

AnaCap Financial Europe S.A. SICAV-RAIF

Presentation of the consolidated financial results
of AnaCap Financial Europe S.A. SICAV-RAIF
for the quarter ended 31 March 2020

27 May 2020

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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

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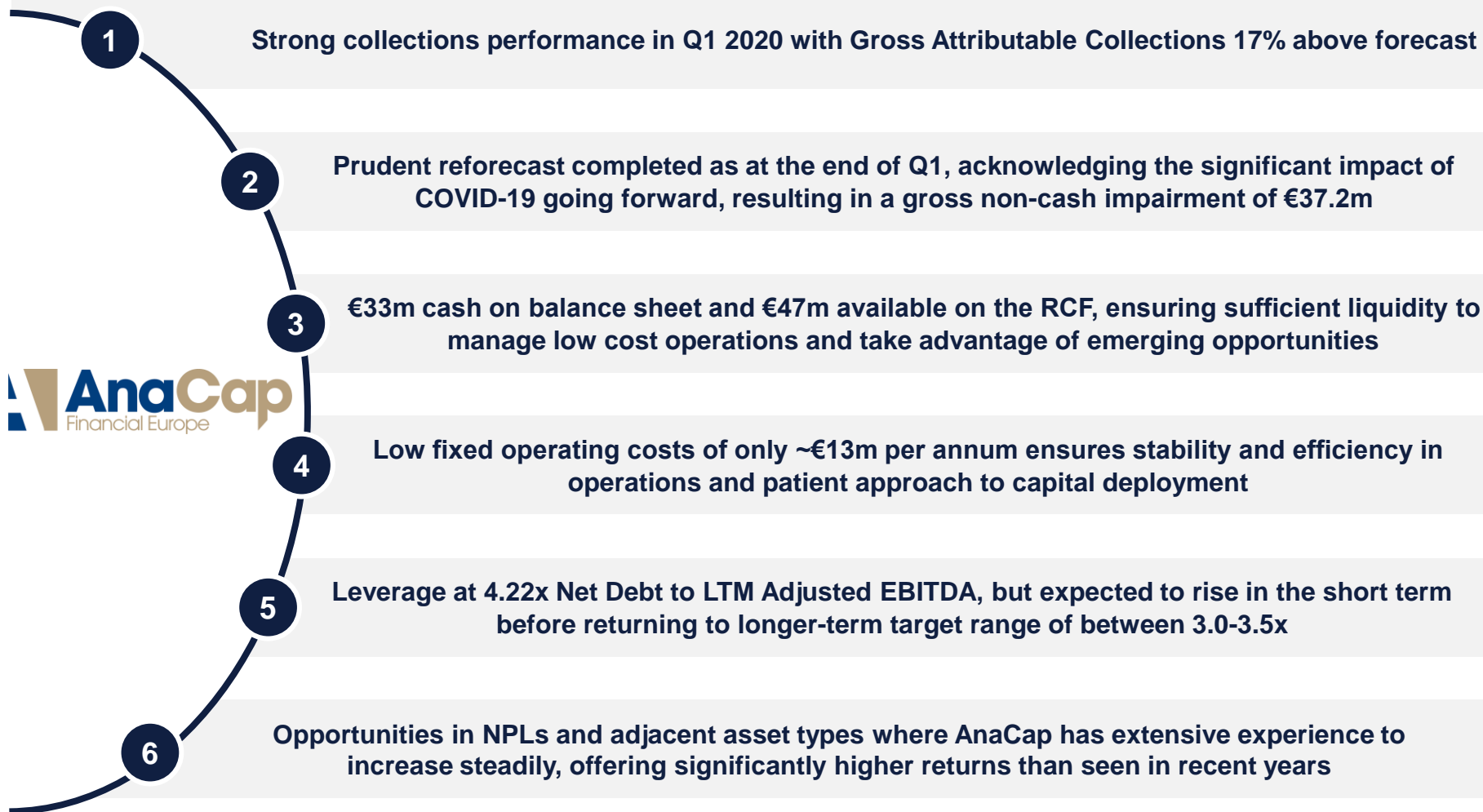
AFE Credit Review

