

AXACTOR

Q2 2022

18 August 2022





Q2 highlights

Financial update

Outlook

Q&A

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Financial highlights for the quarter



Increasing NPL investment estimate to EUR 250 - 300m for the year

- NPL investment of 2.3x – 2.8x replacement capex in 2022
- Total committed capex EUR 223m so far in 2022



Cash EBITDA growth of 5% y-o-y

- EBITDA of EUR 30m, up from EUR 25m last year



Annualized return on equity of 13%

- Profit after tax of EUR 12m, up from EUR 9m last year



Bond repurchase of EUR 37m¹

- Positive one-time P&L impact of EUR 1.4m

Axactor is pursuing a strategy based on three strategic levers

Blending the book

- Solve old claims with low gross IRR and replace them with new higher gross IRR claims
- Accelerate blending and secure growth through investing significantly above replacement capex

Cost leadership

- Axactor was incepted to disrupt the industry on cost-to-collect
- Currently investing extensively in data-driven valuation and -operation to excel further

Best at what we do

Targeted focus to become best at what we do¹

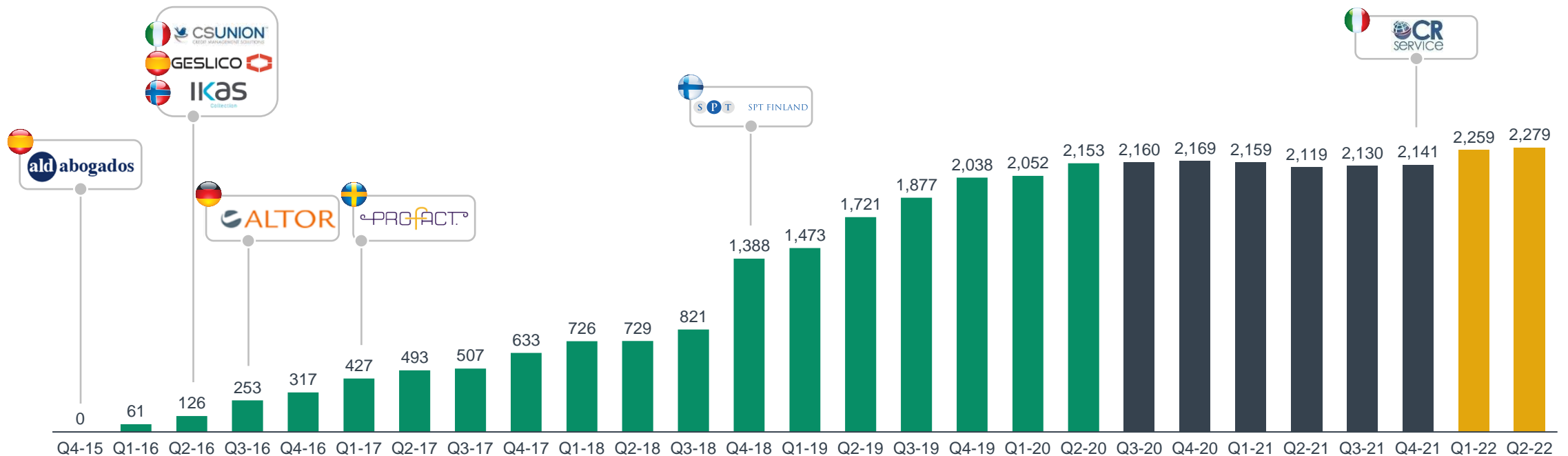
- *Industry:* Bank & finance
- *Debt type:* B2C, unsecured
- *Markets:* Organic growth



First half 2022 puts Axactor back to growth

- Second half of 2020 and 2021 used to stabilize operations after rapid growth

NPL ERC and company acquisitions
(EUR million)

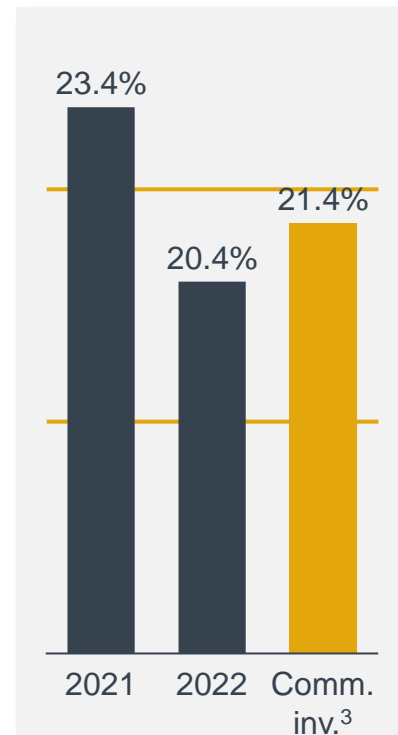
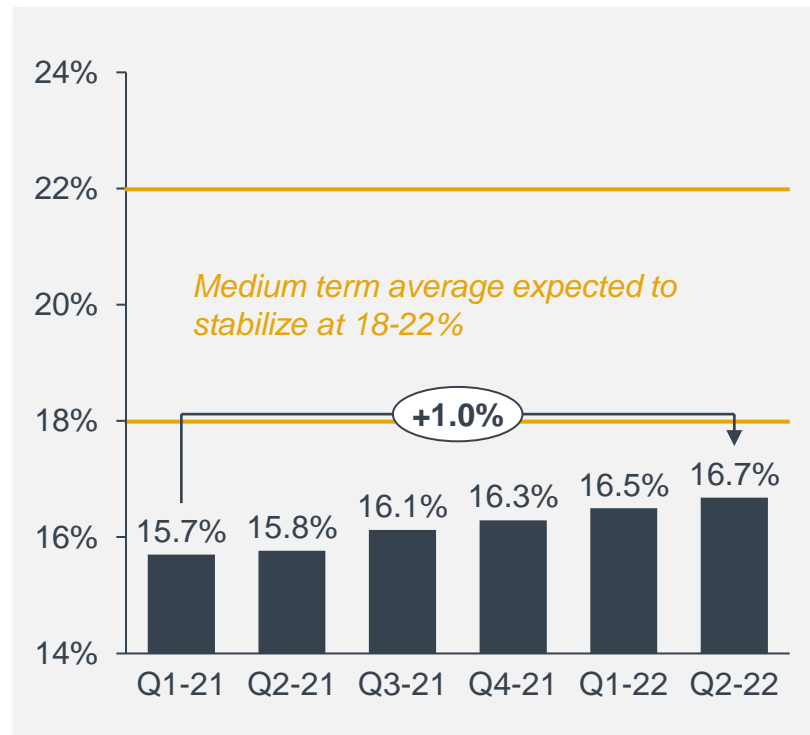


NPL gross IRR on the total book is steadily increasing

- Current market prices significantly more favorable compared to the total book

Gross IRR on the total NPL book¹...

