



**AnaCap Financial Europe
S.A. SICAV-RAIF**

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European High Yield & Leverage Finance Conference

06 September 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



Ed Green – Director and COO
AnaCap Financial Europe



Agenda

1. AFE Overview
2. AFE Financial Review
3. AFE Portfolio Review
4. Key Messages
5. Appendix





AFE Overview

Justin Sulger



AFE overview

Agile, disciplined and efficient investment platform focused on European NPLs

A Pan-European debt purchaser

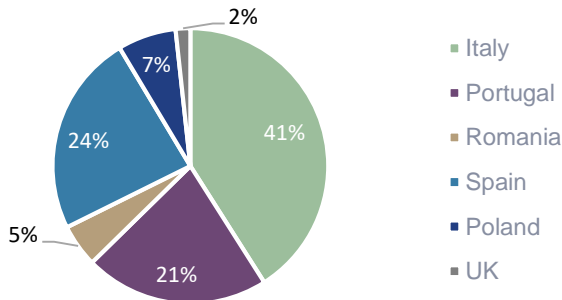
- Established in June 2017, acquiring a seasoned portfolio of assets from existing AnaCap Credit Opportunities Funds, which are private closed-end vehicles
- Continues to invest in a diverse range of primarily secured NPLs alongside AnaCap's Credit Opportunities Funds
- Leverages AnaCap's wide network and extensive track record in origination, underwriting and servicing developed since 2005
- Focuses on core geographies where AnaCap has an early mover advantage, including Italy, Spain, Portugal, Romania and Poland
- Benefits from AnaCap's expertise in a broad range of unsecured and secured debt, combining both statistically based and loan level analysis

Variable cost driven Master Servicing model

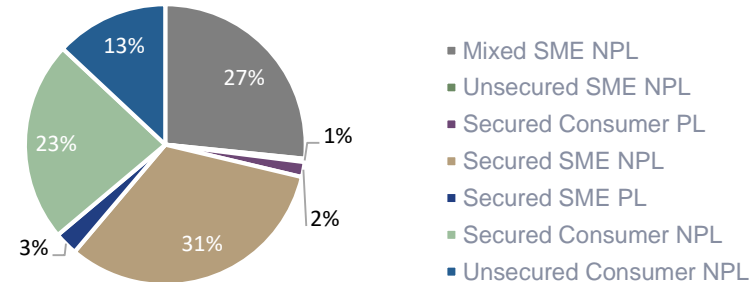
- Panel-based approach leveraging best-in-class servicers for each specific geography and asset type refined over almost 10 years
- Servicing Affiliates in core geographies of Italy, Spain and Portugal
- Centralised intelligence platform (Minerva) supported by UK and India based team provides daily access to portfolio data
- Enables dynamic monitoring, analysis and active servicer engagement to optimise performance and pricing
- Provides flexibility, broad based strategy customisation and benchmarking of servicer performance
- Nimble model that minimises fixed cost base, helps maintain pricing discipline in existing whilst easing entry into new markets

Diversified portfolio of assets

Total 84m ERC €550.1m at June 2019 by Geography



Total 84m ERC €550.1m at June 2019 by Asset Type¹



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

¹) Breakdown of ERC by Asset Type is calculated by the predominant characteristic of individual portfolios

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AnaCap is a leading European Financial Services specialist investor

14 years of experience investing across the sector

€5.1bn

RAISED SINCE INCEPTION -
LARGEST DEDICATED SPECIALIST
TO EUROPEAN FINANCIAL
SERVICES

77

EXPERIENCED AND TENURED
PROFESSIONALS

30+

RELATIONSHIPS WITH SERVICERS
THROUGHOUT EUROPE

83

INVESTMENTS SINCE INCEPTION

15

EUROPEAN COUNTRIES INVESTED

€21bn

FACE VALUE ACQUIRED IN CREDIT

minerva

Proprietary digital intelligence platform



AnaCap has built a strong market position in European FS

Highly complementary Credit and PE strategies as a specialist investor

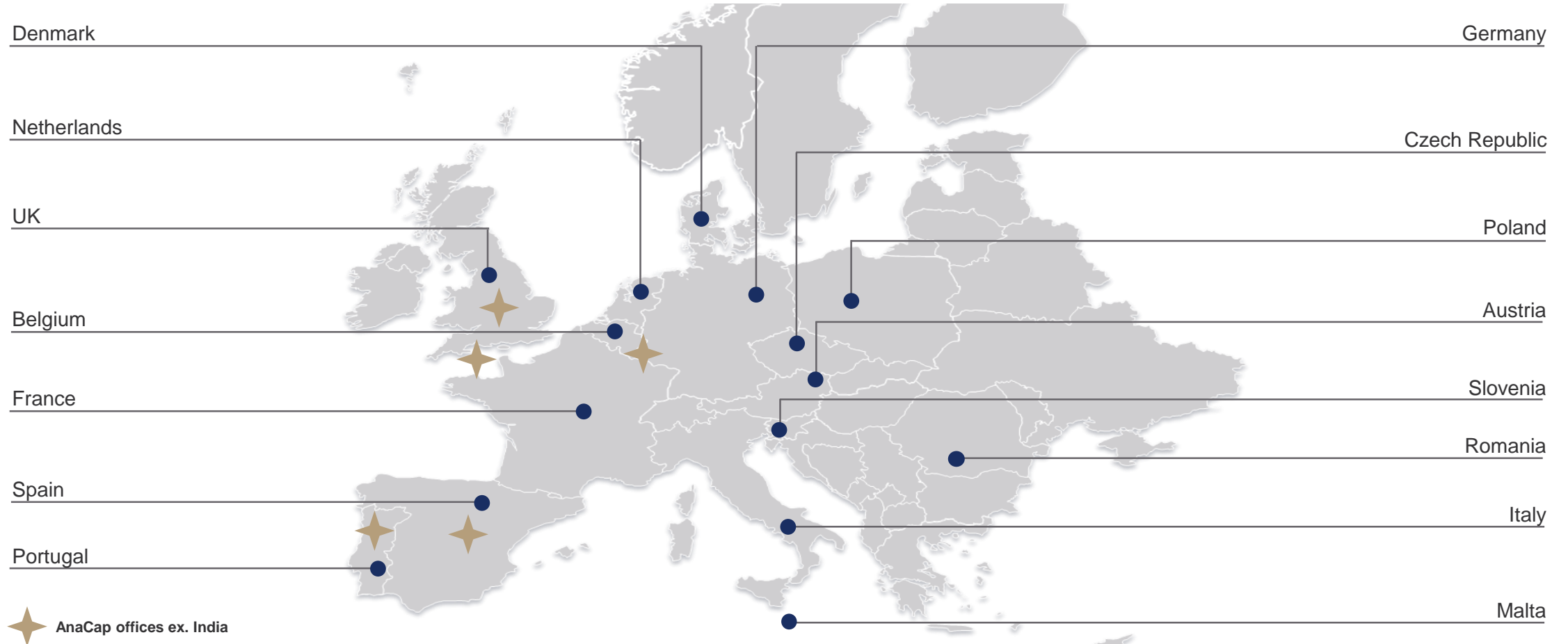
6 PARTNERS WORKING TOGETHER FOR MORE THAN 11 YEARS


