AnaCap Financial Europe S.A. SICAV-RAIF

Presentation of the consolidated financial results of AnaCap Financial Europe S.A. SICAV-RAIF for the six months ended 30 June 2020

8th September 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

Agenda

AFE Credit Review

Justin Sulger

AFE Credit Review | **AnaCap Financial Europe Q2 2020 Highlights**

Q2 collections significantly ahead of prudent reforecast completed following the onset of Covid crisis

1. **Strong collections performance in Q2 2020, with Gross Attributable Collections of €23.5m vs €9.2m per reforecast completed post lockdown across Europe**
2. **Dynamic response to Covid-19 ensured robust operational performance across AFE’s Master Servicing platform and its core servicing partners**
3. **Strong over performance in Q2 collections further improves liquidity and creates buffer for potential further headwinds in the months ahead**
4. **Together over €90m in cash plus undrawn RCF available to take advantage of emerging opportunities ahead of year end and beyond**
5. **Limited capital deployed in 2019 and thus far in 2020, with low cost operating model enabling a patient approach as the opportunity set begins to become more attractive and grow once again**
6. **Leverage at 4.36x Net Debt to LTM Adjusted EBITDA, though expected to rise in the short term as we look to capitalise on increasing market opportunities**

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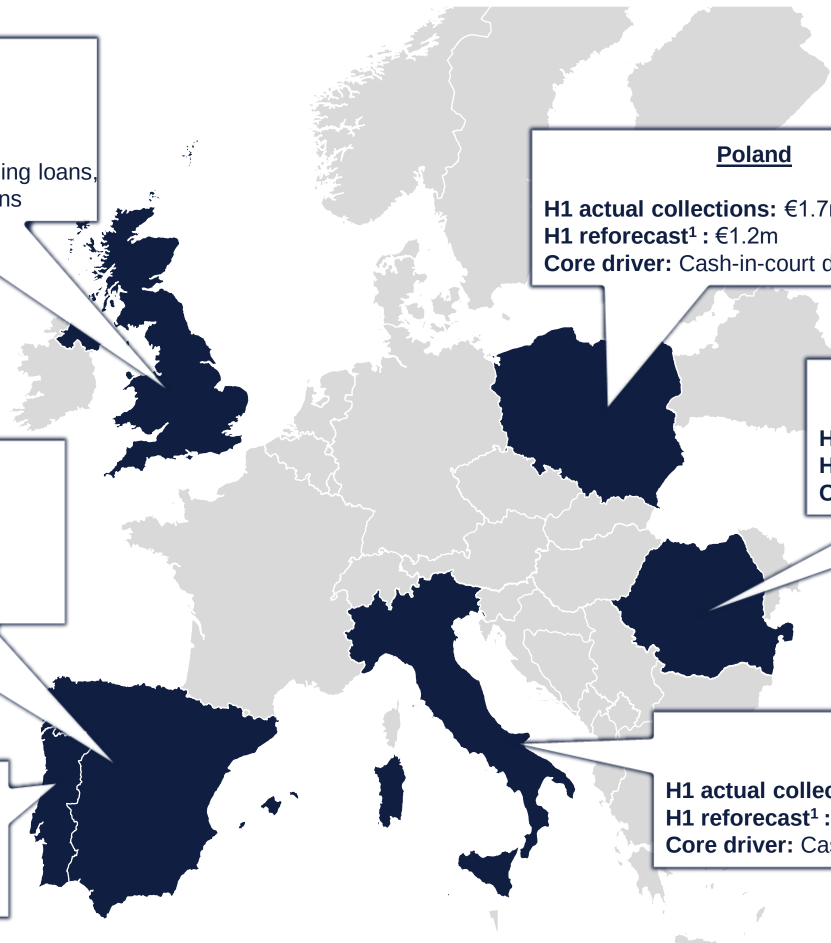
Operational Review

Ed Green

Operational Review | **Platform Status and Development**

Targeted asset management strategies has resulted in positive Q2 performance whilst protecting ERC



1. H1 reforecast consists of Q1 2020 actual collections plus Q2 2020 forecast collections per reforecast completed in March 20

