

AXACTOR

Q2 2021

17 August 2021





Agenda



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Company introduction



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Main events Q2 2021



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Financial highlights



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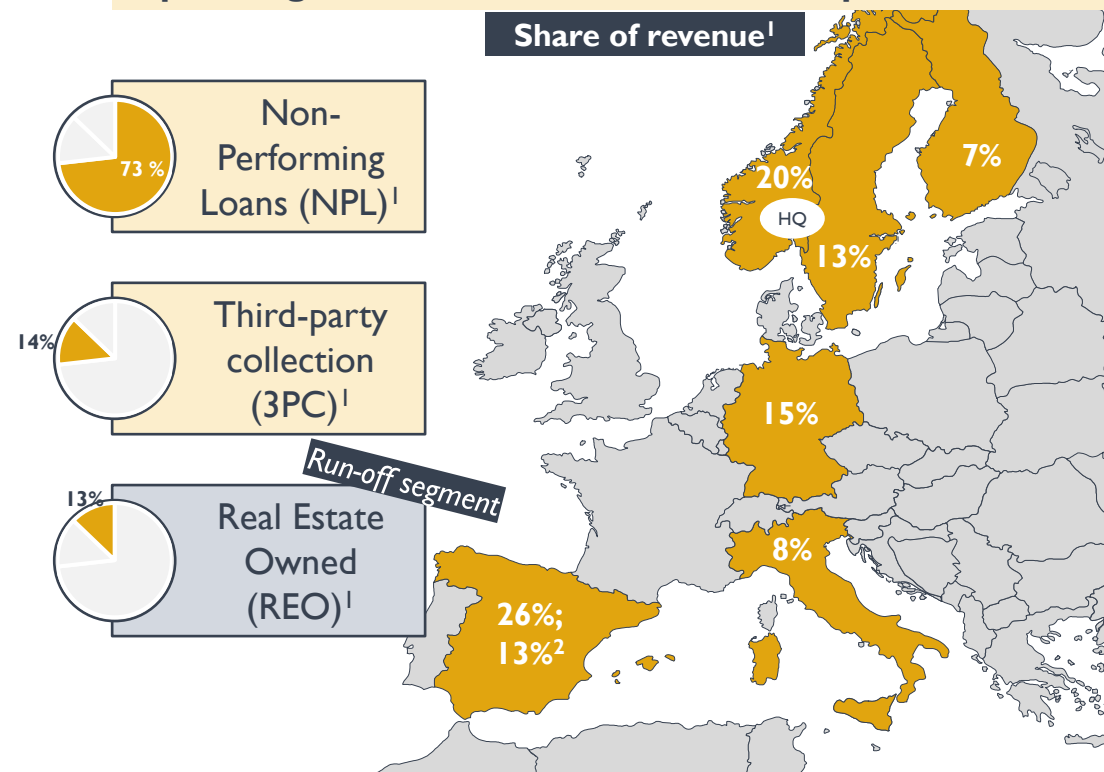
Outlook

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") and third-party collection ("3PC")
- Operations in six countries; Finland, Germany, Italy, Norway, Spain and Sweden, with 1,062 FTEs
- Geveran owns ~44% of Oslo-listed Axactor SE

Operating in a few, stable and well developed markets



Strategic focus has shifted from growing scale during the start-up phase to growing return on equity

Start-up (2016-2020)

Grow scale

- Aggressive growth
- Market entries
- Establish IT and operations

Established player (2021-2024)

Grow return on equity

- Grow size in existing markets
- Operational excellence
- Initiate dividend payments
- Take part in consolidation of the NPL industry

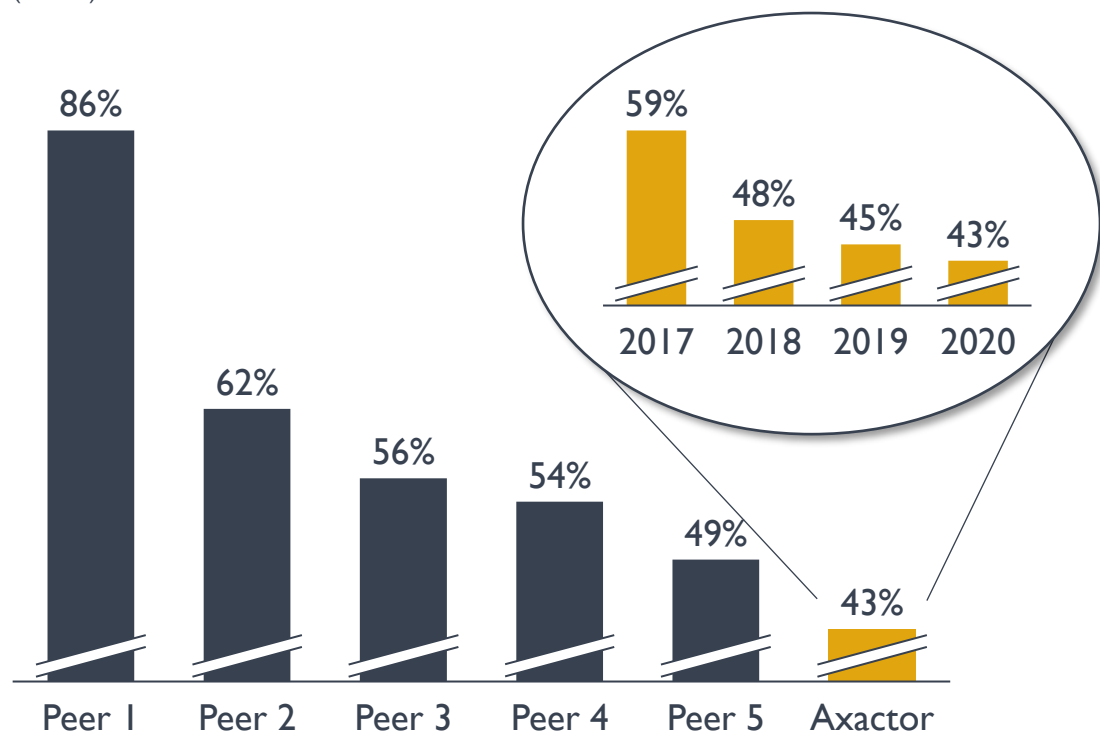
Steady state (2025→)

Grow presence

- Steady state
- Competitive cash return to shareholders
- Use superior operations to enter new markets and segments

Axactor is pursuing a niche strategy to disrupt the industry on cost-to-collect

NPL Cost-to-Collect for selected peers in 2020¹
(EURm)



- Axactor incepted to disrupt the industry on cost-to-collect
- Continued innovation and growing economies of scale to fuel further improvements
- Niche strategy supporting long-term competitiveness
 - Countries: Organic growth in current countries
 - Products: NPL & 3PC
 - Debt origination: Bank and finance
 - Debt type: Fresh, unsecured, business to consumer



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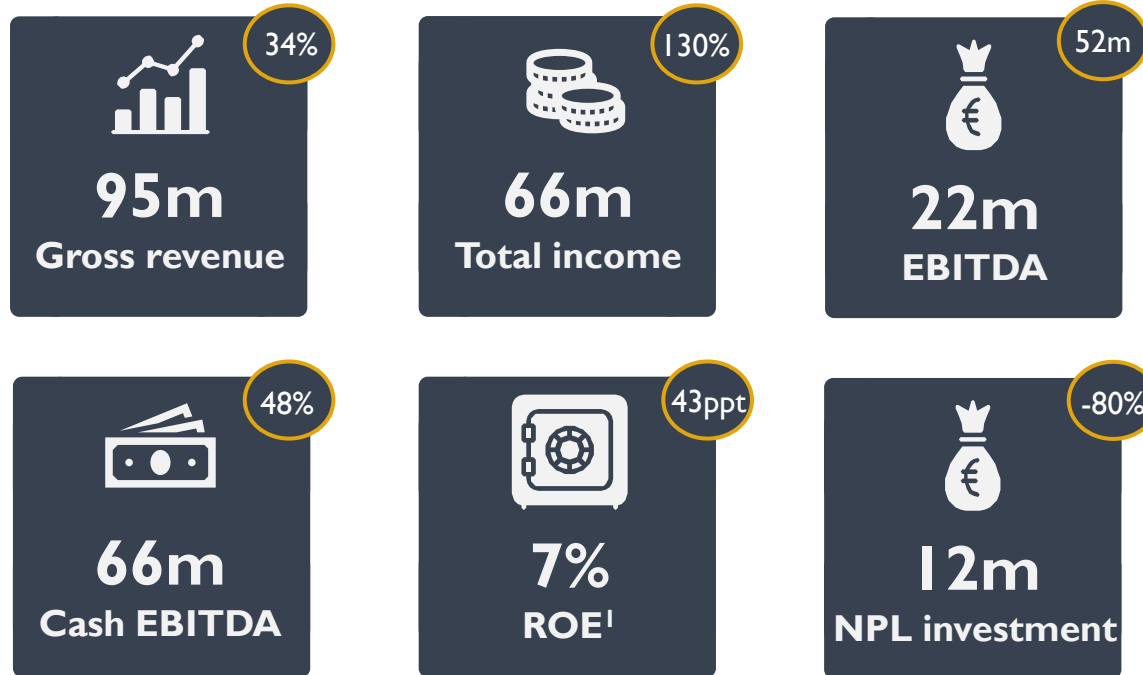


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Outlook

Key financial highlights Q2 2021

All numbers in EUR



 YoY growth

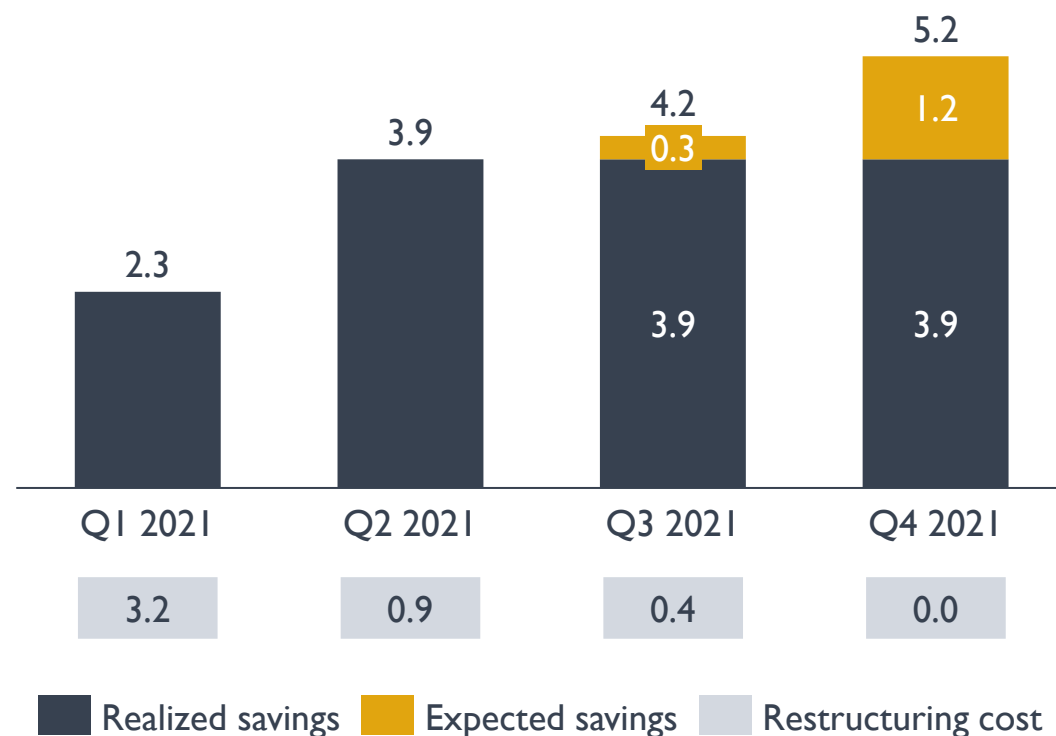
- Positive development in Q2 both QoQ and YoY on all numbers, except investments
- Q2 is seasonally a strong quarter
- Weak Q2 last year heavily affected by “first wave” of Covid-19

