

AXACTOR

Q4 2021

18 February 2022



Agenda



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Company introduction



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Highlights



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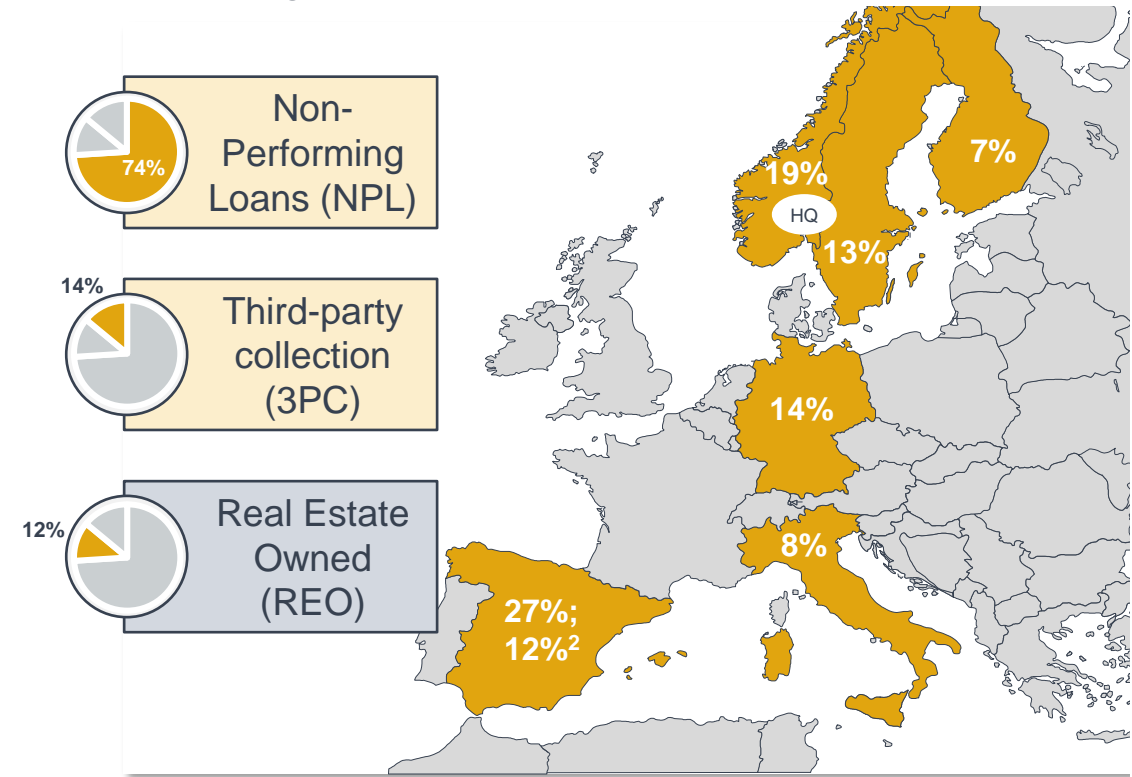
Outlook

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

A leading European debt collector

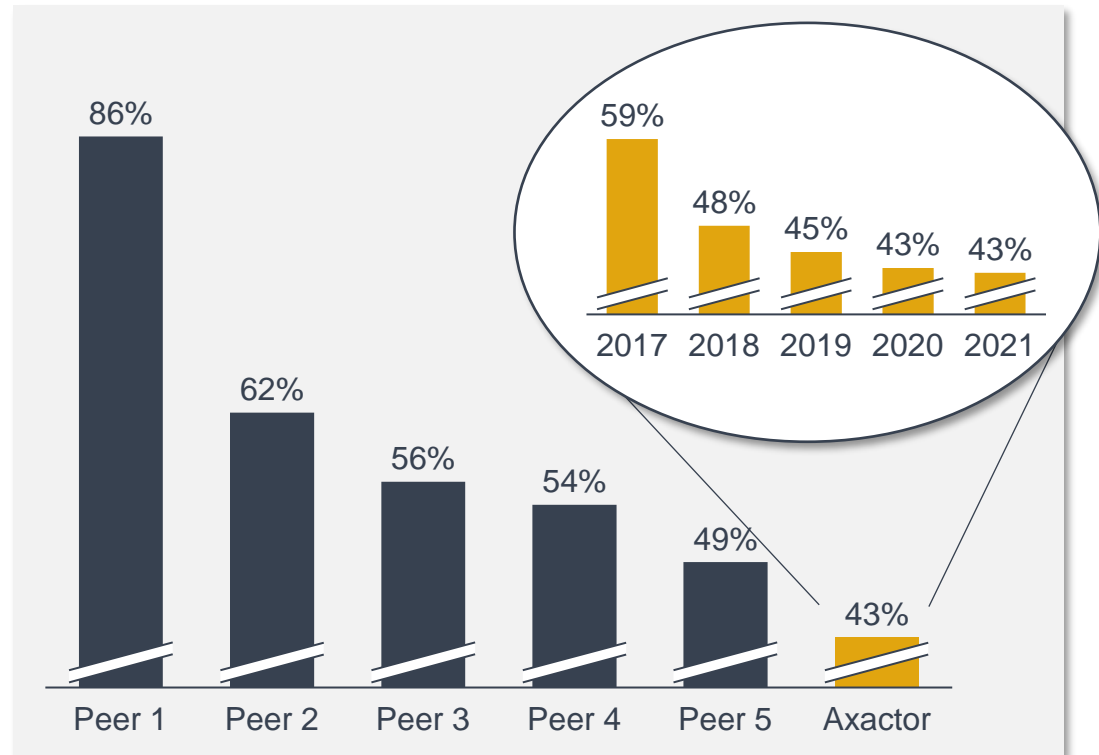
- Established in Q4 2015 with headquarters in Oslo, Norway, and is one of Europe's top-ten debt collectors
- Main focus on collection and acquisition of unsecured non-performing loans ("NPL") and third-party collection ("3PC")
- Operations in six countries; Finland, Germany, Italy, Norway, Spain and Sweden, with 1,249³ FTEs
- Geveran owns 46% of Oslo-listed Axactor SE

Operating in stable and well developed markets¹



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

NPL cost-to-collect for selected peers in 2020¹
(%)



- 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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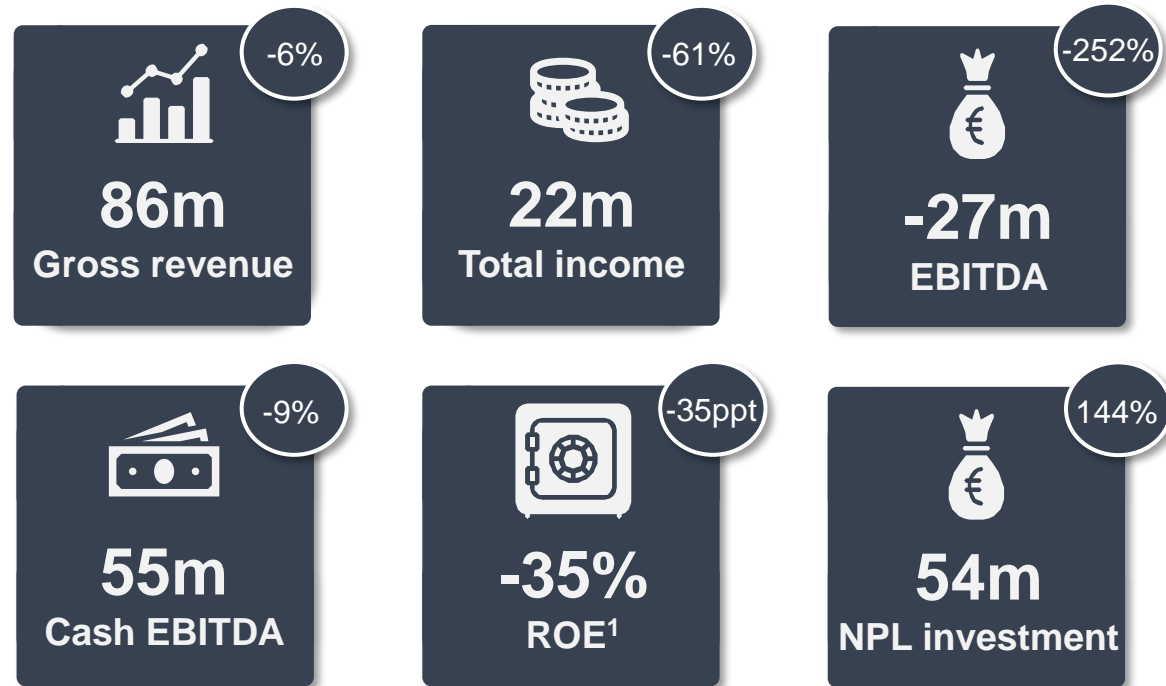
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Outlook

Key financial highlights for the quarter

- Headlines of Q4 financials announced in the market update 17 January²

All numbers in EUR

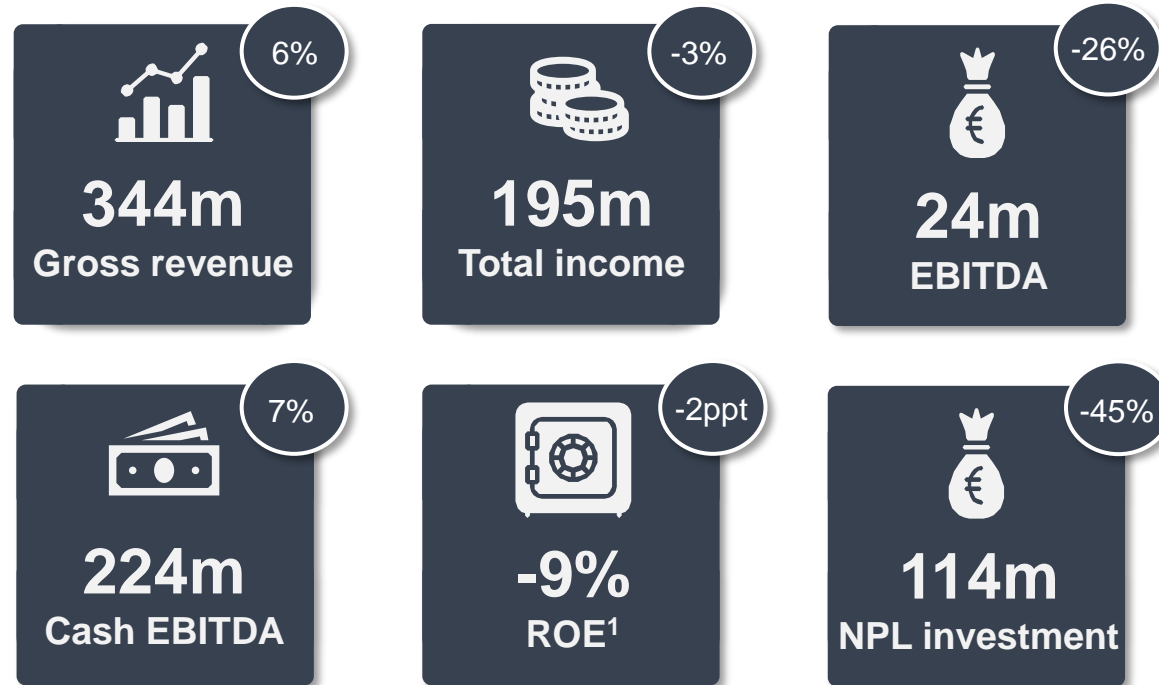


● YoY growth

- Axactor booked a negative revaluation of EUR 43m in Q4 burdening the financial results²
- A majority of the revaluation relates to legacy portfolios acquired during the start-up phase of the company
- Cash EBITDA in line with last year adjusted for the REO run-off segment and EUR 2.2m in settlement cost
- NPL investments increasing for the second consecutive quarter

Key financial highlights for 2021

All numbers in EUR



 YoY growth

- Gross revenue up 6% and Cash EBITDA up 7% y-o-y despite a reduction in book values of 7%²
- Implemented a cost reduction program with annual savings of EUR 6m
- Cost of funding reduced through obtaining credit rating and entering the European high yield bond market
- NPL investments has turned into growth during the second half of 2021 at satisfying gross IRR levels

