

AXACTOR

Presentation

Q1 2024





Highlights

Financial update

Outlook

Q&A

Financial highlights for the quarter



Gross revenue declining by 4% y-o-y

- On the back of a challenging macro situation and moderate investments in 2023



Cash EBITDA declining by 5% y-o-y

- Includes EUR 1.0m in restructuring cost in Germany
- Part of a larger improvement project in Germany with expected annualized savings of EUR 6.5m



Healthy EBITDA margin of 46%

- EBITDA of EUR 26m, down from EUR 30m last year
- 48% EBITDA margin excluding restructuring cost



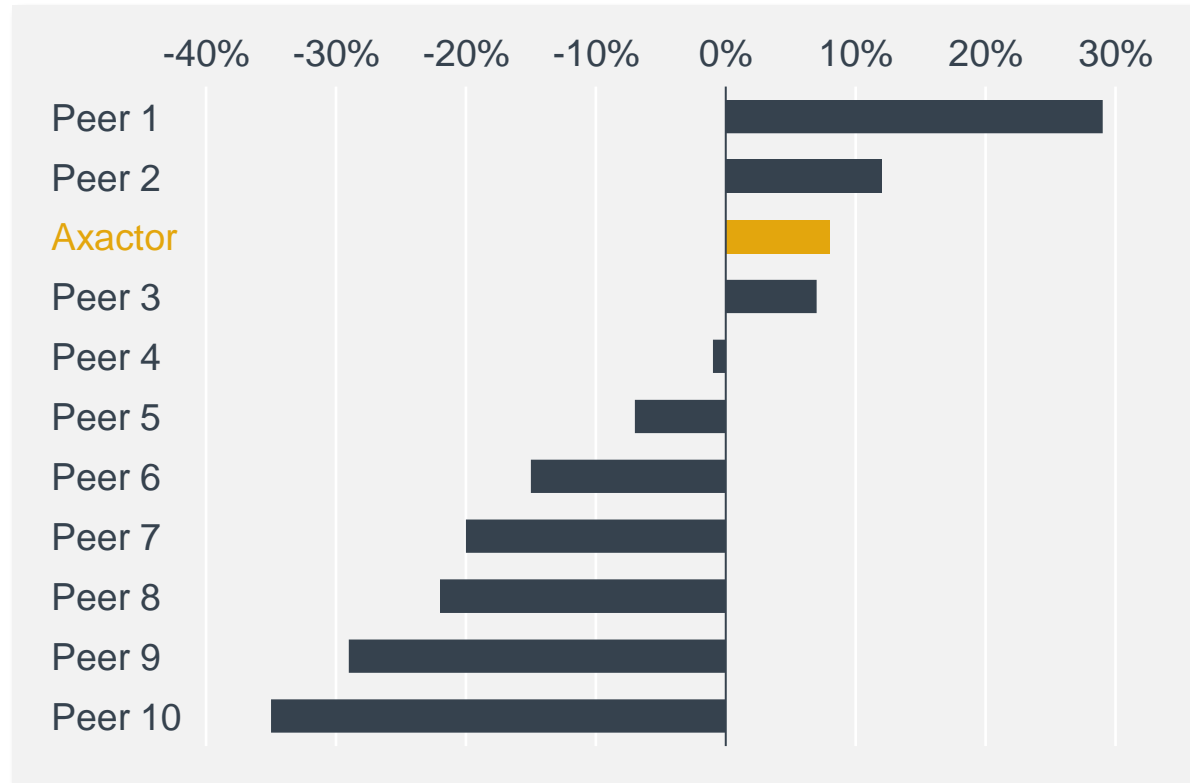
Annualized return on equity of 1%

- Burdened by “higher for longer” interest rates and a challenging collection environment

The industry is under pressure on profitability

- Axactor top 3 on profitability in 2023

Return on equity to shareholders for selected peers in 2023¹
(Percent)



Why is the industry under pressure on profitability?

Key industry challenges...

1	Funding	<ul style="list-style-type: none">Industry had easy access to cheap funding, which now is more costly
2	Prices	<ul style="list-style-type: none">Fierce competition has pushed margins on NPL and 3PC down
3	Collection	<ul style="list-style-type: none">Reduced collection; interest rates, inflation, changes in legislation
4	M&A	<ul style="list-style-type: none">Large failing M&A transactions
5	SPVs	<ul style="list-style-type: none">Formation of costly, risky and opaque securitization / SPV

...Axactor response

<ul style="list-style-type: none">Will aim for placing smaller bonds more frequently to take down risk
<ul style="list-style-type: none">Exit 3PC where profits are too lowDiscipline on NPL investments
<ul style="list-style-type: none">Reduce cost to collectActively seeking payment plans
<ul style="list-style-type: none">Focus on buying NPL-portfolios, not companies
<ul style="list-style-type: none">Dissolved all co-investment structures

/ Key profit improvement drivers going forward for Axactor

1

- Accelerate accretive investments

2

- Reduce cost to collect

3

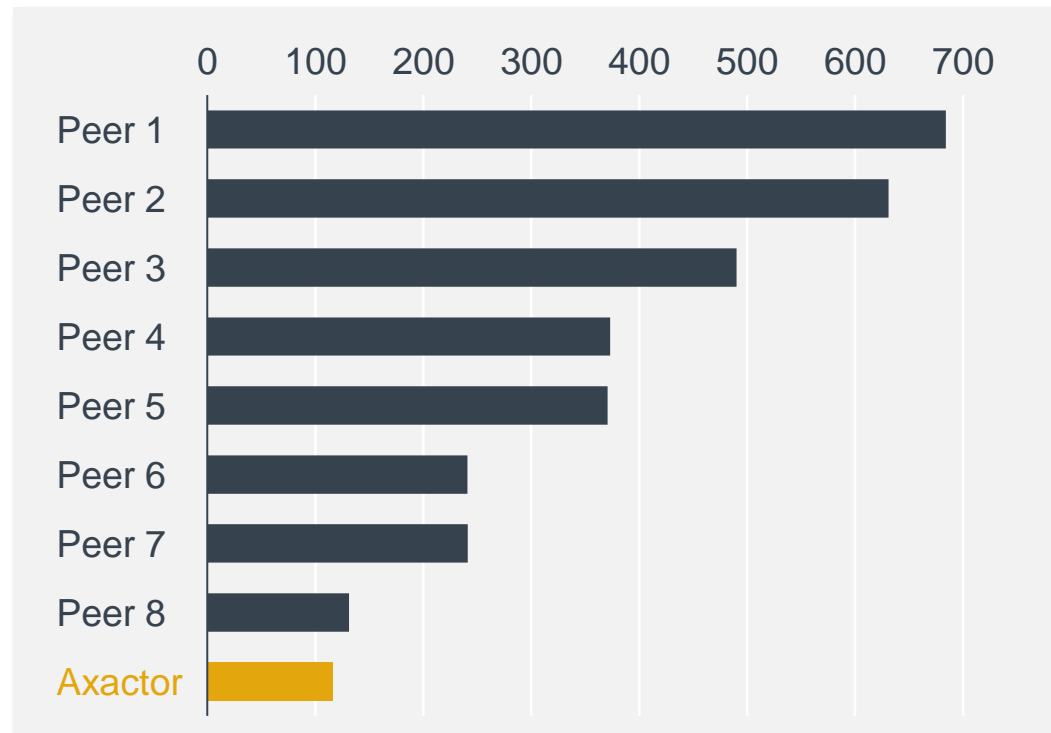
- Declining interest rates

1. Accelerate accretive investments

- Market prices are becoming more attractive

NPL investments for selected peers in Europe in 2023

(EUR million)



