Equity Research - 07 June 2022 06:52 CET

Axactor

Reason: In-depth research

Commissioned research

Not rated

Expect an uplift in the NPL market

- NPL portfolio purchases showing improvement
- Axactor's NPL platform scales better than Nordic peers
- We estimate ROE of ~11% in 2024e

Several trends point to an uptick in the NPL market

The total value of non-performing loans (NPLs) in the EU has decreased steadily since 2014, with the avg. NPL ratio declining by 1.8pp over the last 3 years (to 2.1% in Q4'21). There are large variations between countries, with the biggest drop seen in the "worst-in-class" countries – for Axactor, this means Italy and Spain. Although there has been a steady decline in the NPL stock, several market trends point to an uplift: i) more NPLs arising during the COVID-19 pandemic, ii) lower economic growth due to the war in Ukraine, iii) regulatory changes supporting increased supply in secondary markets, iv) increased amount of Stage 2 loans. Looking at investments for top collectors, we observe an upward trend in recent quarters towards 2019 levels. Given the supportive market trends, we believe this will continue throughout 2022-23.

A cost leader with improving collections and funding

Axactor still stands out in terms of the cost/income ratio compared to Nordic peers, with peers being at least ~7pp higher than Axactor. The company's collection rate increased to 100% for Q1'22, vs. an avg. for peers of ~104%. For funding, we estimate Axactor's funding cost at 6% vs. peers at ~5%, likely explained by its short history and size. We believe it can lower its funding costs by ~0.5pp (2021-24e) through refinancing and its recent efforts to clean its books. Furthermore, we increase our '23e-'24e NPL purchases by 10-20%, given an expected increase in supply, raising gross collections by 1-3%. We raise costs in '22e-'24e by 2-3% on higher expected inflation, reducing '22e-'23e cash EBITDA margins by ~1%. We lower funding cost in '24e on expected refinancing.

'22e P/BV of 0.5x; ~50% below hist. avg.

The '22e P/BV of 0.5x is ~50% below the historical avg. and ~50% below peers. We expect ROE to increase from -9% in '21 (~8% norm.) to ~11% in '24e, driven by higher cash-EBITDA, lower financials, and a stabilised tax rate (25%). Our fair value range is NOK 6-17/share.

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EURm	2020	2021	2022e	2023e	2024e
Sales	165	156	240	255	276
EBITDA	57	43	114	118	131
EBITDA margin (%)	*34.5*	*27.4*	*47.6*	*46.1*	*47.6*
EBIT adj	44	33	105	109	122
EBIT adj margin (%)	*26.5*	*21.1*	*43.9*	*42.6*	*44.3*
Pretax profit	-7	-22	52	53	67
EPS rep	-0.08	-0.10	0.09	0.12	0.17
EPS adj	0	-0.04	0.13	0.13	0.17
Sales growth (%)	*-15.1*	*-5.4*	*54.2*	*6.2*	*8.3*
EPS growth (%)	*-177.9*	*-22.6*	*188.4*	*38.4*	*34.0*

Source: ABG Sundal Collier, Company data

Estimate changes (%)

	2022e	2023e	2024e
Sales	-0.1%	0.4%	2.5%
EBIT (rep)	-2.2%	-3.3%	2.3%
EPS (rep)	3.2%	-3.5%	5.8%

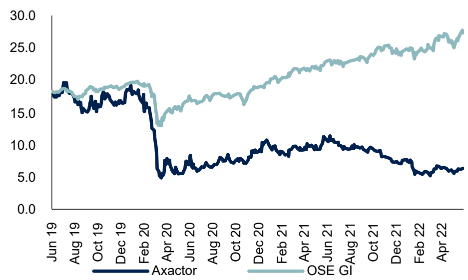
Source: ABG Sundal Collier

Share price (NOK)	06/06/2022	6.4
Fair value range (per share)		6.0-17.0

Financials, Norway
ACR.OL/ACR NO

MCap (NOKm)	1,919
MCap (EURm)	191
Net debt (EURm)	890
No. of shares (m)	302
Free float (%)	*54*
Av. daily volume (k)	2
Next event	Q2 report: 18 Aug

Performance



	1m	3m	12m
Absolute (%)	*9.4*	*15.0*	*-41.7*

Source: FactSet

	2022e	2023e	2024e
P/E (x)	7.1	5.1	3.8
P/E adj (x)	5.0	4.8	3.8
P/BVPS (x)	0.46	0.42	0.41
EV/EBITDA (x)	9.5	9.8	9.4
EV/EBIT adj (x)	10.2	10.6	10.1
EV/sales (x)	4.50	4.51	4.46
ROE adj (%)	*9.6*	*9.2*	*10.8*
Dividend yield (%)	*0*	*9.8*	*13.1*
FCF yield (%)	*-15.5*	*-6.8*	*-4.6*
Lease adj. FCF yld (%)	*-15.5*	*-6.8*	*-4.6*
Net IB debt/EBITDA	7.8	8.1	7.9
Lease adj. ND/EBITDA	nm	nm	nm

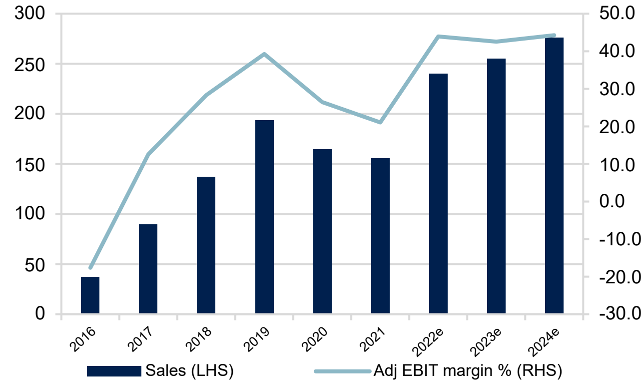
Company description

Axactor is a pan-European debt collector with operations in Finland, Germany, Italy, Norway, Spain and Sweden. Headquartered in Oslo, Norway, Axactor was established in late 2015 and has grown to become one of the ten-largest players in the industry, with support from its cornerstone- and co-investor Geveran. Its core business areas are purchased debt and 3PC (third-party collection), focusing on well-developed NPL markets with a legal environment beneficial for collection. Through its streamlined "One Axactor" operating model, it has developed a scalable, no legacy and low-complexity NPL platform.

Risks

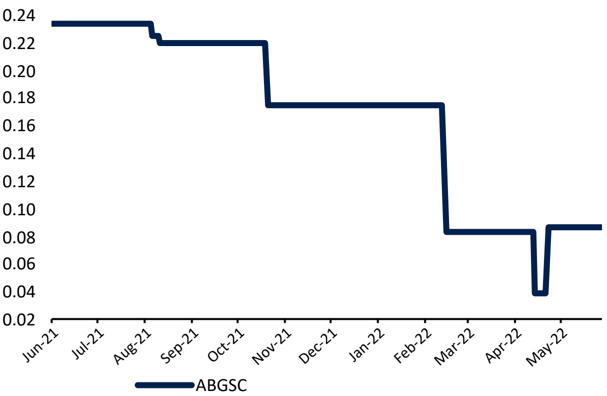
Investment risk, macro risk and regulatory risk are the biggest risks in the Axactor investment case. We see investment risk as the largest risk as we estimate that the company will have high capex going forward, and an investment into a 'bad' portfolio and/or company could have a detrimental impact on earnings in the coming years. Furthermore, changes in the macro environment could affect cash collection and the 3PC business.

Annual sales and adj. EBIT marginEURm



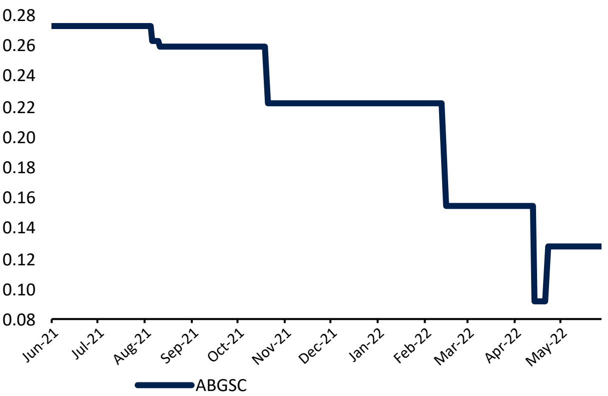
Source: ABG Sundal Collier, Company data

EPS estimate changes, 2022e, EUR



Source: ABG Sundal Collier, FactSet

EPS estimate changes, 2023e, EUR



Source: ABG Sundal Collier, FactSet

Table of contents

Estimate revisions

Estimate revisions	New			Old			Chg %	Chg	Chg %	Chg	Chg %	Chg
EURm	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2022e	2023e	2023e	2024e	2024e
Gross collection	293	349	399	293	347	387	0%	0	1%	2	3%	11
Third-party revenue	57	60	62	57	60	61	0%	0	0%	0	1%	0
Gross revenues	**350**	**409**	**460**	**350**	**406**	**448**	**0%**	**0**	**1%**	**2**	**3%**	**12**
Net Revenue	**240**	**255**	**276**	**240**	**254**	**270**	**0%**	**0**	**0%**	**1**	**2%**	**7**
Operating expenses	-126	-137	-145	-124	-133	-141	2%	-2	3%	-5	3%	-4
EBITDA reported	**114**	**118**	**131**	**117**	**121**	**129**	**-2%**	**-2**	**-3%**	**-4**	**2%**	**3**
EBITDA-margin (%)	48%	46%	48%	49%	48%	48%		-0.9%		-1.6%		-0.2%
EBIT (reported)	**106**	**109**	**122**	**108**	**112**	**120**	**-2%**	**-2**	**-3%**	**-4**	**2%**	**3**
EBIT-margin (%)	44%	43%	44%	45%	44%	44%		-0.9%		-1.6%		-0.1%
Net profit	26	37	50	25	39	47	3%	1	-3%	-1	6%	3
Net profit (excl. REOs)	**37**	**40**	**50**	**39**	**42**	**47**	**-4%**	**-1**	**-6%**	**-2**	**6%**	**3**
EPS	0.09	0.12	0.17	0.08	0.13	0.16	3%	0.00	-3%	0.00	6%	0.01
EPS (excl. REOs)	**0.12**	**0.13**	**0.17**	**0.13**	**0.14**	**0.16**	**-4%**	**0.00**	**-6%**	**-0.01**	**6%**	**0.01**
ROE (norm.)	10%	9%	11%	10%	10%	10%		-0.8%		-0.6%		1.0%
Cash EBITDA (excl. REOs)	**224**	**271**	**315**	**227**	**274**	**308**	**-1%**	**-2**	**-1%**	**-2**	**3%**	**8**
Cash EBITDA margin (excl. REOs)	64%	66%	69%	65%	67%	69%		-0.6%		-0.9%		-0.1%
ERC (reported NPL + est REO)	2,587	2,768	2,968	2,586	2,723	2,824	0%	0	2%	45	5%	144
CAPEX	238	264	300	235	240	245	1%	3	10%	24	22%	55
DPS	0.00	0.06	0.08	0.00	0.00	0.00		0.00		0.06		0.08

Source: Company data, ABG Sundal Collier

ABGSCe vs. IR-collected consensus

	ABG			IR consensus			Difference		
EURm	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Gross collection	293	349	399	286	340	371	2%	3%	8%
Other revenue	57	60	62	57	61	64	1%	-3%	-5%
Gross revenue	**350**	**409**	**460**	**343**	**401**	**435**	**2%**	**2%**	**6%**
Portfolio amortisation & revaluation	-110	-154	-184	-110	-146	-163	0%	5%	13%
Net revenue	**240**	**255**	**276**	**233**	**256**	**272**	**3%**	**0%**	**1%**
Operating expenses	-126	-137	-145	-125	-136	-145	1%	1%	0%
EBITDA reported	**114**	**118**	**131**	**108**	**119**	**128**	**5%**	**-2%**	**3%**
EBITDA margin	48%	46%	48%	47%	47%	47%	1%	-1%	1%
EBIT	**105**	**109**	**122**	**100**	**110**	**119**	**6%**	**-2%**	**3%**
Net financials	-53	-55	-56	-53	-55	-57	2%	0%	-2%
Net profit (cont. operations)	**37**	**40**	**50**	**32**	**41**	**46**	15%	-2%	9%
Discontinued	-11	-3	0	-8	-2	0	-51%	-39%	
Cash EBITDA	**244**	**273**	**315**	**238**	**260**	**286**	**3%**	**5%**	**10%**
Cash EBITDA margin	70%	67%	69%	69%	65%	66%	1%	2%	3%

Source: ABG Sundal Collier, IR collected consensus 09 May'22

Q2e forecast vs. consensus

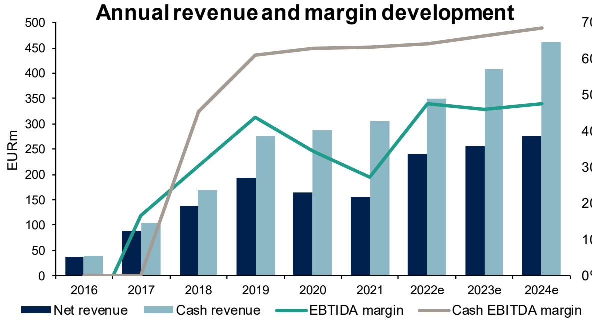
Q1'22: Our forecasts vs. Consensus

EURm	Q2'22	Q1'22	q-o-q growth	Q2'21	y-o-y growth	Consensus Q2'22	Deviation	
Gross collection	73.2	64.0	14%	69.0	6%	73.0	0.2	0%
Third-party collection	14.9	13.2	13%	12.9	16%	14.6	0.3	2%
Gross revenues	**88.1**	**77.2**	14%	**81.9**	8%	**87.6**	**0.5**	**1%**
Portfolio amortisation & revaluation	-27.2	-21.0	29%	-29.3	-7%	-29.5	2.2	-8%
Net Revenue	**60.9**	**56.2**	8%	**52.6**	16%	**58.1**	**2.8**	**5%**
Total operating cost	-32.2	-29.2	10%	-28.0	15%	-32.0	-0.1	0%
EBITDA reported	**28.7**	**27.0**	6%	**24.6**	17%	**26.1**	**2.6**	**10%**
EBITDA-margin (%)	47%	48%	-2%	47%	1%	45%	2%	5%
Depreciation and amortisation	-2.2	-2.1	6%	-2.3	-3%	-2.3	0.0	-1%
EBIT (reported)	**26.5**	**24.9**	6%	**22.3**	19%	**23.8**	**2.6**	**11%**
EBIT-margin (%)	*43%*	*44%*	*-2%*	*42%*	*2%*	*41%*	*2%*	*6%*
Net financials	-13.4	-13.1	2%	-11.8	13%	-13.1	-0.3	2%
Net profit to equity holders (excl. REOs)	**9.8**	**7.9**	23%	**10.1**	-3%	**7.6**	**2.1**	**28%**
Discontinued operations	-3.2	-1.6		-2.5	29%	-2.4	-0.9	36%
Net profit to equity holders	6.6	6.6	-1%	7.2	-8%	5.3	1.3	24%
EPS	0.02	0.02	16%	0.01		0.02	0.00	24%
EPS (excl. REOs)	**0.03**	**0.03**	23%	**0.03**	-3%	**0.03**	**0.01**	**28%**
ROE adj (excl. REOs) (%)	6.6%	6.8%	-4%	6.9%	-4%	6.9%	0%	-5%
Cash EBITDA (excl. REOs)	**55.9**	**48.1**	**16%**	**54.0**	**3%**	**55.5**	**0.4**	**1%**
Cash EBITDA margin (%) (excl. REOs)	*63%*	*62%*	*2%*	*66%*	*-4%*	*63%*		
CAPEX	50.0	79.6	-37%	28.9	73%			
ERC (ex. REOs)	2,534	2,259	12%	2,119	20%			

Source: Company data, ABG Sundal Collier, Company collected consensus on 09 May'22

