

AXACTOR

Q4 2022

17 February 2023





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## Q4 and full year highlights

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Financial update

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Outlook

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Q&A

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# Financial highlights for the quarter on continuing operations



Strong EBITDA margin – reaching 49% for the quarter

- EBITDA of EUR 31m, up from EUR -17m last year



Cash EBITDA growth of 18% y-o-y

- Cash EBITDA of EUR 58m, up from EUR 49m last year



Profit after tax of EUR 10m, up from EUR -32m last year

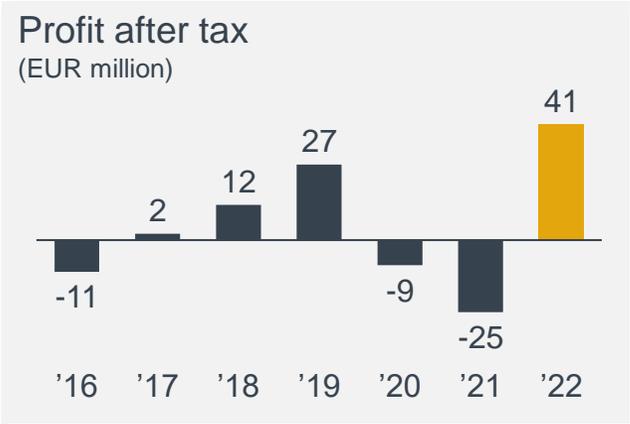
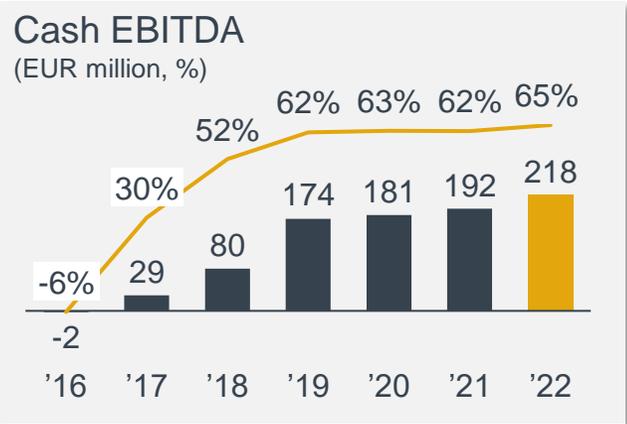
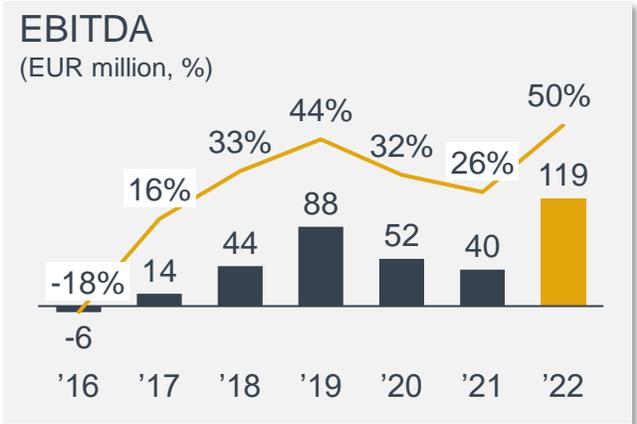
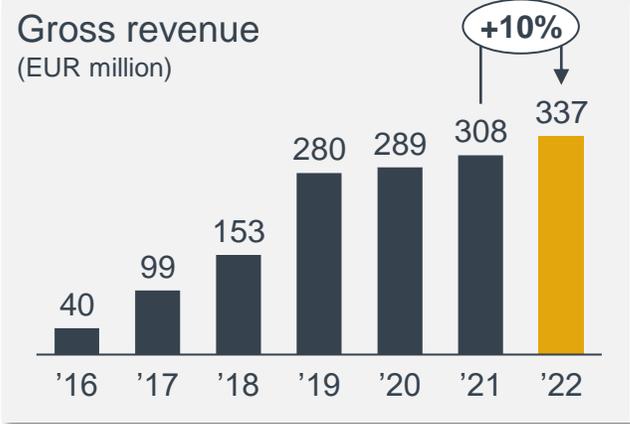
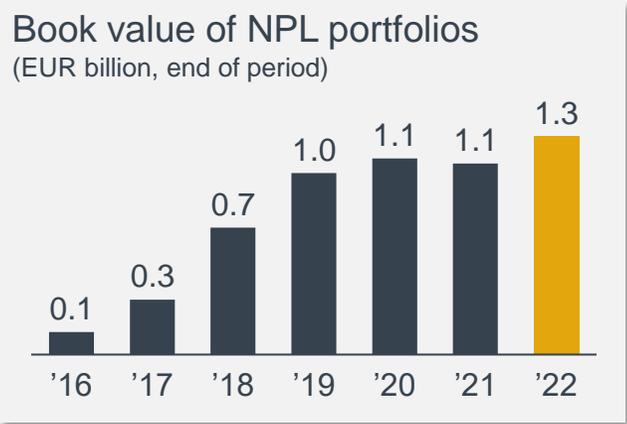
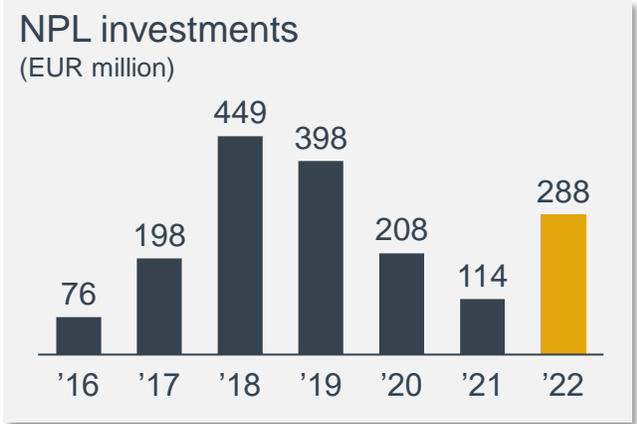
- Stable annualized return on equity of 10%



NPL investments of EUR 93m for the quarter

- NPL investments of 2.7x replacement capex in 2022 secures growth
- Investing at an attractive Gross IRR of 21% in 2022 compared to 16% on the backbook<sup>1</sup>

# 2022 is a material step in the right direction on key financials



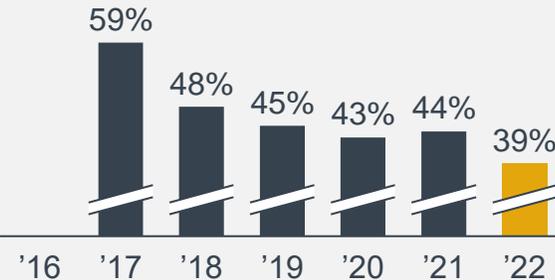
Comment: Stated numbers are for continuing operations. 2021 numbers are fully restated in company financial statements. 2016-2020 figures are estimated without considering certain intercompany eliminations and consolidation effects

