

AXACTOR

Presentation

Q1 2023





Q1 highlights

Financial update

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Q&A

Financial highlights for the quarter on continuing operations



Renewal of EUR 545m revolving credit facility

- 3-year maturity, option to extend the maturity with additional two years¹
- Satisfying terms



Cash EBITDA growth of 4% y-o-y

- Estimated growth of 11% y-o-y with constant currency and normalized legal cashflow in Spain²
- Nordics and Germany burdened by macroeconomic headwind



Strong EBITDA margin – reaching 49% (48%) for the quarter

- EBITDA of EUR 30m, up from EUR 28m last year despite headwind



Stable annualized return on equity of 8% (8%)

- Despite increased cost of funding

Going forward we will stick to our successful strategy developed in 2020

1 Accretive investments

- Invest in accretive portfolios with attractive gross IRR driving margin expansion on NPL
- Target of reaching total backbook Gross IRR above 20%. Currently experiencing Gross IRR of 25+% on newly signed acquisitions

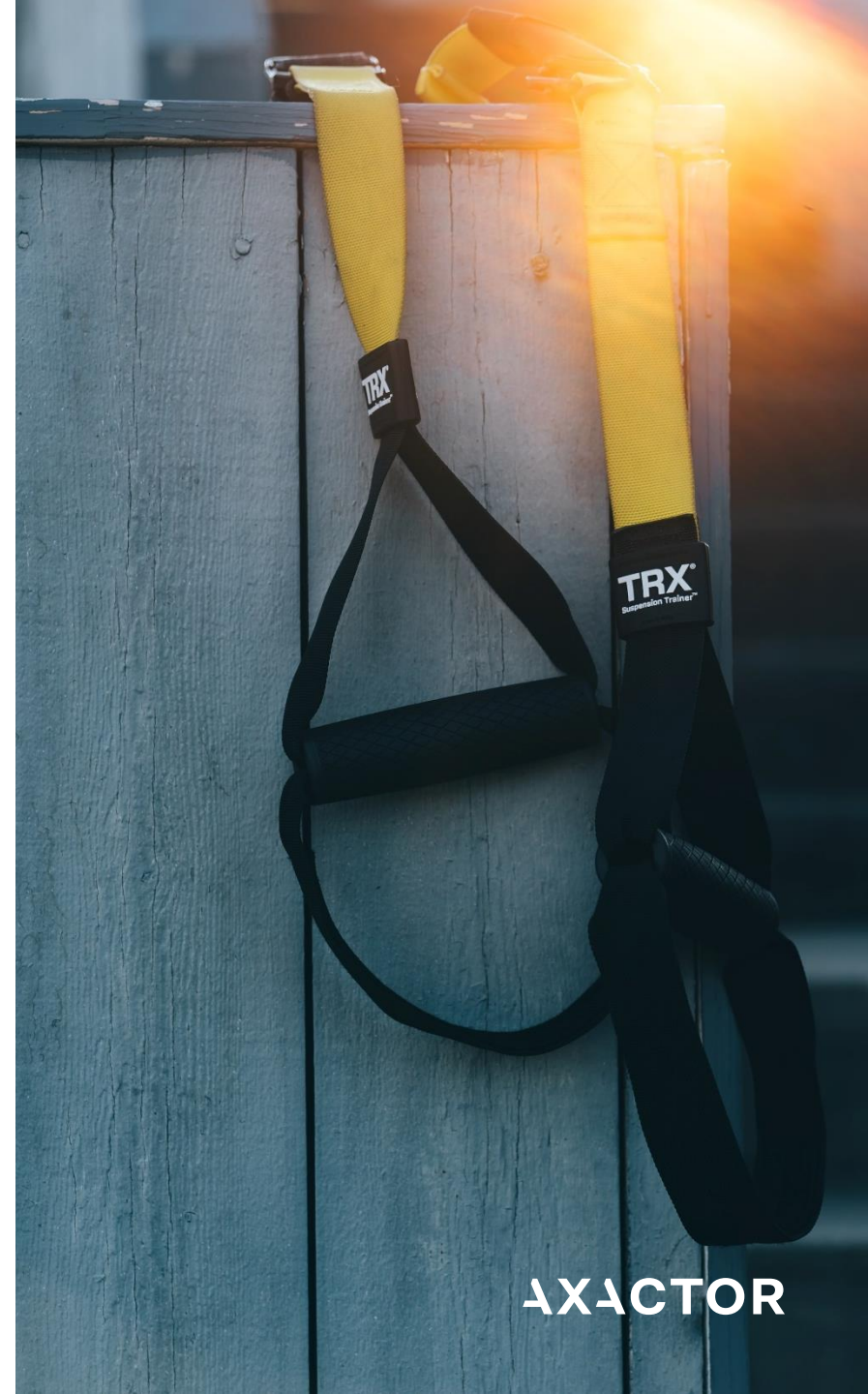
2 Cost leadership

- Cloud based unified IT-infrastructure, optimized processes and a strong cost culture
- Currently investing extensively in data-driven valuation and -operation to further excel

3 Best at what we do

Targeted focus to become best at what we do¹

- *Industry:* Bank & finance
- *Debt type:* B2C, unsecured
- *Markets:* Existing six countries



Axactor has had healthy growth since year-end 2021

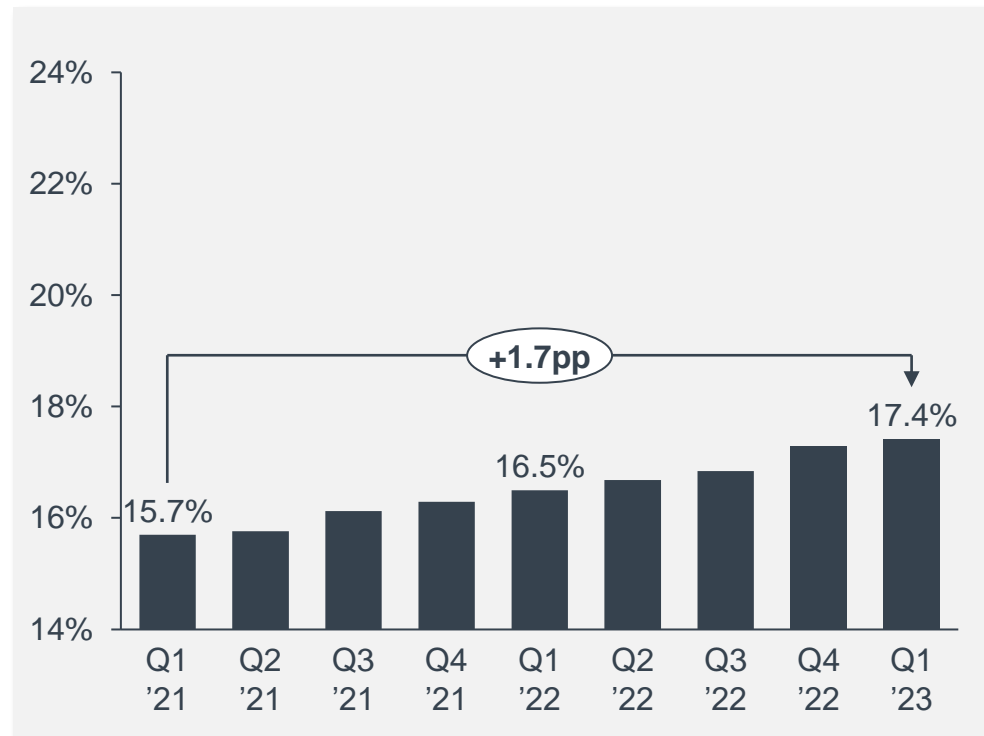
NPL ERC and company acquisitions
(EUR billion)



NPL gross IRR on the total book is steadily increasing

- Gross IRR on total NPL book gradually increasing, up 1.7pp last 2 years

Gross IRR on the total NPL book...



