# AnaCap Financial Europe S.A. SICAV-RAIF

Presentation of the consolidated financial results of AnaCap Financial Europe S.A. SICAV-RAIF for the 9 months ended 30 September 2017

**28 November 2017**

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# Today's Presenters

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# Agenda


1. Basis of preparation of the Financial Statements
2. Highlights
3. Key financial highlights for the 9 months to 30 September 2017
4. Net debt profile of AFE
5. ERC and Money Multiples
6. Pipeline update
7. Outlook
8. Q&A
9. Appendix
10. Glossary

# Basis of Preparation of the Financial Statements

AnaCap Financial Europe S.A. SICAV-RAIF ("AFE") was formed on 28 June 2017 for the purpose of facilitating the acquisition at fair value of the Portfolio Business from AnaCap Credit Opportunities II Limited and AnaCap Credit Opportunities III Limited, direct subsidiaries of AnaCap Credit Opportunities II, L.P. and AnaCap Credit Opportunities III, L.P. respectively (the "Acquisition"), as detailed in the Offering Memorandum. The Acquisition was financed by the issuance of €325,000,000 Senior Secured Floating Rate Notes due 2024, and the Acquisition completed on 21 July 2017. Upon completion of the Acquisition, the assets and liabilities of the Portfolio Business have been recognised at their fair value in accordance with IFRS 3.

The Financial Statements of AFE cover the period from incorporation to 30 September 2017, and as such form the first set of interim accounts of AFE. As the Acquisition of the Portfolio Business was completed on 21 July 2017, the Financial Statements account for the results of the Portfolio Business from that date. Cash collected from 1 July 2017 to 20 July 2017 has been deducted from the fair value of the assets acquired ("pre determination cash") in order to determine the opening Statement of Financial Position. Revenue in the Financial Statements therefore excludes the period from 1 July 2017 to 20 July 2017.

In order to provide the Bond holders with true comparative performance data for the 3 month and 9 month periods to 30 September 2017, this presentation includes results for the full 3/9 months. Reconciliations can be found in the appendix of this presentation which reconcile the figures in the Financial Statements to those used for the purposes of this presentation.

# Highlights

- Strong collections performance continues with collections marginally ahead of forecast for the quarter
- Key financial metrics showing positive trends;
  - Adjusted EBITDA up 50.1% against the comparative period, and on track against business plan
  - Low cost operating model supported by investment in digital platform
- Over €7.7bn Face-Value reviewed across our 5 core geographies since the start of Q3 alone
- New portfolio acquisition signed post 30 September, with one more now in exclusivity and a strong pipeline remaining to year-end
  - Successfully closed a c.€27m portfolio purchase in Spain, with a follow-on purchase of c.€7m to be completed in early 2018
  - These portfolios consist of predominantly secured SME loans and real estate assets already foreclosed, but not yet sold, as well as a small balance of unsecured loans
  - Wider pipeline to year end includes at least one more expected secured SME acquisition in another of our core geographies
- The European debt purchase market remains competitive, however our well established geographic diversification enables us to deploy capital selectively across a range of asset types, maintaining rigorous discipline in pricing
- As ever, Q4 remains a traditionally busy period for both expected deployment as well as expected collections

# Key financial highlights for the 9 months to 30 September 2017

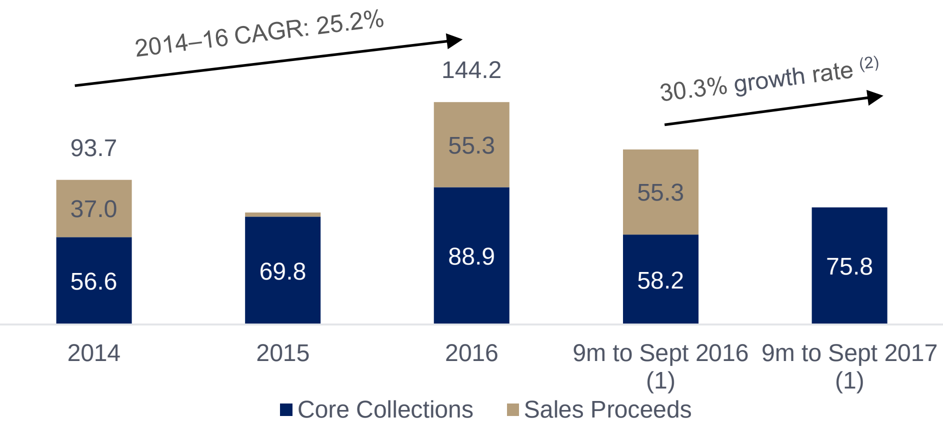
STRONG MOMENTUM & GROWTH IN KEY FINANCIAL METRICS:

| | 9m to 30 September 2016[1] | 9m to 30 September 2017 | Growth |
|---|---|---|---|
| Revenue[2] | *€49.0m* | *€60.0m* | *22.4%* |
| Core Collections | *€58.2m* | *€75.8m* | *30.3%* |
| Normalised Adjusted EBITDA | *€35.6m* | *€53.4m* | *50.1%* |
| Normalised Adjusted EBITDA margin[3] | *61.1%* | *70.6%* | *+950 bps* |
| Total operating cost ratio[4] | *32.0%* | *27.6%* | *-440 bps* |