# 2022 is a material step in the right direction on key ratios

Gross IRR on the total NPL book  
(%, end of period)



NPL cost-to-collect  
(%)



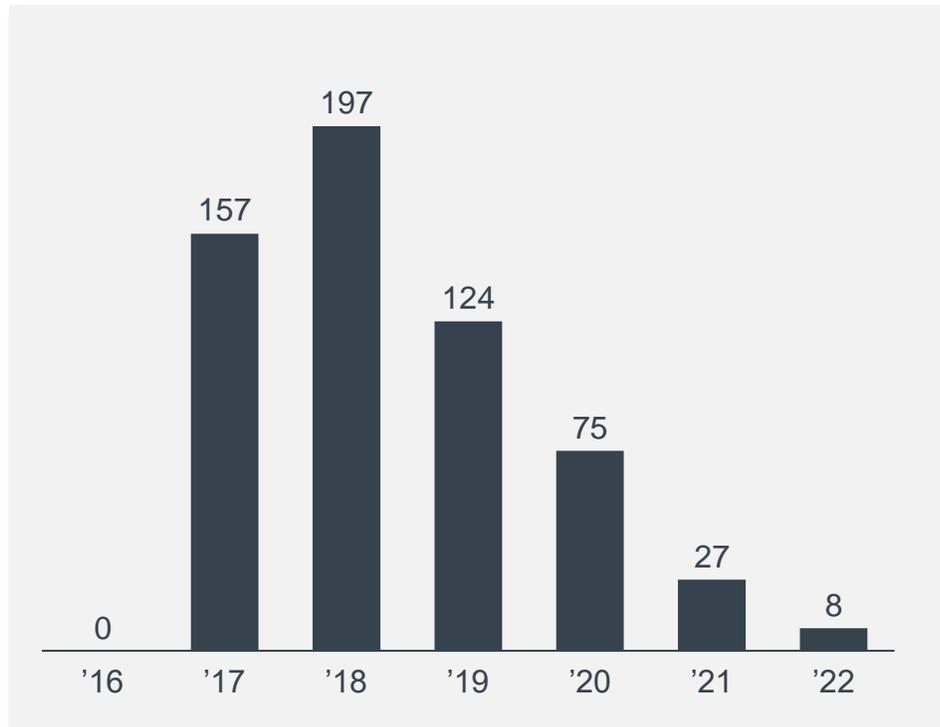
Return on equity to shareholders<sup>1</sup>  
(%)



1) ROE to shareholders of the parent company

# Discontinued operation is expected to be fully exited during the year

REO book value  
(EUR million, end of period)



- REO book value down to only EUR 8m at year-end
- Expect to fully exit discontinued operations during 2023
- 1pp uplift in return on equity in 2022 excluding discontinued operation

# Axactor on track to deliver material growth on NPL in 2023

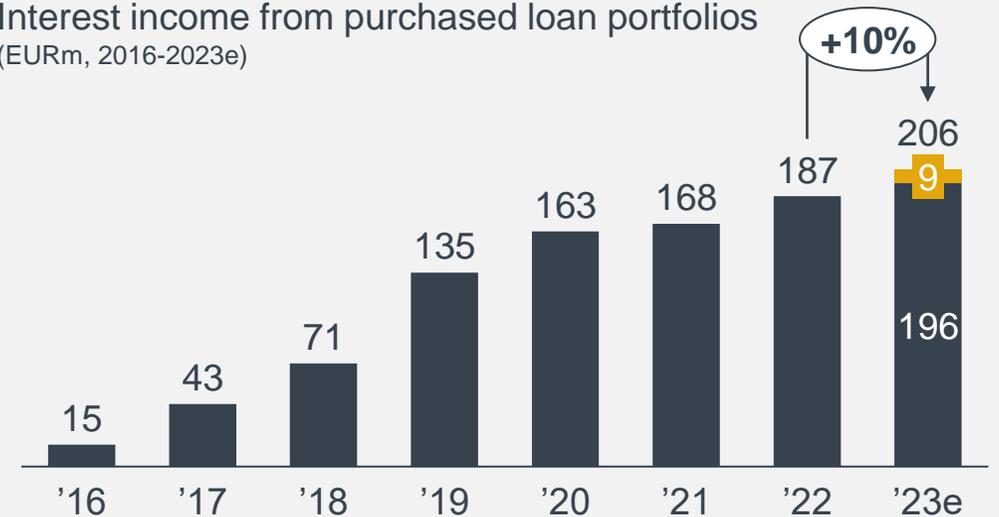
Interest income is the key NPL top-line driver...

NPL segment with several similarities to how a bank report income

- **Interest income** is calculated on the portfolios
  - Predictable - book values multiplied by gross IRR
  - Represented **98%** of NPL total income in 2022
- **In addition**, total income includes net gain/(loss) on portfolios and sale of repossessed assets

... with minimum 10% estimated growth in 2023

Interest income from purchased loan portfolios  
(EURm, 2016-2023e)



■ Committed NPL investments<sup>1</sup> ■ Acquired portfolios

# 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 22+% 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





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Q4 and full year highlights

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**Financial update**

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Outlook

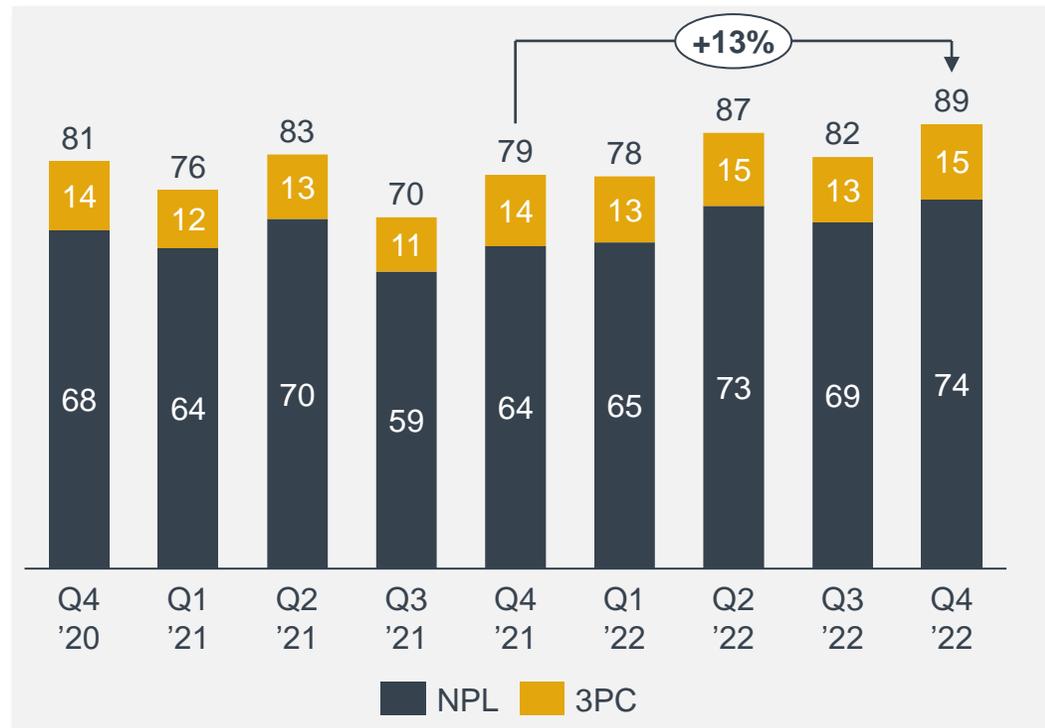
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Q&A