...and per vintage

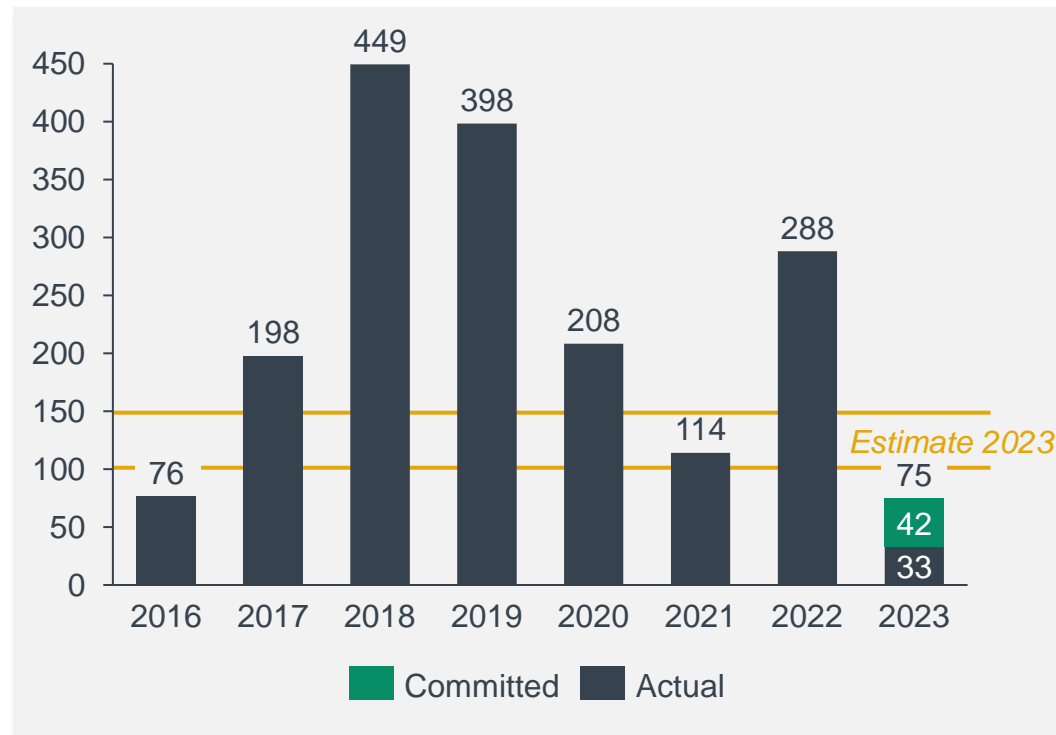


- Accretive committed NPL investments, 4.6pp above the total NPL book
- Current market gross IRR is significantly higher as committed investments are influenced by long-term contracts signed before the repricing

NPL investment estimate of EUR 100 - 150m for the year

NPL investments

(EUR million)



NPL investment estimate of EUR 100 - 150m for the year

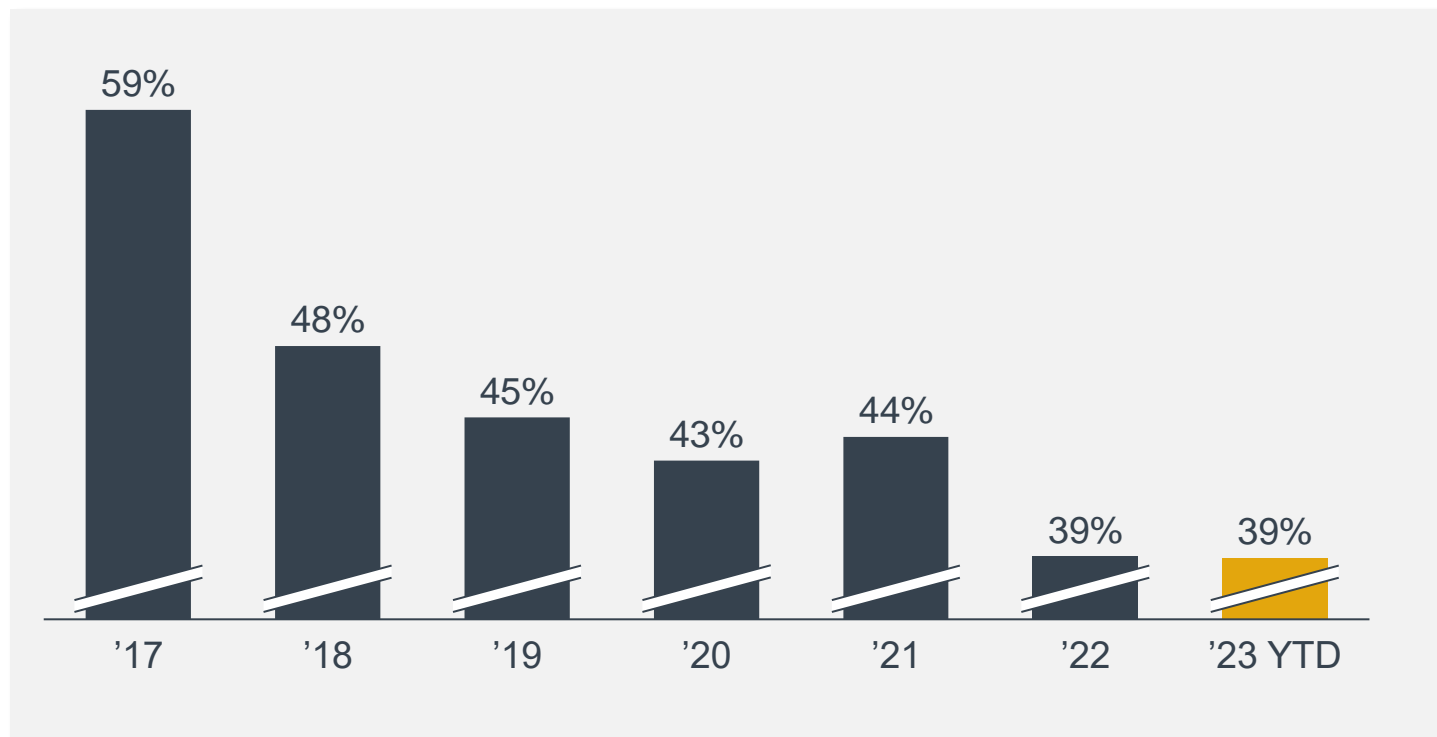
- Invested EUR 33m during the quarter
- Additional EUR 42m in committed NPL investments

Experiencing fewer transactions as sellers and buyers are trying to agree on new price levels.

