

AXACTOR

Presentation

Q4 2023





Q4 and full year highlights

Financial update

Financial targets

Q&A

Financial highlights for the quarter on continuing operations



Gross revenue declining by 4% y-o-y

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



Healthy EBITDA margin of 53%

- EBITDA of EUR 34m, up from EUR 31m last year



Annualized return on equity of 9%

- Driven by EBIT-growth and positive one-time effects on tax

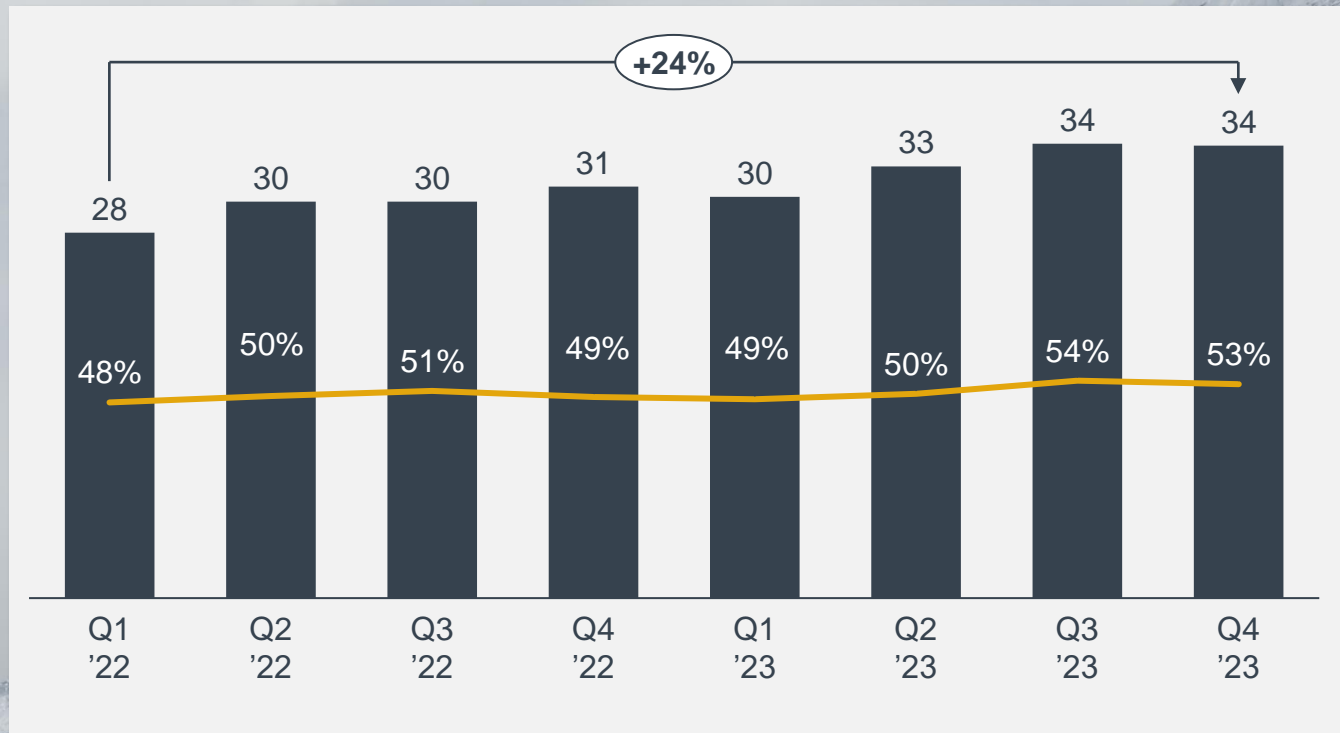


Discontinued operations (REO) fully run off

Axactor business model developing positively

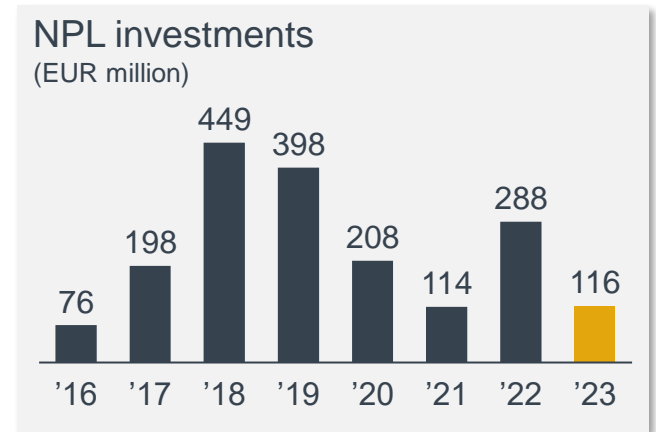
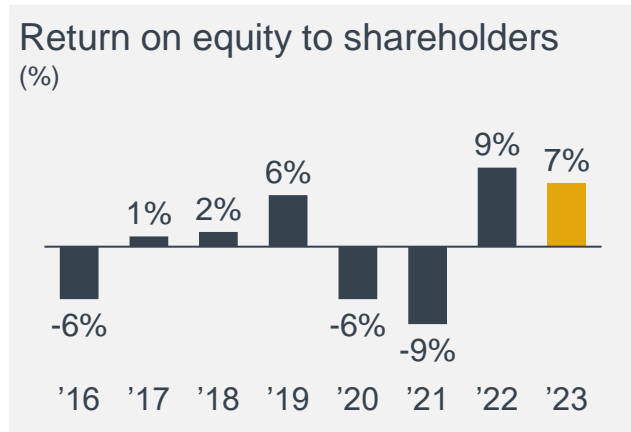
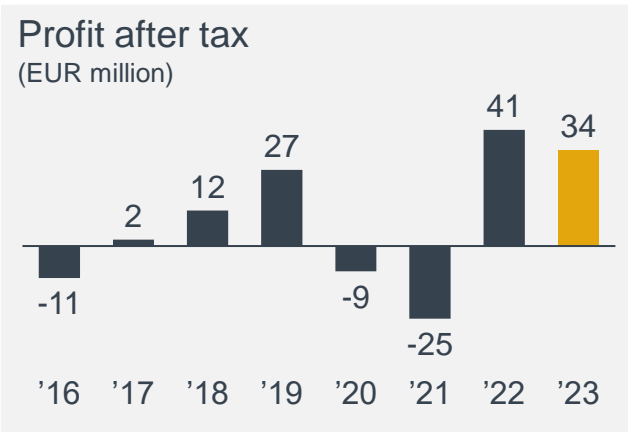
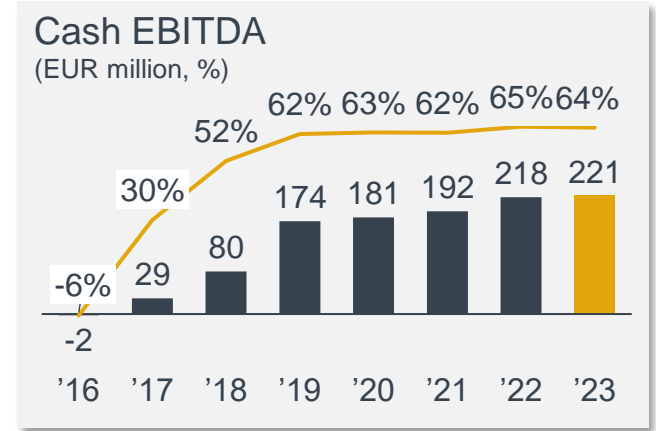
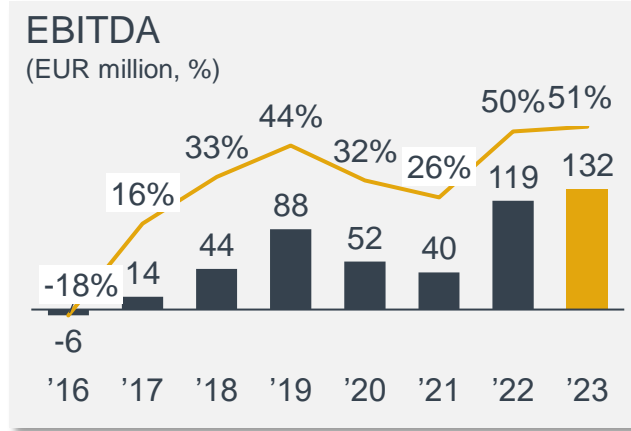
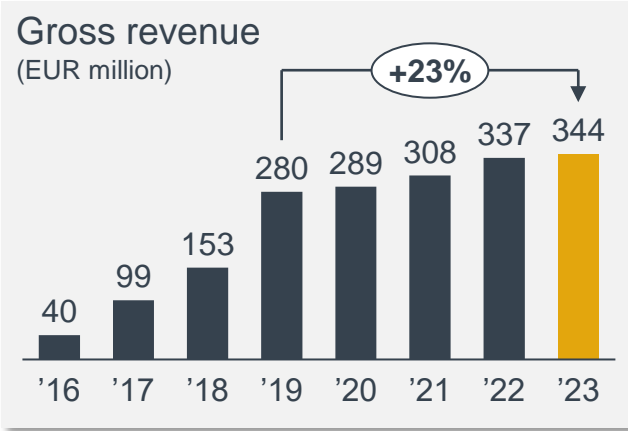
- EBITDA is up 24% and the EBITDA-margin is up with 5pp last 8 quarters