Highlights per segment in 2021

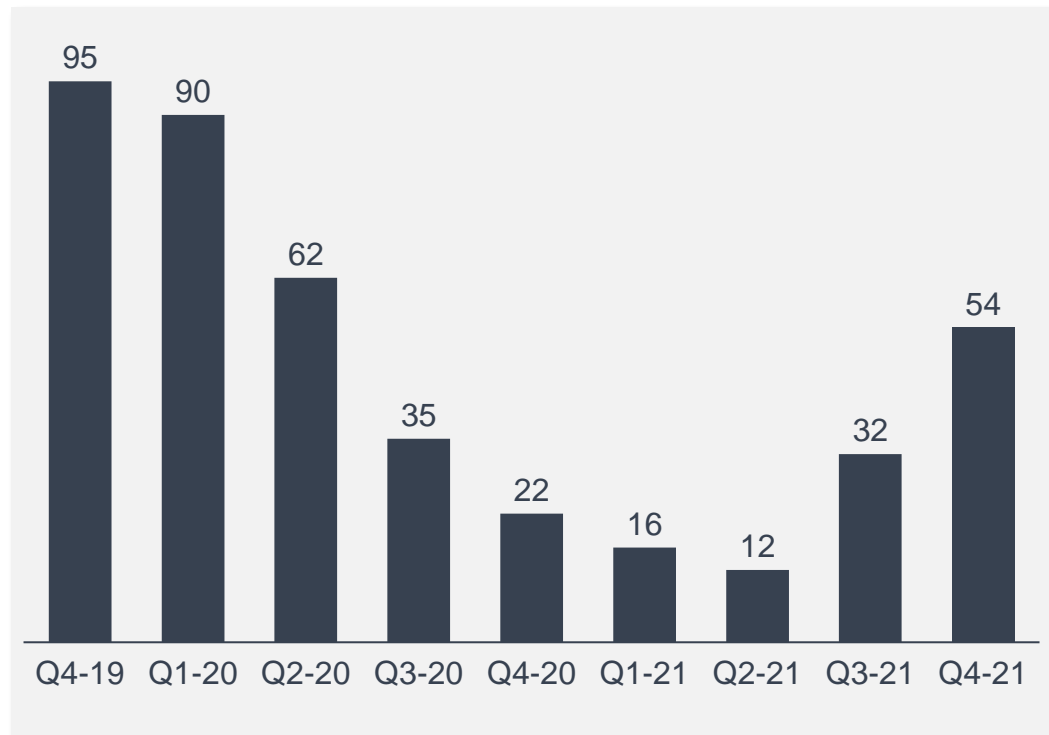
 NPL	Blending the book	<ul style="list-style-type: none">• The company has acquired NPL portfolios at a gross IRR of 23% in 2021, 8%-points higher than the gross IRR on the total NPL portfolio at year end 2020• Growth in NPL investments during the last two consecutive quarters and EUR 117m already secured in estimated commitments for 2022 at a gross IRR of 22%
 3PC	Ready for returning volumes	<ul style="list-style-type: none">• The negative trend on 3PC revenue y-o-y has turned into growth and the contribution margin has improved to 47% on the back of the cost reduction program in 2021• The acquisition of CRS in Italy announced in Q4 comes with a recurring annual 3PC revenue of approximately EUR 6 million with effect from 1 January 2022
 REO	In the tail	<ul style="list-style-type: none">• Axactor has sold off ~90% of the REO portfolio¹• Gross revenue for the segment came in at EUR 40m in 2021 and consolidated book values are down to only EUR 29m at year end• In 2022 the REO segment will be reported as discontinued operations in the financial statement

Axactor has a robust balance sheet and is well positioned despite negative revaluations in Q4

- 1 Equity
 - Satisfying equity ratio of ~30%
- 2 Liquidity
 - Available cash of EUR 42m
 - Unused funding line of EUR ~200m on the revolving credit facility
- 3 Covenant headroom
 - Satisfying headroom to bond covenants
 - Loan to value of 72% vs. the covenant of 75%
- 4 Funding lines
 - No maturities until the end of 2023
 - Obtained credit rating and cost of funding reduced during 2021
- 5 Investment capacity
 - Estimated investment capacity of EUR ~300m, well above replacement capex of EUR 108m

NPL investments significantly above previous quarters and double of replacement capex in Q4

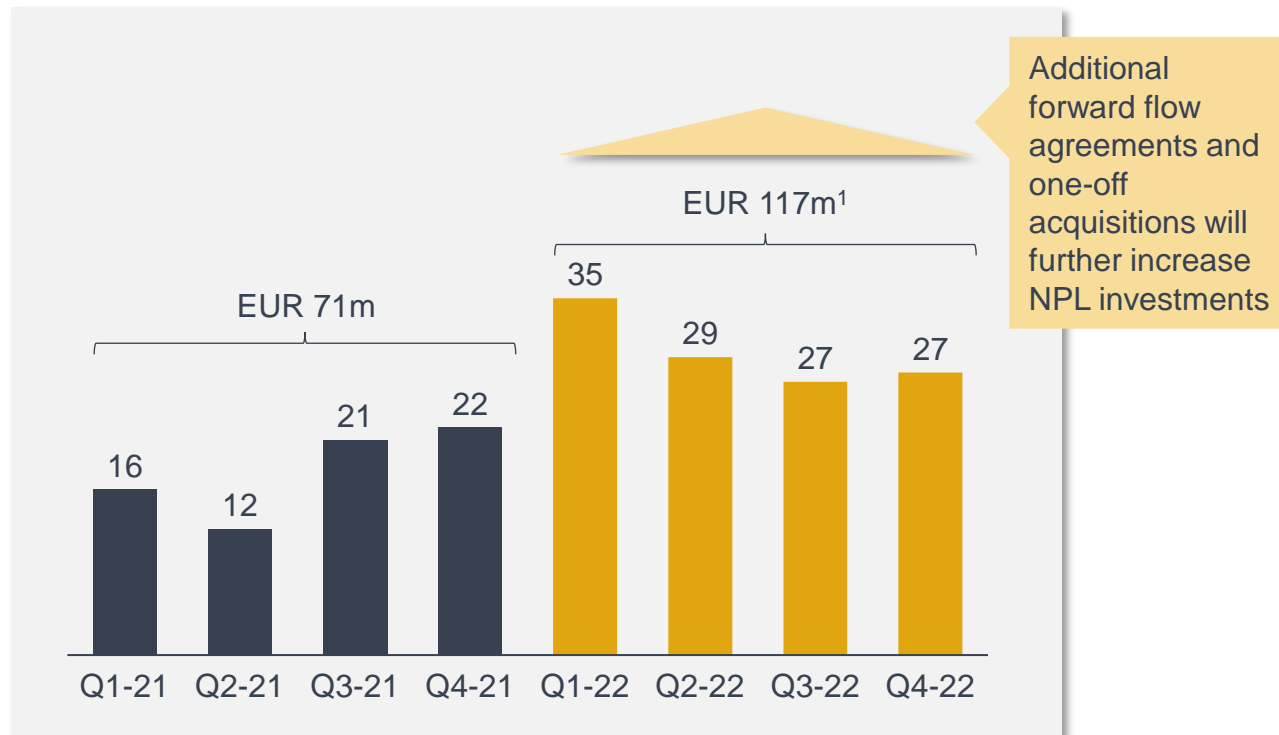
NPL investments
(EUR million)



- NPL investments increasing for the second consecutive quarter
- NPL investment market normalizing during second half of 2021, but with lower volumes generated during the pandemic
- Expect NPL investments of EUR 200 – 250m in 2022, well above the estimated replacement capex of EUR 108m

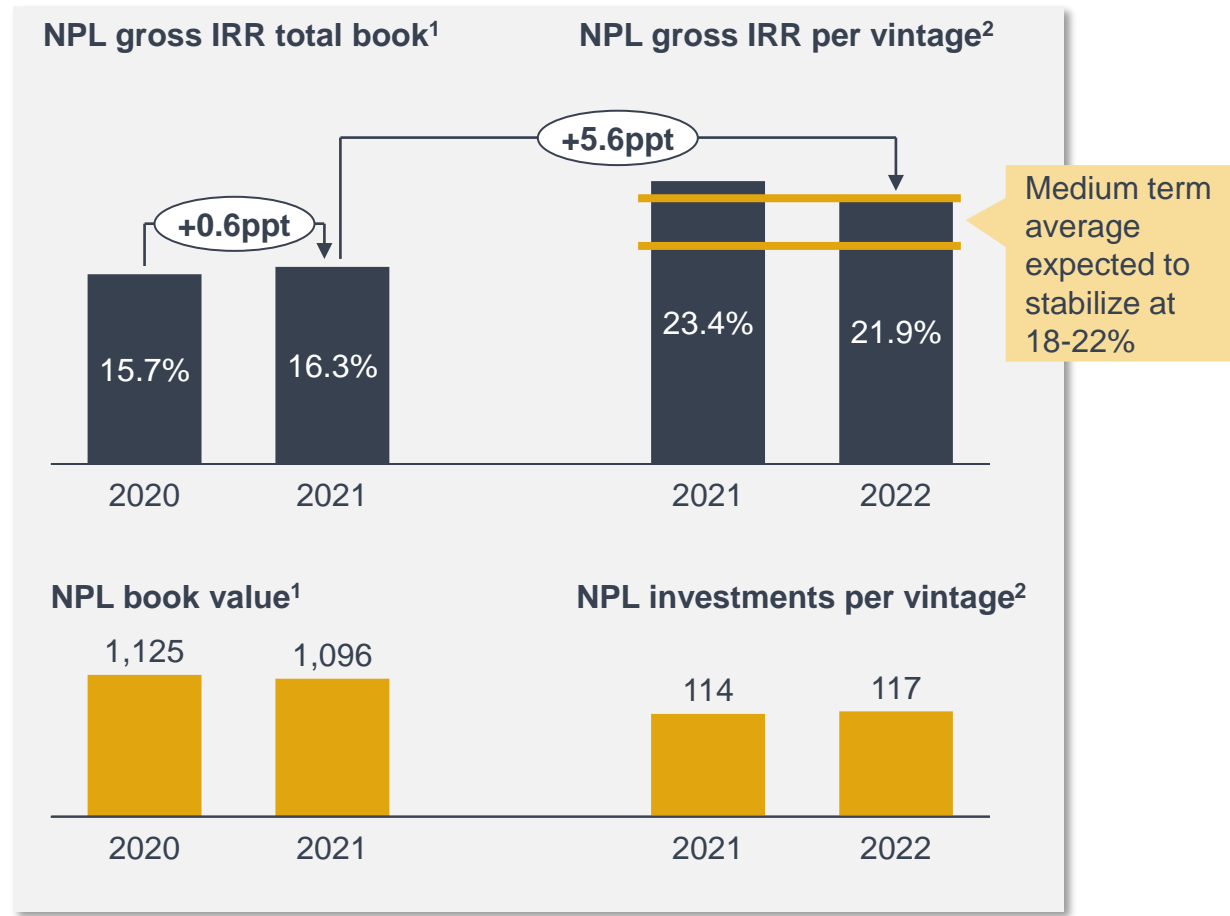
Axactor is building up forward flow commitments enabling healthy growth going forward

NPL investments on forward flow contracts
(EUR million)



- During 2021 Axactor invested EUR 71m on forward flow contracts
- For 2022 we have already secured estimated committed NPL investments of EUR 117m
- We expect to sign further forward flow contracts increasing investments in 2022
- In combination with one-off transactions the forward flow contracts is expected to secure healthy growth on the NPL segment going forward

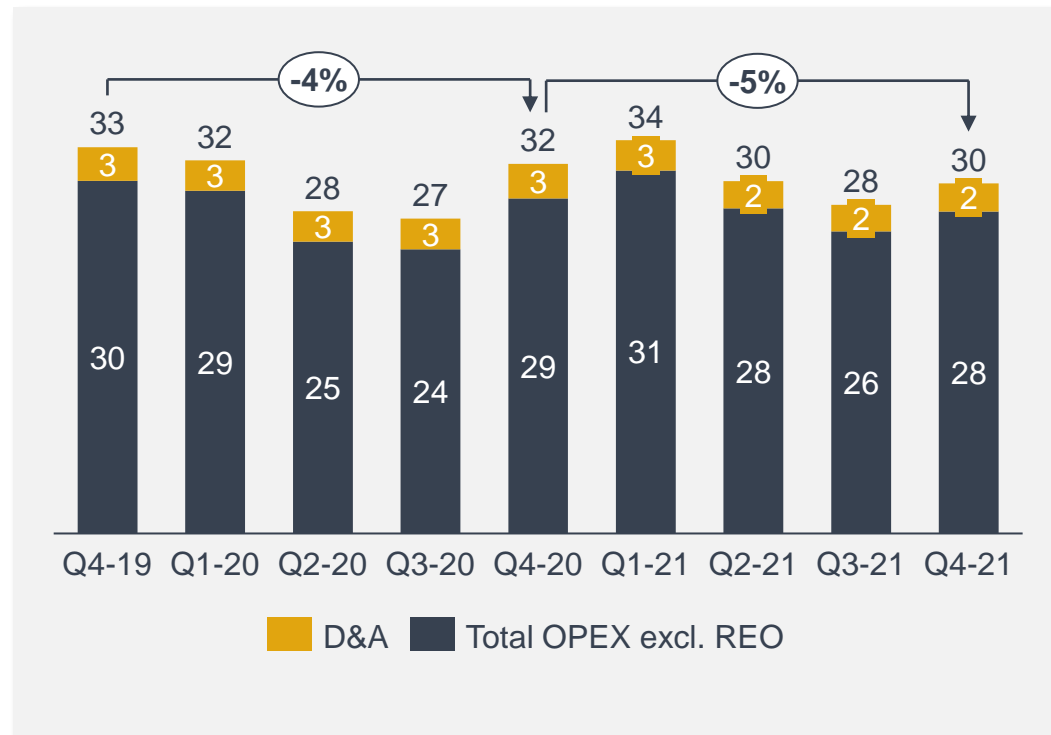
NPL investments are made at a healthy gross IRR level



