



AFE S.A. SICAV-RAIF

Presentation of the consolidated financial results
of AFE S.A. SICAV-RAIF for the quarter ended 30
September 2022

15 November 2022

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Today's Presenters



Justin Sulger – Managing Partner
Veld Capital Limited



Eric Verret – Managing Director and CFO
AFE S.A. SICAV-RAIF



Tim Ayerbe – Head of Asset Solutions
AFE S.A. SICAV-RAIF



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Overview

Justin Sulger



Overview

Robust collections drive strong Adjusted EBITDA growth year-on-year

COMPLETION OF CARVE-OUT

- Successful carve-out of AnaCap Credit business into Veld Capital, an independent investment advisory business
- No change to AFE structure, including the Asset Solutions platform

STRONG COLLECTION PERFORMANCE

- YTD Gross Attributable Collections of €108.4m, up 46% year-on-year
- 11th consecutive quarter of collections outperformance to forecast

ROBUST FINANCIAL PERFORMANCE

- YTD Adjusted EBITDA of €80.0m, up 46% year-on-year
- LTM Adjusted EBITDA of €124.2m, up 76% year-on-year

DEPLOYMENT AT 98% OF FY PLAN

- Closed deals of €92.8m YTD, with additional €5.4m signed deals expected to close in Q4, at aggregate GMM of 1.9x
- ERC of €588.3m, 17% higher than Q3 21

LOW LEVERAGE AND LTV

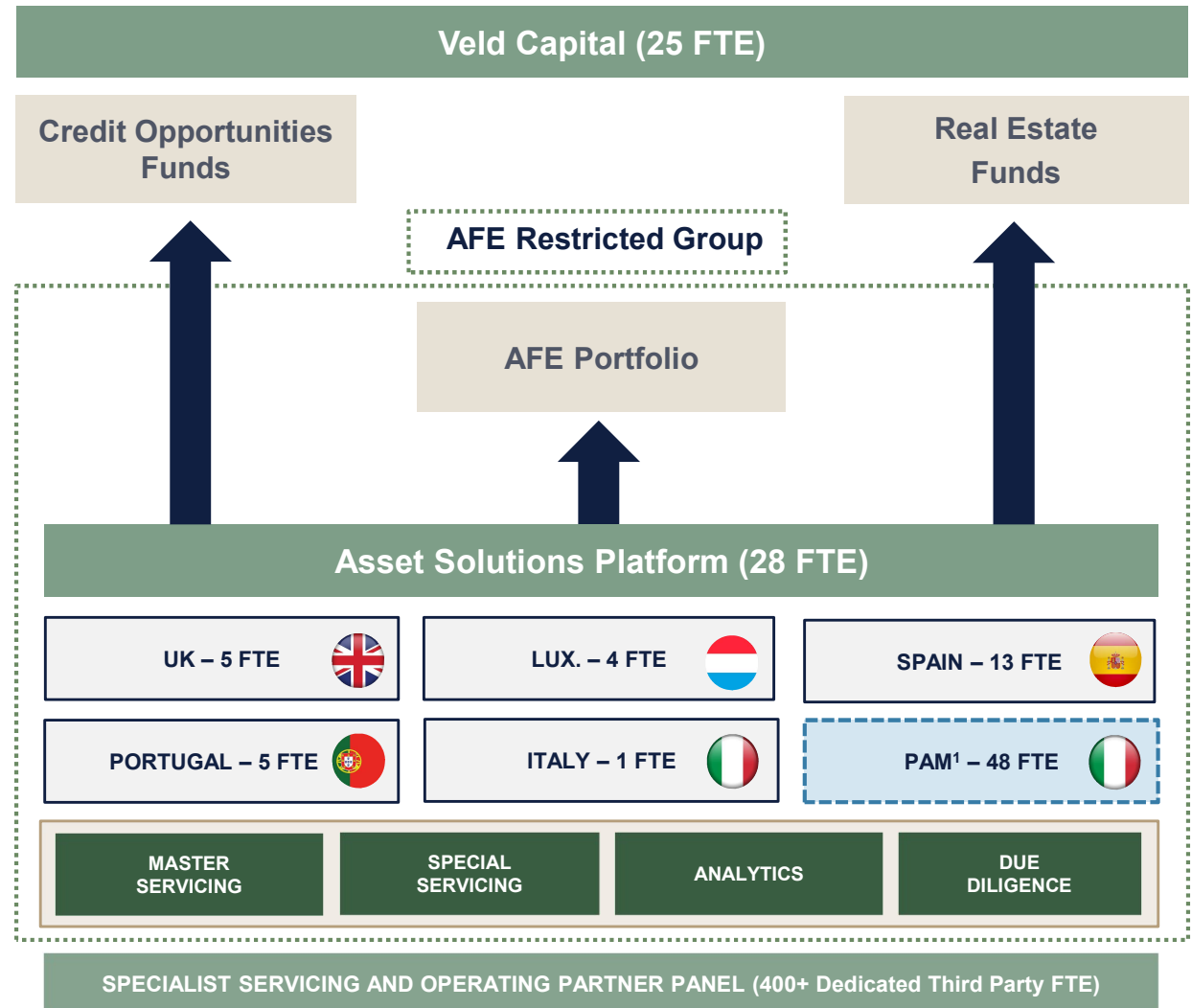
- LTM Adjusted EBITDA leverage of 3.1x, well below target range of 3.5x to 4.0x
- LTV of 65.1% vs 68.9% in Q3 21