EBITDA and EBITDA-margin
(EUR million and %)



2023 in perspective

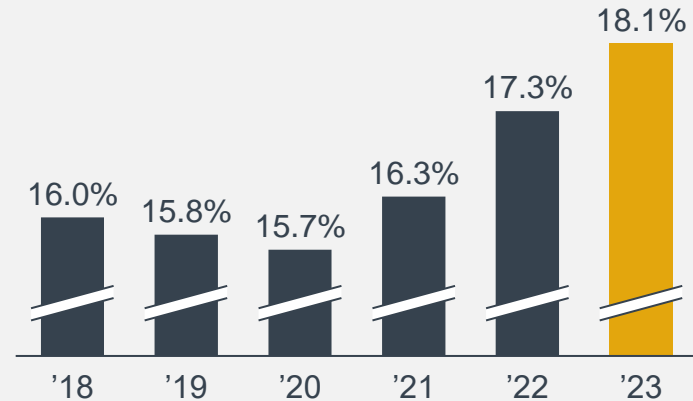
- Another material step in the right direction on key financials



NPL value drivers steadily improving

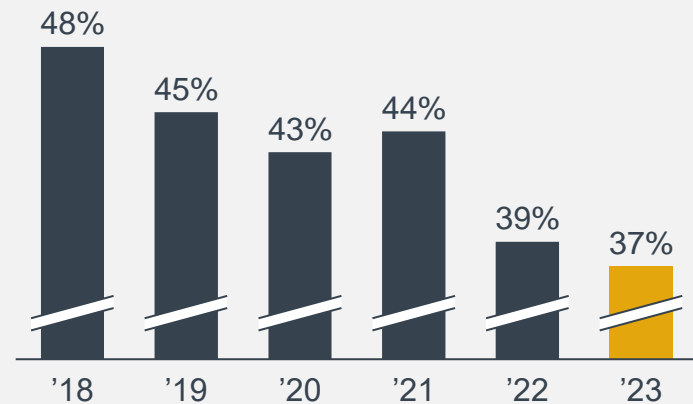


Gross IRR on the total NPL book
(%, end of period)



Acquiring portfolios with higher returns...

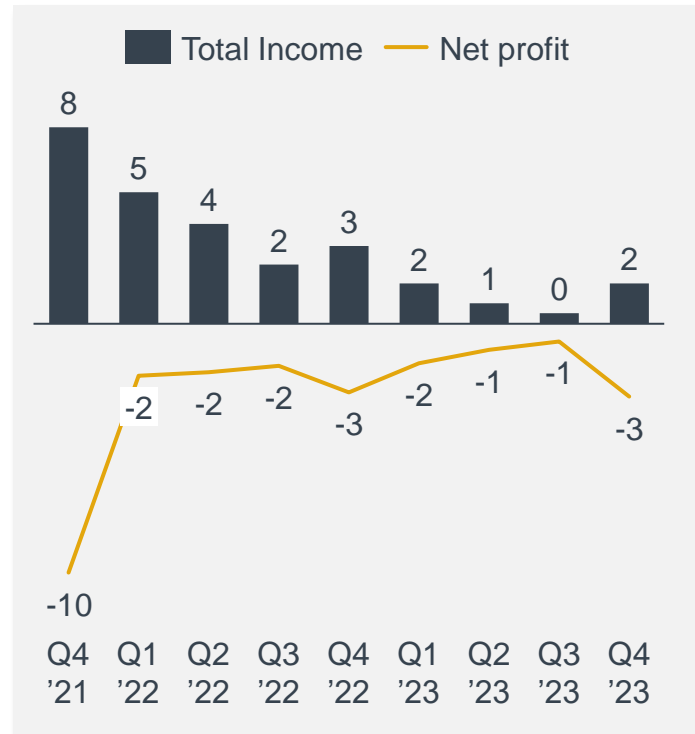
NPL cost-to-collect
(%)



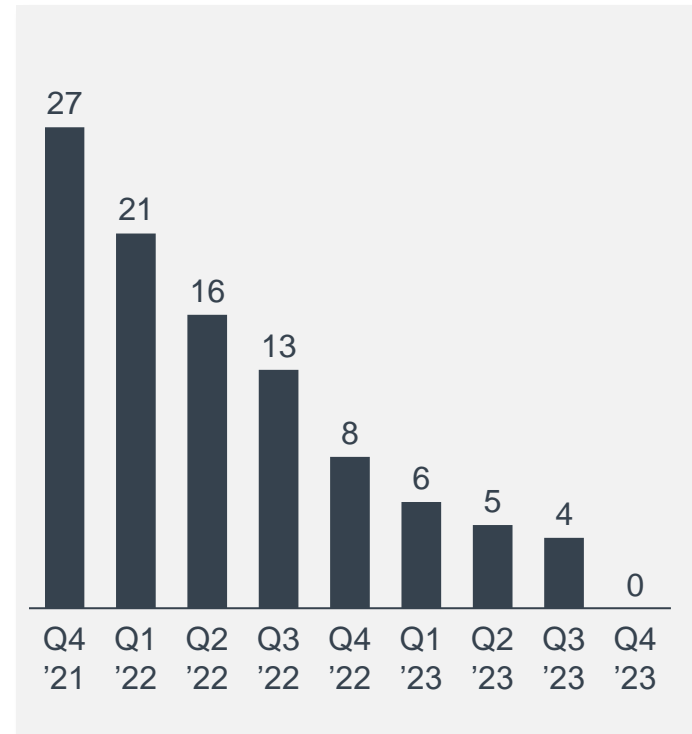
...and collect on the portfolios with lower cost

Discontinued operations (REO) is now fully run off in accordance with the guidance

Total income and net profit discontinued operations¹
(EUR million and %)