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

Gross revenue  
(EUR million)

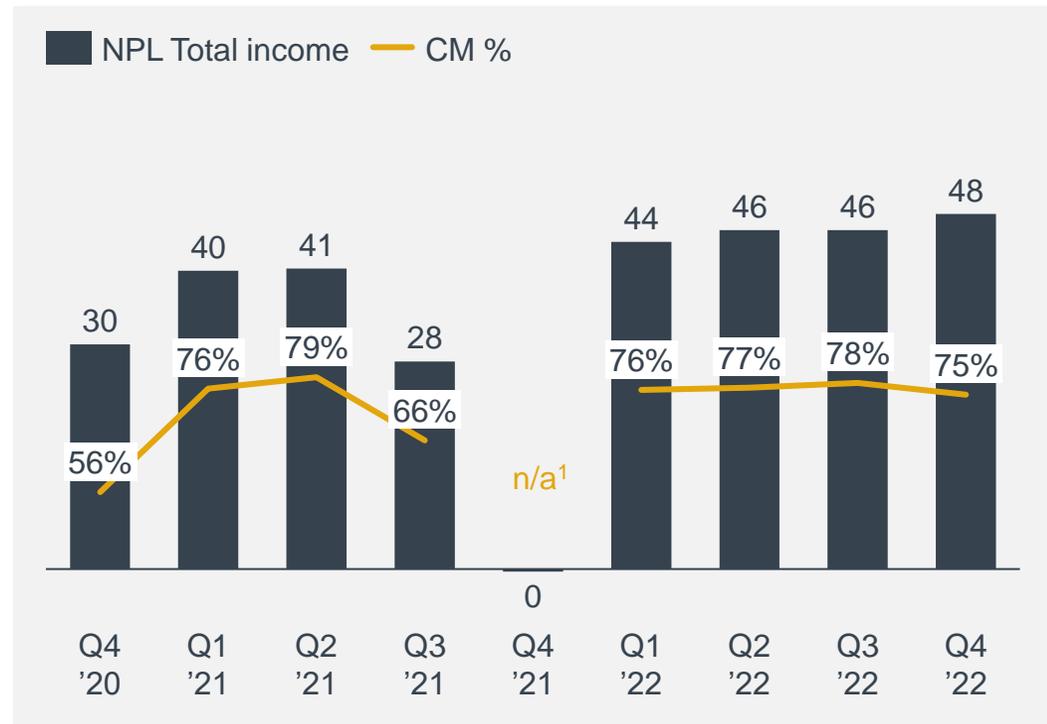


- Gross revenue is up 13% y-o-y
  - NPL gross revenue growth of 15% y-o-y
  - 3PC gross revenue growth of 5% y-o-y
- Significant NPL investments and the acquisition of C.R. Service are the primary growth drivers

# NPL segment: Steady total income growth with stable margins

## NPL Total income and CM%

(EUR million, and %)

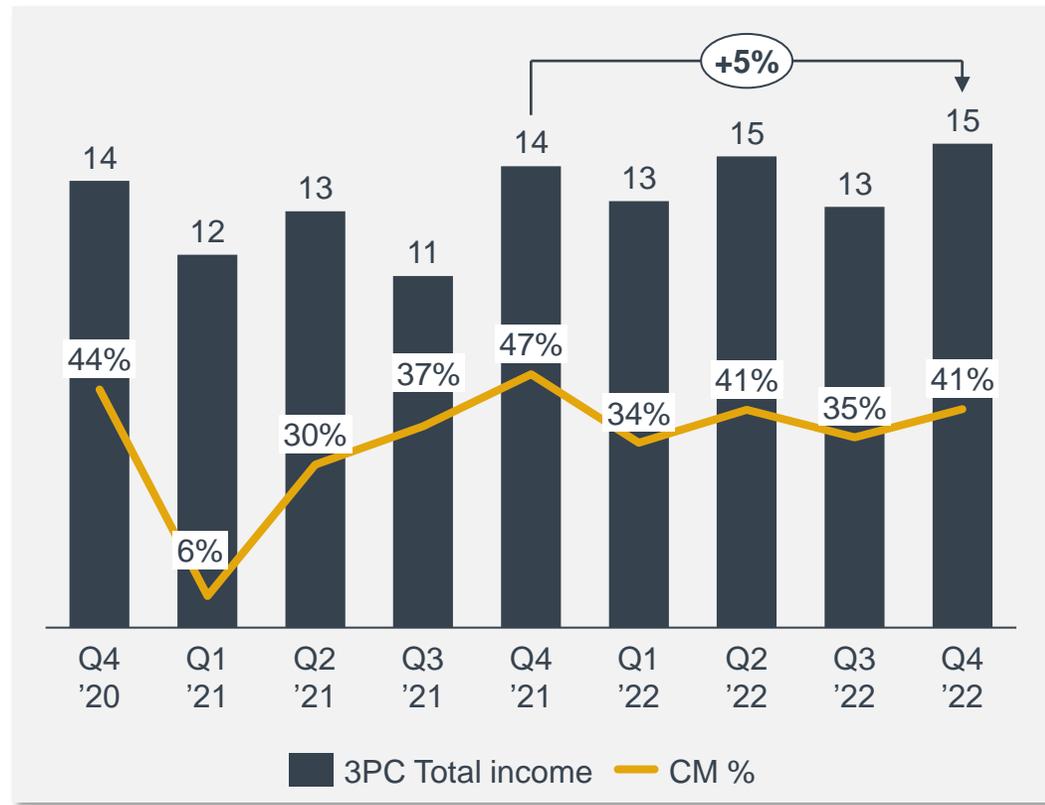


## Total income growth drivers

- Interest income increased by 16%
  - Book value of NPL portfolios up 14% y-o-y
  - Gross IRR increased by 1pp y-o-y
- Collection performance of 99% for the quarter
- No significant impairments for the quarter compared to large impairments last year

# 3PC segment: Total income growth of 5% compared to last year

3PC Total income and CM%  
(EUR million and %)



- Total income growth of 5% y-o-y driven by the acquisition of C.R. Service
- Year-end bonuses came in lower this year compared to last year in Spain, burdening both revenue and contribution margin for the quarter

