

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 30 June 2021

07 September 2021

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Today's Presenters



Justin Sulger – Head of Credit Investments
AnaCap Financial Partners



Eric Verret – Director and CFO
AnaCap Financial Europe



Ed Green – Director and COO
AnaCap Financial Europe



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Overview

Justin Sulger



Q2 highlights: Strong continued collections performance and acceleration

STRONG Q2 CASH COLLECTIONS

- €26.2m collected in the quarter - highest quarter of cash collection activity since Q1 2020 and up 11.3% on the prior year
- Collections expected to accelerate further over the remainder of 2021

POSITIVE FINANCIAL PERFORMANCE

- Cost control maintained with cost to collect ratio down from 22.3% in H1 2020 to 19.3% in H1 2021
- Q2 Adjusted EBITDA up 29.6% on prior year

DEPLOYMENT ON PLAN

- €22.5m closed in Q2 following €4.0m closed in Q1
- Recently closed + signed deals embeds a further €30.9m deployment in H2, totalling €57.4m in FY21 (59% of budget)

AMPLE LIQUIDITY

- Significant liquidity of €80.0m as at Q2 end available to fund growing deployment
- Leverage expected to continue to decrease to less than 4x in 2022





Operational Review

Ed Green



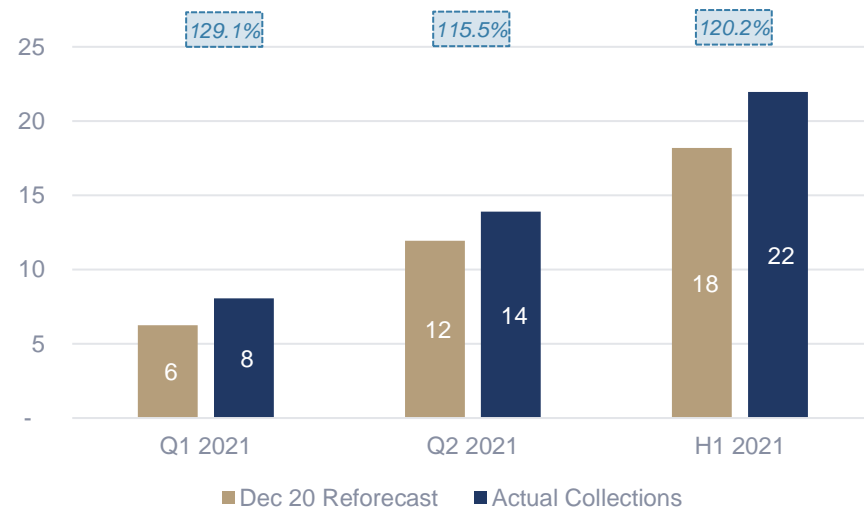
Operational Review | Italy



>20% outperformance delivered during H1 through targeted campaigns across secured and unsecured book

ITALY - H1 2021 COLLECTIONS ANALYSIS (€M)

Actuals as a % of last reforecast as at the reporting date:



ERC & COLLATERAL ANALYSIS

	June 2021
Total ERC	189.6
- Secured	88.5
- Unsecured	72.4
- Direct Real Estate	17.9
- CIC	10.8
Total Collateral Value	202.0

COMMENTARY

- €13.6m of collections delivered in Italy, €1.8m above forecast for the quarter
- Actual H1 2021 collections achieved 120.2% of Dec 20 reforecast target
- 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
 - Sub-portfolio sale initiatives to accelerate collections without sacrificing ERC
- Out of the €13.6m total, €5.4m or c.39% was generated from Cash-in-Court distributions, and this compares to a quarterly average of €5.4m or c.57% observed in previous three quarters