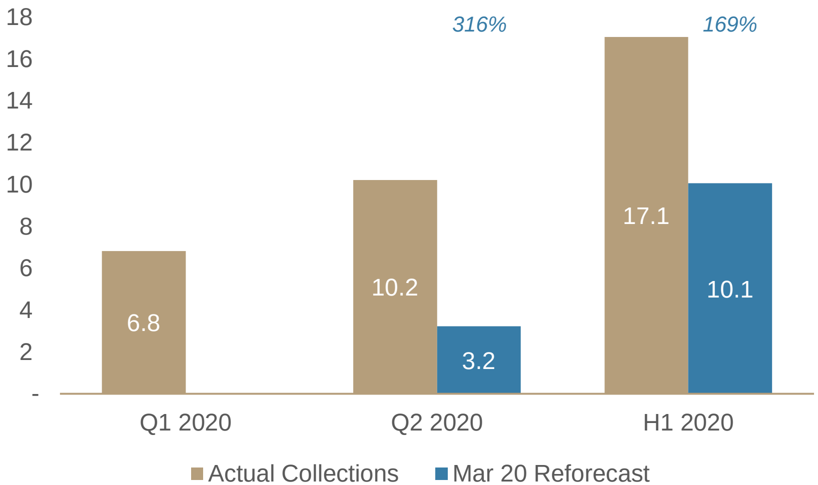
Data as at 30 June 2020 unless otherwise specified

Operational Review | **Italy**

Targeted approach to cash-in-court releases driving €7m outperformance

ITALY - H1 2020 COLLECTIONS ANALYSIS (€M)

Actuals as a % of reforecast:



ERC & COLLATERAL ANALYSIS

30 June 2020	TOTAL (€m)
Total ERC	192.4
- Secured	*91.0*
- Unsecured	*89.2*
- CIC	*12.2*
Total Collateral Value	248.0

COMMENTARY

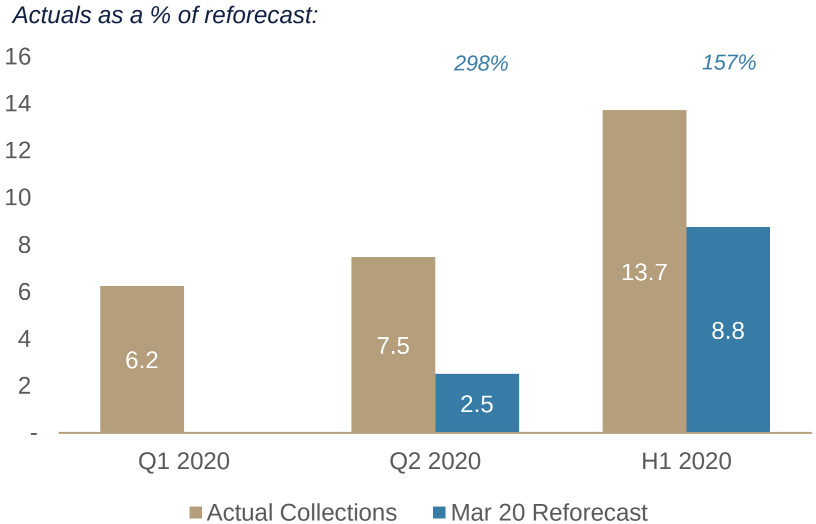
- Key operational focus during the quarter
  - Specific campaign to target virtual hearings with judge to deliver cash-in-court (“CIC”) releases
  - Direct negotiation with debtors to secure amicable settlements
- €10.2m of collections were received in Italy, €7m above our forecast for the quarter
- Out of the €10.2m total, €7.4m or c.72% was generated from CIC distributions, and this compares to a quarterly average of €4.9m or c.37% observed in previous three quarters
- Actual H1 2020 collections achieved 169% of revised expectations (and 85% of Dec 19 reforecast target)
- Significant headroom between collateral value and ERC reflecting dynamics of Italian portfolio (defensive resolution paths via auction process)

Source: AnaCap and associated servicing affiliates

Operational Review | **Portugal**

Focused marketing campaign on residential assets delivered €5m outperformance

PORTUGAL - H1 2020 COLLECTIONS ANALYSIS (€M)