# Group: Strong EBITDA margin expansion through 2022 and Cash EBITDA growth of 18% compared to last year

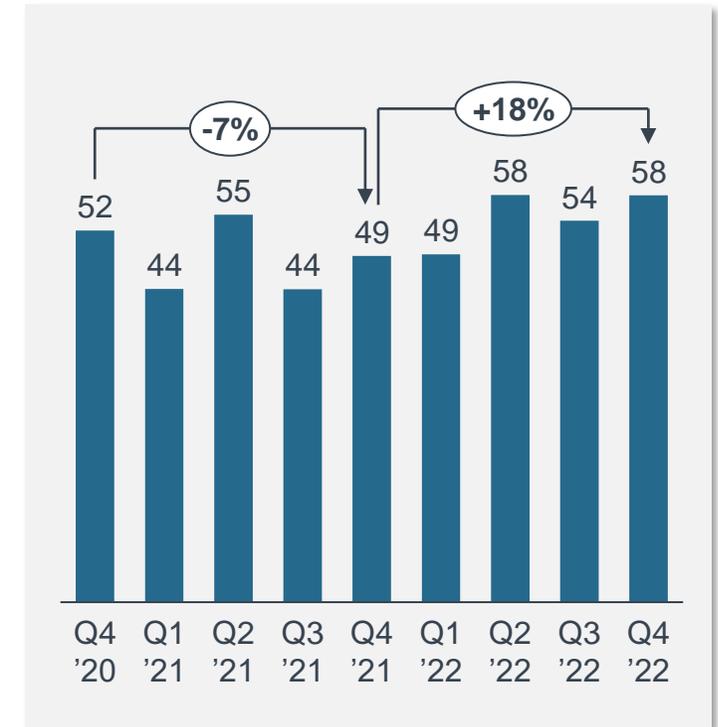
Total income  
(EUR million)



EBITDA and EBITDA-margin  
(EUR million and %)

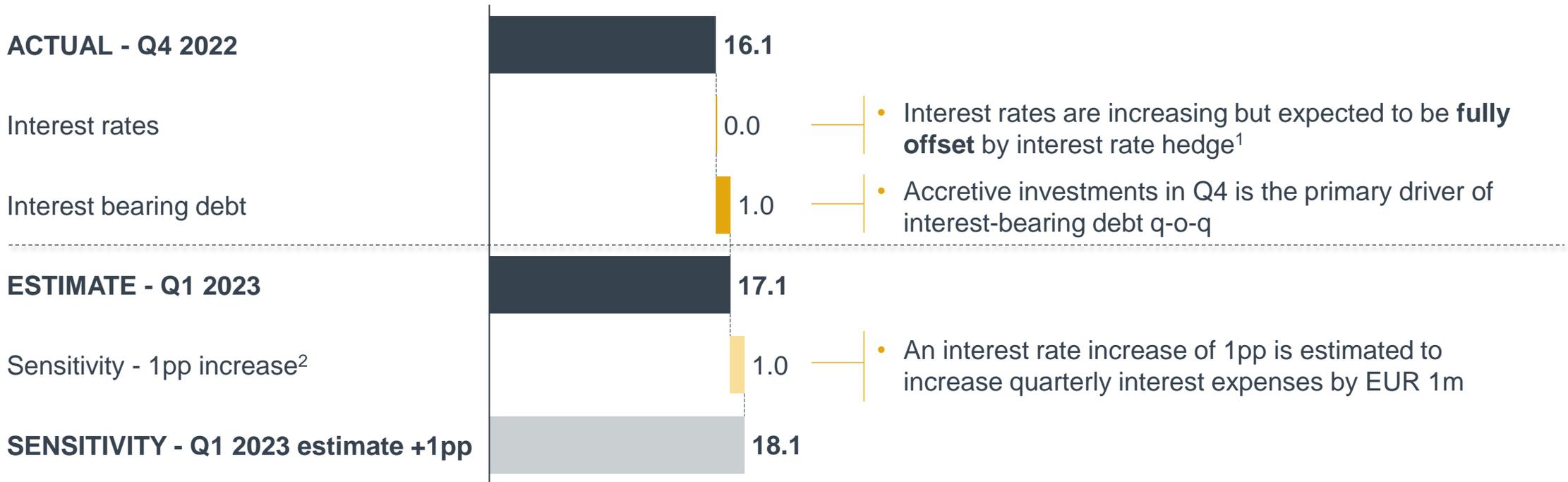


Cash EBITDA  
(EUR million)



# Interest expenses on borrowings expected to increase slightly in Q1 driven by accretive investments

Quarterly interest expense on borrowings  
(EUR million)

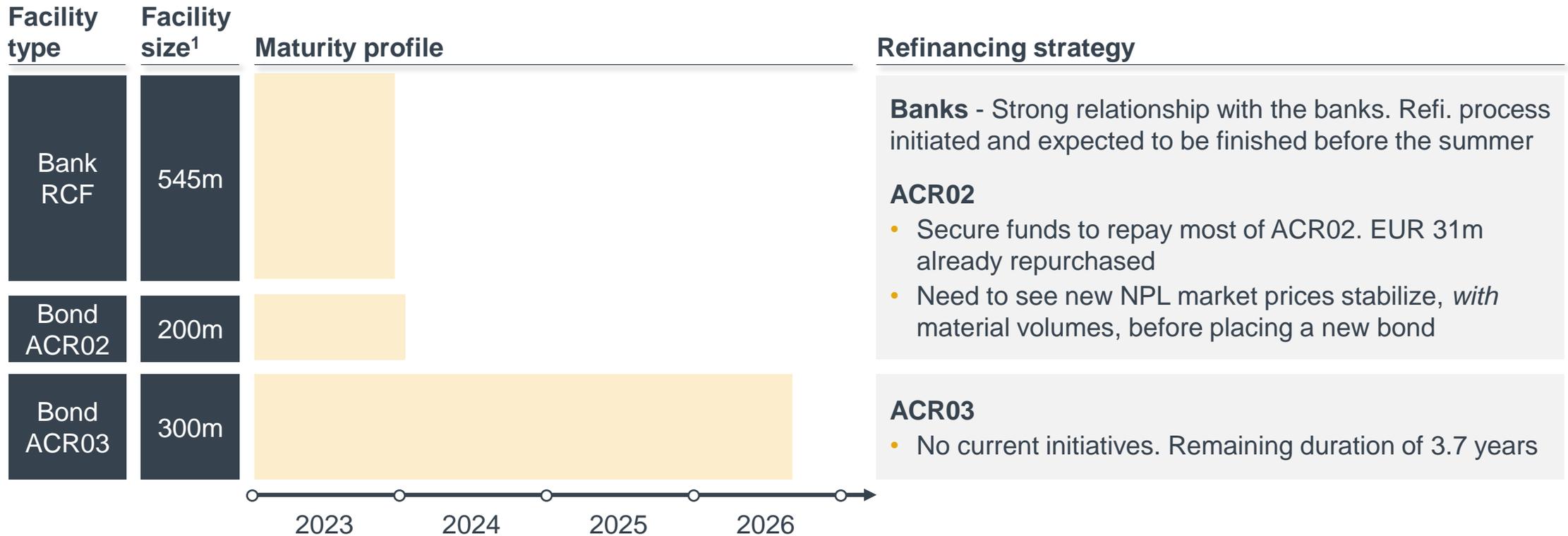


1) Axactor has a 1-year, EUR 573m, 0.5% EURIBOR strike contract with start date 15 Dec 2022