Justin Sulger



AFE Credit Review | AnaCap Financial Europe Q1 2020 Highlights

Strong Q1 collections and prudent reforecast for expected COVID-19 impact





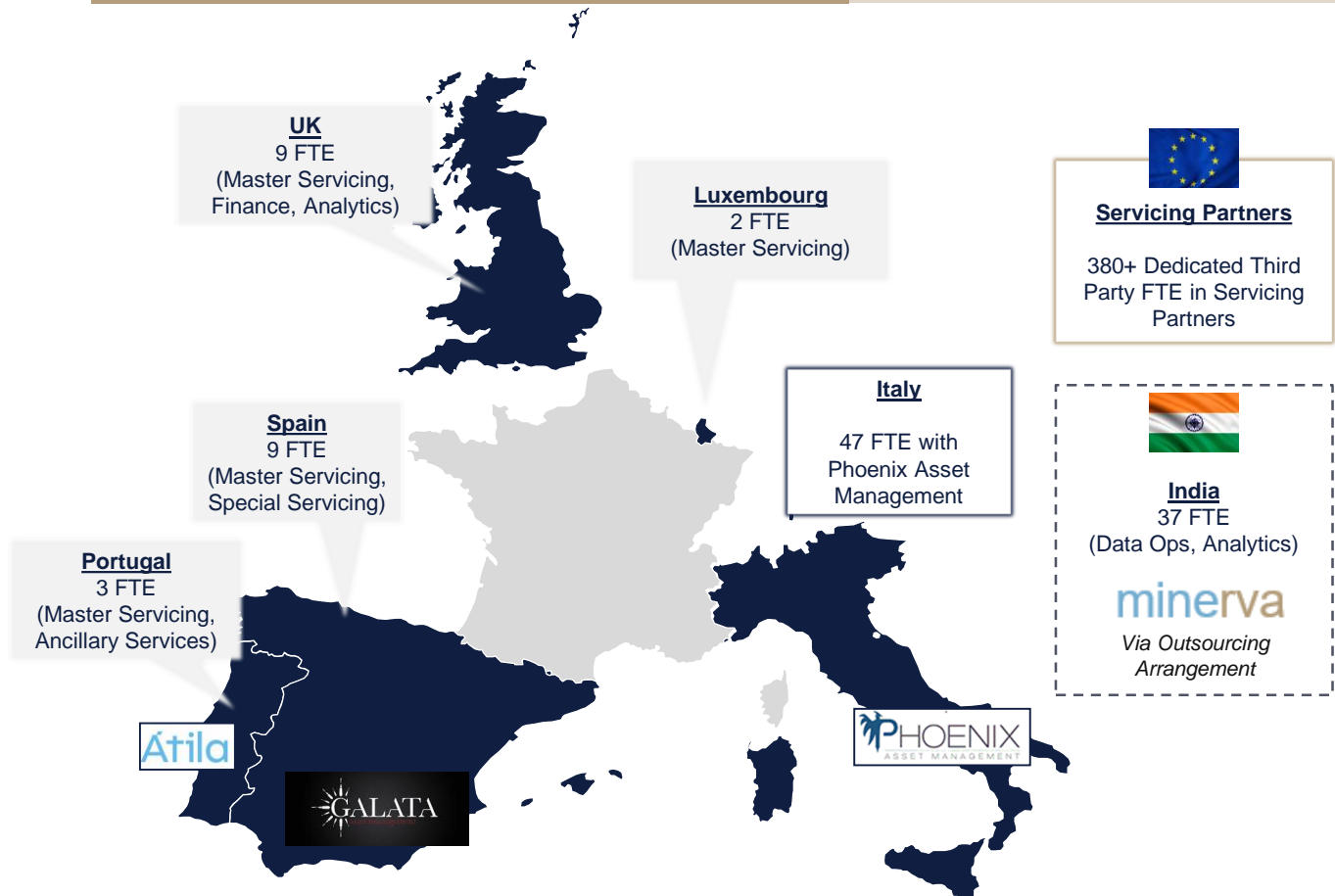
Operational Review

Ed Green



Operational Review | Platform Status and Development

AnaCap continues to develop its dynamic, digitally enabled Asset Management capabilities within AFE



Servicer	Átila	Galata	Phoenix Asset Management
Equity stake	100%	100%	30%

- Effective mobilisation of Business Continuity Plans
- 97% of dedicated servicing resources currently operational (with 82% working from home)
- Investment in local markets ensured strong connectivity and transparency with servicing partners
- Provision of Asset Management services to AFE as well as AnaCap Credit Funds and third parties
- Master Servicing revenues expected to grow by c.17% year-on-year with ongoing investment in the platform



Operational Review | Italy



Targeted focus on cash-in-court releases during lockdown with near-term strategy aimed at protection of collateral value

COUNTRY UPDATES

- Ability to file new proceedings and push for virtual hearings in selected cases
- Courts closed on March – expected to re-open from the 1st June
- Near-term cancellation of all auctions
- Government announced 6-month payment moratorium to ease pressure on debtors

AFE PORTFOLIO

31 March 2020	TOTAL (€m)
Total ERC	197.3
- Secured	103.5
- Unsecured	79.9
- Cash-in-court	13.9
Total Collateral Value	246.0

ANACAP RESPONSE / KEY HIGHLIGHTS

1

Targeted focus on virtual court hearings (especially for Cash-in-court releases)

2

Implementation of defensive REO strategy to protect collateral values

3

Balanced approach on unsecured portfolios with refreshed scoring approach to legal recovery routes

4

Bespoke approach for selected larger real estate positions



Operational Review | Portugal



Driving performance during lockdown through cash-in-court releases and property sales with near-term strategy aimed at ensuring data-driven approach to collections strategy selection

COUNTRY UPDATES

- Gradual re-opening of key public infrastructure (e.g. courts, registries) from 18th May
- Mortgage enforcement proceedings & evictions are suspended where collateral is borrower's housing until September 2020
- Limitations on Salary Garnishments under review by Government

AFE PORTFOLIO

31 March 2020	TOTAL (€m)
Total ERC	104.5
- Secured	76.6
- Unsecured	23.2
- Cash-in-court	4.7
Total Collateral Value	156.1

ANACAP RESPONSE / KEY HIGHLIGHTS

1

Utilising available public registries to drive near term property sales

2

Utilisation of Minerva to ensure data-driven approach to strategy optimisation post COVID-19

3

Push for Cash-in-court releases when courts closed for public hearings

4

Tracing activity and credit bureau utilisation ensuring more stable performance on unsecured portfolio



Operational Review | Spain

Leveraging Minerva to drive near term collections and mitigate COVID-19 impact



COUNTRY UPDATES

- Total Court Closure (even electronically) since March (except for criminal proceedings)
- Re-opening of courts on 4th June - plans under review to keep courts open during August to reduce backlog
- Courts to prioritise new bankruptcy cases with flexible approach to mitigate COVID-19 impact
- Notaries and registers partially opened, and able to support sales completions

