

AXACTOR

Q4 & FY 2020

24 February 2021



Q4 highlights

Q4 Financials



- **Positive trend** on Gross revenue in all segments
- Several items **affecting Q4** - both positively and negatively
- Annualized **Return on Equity** excluding non-controlling interest of **4%** in Q4

Refinancing and equity issue



- **EUR 50 million** in **new equity** raised¹
- Reduced **funding** cost
- All key debt **maturities** extended to **2024**
- **Simplifying** the structure

Strategy update



- Revised **vision** and **strategy** developed

Outlook



- Axactor is **affected by Covid-19** and will see changes in performance – positively and negatively – as the pandemic unfolds
- Underlying factors we can affect point towards **increased ROE**. Examples are reduced financing cost, margin expansion and normalization of the tax rate

Key Financial Highlights

All numbers in EUR

Q4



95m
Gross revenue



58m
Total income



64m
Cash EBITDA



21m
EBITDA



4%
ROE¹

2020



328m
Gross revenue



205m
Total income



213m
Cash EBITDA

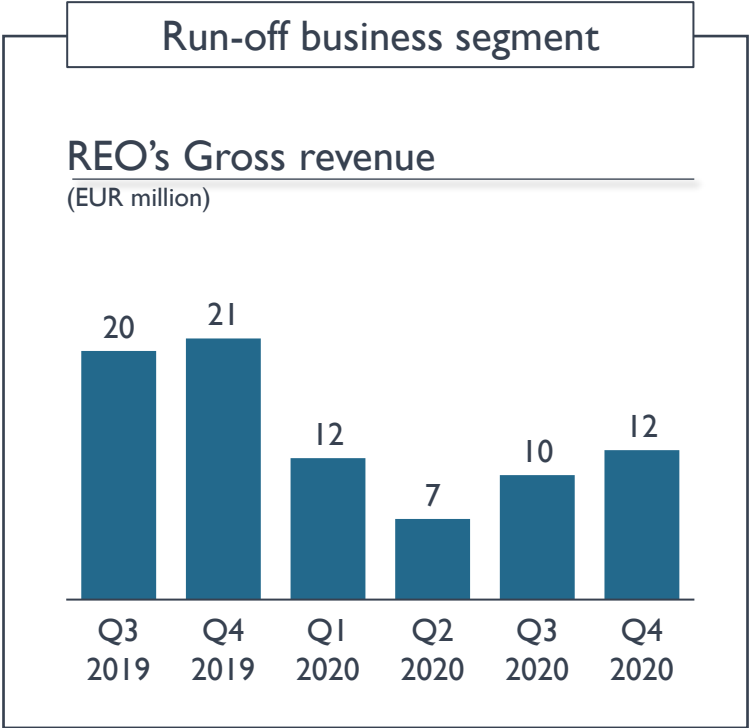
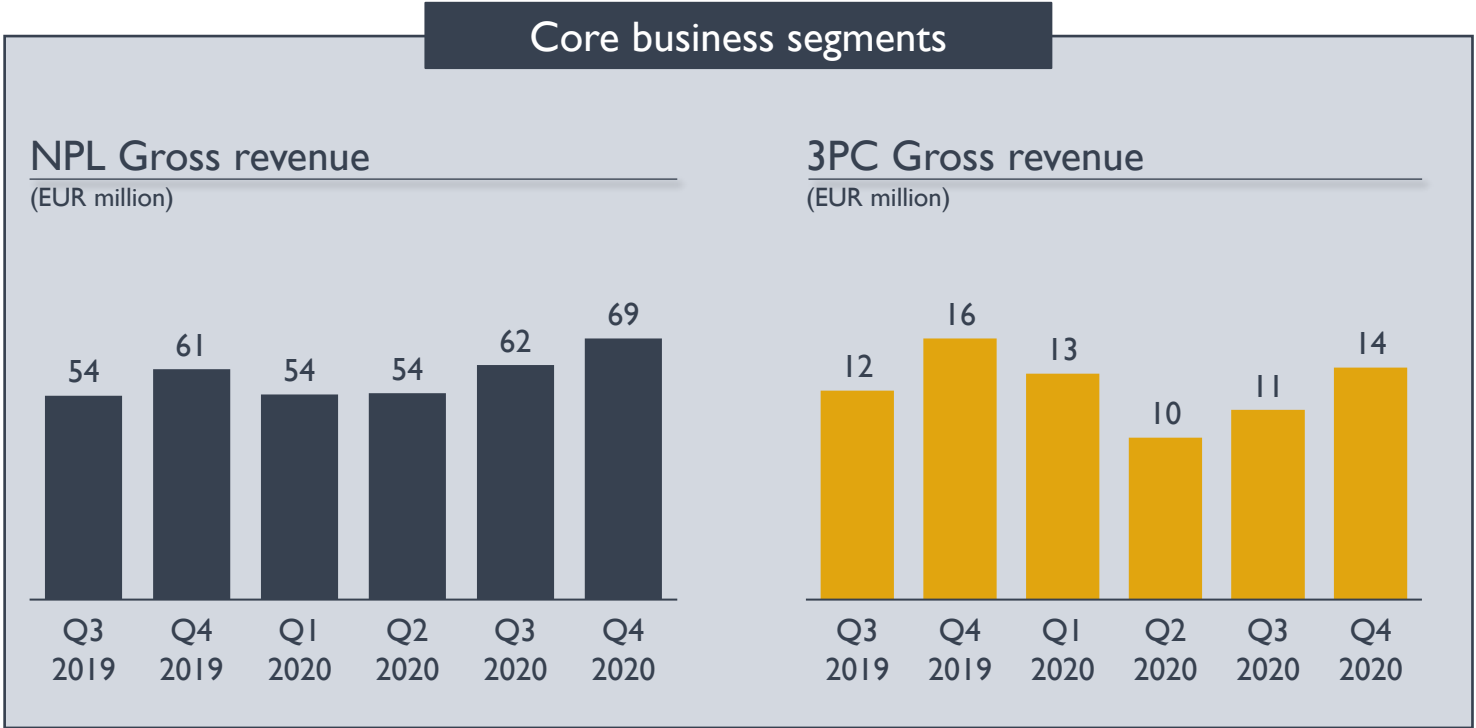


36m
EBITDA

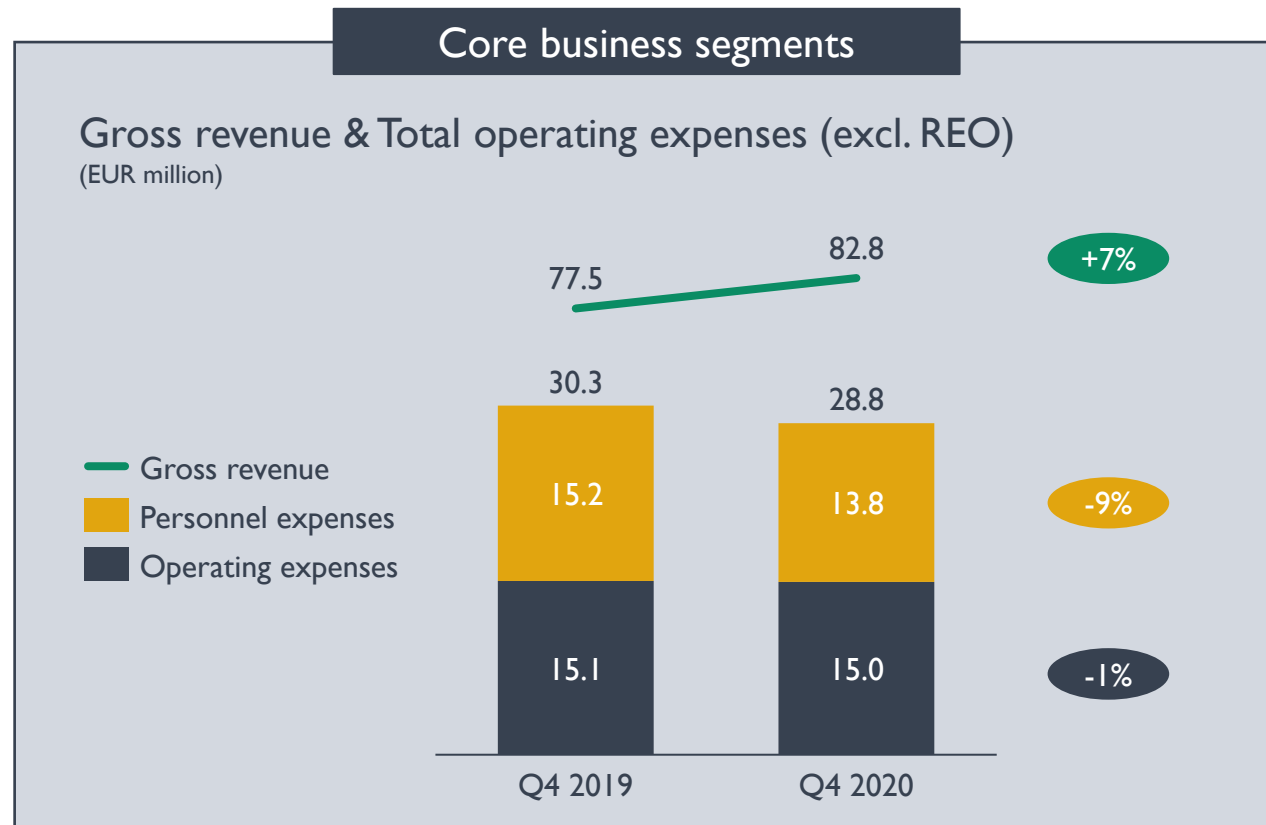


-5%
ROE¹

All business segments with positive gross revenue development in Q4



We are delivering a meaningful margin expansion by increasing gross revenues combined with driving down operating expenses

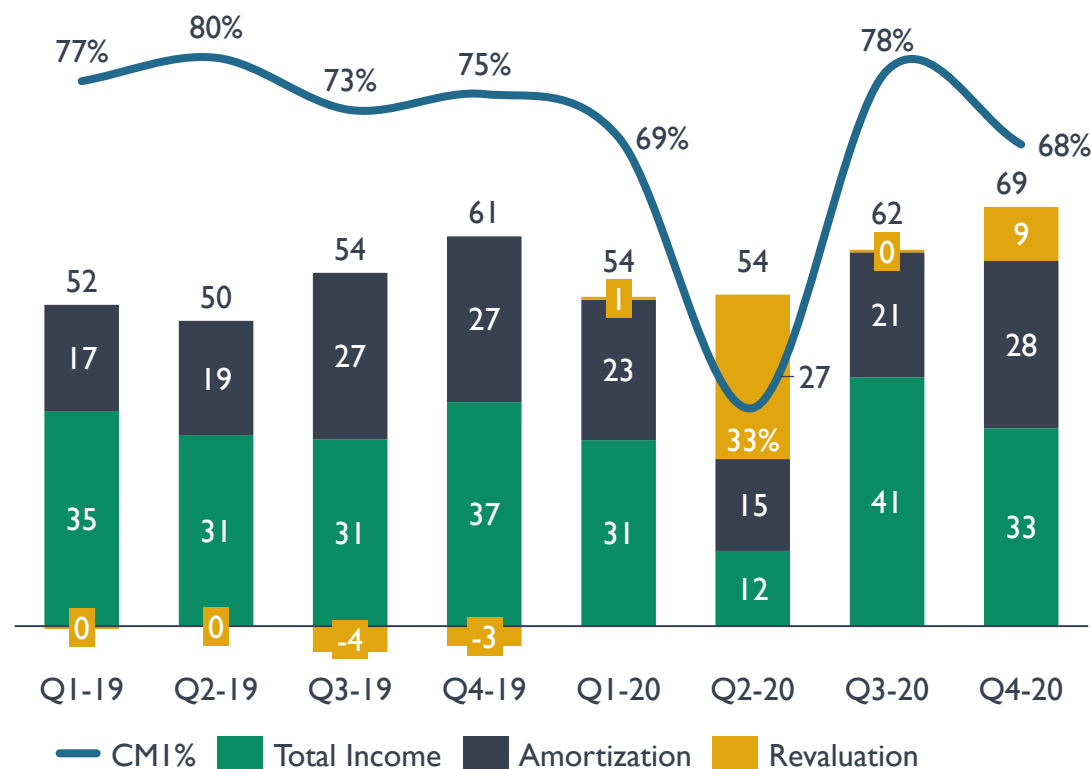


- Axactor industry leading cost-to-collect on NPL portfolios in 2019¹
- Cost position further improved YoY in Q4
 - Gross revenue growth of 7%
 - Personnel expenses reduced by 9% and operating expenses by 1%

NPL with gross revenue growth

- But negative revaluations put pressure on margins

NPL Gross Revenue and CMI%
(EUR million and %)

