

AXACTOR

Q1 2021

30 April 2021





# Agenda

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## Who is Axactor

- About us
- Strategy



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## Main events Q1 2021



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## Financial highlights



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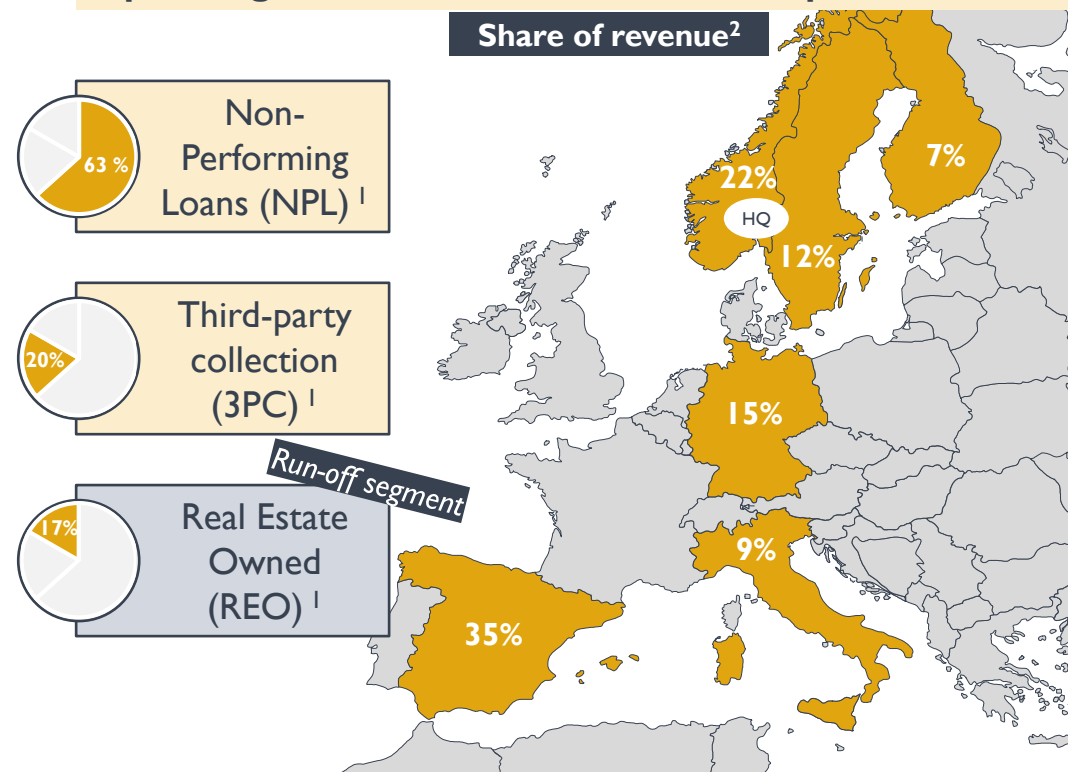
## Outlook

# Axactor is an established European debt collection company that has grown rapidly in targeted markets

## A leading European debt collector

- Established in Q4 2015 with headquarters in Oslo, Norway, and is one of Europe's top-ten debt collectors
- Main focus on collection and acquisition of unsecured non-performing loans ("NPL") from financial institutions and third-party collection ("3PC")
- Operations in six countries; Finland, Germany, Italy, Norway, Spain and Sweden, with 1,095 FTEs
- Portfolio acquisitions north of EUR 600m for 2019 and 2020 combined
- Geveran owns ~40% of Oslo-listed Axactor SE

## Operating in a few, stable and well developed markets





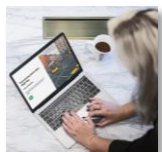
# Unique strategic direction to drive profitable growth

## Markets



- **Organic growth** in existing markets
- Carefully selected **attractive markets**

## Products



- Core products: **NPL** and **3PC**
- Fresh **unsecured consumer debt**

## Industries



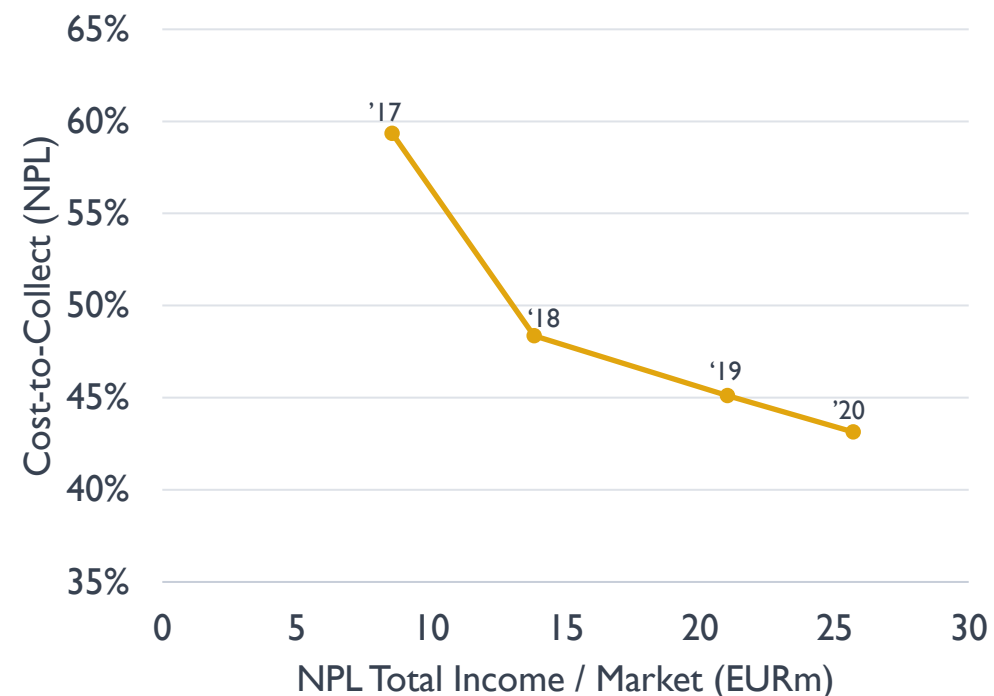
- Focus on **Bank and Finance** segment

## Platform



- **Cloud based IT platform** with **unified operational processes** and **BI** with **low legacy cost**
- Focus on **standardization**, cross-border **cooperation** and **efficiency**

NPL Cost-to-Collect vs. income per market<sup>1</sup>  
(EUR million and %)



# Key factors to improve return on equity

- Leveraging scale benefits as Axactor continue the growth journey

Reduce  
cost-to-collect



Grow 3PC



Enhance IRR on  
NPL portfolios



Lower  
funding cost



Maturity effects

*Technology development and employee training to maintain industry leading European debt collection platform*

*Capital light, recurring business supporting scale and improving ability to do targeted and informed NPL investments*

*Enhanced IRR through careful selection of portfolios based on increasingly strong debtor insights and strict investment criteria*

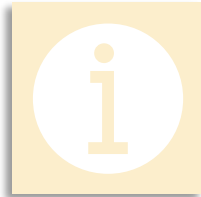
*Lower funding cost through balanced mix of funding sources, enabled by improved track record and independent credit rating*

*Reducing effective tax rate, simplification of legal structure and phasing out the REO segment*



# Agenda

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**Who is Axactor**



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**Main events Q1 2021**

- Financial highlights
- Key events
- ESG update



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**Financial highlights**



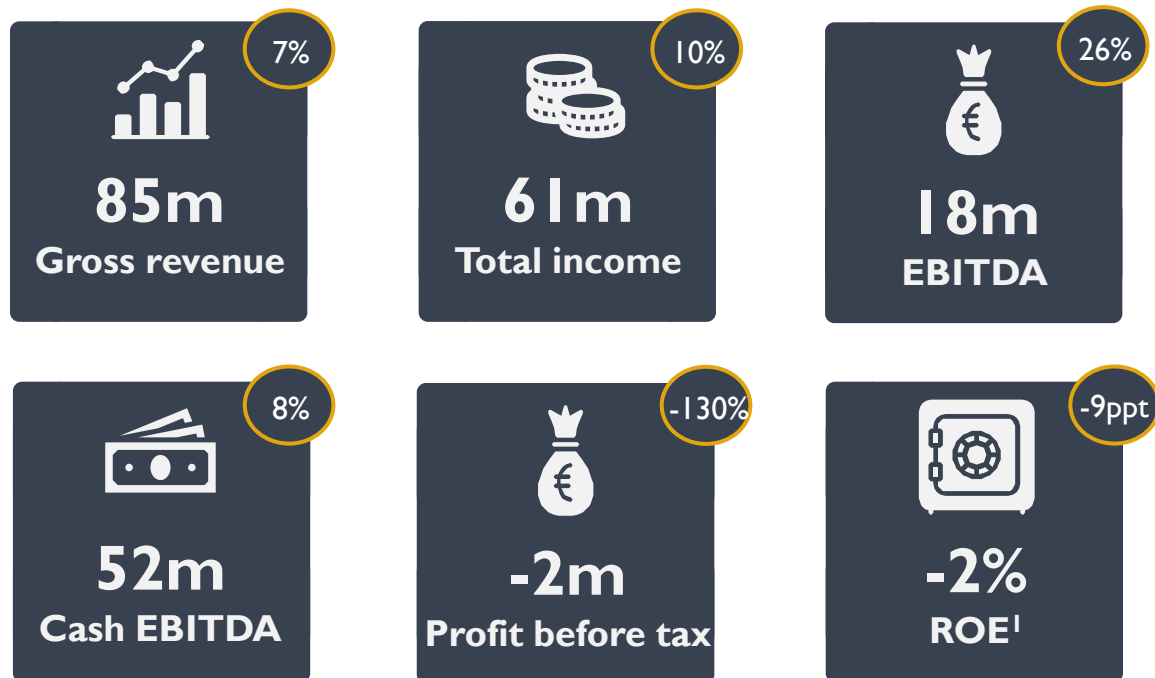
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**Outlook**