Axactor has obtained credit rating from Moody's and S&P to attract a larger investor base and reduce cost of funding

Rating agency	Rating ^I	Outlook	Comments
MOODY'S	BI	Positive	<ul style="list-style-type: none">Dual rating obtained from leading credit rating agencies
S&P Global Ratings	B	Stable	<ul style="list-style-type: none">Important step to reduce future funding cost<ul style="list-style-type: none">Access to a larger investor baseAccess to less costly funding through ratings underlining solid financial position

Cost reduction program on track

Cost reduction program, annualized¹⁾
(EUR million)

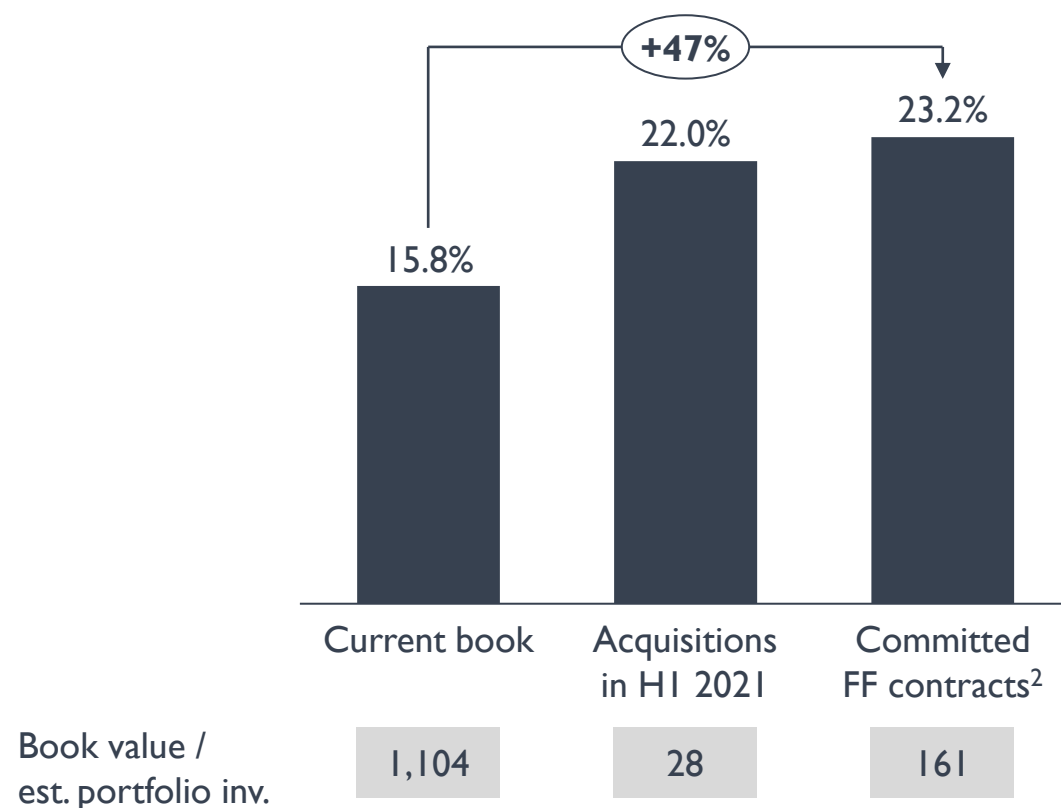


- Realized savings ahead of plan in Q2
 - Outsourced car repossession service in Germany
 - Home shoring back-office functions in Finland
 - Various other improvement initiatives
- Cost reduction program expected to reach full P&L-effect in Q4

Axactor is currently acquiring portfolios at attractive rates

- Expect current book gross IRR to improve over time

Gross IRR on NPL – current and on forward flows¹
(% and EUR million)



- Gross IRR on signed forward flow contracts 47% higher than on the current book
- Expect prices to stabilize at 18% - 22% gross IRR in our markets over time
- Estimated cost-to-collect is comparable to current level

In Q2 we are rated second best on ESG within consumer finance globally and signed UN Global Compact



- Ranked as second best of 151 companies within consumer finance and among top 5% globally¹



- In Q2 Axactor signed up on the world's largest corporate sustainability initiative – UN Global Compact



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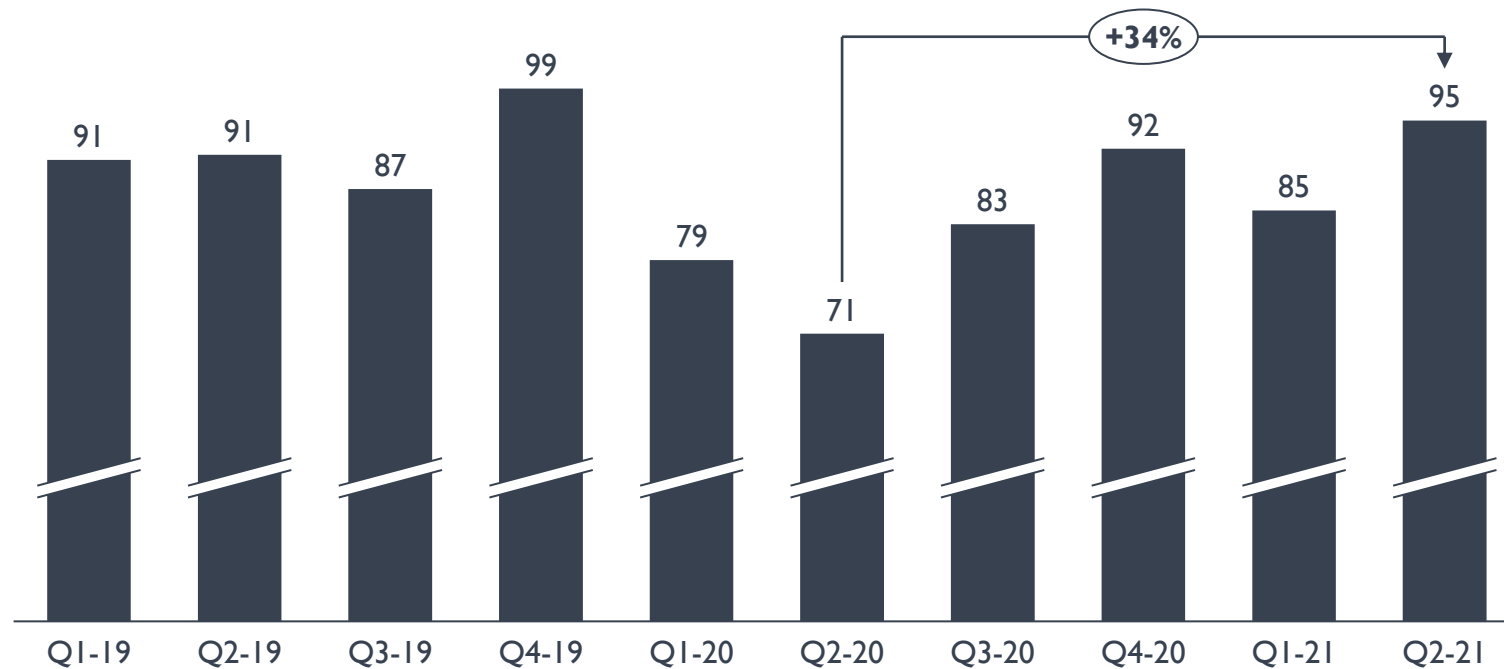


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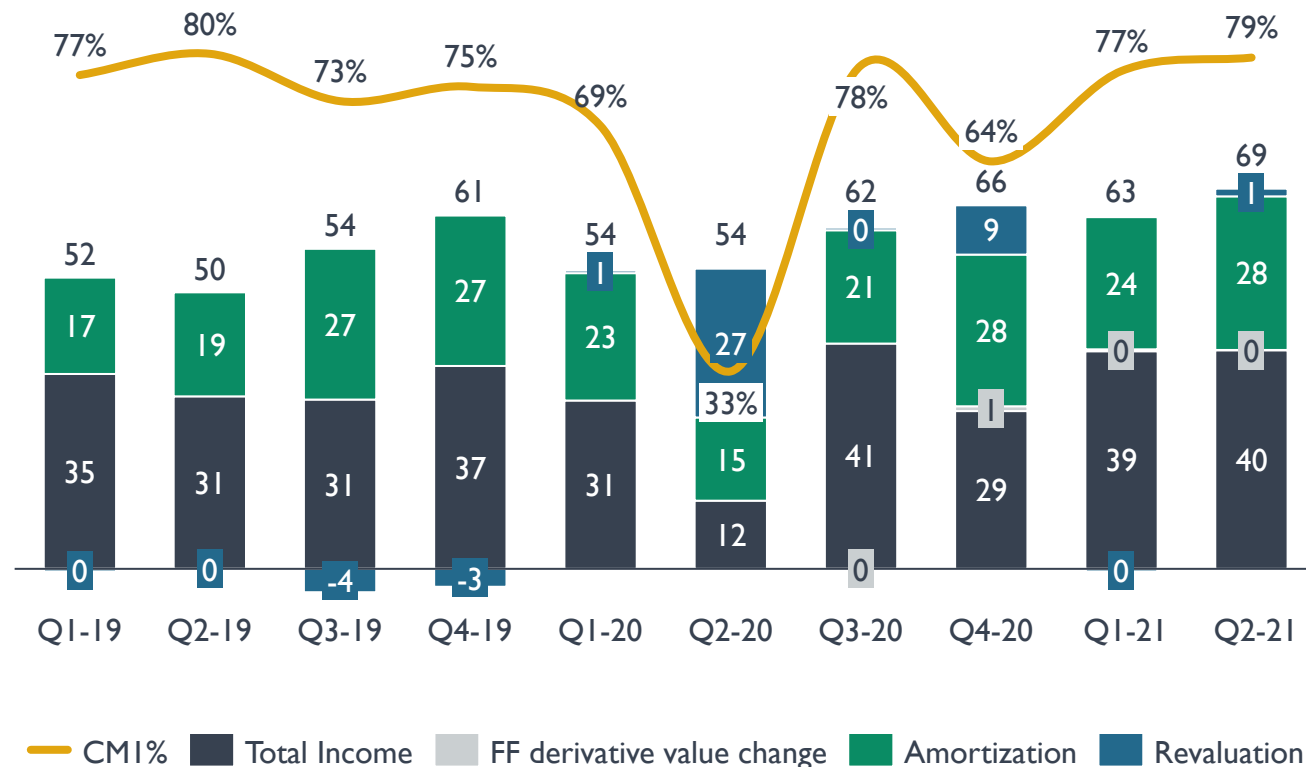
Gross revenue with a positive development on the back of a seasonally strong quarter with tax returns for debtors