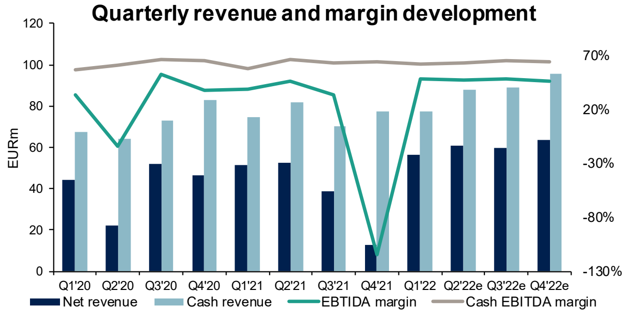
Supporting charts

Annual revenue and margin development



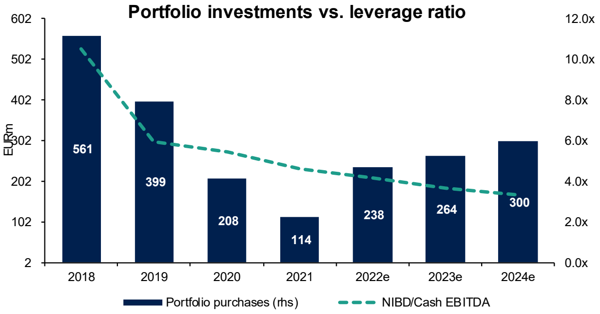
Source: Company reports, ABG Sundal Collier

Quarterly revenue and margin development



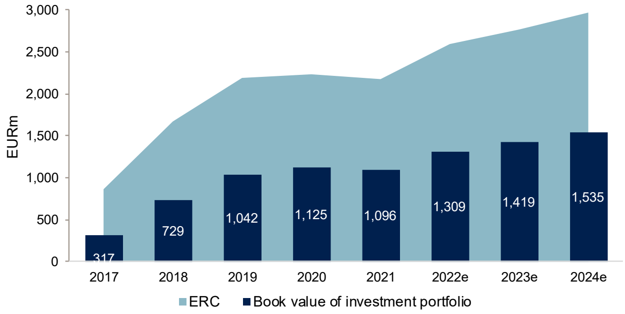
Source: Company reports, ABG Sundal Collier

Portfolio investments vs. leverage ratio



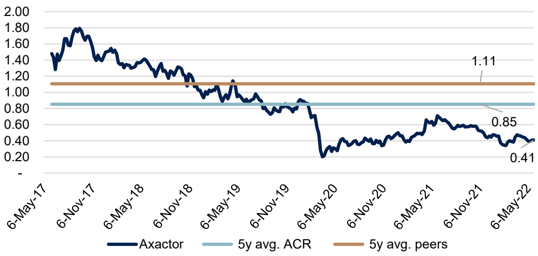
Sources: Company reports, ABG Sundal Collier

Book value of investment portfolio and ERC value



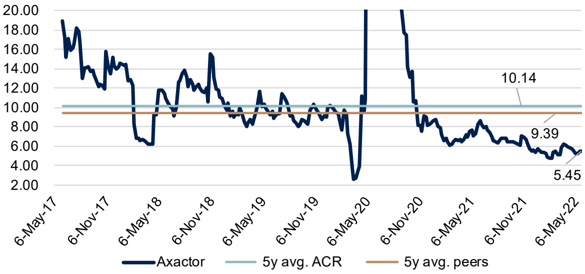
Source: Company reports, ABG Sundal Collier

Axactor - historical valuation 12m fwd P/BV



Source: Factset, ABGSC

Axactor - historical valuation 12m fwd P/E



Source: Factset, ABGSC

Debt collectors	Mcap	Share performance			P/BV			EV/EBIT		
Peers	EURm	3M	6M	12M	22e	23e	24e	22e	23e	24e
Axactor	190	10%	-12%	-43%	0.5x	0.4x	0.4x	9.8x	9.6x	8.5x
B2Holding	348	-12%	-14%	-17%	0.7x	0.6x	0.6x	13.4x	12.2x	10.6x
Intrum	2,572	-9%	-3%	-24%	1.1x	1.0x	0.8x	10.8x	9.5x	8.9x
Hoist Finance (cons)	270	31%	17%	-8%	0.5x	0.5x	0.5x	10.0x	7.0x	5.1x
PRA group (cons)	1,355	-17%	-13%	-5%	1.1x	1.0x	n.a.	16.0x	14.2x	n.a.
Encore (cons)	1,366	-9%	3%	30%	1.2x	1.0x	n.a.	7.8x	10.3x	n.a.
Average	**877**	**-1%**	**-3%**	**-11%**	**0.8x**	**0.8x**	**0.6x**	**11.3x**	**10.5x**	**8.3x**
Median	**348**	**-9%**	**-7%**	**-12%**	**0.9x**	**0.8x**	**0.5x**	**10.4x**	**9.9x**	**8.7x**

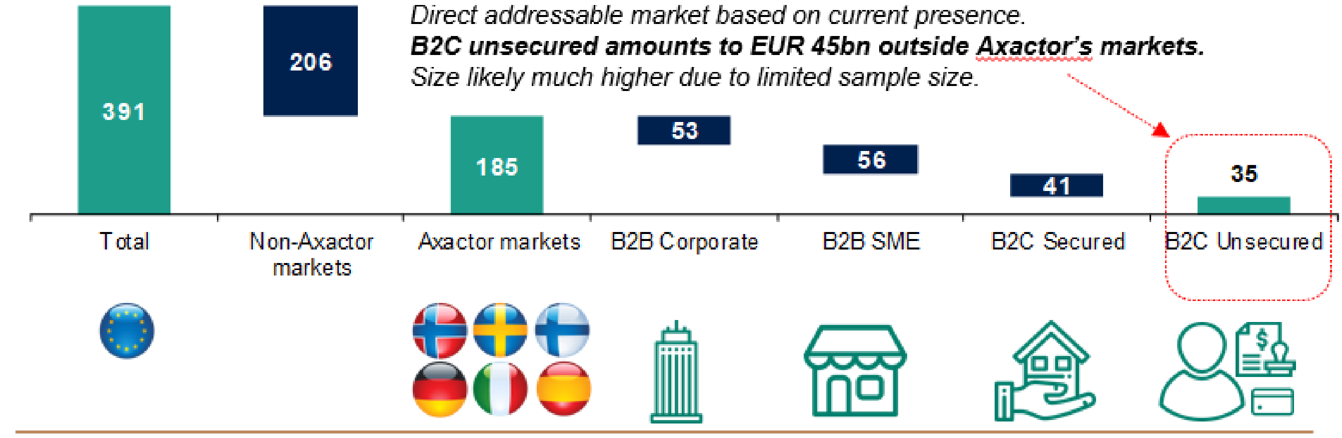
Source: Factset, Company data, ABG Sundal Collier

The NPL market

Direct addressable market for Axactor >EUR 35bn

Unsecured business-to-consumer debt
As of Q4'21, there was close to EUR 400bn in outstanding NPL volumes on the balance sheets of top banks in the EU. Of these, ~EUR 185bn relate to Axactor's current markets (Norway, Sweden, Finland, Germany, Spain, and Italy), while ~EUR 35bn of these are unsecured business-to-consumer (B2C) loans, which we define as Axactor's targeted asset class. In addition, there is some ~EUR 45bn in outstanding B2C unsecured debt outside Axactor's main markets. It is worth noting that this data is based on a sample size of 161 banks in the EU (excluding UK), so the total addressable market is likely much larger.

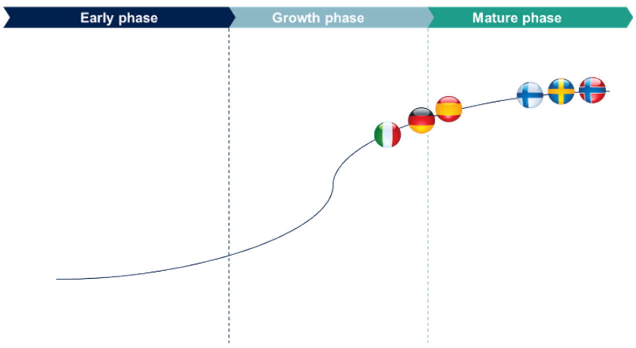
Direct addressable market for Axactor – outstanding NPLs in Europe (face value)



Source: ABG Sundal Collier, European Banking Authority Risk Dashboard (sample of 161 European banks)

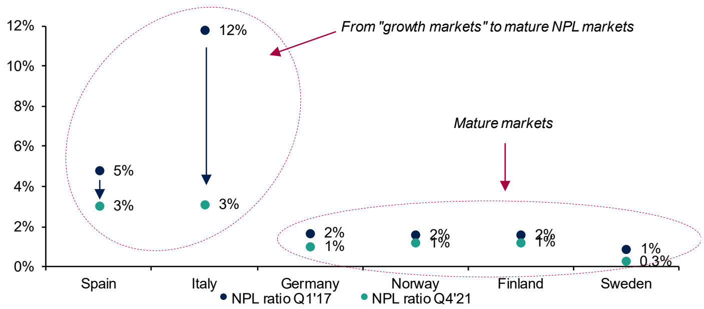
Axactor is present in (and seeks to grow in) well-developed markets
In addition to offering significant investment opportunities, the markets mentioned above are well developed, and the legal environment is beneficial for collection. Indeed, Axactor's main markets are defined as either well developed or mature. This implies that the sale of NPLs has become an integral part of the financial ecosystem in these markets, that deal activity is high and that NPL ratios have come down significantly. We view this as a clear positive, as both the complexity and pricing uncertainty are significantly lower than in early-phase or high-growth markets.

Axactor's markets on the development curve



Source: ABG Sundal Collier, Hoist Finance, B2Holding

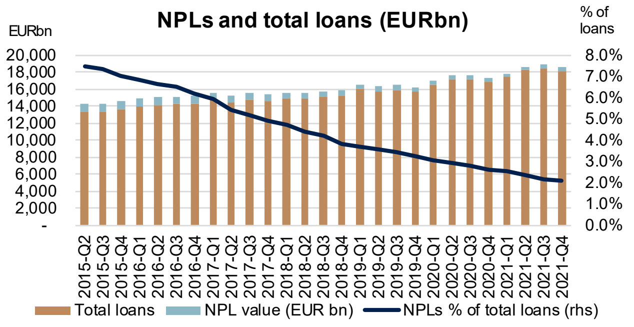
NPL ratio in last 5 years in Axactor's markets



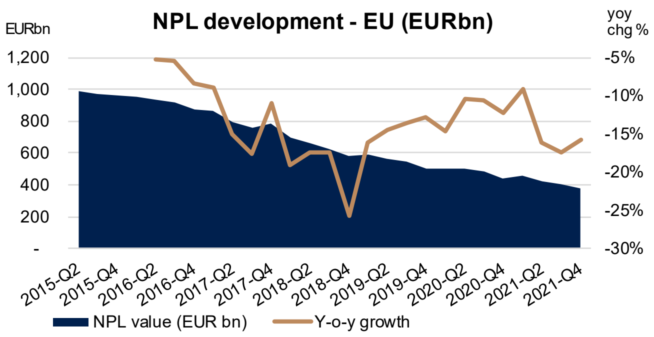
Source: ABG Sundal Collier, European Banking Authority Risk Dashboard

The NPL stock has decreased over several years

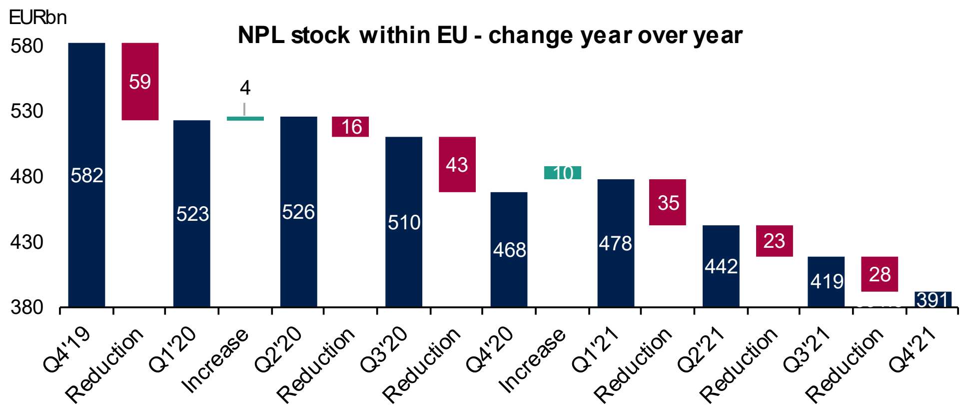
The total value of non-performing loans in the EU has decreased since 2014, only increasing q-o-q in two quarters (in Q2'20 and Q1'21). According to the European Banking Authority, the aggregate NPL ratio (in the EU) has come down by 1.8pp over the last three years, and decreased to 2.1% in Q4'21. Meanwhile, the stock of NPLs declined to EUR 374bn in Q4'21 (from EUR 401bn in Q3'21). As the sample do not include all European banks, the NPL value in Europe is likely much higher.



Source: European Banking Authority, ABGSC



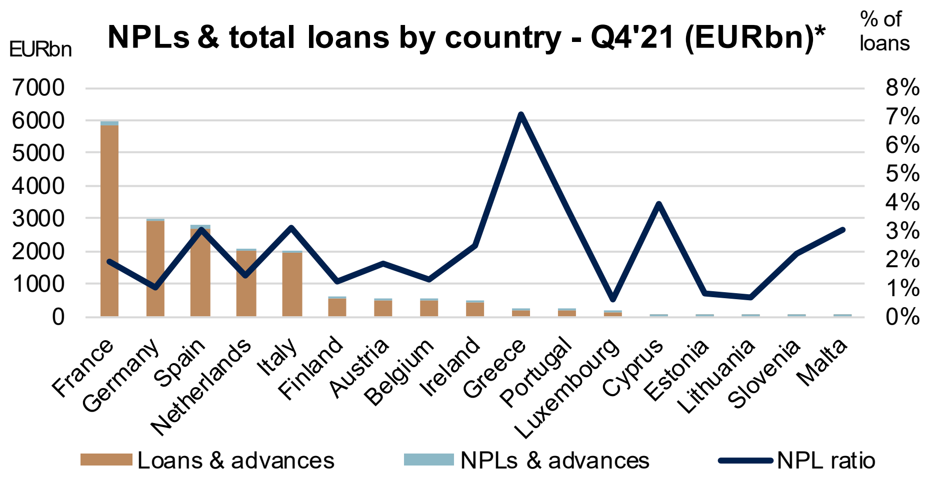
Source: European Banking Authority, ABGSC



Source: European banking authority, ABG Sundal Collier

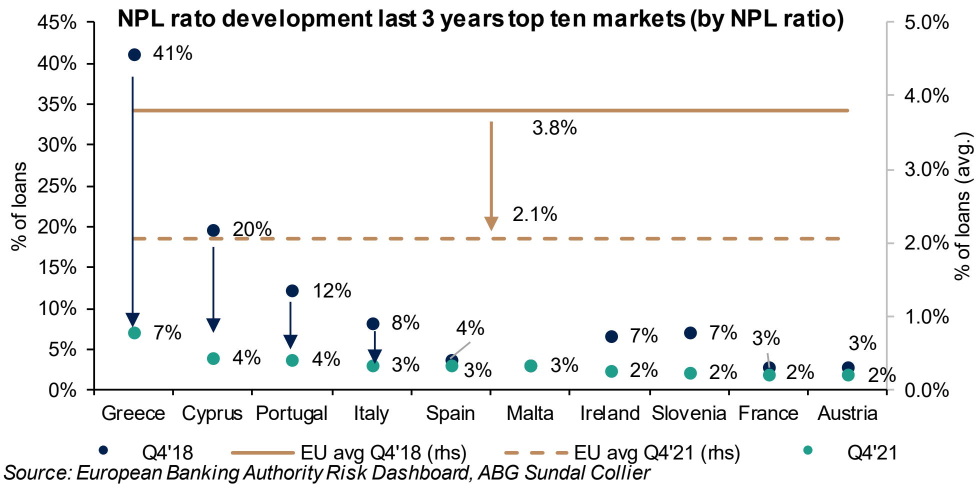
Large variations between countries

There are large variations between countries, with the highest ratio observed in Greece (7.04%) and the lowest in Luxembourg (0.58%).