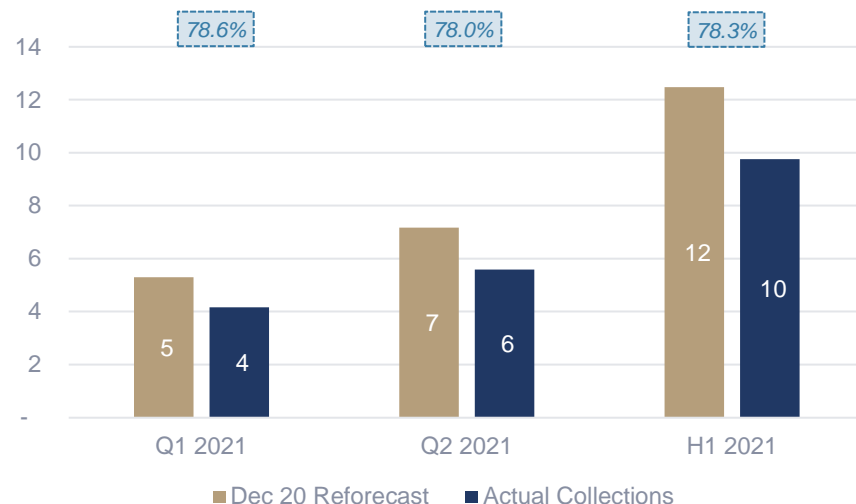
Operational Review | Portugal



Focused on sale of repossessed residential assets stock to deliver collections during the lockdown in H1 2021

PORTUGAL - H1 2021 COLLECTIONS ANALYSIS (€M)

Actuals as a % of last reforecast as at the reporting date:



ERC & COLLATERAL ANALYSIS

	June 2021
Total ERC	75.5
- Secured	51.3
- Unsecured	22.3
- CIC	2.0
- Direct Real Estate	-
Total Collateral Value	96.1

COMMENTARY

- Actual H1 2021 collections achieved 78.3% of expectations – shortfall driven by lockdown of Portugal courts and reduced judicial sales activity
- Key Operational focus has been driving sale of already repossessed properties and on delivering CIC releases
- Asset sales for repossessed assets drove €1.8m collections in H1. Cumulatively year to date asset realisations have exceeded ERC by c.10% on fully sold positions
- High coverage ratio of collateral value to ERC is driven by the Secured SME book, where a defensive judicial strategy drives a prudent approach to valuation



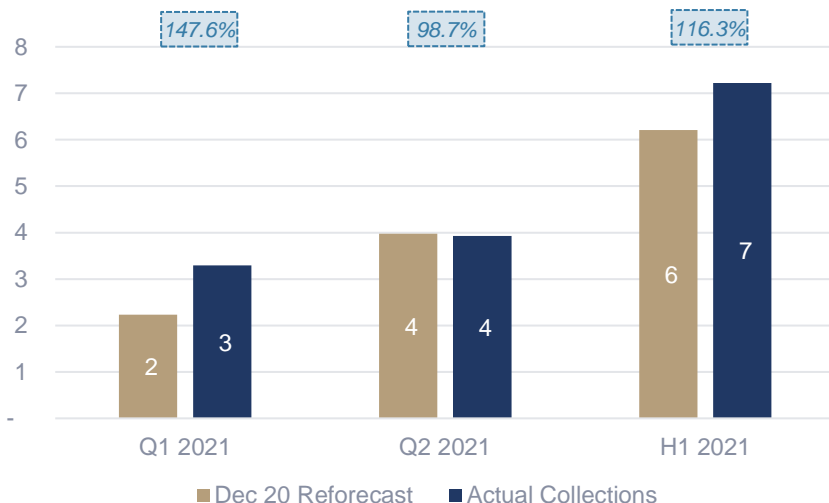
Operational Review | Spain

Outperformance to target through targeted amicable and REO sale strategy



SPAIN - H1 2021 COLLECTIONS ANALYSIS (€M)

Actuals as a % of last reforecast as at the reporting date:



ERC & COLLATERAL ANALYSIS

	June 2021
Total ERC	117.6
- Secured	117.4
- Unsecured	-
- CIC	0.2
- Direct Real Estate	-
Total Collateral Value	132.0

COMMENTARY

- Actual H1 2020 collections achieved 116.3% of target
- Key operational focus during the quarter has been
 - Ongoing engagement with debtors to drive amicable collections and active marketing of REO stock
 - Internalisation of segments of SME secured book given strong performance of internal servicing capability
- Asset realisations have exceeded ERC by c.16% in H1 2021 on fully sold positions
- Velocity of Spanish court system and associated court timings still unproven post slowdown during lockdown
- 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