AFE PORTFOLIO

31 March 2020	TOTAL (€m)
Total ERC	134.2
- Secured	133.3
- Unsecured	-
- Cash-in-court	0.9
Total Collateral Value	151.1

ANACAP RESPONSE / KEY HIGHLIGHTS

1

Intense focus on closure of already approved proposals and existing pipeline under negotiation

2

Utilisation of Minerva to optimise collection strategies per asset type to protect collateral value

3

Post lockdown, targeting of courts with cash-in-court or key positions

4

Post lockdown, more aggressive REO strategy, including selective targeting of mini-portfolio sales





Key Financial Highlights

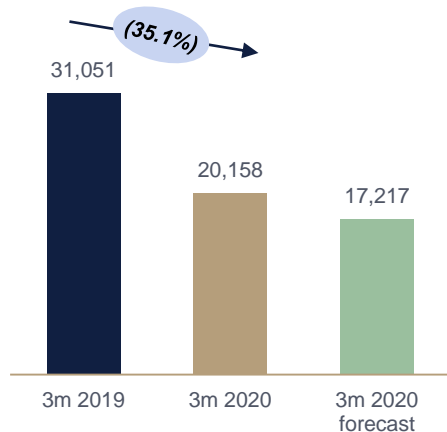
Chris Ross-Roberts



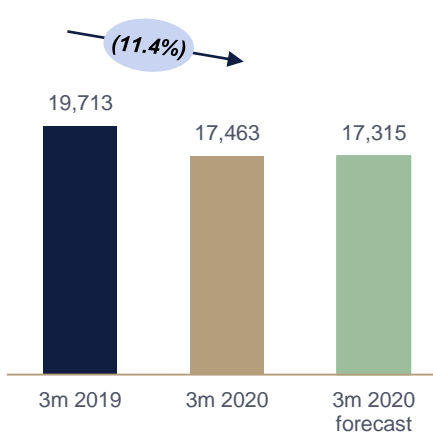
Key Financial Highlights | AFE Financials

Strong outperformance against forecast for collections in Q1 2020 drives EBITDA growth against forecast

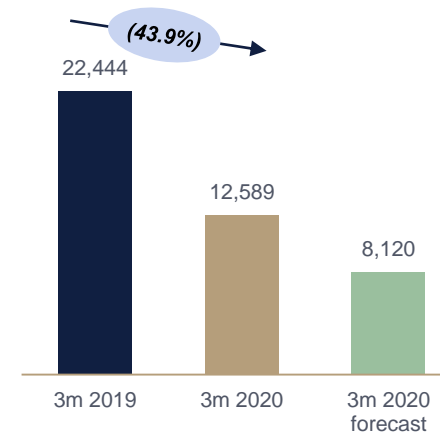
Gross Attributable Collections (€000)



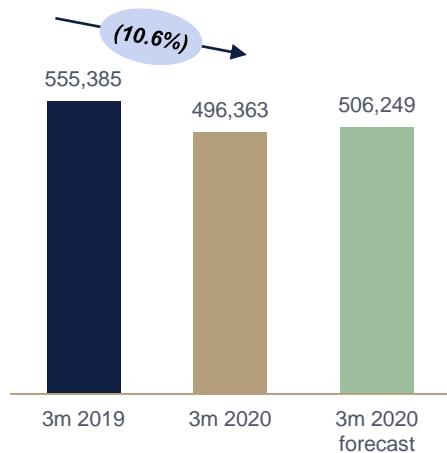
Revenue (incl. AM income) (€000)



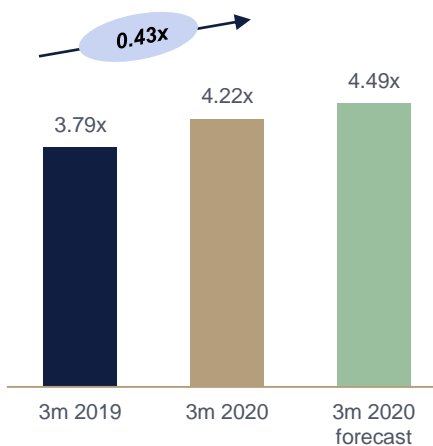
Adjusted EBITDA (€000)



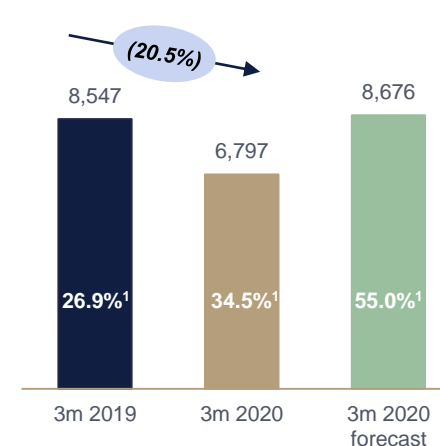
ERC (€000)