- The single most important profit improvement initiative for Axactor is to improve the portfolio profitability
- Gross IRR on total NPL book gradually increasing, up 0.6%-point last 12 months
- Everything else equal, 1%-point gross IRR improvement on the total NPL book equals 2%-point improvement in ROE
- Committed NPL investments for 2022 5.6%-points higher than the current NPL book

Successful implementation of the cost reduction program in 2021 has secured cost declining by 5% y-o-y

Total OPEX and D&A¹
(EUR million)



- Axactor is working continuously on implementation of cost reduction initiatives to increase profits and improve the competitive position
- Actual cost reduced by 4% from Q4 2019 to Q4 2020 and further 5% from Q4 2020 to Q4 2021



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Outlook

- The large negative NPL revaluation booked in the fourth quarter 2021 reduces downside risk for collection performance, which is expected to fluctuate around 100% going forward
- The cost reduction program has delivered above expectation, rendering a lower cost base going into 2022 than the Group had going into 2021
- Axactor expect to deploy between EUR 200 million and EUR 250 million in NPL portfolios for the coming twelve months, well above replacement capex of EUR 108m
 - Axactor has already estimated NPL investment commitments for EUR 117 million in 2022 at a satisfying 22% gross IRR level
- The acquisition of CRS in Italy comes with a recurring annual 3PC revenue of approximately EUR 6 million with effect from 1 January 2022





Supporting information

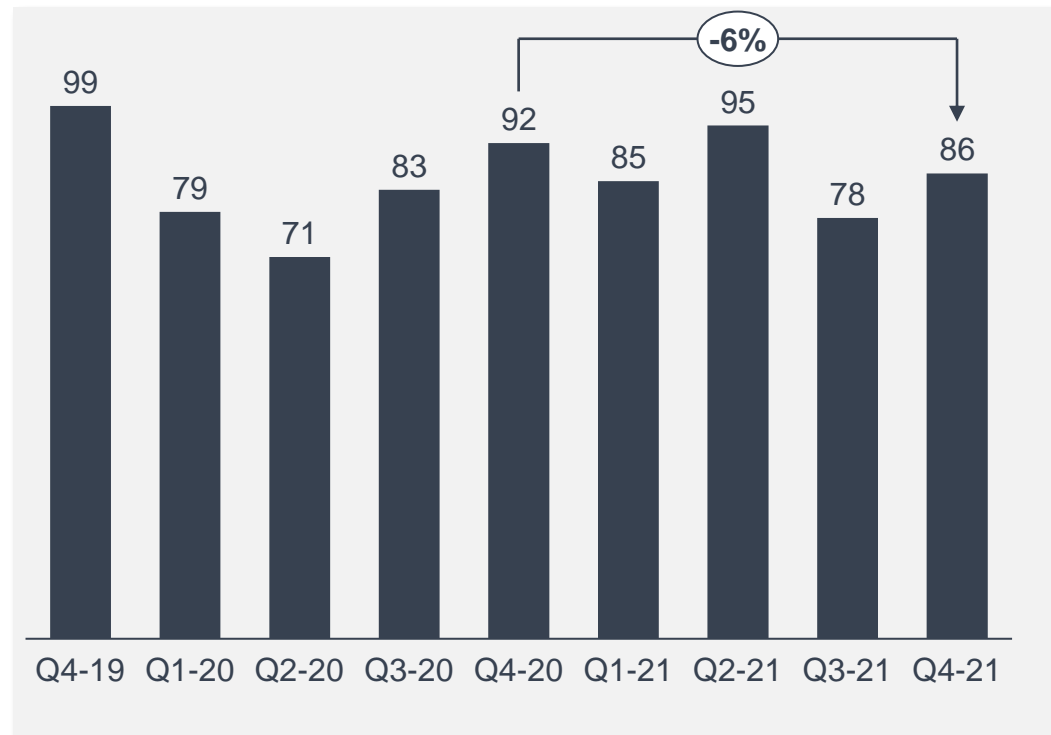


Financial highlights

Q4 2021

Declining gross revenue driven by declining revenue on the run-off segment REO and backloaded NPL investments

Gross revenue
(EUR million)

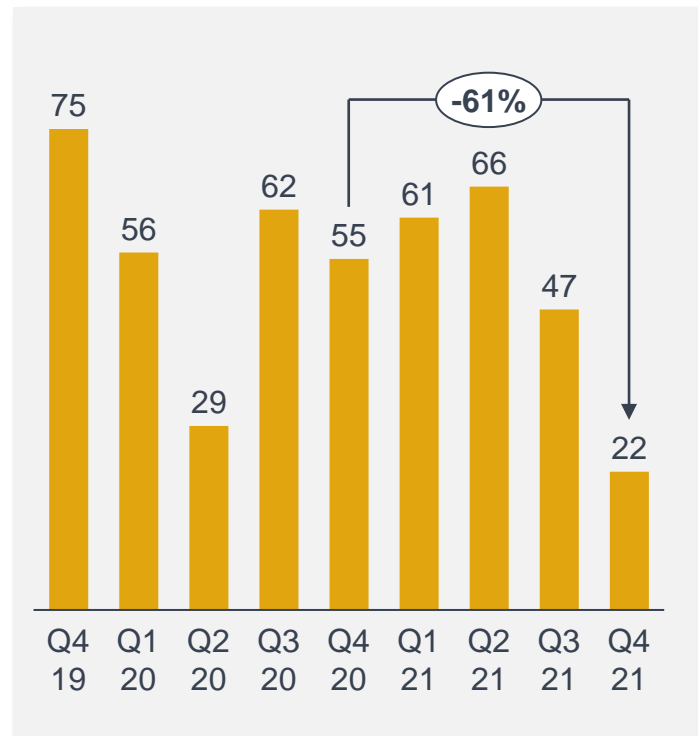


- Run-off segment REO with EUR 3.5m lower revenue y-o-y as the segment is moving into the tail
- 75% of NPL portfolio investments in 2021 was during the second half yielding little cashflow in Q4, contrary to the investment profile in 2020

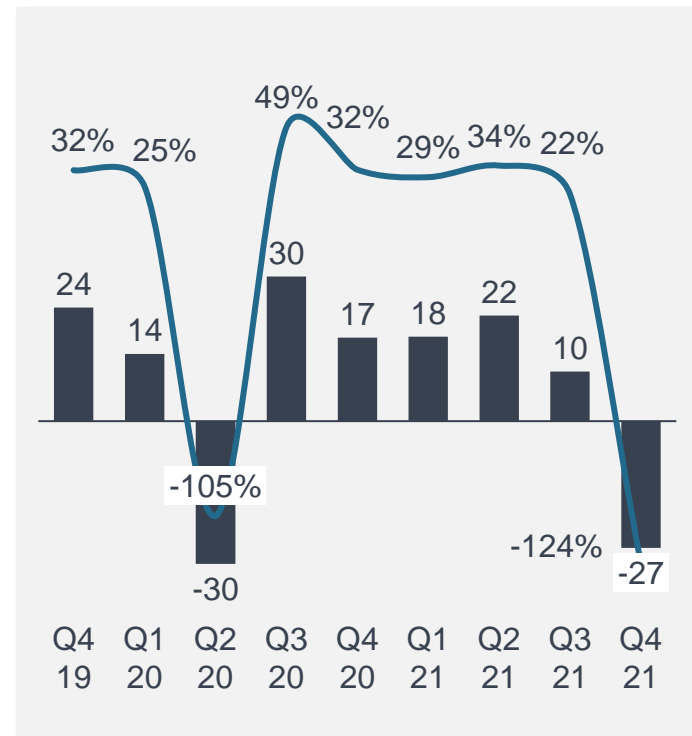
Financials heavily impacted by negative revaluation in Q4

- Cash EBITDA in line with last year adjusted for REO and EUR 2.2m in settlement cost in Q4

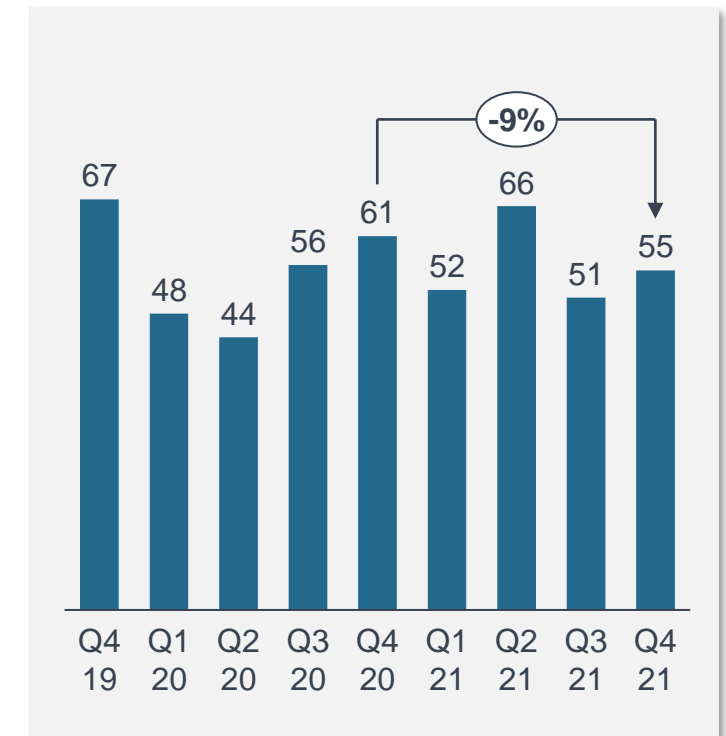
Total Income
(EUR million)



EBITDA and EBITDA-margin
(EUR million and %)

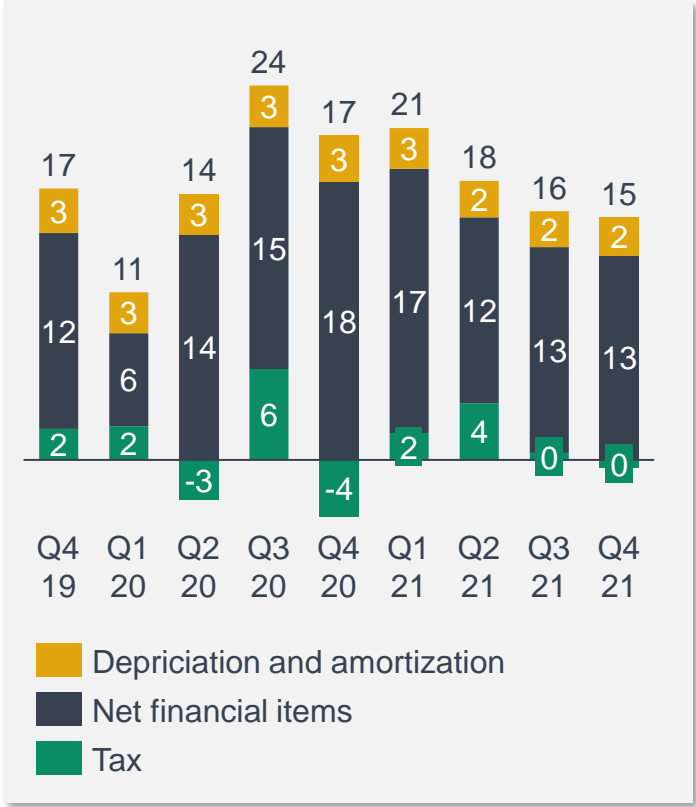


Cash EBITDA
(EUR million)

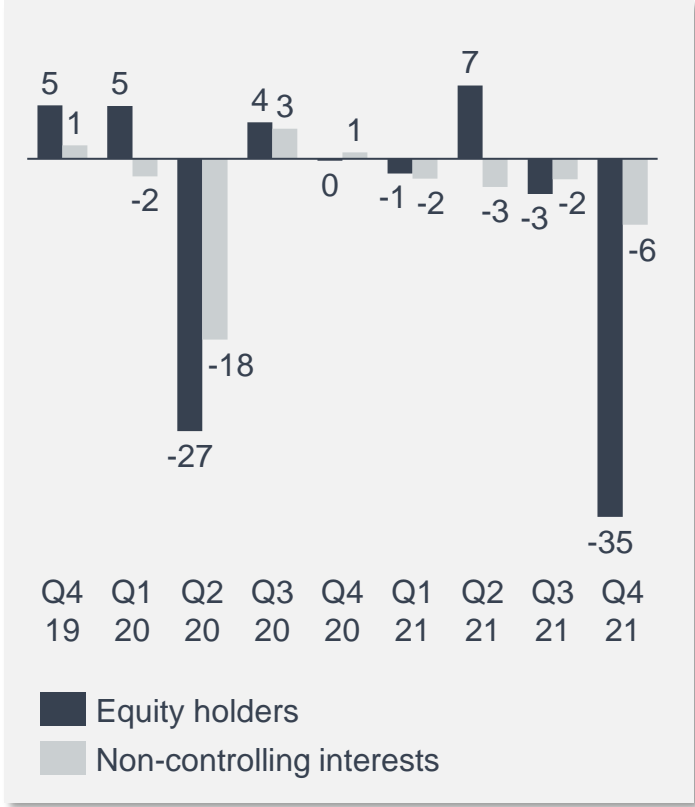


Continued positive trend on depreciation and net financials

D&A¹, Net financials and tax
(EUR million)