ERC & COLLATERAL ANALYSIS

30 June 2020	TOTAL (€m)
Total ERC	96.7
- Secured	*66.1*
- Unsecured	*27.9*
- CIC	*2.8*
Total Collateral Value	160.1

COMMENTARY

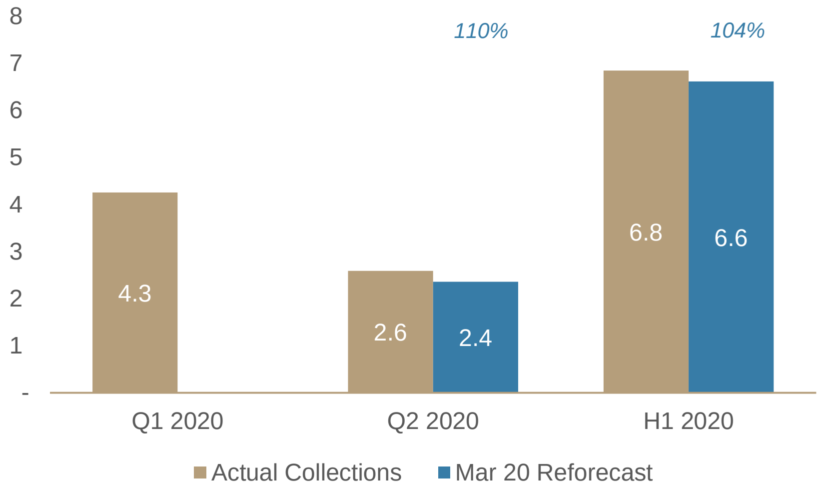
- Key operational focus during the quarter
  - Utilisation of on-the-ground network of public notaries to deliver property sales for repossessed assets
  - Ongoing drive on CIC releases
- Campaign on asset sales delivered asset level outperformance in the quarter. Cumulatively year to date asset realisations have exceeded ERC by c.13% on fully sold positions
- Actual H1 2020 collections achieved 157% of revised expectations (and 92% of Dec 19 reforecast target)
- High coverage ratio of collateral value to ERC is driven by our Secured SME book, where a defensive judicial strategy drives a prudent approach to valuation

Operational Review | **Spain**

Close tracking to revised expectations driven through tight management of pipeline of amicable collections

SPAIN - H1 2020 COLLECTIONS ANALYSIS (€M)

Actuals as a % of reforecast:



ERC & COLLATERAL ANALYSIS

30 June 2020	TOTAL (€m)
Total ERC	131.8
- Secured	*131.6*
- Unsecured	*-*
- CIC	*0.2*
Total Collateral Value	145.4

COMMENTARY

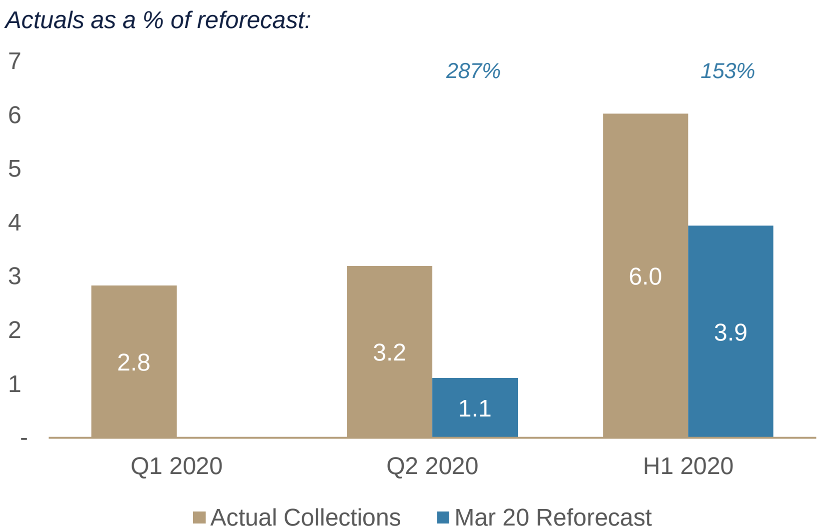
- Key operational focus during the quarter
  - Close focus on near-term negotiations of amicable agreements
  - Completion of asset sales negotiated pre-lockdown
- Actual H1 2020 collections achieved 104% of revised expectations (and 92% of Dec 19 reforecast target)
- Following the impairment booked in March 20, asset realisations have exceeded ERC by c.3% in Q2 2020 on fully sold positions
- Reduced level of headroom between collateral value and ERC in Spain reflects our valuation methodology, which assumes a prudent liquidation value for a forced sale as opposed to a more standard market valuation

