

AXACTOR

Q3 2022

27 October 2022





Q3 highlights

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Financial highlights for the quarter



Continued EBITDA margin expansion – reaching 51% for the quarter

- EBITDA of EUR 30m, up from EUR 13m last year



Cash EBITDA growth of 22% y-o-y

- Cash EBITDA of EUR 54m, up from EUR 44m last year



Profit after tax of EUR 10m, up from EUR -2m last year

- Stable annualized return on equity of 10%



NPL investments of EUR 69m for the quarter

- Already secured investments of more than 2x replacement capex in 2022
- Investing at an attractive Gross IRR of 20% YTD compared to 16% on the backlog¹

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

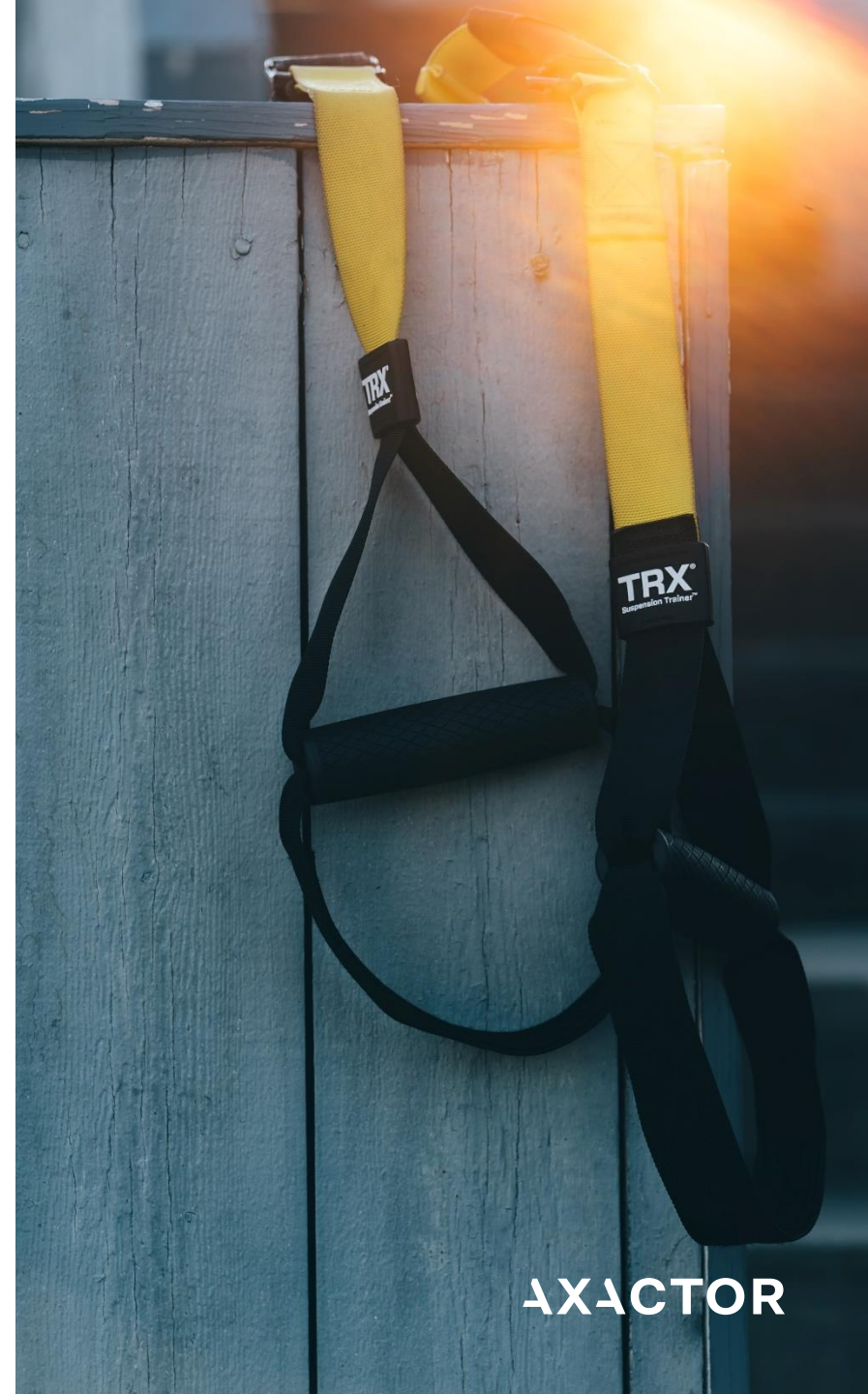
Cost leadership

- 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

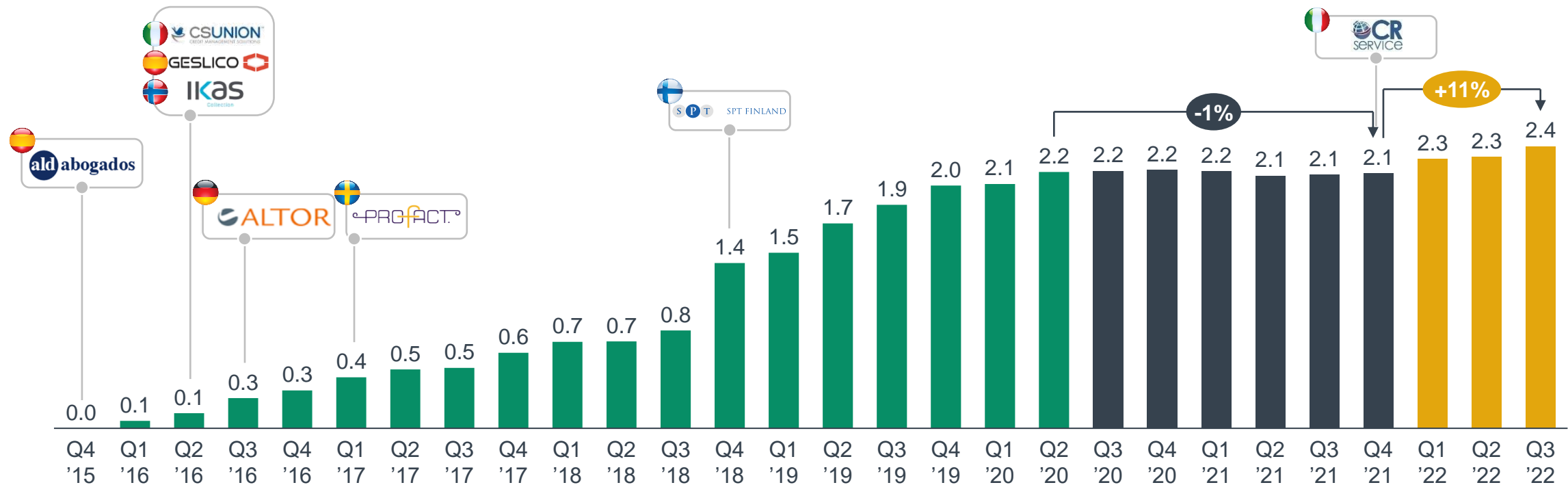
Targeted focus to become best at what we do¹

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



Third quarter is a continuation of the growth seen throughout 2022

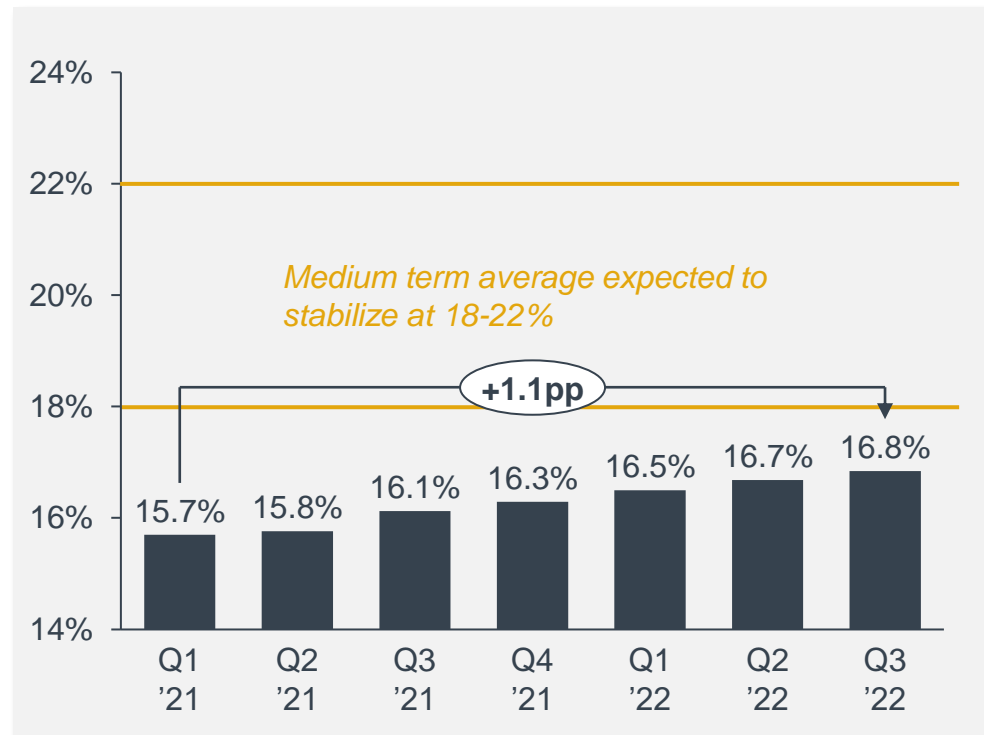
NPL ERC and company acquisitions
(EUR billion)



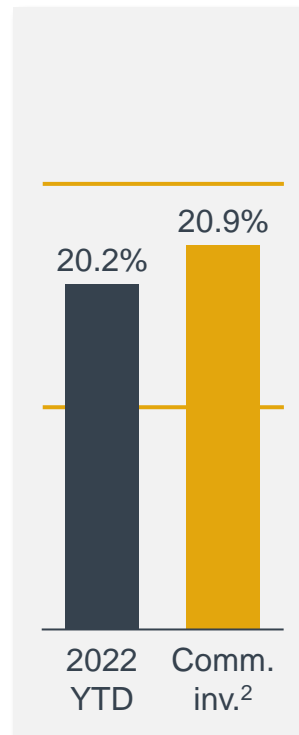
NPL gross IRR on the total book is steadily increasing

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

Gross IRR on the total NPL book¹...