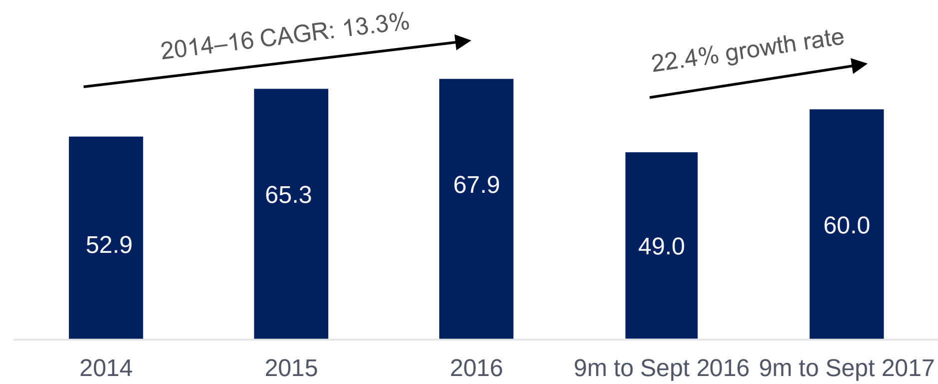
1 Results of the Portfolio Business for comparative purposes only
2 Excluding profit from portfolio sales
3 Based on Normalised Adjusted EBITDA as a percentage of Core Collections
4 Total operating cost ratio, represents the ratio of operating expenses (excluding non-recurring items) to Core Collections

# Growth in collections and revenue

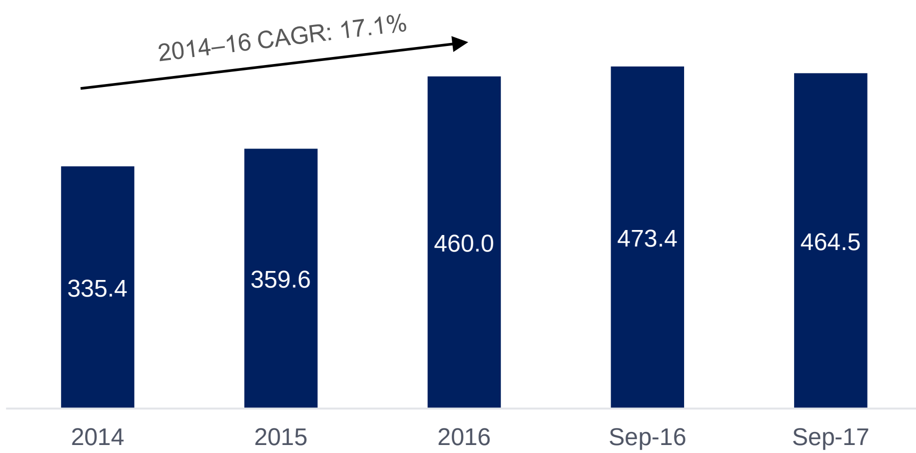
## TOTAL GROSS COLLECTIONS (€M)




