

AXACTOR

Q1 2020

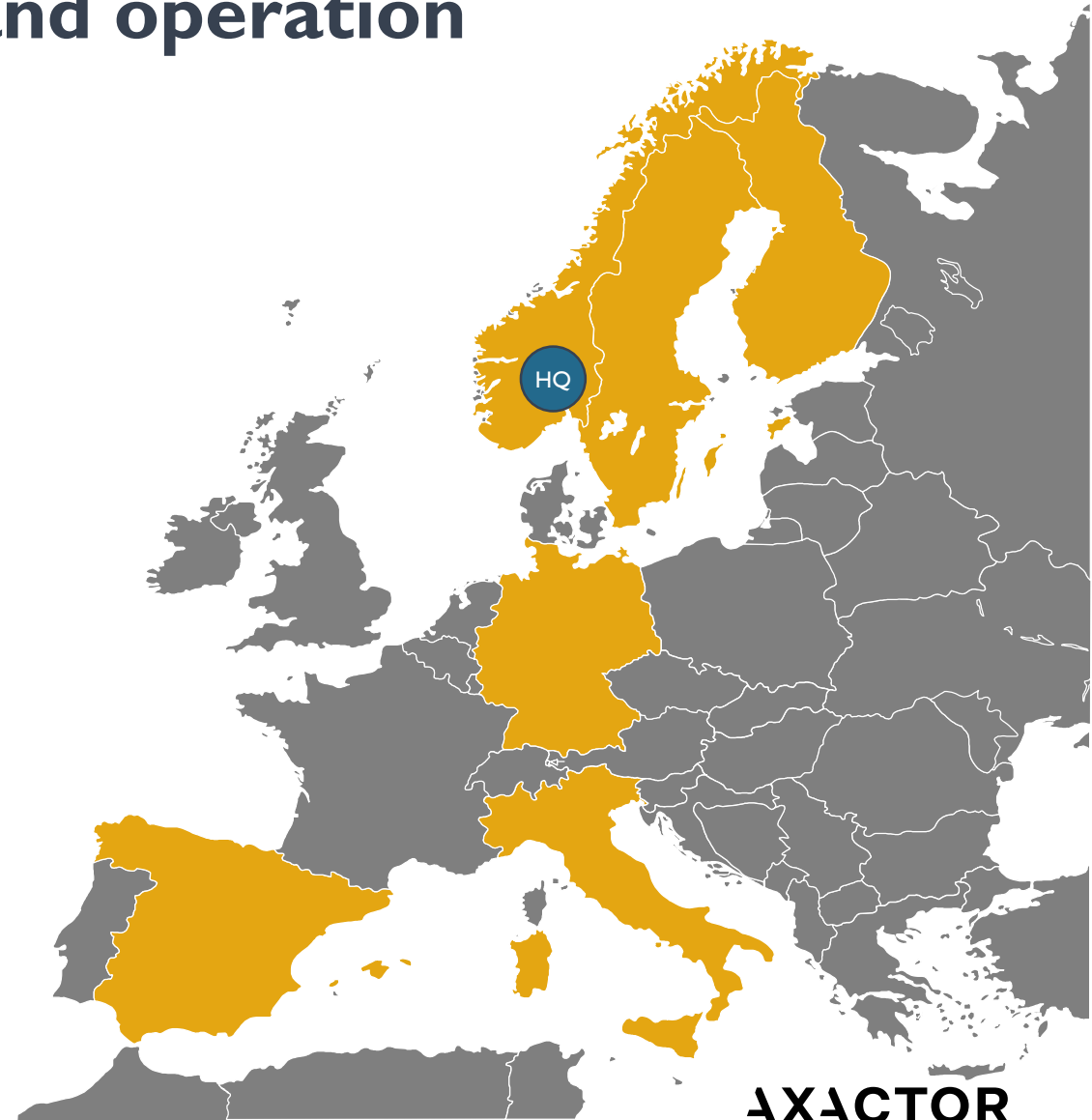
21 April 2020



Our Covid-19 priorities

Protecting people, organization and operation

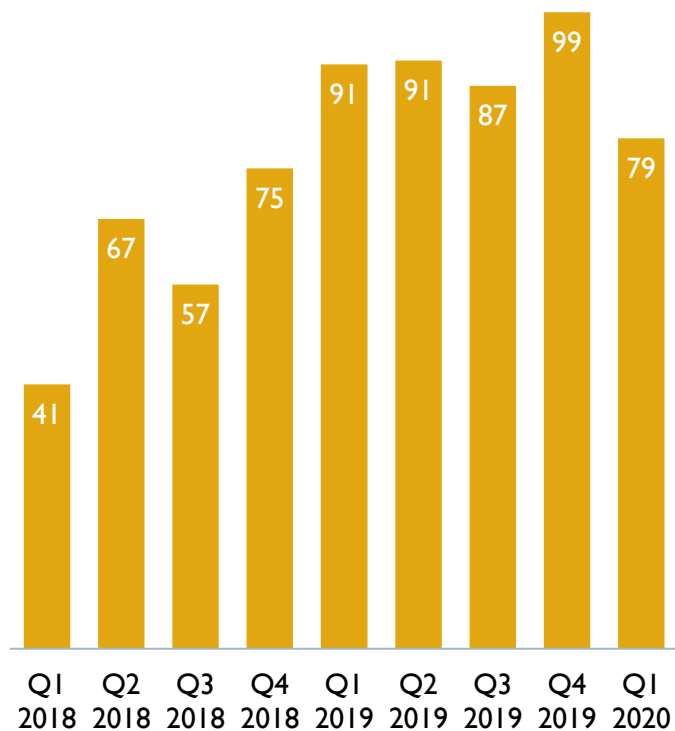
- The main priorities have been to protect employees and safeguard business continuity
 - Spain and Italy with significant social and economic impact
- In full operation for customers, debtors and partners in all six markets - compliance with rules and recommendations from national and local authorities
 - Extensive use of remote work
 - Strict travel restrictions
 - Strict sanitation standards
- Enabled by cloud-based core collection systems and outsourced IT-operations



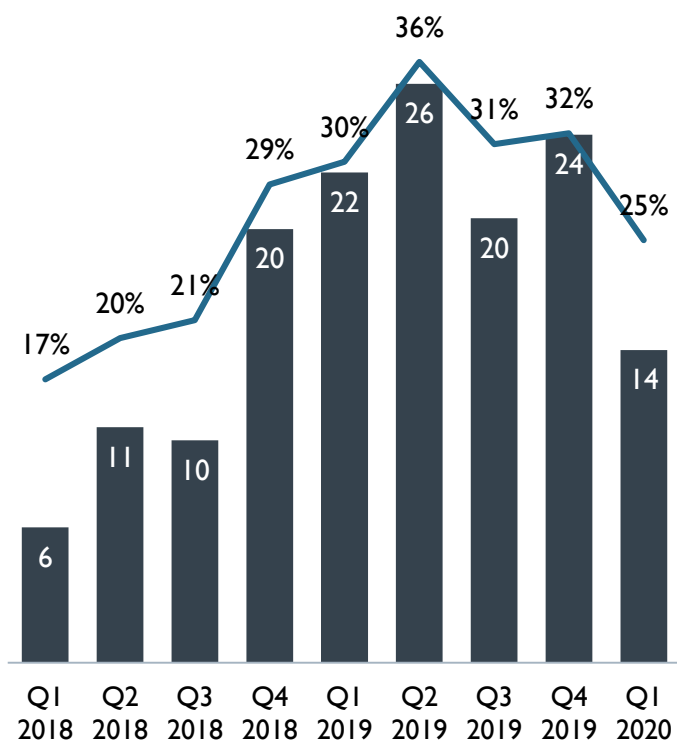
AXACTOR

Significant impact on growth and margin development

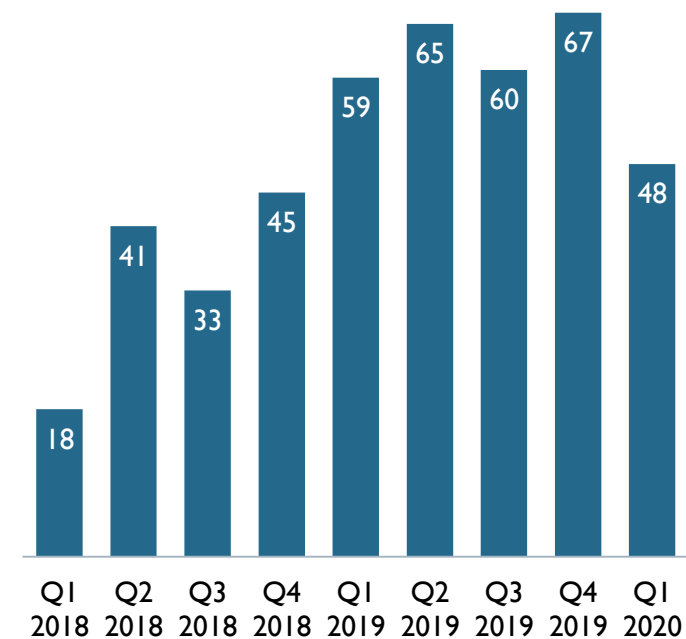
Gross revenue development
(EUR million)



EBITDA and EBITDA-margin
(EUR million and %)