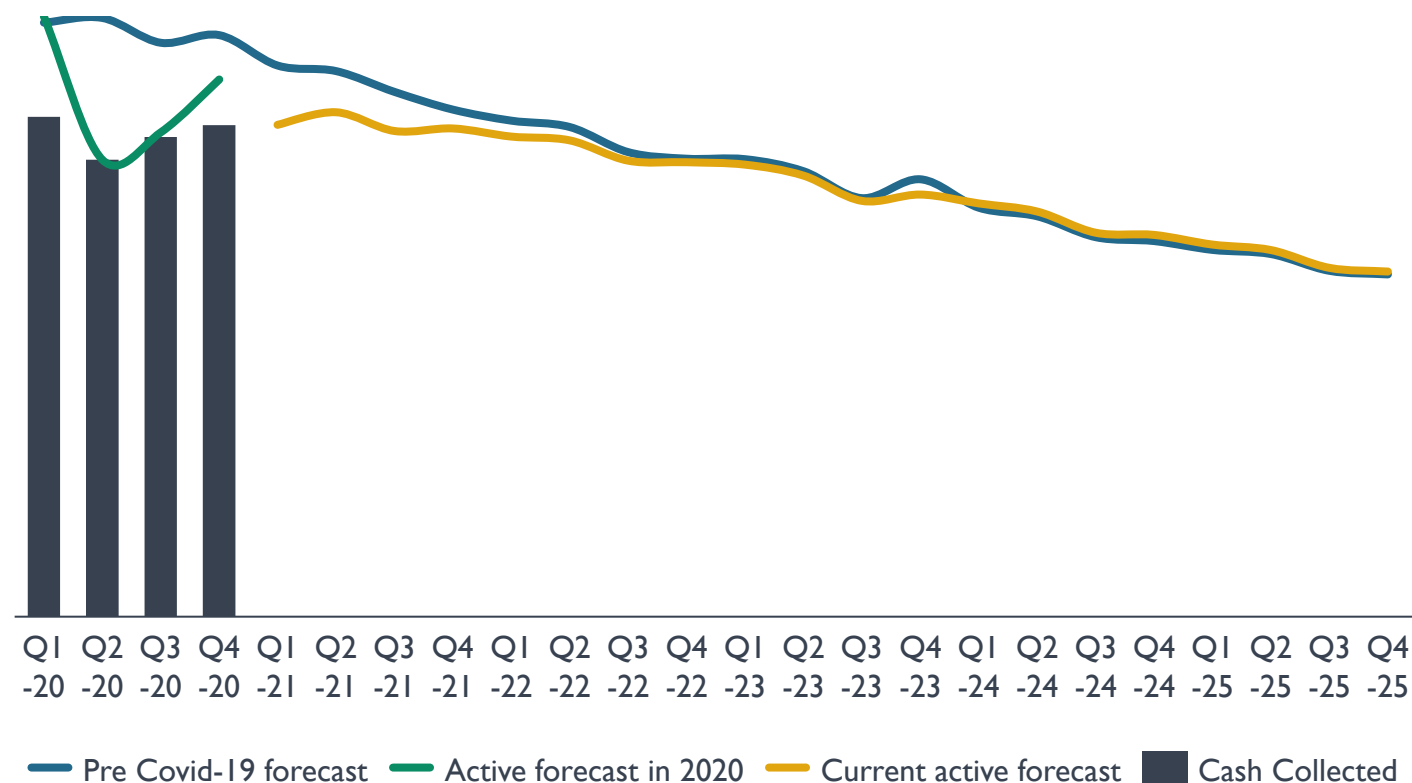


- Increased amortization level as collections improve
 - 40% in Q4 2020 (34% in Q3, 28% in Q2)
- Net negative revaluations of EUR 8.9m burdening Total income in Q4

NPL active forecast aligned with current performance

- Supporting correct portfolio valuations going forward

Active forecast versus cash collected¹



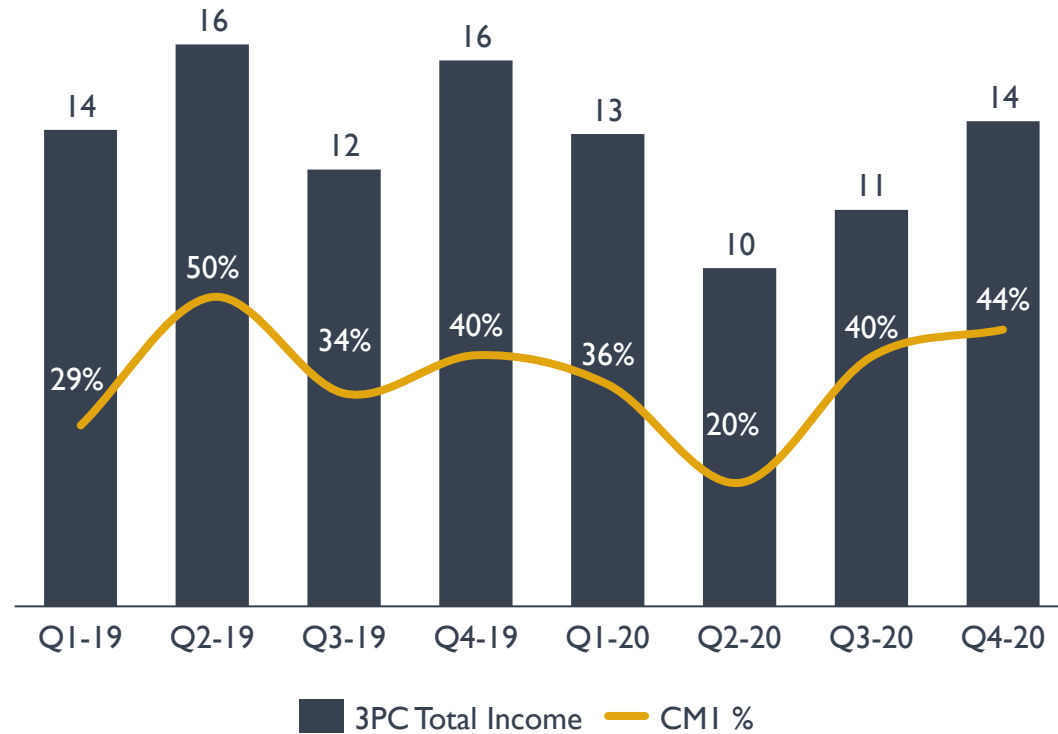
- Cash collected in Q4 did not meet the active forecast
- Current active forecast aligned with current performance
- Historic underperformance assumed lost – prudent approach

3PC Development

- Improving trend in both revenues and margins

3PC income and CMI%

(EUR million and %)



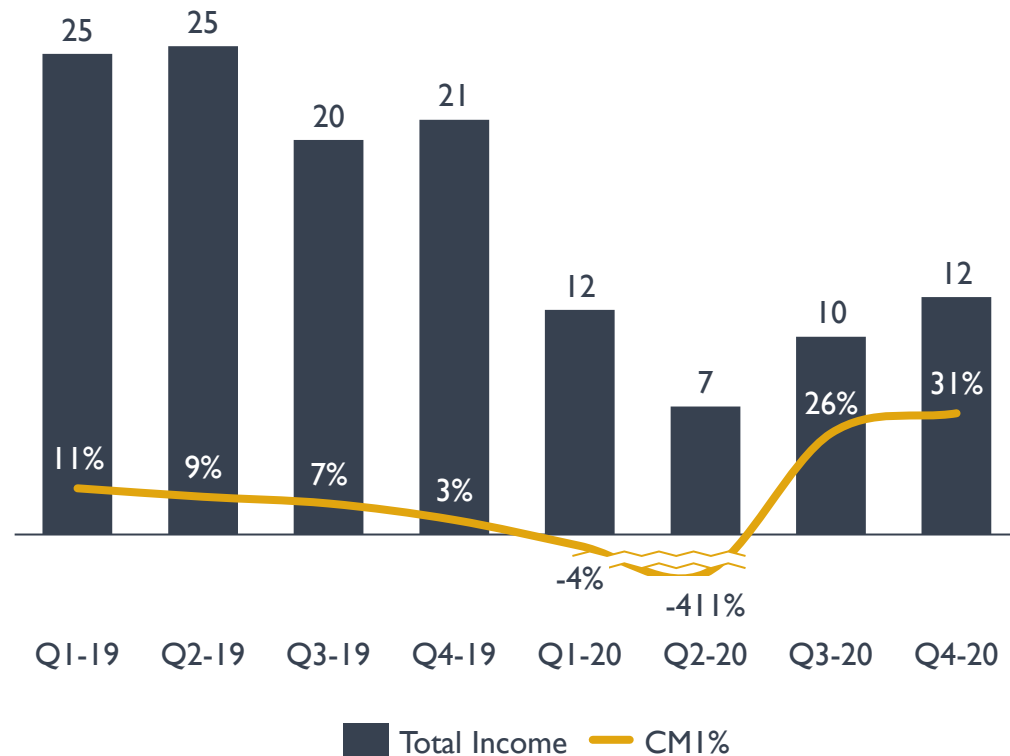
- Revenue improving compared to Q2 pandemic low-point
 - Still burdened by the pandemic - down 11% YoY
 - Existing contracts with lower volumes as banks and governments temporarily release pressure on debtors
 - Sales processes takes longer time during the pandemic
- Highest margins recorded since Q2 2019
 - driven by cost reductions

REO Development (run-off segment)

- Revenue and margins improving

REO income and CMI%

(EUR million and %)

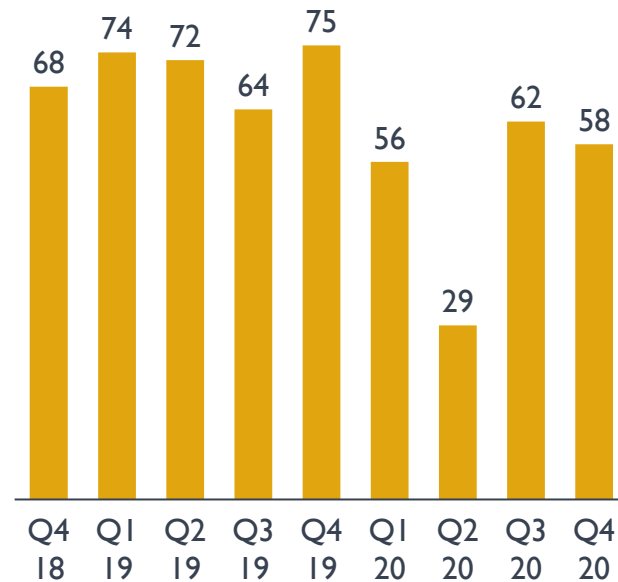


- Revenue and margins improving compared to Q2 pandemic low-point
- External valuation more positive than expected
 - EUR 5.9m release of impairment accrual in Q4
 - Remaining EUR 16m of impairment accrual done in first half (originally EUR 27m) now a permanent impairment on an asset-by-asset basis
- Book value at year-end of EUR 79m
 - Axactor exposure of ~40% due to minority interest

Summary: Total income burdened by revaluations. Cash EBITDA with positive trend from Q2-lowpoint

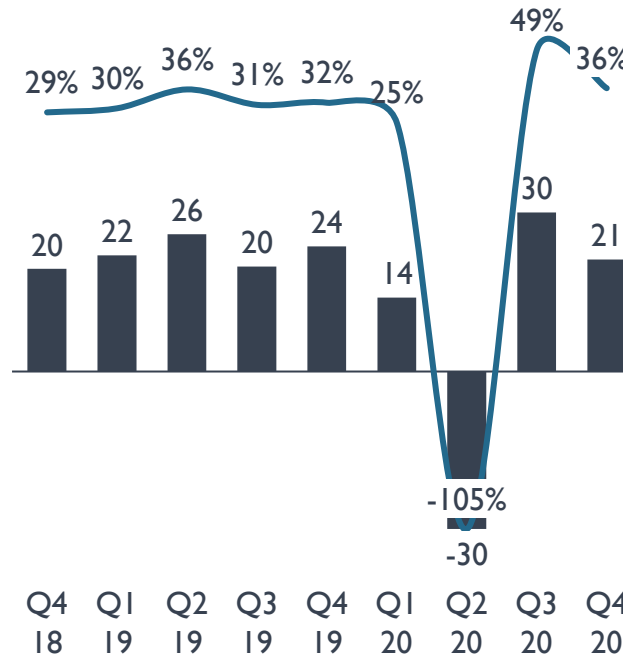
Total Income

(EUR million)