15 EUROPEAN COUNTRIES

6 OFFICES

15 PE INVESTMENTS

68 CREDIT INVESTMENTS



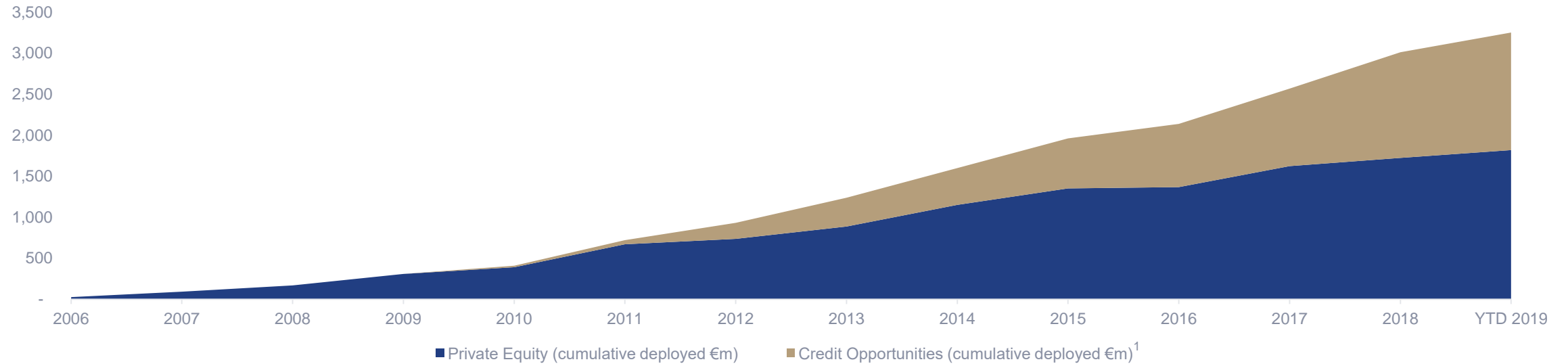
 AnaCap offices ex. India

Note: Data as of 31 August 2019, unless otherwise specified
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AnaCap track record

Credit forms a significant component of our DNA



- Founded by a successful entrepreneur from the Consumer Finance sector
- 1st private equity owner of a UK regulated bank (Aldermore); and control shareholder of 6 EU regulated banks
- Operationally engaged, transformational investor in numerous digitally enabled financial services companies (Cabot, Simply Business, Heidelpay)
- Pioneering NPL investor as an early mover in numerous European and secured debt sale markets
- Consistent, selective deployment of capital into debt portfolios since inception of the Credit Opportunities strategy in 2009

Note: Data as of 31 August 2019, unless otherwise specified

¹) Includes deal signed but not closed as at 31 August 2019

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AnaCap capabilities to service assets

Master-Servicing model, enabled by data & analytics to inform asset management

Servicing Affiliates

- **Spain & Portugal:** 8 dedicated FTE, where AFE has a 100% stake
- **Italy (PAM):** 47 FTE¹, where AFE has a 30% stake



Servicing Panel

- **30+ relationships** with servicing partners across European operations
- Panel provides flexibility across geographies and asset types
- Direct links to Minerva system, enabling more effective data mining

London

- **Investment Committee:** 4 members averaging 30 years' experience
- **Investment Team:** 11 FTE with average tenure of more than 5 years
- **Asset Management Team:** 5 FTE, including Analytics function

Luxembourg

- **Asset Management Team:** 2 FTE

minerva
Proprietary digital intelligence platform

India

- **Analytics Team:** 12 dedicated Data & Systems analysts
- Collate data received from Servicers into workable information



Key developments in Asset Management platform

Selected operational highlights

	Key updates	Next step
Spain	<ul style="list-style-type: none"> Secured servicing team installed, system upgrade completed within Galata Segments of existing Spain portfolio successfully internalised within Galata 	<ul style="list-style-type: none"> Further servicing internalisation of existing and new portfolios on a selective basis
Italy	<ul style="list-style-type: none"> Collections system re-platforming within Phoenix Asset Management (PAM) alongside launch of Milan Office Real Estate capabilities expanded within PAM, including auction optimisation 	<ul style="list-style-type: none"> Additional build out of Real Estate and unsecured capabilities
Portugal	<ul style="list-style-type: none"> Regulatory approval secured for securitisation vehicle (STC), and 1st securitisation completed 	<ul style="list-style-type: none"> Formal launch of Lisbon office Build out of internal real estate capability to support secured pipeline in Portugal
Minerva Digital Platform	<ul style="list-style-type: none"> Ongoing Data warehouse optimisation to incorporate new geographies (e.g. Poland) Analytics team expanded with additional data scientist hires 	<ul style="list-style-type: none"> Further Data warehouse optimisation to expand scope of daily data capture

Continued build out of localised expertise in conjunction with development of Minerva platform