Net profit after tax
(EUR million)



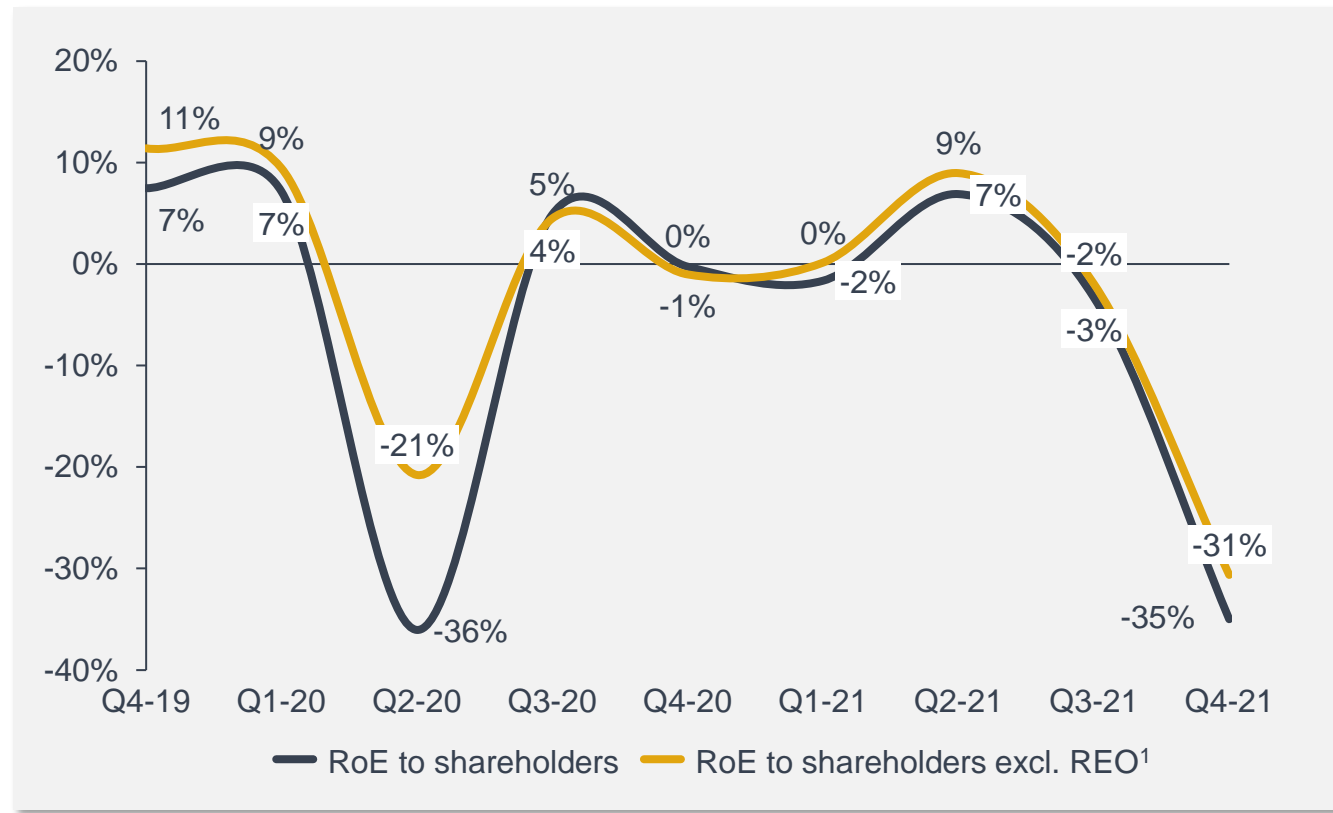
Comments

- Depreciation and amortization trending down following investment discipline
- Placement of the bond ACR03 reduces funding cost
- FX-hedge reduces variability in net financials

Volatile ROE to shareholders during the pandemic

Return on Equity excl. non-controlling interest per quarter

(Annualized in percent)



- Axactor with volatile financial results during the pandemic
- The large negative NPL revaluation booked in the fourth quarter 2021 reduces downside risk for collection performance, which is expected to fluctuate around 100% going forward
- ROE expected to improve and stabilize going forward



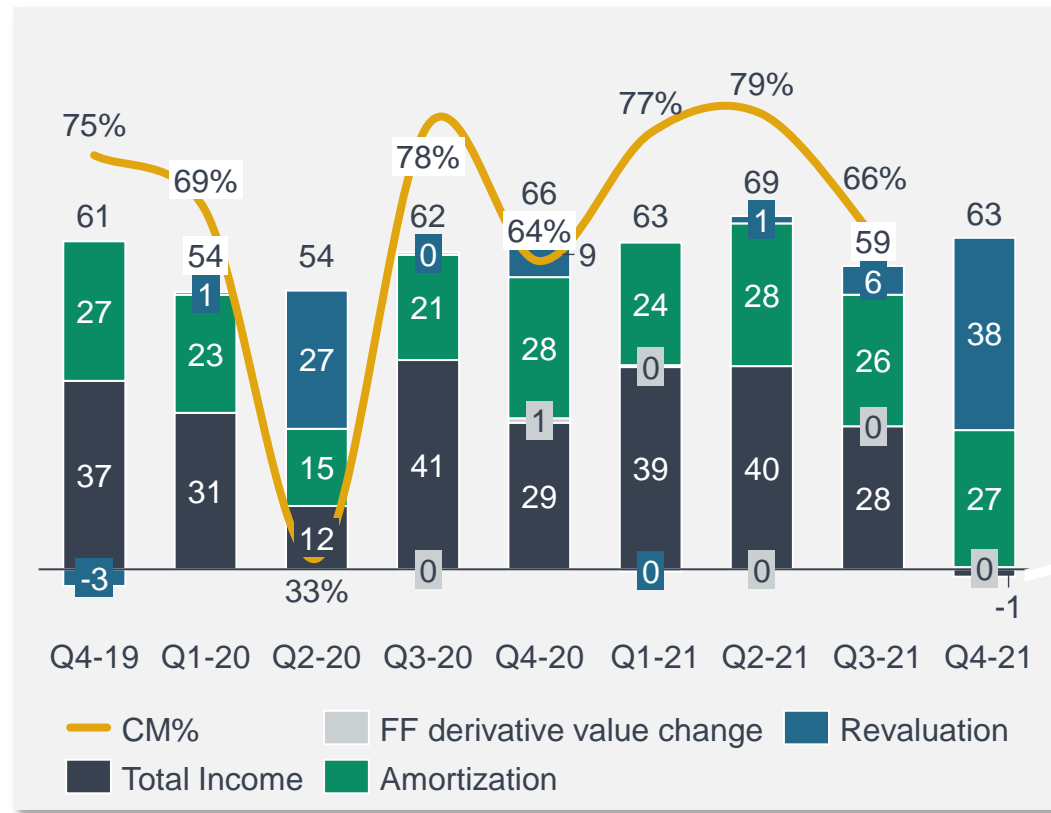
NPL portfolio

Q4 2021

NPL segment affected by negative revaluations in Q4

NPL Gross Revenue and CM%

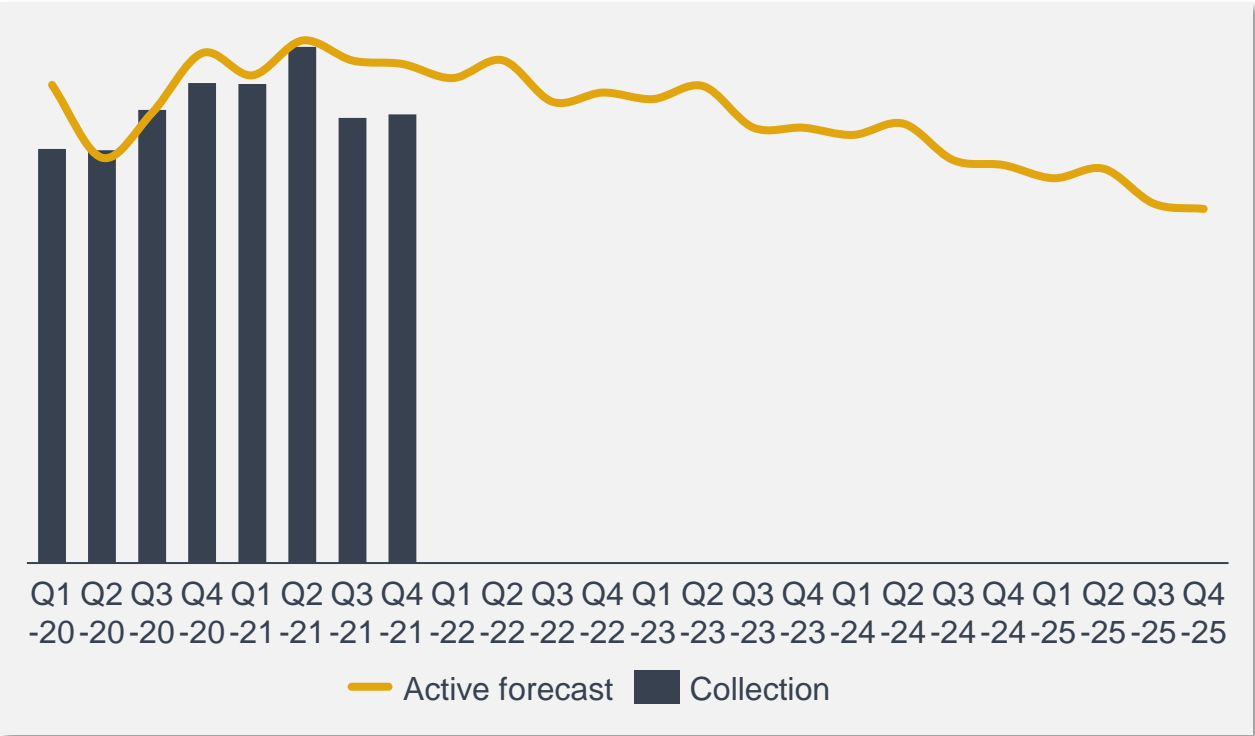
(EUR million and %)



- Gross revenue on NPL down 4% y-o-y
 - 75% of NPL portfolio investments in 2021 was during the second half yielding little cashflow in Q4, contrary to the investment profile in 2020
- Gross revenue on NPL up 4% compared to same quarter in 2019

Revaluation on NPL in Q4 is driven by a collection shortfall

NPL unsecured active forecast versus collection

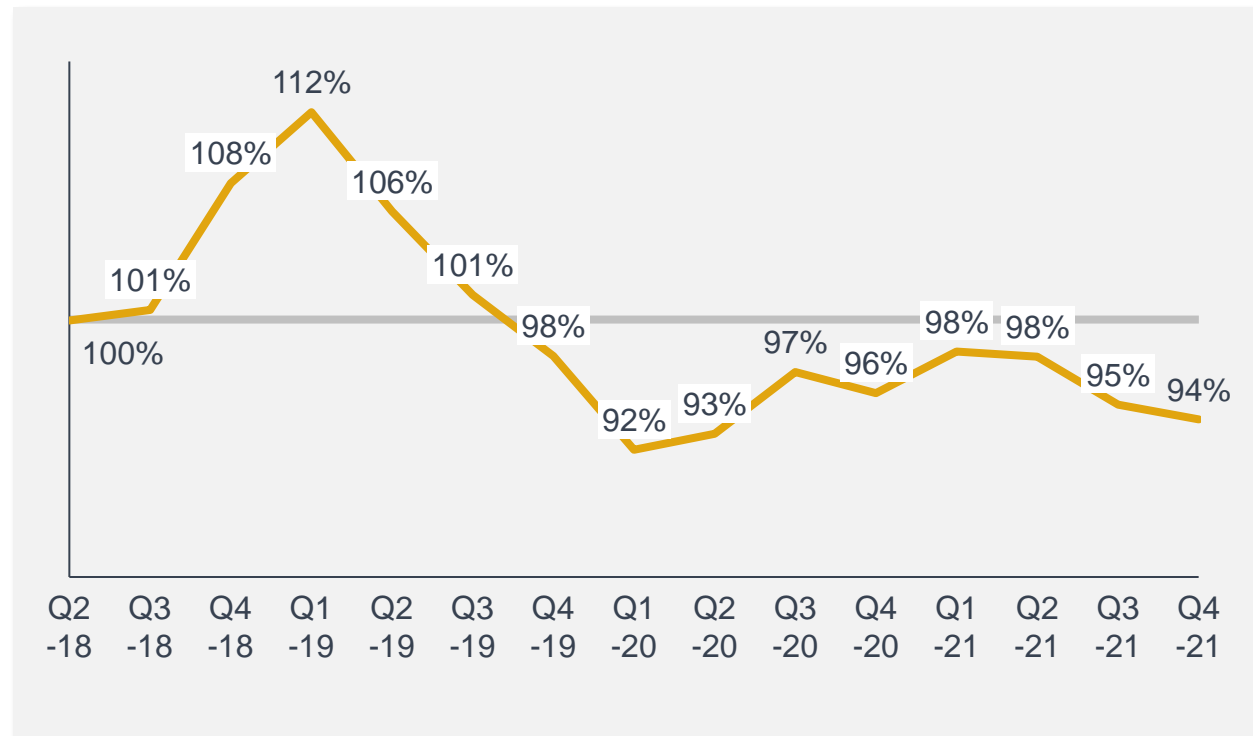


- NPL investments in second half of 2021 expected to increase cash collection in Q1 2022 compared to last two quarters

