AnaCap Financial Europe S.A. SICAV-RAIF

Presentation of the consolidated financial results of AnaCap Financial Europe S.A. SICAV-RAIF for the nine months ended 30 September 2019

19 November 2019

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Today's Presenters

Justin Sulger – Head of Credit Investments
AnaCap Financial Partners

Chris Ross-Roberts – Director and CFO
AnaCap Financial Europe ("AFE")

Ed Green – Director and COO
AnaCap Financial Europe

Agenda

1. AFE Credit Review
2. Key Financial Highlights
3. Asset Management
4. Outlook/Conclusion
5. Appendix

AFE Credit Review

Justin Sulger

AnaCap Financial Europe Q3 Highlights

Continued strong financial performance and de-leveraging

Financial Performance

- €81m of Gross Collections and €55m Adjusted EBITDA as of 30 September 2019, each up 4% year-on-year
- Total Operating Cost Ratio of only 29.2%
- Net Debt leverage down to 3.70x Adjusted EBITDA from 4.04x one year ago

Portfolio

- Embedded growth in collections, expected to be 22% higher in 2020 from the existing portfolio
- Total Market Value of collateral greater than €700m underpinning €555m of 84 month ERC
- Broadly diversified across core geographies, including 40% in Italy, 25% in Spain and 23% in Portugal

Capital Deployment

- €25m deployed as of 30 September 2019, with strong pipeline to year end focused on these core geographies
- Maintaining highly selective capital deployment, focused only where we can achieve optimal returns
- 75% of capital deployed in proprietary and/ or direct follow-on transactions with repeat sellers

Operational Enhancement

- Low fixed costs enabling us to maintain pricing discipline as market begins to turn more favourable
- Maintaining high profitability from continued growth in embedded collections and lower than forecast costs
- Continued development in Asset Management capabilities, particularly in core geographies of Italy, Portugal and Spain

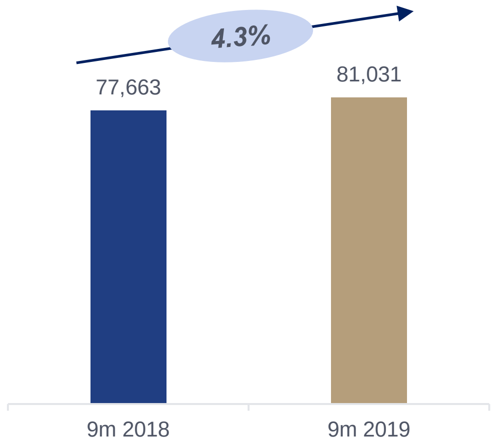
Key Financial Highlights

Chris Ross-Roberts

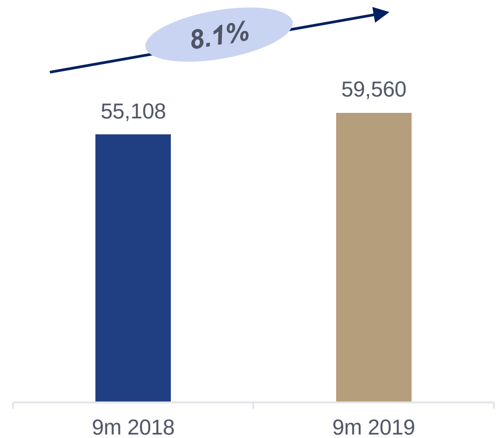
AFE financial highlights

Continued growth in core financial metrics

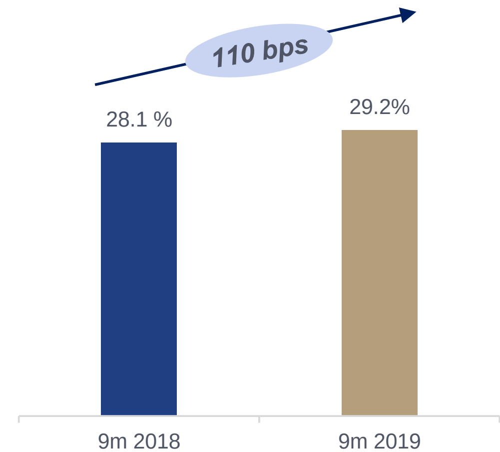
Gross Collections (€'m)