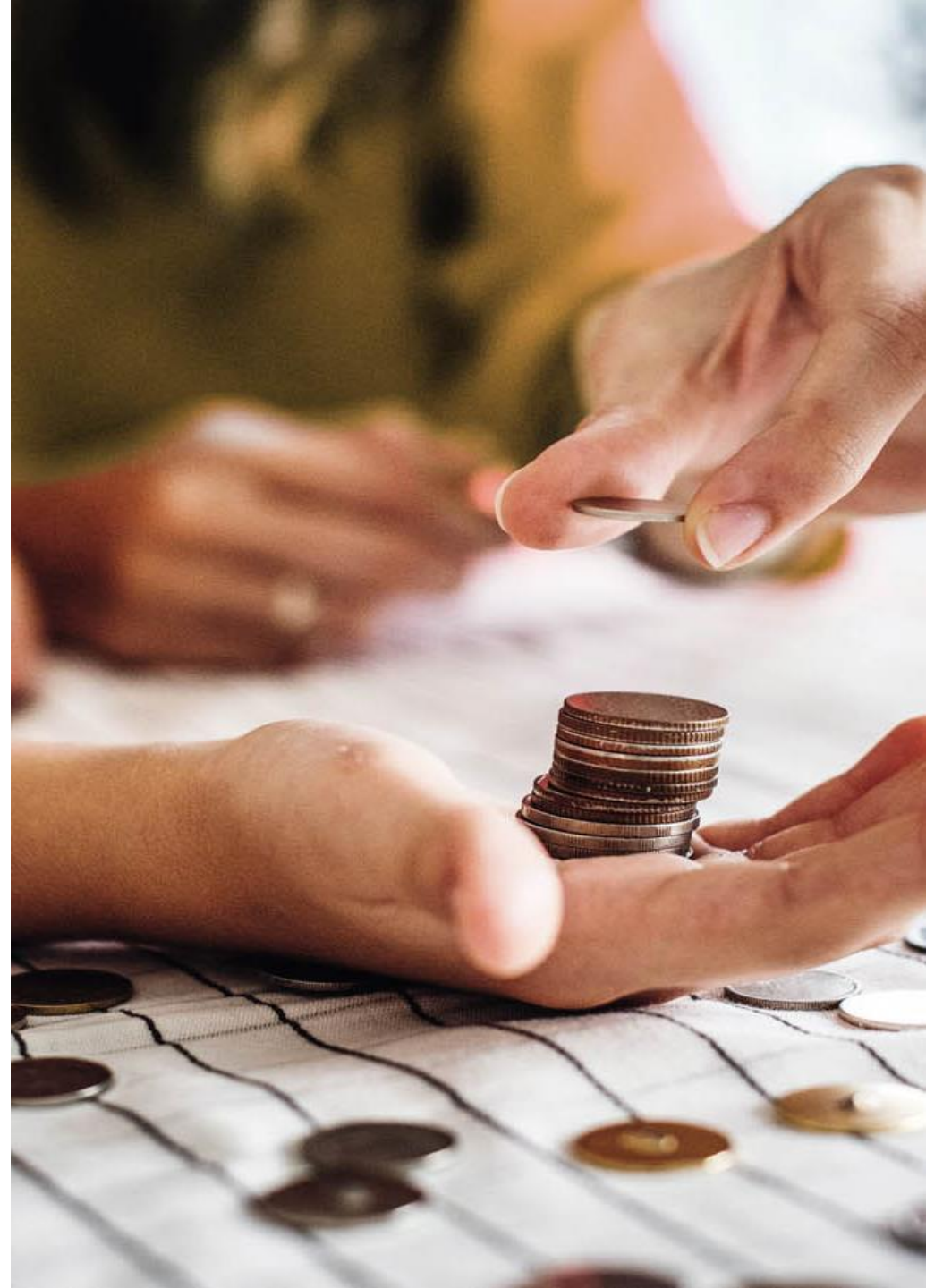
**AXACTOR**

# Key Financial Highlights Q1 2021

All numbers in EUR



 YoY growth





# Restructuring of balance sheet finalized in Q1

## Main deal components:

- ✓ EUR ~50m equity raise
- ✓ Axactor Invest I roll-up
- ✓ All major credit facilities refinanced



## Key effects:

- ✓ Reduced complexity
- ✓ Extended maturities
- ✓ Reduced funding cost
- ✓ Increased investment capacity
- ✓ Increased equity ratio



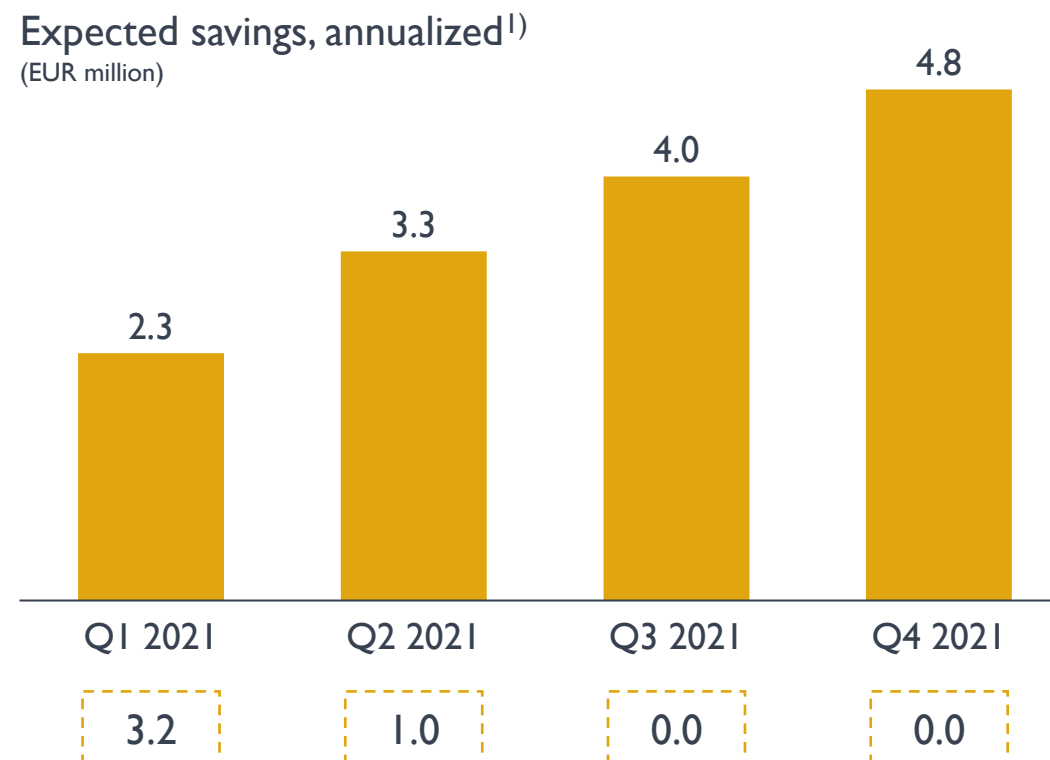


# Cost reduction program targeting EUR ~5m in savings

- Further improving our competitive advantage

- Site-consolidation in Spain:
  - Sevilla, Bilbao and Zaragoza to be closed
- Large number of smaller initiatives:
  - Optimizing the organization
  - Evaluating and renegotiating vendor contracts
  - Outsourcing non-core tasks
- Most initiatives implemented during H1 2021
  - Full savings impact from Q4 2021
  - All restructuring cost taken in H1 2021

Restructuring cost



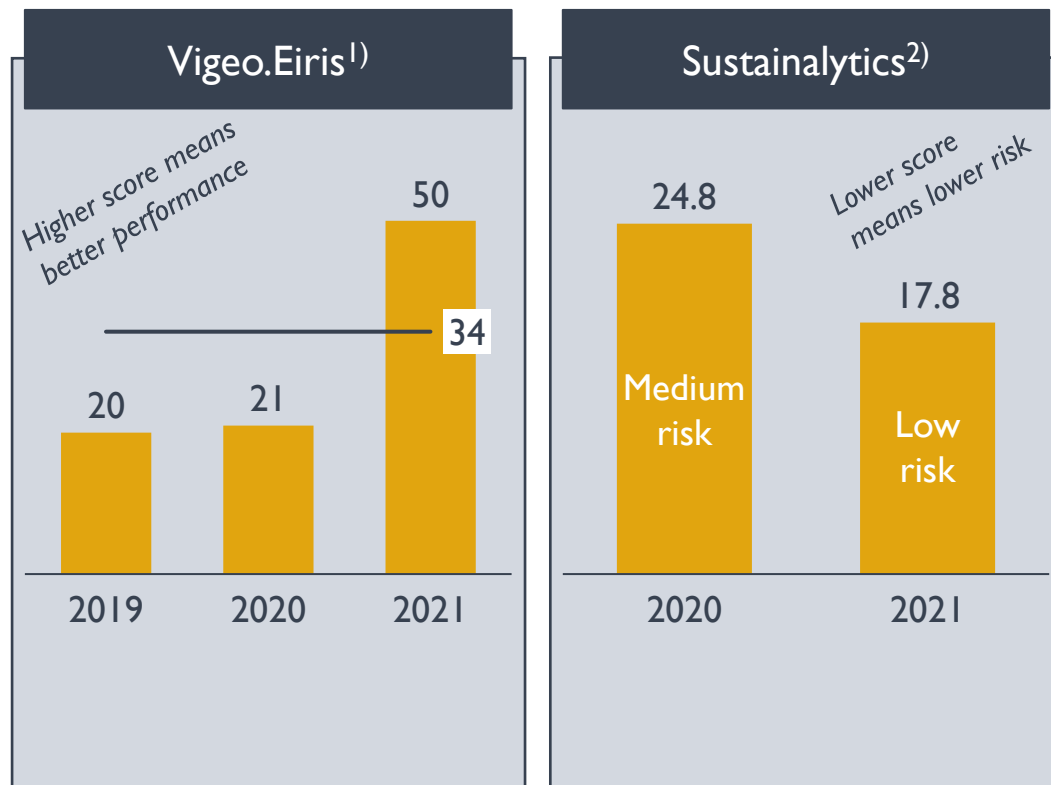


## 3PC market improving, although slower than anticipated

- High customer retention through the pandemic
  - Lower volumes received – expect reversion as societies reopen
  - Moratorium in Italy extended until June 2021
- Building strong 3PC pipeline across all markets
  - Advanced negotiations over significant deals
  - Further improvement expected towards H2 2021
- 3PC/forward flow combo deals signed in Norway
  - One in Q1 and one in April

