

AXACTOR

Company presentation and effects of Covid-19

Nordea Small Cap Days
Johnny Tsois, CEO



Agenda

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Axactor in brief

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Q2 Highlights

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Outlook

Axactor in brief

- Established in Q4 2015 with headquarter in Oslo, Norway
- Main focus on collection and acquisition of non-performing loans (“NPL”) from financial institutions
- Management team with strong track record from purchased debt and debt collection industry
- Operations in six European countries; Spain, Germany, Italy, Norway, Sweden and Finland with 1,135 FTEs
- Portfolio acquisitions north of EUR 600m for 2019 and 2020 combined
- Geveran owns ca 32% of Oslo-listed Axactor SE

Market capitalisation	Equity	NIBD
~EUR 130m	EUR 363m	EUR 887m



AXACTOR

Our core business areas

Non-Performing Loans (NPL)

- Buy defaulted debt at discount to face value
 - Price variations between markets, age and type of debt
- Example: Credit card, personal loans
- Use own highly trained personnel and systems to collect over a 15-year period
- Money multiple typically between 1.7-2.5x

Total revenue, LTM

EUR 110m

Estimated remaining collection

EUR 2153m

Book value

EUR 1107m

Combined deals
Operational synergies
(systems, personnel)
Diversification

Third-party collection (3PC)

- Traditional debt collection on behalf of external customers
 - Typically a fixed fee or a commission to Axactor on the collected amount
- Low capital requirements
- Creates strong customer relationships and recurring business
- Focus on combined forward flow and 3PC deals