NPL cost-to-collect stabilizing at a record low level

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

Axactor NPL cost-to-collect per year¹





Q1 highlights

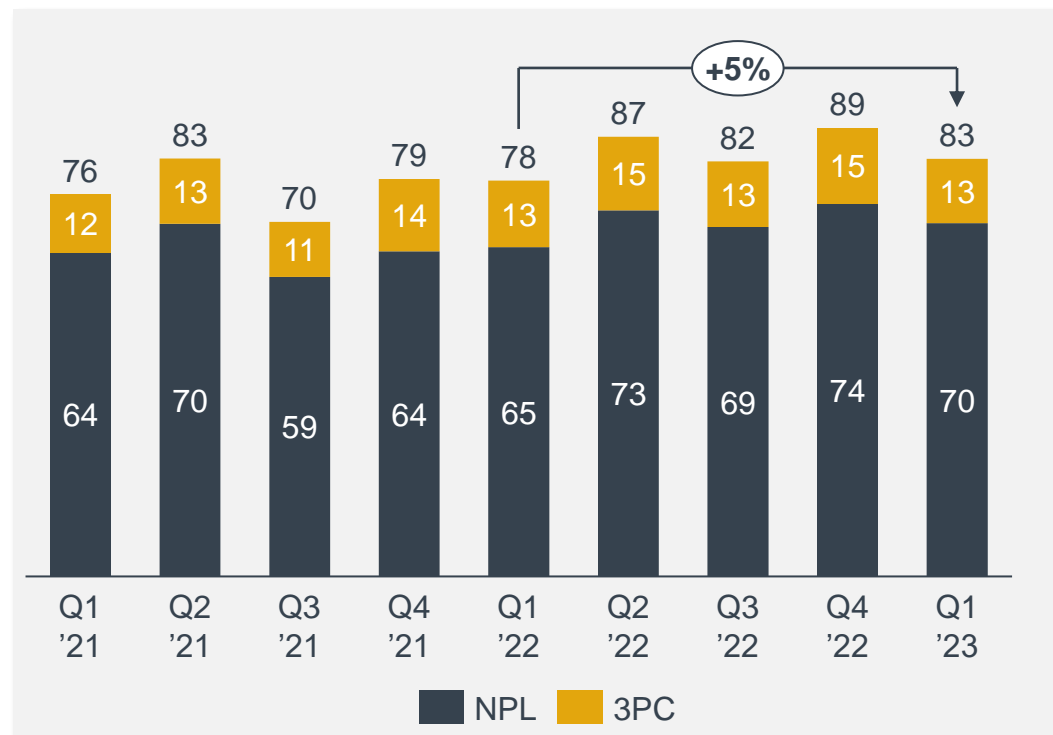
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Group: Continued growth on gross revenue y-o-y

Gross revenue
(EUR million)

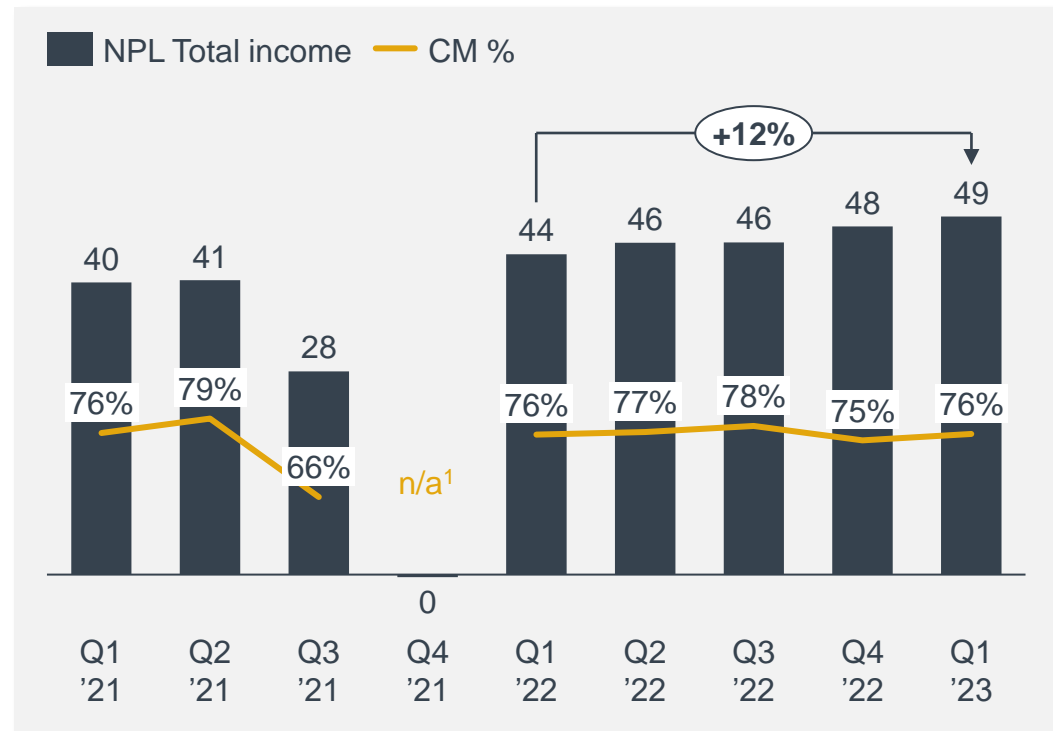


- Gross revenue is up 5% y-o-y
 - NPL gross revenue growth of 7% y-o-y
 - 3PC gross revenue growth of -4% y-o-y
- Estimated gross revenue growth of 11% y-o-y with constant currency and normalized legal cashflow in Spain¹

NPL segment: Steady total income growth with stable margins

NPL Total income and CM%

(EUR million, and %)



Satisfying growth in total income of 12% y-o-y, with stable margins, despite headwind.

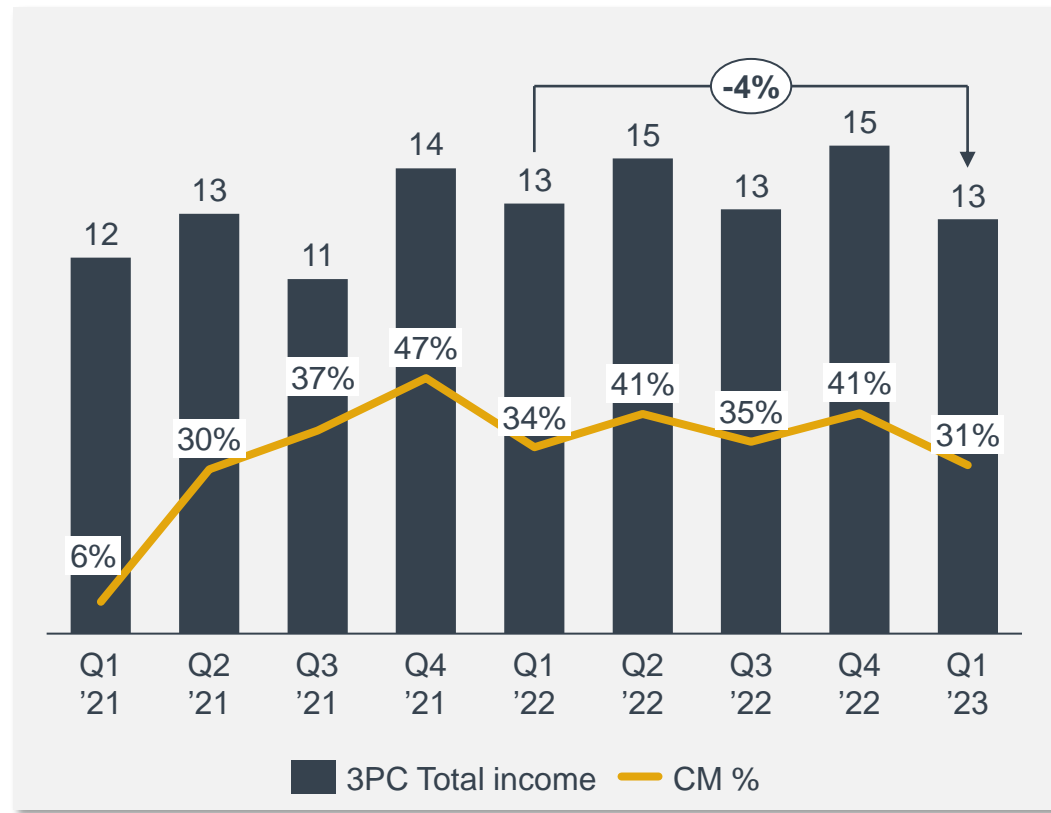
Collection performance of 98% for the quarter