Source: European Banking Authority, ABGSC

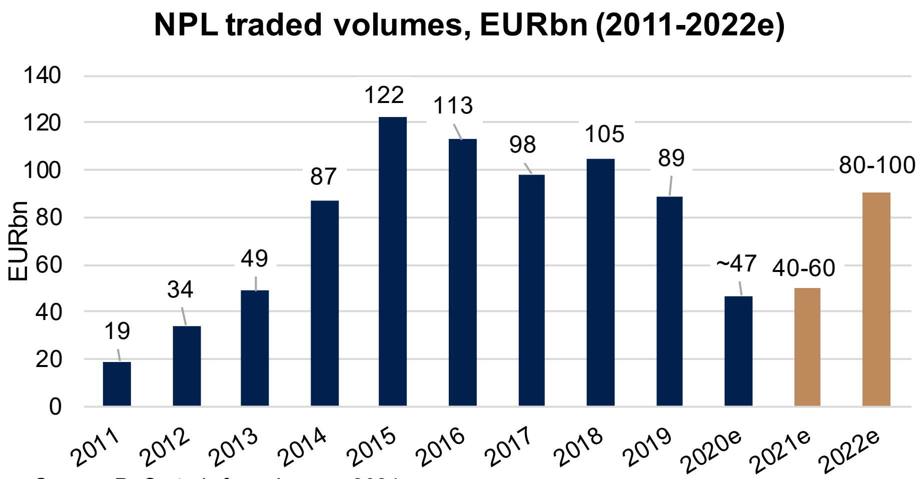
We note that the worst-in-class countries have deleveraged significantly.



Source: European Banking Authority Risk Dashboard, ABG Sundal Collier

Soft trading volumes during COVID-19

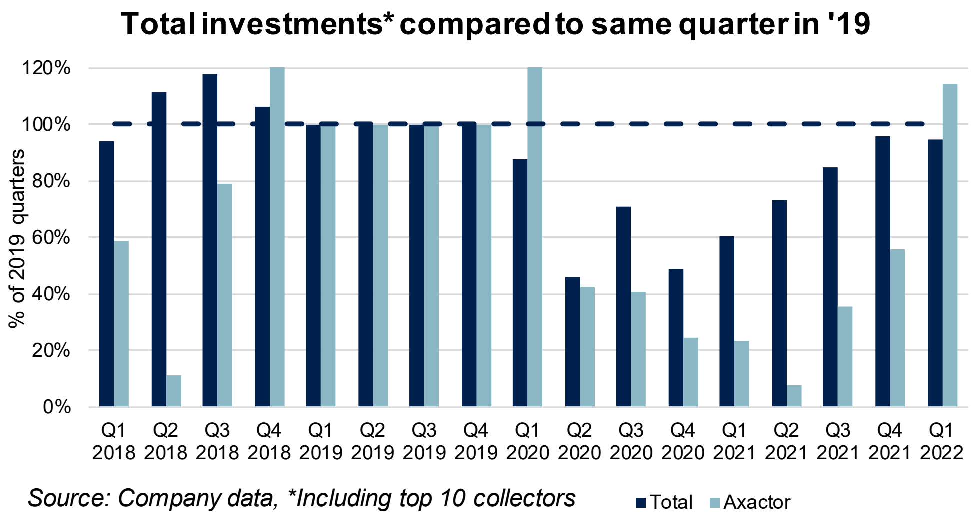
According to PwC (as of Jan '21), NPLs with a face value of ~EUR 700bn were trading in the market from 2011 to 2019. The estimated total trading volume in 2020 was ~EUR 50bn, much lower than the previous six years due to the COVID-19 pandemic. Further, PwC expected NPLs of ~EUR 150bn to trade in 2021-2022, much of which would be legacy portfolios.



Source: PwC study from January 2021

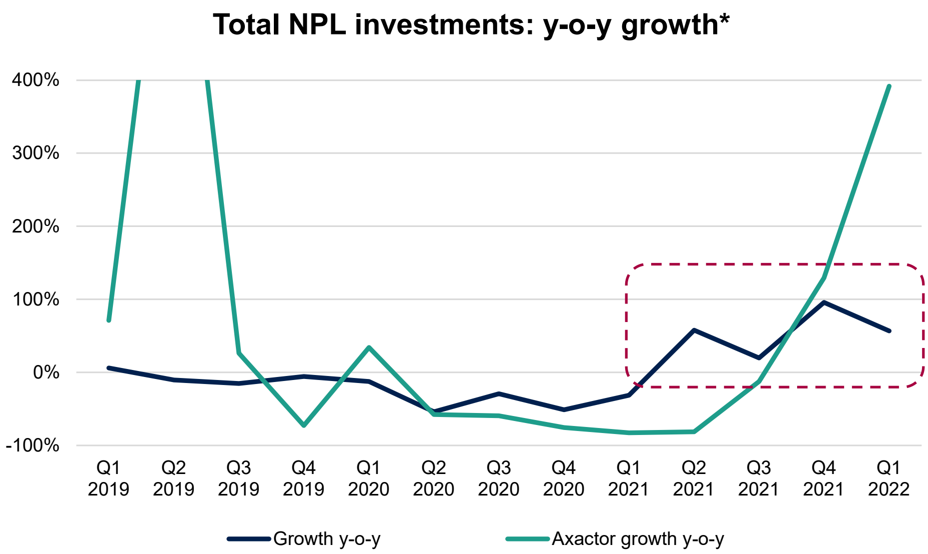
Portfolio purchases are picking up

We observe that portfolio purchases have been higher amid the COVID-19 pandemic when comparing top collectors in the market. In the first graph below, we compare portfolio purchases each quarter with the corresponding quarter in 2019. As seen, the investment levels have been trending upward and towards 2019 levels over the last five quarters (~95% of 2019 values in Q4'21 and Q1'22). Axactor's purchases in Q1'22 exceeded the purchase value in Q1'19.



*Source: Company data, *Including top 10 collectors*

As seen in the graph below, the growth y-o-y is rising, and in Q4'21 it was the highest in three years (~95%).



Source: Company data

**Companies included: Arrow Global, B2Holding, Encore, Lowell, Hoist, Axactor, Intrum, KRUK, PRA Group, IQera*

Market outlook – Increasing NPLs ahead

Several market trends lead us to believe that non-performing loan (NPL) volumes will increase.

1) **COVID-19 effects**
   NPLs might increase as a result of the COVID-19 financial weaknesses, both due to: i) direct effects, e.g. market turmoil and (temporary) loss of jobs, and ii) indirect effects as government stimulus and support during the pandemic has expired. These might affect volumes for 2022.

2) **Macroeconomic effects**
   Lower economic growth arising from the war in Ukraine (due to higher inflation, rising energy prices, and interest rate hikes) could affect banks' NPLs and lead to a spike in market volumes. This might impact households the most (higher oil, gas and food prices) and cause a deterioration in asset quality.

3) **Regulatory changes**
   The NPL backstop, implemented in April 2019, is likely to boost volumes of NPLs as of H2'22. In brief, the NPL backstop stipulates that NPLs originated after April 2019 must be written down in accordance with the table below, i.e., unsecured NPLs must be fully written down after three years, while NPLs secured by real estate must be fully written down after nine years. These write-downs will potentially be very costly from a capitalisation perspective for banks, which is the intent of the ECB, seeking to prevent an accumulation of bad loans (as seen in the wake of the financial crisis). Hence, we will likely see a surge of fresh NPLs coming to the market from July '22, as the NPL formation arises 90 days after a loan has defaulted.

NPL prudential backstop illustration

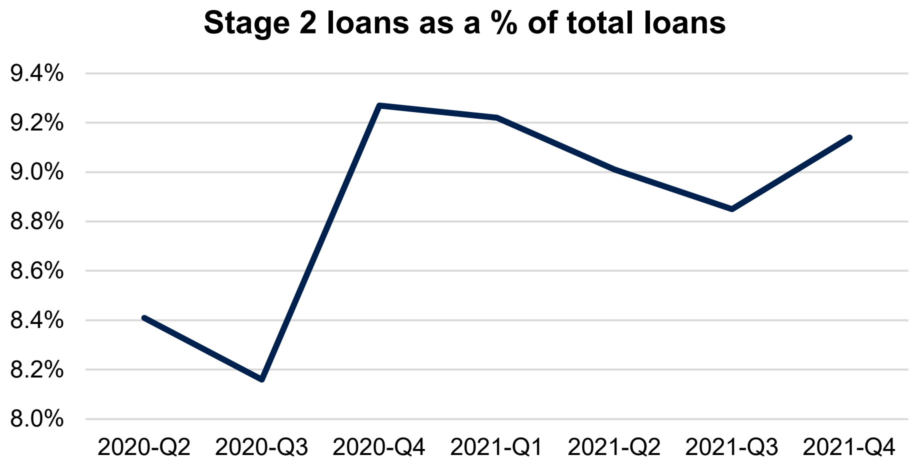
Provisioning from time of default

0 1 2 3 4 5 6 7 8 9 10

Secured by real estate	0%	0%	0%	25%	35%	55%	70%	80%	85%	100%
Secured by moveable collateral	0%	0%	0%	25%	35%	55%	80%	100%		
Unsecured	0%	0%	35%	100%						

Source: European Council

4) **Stage 2 loans increasing**
   We observe that Stage 2 loans as a % of total loans increased during Q4'21 (from 8.85% in Q3 to 9.14% in Q4), for the first time in 2021. Stage 2 loans are loans that have deteriorated significantly in their credit quality but have not yet offered a credit loss event. This rise might be an indication of increasing NPL volumes going forward.



Source: European Banking Authority, ABGSC

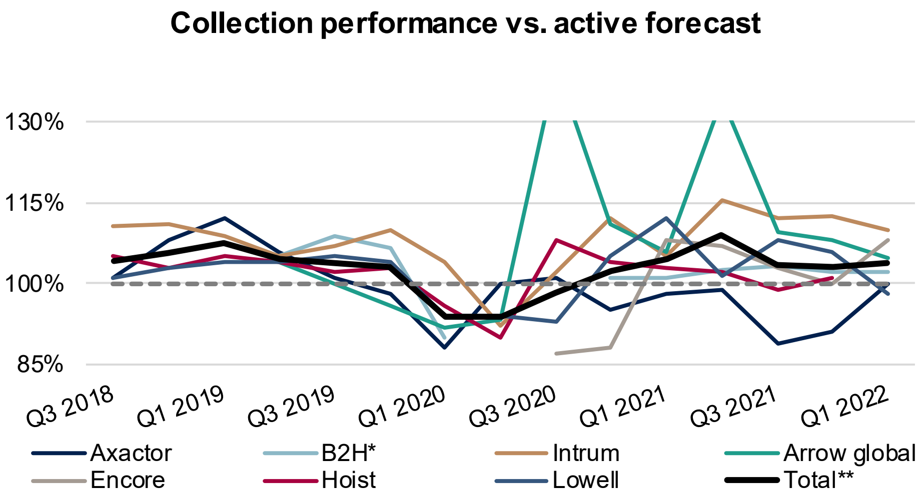
Collection performance is picking up for the sector

In the graph below we show the companies' collection performance vs. each company's active forecast. The active forecasts are updated with varying frequencies to reflect changes in the ERC curve.

Collection performance for Axactor and peers was negatively impacted by the COVID-19 pandemic. The companies' collection often outperformed forecasts prior to the pandemic whereas the collection performance avg. was ~96% during Q1-Q3'20. Collections improved throughout the end of 2020 for most peers, whereas Axactor's performance has lagged.

Axactor's Q1'22 collection performance was in line with forecasts for the first time since Q3'20, supported by improved cash collection and the large revaluations made in Q4'21. Axactor expects a collection performance compared to active forecast of 100% going forward.

Despite the positive collection trend we acknowledge the risk of a negative impact from lower disposable income from consumers, due to rising inflation for basic goods like food and energy as well as rising interest rates.



*Source: Company data, *unsecured performance for B2H, ** ex. Arrow in Q3'20 due to a large writedown*

Competitive position

Axactor has come a long way since its inception

Axactor's key competitors are shown in the illustration below. As observed, the revenue CAGR 2019-2021 has varied, reflecting the poor market during COVID-19. However, Axactor has been hit the most vs. peers in terms of net revenue, due to significant revaluations in Q4'21 (~EUR 45m). Its business mix is attractive, with ~32% of net revenue from the third-party collection segment and ~68% from non-performing loans.

Industry snapshot as of 2021

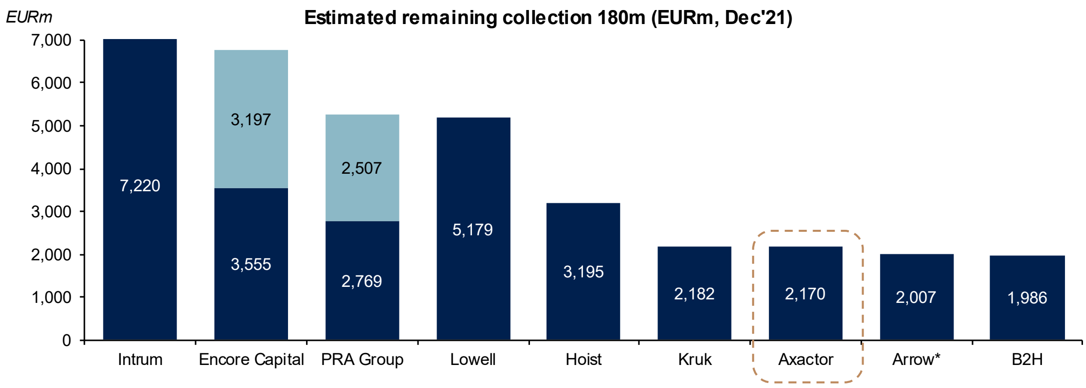
Company	Years in business	NPL book (EURm)	Net revenue (EURm)	Rev. CAGR 2019-21	Business mix (%)
Axactor	6	1,096	155	-11%	68 / 32
B2Holding	10	1,089	315	5%	75 / 11
Arrow	16	1,200	395	-1%	65 / 35
Kruk	23	1,113	380	18%	90 / 4
PRA Group	27	3,015	964	4%	98
Hoist Finance	27	2,072	267	13%	97
Lowell	29	2,068	776	4%	61 / 27
encore	68	2,696	1,420	7%	92 / 7
intrum	123	3,057	1,728	5%	43 / 57

NPL 3PC Other

Source: ABG Sundal Collier, company reports. Note: excluding REOs for Axactor

Bigger does not necessarily scale better

After ~6 years in operation, Axactor has grown from being a small challenger to one of the ten largest players in the European debt collection industry. Size-wise, Intrum is by far the largest player in the European market, measured in terms of estimated remaining collections (ERC). Note that Arrow reports ERC over the next 120 months (not 180 months), and that the ERC shown for B2H consists of EUR 1,869m over the next 120 months and a residual.

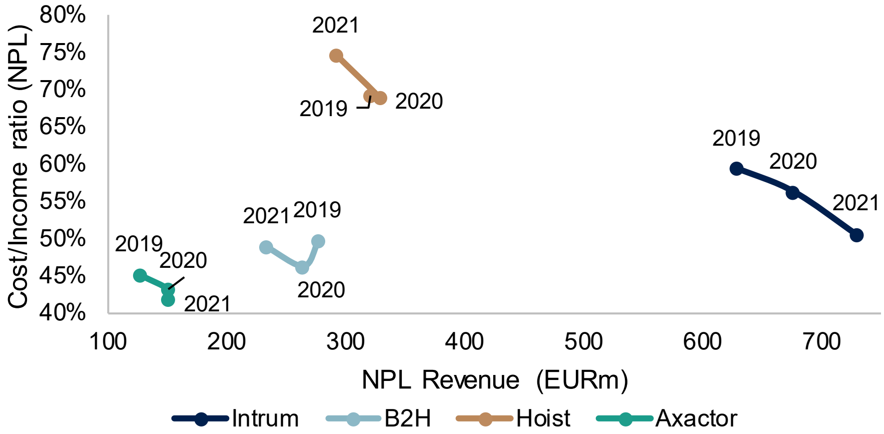


*Source: ABG Sundal Collier, company reports, * 120m ERC*

Axactor stands out on scalability of NPL platform – lower legacy & complexity
In the chart below, we show cost-to-income (C/I) ratios in the NPL segment for Axactor and its Nordic peers relative to size (measured as NPL revenue excluding portfolio amortizations and revaluations). Axactor currently has the lowest C/I ratio in this segment, B2H and Intrum being some ~8+pp above Axactor and Hoist ~+30pp. Both Axactor and Intrum have lowered their C/I ratios, while the picture is mixed for B2Holding and Hoist. We believe Axactor's cost leadership is an indication that its platform scales better than peers, most likely due to a much lower degree of legacy and operational complexity.

As mentioned, the C/I ratios below exclude portfolio revaluations and amortizations. When including these, the companies are much more in line with each other.