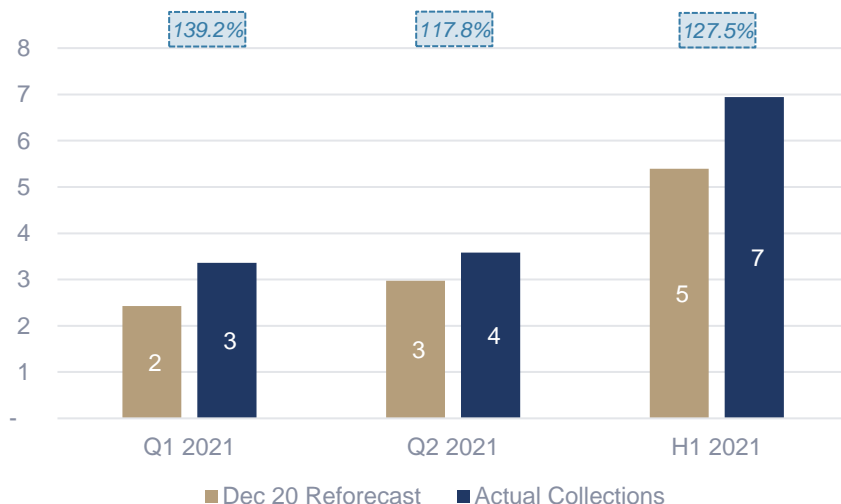


Operational Review | Other Regions (Romania, Poland, UK, France)

Consistent mobilisation of initiatives in Romania, Poland, UK and France delivered €2m outperformance in H1

OTHER - H1 2021 COLLECTIONS ANALYSIS (€M)

Actuals as a % of last reforecast as at the reporting date:



COMMENTARY

- Actual H1 2021 collections achieved 127.5% of target
- Key operational focus during the first half of 2021 included:
 - Conclude negotiations with a new servicer for our legacy consumer unsecured UK book, with migration now ready to be initiated as of Q3
 - Amicable campaign in Poland to accelerate collections, driving 52% of H1 collections
 - Asset sale campaign in Romania, where sales generated in H1 have exceeded business plan by 28.4% at the line level
- High coverage ratio of collateral value to ERC reflects our Romania book, where we assume a highly defensive approach to asset clearing value

ERC & COLLATERAL ANALYSIS

	June 2021
Total ERC	87.0
- Secured	34.1
- Direct Real Estate	35.8
- CIC	7.9
- Unsecured	0.7
Total Collateral Value	119.6



Approach to Sustainability



CUSTOMER CENTRIC

- **Personalised debt resolution**
 - ✓ Tailored payment plans
 - ✓ Supporting financial positions across the spectrum
- **Responsible engagement**
 - ✓ Working with partners that share the same customer focus
 - ✓ Ensuring partner practices align to AnaCap standards



VALUES LED APPROACH

- **Due diligence phase**
 - ✓ Rigorous ESG-related operating and servicing partner selection
 - ✓ ESG due diligence integrated into the investment process
 - ✓ Focus on both current and reasonably foreseeable ESG issues
- **During ownership**
 - ✓ Annual audits of third-parties
 - ✓ Focus on treatment of customers fairly (“TCF”), reference and background checks, data protection considerations, ethical lending and risk assessment policies



BROADER BENEFITS

- **Community engagement**
 - ✓ Partnerships with local organisations to educate others on the broader AnaCap group including AFE and debt collection
- **Inclusive culture**
 - ✓ Promoting and driving an inclusive culture through recruitment and retention of a diverse and inclusive workforce
 - ✓ Hosted a rotational internship for 4 university students for underrepresented groups in 2021