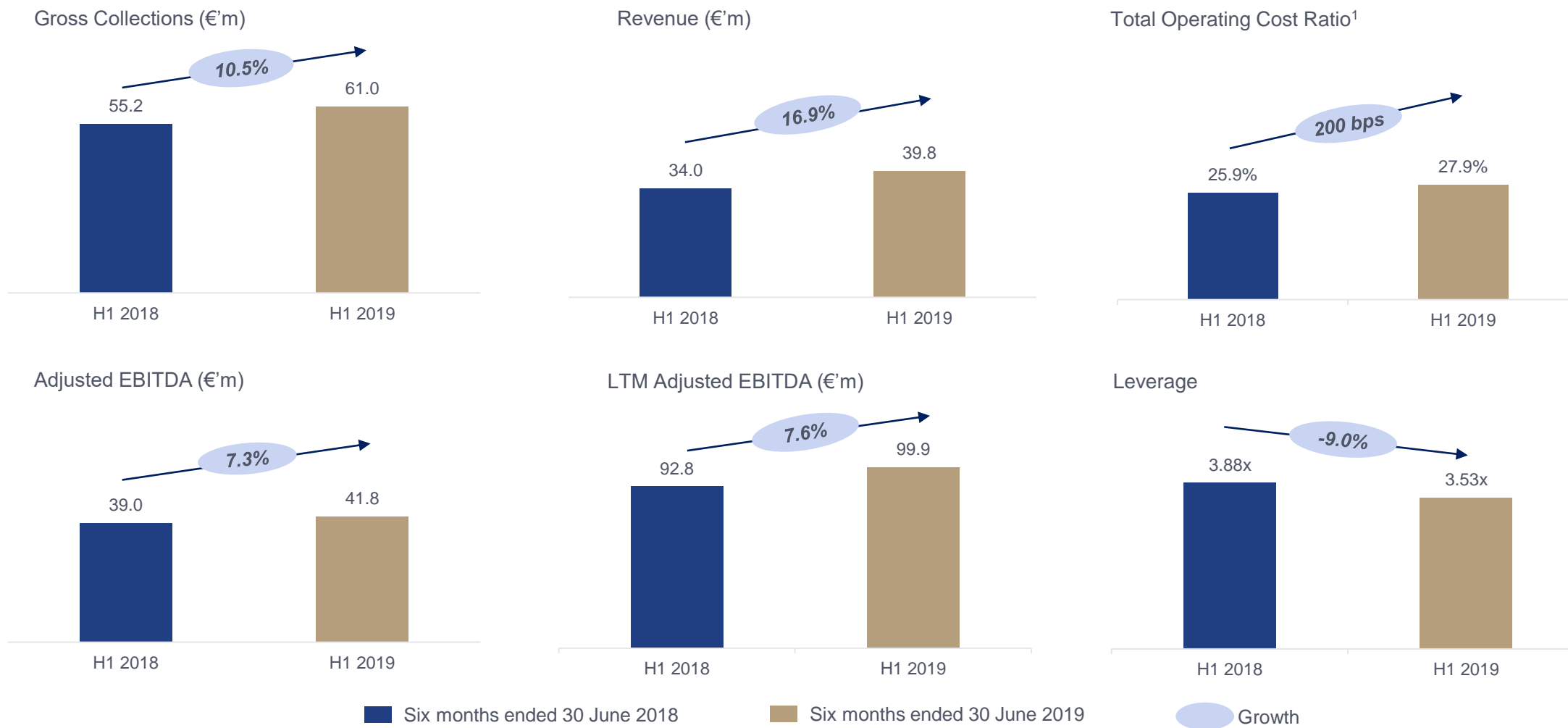
AFE Financial Review

Chris Ross-Roberts



Financial highlights

Continued momentum in H1 2019



Note: Data as of 30 June 2019, unless otherwise specified
 1) Total Operating Cost ratio represents the ratio of operating expenses (excluding FX, impairment and non-recurring items) to Gross Collections
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Financial summary – high margin operating platform

Selective deployment together with a market leading predominantly variable cost base, leading to a Profit after Tax Margin of 24.9%

Numbers in €m's	H1 2019	H1 2018	
Gross Collections	61.0	55.2	+10.5%
Revenue	39.8	34.0	+16.9%
Collection Activity Costs	(12.0)	(10.0)	
Other Operating Expenses¹	(5.2)	(4.6)	
<i>Management fee</i>	(3.1)	(2.7)	
<i>AFE corporate costs</i>	(1.0)	(1.1)	
<i>Other overheads</i>	(1.1)	(0.8)	
Other ²	0.0	(2.5)	
Operating Profit	22.6	17.1	+32.2%
Finance Costs	(12.0)	(9.0)	
Gain from Repurchase of Senior Secured Notes	1.7	-	
Share of Profit in Associate	0.4	0.5	
Profit before Tax	12.6	8.5	+48.2%
Tax Charge	(1.0)	(0.1)	
Profit after Tax	11.6	8.5	+37.4%
<i>Profit after Tax Margin (excl. gain from repurchase)</i>	24.9%	24.9%	

Key Highlights

- **Highly profitable business**
 - Operating Profit up 32.2%
 - Profit after Tax Margin³ consistent at 24.9%
- **Variable costs structure**
 - 88% of the costs are variable by nature
 - 12% fixed costs are AFE Corporate Costs and Lux SPV Costs (“Other Overheads”)
 - Management Fees is calculated based on Net Asset Value (“NAV”)

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

1) Includes non-recurring items, e.g. €0.2m in H1 2019 / 2) Other includes impairment and FX gains/(losses) / 3) Gain from Repurchase of Senior Secured Notes is excluded from Profit after Tax Margin calculation

