

# AXACTOR

Presentation

**Q2 2023**





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**Q2 highlights**

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**Financial update**

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**Outlook**

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**Q&A**

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**AXACTOR**



# Financial highlights for the quarter on continuing operations



Gross revenue growth of 5% y-o-y

- 8% y-o-y with constant currency



Cash EBITDA growth of 4% y-o-y

- 6% y-o-y with constant currency



Healthy EBITDA margin of 50%

- EBITDA of EUR 33m, up from EUR 30m last year



Double digit annualized return on equity of 11%

- 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 30+% on newly signed acquisitions

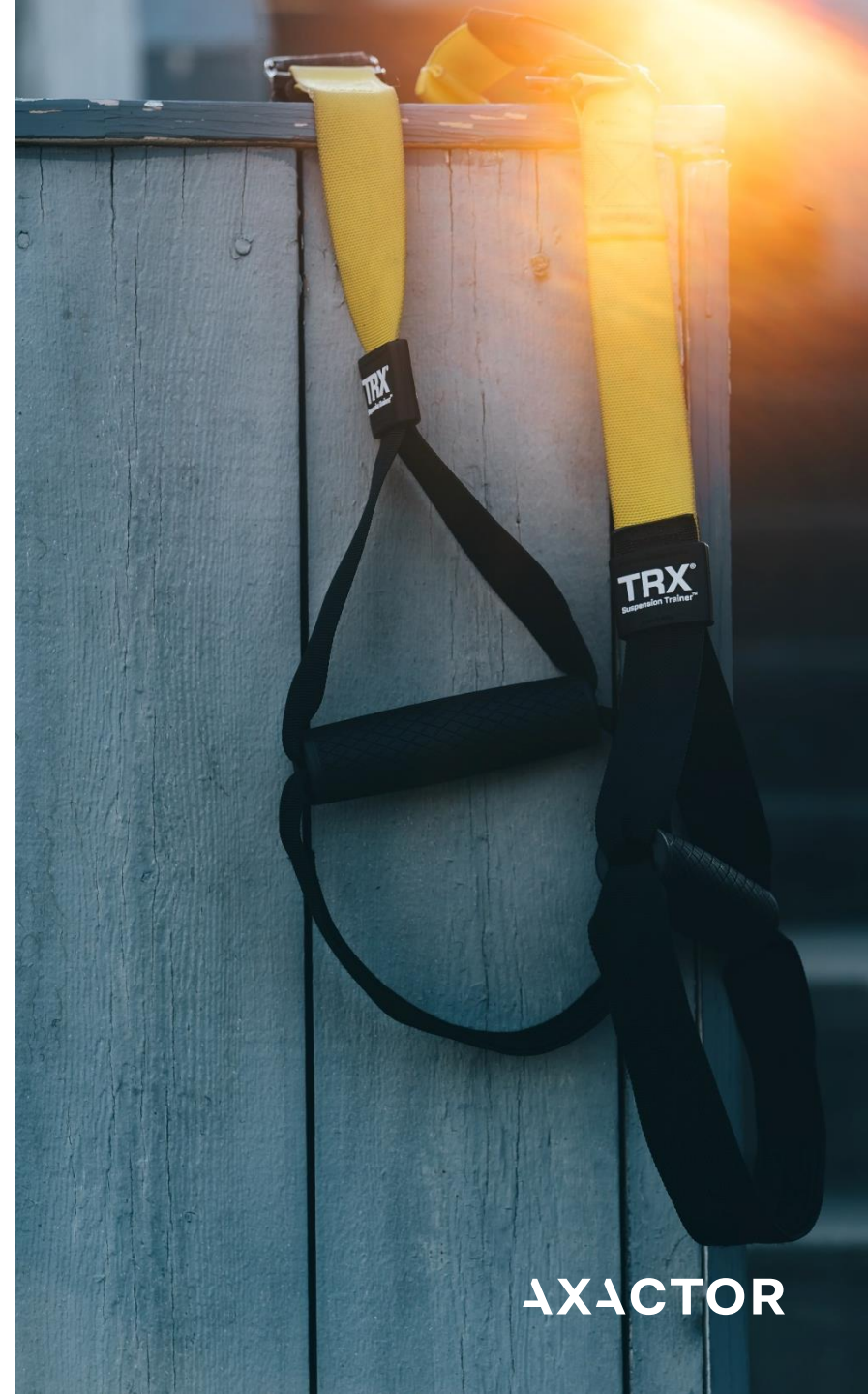
## 2 Cost leadership

- 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

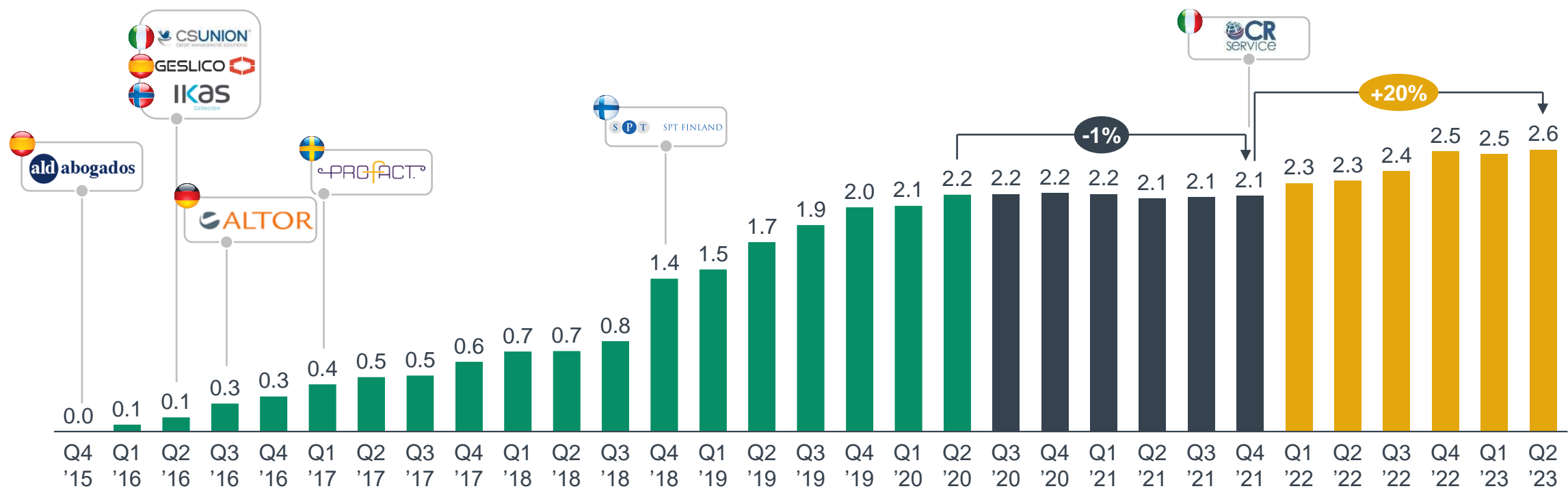
Targeted focus to become best at what we do<sup>1</sup>

