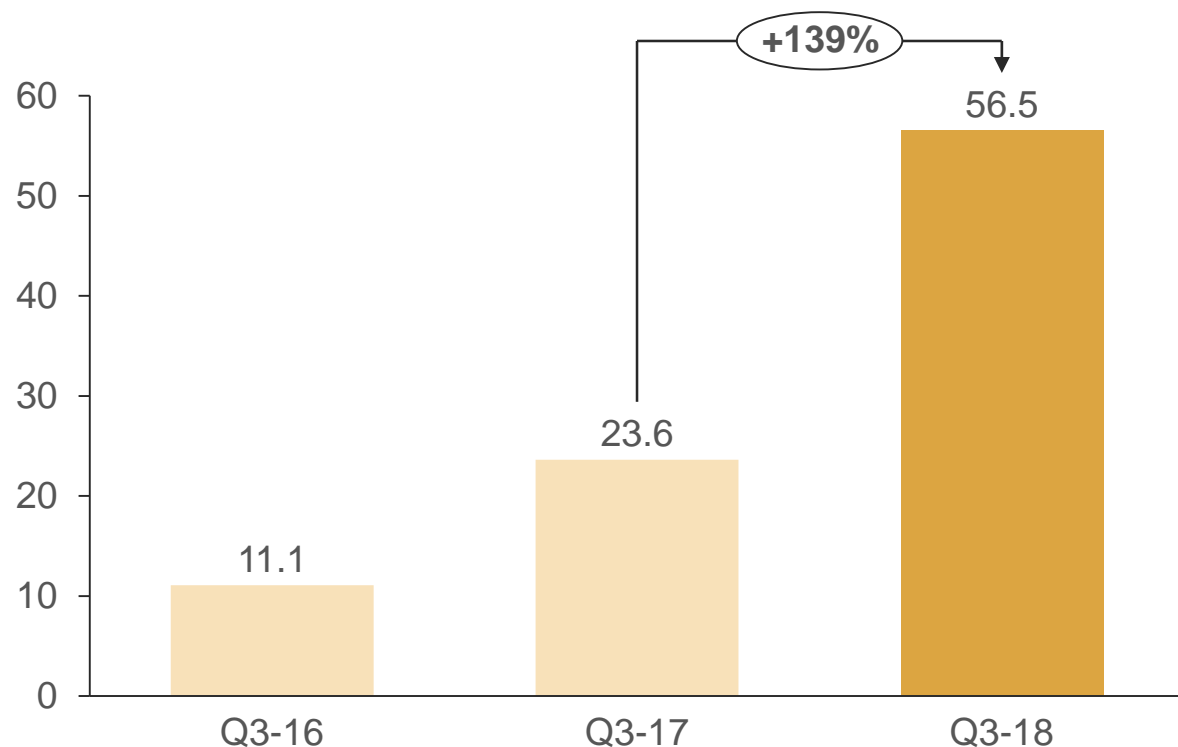
Cash EBITDA (EUR million)



- Strong cash flow development
- Gross margin at 58%

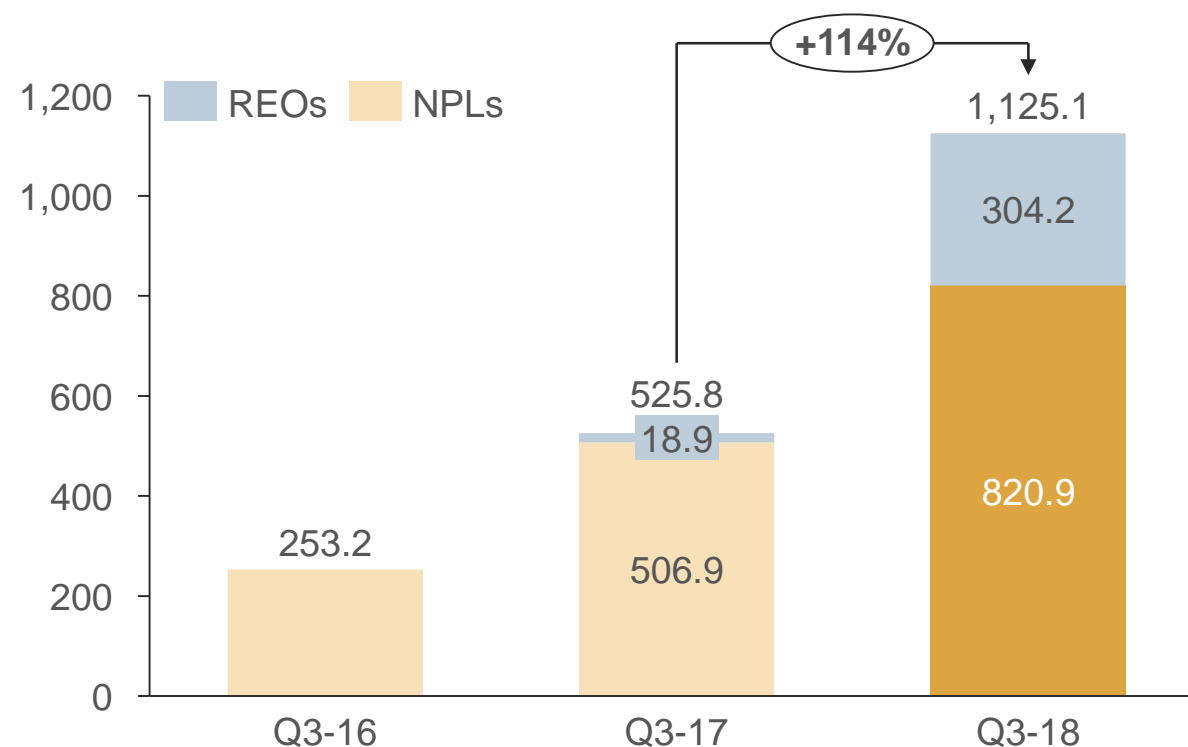
Gross revenue and ERC - quarter by quarter

Gross revenue (EUR million)