## REVENUE (EXCL. PROFIT FROM PORTFOLIO SALES) (€M)




## 84-MONTH ERC (€M) (1)

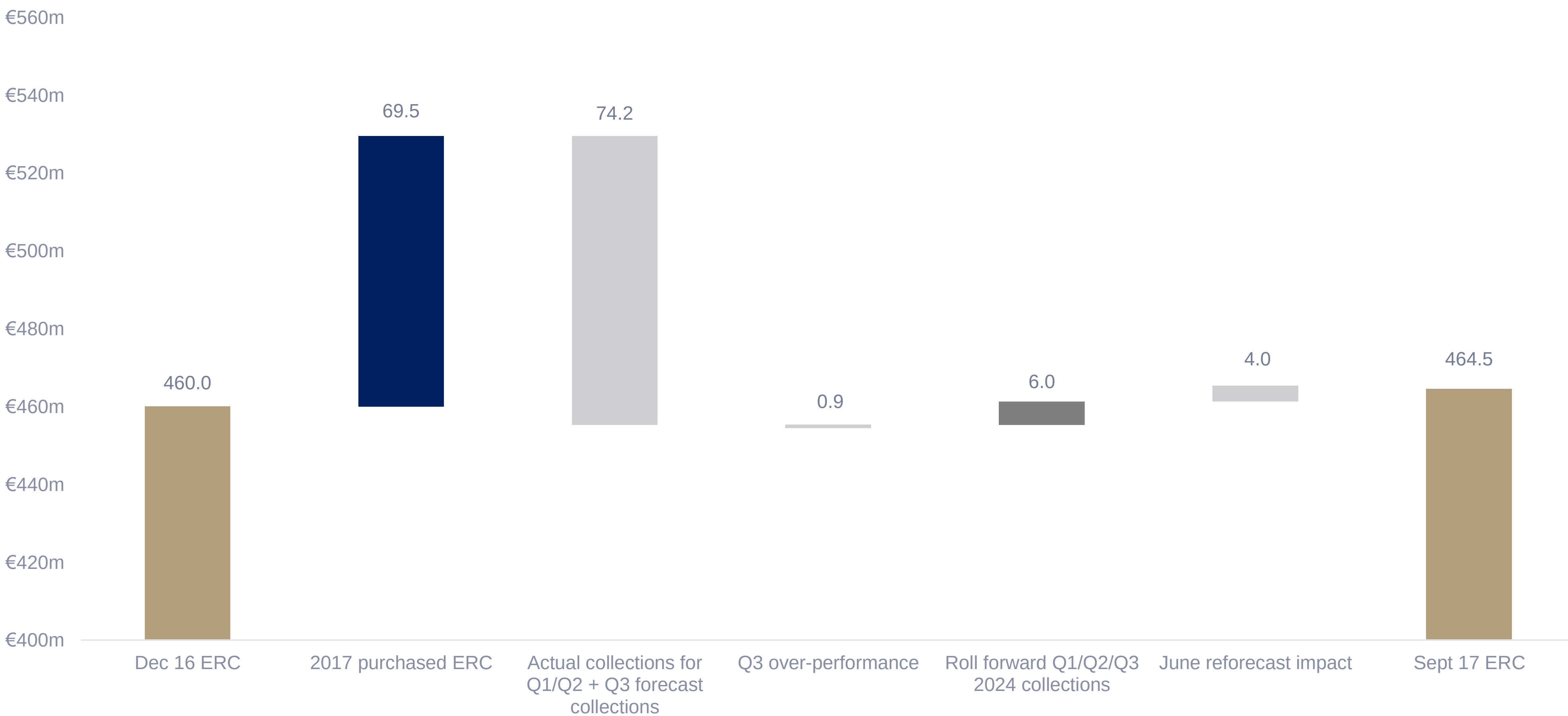



- Small drop in ERC due to no capital being deployed in Q3 but on track to hit capital deployment targets for the year by end of Q4
- Collections from existing portfolios marginally ahead of forecast with good year on year growth in gross collections (excluding collections from sales of portfolios)

Sources: Company Information (1) Figures represent results for the 9 months ended at 30 September 2016/2017 (2) Growth rate relates to Core Collections only

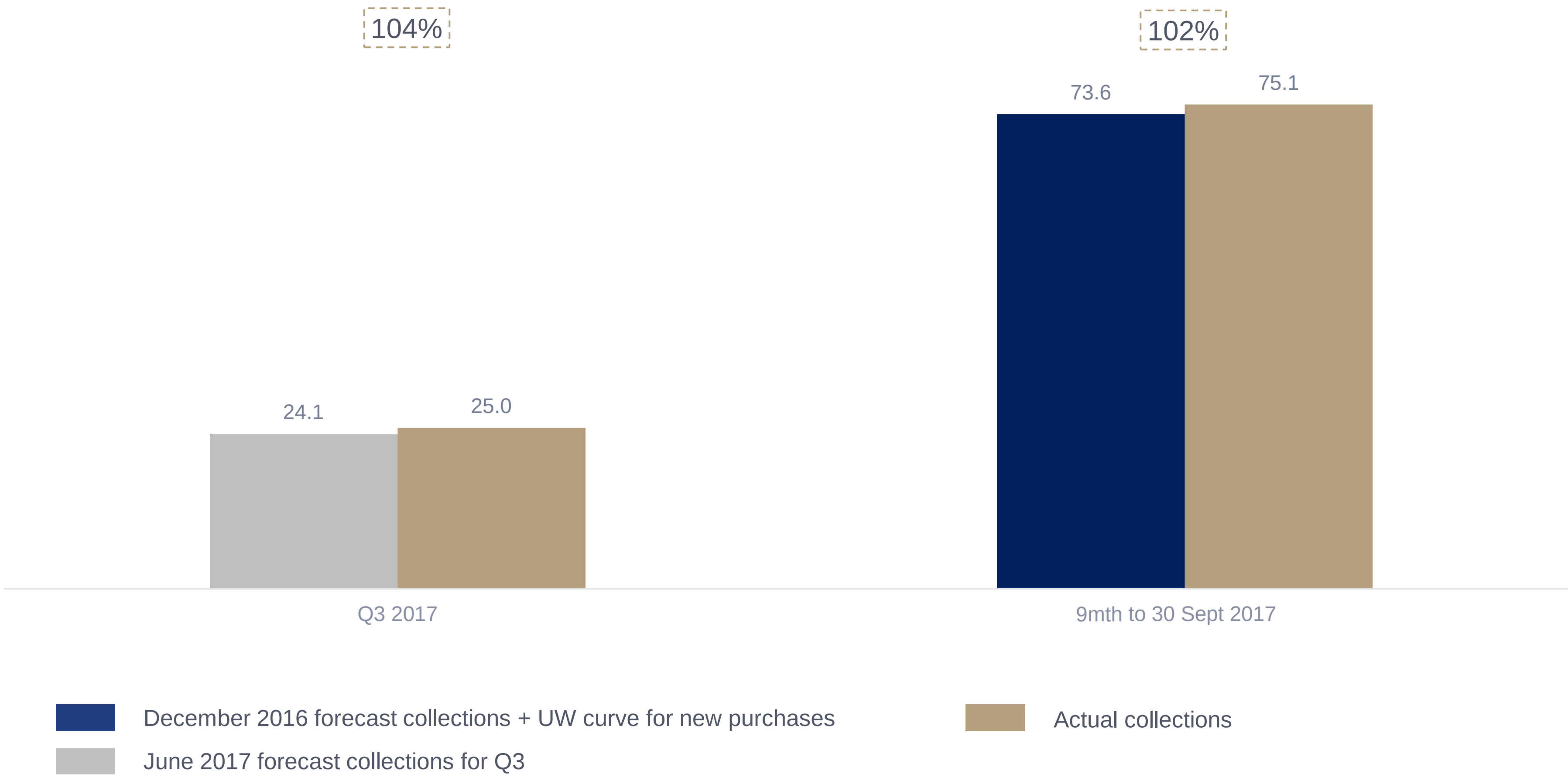
# ERC Bridge – increased ERC by €10.0m from roll forward and revised forecast, collections tracking ERC projections