Source: AnaCap and associated servicing affiliates

Operational Review | **Other Regions (UK, Romania, Poland)**

Consistent mobilisation of initiatives in UK, Romania and Poland delivered €2m outperformance in quarter

OTHER - H1 2020 COLLECTIONS ANALYSIS (€M)



ERC & COLLATERAL ANALYSIS

30 June 2020	TOTAL (€m)
Total ERC	57.7
- Secured	*56.0*
- Unsecured	*1.5*
- CIC	*0.2*
Total Collateral Value	105.2

COMMENTARY

- Key operational focus during the quarter
  - Drive on CIC releases in Poland
  - Focused asset sale campaign in Romania
- Campaign on asset sales delivered particularly strong asset level outperformance in Romania. Cumulatively year to date asset realisations have exceeded ERC by c.16% on fully sold positions
- Actual H1 2020 collections achieved 153% of revised expectations (and 84% of Dec 19 reforecast target)
- High coverage ratio of collateral value to ERC reflects our Romania book, where we assume a highly defensive approach to asset clearing value

Source: AnaCap and associated servicing affiliates

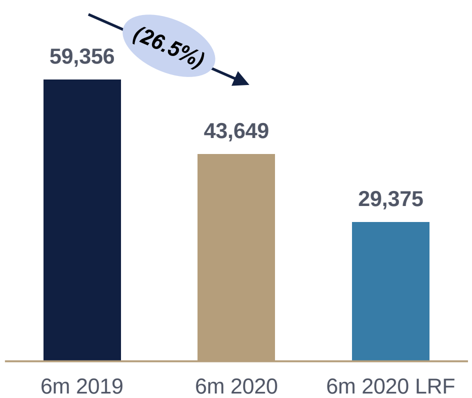
Key Financial Highlights

Chris Ross-Roberts

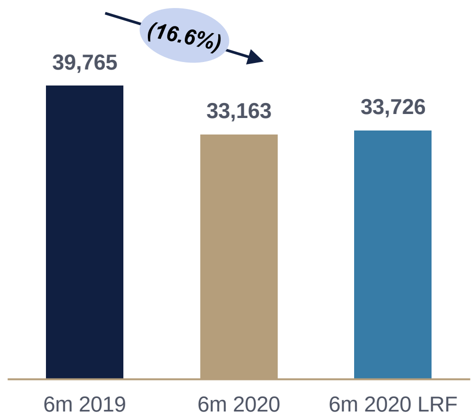
Key Financial Highlights | **AFE Financials**

Despite contraction year on year due to low level of deployment in 2019, strong outperformance against forecast in Q2 2020

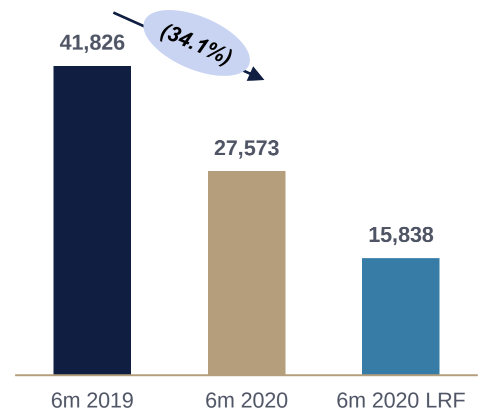
Gross Attributable Collections (€000)