...and per vintage

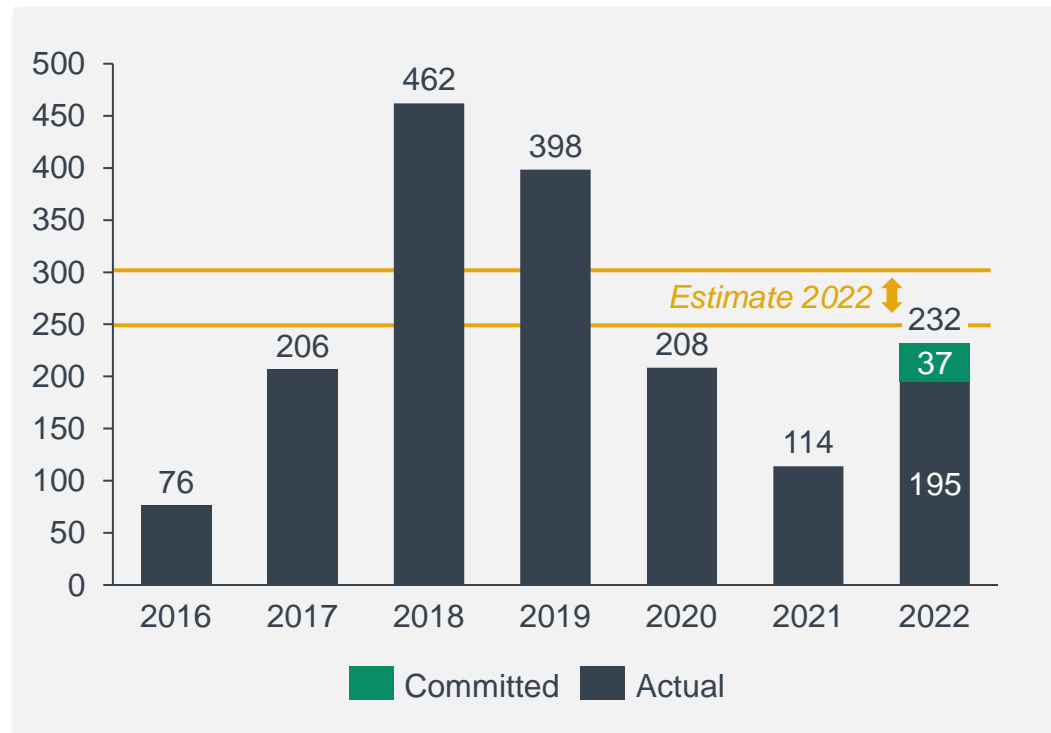


- The single most important profit improvement initiative
- 1pp change on the total NPL book gross IRR equals ~2pp in ROE³
- Gross IRR on total NPL book gradually increasing, up 1.1pp last 6 quarters
- Committed investments 4.1pp higher than the total NPL book

NPL investment estimate of EUR 250 - 300m for the year reiterated – securing material growth on NPL

NPL investments

(EUR million)



NPL investment estimate of EUR 250 - 300m for the year

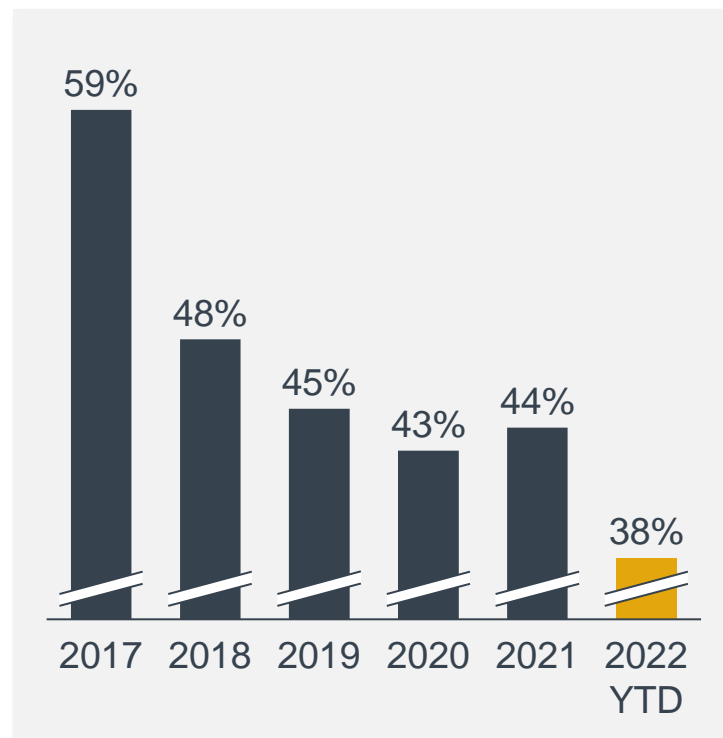
- Invested EUR 69m during the quarter
- Need to close additional NPL investments of EUR 18 - 68m to reach the full year estimate

Already secured investments of more than 2x replacement capex in 2022

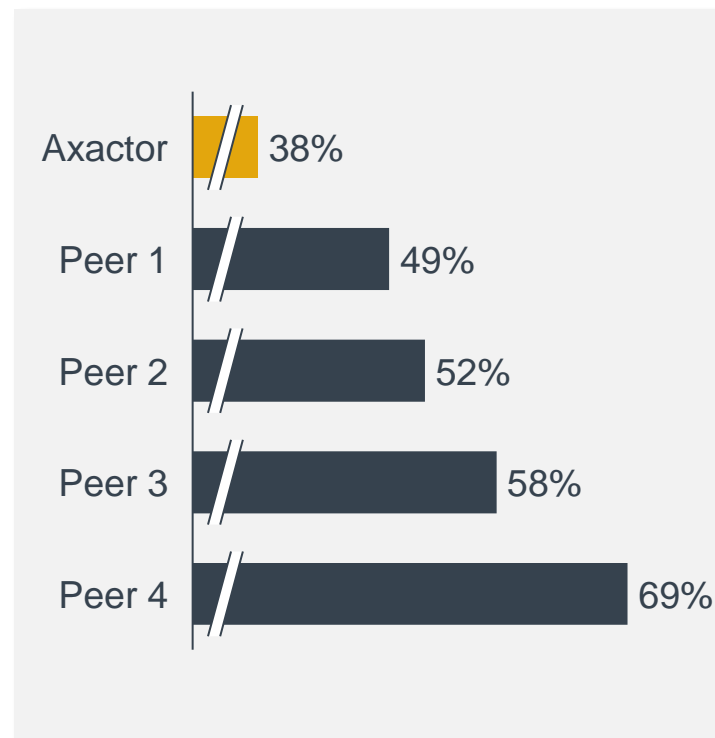
Axactor with record low NPL cost-to-collect YTD 2022

- Materializing in an EBITDA percentage among the best in the industry

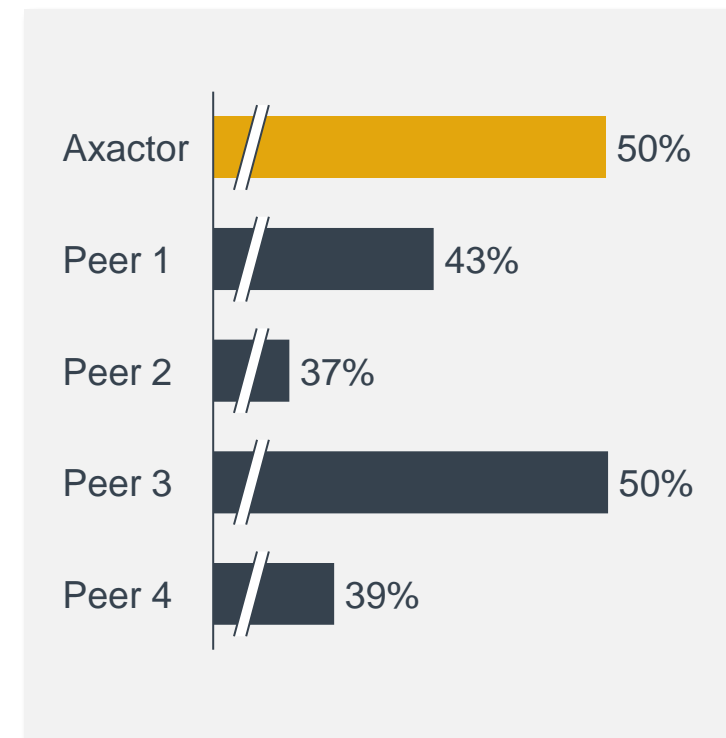
Axactor NPL cost-to-collect per year¹



NPL cost-to-collect selected peers^{1,2}



EBITDA estimates selected peers³



1) Cost is calculated as segment OPEX + allocation of unallocated OPEX and Depreciation & Amortization (excluding amortization of NPL portfolios). Segment OPEX is used as allocation key. Income is calculated as Total income adjusted for revaluations to show income excluding one-time effects based on changes in future expectations. Additional adjustments made on two peers to make numbers comparable, e.g. due to reporting numbers as a bank.