# Improving ESG ratings step-by-step

- Independent rating agencies Vigeo.Eiris and Sustainalytics cover Axactor



■ Axactor score  
— Industry average 2021

- Focus on ESG related topics from inception
- Sustainability report implemented in AR 2019, significantly improved in AR 2020
  - 2021 score do not fully reflect 2020 AR improvements
- Will continue to drive improvements and raise the bar for the industry

11 <sup>1)</sup> Vigeo.Eiris rating scale is 0-100, where a higher score indicates better performance in terms of ESG

<sup>2)</sup> Sustainalytics rating scale indicates the risk level in terms of ESG: 0-10 Negligible risk, 10-20 Low risk, 20-30 Medium risk, 30-40 High risk, 40+ Severe risk





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**Who is Axactor**



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**Financial highlights**

- Operating segments
- Profit & Loss
- Return on equity



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**Outlook**

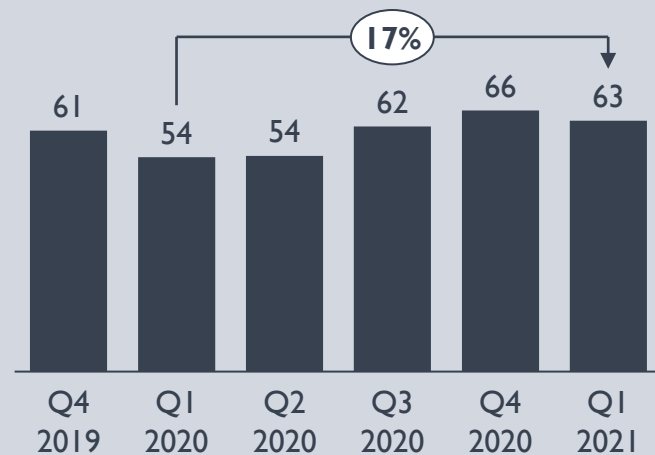
# Q1 normally a seasonally weak quarter

- Continued NPL growth, lower 3PC volumes through Covid-19 pandemic

## Core business segments

### NPL Gross revenue

(EUR million)



### 3PC Gross revenue

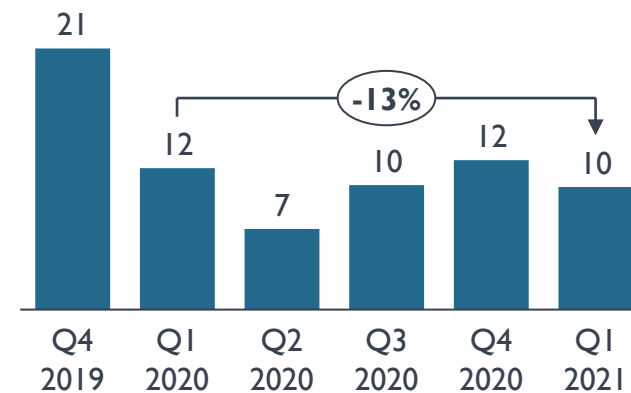
(EUR million)



## Run-off business segment

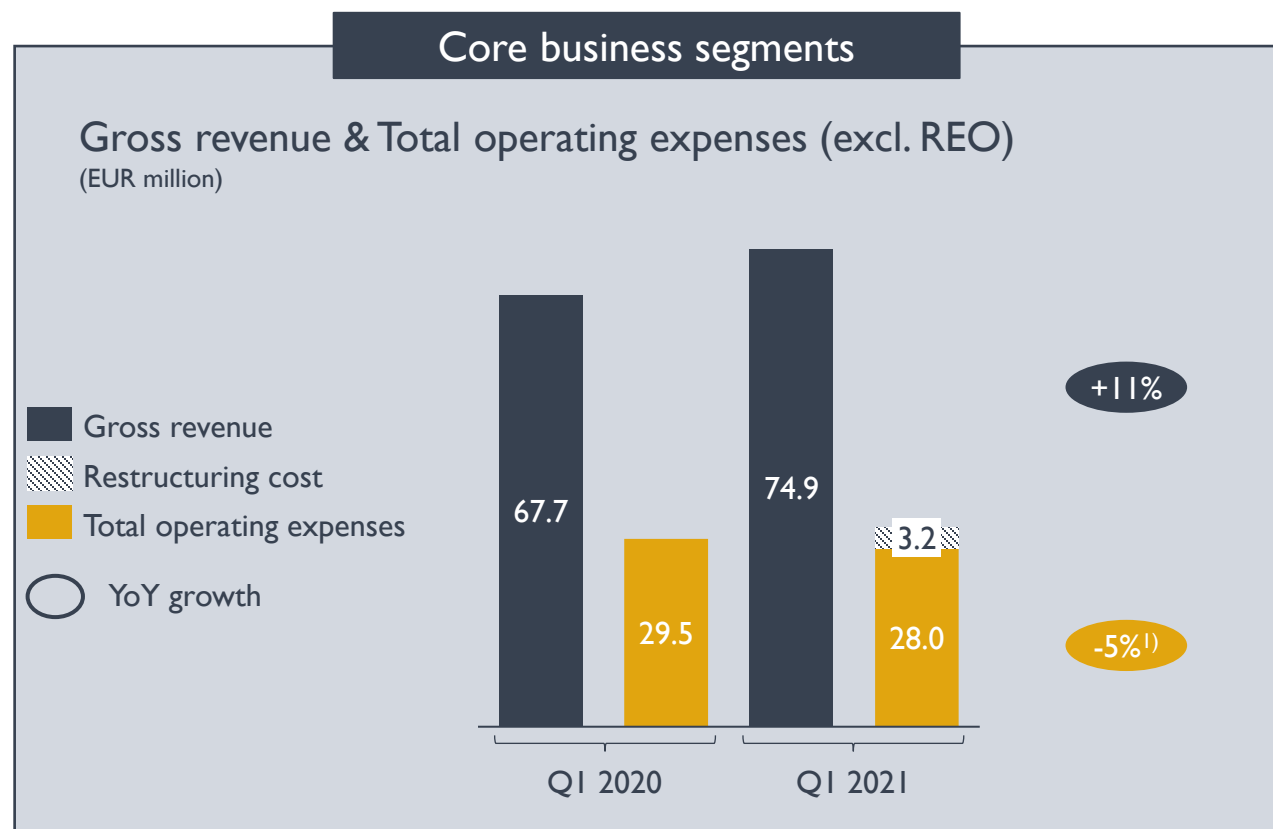
### REO Gross revenue

(EUR million)



# Further improving the industry leading cost level

- Cost cutting initiative to drive additional improvements over coming quarters



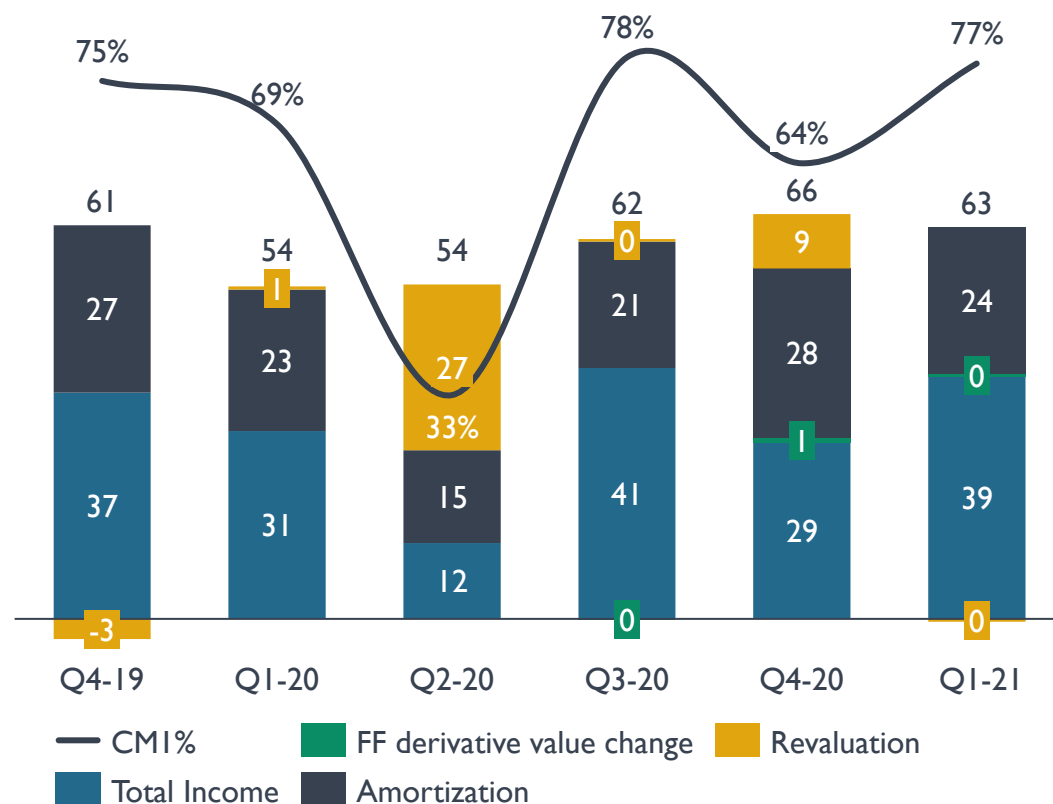
- Industry leading cost-to-collect is a key element of Axactor's strategy
- Cost position further improved YoY in Q1, adjusted for restructuring cost
- Cost cutting initiative expected to drive further improvements through 2021