Overview

Veld Capital Group

- Veld Capital Limited, an U.K. investment advisor, carved out of AnaCap Financial Partners Limited on 30th September 2022
- Management holds a majority equity interest and controls the carved-out business, responsible for day-to-day management and all investment activities
- Veld Capital continues to advise existing funds, including AFE, Credit Opportunities and Real Estate
- AFE provides master servicing, special servicing, underwriting and due diligence support across Veld Capital's entire portfolio



1. PAM refers to Phoenix Asset Management



Key Financial Highlights

Eric Verret



Key Financial Highlights

Q3 2022 Key Financial Highlights

Q3 2022 METRICS

YTD GROSS ATTRIBUTABLE
COLLECTIONS

€108.4m

+46.4% vs 9M to Q3 2021

YTD REVENUE

€60.7m

+30.8% vs 9M to Q3 2021¹

LTM ADJ. EBITDA

€124.2m

+75.9% vs 12M to Q3 2021

YTD DEPLOYMENT²

€92.8m

+72.4% vs 9M to Q3 2021

84-MONTH ERC

€588.3m

+17.1% vs Q3 2021

NET DEBT

€383.3m

+10.8% vs Q3 2021

1. YTD Include revaluation gain on Direct Real Estate investments

2. Includes cash injections into 2021 and 2020 vintages



Key Financial Highlights

Current Trading Update

STRONG CONTINUED COLLECTIONS...