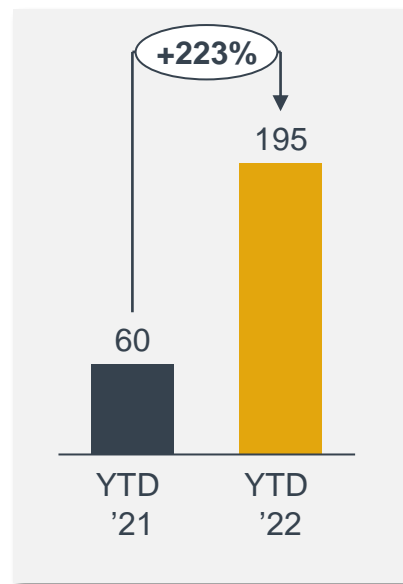
2) Peer numbers for 2021, Axactor YTD 2022

3) Peers: FactSet as of 7 Oct, 2022; Broker estimates. Axactor = YTD 2022 continuing operations

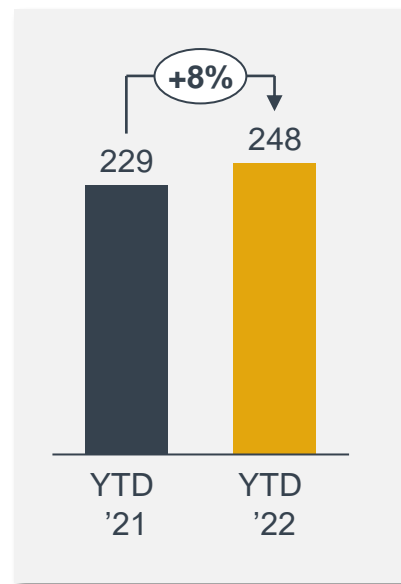
Financial results in perspective

- Positive development on all key financial metrics YTD

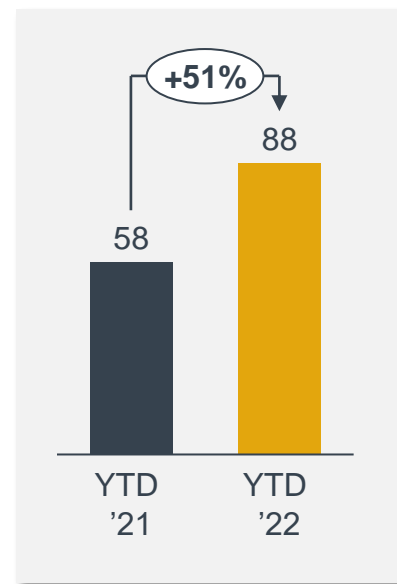
NPL investments
(EUR million)



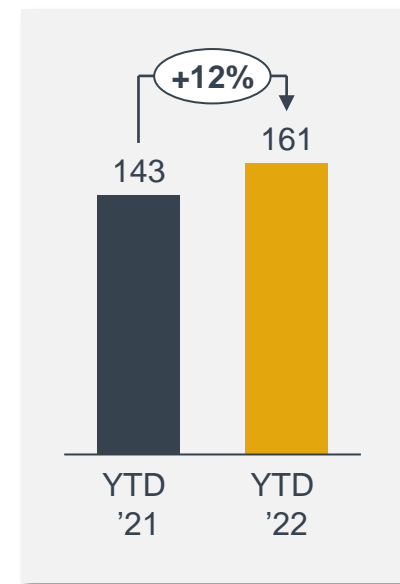
Gross revenue
(EUR million)



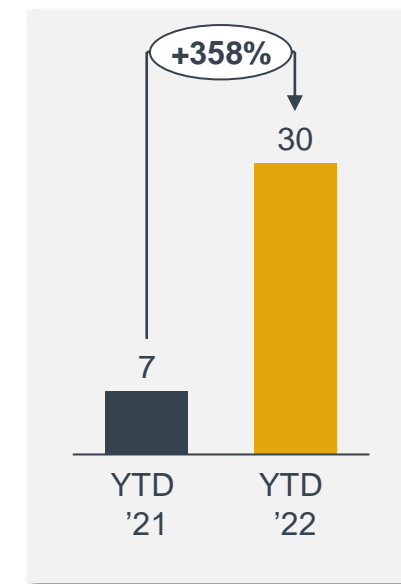
EBITDA
(EUR million)



Cash EBITDA
(EUR million)



Profit after tax
(EUR million)





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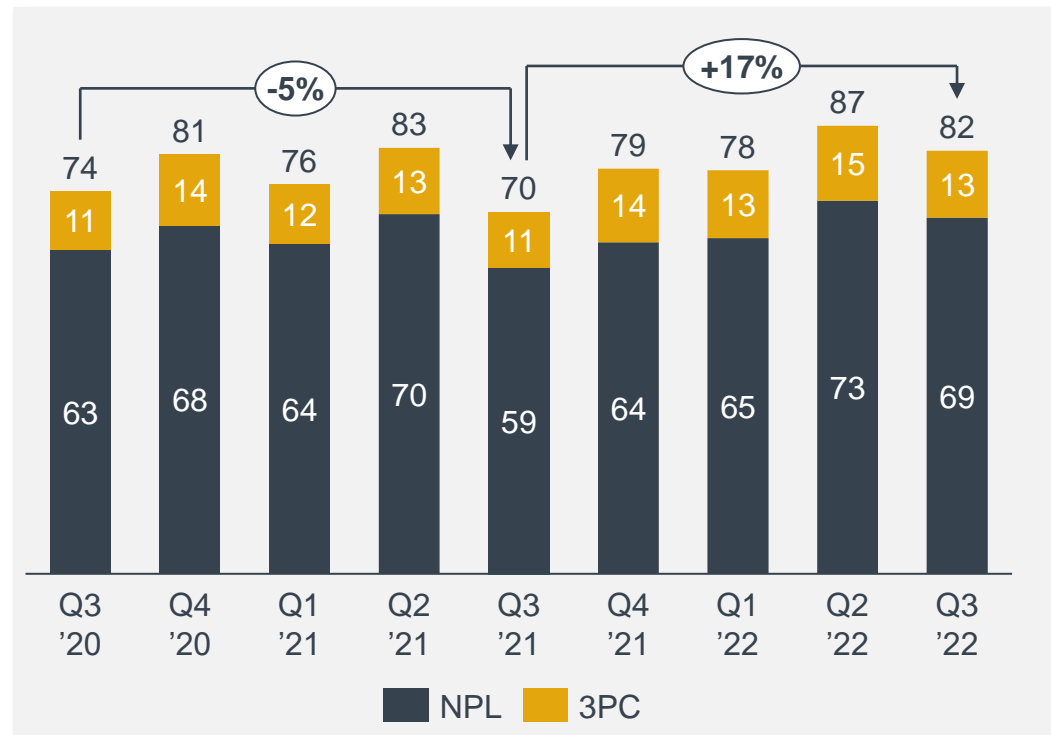
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Group: Continued growth on gross revenue y-o-y

Gross revenue

(EUR million)

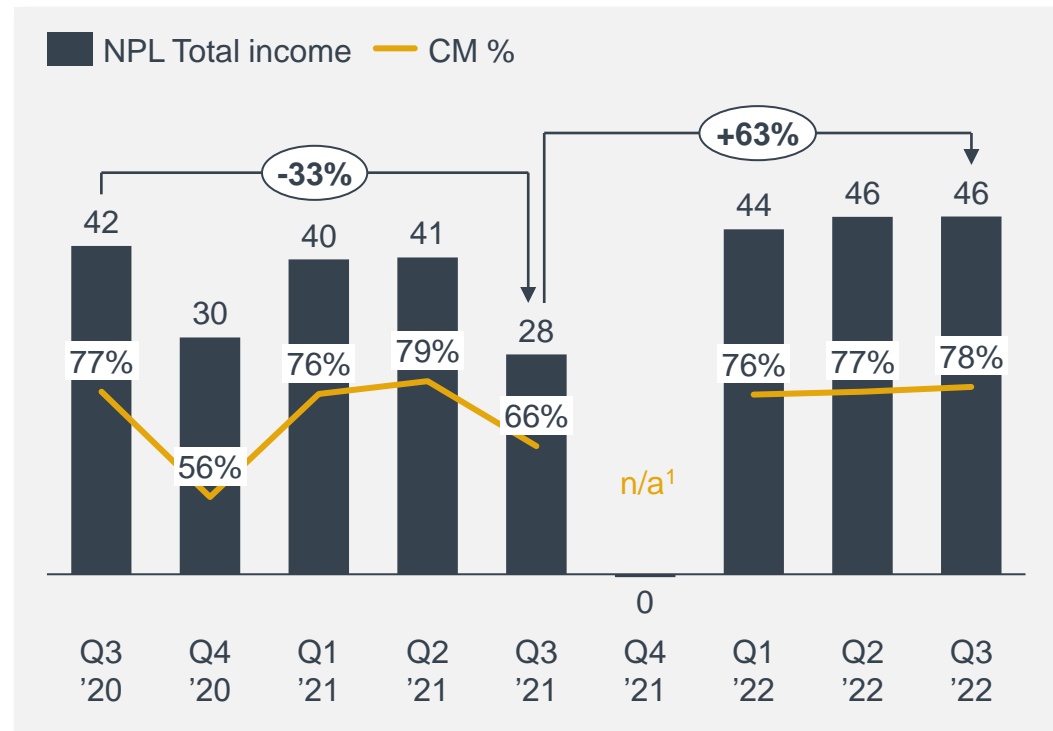


- Gross revenue is up 17% y-o-y from a weak quarter last year
 - NPL gross revenue growth of 17% y-o-y
 - 3PC gross revenue growth of 20% y-o-y
- Gross revenue is down from last quarter as Q3 is seasonally weaker than Q2