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



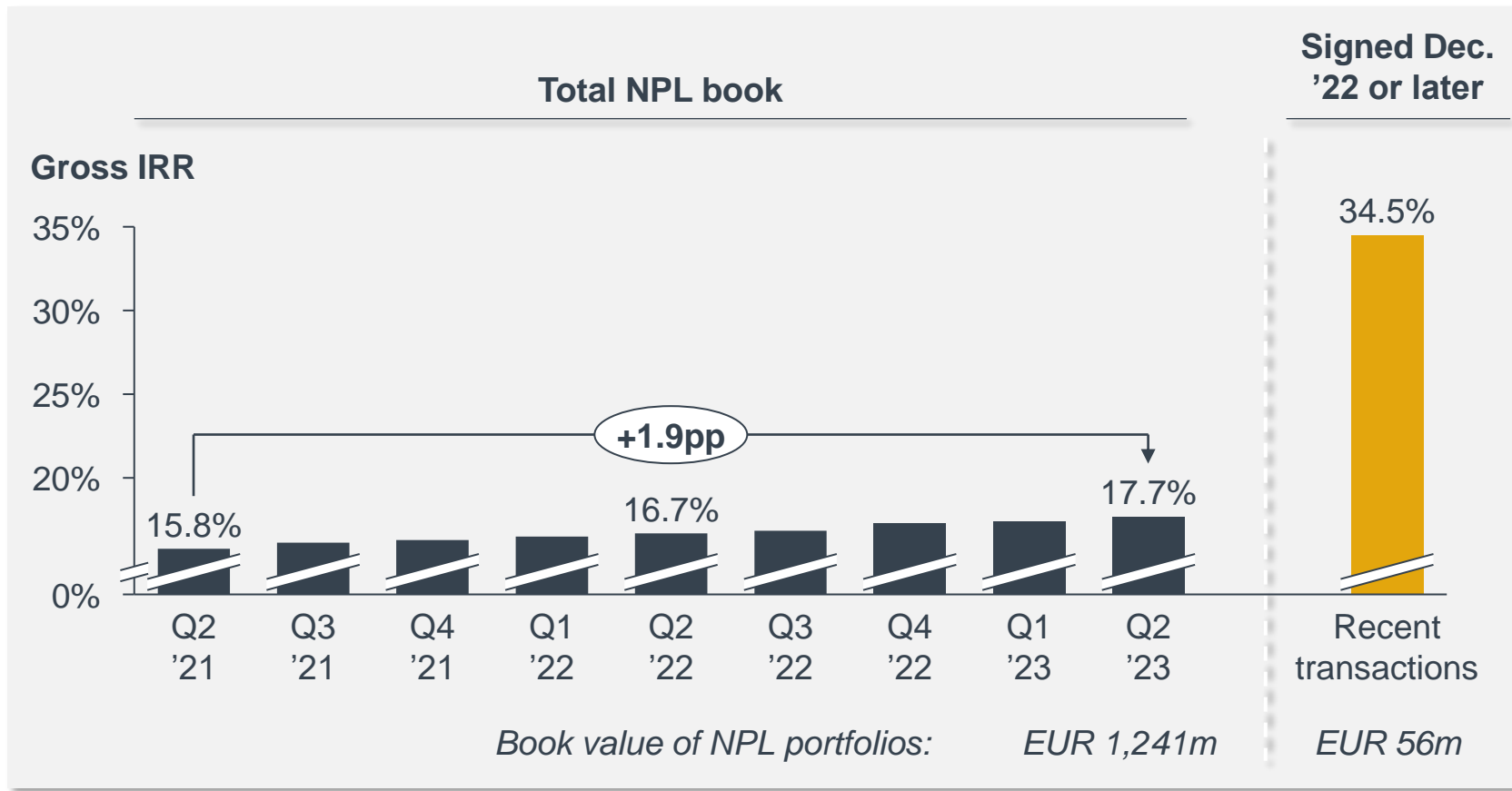
# Axactor has had a healthy growth of 20% in ERC since year-end 2021

NPL ERC and company acquisitions  
(EUR billion)



# NPL gross IRR on the total book is steadily increasing

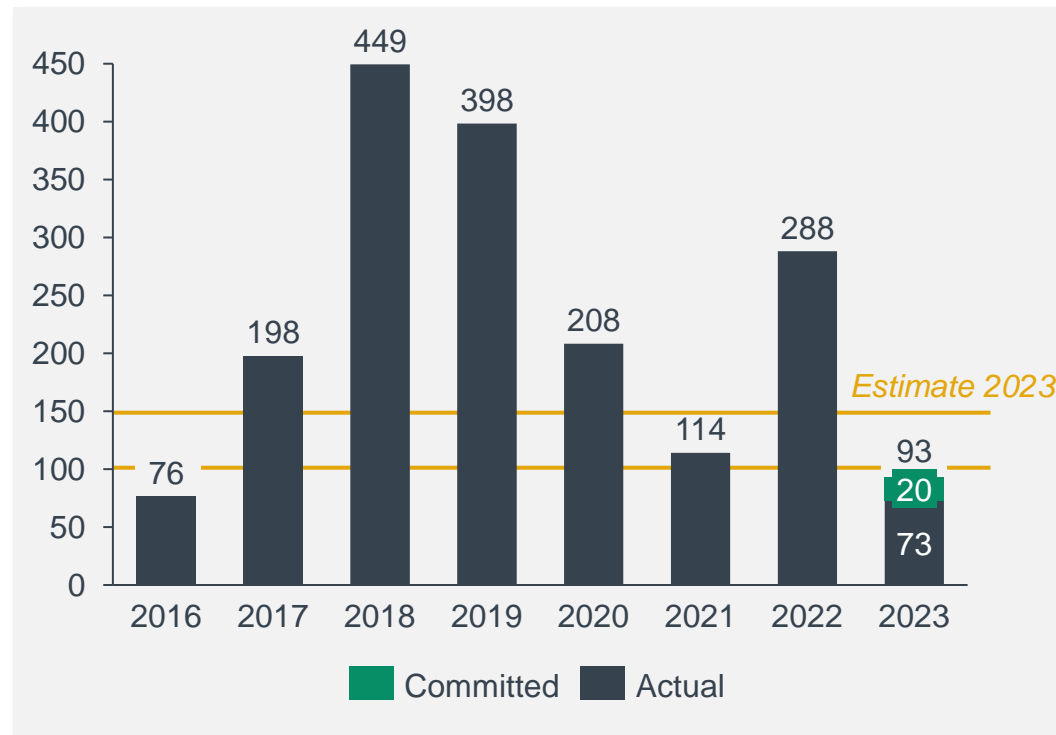
- Currently signing deals with a gross IRR twice as high as the total NPL book



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

## NPL investments

(EUR million)



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

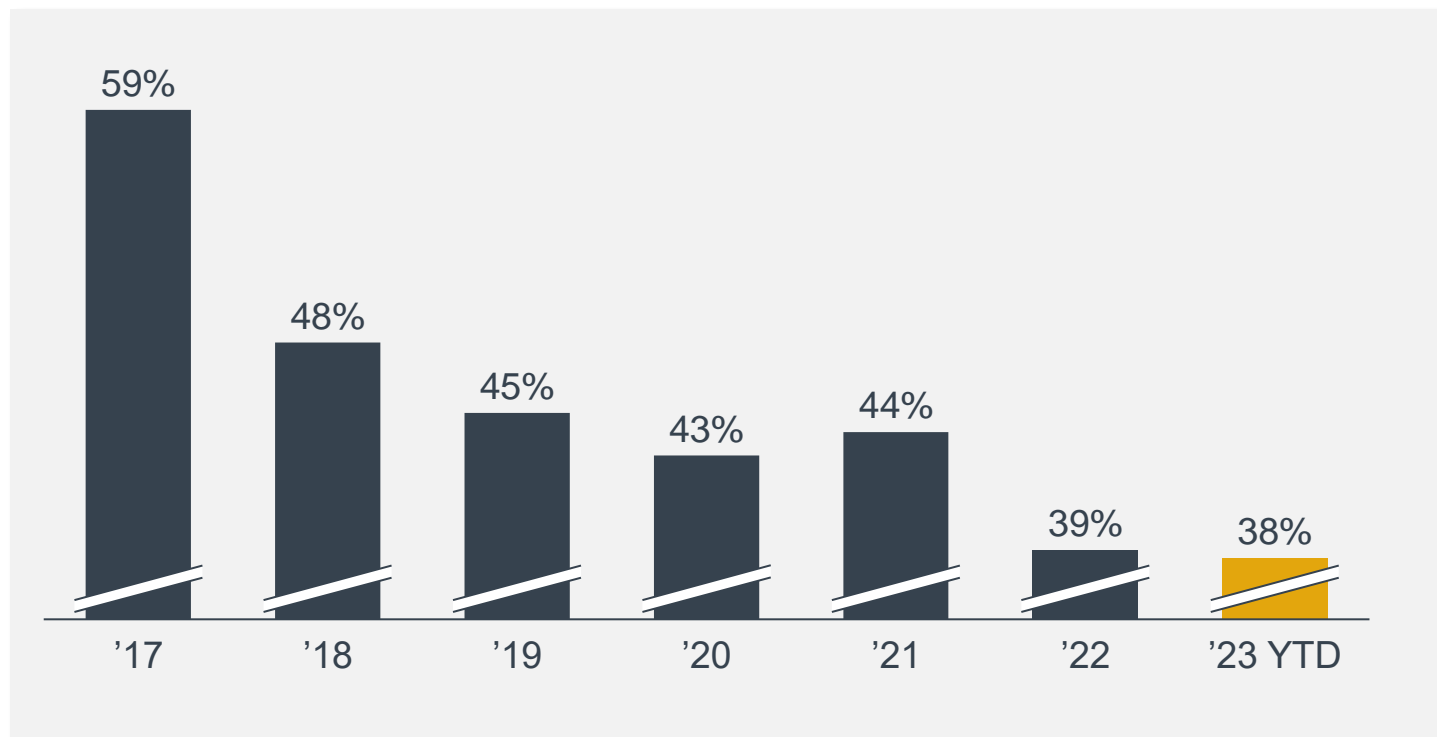
- Invested EUR 40m during the quarter and EUR 73m YTD
- Additional EUR 20m in committed NPL investments

