

# AXACTOR

Presentation

**Q2 2024**







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**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



## Gross revenue declining by 2% y-o-y

- On the back of a challenging macro situation and moderate investments in 2023
- Ramping up NPL investments to EUR 70m – a first start to return to growth



## Cash EBITDA increasing by 3% y-o-y

- Strict cost control in all markets offset declining gross revenue and inflation



## Healthy EBITDA margin of 51%

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



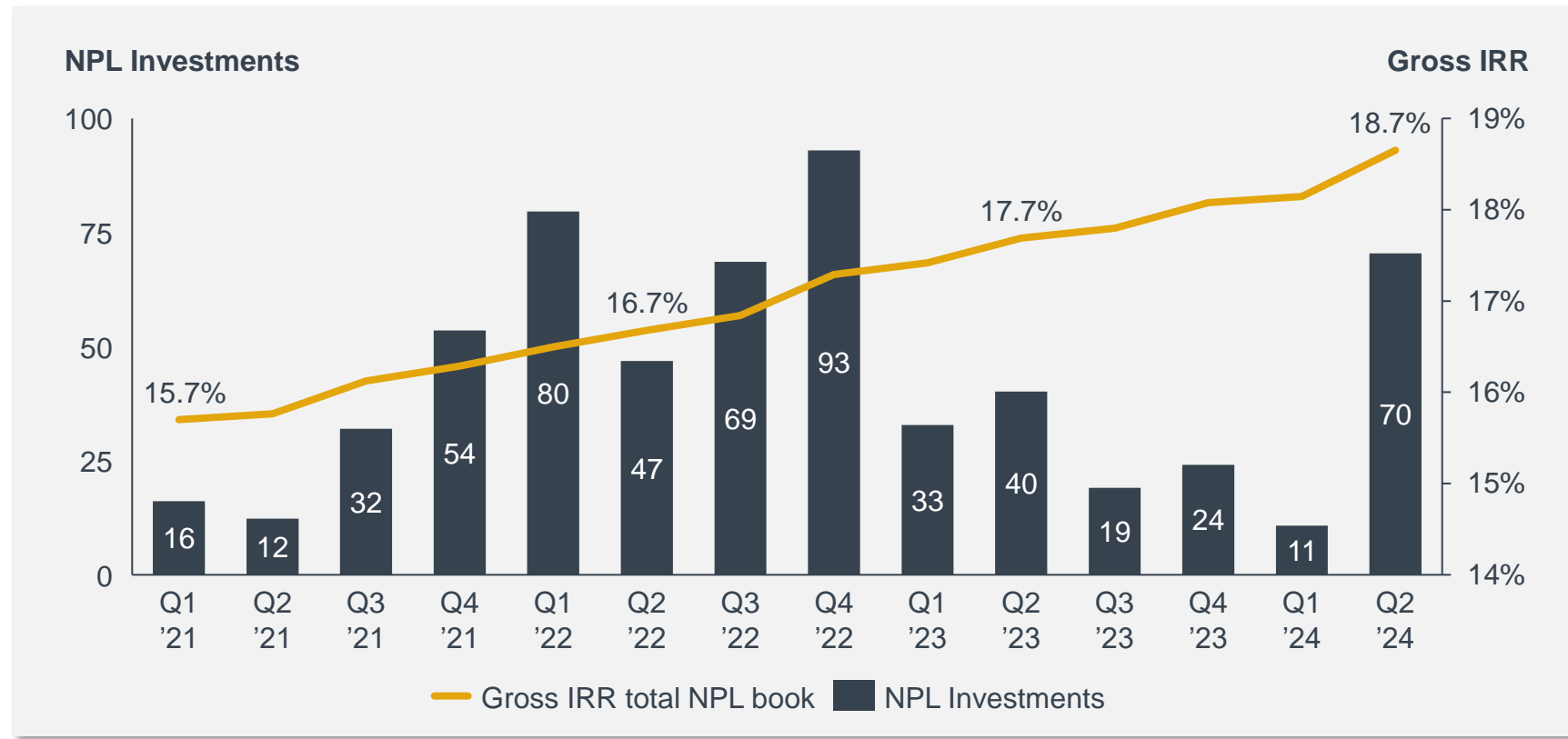
## Annualized return on equity of 4%

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

# Ramping up NPL investments on an accretive price level

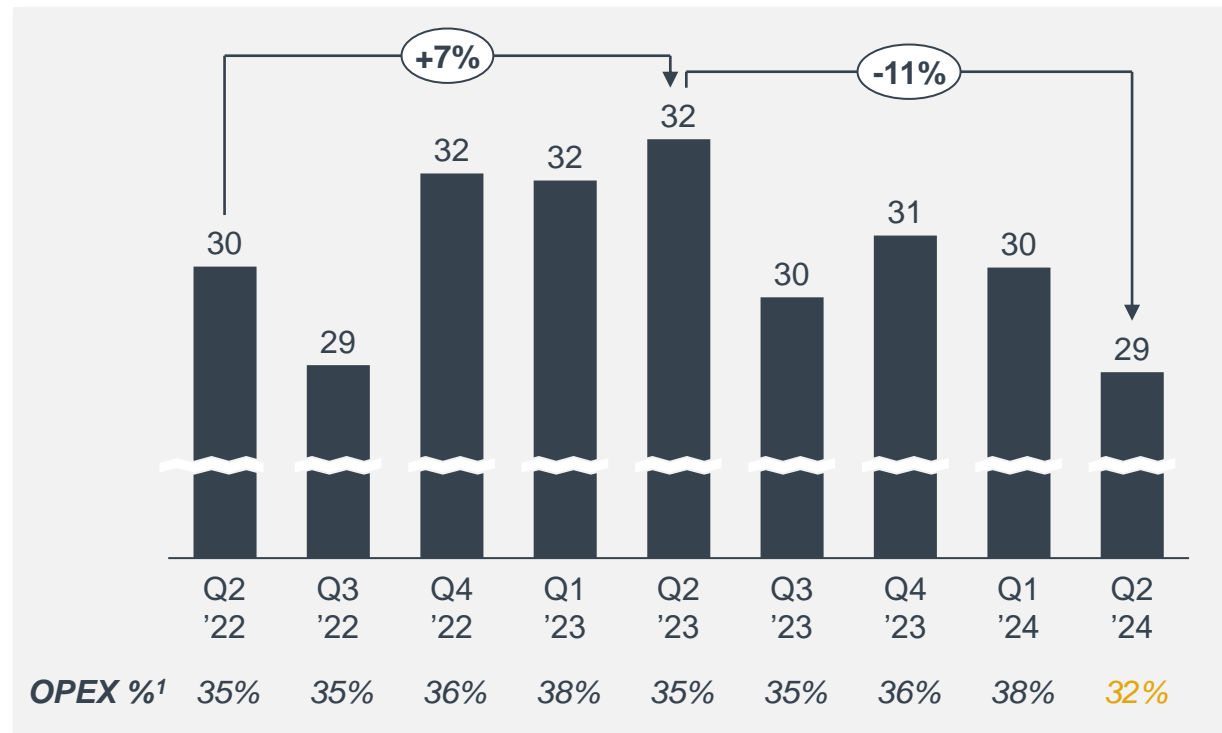
- Gross IRR on the total NPL book up 3.0pp last 3 years