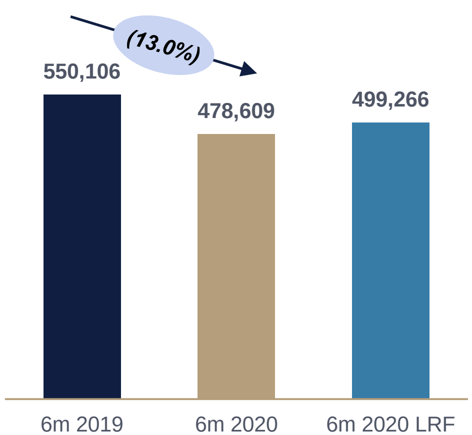
Revenue (incl. AM income) (€000)



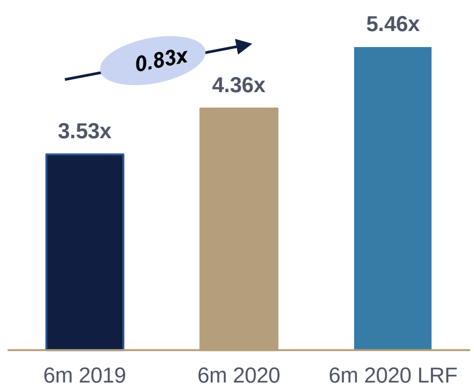
Adjusted EBITDA (€000)



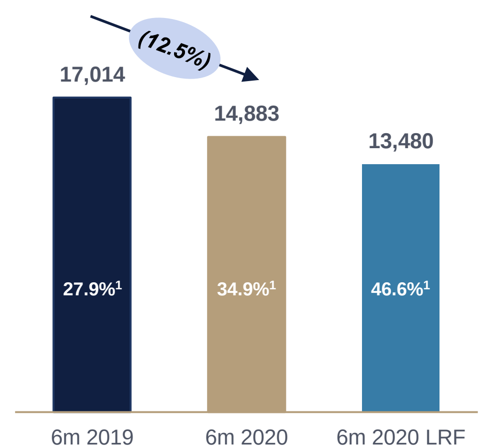
ERC (€000)



Leverage



Total operating costs (€000)



6m ended 30 June 2019 | 6m ended 30 June 2020 | 6m ended 30 June 2020 forecast

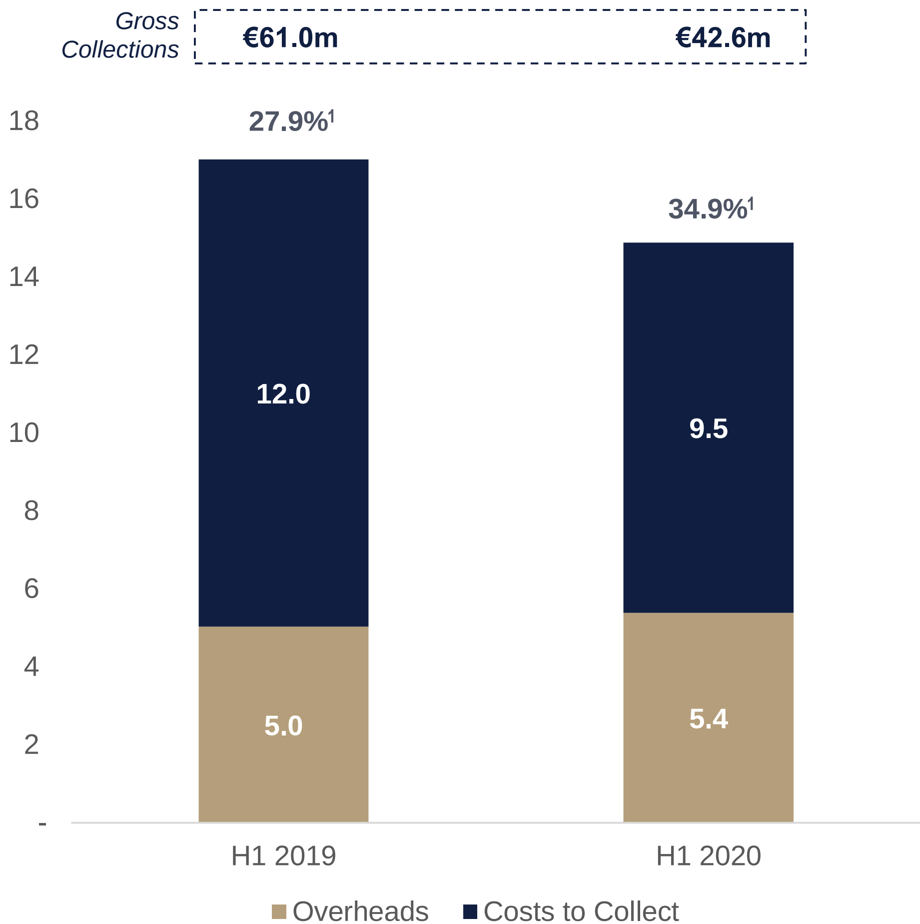
Note: Data as of 30 June 2020, unless otherwise specified