- Debtors in Nordics and Germany opt for longer payment plans with lower monthly installments
- Bailiff reservation amount and payment free months increased in several markets
- Negative effect from legal strike in Spain

3PC segment: Total income burdened by strike and FX

3PC Total income and CM%

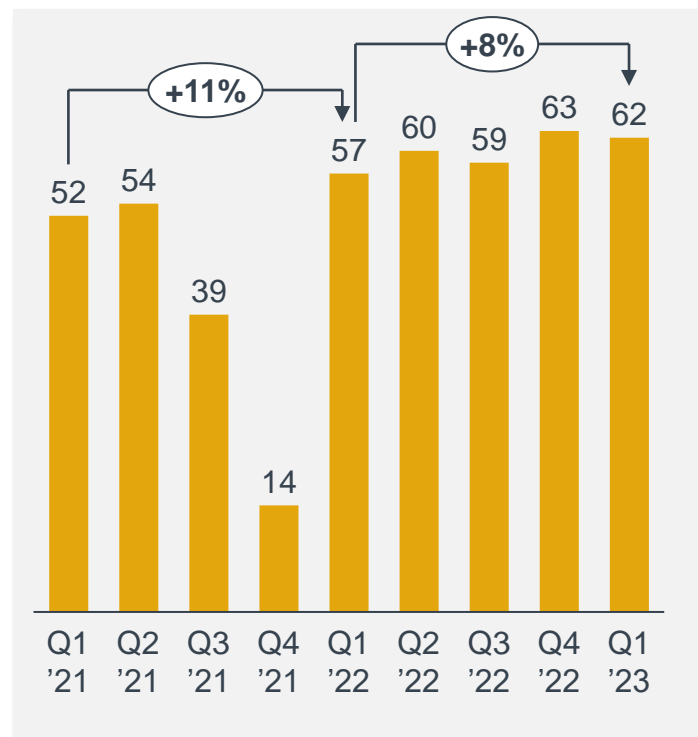
(EUR million and %)



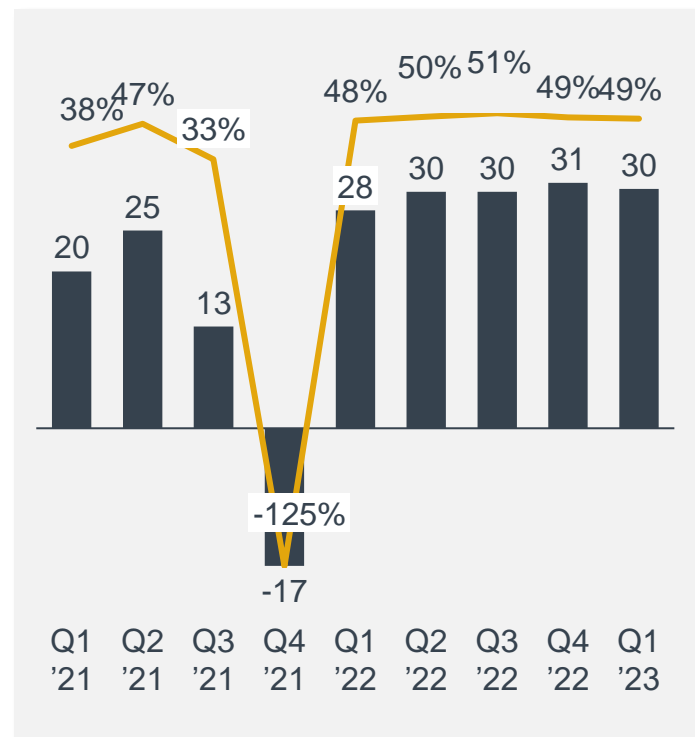
- 3PC total income growth of 4% y-o-y excluding Spain
 - Spain burdened by negative effects from legal strike¹
 - Total income in Norway and Sweden burdened by adverse currency movements
- Axactor is currently going through all 3PC contracts and terminate those with too low margins

Group: Growth y-o-y in all key parameters despite legal strike in Spain and headwind on currency

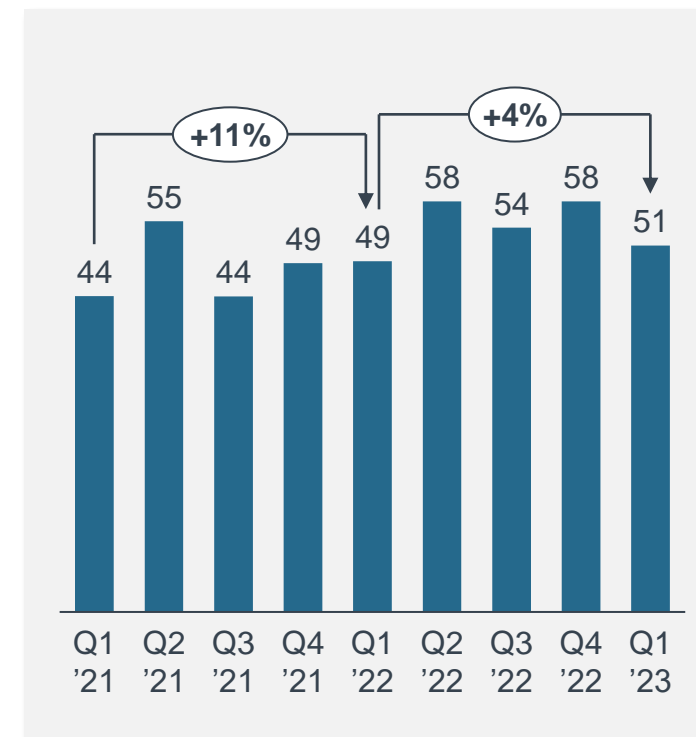
Total income
(EUR million)



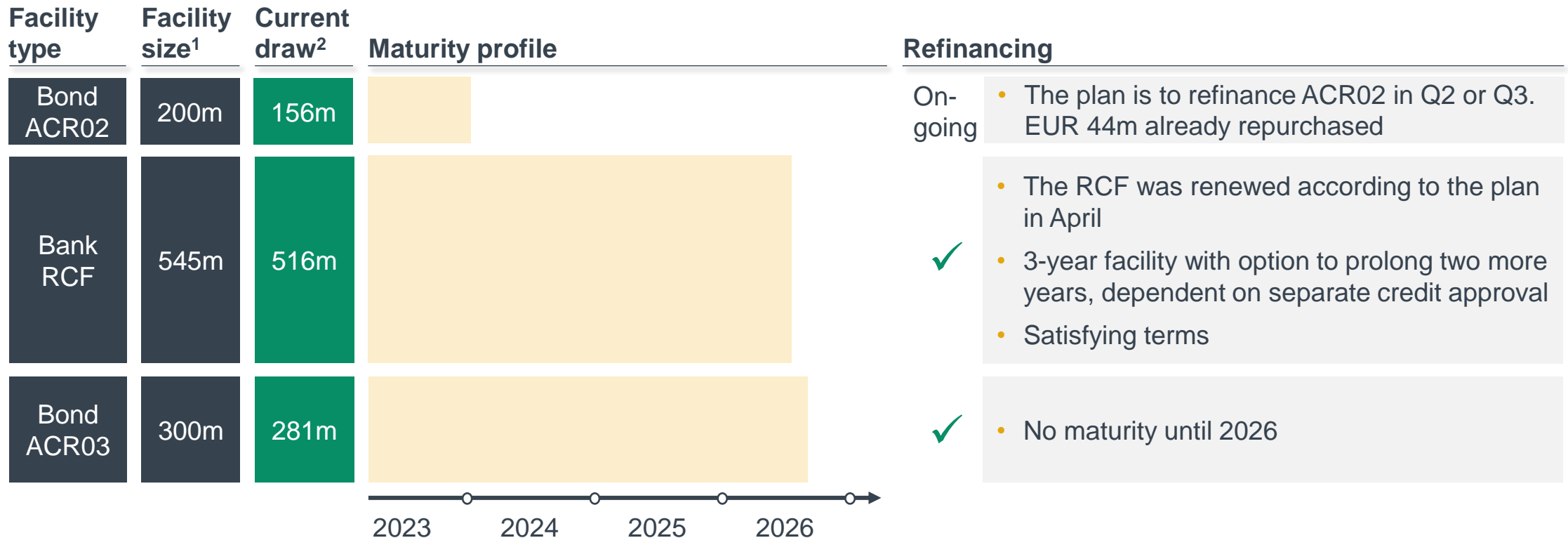
EBITDA and EBITDA-margin
(EUR million and %)