NPL investments and Gross IRR on the total NPL book  
(EUR million, %)



# Strict cost control enables a reduction in total operating expenses of 11% y-o-y, despite inflationary pressure

Total operating expenses  
(EUR million)

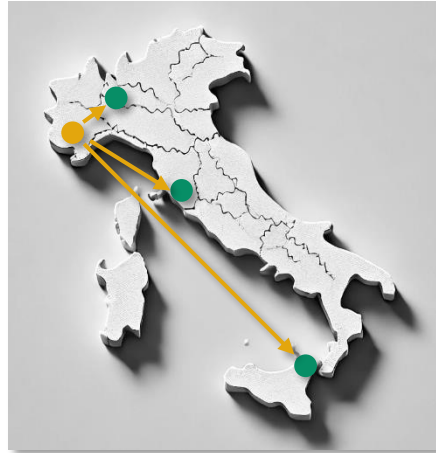


Total operating expenses down 11% y-o-y

- Third consecutive quarter with y-o-y reduction despite inflationary pressure
- OPEX %<sup>1</sup> down to 32%, lowest recorded since inception
- Key driver of Cash EBITDA growth for the quarter

# Two new projects under implementation to support the goal of being able to continue to “absorb” inflation

## Site consolidation in Italy



- Closure of the office in Cuneo was announced on 1 July affecting approximately 100 employees in Italy
- All employees will be offered to relocate to the three competence centers for the future
  - Milazzo – Amicable collection
  - Milan – Legal collection
  - Grosseto – Italy headquarter and back-office

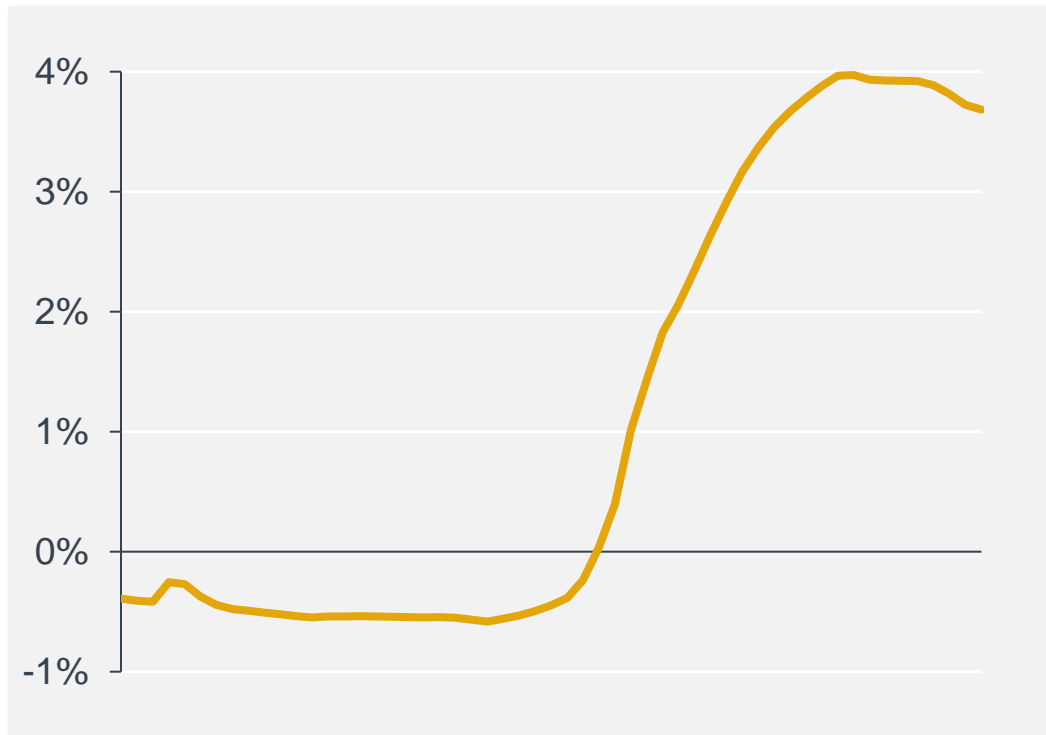
## New IT infrastructure provider



- Through a comprehensive procurement process during the spring, Advania was chosen as new IT infrastructure partner
- The new contract will reduce IT cost

# Axactor will benefit materially if interest rates declines

EURIBOR 3 months (Jan '20 – Jul '24)<sup>1</sup>



Axactor is exposed to changes in interest rates

- 95% of net interest-bearing debt is unhedged

Status on interest rate hedges

- 5% of net interest-bearing debt is hedged<sup>2</sup>
- In addition, in the P&L there will be a positive effect of EUR 1m per quarter in 2024 and EUR 0.8m in 2025 from a realized hedge contract