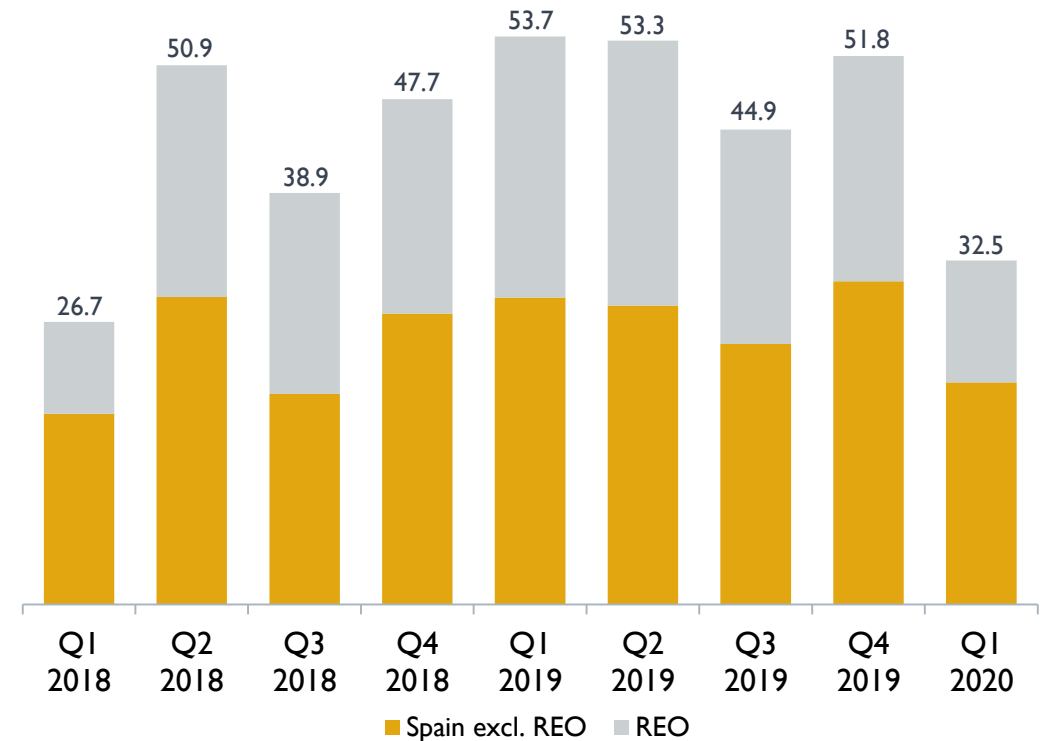
Cash EBITDA
(EUR million)



High impact in Spain – particularly in the REO segment

- Partly closing of public notary offices hindered conclusion of already entered REO sales agreements
- The escalation of the Covid-19 situation has reduced the number of offers to close to zero, business is effectively shut down until the current lockdown situation is resolved.
- Sold 307 assets at average price of EUR 38k, compared to 555 assets at average price of EUR 44k in Q1 2019
- Covid-19 measures also accentuating a negative NPL performance trend in Spain

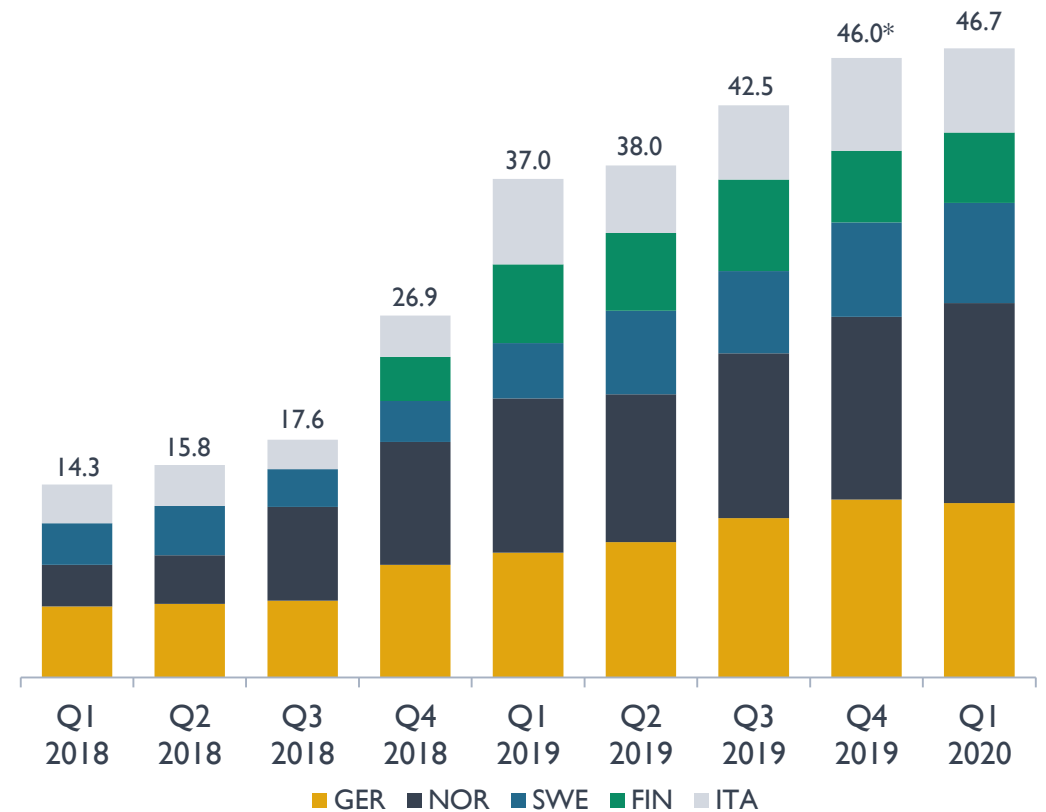
Gross revenue development Spain, by segment
(EUR million)



More resilience in the Nordics and Germany through Q1

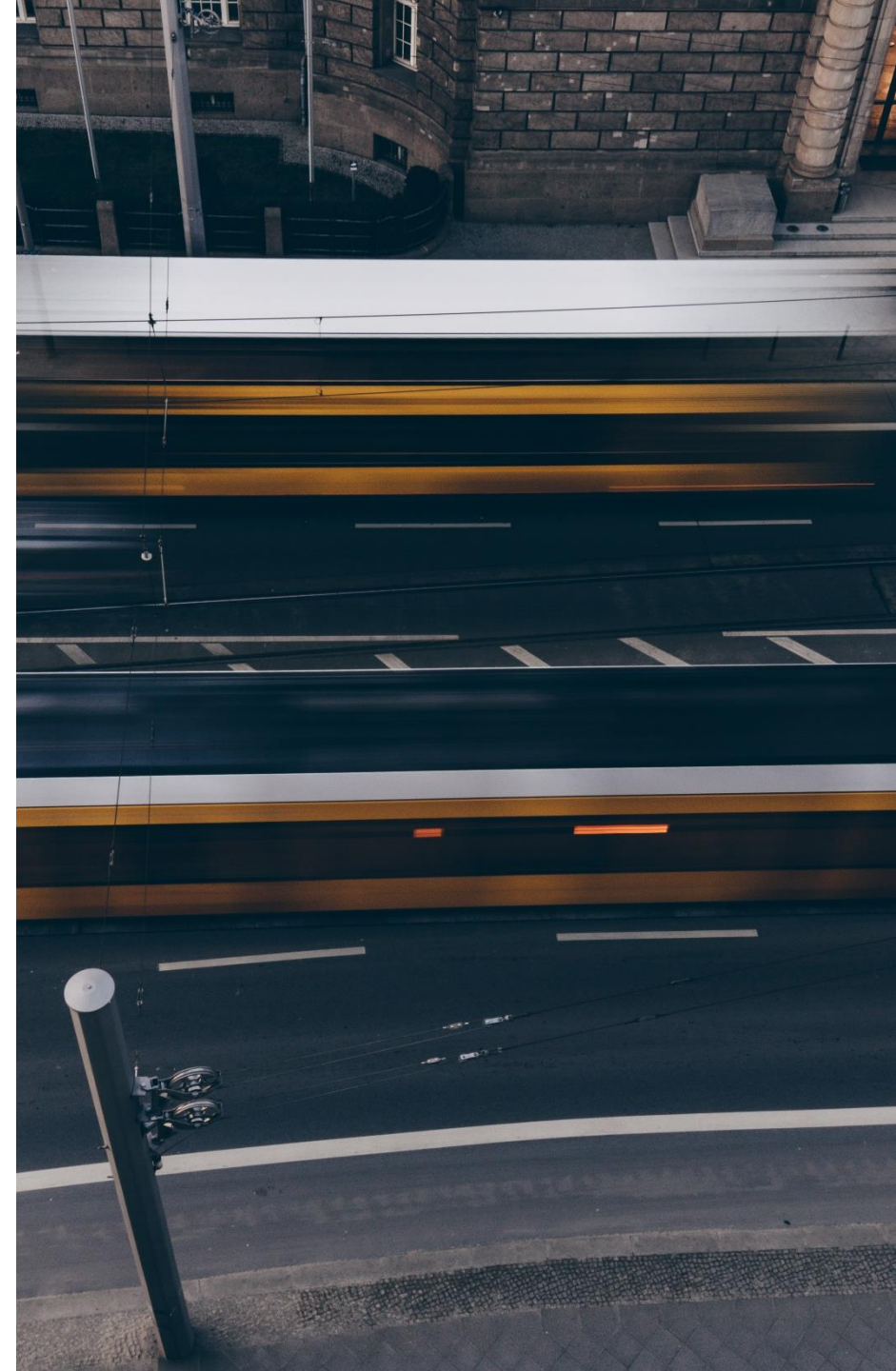
- Relatively stable gross revenue development from Q4 to Q1 in Germany and the Nordics
- Forward flow agreements generating YoY growth
- Strong Q1 performance in Norway, especially given NOK weakness
- Collection in Sweden affected by bottleneck at the bailiff
- Italy in similar position as Spain, although a significantly smaller operation for Axactor