# NPL with continued gross revenue growth

- Supported by portfolio investments north of EUR 200m through 2020

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

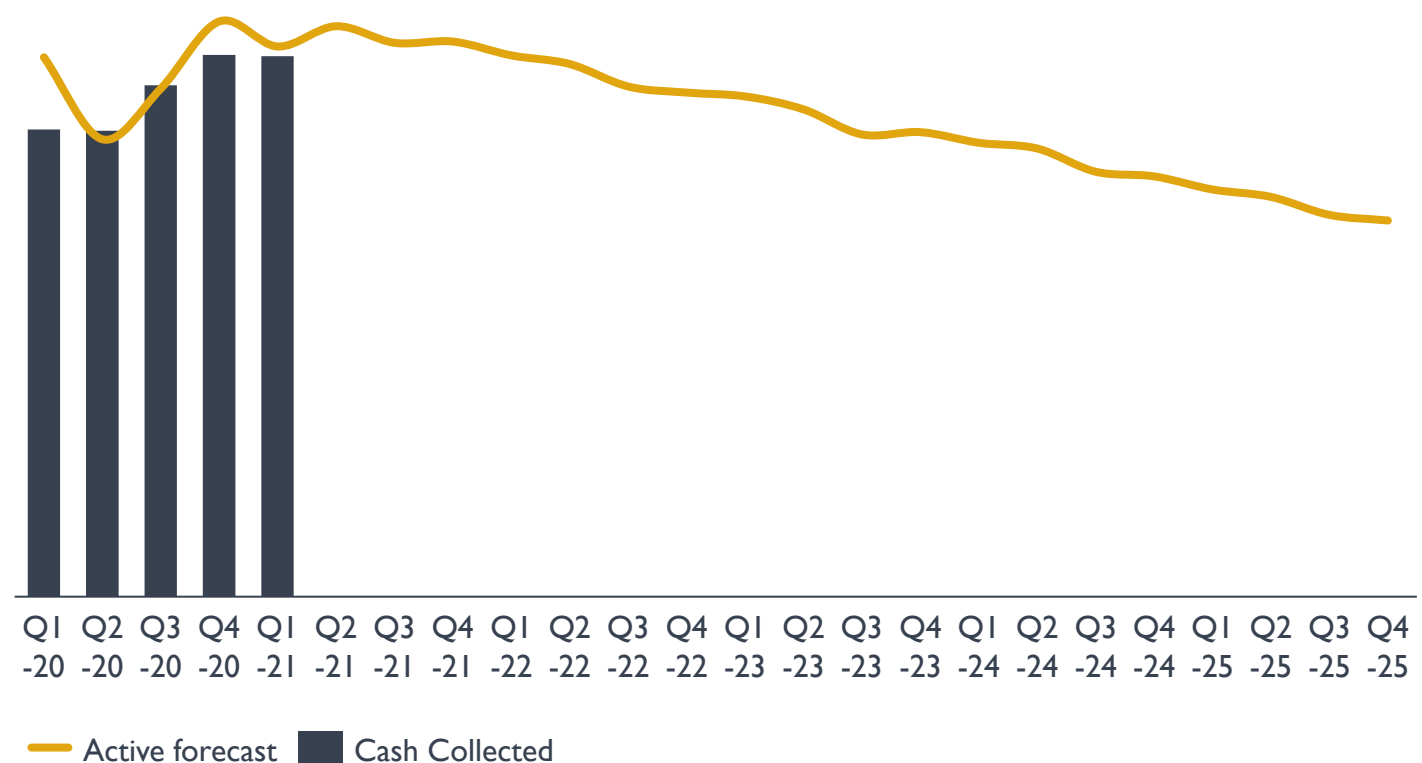


- 17% YoY gross revenue growth
  - Driven by continued investments in NPL portfolios
- Seasonally slow quarter and still negatively impacted by Covid-19 implications
- Maintained high margin

# NPL active forecast aligned with current performance

- Stronger seasonality in the second quarter

Active forecast versus cash collected<sup>1</sup>



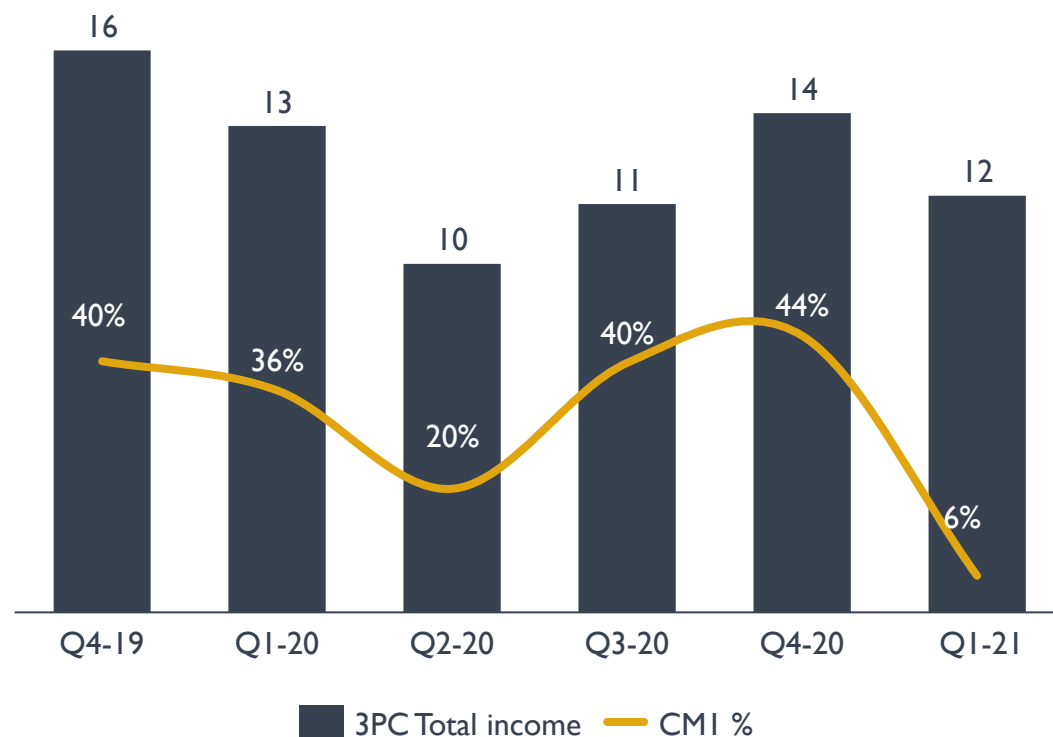
- Unsecured NPL collection performance in Q1 2021 of 98%
- Historic underperformance assumed lost – prudent approach
- Expect long-term performance to fluctuate around 100%

# 3PC Development

- Restructuring cost of EUR ~3m included in a seasonally slow quarter

## 3PC income and CMI%

(EUR million and %)



- Negative impacts related to Covid-19 continue, particularly for Spain and Italy
  - High customer retention during the pandemic, but lower volumes – expect volume reversion as societies reopen
  - Sales processes take longer time during the pandemic
- Market is improving with increasing pipeline
- Margin driven down by EUR 2.8m restructuring cost
  - Expected to generate significant savings going forward



# REO Development (run-off segment)

- Good sales momentum on a declining asset base

## REO income and CMI%

(EUR million and %)



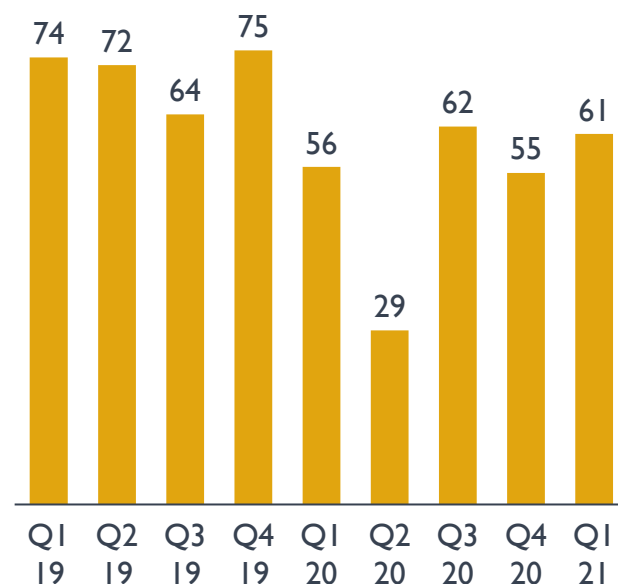
- Revenue upheld on good level despite declining asset base
  - Inventory down 36% since Q1 2020
  - 304 assets sold during Q1 2021
  - 2,391 assets in inventory at quarter-end
- Book value down to EUR 68m
  - Axactor exposure of ~40% due to minority interest

# Summary: YoY income growth and margin expansion

- Despite EUR ~3m restructuring cost included in the quarter

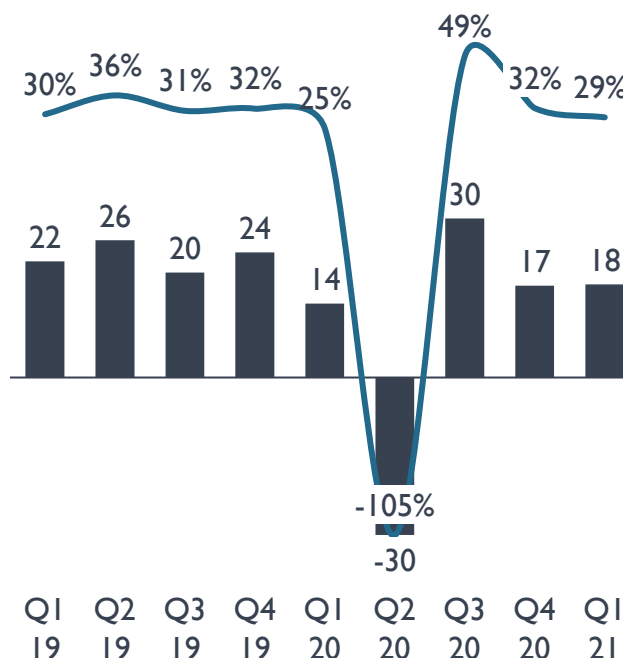
## Total Income

(EUR million)