Interest rates are fixed around the beginning of the quarter for Axactor



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---

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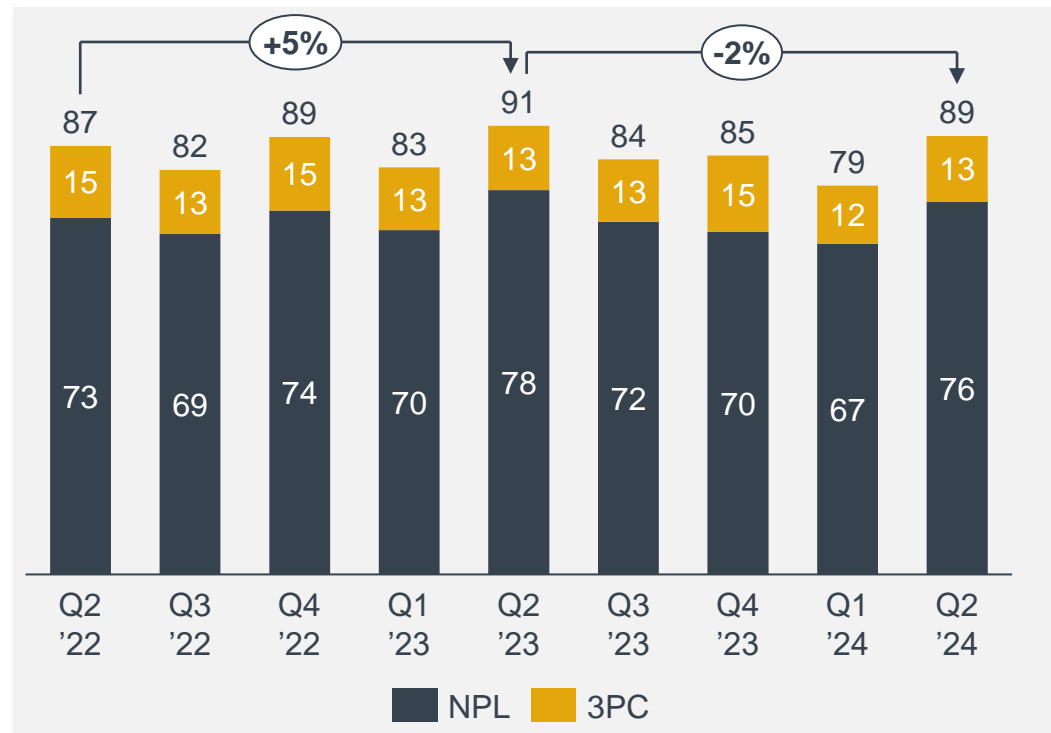
Q&A

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# Group: Gross revenue is down 2% y-o-y on the back of low NPL investments in 2023

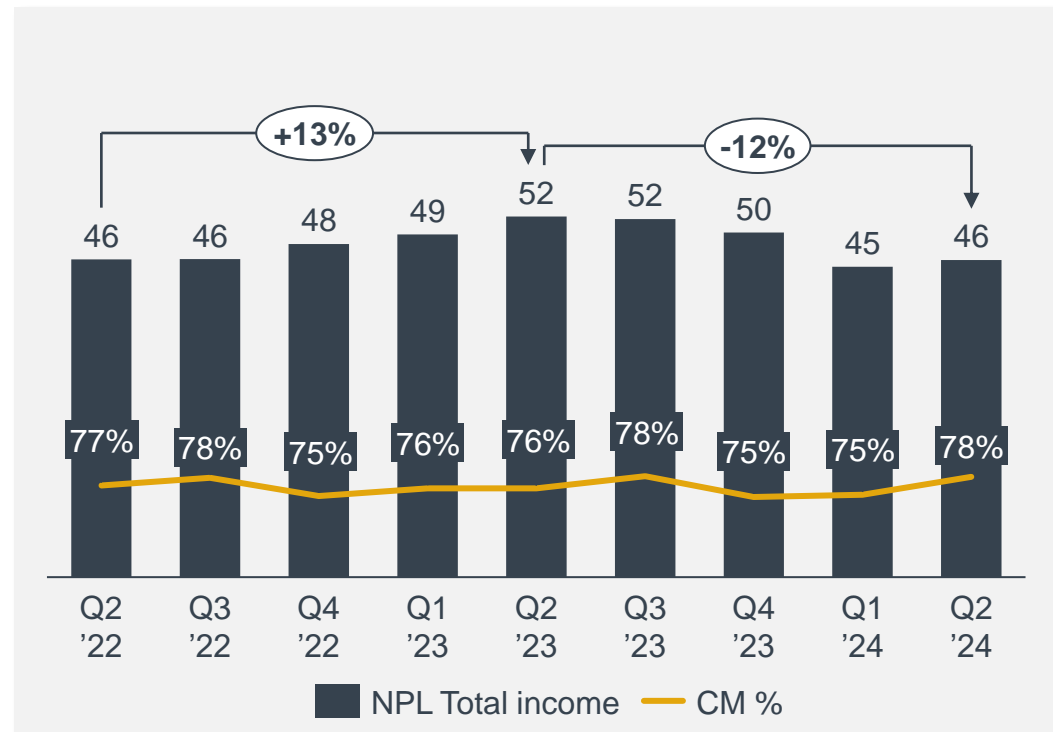
Gross revenue  
(EUR million)



- Gross revenue is down 2% y-o-y
  - NPL gross revenue declining by 3% y-o-y
  - 3PC gross revenue increasing by 2% y-o-y
- Positive development on 3PC, especially given that 3PC was closed in Sweden and Finland during the fall

# NPL segment: Total income is up q-o-q with improved margins

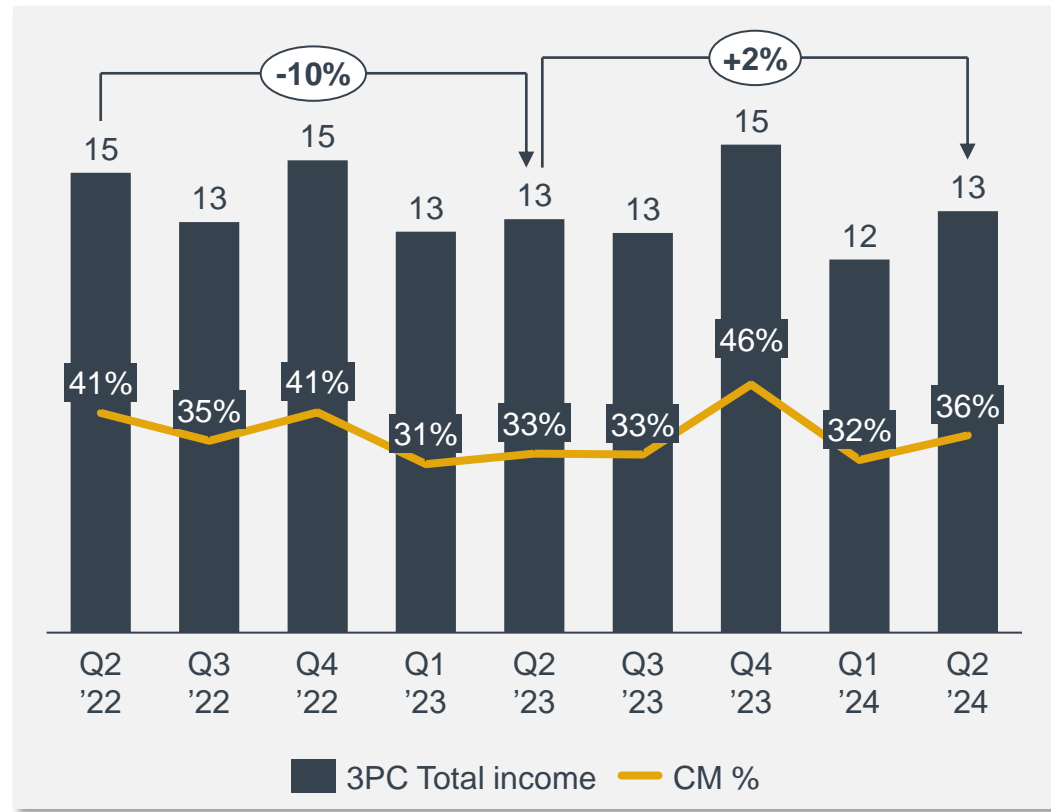
NPL Total income and CM%  
(EUR million, and %)