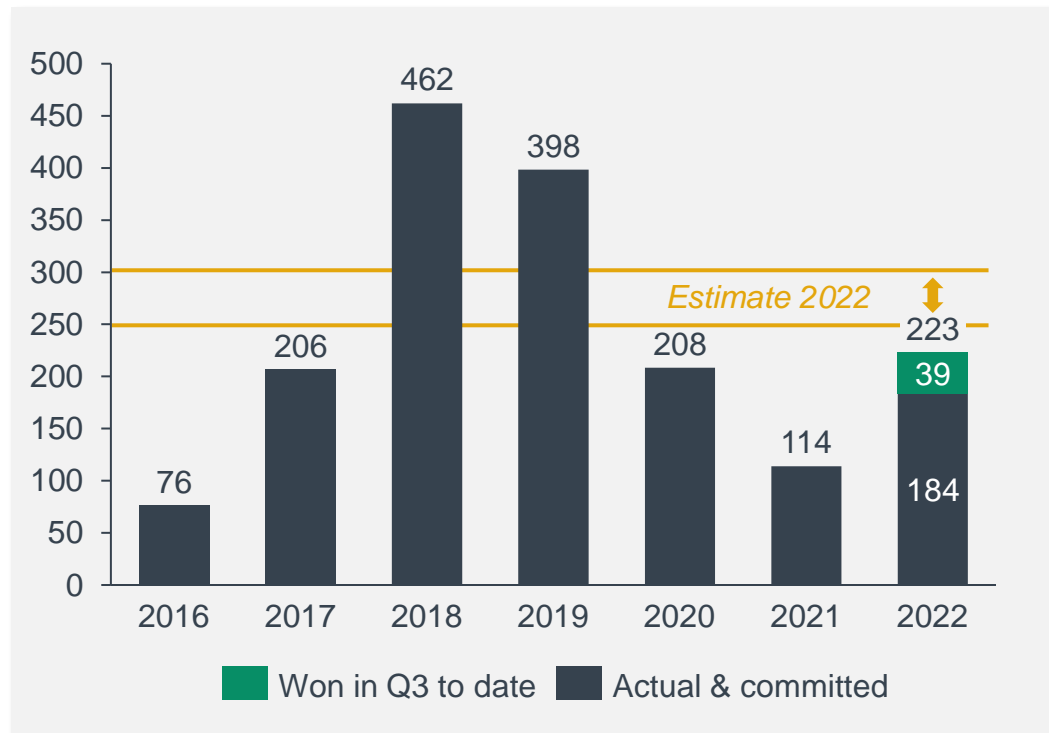
...and per vintage²



- The single most important profit improvement initiative
- 1%-point change on the total NPL book gross IRR equals ~2%-point in ROE⁴
- Gross IRR on total NPL book gradually increasing, up 1%-point last 5 quarters
- Committed investments 4.7%-points higher than the total NPL book

NPL investment estimate increased to EUR 250 - 300m for the year – securing growth on NPL

NPL investments
(EUR million)



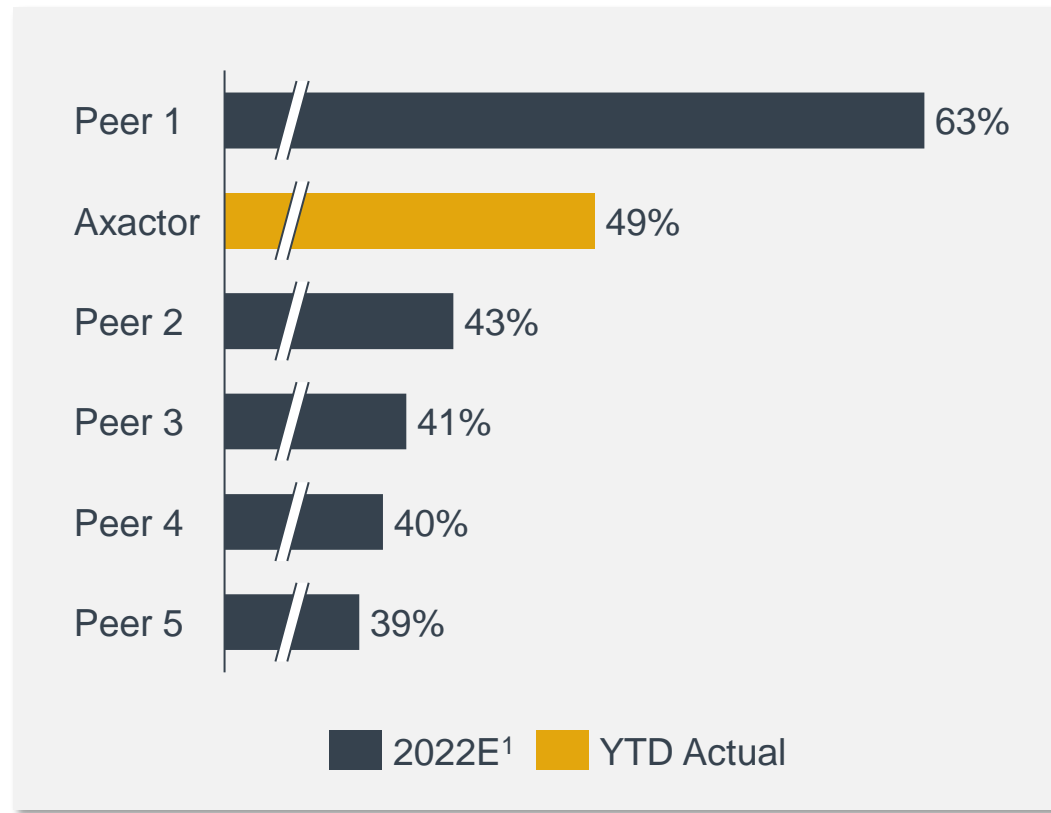
NPL investments of EUR 47m in Q2, with overflow of several deals to Q3

NPL investment estimate increased to EUR 250 - 300m for the year

Expect to invest 2.3x - 2.8x replacement capex in 2022 securing growth on NPL

Axactor EBITDA percentage among the best in the industry – driven by a leading cost position

EBITDA estimates selected peers
(%)



- Axactor delivered an EBITDA of 50% for the quarter and 49% year to date
- The key driver is the industry leading position on cost-to-collect²
- Next step - blend the book with higher gross IRR portfolios to secure further margin expansion



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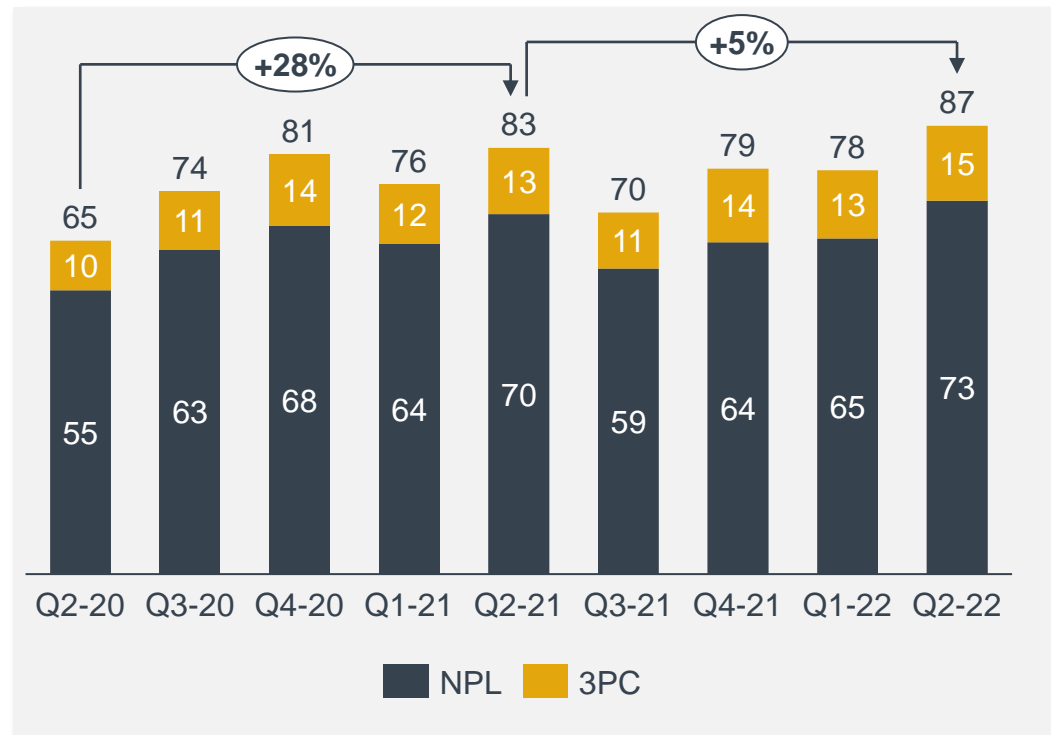
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Group: Continued growth on gross revenue y-o-y

Gross revenue

(EUR million)