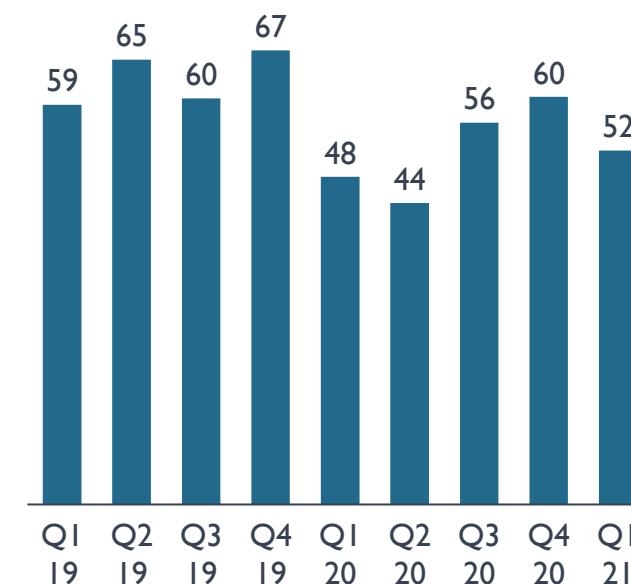
## EBITDA and EBITDA-margin

(EUR million and %)



## Cash EBITDA

(EUR million)



# Earnings hit by unrealized FX loss

<i>Figures in EUR million</i>	<b>Q1-21</b>	<b>Q1-20</b>
EBITDA	17.7	14.1
Depreciation & amortization	-2.6	-2.6
<b>EBIT</b>	<b>15.1</b>	<b>11.5</b>
Net financial items	-16.8	-5.9
<b>Profit before tax</b>	<b>-1.7</b>	<b>5.6</b>
Tax expense	-1.7	-2.1
<b>Net profit after tax</b>	<b>-3.4</b>	<b>3.4</b>
of which attributable to non-controlling interests	-2.0	-1.7
of which attributable to equity holders	-1.4	5.2
<b>Return on Equity, excluding non-controlling interests, annualized (%)</b>	<b>-1.6</b>	<b>7.2</b>

- Net financial items include unrealized FX loss of EUR 4.0m
  - Q1-20 included unrealized FX gain of EUR 9.6m
- Net tax expense despite negative profit before tax
  - Unrealized FX loss not tax deductible
- Return on equity, excluding non-controlling interests, of negative 1.6%
- Minority interests solely related to Reolux and its subsidiaries as of Q1 2021

# Two significant items affecting Q1 result

Two items affecting Q1 2021 result

<i>Figures in EUR million</i>	<b>Reported</b>	<b>Restructuring cost (A)</b>	<b>FX impact (B)</b>	<b>Excluding (A)-(B)</b>
Gross revenue	84.9	0.0	0.0	84.9
NPL portfolio amortization & revaluation	-23.5	0.0	0.0	-23.5
Change in value of forward flow derivatives	-0.4	0.0	0.0	-0.4
<b>Total income</b>	<b>61.0</b>	<b>0.0</b>	<b>0.0</b>	<b>61.0</b>
REO cost of sale (incl. impairment)	-10.4	0.0	0.0	-10.4
Other operating expenses	-32.9	3.2	0.0	-29.7
<b>Total operating expenses</b>	<b>-43.3</b>	<b>3.2</b>	<b>0.0</b>	<b>-40.1</b>
<b>EBITDA</b>	<b>17.7</b>	<b>3.2</b>	<b>0.0</b>	<b>20.9</b>
Depreciation & amortization	-2.6	0.0	0.0	-2.6
<b>EBIT</b>	<b>15.1</b>	<b>3.2</b>	<b>0.0</b>	<b>18.3</b>
Net financial items	-16.8	0.0	3.2	-13.6
<b>Profit before tax</b>	<b>-1.7</b>	<b>3.2</b>	<b>3.2</b>	<b>4.7</b>

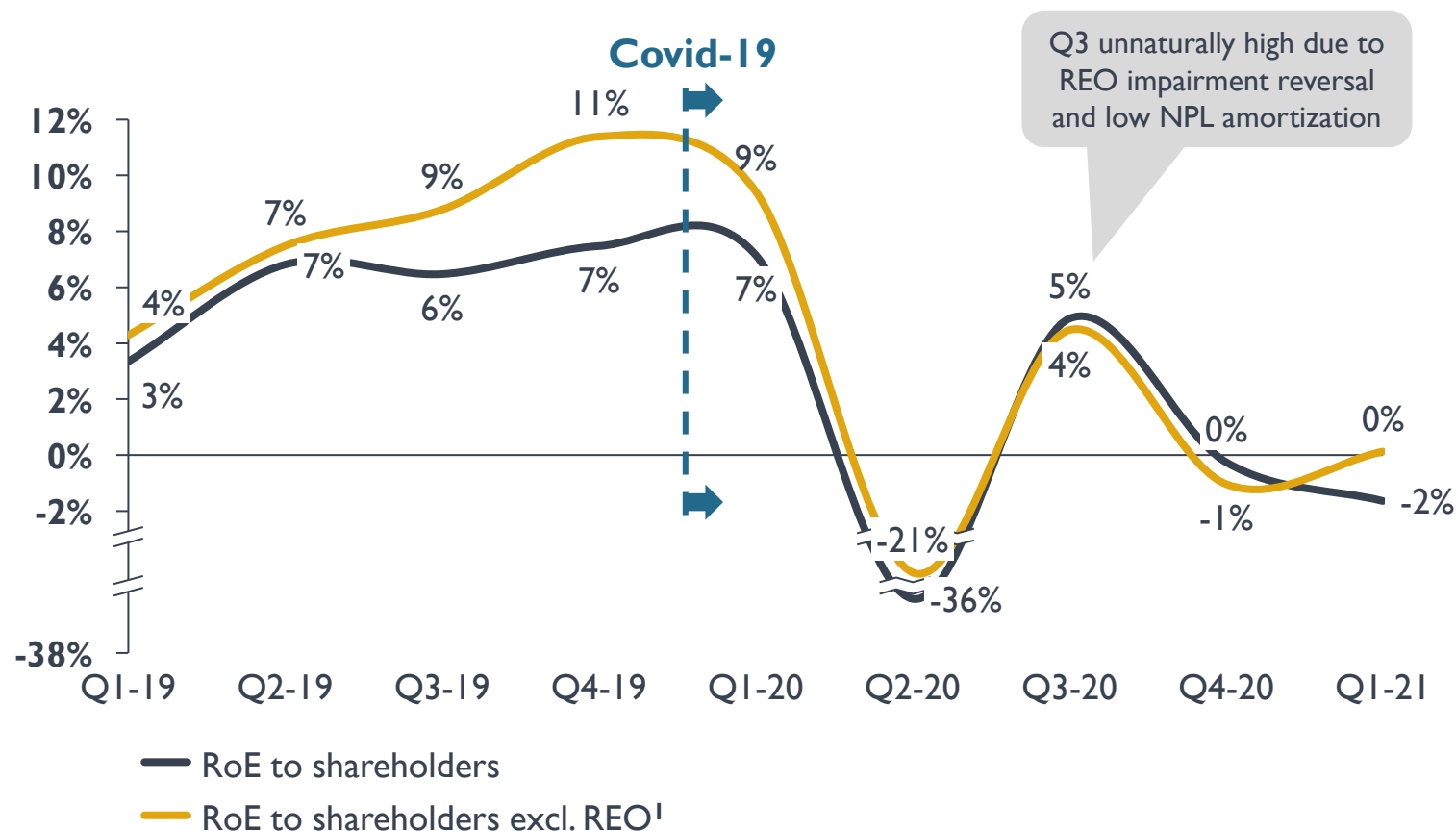
- EUR 3.2m restructuring cost primarily related to a site consolidation in Spain
- Unrealized FX loss of EUR 4.0 million and net realized gain of EUR 0.7m
- Profit before tax excluding restructuring cost and net FX impact of EUR 4.7m



# Our number one goal is to increase Return on Equity

- Aim to initiate dividend payments as return on equity gradually improves

## Return on Equity excl. minorities per quarter (annualized)



- 2020 heavily affected by the pandemic
- Q1 2021 reflect restructuring cost and unrealized FX loss
- Expect RoE to improve over time as underlying business improves and as societies slowly defeat the pandemic



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# Outlook

- Covid-19 impact on business stabilized – do not anticipate sudden movements in either direction
- 3PC volume expected to return to pre-pandemic levels as societies re-open
- Cost reduction program targeting EUR 4.8m annualized savings by year-end
  - EUR ~1.0m restructuring cost expected in Q2 2021
- Increasing market activity for both 3PC and NPL
  - Expect overhang of volumes released to market in H2 2021
- Axactor strictly prioritizes best NPL deals
  - NPL investment guiding of more than EUR 200m reiterated