2) The interest rate sensitivity calculation is valid until the hedge expires 15 Dec 2023 and based on the interest-bearing debt at year-end 2022

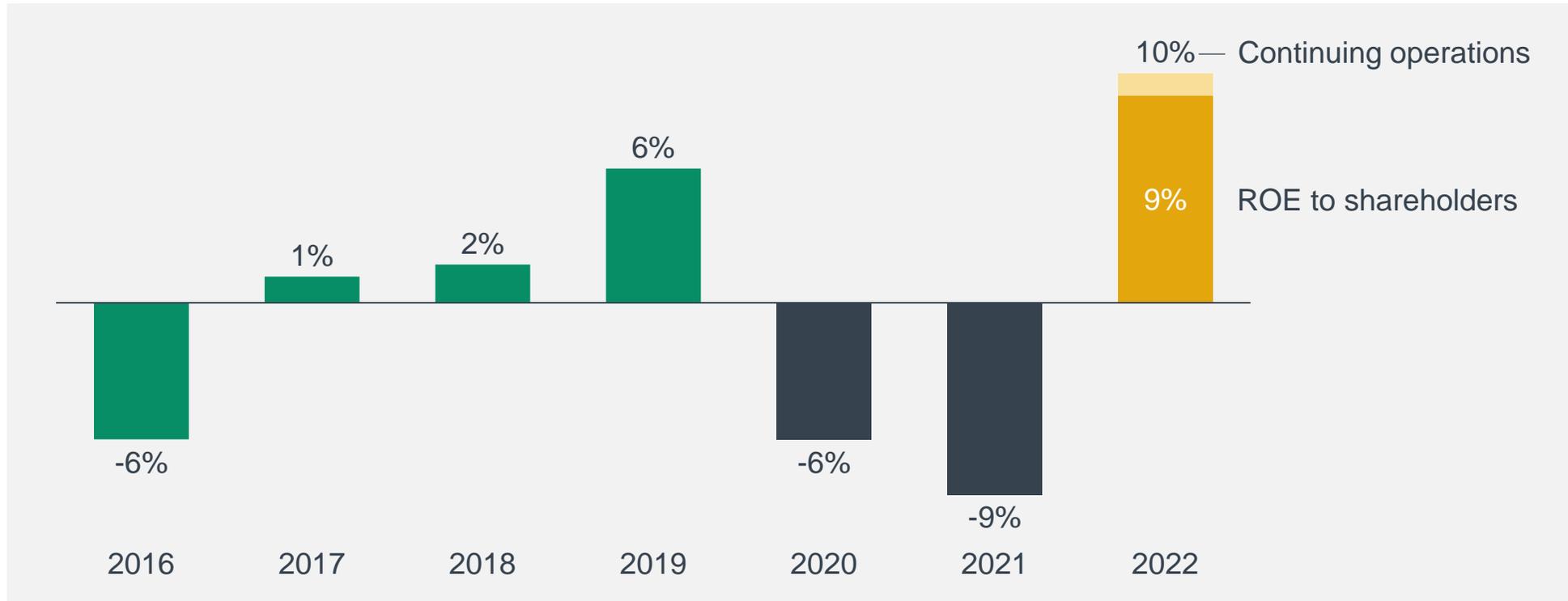
Comment: Stated numbers are for continuing operations

# Refinancing of the RCF is going according to the plan. Awaiting refinancing of ACR02



# ROE for the year came in at 10% on continuing operations

Return on equity to shareholders  
(%)



# Financial targets announced 11 January 2023

Dimension	Targets 2023	Targets 2024 and beyond
Growth	<ul style="list-style-type: none"><li>NPL investments of EUR <b>100 - 150 million</b><sup>1</sup></li></ul>	<ul style="list-style-type: none"><li>NPL investments of EUR <b>200 – 300 million</b></li></ul>
Profit	<ul style="list-style-type: none"><li>Minimum <b>9%</b> ROE</li></ul>	<ul style="list-style-type: none"><li>To be announced towards end of year</li></ul>
Returns	<ul style="list-style-type: none"><li><b>20 - 50%</b> dividend pay-out ratio<sup>2</sup></li></ul>	<ul style="list-style-type: none"><li><b>20 - 50%</b> dividend pay-out ratio</li></ul>
Leverage <sup>3</sup>	<ul style="list-style-type: none"><li>Maximum leverage of <b>3.5x</b> at year-end</li></ul>	<ul style="list-style-type: none"><li>Maximum leverage of <b>3.5x</b></li></ul>



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# Outlook

Key driver	Outlook
Accretive investments	<p><b>+</b></p> <ul style="list-style-type: none"><li>Highly accretive gross IRR on new deals of 22+% compared to the backbook of 17%</li></ul>
Growth	<p><b>+</b></p> <ul style="list-style-type: none"><li>NPL: Minimum 10% growth in interest income in 2023<sup>1</sup></li><li>3PC: Expect market growth driven by increased defaults in the society</li></ul>
Funding	<p><b>~</b></p> <ul style="list-style-type: none"><li>Interest rate hedge secures flat interest rates from Q4 2022 into Q1 2023</li><li>Ongoing refinancing of the RCF according to the plan</li><li>Awaiting refinancing of ACR02 to get clearer visibility on portfolio- and bond market</li></ul>
Collection	<p><b>~</b></p> <ul style="list-style-type: none"><li>A satisfying collection performance of 99% in 2022. Expect collection performance to fluctuate around +/- 100% over time</li></ul>



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# Supporting information

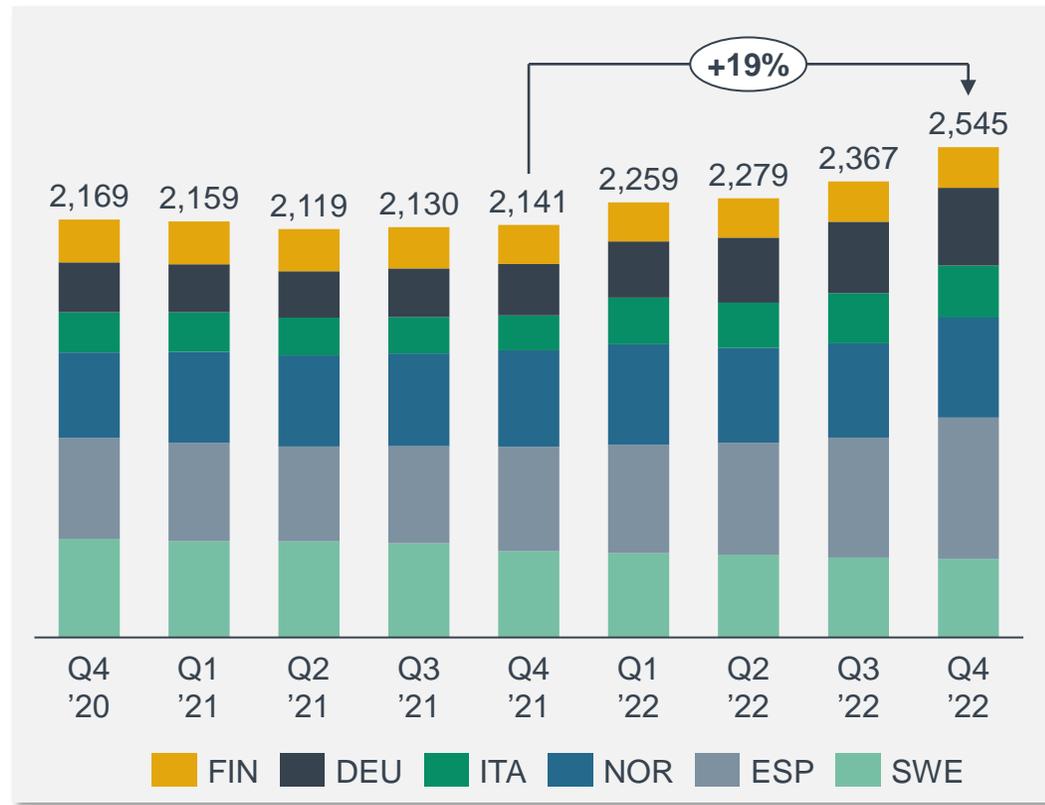
# NPL investment commitments of EUR 68m next 12 months