Gross revenue development, excluding Spain
(EUR million)



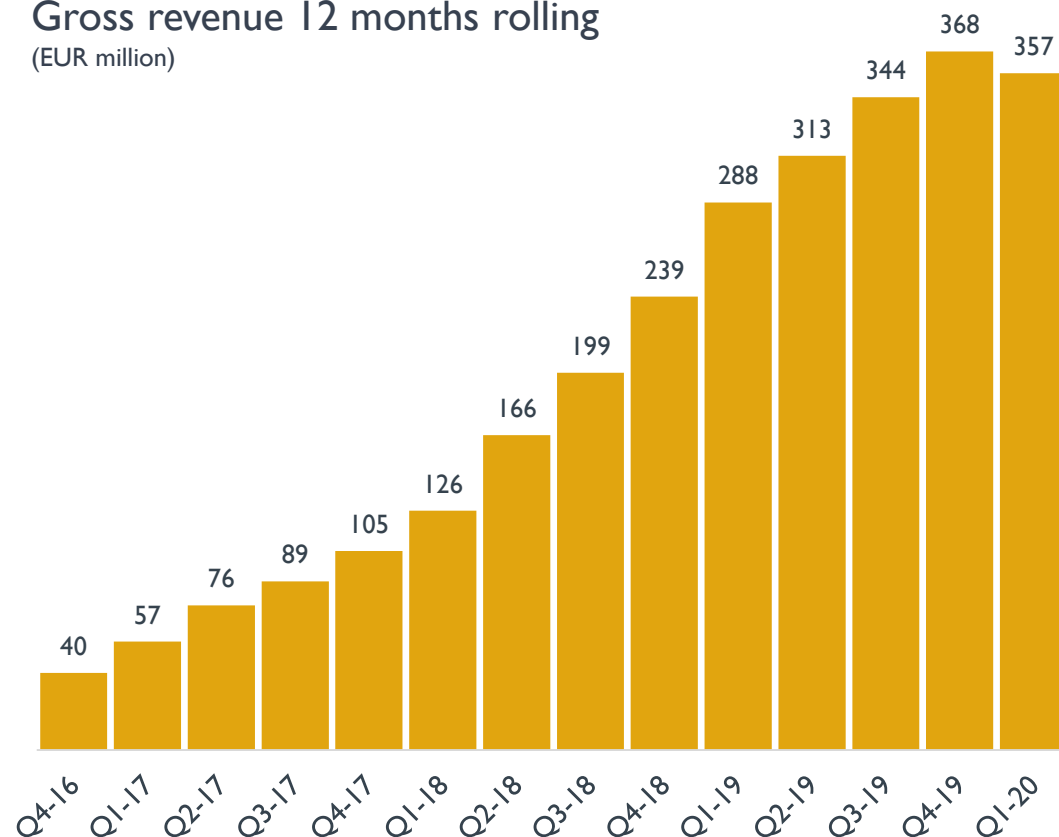
Further declines expected in Q2 - mitigating actions taken

- Q2 revenues depending on magnitude and length of the extraordinary measures
 - Reopening of public notary offices in Spain
 - Resuming of normal banking operation in Spain and Italy
 - Continued operational bailiff systems in the Nordics and Germany
- Mitigating action to adjust costs to lower activity level
 - Temporary workforce reductions affecting close to 400 FTEs
 - Cost effect gradually blended in from April onwards
 - Temporary price reductions from IT vendors
 - Other operational saving initiatives



Mixed impact on the longer-term position

Gross revenue 12 months rolling
(EUR million)



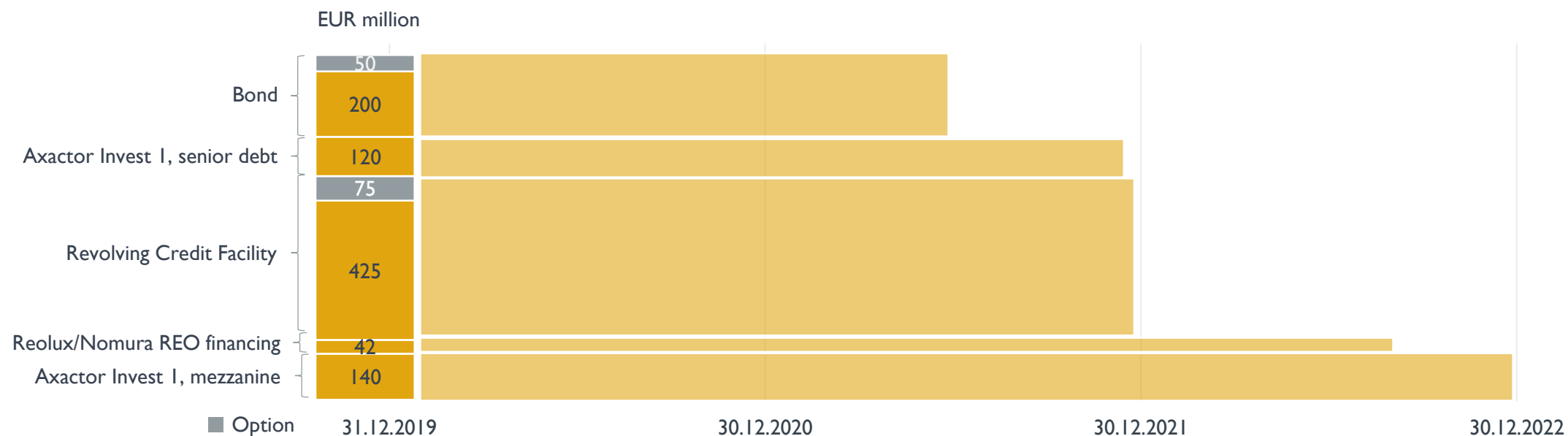
Negative medium-term effects:

- Economic setback, higher unemployment and lower consumer affordability
- Sharp increase in current unemployment rates across Europe, although mainly due to temporary layoffs

Increasing long-term opportunities:

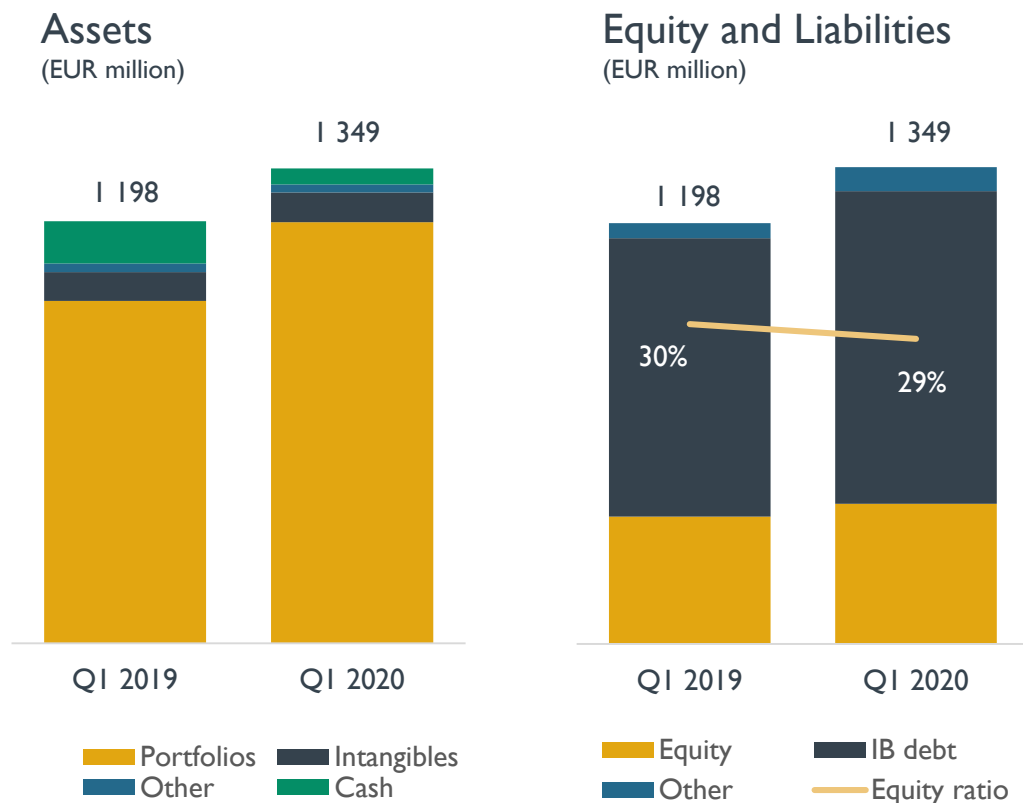
- + Lower prices and higher IRRs for future NPL portfolio acquisitions
- + Increased NPL supply and buy-side capital restraints
- + 3PC volumes expected to increase once normal banking operations resume

RCF maturity extended 12 months



- Equity ratio of 29%, following EUR 51 million share issue in February
- Cash balance of EUR 46 million
- Extended EUR 425* million RCF by one year to December 2021 in April 2020, conditional on refinancing of bond by end Q1 2021

Assessing impact of Covid-19 on portfolio valuation



- Present value of NPL portfolios and REO assets will depend on the length and depth of extraordinary measures and economic setback
 - No impairment charge on Q1 financial statements
- Ongoing work to assess the impact on valuation models:
 - Timing effect from postponements due to lockdown
 - Potential economic recession and unemployment (debt service ability)
 - Regulatory changes
- Expects to gain significantly better visibility during the second quarter of 2020
 - The book value may be subject to impairments in the financial statements for the first half year 2020
 - This may challenge the covenants of the company's outstanding bond and other financing arrangements