- Total income down y-o-y on the back of macroeconomic headwinds
- Improved margin, from 76% to 78% y-o-y, driven by cost improvement projects
- Collection performance of 93% for the quarter
  - Norway and Germany most challenging

# 3PC segment: Positive development on both the top line and margins

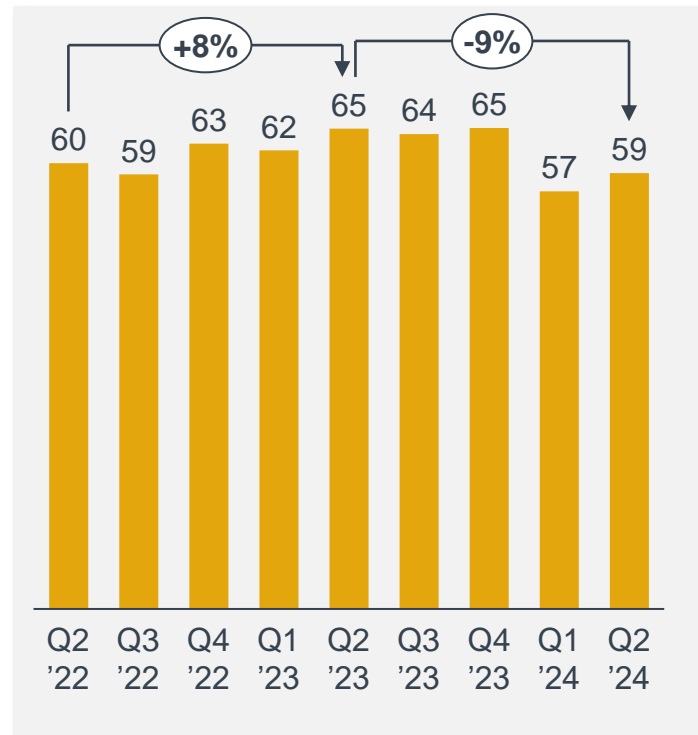
3PC Total income and CM%  
(EUR million and %)



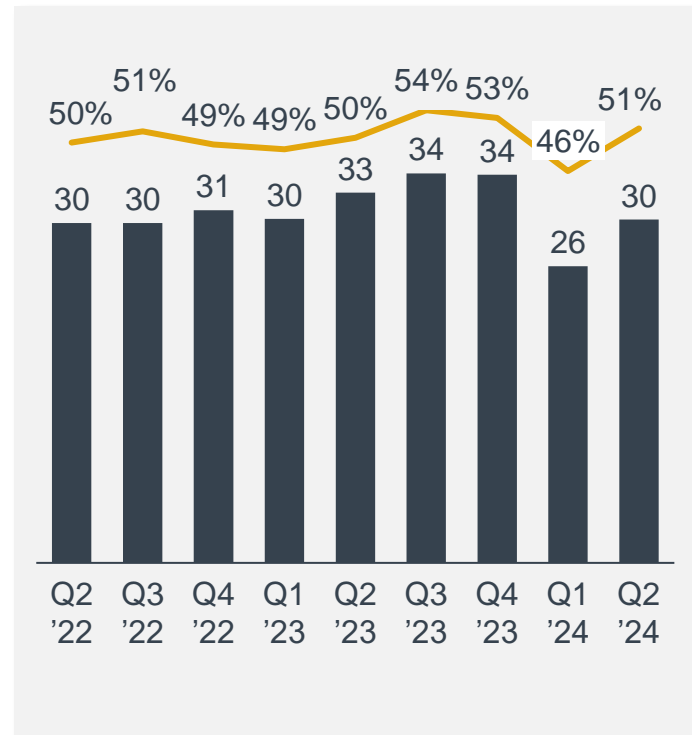
- 3PC total income growth of 2% y-o-y
  - 8% growth excluding the closure of 3PC in Sweden and Finland
- Margins slightly up driven by strict cost control and closure of low margin customers and markets
- Expect growth in total income and margins from newly signed contracts with effect from Q3

# Group: Cash EBITDA turned back to growth and is up EUR 12m q-o-q

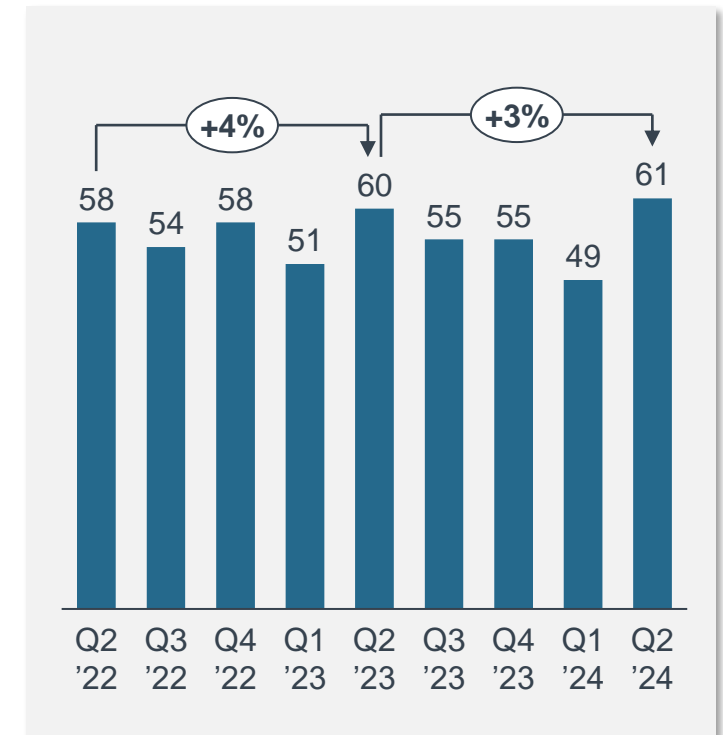
Total income  
(EUR million)