Quarterly NPL investments  
(EUR million)

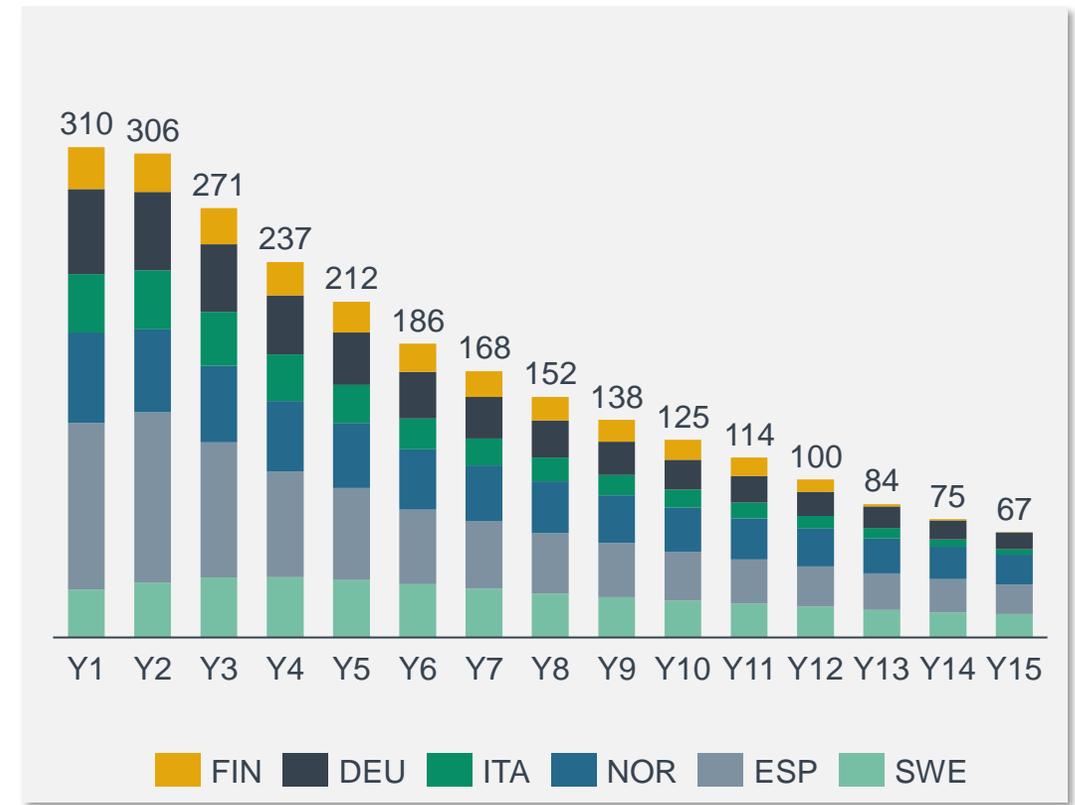


# ERC increasing by 19% y-o-y driven by increased NPL investments in 2022

ERC development  
(EUR million)

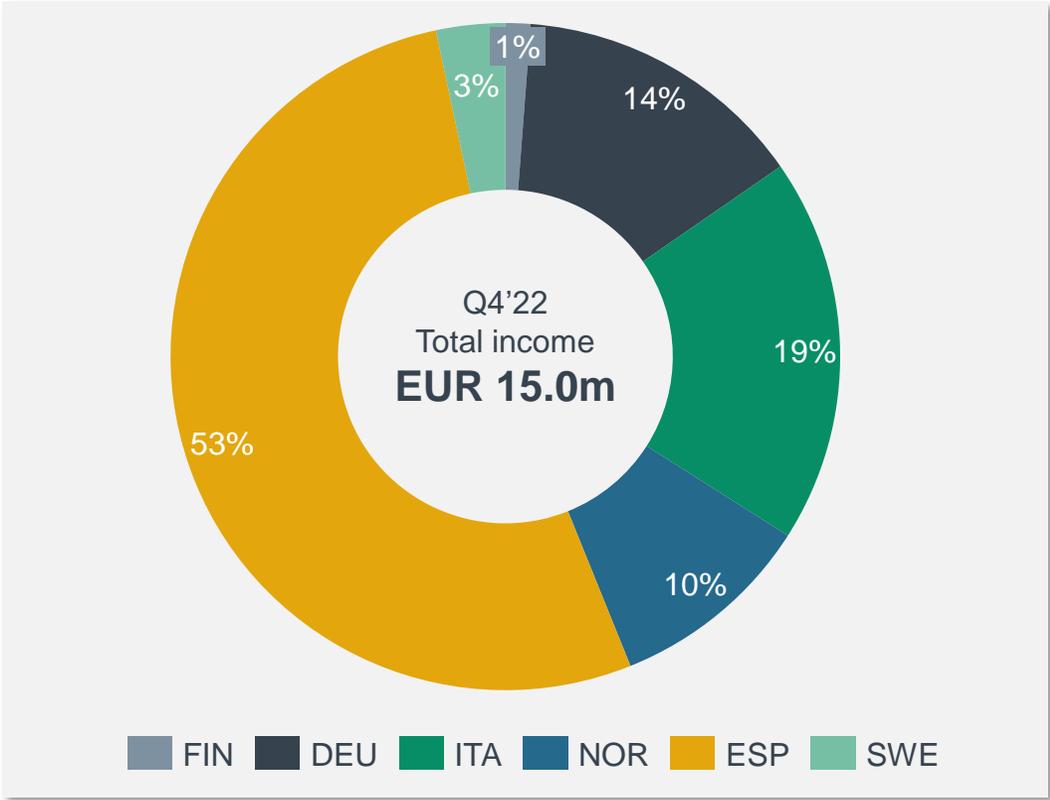


Forward ERC profile by year  
(EUR million)



