Axactor company presentation

DNB SME CONFERENCE

Bjørvika, March 21st, 2018

AXACTOR

This is Axactor

Axactor in brief

- Axactor is a Nordic-based debt management company with operations in five European countries
  - Established in December 2015 – rapid expansion
  - En route to execute on clearly defined strategy to build an efficient and high-quality debt collection company without any legacy burdens
- Main investment focus area has been unsecured B2C loans – also invested in portfolios of secured non-performing loans and REOs in ‘17
- Specialises in both purchasing and collection on own debt portfolios, and providing collection services for 3rd party owned portfolios
- Headquartered in Oslo, Norway, with a total of +900 employees
- Listed on the Oslo Stock exchange (ticker: AXA)

Axactor service offerings

1. *Collection on own NPLs*
2. *Acquisitions of REOs*
3. *Collection on 3rd party owned NPLs*
4. *Accounts Receivable Management*

Axactor geographic footprint

Axactor established as a large debt collection player with platform companies[1] and own portfolios in 5 European countries

1: Note: Platform companies refer to companies performing debt collection services

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Executive management team with solid track record

Endre Rangnes (CEO)

Oddgeir Hansen
(COO)

Siv Farstad
(EVP HR)

Robin Knowles
(Investment Director)

Johnny Tsolis
(CFO)

David Martin
(Country Mgr. Spain)

Andrés Lopez
(Country Mgr. Spain)

Massimiliano Ciferri Ceretti
(Country Mgr. Italy)

Oddgeir Hansen
(Acting Country Mgr. Norway)

Doris Pleil
(Country Mgr. Germany)

Fredrik Kessler
(Country Mgr. Sweden)

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Significant expansion since start-up in December 2015

Key milestones and achievements

Platform acquisitions

- Dec '15 – ald abogados
- May '16 – GESLICO
- Sep '16 – ALTOR
- Apr '16 – IKAS
- Jun '16 – CSUNION
- Feb '17 – PROFACT

- *+900 employees*
- *System consolidation across platforms to secure optimal operational setup*
- *One Axactor: 3PC / portfolios / ARM*

Portfolio acquisitions

- *EUR 485m in investments made per Q4 2017*
- *As per Q4 2017, 120 portfolios acquired*

- *EUR 471m in book value per Q4 2017*
- *EUR 858m est. remaining collection per Q4 2017*
- *Unsecured B2C loans/secured non-performing loans and REOs*

Financing

- *11 equity issues*
- *Co-investment partnership established with Geveran*
- *Bank facilities secured and expanded*

- *EUR 250m in equity raised from leading Norwegian institutions that remain as large investors*
- *Geveran co-investment partnership with EUR 300m in funding secured*
- *DnB/Nordea facility of EUR 350m (200+150)*

Equity capital markets development[1]

Share price development (NOK)

Market cap development (EURm)

1: Source: Factset. Enterprise value based on market cap plus EUR 250m in NIBD as per Q4 reporting
Note: Profiles of acquired companies are included in the appendix of this presentation

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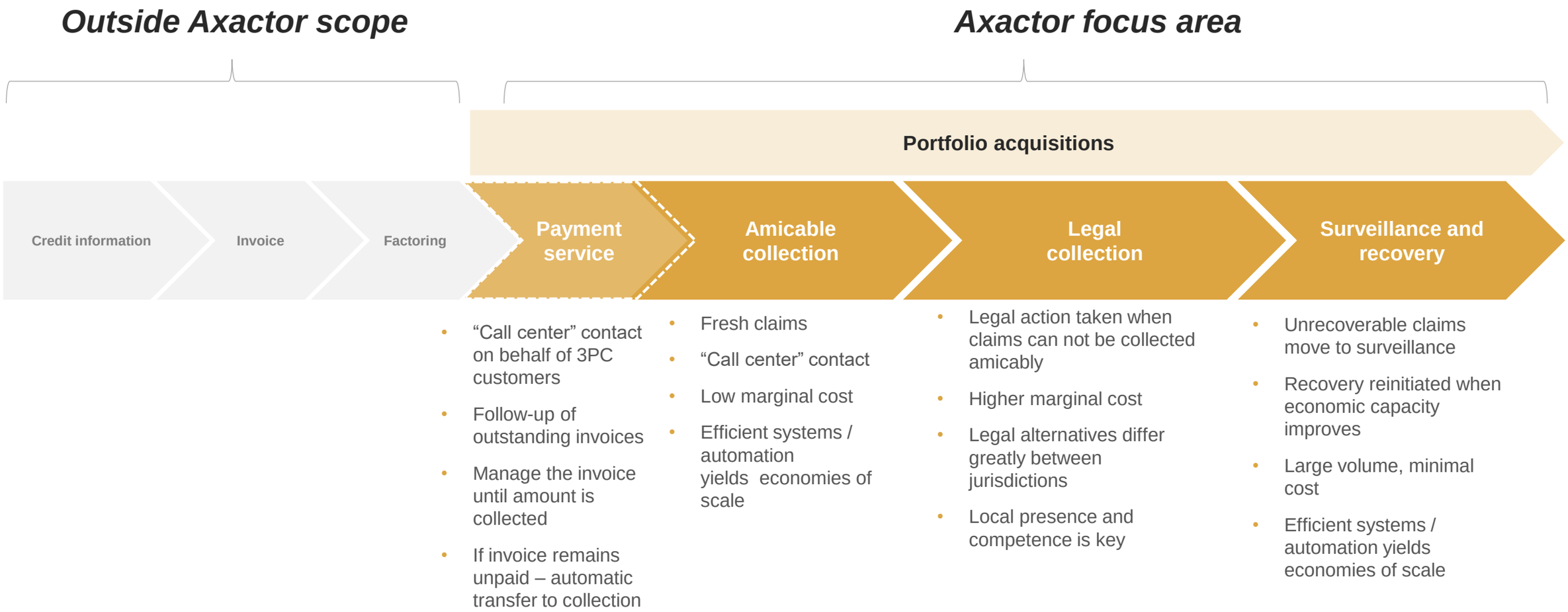
Axactor covers all major parts of the value chain



Note: Value chain based on management considerations

Operational achievements completed through 2016/2017

Group level

- Intility (IT Infrastructure)
- Miratech partnership (AD/AM)
- ERP/Finance/HR
- Portfolio pricing
- Digitalization
  - Dialer
  - BI/DW
  - Core collection Systems
  - Debtor/Client Portals
  - Skill based collection
- CRM
- Branding
- Common KPIs
- Accounts Receivable Management (ARM)

One Axactor

Country specific achievements and priorities

- ✓ *Improve old collection system*
- ✓ *Skill based collection*
- ✓ *ARM roll-out ongoing*

- ✓ *New collection system implementation*
- ✓ *Bank of Italy 106 license*
- ✓ *Legal collection*

- ✓ *New collection system implemented*
- ✓ *Portfolio collection start up in 2017*
- ✓ *New ARM solution*