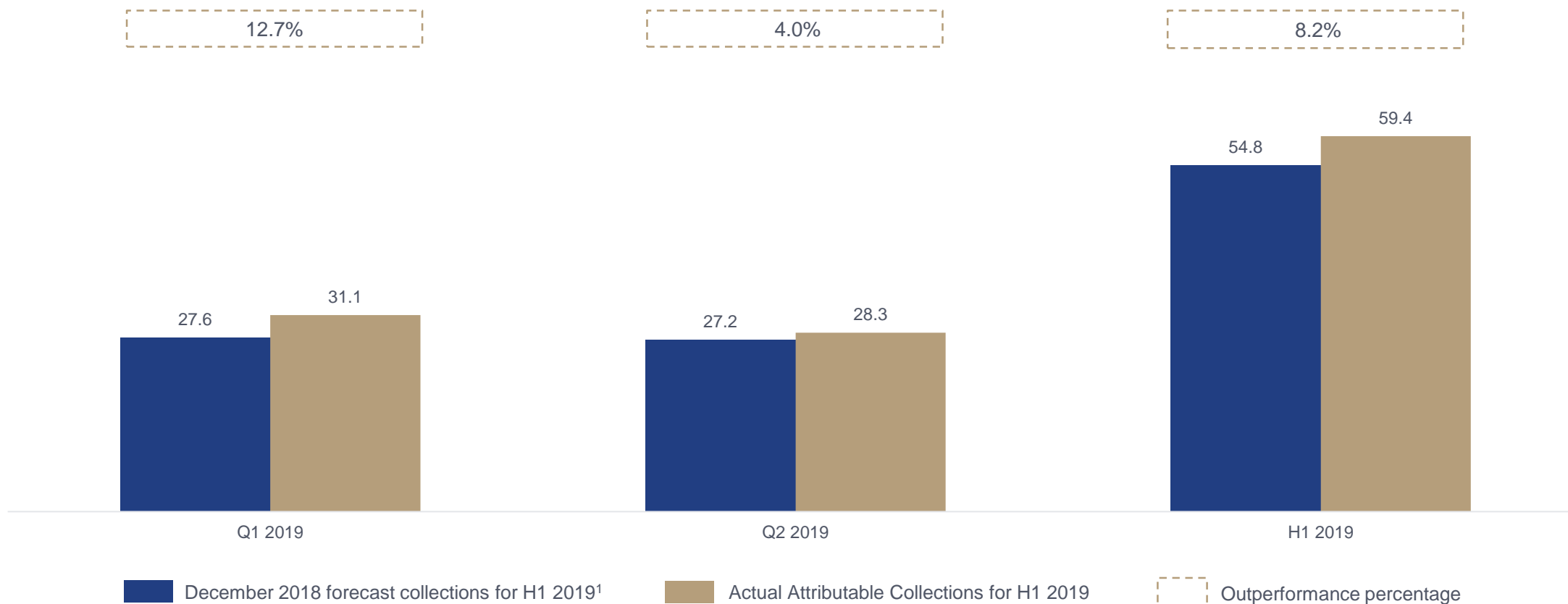
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YTD Gross Attributable Collections actuals vs forecast

8.2% ahead of forecast driven by asset outperformance and accelerated recoveries

AFE six months ended 30 June 2019 total Gross Attributable Collections performance (€m)



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

1) December 2018 forecasts include underwritten collections for the deal purchased in H1 2019

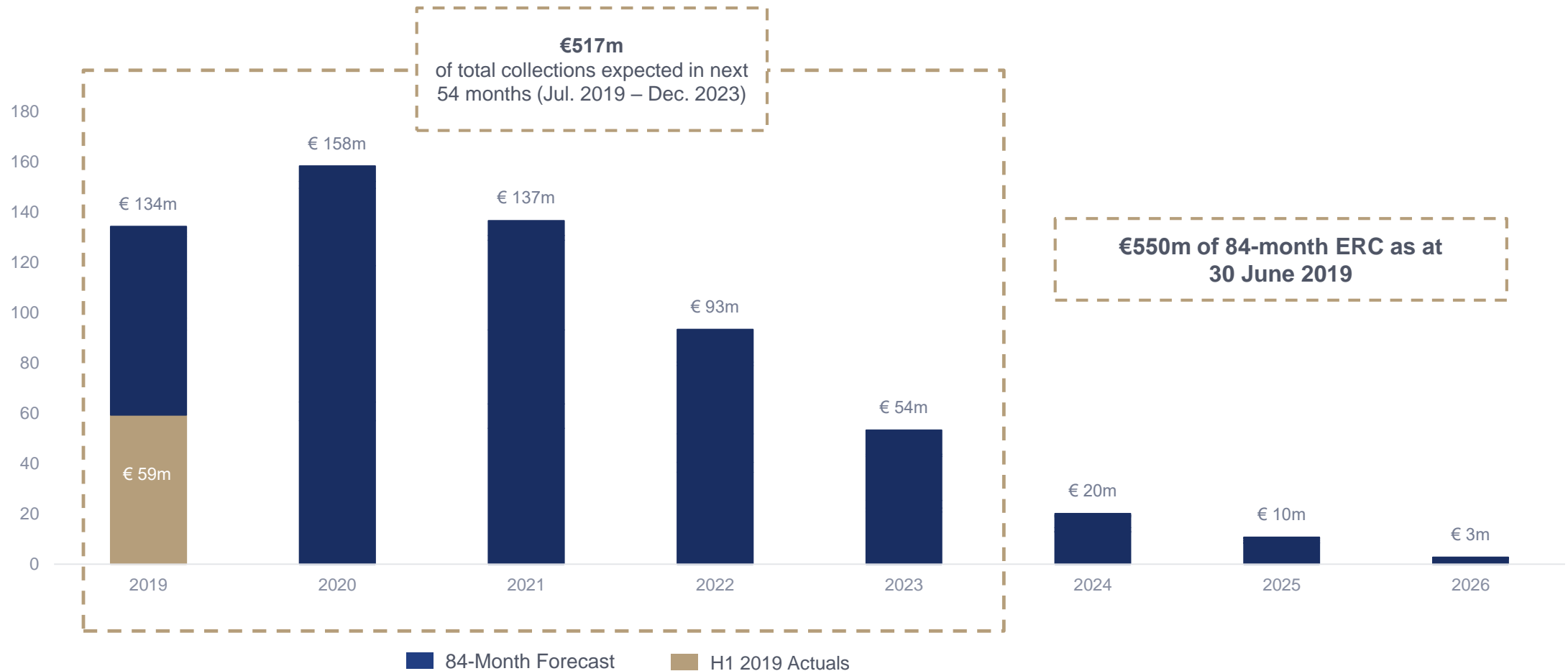
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Gross Attributable Collections YTD actuals and 84-month forecast by year

2018 deployment embeds growth in cash generation out to 2020

AFE 84-month ERC as at 30 June 2019 by year (€m)¹



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

1) 84-month ERC is based on Gross Attributable Collections as opposed to Gross Collections, each amounting to €59.4m and €61.0m respectively in H1 2019. See slide 31 which reconciles Gross Attributable Collections to Gross Collections for H1 2019