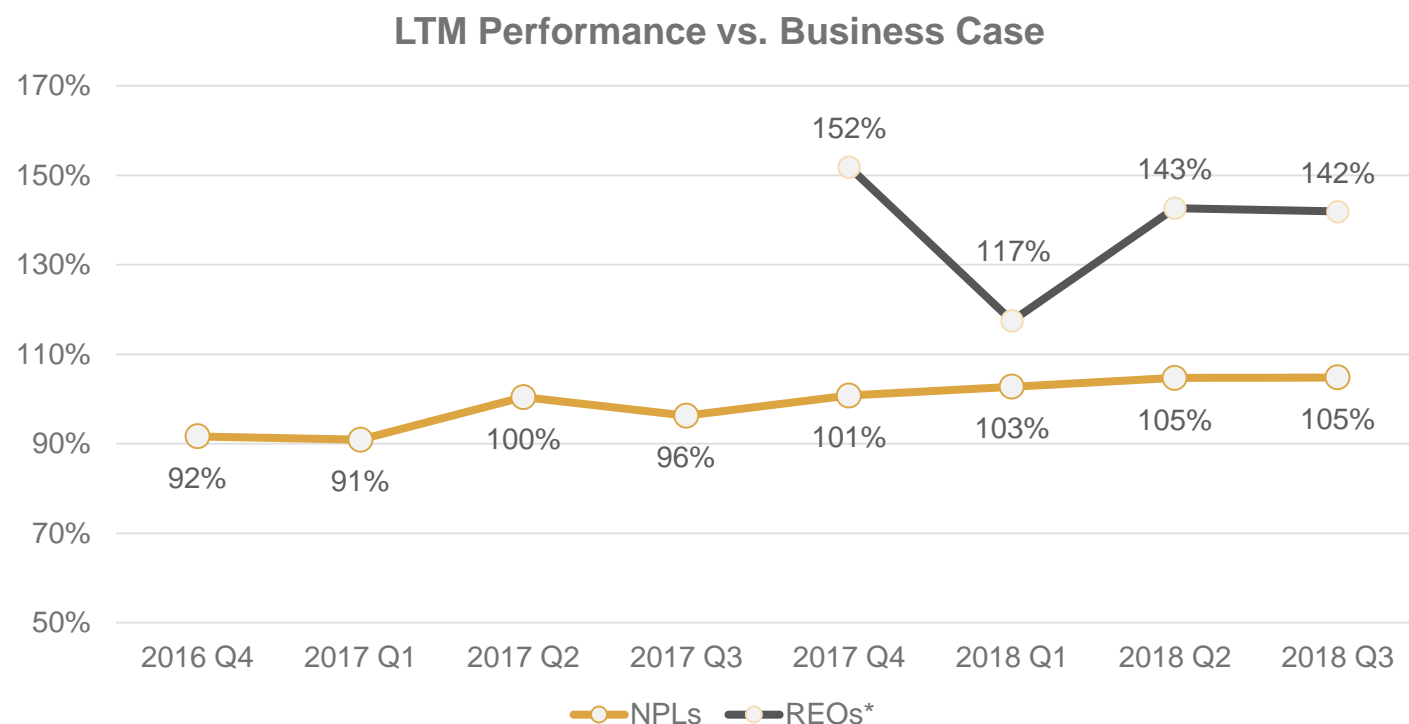
- 139% growth compared to Q3 2017
- Negative seasonality effects partly reduced by increased scale and REOs revenue

ERC (EUR million)



- ERC growth from investments of EUR 227 YTD Q3 2018
- ERC at record high EUR 1.1bn

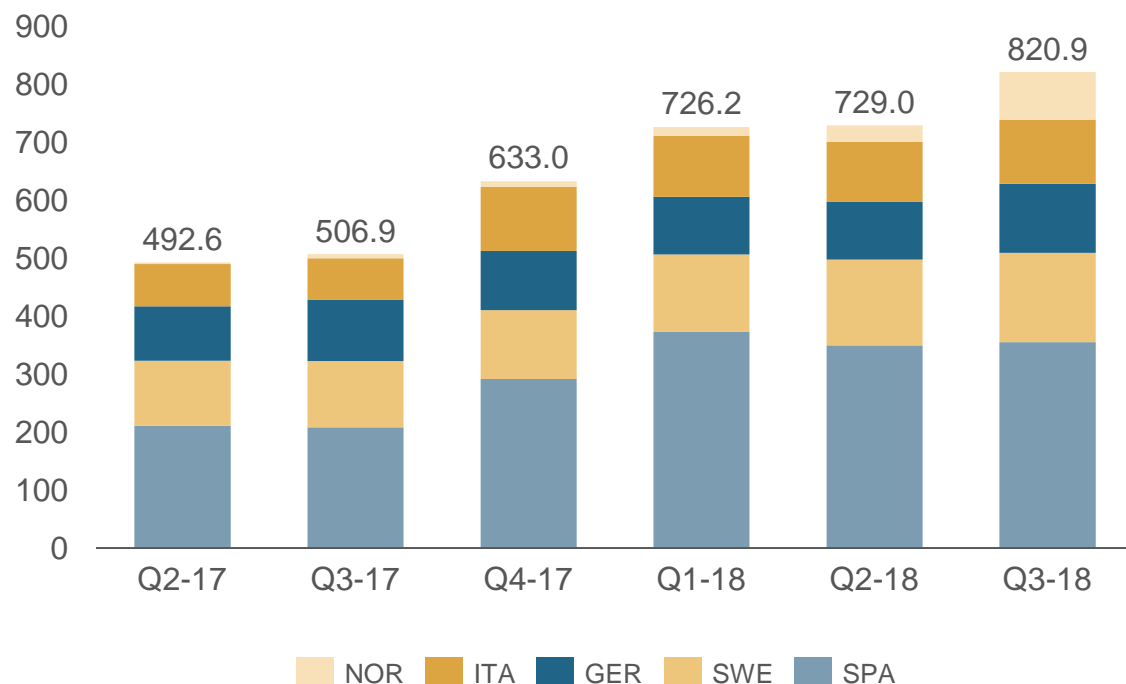
Collection on NPL & REO portfolios versus business case



- Continued positive trend in NPL collection performance, with 105% LTM performance in Q3 2018
- Q3 2018 with continued strong REO performance
 - Conservative build-up in REO BC
 - Expect convergence towards business case over time