NPL segment: Total income growth of 63% with stable margins

NPL Total income and CM%

(EUR million, and %)



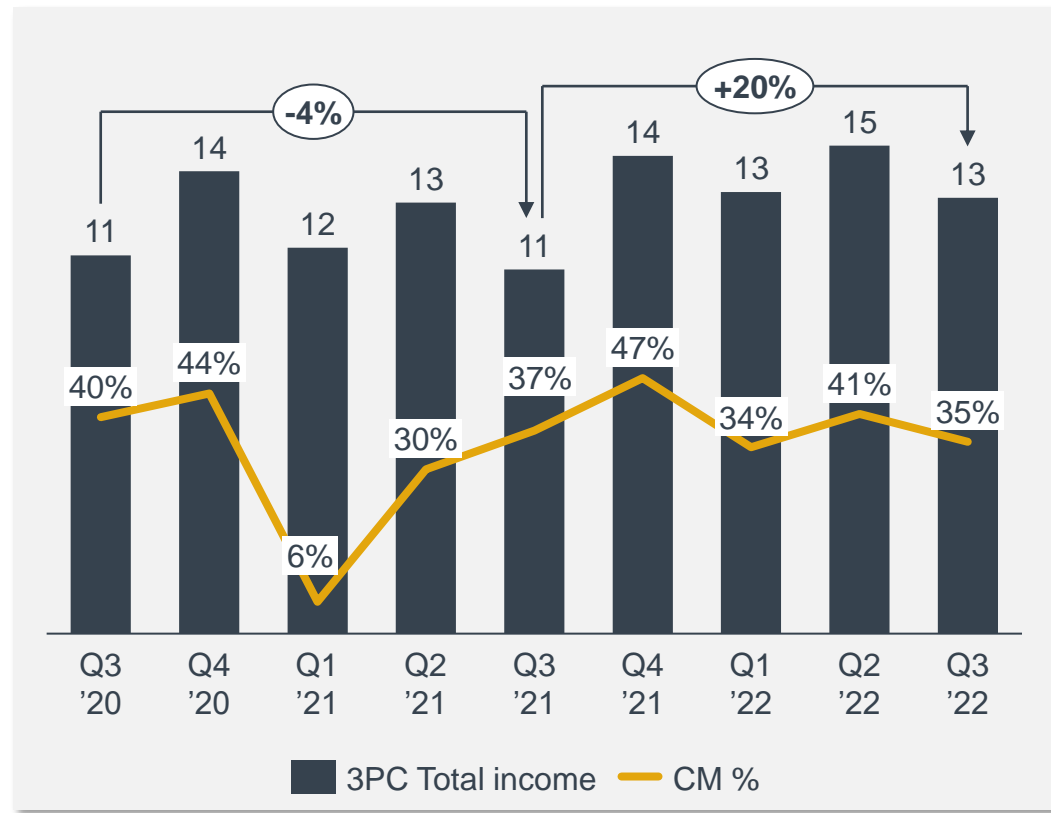
Total income growth drivers

- Gross revenue growth of 17%
- Collection performance of 99%
- Reduced amortization rate following the revaluation in Q4 2021 and higher gross revenue for the quarter

3PC segment: Total income growth of 20% compared to last year

3PC Total income and CM%

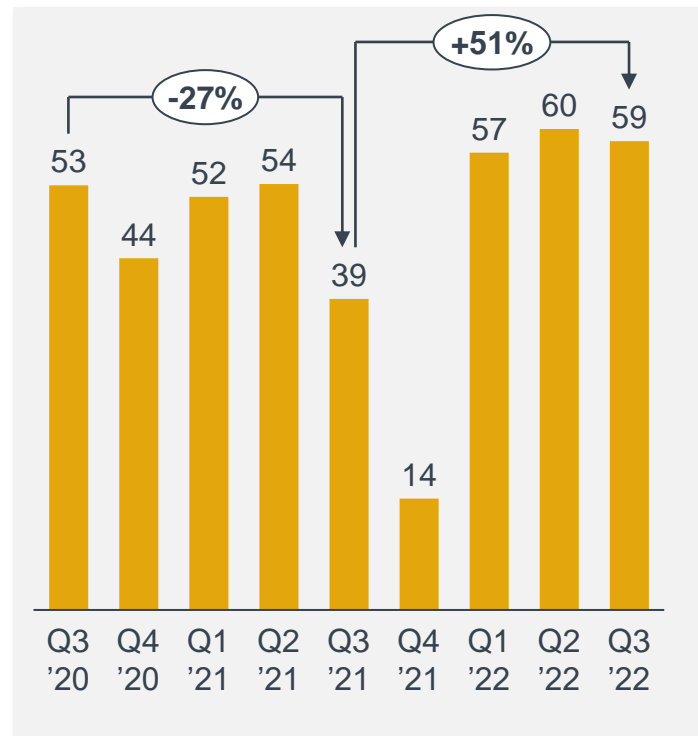
(EUR million and %)



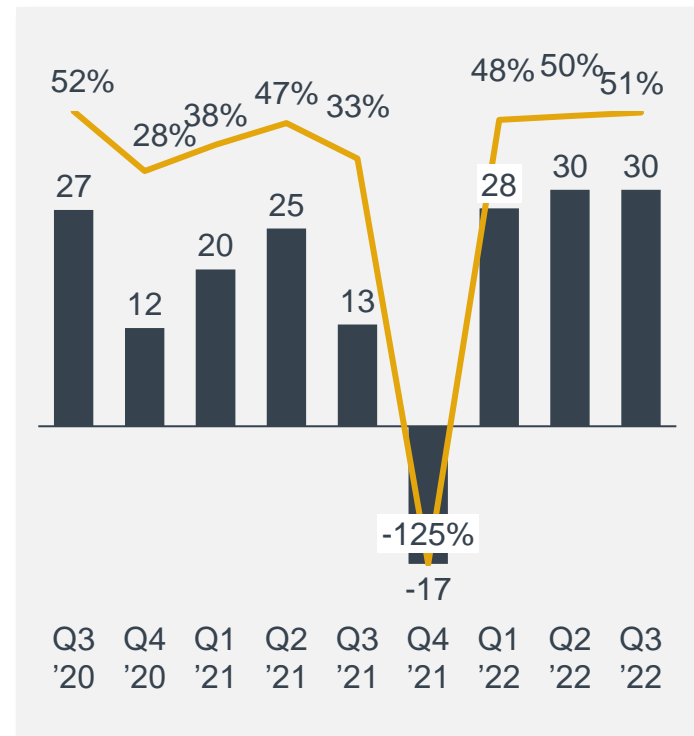
- Total income growth of 20% y-o-y driven by the acquisition of C.R. Service
- Marginal organic growth on 3PC driven by Spain and Italy
- Underlying margin is slightly better in Q3-22 compared to last year, when adjusting for one-time effects

Group: Continued EBITDA margin expansion and Cash EBITDA growth of 22% compared to last year

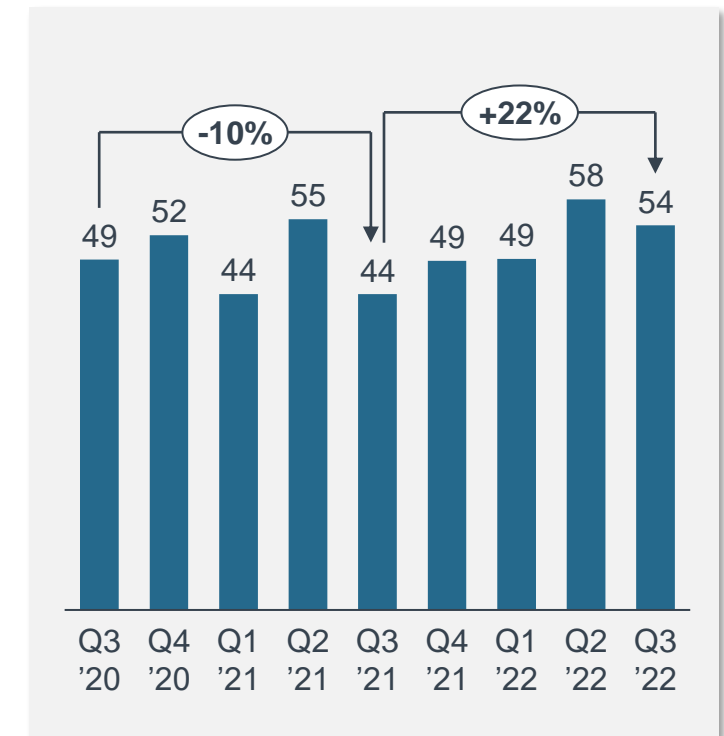
Total income
(EUR million)