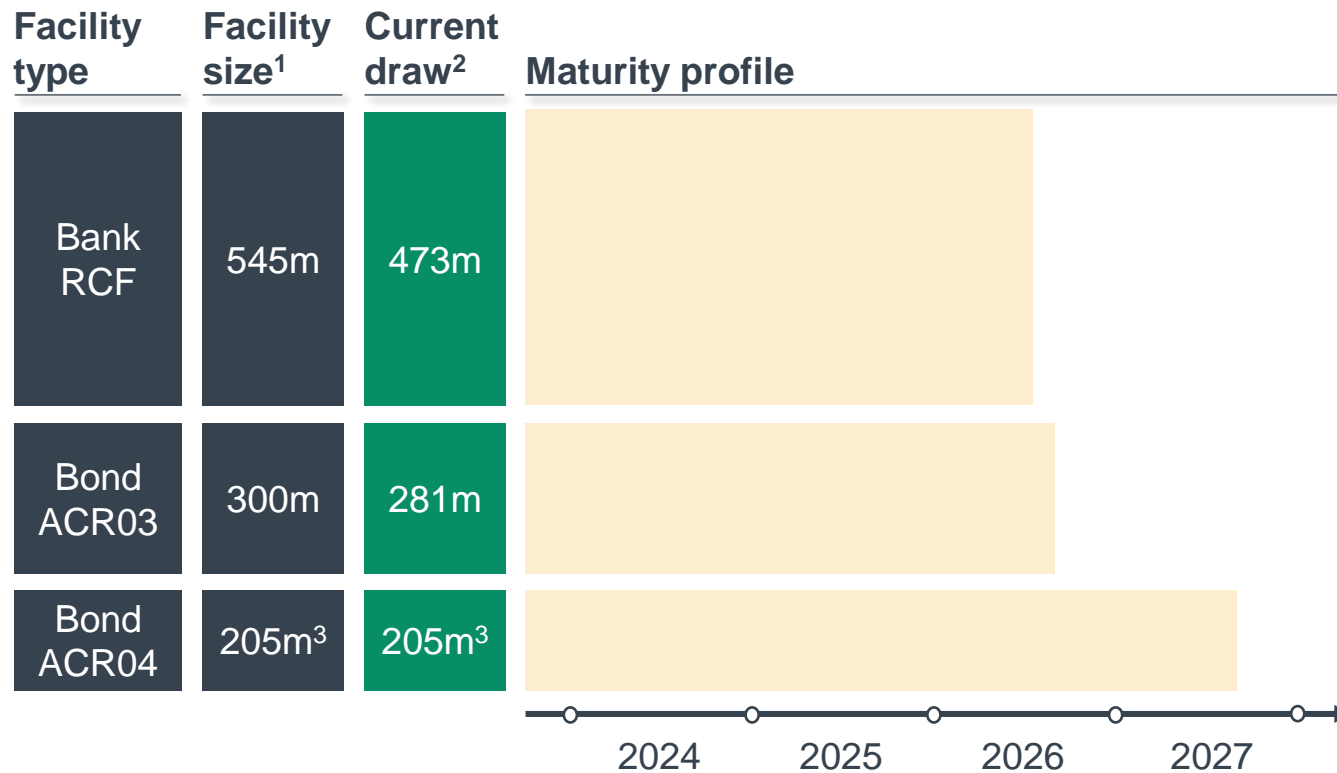
Book value discontinued operations
(EUR million)



Comments

- Satisfying total income in Q4 of EUR 2m
- Impairment of EUR 1m in Q4 as part of fully exiting the segment
- Consequently, Axactor will not report discontinued operations as of Q1 2024

After successful refinancing in 2023 there are no maturities until June 2026





Q4 and full year highlights

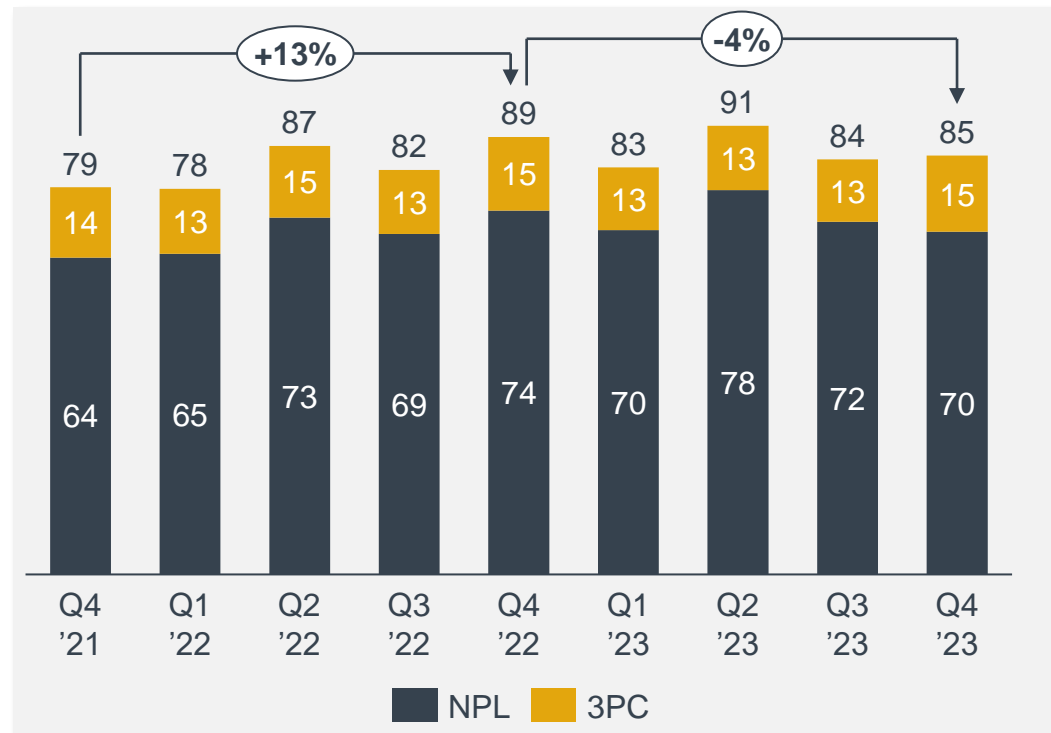
Financial update

Financial targets

Q&A

Group: Gross revenue is down 4% y-o-y driven by the NPL segment

Gross revenue
(EUR million)

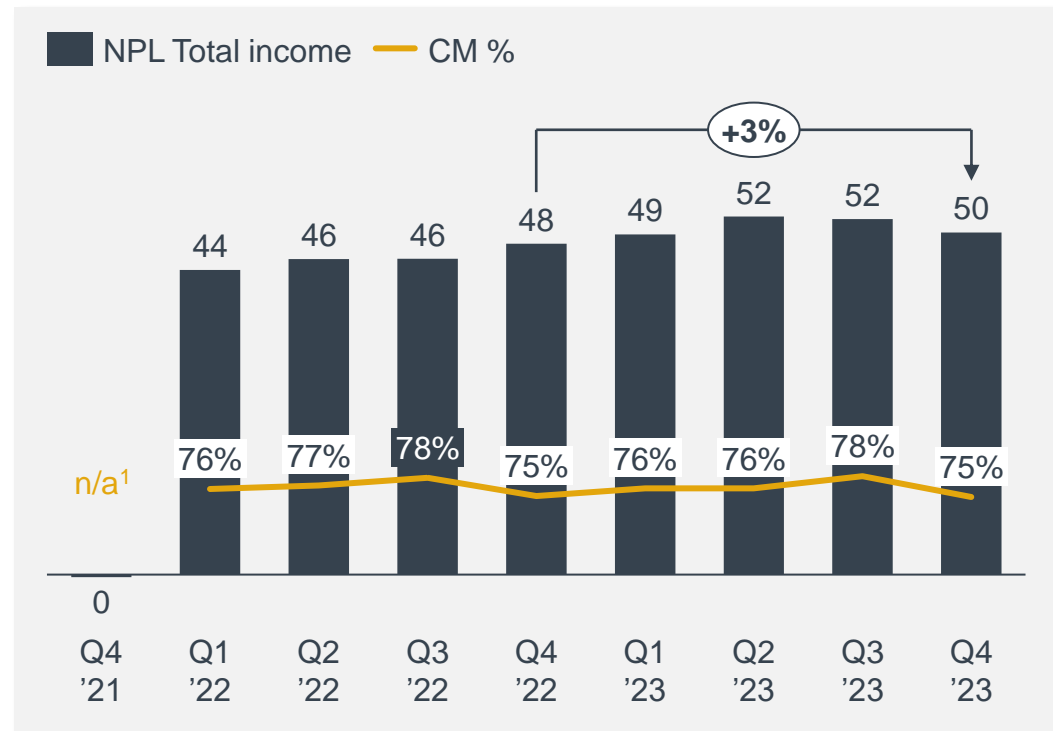


- Gross revenue is down 4% y-o-y
 - NPL gross revenue declining by 6% y-o-y
 - 3PC gross revenue growth of 3% y-o-y
- Estimated gross revenue decline of 2% y-o-y with constant currency