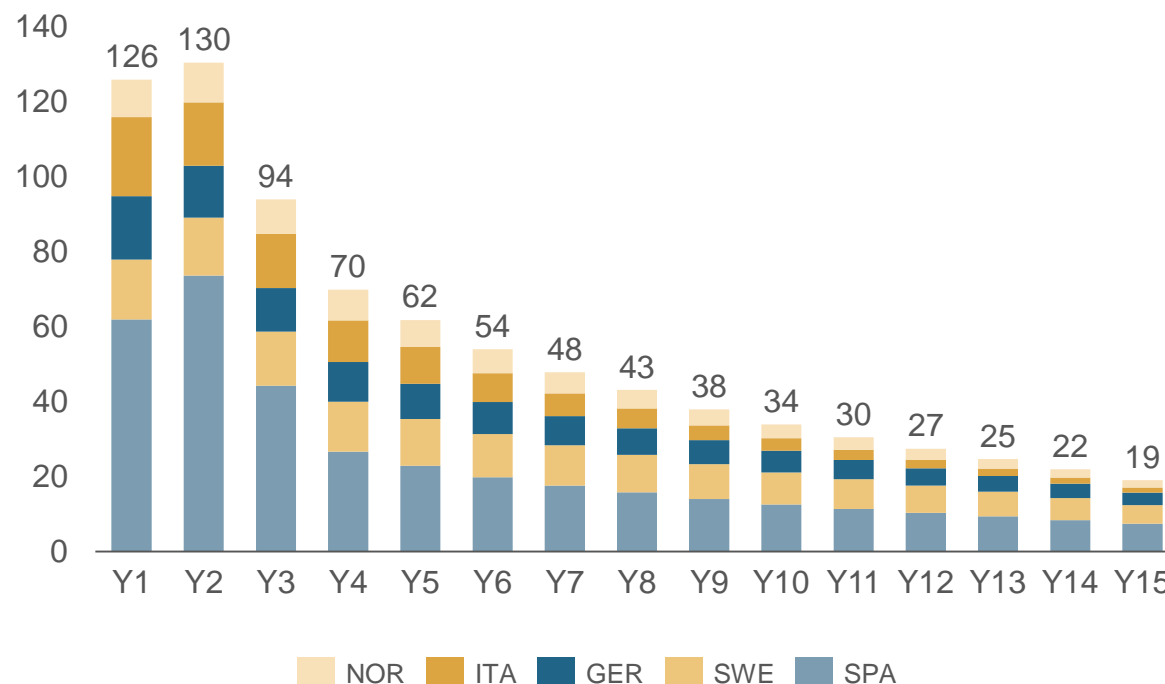
Portfolio statistics NPL (excluding REOs)

Historical development ERC (EUR million)



- 62% NPL ERC increase compared to same quarter last year
- Norway's share of total ERC increasing significantly

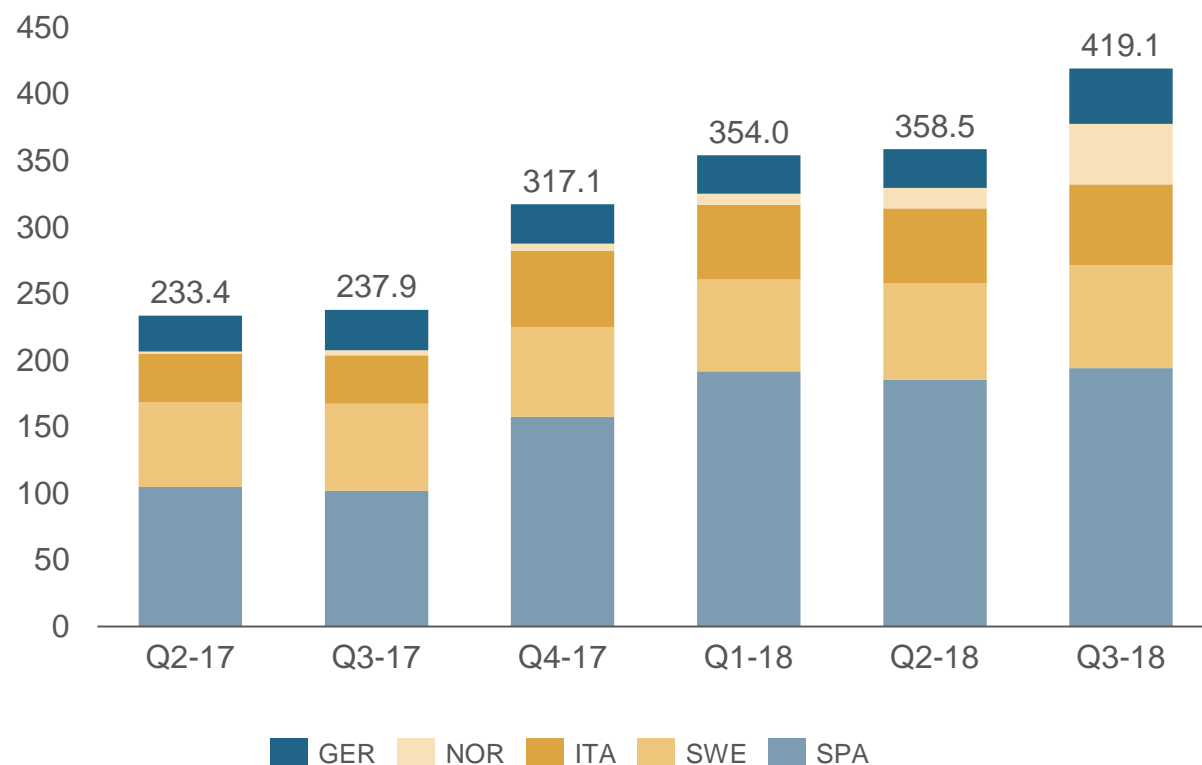
ERC per year (EUR million)



- NPL portfolios with bank/finance claims with long and stable cash flows (15 years+)
- Growth in Spanish ERC Y2 vs. Y1 due to secured NPL portfolios

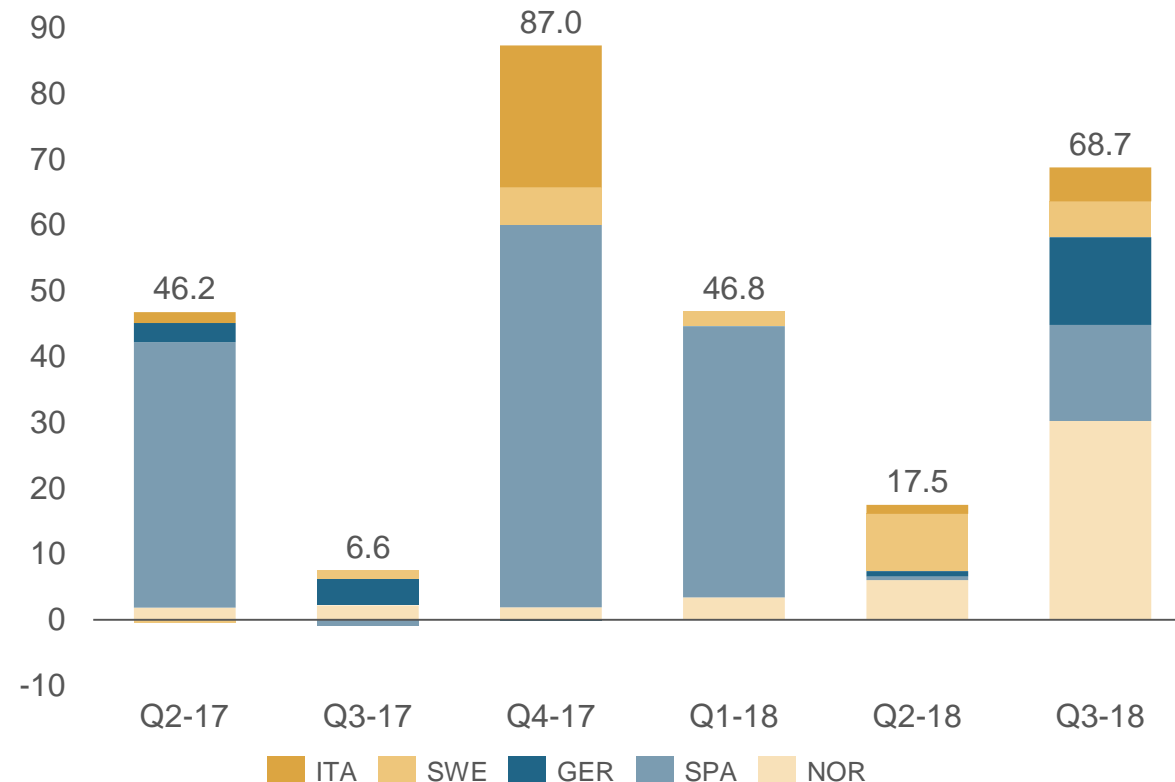
Portfolio statistics NPL (excluding REOs)