Status Axactor

- Moderate NPL investments of EUR 116m in '23 and EUR 11m in Q1 '24
- Attractive prices with 35% gross IRR on recent deals¹ vs. 18% on the total NPL book

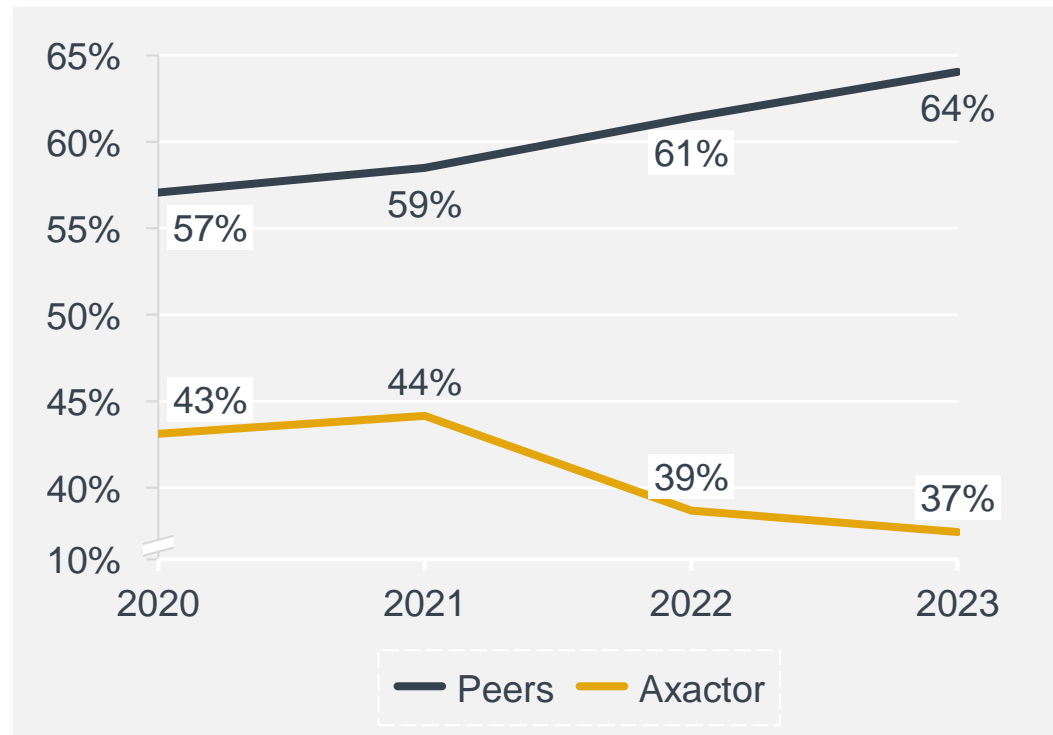
Plan going forward

- Current market prices are attractive
- Axactor expect to gradually increase investments

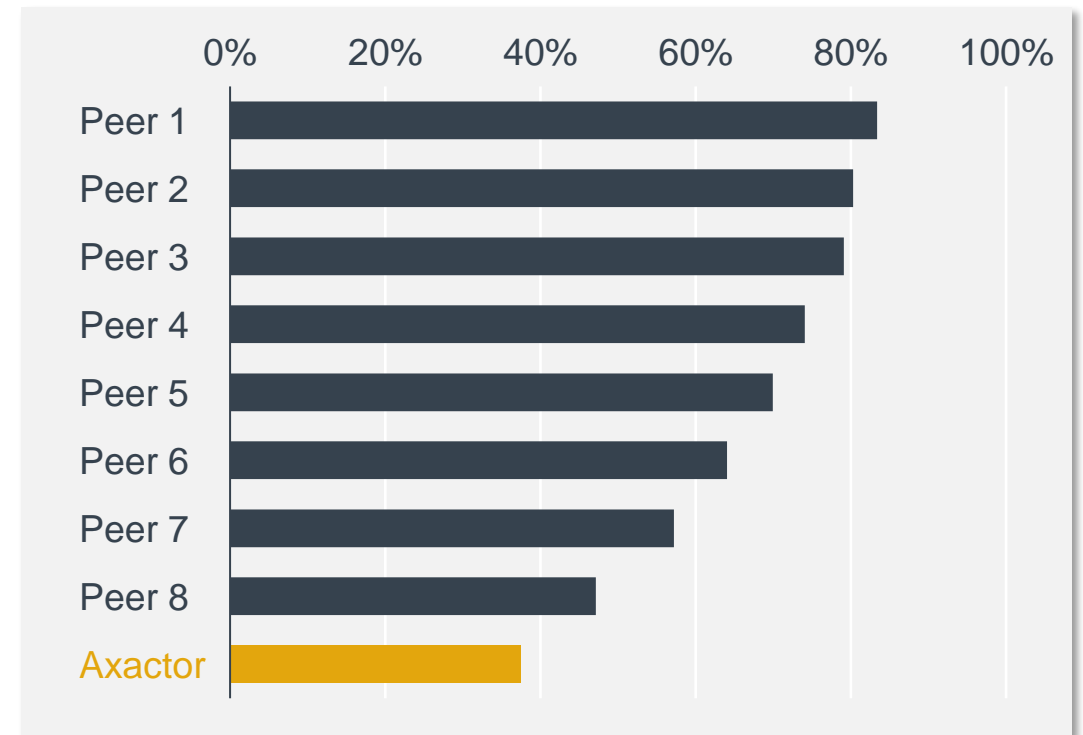
2. Reduce cost to collect

- Competitive advantage on cost improved every year since 2020

Estimated NPL cost to collect Axactor and selected peers



Estimated NPL cost to collect selected peers in 2023¹



2. Reduce cost to collect

- Improvements last twelve months per market



- Closed call center in Jyväskylä
- All operations co-located in Helsinki
- Exited loss making 3PC segment



- Closed call center in Saarbrücken
- Renegotiated several 3PC contracts
- Manning reduced from 150 to 108 FTE's¹



- Double digit growth on 3PC
- Pilot on NPL collection in our low-cost 3PC call center in Milazzo



- 3PC and NPL separated to secure focus
- One management layer terminated



- Exited loss making 3PC segment
- NPL Sweden and NPL Norway organized under one management