NPL cost-income vs. revenue*



**Adj. for revaluations and impairments*
Source: Company data, ABG Sundal Collier

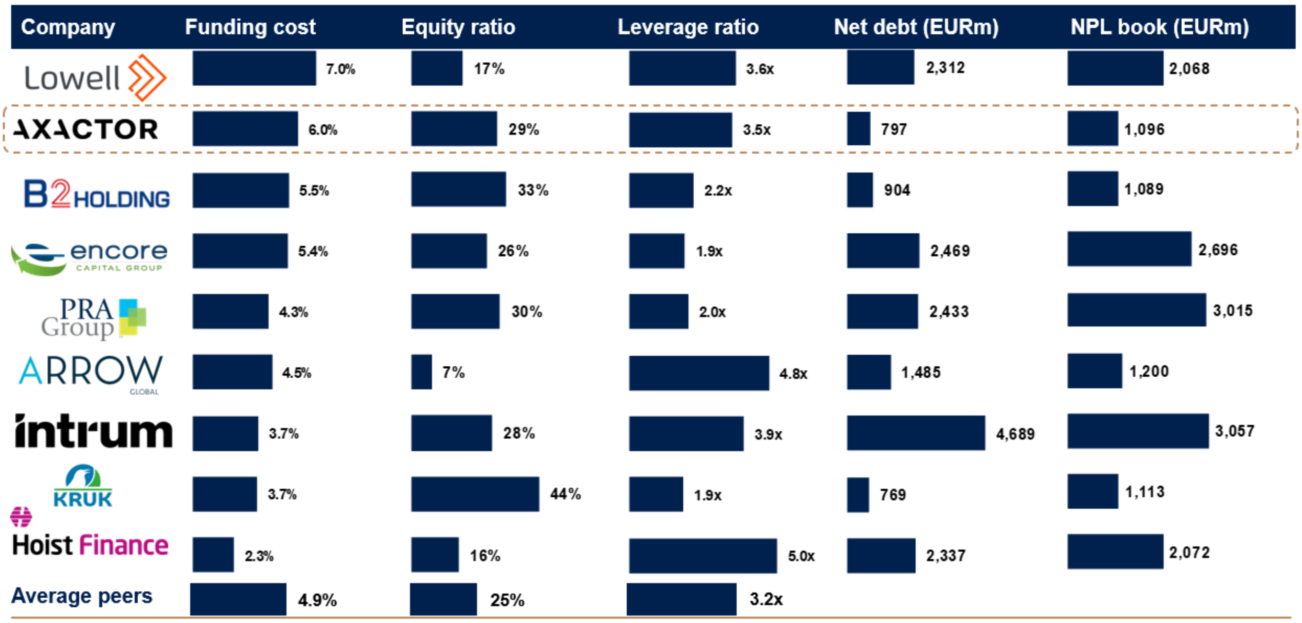
Note that to be able to compare C/I ratios for the NPL segment we have also adjusted for company specifics, e.g., earnings from JVs, impairments, revaluations, and interest expenses included in revenue (in Hoist Finance's case), and fully allocated centralised costs according to the direct opex contribution for each reporting segment.

A leveraged industry – Axactor in upper end on funding costs

When comparing with peers, Axactor is in the upper end on funding costs, with a calculated funding cost of 6.0% vs. the average of peers of ~5% (peers excl. Axactor and Hoist; Hoist excluded as it funds itself as a bank). We argue that Axactor's funding cost is relatively decent given that it is only ~6 years since the company was established, especially compared to players like Arrow and B2H, both of which have a longer history but a relatively similar size (of the NPL book).

We believe that Axactor can lower its funding cost in the years to come, driven by refinancing and improved operations. The company has two bond loans; one with 700 bps spread to 3m EURIBOR (maturity 12 Jan '24), and another (issued Q3'21) with 535 bps spread to 3m EURIBOR with maturity 15 Sep '26. We estimate a ~50 bps decline in funding cost from 2021 to 2024e, to ~550 bps in 2024e.

Snapshot of funding cost and leverage of debt collectors – 2021



Source: ABG Sundal Collier, company reports (2021 annual reports). Funding cost = Interest expense/Interest bearing debt. Leverage ratio = NIBD/Cash EBITDA

Axactor's equity ratio is 29%, above the average of peers (25%), and its leverage ratio is 3.5x, slightly higher than peers (3.2x). We expect the equity ratio to decrease to ~27.5% in 2024e after initiating dividend payments, based on the financial results from 2023e (assuming a pay-out ratio of 50%).

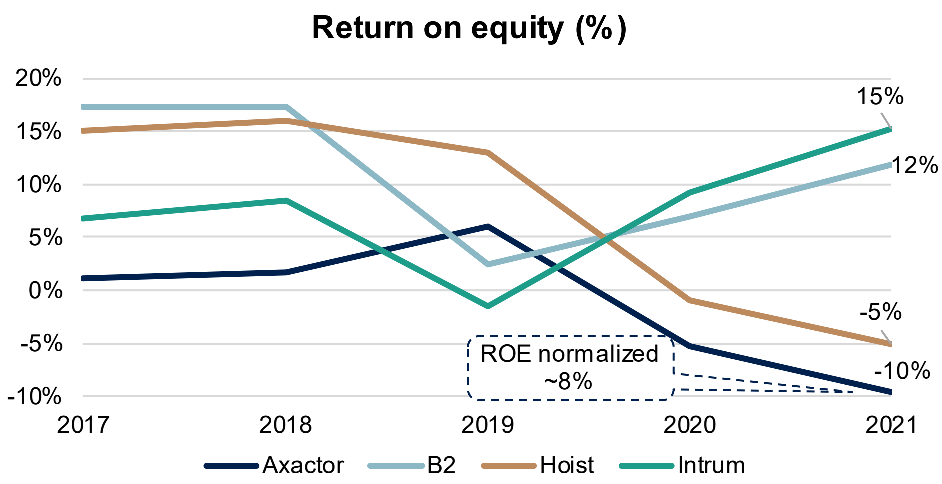
Following the high investment levels in 2017 and 2018, the industry became more leveraged with lower investment capacity. Since 2019, however, the industry's leverage ratio has decreased slightly, from ~3.5x in 2019 to 3.2x in 2021. Investment levels in 2020-21 have (as mentioned) been much lower vs. historical levels. We expect this to increase in 2022 and beyond but not to the levels seen prior to 2019; this would require either a higher leverage ratio, increased equity, or a combination of both.

Size, business mix and funding model explain some of the variations

As is apparent from the chart above, there are significant differences among the players. Axactor has a short history and is the smallest player (in terms of NPL book value). Hoist Finance funds itself as a bank through deposits, so its calculated funding cost does not capture the cost of binding equity (regulatory capital requirements), nor the opex and marketing costs associated with deposits. Thus, the "real" funding cost for Hoist is likely much higher. Intrum's low funding cost is likely explained by its 100+ year history, its size and business mix, which entails an overweight of capital-light and recurring servicing revenues.

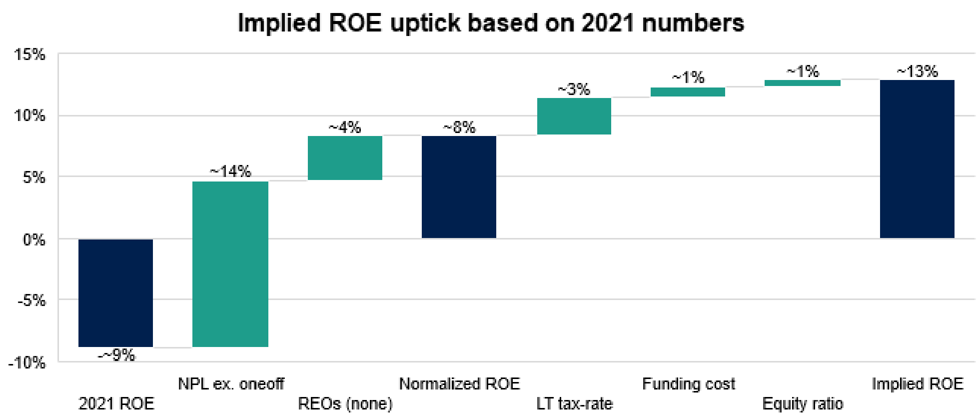
ROE analysis – Axactor vs. Nordic peers & potential uplift

Axactor has the lowest C/I ratio in the NPL segment among Nordic peers, yet it still has a relatively low ROE compared to peers (Intrum, Hoist and B2Holding). This is a result of a higher tax rate, funding cost and the poorer NPL performance. The latter is partly a reflection of the rapid growth of Axactor's NPL book (high investments increase the book, while collections lag investments), its revaluations from some specific portfolios (especially in Sweden) and its poor REO performance. In addition, Axactor does not have a book of older high-IRR vintages (prior to 2017) to blend with newer vintages with lower IRRs. In recent quarters, however, Axactor has purchased portfolios with higher IRRs. The company's gross total IRR on the NPL book was 16.5% as of Q1'22 but the IRRs on 2021 and 2022 vintages were 23.4% and 20.9%, respectively. We believe that the IRRs on Axactor's NPL portfolios will continue to rise, as the new NPLs (with higher IRR) will blend in with the older portfolios. The company reported an improved ROE in Q1'22 of ~7%.



Source: Company data, ABG Sundal Collier

Normalised operations, tax rate and improved funding imply ROE of ~13%
Axactor had large revaluations in Q4'21 (~EUR 45m), affecting the profitability. When excluding portfolio revaluations (one-offs) and REOs (discontinued), Axactor's normalised ROE was ~8% in 2021. Axactor has a different tax rate and funding cost than peers. The tax rate has historically been high, but we expect this to gradually stabilise towards a long-term level of 25%, reflecting the markets in which it operates. When further assuming a long-term tax rate of 25%, improved funding costs (~0.5pp) and a lower equity ratio of ~27.5% (after initiating dividend payments), Axactor's implied ROE is ~13%.



Source: Company data, ABG Sundal Collier

Valuation

We estimate the fair value of Axactor to be in the range of NOK 6-17/share, based on a DCF valuation with support from peer valuation.

DCF valuation

DCF based on terminal growth and exit-multiple indicates NOK 6-17/share
Our DCF valuation is based on the estimates outlined in the previous chapter. The estimated fair value is found by triangulating two different approaches to terminal value in a steady state as well as sensitivities on key assumptions.

In the first approach (i), terminal value is based on a terminal growth rate of 2.3%, assumed equal to the avg. risk-free rate over the last four months (10-year Norwegian Government bond). In the second approach (ii), we estimate the terminal value by applying the historical median EV/EBITDA multiple of peers and our estimated reported EBITDA of EUR 156m in 2026e ("steady state"). The latter approach is less sensitive to WACC and removes the uncertainty of choosing a terminal growth rate. The bolded figures in the sensitivity tables show our estimated fair value ranges. The average of the lowest and highest figures (in each sensitivity table) implies a fair value of NOK 6-17 per share (range based on DCF).

(i) DCF with terminal value based on Gordon growth = NOK 17

DCF with Gordon growth terminal value

DCF valuation - Axactor								
EURm	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e
Cash flow from operations	169	203	243	275	294	307	329	346
Interest cost after tax	38	41	42	43	44	45	46	47
Capex	-251	-271	-308	-308	-308	-308	-308	-308
Free cash flow to firm	-43	-27	-23	10	30	45	67	85
Discounted free cash flow	**-42**	**-24**	**-19**	**8**	**23**	**32**	**45**	**53**

Valuation summary	
PV DCF	22
PV terminal value	1,306
Enterprise value	**1,328**
Net debt Q1'22	825
Equity value	**502**
Number of shares	302
NOK/EUR	0.10
Value per share (NOK)	**17**

Assumptions		
Risk-free rate	2.3%	Norwegian 10yr treasury bond
Beta	1.7	Bloomberg adj. 5yr weekly data
Market risk premia	5.7%	ABGSCe market return of 8%
Cost of equity	11.9%	Capital asset pricing model
Cost of debt	7.0%	Based on last refinancing
Tax-rate	25.0%	Long-term norm. tax-rate
Terminal growth	2.3%	Equal to risk-free rate
WACC	**6.46%**	**Latest market cap and NIBD**

Source: ABG Sundal Collier, Axactor, Bloomberg

Sensitivity table – value per share (NOK)

		WACC						
	P/share	**6.0%**	**6.3%**	**6.5%**	**6.5%**	**7.0%**	**7.5%**	**8.0%**
Growth	**0.8%**	9	7	5	5	1	-2	-5
	1.3%	13	11	8	8	3	0	-3
	1.8%	18	15	12	12	**6**	2	-1
	2.3%	24	20	17	**17**	10	5	2
	2.8%	33	27	**23**	23	15	9	4
	3.3%	44	37	32	32	20	13	8
	3.8%	61	50	43	43	28	19	12

Source: Company data, Factset, Bloomberg, ABG Sundal Collier

(ii) DCF with terminal value based on exit-multiple = NOK 10

DCF with exit multiple and steady state in 2026

DCF valuation - Axactor					
EURm	2022e	2023e	2024e	2025e	2026e
Cash flow from operations	169	203	243	275	294
Interest cost after tax	38	41	42	43	44
Capex	-251	-271	-308	-308	-308
Free cash flow to firm	-43	-27	-23	10	30
Discounted free cash flow	**-42**	**-24**	**-19**	**8**	**23**

Valuation summary	
PV DCF	-54
PV exit value	1,176
Enterprise value	**1,122**
Net debt Q1'22	825
Equity value	**297**
Number of shares	302
NOK/EUR	0.10
Value per share (NOK)	**10**

Assumptions		
WACC	6.46%	Latest market cap and NIBD
EV/EBITDA 12m fwd.	10.07	5yr median of peers
EBITDA (reported)	156	Exit-year 2026
Exit value	1,569	EV 2026
PV exit value	1,177	Discounted back

Source: ABG Sundal Collier, Axactor, Bloomberg, FactSet

Sensitivity table – value per share (NOK)

		WACC						
	P/share	**6.0%**	**6.3%**	**6.5%**	**6.5%**	**7.0%**	**7.5%**	**8.0%**
EV/EBITDA (exit multiple)	**8.1x**	2.8	2.4	2.1	2.1	1.3	0.7	0.1
	8.6x	4.8	4.4	4.1	4.1	3.3	2.6	1.9
	9.1x	6.8	6.4	6.1	6.1	5.2	4.5	3.8
	9.6x	8.8	8.4	8	8	**7**	6.4	5.6
	10.1x	10.9	10.4	10	**10**	9	8.2	7.5
	10.6x	12.9	12.4	**12**	12	11	10.1	9.4
	11.1x	14.9	14.4	14.0	14.0	12.9	12.0	11.2
	11.6x	17.0	16.5	16.0	16.0	14.9	14.0	13.1
	12.1x	19.0	18.5	18.0	18.0	16.8	15.8	15.0

Source: Company data, Factset, Bloomberg, ABG Sundal Collier

Peer group valuation

Relative valuation ~15% below peers on ’22e P/E

To supplement the DCF valuation outlined earlier, we look at the valuation of Axactor’s closest debt collection peers. Given our estimates, Axactor is trading at a ’22e P/E of 7.3x and ’23e P/E of 5.1x, ~15% and ~30% below its peers, respectively. In terms of EV/EBIT, Axactor is trading at 9.8x and 9.6x for ’22e and ’23e, ~15% and ~10% below its peers.

Using the lowest and highest peer multiples for 2022e and 2023e, we find an implied value range of NOK 6-17 per share.