Gross revenue
(EUR million)



NPL segment with continued gross revenue growth and increasing CMI margin

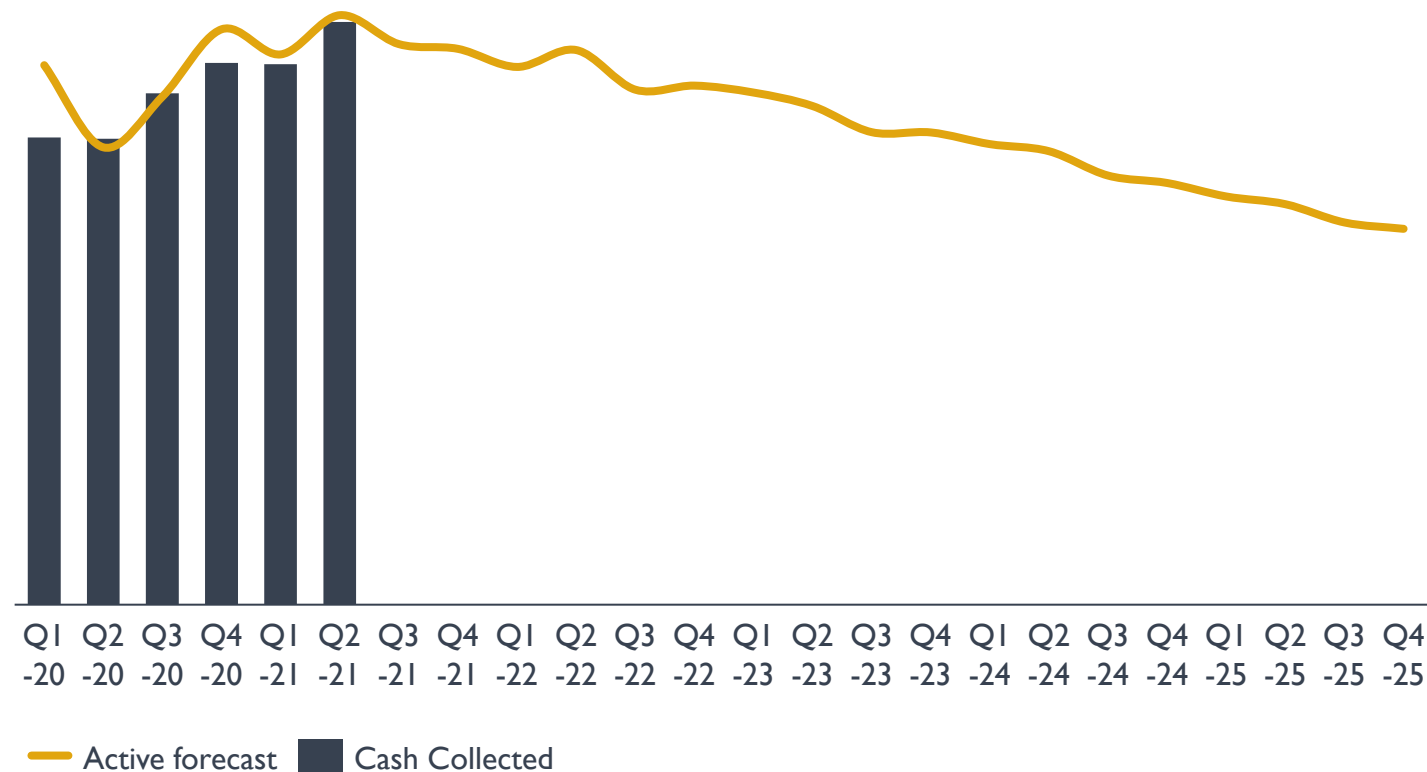
NPL Gross Revenue and CMI%
(EUR million and %)



- All-time high gross revenue on NPL
 - 27% YoY gross revenue growth
 - Despite marginally declining book value
- Increased portfolio amortization rate to 40%
- Strong CMI margin

NPL active forecast aligned with current performance

Active forecast versus cash collected¹

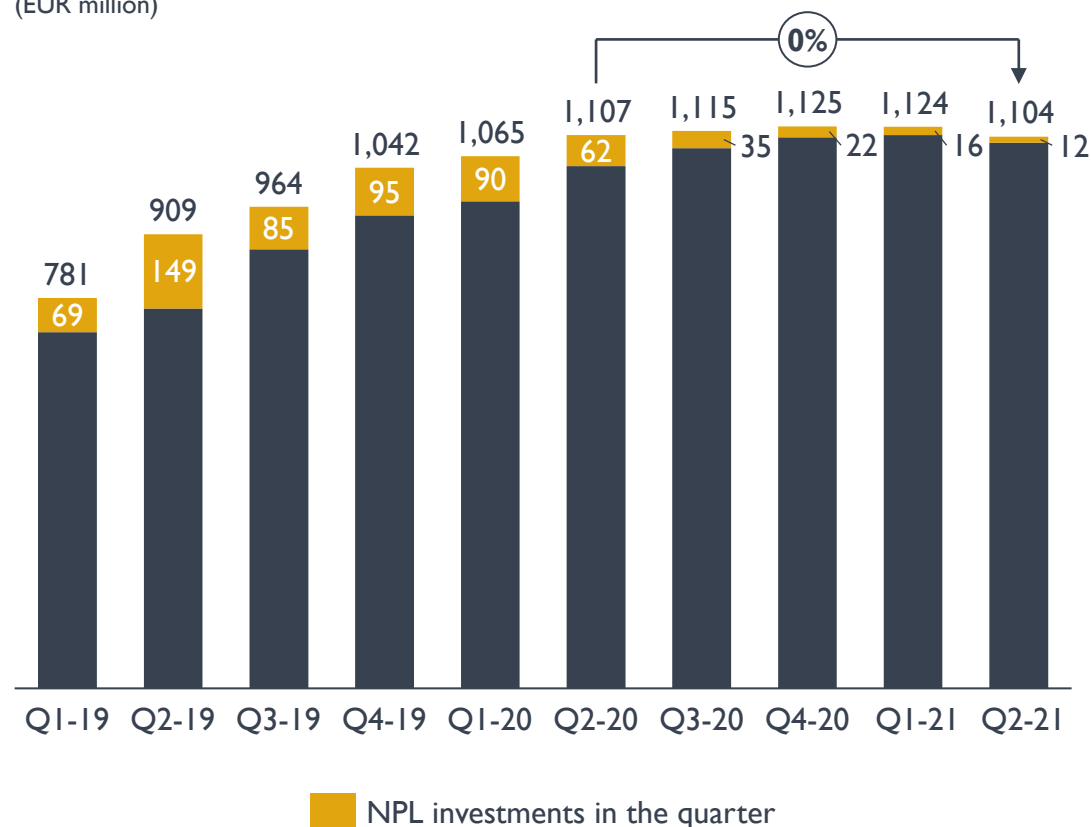


- Unsecured NPL collection performance in Q2 2021 of 99%
- Historic underperformance assumed lost – prudent approach
- Expect long-term performance to fluctuate around 100%

NPL investments at a historic low of EUR 12m

- Investments expected to exceed replacement CAPEX over the next 12 months

NPL book value
(EUR million)

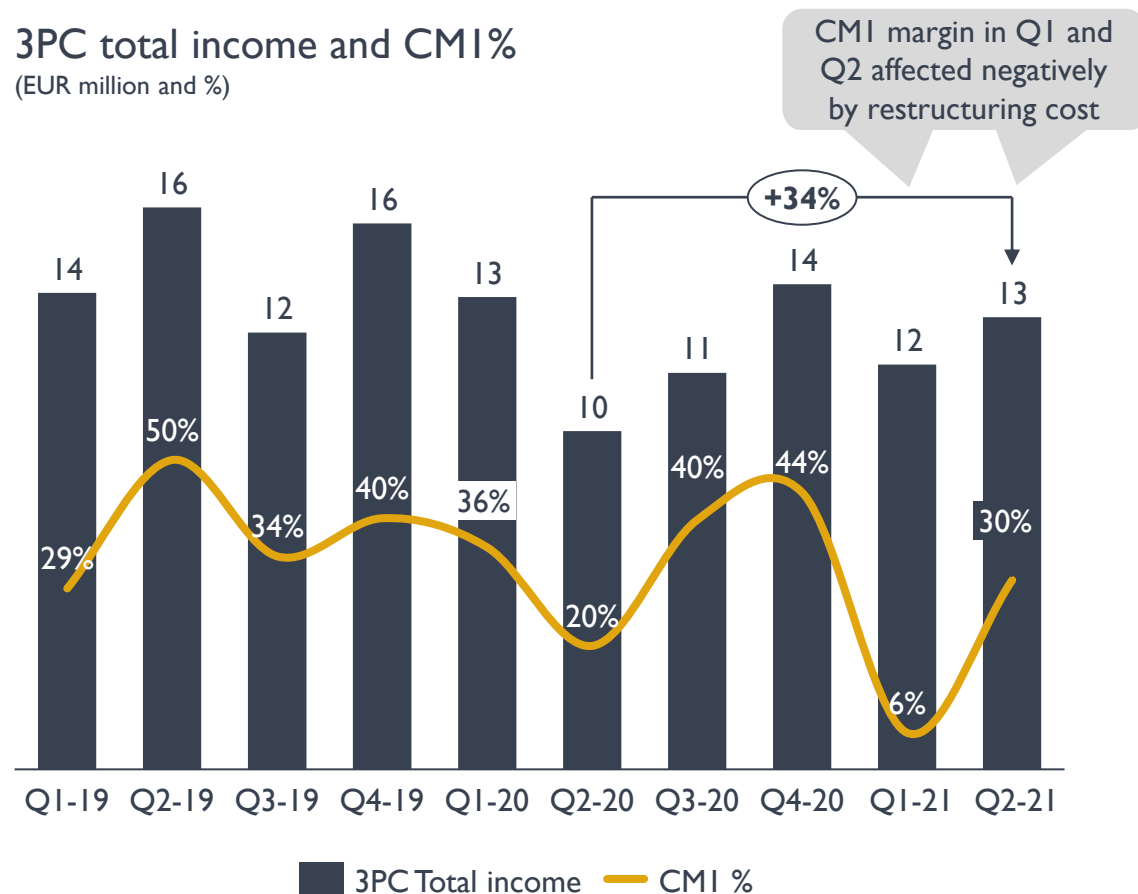


- Low portfolio investment of EUR 12m for the quarter
- Expect investments of EUR ~200m in 2021, but highly dependent on volumes in Q4
- Replacement CAPEX of EUR 133m over the next 12 months

3PC development

- Total income and margins are improving. Expected to continue improving as society reopens