84-MONTH ERC BRIDGE – 2017 Q1 TO Q3



# Accuracy in collections forecast – year to date and Q3 marginally ahead of ERC forecast

AFE 2017 TOTAL ATTRIBUTABLE GROSS COLLECTIONS PERFORMANCE (€M)

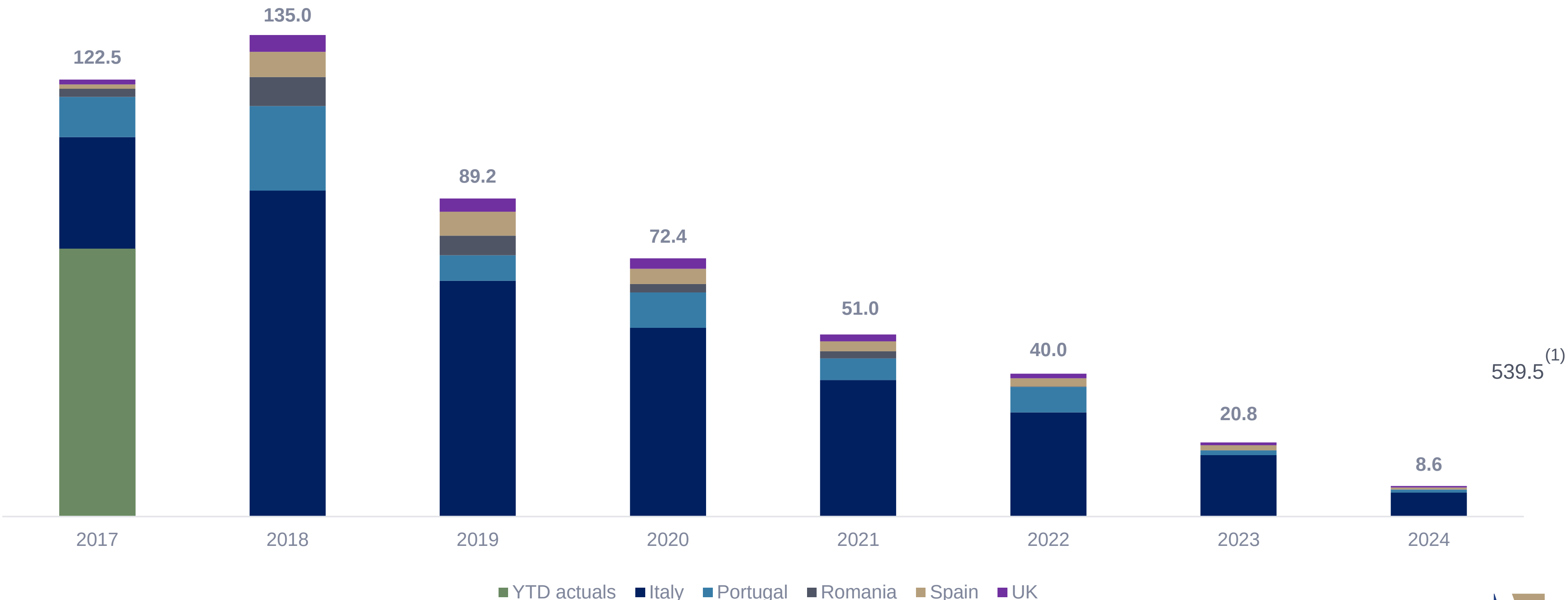


# 30 September 2017 forecast of ERC – overall increase but minor timing differences

84-MONTH ERC BY EXPECTED YEAR OF COLLECTION (€M, COLLECTIONS)