Peer group valuation

	EV/EBIT		P/E		P/BV	
Name	2022e	2023e	2022e	2023e	2022e	2023e
ABGSC estimates:						
Axactor	9.8x	9.6x	7.3x	5.1x	0.5x	0.4x
Axactor (ABGSCe)	9.8x	9.6x	7.3x	5.1x	0.5x	0.4x
B2Holding (ABGSCe)	13.4x	12.2x	8.1x	6.1x	0.7x	0.6x
Intrum (ABGSCe)	10.8x	9.5x	7.4x	6.3x	1.1x	1.0x
Encore	7.7x	10.2x	4.9x	6.1x	1.2x	1.0x
Hoist Finance	9.8x	6.7x	8.1x	7.7x	0.5x	0.5x
PRA Group	16.1x	14.3x	13.8x	11.9x	1.1x	1.1x
Average (excl. Axactor)	11.6x	10.6x	8.5x	7.6x	0.9x	0.8x
Median (excl. Axactor)	10.8x	10.2x	8.1x	6.3x	1.1x	1.0x
25th percentile	9.8x	9.5x	7.3x	6.1x	0.6x	0.5x
75th percentile	12.7x	11.7x	8.1x	7.4x	1.1x	1.0x

Value per share implied by peer group multiples (NOK)

	EV/EBIT		P/E		P/BV	
Implied values	2022	2023	2022	2023	2022	2023
Average	13	10	8	10	13	13
Median	10	9	8	8	16	15
25th percentile	6	6	7	8	8	8
75th percentile	17	14	8	9	16	15

Source: FactSet, ABG Sundal Collier

Nordic Debt Collectors: Peer valuation table

Nordic Debt Collectors - Peer group valuation

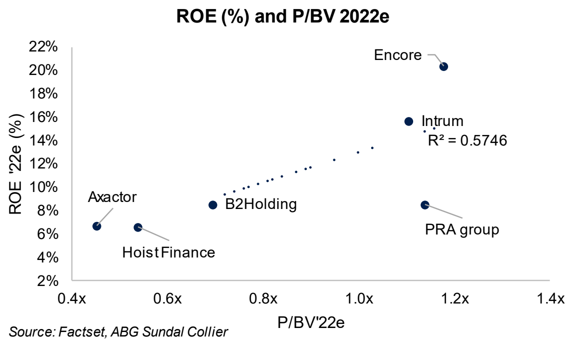
6-Jun-22		Price	Target	Mcap	Sales growth			DPS		
Local curr (million)	Rec	(loc.)	price	EURm	22e	23e	24e	22e	23e	24e
Axactor	Not rated	6.4	Not rated	190	54%	6%	8%	0.0	0.1	0.1
B2Holding	BUY	8.6	25	348	-4%	1%	10%	0.3	0.4	0.5
Intrum	BUY	221.2	315	2572	4%	4%	3%	13.5	15.2	17.2
Hoist Finance (cons)	Not rated	31.7	Not rated	270				4.6	4.0	5.1
PRA group (cons)	Not rated	36.5	Not rated	1355	-11%					
Encore (cons)	Not rated	60.4	Not rated	1366						
Average					**18%**	**4%**	**7%**	**4.6**	**4.9**	**5.7**
Median					**4%**	**4%**	**8%**	**2.5**	**2.2**	**2.8**

6-Jun-22		BVPS			EPS			EV/EBIT		
Local curr (million)	EV (local)	22e	23e	24e	22e	23e	24e	22e	23e	24e
Axactor	10,369	13.9	15.2	15.6	0.87	1.24	1.66	9.8x	9.6x	8.5x
B2Holding	13,316	12.4	13.3	14.5	1.05	1.40	1.77	13.4x	12.2x	10.6x
Intrum	79,944	199.9	219.7	267.3	29.75	34.96	39.29	10.8x	9.5x	8.9x
Hoist Finance (cons)	9,615	60.1	64.2	70.3	3.98	4.20	5.84	10.0x	7.0x	5.1x
PRA group (cons)	5,020	32.6	35.1		2.69	3.11		16.0x	14.2x	n.a.
Encore (cons)	4,827	51.1	61.3		12.18	9.91		7.8x	10.3x	n.a.
Average								**11.3x**	**10.5x**	**8.3x**
Median								**10.4x**	**9.9x**	**8.7x**

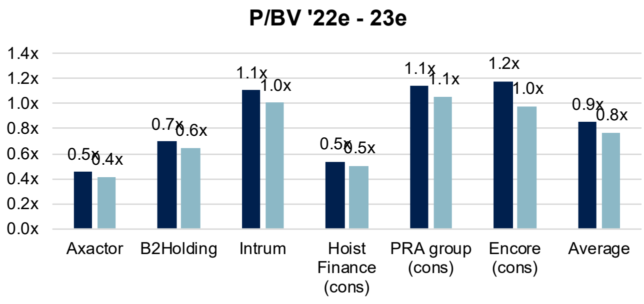
6-Jun-22	P/BV			P/E			Share performance		
Local curr (million)	22e	23e	24e	22e	23e	24e	3M	6M	12M
Axactor	0.5x	0.4x	0.4x	7.3x	5.1x	3.8x	10%	-12%	-43%
B2Holding	0.7x	0.6x	0.6x	8.1x	6.1x	4.9x	-12%	-14%	-17%
Intrum	1.1x	1.0x	0.8x	7.4x	6.3x	5.6x	-9%	-3%	-24%
Hoist Finance (cons)	0.5x	0.5x	0.5x	8.0x	7.5x	5.4x	31%	17%	-8%
PRA group (cons)	1.1x	1.0x	n.a.	13.6x	11.7x	n.a.	-17%	-13%	-5%
Encore (cons)	1.2x	1.0x	n.a.	5.0x	6.1x	n.a.	-9%	3%	30%
Average	**0.8x**	**0.8x**	**0.6x**	**8.2x**	**7.2x**	**4.9x**	**-1%**	**-3%**	**-11%**
Median	**0.9x**	**0.8x**	**0.5x**	**7.7x**	**6.2x**	**5.1x**	**-9%**	**-7%**	**-12%**

Source: Axactor, B2H and Intrum estimates are ABGSCe, while other is FactSet estimates. Company reports

Relative valuation

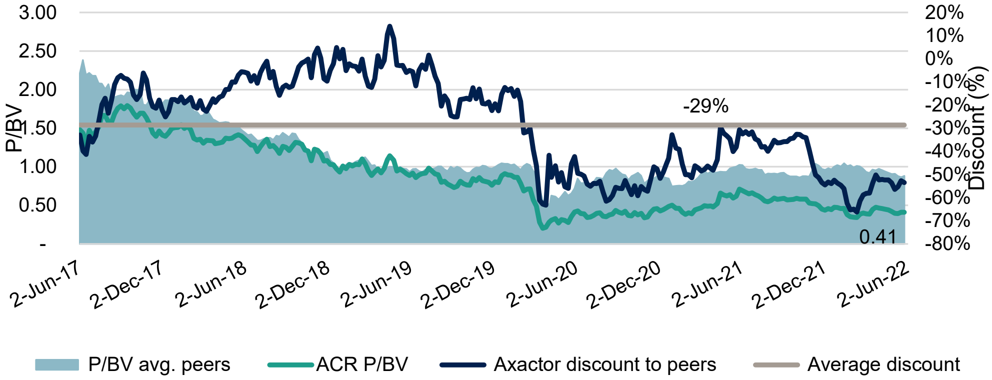


Source: Factset, ABG Sundal Collier



Source: ABGSC research

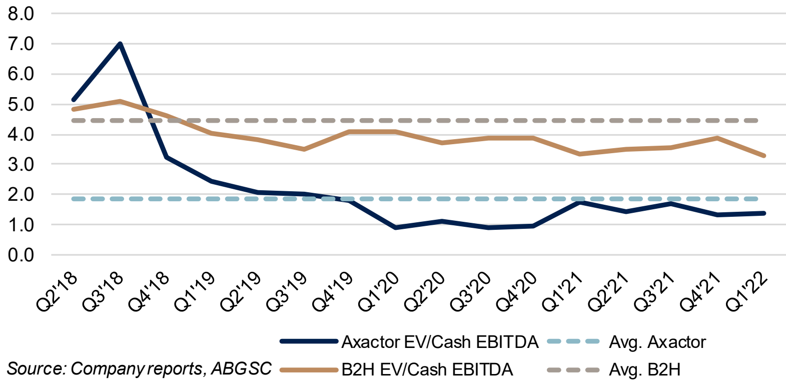
Axactor trading ~50% below peers, P/BV 12n fwd



Source: Factset, ABGSC

Axactor - historic EV/Cash EBITDA valuation

EV/Cash EBITDA

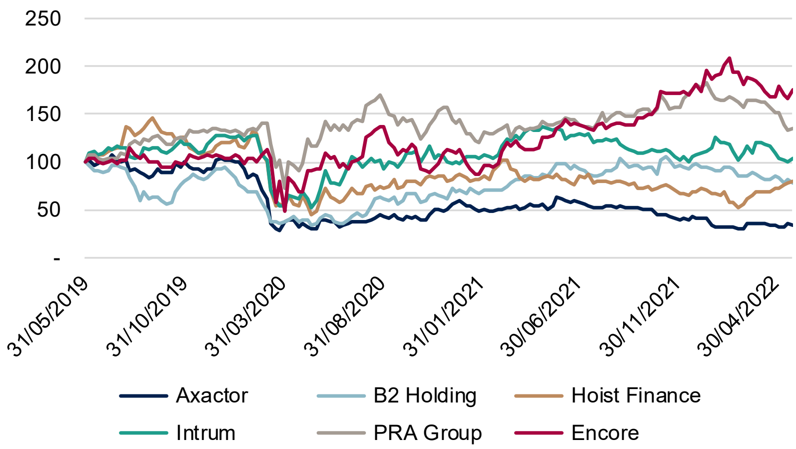


Source: Company reports, ABGSC

Sector share performance

We note that the Axactor share is lagging peers significantly in terms of 3-year performance:

Share price performance -3y, indexed



Source: Factset, ABG Sundal Collier

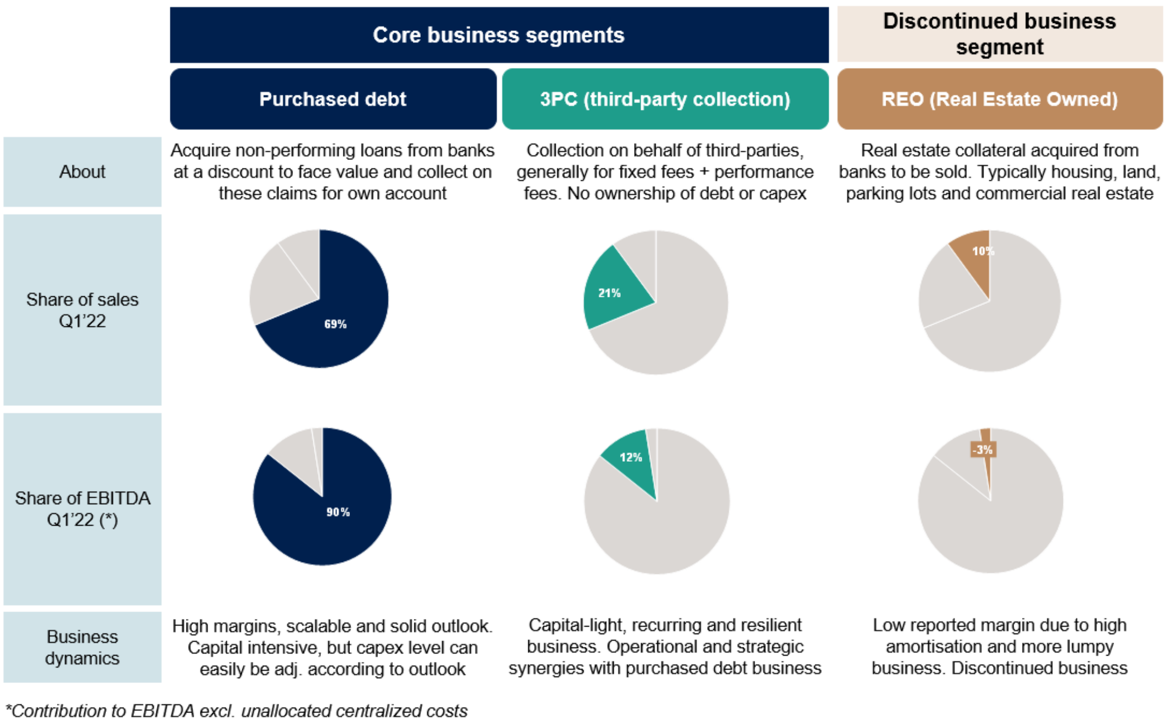
Appendix 1: Axactor at a glance

Axactor is a pan-European debt collection company with operations in Norway, Sweden, Finland, Spain, Germany and Italy, and with its headquarters in Oslo. The company's core business areas are unsecured purchased debt and third-party collection (3PC) with banks and the financial sector as customers. Axactor has come a long way since its inception in late 2015 and has become one of the largest debt collectors in Europe over the course of its relatively short history. Through its leading operations, its IT platform and its focus on few and developed NPL markets and asset classes, Axactor has established a scalable, low-complexity and low-legacy debt collection platform.

Axactor's largest business segment, purchased debt, involves acquiring non-performing loans (NPLs) at a discount to face value and collecting the corresponding claims for its own account. Typically, Axactor acquires unsecured consumer debt from established European banks in developed markets, in which the legal environment is beneficial for creditors. Axactor seeks to recover defaulted debt cheaper than banks; exploiting the capital arbitrage, efficiency and sophistication gap that exists between collectors and banks. In addition, the company has a substantial third-party collection business (3PC), which entails delivering collection services to third parties without assuming any ownership of the debt. 3PC is a capital-light and recurring business with both operational and strategic synergies with the purchased debt segment.

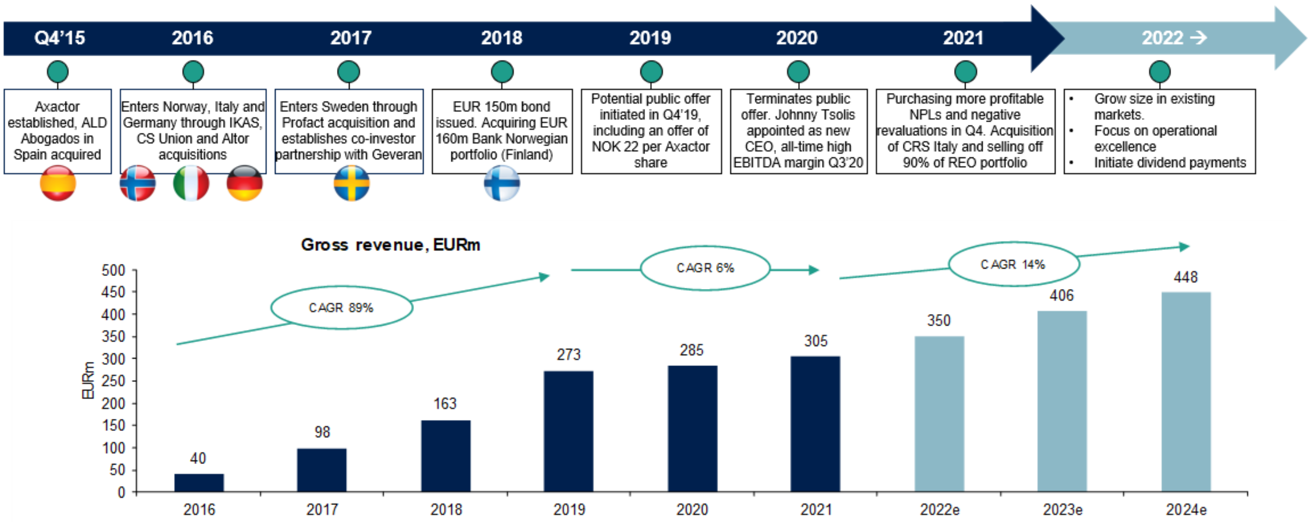
Purchased debt accounts for ~70% of Axactor's reported revenues and ~90% of EBITDA as of Q1'22. Real estate owned collateral is a third segment for Axactor but is currently considered a discontinued segment.

Overview of business model and segments



Source: Company reports, ABG Sundal Collier

Axactor with annual gross revenue growth of ~50% since inception



Source: ABG Sundal Collier, Company data

Since its inception in late 2015 Axactor has become one of the ten largest debt collectors in Europe, measured by portfolio size. This means the company is competing against the largest incumbents in the industry. In terms of gross revenues (reported revenue adj. for portfolio amortisation & revaluation), the company has seen annual growth of ~50% since YE 2016. Growth over the last two years has been limited, however, partly due to the company investing in its new strategy involving a cost reduction programme and a clean-up of its books (i.e. revaluations and spinning off the REO segment), as well as a slower market due to the COVID-19 pandemic.

Entering a new phase with focus on value generation

Source: Axactor, ABG Sundal Collier

Axactor's strategy from the beginning has been to enter new markets by acquiring established debt collection platforms and then building "One Axactor", focusing on knowledge sharing across countries, an operating model of standardised systems, no legacy and low complexity, competitive funding, and highly competent key personnel. This has fuelled growth and ensured scalability of the debt collection platform.