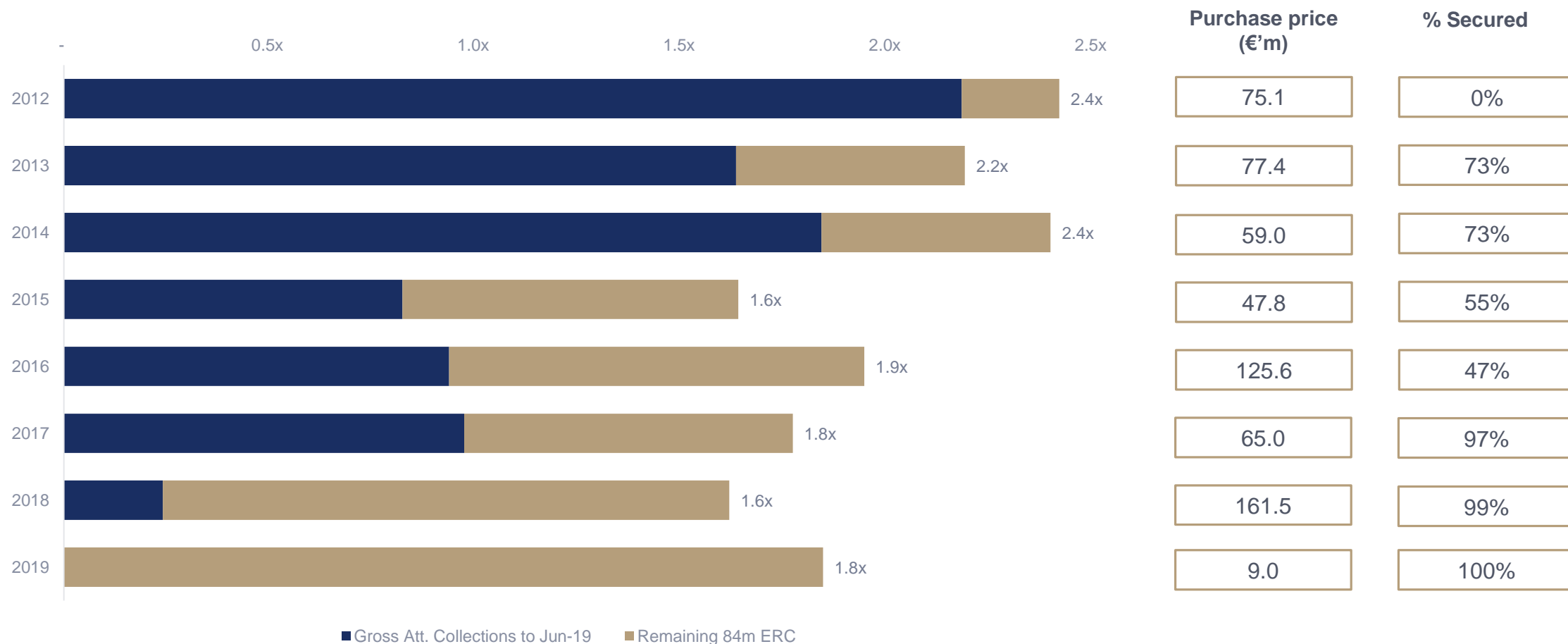
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Gross money multiple trends

Selective focus on secured assets with high cashflow visibility

Gross money multiples by year of purchase & Gross Attributable Collections to date



Positive key debt metrics and proactive optimisation of capital structure

	H1 2019	H1 2018
84-Month ERC	€550.1m	€564.8m
LTM Adj. EBITDA	€99.9m	€92.8m
LTM Net Interest Expense	€21.8m	€20.5m
Net Debt / LTM Adj. EBITDA	3.53x	3.88x
LTV Ratio	64.2%	63.8%
SSRCF LTV Ratio	4.5%	6.2%
FCCR	4.57x	4.52x
Liquidity – cash	€19m	€46m
Liquidity – undrawn RCF	€42m	€1m
Net Debt	€352.9m	€360.4m

Commentary

- LTM Adj. EBITDA at €99.9m following strong collections performance in H1 2019 and market leading cost structure
- Positive leverage of 3.53x, ahead of market guidance
- Leverage target of 3.0x – 3.5x for 2020
- LTV Ratio of 64.2% vs financial covenant of 75%
- SSRCF LTV Ratio of 4.5% vs financial covenant of 25%
- €17.5m nominal of senior secured notes purchased in Q2 2019 at an average price of €88; these were cancelled with immediate effect
- Deployment target for 2019 reduced to c.€75m