Cash EBITDA
(EUR million)



RCF refinanced according to the plan. Expect to refinance ACR02 in Q2 or Q3 according to the plan



Update on hedging

Cash effects

- Axactor currently has a 1-year, EUR 573m, 0.5% EURIBOR strike contract with end date 15 Dec 2023

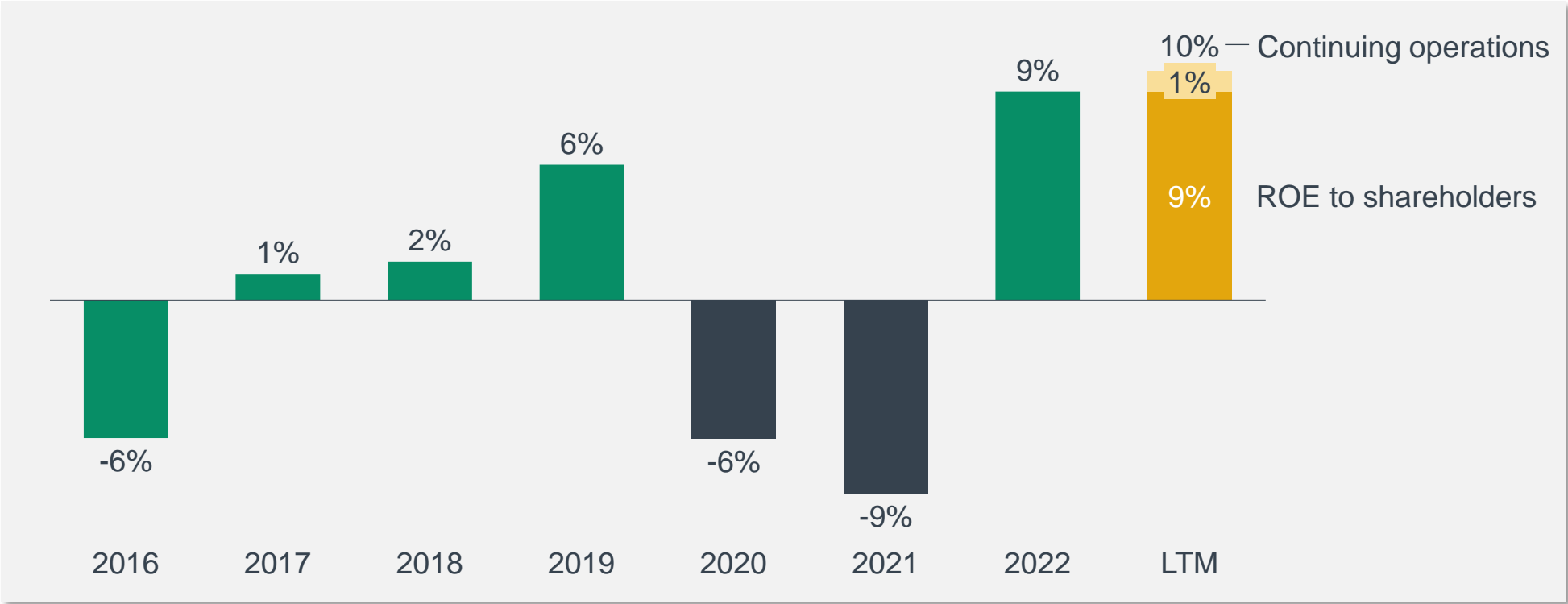
P&L effects

- The current 1-year hedge was obtained by swapping with a previous 3-year hedge of EUR 200m
- IFRS hedge accounting requires the positive effects of the hedge to follow the original 3-year duration
 - Hence, Q1 interest expenses has lower interest rate protection than the current hedge, but will on the other hand protect over a 3-year period



Stable ROE of 10% on continuing operations last twelve months

Return on equity to shareholders
(%)





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| Key driver | Outlook | |
|-----------------------|---------|--|
| Accretive investments | + | <ul style="list-style-type: none">Highly accretive gross IRR on new deals of 25+% compared to the backlog of 17% |
| Growth | + | <ul style="list-style-type: none">NPL: Minimum 10% growth in interest income in 2023¹3PC: Expect market growth driven by increased defaults. Axactor is reviewing customer profitability and will terminate unprofitable contracts |
| Funding | ~ | <ul style="list-style-type: none">Interest rate hedge secures partial protection of financial expenses for 11 more quartersRCF renewed. Next step is the planned refinancing of ACR02 in Q2 or Q3 |
| Collection | ~ | <ul style="list-style-type: none">Expect continued negative macroeconomic impact in Nordics and GermanyCollection curves are adjusted to reflect the current macroeconomic conditions |



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Supporting information

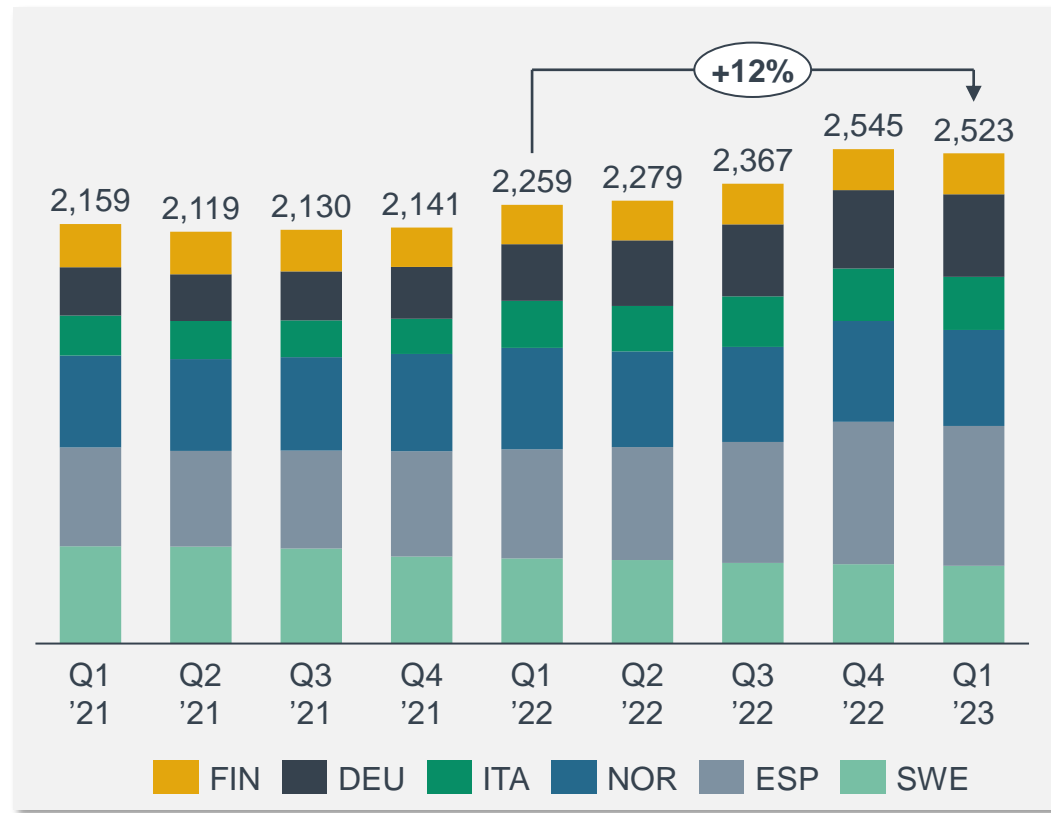
NPL investment commitments of EUR 46m next 12 months