3PC total income and CMI%
(EUR million and %)



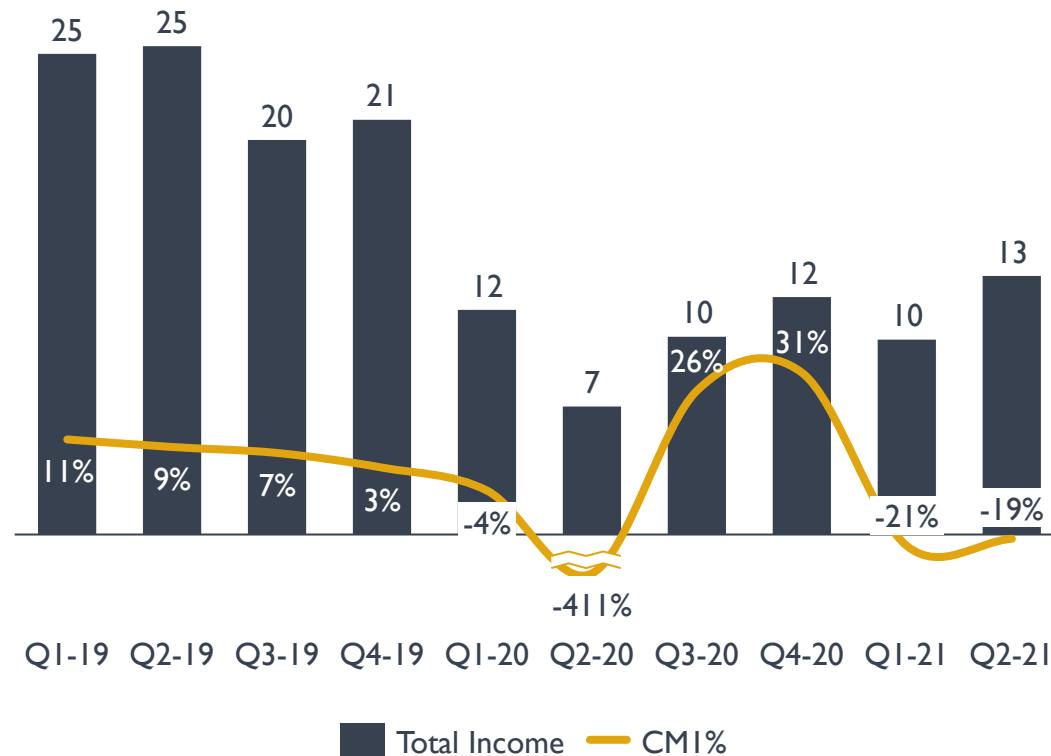
- Negative impacts related to Covid-19 continue, particularly for Spain and Italy
 - High customer retention during the pandemic, but lower volumes – expect volume reversion as societies reopen
 - Sales processes take longer time during the pandemic
- Market is improving with increasing pipeline
- Margin driven down by EUR 0.7m restructuring cost in Q2

REO development (run-off segment)

- Good sales momentum on a declining asset base, but with negative margins

REO total income and CMI%

(EUR million and %)

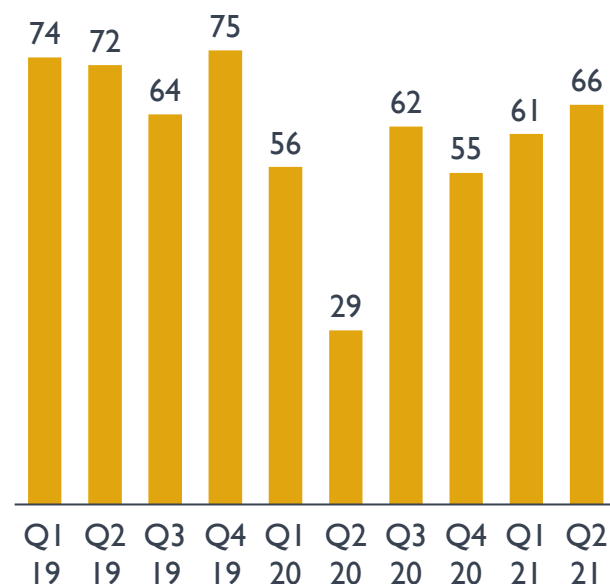


- Revenue upheld on good level despite declining asset base
 - Inventory down 42% since Q2 2020
 - 361 assets sold during Q2 2021
 - 2,039 assets in inventory at quarter-end
- Book value down to EUR 55m at quarter-end
- Remaining debt facilities of EUR 16m with Nomura repaid ahead of the plan

Summary: Growth on total income, margin expansion and second highest cash EBITDA ever

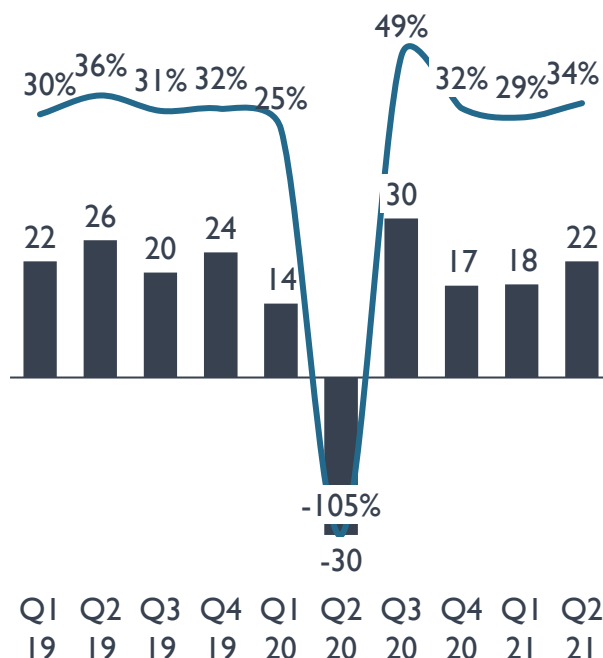
Total Income

(EUR million)



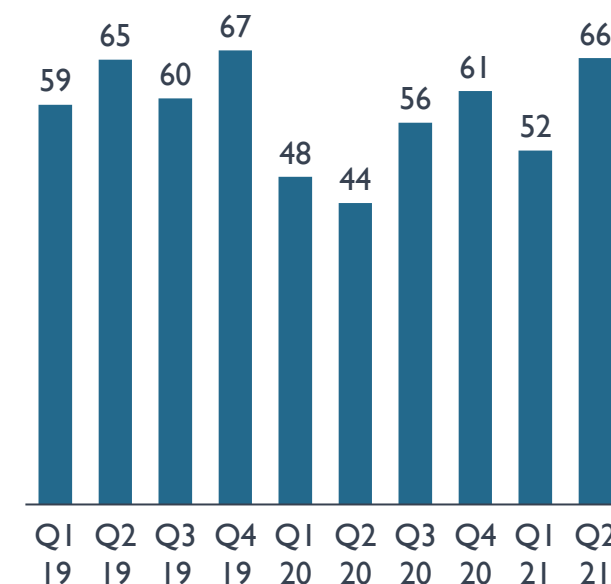
EBITDA and EBITDA-margin

(EUR million and %)



Cash EBITDA

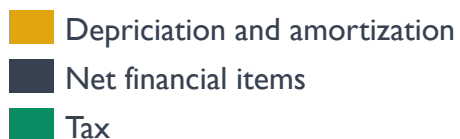
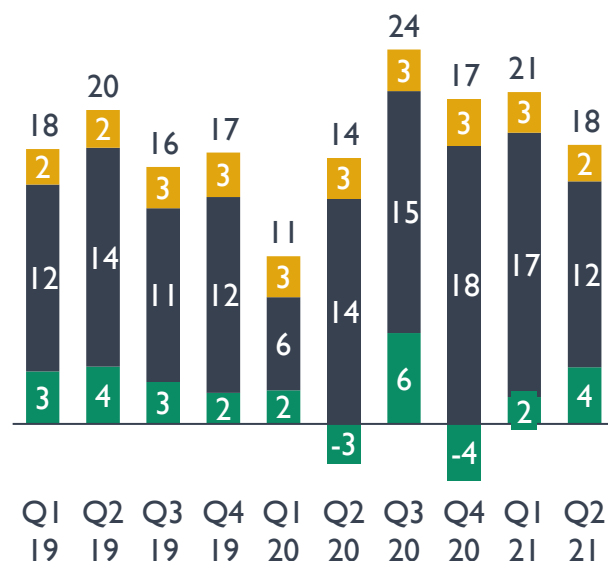
(EUR million)



All-time high net profit after tax to equity holders

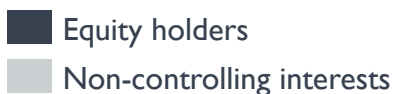
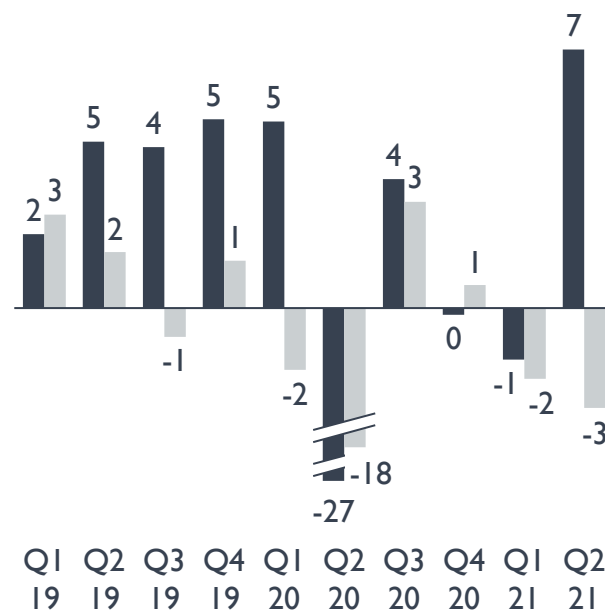
D&A¹, Net financials and tax

(EUR million)



Net profit after tax

(EUR million)