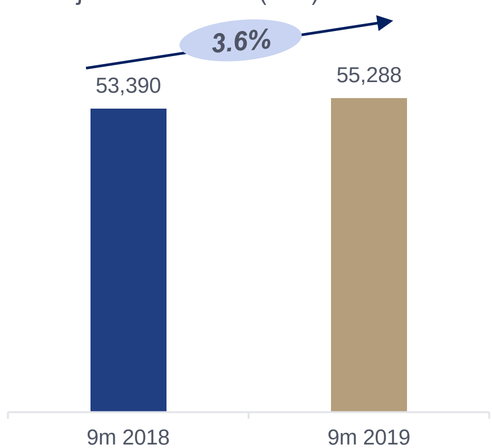
Revenue (€'m)



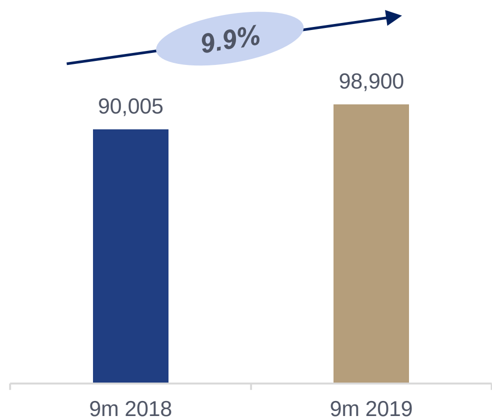
Total Operating Cost Ratio (1)



Adjusted EBITDA (€'m)



LTM Adjusted EBITDA (€'m)



Leverage

Nine months ended 30 September 2018 Nine months ended 30 September 2019 Growth

Note: Data as of 30 September 2019, unless otherwise specified

1) Total Operating Cost ratio represents the ratio of operating expenses (excluding non-recurring items, impairment and FX) to Gross Collections

High margin operating platform

Selective deployment together with a market leading predominantly variable cost base, leading to a Profit after Tax Margin of 28% at €18.5m

Numbers in €m's	9m 2019	9m 2018	
Gross Collections	**81.0**	**77.7**	***+4.3%***
Revenue	**59.6**	**55.1**	***+8.1%***
Collection Activity Costs	(15.8)	(14.8)	
Other Operating Expenses	**(8.1)**	**(7.3)**	
Management Fee	*(4.7)*	*(4.3)*	
AFE Corporate Costs	*(1.5)*	*(1.3)*	
Other Overheads	*(1.9)*	*(1.6)*	
Other[1]	(0.4)	(2.5)	
Operating Profit	**35.3**	**30.5**	***+15.7%***
Finance Costs	(17.9)	(15.3)	
Gain from Repurchase of Senior Secured Notes	1.7	-	
Share of Profit in Associate	0.5	0.6	
Profit before Tax	**19.7**	**15.8**	***+24.7%***
Tax Charge	(1.2)	(0.4)	
Profit after Tax	**18.5**	**15.4**	***+20.1%***
Profit after Tax Margin (excl. gain from repurchase)	**28.2%**	**27.9%**	