Quarterly NPL investments
(EUR million)

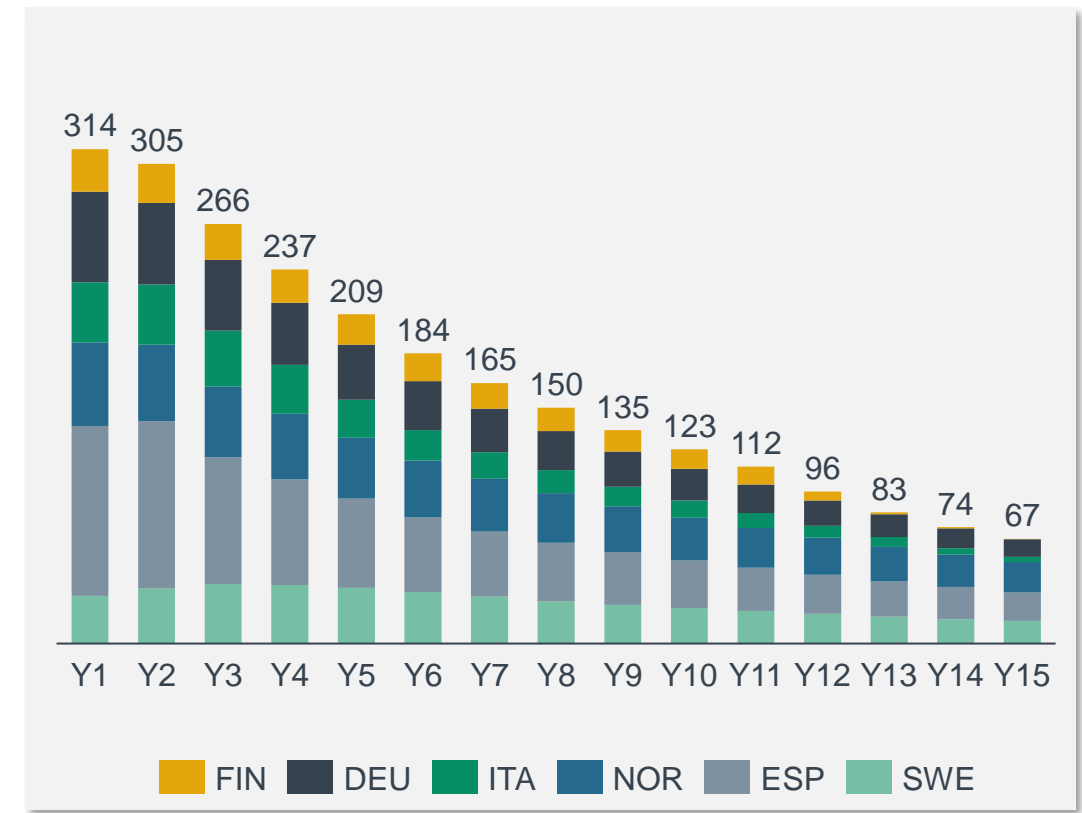


ERC increasing by 12% y-o-y driven by increased NPL investments in 2022

ERC development
(EUR million)

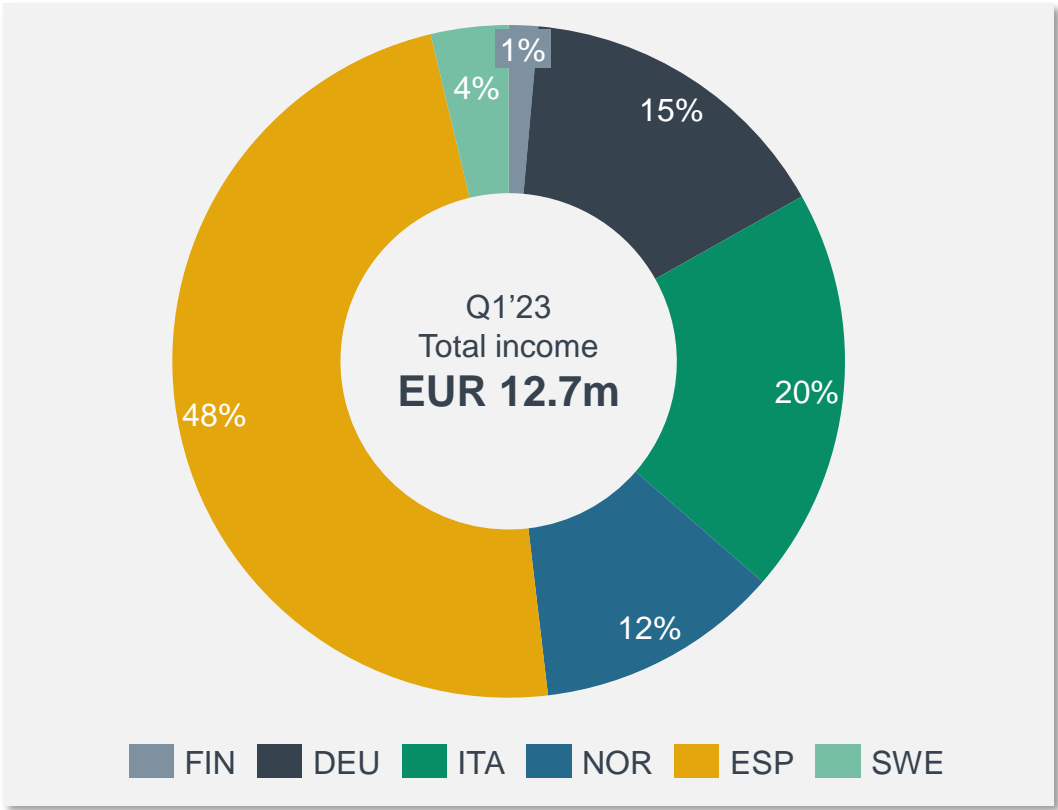


Forward ERC profile by year
(EUR million)



3PC volumes by geographic region

3PC Total income split by geographic region



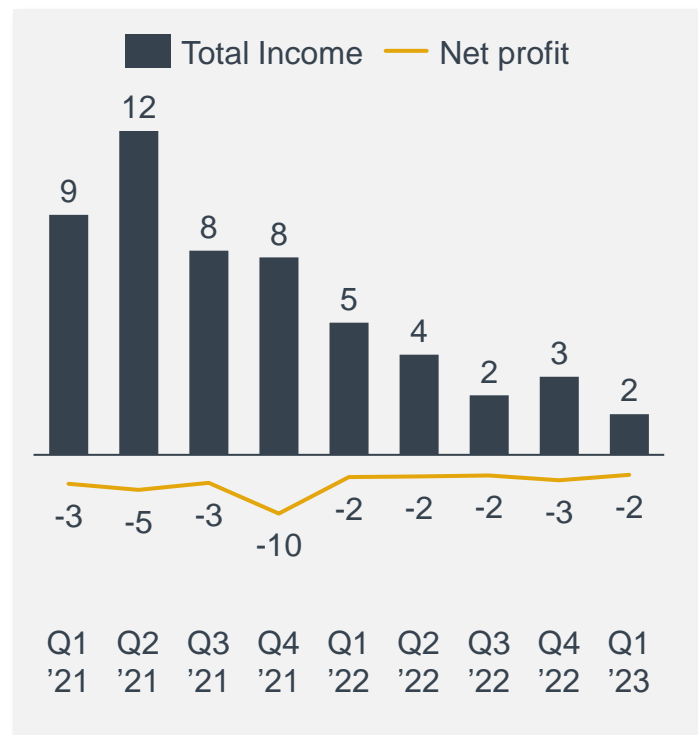
- Spain accounting for 48% of total income on 3PC
- Italy share of Total income increased to 20% (15%) following organic growth in Italy