EBITDA and EBITDA-margin  
(EUR million and %)



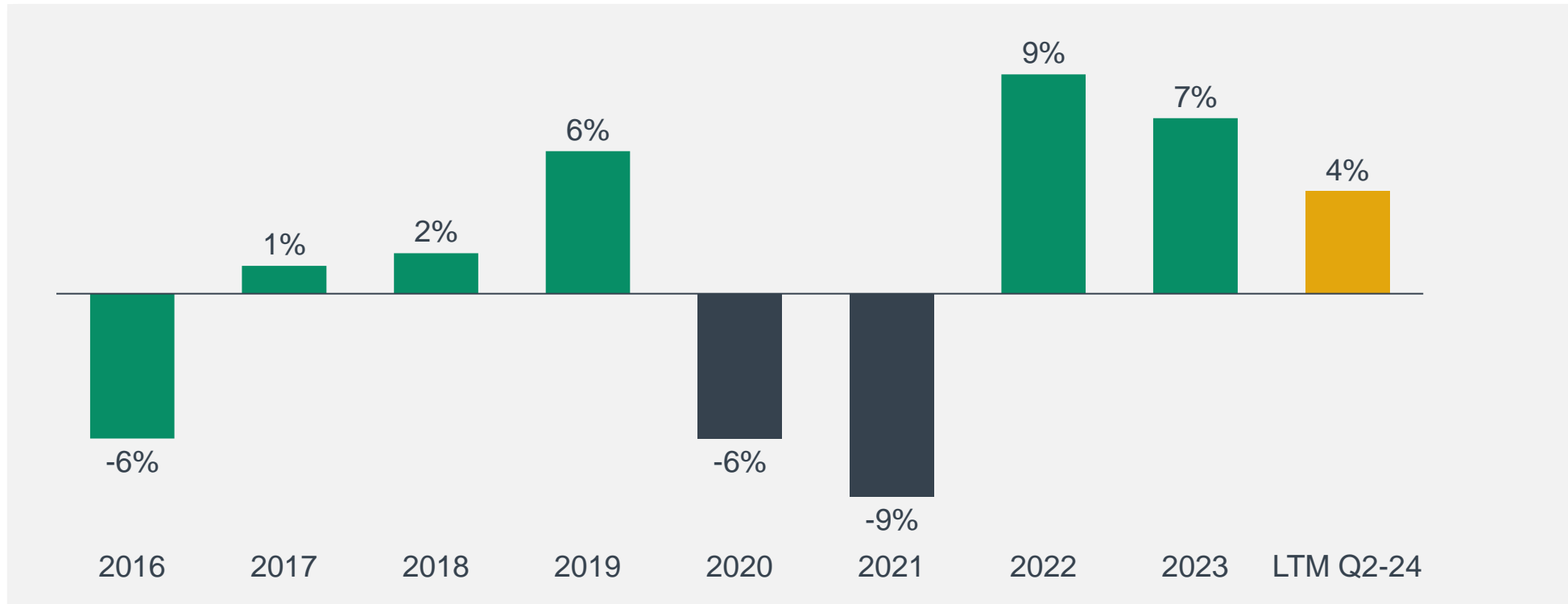
Cash EBITDA  
(EUR million)





# ROE of 4% last twelve months – despite increased cost of funding and a challenging collection environment

Return on equity to shareholders (%)





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---

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---

# / Outlook for 2024

1	<b>Collection</b>	<ul style="list-style-type: none"><li>• Experience a challenging collection environment which is expected to prevail throughout 2024</li></ul>
2	<b>OPEX</b>	<ul style="list-style-type: none"><li>• Absorbed inflation and achieved OPEX reduction y-o-y last three quarters. Expect to be able to continue the trend</li></ul>
3	<b>Cost of funding</b>	<ul style="list-style-type: none"><li>• Expect only modest reduction in cost of funding in 2024</li></ul>
4	<b>NPL investments</b>	<ul style="list-style-type: none"><li>• Expect to reach the target of NPL investments of EUR 100 to 200m for the year. EUR 81m invested YTD Q2</li></ul>
5	<b>Covenants</b>	<ul style="list-style-type: none"><li>• Compliant on all covenants per Q2</li><li>• Monitoring ICR<sup>1</sup> and Leverage ratio as the current headroom is limited</li></ul>