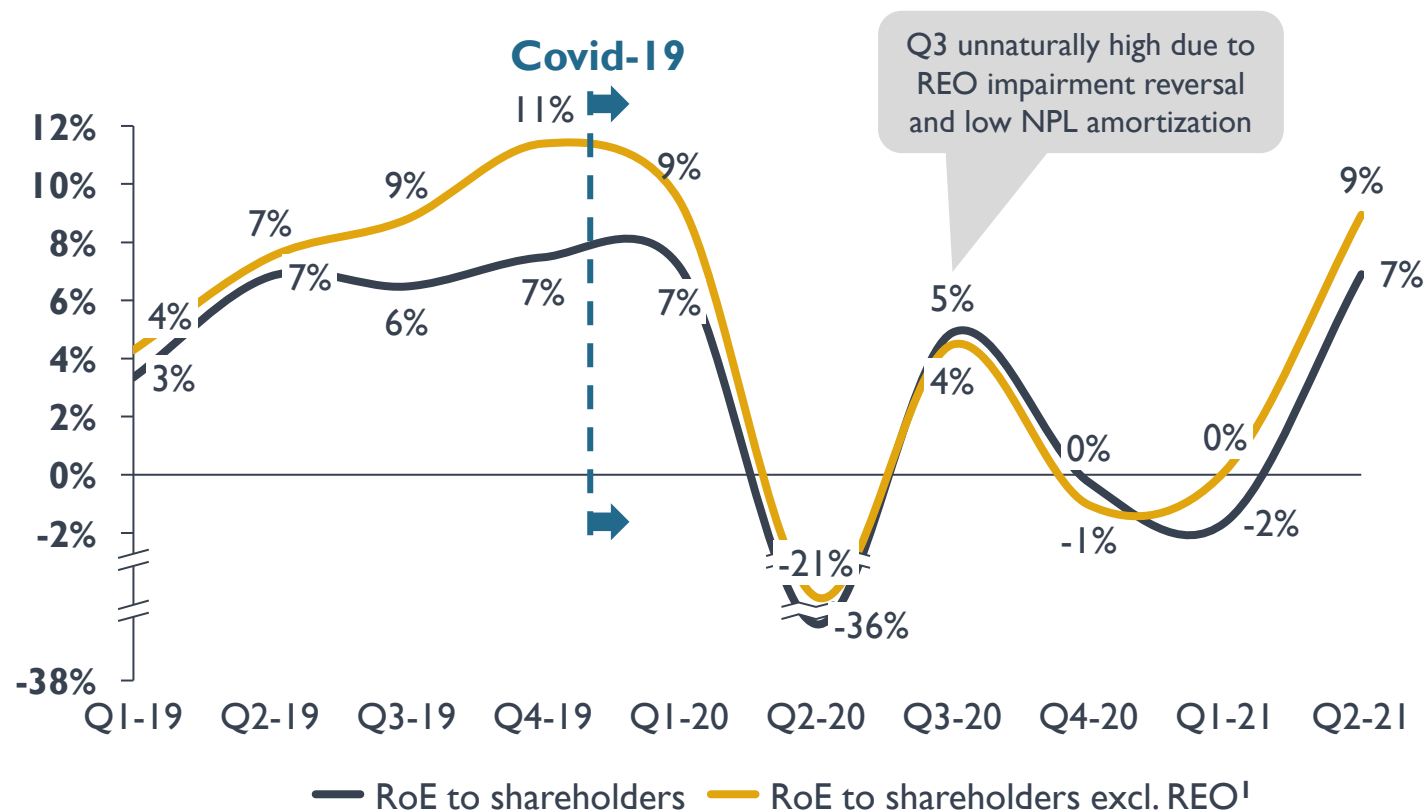


- Cost discipline materializing in lower depreciation for the quarter
- Positive development in net financial items
 - Includes a positive one-time effect of EUR 1.5m in unrealized FX gain
 - Includes a negative one-time effect of EUR 0.6m in write-down of amortized loan fees²
- Tax rate of 28% excluding REO
 - Expect reduced tax rate going forward

RoE to shareholders back on pre-pandemic levels

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

Return on Equity excl. minorities per quarter (annualized)



- Expect RoE to **improve** over time as the underlying business improves and as societies slowly defeat the pandemic
- Expect short term **fluctuations** in RoE driven by seasonality and business performance



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ROE expected to increase over time, but with short term fluctuations

- 3PC volume expected to return to pre-pandemic levels as societies re-open
- Cost reduction program targeting EUR 1.2m additional annualized savings by year-end
- Increasing market activity for both 3PC and NPL
- Axactor strictly prioritizes best NPL deals
 - NPL investment guiding of EUR ~200m for 2021, but highly dependent on market activity in Q4
- Credit rating expected to reduce interest cost on potential future bonds
- Q3 is seasonally weaker than Q2 and the pandemic continue to affect our business environment





Supporting information

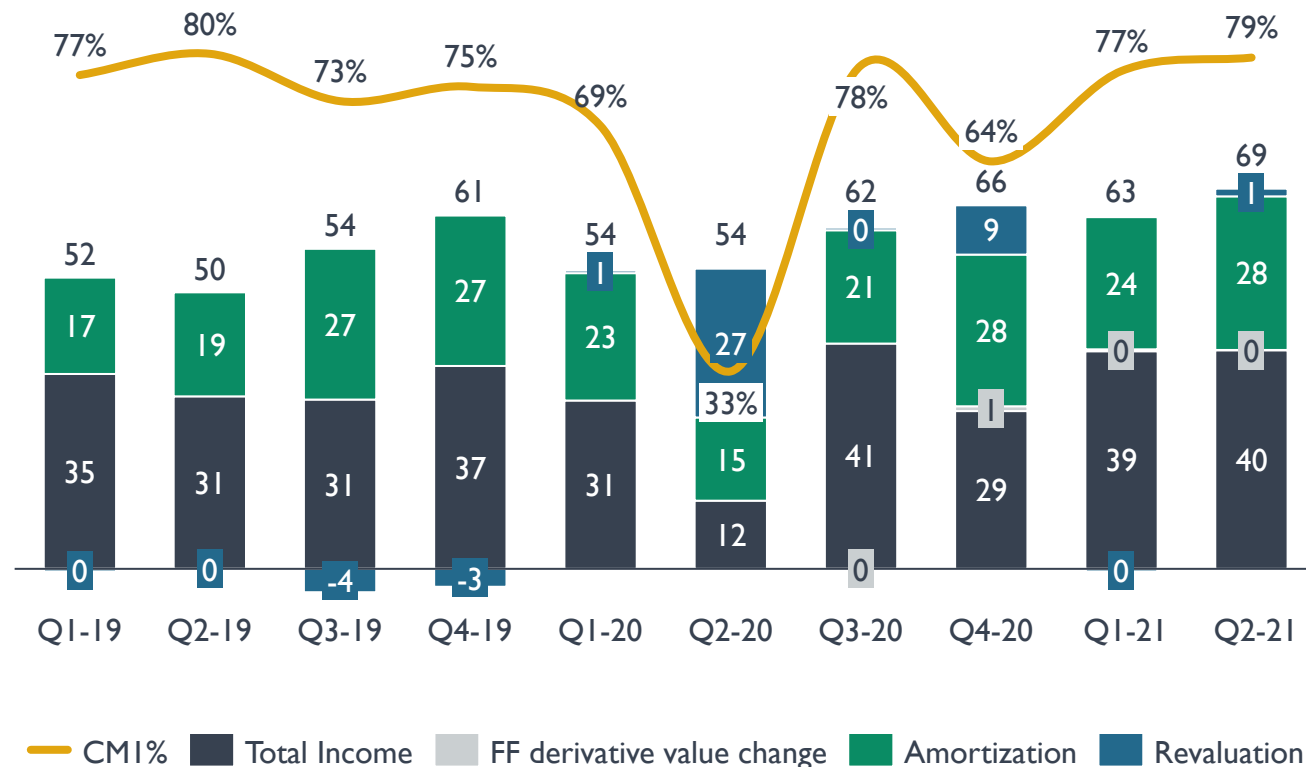


NPL portfolio

Q2 2021

NPL segment with continued gross revenue growth and increasing CMI margin

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

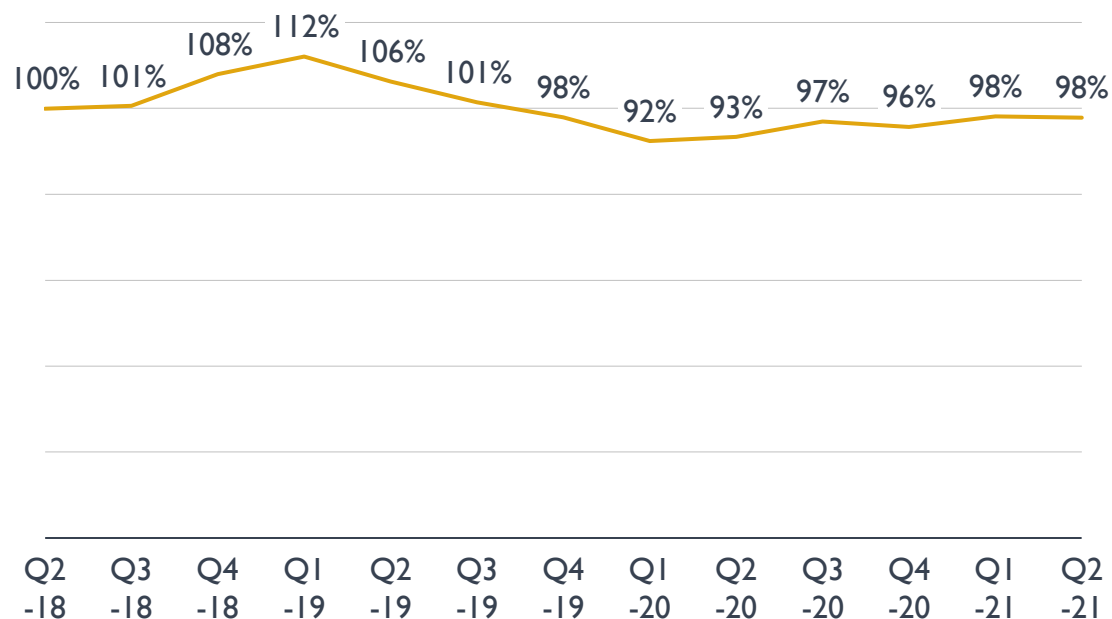


- All-time high gross revenue on NPL
 - 27% YoY gross revenue growth
 - Despite marginally declining book value
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- Strong CMI margin

Improving collection performance

Actual collection vs. active forecast¹

(LTM, rolling)