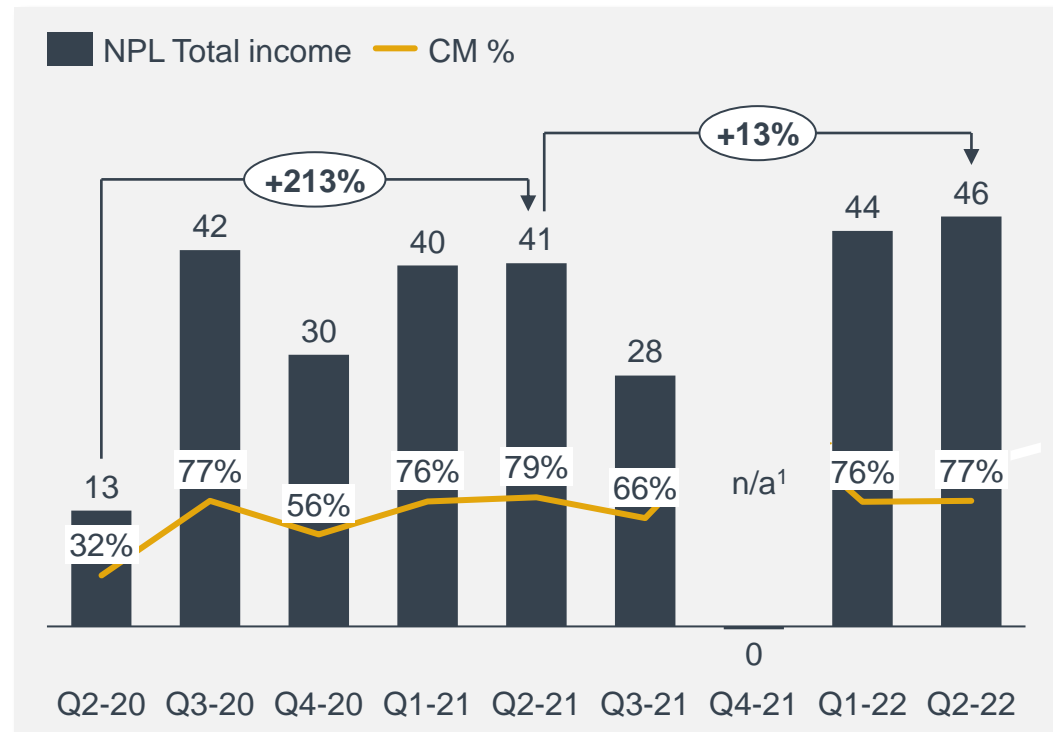


- Gross revenue is up 5% y-o-y from a solid quarter last year
 - NPL gross revenue growth of 4% y-o-y
 - 3PC gross revenue growth of 13% y-o-y
- Q2 is a seasonally strong quarter whereas Q3 is seasonally weaker

NPL segment: Total income growth of 13% with stable margins

NPL Total income and CM%

(EUR million, and %)



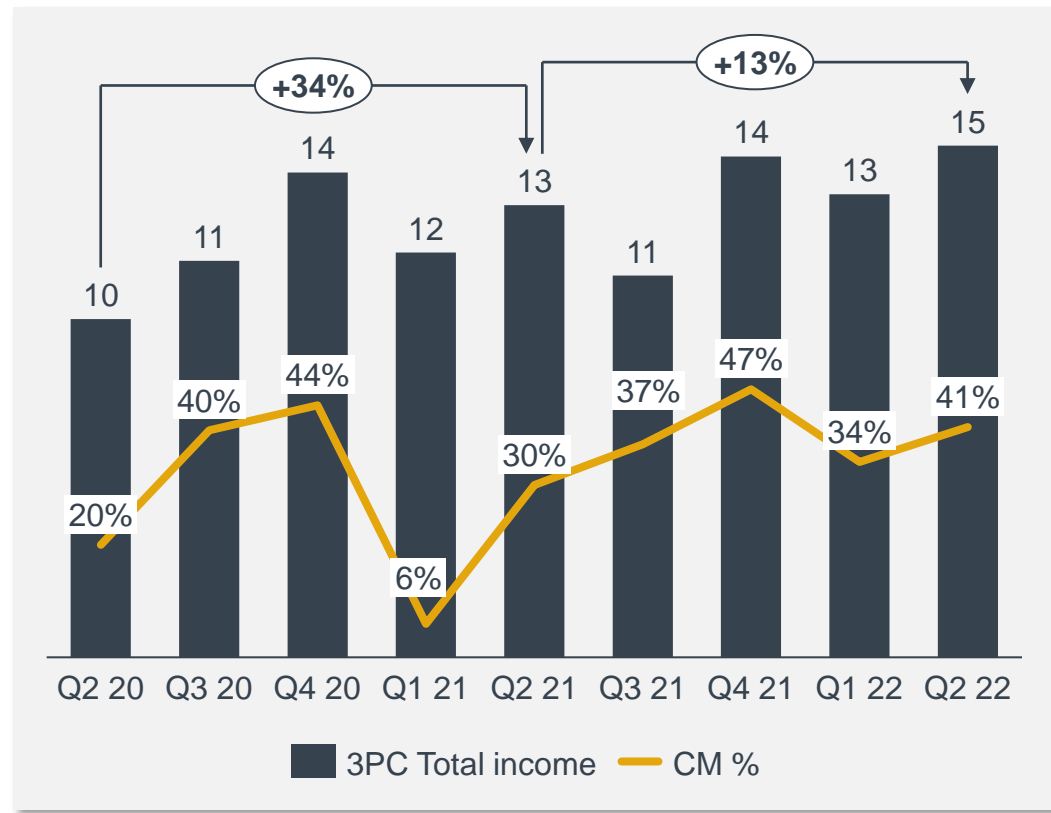
Total income growth drivers

- Gross revenue growth of 4%
- Collection performance of 99%
- Reduced amortization rate following the revaluation in Q4 2021

3PC segment: Total income growth of 13% compared to last year

3PC Total income and CM%

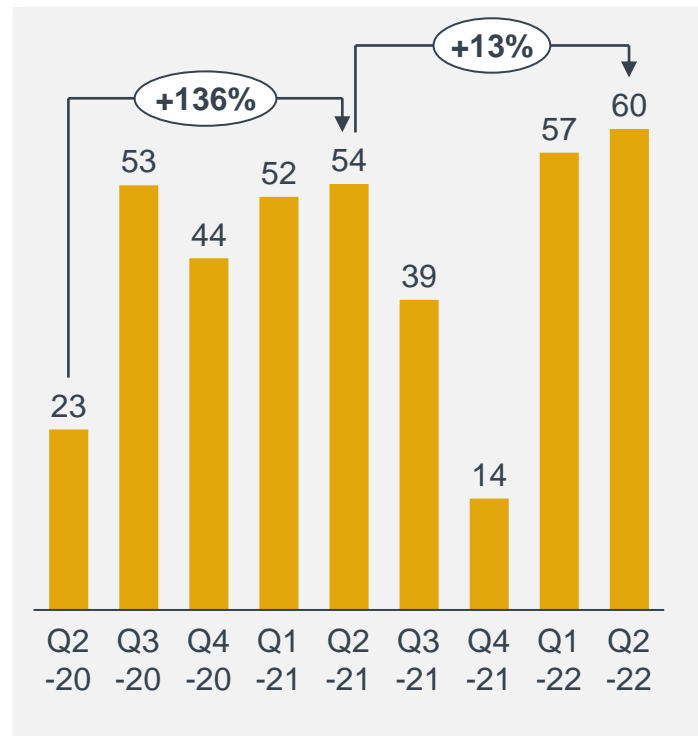
(EUR million and %)



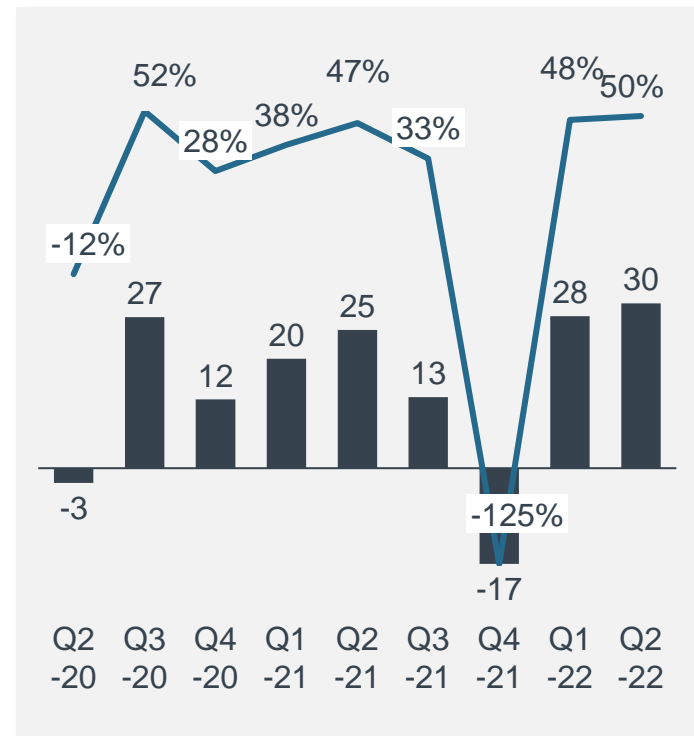
- Total income growth of 13% y-o-y driven by the acquisition of C.R. Service
- Marginal organic growth on 3PC driven by Spain and Italy
- Improved margins stemming from operational improvements and restructuring cost in Q2 21