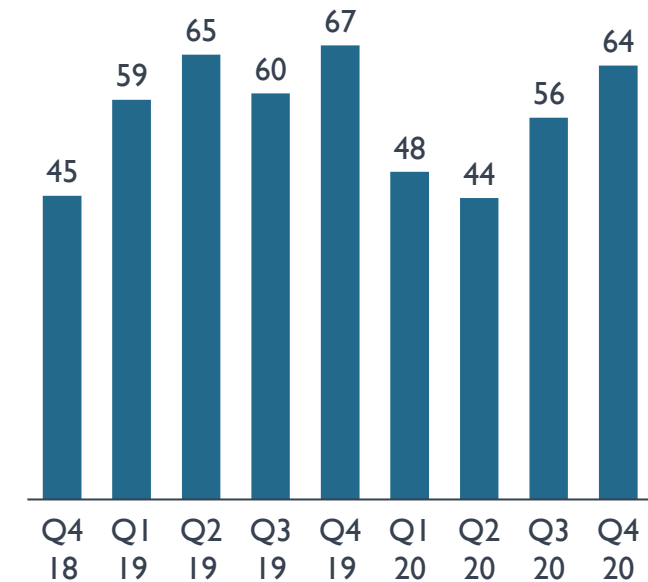
EBITDA and EBITDA-margin

(EUR million and %)



Cash EBITDA

(EUR million)



Net profit after tax of EUR 3.3 million for the quarter

<i>Figures in EUR million</i>	Q4-20	Q4-19	FY 2020	FY 2019
EBITDA	21.3	23.8	35.9	92.1
Depreciation & amortization	-3.0	-2.8	-10.8	-10.1
EBIT	18.4	21.0	25.0	82.0
Net financial items	-17.7	-12.5	-53.4	-49.4
Profit before tax	0.7	8.5	-28.4	32.6
Tax expense	2.7	-2.0	-2.7	-11.7
Net profit after tax	3.3	6.5	-31.1	21.0
of which attributable to non-controlling interests	0.6	1.3	-15.9	4.6
of which attributable to equity holders	2.7	5.2	-15.2	16.3
Return on Equity, excluding non-controlling interests, annualized	3.6 %	7.5 %	-5.1 %	6.0 %

- Interest cost includes EUR 7 million write-down of capitalized loan fees due to re-financing
- Net tax income from recognition of deferred tax assets
- Return on equity, excluding non-controlling interests, of 3.6%

Several significant items affecting Q4 result

Five items affecting Q4 2020 result

<i>Figures in EUR million</i>	Reported	A	B	C	D	E	Excluding A-E
Gross revenue	94.9	-3.0	0.0	0.0	0.0	0.0	92.0
NPL portfolio amortization & revaluation	-36.4	0.0	10.3	0.0	0.0	0.0	-26.1
Total income	58.5	-3.0	10.3	0.0	0.0	0.0	65.8
REO cost of sale (incl. impairment)	-6.0	0.0	0.0	-5.9	0.0	0.0	-11.9
Other operating expenses	-31.2	0.0	0.0	0.0	0.0	0.0	-31.2
Total operating expenses	-37.1	0.0	0.0	-5.9	0.0	0.0	-43.0
EBITDA	21.3	-3.0	10.3	-5.9	0.0	0.0	22.8
Depreciation & amortization	-3.0	0.0	0.0	0.0	0.0	0.0	-3.0
EBIT	18.4	-3.0	10.3	-5.9	0.0	0.0	19.8
Net financial items	-17.7	0.0	0.0	0.0	7.1	-3.7	-14.3
Profit before tax	0.7	-3.0	10.3	-5.9	7.1	-3.7	5.5

A - Net change in value of forward flow contracts, treated as financial instrument

B - Net revaluation of NPL portfolios, excluding catch up 2 tail

C - Release of REO impairment accrual

D - Write-down of capitalized loan fees, not including ordinary amortization amount

E - Net FX effects included in net financial items, realized and unrealized

Agenda

Q4 Financials



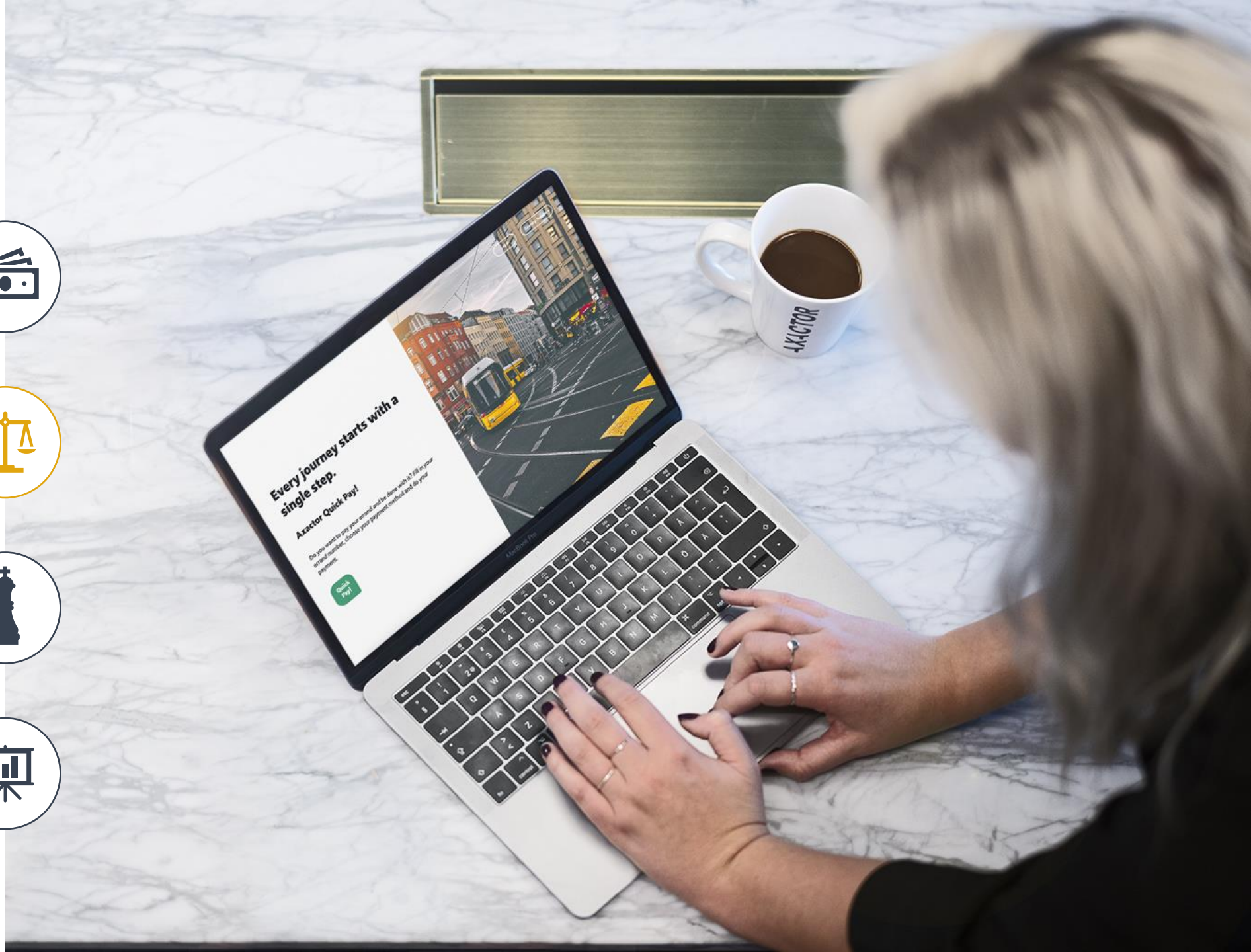
Refinancing and equity issue



Strategy update



Outlook

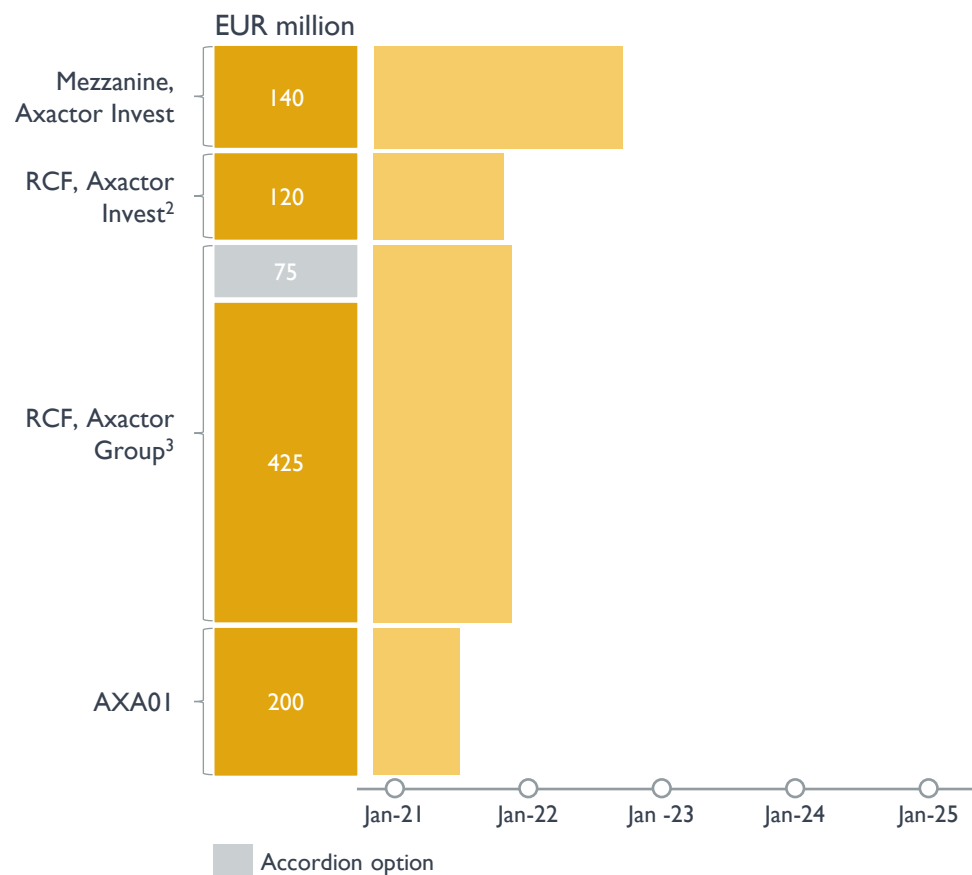


On 9 December 2020 we announced a major multi-step financial transaction to improve our competitive position

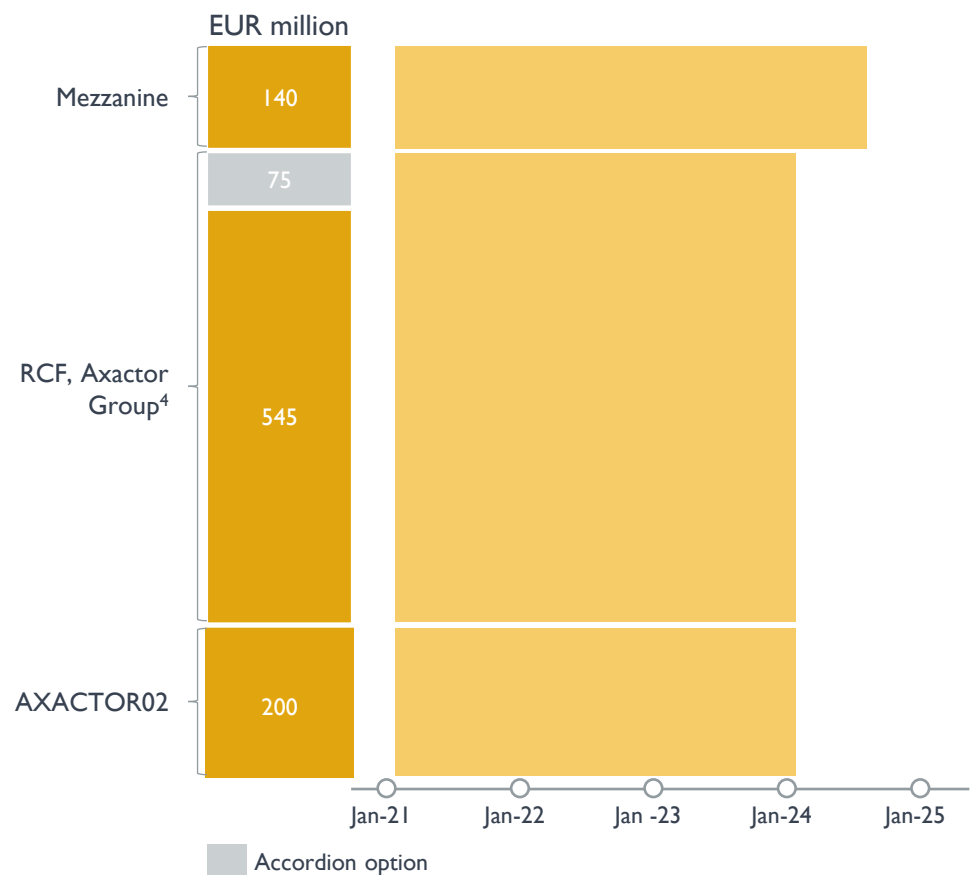
Element	Key details	Simplify	Maturity	Capacity
Equity issue	<ul style="list-style-type: none"> An equity issue of EUR 30 million A subsequent repair offering of EUR 20 million 			✓
Bond refinancing	<ul style="list-style-type: none"> Early redemption of AXA01 Refinanced with the issuance of a new three year EUR 200 million bond (AXACTOR02) 		✓	
Bank refinancing	<ul style="list-style-type: none"> New three year facility of EUR 620 million Consolidating the current facilities in Axactor and Axactor Invest Improving bank financing cost with approx. 0.7%-points on a pro forma basis for YTD '20¹ 	✓	✓	✓
Roll-up of SPV	<ul style="list-style-type: none"> Axactor to acquire Geveran's stake in Axactor Invest for a consideration of 50 million shares at NOK 8 The transaction increases EPS with 16% for Q3 on a pro forma basis Refinancing of the Axactor Invest mezzanine of EUR 140 million with maturity 6 months after AXACTOR02 	✓	✓	✓