...DRIVING RENEWED GROWTH

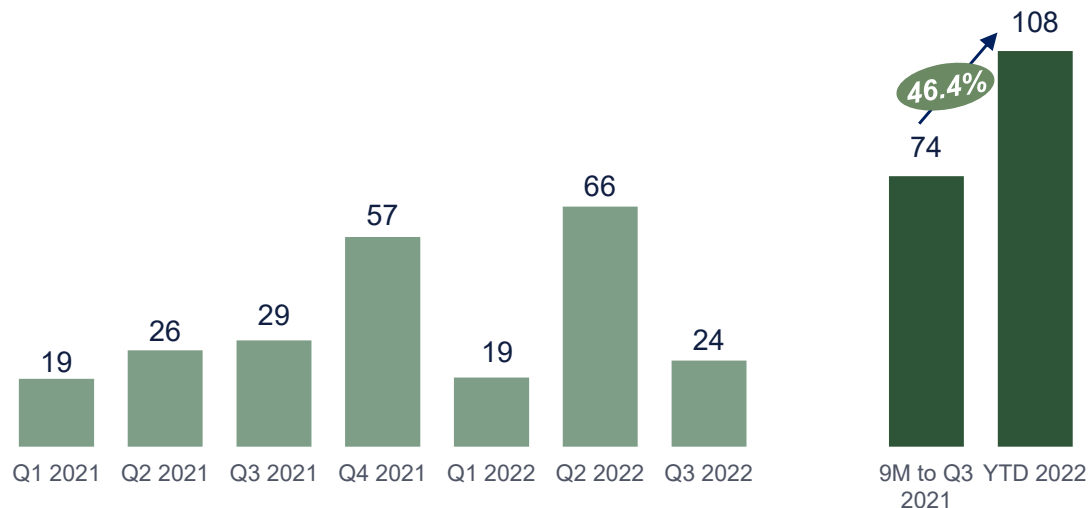
Collections Performance

- Significantly higher YTD collections at €108m vs €74m in prior year
- Quarterly collection overperformance averaging 9% over last 2 years

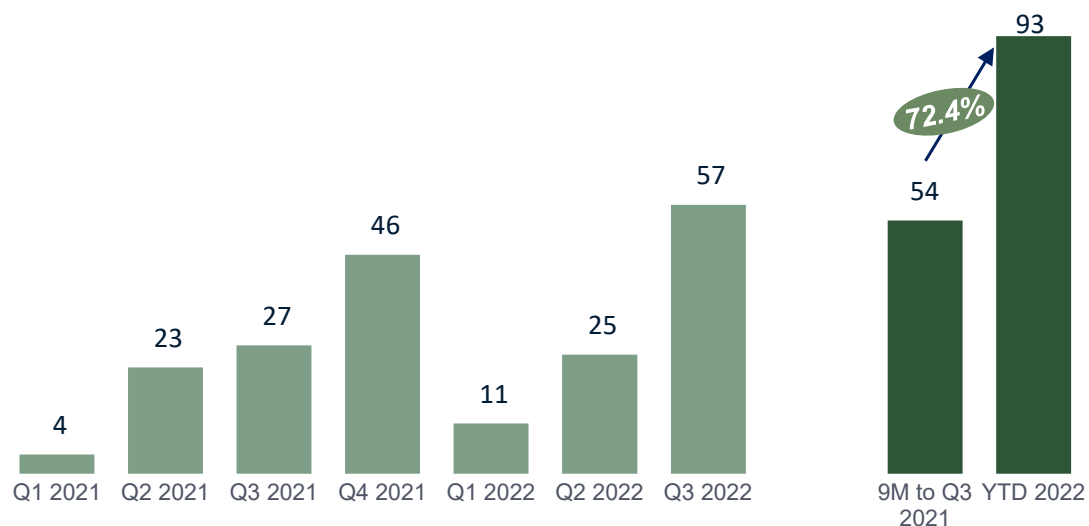
Capital Deployment

- Q3 22 deployment remained strong – LTM deployment at €139m exceeding €100m target
- €93m of deployment closed YTD with a further €5.4m signed, resulting in c. 98% of total FY 22 deployment target as at Q3 2022

Gross Attributable Collections (€M)