Group: Total income growth of 13% and Cash EBITDA growth of 5% compared to last year

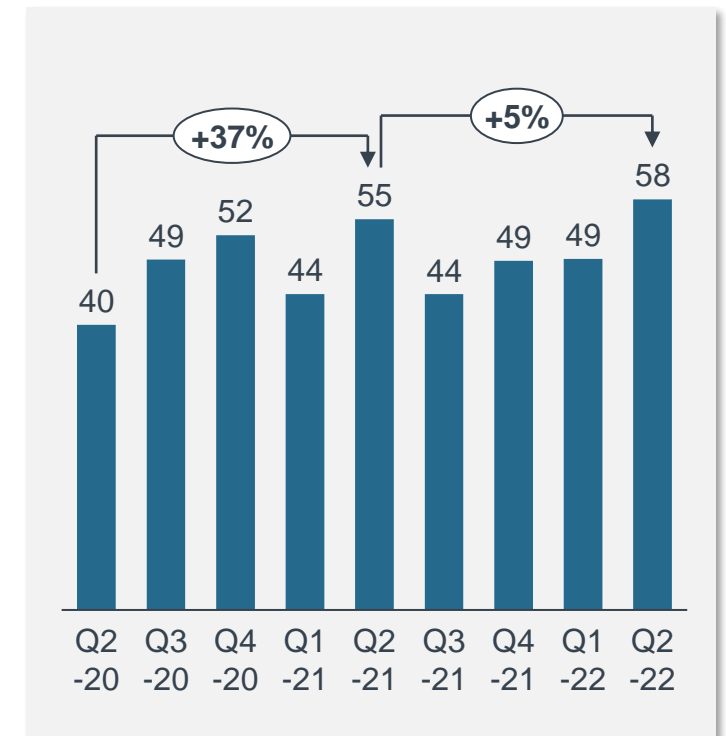
Total income
(EUR million)



EBITDA and EBITDA-margin
(EUR million and %)



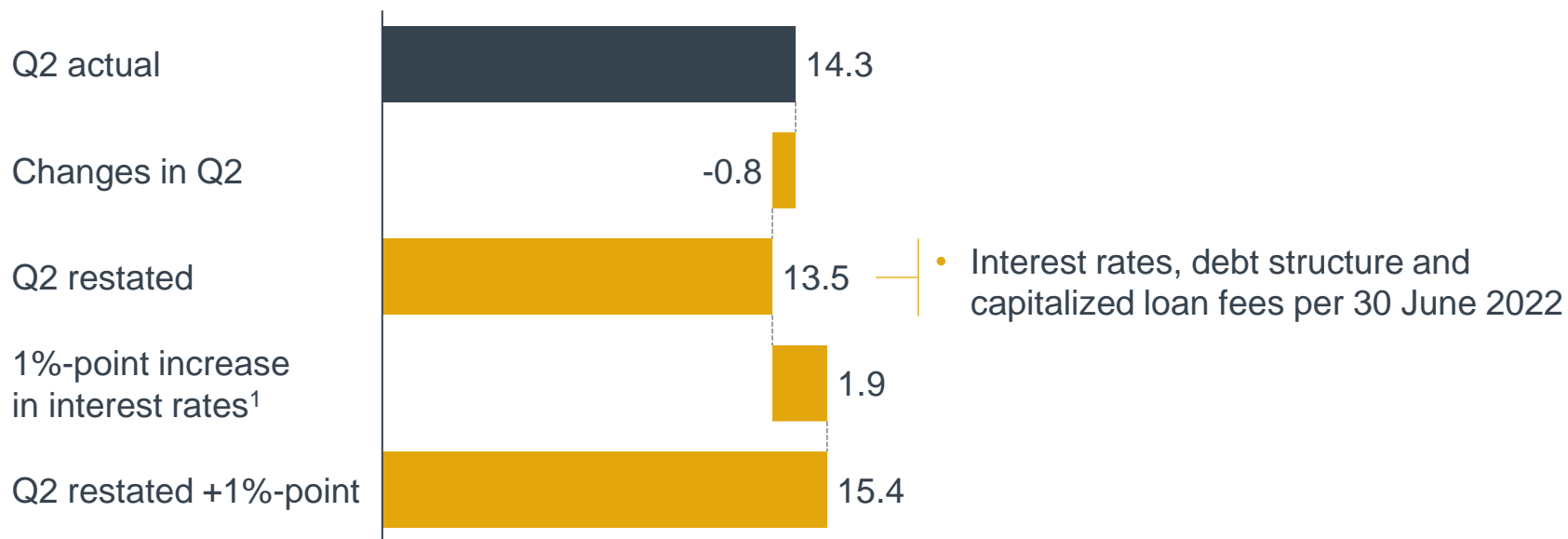
Cash EBITDA
(EUR million)



Interest rate sensitivity

- 1%-point increase in interest rates will increase quarterly interest expense by EUR 1.9m

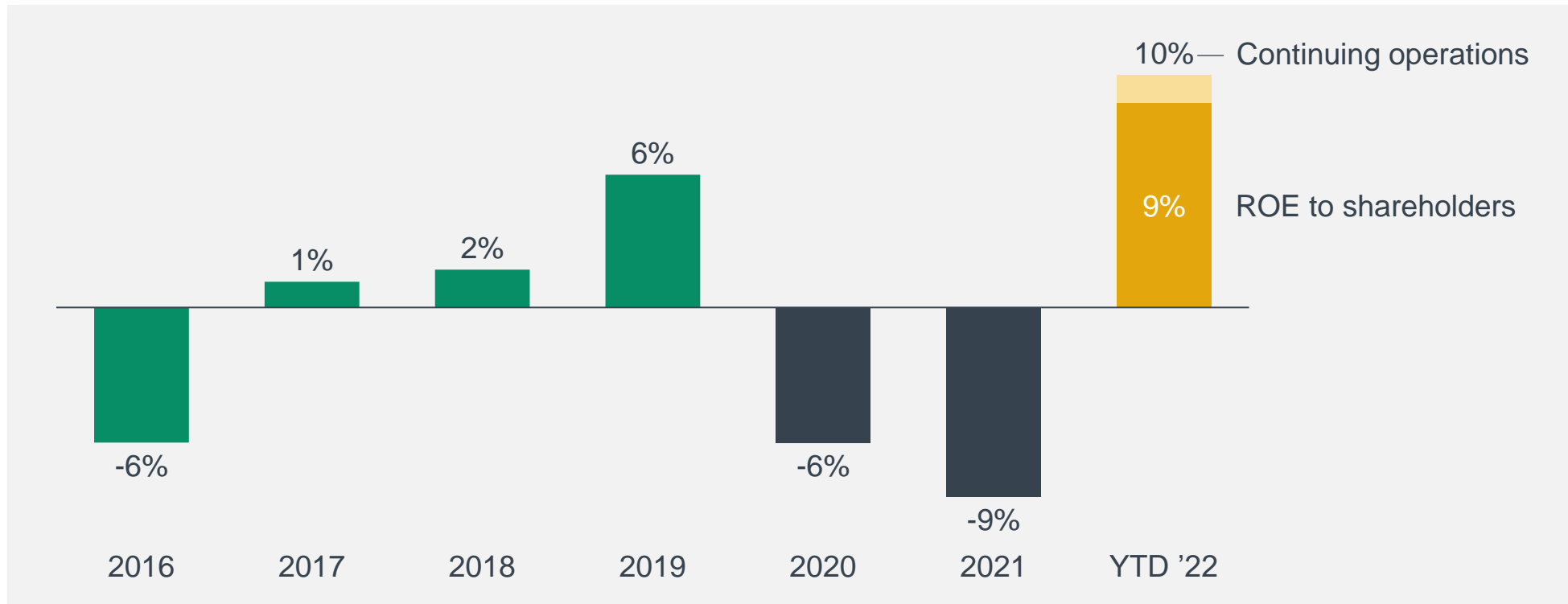
Quarterly interest expense on borrowings
(EUR million)