Leverage



Total operating costs



■ QE 31 March 2019

■ QE 31 March 2020

■ QE 31 March 2020 forecast

○ Q-Q movement

Note: Data as of 31 March 2020, unless otherwise specified

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

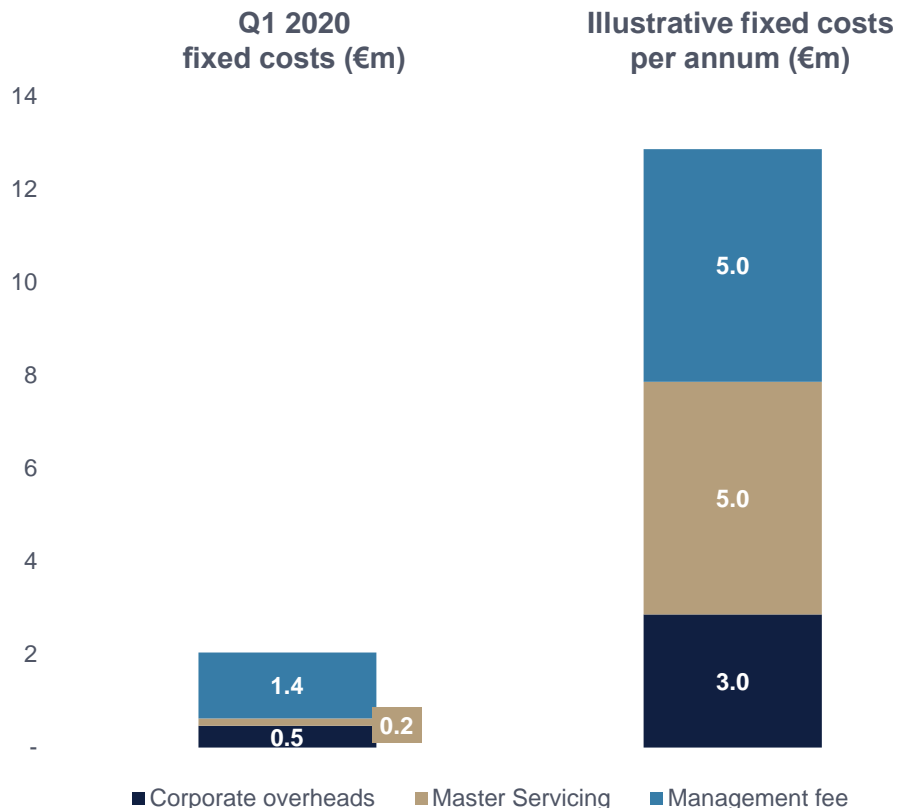
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Key Financial Highlights | Low Fixed Cost Base is Market Leading

Low fixed cost base enables AFE to optimise liquidity resource

COST BASE OVERVIEW



- Low fixed cost base of AFE is market leading with fixed operating costs of c.€13m per annum
 - c.€5m Management fees per annum calculated at 1.75% of portfolio NAV¹
 - Annualised c.€5m cost following additional investment in Master Servicing
 - c.€3m of fixed corporate overheads per annum
- Low fixed cost base and a predominantly variable collection cost structure allows for preservation of cash, optimisation of liquidity resource and allows AFE to be patient with capital deployment
- Continued investment in Master Servicing capabilities within AFE with low fixed cost base allowing for flexibility with capital

Note: Data as of 31 March 2020, unless otherwise specified

(1) NAV (Net Asset Value) is the fair value of AFE's portfolios investments plus the fair value of investments in associates. Management fees charged will vary in size depending on deployment levels and collections performance

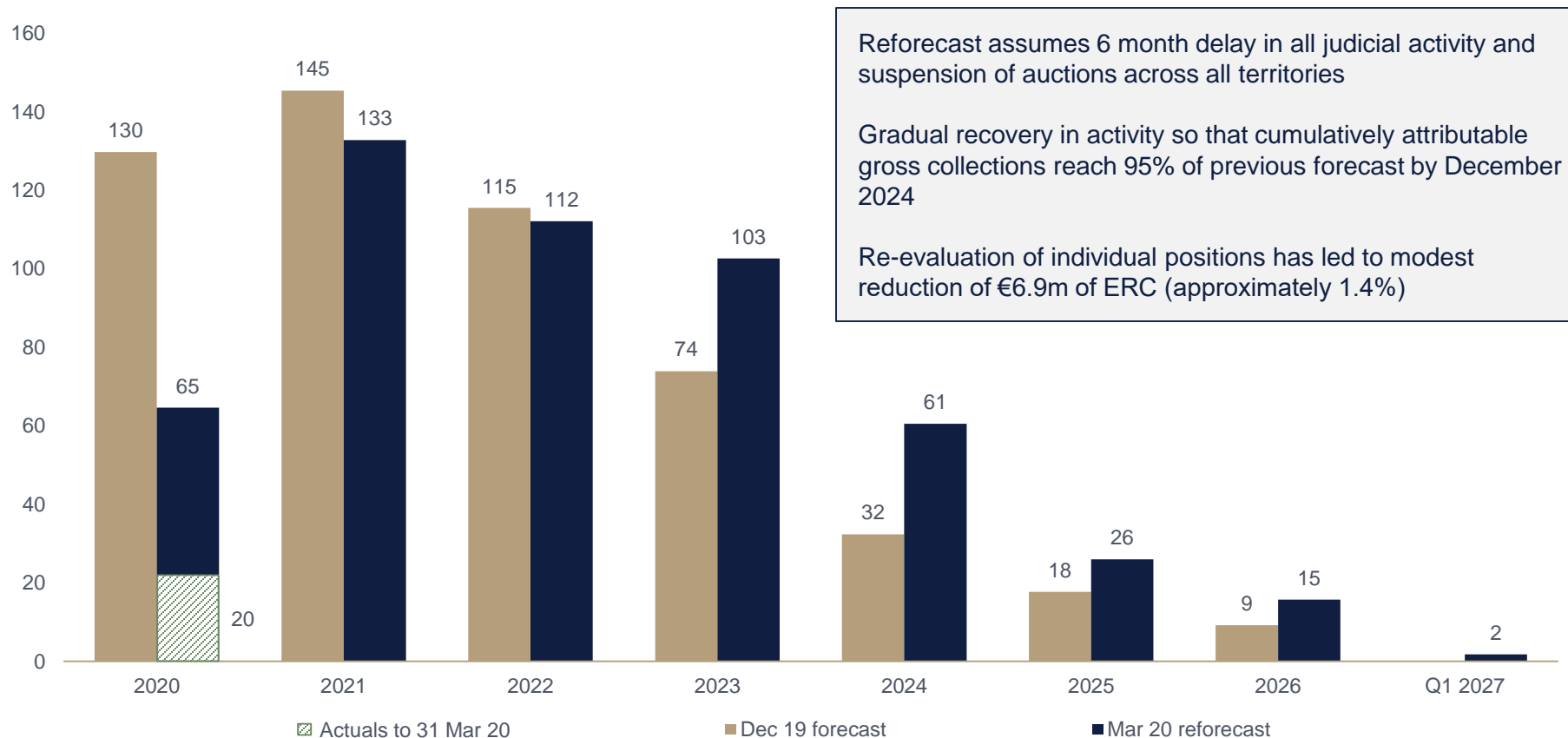
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Key Financial Highlights | ERC Comparison Q4 19 vs Q1 20 Reforecast