# Supporting information



# NPL portfolio

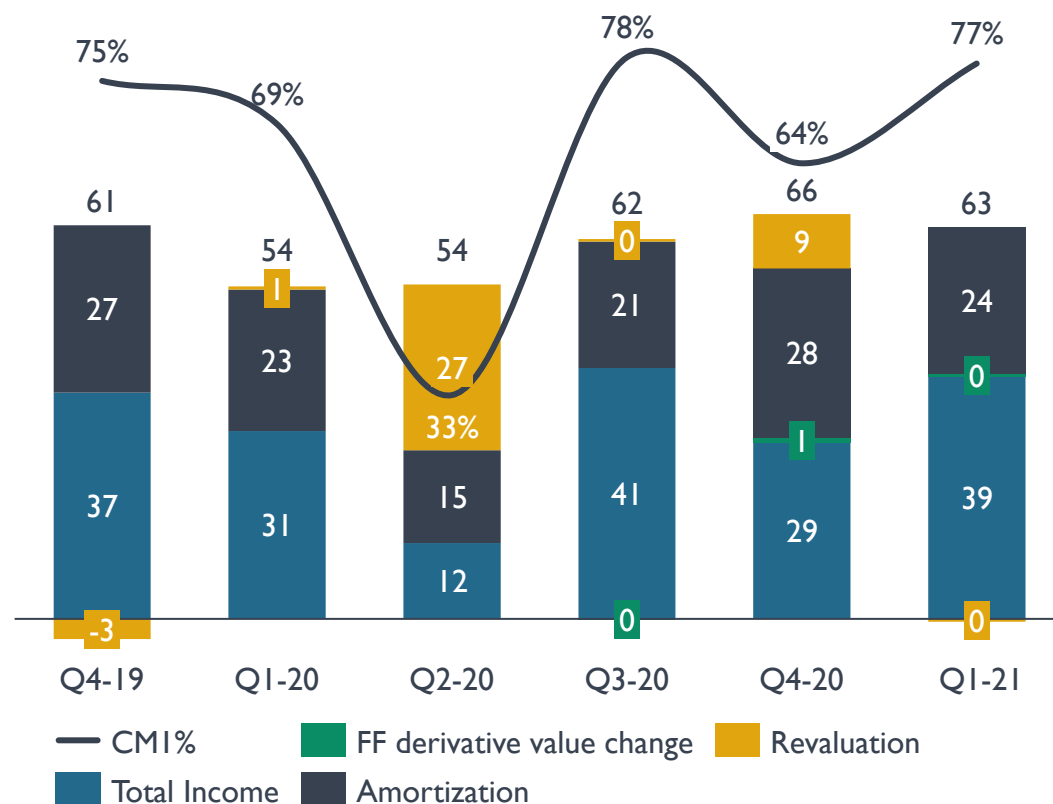
Q1 2021



# NPL with continued gross revenue growth

- Supported by portfolio investments north of EUR 200m through 2020

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

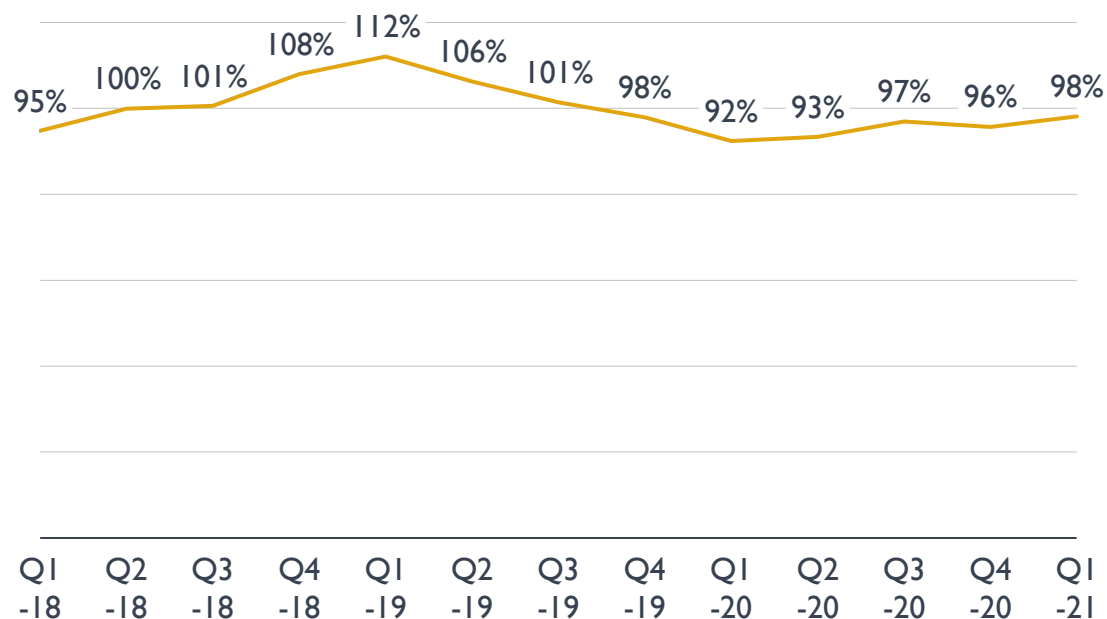


- 17% YoY gross revenue growth
  - Driven by continued investments in NPL portfolios
- Seasonally slow quarter and still negatively impacted by Covid-19 implications
- Maintained high margin

# Improving collection performance

## Actual collection vs. active forecast<sup>1</sup>

(LTM, rolling)

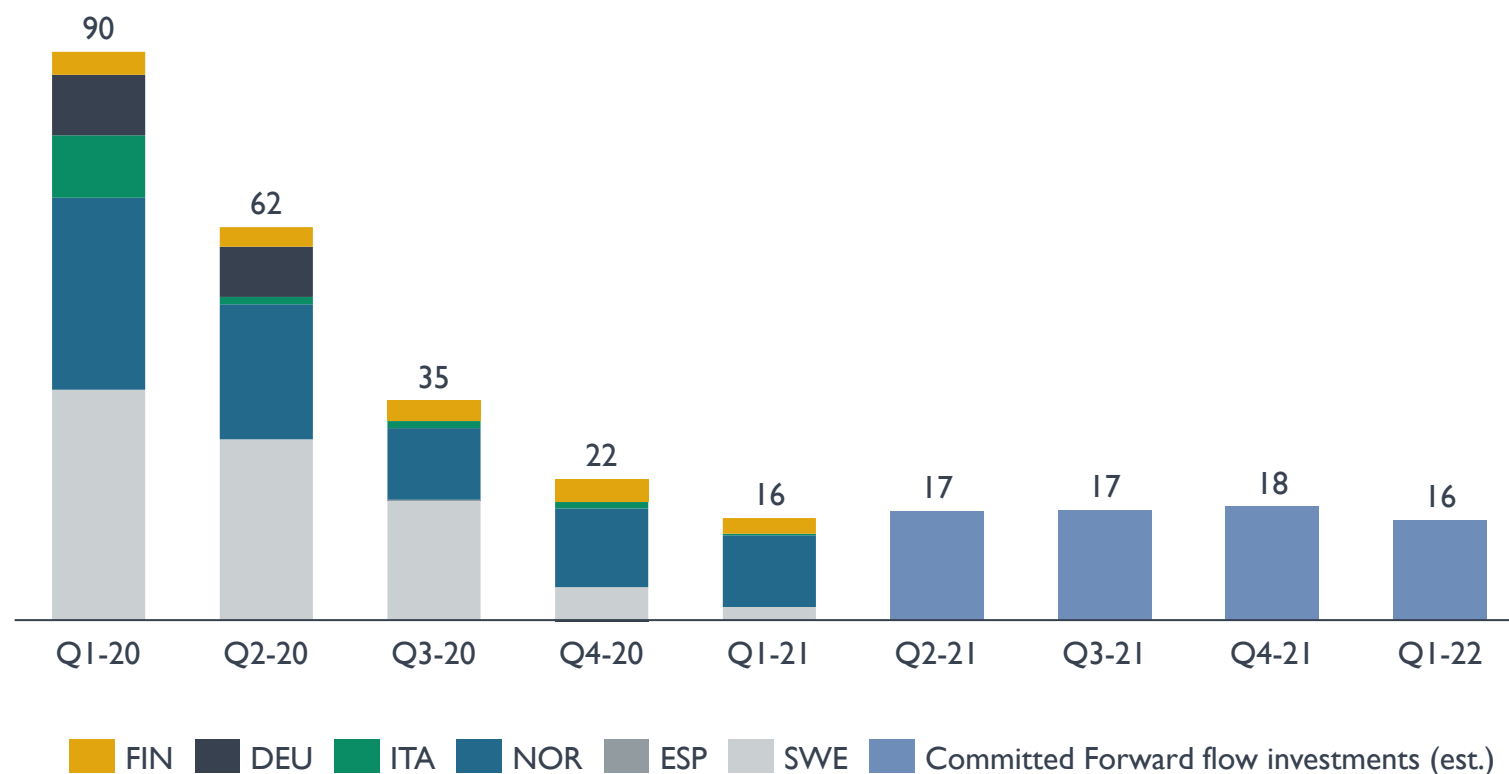


- Q1 collection performance of 98%
  - LTM collection performance of 98%
- Curves for 2021 aligned with current performance
- Long term average performance expected to fluctuate around 100%

# Modest investment commitments

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

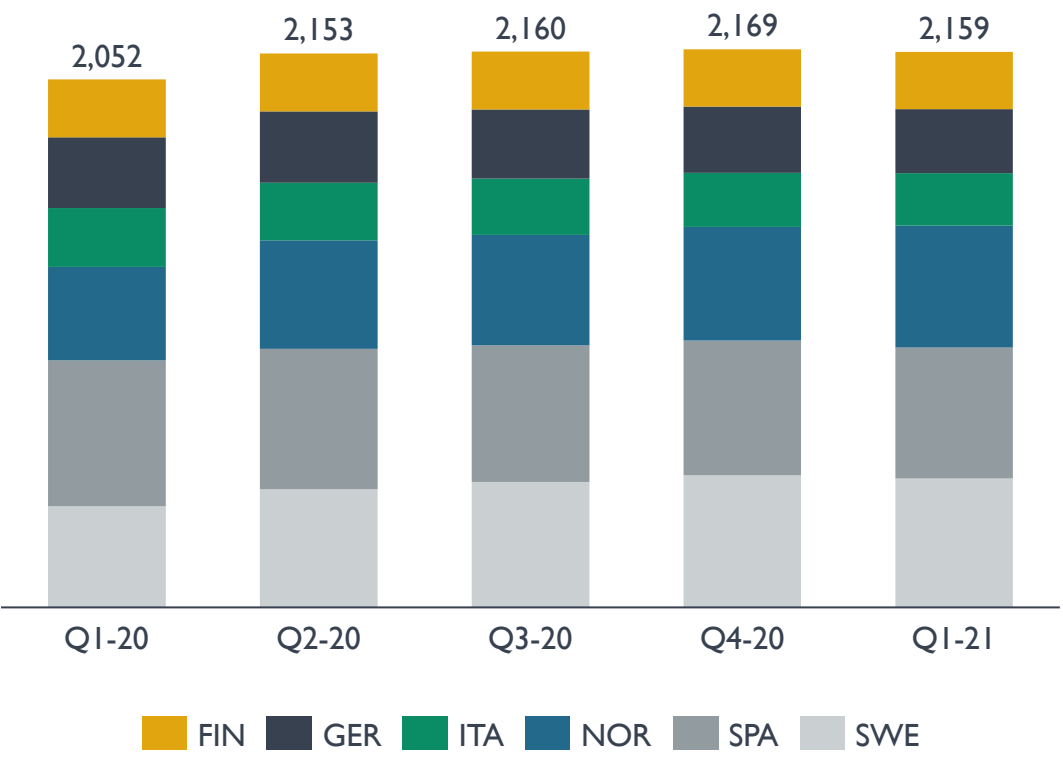
Quarterly NPL investments  
(EUR million)