Book value portfolios (EUR million)



- 76% book value increase compared to Q3 2017
- Growth from Q2 2018 due to significant investments in the quarter, particularly in forward flows

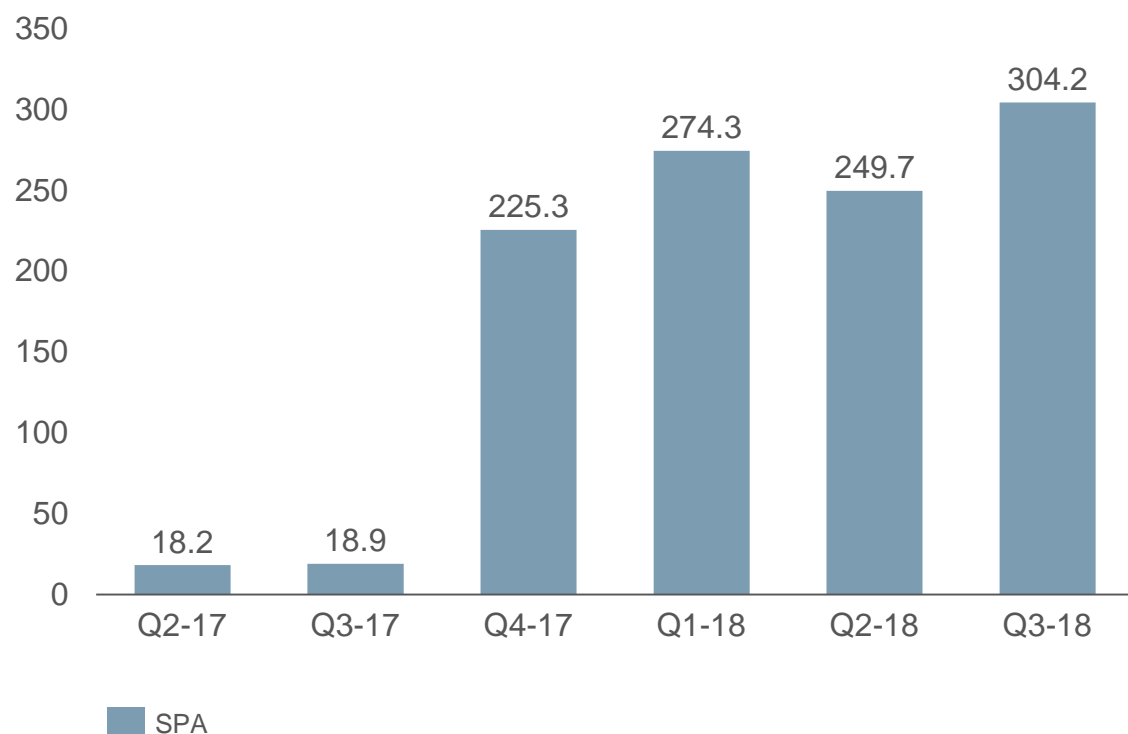
Capex (EUR million)



- Several forward flow deals driving capex in Q3 2018, with considerable volumes in Norway, Germany, Sweden and Italy
- Several smaller one-off portfolios closed during the quarter

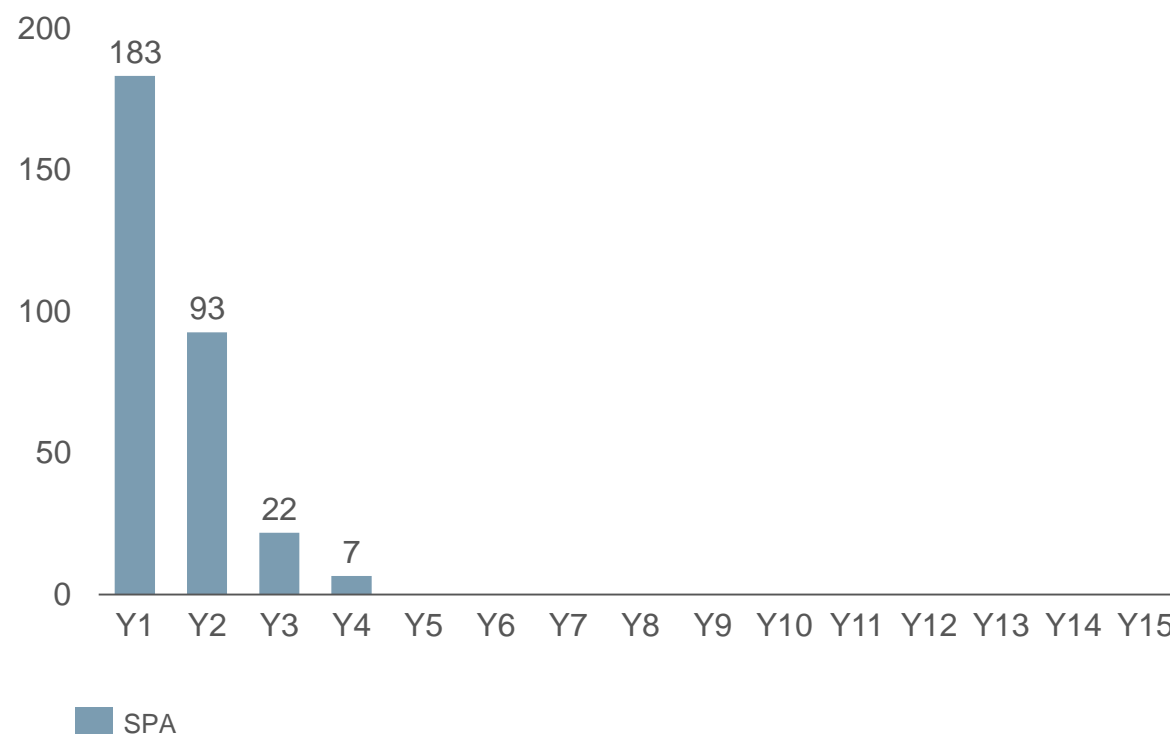
Portfolio statistics REOs

Historical development ERC (EUR million)