Total revenue, LTM

EUR 51m

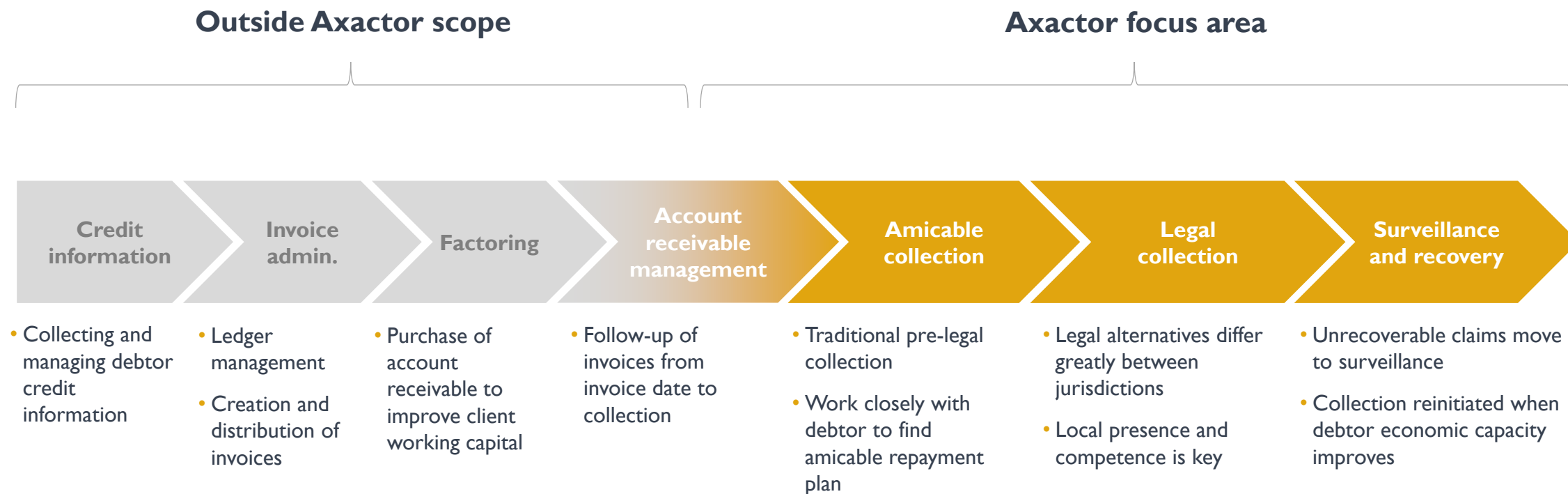
Contribution margin (CMI), LTM

EUR 17m

CMI margin, LTM

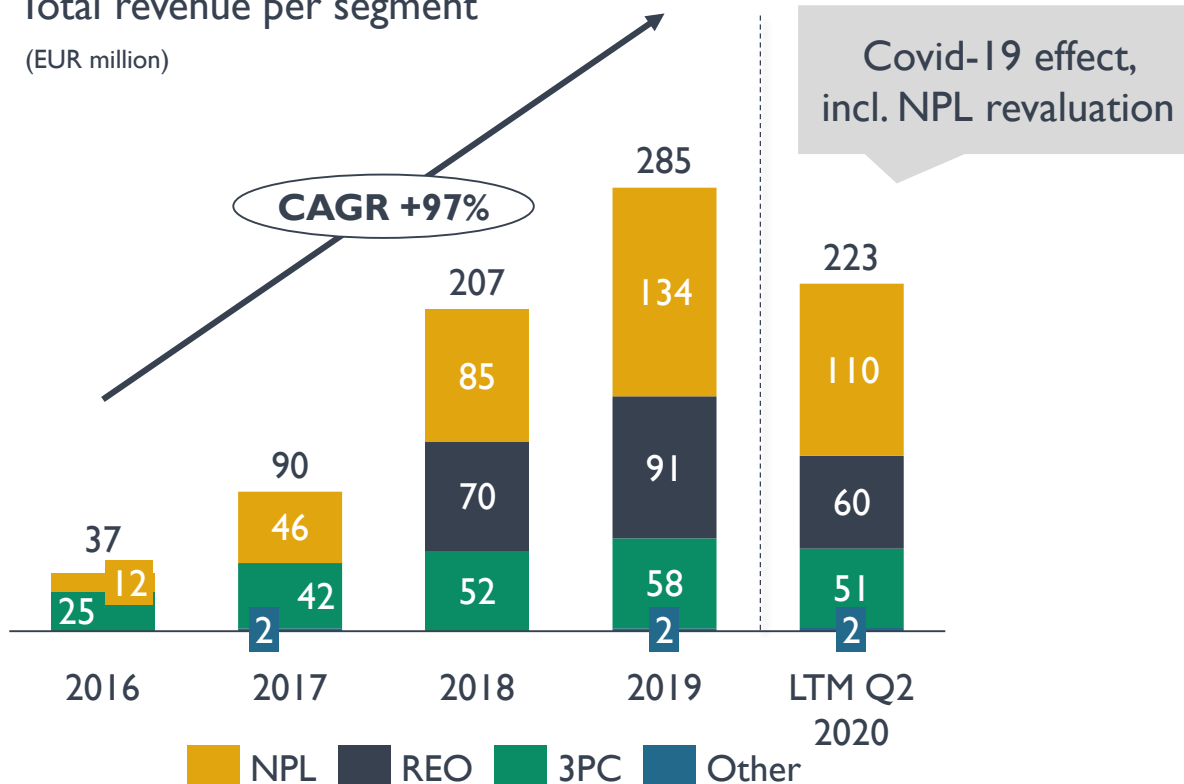
34%

Axactor positioned in the value chain from debtor default



We are one of the fastest growing companies at Oslo Stock Exchange

Total revenue per segment
(EUR million)