Key Financial Highlights

Eric Verret



H1 2021 Financial Highlights

HALF YEAR METRICS

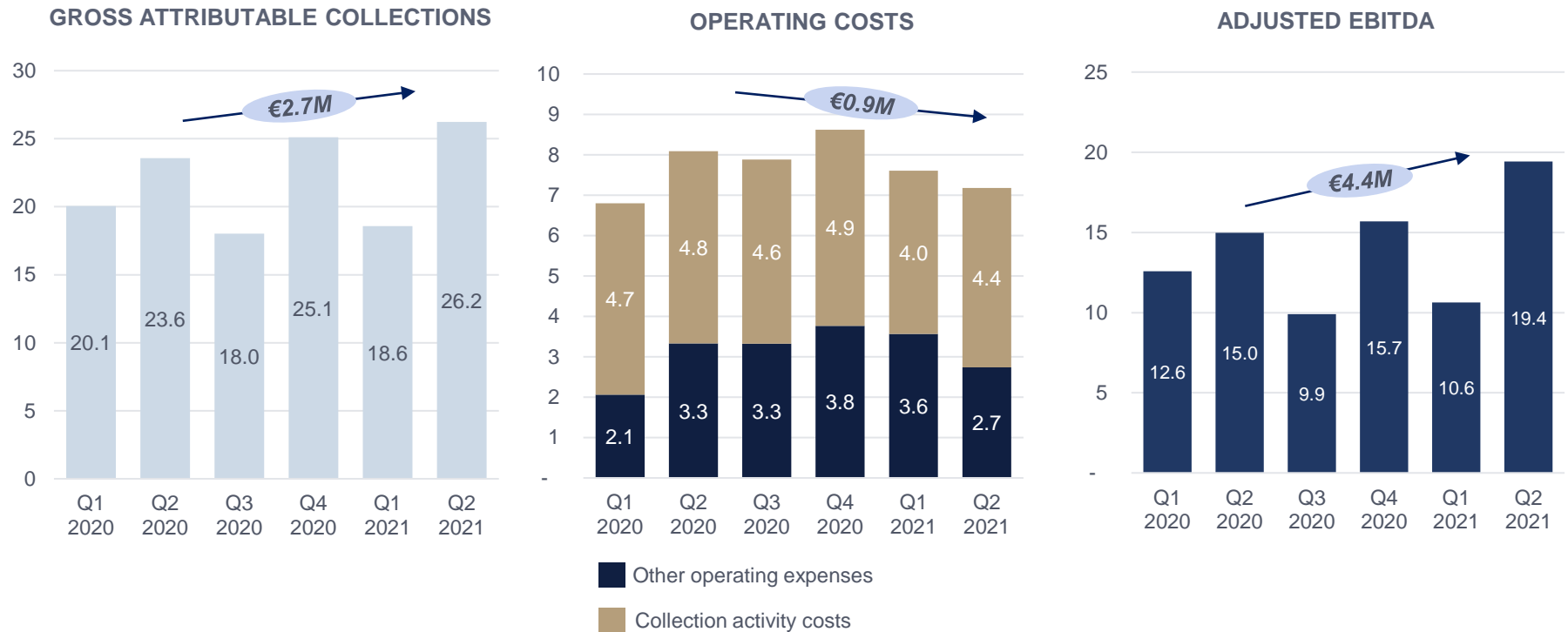
<p>GROSS ATTRIBUTABLE COLLECTIONS</p> <p>€44.8m</p> <p>+2.6% vs prior year</p>	<p>REVENUE</p> <p>€30.8m</p> <p>-7.0% vs prior year</p>	<p>ADJ. EBITDA</p> <p>€30.1m</p> <p>+9.0% vs prior year</p>
<p>DEPLOYMENT</p> <p>€26.5m</p> <p>+645.8% vs prior year</p>	<p>84-MONTH ERC¹</p> <p>€469.8m</p> <p>-1.8% vs prior year</p>	<p>NET DEBT</p> <p>€337.2m</p> <p>+1.7% vs prior year</p>

1. On real estate investments AFE will be required to fund its share of capital expenditure and other working capital needs, and these additional capital injections will increase invested capital over time. 84-month ERC is calculated such that the gross money multiple at any given time reflects the expected returns AFE anticipates to generate upon exit. This may differ from expected Gross Attributable Collections.



Improvement to financial performance in Q2

All values in €M

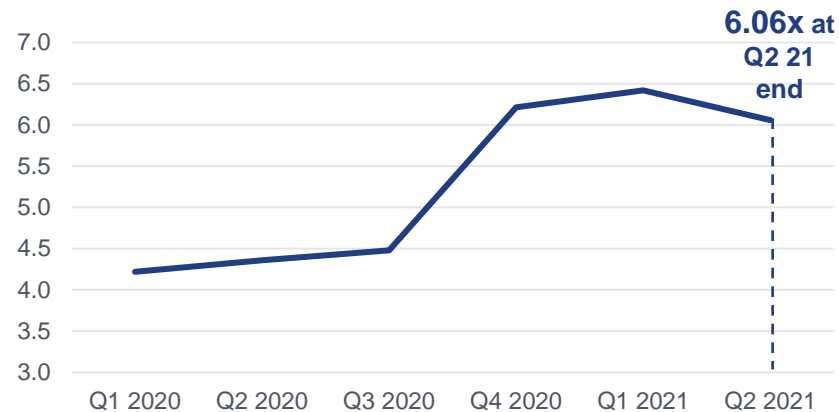


- Strong cash generation driven by increased collections in the quarter, resulting in €19.4m of adjusted EBITDA generated
- Despite a rise in collections, H1 2021 cost to collect ratio has decreased on prior year to 19.3%
- Continued low fixed overheads resulting in total operating cost ratio of only 33.5%