Key Highlights

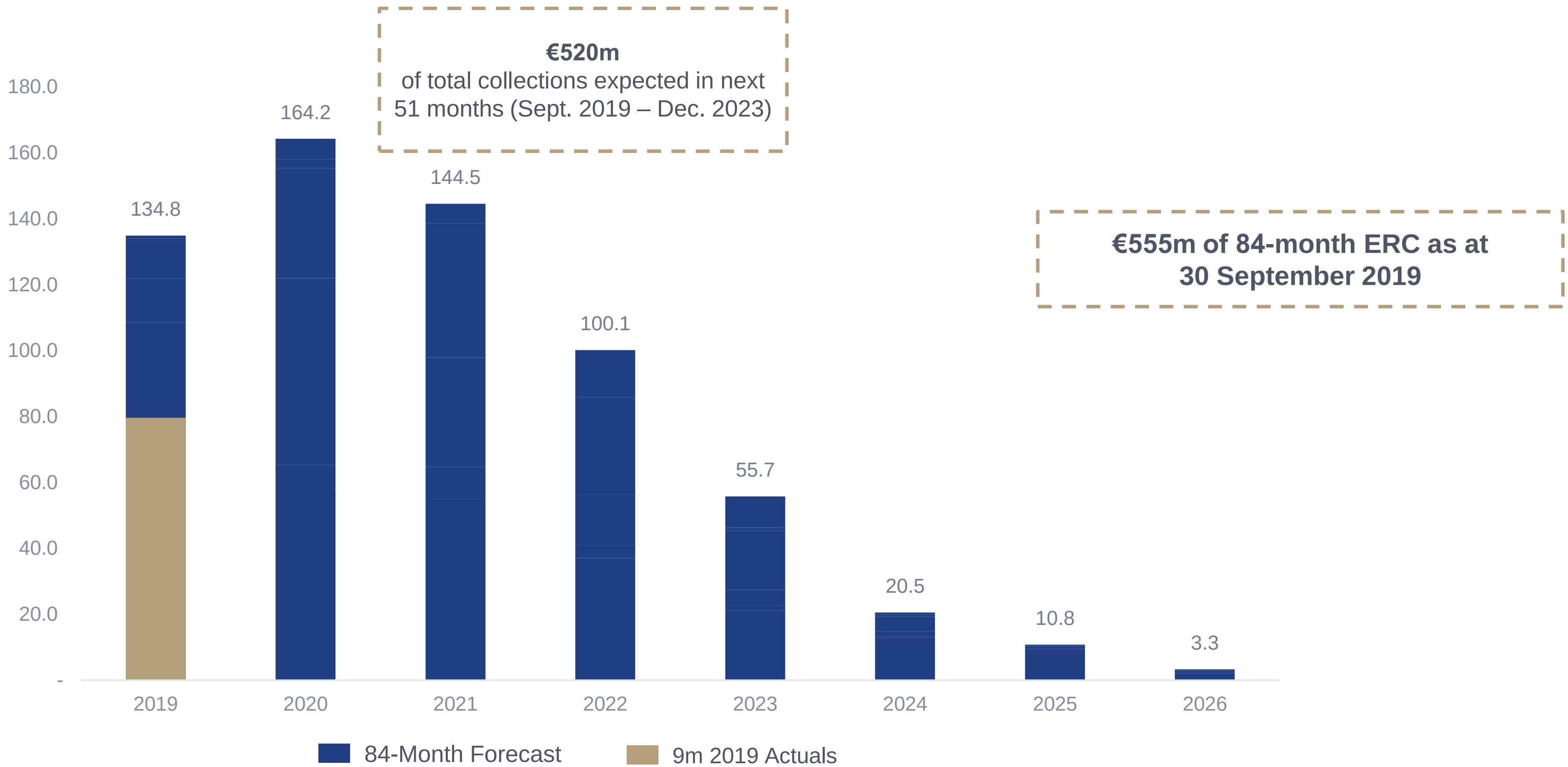
- **Variable costs structure**
  - 86% of the costs are variable by nature
  - Market leading total operating cost ratio at 29.2%
- **Highly profitable business**
  - Profit after Tax up 20.1%
  - Profit after Tax Margin improved by c.30ppts to 28.2%

Note: Data as of 30 September 2019, unless otherwise specified
1) Other includes impairment and FX gains/(losses)

Gross Attributable Collections YTD actuals and 84-month forecast by year

2018 deployment embeds growth in cash generation out to 2021

AFE 84-month ERC as at 30 September 2019 by year (€m)



Note: Data as of 30 September 2019, unless otherwise specified
84-month ERC is based on Gross Attributable Collections as opposed to Gross Collections, each amounting to €79.6m and €81.0m respectively as of 30 September 2019. See slide 20 which reconciles Gross Attributable Collections to Gross Collections.