- ✓ *Consolidate core collection systems*
- ✓ *New infrastructure*
- ✓ *REO start-up*

- ✓ *New organisation*
- ✓ *ARM roll-out ongoing*
- ✓ *3PC collection start up*

Increased efficiency in collection operations going forward on the back of operational achievements made to date

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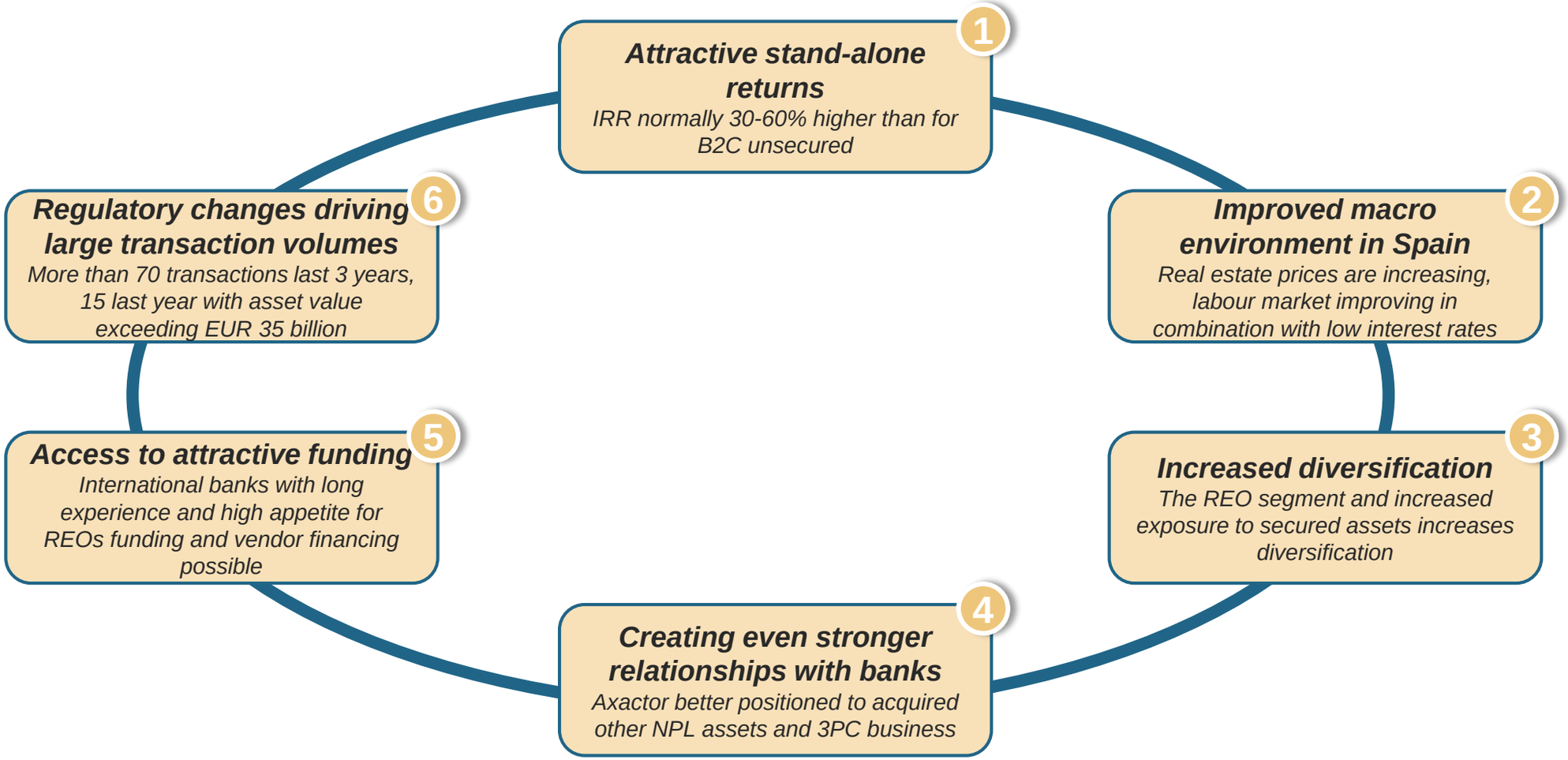
Acquisition of REO portfolios highly attractive for Axactor

Real Estate Owned (REO) attractions



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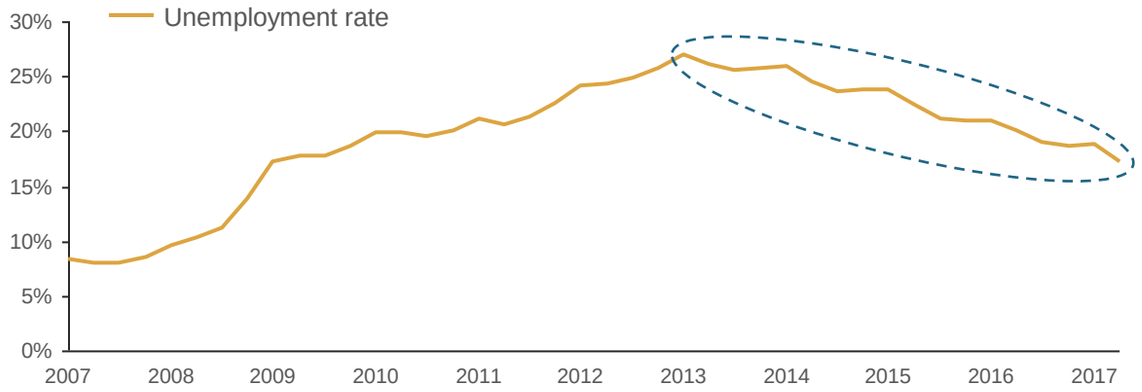
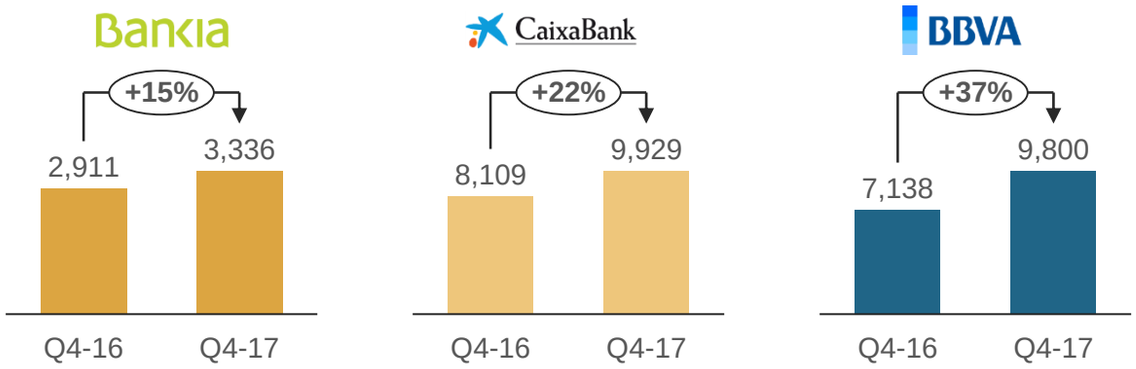
Trends in Spanish macro and banking supportive of REOs