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 year<sup>1</sup>







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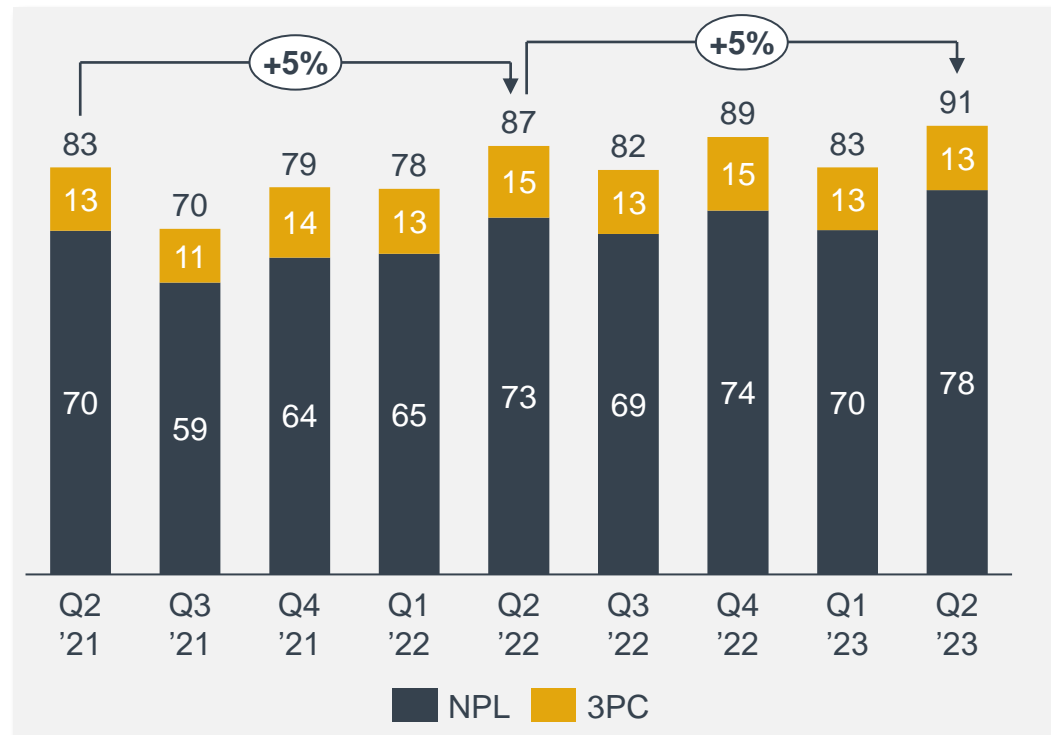
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# Group: Continued growth on gross revenue y-o-y

## Gross revenue

(EUR million)

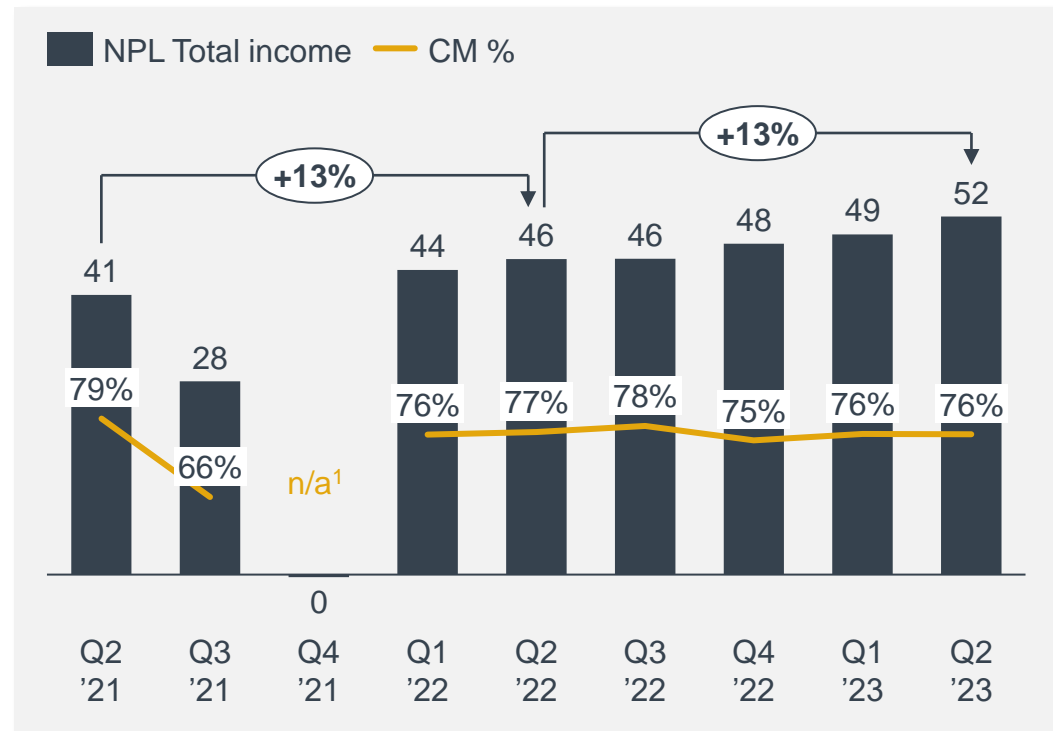


- Gross revenue is up 5% y-o-y
  - NPL gross revenue growth of 8% y-o-y
  - 3PC gross revenue growth of -10% y-o-y
- Estimated gross revenue growth of 8% y-o-y with constant currency

# NPL segment: Steady total income growth with stable margins

## NPL Total income and CM%

(EUR million, and %)



Satisfying growth in total income of 13% y-o-y, with stable margins, despite headwind.

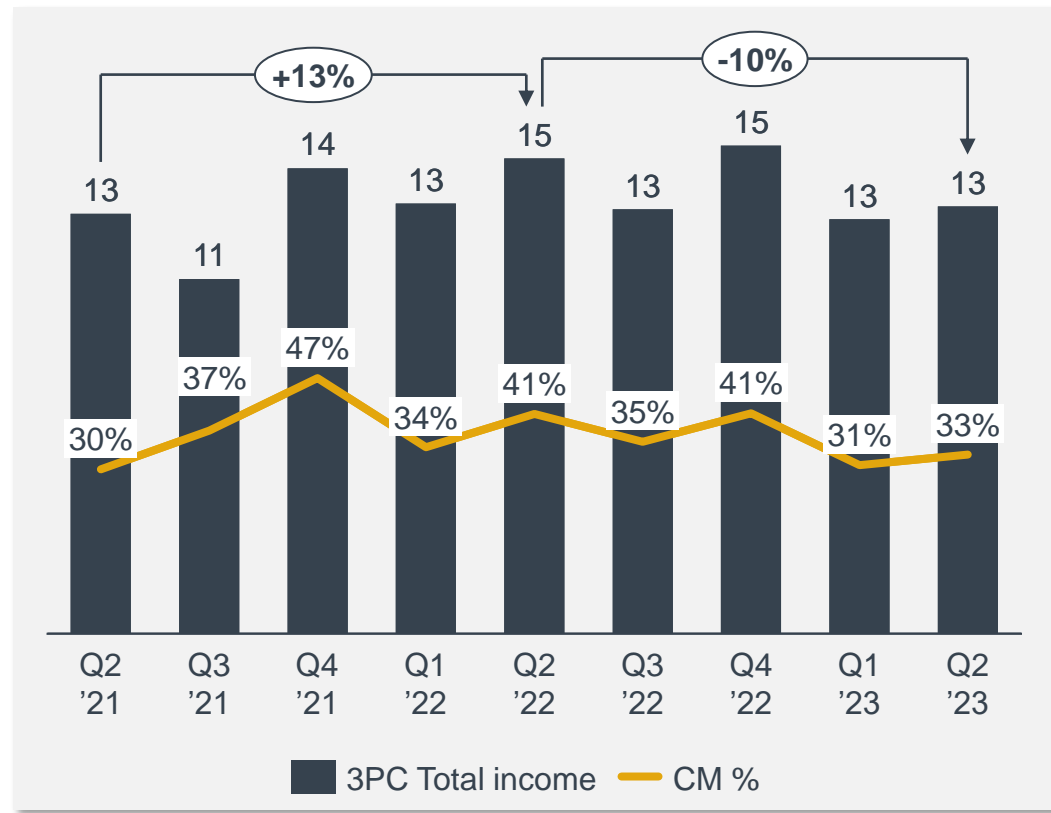
Collection performance of 102% for the quarter