# 3PC volumes by geographic region

3PC Total income split by geographic region

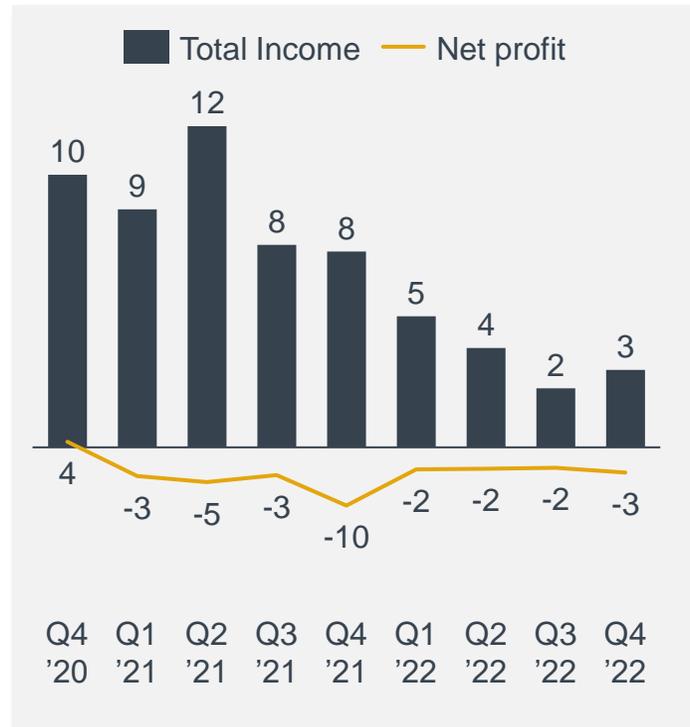


- Spain accounting for 53% of total income on 3PC
- Italy share of Total income increased to 19% (5%) following the acquisition of C.R. Service and subsequent organic growth in Italy

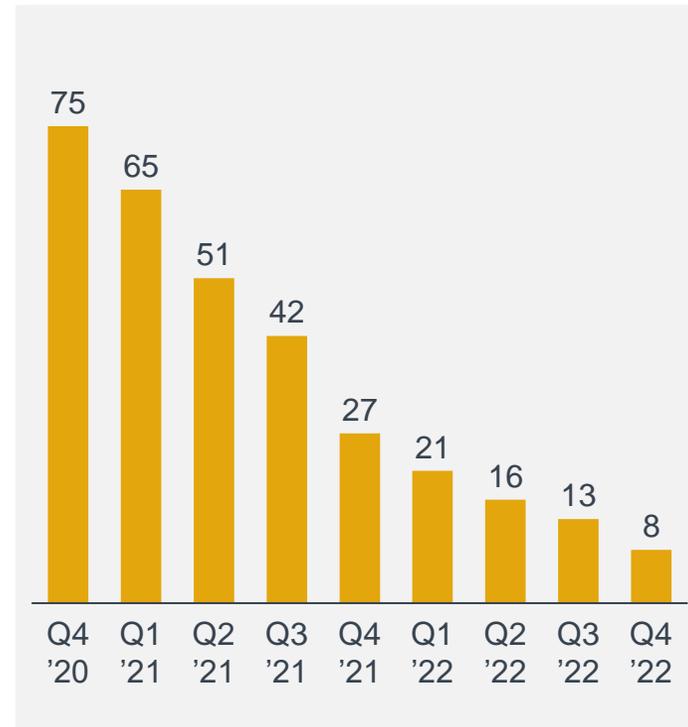
# Discontinued operations

- REO book value reduced to EUR 8m ultimo Q4

REO Total income and net profit<sup>1</sup>  
(EUR million and %)



REO book value  
(EUR million)