EBITDA and EBITDA-margin
(EUR million and %)

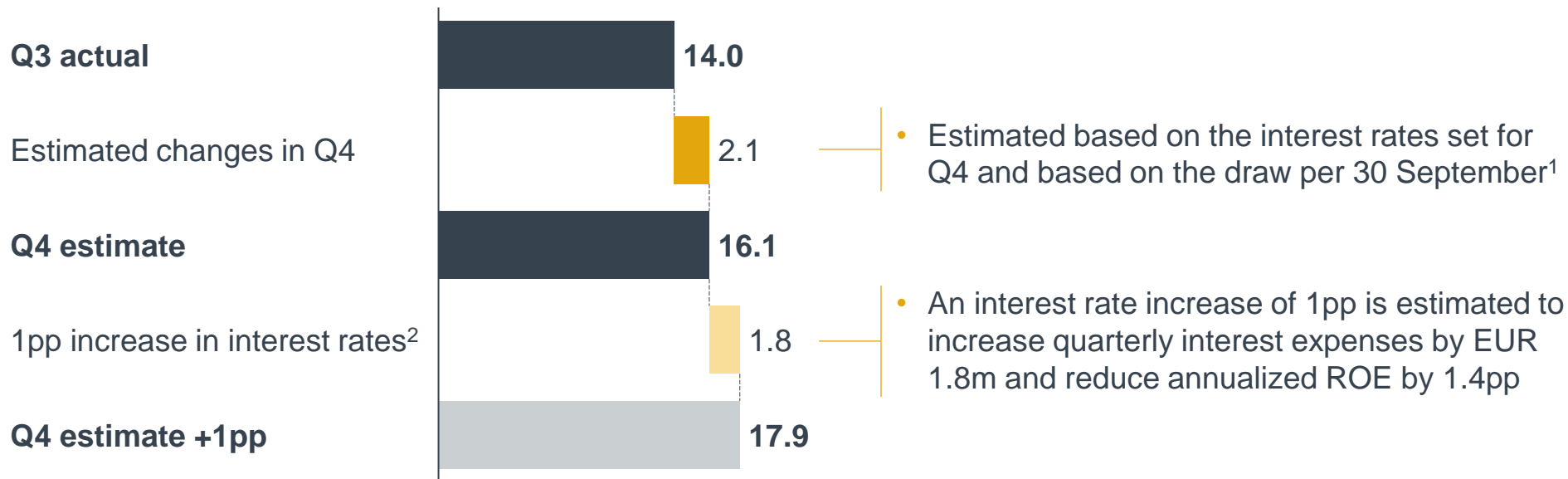


Cash EBITDA
(EUR million)



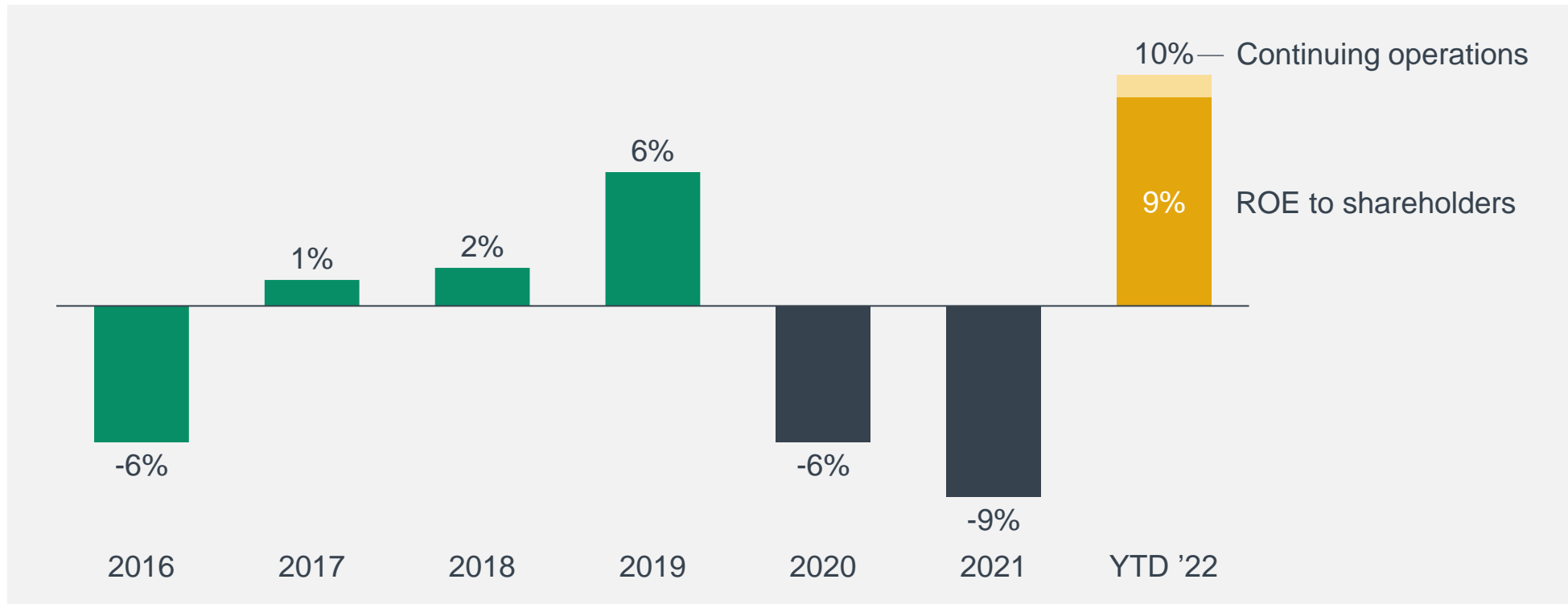
Rising interest rates is expected to increase interest expense on borrowings with EUR 2.1m in Q4

Quarterly interest expense on borrowings
(EUR million)



Annualized ROE for the quarter in line with YTD results underpinning the stable financial results in 2022

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 ~20m
- Unused funding line of EUR ~100m 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 ~320m in 2022, well above replacement capex of EUR 108m



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Increased **cost of funding**¹

- Expect **interest expense** on borrowings to increase by **EUR 2.1m** from third to fourth quarter
- **1pp** further increase in interest rates is estimated to increase quarterly interest expense on borrowings by **EUR 1.8m**

Mixed outlook on backbook **collections**

- 👎 Rising **inflation** and **interest rates** might put pressure on debtors' ability to repay and postpone collections
- 👍 Low **unemployment** rates, increasing **salaries** and government **aid** packages expected to partly offset challenges

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



Financial targets

Axactor is pleased to announce that **financial targets** will be published on 11 January 2023

The targets will be presented in a global investor **webcast** at **10:00 CET**

Furthermore, the company invites all debt and equity analysts to a physical **lunch meeting** at **12:00 CET**



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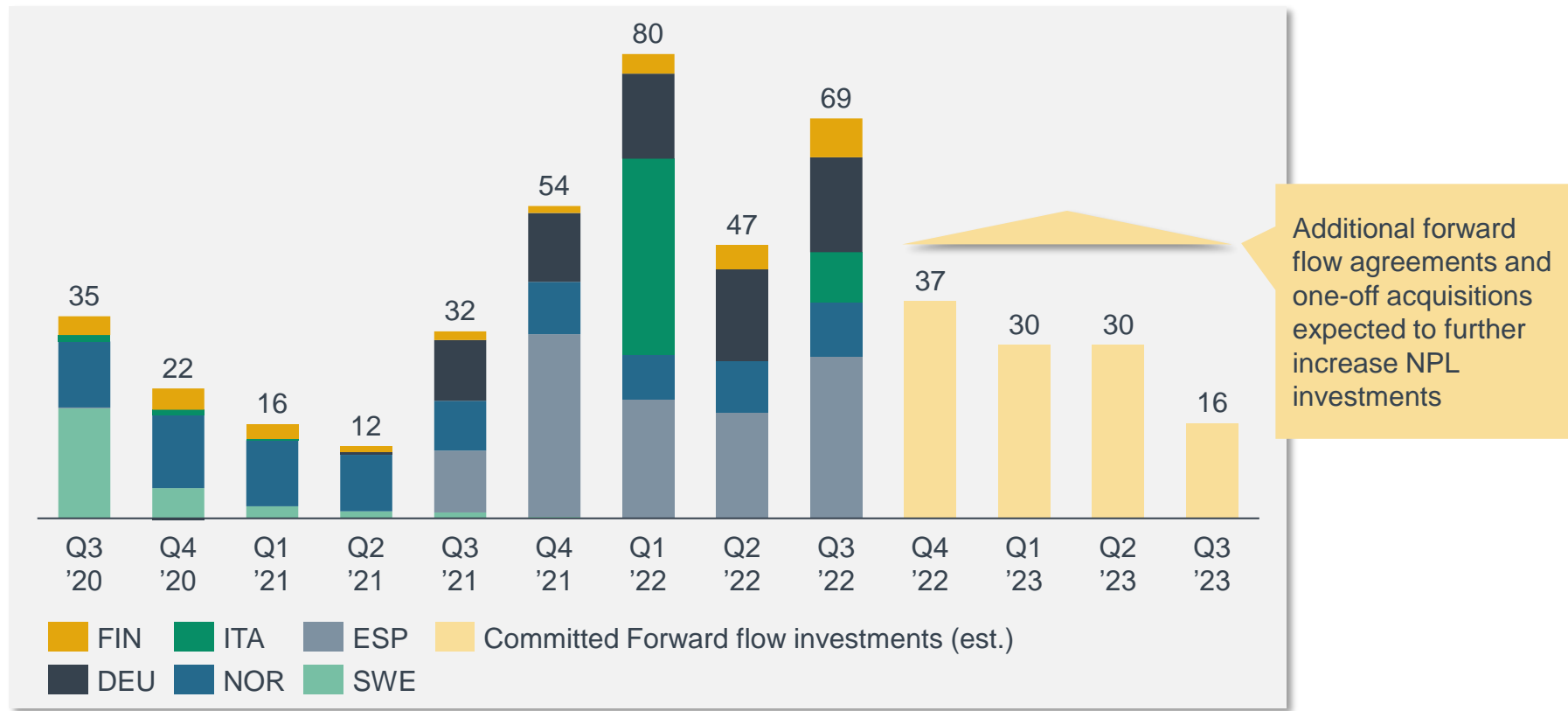
Q&A