- Satisfactory quarter in southern Europe
- Debtors in Nordics and Germany opt for longer payment plans with lower monthly installments

# 3PC segment: Total income and margins under pressure

## 3PC Total income and CM%

(EUR million and %)

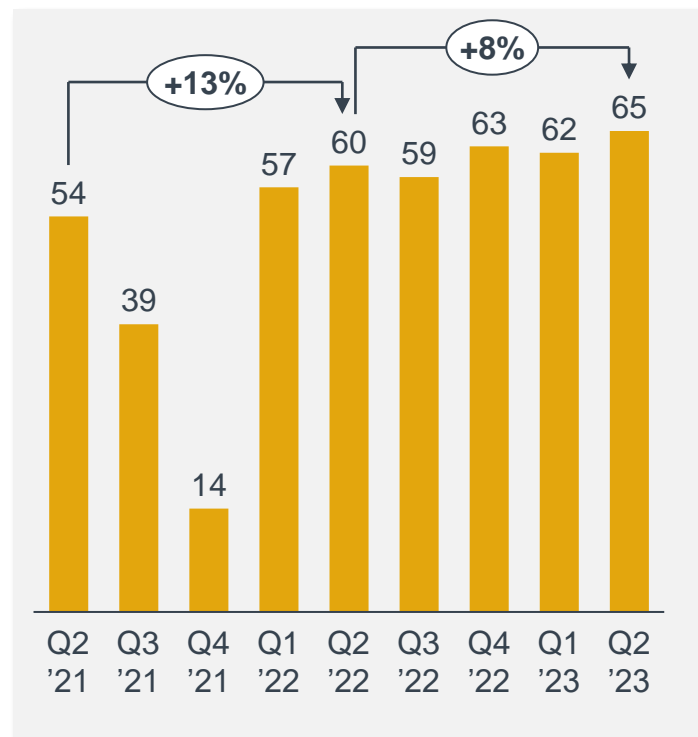


- 3PC total income growth of -10% y-o-y
  - Competition puts pressure on both total income and contribution margin
- Axactor is currently going through all contracts and terminate those with too low margins
  - Axactor will exit 3PC in Sweden during the fall (4% of 3PC total income in Q2)

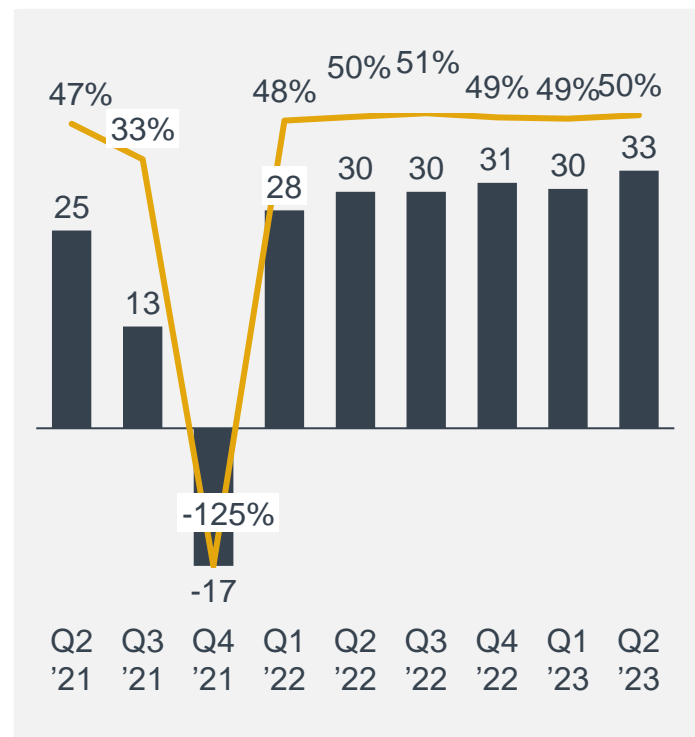


# Group: Growth y-o-y in all key parameters despite headwind on currency and macro

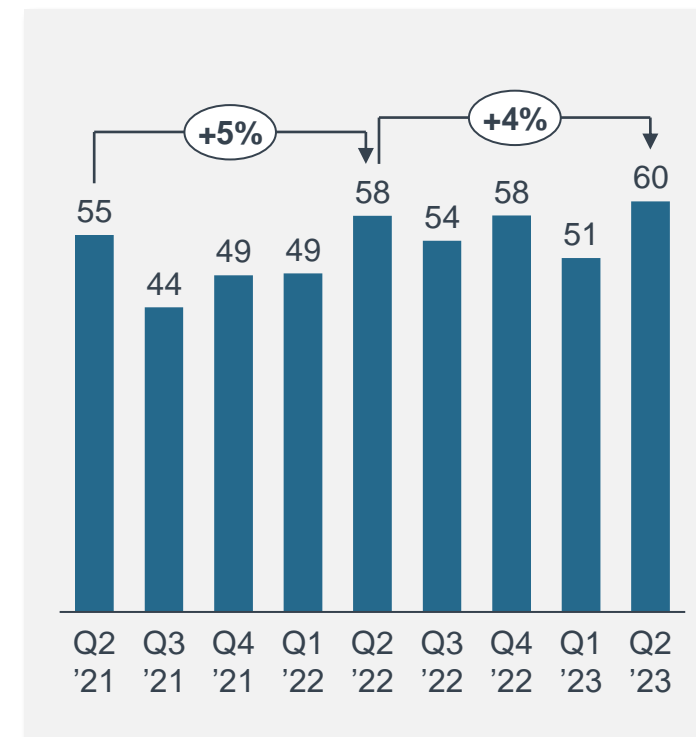
Total income  
(EUR million)



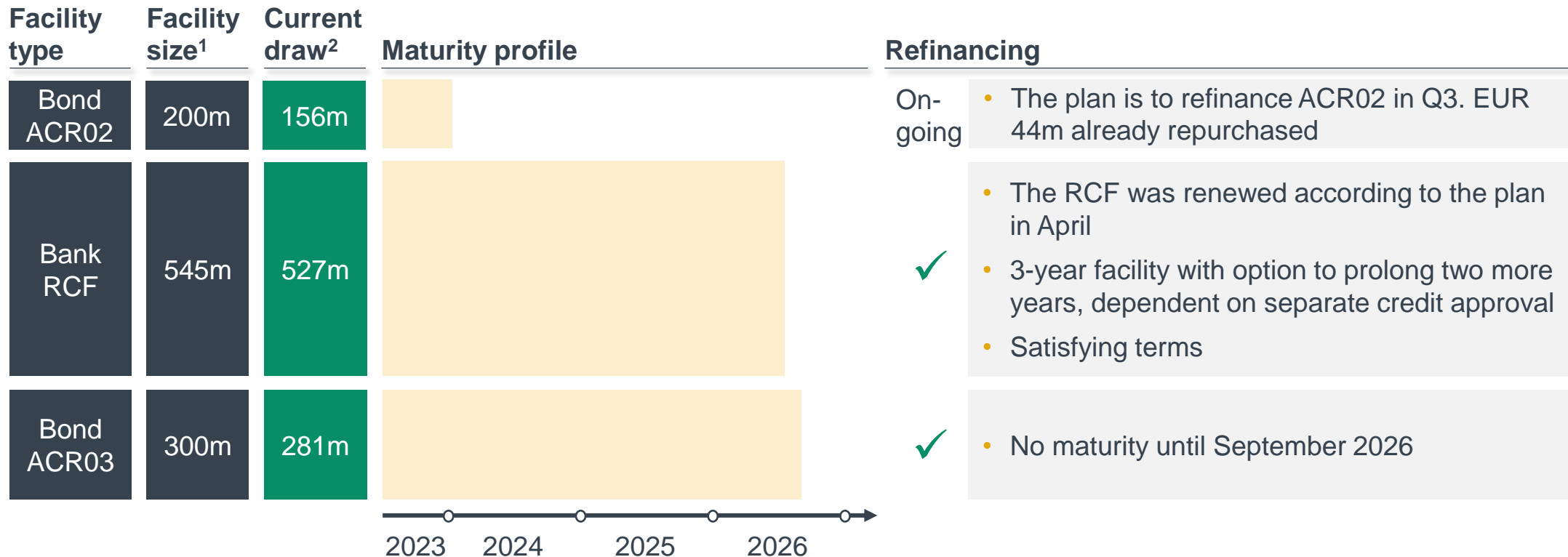
EBITDA and EBITDA-margin  
(EUR million and %)