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# Supporting information

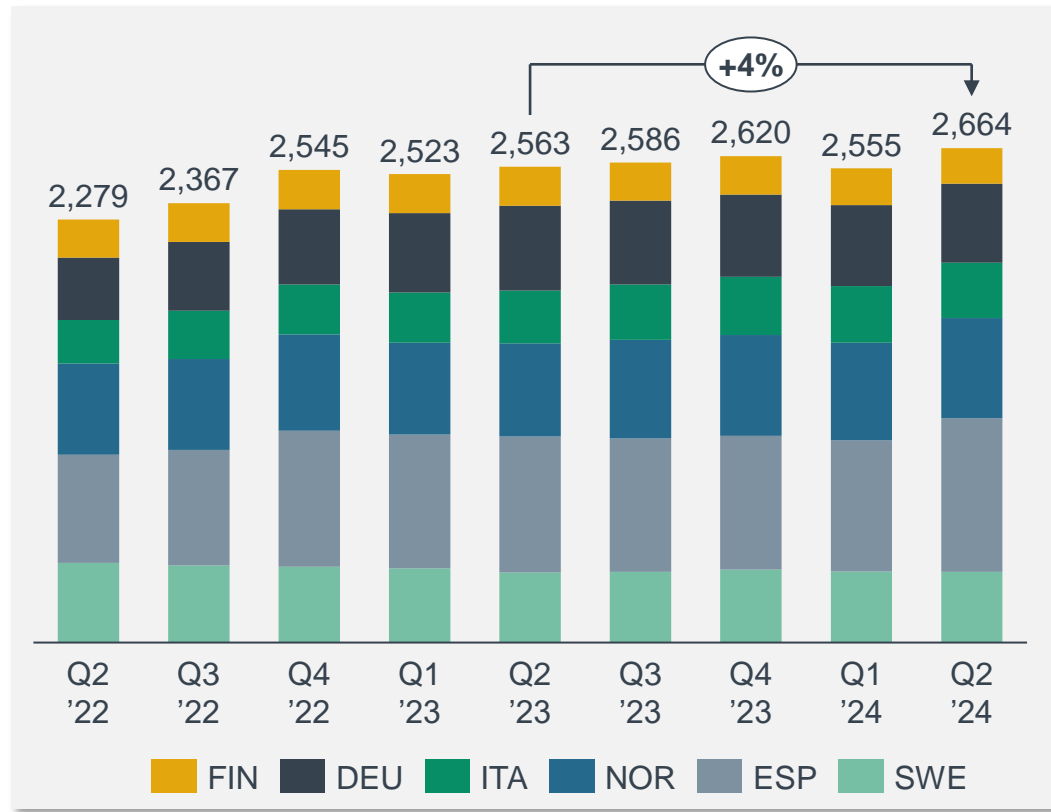
# NPL investment commitments of EUR 8m next 12 months

Quarterly NPL investments  
(EUR million)

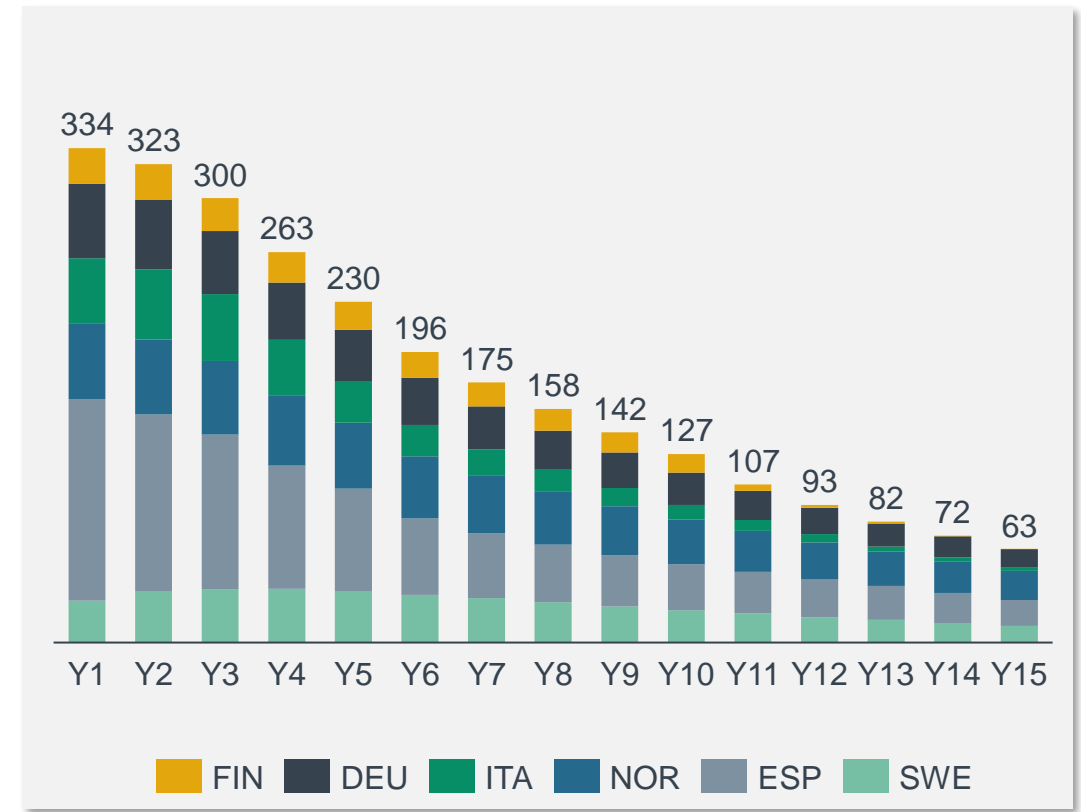


# ERC increasing by 4% last twelve months

ERC development  
(EUR million)

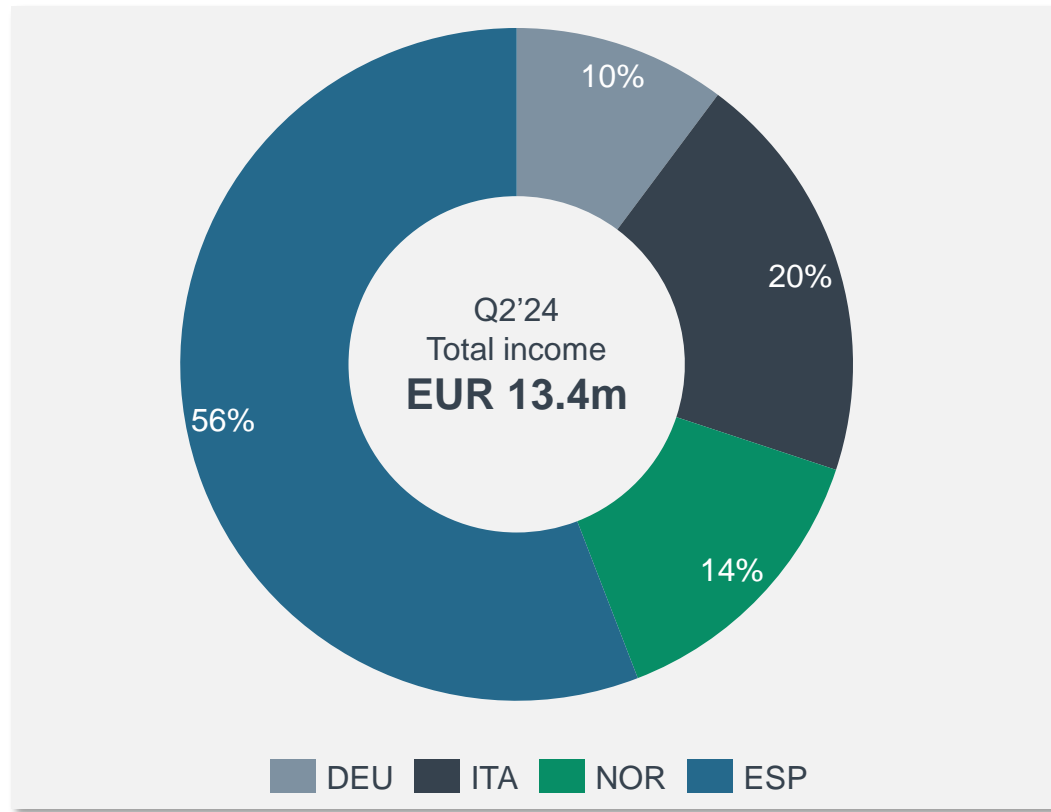


Forward ERC profile by year  
(EUR million)