Q2 is a continuation of the positive development from Q1

- 10% ROE year to date on continuing operations

Return on equity to shareholders
(%)



Axactor has a robust balance sheet positioned for growth

Equity

- Satisfying equity ratio of 29%

Liquidity

- Available cash of EUR ~30m
- Unused funding line of EUR ~125m on the revolving credit facility

Covenant headroom

- Satisfying headroom to bond covenants
 - Loan to value of 72% vs. the covenant of 75%

Funding lines

- No maturities until the end of 2023

Investment capacity

- Estimated investment capacity of EUR ~350m in 2022, well above replacement capex of EUR 108m



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Increased **cost of funding**

- Expect further increase in **interest rates**
- 1%-point increase in interest rate will increase quarterly interest cost by EUR 1.9m and reduce ROE by 1.5%

Mixed outlook on backbook **collections**

- 👎 Rising **inflation** and **interest rates**
- 👍 Low **unemployment** rates, increasing **salaries** and government **aid** packages

Growth and **margin expansion** on **NPL**

- Expect to **deploy** EUR 250 - 300m in NPL portfolios in 2022
- Expect margin expansion driven by attractive **gross IRR** levels and improved **economies of scale** over time





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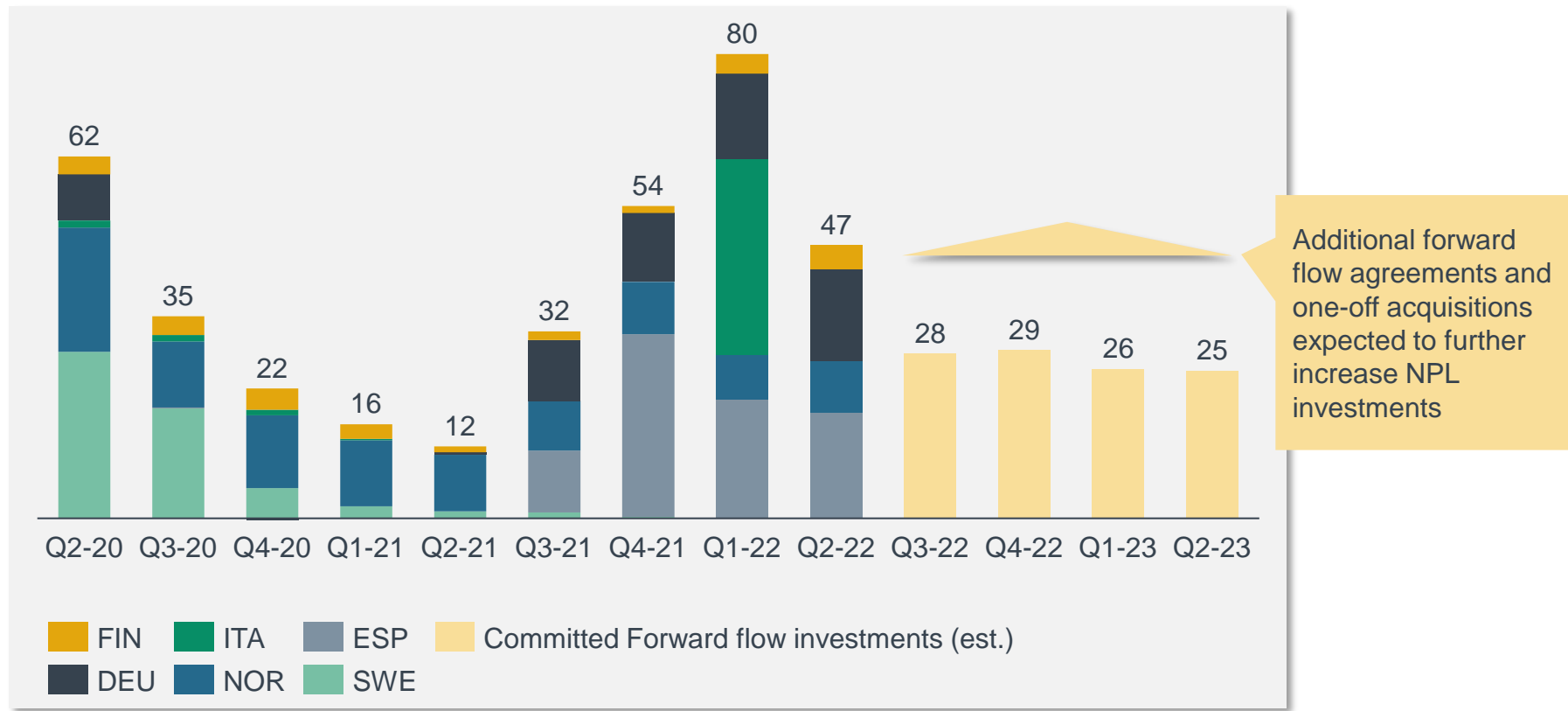
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Supporting information

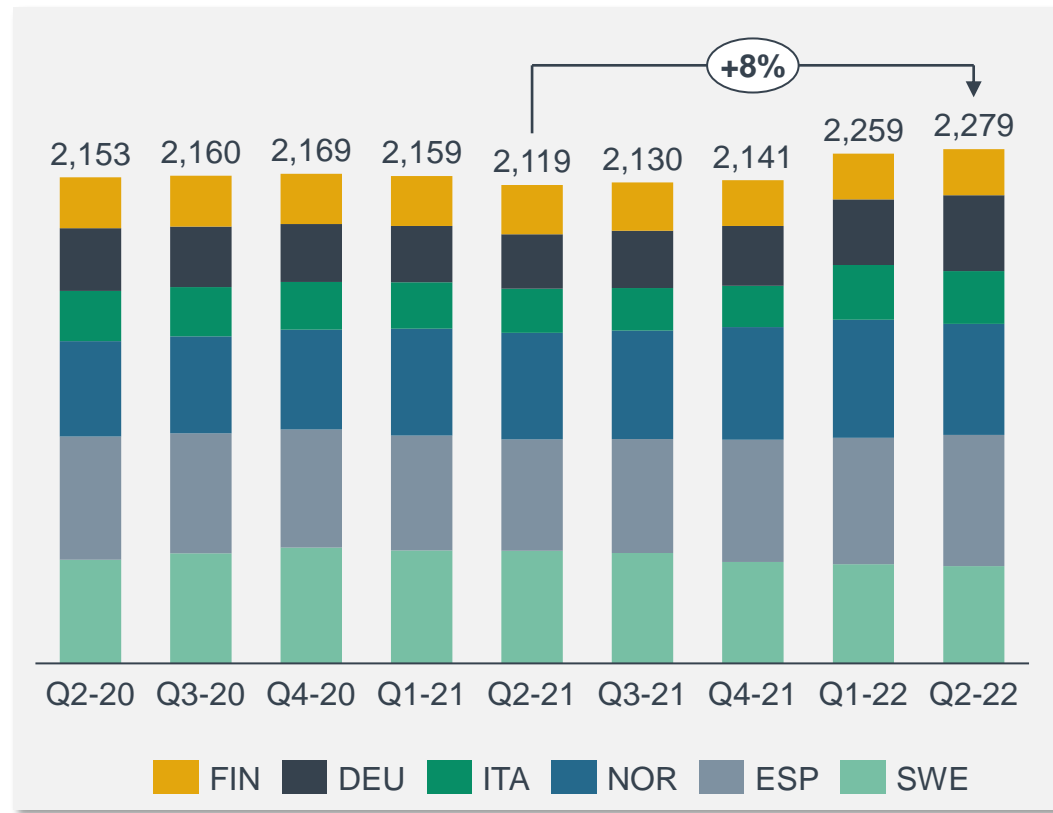
NPL investment commitments of EUR 108m next 12 months