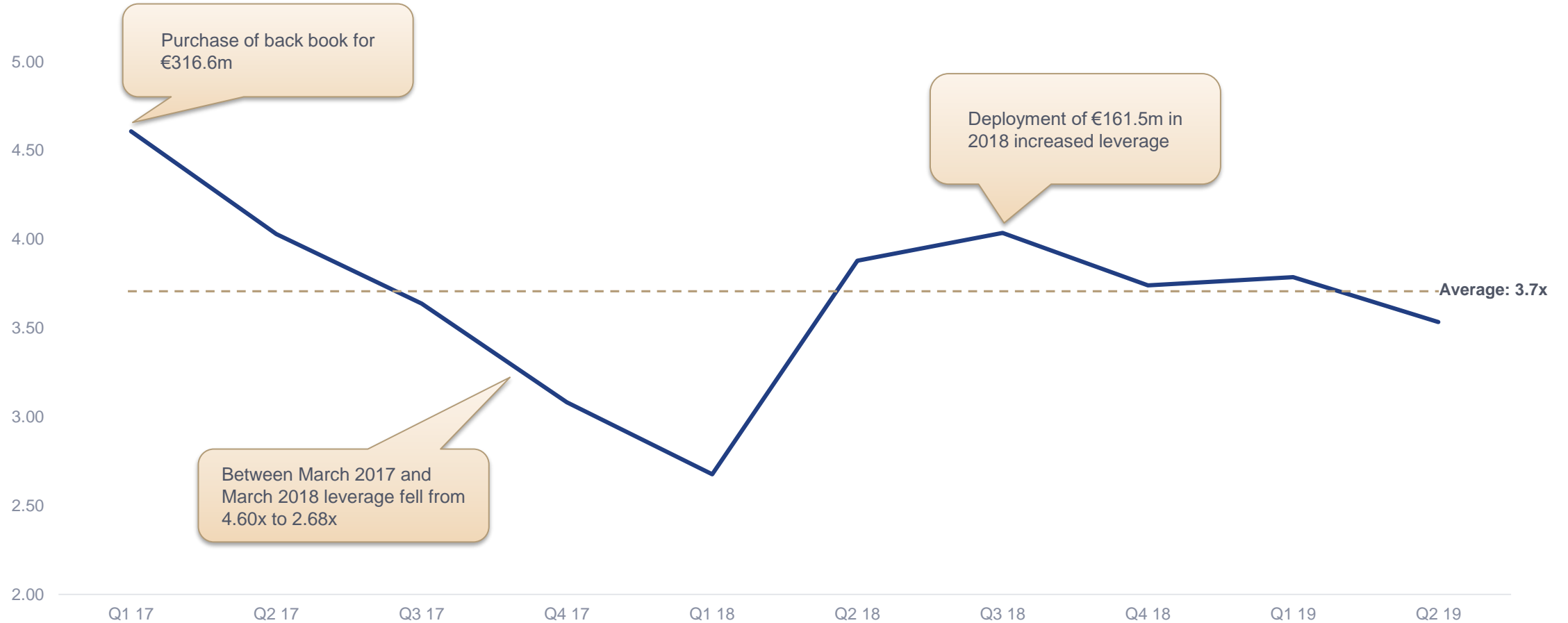
Will continue to review capital structure and liquidity position and look to optimise them over time; depending on market conditions and operating results, this could include open market repurchases of securities, among other strategies



Proven ability to de-lever

Leverage at 3.53x – lower than market guidance

Leverage evolution





AFE Portfolio Review

Edward Green



Active across attractive European markets

AnaCap experience

	Market	Year of Entry
	Italy	2012
	Spain	2012
	Portugal	2011
	Romania	2014
	United Kingdom	2010
	Poland	2018
	Total	

AFE portfolio

Capital Invested	# of Investments	84-Month ERC	% of ERC (84-Month)	Gross MM (84mth ERC)
€278m	10 ¹	€225m	41%	2.0x
€143m	8 ¹	€131m	24%	1.8x
€114m	4	€119m	21%	2.1x
€46m	3	€28m	5%	1.9x
€18m	1	€9m	2%	1.4x ²
€21m	1	€38m	7%	1.9x
€620m	27	€550m		1.9x

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

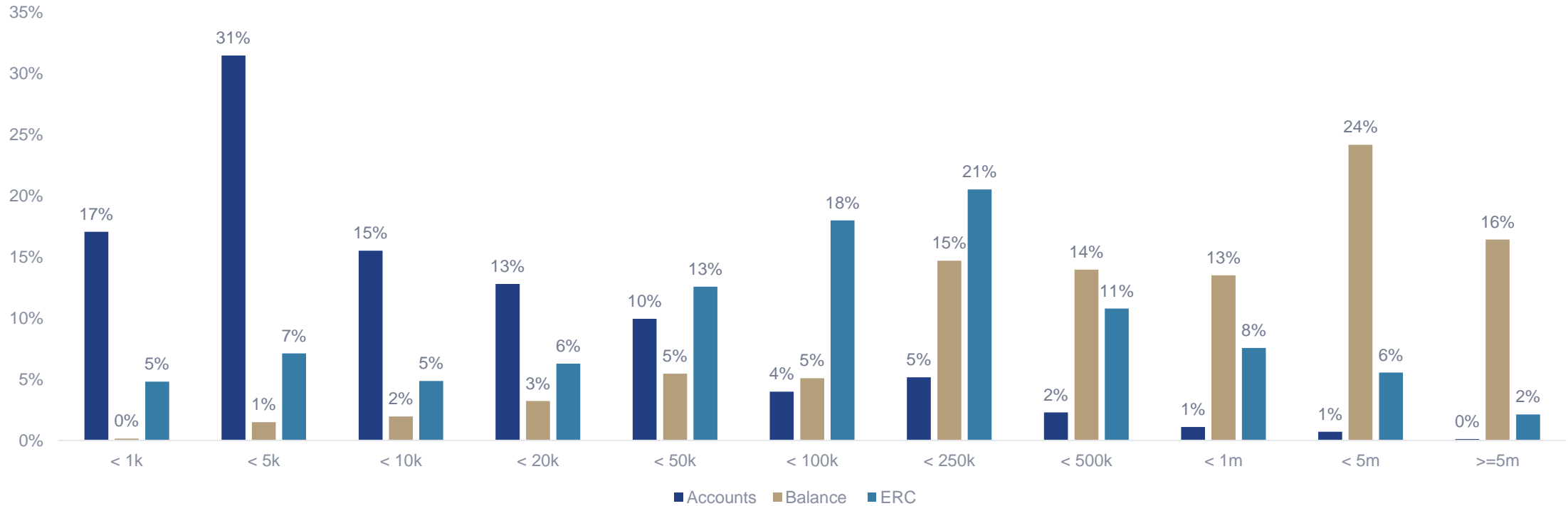
1) Includes sold deals, one deal sold in Italy in 2014, three deals sold in Spain in January 2016 / 2) Reflects the acquisition of a portfolio of performing debt in the UK

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Highly diversified predominantly secured portfolio

Total account and total balance distribution by balance band and 84-month ERC

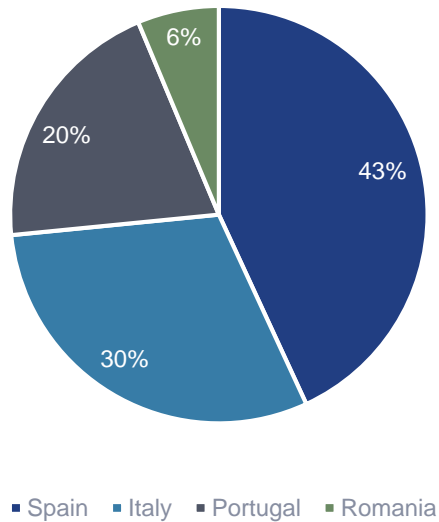


- Broad distribution of accounts at varied balance levels
- High balance bands exceeding €500k reflecting significantly secured nature of the portfolio, driving low cost operating model