NPL segment: A soft quarter on NPL with pressure on both total income and margins

NPL Total income and CM%

(EUR million, and %)

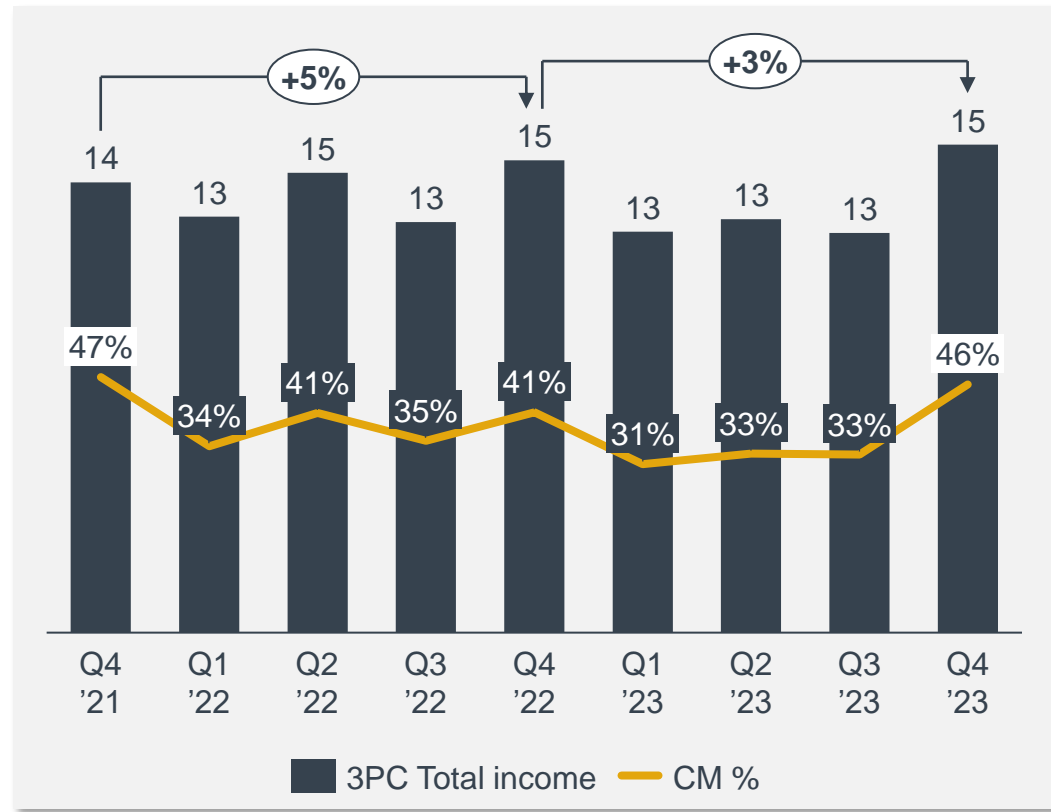


- Total income and margins down q-o-q on the back of macroeconomic headwinds
- Collection performance of 99% for the quarter and for the year
 - Satisfactory collection in southern Europe
 - Debtors in Nordics and Germany opt for longer payment plans with lower monthly installments

3PC segment: A solid quarter on 3PC with growth in both total income and margins

3PC Total income and CM%

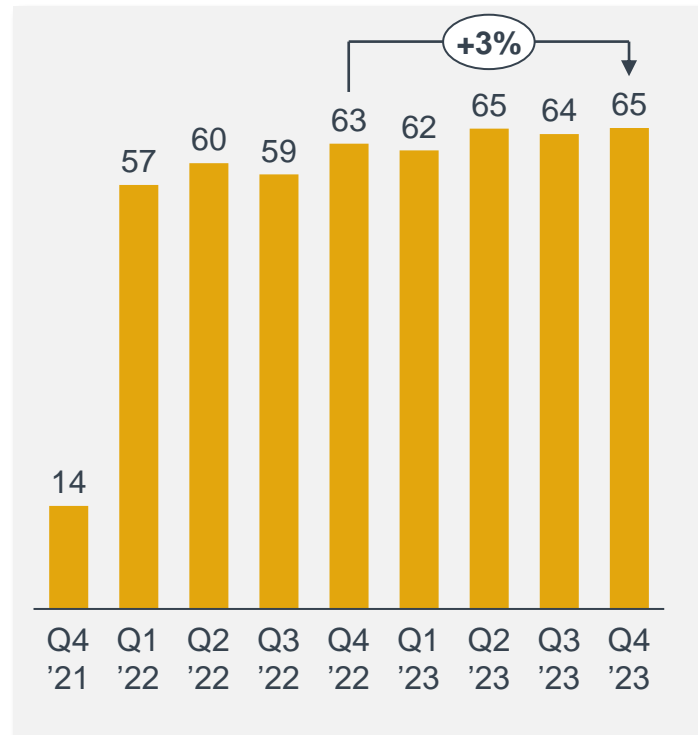
(EUR million and %)



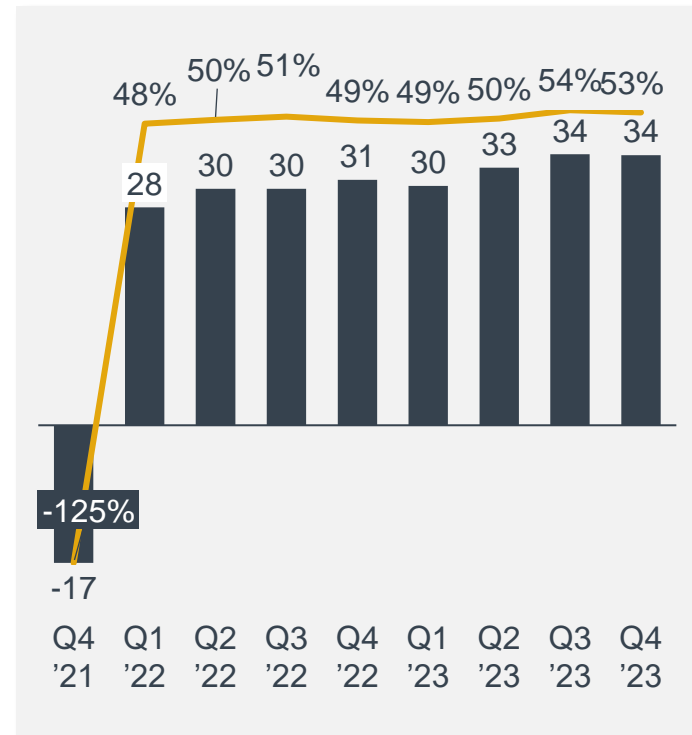
- 3PC total income growth of 3% y-o-y
 - Growth driven by Southern Europe
 - Organic growth of 4% if we exclude Sweden and Finland
- Margins up driven by strict cost control and year-end bonuses
- Positive one-time effect on total income from exiting Sweden and Finland of EUR 0.5m

Group: Growth y-o-y on both total income and EBITDA. Cash EBITDA with headwind on currency and macro