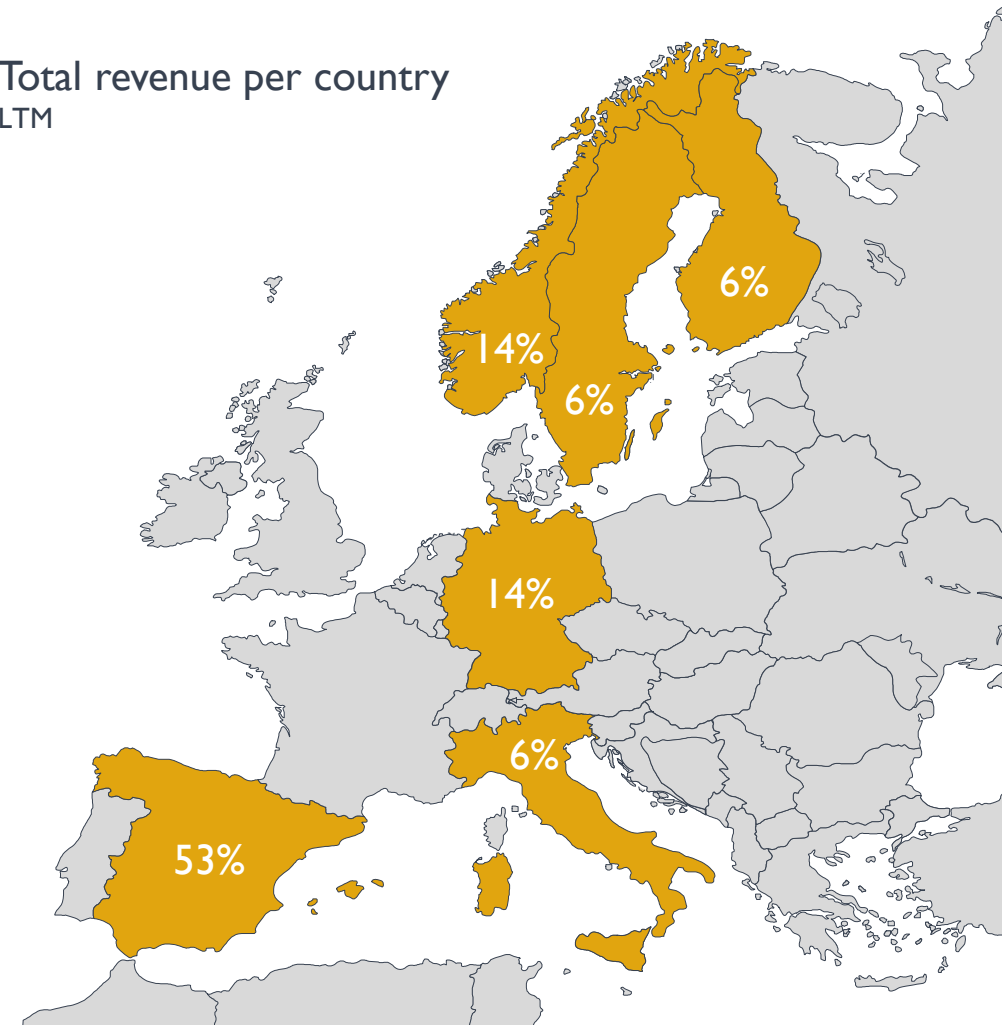


- Focus on financial institutions, both in NPL and 3PC
- Targeting combined 3PC and forward flow deals
 - Product synergies in business origination, collection execution and data generation
- REO is not part of the strategy going forward
 - Last REO portfolio acquisition in Q3 2018

We have been able to establish a significant revenue stream in all our markets

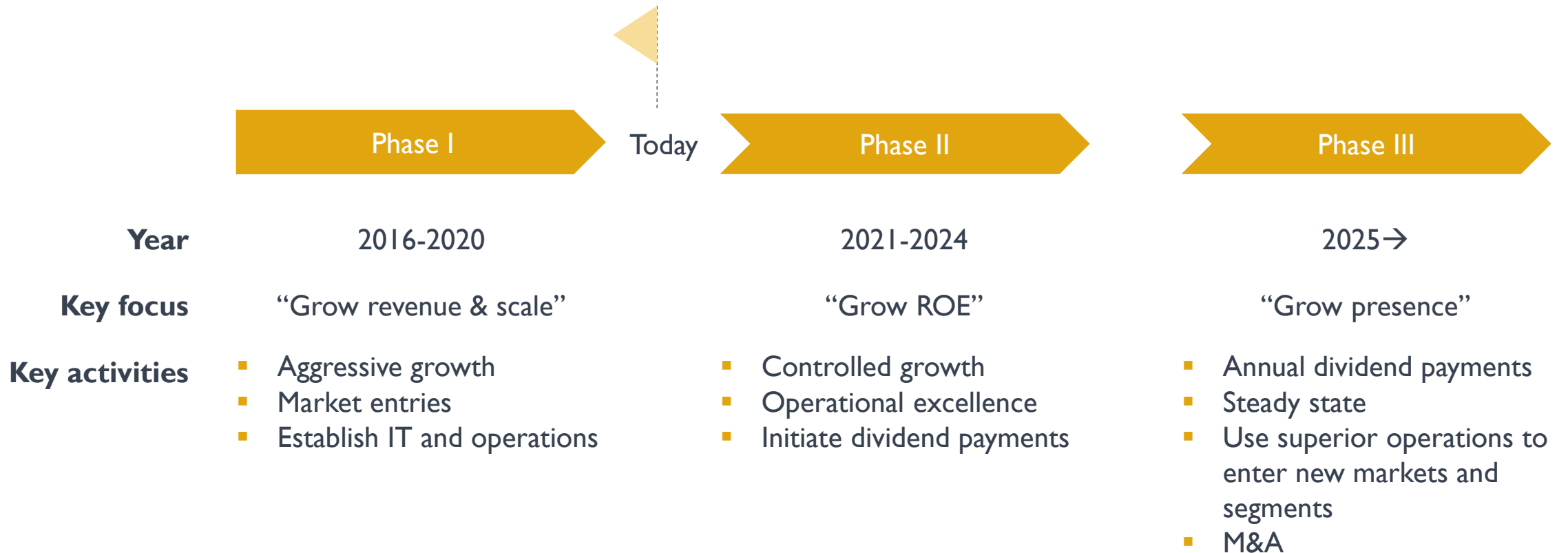
- Targeting sound markets for owning and collecting on non-performing loans
- Increased the Nordic exposure through 2019 and 2020
- Synergies to be extracted from cross-border deals

Total revenue per country
LTM



Where are we on our journey?

- Just about to enter phase II with focus on ROE-growth



Covid-19 effect on Axactor ROE drivers

Drivers	Q2 2020	Covid-19 impact	Outlook
<ul style="list-style-type: none"> NPL portfolio prices 	<ul style="list-style-type: none"> Portfolios acquired at attractive IRRs in the Nordic market 	Positive	<ul style="list-style-type: none"> Improved IRR levels to be blended in over time
<ul style="list-style-type: none"> Economies of scale 	<ul style="list-style-type: none"> EBITDA margin significantly affected by write downs in the quarter 	Neutral	<ul style="list-style-type: none"> Volume growth through 2020 and into 2021, with strong cost discipline
<ul style="list-style-type: none"> Tax rate 	<ul style="list-style-type: none"> Effective tax rate not relevant for Q2 2020 	Neutral	<ul style="list-style-type: none"> Expect ~25% over time
<ul style="list-style-type: none"> Funding cost 	<ul style="list-style-type: none"> Current level of ~5% 	Negative (1-year delay)	<ul style="list-style-type: none"> Refinancing and continued improvement of capital structure
<ul style="list-style-type: none"> Business mix 	<ul style="list-style-type: none"> Significant increase in combined 3PC and NPL deals 	Positive (3PC will increase)	<ul style="list-style-type: none"> Leveraging on 3PC and NPL synergies