Unemployment declining[2]

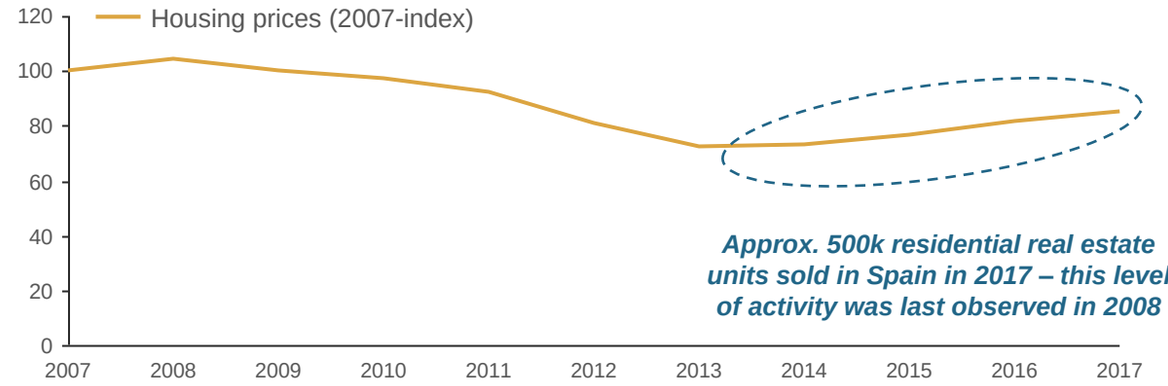


After years of decline, lending in the banking sector is rising

Development in consumer lending balances among selected Spanish banks (EUR million)[1]

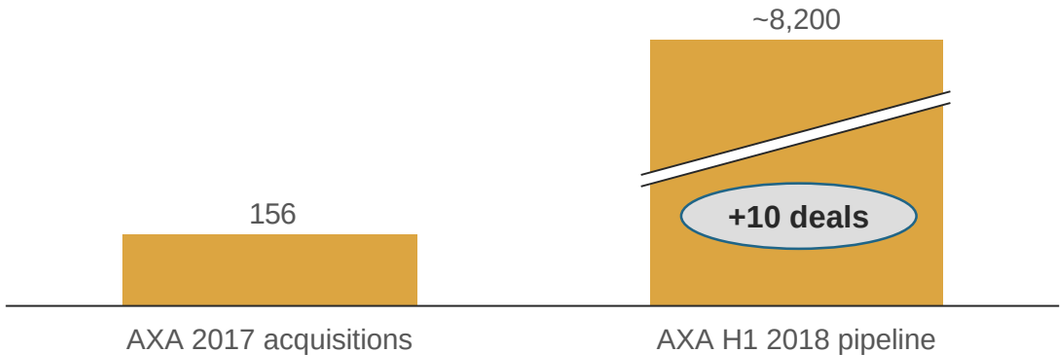


Housing prices on the rise[2]



Healthy pipeline of Spanish REO opportunities

Pipeline illustration: Axactor acquisitions 2017 vs pipeline H1 2018 (EURm)



1: Source: Bankia (consumer finance), CaixaBank (consumer lending in Spain) and BBVA (consumer, performing loans under management in Spain)
2: Source: Statista

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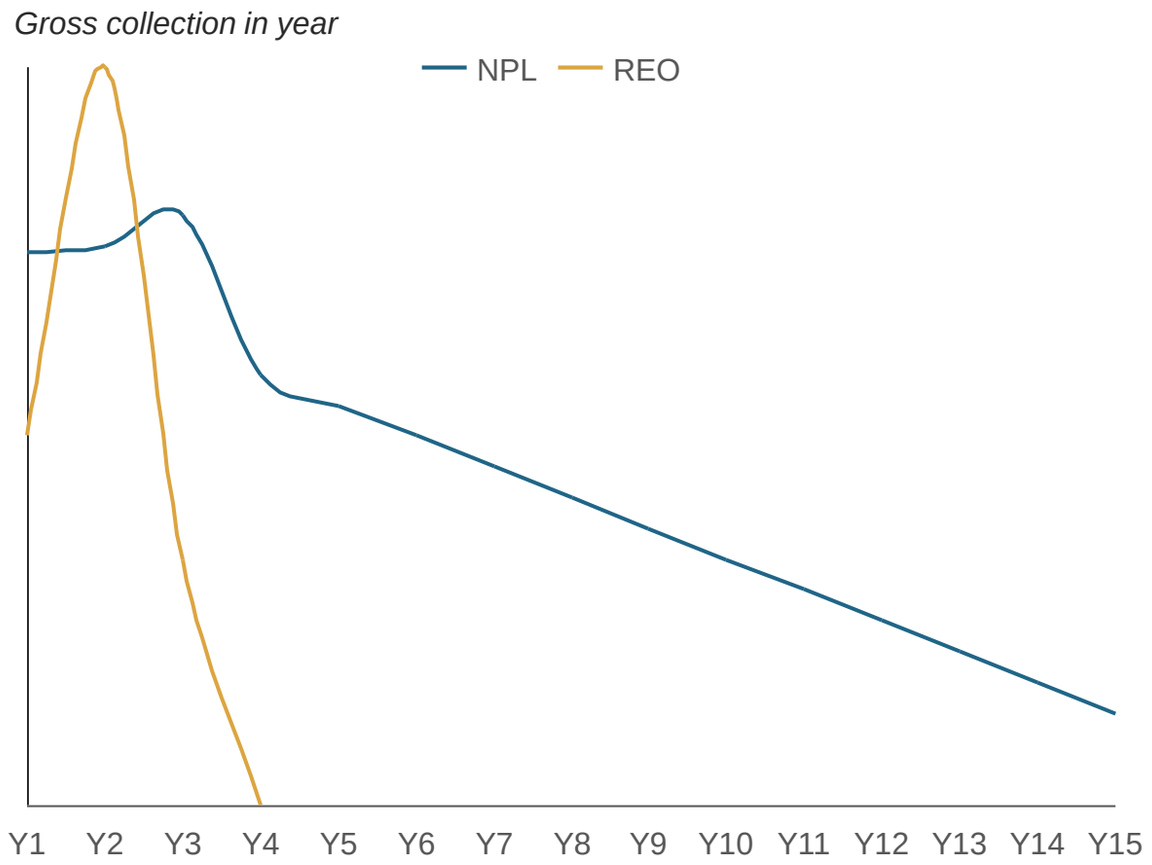
REOs with significantly shorter payback time compared to NPLs