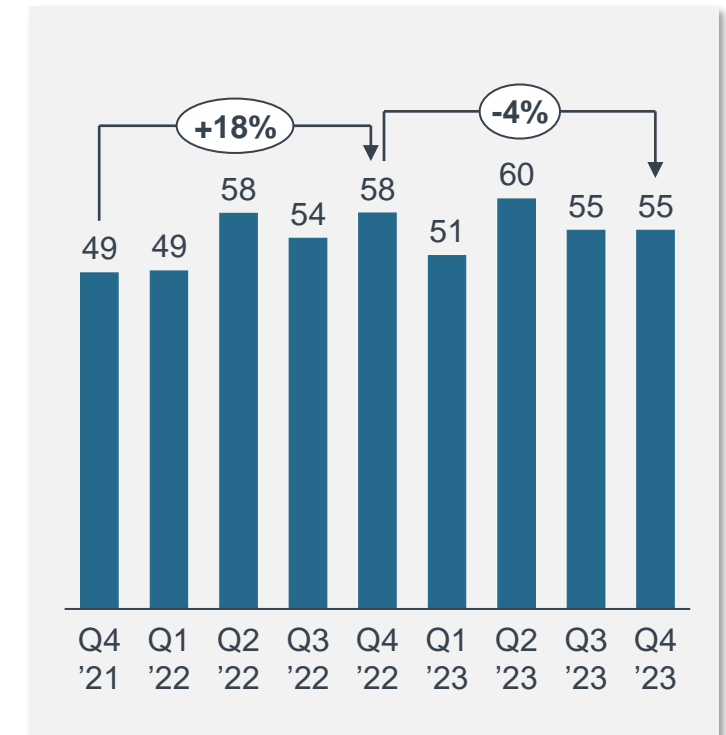
Total income
(EUR million)



EBITDA and EBITDA-margin
(EUR million and %)

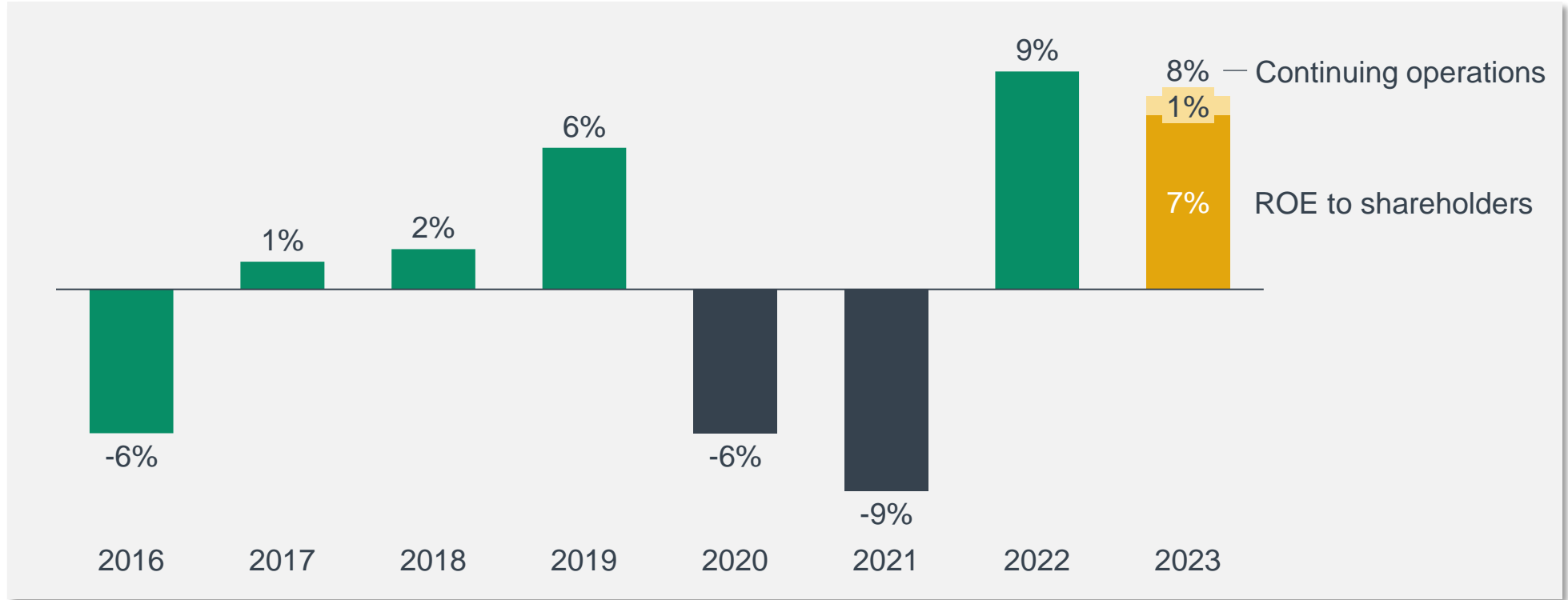


Cash EBITDA
(EUR million)



ROE upheld at 8% on continuing operations last twelve months – despite increased cost of funding

Return on equity to shareholders (%)



Update on interest rate hedge



Q4 was the last quarter with an interest rate hedge in place from a **cash flow** perspective

In the **profit and loss statement**, Axactor will still have positive effects from the hedge¹

- EUR 1.0m per quarter in 2024
- EUR 0.8m per quarter in 2025

Going forward Axactor will aim at hedging each vintage of NPL investments with a matching interest rate hedge



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Financial targets 2023

Dimension	Targets 2023	Actuals 2023
Growth	<ul style="list-style-type: none">NPL investments of EUR 100 - 150 million	<ul style="list-style-type: none">NPL investments of EUR 116 million
Profit	<ul style="list-style-type: none">Minimum 9% ROE	<ul style="list-style-type: none">8% ROE
Returns	<ul style="list-style-type: none">20 - 50% dividend pay-out ratio	<ul style="list-style-type: none">Proposal to be announced in connection with publication of the annual report
Leverage ¹	<ul style="list-style-type: none">Maximum leverage of 3.5x at year-end	<ul style="list-style-type: none">Leverage of 3.9x at year-end

Launching financial targets for 2026

Dimension	Financial targets 2026
Growth	<ul style="list-style-type: none">• NPL investments of EUR 100 – 200 million annually
Profit	<ul style="list-style-type: none">• Minimum 12% ROE¹
Returns	<ul style="list-style-type: none">• 20 - 50% dividend pay-out ratio annually
Leverage ²	<ul style="list-style-type: none">• Maximum leverage of 3.5x

2024 – is the tide turning?

A close-up photograph of a person's hand gripping a barbell in a gym. The person is wearing a black watch and a grey Nike sneaker. The background is blurred, showing gym equipment and warm lighting.

- Interest rates start to decline?
- Improving bond market?
- Reduced inflation?
- Investment volumes gradually coming back?
- Portfolio prices stabilizing at attractive levels?