- Growth due to new portfolio acquired in Q3 2018
- Reduction in Q2 2018 due to the quick liquidation of assets
- First portfolio acquired in Q2 2017

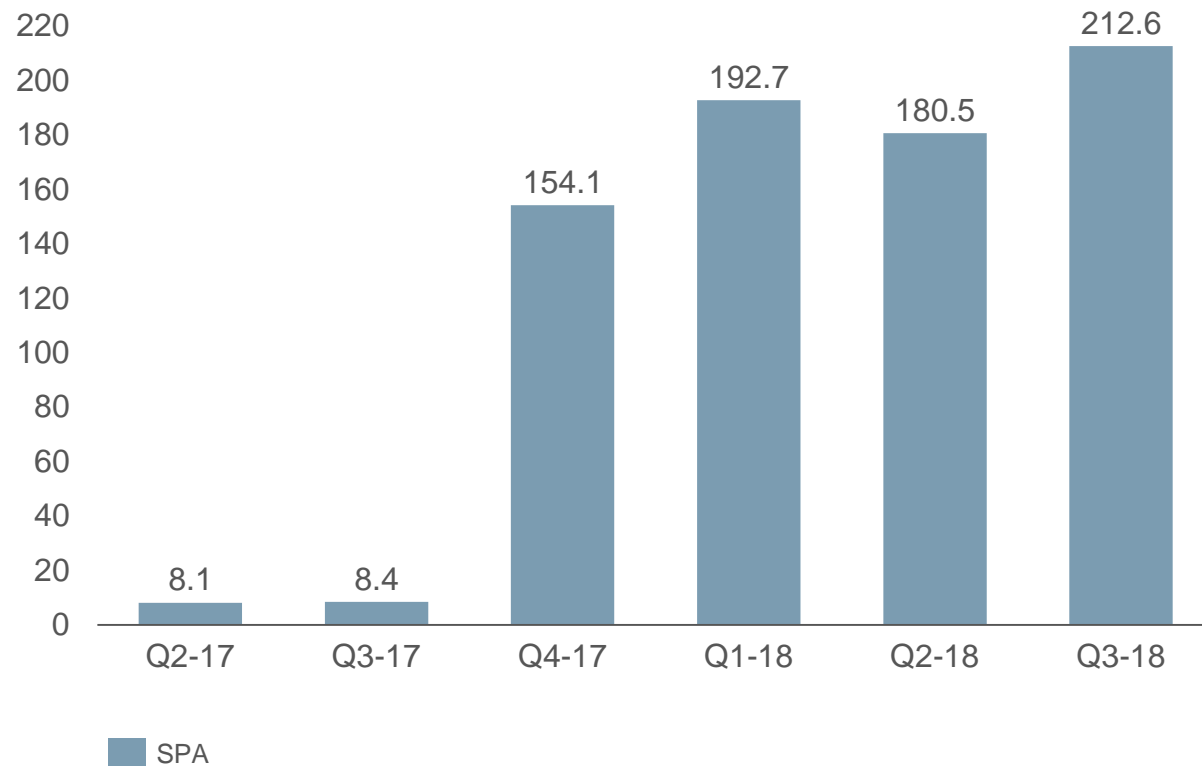
ERC per year (EUR million)



- 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

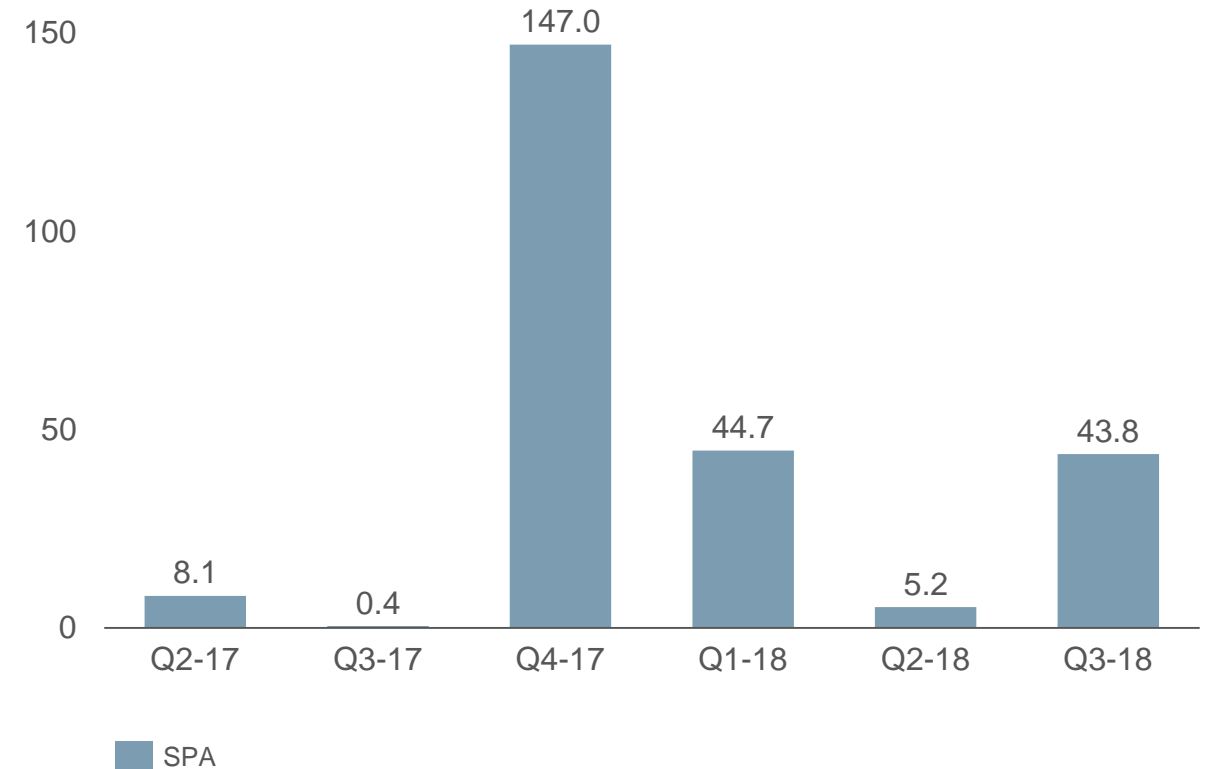
Portfolio statistics REOs

Book value portfolios (EUR million)



- REO portfolios account for 34% of total portfolio balance at the end of Q3 2018