All maturities refinanced to 2024 ensuring a robust debt maturity schedule

Previous maturity profile¹

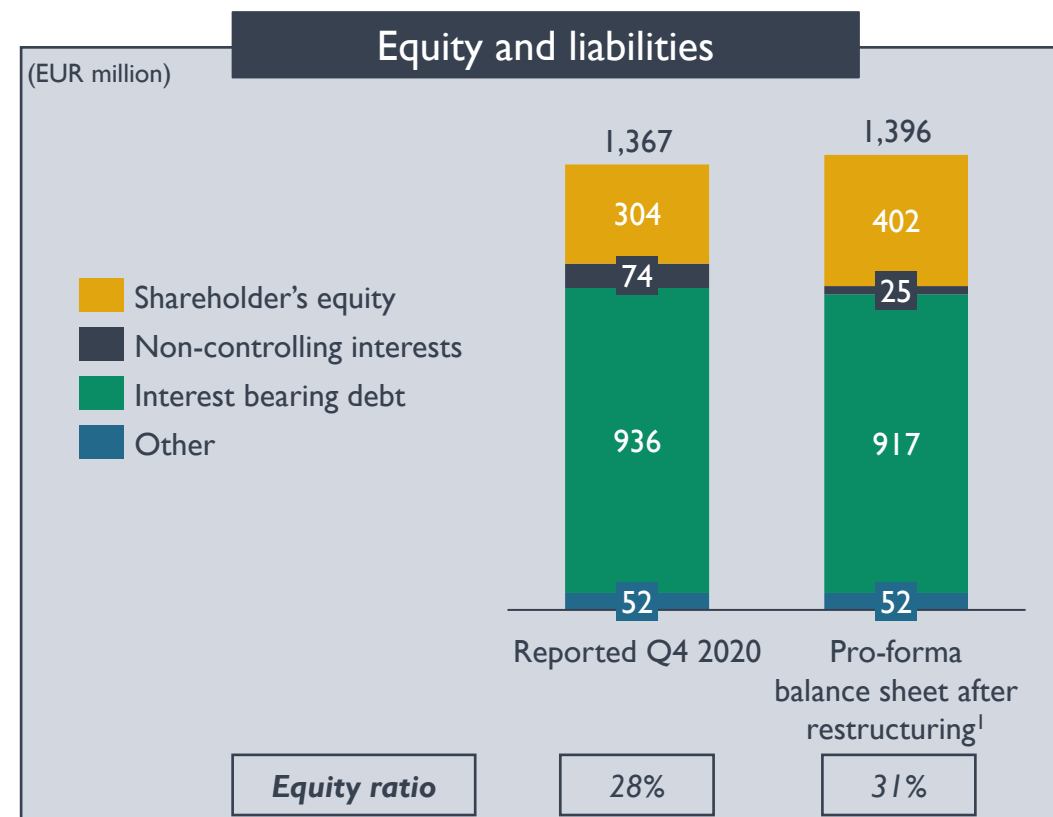
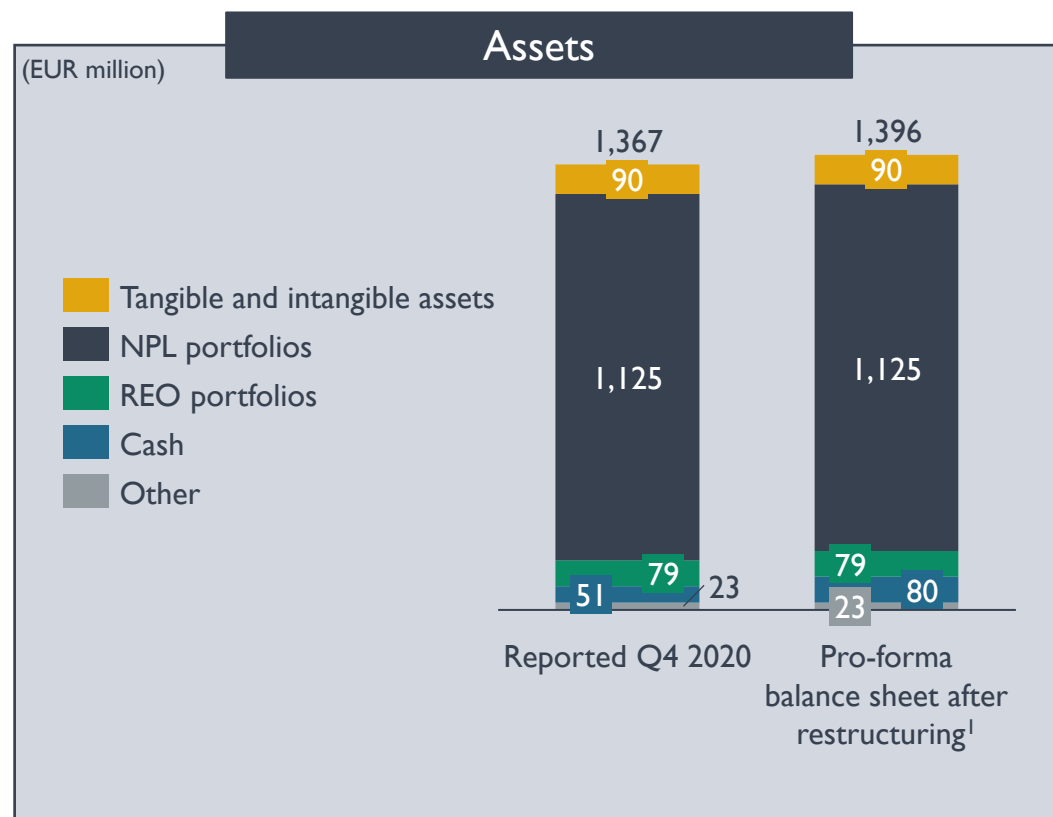


New maturity profile¹



15 1) Excluding Nomura facility and local Italian debt; 2) EUR 120m drawn; 3) EUR 410m drawn by end of Q4; 4) EUR 530m drawn by end of Q4

On a pro-forma basis will the transactions increase shareholder's equity with EUR ~100m to an equity ratio of 31%



Agenda

Q4 Financials



Refinancing and equity issue



Strategy update



Outlook



Our strategy consist of three pillars



Bank & Finance

- The **preferred partner** for **Banks and Financial (B&F)** institutions



Growth

- **Profitable organic growth** to harvest economies of scale



OneAxactor

- Continued emphasis on building the **best debt collection platform** in Europe

How will we pursue profitable growth?

Markets



- Targeting **organic growth** within our **existing markets** to harvest economies of scale
- We have carefully chosen and entered **attractive European markets**
 - Sound **margins**, well functioning **legal systems** and large **NPL transaction volumes**

Products



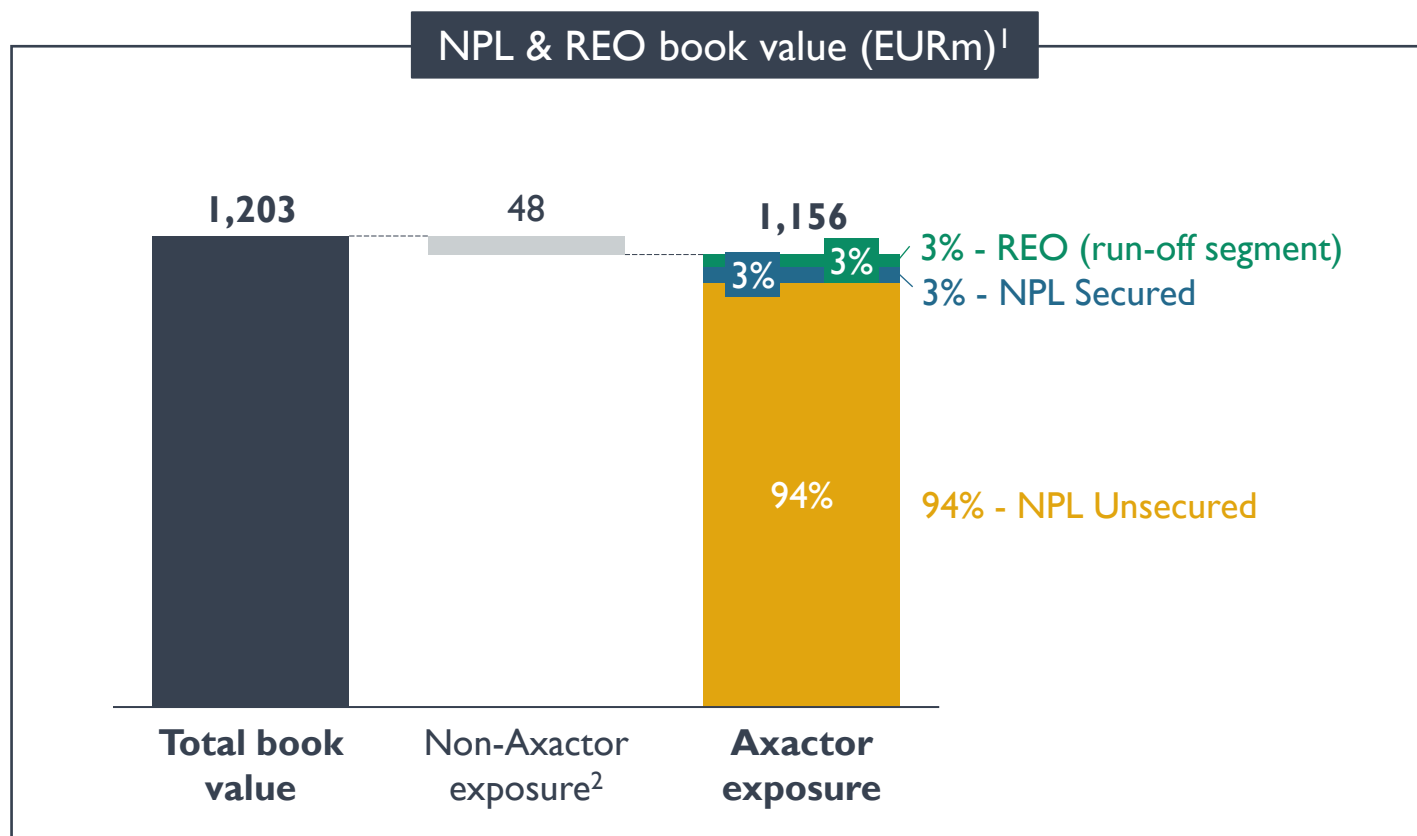
- Our core products are **NPL** and **3PC** – the very essence of debt collection
- We are targeting **fresh** and **unsecured consumer debt**
 - Sound **margins**, lower **risk** (high volumes, low principals) and perfect **operational fit**

Industries



- Focus on driving growth in the **Bank and Finance** segment
 - Sound **margins** and where our **capabilities** enable us to stand out from the competition