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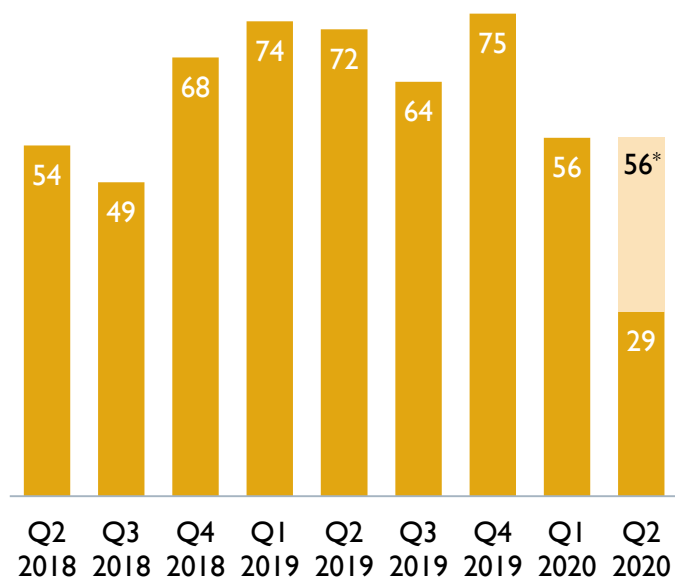
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Outlook

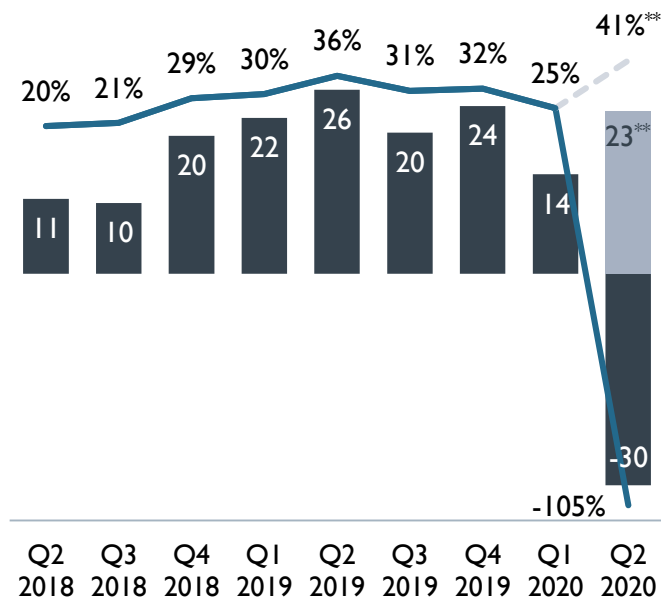
Lockdowns and impairments significantly affected first half 2020 financials

Total revenue development
(EUR million)



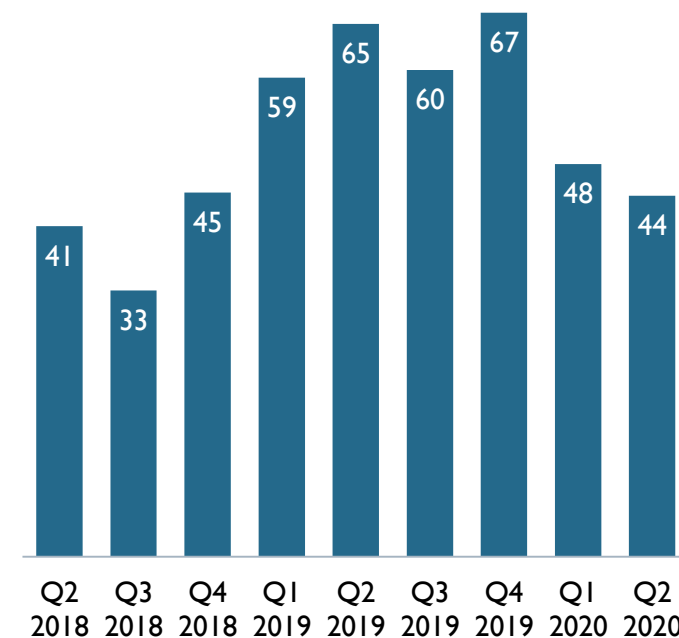
■ Q2 2020 NPL revaluation

EBITDA and EBITDA-margin
(EUR million and %)