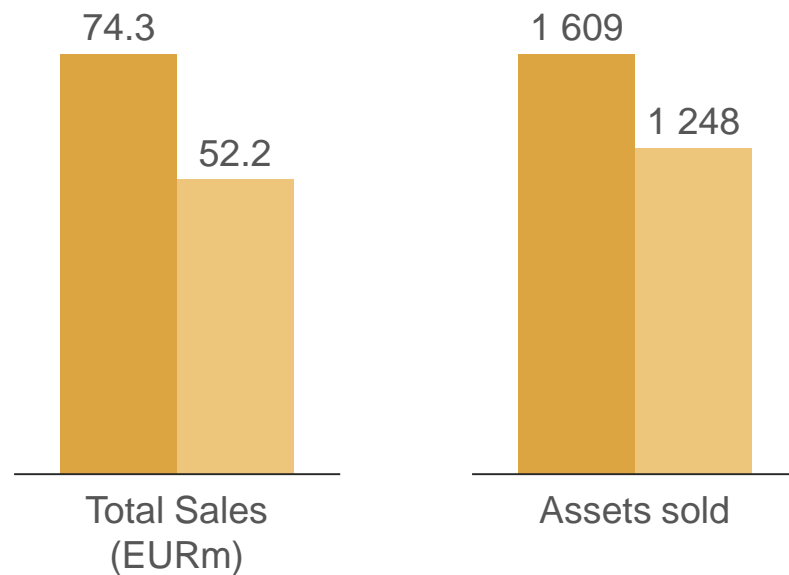
Capex (EUR million)



- One large portfolio acquired in Q3 2018
- Figures include activated costs on assets in inventory

REO portfolios lifetime KPIs*

Actual Business case



- Average price per asset sold: EUR 46k
- Number of assets in inventory per end Q3 2018: 7,388

- Lifetime performance ahead of business case
 - More than 1,600 units sold
 - Quicker liquidation
 - Higher money multiple
- More than 500 assets sold in Q3 2018
- Closed re-financing of REO portfolios in Q3 2018
 - EUR 88m released and available for Axactor to re-invest in REOs or other asset classes
 - Agreement on attractive terms
 - Potential to upsize facility for future investments

Q3 income statement

Income statement

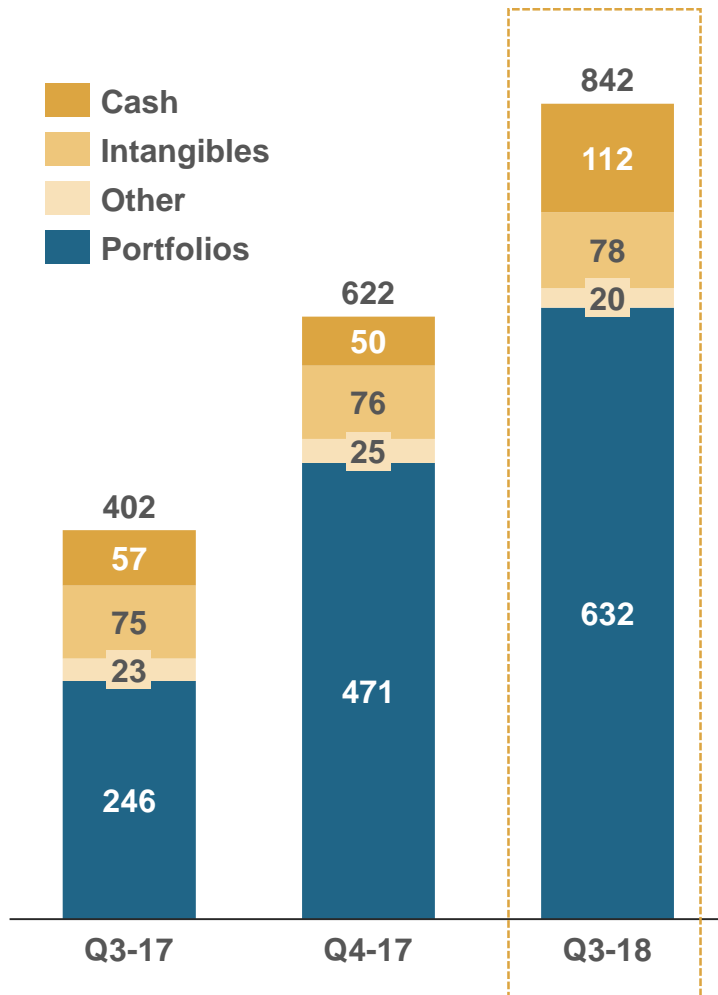
| <i>EURO thousand</i> | 3Q 2018 | 3Q 2017 | LTM 3Q 2018 | Jan - Dec 2017 |
|--|---------------|---------------|----------------|-------------------|
| Income | 56,506 | 23,617 | 198,702 | 104,734 |
| Amortization of debt portfolios | -7,818 | -3,544 | -31,175 | -14,948 |
| Net revenue | 48,689 | 20,073 | 167,528 | 89,785 |
| Cost of secured assets sold | -14,598 | -124 | -39,395 | -1,445 |
| Personnel expenses collection | -7,709 | -6,650 | -31,171 | -26,578 |
| Personnel expenses other | -3,893 | -5,027 | -19,766 | -18,378 |
| Operating expenses | -12,461 | -6,255 | -44,812 | -28,569 |
| EBITDA | 10,028 | 2,017 | 32,384 | 14,815 |
| Amortization and depreciation | -1,507 | -1,340 | -5,735 | -5,327 |
| EBIT | 8,521 | 677 | 26,649 | 9,488 |
| Financial revenue | -169 | 958 | 648 | 3,070 |
| Financial expenses | -7,551 | -1,998 | -27,934 | -10,585 |
| Net financial items | -7,720 | -1,040 | -27,286 | -7,515 |
| Profit/(loss) before tax | 801 | -363 | -638 | 1,974 |
| Tax expense | -401 | 624 | -440 | 611 |
| Net profit/(loss) from continued operations | 400 | 261 | -1,077 | 2,585 |
| CASH EBITDA | 32,672 | 6,213 | 104,818 | 32,695 |