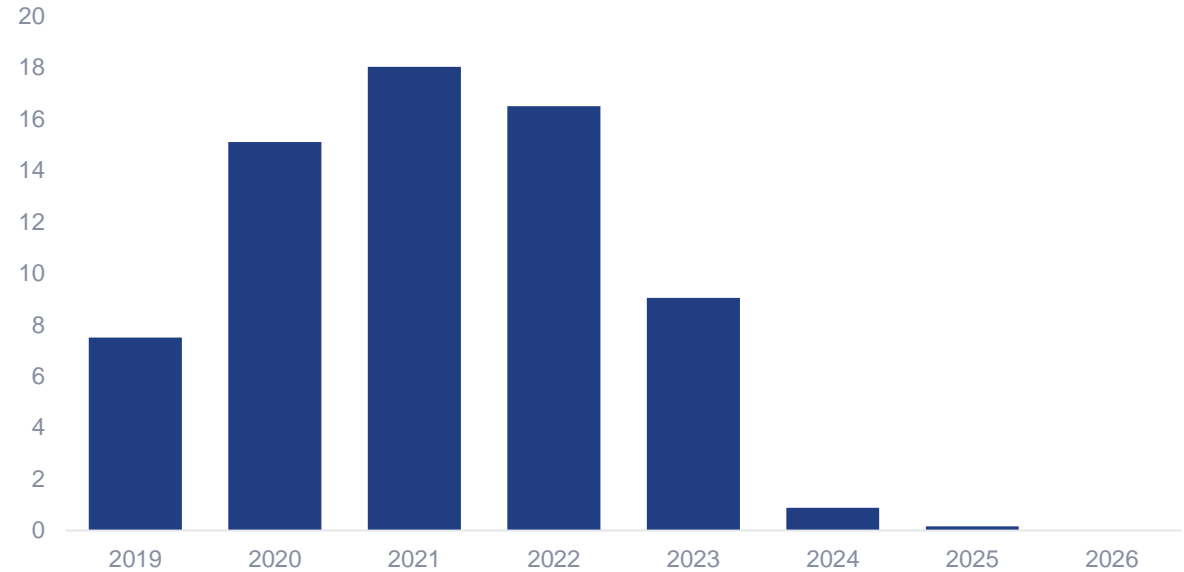


ERC by top 50 positions

84-month ERC by geography for the top 50 positions



84-month ERC (€m) by Year for the top 50 positions

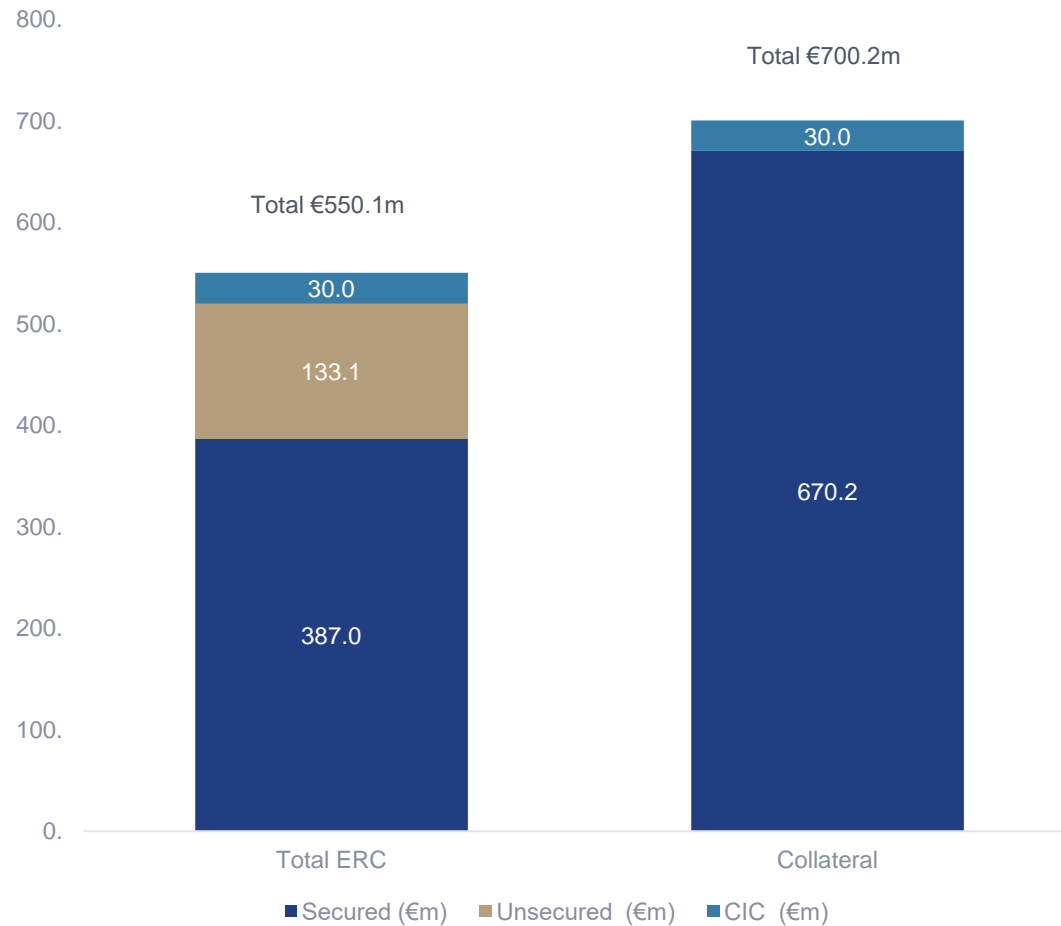


- Top 50 positions account for c.€67m, c.12% of total 84-month ERC
- Diversified spread of 84-month ERC across all core geographies
- Each position is backed by a diverse range of collateral types with significant potential upside vs liquidation value
- Only 11% expected in H2 2019 with significant embedded growth opportunity in these positions