Cash EBITDA  
(EUR million)

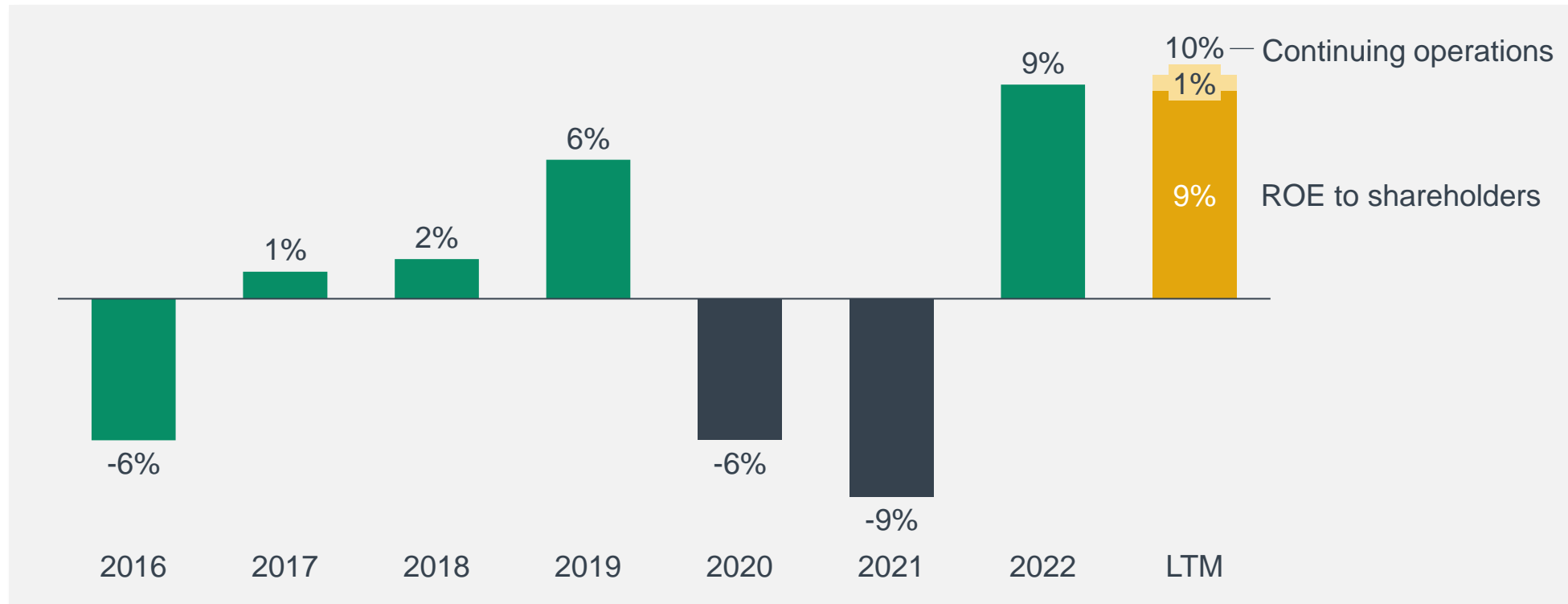


# RCF refinanced according to the plan in Q2. Expect to refinance ACR02 in Q3 according to the plan



# Stable ROE of 10% on continuing operations last twelve months – despite increased cost of funding

Return on equity to shareholders  
(%)





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# Outlook

| Key driver            | Outlook |   |
|-----------------------|---------|---|
| Accretive investments | +       | <ul style="list-style-type: none"><li>Highly accretive gross IRR on new deals of 30+% compared to the backbook of 18%</li></ul>   |
| Growth                | +       | <ul style="list-style-type: none"><li>NPL: Minimum 10% growth in interest income in 2023<sup>1</sup></li><li>3PC: Competition puts pressure on both total income and contribution margin</li></ul>  |
| Funding               | ~       | <ul style="list-style-type: none"><li>Interest rate hedge secures partial protection of financial expenses for 10 more quarters<sup>2</sup></li><li>RCF renewal closed in Q2. Next step is the planned refinancing of ACR02 in Q3</li></ul> |
| Collection            | ~       | <ul style="list-style-type: none"><li>Expect continued negative macroeconomic impact in Nordics and Germany</li><li>Collection curves are adjusted to reflect the current macroeconomic conditions</li></ul>                                |



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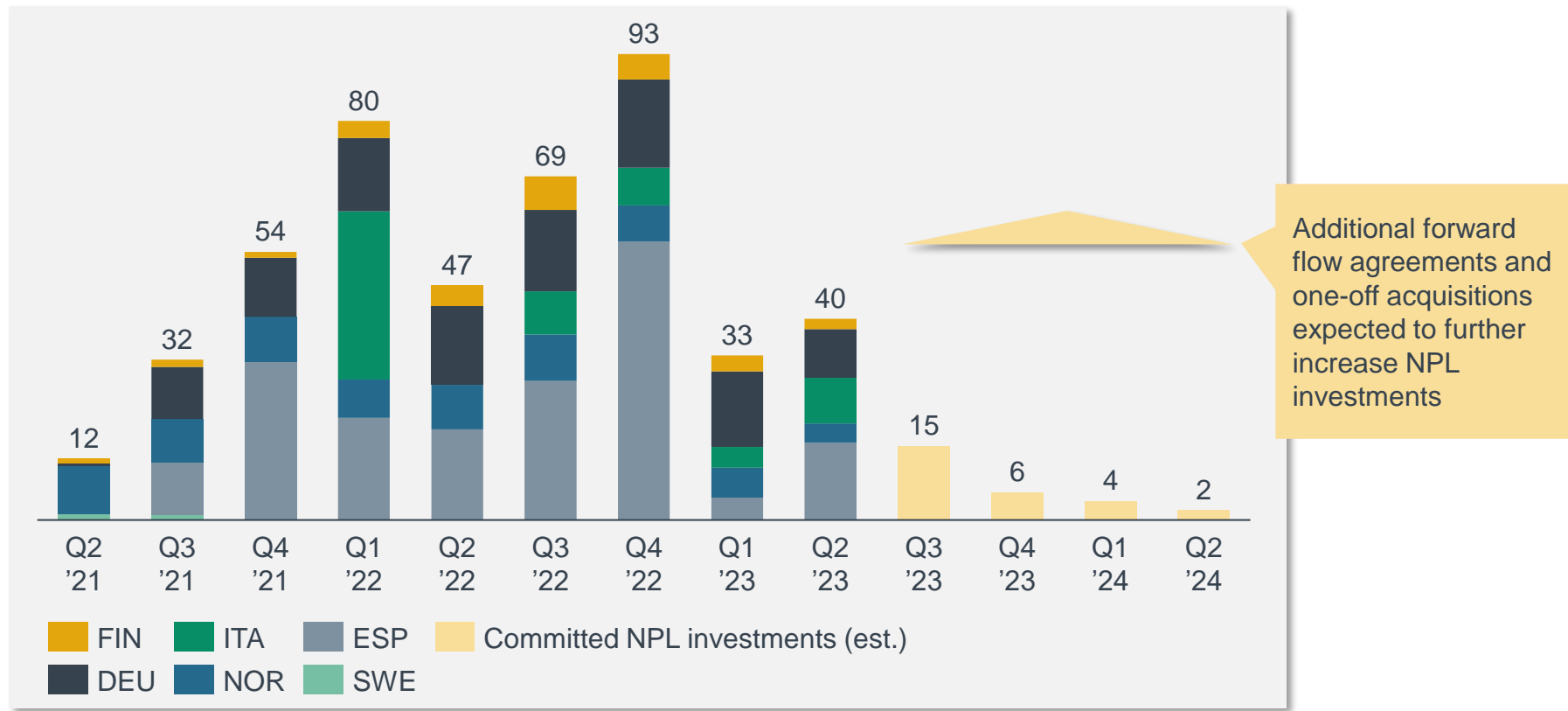
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# Supporting information