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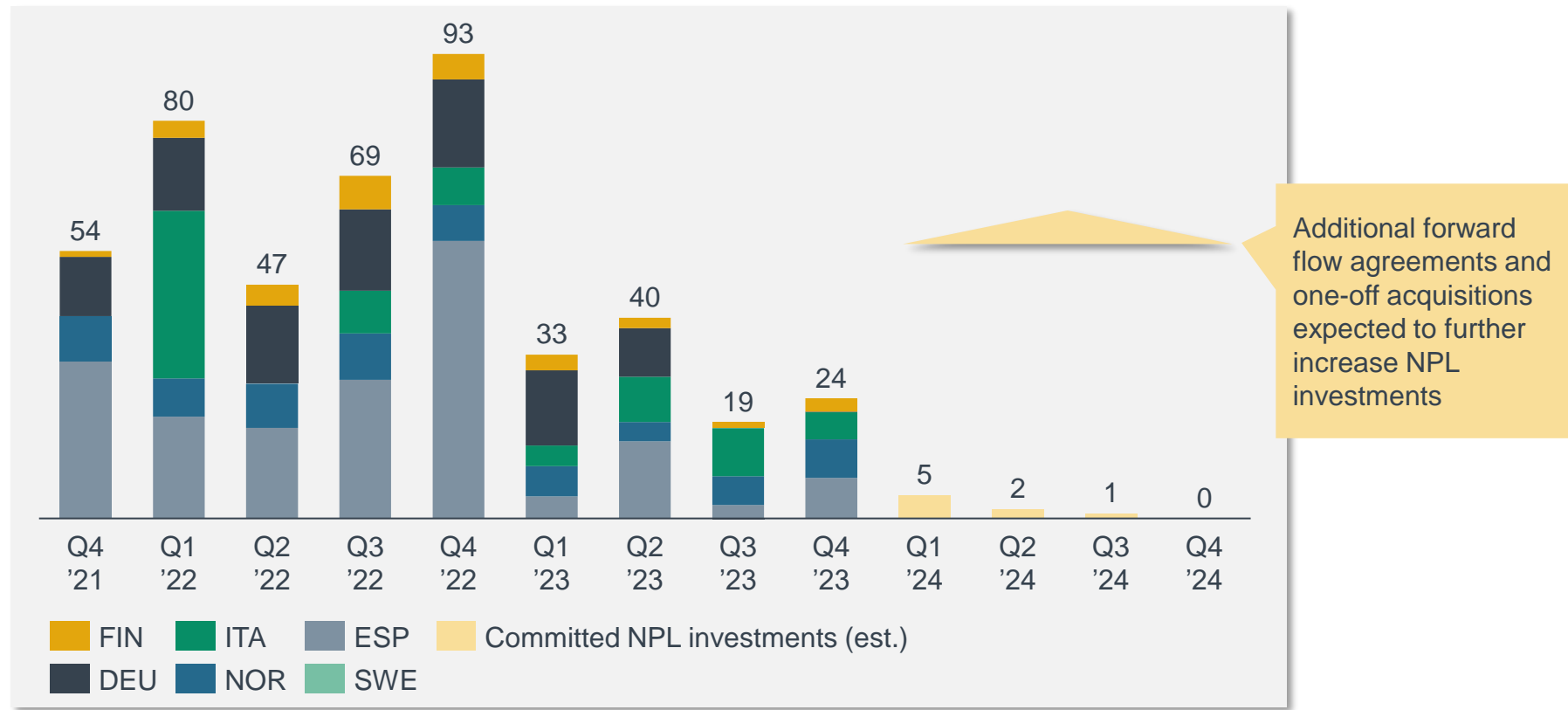
Q&A



Supporting information

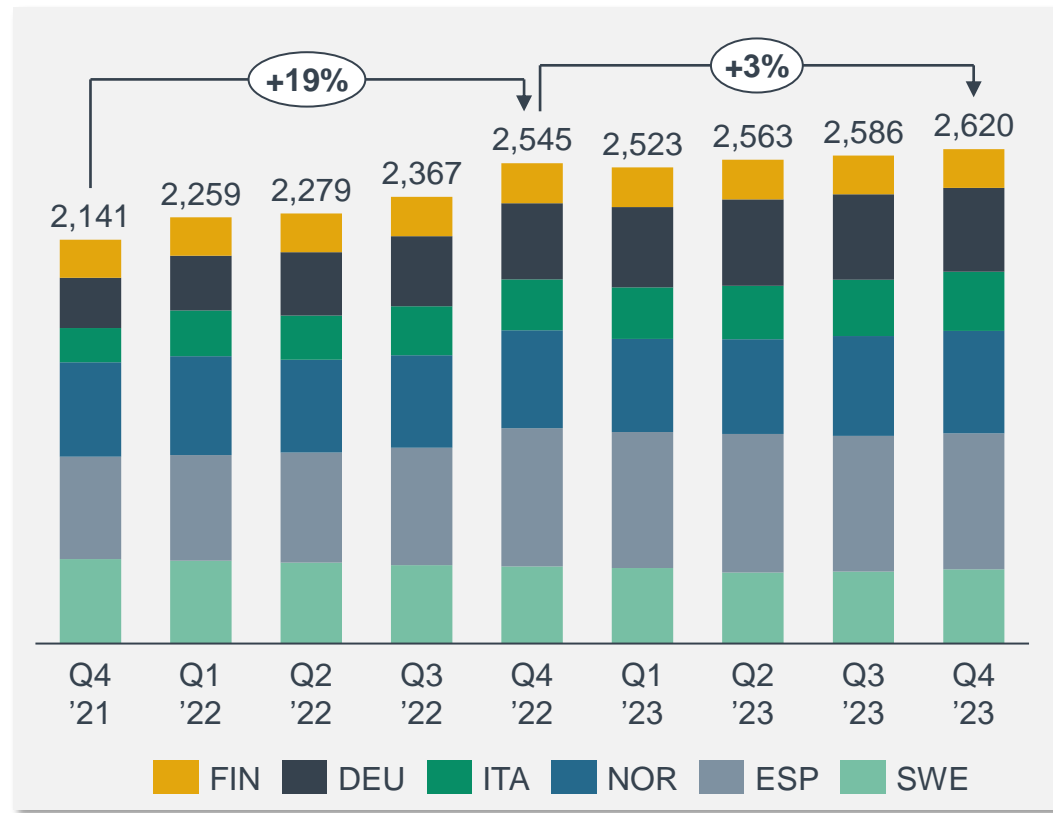
NPL investment commitments of EUR 8m next 12 months

Quarterly NPL investments
(EUR million)

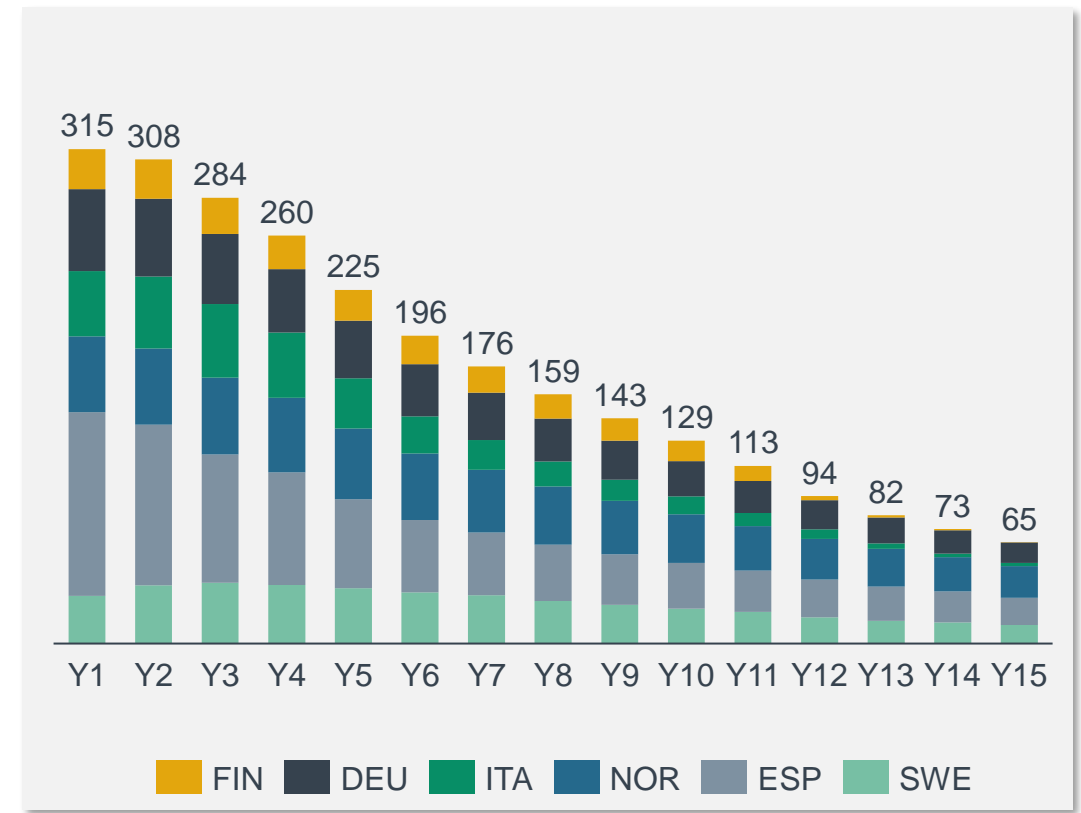


ERC increasing by 3% last twelve months

ERC development
(EUR million)