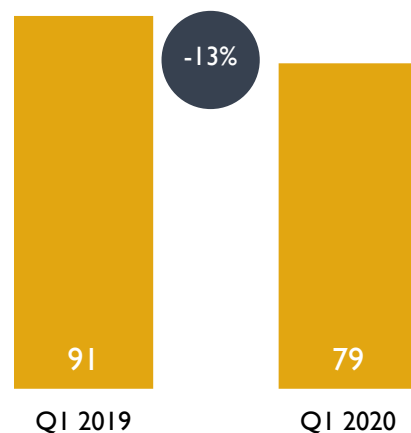


Quarterly update

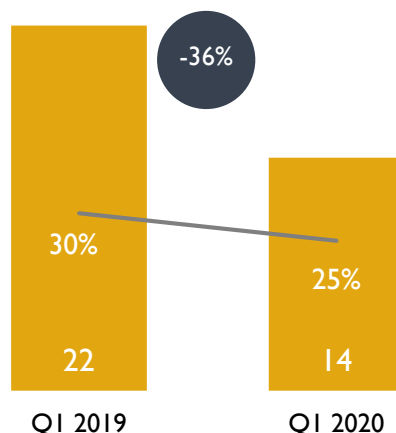
Q1 2020

Q1 2020 - Key highlights

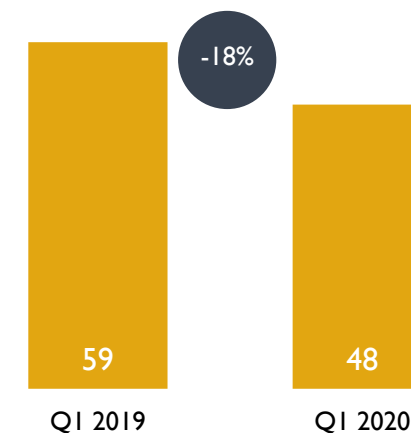
Gross revenue
(EUR million)



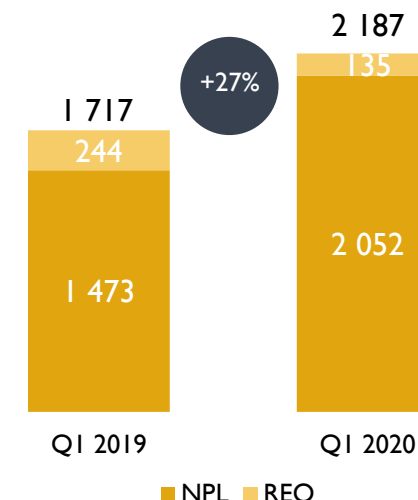
EBITDA and margin
(EUR million and %)



Cash EBITDA
(EUR million)



ERC
(EUR million)



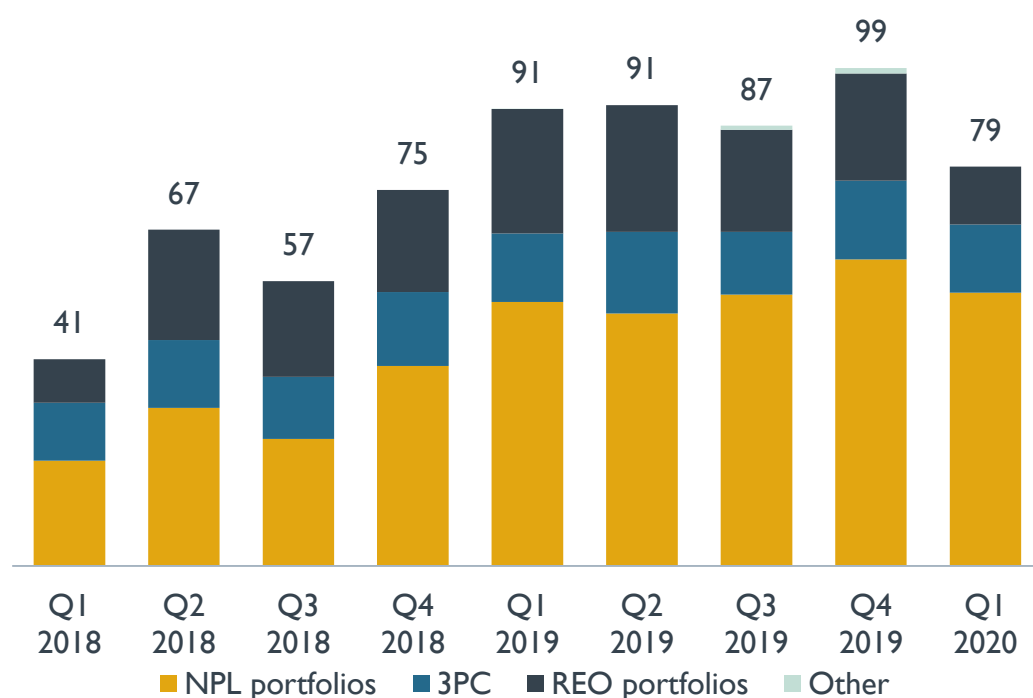
- Gross revenue decline mainly from reduction of REO revenue due to Covid-19 measure
- EBITDA decline explained by lower REO sales and higher amortization rate of NPL portfolios
- Earnings before tax of EUR 5.6 million, including unrealized currency effects of EUR 9.6m
- Capex invested in NPL portfolios of EUR 90 million – suspended 2020 capex guiding
- Equity issue of EUR 51m, and extended EUR 425m* RCF for one year conditional on refinancing of the bond by end Q1 2021

|| *Total RCF of EUR 500m whereof EUR 75m in an unused accordion option

Decline in revenue primarily driven by REO segment

Gross revenue development

(EUR million)



- Negative impact of coronavirus outbreak and measures to stop the spread:
 - Impact most apparent in Spain and Italy
 - REO segment particularly affected as the closure of public notary offices hindering completion of already entered REO sales contracts
 - Limited effect so far in the Nordics and Germany
- YoY gross revenue decline Q1 2020:
 - Total -13%
 - NPL +3%
 - 3PC -1%
 - REO -53%

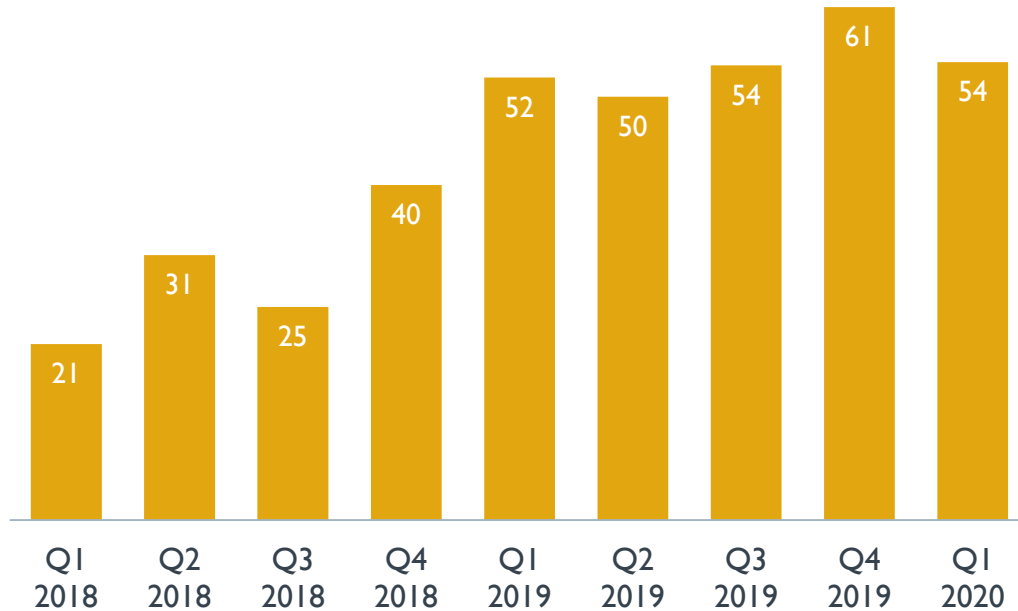


NPL portfolio

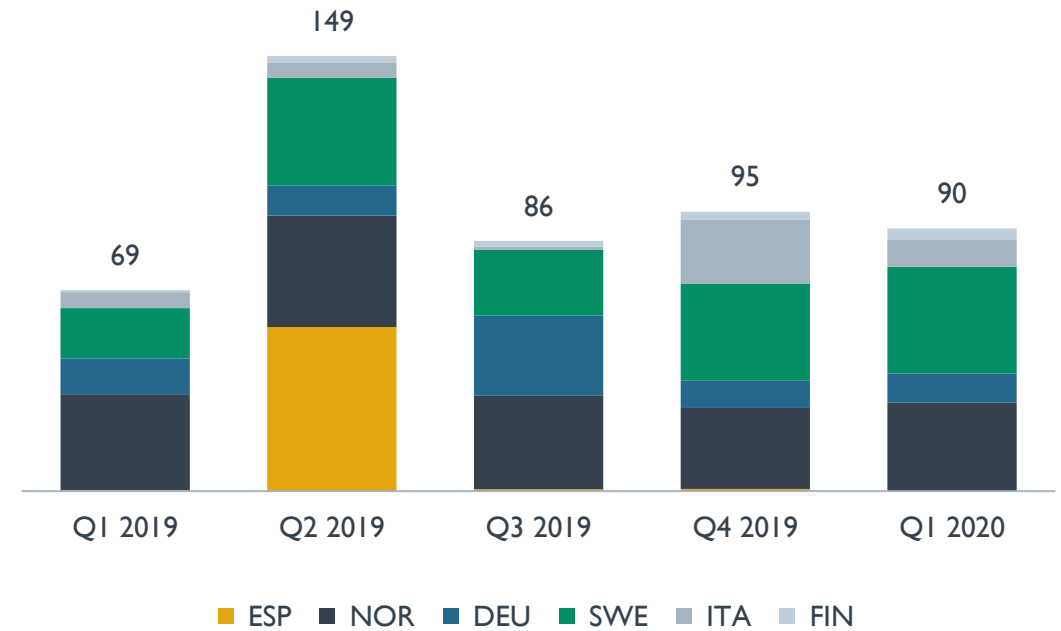
Q1 2020

Capex mainly deployed in Nordic forward flow deals

NPL gross revenue development
(EUR million)