Declining collection performance after a weak H2 2021

Actual collection vs. active forecast¹

(LTM, rolling)

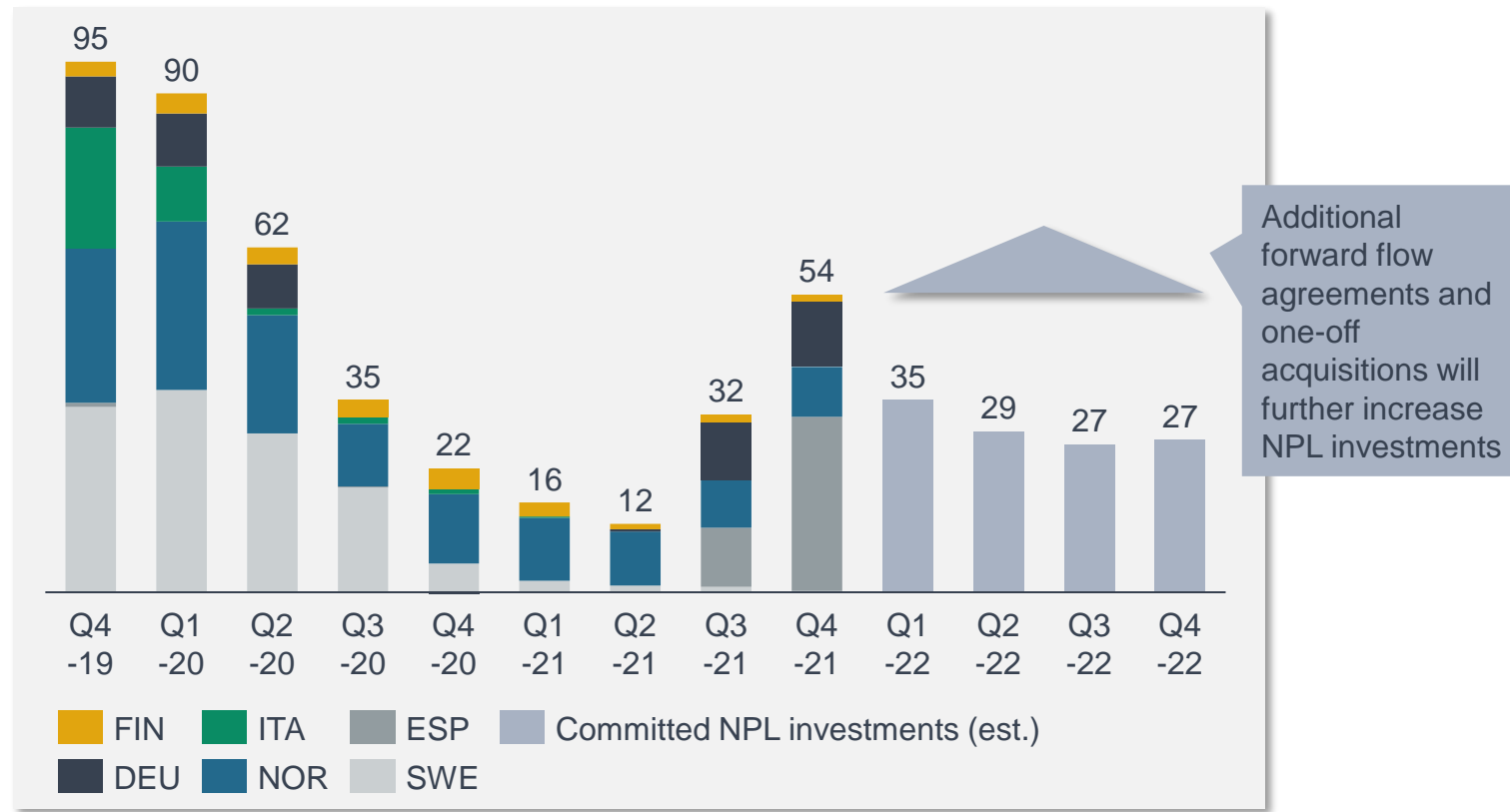


- Q4 collection performance of 91%
- LTM collection performance of 94%
- Long term average performance expected to fluctuate around 100%

NPL investment commitments of EUR 117m next 12 months

Quarterly NPL investments

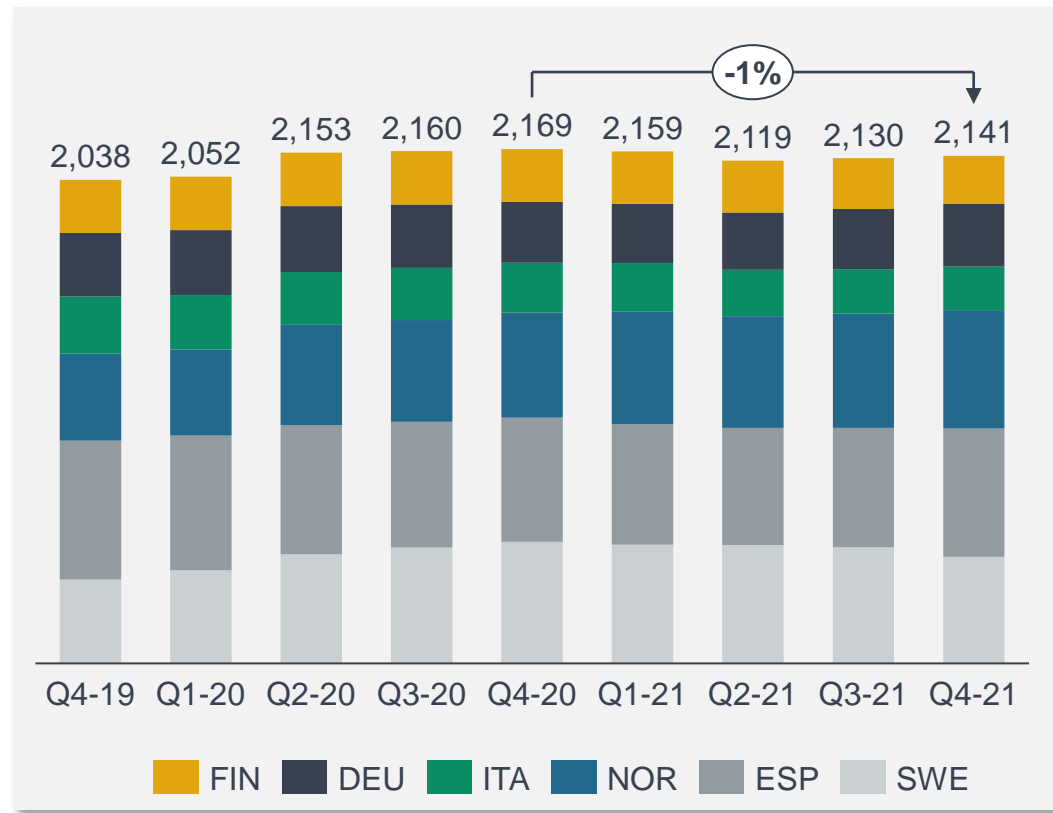
(EUR million)



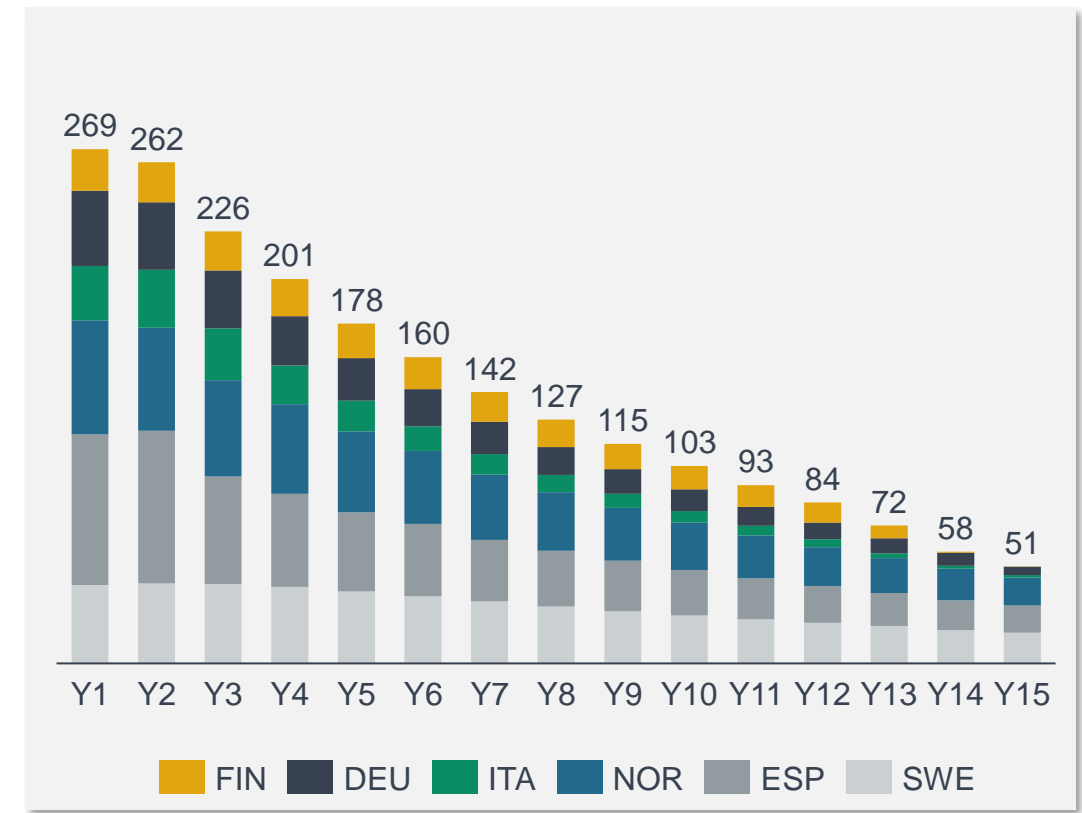
- NPL investments increasing during the second half of 2021
- Trend expected to continue in 2022
- Commitments decrease towards the end of the period as contracts expire – expect to sign new volumes offsetting the decline

ERC decreasing by 1% y-o-y due to net negative revaluations

Estimated ERC development
(EUR million)



Forward ERC profile by year
(EUR million)