Total:(1)
532.7

| Per March: | | | | | | | |
|---|---|---|---|---|---|---|---|
| 122.3 | 133.9 | 94.1 | 69.9 | 50.1 | 36.3 | 20.0 | 6.1 |




(1) Includes actual Core Collections for the nine months to 30 Sept 2017

# Net debt profile of AFE

Net debt reconciliation as of 30 September 2017 (€'000s):

| | |
|---|---|
| Bonds issued | 325,000 |
| SSRCF (undrawn) | - |
| Total debt | 325,000 |
| *Add back:* | |
| Cash at bank | (36,567) |
| Cash due from servicers | (5,355) |
| *Less:* | |
| Amounts due to co-investors | 300 |
| **Net debt** | **283,378** |

Reconciliation of total debt to the Financial Statements:

| | |
|---|---|
| Total debt | 325,000 |
| Unamortised discount on issuance of the Notes | (1,625) |
| Unamortised transaction fees | (8,524) |
| Borrowings (non-current liability) | 314,851 |
| Accrued interest (current liability) | 3,250 |
| Total borrowings per Financial Statements | 318,101 |

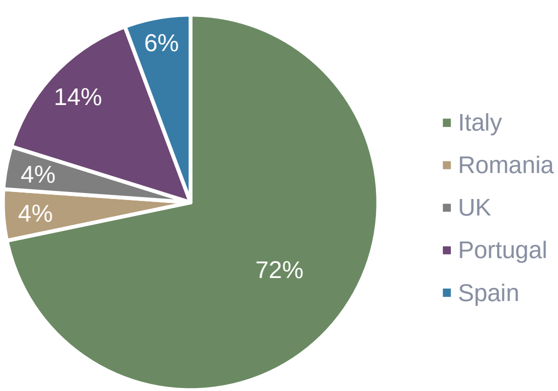
- 84-month ERC = 464,451
- LTV ratio= 61%
- Net Debt / LTM Adjusted EBITDA = 3.64x
- LTM Adjusted EBITDA = 77,906
- Pro forma net interest expense = 16,250
- Pro forma FCCR = 4.79x
- Liquidity: €81,567 available at 30 September 2017
- Financial covenant: 61% vs 75% LTV & 0% vs 25% SSRCF LTV

All key terms have been defined in the Glossary at the end of this presentation

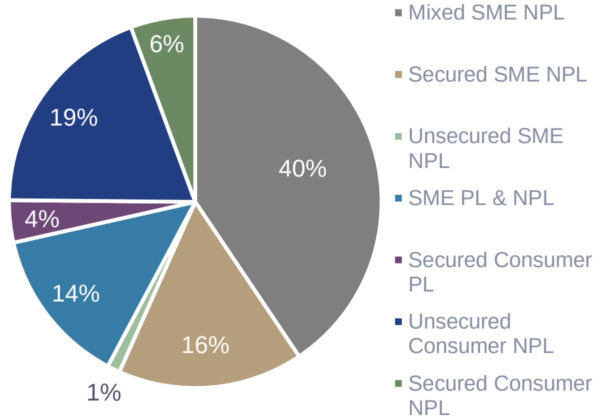
# Seasoned backbook with good diversification

- Collections across our portfolios above target in Q3 with strong returns across core geographies
- ERC of €464.5m has good diversification with over 64% expected from secured loans and the remaining unsecured loans
- Secured loans back by significant collateral, with an open market value of over €590m and additional cash-in-court in excess of €45m
- Limited exposure to UK Consumer sector with only one seasoned performing loan portfolio, representing only 3.6% of total AFE ERC
- Minimal exposure to potential economic risks in Catalonia, Spain, where forecast collections in the region account for only 1.3% of total AFE ERC
- Overall remain very positive on our capabilities in each of our core markets