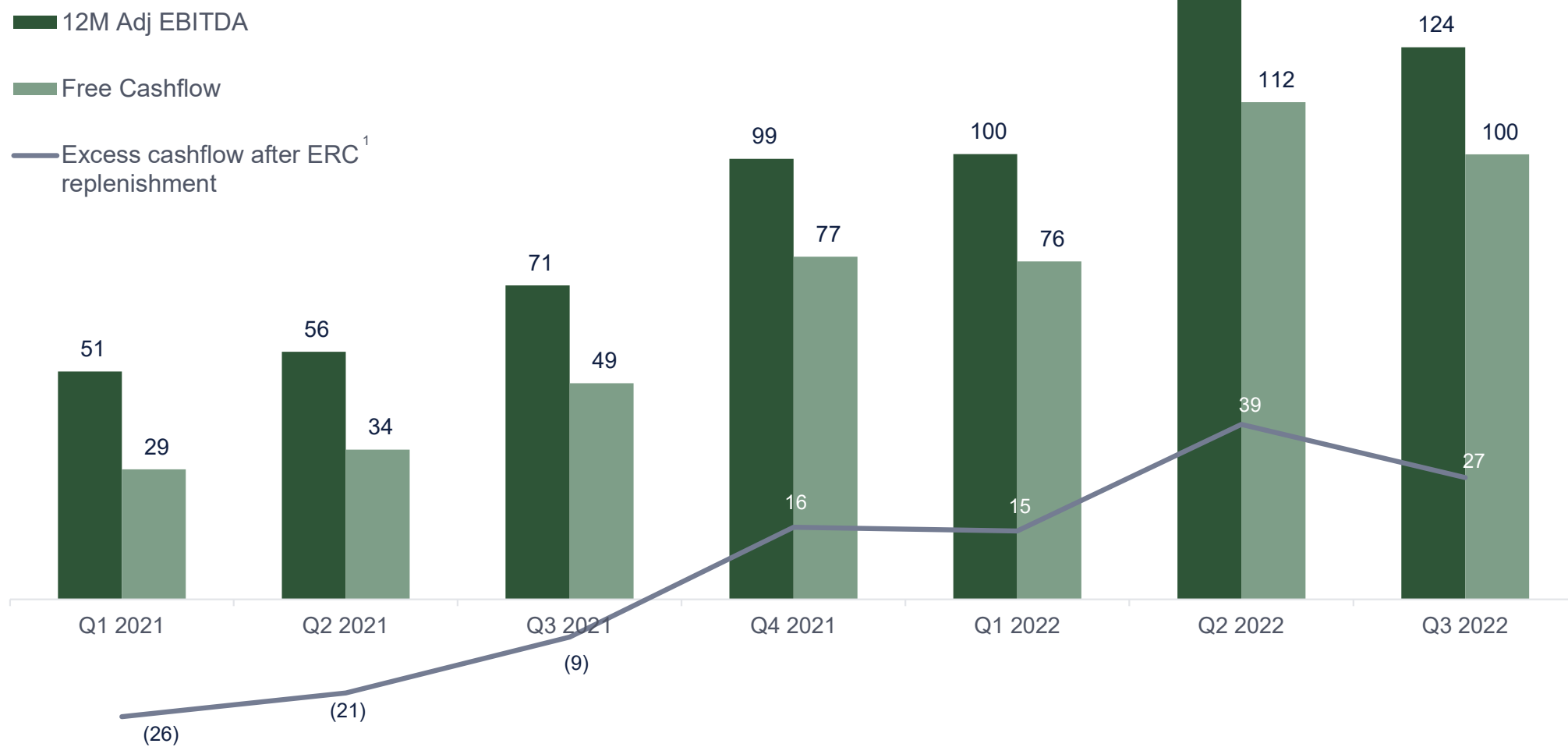
Deployment (€M)



Key Financial Highlights

Strong excess cash generation above replenishment rate

CASHFLOW GENERATION (€M)