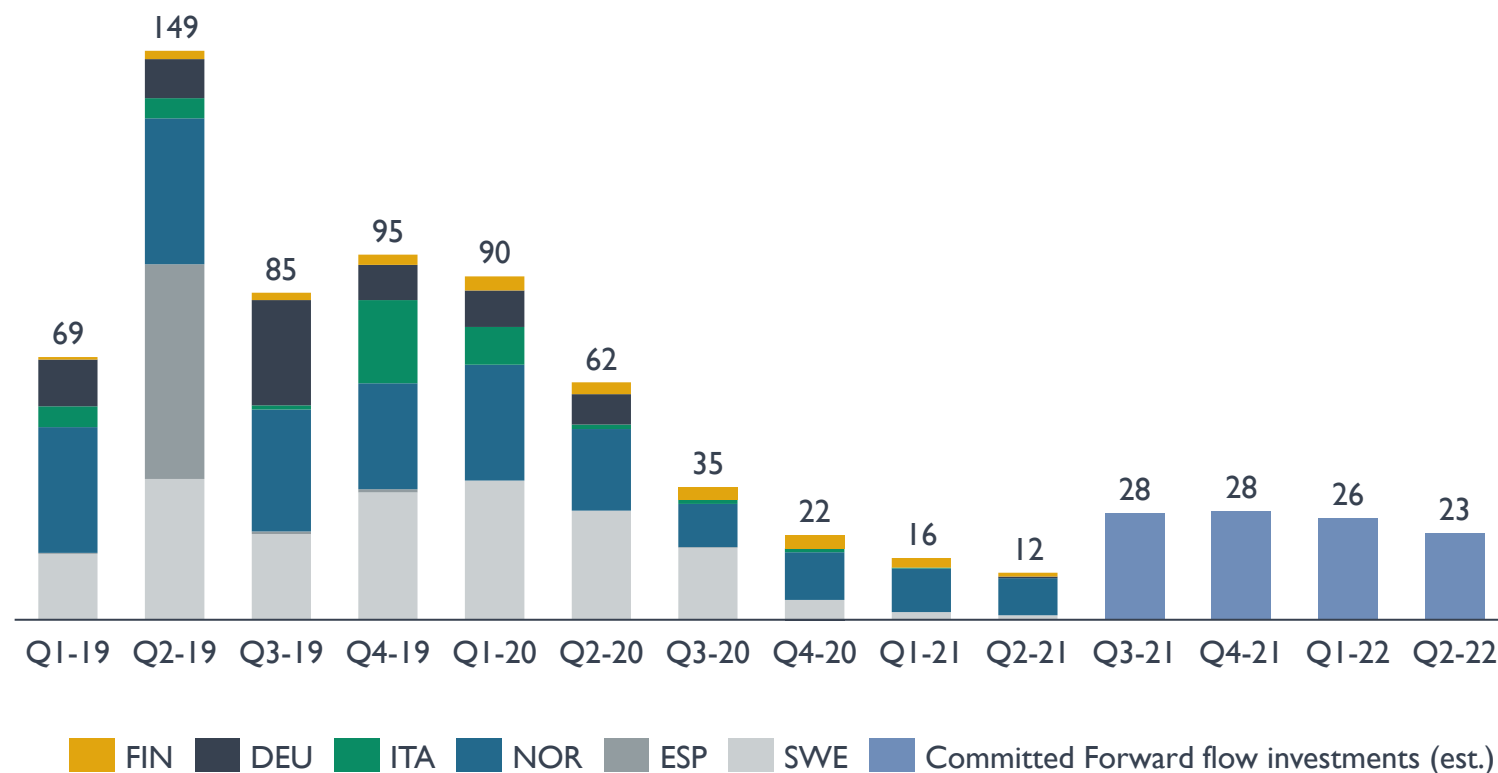


- Q2 collection performance of 99%
 - LTM collection performance of 98%
- Curves for 2021 aligned with current performance
- Long term average performance expected to fluctuate around 100%

Investment commitments are increasing

- Prioritizing high IRR portfolios, and expecting significant volumes to be offered in Q4 2021

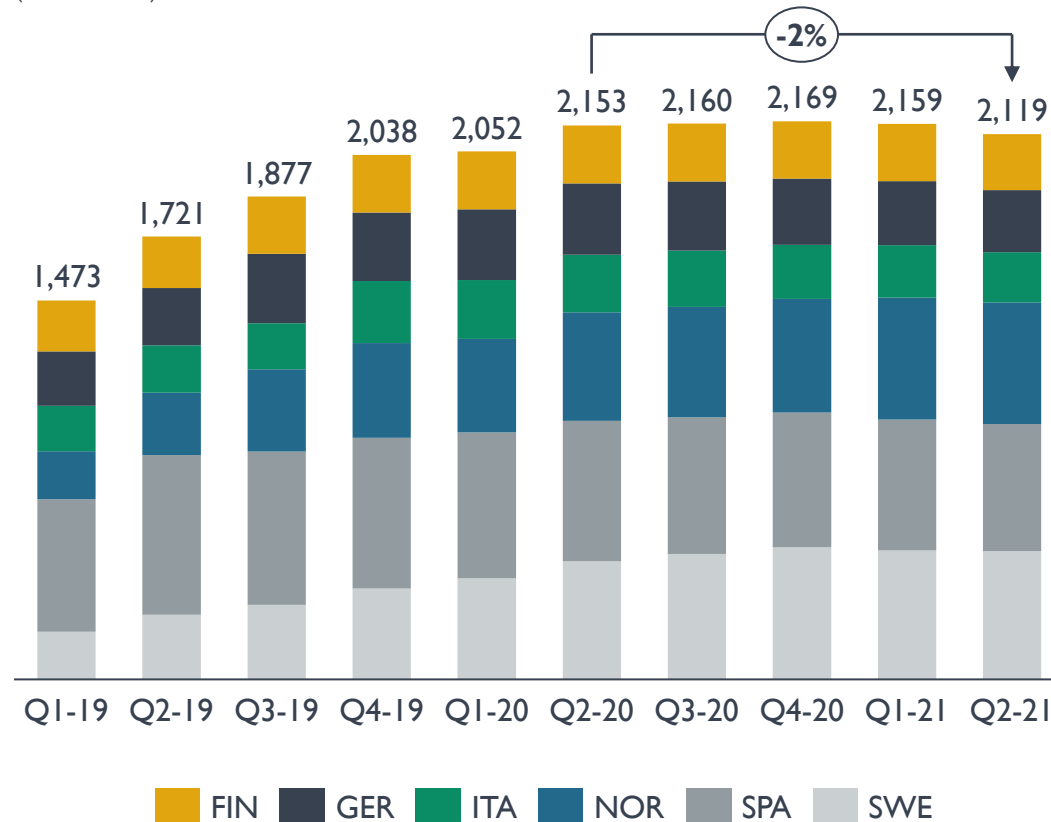
Quarterly NPL investments
(EUR million)



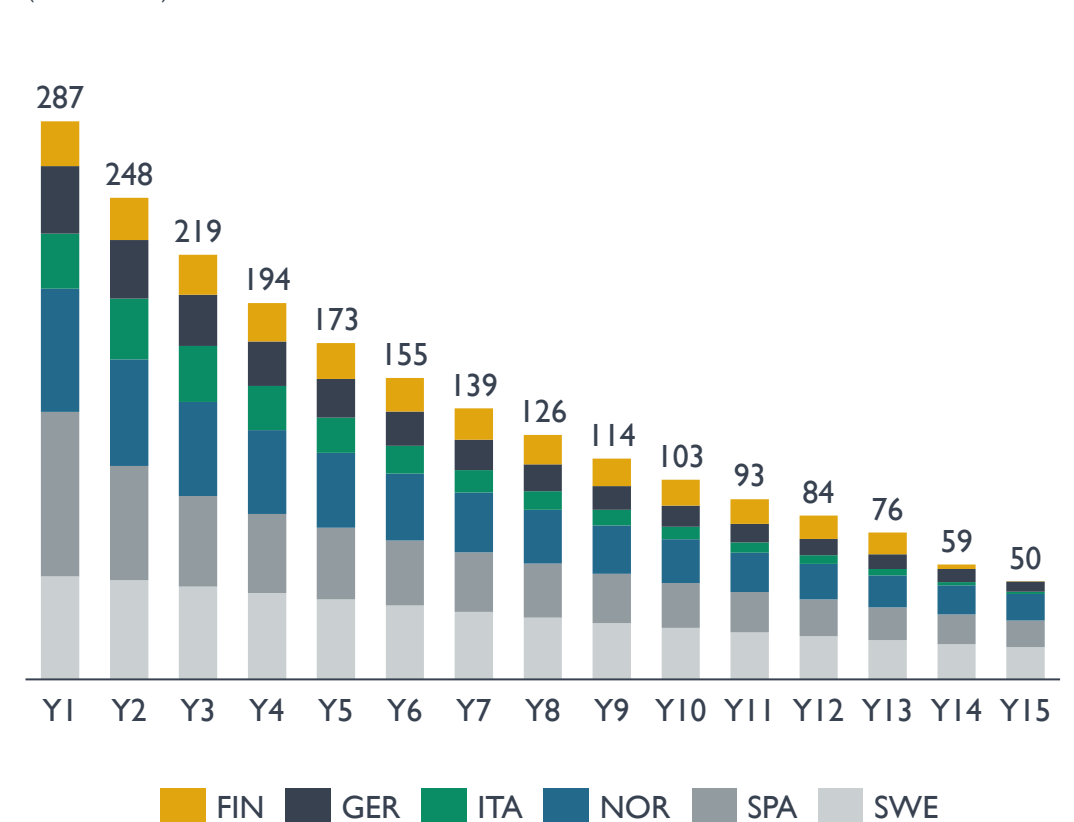
- Increasing forward flow commitments
- Expect significant volumes to be offered in Q4 2021
- Commitments decrease towards the end of the period as contracts expire – expect to sign new volumes offsetting the decline

ERC decreasing by 2% YoY due to low investment levels

Estimated ERC development
(EUR million)



Forward ERC profile by year
(EUR million)

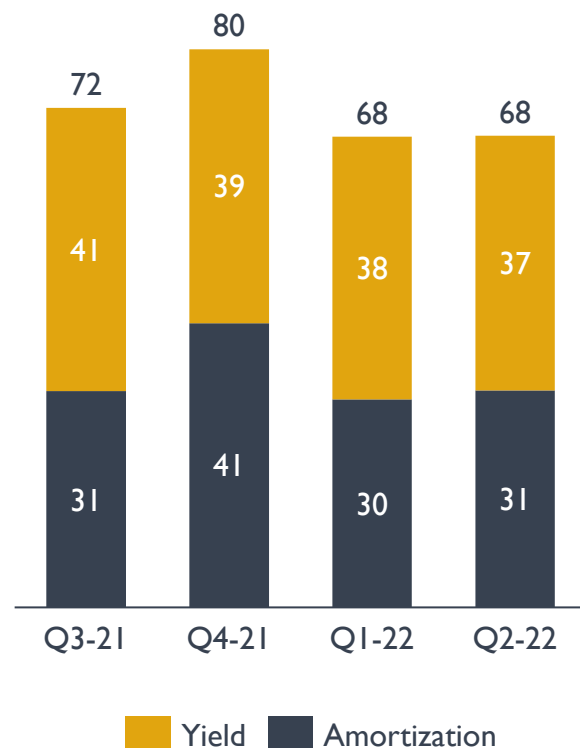


ERC split on estimated yield and amortization

- Axactor uses the IFRS industry standard, the effective interest method, to calculate amortization