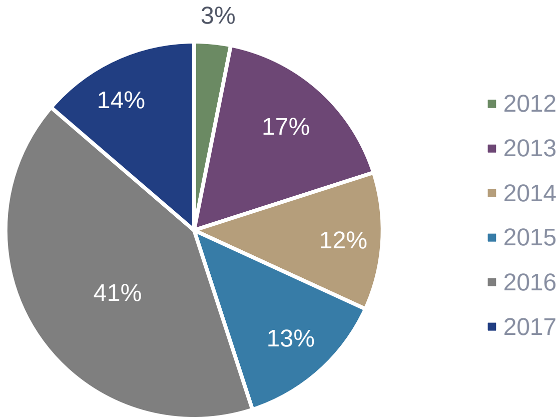
## 84-MONTH ERC BY GEOGRAPHY




## 84-MONTH ERC BY ASSET TYPE




## 84-MONTH ERC BY YEAR OF PURCHASE

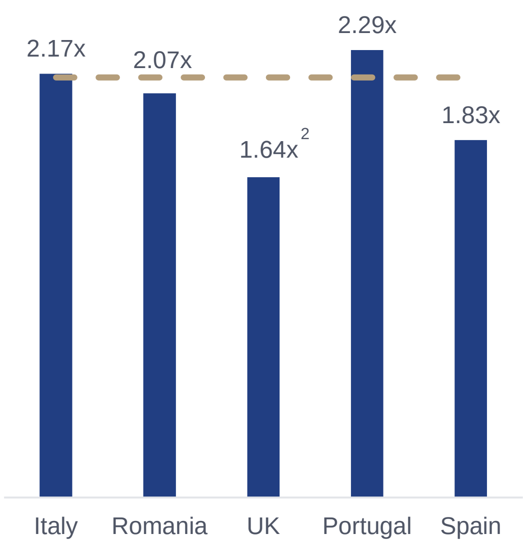


# Strong Returns Across Geographies

## GMM BY GEOGRAPHY[1]

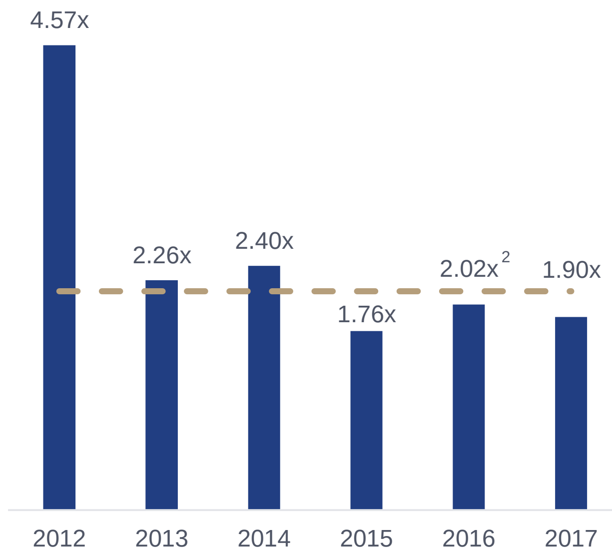
Per June:

| | | | | |
|---|---|---|---|---|
| 2.16x | 2.07x | 1.63x | 2.27x | 1.84x |



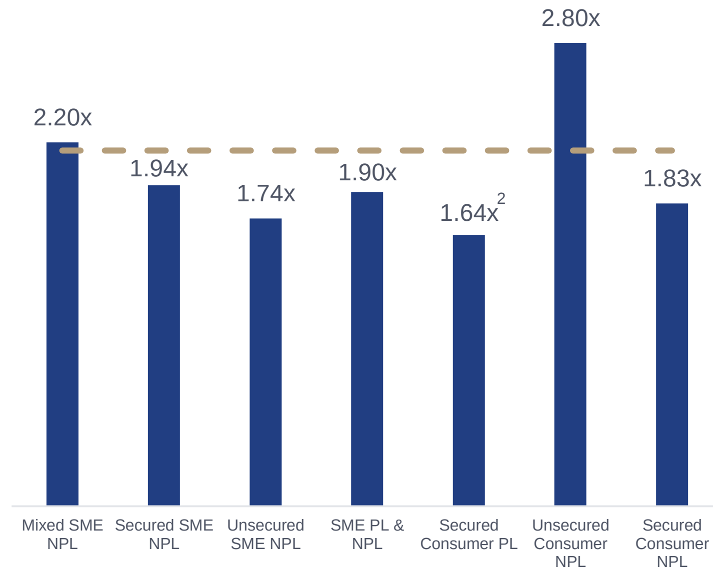

## GMM BY YEAR[1]

| | | | | | |
|---|---|---|---|---|---|
| 4.54x | 2.25x | 2.40x | 1.76x | 1.99x | 1.88x |




## GMM BY ASSET TYPE[1]

| | | | | | | |
|---|---|---|---|---|---|---|
| 2.19x | 1.92x | 1.74x | 1.88x | 1.63x | 2.79x | 1.84x |




- Consistently strong returns across geographies and asset type with average Gross MMs increasing 0.02x to 2.15x[1] at September-end
- Italy and Portugal the main drivers of the overall increase in Gross MM, with strong collections during the quarter in both markets.