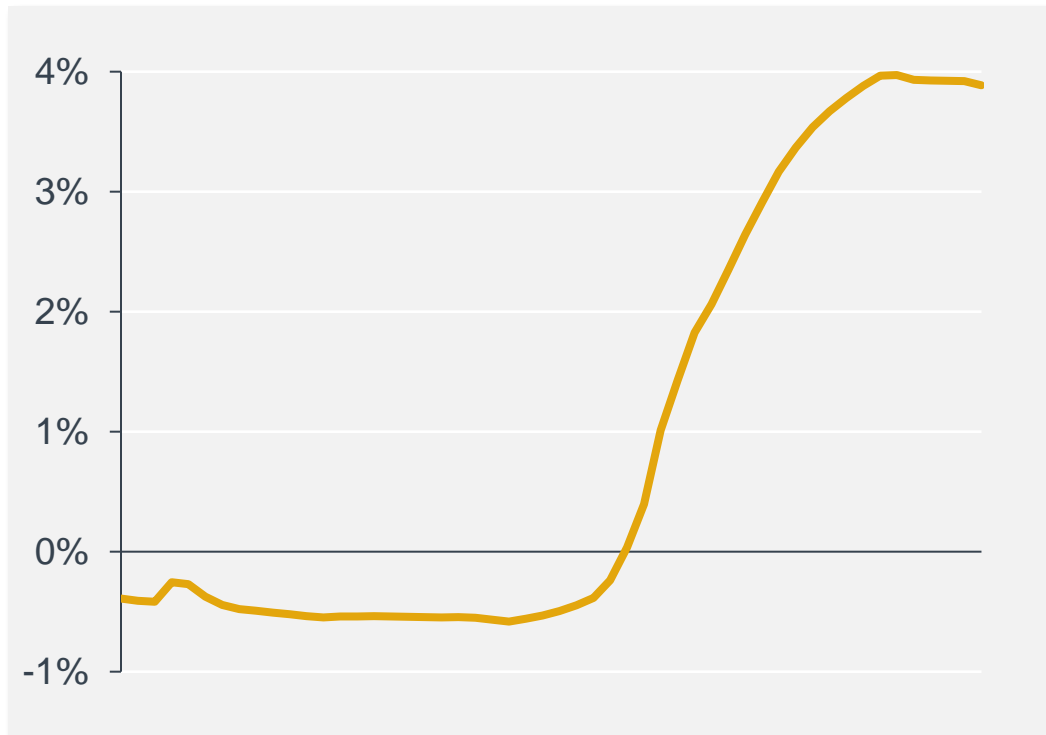


- Renegotiated low margin 3PC contracts
- Launched new digital 3PC products
- Steady growth on Secured segment

3. Declining interest rates

- Axactor will benefit materially if interest rates declines

EURIBOR 3 months (Jan '20 – Apr '24)¹



A reduction in interest rates of 1pp will...

- ...improve Axactor's cash flow and net financial result by EUR ~9.3m on an annual basis²
- ...improve return on equity by ~1.6pp



Highlights

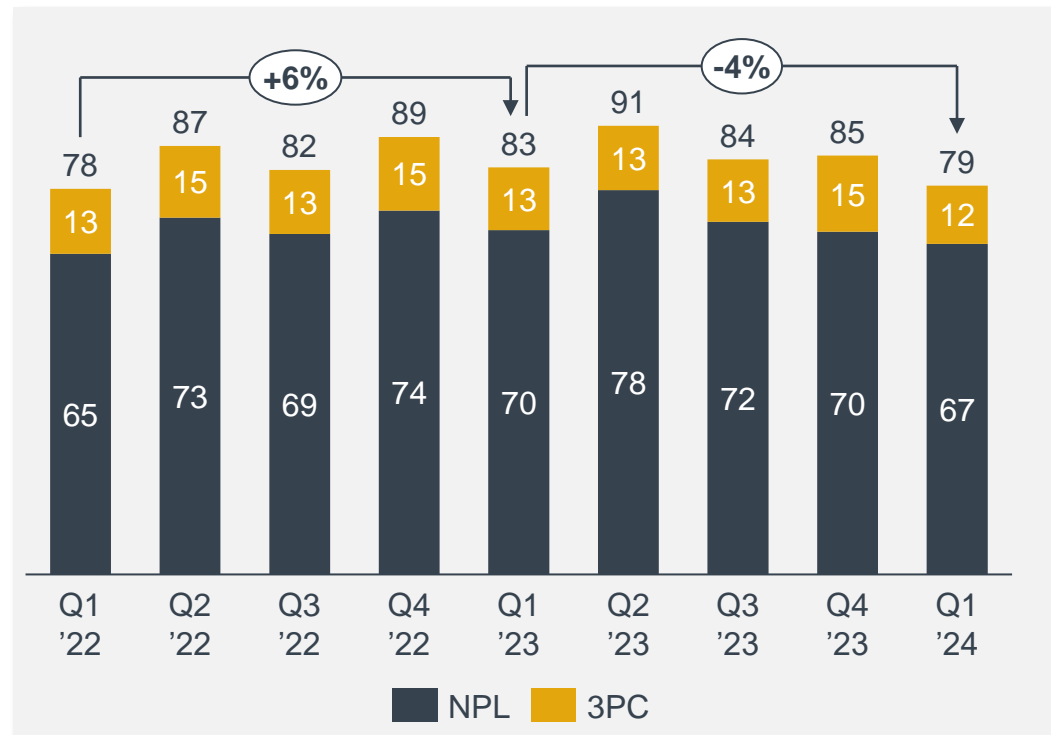
Financial update

Outlook

Q&A

Group: Gross revenue is down 4% y-o-y driven by both segments

Gross revenue
(EUR million)