Portfolio cash flow characteristics



Comments

- NPL portfolios with finance claims are characterised by long and stable cash flows (+15 years)
  - REO portfolios typically last 3-5 years before depletion
- REOs with a lower money multiple, but shorter payback time, ensuring healthy IRR levels
- Accounting treatment of NPLs rely on amortized cost principle, i.e. amortization is based on forecasted collections and reported above net revenue
  - Accounting treatment of REOs rely on stock held for sale principle, i.e. cost of sale is performed when an asset is sold and posted as opex

	NPL (FI)	REO
Gross payback	*40-50 months*	*20-30 months*
Money multiple	*>2.0*	*~1.4*
Lifetime	*>15 years*	*3-5 years*

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Key highlights 2017

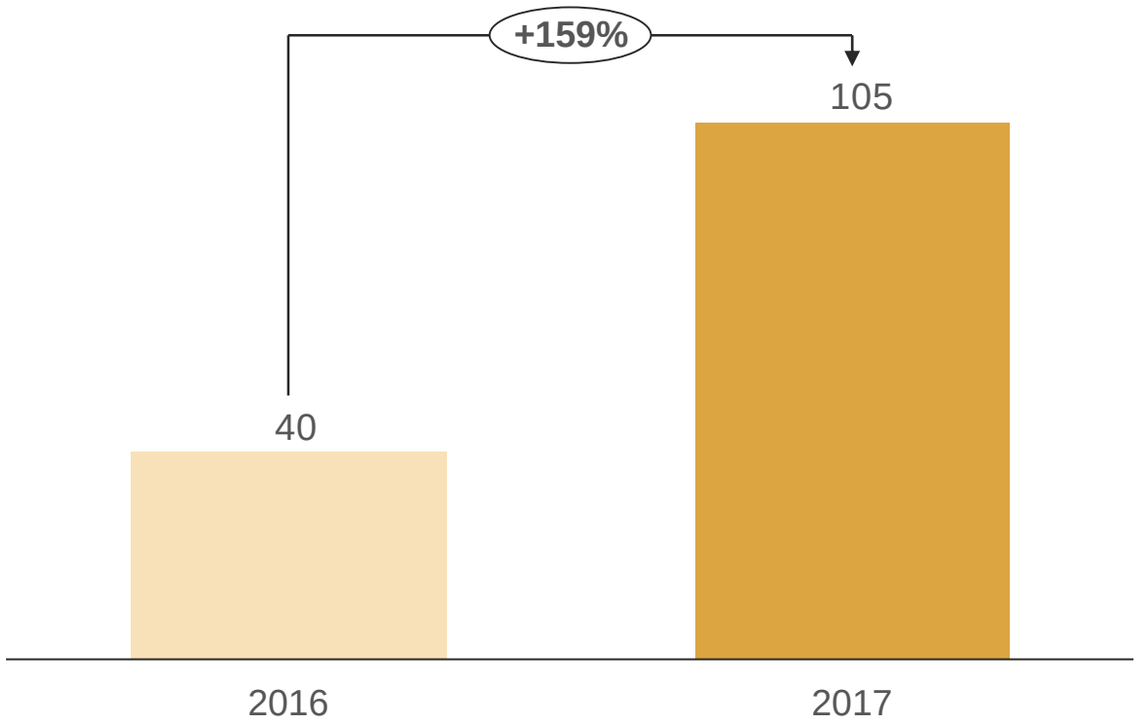
GROSS REVENUE	ERC	EBITDA	ADJ CASH EBITDA[1]	CASH BALANCE
104.7	858	14.8	33.9	48.6
EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION	EUR MILLION
+159% y/y	+171% y/y	17% margin		

- Significant growth, Gross revenue EUR 104.7m (EUR 40.5m in ‘16), cash EBITDA EUR 32.7m (negative EUR 2.5m in ‘16)
- Co-investment partnership with Geveran established - first transactions completed
- Refinancing of existing debt facility with a new facility of EUR 350m (EUR 200m +EUR150m accordion)
- EUR 362m portfolio investments – including EUR 156m of REO assets in Spain

1: Cash EBITDA adjusted for non-recurring items related to SPV setups and restructuring cost of EUR 1.2m in 2017. Cash EBITDA was EUR 32.7m in 2017

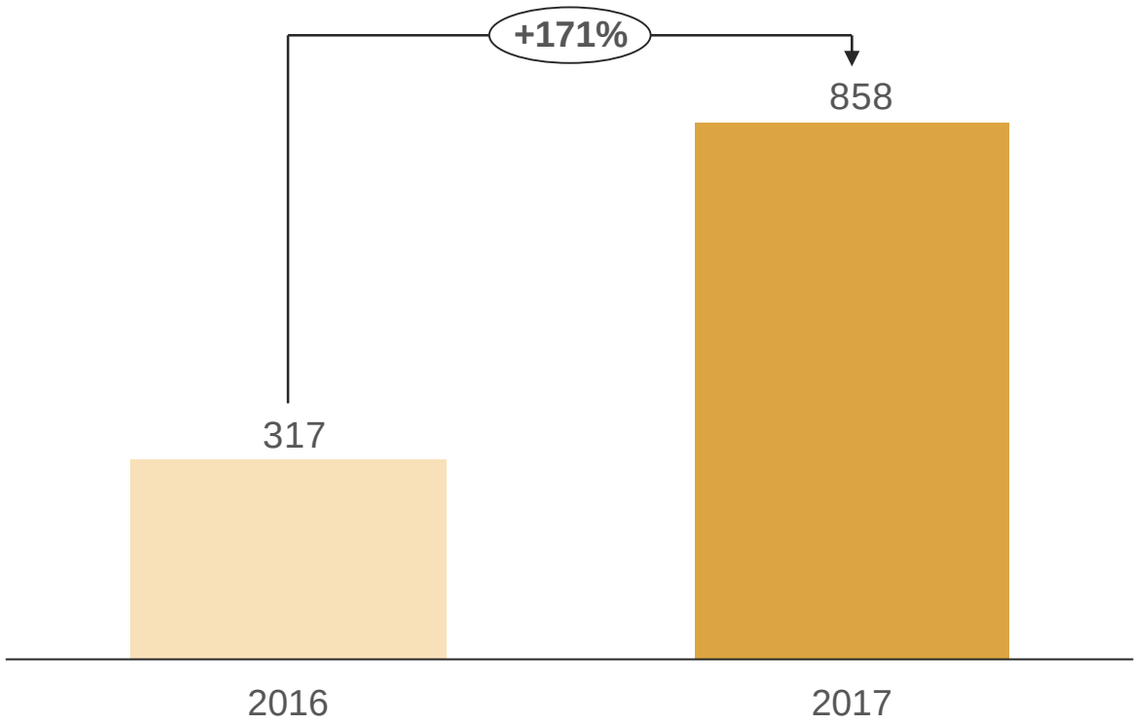
Financial performance – Gross revenue and ERC

Gross Revenue (EUR million)



- Revenue growth driven by NPL acquisitions in all countries and 3PC growth, particularly in Spain

ERC (EUR million)