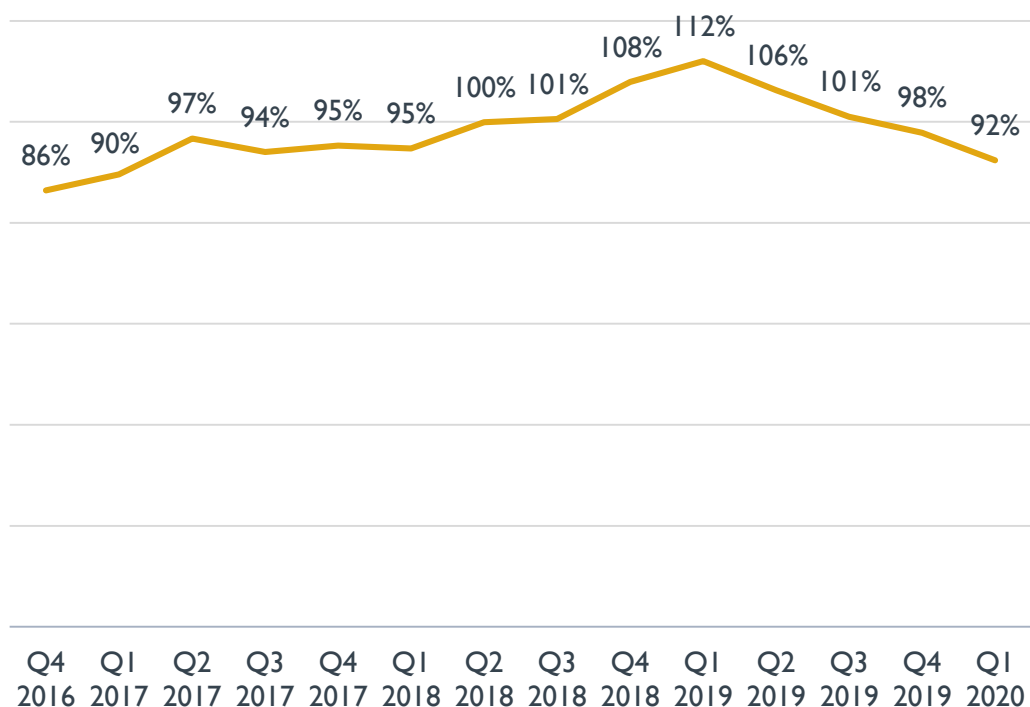
Quarterly NPL investments
(EUR million)



Collection performance impacted by Covid-19

Actual collection vs. active forecast*

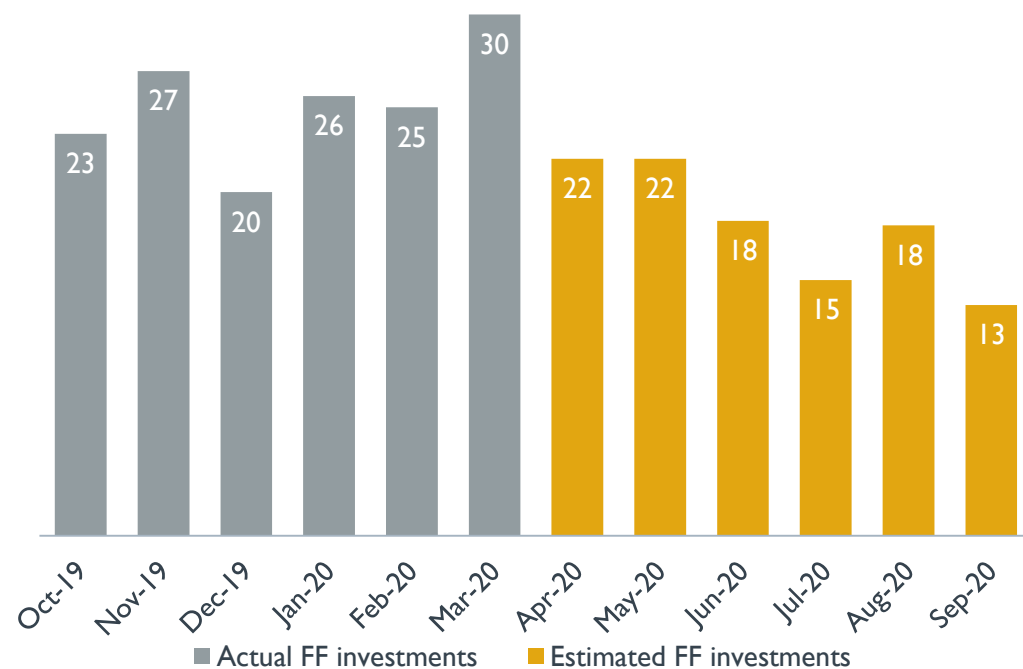
(LTM, rolling)



- Weaker collection performance following comprehensive Covid-19 measures:
 - In Italy and Spain, many debtors experience a worse financial situation and processes have slowed down or stopped at bailiffs and public notary office
- The collection performance has so far held up better in Germany and the Nordics
 - Continued delays in collection from the Swedish bailiff due to transition to new IT system
- Long term average performance expected to fluctuate around 100%
 - Portfolios with large positive or negative deviations are continuously on review for revaluation

Forward flow outlook

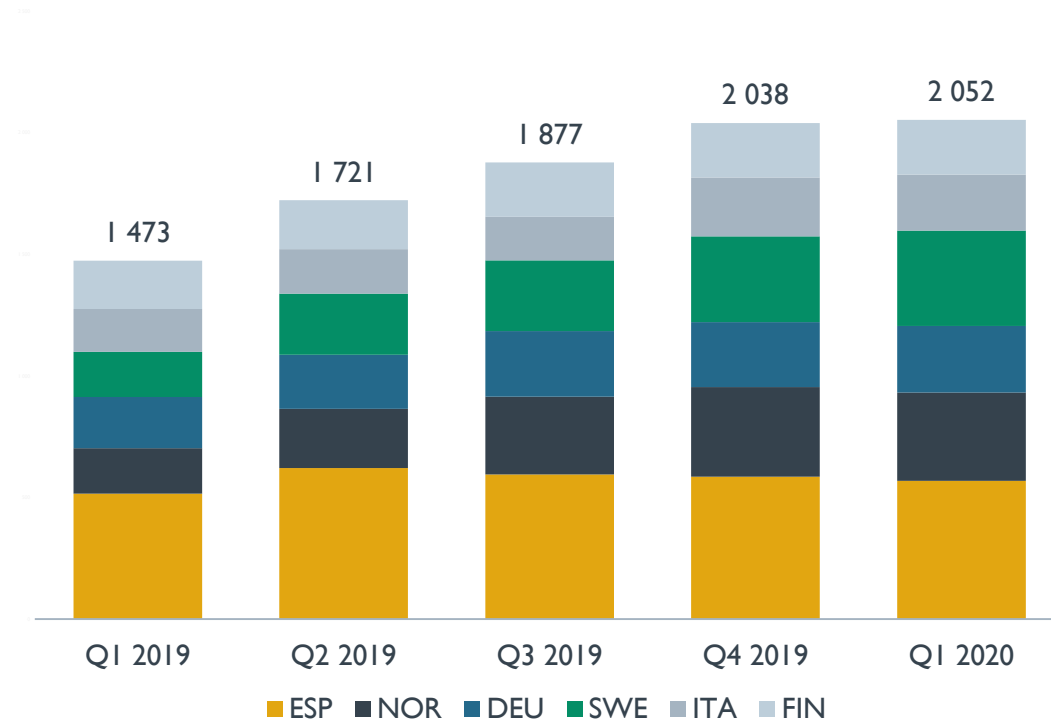
Estimated FF investments from signed contracts
(EUR million)