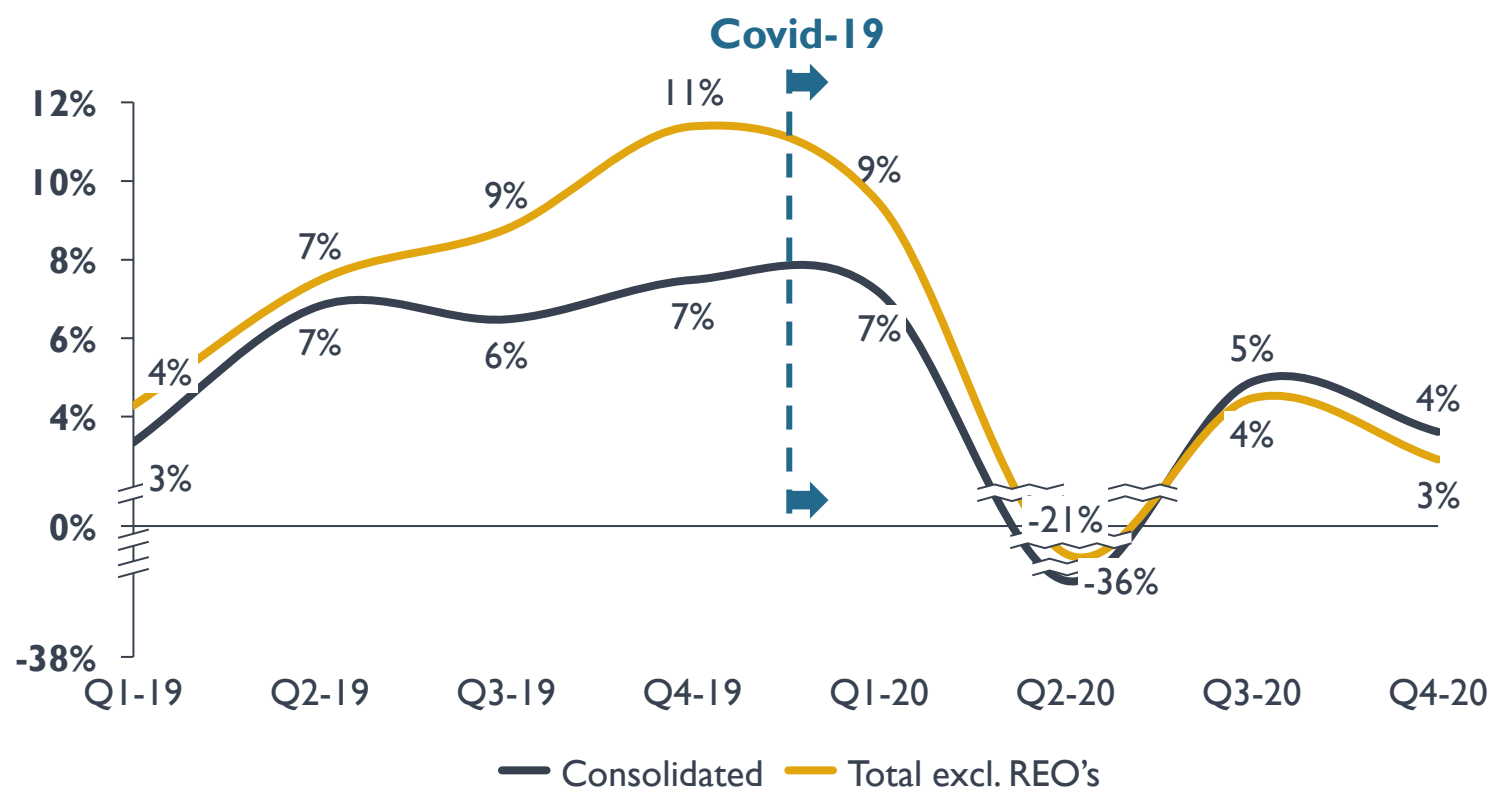
94% of Axactor portfolio book value exposure within our strategic core



Our number one goal is to increase Return on Equity

- And start paying dividends

Return on Equity excl. minorities per quarter¹ – Total and excluding REO's²



- **Return on Equity (ROE)** excl. minorities, excl. run-off segment REO's, reached 11% before Covid-19
- ROE in 2020 **heavily affected** by the pandemic
- Expect ROE to **improve** over time as we **improve** the underlying business and as society slowly **defeats** the pandemic

Agenda

Q4 Financials



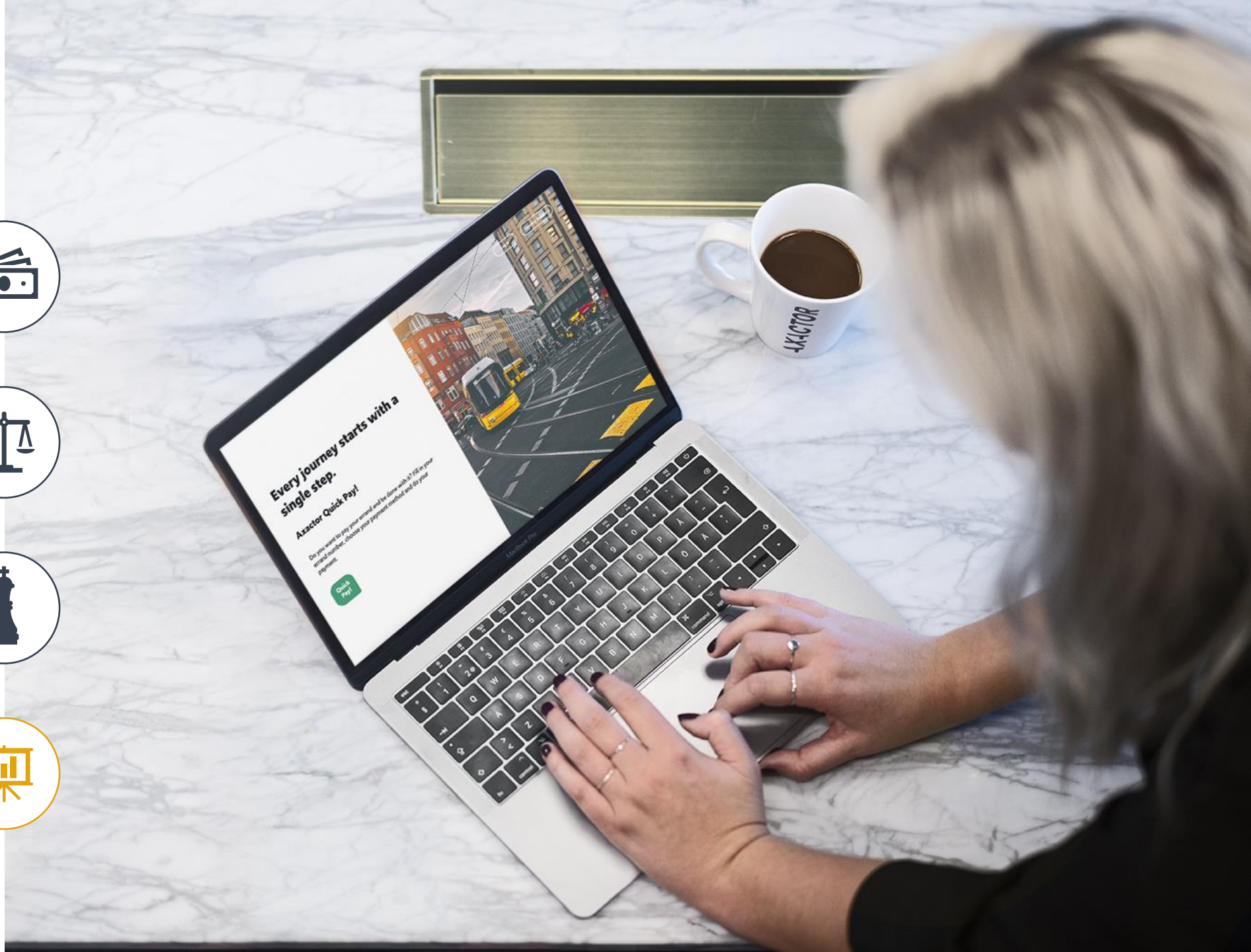
Refinancing and equity issue



Strategy update



Outlook



Identified key Return on Equity factors going forward



- **Vaccination** normalize working conditions for our **employees** and normalize **debtor's** willingness and ability to resolve their debt
- Increased **3PC volumes** and expected lower **NPL prices** as part of the Covid-19 aftermath
- Expect continued **margin expansion** as ongoing performance improvement initiatives materialize
- Reduced **financing costs** and increased **investment capacity** following refinancing and equity raise
- Gradual normalization of the **tax rate** towards an estimate of 25%



- Covid-19 increase pressure on our **employees** working on home office
- Covid-19 increase pressure on our **debtor's** short-term willingness and ability to resolved their debt
- **Operational performance** issues

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Supporting information



NPL portfolio

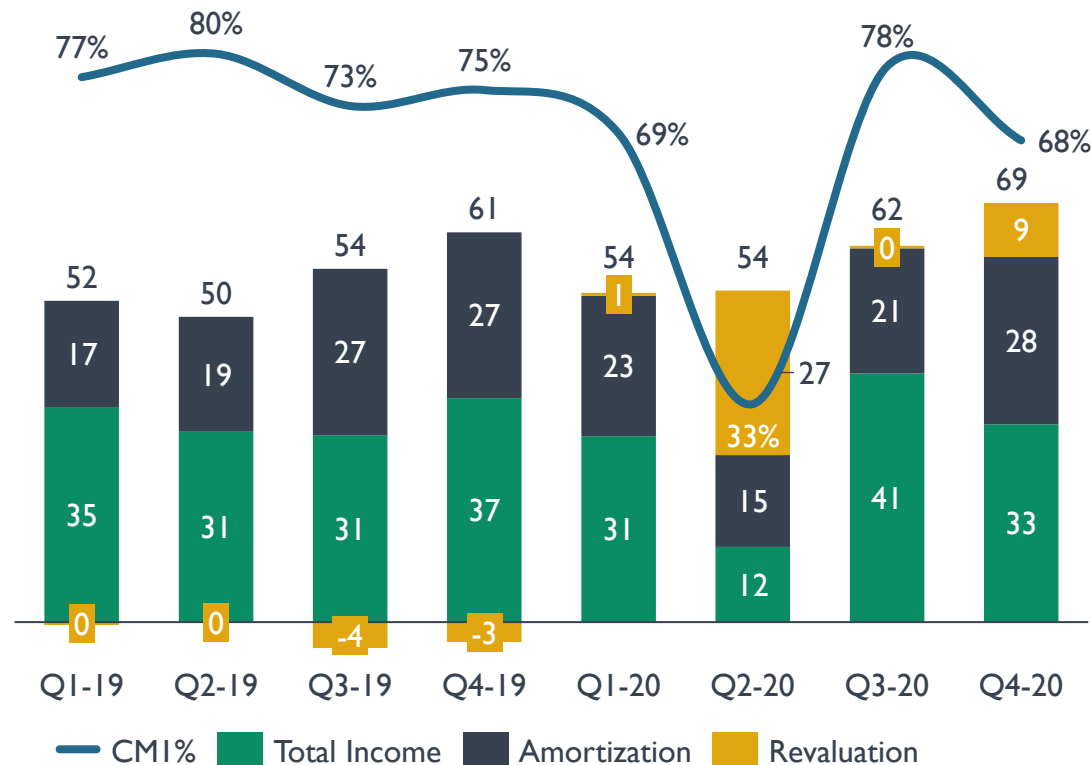
Q4 2020

NPL with gross revenue growth

- But negative revaluations put pressure on margins

NPL Gross Revenue and CMI%

(EUR million and %)

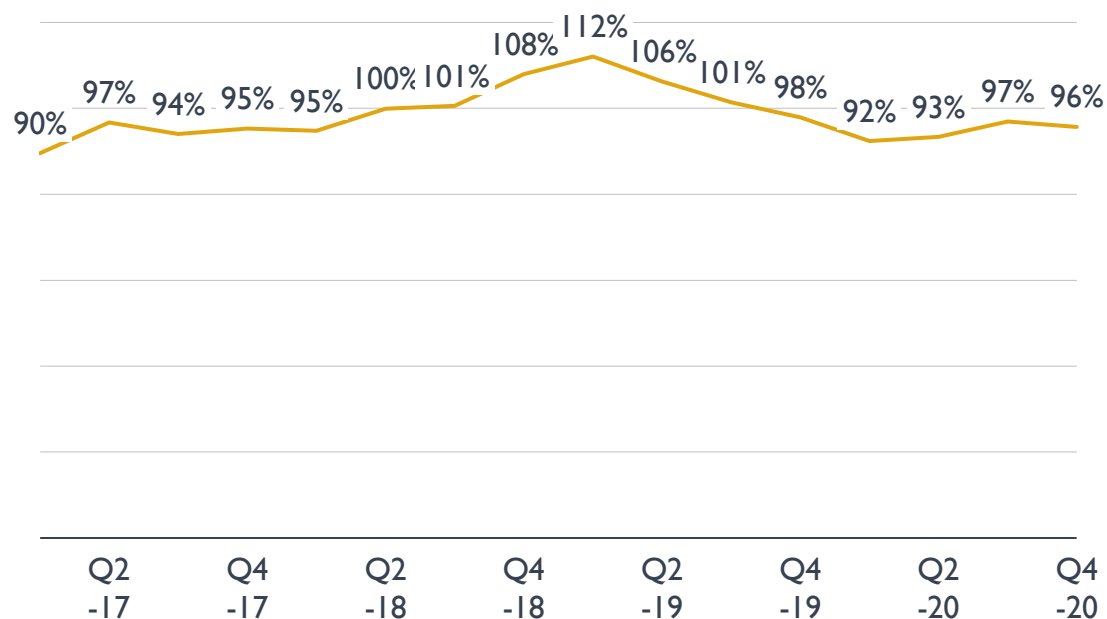


- Increased amortization level as collections improve
 - 40% in Q4 2020 (34% in Q3, 28% in Q2)
- Net negative revaluations of EUR 8.9m burdening Total income in Q4