Positive key debt metrics and proactive optimisation of capital structure

	30 September 2019	30 September 2018
84-Month ERC	€554.5m	€578.9m
LTM Adj. EBITDA	€98.9m	€90.0m
LTM Net Interest Expense	€20.3m	€21.1m
Net Debt / LTM Adj. EBITDA	3.70x	4.04x
LTV Ratio	65.9%	62.8%
SSRCF LTV Ratio	7.4%	6.6%
FCCR	4.88x	4.27x
Liquidity – cash	€17.9m	€23.5m
Liquidity – undrawn RCF	€27.2m	€22.3m
Net Debt	€365.6m	€363.4m

Commentary

- LTM Adj. EBITDA at €98.9m, a 10% increase on the prior year comparative period
- Leverage of 3.70x as expected following c.€16m of deployment in September 2019
- Leverage target of 3.0x – 3.5x by the end of 2020
- LTV Ratio of 65.9% vs financial covenant of 75%
- SSRCF LTV Ratio of 7.4% vs financial covenant of 25%

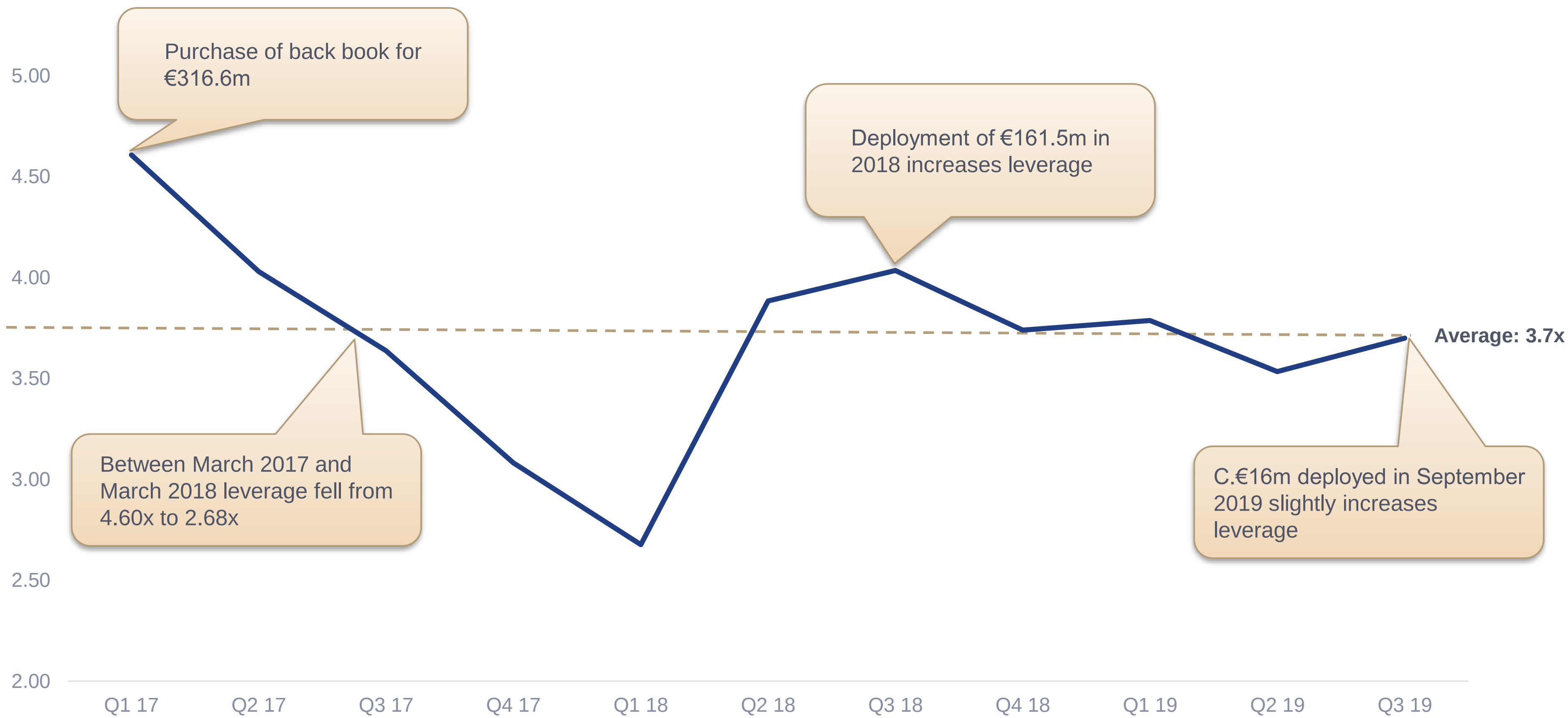
Will continue to review capital structure and liquidity position and look to optimise them over time; depending on market conditions and operating results, this could include open market repurchases of securities, among other strategies