Key comments

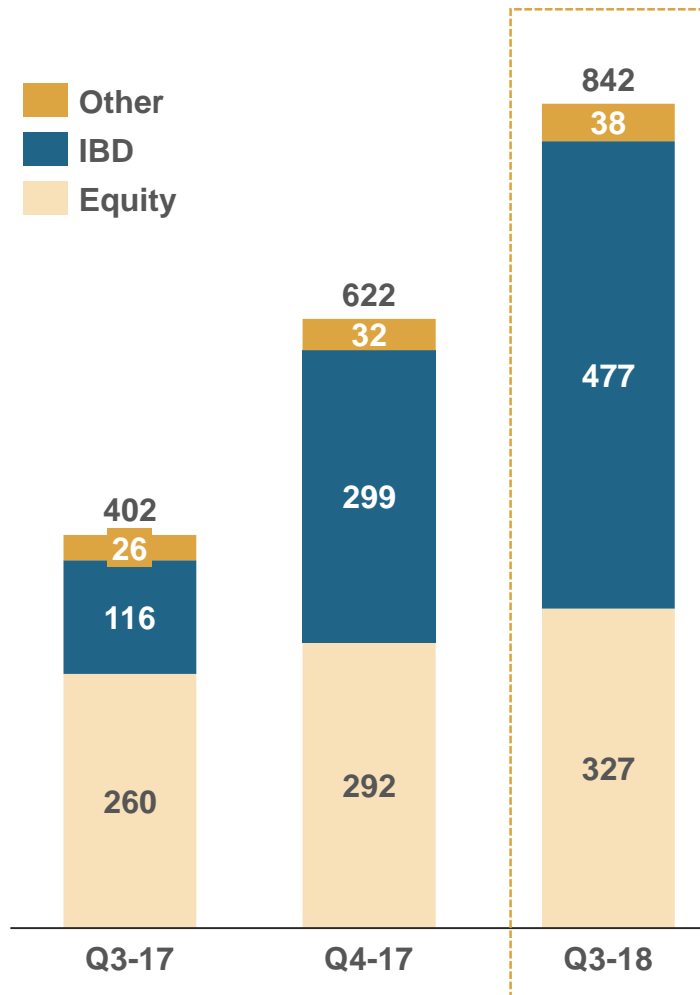
- Net financial items were negative EUR 7.7m for the quarter:
 - Interest cost of EUR 7.0m of which EUR 1.1m in amortized loan fees
 - Amortized warrant cost of EUR 0.4m
 - Negative net FX impact in the quarter of EUR 0.3m
- Net financial items improved EUR 0.8m compared to Q2 2018, mainly due to lower interest cost following the re-financing of REOs with Nomura