Discontinued operations

- REO book value reduced to EUR 6m ultimo Q1

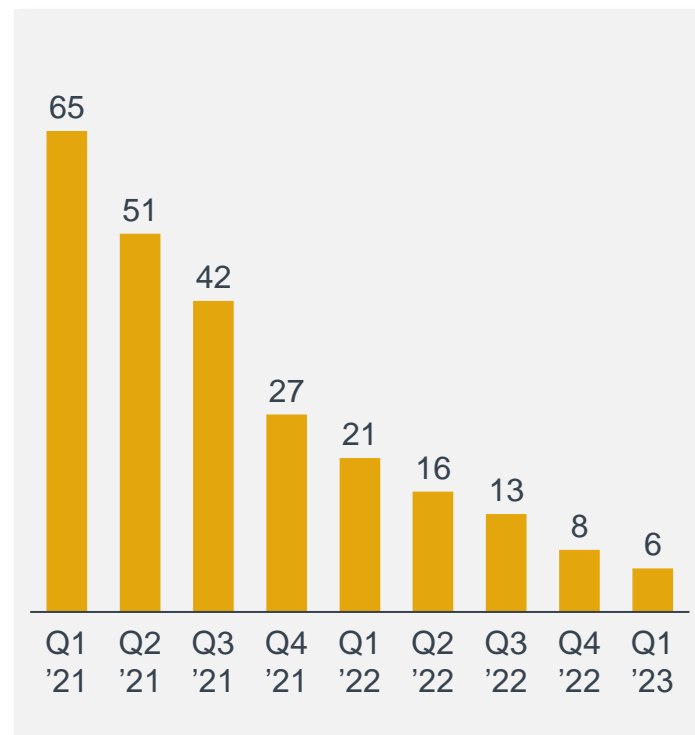
REO Total income and net profit¹

(EUR million and %)

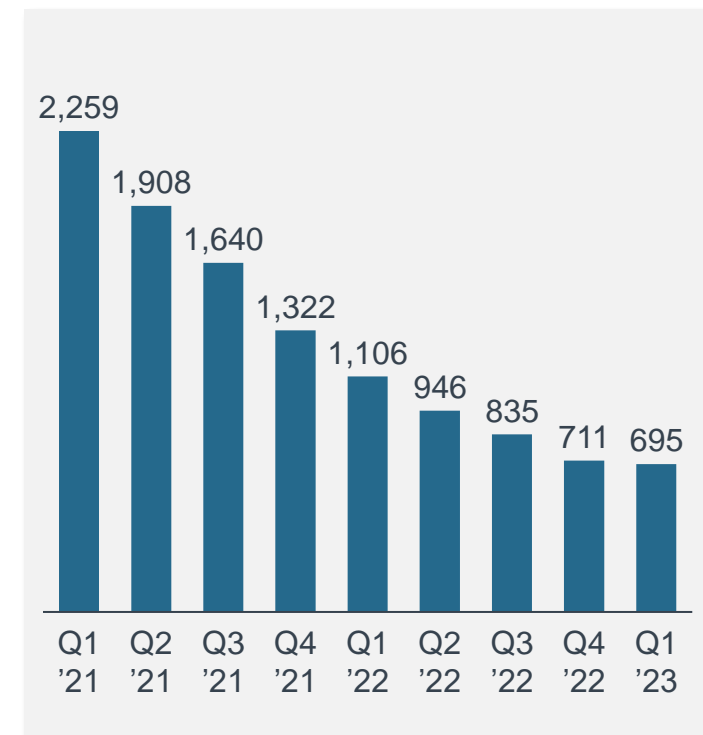


REO book value

(EUR million)



REO number of units

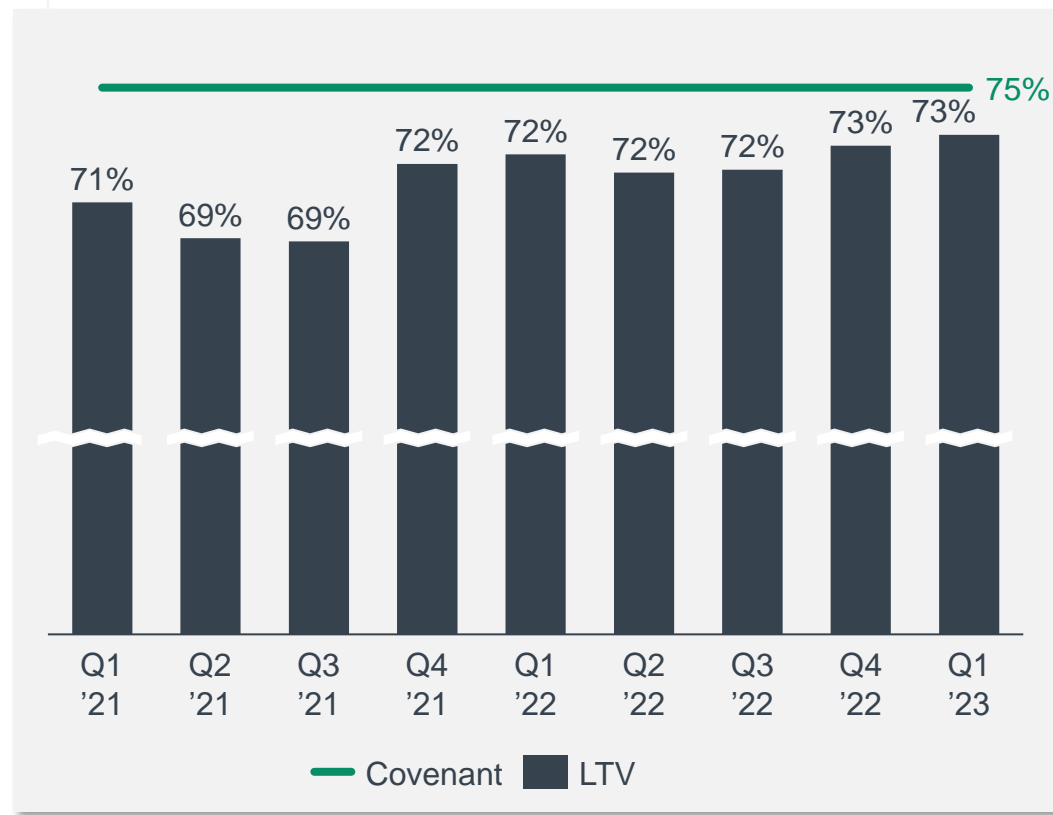


Bond covenants (1/2)