Note: Data as of 30 September 2019, unless otherwise specified

Proven ability to de-lever

Leverage at 3.70x – Slight increase in the quarter as expected following Q3 deployment

Leverage evolution



Note: Data as of 30 September 2019, unless otherwise specified

Asset Management

Ed Green

Key developments in Asset Management platform

Selected operational highlights

	Key updates	Next step
Spain	▪ Ongoing internalisation of segments of existing and new portfolio ▪ Performance benchmarking and champion/challenge vs. third party panel	▪ Further servicing internalisation of portfolio pipeline on a selective basis
Italy	▪ Further systems upgrades within Phoenix Asset Management (“PAM”) to support workflow management of secured positions ▪ Real Estate capabilities expanded within PAM, including auction optimisation	▪ Additional build out of Real Estate and unsecured capabilities
Portugal	▪ Lisbon office launched ▪ Ongoing build-out of STC	▪ Onboarding of accounting and analytics resources to support development of Master Servicing and STC capabilities ▪ Build out of internal real estate capability to support secured pipeline in Portugal
Minerva Digital Platform	▪ Ongoing Data warehouse optimisation to incorporate new portfolios / servicers (e.g. Portugal) ▪ Expansion of Data Operations and Data Science team in New Delhi	▪ Further model development to enable panel management and strategy optimisation activity

Continued development of local capabilities and centralised intelligence

Key Messages

Justin Sulger

In summary

1. Strong financial performance, with continued growth in collections driving a 10% increase in LTM Adjusted EBITDA
2. Maintaining industry leading Total Operating Cost Ratio of only 29.2% whilst continuing to develop internal Asset Management capabilities in core geographies of Italy, Portugal and Spain
3. Together driving growth in profitability even in periods of lower capital deployment
4. Ability to maintain pricing discipline as the market begins to turn more favourable
5. Embedded collections from existing portfolio expected to again grow significantly in 2020
6. Proven ability to de-lever with Net Debt to LTM Adjusted EBITDA of 3.70x (30 September 2018: 4.04x)

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Note: Data as of 30 September 2019, unless otherwise specified

Q&A

Any questions?