Conservative reforecast completed as at end of Q1 2020 due to impact of COVID-19

84-MONTH ERC AS AT Q4 19 (€523m) VS Q1 20¹ (€517m) BY YEAR (€m)



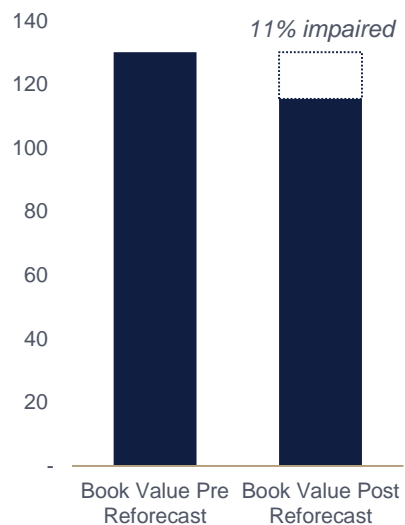
Note: Data as of 31 March 2020, unless otherwise specified
 84-month ERC is based on Gross Attributable Collections as opposed to Gross Collections. See slide 26 which reconciles Gross Attributable Collections to Gross Collections.
 (1) Basis of calculation includes Q1 2020 actuals plus 84-month ERC



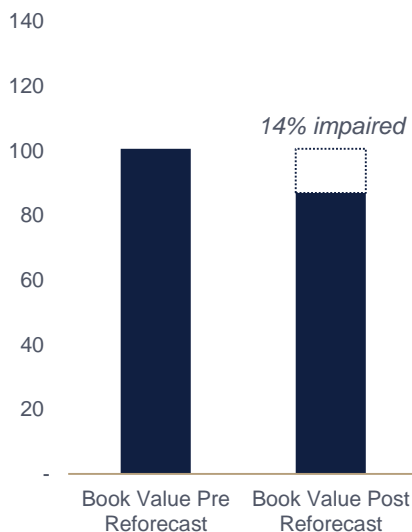
Key Financial Highlights | AFE Impairment Analysis by Country – Q1 2020

Projected delays in judicial activity leading to impairments across three key Southern European markets