1. Methodology to calculate excess cashflow is detailed on page 23, 24



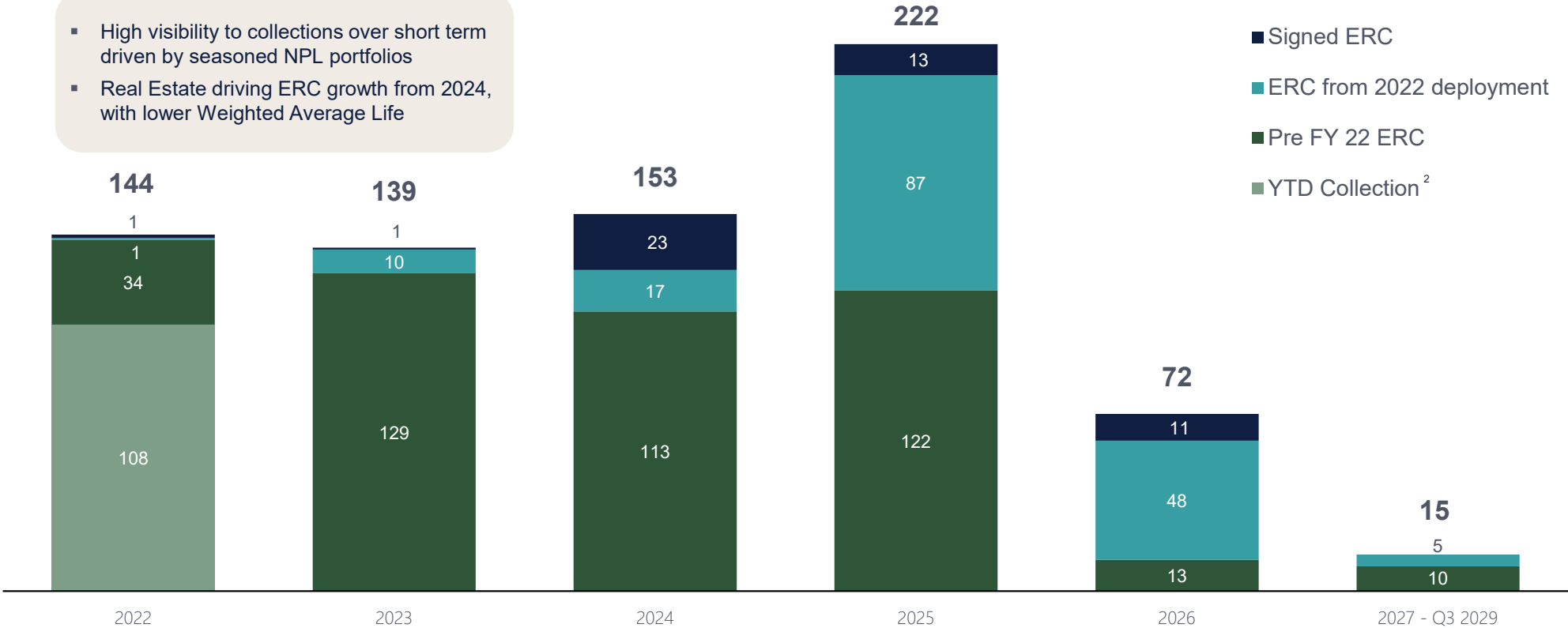
Key Financial Highlights

Significant collections already embedded over the next 3 years

ERC CURVE (€M)

Closed 84M ERC:
€588M¹

- High visibility to collections over short term driven by seasoned NPL portfolios
- Real Estate driving ERC growth from 2024, with lower Weighted Average Life



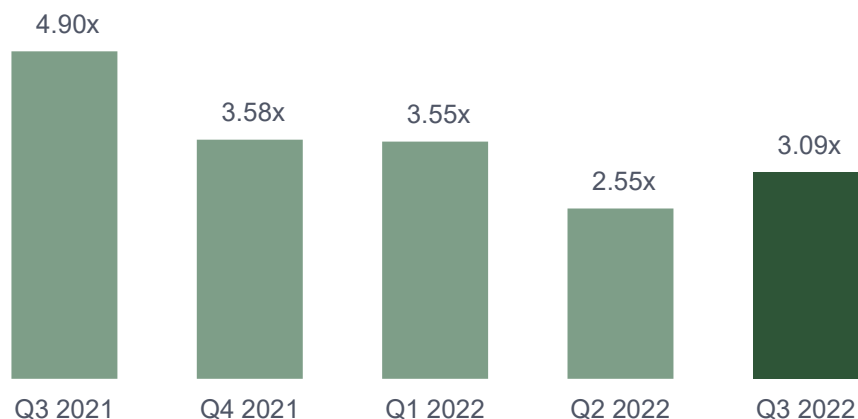
1. Including all deals closed by September 2022.
2. Includes expected ERC from future capital injections of deals closed before 30 September 2022