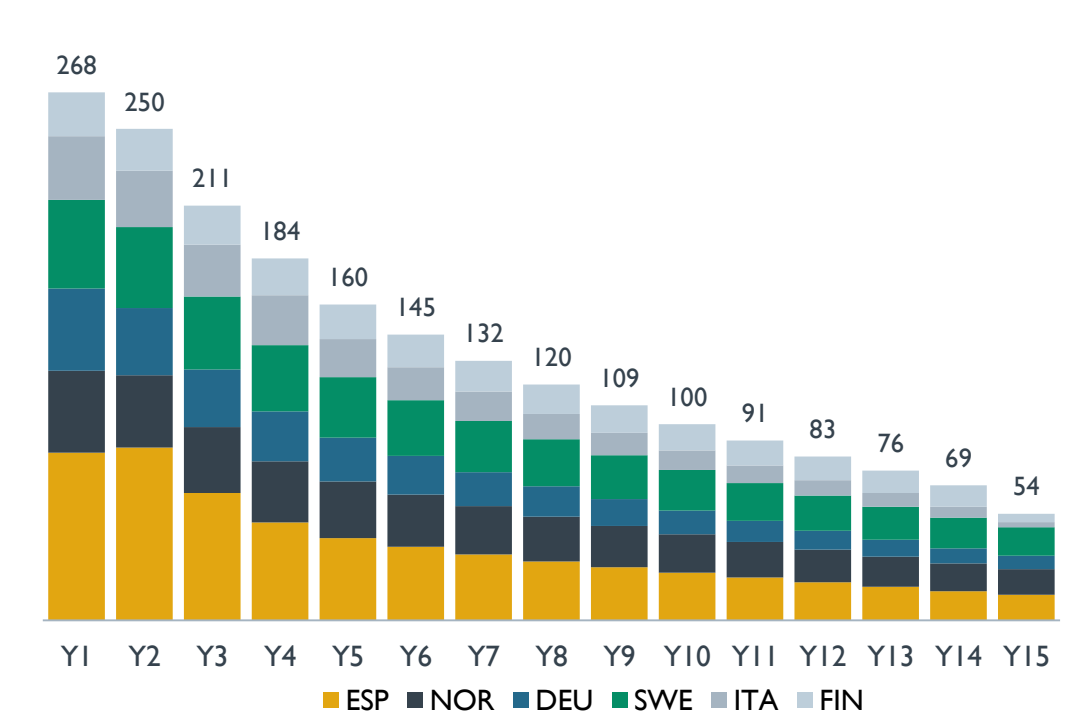
- As announced, Axactor has suspended its investment target for 2020
- Total estimated forward flow volume of approximately EUR 225m in 2020
- Focusing on combined forward flow and 3PC contracts
 - In January and February, Axactor renewed and expanded three existing forward flow contracts including 3PC service elements

NPL: Increased Nordic exposure

ERC development
(EUR million)



Forward ERC profile by year
(EUR million)





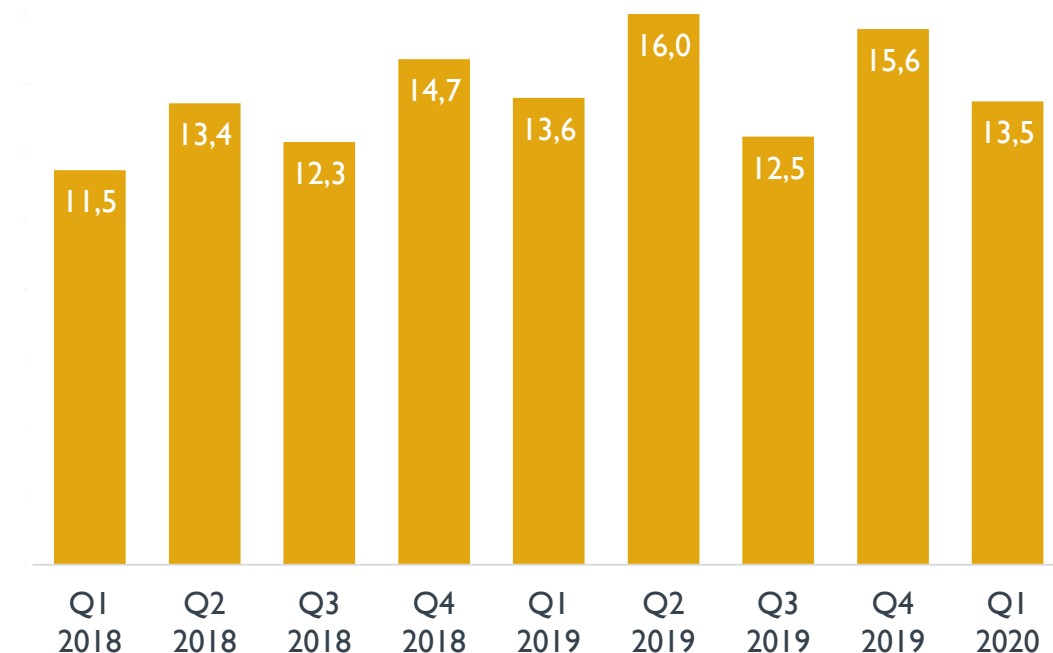
3PC

Q1 2020

3PC – increased relevance for customers

Gross revenue 3PC

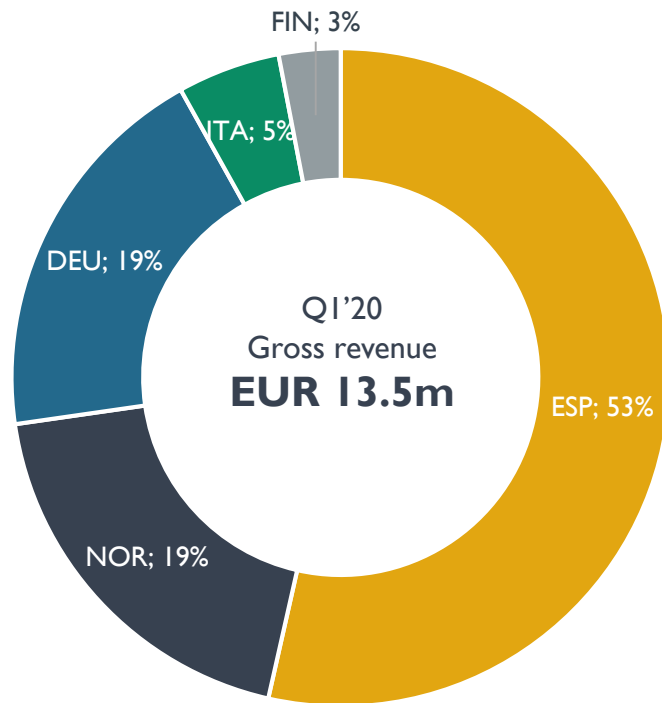
(EUR million)



- Mixed effect following Covid-19 outbreak
 - Negative FX effect in Norway, lower volume in Spain and field service shut-down in Germany
- Axactor expects higher demand for 3PC services
 - Economic repercussions are expected to increase volume of non-performing loans at customer's balance sheets
 - The finance sector accounts for approximately three quarters of the 3PC revenue
- Focus on combined forward flow and 3PC deals
 - Product synergies in business origination, collection execution and data generation

Building for the future of debt management

3PC revenue split by geographic region



- Increasing the Nordic 3PC business
 - Synergies to be extracted from cross-border deals
 - Nordics accounted for 22% in the quarter
 - New deals signed in Q1 generating revenue from late March 2020
- Specialized value chain proposition
 - Focus on financial institutions, both in NPL and 3PC
 - ARM/3PC offerings with high value recurring revenue
 - Highly modern, flexible and scalable platform

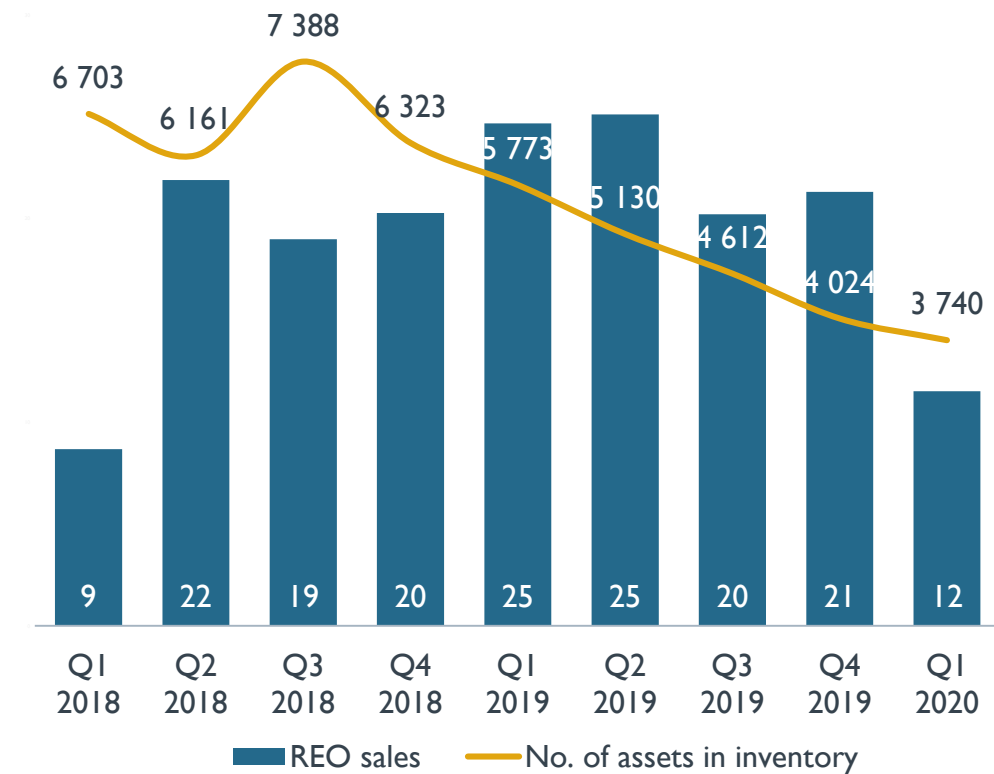


REO portfolio

Q1 2020

REO: Disruption from coronavirus in Spain

REO gross revenue development
(EUR million)