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

Key Financial Highlights | **Market Leading Cost Structure**

Predominantly variable cost base supports market leading cost structure

OPERATING COST OVERVIEW (€M)



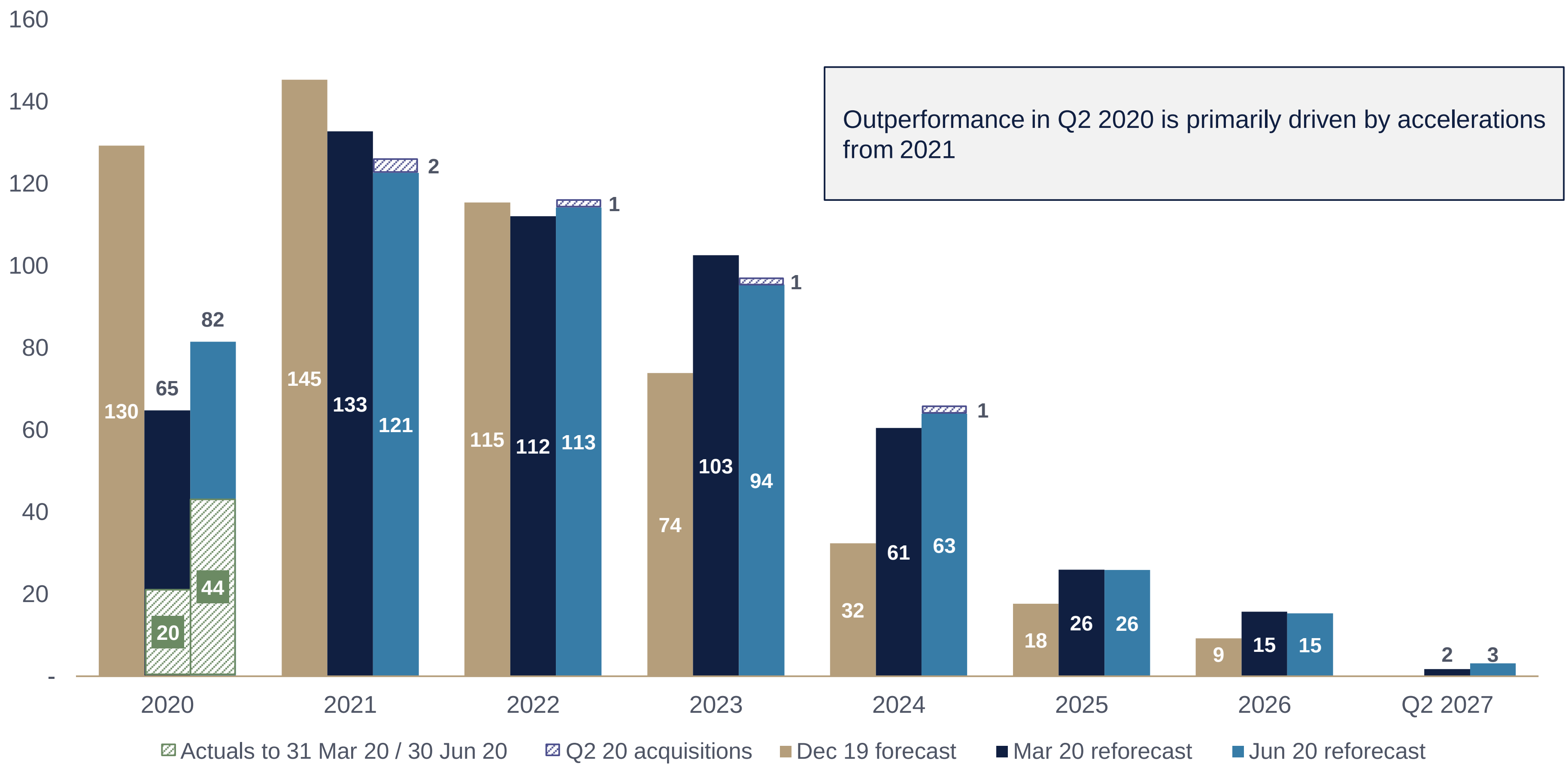
- Fixed costs remain low at €5.4m in H1 2020 vs €5.0m in H1 2019
- Modest increase in Costs to Collect ratio (as a % of Gross Collections) from 19.6% in H1 2019 to 22.3% in H1 2020, mainly due to:
    - changes in asset mix with a higher proportion of collections coming from unsecured NPLs in H1 2020 vs H1 2019 in Italy, which have a higher Costs to Collect ratio than Secured NPL/PL
    - progression on collection curve in Portugal with more repossession in H1 2020, whereas in H1 2019 a higher proportion of collections come from amicable resolutions
- Predominantly variable cost base helps allows for optimisation of liquidity resource