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Appendix

Appendix

1. Adjusted EBITDA reconciliations
2. Reconciliation from Gross Attributable Collections to Gross Collections
3. Glossary

Adjusted EBITDA

The appendix contains reconciliations between the figures per the Financial Statements and the figures used for the purposes of this presentation:

Reconciliation of profit before tax to Adjusted EBITDA

	12 months to 30 September 2019 (€'m)	12 months to 30 September 2018 (€'m)	Variance (€'m)	Variance (%)
Profit before tax	25.2	12.5	12.7	101.5%
Finance costs/(income)	22.2	21.2	1.0	4.8%
Share of profit in associate	(0.7)	(0.9)	0.2	(26.1%)
FX	0.2	0.2	-	(12.8%)
Impairment	0.0	9.8	(9.8)	(99.7%)
Gross Collections	137.0	124.9	12.1	9.7%
Revenue	(81.8)	(74.0)	(7.8)	10.5%
Other income	0.5	-	0.5	-
Repayment of secured loan notes	(4.9)	(4.0)	(0.9)	22.0%
Non-recurring items	0.5	0.3	0.2	66.7%
Dividend received	0.6	-	0.6	-
Adjusted EBITDA	**98.9**	**90.0**	**8.9**	**9.9%**

Note: Data as of 30 September 2019, unless otherwise specified

Reconciliation from Gross Attributable Collections to Gross Collections

Collections are monitored in two different ways:

1) Gross Collections. Gross Collections refers to the way collections are accounted for in the Financial Statements. These comprise of collections (including any portion attributable to co-investors) received before any costs to collect are deducted for purchased loan portfolios and net collections (i.e. net of costs to collect) for purchased loan notes and investments in joint ventures

2) Gross Attributable Collections. Gross Attributable Collections refer to collections which are for the sole benefit of the Group. These comprise of collections received before any costs to collect are deducted for purchased loan portfolios, purchased loan notes and investments in joint ventures however only those collections which are attributable to the Group i.e. excluding co-investors portion of collections.

For the nine months ended 30 September 2019 a reconciliation can be found below reconciling Gross Attributable Collections to Gross Collections:

Reconciliation from Gross Attributable Collections to Gross Collections (numbers in €k)		
9m 2019 Gross Attributable Collections	**79,558**	Used to calculate ERC
Gross up for portfolios with co-investors[1]	4,285	
Remove costs deducted at source[2]	(2,814)	
9m 2019 Gross Collections	**81,031**	Used in Financial Statements to calculate book value of investments

Note: Data as of 30 September 2019, unless otherwise specified
(1) When investments have co-investors, co-investor share of Gross Collections is used to calculate Secured Loan Notes on Balance Sheet / (2) For Purchased Loan Notes and Joint Ventures, Collection Activity Costs are deducted at source

Glossary

- **“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.
- **“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.
- **“Cash due from servicers”** relates to cash collected by servicers on the portfolios which were not received until after the period.
- **“Core collections”** represents total gross collections, less disposals of purchased loan portfolios and loan notes.
- **“Gross MM”** represents Gross attributable collections received on a portfolio to the date the multiple is measured, plus ERC for that portfolio at the same date, divided by the total amount paid for the portfolio at the date of purchase.
- **“Liquidity”** - €27m undrawn on the Facility plus cash available of €18m as at 30 September 2019.
- **“LTM Adjusted EBITDA”** means Adjusted EBITDA for the 12 month period to 30 September 2019.
- **“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.
- **“Normalised Adjusted EBITDA”** represents Adjusted EBITDA excluding disposals of purchased loan portfolios and loan notes.
- **“Net interest expense”** means interest expense incurred for a period of 12 months.
- **“Fixed Cover Charge Ratio (“FCCR”)”** is calculated as LTM Adjusted EBITDA divided by net interest expense.
- **“Super Senior Revolving Credit Facility** (**“SSRCF”)”** – The total Facility available to use is €90.0m.
- **“Gross attributable collections”** represents total collections attributable to AFE Group before costs and 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.
- **“Net Debt”** represents third-party indebtedness, including bank guarantees, less cash and cash equivalents, and excluding unamortised debt issue costs, facility fees and amounts due to co-investors under secured loan notes.
- **“Leverage”** represents Net Debt divided by LTM Adjusted EBITDA.