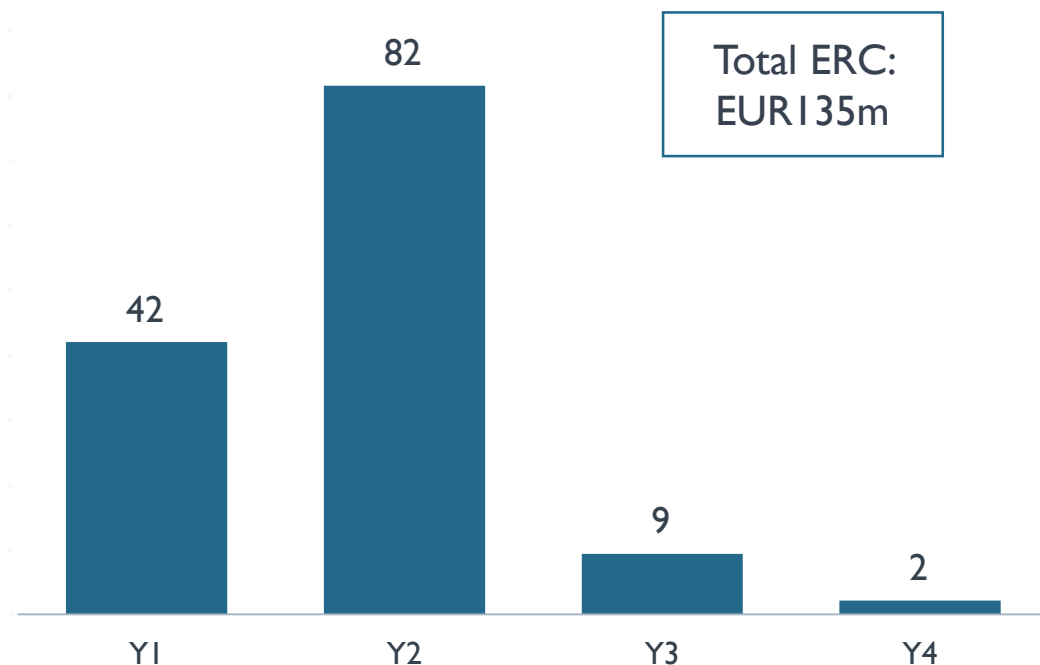


- Revenue shortfall in the quarter
 - All REO assets are in Spain where the closure of public notary offices affected both ongoing sales and the completion of already entered sales
 - Agreements and realization of secured assets have largely been delayed or postponed
- 307 units sold in Q1, down 48% from Q4
- Average unit price of EUR 38k
- Uncertain effect on future prices from the current situation
 - Expects to continue discounting to maintain absolute sales volumes from a declining asset inventory

Book value of EUR 120m at end Q1 2020

REO: ERC profile

(EUR million)



- ERC decreased by 10% in the quarter
 - EUR 2m discount vs ERC in Q4
 - EUR 5m reduction of future ERC
- REO represents 6% of Group ERC and declining
- Target to realize approximately 30% of remaining asset base over the next 12 months
 - EUR 44m estimated sales in 2020
- Axactor has approximately 40% of the total exposure for REO
 - Minority shareholders in both Reolux and its subsidiaries



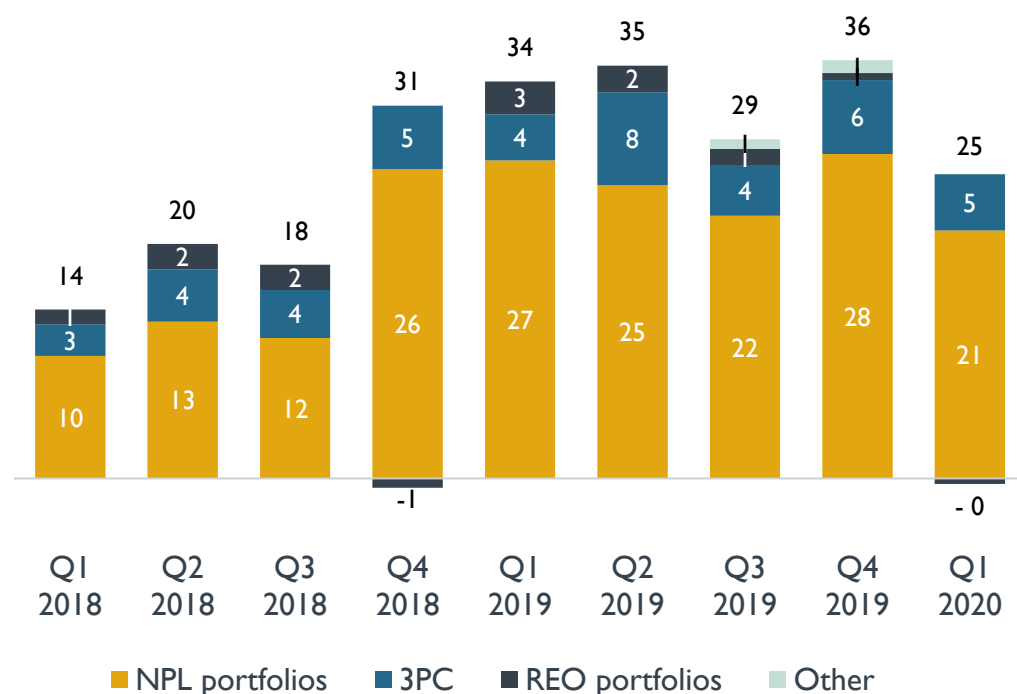
Financials

Q1 2020

Contribution per segment

Contribution per segment*

(EUR million) - Excluding unallocated overhead cost



Total:

- Contribution margin of 46% in Q1, same as last year
- Reflects revenue mix as REO carries lower contribution margins

NPL:

- Contribution margin of 69% (77%)
- Portfolio amortization and revaluation of EUR 23.6m (17.0)

3PC:

- 36% contribution margin (29%)

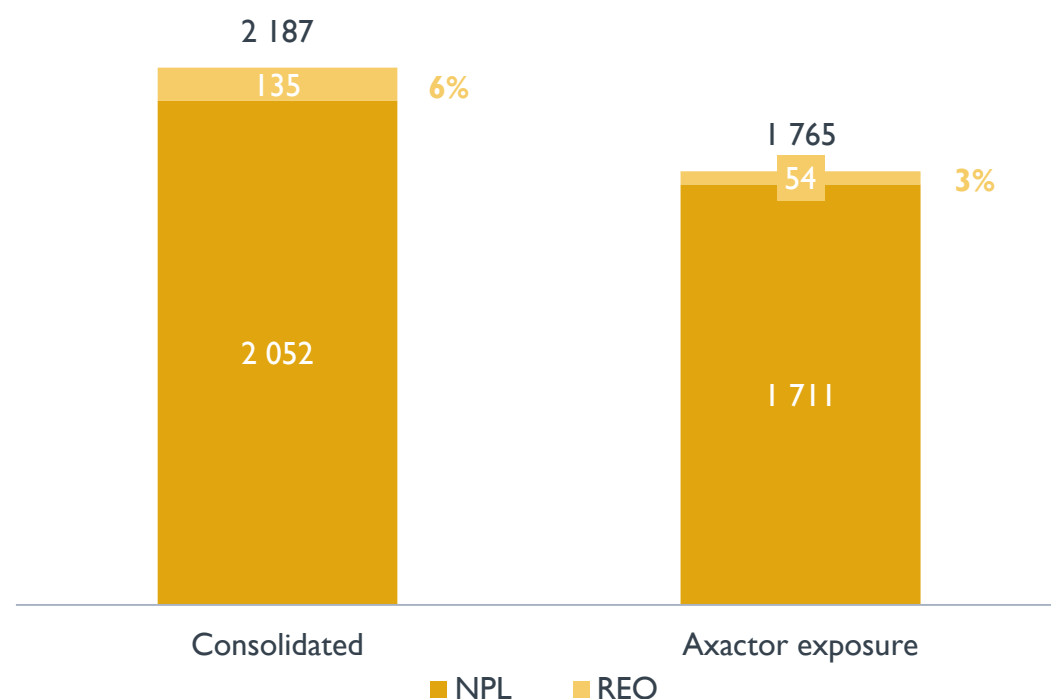
REO:

- Slightly negative contribution margin, reflects the current difficult situation in Spain and moderately higher discounts

Minority shareholders in both NPL and REOs

- Axactor REO exposure down to ~2.5% of total consolidated ERC

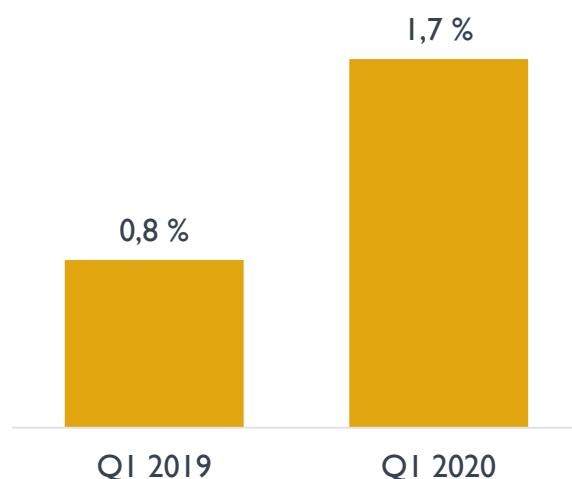
Total ERC exposure
(EUR million)



- Axactor has approximately 40% of the total exposure for REO
 - Minority shareholders in both Reolux and its subsidiaries
 - Axactor's share of REO amounts to approximately 2.5% of total consolidated ERC
- Axactor shareholders has approximately 83% of the total exposure for NPL
 - Minority shareholder in Axactor Invest

Axactor targeting improved ROE over time

Return on Equity*
(Periodic, %)