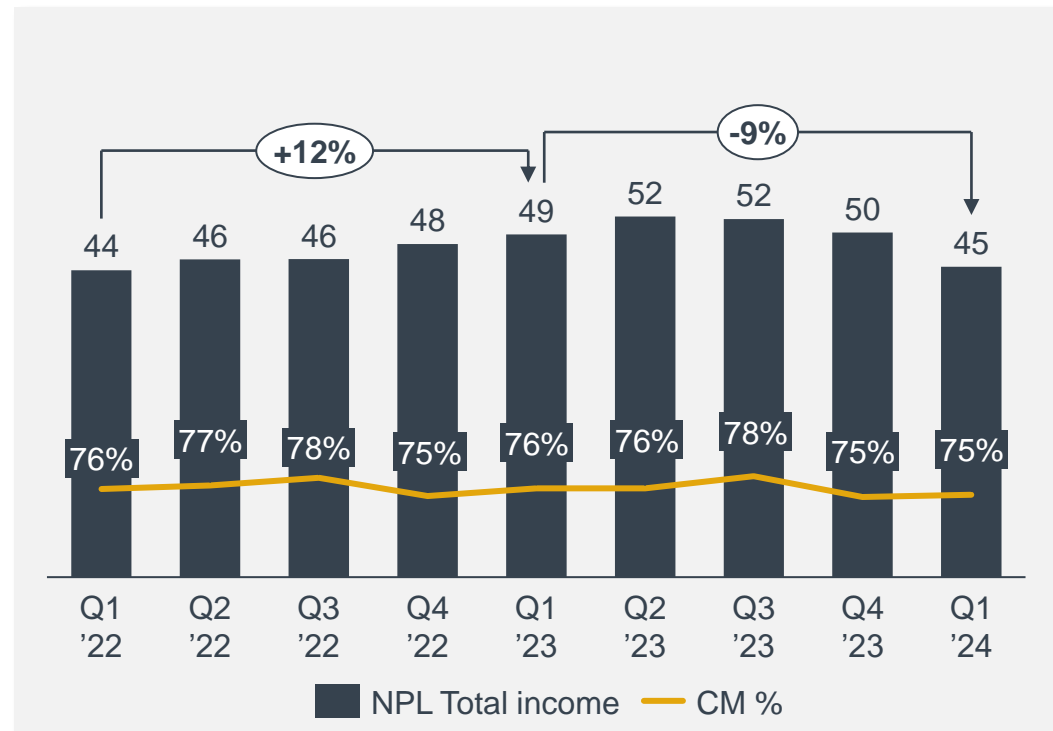


- Gross revenue is down 4% y-o-y
 - NPL gross revenue declining by 4% y-o-y
 - 3PC gross revenue declining by 7% y-o-y
- Disappointing result on both segments reflecting the current tough macroeconomic situation in Europe

NPL segment: A soft quarter on NPL

NPL Total income and CM%

(EUR million, and %)

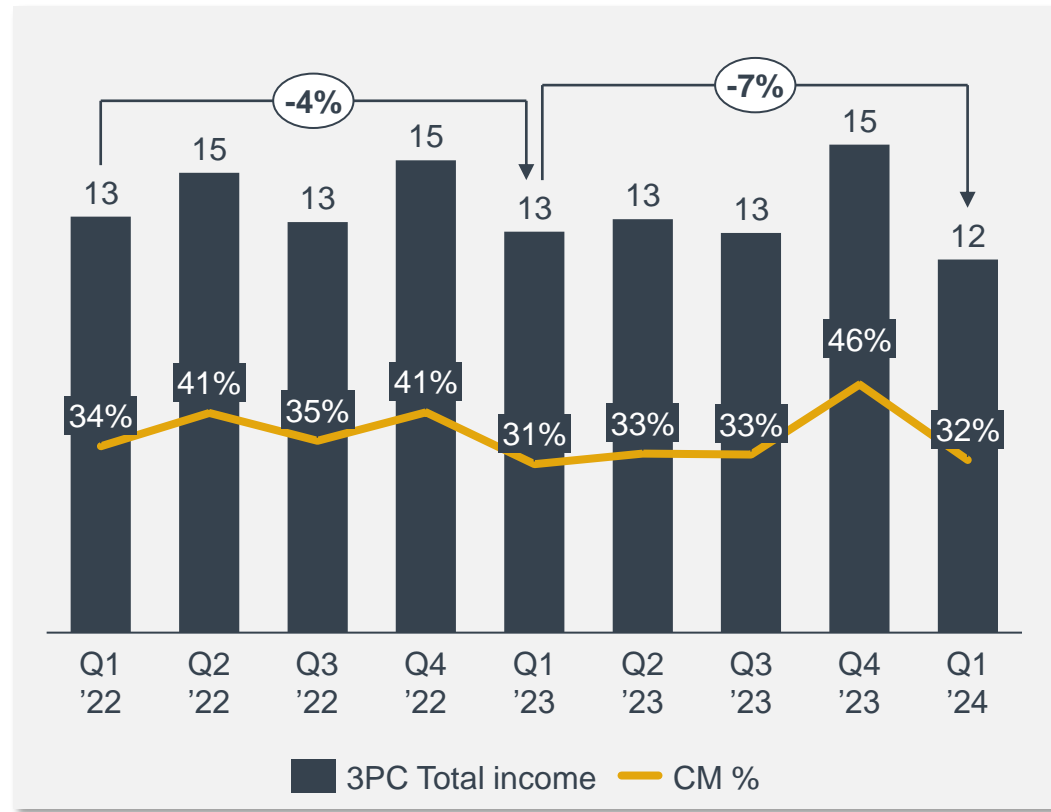


- Total income and margins down y-o-y on the back of macroeconomic headwinds
- Collection performance of 92% for the quarter
 - Satisfactory collection in southern Europe
 - More challenging to collect in Germany and the Nordics

3PC segment: A soft quarter on 3PC but new attractive contracts signed

3PC Total income and CM%

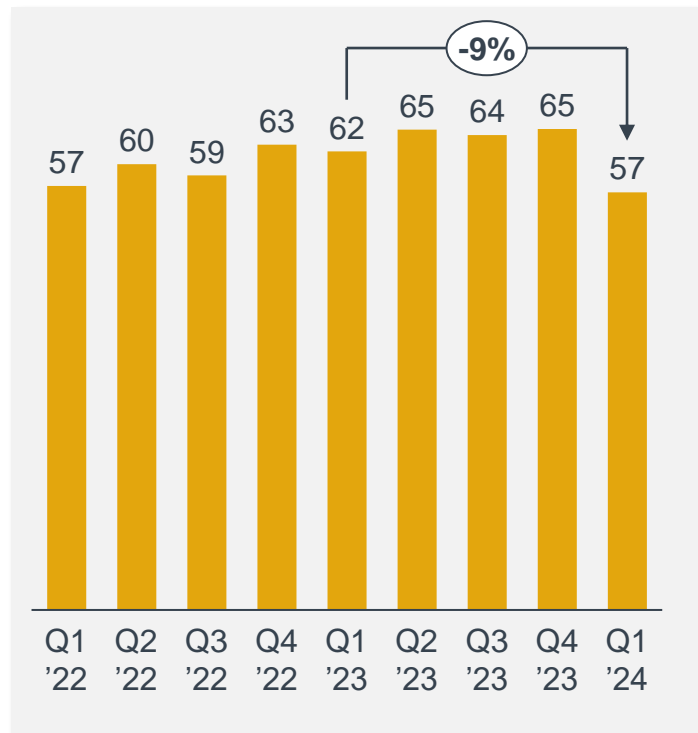
(EUR million and %)