Somewhat slower recovery in collection in Q4 than was expected in Q2, underlying trend is still positive

Actual collection vs. active forecast¹

(LTM, rolling)

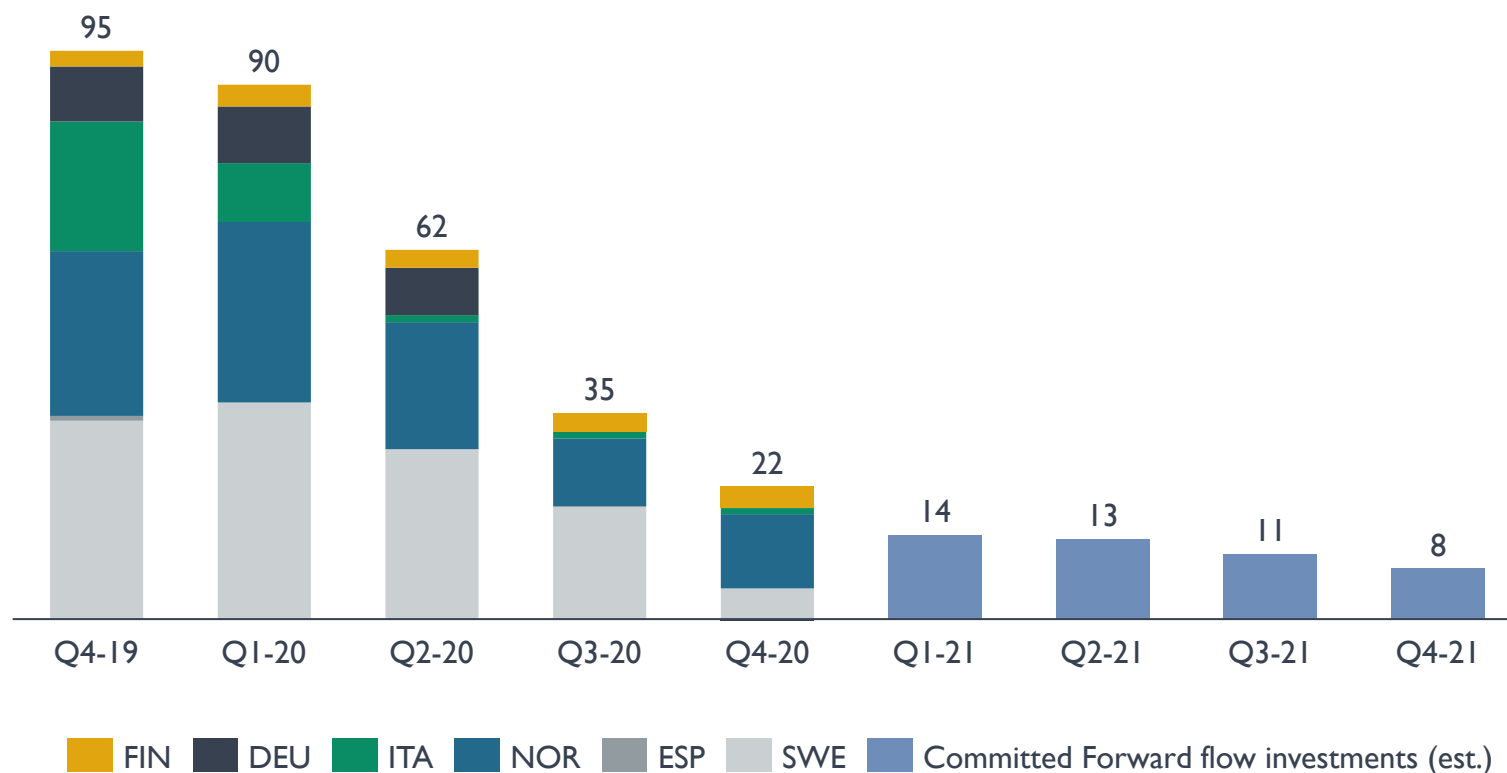


- Q4 collection performance of 95%
 - LTM collection performance of 96%
- Revaluations booked in Q4 2020 due to lower expected collection level in 2021 and 2022
- Long term average performance expected to fluctuate around 100%

Axactor invested EUR 208m in NPL portfolios in 2020

- Prioritizing high IRR portfolios, and expecting significant volumes to be offered in H2 2021

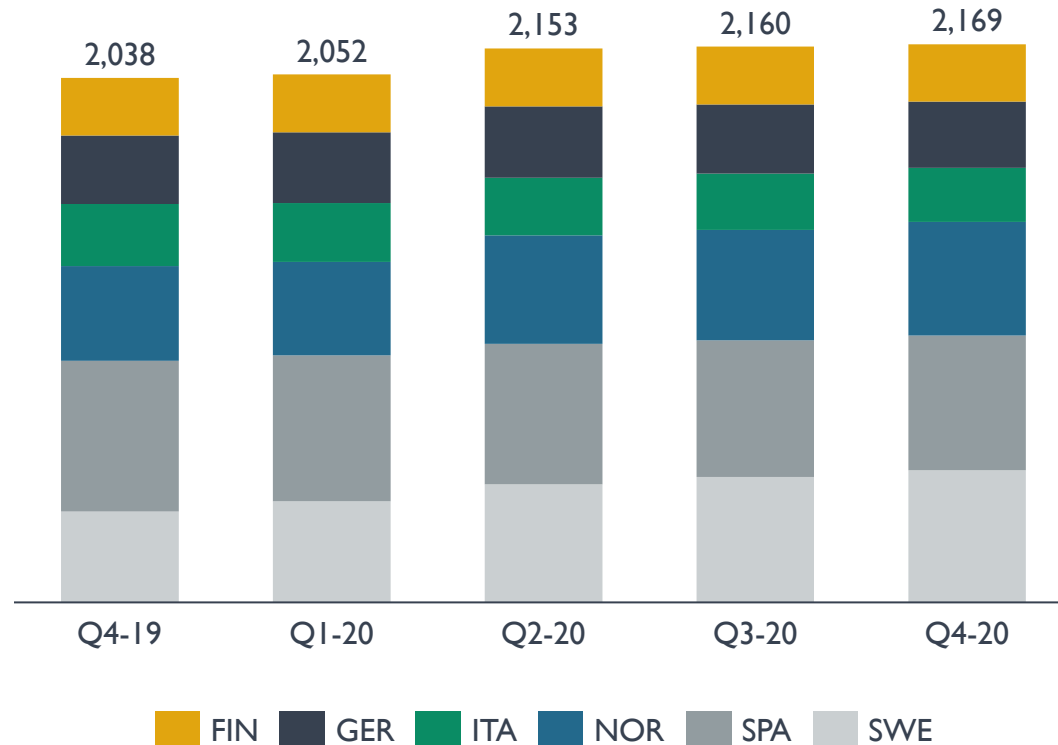
Quarterly NPL investments
(EUR million)



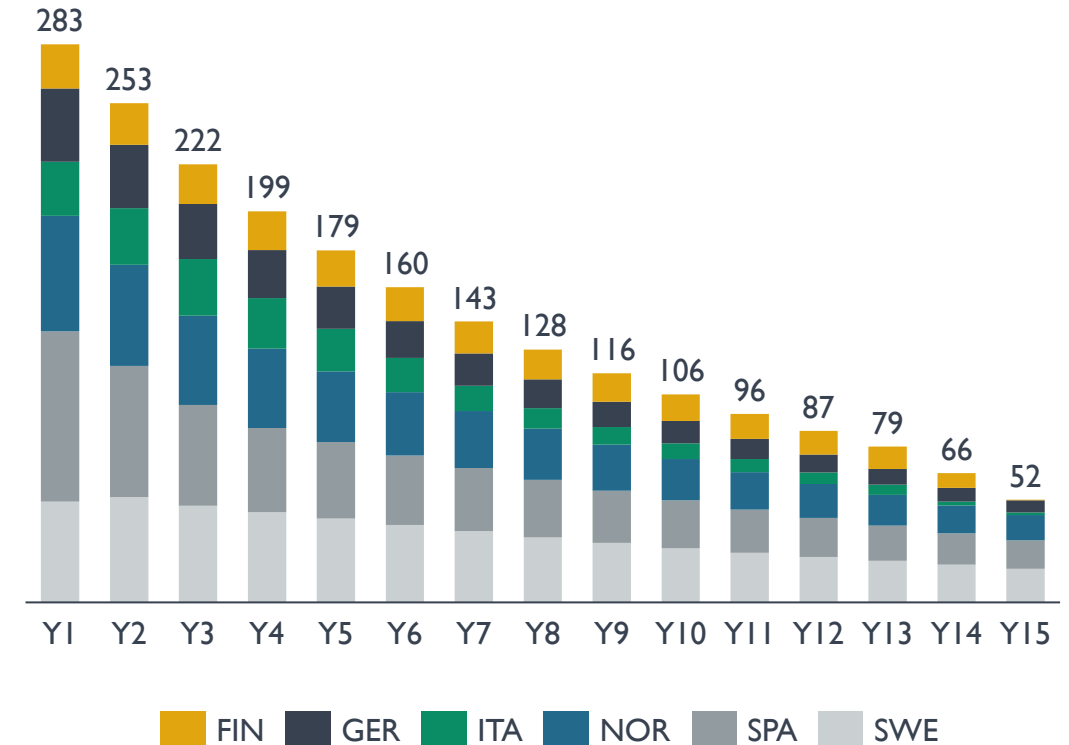
- Total investment of EUR 196m in forward flow contracts in 2020
 - Estimated Q1 2021 forward flow capex of EUR ~ 14m
- Increased focus on one-off transactions to reduce liquidity risk

ERC growing at a steady pace despite revaluations in Q4

ERC development
(EUR million)



Forward ERC profile by year
(EUR million)