■ Q2 2020 NPL revaluation and REO impairment accrual

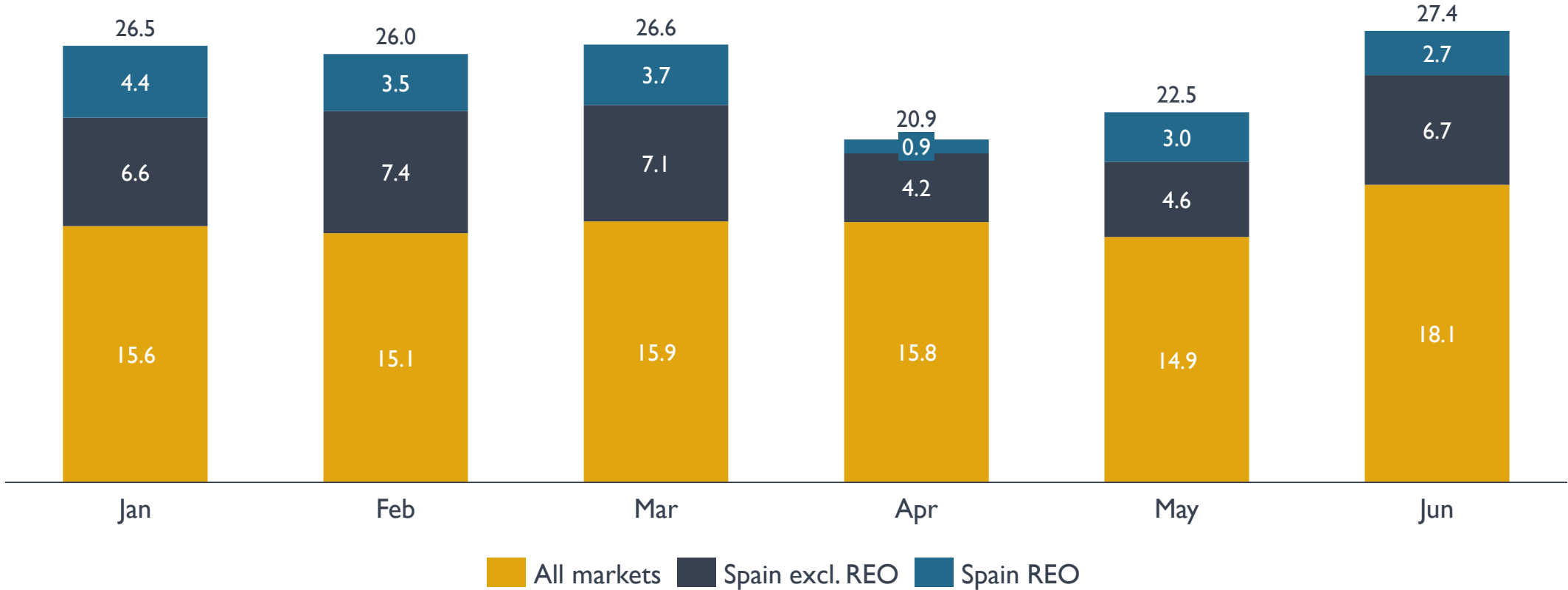
Cash EBITDA
(EUR million)



11 *Excluding NPL revaluation in Q2 2020
**Adjusted for NPL revaluation and REO impairment accrual in Q2 2020

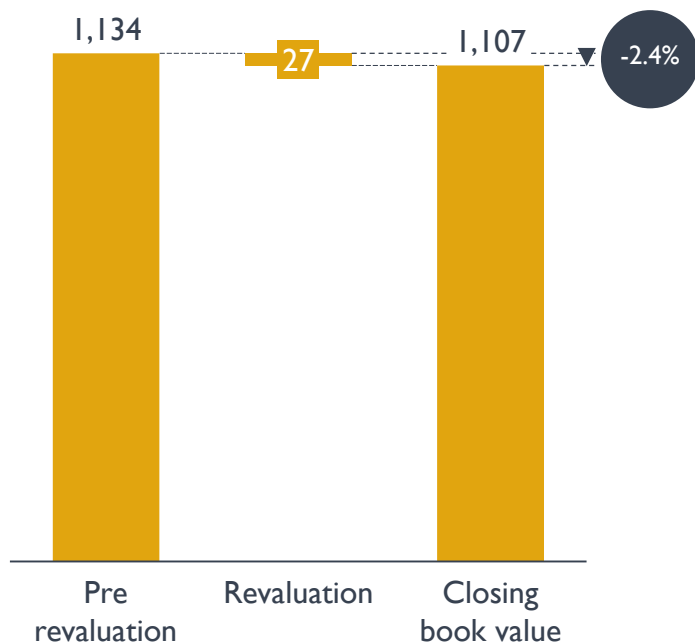
April and May significantly impacted by Covid-19, strong pick-up in June expected to continue

Gross revenue
(EUR million)