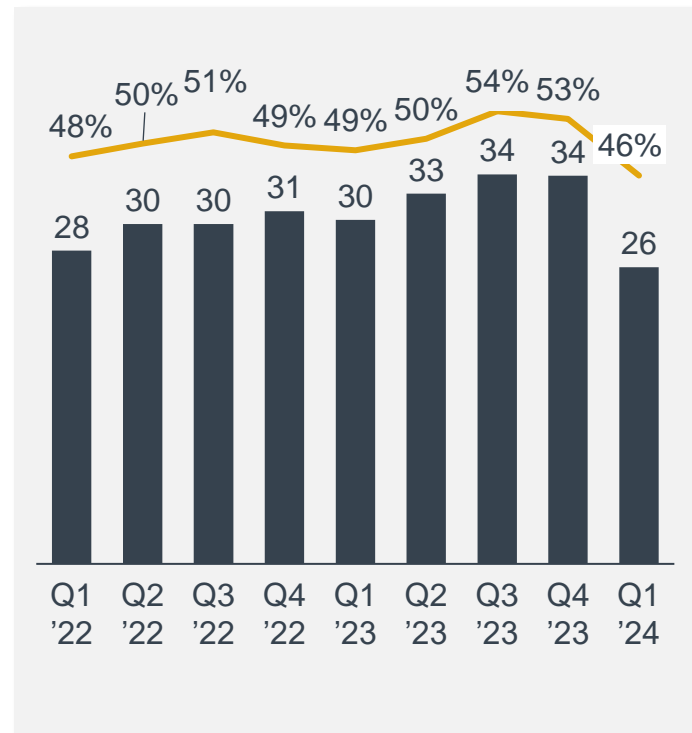
- 3PC total income decline of 7% y-o-y
 - 5pp of the decline is attributable to closure of 3PC in Sweden and Finland
- Margins slightly up driven by strict cost control
- Expect growth in total income and margins from newly signed contracts with effect from Q3

Group: In summary a soft quarter on key metrics

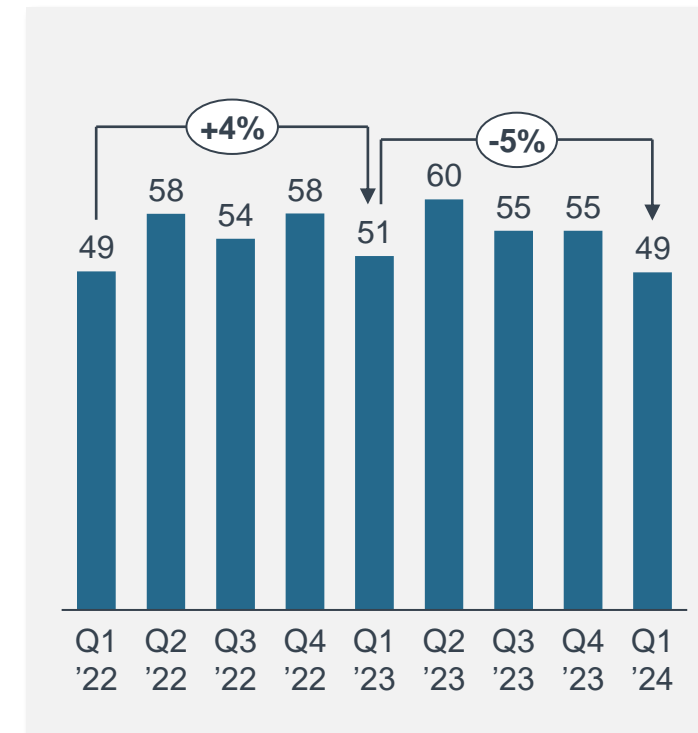
Total income
(EUR million)



EBITDA and EBITDA-margin
(EUR million and %)

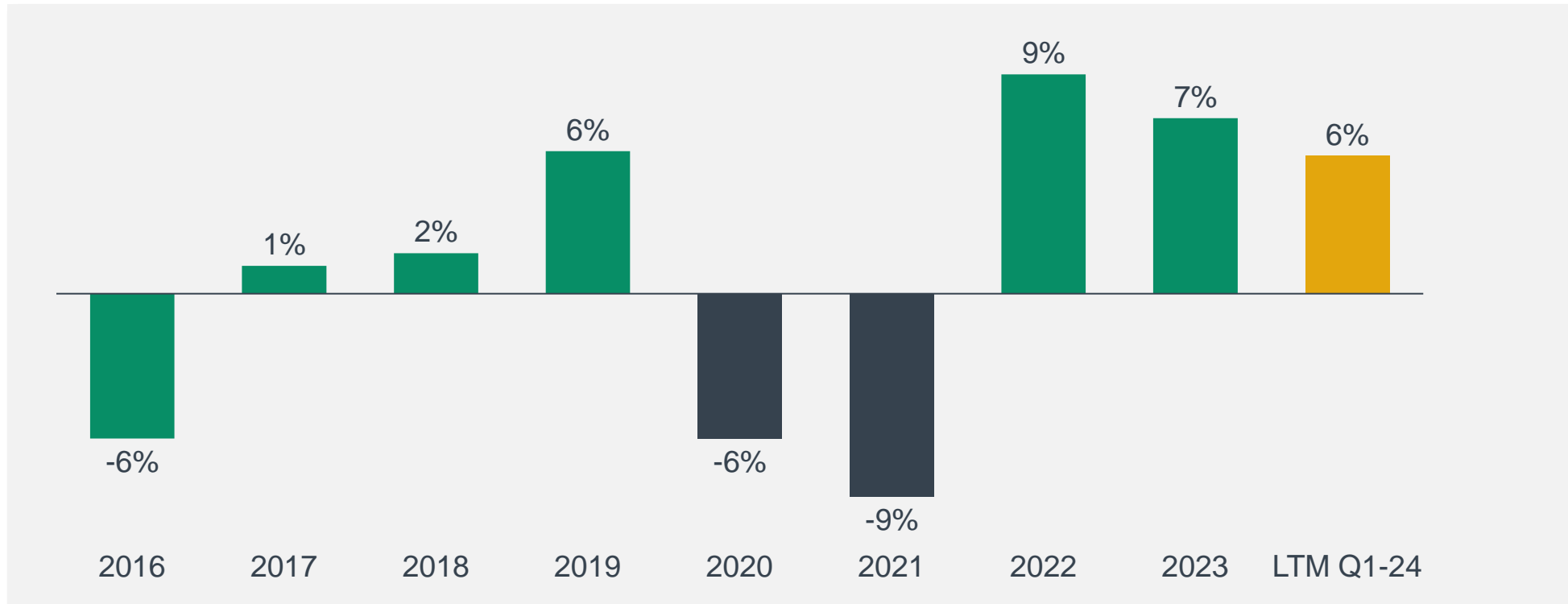


Cash EBITDA
(EUR million)



ROE upheld at 6% last twelve months – despite increased cost of funding

Return on equity to shareholders (%)





Highlights

Financial update

Outlook

Q&A

Outlook for 2024

1	Collection	<ul style="list-style-type: none">• Experience a challenging collection environment which is expected to prevail throughout 2024
2	OPEX	<ul style="list-style-type: none">• Absorbed inflation and achieved OPEX reduction y-o-y last two quarters. Expect to be able to continue the trend
3	Cost of funding	<ul style="list-style-type: none">• Expect only modest reduction of cost of funding in 2024• Interest rates are fixed around the beginning of the quarter for Axactor
4	NPL investments	<ul style="list-style-type: none">• Soft start to the year with EUR 11m in Q1• Expect investment levels to gradually pick up during the year
5	Covenants	<ul style="list-style-type: none">• Compliant on all covenants per Q1• Monitoring ICR¹ and Leverage ratio as the current headroom is limited