- Book value of NPL portfolios has increased from EUR 128m to EUR 471m from 2016 to 2017
- REO a significant contributor to the growth

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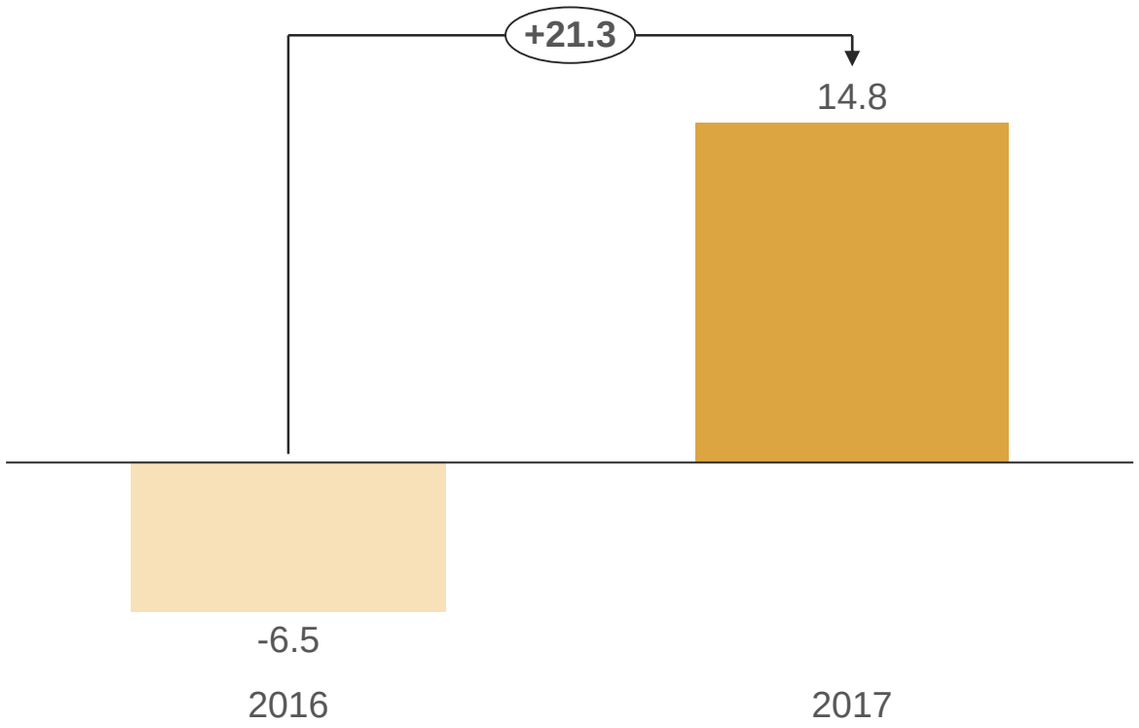
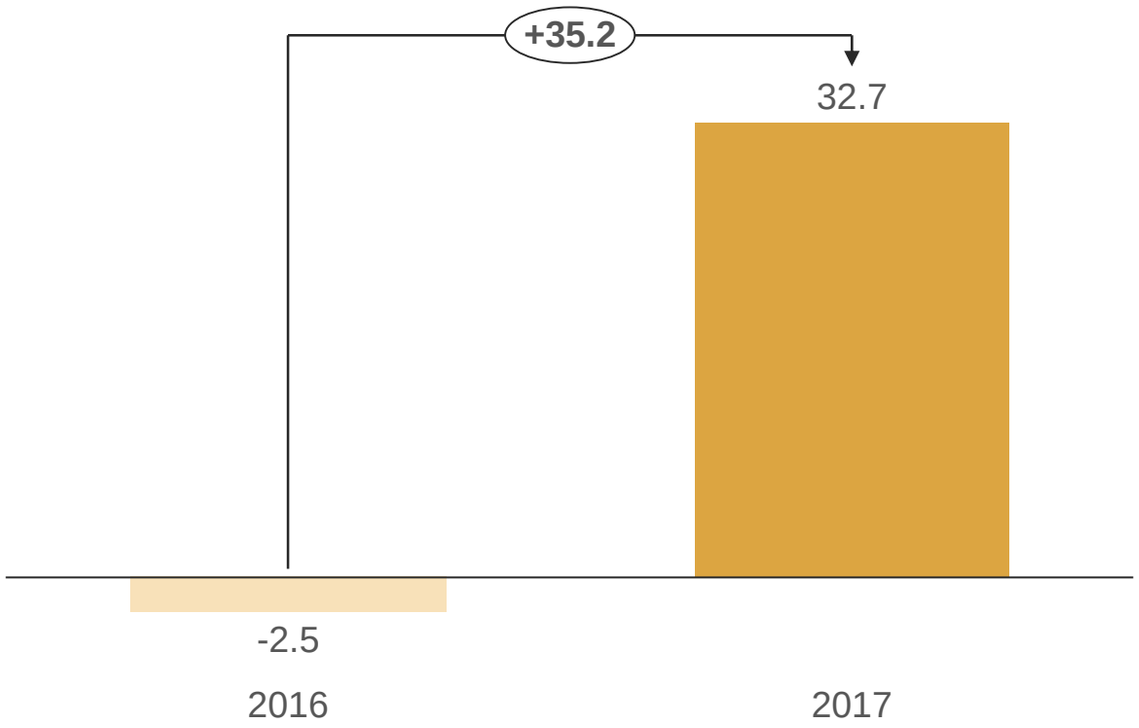
Financial performance – EBITDA and Cash EBITDA

EBITDA (EUR million)



Cash EBITDA (EUR million)



- Profitability driven by growth in revenue and improved utilization of resources
- Reduction in M&A activities in 2017 impacting costs