Decreasing leverage, with ample liquidity to grow

ADJUSTED EBITDA LEVERAGE RATIO



NET DEBT AND LIQUIDITY

	June 21 (€M)
Notes	307.5
Revolving Credit Facility	33.9
Term Facility	21.0
Less Cash / Deposits	(25.2)
Net Debt	337.2
Total Liquidity¹	80.0

- Strong collection activity decreased leverage in the quarter
- LTV ratio of 71.8% at Q2 21 end versus RCF covenant of 75%
- Strong liquidity position for further ramp up in deployment.
- Leverage expected to continue to decrease to less than 4x in 2022

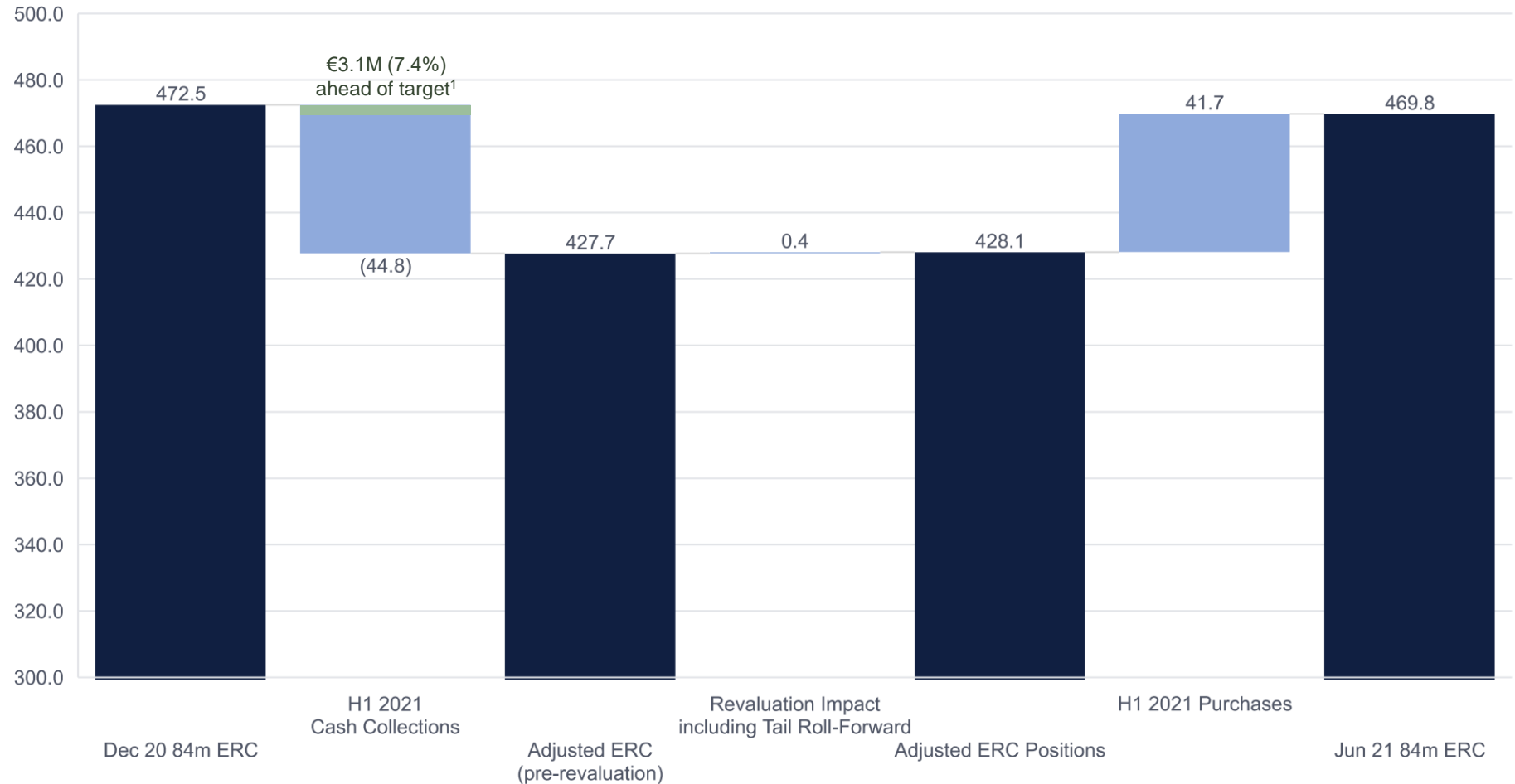
1. Excludes deposits paid
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ERC down due to cash collection acceleration