Highlights

Financial update

Outlook

Q&A



Supporting information

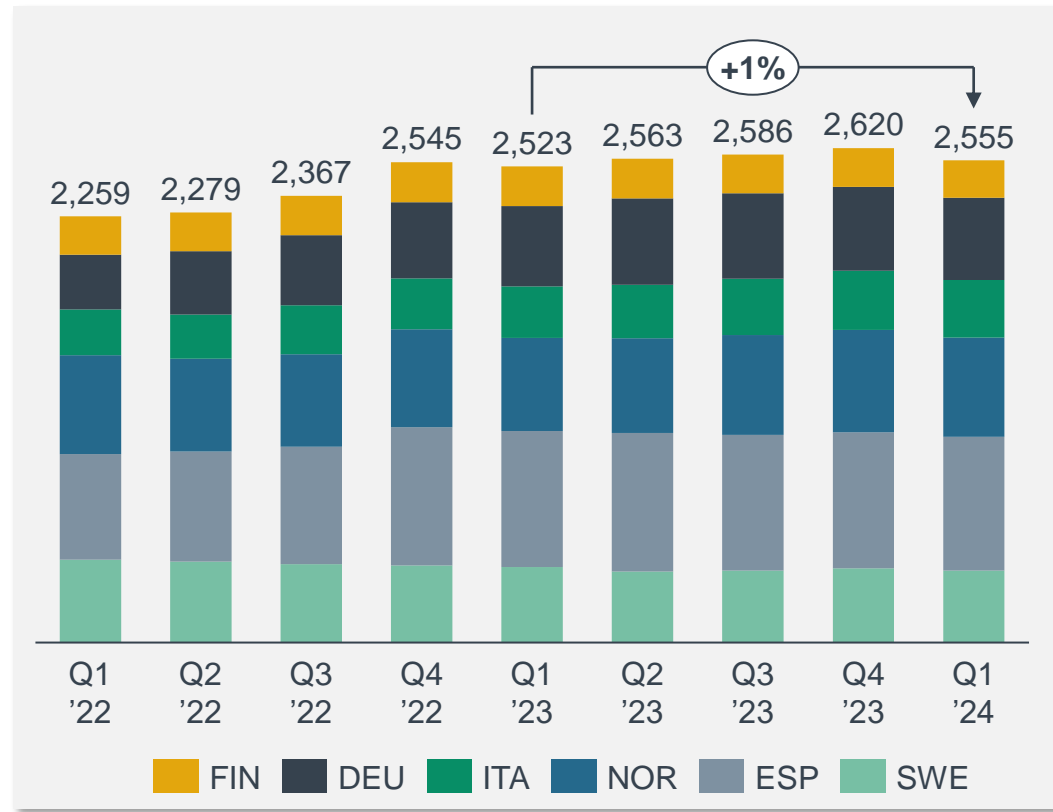
NPL investment commitments of EUR 16m next 12 months

Quarterly NPL investments
(EUR million)

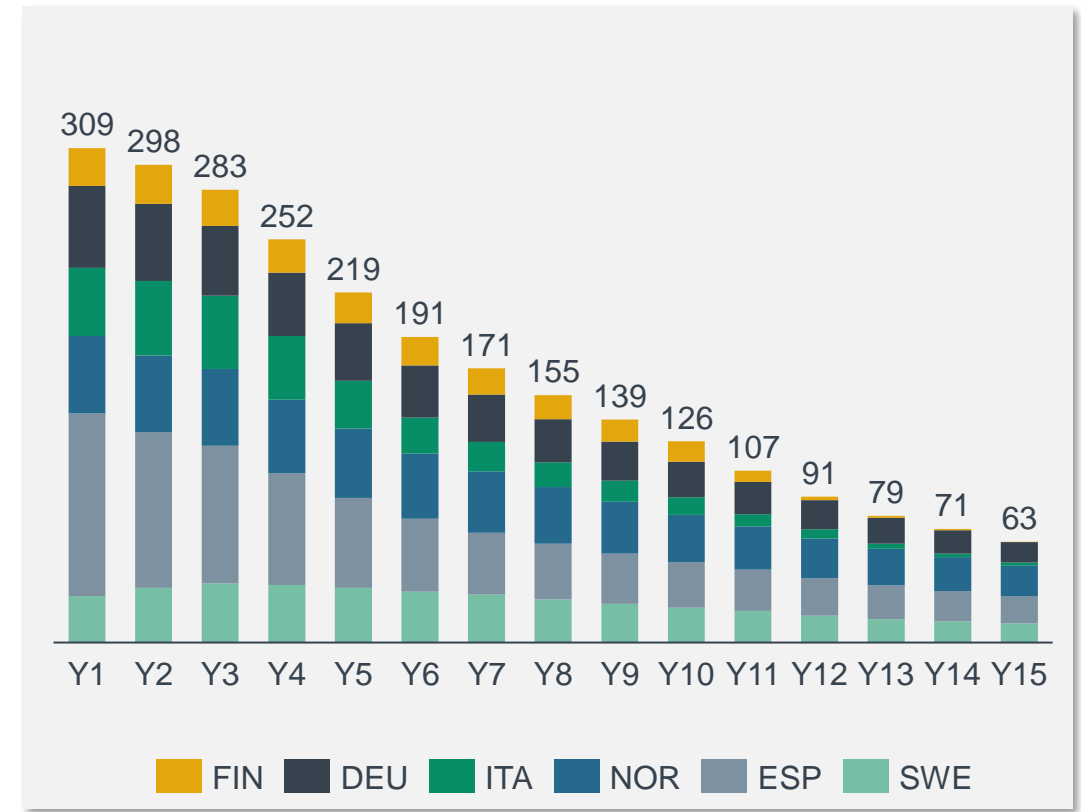


ERC increasing by 1% last twelve months

ERC development
(EUR million)