# NPL investment commitments of EUR 26m next 12 months

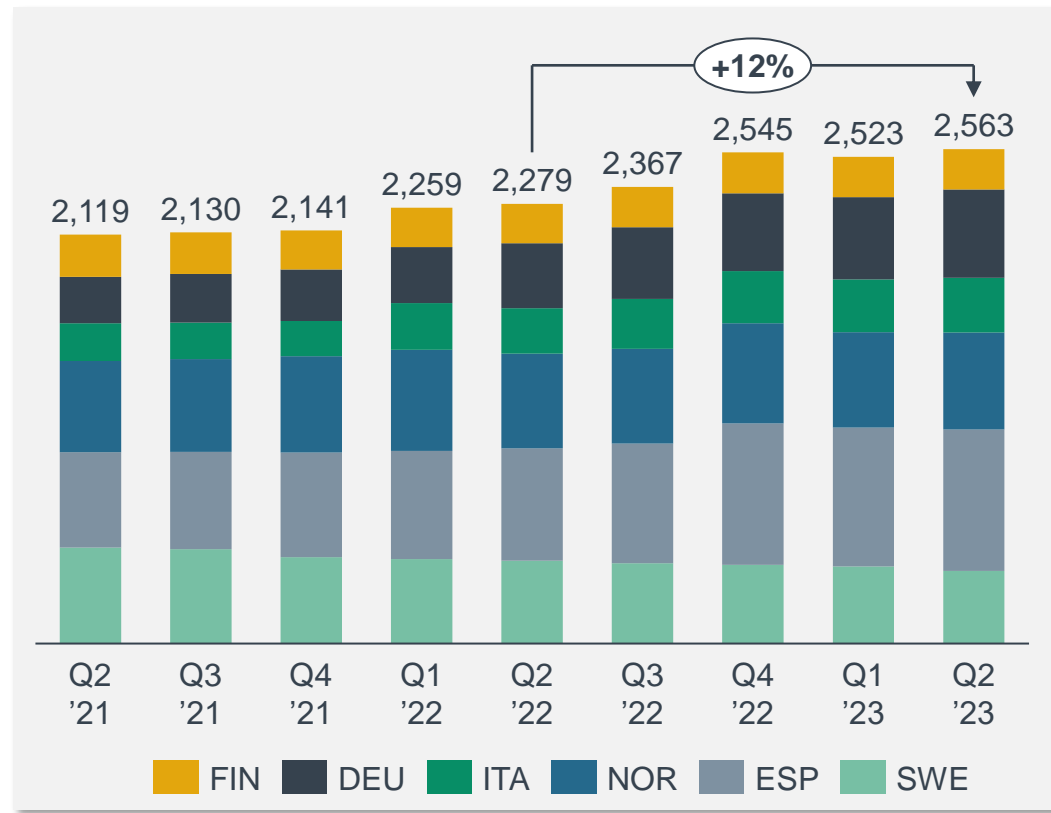
Quarterly NPL investments  
(EUR million)



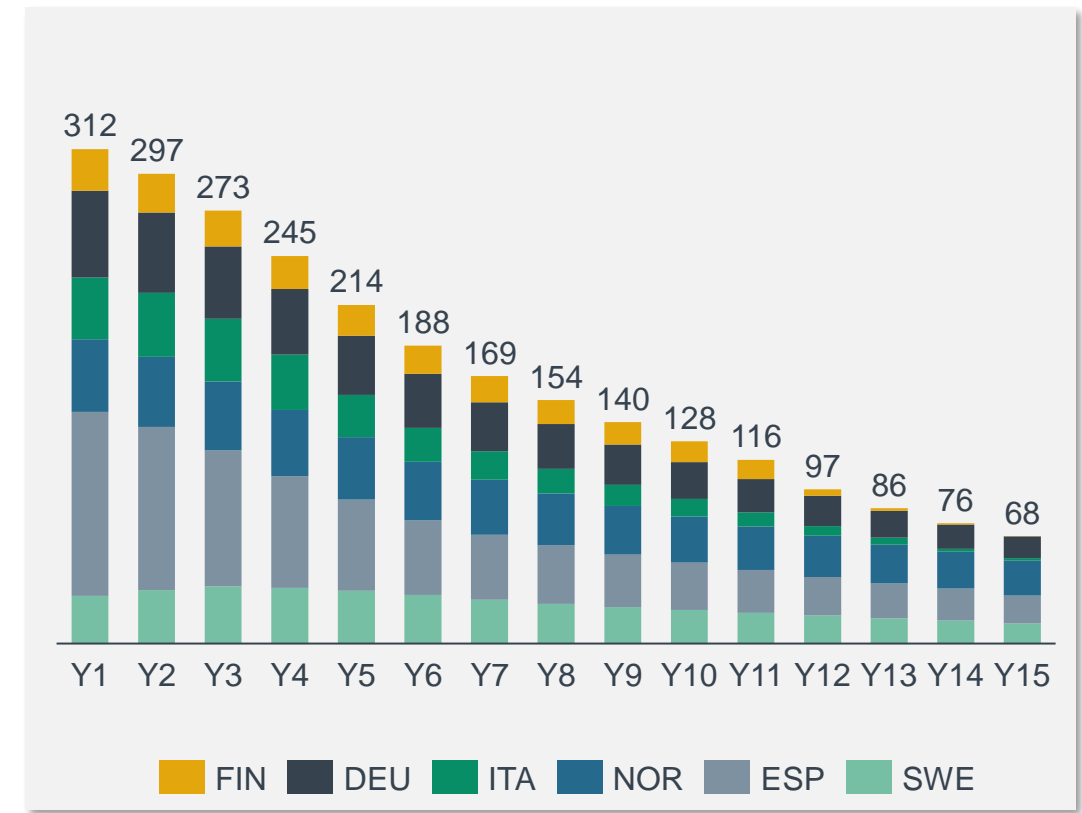


# ERC increasing by 12% y-o-y driven by increased NPL investments in 2022

ERC development  
(EUR million)

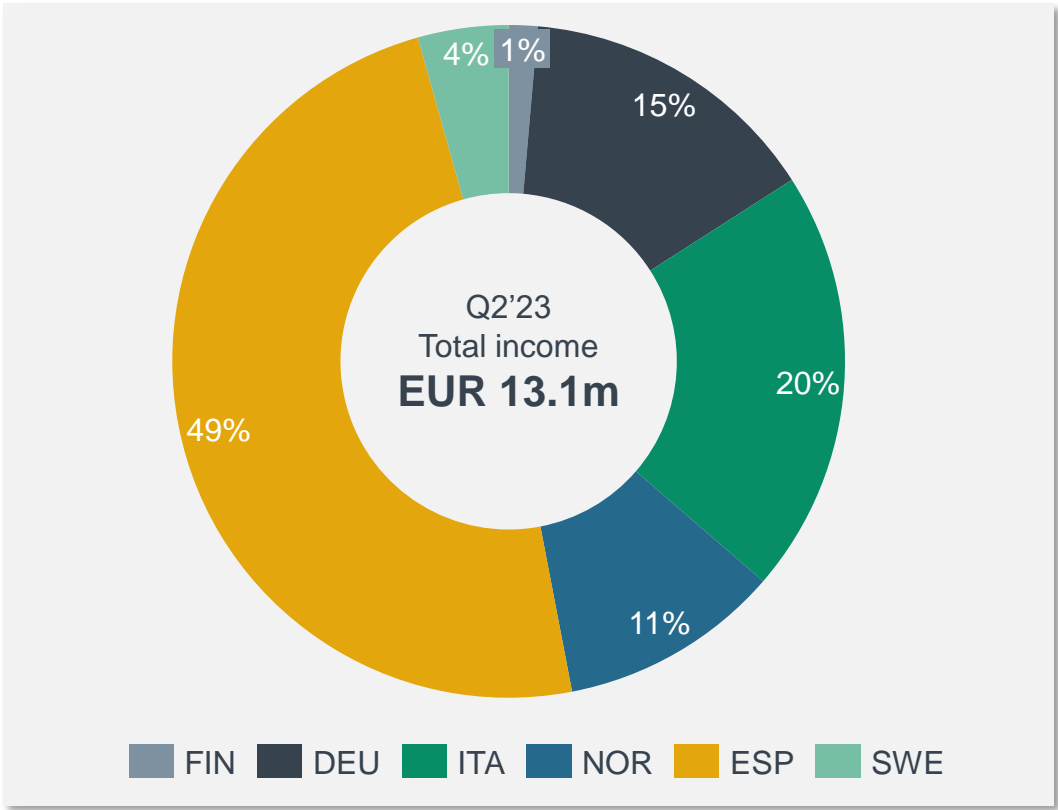


Forward ERC profile by year  
(EUR million)