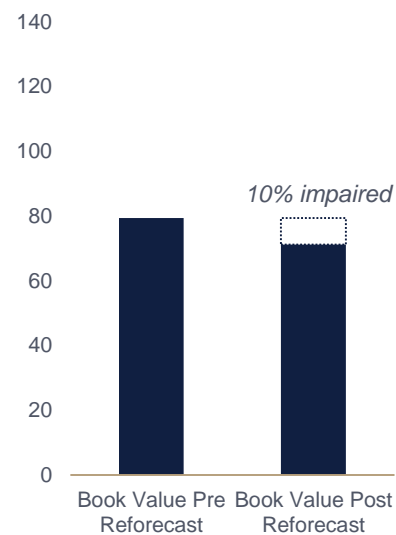
ITALY



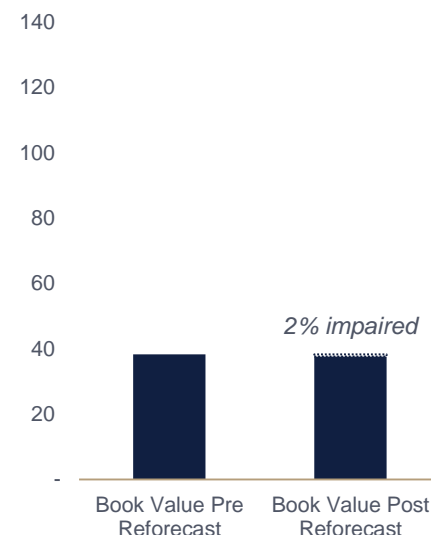
SPAIN



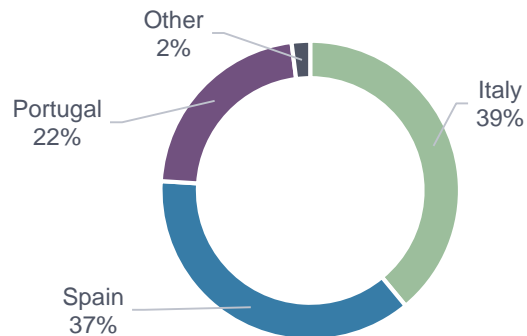
PORTUGAL



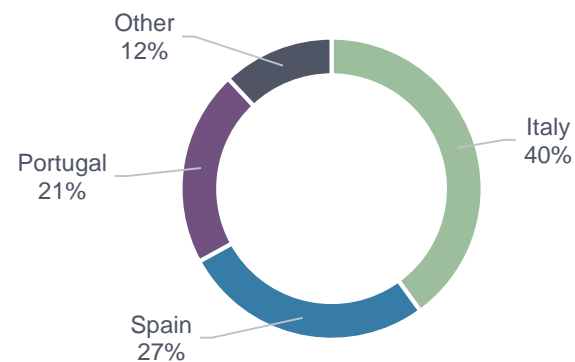
OTHER



IMPAIRMENT SPLIT BY GEOGRAPHY (%)



ERC SPLIT BY GEOGRAPHY (%)



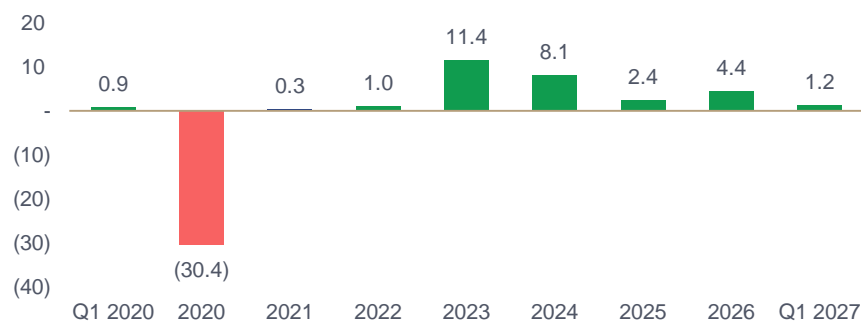
Key Financial Highlights | Reforecast Comparison of ERC by Country

Reduction in short-term collections forecast primarily driven by delays in judicial processes

COLLECTIONS BETWEEN 2020-Q1 2027 – MAR 20 REFORECAST VERSUS DEC 19 REFORECAST BY COUNTRY (€m)

ITALY

(€197m ERC as at Mar 20)



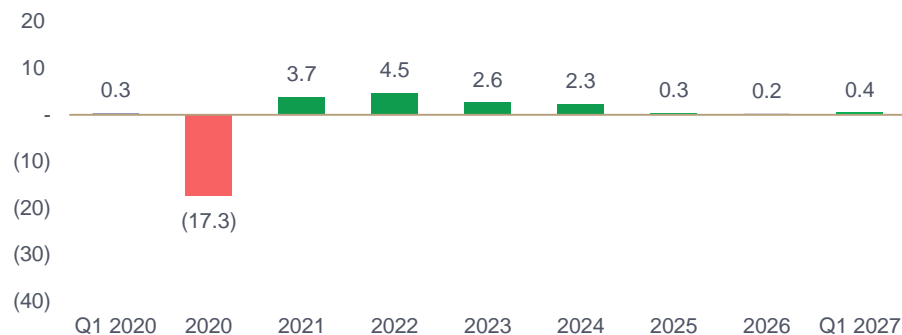
SPAIN

(€134m ERC as at Mar 20)



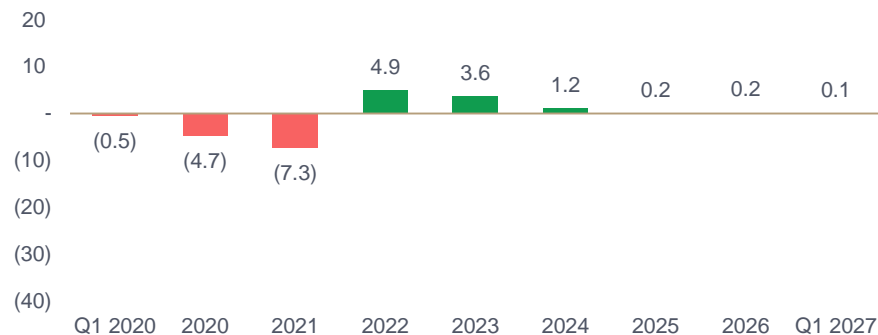
PORTUGAL

(€105m ERC as at Mar 20)



OTHER¹

(€60m ERC as at Mar 20)



(1) Other includes the UK, Romania and Poland



Key Financial Highlights | Key Debt Covenant and Capital Structure

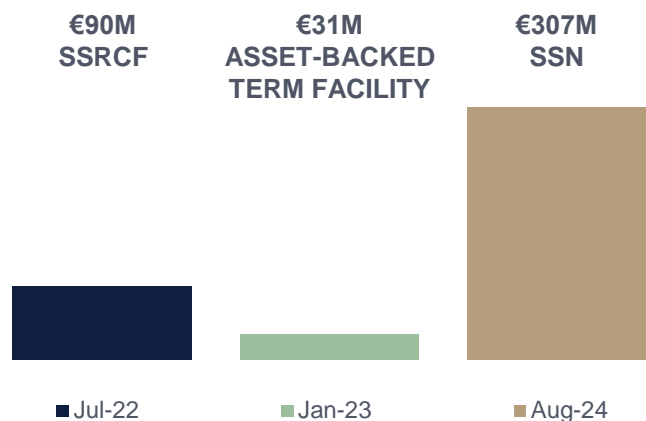
Capital structure continues to be monitored ensuring maximum optimisation