Note: Data as of 30 June 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

Key Financial Highlights | **ERC - Q4 19 vs Q1 20 vs Q2 20 Reforecasts**

Overall neutral ERC position - actual H1 2020 cash collections of €43.6m against a Q1 2020 reforecast target of €29.4m, with €14.3m outperformance primarily due to accelerated collections from 2021

84-MONTH ERC AS AT June 20 (€478.6m)

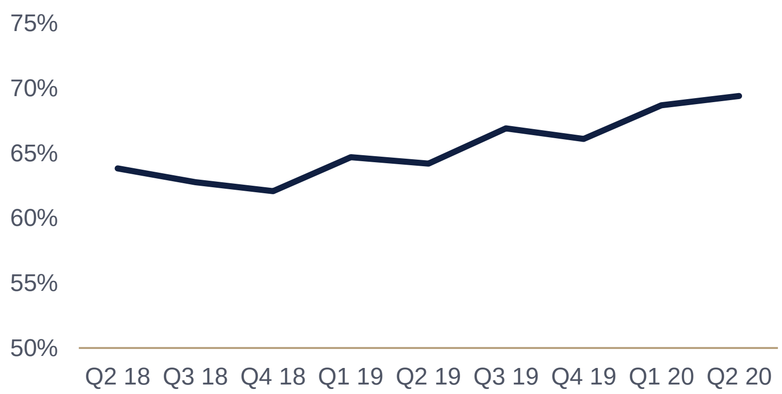


Note: Data as of 30 June 2020, unless otherwise specified
84-month ERC is based on Gross Attributable Collections as opposed to Gross Collections. See slide 24 which reconciles Gross Attributable Collections to Gross Collections.
(1) Basis of calculation includes Q1 2020 / Q2 2020 actuals plus 84-month ERC

Key Financial Highlights | **Key Debt Metrics and Capital Structure**

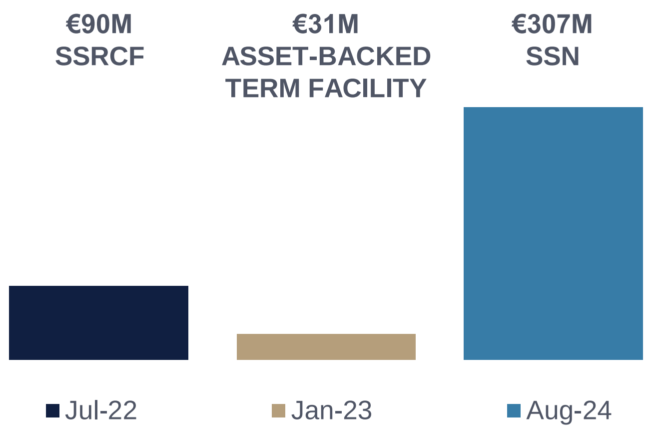
Despite leverage remaining marginally higher than target, AFE maintains a strong liquidity position with no near term financing requirement