1 All figures excluding fully sold deals and cover the period since ownership by the Portfolio Business
2 UK portfolio GMM is calculated using local currency, as actual collections to 30 September 2017 plus 84 month ERC divided by purchase price

# Pipeline Update

- The pipeline of deals across our 5 core geographies remains strong, with €7.7bn Face Value reviewed since the start of Q3 2017 alone
- This run rate is broadly in line with the first half of the year and demonstrates the depth of attractive opportunities across these geographies
- AFE has signed a new portfolio acquisition since 30 September 2017 and is currently working on 14 transactions with €4.2bn Face Value and is targeting the signing of at least one further transaction before year-end
- Italy and Spain presented a consistently strong pipeline of transactions throughout the year with 37 transactions analysed across these two markets alone
- In the second half of the year, we have seen a pick up in pipeline transactions in both Portugal and Romania, broadening the range of potential executable investment opportunities available to AFE in known geographies
- AFE continues to review markets outside its 5 core geographies, however we continue to see sufficient opportunities in well established markets offering more attractive risk adjusted returns

# Outlook

- Capital deployment expected to ramp up in Q4, a traditionally busy period, some of which will likely complete and fund early in the new year
- Current market opportunities remain significant with continued growth in pipeline across all core geographies and asset types heading into year-end
- Strong visibility to further pipeline expected early in the new year, with no evidence of slowdown in overall NPL disposal volumes across Europe
- Continued increase in competition, notably from new entrants in the Italian market, including in the challenging unsecured SME sector where servicing capabilities broadly remain less-developed
- We maintain limited UK and wider consumer exposure where we see the most intensive competition
- Continuing to invest in additional origination, IT/analytics and servicing capabilities across our core geographies

# Q&A

ANY QUESTIONS?

| | |
|---|---|
| **Website:** | http://www.anacapfe.com/ |
| **Email:** | info@anacapfe.com |
| **Telephone:** | 020 7070 5263 |

# Appendix

The appendix contains reconciliations between the figures per the Financial Statements and the figures used for the purposes of this presentation: Consolidated Statement of Comprehensive Income for the 3-month period to 30 September 2017:

| | Full 3mth to 30 Sept 17 (€'000s) | Less impact of 20 days (€'000s) | Per Financial Statements (€'000s) |
|---|---|---|---|
| Total Gross Collections | 25,601 | (5,062) | 20,539 |
| Revenue | 19,113 | (4,752) | 14,361 |
| Collection activity costs | (4,816) | (1,047) | (3,769) |
| Operating costs – recurring | (2,898) | (423) | (2,475) |
| Operating costs – non-recurring[1] | (2,378) | - | (2,378) |
| Finance costs/income | (4,275) | (255) | (4,020) |
| Profit before tax | 4,746 | 3,027 | 1,719 |

1 Non-recurring items include costs associated with completion of the Acquisition. In total this amounted to €13.9m, of which €2.4m has been expensed directly to the Consolidated Statement of Comprehensive Income.

# Appendix (continued)

Consolidated Statement of Comprehensive Income: 9 months to 30 September 2017 vs 9 months to 30 September 2016:

| | 6 months to 30 June 17 (€'000s) | Full 3m to 30 Sept 17 (€'000s) | 9 months to 30 Sept 17 (€'000s) | 9 months to 30 Sept 16 (€'000s) |
|---|---|---|---|---|
| Core gross collections | 50,165 | 25,601 | 75,766 | 58,117 |
| Sale of Portfolios | - | - | - | 55,264 |
| Total gross collections | 50,165 | 25,601 | 75,766 | 113,381 |
| Revenue – existing business | 40,927 | 19,113 | 60,040 | 49,130 |
| Revenue - disposals | - | - | - | 12,741 |
| Total revenue | 40,927 | 19,113 | 60,040 | 61,871 |
| ***Total Collections and Revenue*** | ***91,092*** | ***44,714*** | ***135,806*** | ***162,511*** |
| Collection activity costs | (10,067) | (4,816) | (14,833) | (14,950) |
| Operating costs – recurring | (9,169) | (2,898) | (12,067) | 697[1] |
| Operating costs – non-recurring | - | (2,378) | (2,378) | (1,615) |
| Finance costs/income | (12,707) | (4,275) | (16,982) | (49,333) |
| **Profit before tax** | **8,984** | **4,746** | **13,730** | **(3,330)** |