Balance sheet structure

Assets

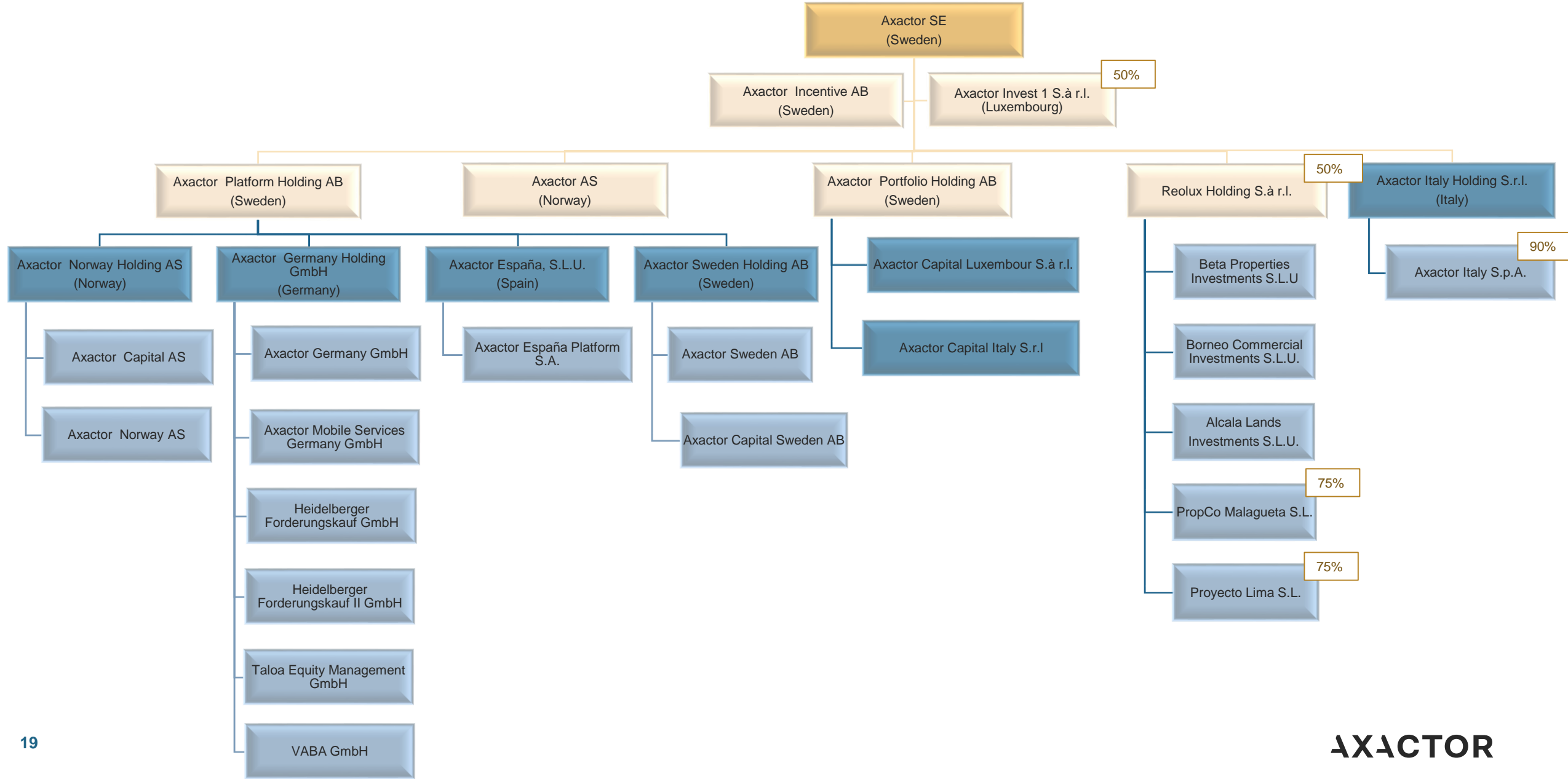


Equity & Liabilities



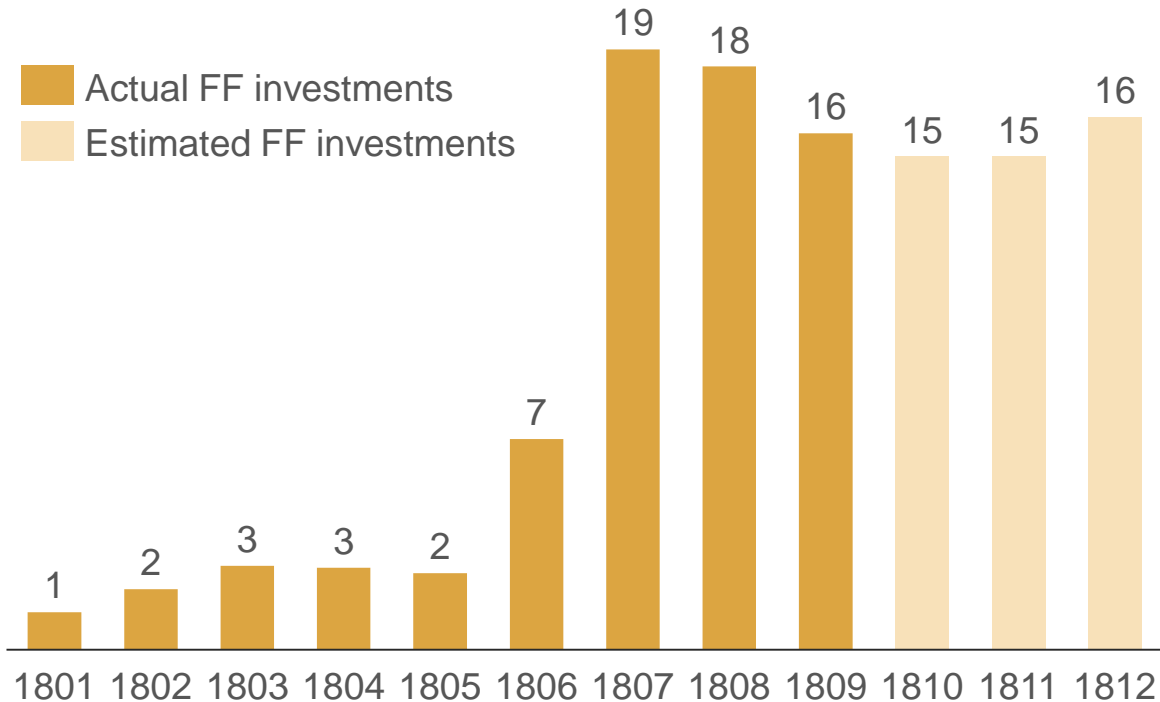
- Portfolio book value is EUR 632m, including REOs
- EUR 112m of available cash at end of Q3
- Equity ratio of 39%

Legal Organization September 2018



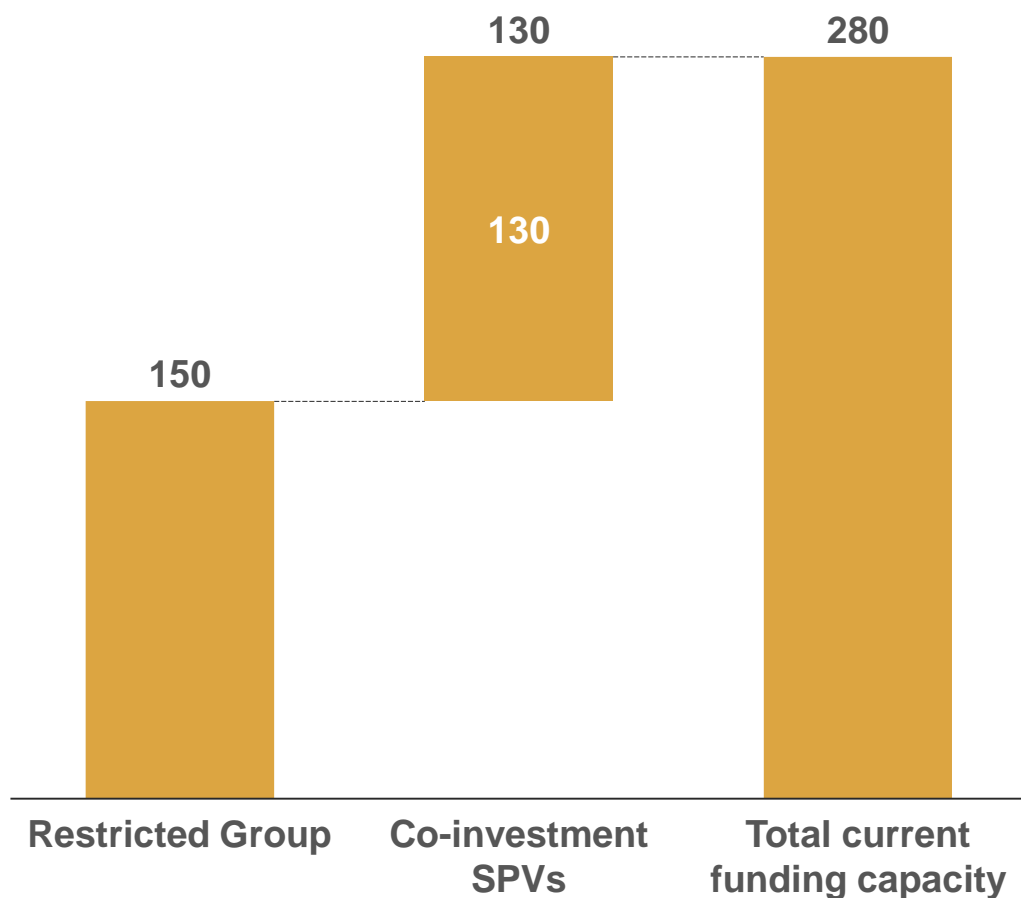
Forward flow build-up

(EUR million)



- Significant forward flow contracts signed during 2018 in Germany, Italy, Norway and Sweden
- Extraordinary volumes received from a few clients during Q3
- New signed contracts with start late Q4 2018 and early 2019 will further increase monthly volume to EUR ~17m
- Contracted capex for 2019 of EUR ~180m
 - Increases to EUR ~200m if all expiring contracts are renewed
- Forward flow pipeline remain very strong, especially in the Nordic countries

Axactor funding capacity (estimate)



- Axactor with approximately EUR 280m in funding capacity at end Q4 2018
 - After closing of the BN portfolio (estimated to be end November)
- Cash flow from operations within the restricted group more than covers the forward flow commitments (after gearing effect)
- Additional capacity
 - Axactor has close to EUR 150m in accordion options with the Nordic banks
 - Bond tap option of EUR 100m

Outlook

- High volume of NPL portfolios for sale
- Tendency of increased IRRs on NPL portfolios
- Expect continued growth from investments made in NPL and REO portfolios
- Solid 3PC pipeline in Spain
- Expect further margin expansion over the coming quarters



Q3 2018 Summary

- Margin expansion continues
- Portfolio investments of EUR 113m in Q3 2018, with signed forward flow portfolios starting during next two quarters
- Closed new funding line for REO portfolios with Nomura, releasing EUR 88m in cash at attractive margin, lowering the interest costs
- Strong momentum with Finnish market entry and large investments announced in October
- Continue to drive efficiency and cost initiatives through “One Axactor”





AXACTOR