Quarterly NPL investments
(EUR million)

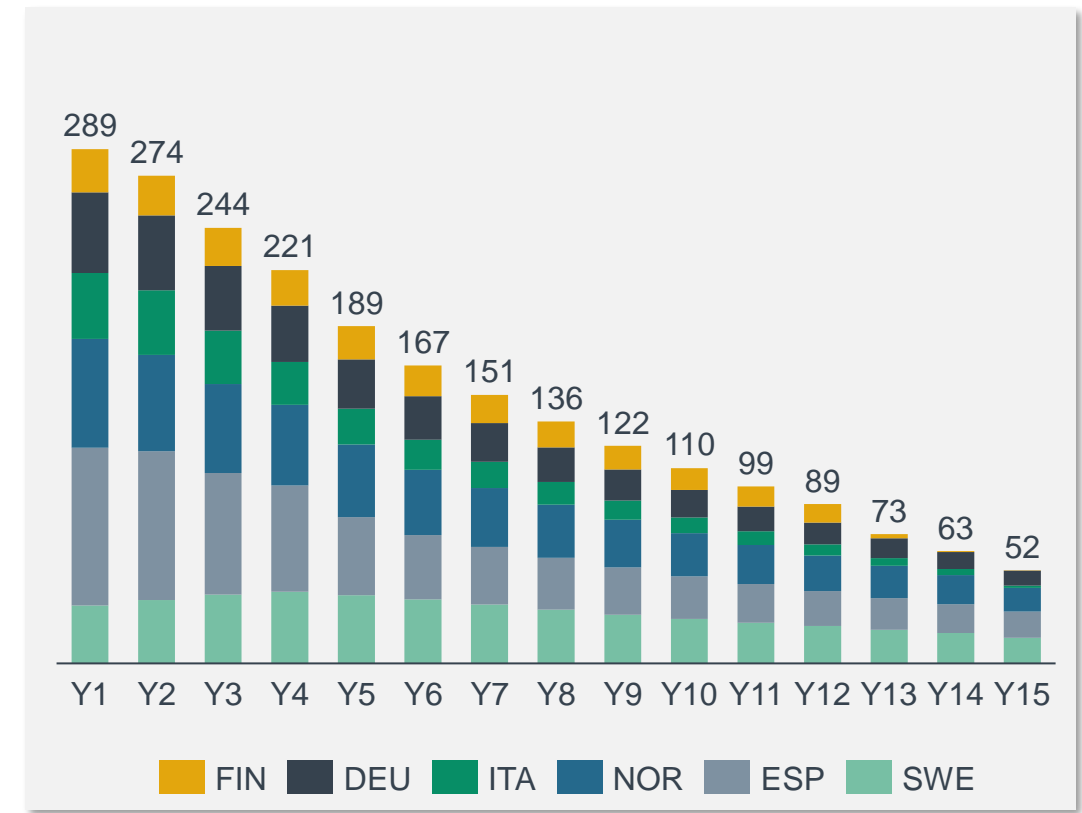


ERC increasing by 8% y-o-y driven by increased NPL investments in 2022

ERC development
(EUR million)

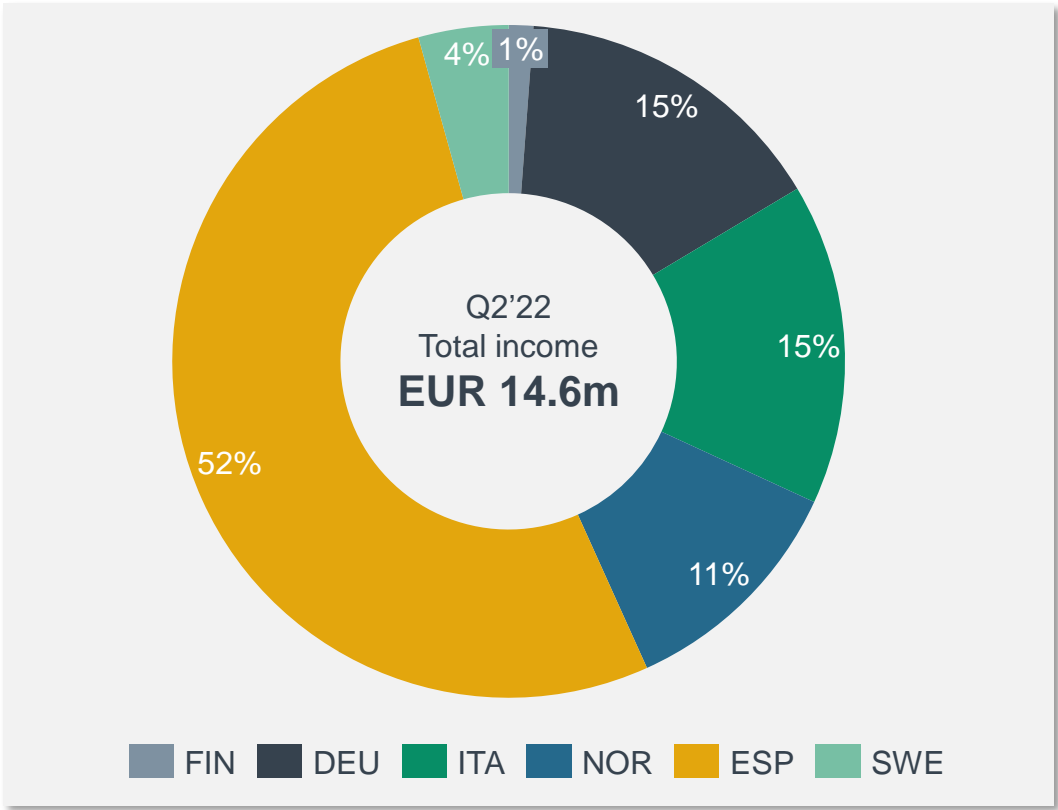


Forward ERC profile by year
(EUR million)



3PC volumes by geographic region

3PC Total income split by geographic region



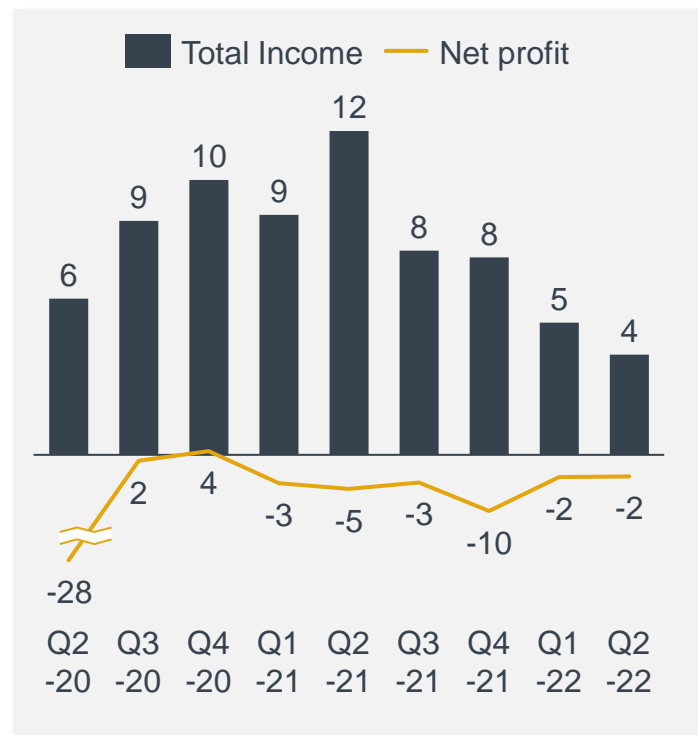
- Spain accounting for 52% of total income on 3PC
- Italy share of Total income increased to 15% following the acquisition of C.R. Service