RCF COVENANT – LTV RATIO %



- LTV ratio 69.2% at 30 June 2020, below RCF covenant of 75%
- Slight rise since year end as AFE continues to remain prudent with capital deployed
- SSRCF LTV ratio 0.0% at 30 June 2020, below RCF covenant of 25%
- Net Debt to Adjusted EBITDA at 4.36x as of 30 June 2020 (LTM Adj. EBITDA of €76.0m vs €99.9m in prior year period)

DEBT MATURITY ANALYSIS (€M)



- No debt financing maturing until July 2022
- €90.0m Revolving Credit Facility; €51m available to draw on as of 30 June 2020 + €42m cash and cash receivables on balance sheet gives AFE sufficient liquidity of €93m to effectively manage its operations and cash flow requirements
- €31.3m Asset-backed Term Facility (amortising); €27m drawn as of 30 June 2020
- €307.5m (5% + EURIBOR) senior secured floating rate notes due Aug-24

Note: Data as of 30 June 2020, unless otherwise specified

Strategy and Outlook for AFE

Justin Sulger

Strategy and Outlook for AFE | **Closing Remarks**

Dynamic, low cost operating model and improving liquidity enabling patient but nimble approach

1. **Significant outperformance in reforecast Q2 collections across each core geography**
2. **Continued development of Master Servicing platform to build on strong operational performance throughout challenging lockdown period**
3. **Providing solid foundation to remain patient but nimble in new capital deployment as evidenced during the pre-Covid market peak and thus far in 2020**
4. **New opportunities arising gradually as provisioning levels adjust and market pricing resets across core geographies and across a broadening range of asset types**
5. **Predominantly variable cost base and better than expected performance are both supporting strong liquidity position as we seek to capitalise on shifting markets**
6. **Leverage expected to increase in the short term as deployment increases again and collections ramp back up**

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Q&A

Q&A

Any questions?

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Appendix

Appendix

Adjusted EBITDA Reconciliations

The below outlines the reconciliation of profit before tax to Adjusted EBITDA for the 6 months ended 30 June 2020 and 30 June 2019:

	6 months to 30 June 2020 (€m)	**6 months to 30 June 2019 (€m)**	**Variance (€m)**	**Variance (%)**
(Loss)/Profit before tax	(28.2)	12.6	(40.8)	(324%)
Finance costs/(income)	8.6	12.0	(3.4)	(28%)
Share of profit in associate	(0.3)	(0.4)	0.1	(25%)
FX	1.0	(0.2)	1.2	(600%)
Impairment	37.2	0.2	37.0	(18,500%)
Gross Collections	42.6	61.0	(18.4)	(30%)
Gain from purchase of SSNs	-	(1.7)	(1.7)	(100%)
Revenue	(32.5)	(39.6)	7.1	(18%)
Repayment of secured loan notes	(0.8)	(2.2)	1.4	(64%)
Non-recurring items	-	0.2	(0.2)	(100%)
Adjusted EBITDA	**27.6**	**41.8**	**(14.2)**	**(34%)**

Note: Data as of 30 June 2020, 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 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 six months ended 30 June 2020 a reconciliation can be found below reconciling Gross Attributable Collections to Gross Collections:

Reconciliation from Gross Attributable Collections to Gross Collections (€k)		
6m 2020 Gross Attributable Collections	**43,649**	Used to calculate ERC
Gross up for portfolios with co-investors[1]	1,336	
Remove costs deducted at source[2]	(2,364)	
6m 2020 Gross Collections	**42,621**	Used in Financial Statements to calculate book value of investments

Note: Data as of 30 June 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

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"** - €51m undrawn on the Facility plus cash available of €42m as at 30 June 2020
- **"LTM Adjusted EBITDA"** means Adjusted EBITDA for the 12 month period to 30 June 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.