# 3PC volumes by geographic region

3PC Total income split by geographic region



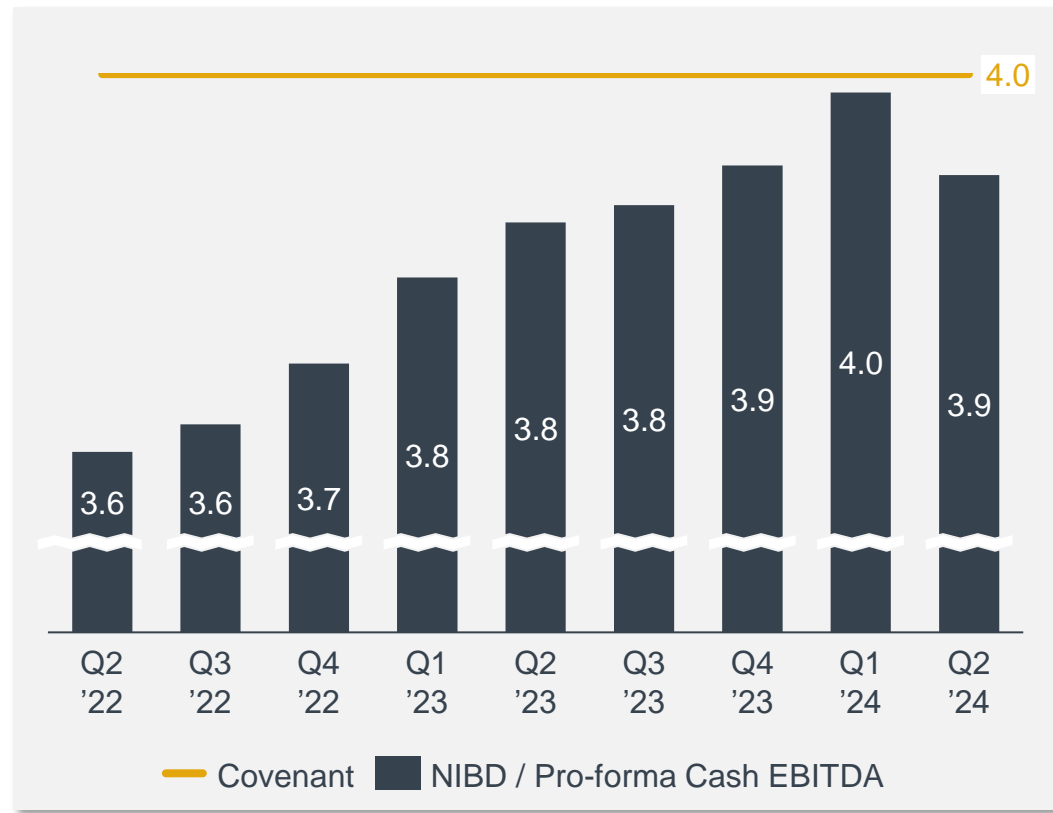
- Spain accounting for 56% of total income on 3PC
- Segment closed down in Finland and Sweden, with no active clients per year-end 2023



# Bond covenants (1/2)

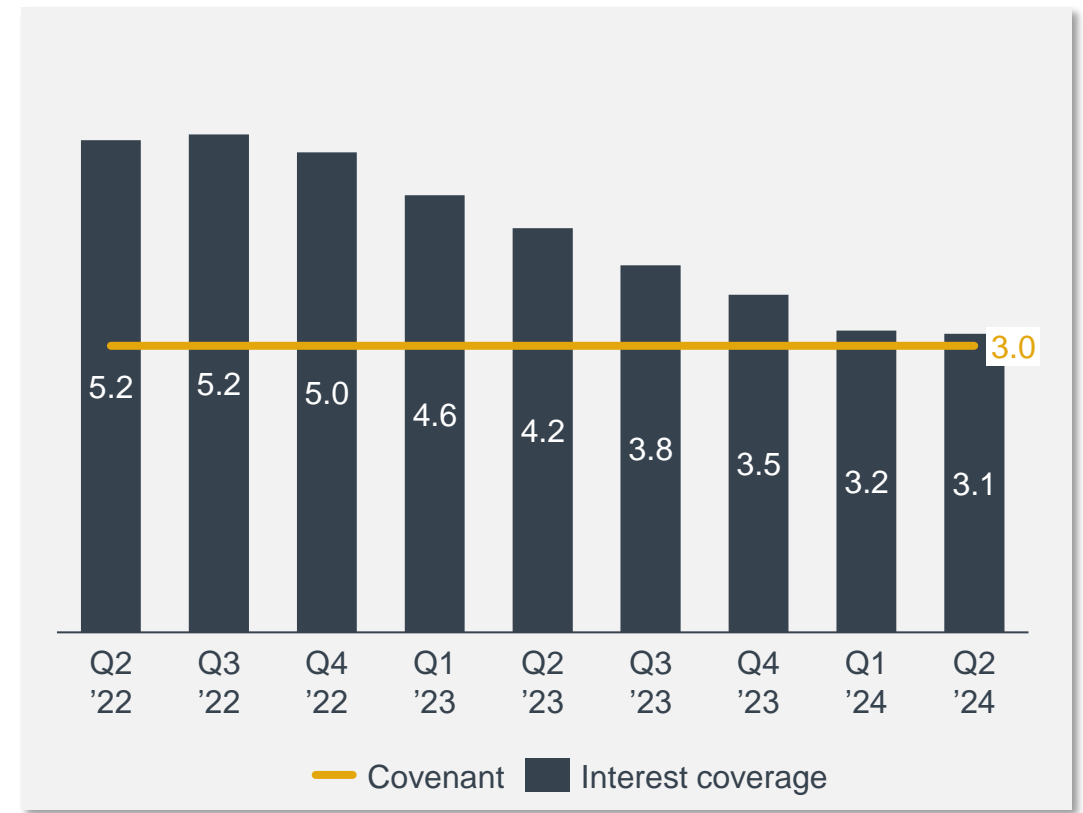
## Leverage ratio - covenant $\leq 4.0x$