# 3PC volumes by geographic region

3PC Total income split by geographic region



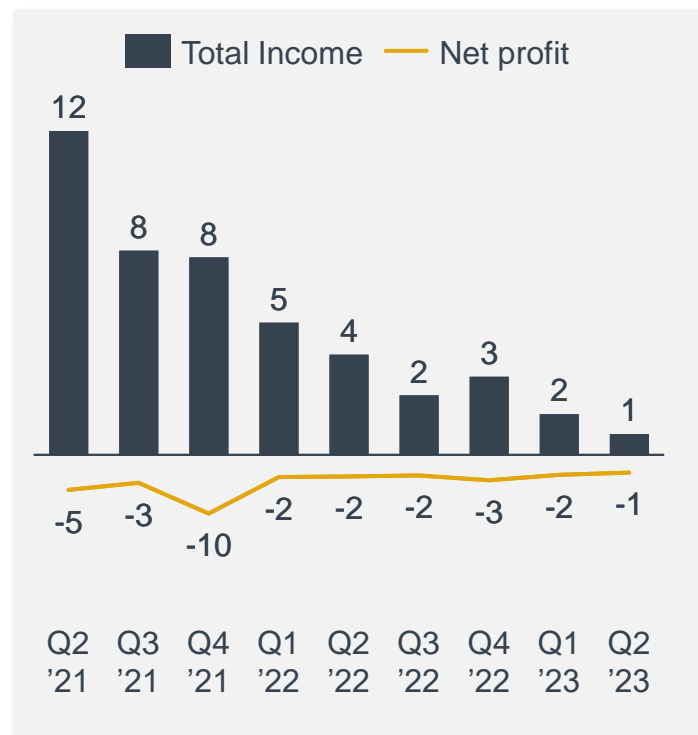
- Spain accounting for 49% of total income on 3PC
- Italy share of Total income increased to 20% (15%) following organic growth in Italy

# Discontinued operations

- REO book value reduced to EUR 5m ultimo Q2

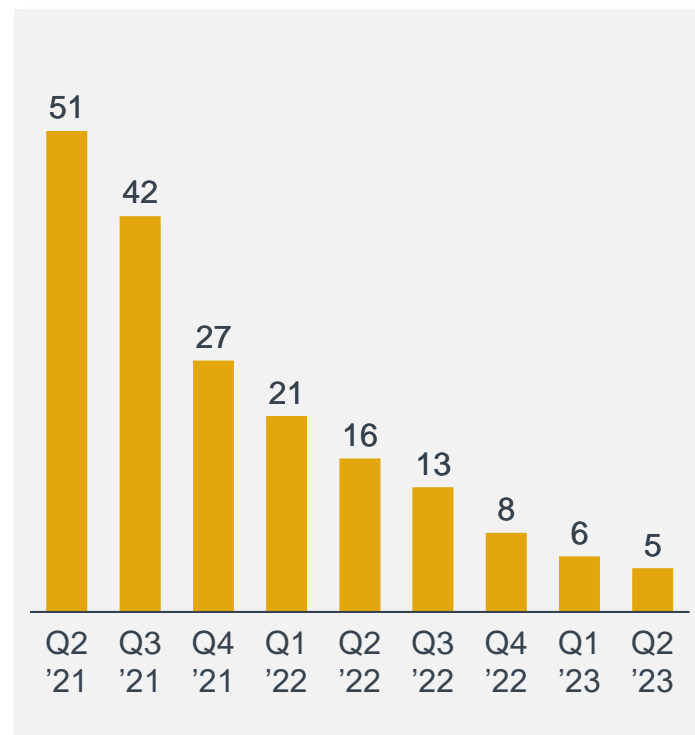
REO Total income and net profit<sup>1</sup>

(EUR million and %)

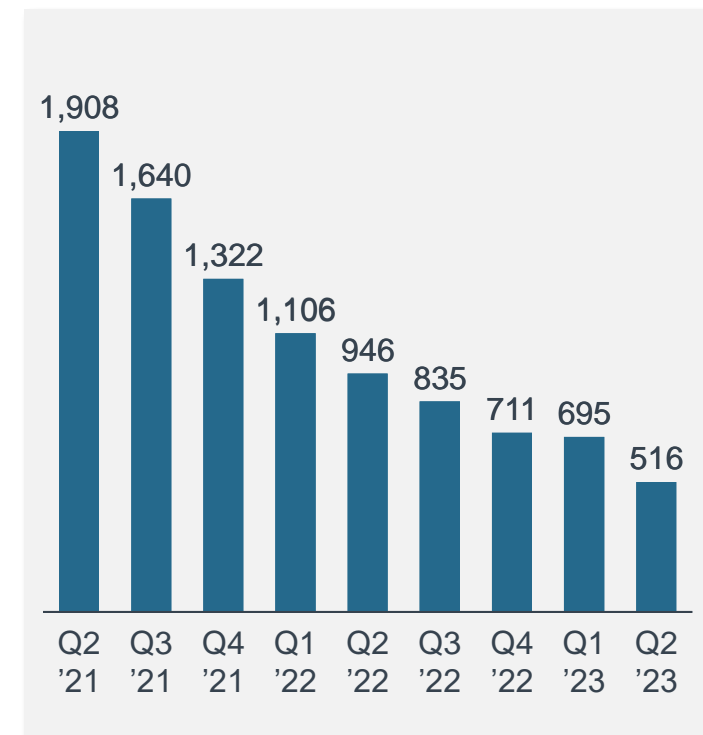


REO book value

(EUR million)