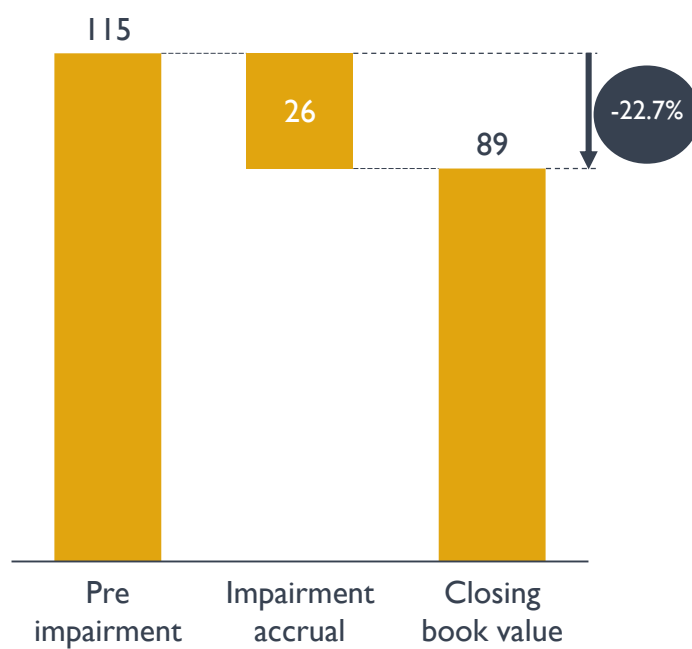


Prudent revaluation and impairment of EUR 53m following Covid-19

NPL book value
(EUR million)



REO book value
(EUR million)



- Net negative revaluation of EUR 27m of NPL portfolio
 - Based on estimated short-term financial impact of Covid-19
- Estimated impairment of EUR 26m on REO assets
 - Based on updated commercial analysis taking a prudent view of current trends in the market

Axactor has aligned costs with market activity throughout the crisis

Actions to align costs to activity level

- Temporary workforce reductions of ~400 employees during Q2
- Executive team salary reductions in Q2 extended through Q3
- Temporary price reductions from IT vendors

Site consolidation to increase efficiency

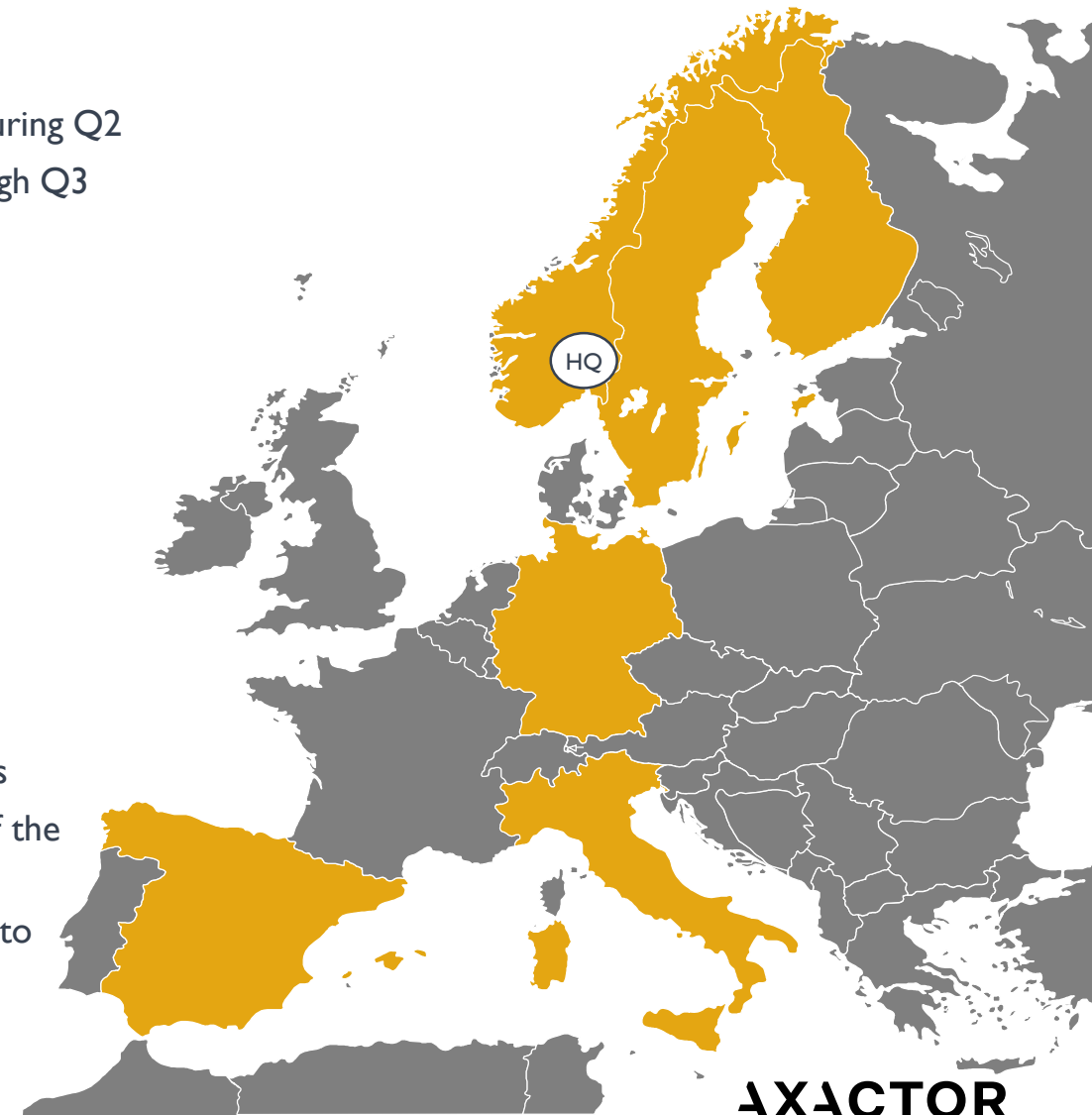
- Norwegian operation reduced from five to two sites
- Sweden closing one of two sites
- Further consolidation under consideration