2021 ERC MOVEMENT

All values in €M



1. Overperformance excludes collections from 2021 purchases
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Strategic Outlook

Justin Sulger

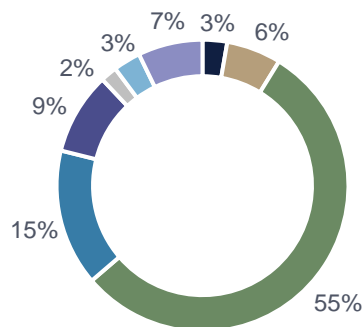


Strong pipeline offering consistently high returns and further diversification

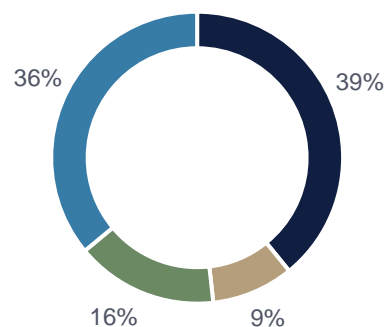
- Over €300m executable pipeline offering further diversification in well known geographies, as pipeline continues to grow post-COVID
- Remaining highly selective, targeting opportunities outside competitive after auctions, currently averaging >1.8x GMM
- Pipeline diversified by asset type and security, with >80% secured by hard assets
- €57.4m of FY21 deployment already embedded across signed and closed deals, representing 59% of total FY21 budget