Supporting information

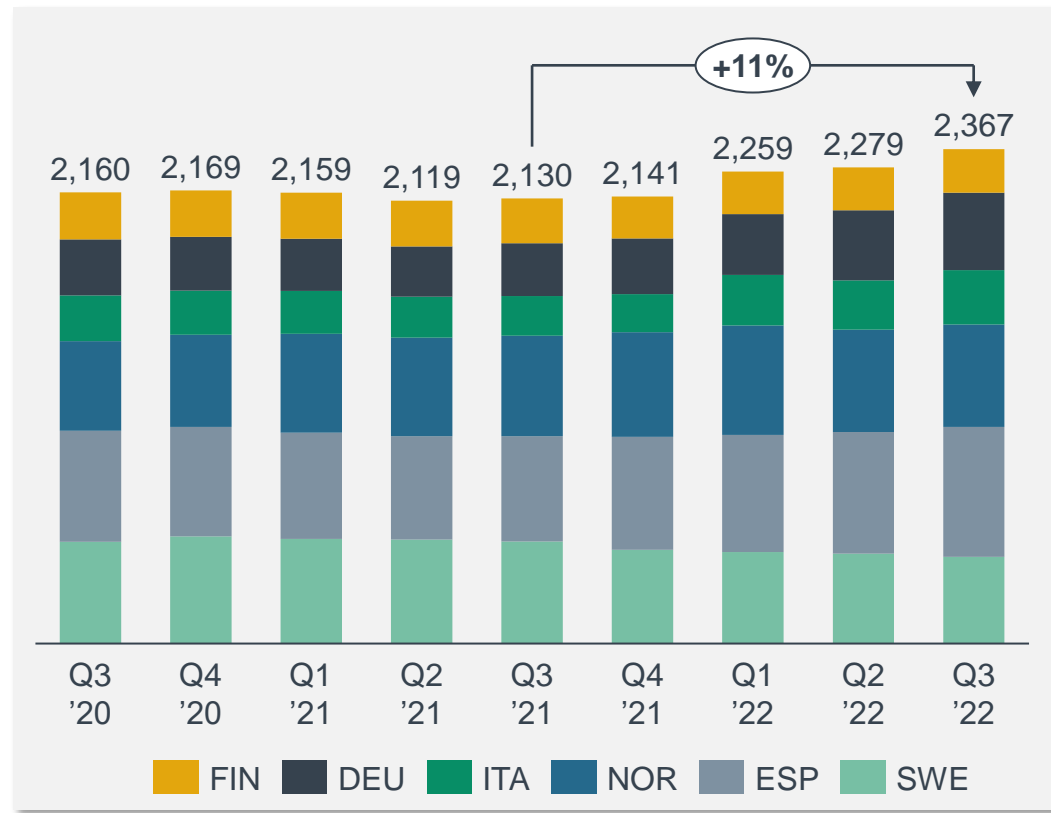
NPL investment commitments of EUR 113m next 12 months

Quarterly NPL investments
(EUR million)

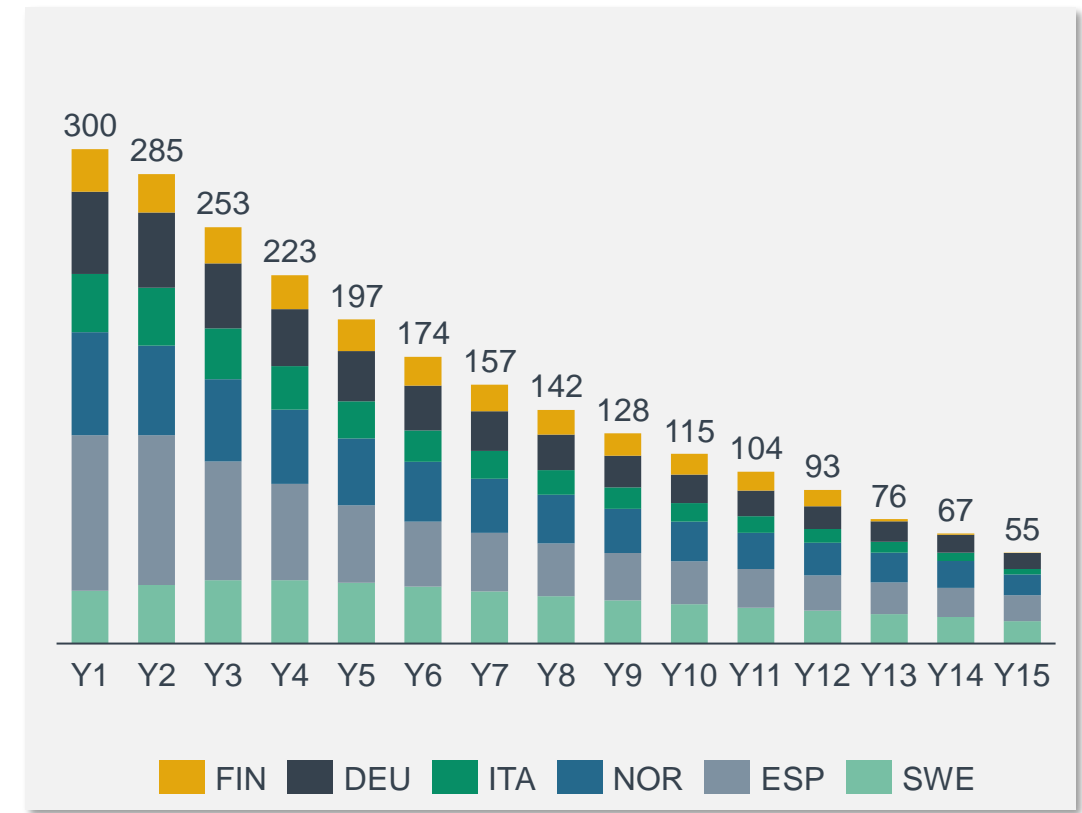


ERC increasing by 11% y-o-y driven by increased NPL investments in 2022

ERC development
(EUR million)

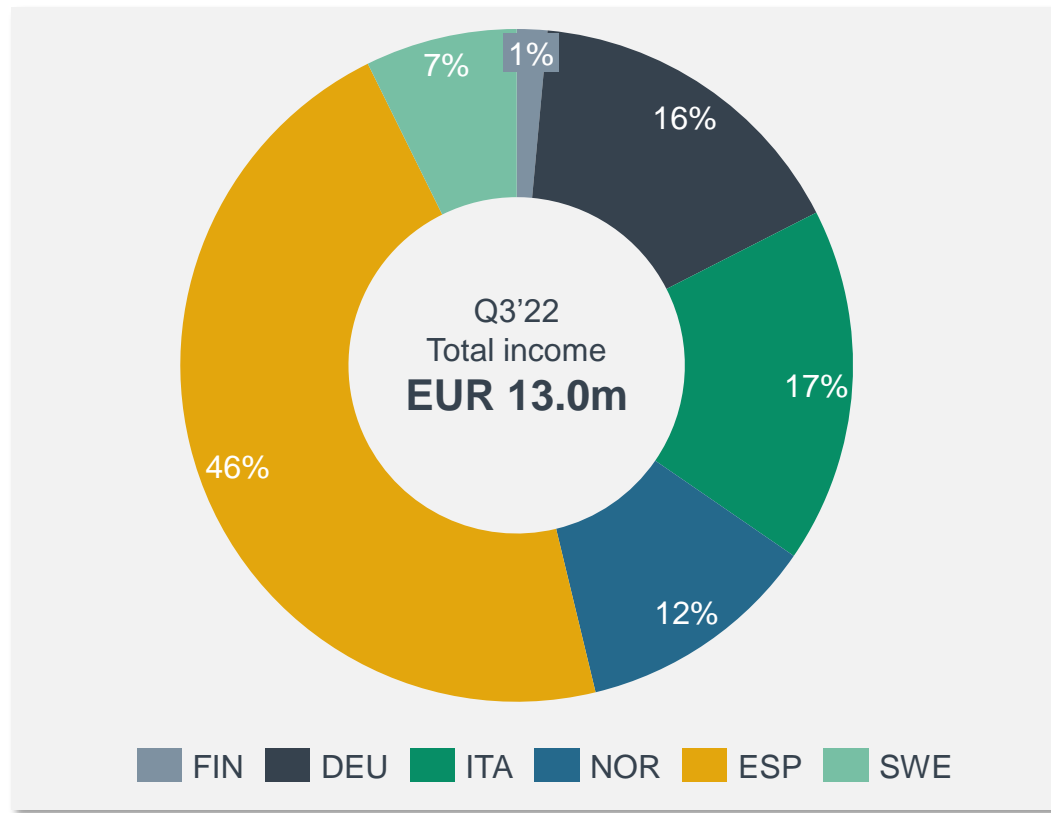


Forward ERC profile by year
(EUR million)