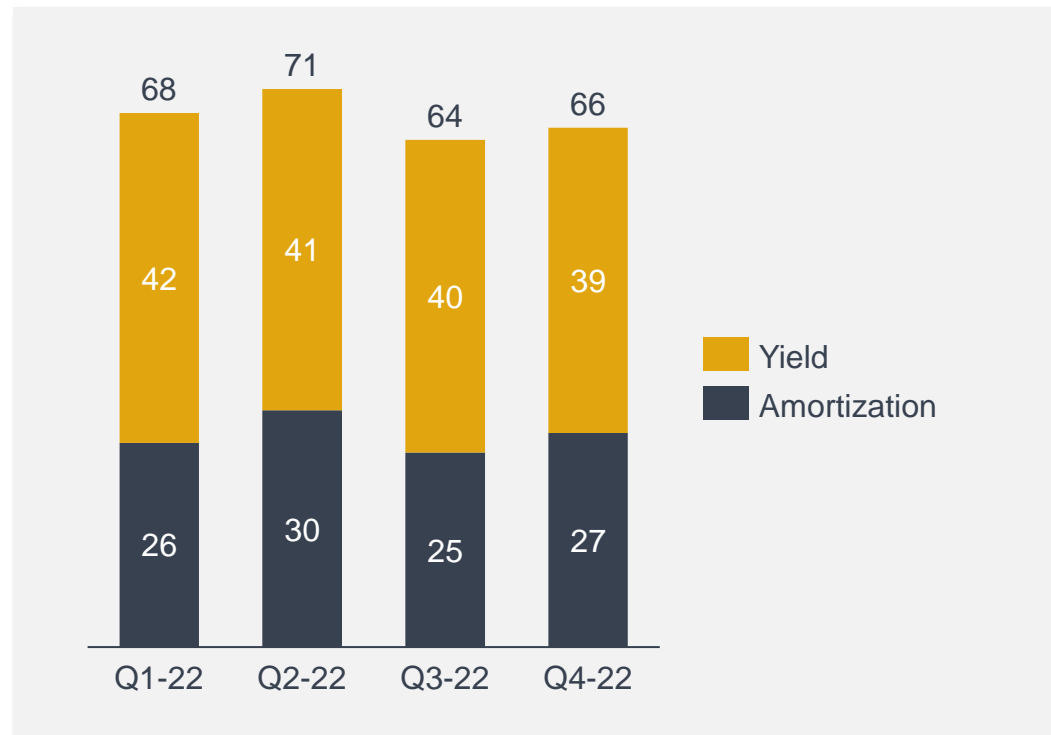


ERC split on estimated yield and amortization

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

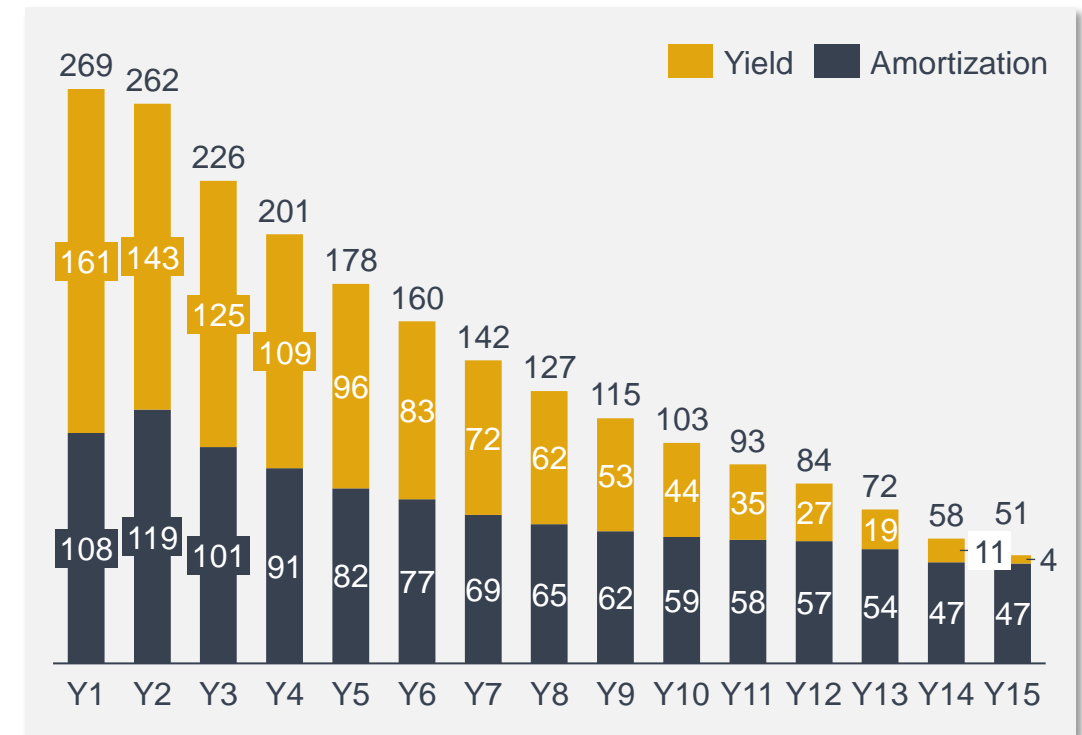
ERC next four quarters

(EUR million)



ERC next 15 years

(EUR million)





3PC

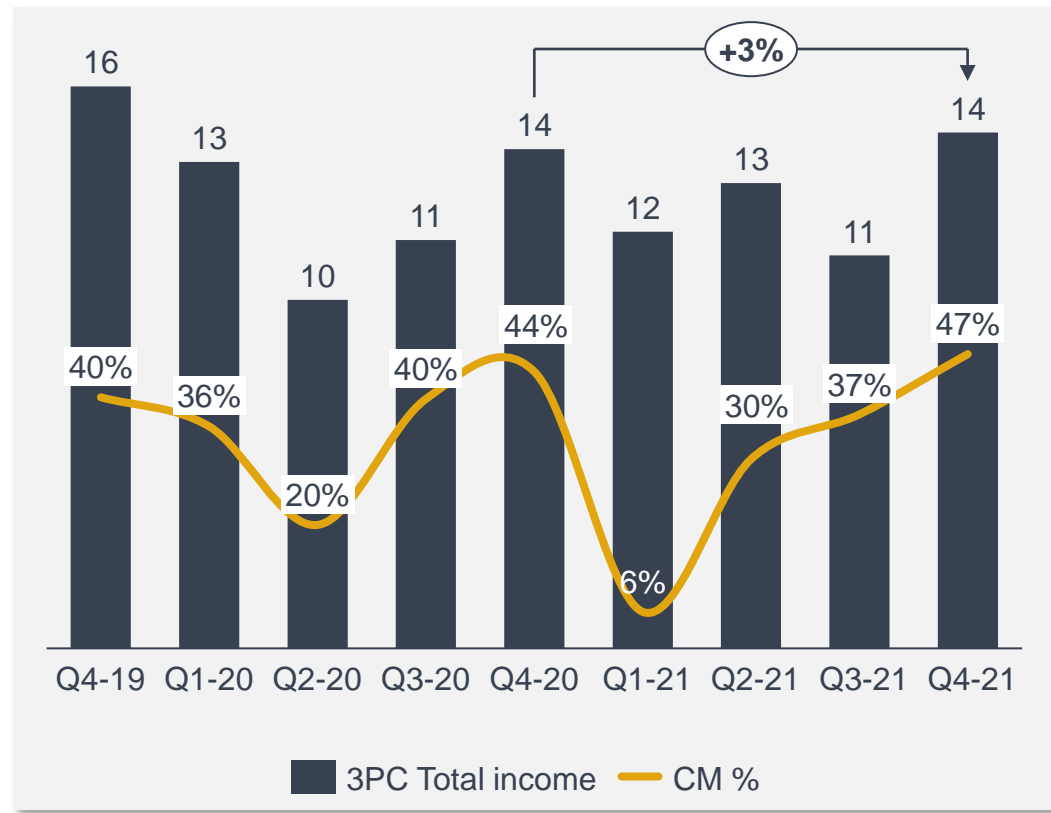
Q4 2021

3PC development

- Margins are improving. Structuring organization to be positioned for volume ramp-up

3PC total income and CM%

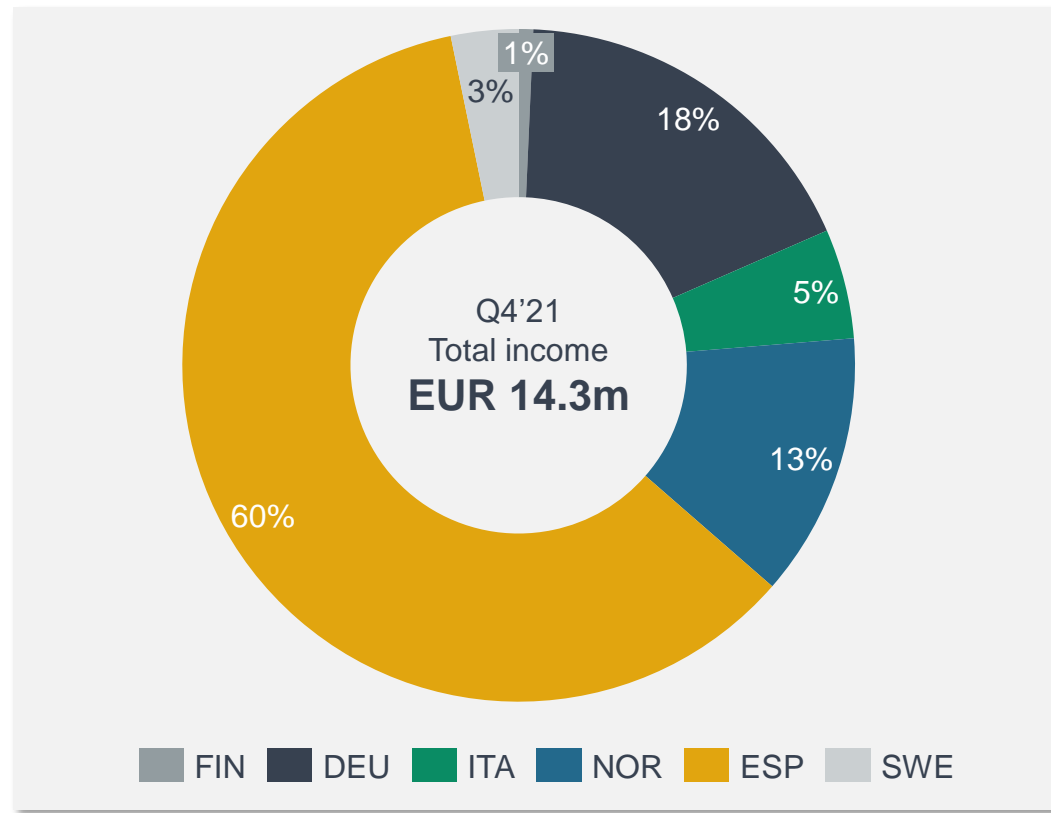
(EUR million and %)



- The negative trend on 3PC revenue y-o-y has turned into growth with a 3PC total income growth of 3% y-o-y
- The contribution margin has improved to 47% on the back of the cost reduction program in 2021

3PC volumes by geographic region

3PC total income split by geographic region



- Spain accounting for 60% of total income on 3PC
- Following the acquisition of C.R. Service in Italy we expect Italy to increase their relative share to between 10% and 15% going forward



REO portfolio (run-off segment)

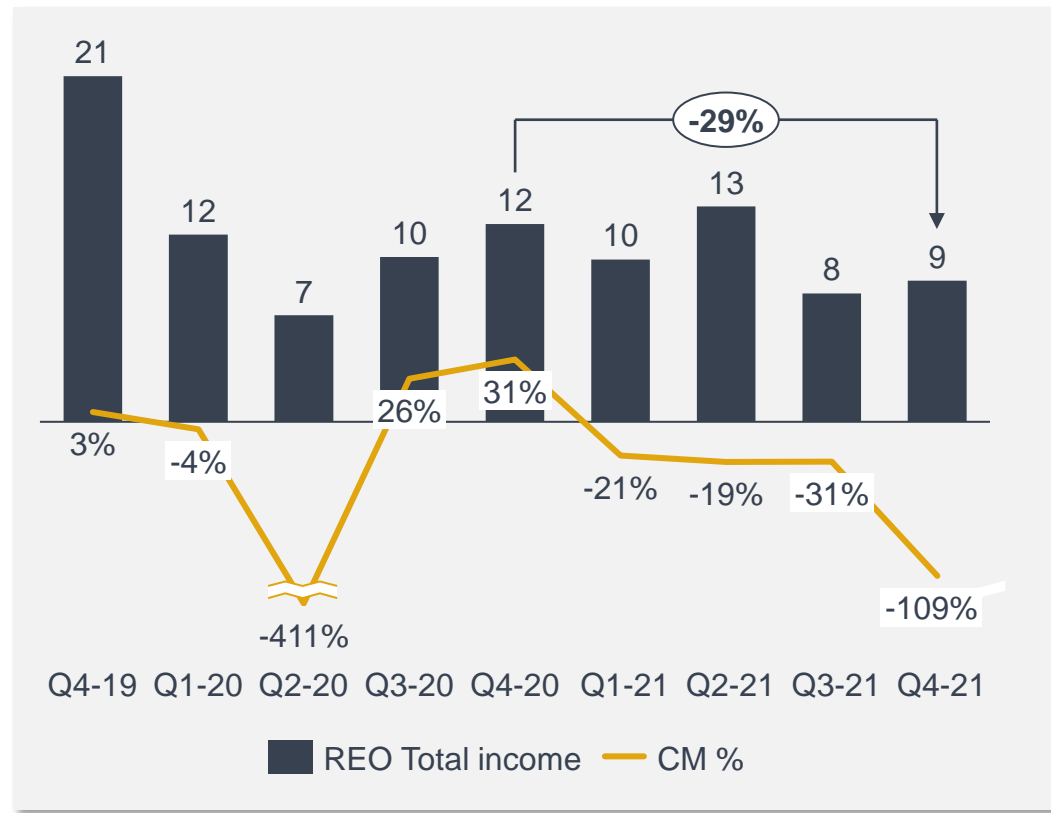
Q4 2021

REO development (run-off segment)

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

REO total income and CM%

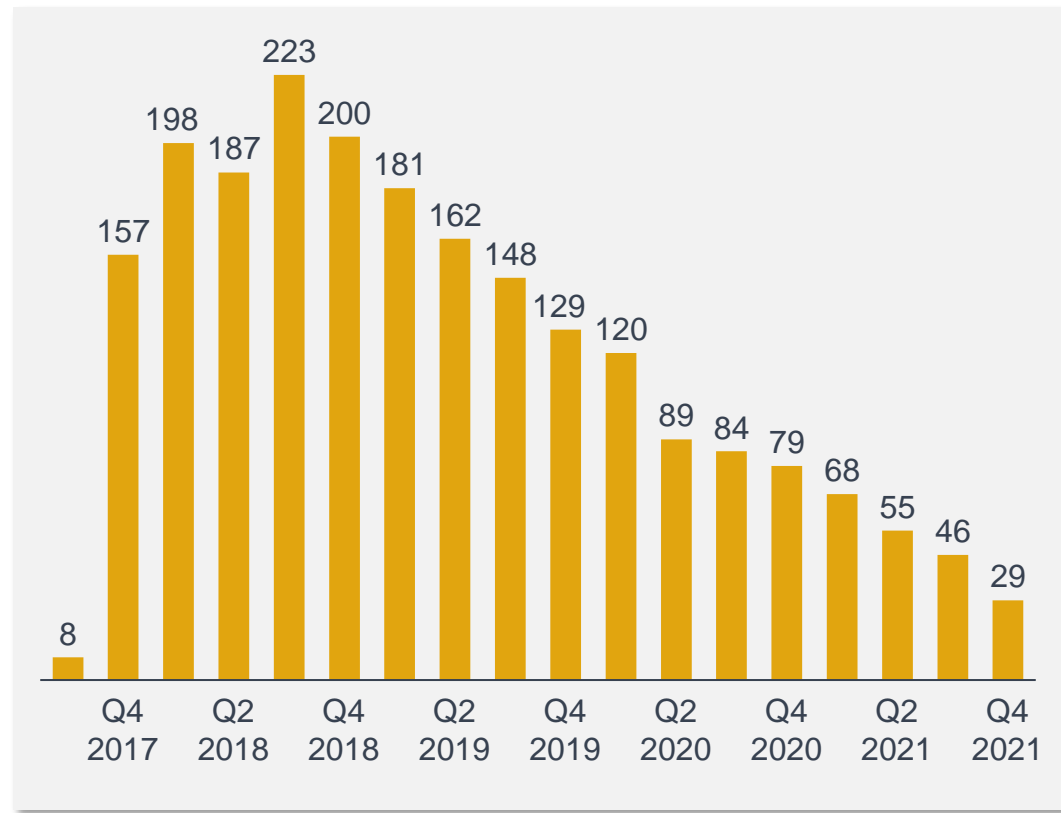
(EUR million and %)