RCF COVENANT – LTV RATIO %



- LTV ratio 68.4% at 31 March 2020, below RCF covenant of 75%
- Slight rise since year end following modest loss in ERC from March reforecast
- SSRCF LTV ratio 0.8% at 31 March 2020, below RCF covenant of 25%
- Net Debt to Adjusted EBITDA at 4.22x as of 31 March 2020 (LTM Adj. EBITDA of €80.5m vs €95.0m in prior year period)

DEBT MATURITY ANALYSIS (€M)



- No debt financing maturing until July 2022
- €90.0m Revolving Credit Facility; €47m available to draw on as of 31 March 2020 + €33m cash on balance sheet gives AFE sufficient liquidity to effectively manage its operations and cash flow requirements
- €31.3m Asset-backed Term Facility (amortising); €28m drawn as of 31 March 2020
- €307.5m (5% + EURIBOR) senior secured floating rate notes due Aug-24

Note: Data as of 31 March 2020, unless otherwise specified

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Strategy and Outlook for AFE

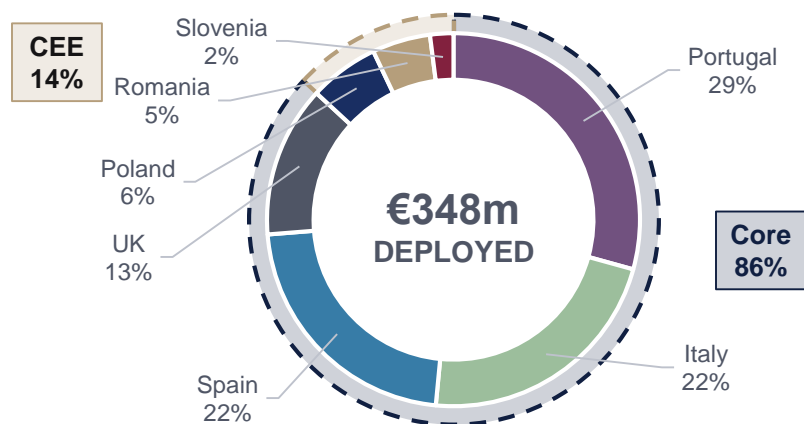
Justin Sulger



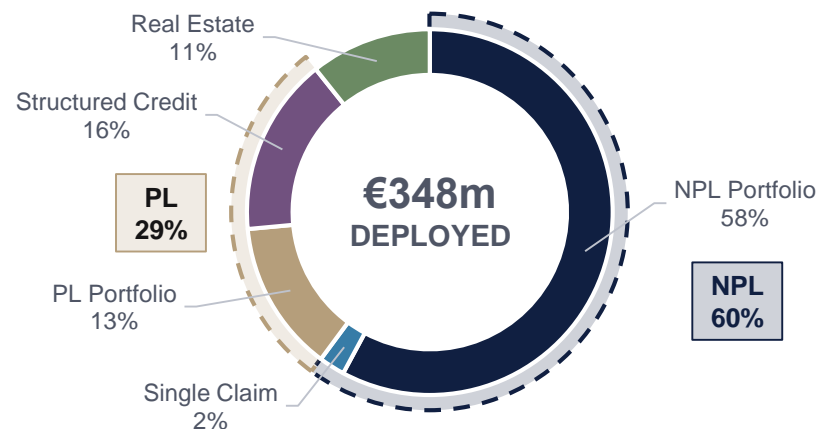
Strategy and Outlook for AFE | AnaCap Recent Deployment

Diverse deployment over 2018 and 2019 with steady decrease in NPLs in recent years as prices peaked with re-emergence in attractive primary and secondary NPLs as well as adjacent opportunities expected going forward