3PC volumes by geographic region

3PC Total income split by geographic region



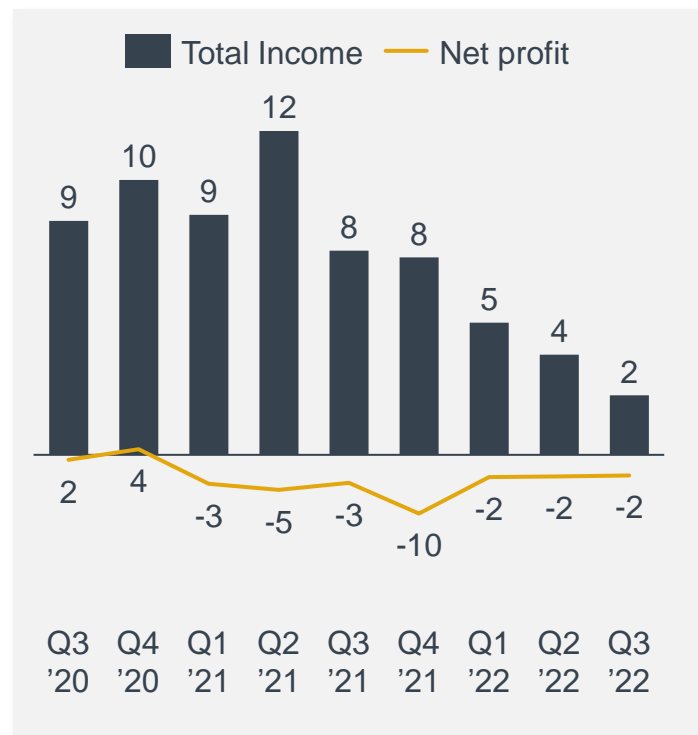
- Spain accounting for 46% of total income on 3PC
- Italy share of Total income increased to 17% following the acquisition of C.R. Service

Discontinued operations

- REO book value reduced to EUR 13m ultimo Q3

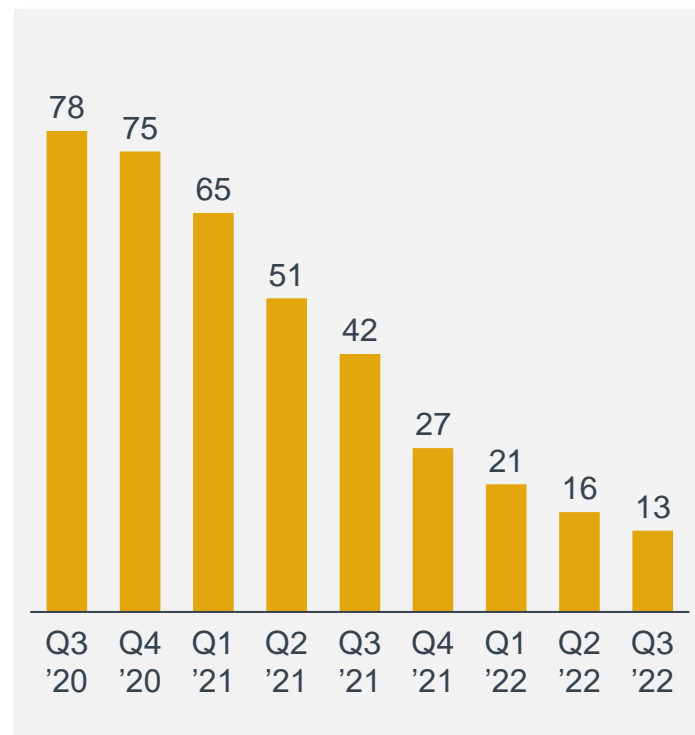
REO Total income and net profit¹

(EUR million and %)

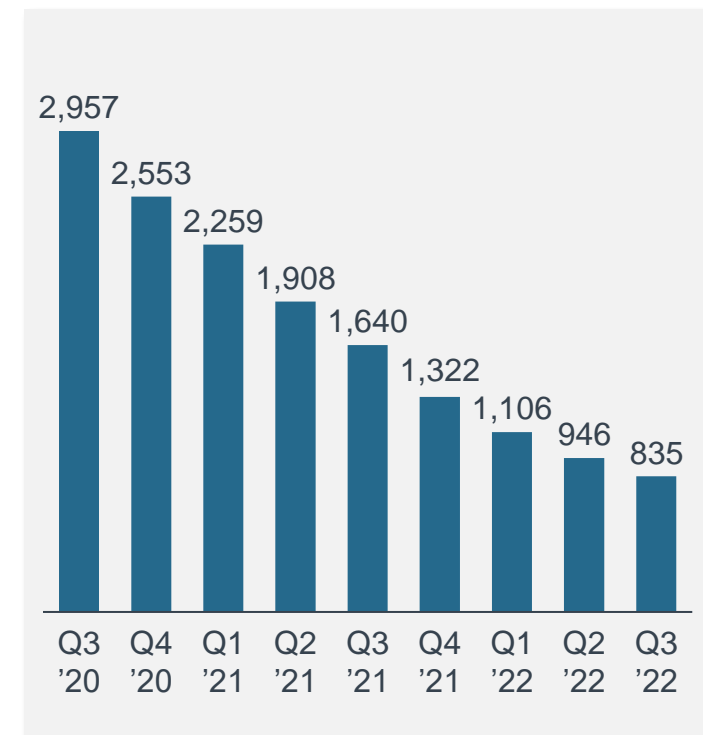


REO book value

(EUR million)



REO number of units

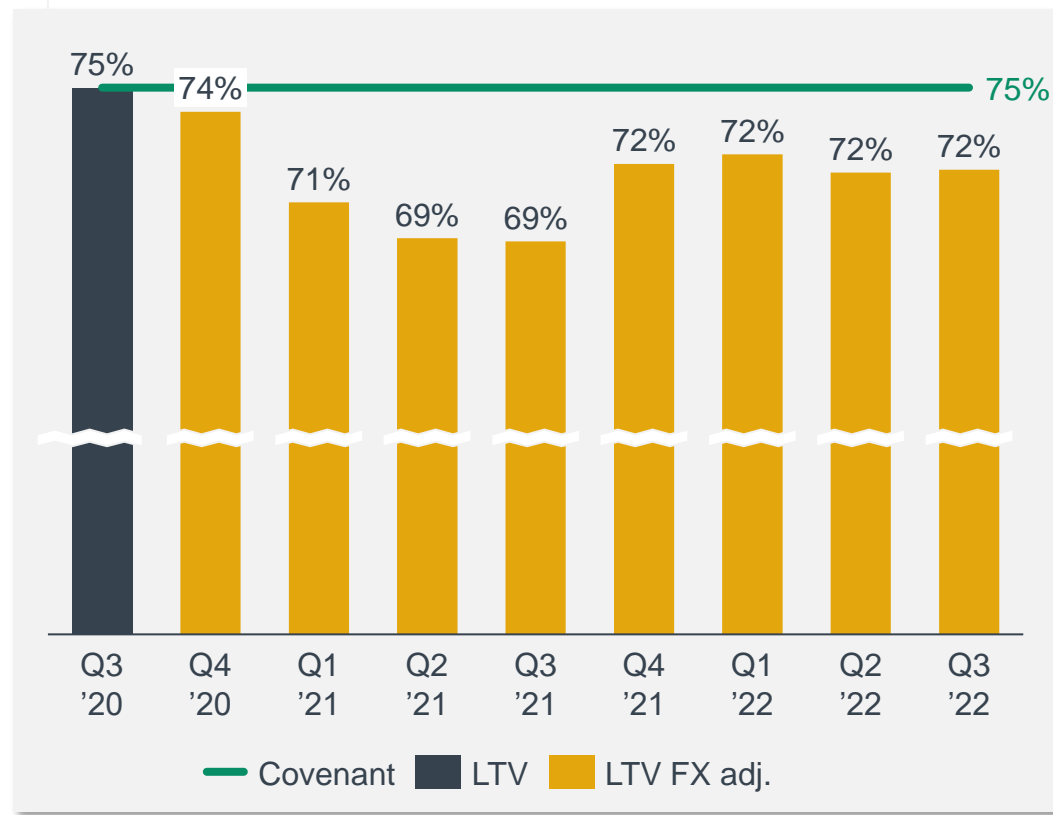


Bond covenants (1/2)