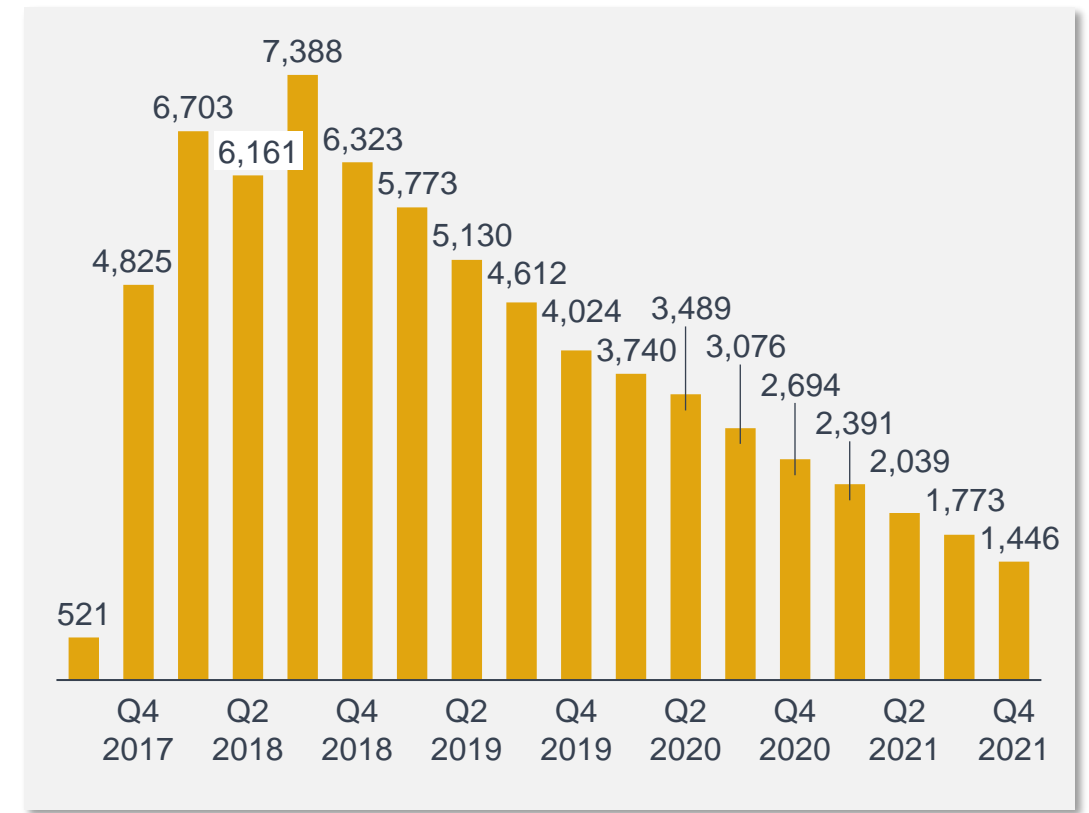
- Axactor has sold off ~90% of the REO portfolio¹
- Gross revenue for quarter came in at EUR 9m
- Consolidated book values are down to only EUR 29m at year end
- In 2022 the REO segment will be reported as discontinued operations in the financial statement

REO portfolio in the tail

REO book value*
(EUR million)



REO # of units*



REO statistics*

(EUR million)

Current book				
Asset class	# assets	% of total	Book value	% of total
Housing	551	38%	16.8	57%
Parking, annex etc.	491	34%	1.4	5%
Land	217	15%	1.9	7%
Commercial	187	13%	9.9	34%
Eliminations	0	0%	-0.7	-2%
Total	1,446	100%	29.3	100%

Originally acquired				
Asset class	# assets	% of total	Book value	% of total
Housing	4,042	47%	195.9	68%
Parking, annex etc.	3,406	39%	15.8	5%
Land	357	4%	9.4	3%
Commercial	872	10%	66.5	23%
Total	8,677	100%	287.6	100%

- Housing represent >50% of current book value
- Average book value per remaining asset EUR 20k
 - Average book value per sold asset of EUR 34k
 - Average sale price per sold asset of EUR 37k



Covenants

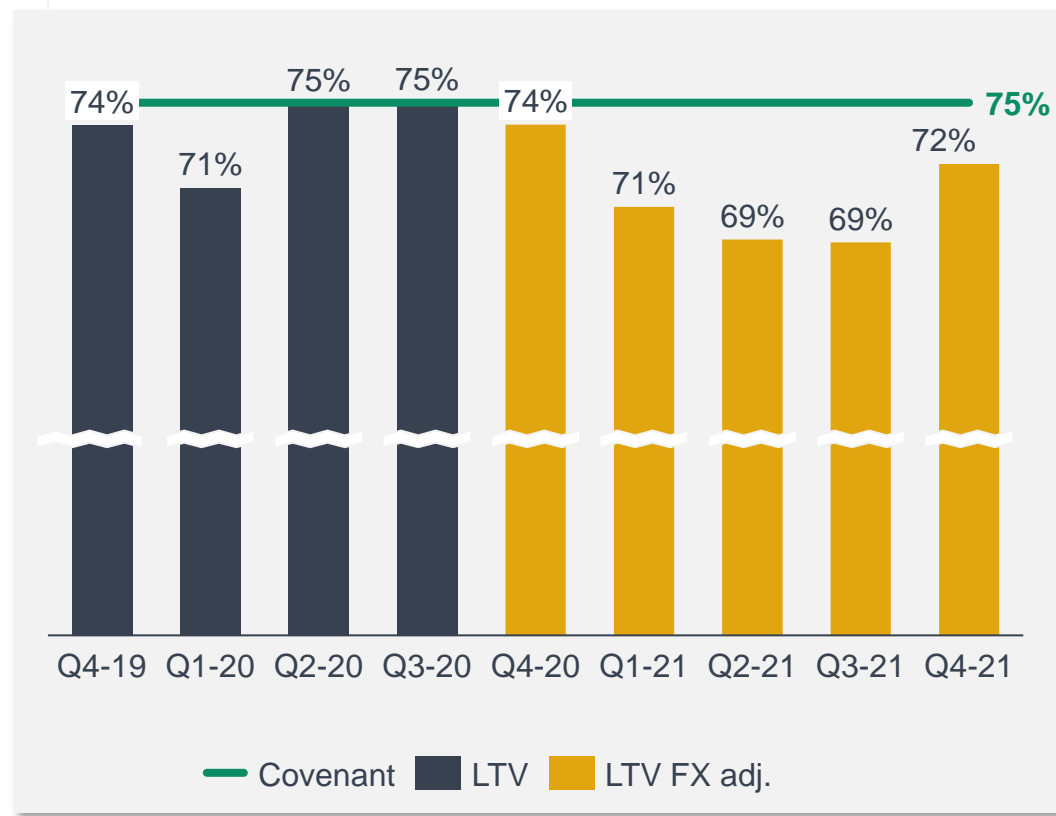
Q4 2021

Bond covenants (1/2)

- Compliant with all covenants

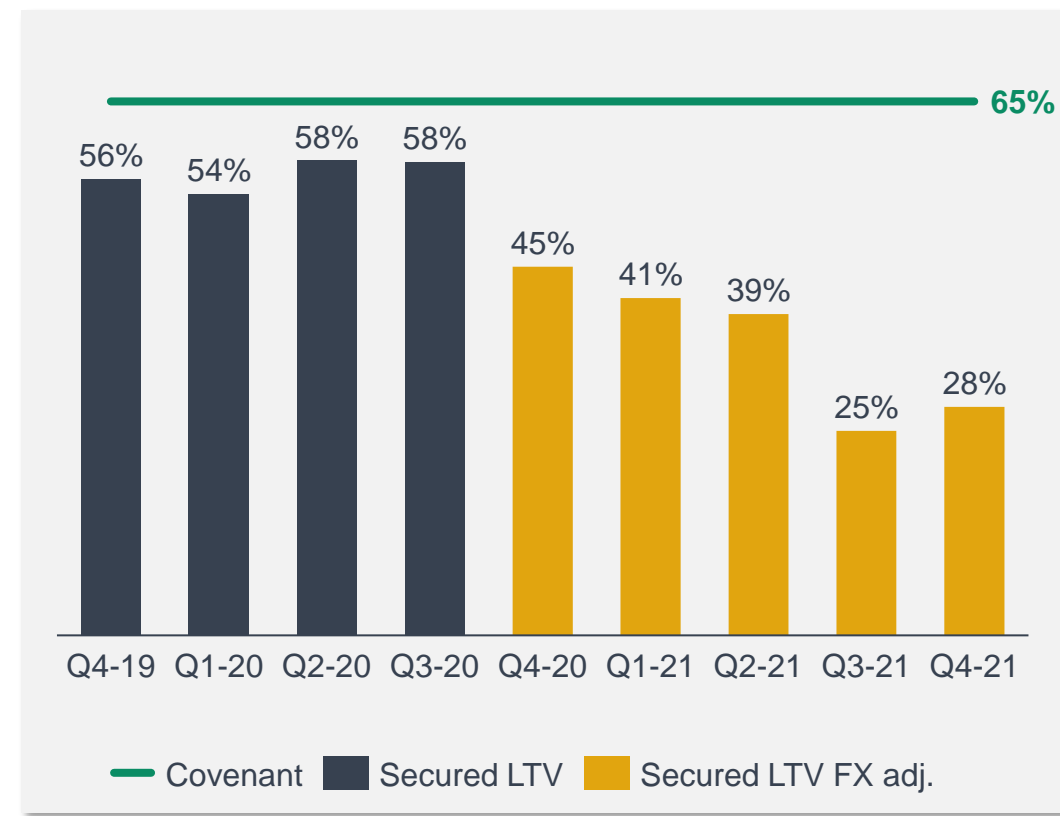
Loan-to-value¹ - Covenant $\leq 75\%$

(Total portfolio book value divided by net interest-bearing debt)



Secured Loan-to-value¹ - Covenant $\leq 65\%$

(Total portfolio book value divided by secured net interest-bearing debt)

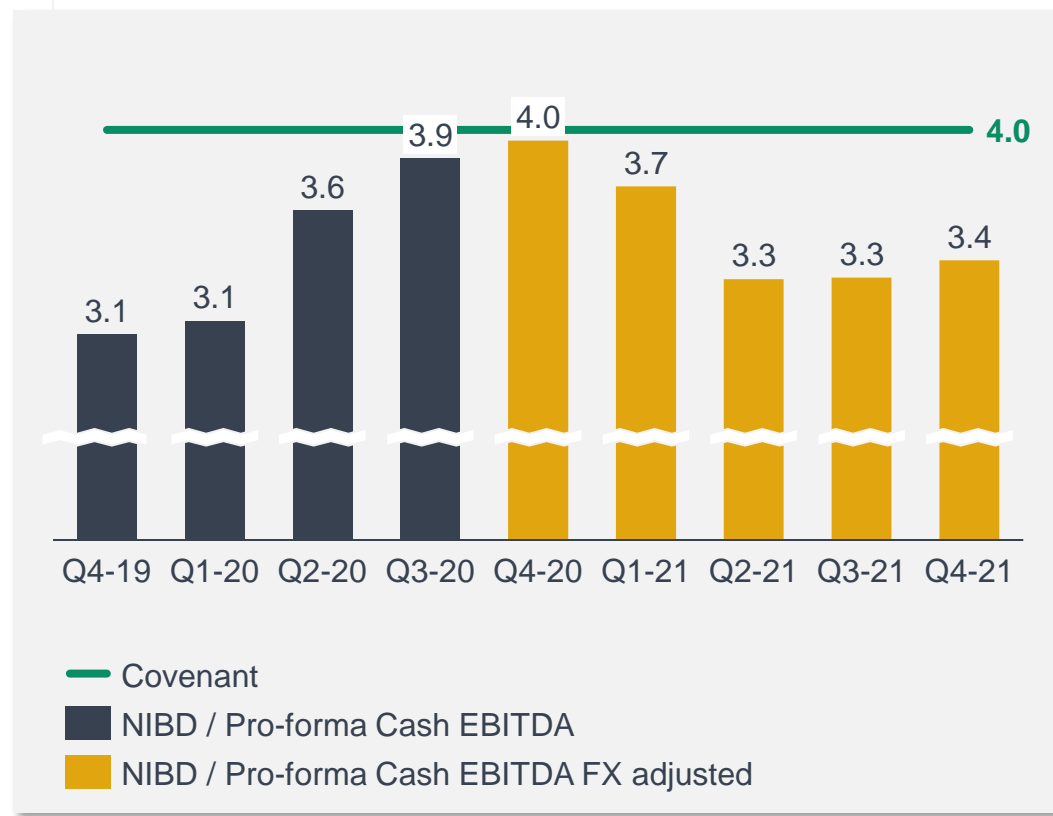


Bond covenants (2/2)