CURRENT PIPELINE

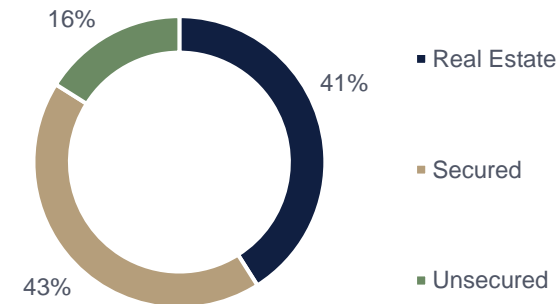
BY GEOGRAPHY



BY ASSET TYPE

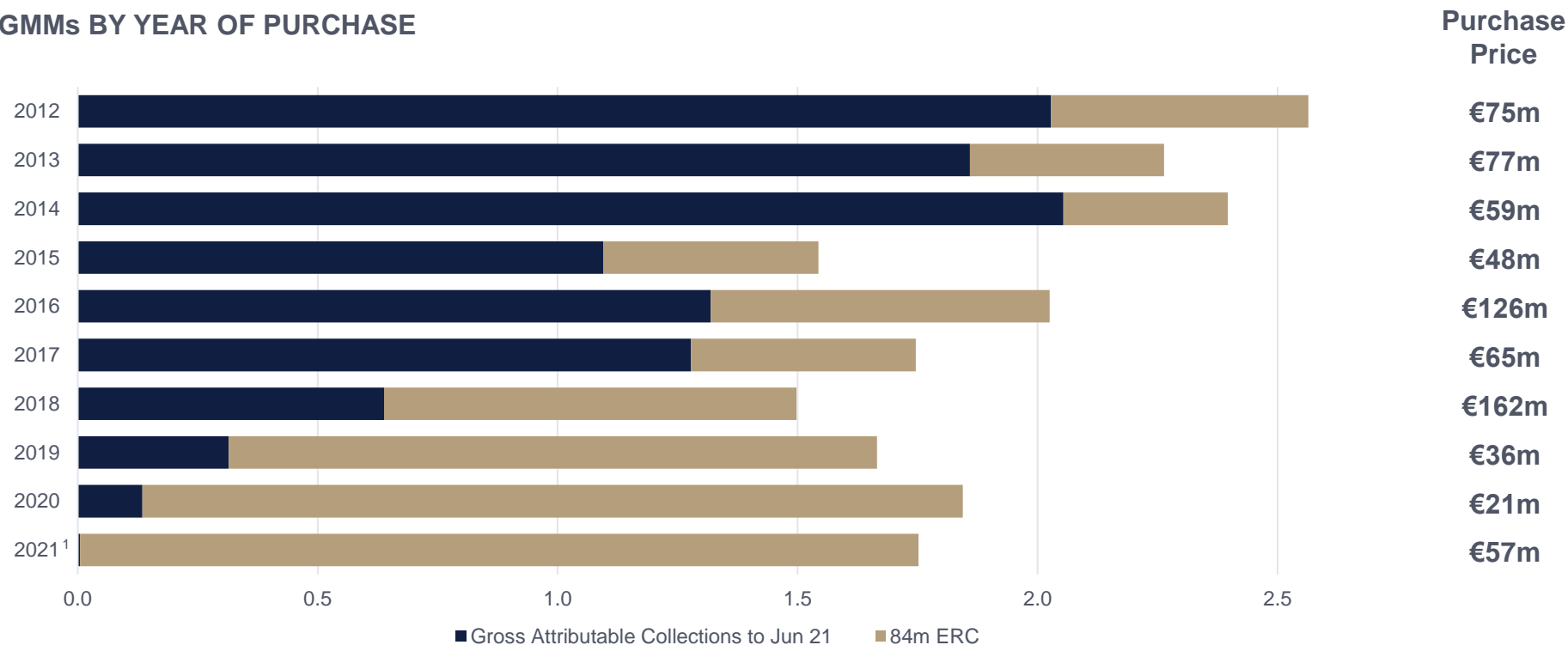


BY SECURITY



Remaining highly selective in deployment, with more attractive returns emerging after years of compression

GMMs BY YEAR OF PURCHASE



- After years of compressing returns, motivated sellers and market dislocation post onset of COVID driving enhanced value
- Remaining highly selective in 2021, including predominantly secondary secured SME NPLs in Italy and direct real estate, with average expected GMMs on signed and completed deals ~1.7x
- Re-pricing more evident thus far in direct real estate from distressed sellers, with NPL returns expected to continue to improve along with increased supply

1. Includes FY21 deployment on signed and closed deals
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Q&A



Q&A

Any questions?

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Appendix



Adjusted EBITDA reconciliations

The below outlines the reconciliation of profit before tax to Adjusted EBITDA for the 6 months ended 30 June 2021 and 30 June 2020:

	H1 2021	H1 2020	Variance	Variance
	€m	€m	€m	%
Profit / (Loss) before tax	5.9	(28.3)	34.1	120.8%
Finance costs	10.9	8.6	2.2	25.9%
Share of profit in associate and joint ventures	(0.5)	(0.3)	(0.2)	49.7%
Net foreign currency movements	0.1	1.0	(1.1)	(107.7%)
Impairment	(0.2)	37.2	(37.4)	(100.4%)
Collections from portfolios	44.1	42.6	(1.4)	3.4%
Revenue	(30.8)	(33.2)	2.3	(7.0%)
Other income	1.6	0.6	1.0	158.1%
Cash collected on behalf of secured loan noteholders	(0.9)	(0.8)	(0.1)	8.0%
Finance income	-	(0.1)	0.1	(100.0%)
Adjusted EBITDA	30.1	27.6	2.5	9.0%



Reconciliation from Gross Attributable Collections to Core Collections

Collections are monitored in two different ways:

- 1. Core Collections** - Core 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.

Reconciliation from Gross Attributable Collections to Core Collections (€k)

H1 2021 Gross Attributable Collections	44,798	Used to calculate ERC
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Gross up for portfolios with co-investors ¹	868	
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Remove costs deducted at source ²	(1,598)	
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H1 2021 Core Collections	44,068	Used in Financial Statements to calculate book value of investments
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Note: Data as of 30 June 2021, unless otherwise specified