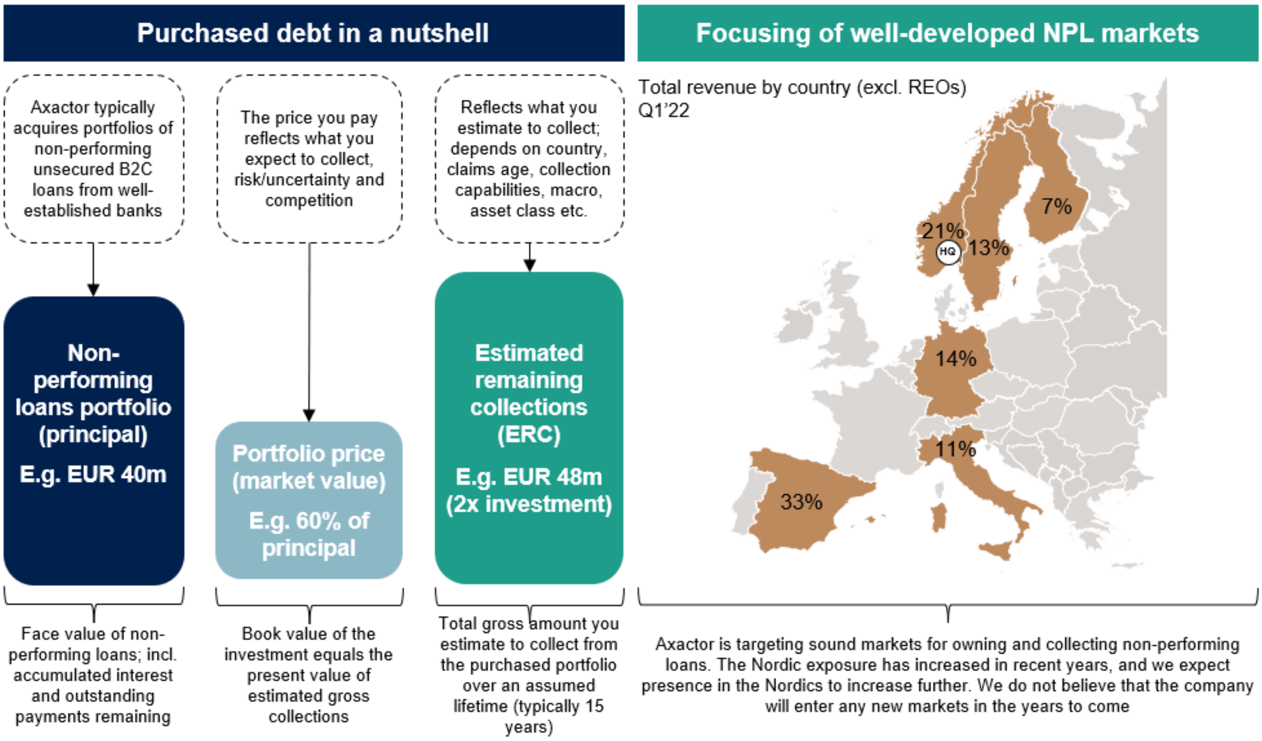
In 2017, an important milestone was reached when a co-invest partnership was established with Geveran (an investment company of John Fredriksen). Geveran has been a supportive cornerstone investor since, contributing both capital and competence. As of Q1'22, Geveran holds 46% of the outstanding shares.

Axactor is currently in a value generation phase, in which the company plans to: i) grow in existing markets (in addition to evaluating minor pilots in 1-2 new markets to test and learn), ii) focus on operational excellence, and iii) initiate dividend payments based on the 2023 financial year. We have included a dividend pay-out ratio (dividend/net profit) of 50% for 2023e and 2024e.

Pursuing a cost-to-collect strategy to disrupt the industry
During 2021, a cost reduction programme was initiated to intensify the focus on cost-to-collect. The focus has been on operational efficiency and excellence and administrative costs (e.g. reducing the number of operative sites and outsourcing non-core operations). As a result of this programme, seven offices were closed during the year and the cost-to-collect ratio improved from 43.1% in 2020 to 42.5% in 2021 for NPLs, with annual savings of EUR 5.5m. Going forward, continuous operational improvements will be on the agenda, including being more data-driven.

Purchased debt – Axactor's core business

Illustration of purchased debt business model



Source: ABG Sundal Collier, Axactor presentation at Nordea Small Cap seminar August 2020

Axactor's value proposition entails exploiting the capital arbitrage, sophistication and efficiency gap that exists between European banks and debt collectors. A low share of banks handle debt collection internally (24% according to a Debtwire survey from March 2019). This is because: i) it is considered expensive for banks to hold NPLs from a capitalisation perspective (it ties up capacity that could be used to grant new loans), and ii) it would be difficult for banks to compete with collectors on cost efficiency, since collectors have operating models fully rigged for debt recovery.

A flexible, high-margin business model
Non-performing loans can be purchased through larger one-off investments or forward flow agreements, with the latter meaning that the seller and buyer have agreed upon the terms for volume and prices. As of Q1'22, EUR 158m in NPL investments was signed for 2022, of which EUR 78m was forward flows for the remaining three quarters. Investments are generally adjusted according to liquidity needs, NPL price levels and the overall outlook, and the adjustments can be scaled up or down quickly. Lastly, given Axactor's highly digital operating model and low legal costs in general, costs are moderate compared to the amount of cash that is collected. Direct operating costs related to collection of NPLs was ~16% of gross collections in Q1'22.

Axactor typically acquires unsecured consumer debt (e.g., credit card and personal loans), mainly from financial institutions and regulated banks. This likely entails less complexity and lower recovery risk than for secured portfolios, which typically involve more use of the legal system, deciding between refinancing or liquidation, and potential uncertainty over the asset recovery value. In addition, the ticket size of unsecured claims is typically much smaller than for secured claims, which significantly lowers cash flow volatility and timing risk. Therefore, collection performance and cash flows are relatively stable and resilient over time for unsecured consumer claims, enabled by a relatively high degree of active payment plans and a beneficial legal environment.

Third-party collection – a complement to purchased debt

Complementary, capital-light and recurring revenue

Axactor's other core business is third-party collection (3PC). This does not entail purchase and ownership of debt but refers to collection services. Thus, it is capital-light compared to purchasing debt. The revenue from 3PC typically stems from fixed fees and commissions based on collected amounts (success fees) and is typically less cyclical than purchased debt. In addition, 3PC services can be bundled together with forward flows. Such combined deals often entail a period of servicing (e.g., 6-12 months) before Axactor acquires the debt. This enhances access to portfolios and data, as well as creating stronger customer relationships. There are also operational synergies in terms of systems used and personnel.

Axactor strengthened its 3PC business when it acquired the Italian debt collection service provider Credit Recovery Service during Q4'21.

Real estate owned (REO) –discontinued business

We expect REO business to be phased out by Q1'23

REO is real estate collateral purchased from banks at a discount, which Axactor seeks to sell in the market. Axactor acquired its last REO portfolio in Q3'18 and the asset class is currently considered discontinued operations. The company made its first REO investment in 2017 due to the relatively high NPL prices at the time. The rationale was to invest in an asset class with a short lifetime and then re-invest cash flow in NPLs when prices came down. However, given the adverse development in the Spanish real estate market, the initiative was not the success the company was hoping for. As of Q1'22, the REO book value was EUR 23m vs. the NPL book value of EUR 1,160m. We estimate that the REO business will be phased out by Q1'23, and that NPLs will grow, which will be positive for reported margins.

Debt collection – why it is important

A well-functioning economy requires that people actually pay their bills

Debt collectors may not be among the most popular companies, but we argue that without them the economy would be much worse off, inequality would increase, and living standards would be lower. To illustrate the importance of the industry we have listed the potential consequences of not having a well-functioning debt collection industry:

1) An accumulation of NPLs on banks' balance sheets would tie up capital without providing any return, affect the banks' liquidity and threaten their profitability. This would most likely lead to lower lending capacity for banks and could result in a slowdown in economic growth in Europe, which is one of the ECB's main arguments for introducing the NPL backstop (see NPL market chapter).

2) If there was limited recovery or collection work done on NPLs, loan losses would increase dramatically and so would interest rates (to offset losses and account for increased credit risk), making it increasingly difficult for consumers and businesses to borrow. This goes for all types of loans.

3) Debt collection involves more than just collection on personal loans, credit cards, mortgages, and car loans. It also concerns phone bills, utilities and other outstanding bills. Getting paid for services delivered is an essential part of a well-functioning economy.

Appendix 2: Purchased debt explained

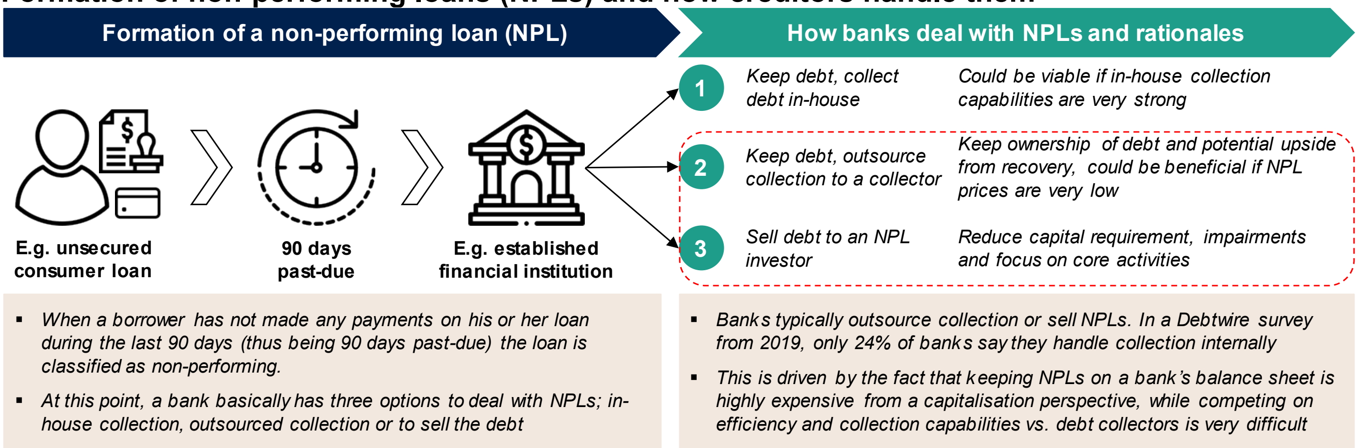
In this chapter we describe how the business model of purchased debt works; how NPLs are formed, how banks deal with the loans, how collectors acquire portfolios and recover debt, the different types of debt and the most important accounting mechanics. Acquiring NPLs is Axactor's bread and butter, and it is vital that investors know the basics in order to have an informed opinion about the company and its business model.

Illustration of purchased debt business model

From non-performing loan (NPL) to estimated remaining collections (ERC)

In the chart below we show how NPLs are formed and how banks typically deal with them. In brief, banks usually outsource collection or sell debt portfolios due to capital considerations, capabilities, and costs. In essence, collectors exploit the sophistication and efficiency gap that exists between fully focused debt collectors and banks, as they can do collection better and cheaper. Moreover, the capital arbitrage that exists is a key enabler for acquiring NPLs. For European banks, keeping NPLs on the balance sheet requires additional capital if they are not written down satisfactorily (which increase the banks' risk-weighted assets, or increases the deduction on capital), while there are no meaningful capital requirements for debt collectors when it comes to owning NPLs.

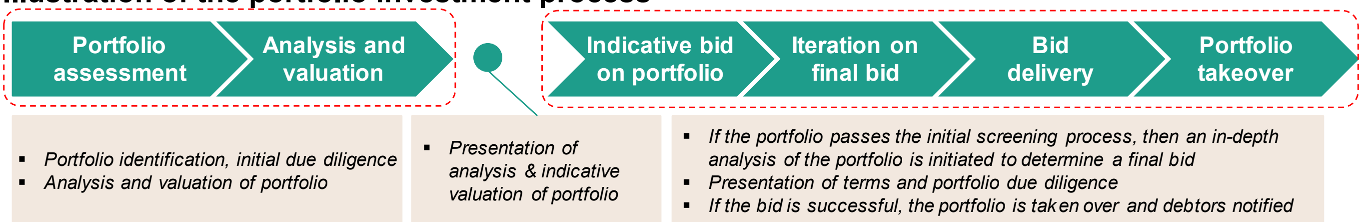
Formation of non-performing loans (NPLs) and how creditors handle them



Source: ABG Sundal Collier, Debtwire, European Banking Authority

As shown above, banks usually involve debt collectors when a loan has become non-performing, either through servicing (outsourcing the collection) or by selling the debt. In the flowchart below, we illustrate the typical NPL acquisition process for a debt collector:

Illustration of the portfolio investment process

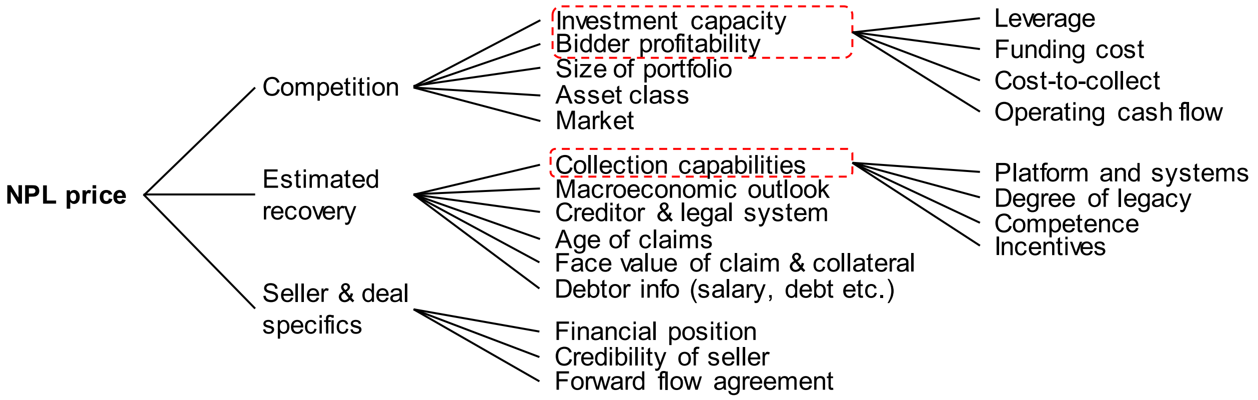


Source: ABG Sundal Collier

The acquisition process is iterative and stepwise, from initial assessment and screening to in-depth valuation, due diligence and final bid delivery. This process essentially represents the underwriting process, and it entails several checks and balances in order to avoid sub-par investments. Purchased debt is all about what you pay, what you pay for and your collection capabilities; naturally, the price paid will be a reflection of all these factors.

The price a debt collector pays for an NPL portfolio reflects the estimated recovery value, i.e., how much cash it expects to collect. The estimated recovery is again a function of the macroeconomic outlook, creditor protection and the legal system, the age of the claims, the asset class and the collection capabilities. At the same time, competition from other NPL investors (debt collectors, private equity and specialised funds) and overall uncertainty, also affect the market price of an NPL portfolio.

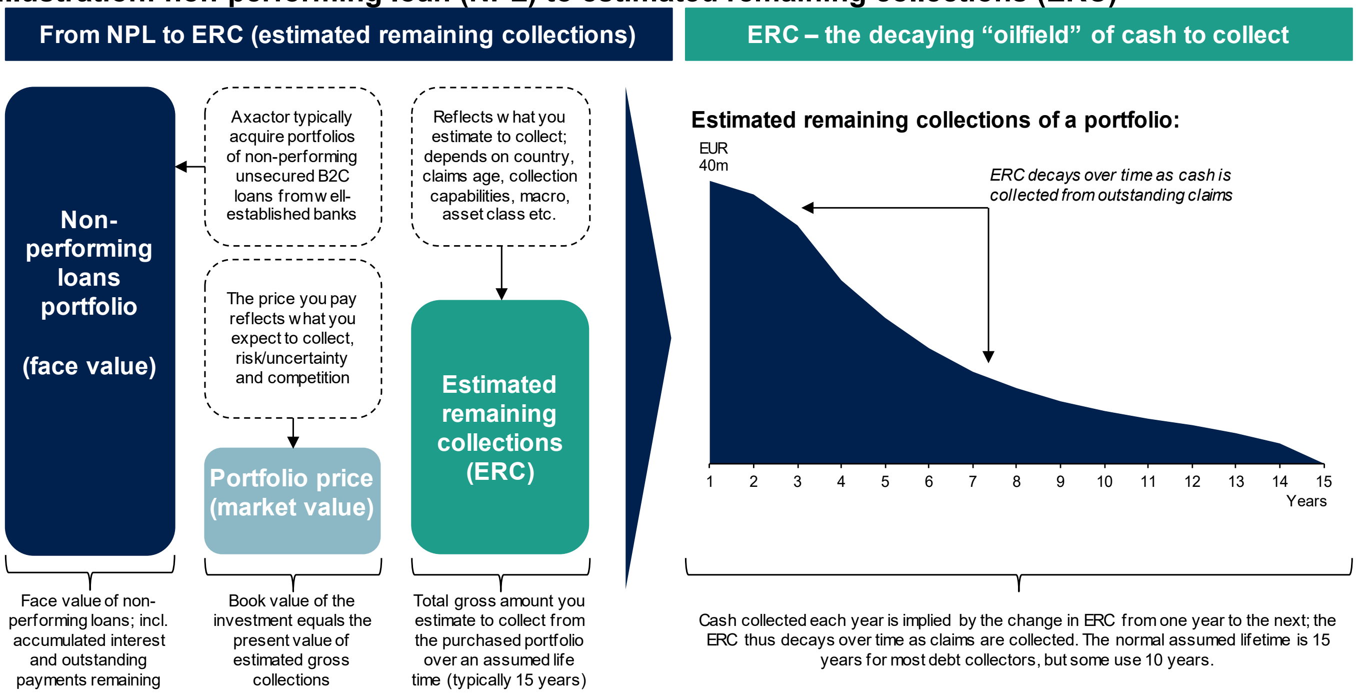
Price determinants for a non-performing loan (NPL)



Source: ABG Sundal Collier

Estimated recovery from the portfolio (what the collector pays for) is probably the most important determinant of the price an NPL investor would be willing to pay. Estimated recovery is usually referred to as “estimated remaining collections”, or ERC, which is a typical industry term. The ERC shows the gross amount a collector estimates it will recover over the portfolio’s lifetime. Debt collectors usually apply a 15-year lifetime to a portfolio as part of the underwriting process. One could think of the ERC as an oilfield where reserves are depleted over time as oil is extracted.