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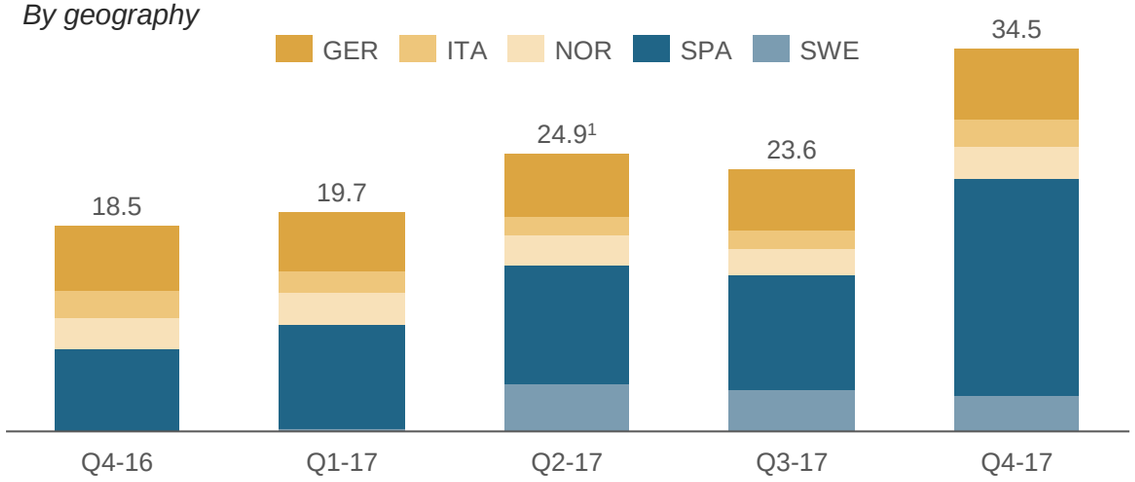
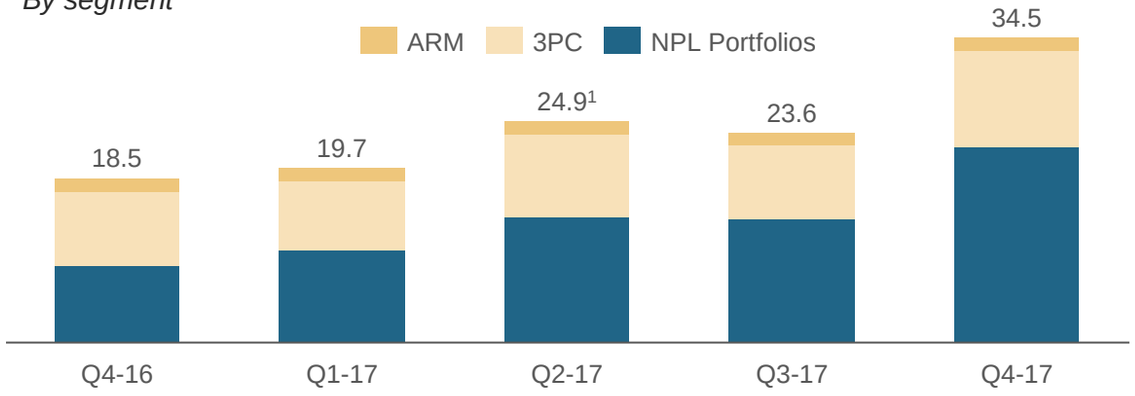
Axactor gross revenue mix by geography and segment

Development gross revenue mix (EUR million)

By geography



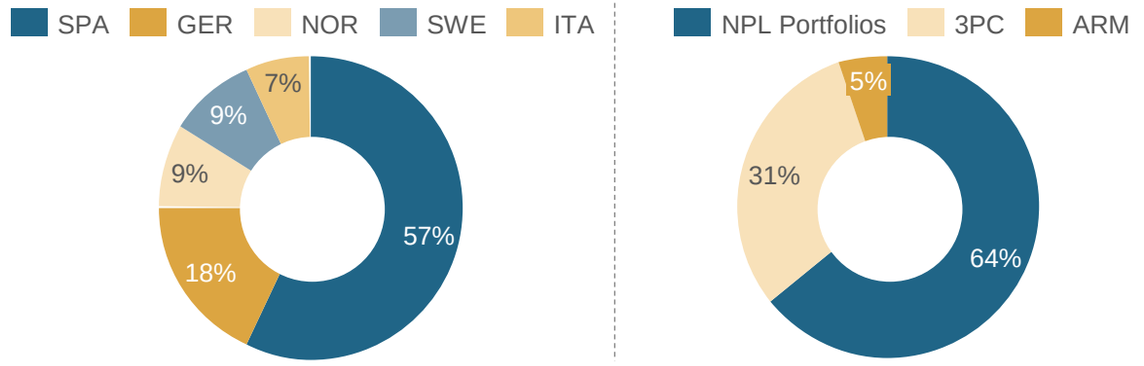
By segment



Comments

- Q4 a seasonally strong quarter
  - Strong Q4 performance in all geographies
- Stable balance between NPL and 3PC
  - Several new 3PC contracts in Spain during 2H 2017 supporting growth in 3PC
  - NPL segment (including REO) growing significantly on the back of Q4 investments
  - Stable Accounts Receivable Management (ARM) development – ongoing roll-out in Sweden, Germany and Italy

Gross revenue mix Q4 2017



1: Q2 settlement with former IGE board members is excluded

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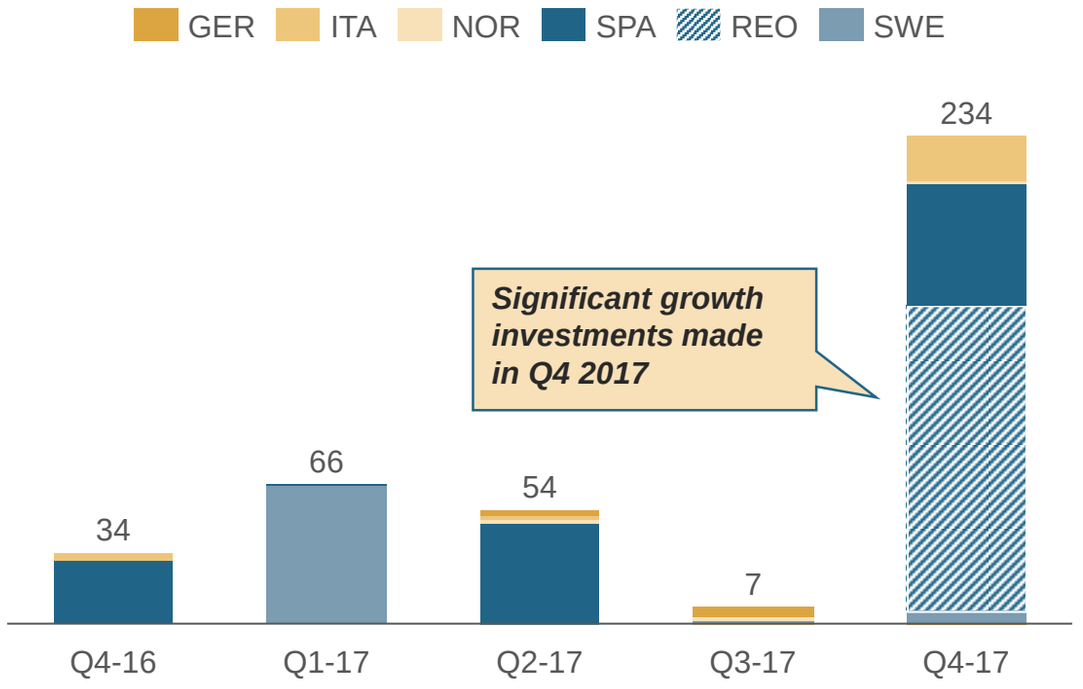
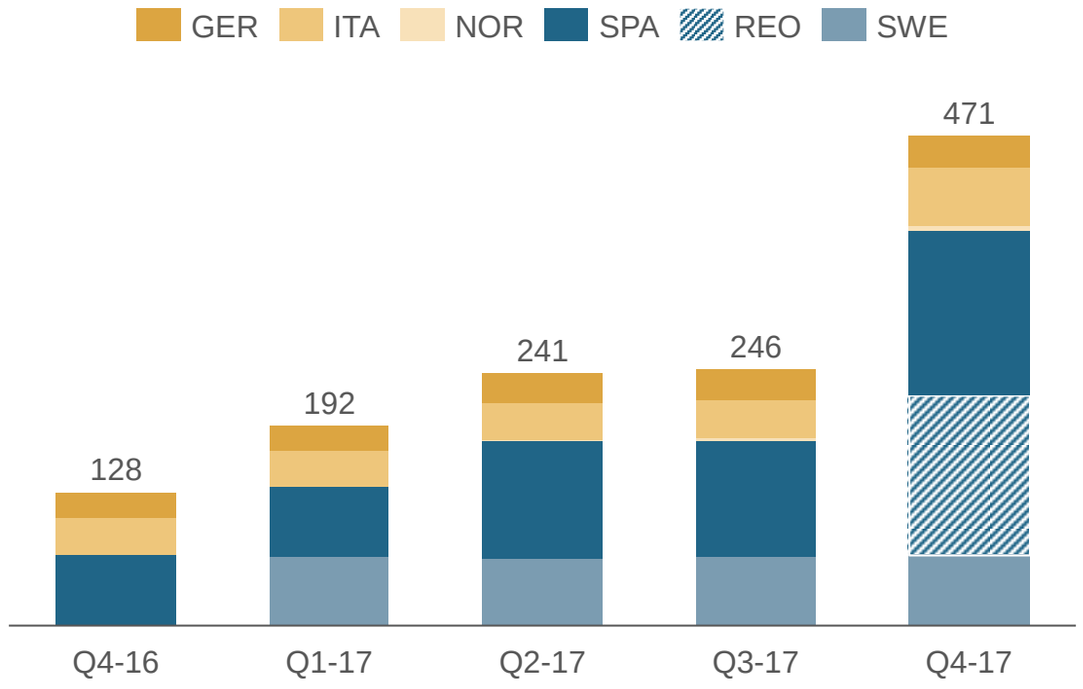
Portfolio statistics – Capex and book value