Drivers	Leading up to Q1 2020	Outlook
• NPL portfolio prices	• Increasing IRR during 2019 and stabilizing into 2020	• Improved IRR levels to be blended in over time
• Economies of scale	• EBITDA margin improving with 3PC and NPL volume	• Stabilizing while awaiting further scale effect
• Tax rate	• Reduced efficient tax rate to 36% for 2019. Q1 2020 slightly higher at 38%	• Expected to decline towards ~25% over time
• Funding cost	• Current level of ~5%	• Refinancing and continued improvement of capital structure
• Business mix	• Strong growth in capital light 3PC collection	• Leveraging on 3PC and NPL synergies

Net finance, tax and net profits

Condensed Income statement (EUR thousand)

EUR thousand	For the quarter end / YTD		Full year 2019
	31 Mar 2020	31 Mar 2019	
EBIT	11,517	19,875	82,025
Financial revenue	9,733	16	2,787
Financial expenses	-15,654	-11,919	-52,176
Net financial items	-5,922	-11,903	-49,389
Profit/(loss) before tax	5,595	7,972	32,636
Tax (expense)	-2,145	-3,348	-11,667
Net profit/(loss) after tax	3,450	4,624	20,969
Net profit/(loss) to Non-controlling interests	-1,716	2,584	4,643
Net profit/(loss) to equity holders	5,166	2,040	16,326
Earnings per share: basic	0.030	0.013	0.106
Earnings per share: diluted	0.028	0.012	0.093

- Total net financial cost of EUR 5.9m
 - Interest cost of EUR 14.3
 - Average blended interest costs of approx. 5%
 - Positive unrealized currency effects of EUR 9.6m (0.0.)
- Tax expense of EUR 2.1m
 - Effective tax rate of 38% in Q1
 - Overall tax rate still high, expected to trend towards ~25% over time
- Net profit of EUR 3.45m
 - EUR 5.17m to equity shareholders
 - EUR -1.72m to non-controlling minorities



Summary

Q1 2020



Summary and outlook

- First quarter 2020 impacted by the outbreak of coronavirus and the measures to contain it
- Spain and REO performance particularly affected by the situation
- Safeguarding employees and operations top priority
- Negative effects expected to deepen in the second quarter – analysing effect on portfolio valuation
- Axactor has suspended its investment guidance for 2020
- In a longer-term the situation could boost 3PC demand and reduce the price of NPL portfolios



Appendix

P&L statement

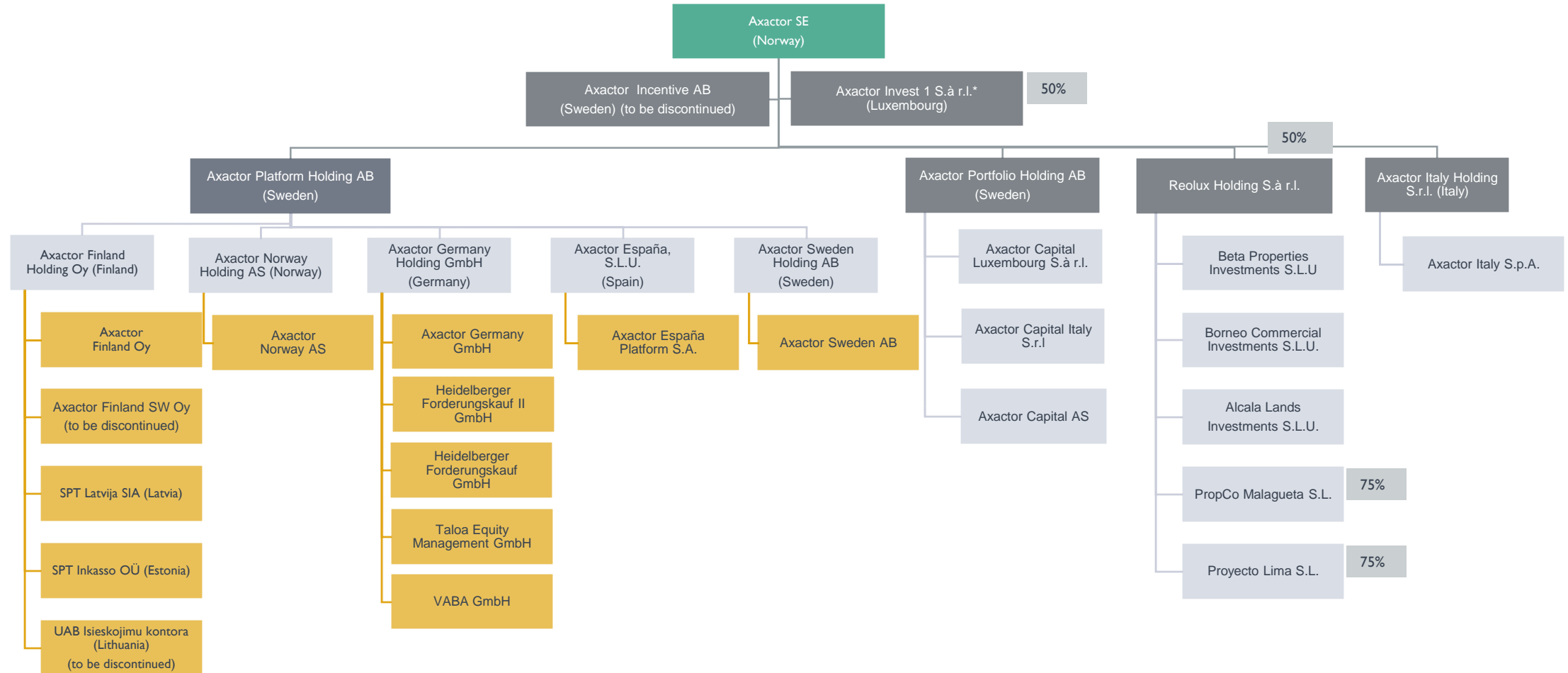
EUR thousand	For the quarter end / YTD		Full year 2019
	31 Mar 2020	31 Mar 2019	
Interest income from purchased loan portfolios	39,326	28,989	134,531
Net gain/loss purchased loan portfolios	-8,758	6,371	-319
Other operating revenue	25,003	38,259	148,926
Other revenue	28	30	2,021
Total Revenue	55,599	73,649	285,159
Cost of REO's sold, incl impairment	-10,175	-19,514	-74,464
Personnel expenses	-14,901	-15,535	-57,708
Operating expenses	-16,395	-16,459	-60,847
Total operating expense	-41,470	-51,508	-193,019
EBITDA	14,129	22,140	92,140
Amortization and depreciation	-2,612	-2,266	-10,115
EBIT	11,517	19,875	82,025
Financial revenue	9,733	16	2,787
Financial expenses	-15,654	-11,919	-52,176
Net financial items	-5,922	-11,903	-49,389
Profit/(loss) before tax	5,595	7,972	32,636
Tax (expense)	-2,145	-3,348	-11,667
Net profit/(loss) after tax	3,450	4,624	20,969
Net profit/(loss) to Non-controlling interests	-1,716	2,584	4,643
Net profit/(loss) to equity holders	5,166	2,040	16,326
Earnings per share: basic	0.030	0.013	0.106
Earnings per share: diluted	0.028	0.012	0.093

Balance sheet statement

EUR thousand	31 Mar 2020	31 Mar 2019	Full year 2019
ASSETS			
<i>Intangible non-current assets</i>			
Intangible Assets	21,216	18,992	21,486
Goodwill	52,965	56,281	56,170
Deferred tax assets	9,665	6,852	9,742
<i>Tangible non-current assets</i>			
Property, plant and equipment	2,818	2,851	2,903
Right-of-use assets	5,475	5,874	5,846
<i>Financial non-current assets</i>			
Purchased debt portfolios	1,064,619	781,361	1,041,919
Other non-current receivables	556	294	765
Other non-current investments	193	778	193
Total non-current assets	1,157,507	873,283	1,139,025
<i>Current assets</i>			
Stock of Secured Assets	120,346	181,121	129,040
Accounts Receivable	10,371	8,931	13,135
Other current assets	11,796	9,832	14,960
Restricted cash	2,640	5,309	3,739
Cash and Cash Equivalents	46,165	119,887	71,657
Total current assets	191,318	325,080	232,531
TOTAL ASSETS	1,348,825	1,198,363	1,371,556
TOTAL EQUITY AND LIABILITIES	1,348,825	1,198,363	1,371,556

EUR thousand	31 Mar 2020	31 Mar 2019	Full year 2019
EQUITY AND LIABILITIES			
<i>Equity attributable to equity holders of the parent</i>			
Share Capital	97,040	81,115	81,338
Other paid-in equity	236,289	200,485	201,879
Retained Earnings	7,319	-12,132	2,153
Reserves	-36,690	-1,675	-4,721
Non-controlling interests	92,449	92,605	96,977
Total Equity	396,408	360,398	377,626
<i>Non-current Liabilities</i>			
Interest bearing debt	464,350	579,436	466,378
Deferred tax liabilities	15,458	10,925	17,591
Lease liabilities	3,103	3,641	3,481
Other non-current liabilities	1,385	991	1,415
Total non-current liabilities	484,296	594,992	488,864
<i>Current Liabilities</i>			
Accounts Payable	4,418	4,046	5,902
Current portion of interest bearing debt	419,784	207,572	463,555
Taxes Payable	9,990	5,076	6,570
Lease liabilities	2,582	2,253	2,549
Other current liabilities	31,347	24,026	26,491
Total current liabilities	468,121	242,973	505,066
Total Liabilities	952,418	837,965	993,930
TOTAL EQUITY AND LIABILITIES	1,348,825	1,198,363	1,371,556

Legal organization March 2020



axactor.com

AXACTOR