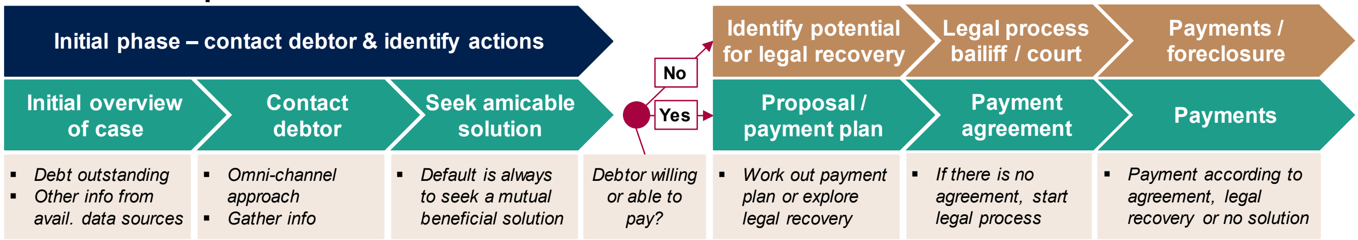
Illustration: non-performing loan (NPL) to estimated remaining collections (ERC)



Source: ABG Sundal Collier

How purchased debt is collected
Above, we have shown how non-performing loans are formed, what creditors (typically banks) do with them, the typical acquisition process for NPL investors and the price determinants for NPL portfolios. In the chart below, we illustrate the collection process after the debt is purchased.

The collection process



Source: ABG Sundal Collier, Axactor

In general, the collection process has two potential trajectories: (1) an amicable or mutual payment agreement, and (2) legal recovery through bailiffs and the courts. Ultimately, a legal process could result in foreclosure where the collector seizes and liquidates collateral to recover debt. There is also a chance that the debtor is unable to pay, in which case recovery will be delayed or the case closed. Note that an amicable solution where the creditor and debtor agree on a payment plan to settle the debt is the base case and preferred trajectory.

NPL types (asset classes) – differences and practical implications
In the table below we show a brief overview and description of the most common NPL types within purchased debt (asset classes). We also discuss some of the differences between the asset classes and the practical implications.

NPL types and fit with Axactor's current business

Asset classes	Description	Fit with Axactor
Business to consumer (B2C) Unsecured debt	Unsecured consumer loans, credit cards, leasing, residual mortgages	▪ Axactor's bread & butter since inception ▪ Addressable market is large and well-functioning ▪ Low complexity, medium ticket size, low volatility and easier to price
Business to consumer (B2C) Secured debt	Loans secured by collateral; e.g. mortgages, car loans etc.	▪ Usually significantly larger ticket size than unsecured B2C claims ▪ Higher complexity, cash flow volatility, more difficult to price ▪ Not for sale in the Nordics and usually core competence of banks
Business to business (B2B) SME	Small business loans	▪ Out of scope unless a private person has guaranteed for the loan ▪ High complexity in terms of collection and pricing ▪ Better fit for banks and specialised funds
Business to business (B2B) Corporates	Corporate debt, bank loans, term loans and credit facilities	▪ Very large ticket sizes, too big and out of scope for Axactor ▪ Better fit with a bank's core competencies and for specialised funds ▪ More of a restructuring game

Source: ABG Sundal Collier

Unsecured B2C debt (Axactor's bread and butter) typically have small- to medium-sized tickets (often EUR 1k to 10k), usually from personal loans, credit card debt, leasing, residual mortgages, etc. Complexity in collection and pricing is low compared to other asset classes; cash flow is relatively stable and resilient over time, enabled by payment plans and a beneficial legal environment for collection in developed markets.

Collection and pricing of secured B2C debt is more complex in the sense that secured B2C often involves more use of the legal system, liquidation and refinancing. Ticket sizes are usually significantly larger than for unsecured B2C claims as well, which in sum leads to higher cash flow volatility and timing risk. This asset class is popular among private equity and specialised investment funds.

Although some traditional debt purchasers acquire SME portfolios, this is typically not a focus area for debt collectors. For Axactor, this asset class is beyond the company's scope unless a private person has guaranteed the loans. B2B for larger corporates is usually beyond the scope of all traditional debt collectors; this is more of a restructuring business suitable for banks and private equity, while the ticket sizes can be very large (e.g. EUR 200m in outstanding bank loans).

The accounting mechanics of purchased debt

In the examples below we look at a hypothetical unsecured NPL portfolio (the most common for Axactor), acquired at a gross money multiple of 2x; i.e., gross collections are estimated to amount to twice the size of the investment. We also apply an assumed collection distribution which reflects a normal collection situation. The distribution shows how much of the ERC we estimate will be collected in a given year.

Income recognition – the effective interest method

Under IFRS, income from collections on acquired debt portfolios is recognised according to the effective interest method (see table with calculations below). The acquired portfolios are recognised at amortised cost in the balance sheet (NPV of future collection). To obtain IFRS revenue for a given period, the starting book value is multiplied by the IRR (also called interest income or yield).

Example of income recognition of acquired NPL portfolio

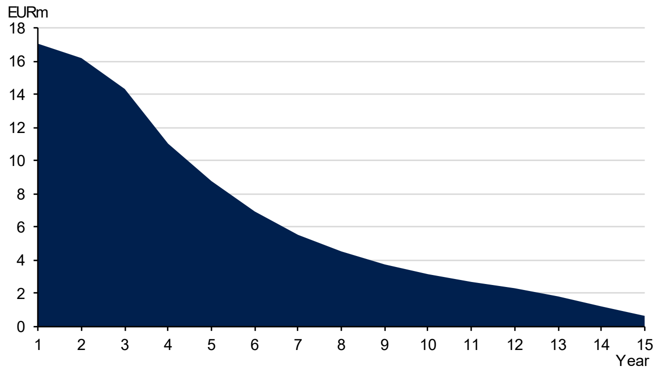
	Investment (EURm)	50	Equals the starting book value
	Money multiple (gross)	2x	Implied by ERC and investment
	ERC (EURm)	100	Estimated gross recovery value

	Year	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Collection distribution		17%	16%	14%	11%	9%	7%	6%	5%	4%	3%	3%	2%	2%	1%	1%
	Collection yearly (EURm)		17	16	14	11	9	7	6	5	4	3	3	2	2	1	1
	Cash flow (EURm)	-50	17	16	14	11	9	7	6	5	4	3	3	2	2	1	1
	Gross IRR	20%	Implied by cash flow														
(I)	Book values (EURm)	50	43	35	28	22	18	14	12	9	7	6	4	3	1	1	0
(II)	Amortisation (EURm)		7	8	7	6	4	3	3	2	2	2	2	1	1	1	1
(III)	**Interest income (EURm)**		**10**	**8**	**7**	**5**	**4**	**4**	**3**	**2**	**2**	**1**	**1**	**1**	**1**	**0**	**0**

(I) Book value of portfolio = NPV of remaining future collections (IRR as discount rate)
(II) Amortisation equals the reduction in NPV from one period to the next
(III) Interest income = IRR x book value (t-1)

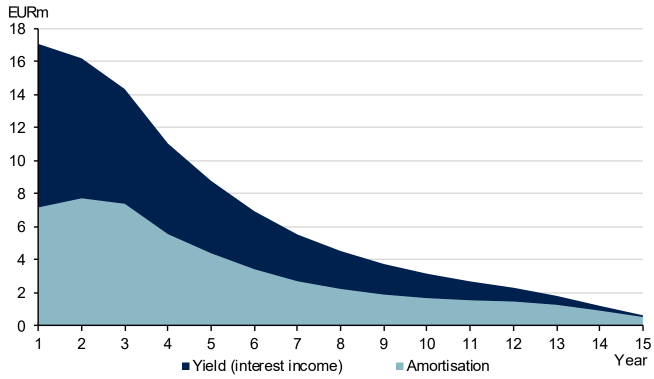
Source: ABG Sundal Collier

Gross collections per year (example)



Source: ABG Sundal Collier

Interest income and amortization (example)



Source: ABG Sundal Collier

Revaluations – why they are made and how
Revaluations are made either because actual collection differs from projections or because the outlook for collection has materially changed. On an overall portfolio basis, this could be due to an economic downturn, while on a more individual basis, it could be the result of a debtor getting employed/laid off or inheriting money, etc.

There are two types of deviation: (1) temporary deviation in cash flow, and (2) permanent deviation in cash flow. The deviations can of course be positive or negative. If a deviation is deemed to be temporary, the amortisation difference is included in the revenue line and there is no change in the portfolio book value. If permanent, the company will estimate a new cash flow profile. The difference in NPV between the revised and the original profile will be included in the revenue line in the period when the revision is performed.

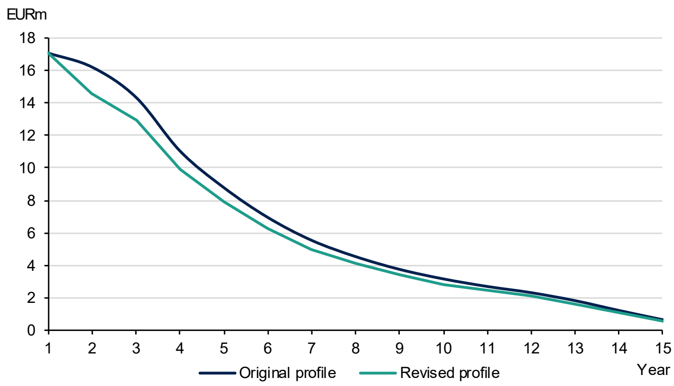
In the table below we show the revaluation effect resulting from assuming a 10% permanent reduction in collection for each year of the portfolio's lifetime at the end of year 1. Note that the IRR does not change, but the book value and thus the interest income do. The revaluation is also included in the P&L, reducing reported revenue.

Revaluation example – 10% permanent reduction in future collection at end of year 1

Year	**0**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
10% reduction in collection			-1.6	-1.4	-1.1	-0.9	-0.7	-0.6	-0.5	-0.4	-0.3	-0.3	-0.2	-0.2	-0.1	-0.1
Revised collection forecast		17	15	13	10	8	6	5	4	3	3	2	2	2	1	1
Gross IRR	20%															
Old book value	43 End of year 1															
New book value	39 New NPV of future collection end of year 1 (using initial IRR)															
Revaluation	**-4 Assuming permanent deviation (reduces book value of portfolio and revenue in period)**															
Book values (EURm)	50	39	32	25	20	16	13	10	8	7	5	4	2	1	0	0
Amortisation (EURm)		-7	-7	-7	-5	-4	-3	-2	-2	-2	-2	-1	-1	-1	-1	0
Revaluation		-4														
Interest income (EURm)		**10**	**8**	**6**	**5**	**4**	**3**	**3**	**2**	**2**	**1**	**1**	**1**	**0**	**0**	**0**
Net revenue (EURm)		**6**	**8**	**6**	**5**	**4**	**3**	**3**	**2**	**2**	**1**	**1**	**1**	**0**	**0**	**0**

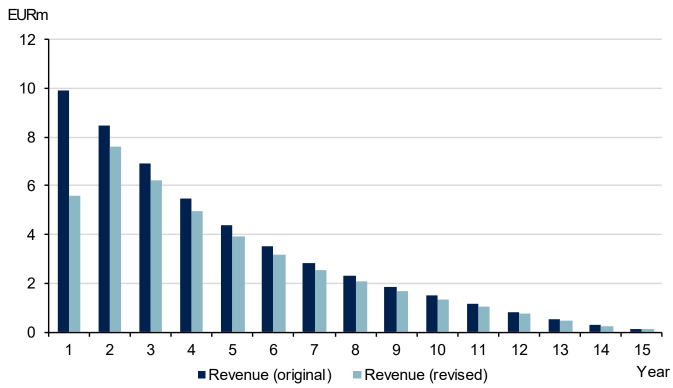
Source: ABG Sundal Collier

Change in yearly collection profile (example)



Source: ABG Sundal Collier

Change in reported revenue (example)



Source: ABG Sundal Collier

Revaluations are an inherent part of the business model
Revaluations are normal procedures for a debt collector, made on a quarterly basis and sometimes monthly. This is done so that the book value of the portfolio in the balance sheet reflects a fair assessment of the portfolio's value (NPV of expected cash flow) and so that recognised revenue gives a fair picture. Naturally, these are forward-looking exercises and entail a degree of uncertainty, similar to the expected credit loss model (ECL model) that banks apply under IFRS 9.

Some view revaluations as a sign of a lack of control or poor pricing, but we argue that this is inaccurate. The business model entails elements of both underwriting and asset management, which means that frequent assessments of the portfolio value are essential and required. Serious players in the industry apply strict performance metrics for collection. For example, if collection performance over the last 6 months deviates +/- 10% vs. Axactor's active forecast, the company must make a thorough assessment of the portfolio and make adjustments accordingly, together with its auditor. This comes on top of the quarterly assessments.