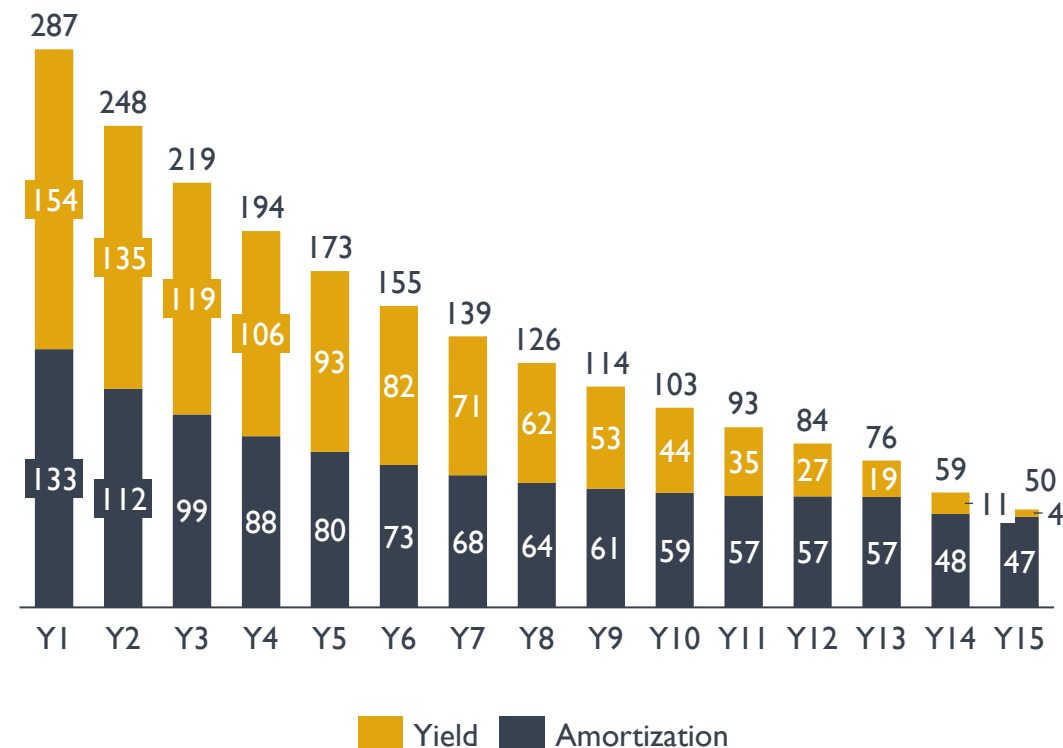
ERC next four quarters

(EUR million)



ERC next 15 years

(EUR million)





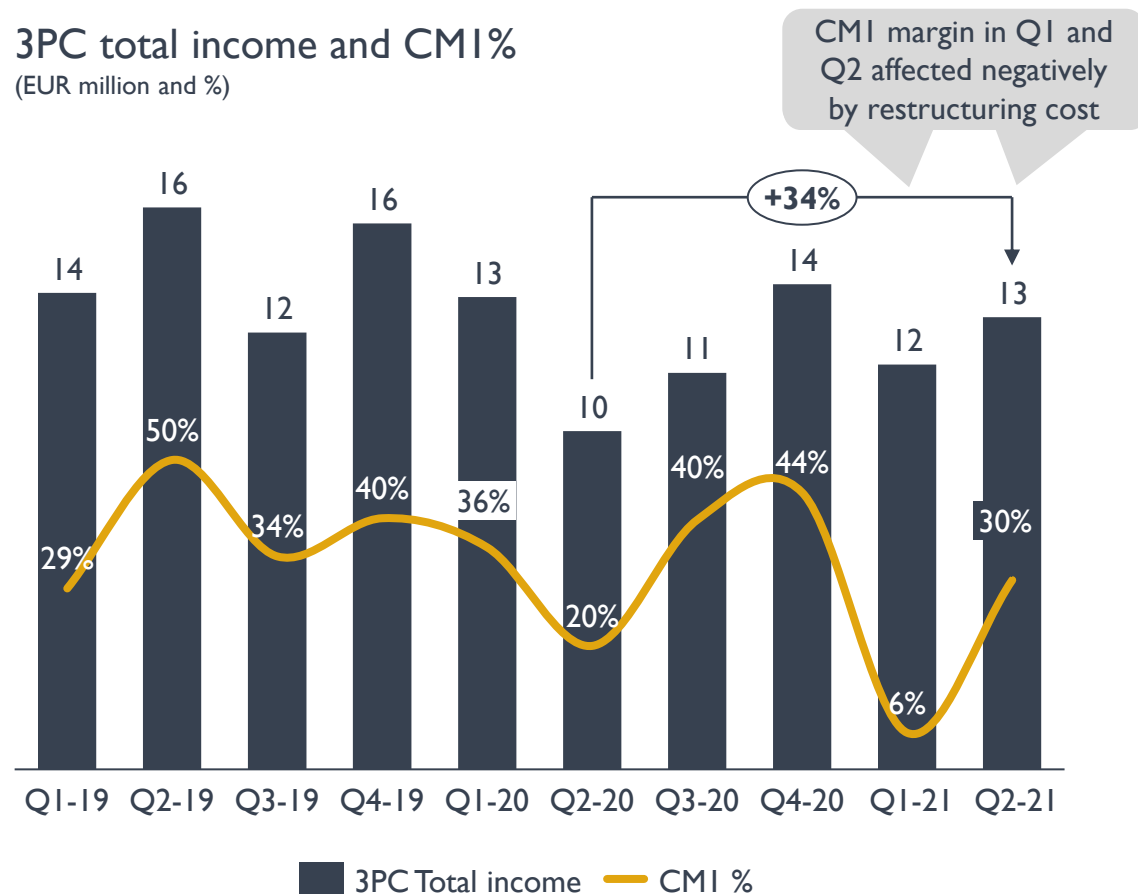
3PC

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3PC Development

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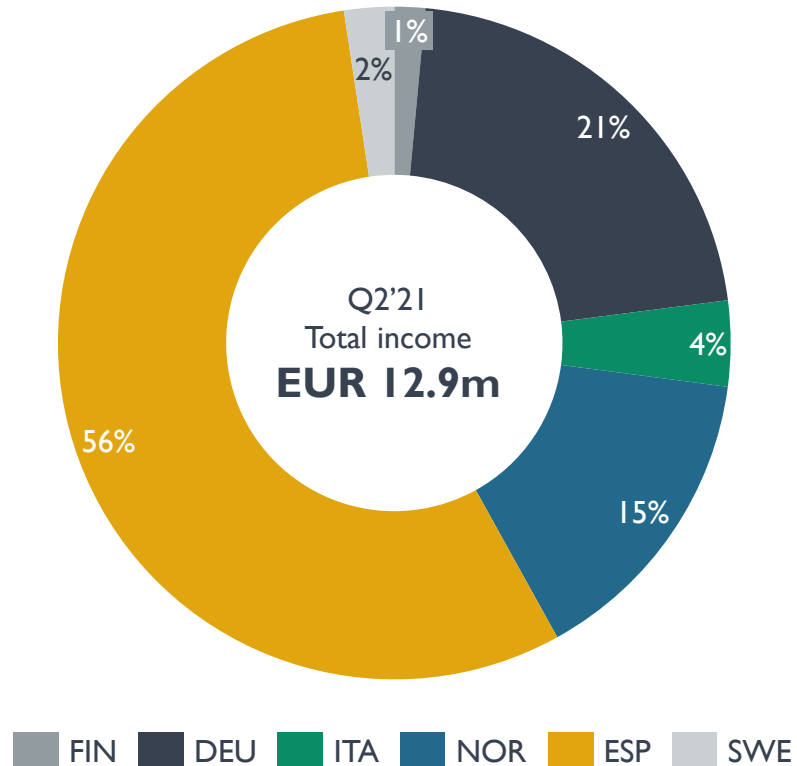
3PC total income and CMI%
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3PC volumes by geographic region

3PC total income split by geographic region



- Spain generate majority of 3PC income
- Nordics accounting for 19% of revenue



REO portfolio (run-off segment)

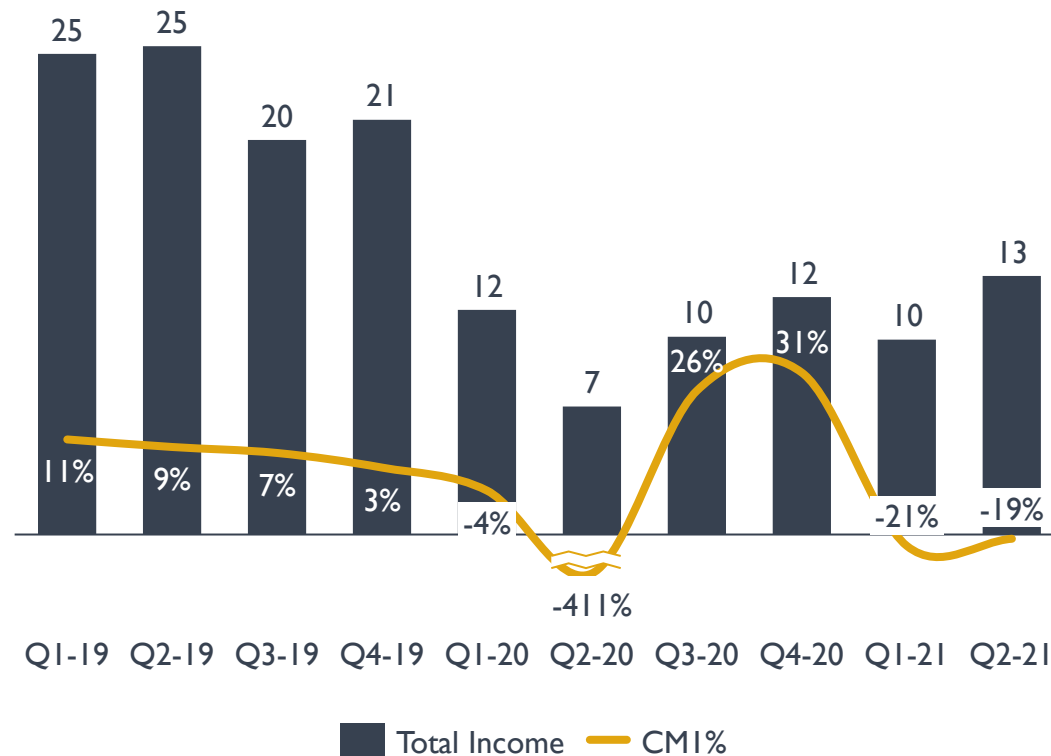
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REO total income and CMI%

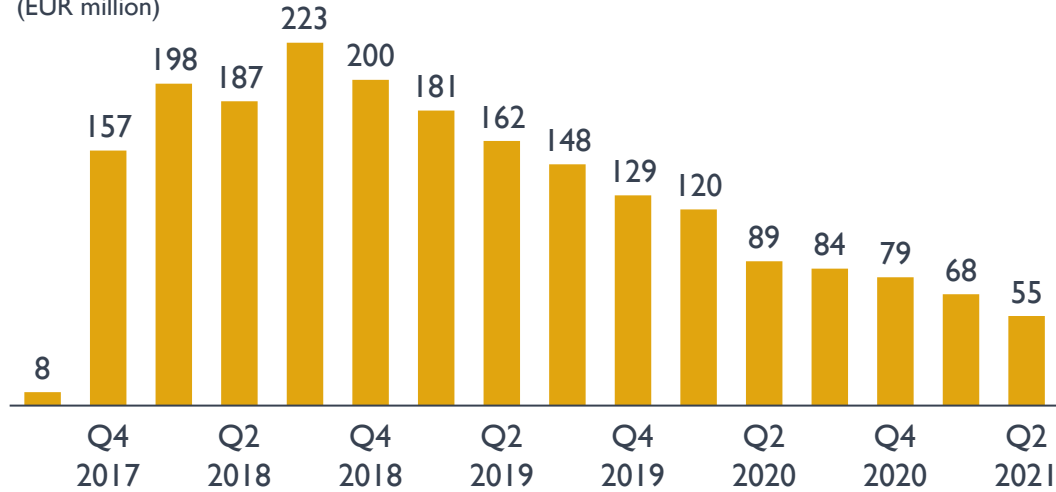
(EUR million and %)