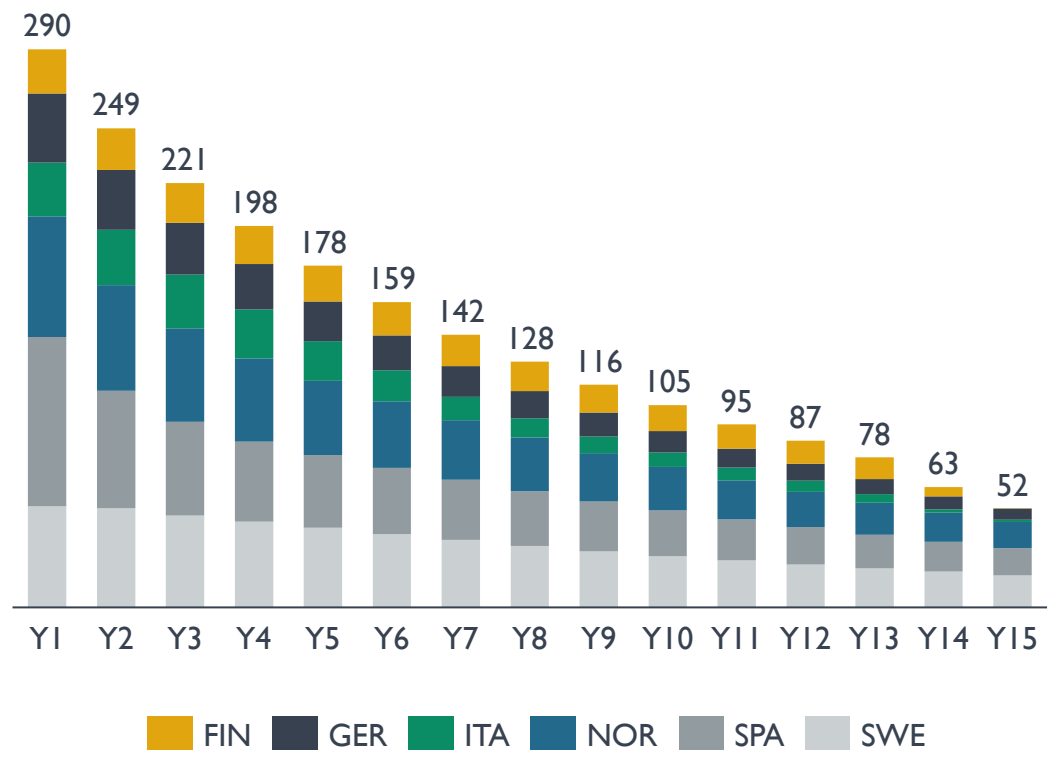
- Stable forward flow volume
- Improving pipeline, but expect majority of 2021 volume in H2
- Increased focus on one-off transactions to reduce liquidity risk

# Stable ERC level

ERC development  
(EUR million)



Forward ERC profile by year  
(EUR million)





**3PC**

Q1 2021

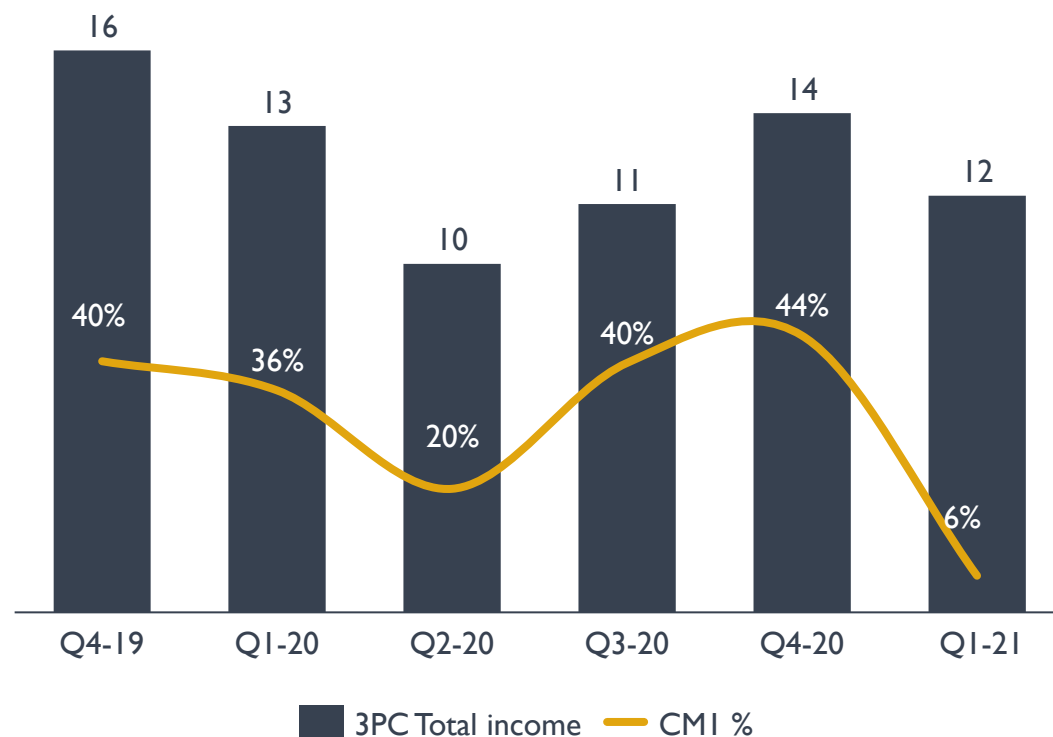


# 3PC Development

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## 3PC income and CMI%

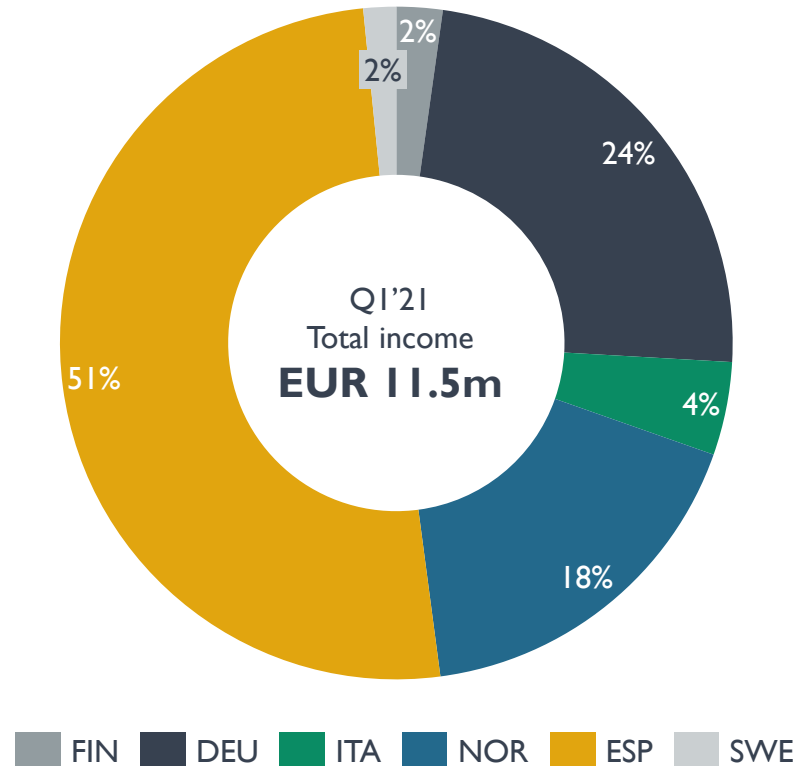
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# 3PC volumes by geographic region

3PC total income split by geographic region



- Spain generate majority of 3PC income
- Germany share of revenue continue to increase
- Nordics accounting for 21% of revenue



# **REO portfolio (run-off segment)**

Q1 2021

# REO Development (run-off segment)

- Good sales momentum on a declining asset base

## REO income and CMI%

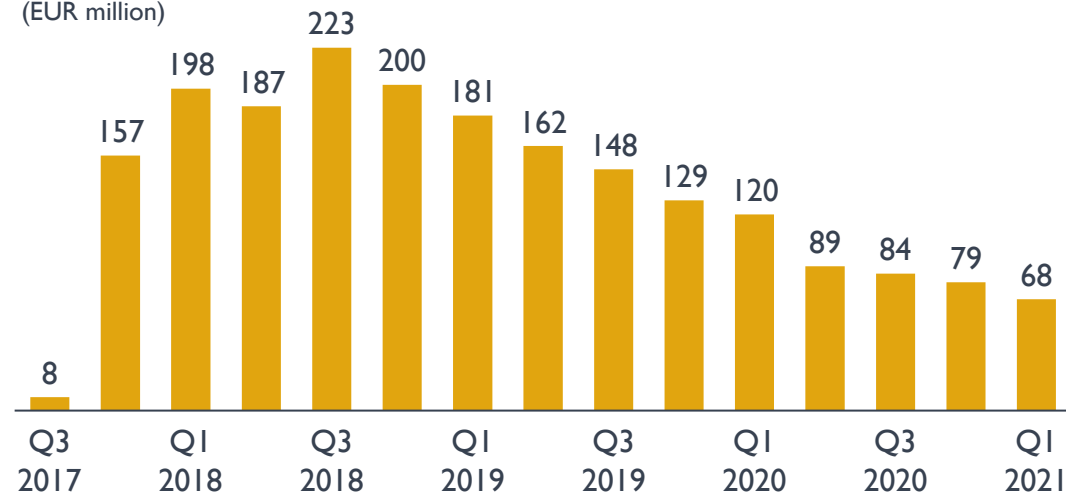
(EUR million and %)