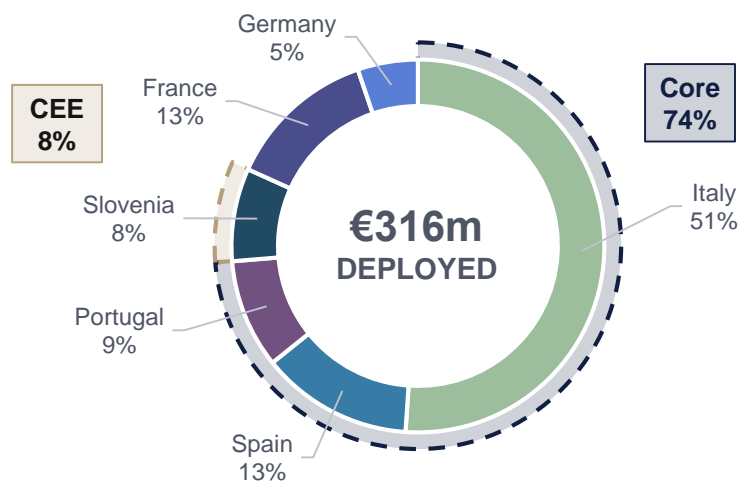
2018 DEPLOYMENT BY GEOGRAPHY



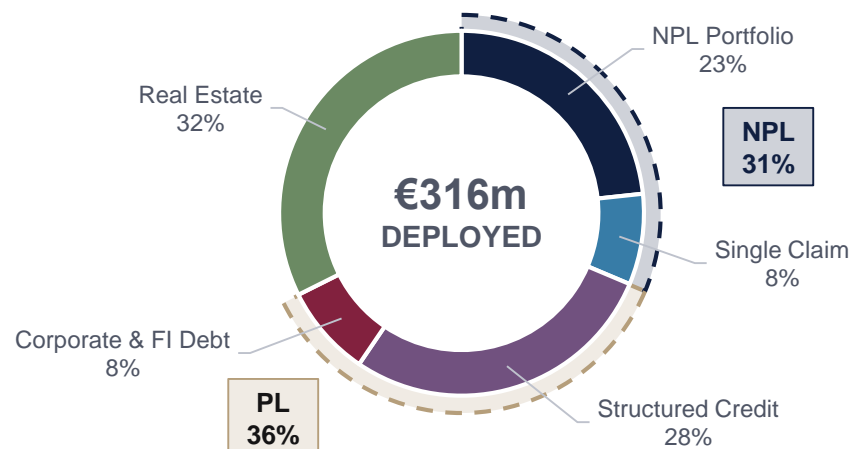
2018 DEPLOYMENT BY ASSET TYPE



2019 DEPLOYMENT BY GEOGRAPHY



2019 DEPLOYMENT BY ASSET TYPE



Strategy and Outlook for AFE | Closing Remarks

Efficient operating platform enabling patient approach to capital deployment





Q&A



Q&A

Any questions?

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Appendix



Appendix

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Adjusted EBITDA Reconciliations

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Reconciliation from Gross Attributable Collections to Gross Collections

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Impairment by Geography and Impact on Book Value

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Glossary



Adjusted EBITDA Reconciliations

The below outlines the reconciliation of profit before tax to Adjusted EBITDA for the 3 months ended 31 March 2020 and 31 March 2019:

	3 months to 31 March 2020 (€m)	3 months to 31 March 2019 (€m)	Variance (€m)	Variance (%)
(Loss)/Profit before tax	(31.1)	5.4	(36.5)	(679%)
Finance costs/(income)	2.9	6.0	(3.1)	(51%)
Share of profit in associate	(0.1)	(0.2)	0.1	(53%)
FX	1.7	(0.2)	1.9	(1,116%)
Impairment	37.2	-	37.2	-
Gross Collections	19.7	31.8	(12.1)	(38%)
Revenue from portfolio investments	(17.3)	(19.7)	2.4	(12%)
Repayment of secured loan notes	(0.5)	(0.8)	0.3	(40%)
Non-recurring items	-	0.1	(0.1)	(100%)
Adjusted EBITDA	12.6	22.4	(9.9)	(44%)



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 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** - These comprise 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 and to the sole benefit of the Group i.e. excluding co-investors portion of collections.

For the quarter ended 31 March 2020 a reconciliation can be found below reconciling Gross Attributable Collections to Gross Collections:

Reconciliation from Gross Attributable Collections to Gross Collections (€k)		
3m 2020 Gross Attributable Collections	20,158	Used to calculate ERC
Gross up for portfolios with co-investors ¹	724	
Remove costs deducted at source ²	(1,185)	
3m 2020 Gross Collections	19,687	Used in Financial Statements to calculate book value of investments

Note: Data as of 31 March 2020, 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

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Impairment by Geography and Impact on Book Value

BY COUNTRY (€m)

Country	Book Value Pre Reforecast	Impairment	Impairment %	Book Value Post Reforecast
Italy	130	14.7	11%	115
Spain	101	13.7	14%	87
Portugal	79	8.2	10%	71
Other	38	0.7	2%	37
Total	348	37.2	11%	311

BOOK VALUE RECONCILIATION

	€m
PLPs	207
PLNs	16
JVs	56
Inventory	27
Advances for Inventory	5
Per analysis	311
Provisions	(0)
Per statutory accounts	311



Glossary

- **“84-month ERC (“ERC”)”** means AFE’s estimated remaining collections on purchased loan portfolios, purchased loan notes, investments in joint ventures and Inventory 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 portfolio investments, portfolio investment disposals, repayments of secured loan notes and non-recurring items. Revenue on purchased loan portfolios, purchased loan notes, investments in joint ventures 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.
- **“Collection activity costs”** represents direct costs incurred from servicing and managing purchased loan portfolios (excluding structural overheads). Costs incurred from servicing and managing purchased loan notes and investments in joint ventures are not considered since gross collections for these portfolio investments are recognised and accounted for net of direct costs in the financial statements.
- **“Core collections”** represents total gross collections less portfolio investment disposals.
- **“Fixed Cover Charge Ratio (“FCCR”)”** is calculated as LTM Adjusted EBITDA divided by net interest expense.
- **“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.
- **“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.
- **“Leverage”** represents Net Debt divided by LTM Adjusted EBITDA.
- **“Liquidity”** - €47m undrawn on the Facility plus cash available of €33m as at 31 March 2020.
- **“LTM Adjusted EBITDA”** means Adjusted EBITDA for the 12 month period to 31 March 2020.
- **“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.
- **“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.
- **“Net interest expense”** means interest expense incurred for a period of 12 months.
- **“Normalised Adjusted EBITDA”** represents Adjusted EBITDA excluding disposals of portfolio investments.
- **“Super Senior Revolving Credit Facility (“SSRCF”)”** – The total Facility available to use is €90.0m.
- **“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 and investments in joint ventures as well as disposals of portfolio investments. Total gross collections include any proportionate share of cash collections that relate to the interests of co-investors holdings of secured loan notes.