Discontinued operations

- REO book value reduced to EUR 16m ultimo Q2

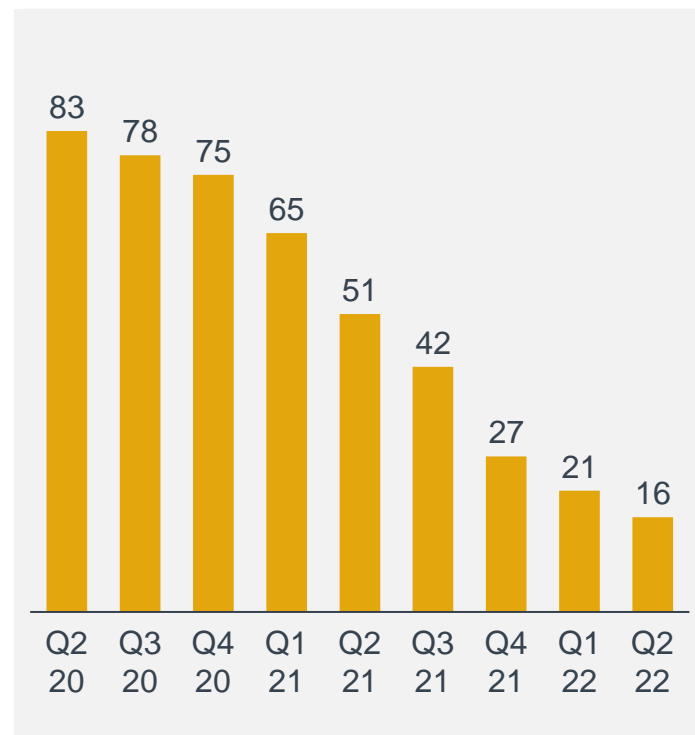
REO Total income and net profit¹

(EUR million and %)

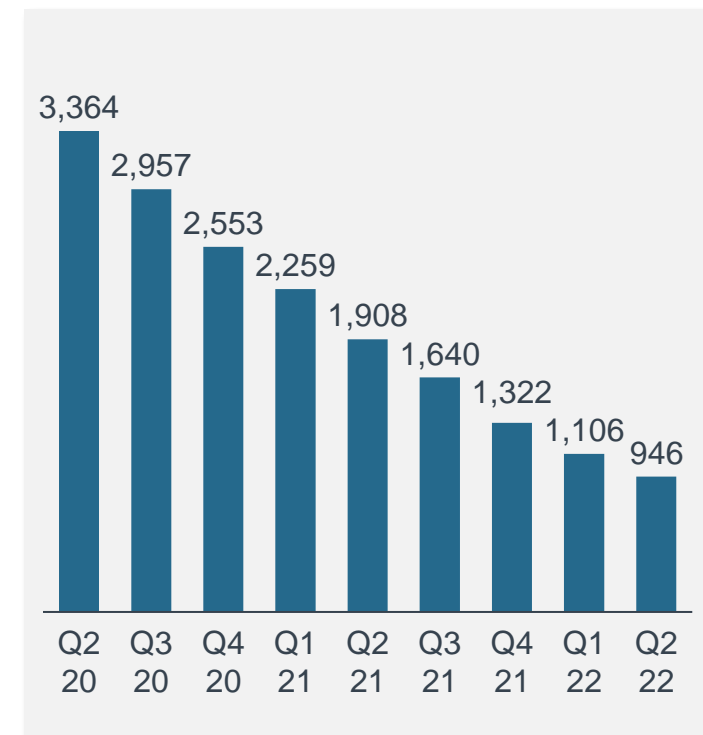


REO book value

(EUR million)



REO number of units

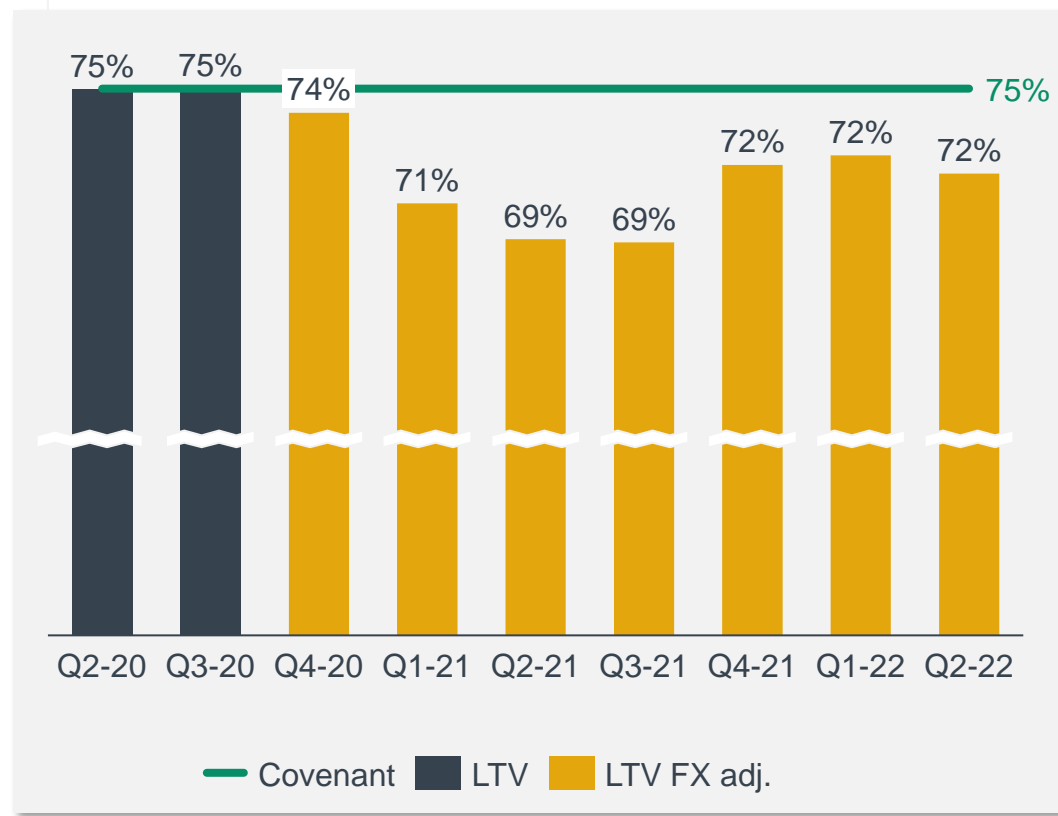


Bond covenants (1/2)

- Secured LTV is increasing as bond repurchase is funded by drawing on the secured RCF