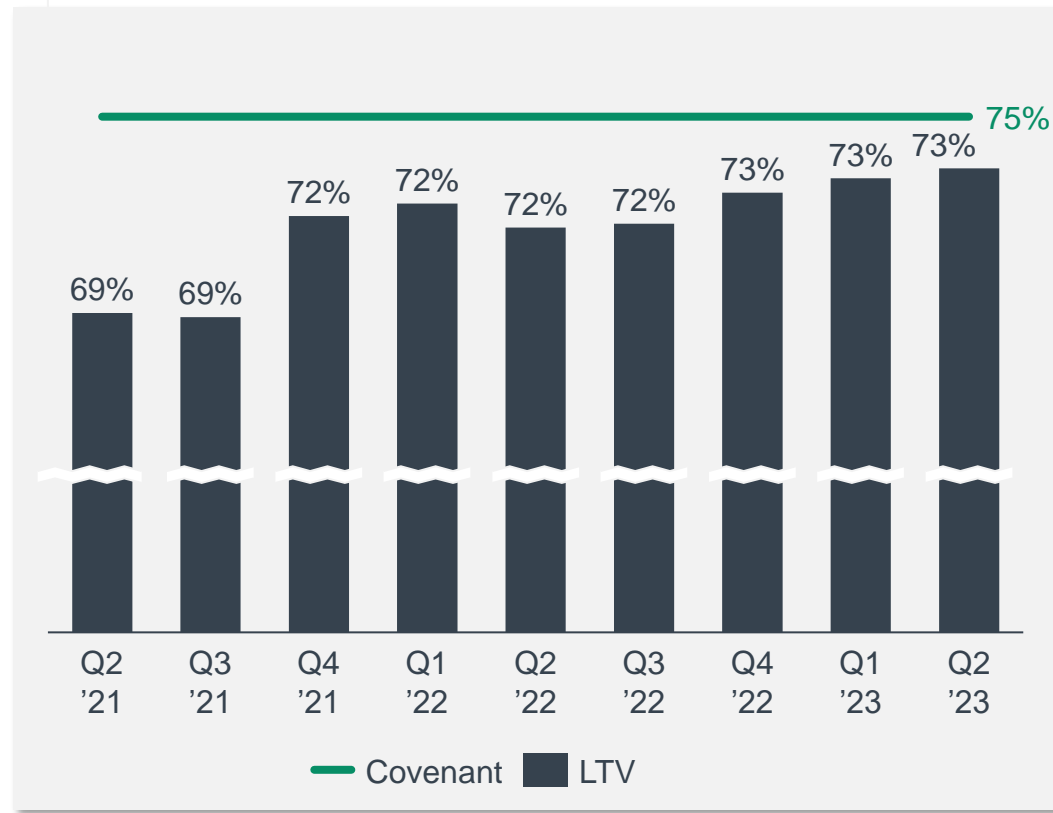
REO number of units



# Bond covenants (1/2)

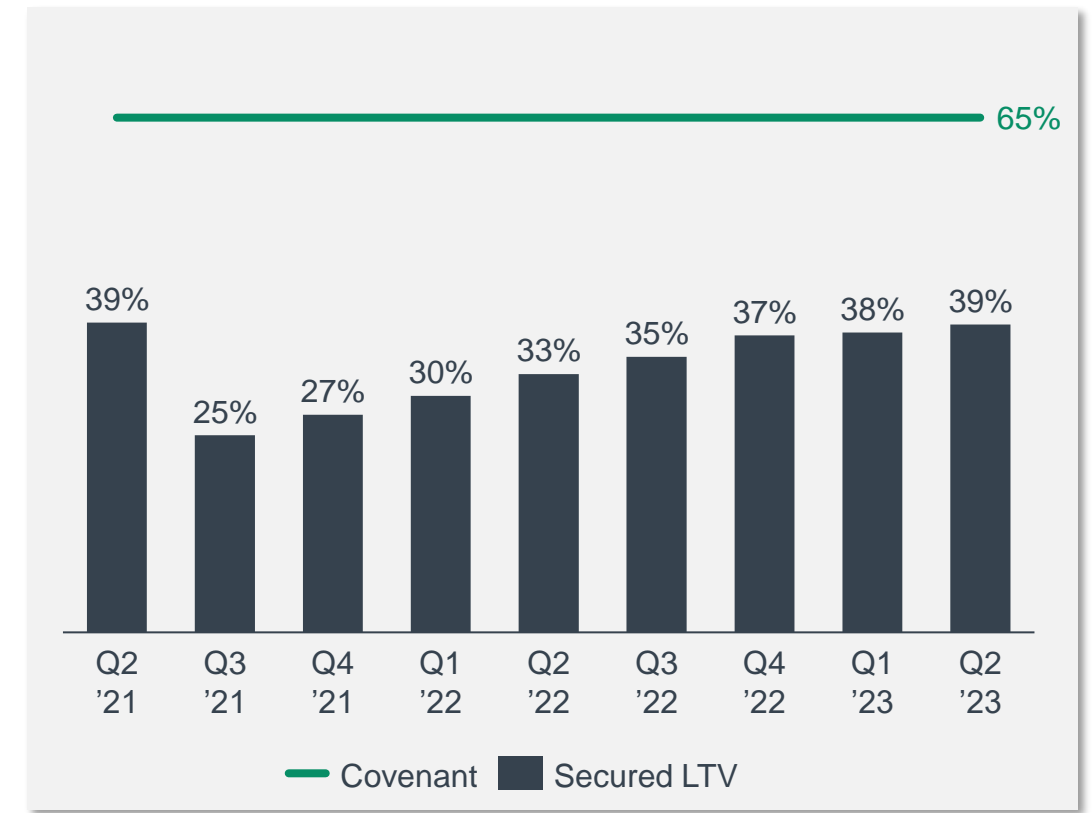
## Loan-to-value - covenant $\leq 75\%$

(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)

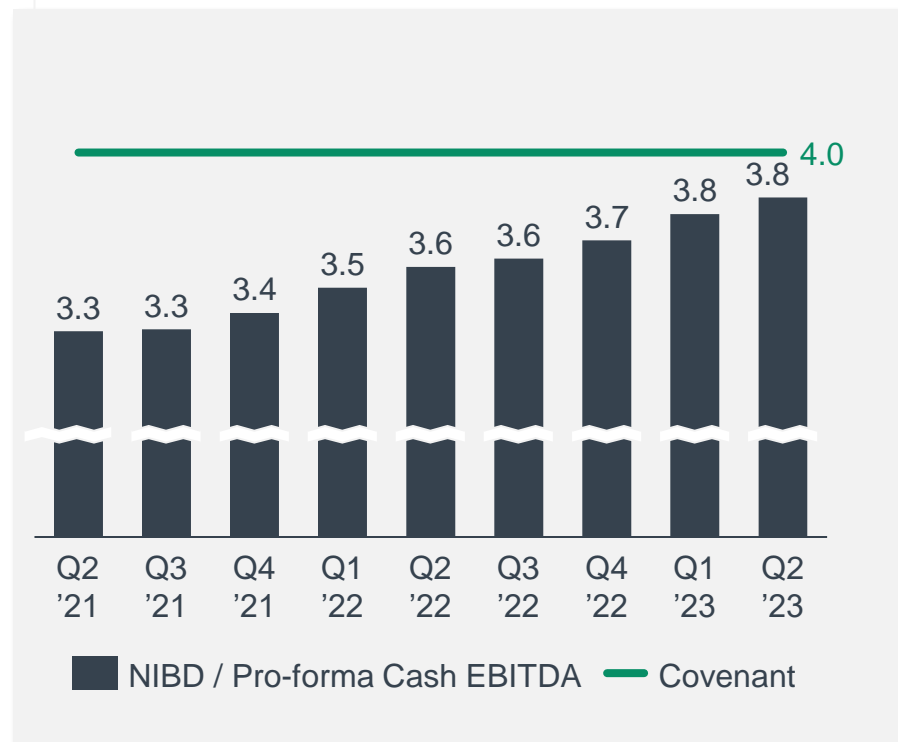




# Bond covenants (2/2)

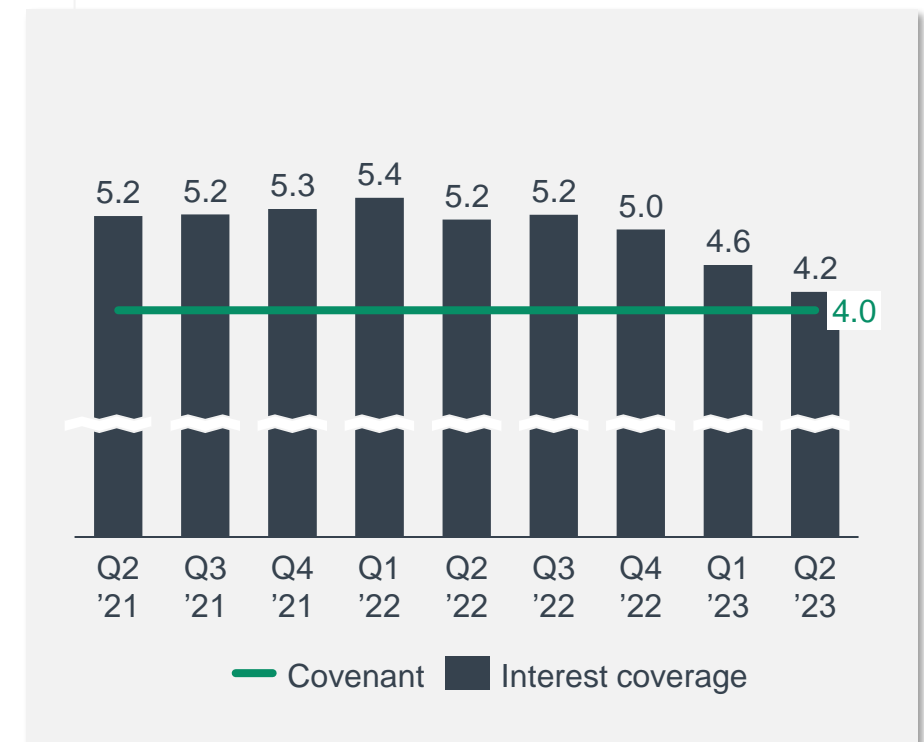
## Leverage ratio - covenant $\leq 4.0x$

(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  |