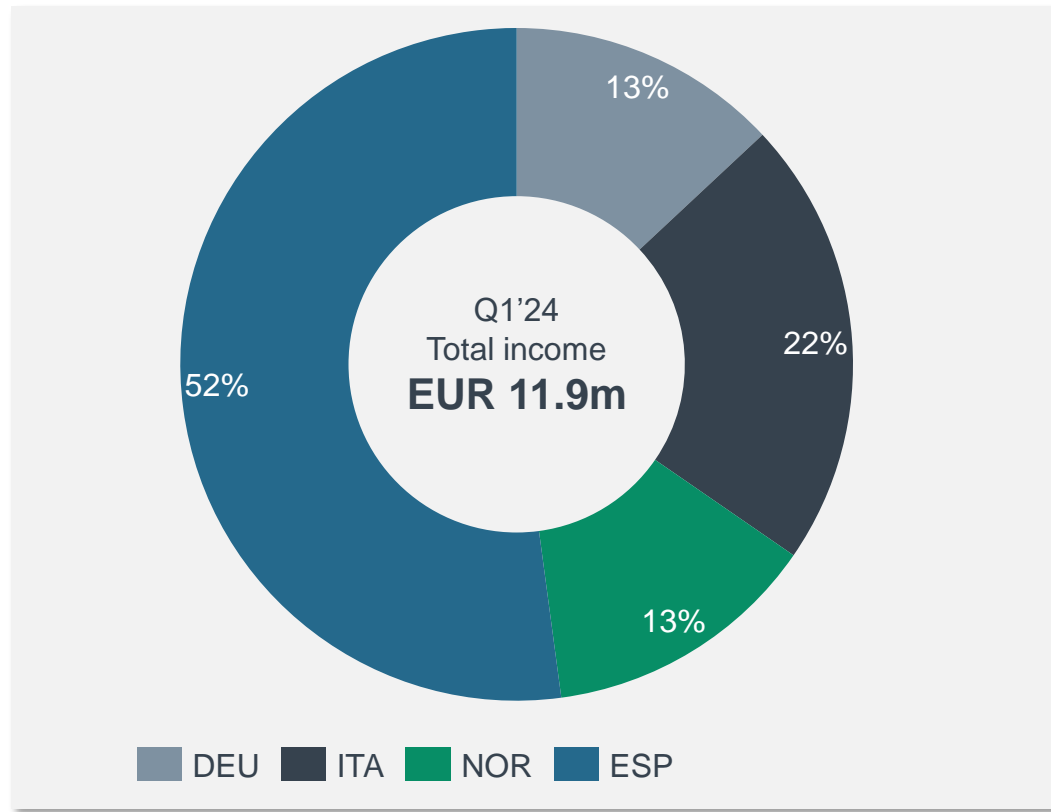


Forward ERC profile by year
(EUR million)



3PC volumes by geographic region

3PC Total income split by geographic region

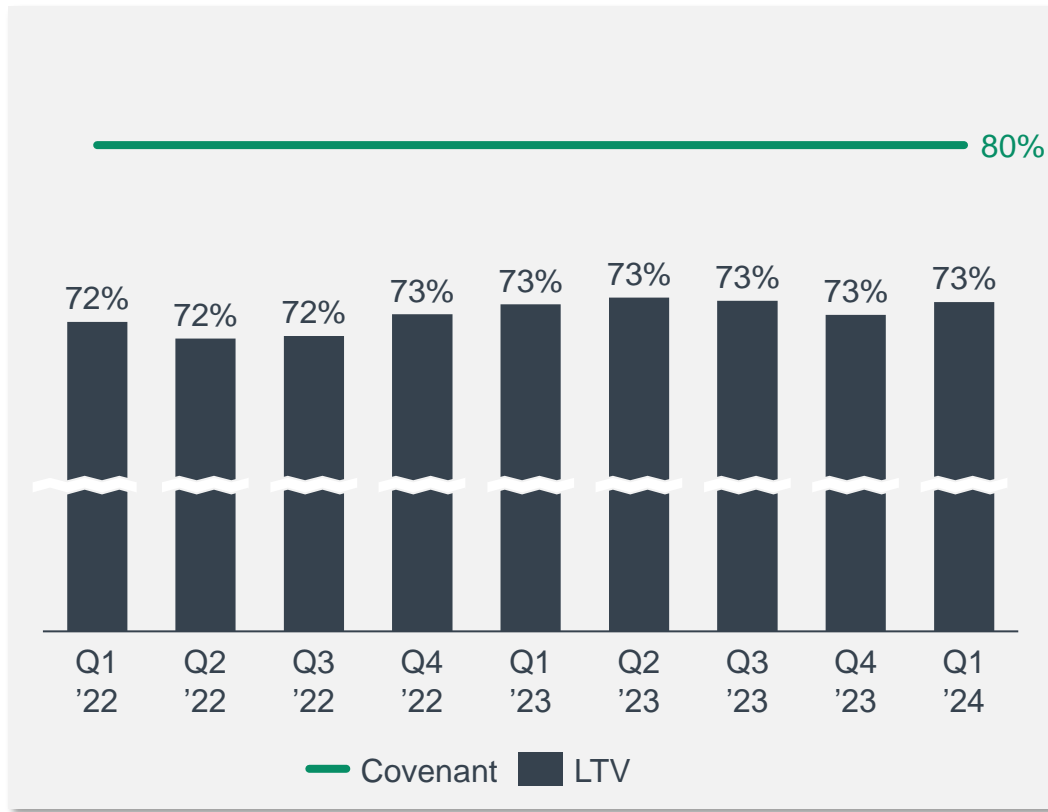


- Spain accounting for 52% of total income on 3PC
- Segment closed down in Finland and Sweden, with no active clients per year-end 2023

Bond covenants (1/2)

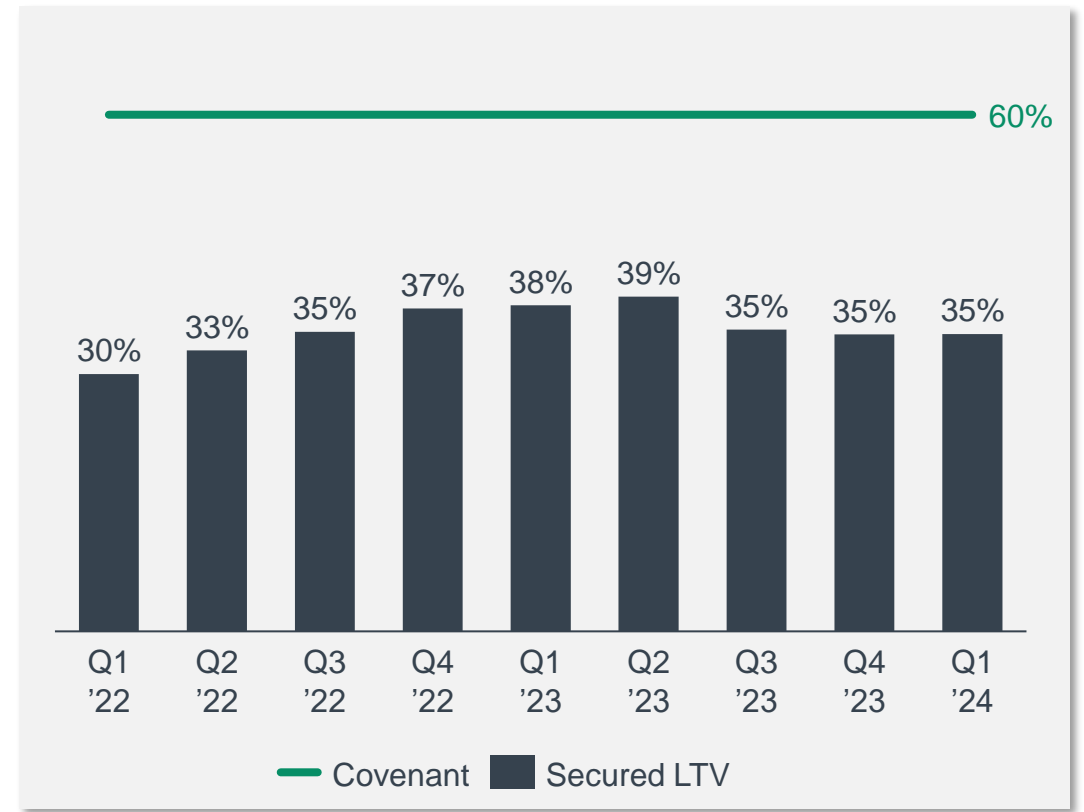
Loan-to-value - covenant $\leq 80\%$

(Net interest-bearing debt divided by total portfolio book value)