Income Statement (EURm)	na	na	na	na	na	na	na	na
Sales	na	na	na	na	na	na	na	na
COGS	na	na	na	na	na	na	na	na
Gross profit	na	na	na	na	na	na	na	na
Other operating items	na	na	na	na	na	na	na	na
EBITDA	**na**	**na**	**na**	**na**	**na**	**na**	**na**	**na**
Depreciation and amortisation	na	na	na	na	na	na	na	na
EBITA	**na**	**na**	**na**	**na**	**na**	**na**	**na**	**na**
EO items	na	na	na	na	na	na	na	na
Impairment and PPA amortisation	na	na	na	na	na	na	na	na
EBIT	**na**	**na**	**na**	**na**	**na**	**na**	**na**	**na**
Net financial items	na	na	na	na	na	na	na	na
Pretax profit	**na**	**na**	**na**	**na**	**na**	**na**	**na**	**na**
Tax	na	na	na	na	na	na	na	na
Net profit	**na**	**na**	**na**	**na**	**na**	**na**	**na**	**na**
Minority interest	na	na	na	na	na	na	na	na
Net profit discontinued	na	na	na	na	na	na	na	na
Net profit to shareholders	**na**	**na**	**na**	**na**	**na**	**na**	**na**	**na**
EPS	na	na	na	na	na	na	na	na
EPS Adj	na	na	na	na	na	na	na	na
Total extraordinary items after tax	na	na	na	na	na	na	na	na
Tax rate (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Gross margin (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
EBITDA margin (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
EBITA margin (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
EBIT margin (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Pretax margin (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Net margin (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Growth rates Y/Y	**na**	**na**	**na**	**na**	**na**	**na**	**na**	**na**
Sales growth (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
EBITDA growth (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
EBIT growth (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Net profit growth (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
EPS growth (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Adj earnings numbers	**na**	**na**	**na**	**na**	**na**	**na**	**na**	**na**
EBITDA Adj	na	na	na	na	na	na	na	na
EBITDA Adj margin (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
EBITA Adj	na	na	na	na	na	na	na	na
EBITA Adj margin (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
EBIT Adj	na	na	na	na	na	na	na	na
EBIT Adj margin (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*
Pretax profit Adj	na	na	na	na	na	na	na	na
Net profit Adj	na	na	na	na	na	na	na	na
Net profit to shareholders Adj	na	na	na	na	na	na	na	na
Net Adj margin (%)	*na*	*na*	*na*	*na*	*na*	*na*	*na*	*na*

Income Statement (EURm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Sales	0	37	90	137	194	165	156	240	255	276
COGS	0	-44	-75	-96	-109	-108	-113	-126	-137	-145
Gross profit	0	-6	15	42	85	57	43	114	118	131
Other operating items	0	0	0	0	0	0	-0	0	0	0
EBITDA	**0**	**-6**	**15**	**42**	**85**	**57**	**43**	**114**	**118**	**131**
Depreciation and amortisation	0	-3	-5	-6	-10	-11	-10	-9	-9	-9
Of which leasing depreciation	0	0	0	0	0	0	0	0	0	0
EBITA	**0**	**-10**	**9**	**36**	**75**	**46**	**33**	**106**	**109**	**122**
EO items	0	-3	-2	-3	-1	2	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	**0**	**-10**	**9**	**36**	**75**	**46**	**33**	**105**	**109**	**122**
Net financial items	0	-2	-7	-34	-51	-65	-53	-54	-55	-56
Pretax profit	**0**	**-12**	**2**	**1**	**26**	**-7**	**-22**	**52**	**53**	**67**
Tax	0	1	1	-4	-12	-3	-5	-15	-13	-17
Net profit	**0**	**-11**	**3**	**-2**	**14**	**-10**	**-27**	**37**	**40**	**50**
Minority interest	0	0	0	2	-5	16	13	1	0	0
Net profit discontinued	0	0	0	5	7	-21	-17	-11	-3	0
Net profit to shareholders	**0**	**-11**	**3**	**4**	**16**	**-15**	**-30**	**27**	**37**	**50**
EPS	0	-0.01	0.00	0.03	0.11	-0.08	-0.10	0.09	0.12	0.17
EPS Adj	*0*	*-0.01*	*0.00*	*-0.04*	*0.06*	*0*	*-0.04*	*0.13*	*0.13*	*0.17*
Total extraordinary items after tax	0	-3	-3	6	0	19	-1	0	0	0
Leasing payments	0	0	0	0	0	0	0	0	0	0
Tax rate (%)	*ns*	*6.1*	*31.0*	*272.2*	*45.7*	*36.9*	*24.3*	*28.1*	*25.0*	*25.0*
Gross margin (%)	*nm*	*-17.5*	*16.5*	*30.3*	*43.8*	*34.5*	*27.6*	*47.6*	*46.1*	*47.6*
EBITDA margin (%)	*nm*	*-17.5*	*16.5*	*30.3*	*43.8*	*34.5*	*27.4*	*47.6*	*46.1*	*47.6*
EBITA margin (%)	*nm*	*-25.9*	*10.6*	*25.9*	*38.6*	*27.9*	*21.2*	*44.0*	*42.6*	*44.3*
EBIT margin (%)	*nm*	*-25.9*	*10.6*	*25.9*	*38.6*	*27.9*	*21.2*	*43.9*	*42.6*	*44.3*
Pretax margin (%)	*nm*	*-32.1*	*2.2*	*1.0*	*13.2*	*-4.5*	*-14.0*	*21.7*	*20.9*	*24.1*
Net margin (%)	*nm*	*-30.1*	*2.9*	*-1.7*	*7.1*	*-6.2*	*-17.4*	*15.6*	*15.7*	*18.1*
Growth rates Y/Y	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**
Sales growth (%)	*na*	*na*	*142.2*	*52.7*	*41.4*	*-15.1*	*-5.4*	*54.2*	*6.2*	*8.3*
EBITDA growth (%)	*na*	*high*	*328.4*	*180.3*	*104.7*	*-33.2*	*-25.0*	*168.3*	*2.8*	*11.7*
EBIT growth (%)	*na*	*high*	*198.7*	*274.4*	*110.8*	*-38.6*	*-28.3*	*220.0*	*2.9*	*12.7*
Net profit growth (%)	*na*	*high*	*123.2*	*-192.2*	*680.3*	*-173.3*	*-167.1*	*238.0*	*7.0*	*24.7*
EPS growth (%)	*na*	*high*	*116.0*	*1,512.2*	*307.2*	*-177.9*	*-22.6*	*188.4*	*38.4*	*34.0*
Profitability	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**
ROE (%)	*na*	*-12.2*	*1.2*	*1.7*	*6.0*	*-5.2*	*-8.9*	*6.7*	*8.5*	*10.8*
ROE Adj (%)	*na*	*-8.5*	*2.5*	*-2.5*	*3.2*	*0*	*-3.7*	*9.6*	*9.2*	*10.8*
ROCE (%)	*na*	*-7.7*	*2.1*	*3.8*	*6.5*	*4.3*	*2.5*	*8.3*	*7.9*	*8.3*
ROCE Adj(%)	*na*	*-4.9*	*2.6*	*4.2*	*6.4*	*3.2*	*2.6*	*8.3*	*7.9*	*8.3*
ROIC (%)	*na*	*-9.1*	*3.3*	*-7.9*	*3.6*	*5.0*	*3.3*	*6.1*	*5.9*	*6.2*
ROIC Adj (%)	*na*	*-6.2*	*4.0*	*-8.6*	*3.7*	*4.7*	*3.3*	*6.1*	*5.9*	*6.2*
Adj earnings numbers	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**
EBITDA Adj	0	-3	17	45	86	54	42	114	118	131
EBITDA Adj margin (%)	*nm*	*-9.2*	*18.5*	*32.7*	*44.5*	*33.0*	*27.3*	*47.6*	*46.1*	*47.6*
EBITDA lease Adj	0	0	0	0	0	0	0	0	0	0
EBITDA lease Adj margin (%)	*nm*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
EBITA Adj	0	-7	11	39	76	44	33	106	109	122
EBITA Adj margin (%)	*nm*	*-17.6*	*12.6*	*28.3*	*39.3*	*26.5*	*21.1*	*44.0*	*42.6*	*44.3*
EBIT Adj	0	-7	11	39	76	44	33	105	109	122
EBIT Adj margin (%)	*nm*	*-17.6*	*12.6*	*28.3*	*39.3*	*26.5*	*21.1*	*43.9*	*42.6*	*44.3*
Pretax profit Adj	0	-8	4	5	25	-21	-20	52	53	67
Net profit Adj	0	-8	6	-9	13	-16	-26	37	40	50
Net profit to shareholders Adj	0	-8	6	-7	9	0	-13	38	40	50
Net Adj margin (%)	nm	-21.1	6.2	-6.3	6.9	-9.6	-16.7	15.5	15.7	18.1

Source: ABG Sundal Collier, Company data

Cash Flow Statement (EURm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
EBITDA	0	-6	15	42	85	57	43	114	118	131
Net financial items	0	-2	-7	-34	-51	-65	-53	-54	-55	-56
Paid tax	0	0	1	-4	-12	-3	-5	-15	-13	-17
Non-cash items	0	1	23	130	224	218	238	182	209	240
Cash flow before change in WC	0	-8	31	133	246	207	222	228	258	299
Change in WC	0	-6	-8	3	-1	-1	2	-7	-0	-0
Operating cash flow	**0**	**-14**	**23**	**136**	**245**	**206**	**224**	**221**	**258**	**299**
CAPEX tangible fixed assets	0	-76	-355	-556	-401	-212	-115	-241	-264	-300
CAPEX intangible fixed assets	0	-2	-5	-7	-10	-6	-5	-7	-7	-8
Acquisitions and disposals	0	-48	-1	-1	0	0	0	-3	0	0
Free cash flow	**0**	**-139**	**-339**	**-427**	**-166**	**-11**	**104**	**-30**	**-13**	**-9**
Dividend paid	0	0	0	0	0	0	0	0	0	-19
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Lease liability amortisation	0	0	0	0	0	0	0	0	0	0
Other non cash items	0	116	91	5	-36	-17	-35	-119	-56	-100

Balance Sheet (EURm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Goodwill	0	53	54	56	56	55	56	63	63	63
Other intangible assets	0	22	25	29	40	35	45	44	45	45
Tangible fixed assets	0	128	471	929	1,171	1,203	1,125	1,312	1,419	1,559
Right-of-use asset	0	0	0	0	0	0	0	0	0	0
Total other fixed assets	0	1	1	1	1	1	0	4	4	4
Fixed assets	0	205	551	1,015	1,268	1,294	1,226	1,424	1,531	1,671
Inventories	0	0	0	0	0	0	0	0	0	0
Receivables	0	6	9	10	13	7	7	7	8	8
Other current assets	0	8	13	12	15	15	16	12	13	14
Cash and liquid assets	0	65	50	71	75	51	44	20	21	3
Total assets	**0**	**283**	**622**	**1,108**	**1,372**	**1,367**	**1,293**	**1,463**	**1,572**	**1,696**
Shareholders equity	0	183	260	264	281	304	380	418	455	468
Minority	0	0	32	64	97	74	1	-1	0	0
Total equity	**0**	**183**	**292**	**328**	**378**	**379**	**381**	**417**	**455**	**468**
Long-term debt	0	25	238	568	466	579	834	910	118	1,045
Pension debt	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0
Leasing liability	0	0	0	0	0	0	0	0	0	0
Total other long-term liabilities	0	9	9	15	22	12	17	23	23	23
Short-term debt	0	49	61	167	464	357	4	0	861	0
Accounts payable	0	7	4	5	6	6	7	11	12	13
Other current liabilities	0	10	19	26	36	34	49	102	103	147
Total liabilities and equity	**0**	**283**	**622**	**1,108**	**1,372**	**1,367**	**1,293**	**1,463**	**1,572**	**1,696**
Net IB debt	0	9	248	664	855	885	794	890	958	1,042
Net IB debt excl. pension debt	0	9	248	664	855	885	794	890	958	1,042
Net IB debt excl. leasing	0	0	0	0	0	0	0	0	0	0
Capital invested	0	198	546	1,003	1,250	1,271	1,182	1,318	1,425	1,521
Working capital	0	-3	-2	-8	-13	-18	-33	-94	-95	-138

EV breakdown	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Market cap. diluted (m)	1,311	3,634	4,830	314	292	189	229	191	191	191
Net IB debt Adj	0	9	248	664	855	885	794	890	958	1,042
Market value of minority	0	0	0	0	0	0	0	0	0	0
Reversal of shares and participations	0	0	0	0	0	0	0	0	0	0
Reversal of conv. debt assumed equity	0	0	0	0	0	0	0	0	0	0
EV	**1,311**	**3,643**	**5,078**	**977**	**1,146**	**1,074**	**1,023**	**1,080**	**1,149**	**1,232**

Capital efficiency	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Total assets turnover (%)	*na*	*26.2*	*19.8*	*15.8*	*15.6*	*12.0*	*11.7*	*17.4*	*16.8*	*16.9*
Working capital/sales (%)	*na*	*-4.5*	*-2.9*	*-3.8*	*-5.6*	*-9.7*	*-16.7*	*-26.6*	*-37.0*	*-42.1*

Financial risk and debt service	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Net debt/equity	*nm*	*0.05*	*0.85*	*2.02*	*2.26*	*2.34*	*2.08*	*2.13*	*2.10*	*2.22*
Net debt/market cap	*0*	*0.00*	*0.06*	*1.71*	*3.00*	*5.67*	*2.90*	*4.66*	*5.02*	*5.46*
Equity ratio (%)	*nm*	*64.6*	*46.9*	*29.6*	*27.5*	*27.7*	*29.5*	*28.5*	*29.0*	*27.6*
Net IB debt adj./equity	*nm*	*0.05*	*0.85*	*2.02*	*2.26*	*2.34*	*2.08*	*2.13*	*2.10*	*2.22*
Current ratio	*nm*	*1.19*	*0.85*	*0.47*	*0.20*	*0.18*	*1.11*	*0.35*	*0.04*	*0.16*
EBITDA/net interest	*na*	*-3.39*	*2.17*	*1.40*	*1.66*	*0.89*	*0.81*	*2.14*	*2.13*	*2.36*
Net IB debt/EBITDA	*nm*	*-1.46*	*16.76*	*15.98*	*10.05*	*15.59*	*18.64*	*7.78*	*8.15*	*7.93*
Net IB debt/EBITDA lease Adj	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*	*nm*
Interest cover	*nm*	*-4.76*	*1.38*	*1.20*	*1.46*	*0.72*	*0.62*	*1.97*	*1.97*	*2.20*

Source: ABG Sundal Collier, Company data

Valuation and Ratios (EURm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Shares outstanding adj.	597	1,226	1,516	154	155	185	302	302	302	302
Fully diluted shares Adj	652	1,282	1,702	173	155	185	302	302	302	302
EPS	0	-0.01	0.00	0.03	0.11	-0.08	-0.10	0.09	0.12	0.17
Dividend per share Adj	0	0	0	0	0	0	0	0	0.1	0.1
EPS Adj	0	-0.01	0.00	-0.04	0.06	0	-0.04	0.13	0.13	0.17
BVPS	0	0.15	0.17	1.71	1.81	1.64	1.26	1.38	1.51	1.55
BVPS Adj	0	0.10	0.13	1.29	1.33	1.26	0.98	1.09	1.21	1.25
Net IB debt / share	0	0.0	0.2	4.3	5.5	4.8	2.6	2.9	3.2	3.4
Share price	2.01	2.83	2.84	1.81	1.88	1.02	0.76	0.63	0.63	0.63
Market cap. (m)	1,199	3,477	4,303	280	292	189	229	191	191	191
Valuation	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**
P/E	nm	-282.4	1,765.9	70.0	17.8	-12.4	-7.5	7.1	5.1	3.8
EV/sales	nm	98.27	56.56	7.13	5.91	6.53	6.57	4.50	4.51	4.46
EV/EBITDA	nm	-561.6	342.7	23.5	13.5	18.9	24.0	9.5	9.8	9.4
EV/EBITA	nm	-379.0	535.2	27.5	15.3	23.4	31.0	10.2	10.6	10.1
EV/EBIT	nm	-379.0	535.2	27.5	15.3	23.4	31.0	10.2	10.6	10.1
Dividend yield (%)	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*9.8*	*13.1*
FCF yield (%)	*0*	*-4.4*	*-7.3*	*-136.2*	*-57.0*	*-6.1*	*45.5*	*-15.5*	*-6.8*	*-4.6*
Lease adj. FCF yield (%)	*0*	*-4.4*	*-7.3*	*-136.2*	*-57.0*	*-6.1*	*45.5*	*-15.5*	*-6.8*	*-4.6*
P/BVPS	nm	19.01	16.55	1.06	1.04	0.62	0.60	0.46	0.42	0.41
P/BVPS Adj	nm	27.68	21.51	1.41	1.42	0.81	0.77	0.58	0.52	0.50
P/E Adj	nm	-403.6	831.7	-48.0	32.9	nm	-17.9	5.0	4.8	3.8
EV/EBITDA Adj	nm	-1,068.8	305.5	21.8	13.3	19.7	24.1	9.5	9.8	9.4
EV/EBITA Adj	nm	-557.5	449.6	25.2	15.0	24.7	31.2	10.2	10.6	10.1
EV/EBIT Adj	nm	-557.5	449.6	25.2	15.0	24.7	31.2	10.2	10.6	10.1
EV/cap. employed	nm	14.2	8.6	0.9	0.9	0.8	0.8	0.8	0.8	0.8
Investment ratios	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022e**	**2023e**	**2024e**
Capex/sales	nm	209.7	401.5	410.4	211.9	132.4	77.0	103.2	106.5	111.4
Capex/depreciation	nm	2,486.4	6,767.5	9,361.5	4,062.6	2,010.6	1,241.5	2,796.2	3,004.7	3,385.0
Capex tangibles/tangible fixed assets	nm	59.1	75.4	59.8	34.3	17.6	10.2	18.4	18.6	19.2
Capex intangibles/definite intangibles	nm	55.7	82.3	68.1	51.6	40.3	17.6	25.1	27.6	27.7
Depreciation on intangibles/definite inta	nm	0	0	0	0	0	0	0	0	0
Depreciation on tangibles/tangibles	nm	2.4	1.1	0.6	0.9	0.9	0.9	0.7	0.6	0.6

Source: ABG Sundal Collier, Company data

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