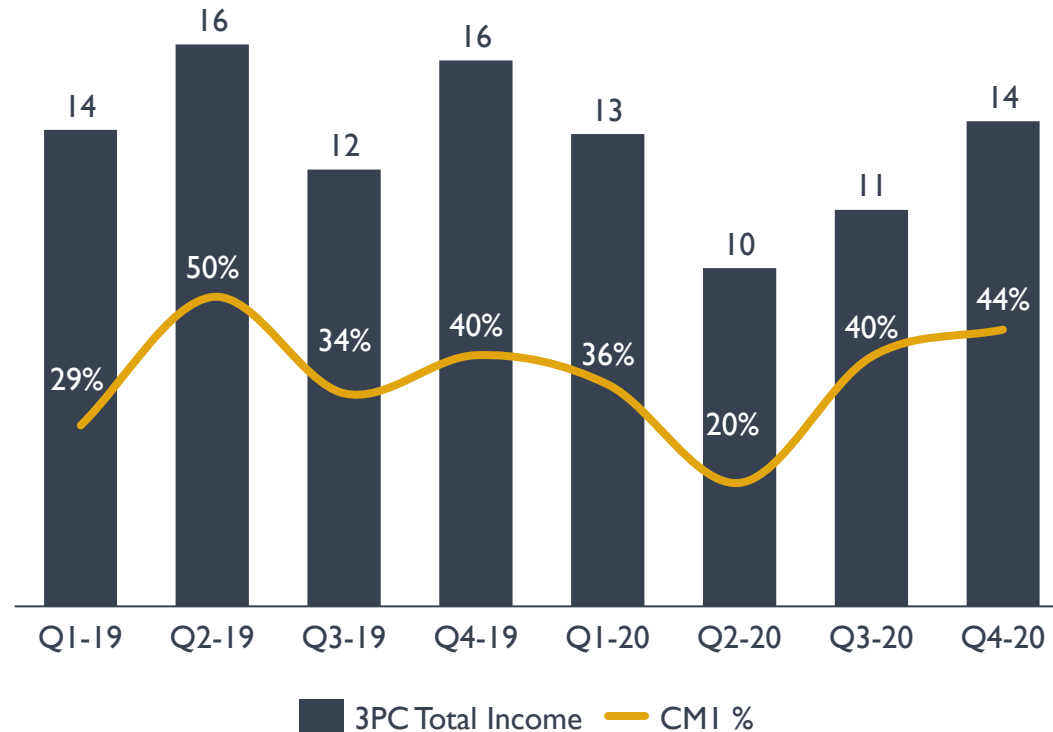
3PC

Q4 2020

3PC Development

- Improving trend in both revenues and margins

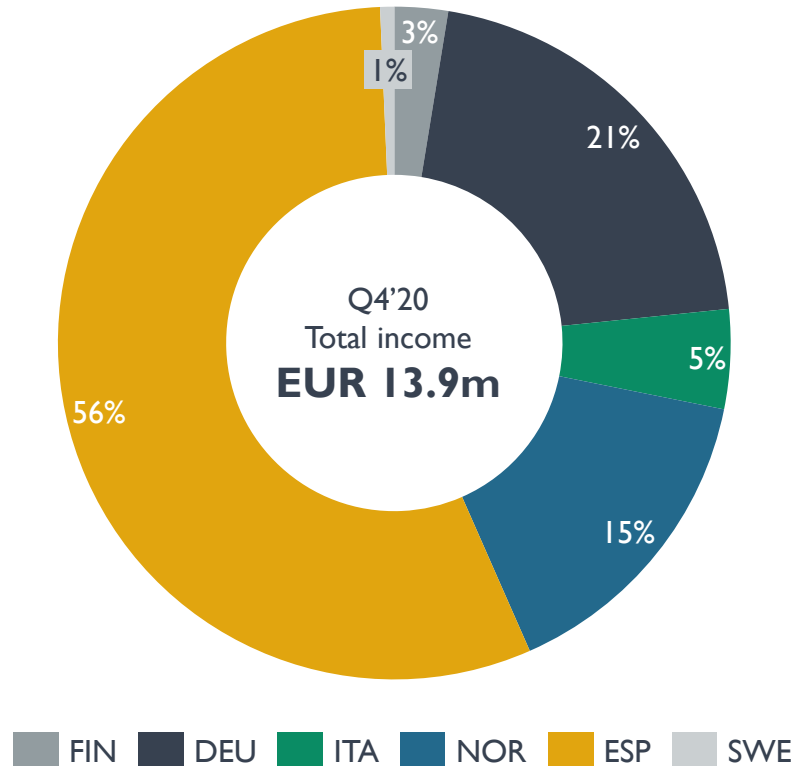
3PC income and CMI %
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- Revenue improving compared to Q2 pandemic low-point
 - Still burdened by the pandemic - down 11% YoY
 - Existing contracts with lower volumes as banks and governments temporarily release pressure on debtors
 - Sales processes takes longer time during the pandemic
- Highest margins recorded since Q2 2019
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3PC volumes by geographic region

3PC total income split by geographic region



- Revenue increase of 22% from Q3 2020
 - Spain increasing revenues by 36% QoQ
- Germany FY 2020 revenue share of 21%, up 4ppt from 2019
 - Nordics accounting for 22% of revenue in 2020



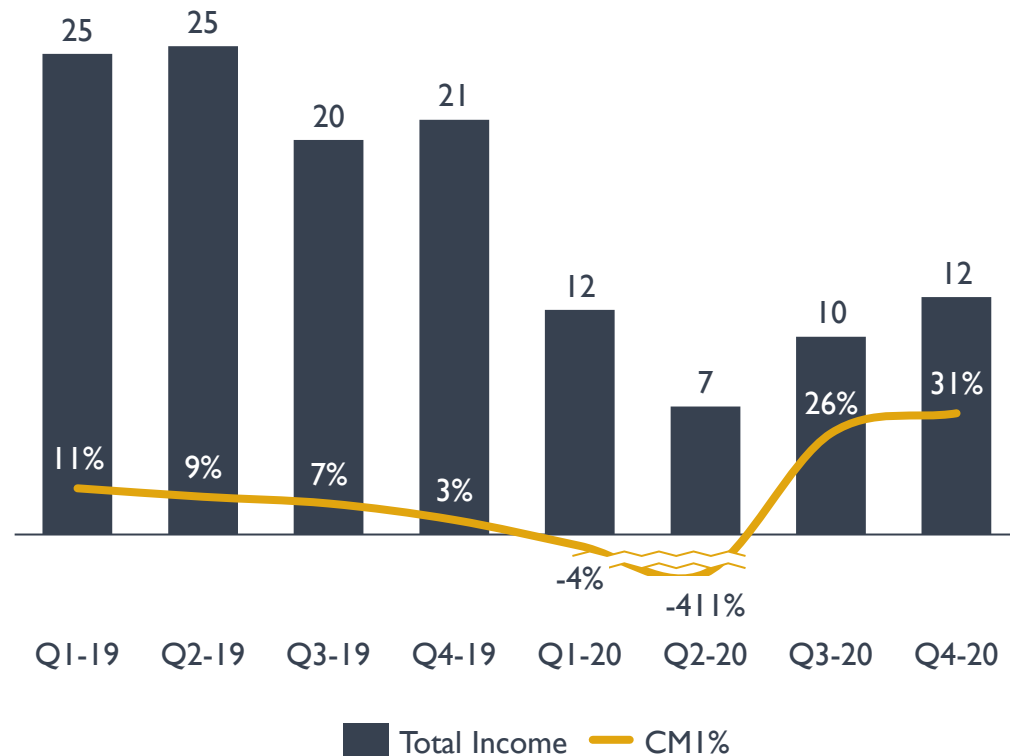
REO portfolio (run-off segment)

Q4 2020

REO Development (run-off segment)

- Revenue and margins improving

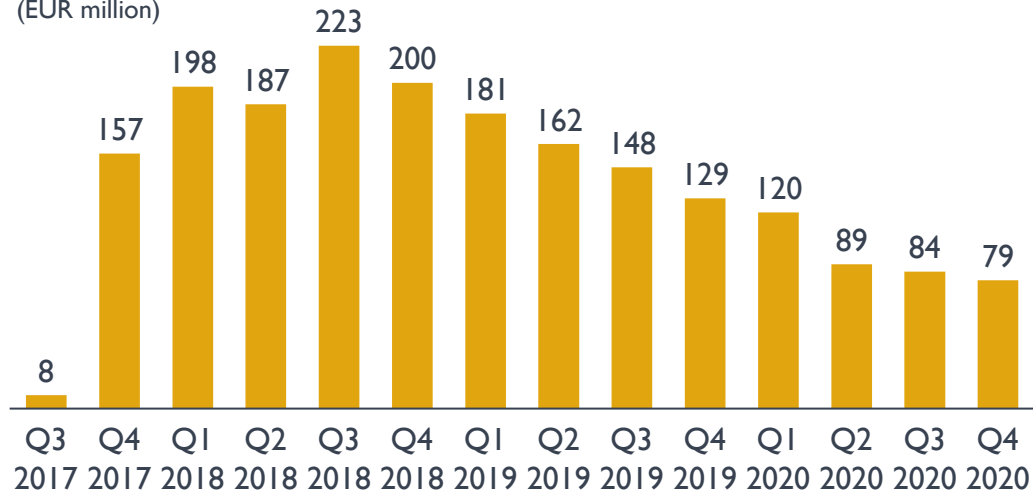
REO income and CMI%
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- Book value at year-end of EUR 79m
 - Axactor exposure of ~40% due to minority interest

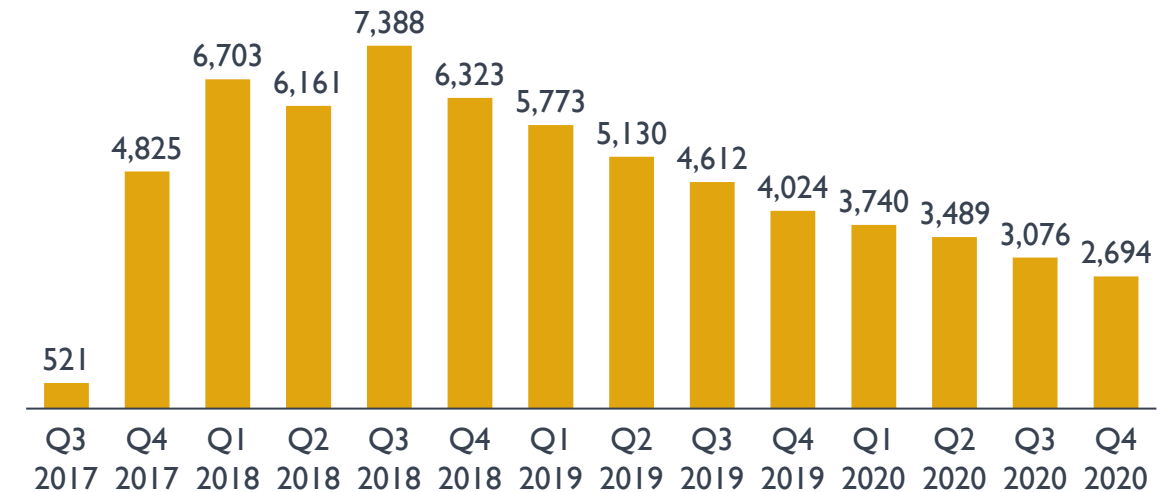
REO portfolio moving towards the tail

REO book value*
(EUR million)



- Total portfolio investments of EUR 286m*
- Last portfolio acquisition in Q3 2018
 - 65% decline in book value since peak
- Limited tail risk
 - Axactor owns ~40% of the REO book

REO # of units*



- A total of 8,653 assets acquired*
- 5,959 assets sold

REO statistics*

(EUR million)

Current book				
Asset class	# assets	% of total	Book value	% of total
Housing	1,101	41 %	42.5	54 %
Parking, annex etc.	903	34 %	3.4	4 %
Land	274	10 %	4.6	6 %
Commercial	416	15 %	29.7	38 %
Elimination	0	0 %	-1.4	-2 %
Total	2,694	100 %	78.8	100 %

Originally acquired				
Asset class	# assets	% of total	Book value	% of total
Housing	4,030	47 %	194.8	68 %
Parking, annex etc.	3,396	39 %	15.8	6 %
Land	356	4 %	9.3	3 %
Commercial	871	10 %	66.4	23 %
Total	8,653	100 %	286.2	100 %

- Housing represent 54% of current book value
 - Limited exposure to commercial assets
- Average book value per remaining asset EUR 29k
 - Average book value per sold asset of EUR 31k
 - Average sale price per sold asset of EUR 38k

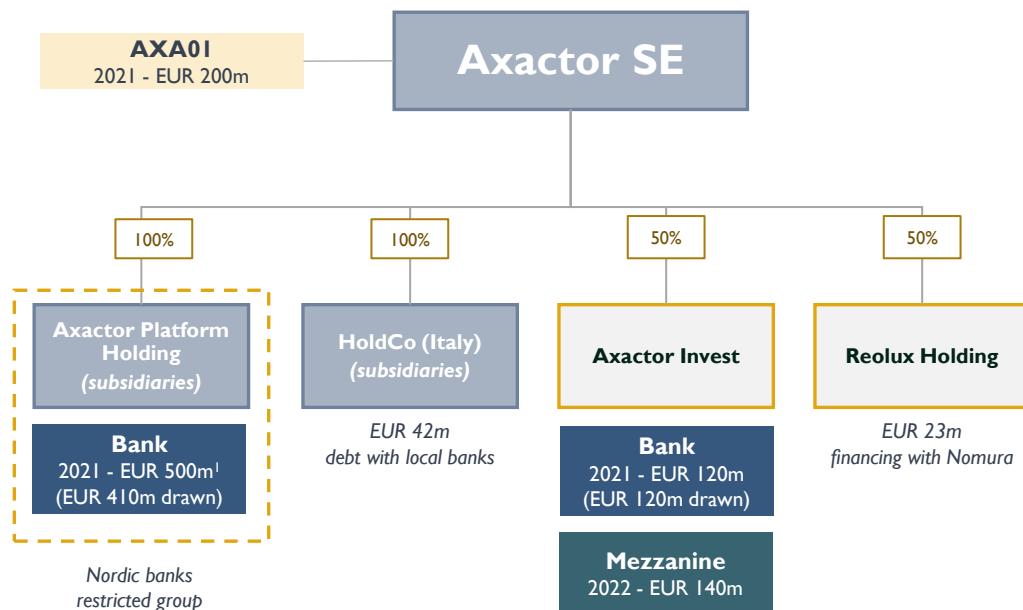


Appendix

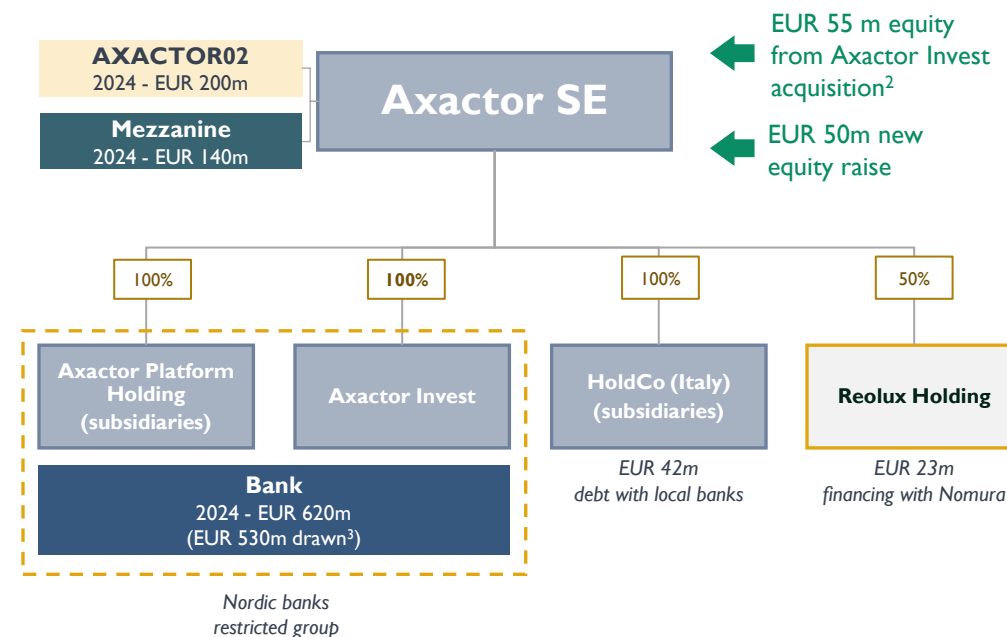
Refinancing structure

Simplifying financing structure while providing the basis for a resilient long term funding profile