1Reversal of impairment in the period

# Appendix (continued)

Consolidated adjusted EBITDA: 9 months to 30 September 2017 vs 9 months to 30 September 2016:

| | 6 months to 30 June 17 (€'000s) | Full 3m to 30 Sept 17 (€'000s) | 9 months to 30 Sept 17 (€'000s) | 9 months to 30 Sept 16 (€'000s) |
|---|---|---|---|---|
| Profit/(loss before tax | 8,984 | 4,746 | 13,730 | (3,006) |
| Finance costs | 12,808 | 4,308 | 17,116 | 49,521 |
| FX losses/(gains) | 112 | (28) | 84 | 750 |
| Impairment | 5,985 | - | 5,985 | (5,113) |
| Collections from portfolios | 50,165 | 25,601 | 75,766 | 58,117 |
| Disposals of portfolios | - | - | - | 55,264 |
| Revenue | (40,927) | (19,113) | (60,040) | (61,871) |
| Repayment of secured loan notes | (814) | (642) | (1,456) | (4,223) |
| Non-recurring items | - | 2,378 | 2,378 | 1,615 |
| Finance income | (101) | (33) | (134) | (188) |
| Adjusted EBITDA | 36,212 | 17,217 | 53,429 | 90,866 |
| Reversal of portfolio disposals | - | - | - | (55,264) |
| **Normalised Adjusted EBITDA** | **36,212** | **17,217** | **53,429** | **35,602** |

# Appendix (continued)

Opening Consolidated Statement of Financial Position:

Upon issuance of the Notes AFE received €325.0m, of which the proceeds were used to:

| | | |
|---|---|---|
| **i.** | pay the consideration for the acquisition of the Portfolio Business. | €298.0m (being the fair value of the Portfolio Business as at 30 June 2017) |
| **ii.** | pay certain transaction fees and expenses relating to the Acquisition | €13.9m |
| **iii.** | fund cash on AFE's balance sheet for general corporate purposes | Remaining balance used for working capital in line with expectations |

| | Fair value at 30 June 2017 (€m) | 20 day adjustment (€m) | Fair value at 21 July 2017 (€m) |
|---|---|---|---|
| Purchased loan portfolios | 271.8 | (3.4) | 268.4 |
| Purchased loan notes | 12.6 | (0.5) | 12.1 |
| Investment in associate | 5.1 | - | 5.1 |
| Other receivable[1] | 0.7 | - | 0.7 |
| Inventory | 7.8 | - | 7.8 |
| | | Fair value of net assets acquired at 21 July 2017 | 294.1 |

1 Other receivable relates to deferred consideration due on the disposal of purchased loan portfolios in 2013.

# Glossary

- “Total attributable collections” represents total gross collections, excluding any share of cash collections that relate to the interests of co-investors holding secured loan notes.
- “Total gross collections” represents cash collected from debtors in connection with purchased loan portfolios and net cash collections (after servicing costs) for purchased loan notes as well as disposals of purchased loan portfolios and loan notes. Total gross collections include any proportionate share of cash collections that relate to the interests of co-investors holdings of secured loan notes.
- “Core collections” represents total gross collections, less disposals of purchased loan portfolios and loan notes.
- “Normalised Adjusted EBITDA” represents Adjusted EBITDA excluding disposals of purchased loan portfolios and loan notes.
- “Adjusted EBITDA” represents (loss)/profit before tax adjusted to exclude the effects of finance costs and finance income, share of profit/(loss) in associates, net foreign currency losses/(gains), impairment of purchased loan portfolios and loan notes, disposals and repayments of secured loan notes, and non-recurring items. Revenue on purchased loan portfolios and loan notes and costs on secured loan notes calculated using the effective interest rate method are replaced with total gross collections in the period.
- SSRCF - AFE has available a €45.0m Revolving Credit Facility (the “Facility”) available to draw down on. As at 30 September 2017, the Facility remained undrawn.
- “Cash due from servicers” relates to cash collected by servicers on the portfolios which were not received until October.
- “84-month ERC ("ERC") means AFE’s estimated remaining collections on purchased loan portfolios and purchased loan notes over an 84-month period, assuming no additional purchases are made and on an undiscounted basis. ERC excludes any proportionate share of remaining cash collections that may be payable to a co-investor holding secured loan notes. ERC includes estimated collections on sold portfolios where part of the sale proceeds are based on future collections from that underlying portfolio.
- “LTV ratio” means the aggregate secured indebtedness of the Group less cash and cash equivalents (including cash and cash equivalents in servicers' accounts or otherwise that are due from servicers but not yet paid by servicers to the Group, less cash collections due to be paid to co-investors under secured loan notes) divided by ERC.
- “LTM Adjusted EBITDA” means Adjusted EBITDA for the 12 month period to 30 September 2017 i.e. the Adjusted EBITDA for the 9 month period to 30 September 2017 plus the Adjusted EBITDA for the 3 month period to 31 December 2016.
- “Pro forma net interest expense” means interest expense incurred on the bond coupon for a period of 12 months. This is calculated based on a margin of 5.0% on the Notes.
- “Pro forma Fixed Cover Charge Ratio (“FCCR”) is calculated as LTM Adjusted EBITDA divided by pro forma net interest expense.
- Liquidity - €45.0m undrawn on the Facility plus cash available of €36,567k as at 30 September 2017.