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

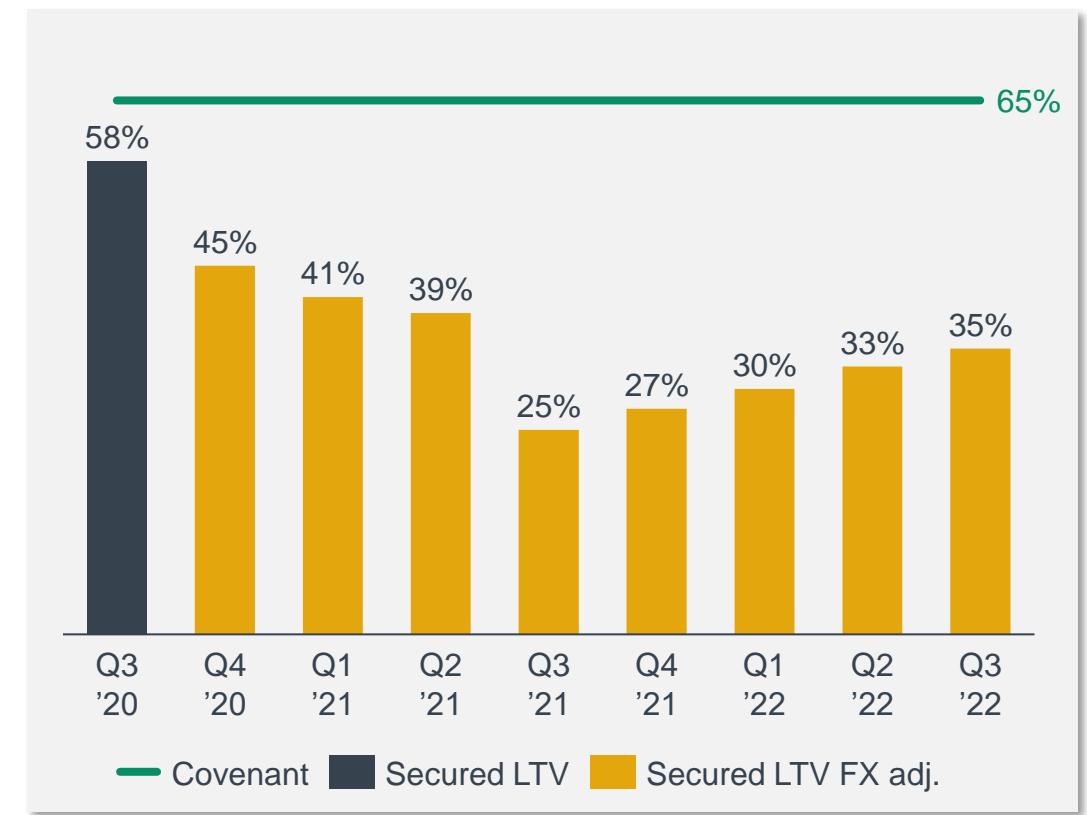
Loan-to-value¹ - Covenant ≤75%

(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)

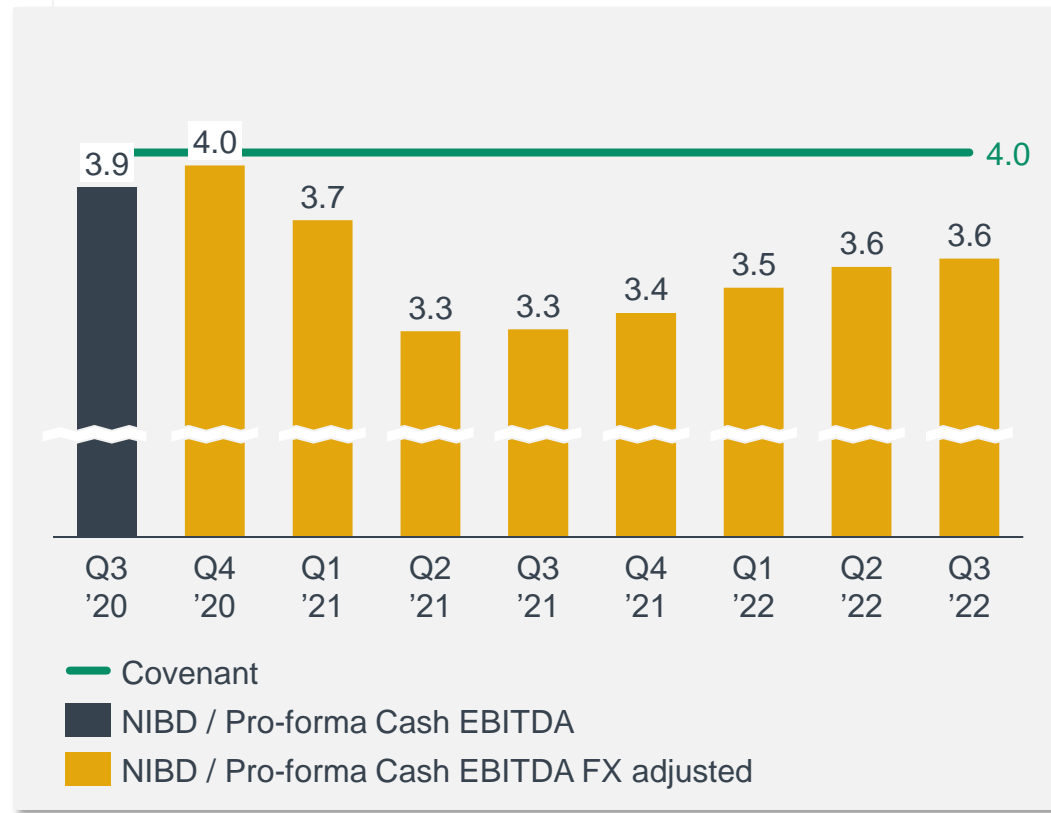


Bond covenants (2/2)

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

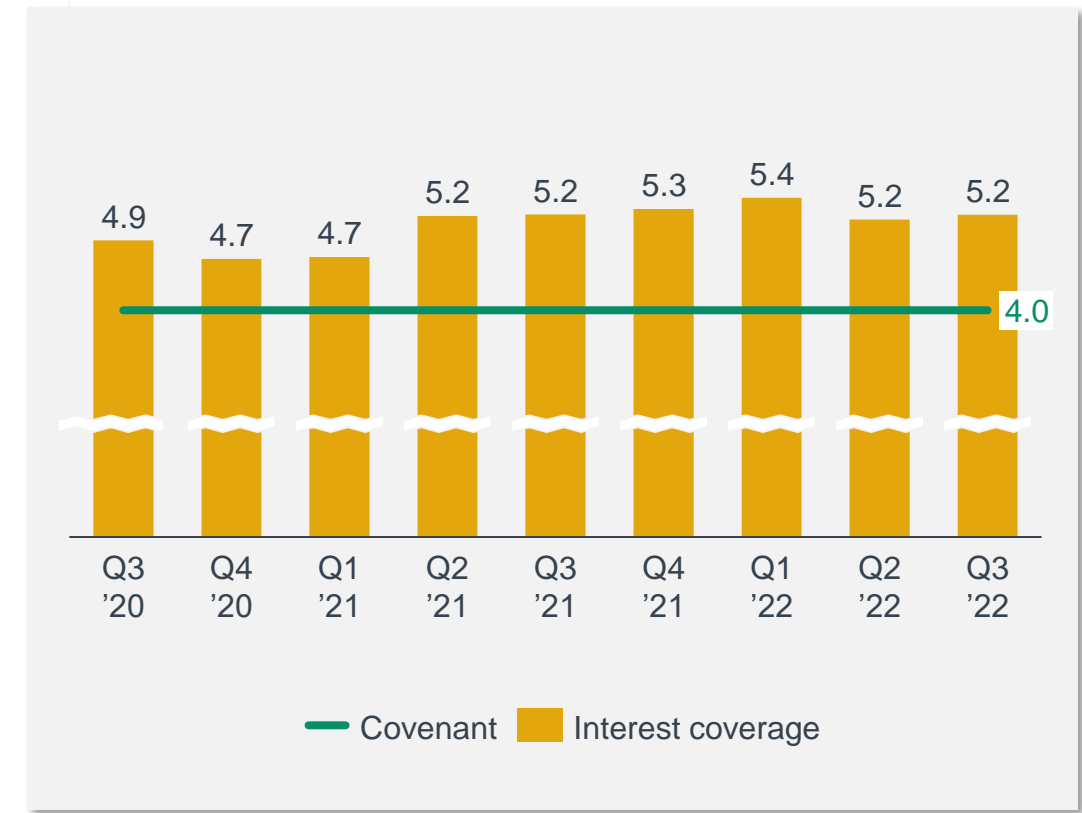
Leverage ratio¹ - Covenant $\leq 4.0x$

(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	Gross collection on 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 acquisition	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
Repossession	Taking possession of property due to default on payment of loans secured by property
Reposessed assets	Property reposessed from secured non-performing loans
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
Active forecast	Forecast of estimated remaining collection on NPL portfolios

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 flows
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 or loss
PCI	Purchased credit impaired
PPA	Purchase price allocations
REO	Real estate owned
ROE	Return on equity
SDG	Sustainable development goal
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