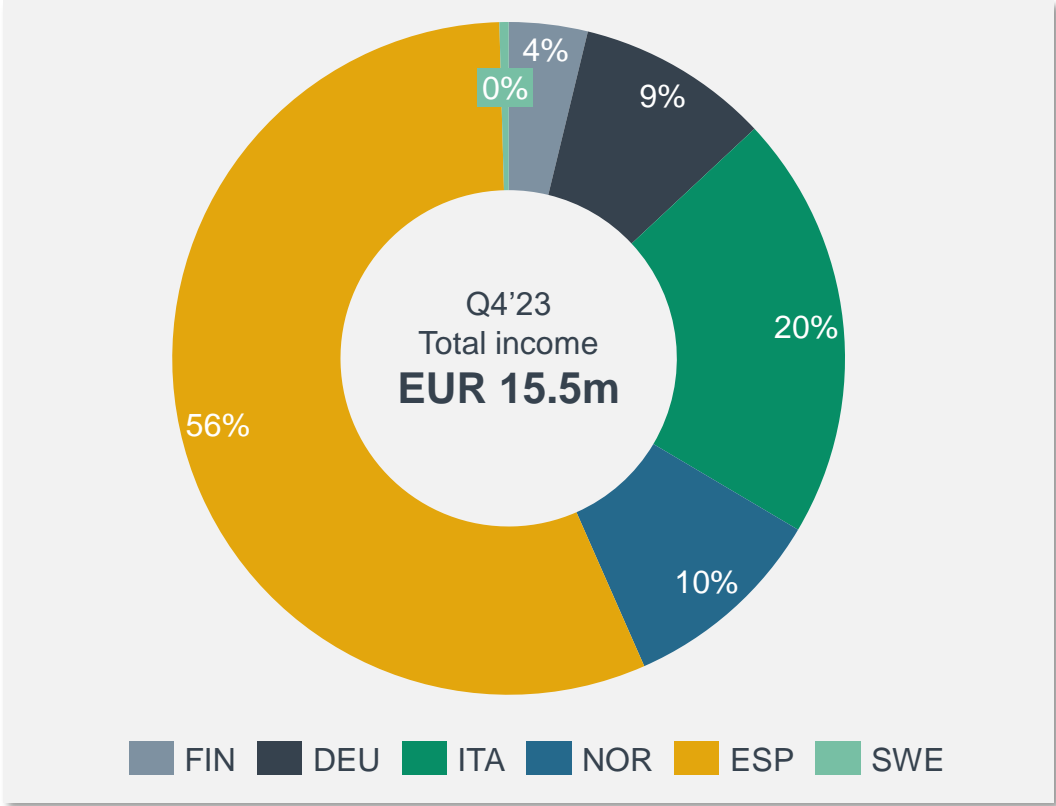


Forward ERC profile by year
(EUR million)



3PC volumes by geographic region

3PC Total income split by geographic region

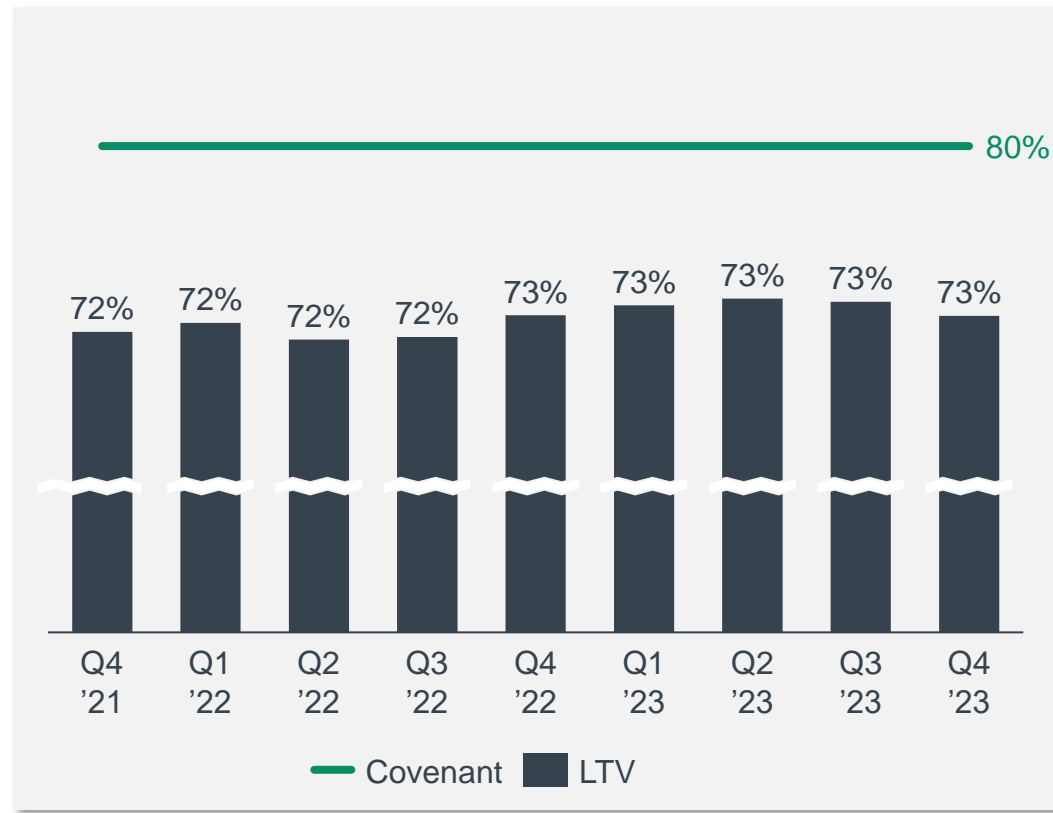


- Spain accounting for 56% of total income on 3PC
- Segment closed down in Finland and Sweden, with no active clients per year-end 2023

Bond covenants (1/2)