- Compliant with all covenants

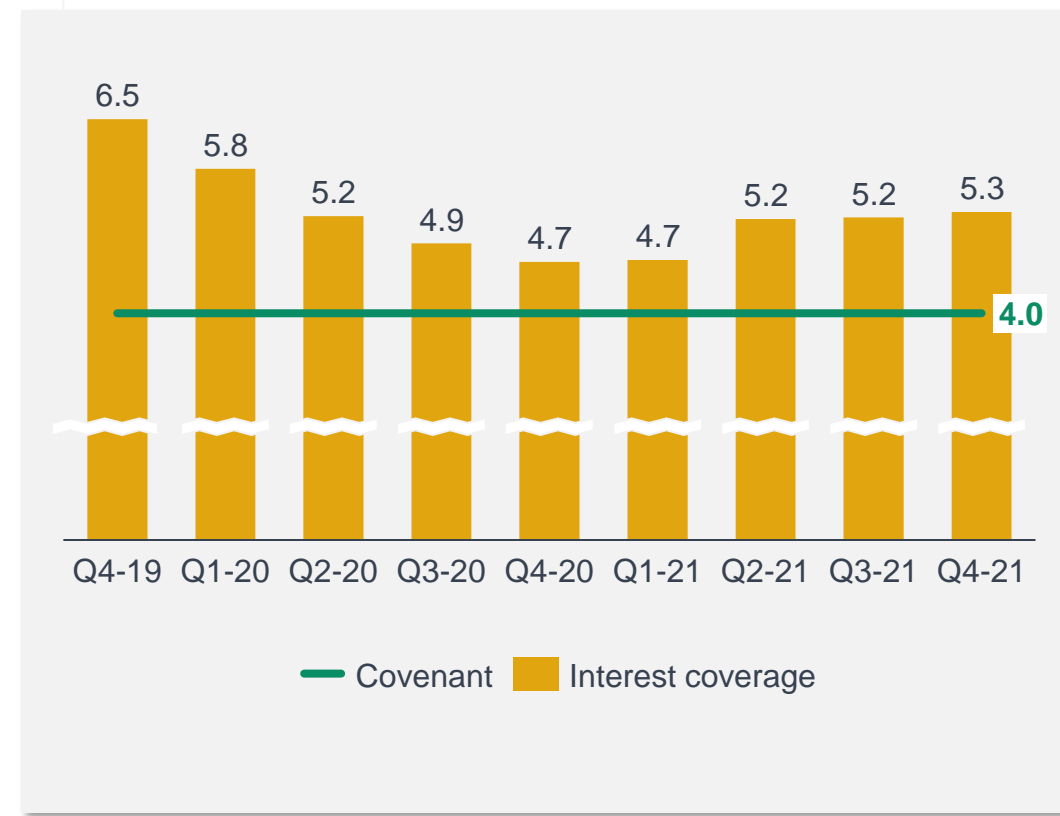
Leverage ratio¹ - Covenant $\leq 4.0x$

(Net interest-bearing debt divided by LTM Pro-forma adjusted EBITDA)



Interest coverage ratio¹ - Covenant $\geq 4.0x$

(Pro-forma adjusted cash EBITDA divided by net interest expenses)





Appendix

P&L statement

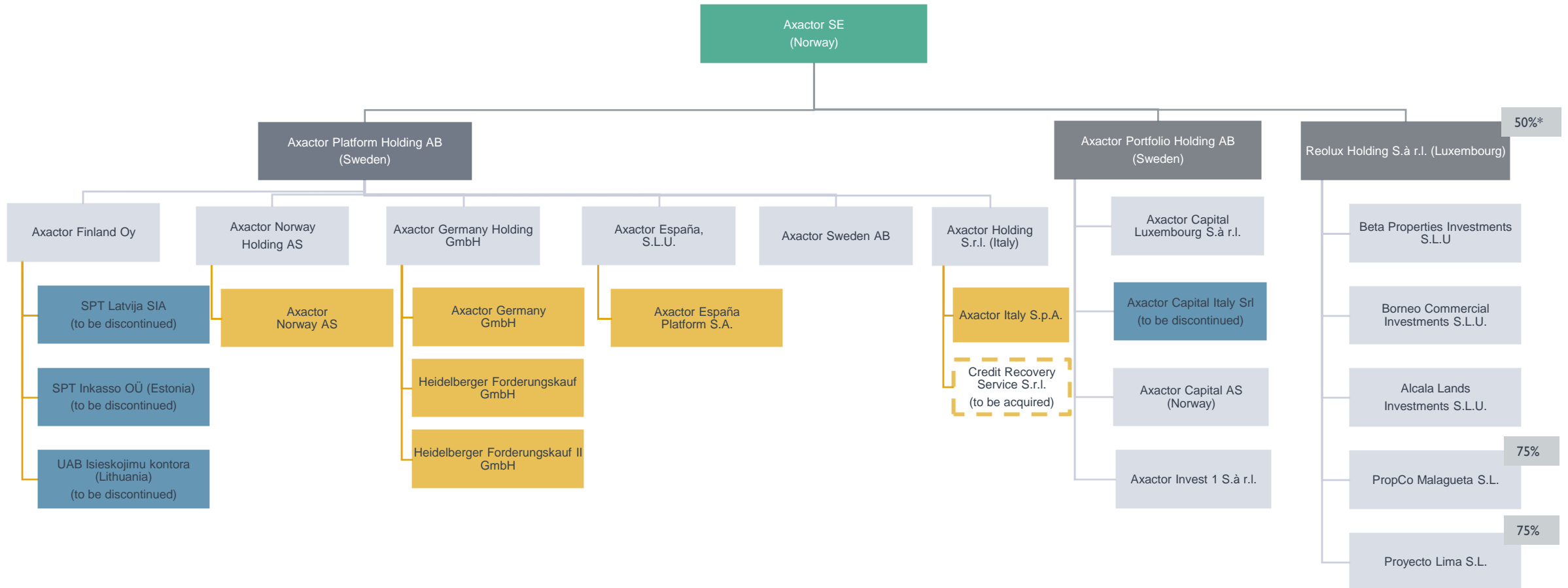
EUR thousand	For the quarter end		Year to date	
	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
Interest income from purchased loan portfolios	43,506	41,758	168,421	163,093
Net gain/(loss) purchased loan portfolios	-44,588	-12,283	-62,013	-49,813
Other operating revenue	22,575	25,191	88,704	87,871
Other income	12	-24	15	24
Total income	21,505	54,642	195,127	201,175
Cost of REO's sold, incl impairment	-16,916	-5,976	-50,515	-52,932
Personnel expenses	-13,609	-13,794	-61,313	-54,872
Operating expenses	-17,543	-17,381	-59,565	-61,372
Total operating expenses	-48,068	-37,150	-171,393	-169,176
EBITDA	-26,563	17,493	23,733	31,999
Amortization and depreciation	-2,442	-2,981	-9,654	-10,838
EBIT	-29,006	14,511	14,080	21,161
Financial revenue	3,177	3,773	3,033	12,650
Financial expenses	-16,191	-21,469	-57,809	-66,039
Net financial items	-13,013	-17,697	-54,775	-53,390
Profit/(loss) before tax	-42,019	-3,186	-40,696	-32,228
Tax (expense)	483	3,628	-5,296	-1,774
Net profit/(loss) after tax	-41,536	443	-45,992	-34,002
Attributable to:				
Non-controlling interests	-6,464	629	-13,194	-15,871
Shareholders of the parent company	-35,073	-187	-32,797	-18,131
Earnings per share: basic	-0.116	0.015	-0.112	-0.099
Earnings per share: diluted	-0.116	0.014	-0.112	-0.099

Balance sheet statement

EUR thousand	31 Dec 2021	31 Dec 2020	Full year 2020
ASSETS			
<i>Intangible non-current assets</i>			
Intangible Assets	17,824	19,989	19,989
Goodwill	55,960	54,879	54,879
Deferred tax assets	13,700	7,769	7,769
<i>Tangible non-current assets</i>			
Property, plant and equipment	2,290	2,530	2,530
Right-of-use assets	10,768	4,826	4,826
<i>Financial non-current assets</i>			
Purchased debt portfolios	1,095,789	1,124,699	1,124,699
Other non-current receivables	338	458	458
Other non-current investments	28	196	196
Total non-current assets	1,196,698	1,215,346	1,215,346
<i>Current assets</i>			
Stock of Secured Assets	29,310	78,786	78,786
Accounts Receivable	7,060	7,124	7,124
Other current assets	16,154	11,645	11,645
Restricted cash	2,372	2,946	2,946
Cash and Cash Equivalents	41,581	47,779	47,779
Total current assets	96,476	148,281	148,281
TOTAL ASSETS	1,293,175	1,363,627	1,363,627

EUR thousand	31 Dec 2021	31 Dec 2020	Full year 2020
EQUITY AND LIABILITIES			
Share Capital	158,150	97,040	97,040
Other paid-in equity	269,919	236,562	236,562
Retained Earnings	-40,475	-16,036	-16,036
Translation reserve	-7,074	-15,999	-15,999
Other reserves	-245	0	0
Non-controlling interests	976	74,113	74,113
Total Equity	381,249	375,680	375,680
<i>Non-current Liabilities</i>			
Interest bearing debt	834,411	579,282	579,282
Deferred tax liabilities	6,144	6,436	6,436
Lease liabilities	8,866	2,804	2,804
Other non-current liabilities	1,994	1,433	1,433
Total non-current liabilities	851,415	589,955	589,955
<i>Current Liabilities</i>			
Accounts Payable	7,282	6,147	6,147
Current portion of interest bearing debt	3,845	356,903	356,903
Taxes Payable	20,259	12,002	12,002
Lease liabilities	2,185	2,282	2,282
Other current liabilities	26,941	20,657	20,657
Total current liabilities	60,511	397,992	397,992
Total Liabilities	911,925	987,947	987,947
TOTAL EQUITY AND LIABILITIES	1,293,175	1,363,627	1,363,627

Legal organization December 2021



Terms and abbreviations

Terms

Active forecast	Forecast of estimated remaining collection on NPL portfolios
Cash EBITDA margin	Cash EBITDA as a percentage of gross revenue
Contribution margin (%)	Total operating expenses (excluding SG&A, IT and corporate cost) as a percentage of total income
Collection performance	Collection on own NPL portfolios in relation to active forecast
Equity ratio	Total equity as a percentage of total equity and liabilities
Forward flow agreement	Agreement for future acquisitions of NPLs at agreed prices and delivery
Gross IRR	The credit adjusted interest rate that makes the net present value of ERC equal to NPL book value, calculated using monthly cash flows over a 180-months period
NPL amortization rate	NPL amortization divided by NPL gross revenue
One off portfolio acquisitions	Acquisition of a single portfolio of NPLs
Opex	Total operating expenses
Recovery rate	Portion of the original debt repaid
Replacement capex	Acquisitions of new NPLs to keep the same book value of NPLs from last period
SG&A, IT and corporate cost	Total operating expenses for overhead functions, such as HR, finance and legal etc
Solution rate	Accumulated paid principal amount for the period divided by accumulated collectable principal amount for the period. Usually expressed on a monthly basis
Yield	Interest income from purchased NPL portfolios including net gain/(loss) on the NPL portfolios

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
BS	Consolidated Statement of Financial Position (Balance Sheet)
CF	Consolidated Statement of Cash Flow
CGU	Cash Generating Unit
CM1	Contribution Margin
D&A	Depreciation and Amortization
Dopex	Direct operating expenses
EBIT	Operating profit/Earnings before Interest and Tax
EBITDA	Earnings before Interest, Tax, Depreciation and Amortization
ECL	Expected Credit Loss
EPS	Earnings Per Share
ERC	Estimated Remaining Collection
FTE	Full Time Equivalent
IFRS	International Financial Reporting Standards
LTV	Loan to value
NCI	Non-Controlling Interests
NPL	Non-Performing Loan
OB	Outstanding Balance, the total amount Axactor can collect on claims under management, including outstanding principal, interest and fees
P&L	Consolidated Statement of Profit and Loss
PCI	Purchased Credit Impaired
PPA	Purchase Price Allocations
REO	Real Estate Owned
ROE	Return on Equity
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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