EUR ~25m estimated annual savings for 2020

- EUR ~13m expected in H2 2020
- EUR 1.2m restructuring costs in Q2 2020

Further cost saving initiatives depends on activity level

- Legal costs driven by activity in notary offices and bailiffs
- Scalable setup to take advantage of further reopening of the economies
- Potential new lockdown may significantly impact return to normality



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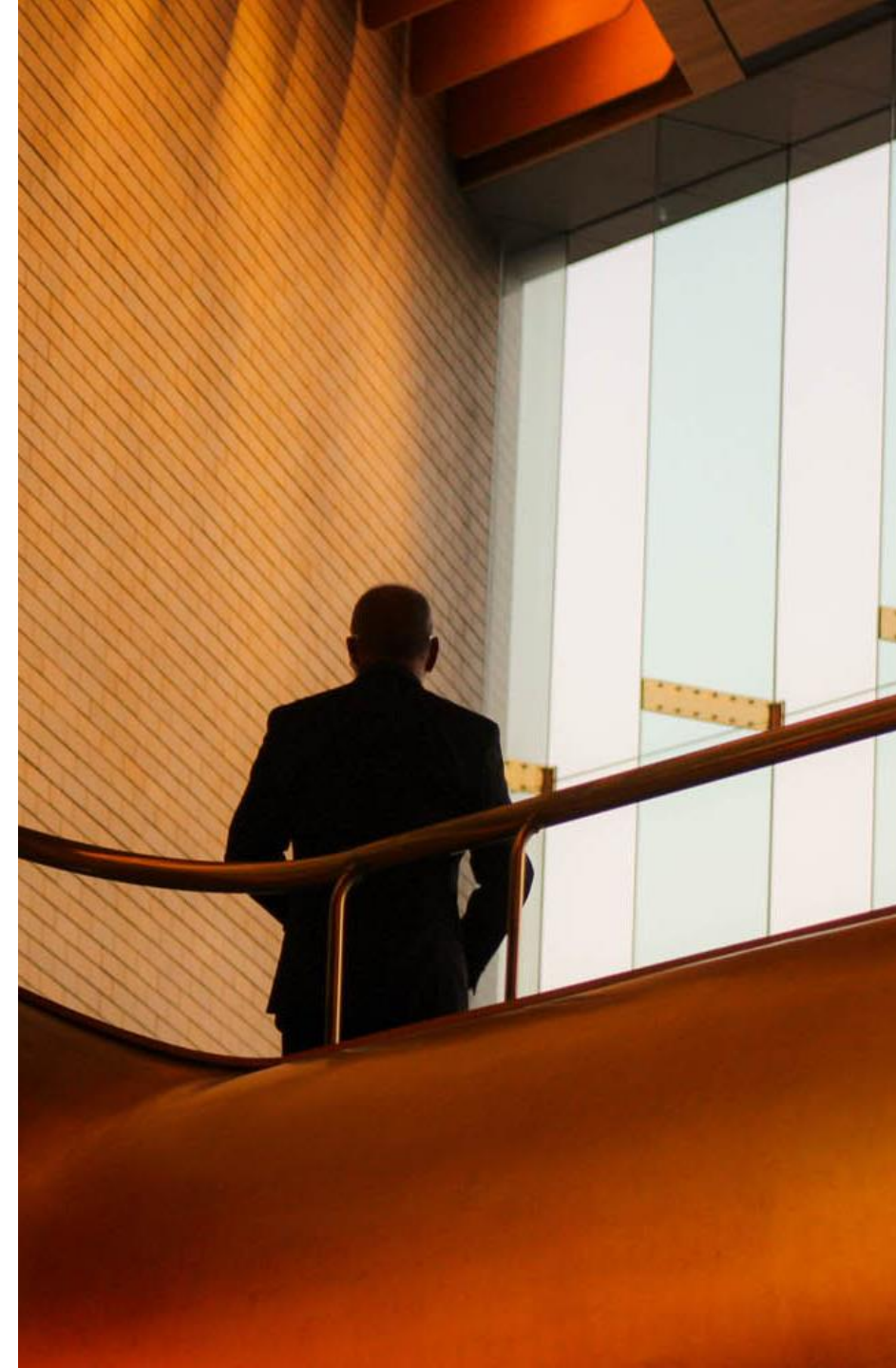
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Outlook

Covid-19 long term effects for the collection industry

- 1 Portfolio prices – a supply overhang of NPLs cause pressure on portfolio prices
- 2 Increased 3PC volumes – capital constraints and lower prices increase focus on 3PC servicing
- 3 Industry consolidation – expected to increase medium to long term
- 4 Regulatory changes – challenges and opportunities



Why invest in the **debt collection industry**?