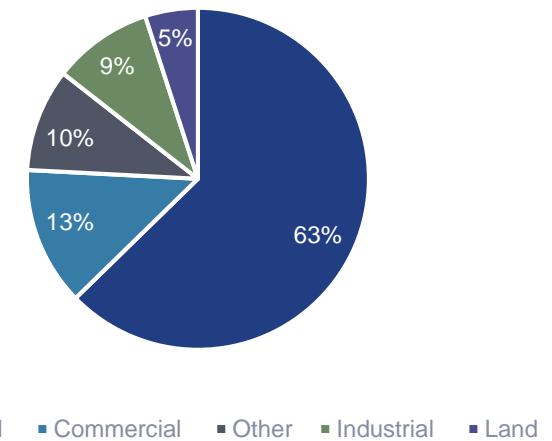
Collateral information

84-month ERC and collateral (€m)¹



- Secured ERC of €387.0m is backed by significant collateral with an aggregated market value of €670.2m²
- Cash from Cash in Court (sold assets waiting to be distributed by courts) accounts for c. €30.0m providing additional security of future expected proceeds
- Secured ERC is backed by a highly granular portfolio of which c.63% are granular residential properties

€670.2m Market Value by Asset Type (€m)



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

1) Analysis of ERC by security type is calculated from underlying asset, account or borrower level information; this contrasts to slides 5 and 25, where ERC by Asset Type is calculated by the predominant characteristic of individual portfolios

2) Market value based on latest available market valuation as per Minerva database, the timing of which will vary according to recency of purchase

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Key Messages

Justin Sulger



AFE Credit highlights

Established expertise and market positioning deliver consistently strong performance

Financial Services Expertise

- Highly developed in-house expertise in Financial Services across Europe with long track record as early mover in core geographies and asset types
- Experienced management team, with strong operational, risk, compliance and regulatory oversight

Credibility and Origination

- Deep relationships rooted in extensive network and credibility with sellers and regulators across Europe, including numerous repeat/follow-on transactions
- Strong origination capabilities with consistent track record deploying capital in a disciplined manner across varied geographies and asset types; over €1.1bn of potential invested capital reviewed in H1 2019 alone

Asset Management

- Panel-based master servicing approach, utilising best-in-class servicers tailored to geography and asset type, with Servicing Affiliates in core geographies of Italy, Spain and now Portugal
- Proprietary intelligence platform (Minerva) integrated directly with local servicing partners, ensuring full suite of collections, servicing activity and collateral data to maintain dynamic monitoring and inform active servicer engagement

Profitability

- Nimble model minimises fixed cost base, helps maintain pricing discipline in existing whilst easing entry into new markets
- Highly profitable with predominantly variable cost base, enabling selective deployment. ERC profile underpinned by predominantly secured debt builds embedded growth in Adjusted EBITDA and deleveraging

Diversification

- €550.1m ERC highly diversified across geographies and asset types
- 87% in predominantly secured debt and 13% in unsecured debt across 6 European geographies



Key messages



1

Strong continued financial performance, with H1 Gross Attributable Collections 8.2% ahead of forecast at €59.4m, delivering €41.8m of Adjusted EBITDA

2

Maintaining industry leading Total Operating Cost Ratio of 27.9% driven by predominantly variable cost structure

3

Leverages AnaCap's broad based network, extensive track record and expertise in origination, underwriting and servicing developed across Europe since 2005

4

Efficient, nimble platform helps ensure AFE maintains pricing discipline and selective deployment, with only 1 new portfolio purchased so far in 2019 but 3 more to complete in Q3

5

Embedded growth in portfolio collections, including strong early performance from significant purchases in 2018

6

Proven ability to de-lever as collections from new purchases ramp up, with Net Debt to LTM Adjusted EBITDA of 3.53x versus 3.88x at end H1 2018



Q&A

Any questions?

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Appendix



Appendix

1. Normalised and Adjusted EBITDA reconciliations
2. Reconciliation from Gross Collections to Gross Attributable Collections
3. Gain on retirement of Senior Secured Notes



Normalised & 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 Normalised and Adjusted EBITDA

	12 months to 30 June 2019 (€'m)	12 months to 30 June 2018 (€'m)	Variance (€'m)	Variance (%)
Profit before tax	25.5	10.0	15.5	154.6%
Finance costs/(income)	22.7	19.2	3.5	18.3%
Share of profit in associate	(0.7)	(0.8)	0.1	(18.0%)
FX	(0.1)	0.1	(0.2)	(243.5%)
Impairment	0.0	9.8	(9.8)	(99.7%)
Gross Collections	139.5	128.1	11.4	8.9%
Revenue	(83.1)	(72.0)	(11.1)	15.0%
Other income	0.3	-	0.3	-
Repayment of secured loan notes	(4.7)	(4.2)	(0.5)	10.9%
Non-recurring items	0.5	2.6	(2.1)	(80.3%)
Normalised and Adjusted EBITDA	99.9	92.8	7.1	7.6%



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 six months ended 30 June 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)

H1 2019 Gross Attributable Collections	59,356	Used to calculate ERC
Gross up for portfolios with co-investors ²	3,578	
Remove costs deducted at source ¹	(1,897)	
H1 2019 Gross Collections	61,037	Used in Financial Statements to calculate book value of investments

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

¹) For Purchased Loan Notes and Joint Ventures, Collection Activity Costs are deducted at source \ ²) When investments have co-investors, co-investor share of Gross Collections is used to calculate Secured Loan Notes on Balance Sheet

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Gain on retirement of Senior Secured Notes

The below outlines how the gain recognised in the Statement of Comprehensive Income (SOI) per the 30 June 2019 Financial Statements has been calculated:

Total of €17.5m nominal Senior Secured Notes purchased

Numbers in €k

Nominal Value of Notes per Financial Statements	17,500
Consideration paid	(15,400)
Gain on retirement of Notes	2,100
Acceleration of costs capitalised at issuance	(372)
Net gain on retirement of Notes	1,728



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”** - €42m undrawn on the Facility plus cash available of €19m as at 30 June 2019.
- **“LTM Adjusted EBITDA”** means Adjusted EBITDA for the 12 month period to 30 June 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.