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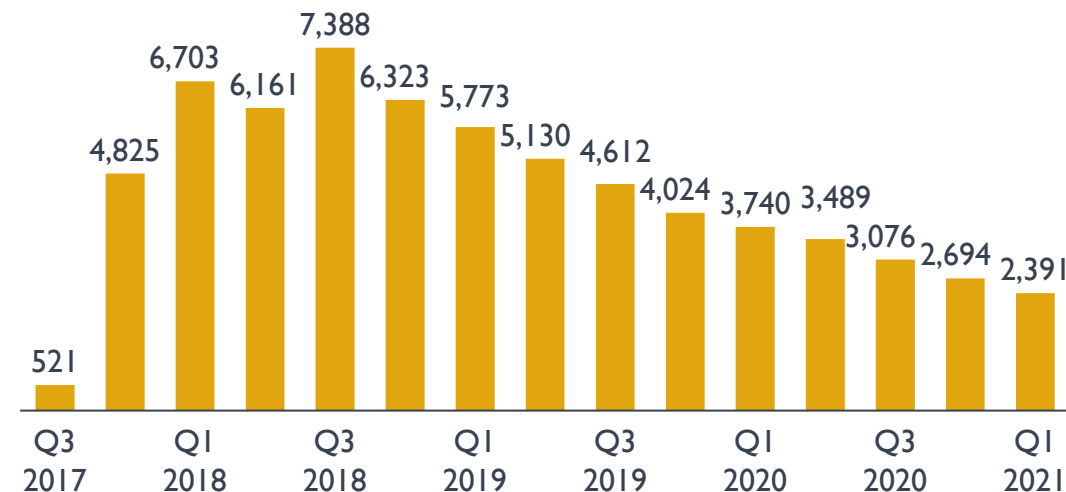
# REO portfolio moving towards the tail

REO book value\*  
(EUR million)



- Total portfolio investments of EUR 286m\*
- Last portfolio acquisition in Q3 2018
  - 69% decline in book value since peak
- Limited tail risk
  - Axactor owns ~40% of the REO book

REO # of units\*



- A total of 8,654 assets acquired\*
- 6,263 assets sold



# REO statistics\*

(EUR million)

Current book				
Asset class	# assets	% of total	Book value	% of total
Housing	960	40 %	36.5	53 %
Parking, annex etc.	797	33 %	3.0	4 %
Land	258	11 %	4.4	6 %
Commercial	376	16 %	25.8	38 %
Elimination	0	0 %	-1.2	-2 %
<b>Total</b>	<b>2,391</b>	<b>100 %</b>	<b>68.5</b>	<b>100 %</b>

Originally acquired				
Asset class	# assets	% of total	Book value	% of total
Housing	4,033	47 %	194.8	68 %
Parking, annex etc.	3,394	39 %	15.8	6 %
Land	356	4 %	9.3	3 %
Commercial	871	10 %	66.4	23 %
<b>Total</b>	<b>8,654</b>	<b>100 %</b>	<b>286.3</b>	<b>100 %</b>

- Housing represent 53% 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 32k
  - Average sale price per sold asset of EUR 38k



# Appendix

# P&L statement

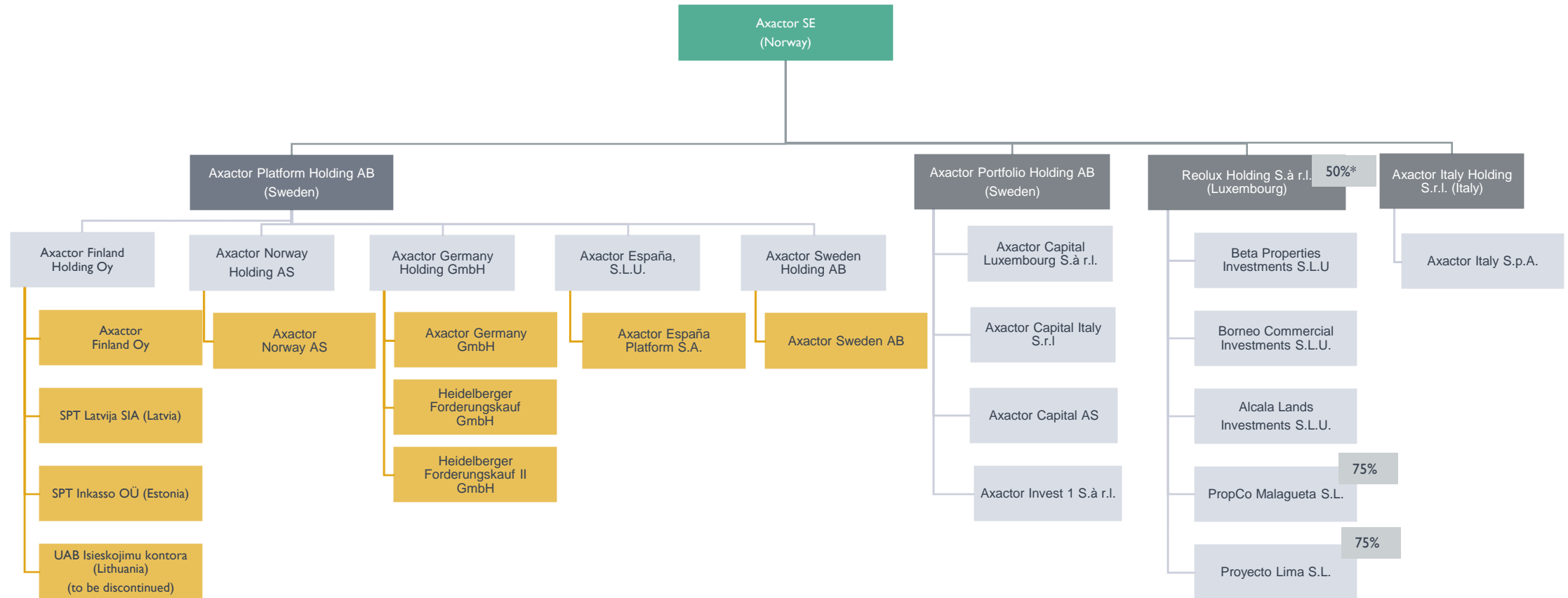
EUR thousand	For the quarter end		For the quarter end / YTD	
	31 Mar 2021	31 Mar 2020	31 Mar 2021	31 Mar 2020
Interest income from purchased loan portfolios	41,898	39,326	41,898	39,326
Net gain/(loss) purchased loan portfolios	-2,036	-8,758	-2,036	-8,758
Other operating revenue	21,170	25,003	21,170	25,003
Other income	0	28	0	28
Total income	61,031	55,599	61,031	55,599
Cost of REO's sold, incl impairment	-10,386	-10,175	-10,386	-10,175
Personnel expenses	-18,867	-14,901	-18,867	-14,901
Operating expenses	-14,036	-16,395	-14,036	-16,395
Total operating expenses	-43,289	-41,470	-43,289	-41,470
EBITDA	17,743	14,129	17,743	14,129
Amortization and depreciation	-2,594	-2,612	-2,594	-2,612
EBIT	15,149	11,517	15,149	11,517
Financial revenue	904	9,733	904	9,733
Financial expenses	-17,737	-15,654	-17,737	-15,654
Net financial items	-16,833	-5,922	-16,833	-5,922
Profit/(loss) before tax	-1,684	5,595	-1,684	5,595
Tax (expense)	-1,709	-2,145	-1,709	-2,145
Net profit/(loss) after tax	-3,394	3,450	-3,394	3,450
Attributable to:				
Non-controlling interests	-1,959	-1,716	-1,959	-1,716
Equity holders of the parent company	-1,434	5,166	-1,434	5,166
Earnings per share: basic	-0.005	0.030	-0.005	0.030
Earnings per share: diluted	-0.005	0.028	-0.005	0.028

# Balance sheet statement

EUR thousand	31 Mar 2021	31 Mar 2020	Full year 2020
<b>ASSETS</b>			
<i>Intangible non-current assets</i>			
Intangible Assets	19,450	21,216	19,989
Goodwill	55,874	52,965	54,879
Deferred tax assets	7,760	9,665	7,769
<i>Tangible non-current assets</i>			
Property, plant and equipment	2,328	2,818	2,530
Right-of-use assets	4,477	5,475	4,826
<i>Financial non-current assets</i>			
Purchased debt portfolios	1,123,596	1,064,619	1,124,699
Other non-current receivables	467	556	458
Other non-current investments	196	193	196
<b>Total non-current assets</b>	<b>1,214,148</b>	<b>1,157,507</b>	<b>1,215,346</b>
<i>Current assets</i>			
Stock of Secured Assets	68,463	120,346	78,786
Accounts Receivable	7,229	10,371	7,124
Other current assets	11,531	11,796	11,645
Restricted cash	2,921	2,640	2,946
Cash and Cash Equivalents	47,131	46,165	47,779
<b>Total current assets</b>	<b>137,276</b>	<b>191,318</b>	<b>148,281</b>
<b>TOTAL ASSETS</b>	<b>1,351,424</b>	<b>1,348,825</b>	<b>1,363,627</b>

EUR thousand	31 Mar 2021	31 Mar 2020	Full year 2020
<b>EQUITY AND LIABILITIES</b>			
<i>Equity attributable to equity holders of the parent</i>			
Share Capital	158,150	97,040	97,040
Other paid-in equity	269,839	236,289	236,562
Retained Earnings	-9,108	7,319	-16,036
Reserves	-6,137	-36,690	-15,999
Non-controlling interests	17,361	92,449	74,113
<b>Total Equity</b>	<b>430,105</b>	<b>396,408</b>	<b>375,680</b>
<i>Non-current Liabilities</i>			
Interest bearing debt	714,283	464,350	579,282
Deferred tax liabilities	6,566	15,458	6,436
Lease liabilities	2,390	3,103	2,804
Other non-current liabilities	1,606	1,385	1,433
<b>Total non-current liabilities</b>	<b>724,845</b>	<b>484,296</b>	<b>589,955</b>
<i>Current Liabilities</i>			
Accounts Payable	6,832	4,418	6,147
Current portion of interest bearing debt	151,577	419,784	356,903
Taxes Payable	13,275	9,990	12,002
Lease liabilities	2,342	2,582	2,282
Other current liabilities	22,449	31,347	20,657
<b>Total current liabilities</b>	<b>196,474</b>	<b>468,121</b>	<b>397,992</b>
<b>Total Liabilities</b>	<b>921,319</b>	<b>952,418</b>	<b>987,947</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,351,424</b>	<b>1,348,825</b>	<b>1,363,627</b>

# Legal organization March 2021



# Terms and abbreviations

## APM / KPI definition

Cash EBITDA	EBITDA adjusted for change in forward flow derivatives, 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, excluding change in forward flow derivatives
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 average equity in period 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 average equity in period, 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 the 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
APM	Alternative Performance Measures
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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