- 1 The **prices** on NPL portfolios has come down significantly since 2017
 - From 10% IRR or below in 2017/early 2018 to 12-14% IRR in all Axactor markets
 - Significant imbalance in demand and supply of unsecured NPLs (will also increase 3PC volumes)
- 2 The NPL **market** will continue to **grow** over the next years
 - Regulatory environment continues to put pressure on financial institutions to offload their balance sheets
 - Banks are to an even larger extent not regarding collection as core business
- 3 **Capital** still available for the industry
 - Allektum successfully raised SEK 900m this week (August 2020)
 - Intrum successfully raised EUR 600m in July
- 4 **Underpriced** industry
 - Market overreaction to fear of Covid-19 effects
 - Repricing of the industry just started

Axactor with six key **competitive advantages**

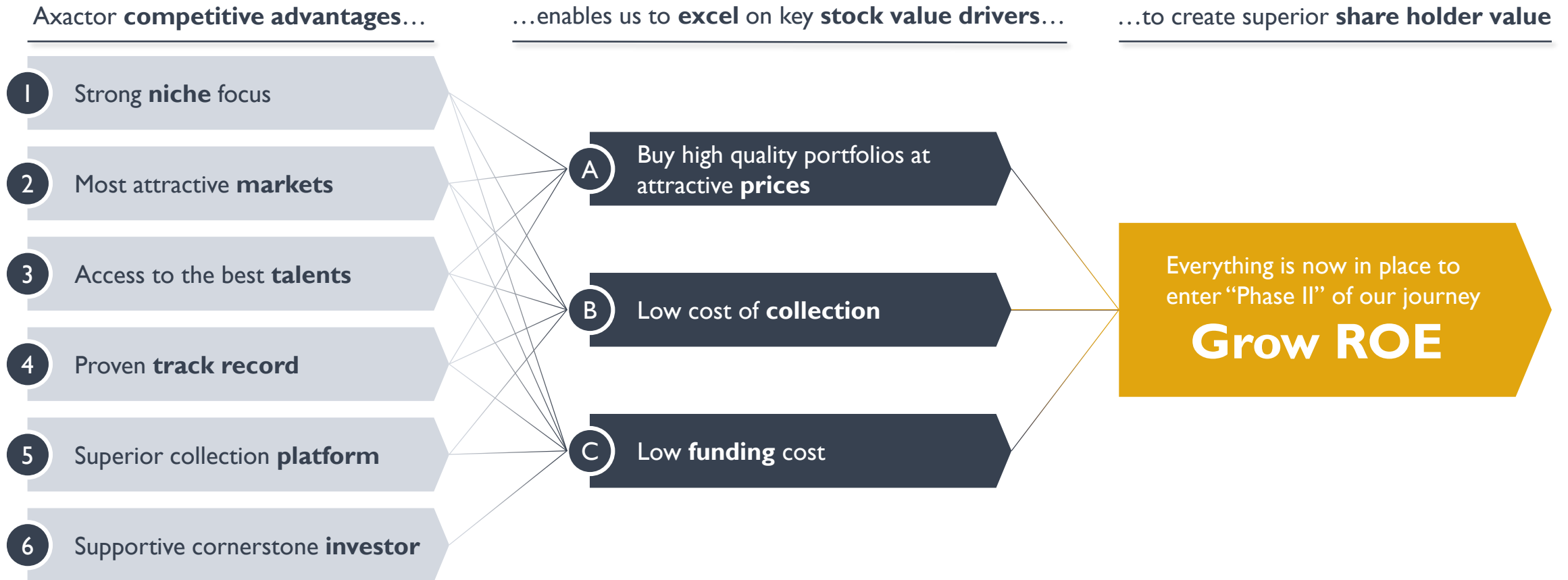
- The combination makes Axactor **unique**

Axactor **competitive advantages...**

- 1 Strong **niche** focus
 - Strong focus on becoming best in Europe on unsecured consumer finance
 - Not trying to be best on “everything”
- 2 Most attractive **markets**
 - All six markets carefully chosen with regards to size, risk profile and legal environment
- 3 Access to the best **talents**
 - Highly attractive to join a company with a flat organizational structure, entrepreneurial spirit and a culture for fast decision processes
- 4 Proven **track record**
 - Established as one of the top 10 leading debt collection companies in Europe in less than five years
- 5 Superior collection **platform**
 - Practically no legacy, company created from “clean sheets”
 - World class IT-infrastructure and operational setup standardized across all countries
- 6 Supportive cornerstone **investor**
 - Geveran has a strong industry track record
 - Contributes with both competence and capital

Why invest in **Axactor**?

Our competitive advantages will unlock company value going forward



Questions?