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



## Interest coverage ratio - covenant $\geq 3.0x$

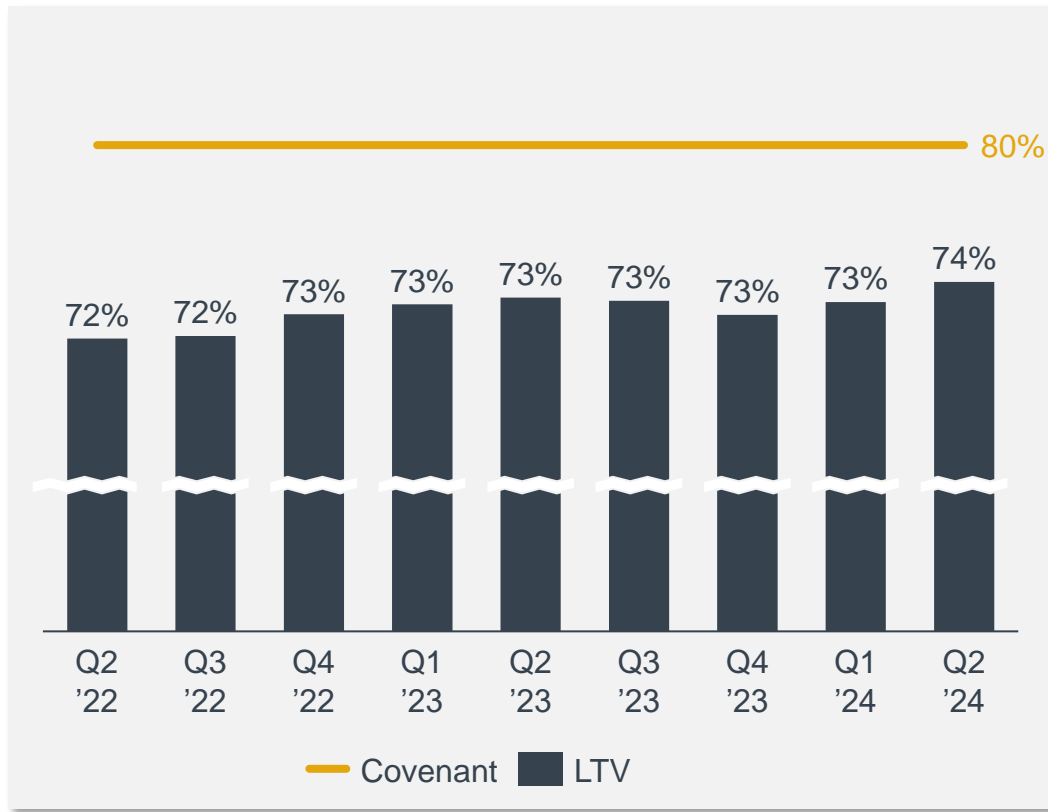
(Pro-forma adjusted cash EBITDA divided by net interest expenses)



# Bond covenants (2/2)

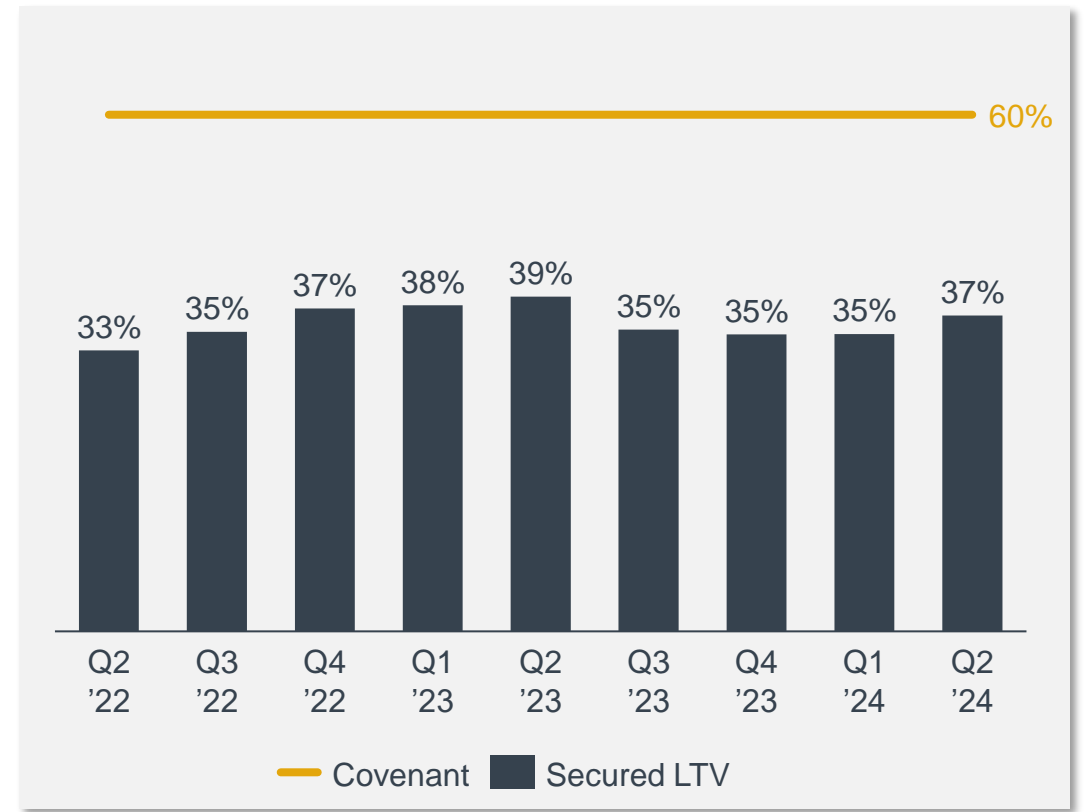
## Loan-to-value - covenant $\leq 80\%$

(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)



# 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