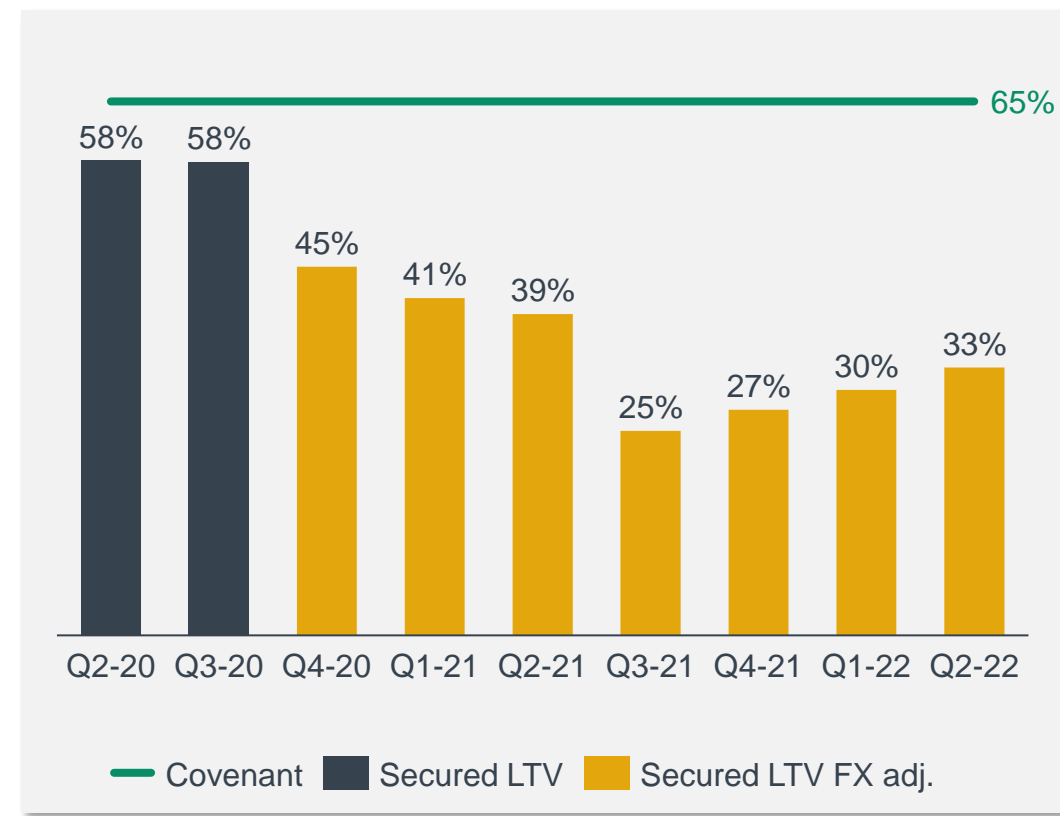
Loan-to-value¹ - Covenant ≤75%

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



Secured Loan-to-value¹ - Covenant ≤65%

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

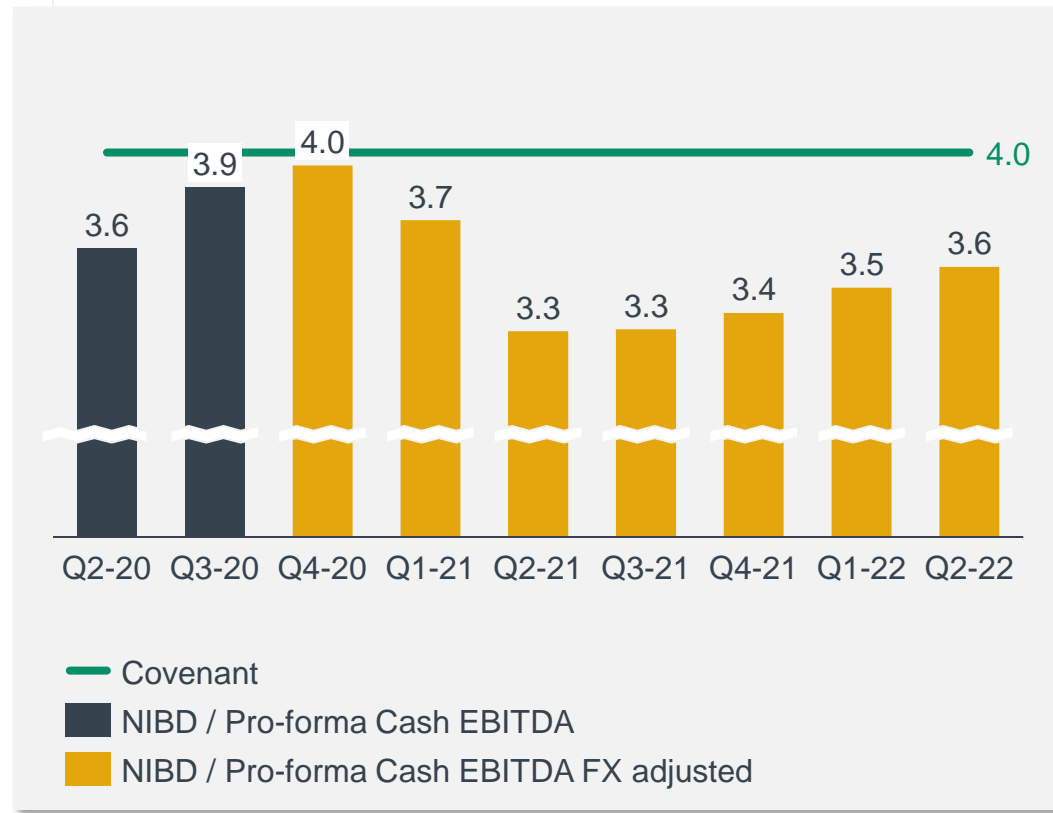


Bond covenants (2/2)

- Leverage ratio increasing due to 1) investment ramp-up and 2) discontinued operations

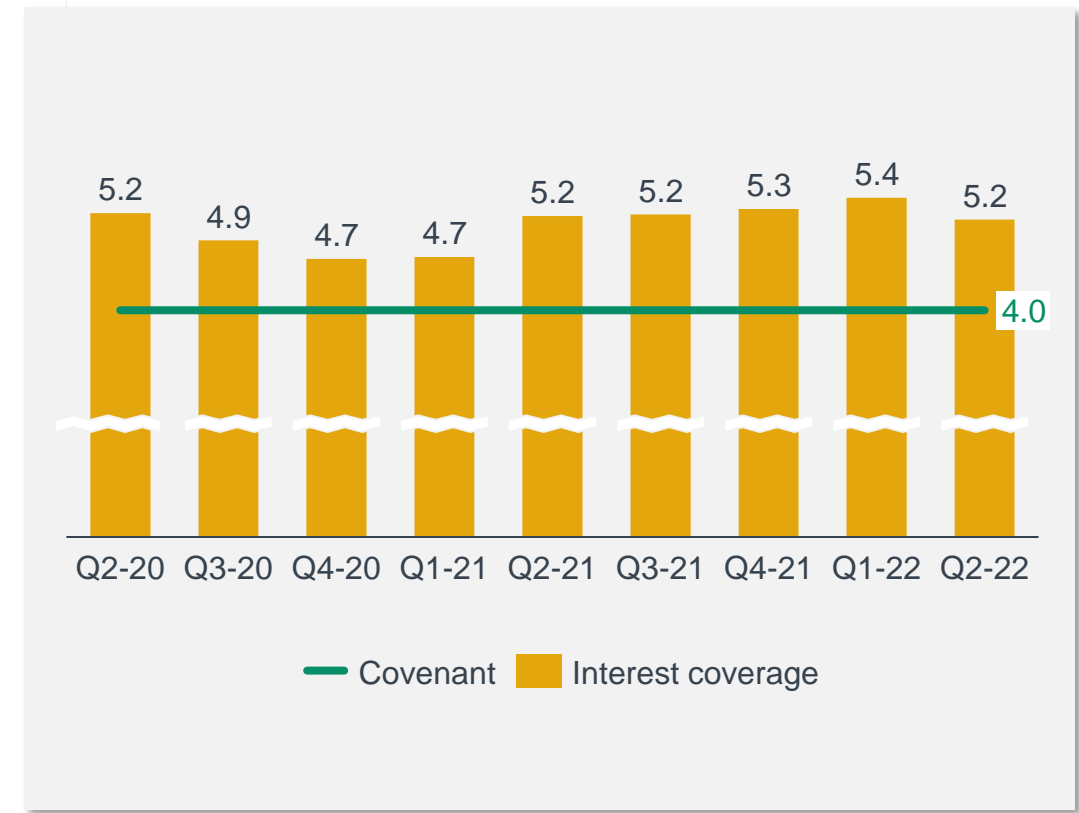
Leverage ratio¹ - Covenant $\leq 4.0x$

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



Interest coverage ratio¹ - Covenant $\geq 4.0x$

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



Terms and abbreviations

Terms

Active forecast	Forecast of estimated remaining collection on NPL portfolios
Board	Board of directors
Cash EBITDA margin	Cash EBITDA as a percentage of gross revenue
Chair	Chair of the board of directors
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, including sale of repossessed assets in relation to book value
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
Group	Axactor ASA and all its subsidiaries
NPL amortization rate	NPL amortization divided by collection on own NPL portfolios
One off portfolio acquisitions	Aquisition of a single portfolio of NPLs
Opex	Total operating expenses
Recovery rate	Portion of the original debt repaid
Replacement capex	Aquisitions 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

Abbreviations

3PC	Third-Party Collection
AGM	Annual General Meeting
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
CM	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
EGM	Extraordinary general meeting
EPS	Earnings Per Share
ERC	Estimated Remaining Collection
ESG	Environmental, social and governance
ESOP	Employee Stock Ownership Plan
FSA	The Financial Supervisory Authority
FTE	Full Time Equivalent
GHG	Greenhouse gas emissions
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
OCI	Consolidated Statement of Other Comprehensive Income
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
VPS	Verdipapirsentralen/Norwegian Central Securities Depository
WACC	Weighted Average Cost of Capital
WAEF	Weighted Average Exercise Price