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

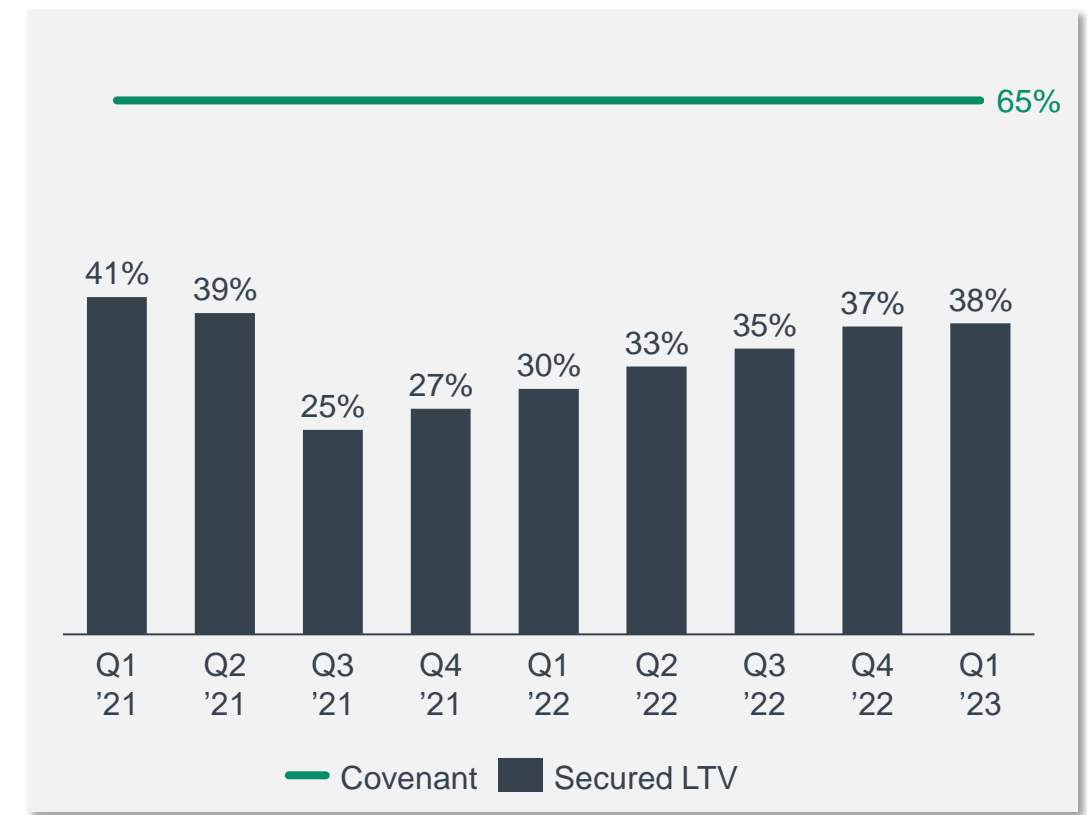
Loan-to-value - covenant $\leq 75\%$

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



Secured Loan-to-value - covenant $\leq 65\%$

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

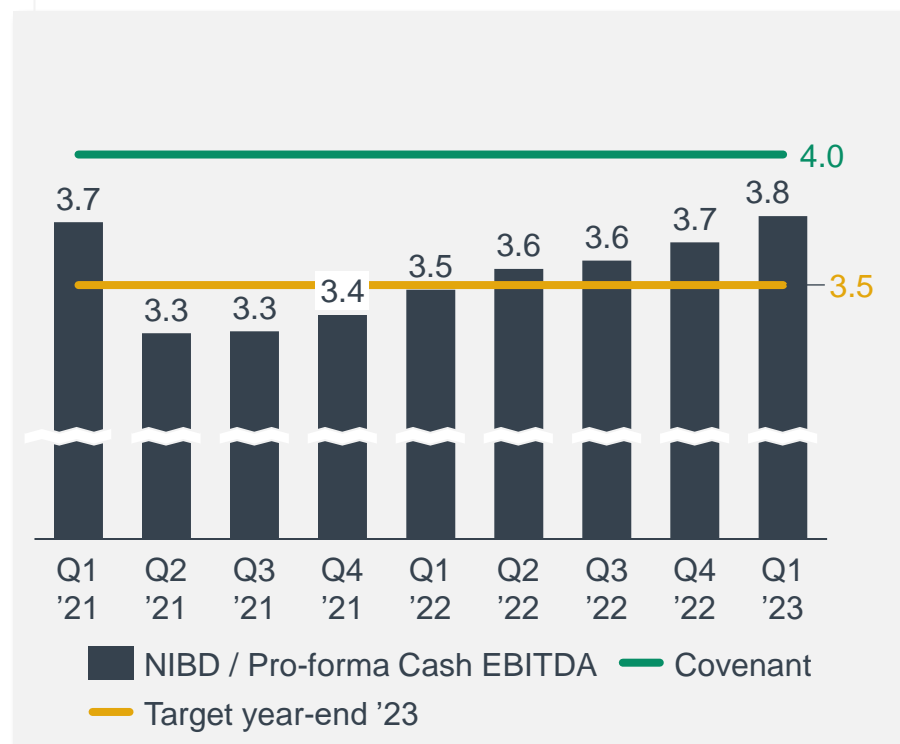


Bond covenants (2/2)

- Leverage ratio increasing due to FX and new portfolios with low initial cash flow

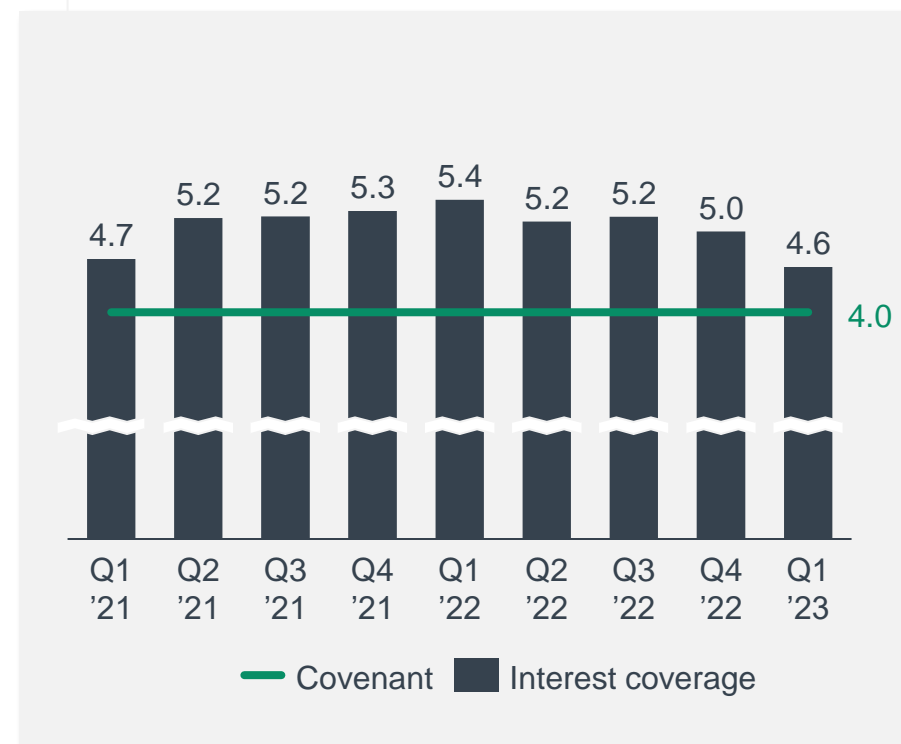
Leverage ratio - covenant $\leq 4.0x$

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



Interest coverage ratio - 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 |
| Cost-to-collect | Cost to collect is calculated as segment operating expenses plus a pro rata allocation of unallocated operating expenses and unallocated depreciation and amortization. The segment operating expense is used as allocation key for the unallocated costs |
| 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 |
| NPL cost-to-collect ratio | NPL cost to collect divided by NPL total income excluding NPV of changes in collection forecasts and change in fair value of forward flow commitments |
| 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 |

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 |
| WAEP | Weighted average exercise price |