Capex (EUR million)



- Total of EUR 362m invested in portfolios in 2017
- REO investments in Q4'17 of EUR 147m (incl. minority)
- Capex deployed in all Axactor geographies in Q4'17
- EUR 20m invested in NPL in Italy in Q4'17

Book value of portfolios (EUR million)



- REO investments are made in REO holding SPV (Reolux)
- Book value of REO assets amounted to EUR 154m per Q4'17
- Book value include minority shareholders interest

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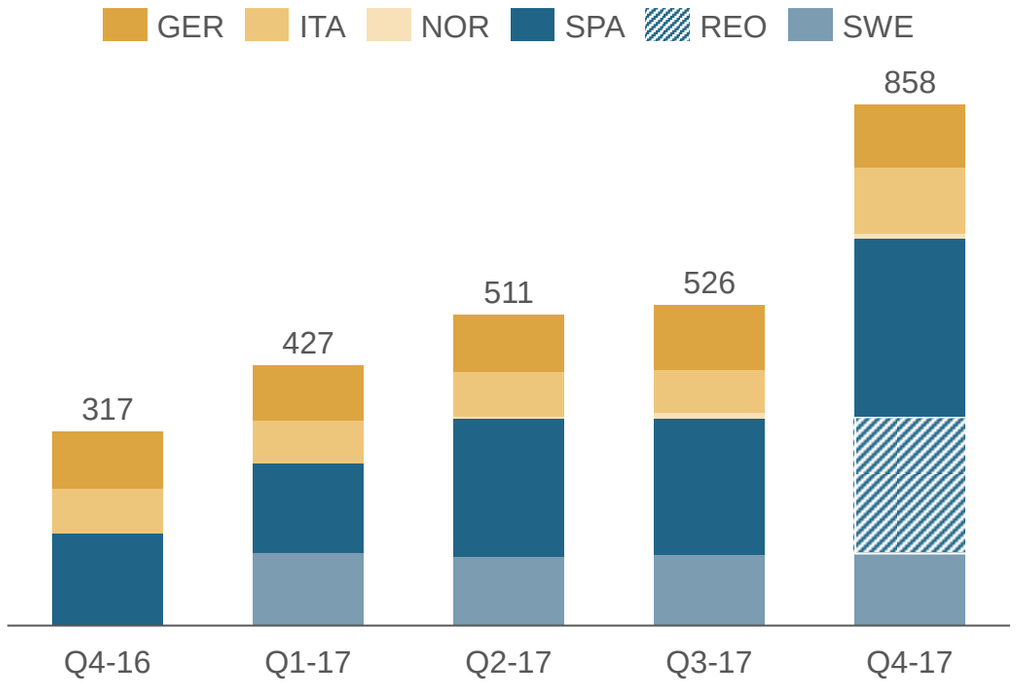
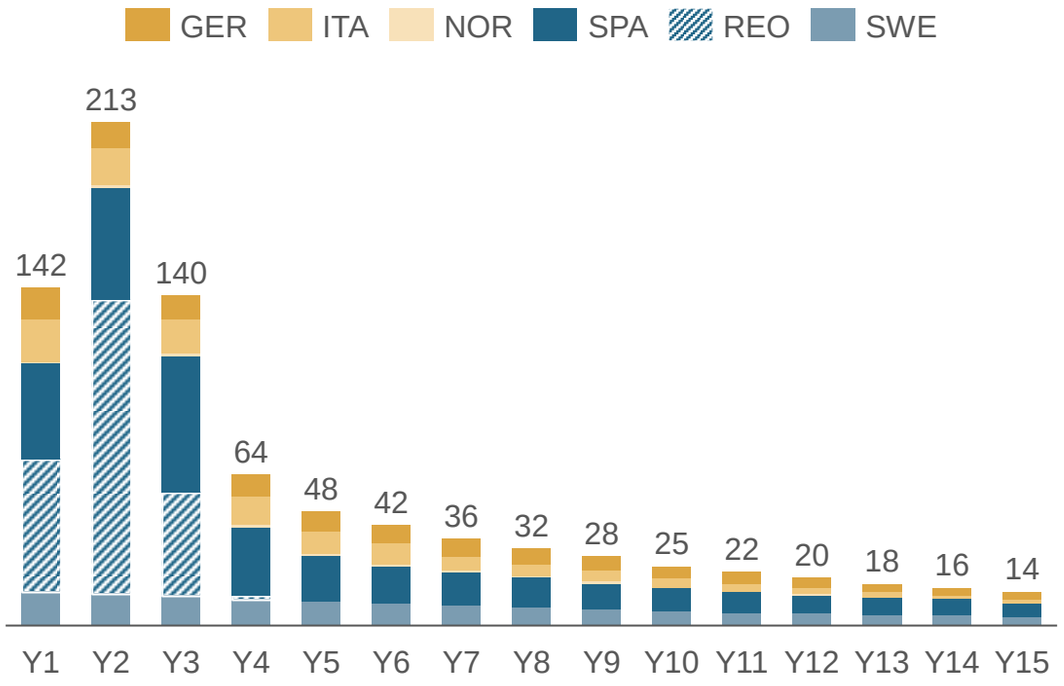
Portfolio statistics – ERC