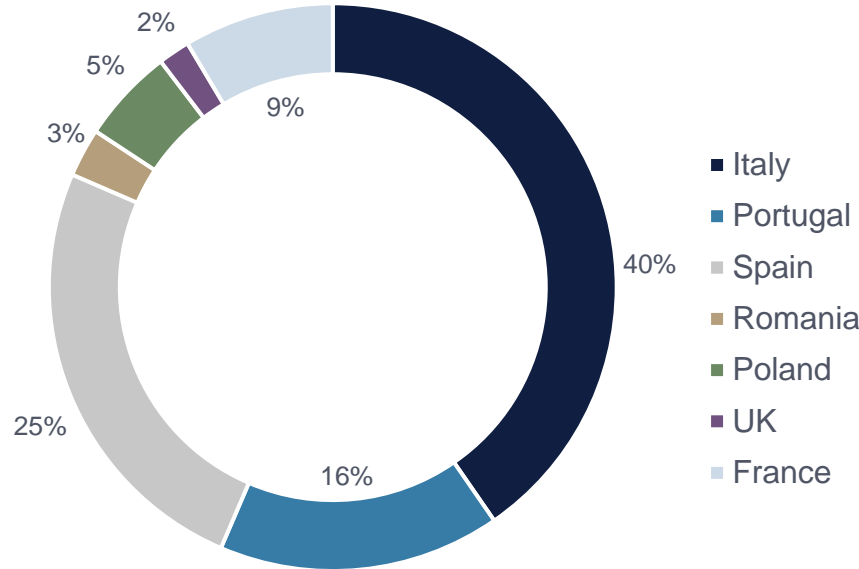
(1) When investments have co-investors, co-investor share of Core Collections is used to calculate Secured Loan Notes on Balance Sheet

(2) For Purchased Loan Notes and Joint Ventures, Collection Activity Costs are deducted at source

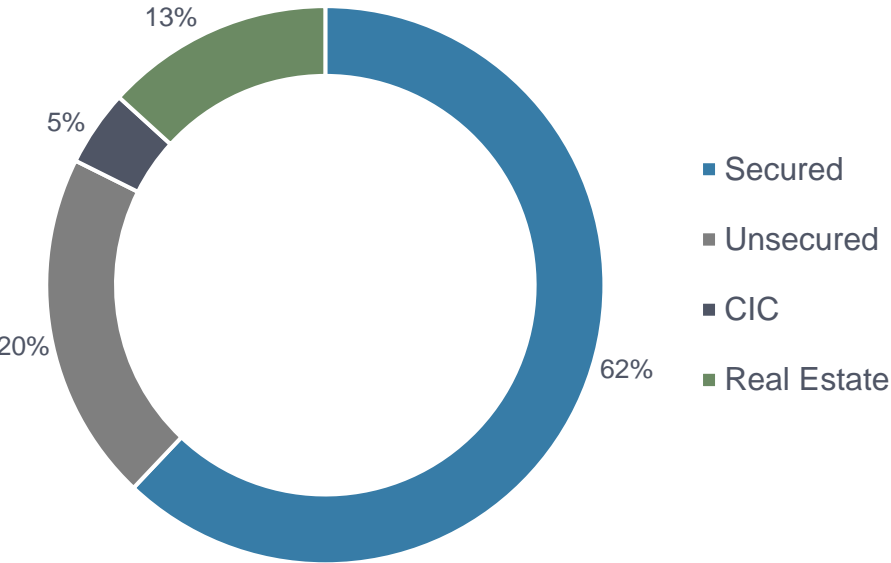


ERC composition as at 30 June 2021

84-MONTH ERC BY GEOGRAPHY



84-MONTH ERC BY ASSET TYPE



Note: Data as of 30 June 2021, unless otherwise specified
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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 Gross Collections in the period.
- **“Asset Management”** investment monitoring to enhance recoveries and provide servicing solutions on credit loan portfolios and executing value-add strategies to enhance real estate assets¹.
- **“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”** represent Gross Collections, less any disposals of the Group’s Assets.
- **“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 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 including disposals of portfolio investments. Gross Collections include any proportionate share of cash collections that relate to the interests of co-investors holdings of 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 Ratio”** represents Net Debt divided by LTM Adjusted EBITDA.
- **“Liquidity”** €56m undrawn on the Facility plus cash available of €19m in AFE and €6m held at servicers as at 30 June 2021.
- **“LTM Adjusted EBITDA”** means Adjusted EBITDA for the 12 month period to 30 June 2021.
- **“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.
- **“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.

(1) AFE does not engage in portfolio management or any other MiFID activity or other regulated financial service