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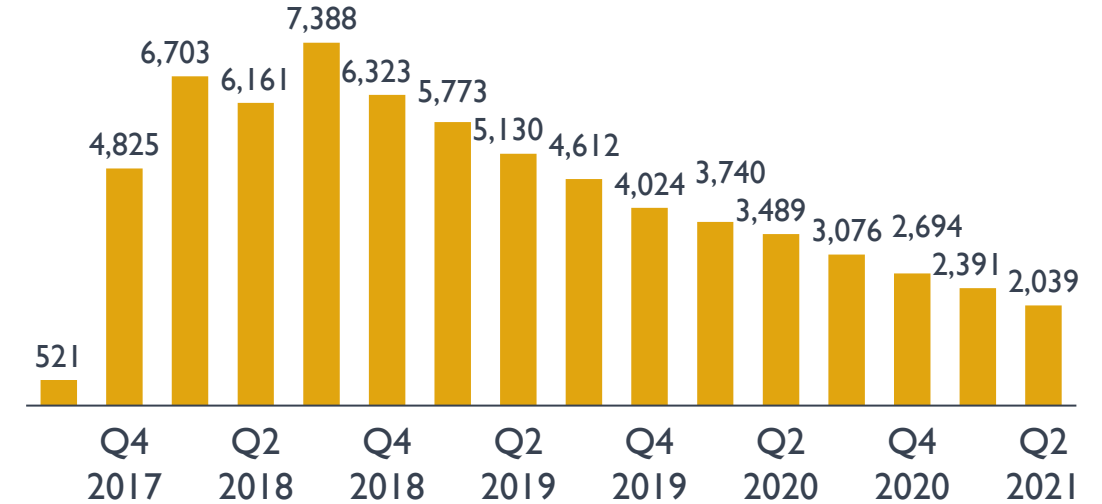
REO portfolio moving towards the tail

REO book value*
(EUR million)



- Total portfolio investments of EUR 287m*
- Last portfolio acquisition in Q3 2018
 - 75% decline in book value since peak

REO # of units*



- A total of 8,663 assets acquired*
- 6,624 assets sold

REO statistics*

(EUR million)

Current book				
Asset class	# assets	% of total	Book value	% of total
Housing	810	40 %	29.6	54 %
Parking, annex etc.	683	33 %	2.5	4 %
Land	237	12 %	3.8	7 %
Commercial	309	15 %	20.3	37 %
Eliminations	0	0 %	-1.2	-2 %
Total	2,039	100 %	55.0	100 %

Originally acquired				
Asset class	# assets	% of total	Book value	% of total
Housing	4,040	47 %	195.7	68 %
Parking, annex etc.	3,395	39 %	15.8	6 %
Land	357	4 %	9.4	3 %
Commercial	871	10 %	66.4	23 %
Total	8,663	100 %	287.3	100 %

- Housing represent 54% of current book value
- Average book value per remaining asset EUR 27k
 - Average book value per sold asset of EUR 32k
 - Average sale price per sold asset of EUR 38k



Appendix

P&L statement

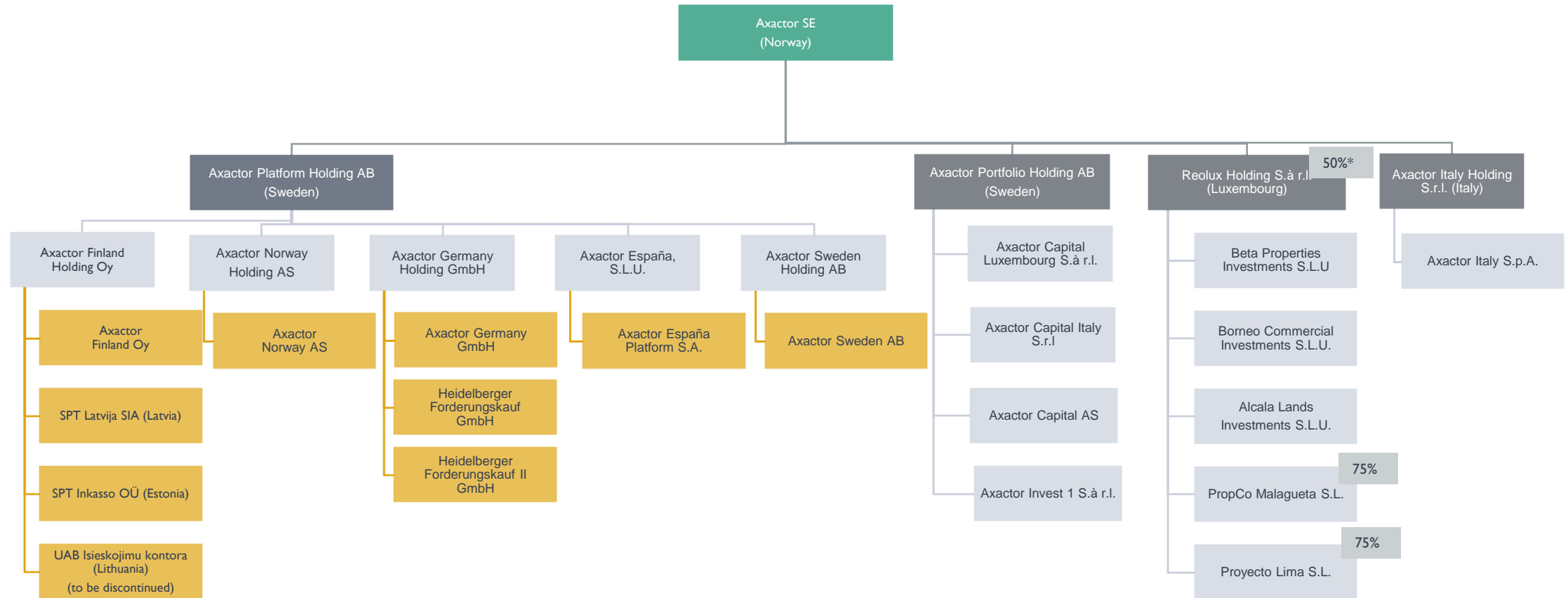
EUR thousand	For the quarter end		Year to date	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
Interest income from purchased loan portfolios	41,779	40,511	83,677	79,838
Net gain/(loss) purchased loan portfolios	-2,084	-28,147	-4,120	-36,906
Other operating revenue	26,161	16,219	47,331	41,222
Other income	3	71	2	99
Total income	65,859	28,654	126,891	84,253
Cost of REO's sold, incl impairment	-14,144	-32,033	-24,530	-42,207
Personnel expenses	-14,252	-12,923	-33,120	-27,824
Operating expenses	-15,313	-13,663	-29,348	-30,058
Total operating expenses	-43,709	-58,619	-86,997	-100,089
EBITDA	22,150	-29,965	39,893	-15,836
Amortization and depreciation	-2,325	-2,612	-4,919	-5,224
EBIT	19,826	-32,577	34,975	-21,060
Financial revenue	1,565	201	1,010	9,934
Financial expenses	-13,391	-14,558	-29,669	-30,213
Net financial items	-11,826	-14,357	-28,659	-20,279
Profit/(loss) before tax	8,000	-46,934	6,316	-41,339
Tax (expense)	-3,619	2,538	-5,329	393
Net profit/(loss) after tax	4,380	-44,396	987	-40,946
Attributable to:				
Non-controlling interests	-2,771	-17,722	-4,730	-19,438
Equity holders of the parent company	7,152	-26,674	5,717	-21,508
Earnings per share: basic	0.024	-0.144	0.020	-0.120
Earnings per share: diluted	0.023	-0.144	0.019	-0.120

Balance sheet statement

EUR thousand	30 Jun 2021	30 Jun 2020	Full year 2020
ASSETS			
<i>Intangible non-current assets</i>			
Intangible Assets	19,064	21,184	19,989
Goodwill	55,527	54,087	54,879
Deferred tax assets	7,766	11,776	7,769
<i>Tangible non-current assets</i>			
Property, plant and equipment	2,509	2,787	2,530
Right-of-use assets	3,704	5,765	4,826
<i>Financial non-current assets</i>			
Purchased debt portfolios	1,104,079	1,107,257	1,124,699
Other non-current receivables	416	530	458
Other non-current investments	196	193	196
Total non-current assets	1,193,260	1,203,579	1,215,346
<i>Current assets</i>			
Stock of Secured Assets	55,012	88,625	78,786
Accounts Receivable	5,975	6,468	7,124
Other current assets	12,832	11,797	11,645
Restricted cash	2,909	2,891	2,946
Cash and Cash Equivalents	44,429	31,398	47,779
Total current assets	121,157	141,179	148,281
TOTAL ASSETS	1,314,417	1,344,758	1,363,627

EUR thousand	30 Jun 2021	30 Jun 2020	Full year 2020
EQUITY AND LIABILITIES			
<i>Equity attributable to equity holders of the parent</i>			
Share Capital	158,150	97,040	97,040
Other paid-in equity	269,907	236,454	236,562
Retained Earnings	-1,956	-19,354	-16,036
Reserves	-9,570	-24,684	-15,999
Non-controlling interests	12,365	73,595	74,113
Total Equity	428,896	363,052	375,680
<i>Non-current Liabilities</i>			
Interest bearing debt	695,658	802,240	579,282
Deferred tax liabilities	6,395	15,409	6,436
Lease liabilities	2,078	3,395	2,804
Other non-current liabilities	1,567	1,334	1,433
Total non-current liabilities	705,698	822,378	589,955
<i>Current Liabilities</i>			
Accounts Payable	6,145	3,584	6,147
Current portion of interest bearing debt	135,737	116,225	356,903
Taxes Payable	16,944	9,535	12,002
Lease liabilities	1,866	2,613	2,282
Other current liabilities	19,132	27,371	20,657
Total current liabilities	179,824	159,328	397,992
Total Liabilities	885,522	981,706	987,947
TOTAL EQUITY AND LIABILITIES	1,314,417	1,344,758	1,363,627

Legal organization June 2021



*50% of the shares in 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 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. The internal rate of return that makes the net present value of ERC equal to NPL book value. Calculated using monthly cash flows over a 180-month period
Gross IRR	Cash EBITDA as a percentage of gross revenue
Gross margin	3PC revenue, REO sale, cash collected on own portfolios and other revenue, excluding change in forward flow derivatives
Gross revenue	House price index, development of real estate values
House pricing	The interest charged to debtors on active claims
Interest changes	Lending rate in the market
Interest level	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
NIBD	Total expenses excluding overhead functions
Opex ex SG&A, IT and corp.cost	Agreement with the debtors to repay their debt
Payment agreement	Portion of the original debt repaid
Recovery rate	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, excluding minorities, annualized	Net profit/(loss) after tax as a percentage of total average equity in period, annualized based on number of days in period
Return on Equity, including minorities, annualized	One payment of full debt
Settlements	Total operating expenses for overhead functions
SG&A, IT and corporate cost	Accumulated paid principal amount for the period divided by accumulated collectable principal amount for the period. Usually expressed on a monthly basis
Solution rate	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 estimated capital commitments for forward flow agreements	Gross revenue minus portfolio amortizations and revaluations
Total income	Finding and updating debtor contact information
Tracing activity	

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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