Historical development ERC (EUR million)



- ERC increase of 171% compared to same quarter last year
- REO portfolios represent EUR 225m of ERC as per Q4 2017
- ERC figures include minority shareholders interest

ERC per year (EUR million)



- NPLs with finance claims have long and stable cash flows (+15 years)
- REO portfolios typically last 3-5 years before depletion
- Compared to NPLs, REOs typically have a lower money multiple, but shorter payback time, ensuring healthy IRR levels

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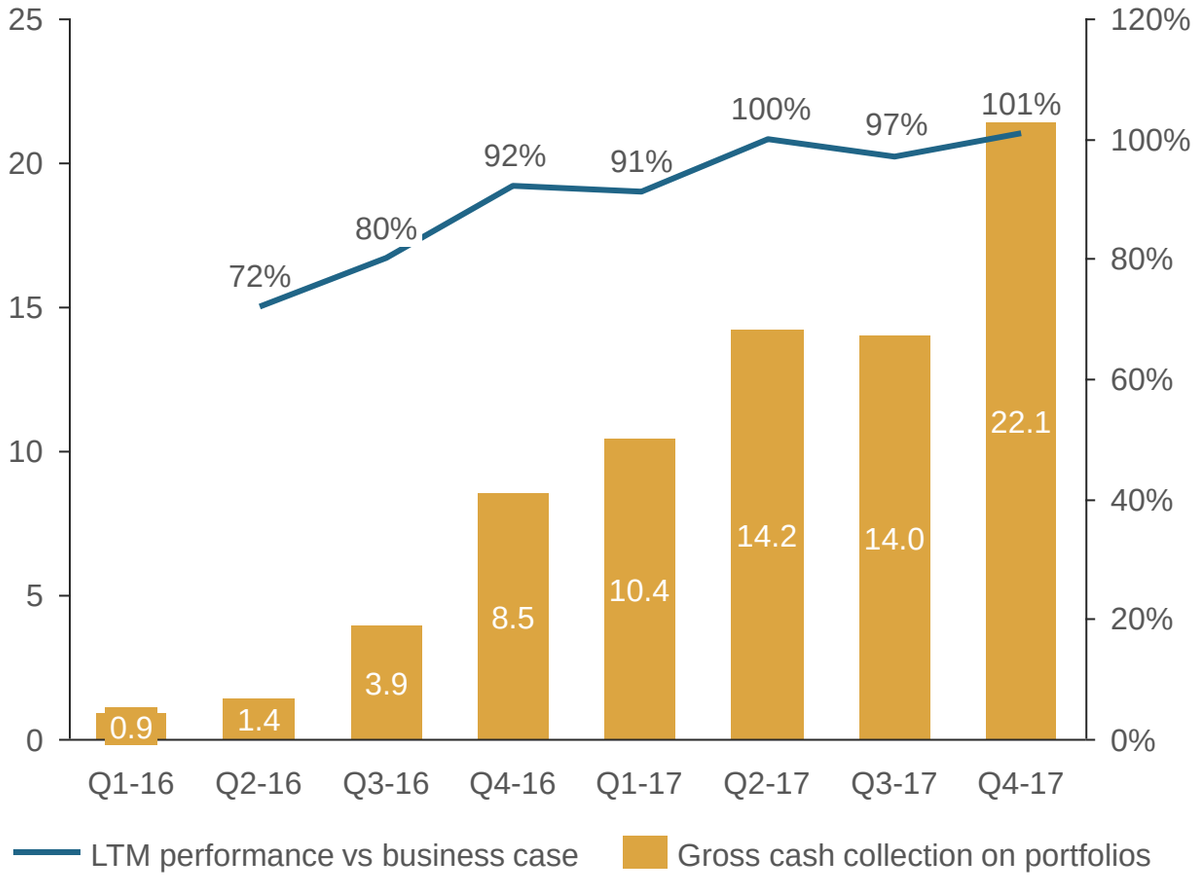
Portfolio collection vs. initial business case: +100% performance per Q4 ‘17

Performance vs. business case (EUR million)



Comments

- Continued positive trend in collection performance
- Effect partly driven by new collections systems and robot dialer system
- Significant uplift in gross collections in 2018 on the back of Q4’17 investments

Note: Performance graph includes REOs

Axactor investment capacity post bond placement

Axactor AB

- 150 mEUR
- 100 mEUR tap option

DNB/Nordea RCF	Italian credit lines	Geveran SPV	Reolux SPV	International bank
• 200 mEUR • 150 accordion options	• 60 mEUR • To be further increased, maximum 100 mEUR	• 60 mEUR equity • 120 mEUR mezzanine • 80+40 mEUR DNB	• 156 mEUR invested • No gearing in Reolux SPV	• 50-60% LTV on Axactor/Geveran REO investments

Total “as is” investment capacity of 350 – 400 mEUR

- Excluding running cash flow
- Excluding potential financing on REOs

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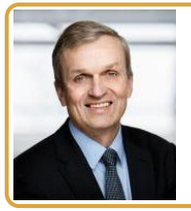
Shareholders and BoD

Top 20 shareholders

Investor	Number of shares	% of total
Geveran trading	173 902 500	11,5 %
Verdipapirfondet DNB Norge	106 704 919	7,0 %
Tvenge Torstein	70 000 000	4,6 %
Ferd	53 351 399	3,5 %
Songa Trading	47 423 467	3,1 %
Verdipapirfondet Alfred Berg Gamba	35 553 765	2,3 %
Verdipapirfondet Alfred Berg Norge	28 901 448	1,9 %
Arctic Funds	24 845 540	1,6 %
Gvepsborg	20 364 945	1,3 %
VPF Nordea Norge	20 131 026	1,3 %
Verdipapirfondet Delpi Norden	19 241 228	1,3 %
Statoil Pensjon	18 634 327	1,2 %
Alpette	16 616 431	1,1 %
Skøien	15 304 397	1,0 %
Nordnet Livsforsikring	15 132 690	1,0 %
Pacunia Forvaltning	13 900 000	0,9 %
Verdipapirfondet Alfred Berg Aktiv	13 410 518	0,9 %
Handelsbanken fonds	12 158 703	0,8 %
VPF Nordea Kapital	12 147 486	0,8 %
Martin Ibas David	11 451 250	0,8 %
Total top 20	**729 176 039**	**48,1 %**
Total shares	**1 516 237 427**	

Board of directors



Bjørn Erik Næss

Chairman

Brita Eilertsen

Board member

Beate S. Nygårdshaug

Board member

Terje Mjøs

Board member

Merete Haugli

Board member

Harald Thorstein

Board member

Michael Hylander

Board member (Deputy)

Source: VPS register 20 March 2018