REO number of units

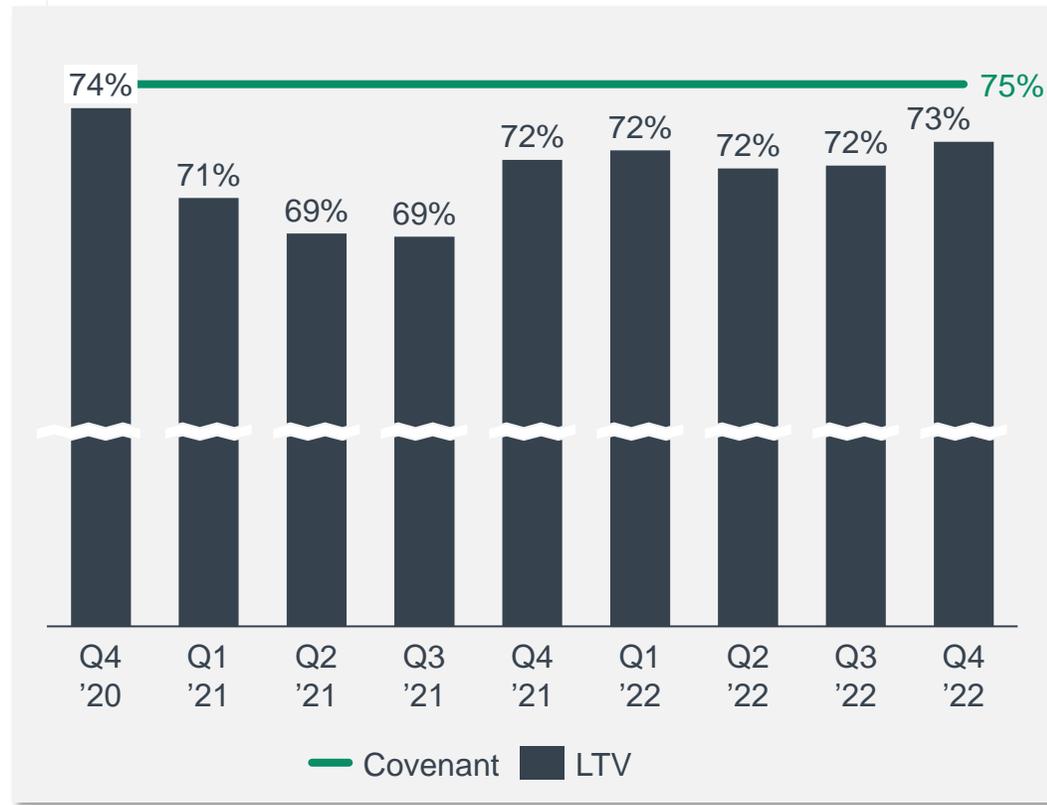


# Bond covenants (1/2)

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

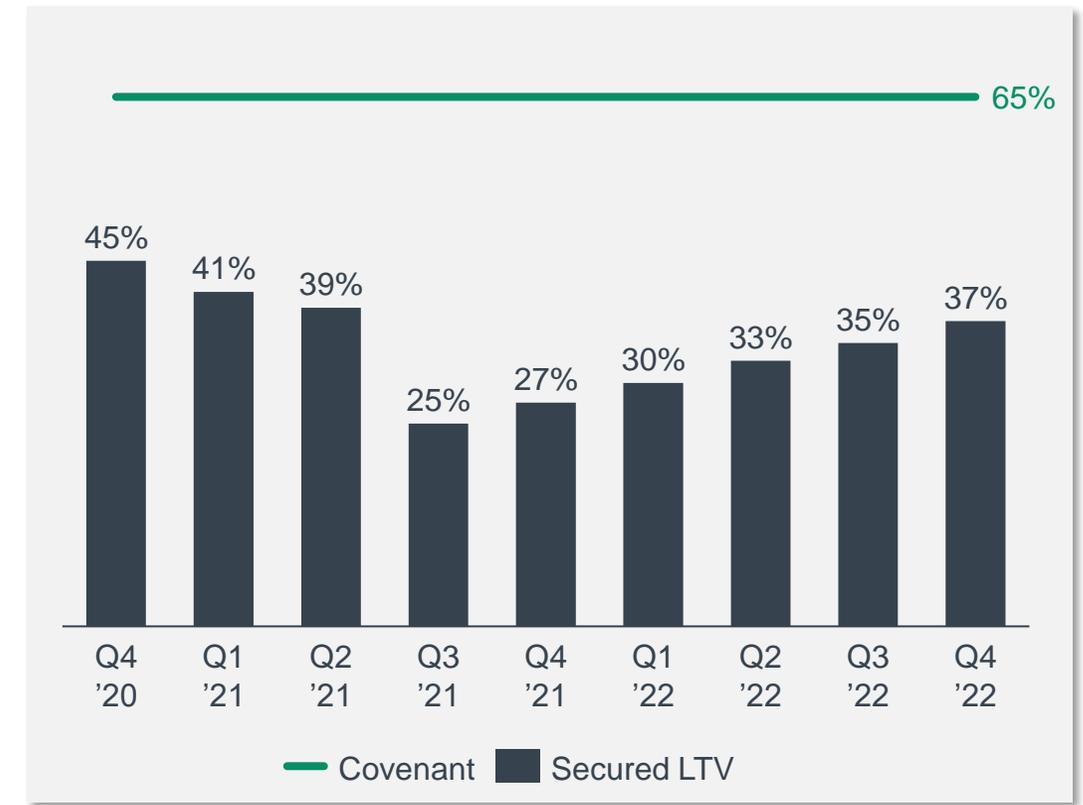
## Loan-to-value - covenant $\leq 75\%$

(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)

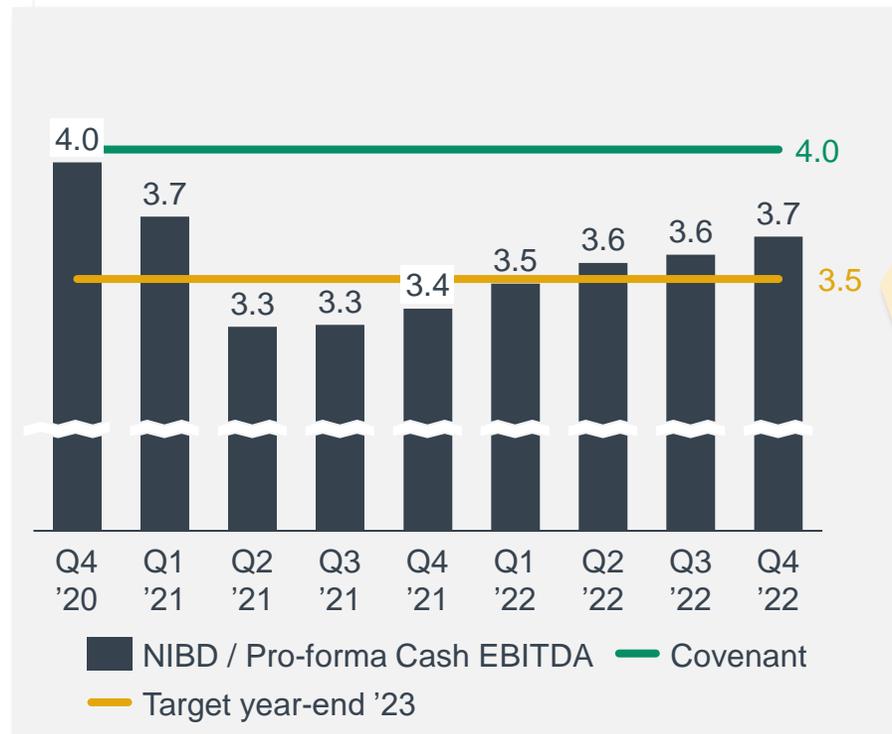


# Bond covenants (2/2)

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

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

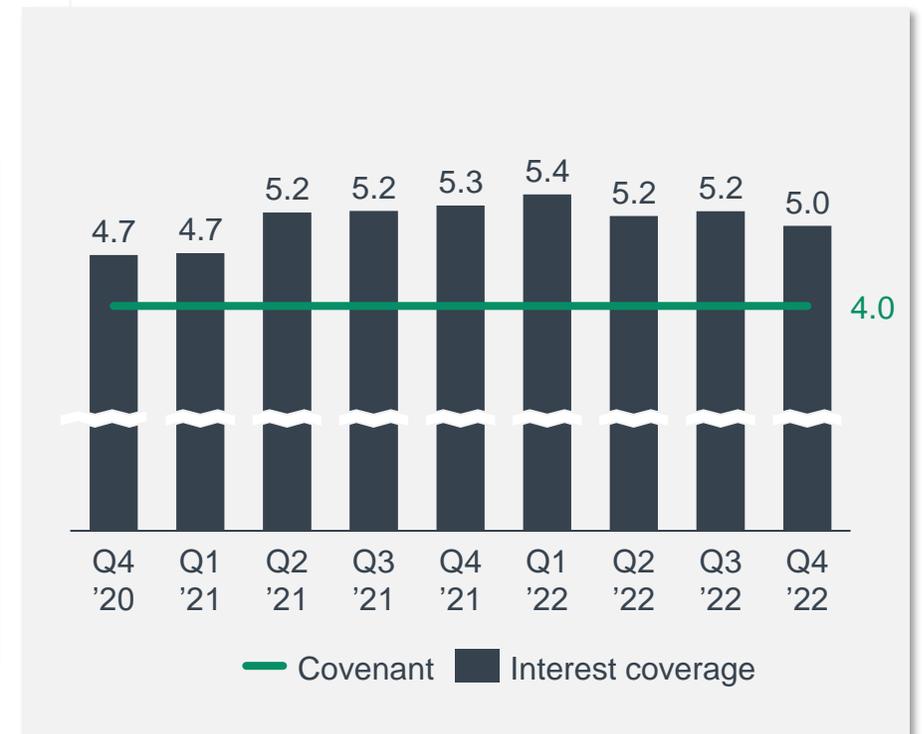
(Net interest-bearing debt divided by LTM Pro-forma adjusted cash EBITDA)



- Target launched Jan 2023
- Will reduce leverage during the year
- First in H2 committed investments significantly decline

## 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 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
Repossessed assets	Property repossessed 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