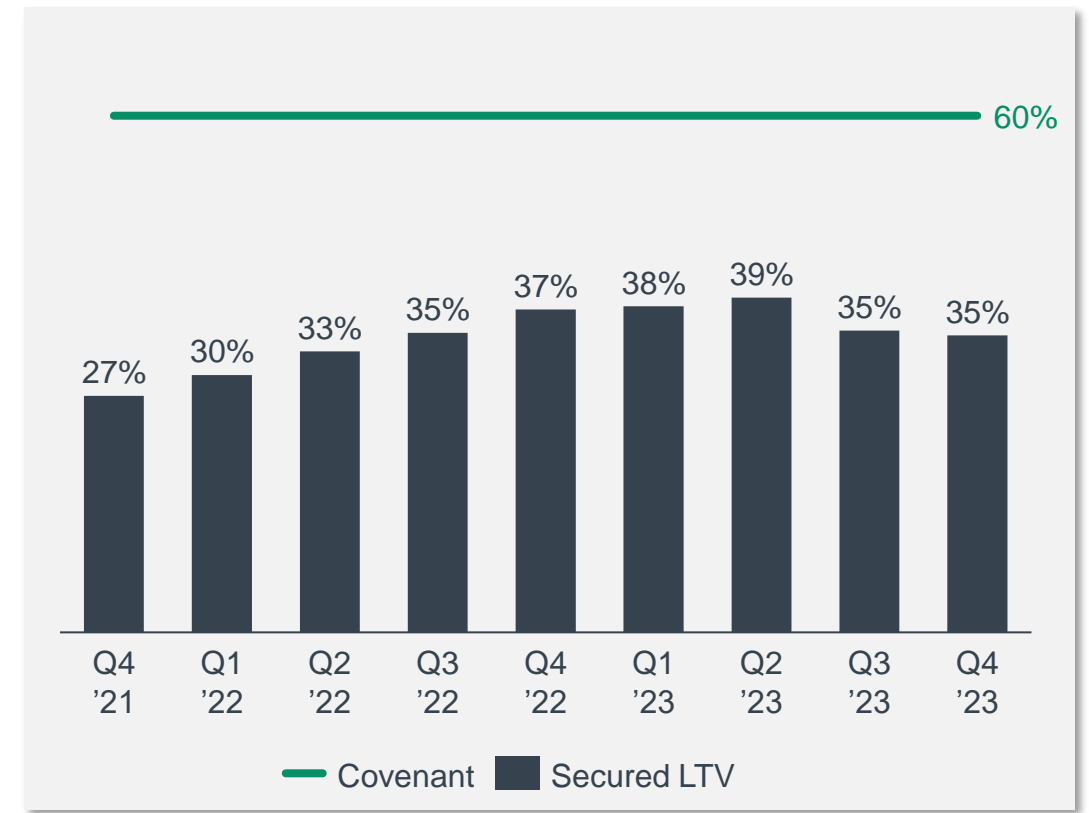
Loan-to-value - covenant $\leq 80\%$

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



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

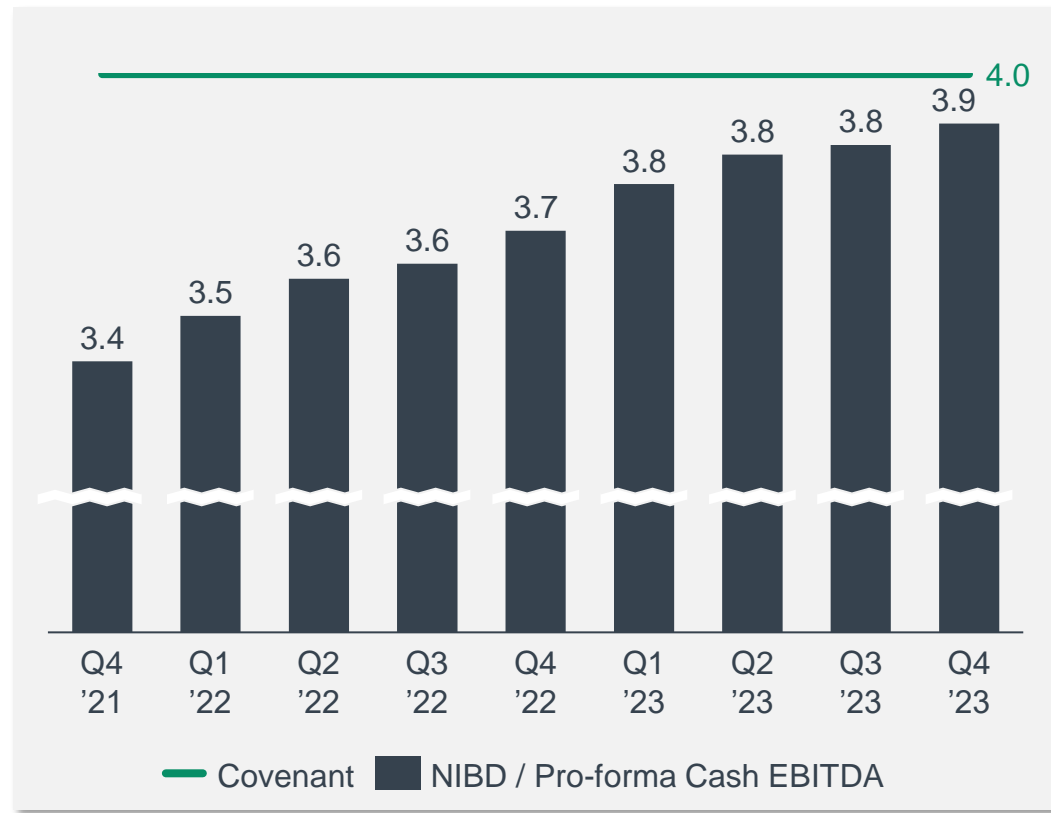
(Secured net interest-bearing debt divided by total portfolio book value)



Bond covenants (2/2)

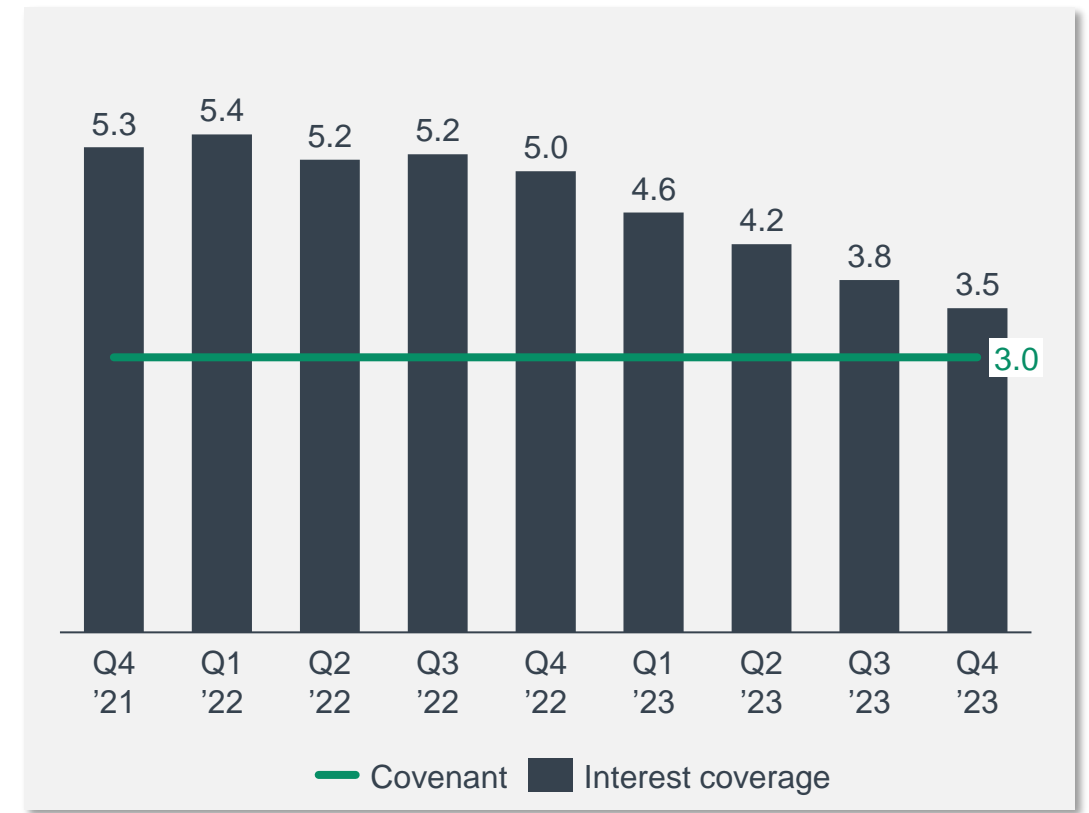
Leverage ratio - covenant $\leq 4.0x$

(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
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