Previous structure



New structure



39 1) Including EUR 75m accordion option; 2) Consisting of new equity from issuance of 50 million consideration shares corresponding to EUR 38 million at an issue price of NOK 8.0 per share. Axactor realises the gain directly in equity, which on a pro forma basis per Q3 will result in an increase of shareholder's equity of EUR 55 million, corresponding to the book value of the minority interest acquired by Axactor. 3) Amount drawn depending on the size of bond issue

P&L statement

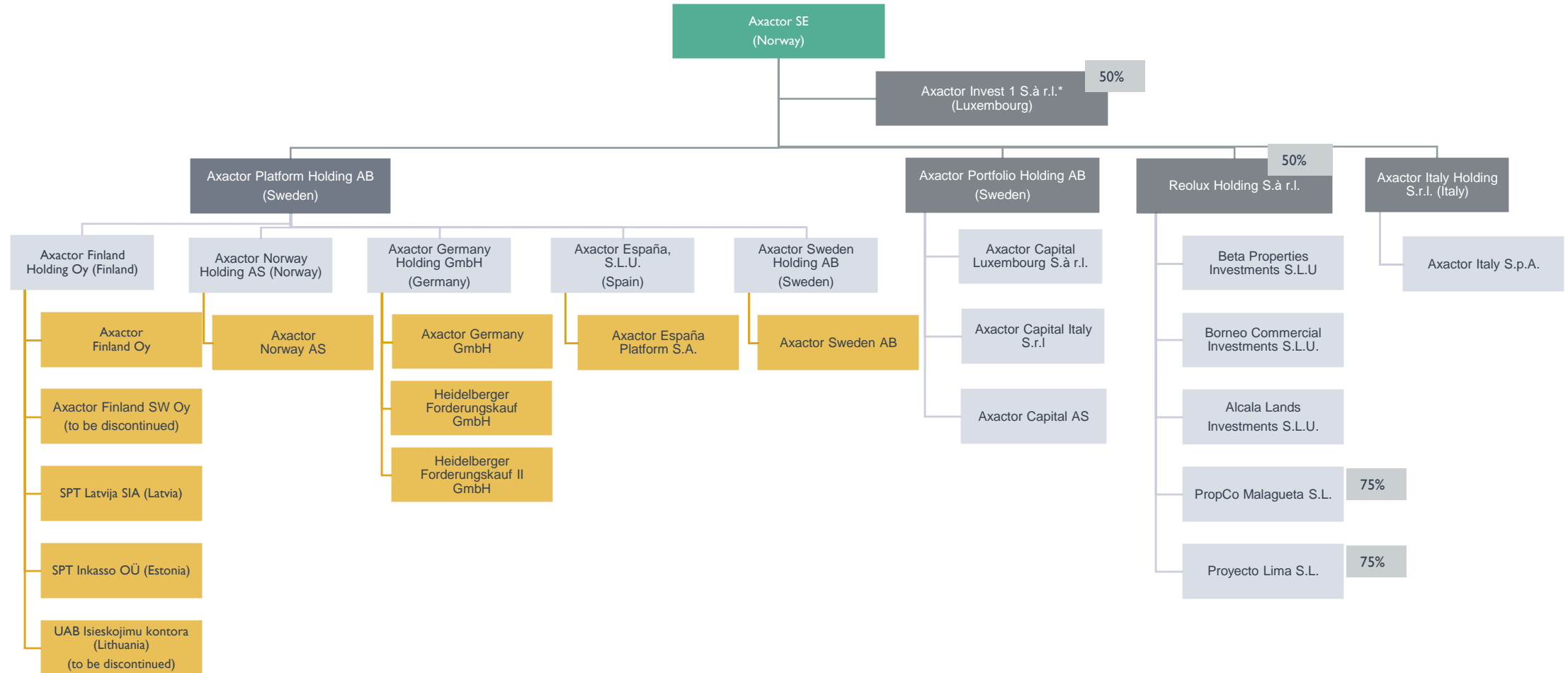
EUR thousand	For the quarter end		Year to date	
	31 Dec 2020	31 Dec 2019	31 Dec 2020	31 Dec 2019
Interest income from purchased loan portfolios	41,758	37,239	163,093	134,531
Net gain/loss purchased loan portfolios	-12,241	-412	-49,813	-319
Other operating revenue	29,003	36,865	91,724	148,926
Other income	-24	1,137	24	2,021
Total income	58,496	74,830	205,029	285,159
Cost of REO's sold, incl impairment	-5,976	-18,371	-52,932	-74,464
Personnel expenses	-13,794	-15,237	-54,872	-57,708
Operating expenses	-17,381	-17,397	-61,372	-60,847
Total operating expense	-37,150	-51,004	-169,176	-193,019
EBITDA	21,346	23,826	35,853	92,140
Amortization and depreciation	-2,981	-2,828	-10,838	-10,115
EBIT	18,365	20,998	25,015	82,025
Financial revenue	3,773	526	12,650	2,787
Financial expenses	-21,469	-13,011	-66,039	-52,176
Net financial items	-17,697	-12,485	-53,390	-49,389
Profit/(loss) before tax	668	8,513	-28,375	32,636
Tax (expense)	2,669	-1,979	-2,733	-11,667
Net profit/(loss) after tax	3,337	6,534	-31,108	20,969
Net profit/(loss) to Non-controlling interests	629	1,310	-15,871	4,643
Net profit/(loss) to equity holders	2,708	5,223	-15,237	16,326
Earnings per share: basic	0.015	0.034	-0.084	0.106
Earnings per share: diluted	0.014	0.029	-0.084	0.093

Balance sheet statement

EUR thousand	31 Dec 2020	31 Dec 2019
ASSETS		
<i>Intangible non-current assets</i>		
Intangible Assets	19,989	21,486
Goodwill	54,879	56,170
Deferred tax assets	7,753	9,742
<i>Tangible non-current assets</i>		
Property, plant and equipment	2,530	2,903
Right-of-use assets	4,826	5,846
<i>Financial non-current assets</i>		
Purchased debt portfolios	1,124,699	1,041,919
Other non-current receivables	458	765
Other non-current investments	196	193
Total non-current assets	1,215,330	1,139,025
<i>Current assets</i>		
Stock of Secured Assets	78,786	129,040
Accounts Receivable	7,124	13,135
Other current assets	14,723	14,960
Restricted cash	2,946	3,739
Cash and Cash Equivalents	47,779	71,657
Total current assets	151,358	232,531
TOTAL ASSETS	1,366,688	1,371,556

EUR thousand	31 Dec 2020	31 Dec 2019
EQUITY AND LIABILITIES		
<i>Equity attributable to equity holders of the parent</i>		
Share Capital	97,040	81,338
Other paid-in equity	236,562	201,879
Retained Earnings	-13,142	2,153
Reserves	-15,975	-4,721
Non-controlling interests	74,113	96,977
Total Equity	378,598	377,626
<i>Non-current Liabilities</i>		
Interest bearing debt	579,282	466,378
Deferred tax liabilities	7,388	17,591
Lease liabilities	2,804	3,481
Other non-current liabilities	1,433	1,415
Total non-current liabilities	590,906	488,864
<i>Current Liabilities</i>		
Accounts Payable	6,147	5,902
Current portion of interest bearing debt	356,903	463,555
Taxes Payable	12,002	6,570
Lease liabilities	2,282	2,549
Other current liabilities	19,849	26,491
Total current liabilities	397,184	505,066
Total Liabilities	988,090	993,930
TOTAL EQUITY AND LIABILITIES	1,366,688	1,371,556

Legal organization December 2020



*50% of the shares in Axactor Invest 1 S.à r.l. and Reolux Holding S.à r.l. is held by Geveran Trading Co. Limited (Cyprus).

*Geveran Trading Co. Limited also holds shares of Axactor SE

Terms and abbreviations

APM / KPI definition

Cash EBITDA	EBITDA adjusted for calculated cost of share option program, portfolio amortizations and revaluations, REO cost of sales and REO impairments
CM1 Margin	Total operating expenses (excluding SG&A, IT and corporate cost) as a percentage of total income
Debt-to-equity ratio	Total interest bearing debt as a percentage of total equity
Discount	The rate of discount of original debt balance used to negotiate repayment of debt
EBITDA margin	EBITDA as a percentage of total income
Economic growth	GDP (Gross Domestic Product) growth
Efficient Legal system	Governmental bailiff exchanging information electronically
Equity ratio	Total equity as a percentage of total equity and liabilities
ERC	Estimated Remaining Collection express the expected future cash collection on own portfolios (NPLs) in nominal values, over the next 180 months.
Gross margin	Cash EBITDA as a percentage of gross revenue
Gross revenue	3PC revenue, REO sale, cash collected on own portfolios and other revenue
House pricing	House price index, development of real estate values
Interest changes	The interest charged to debtors on active claims
Interest level	Lending rate in the market
NIBD	Net Interest Bearing Debt means the aggregated amount of interest bearing debt, less aggregated amount of unrestricted cash and bank deposits, on a consolidated basis
Opex ex SG&A, IT and corp.cost	Total expenses excluding overhead functions
Payment agreement	Agreement with the debtors to repay their debt
Recovery rate	Portion of the original debt repaid
Return on Equity, excluding minorities, annualized	Net profit/(loss) to equity holders as a percentage of total equity excluding Non-controlling interests, annualized based on number of days in period
Return on Equity, including minorities, annualized	Net profit/(loss) after tax as a percentage of total equity, annualized based on number of days in period
Settlements	One payment of full debt
SG&A, IT and corporate cost	Total operating expenses for overhead functions
Solution rate	Accumulated paid principal amount for the period divided by accumulated collectable principal amount for the period. Usually expressed on a monthly basis
Total estimated capital commitments for forward flow agreements	The total estimated capital commitments for the forward flow agreements are calculated based on the volume received over that last months and limited by the total capex commitment in the contract.
Total income	Gross revenue minus portfolio amortizations and revaluations
Tracing activity	Finding and updating debtor contact information

Terms and abbreviations

3PC	Third-party collection
ARM	Accounts receivable management
B2B	Business to Business
B2C	Business to Consumer
BoD	Board of Directors
CGU	Cash Generating Unit
CM1	Contribution Margin
Dopex	Direct Operating expenses
EBIT	Operating profit, Earning before Interest and Tax
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
ECL	Expected Credit Loss
EPS	Earnings Per Share
EUR	Euro
FTE	Full Time Equivalent
IFRS	International Financial Reporting Standards
NCI	Non-controlling interests
NOK	Norwegian Krone
NPL	Non-performing loan
OB	Outstanding Balance, the total amount Axactor can collect on claims under management, including outstanding principal, interest and fees
PCI	Purchased Credit Impaired
PPA	Purchase Price Allocations
REO	Real Estate Owned
SEK	Swedish Krone
SG&A	Selling, General & Administrative
SPV	Special Purpose Vehicle
VIU	Value in Use
WACC	Weighted Average Cost of Capital
WAEP	Weighted Average Exercise Price

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