Secured Loan-to-value - covenant $\leq 60\%$

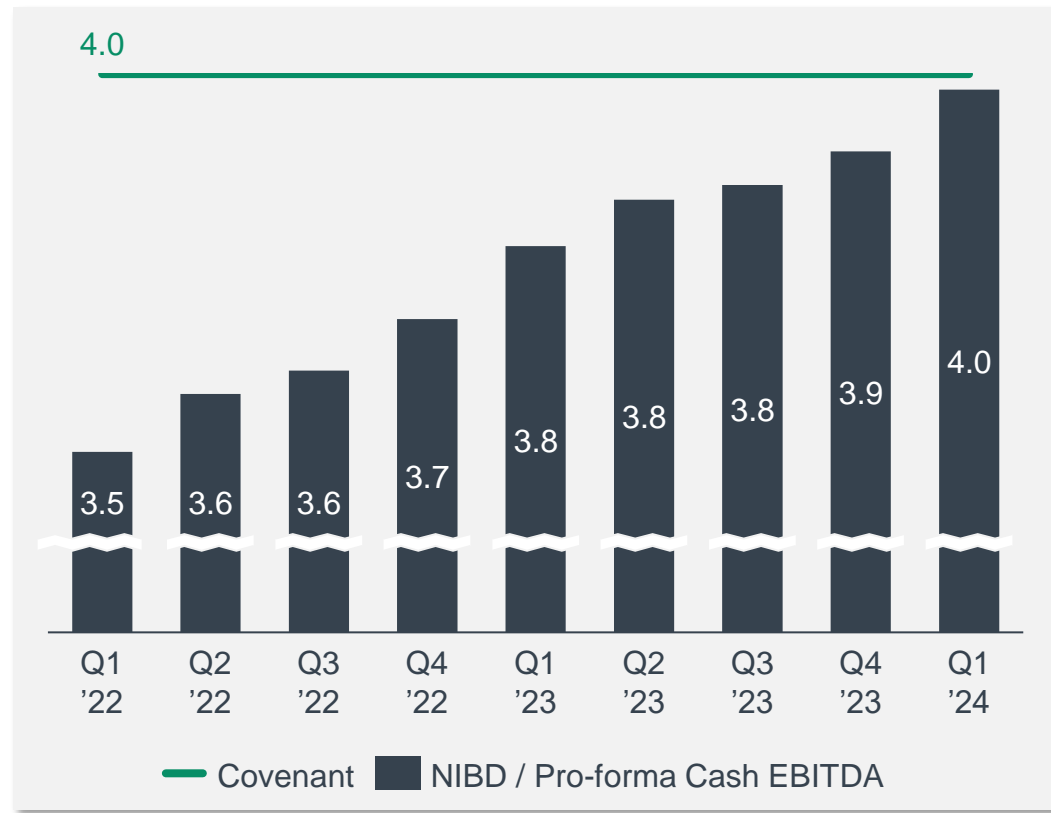
(Secured net interest-bearing debt divided by total portfolio book value)



Bond covenants (2/2)

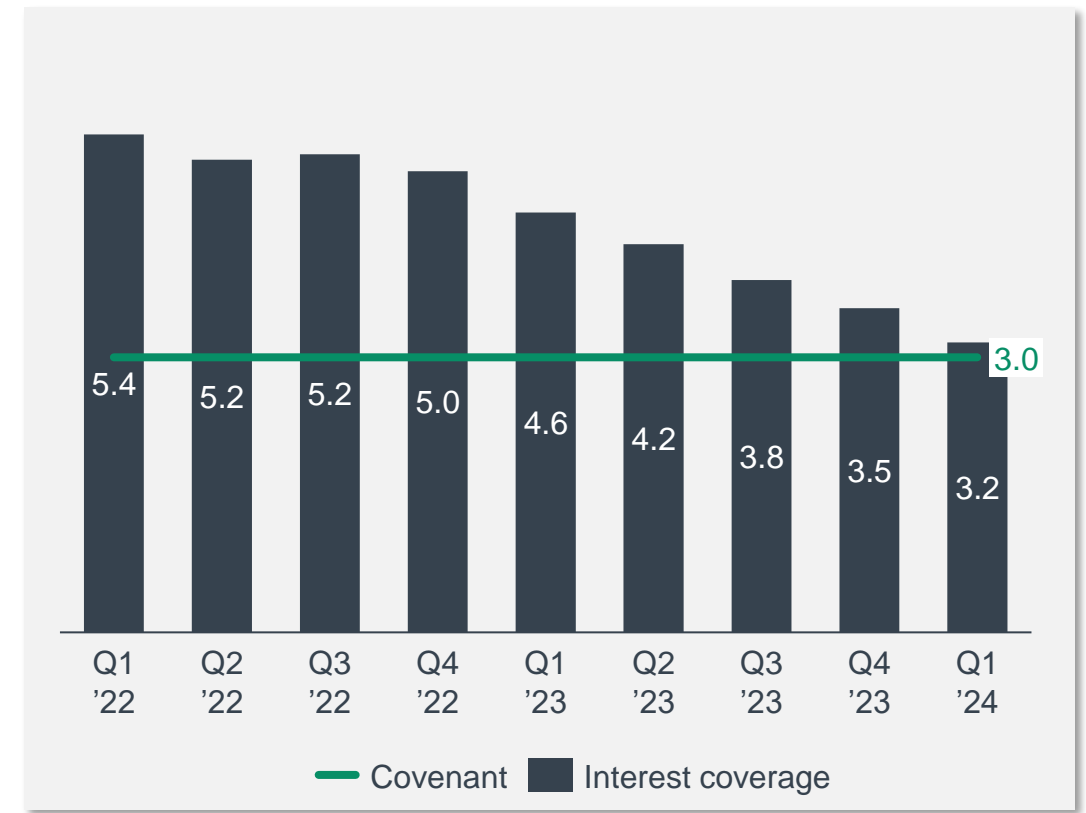
Leverage ratio - covenant $\leq 4.0x$

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



Interest coverage ratio - covenant $\geq 3.0x$

(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 Axactor ASA and all its subsidiaries
Group	
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