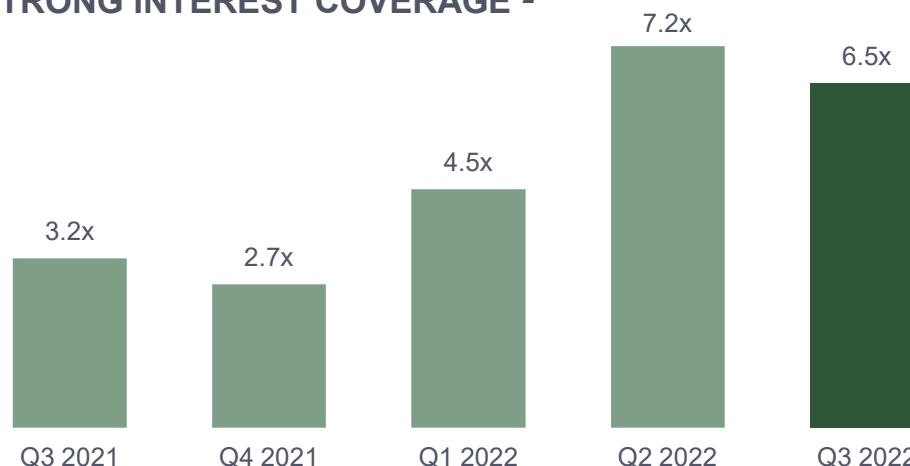
Key Financial Highlights

Healthy Leverage, ICR, Liquidity and LTV

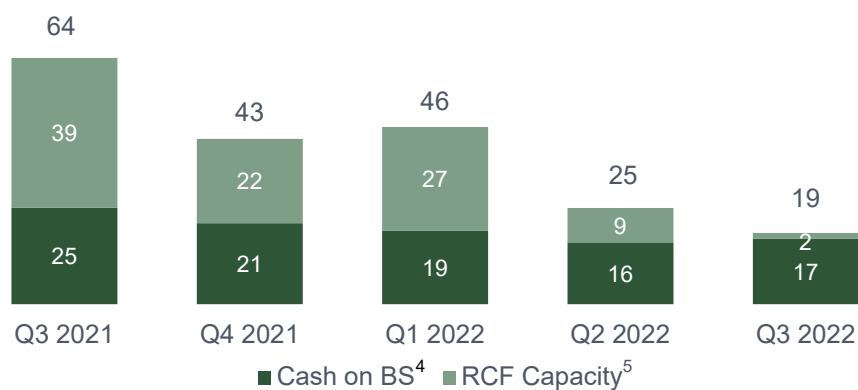
LEVERAGE BELOW TARGET ¹



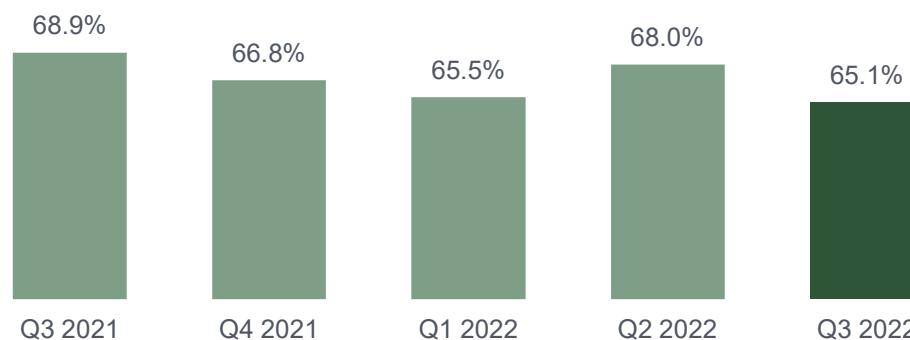
STRONG INTEREST COVERAGE ²



LIQUIDITY POSITION ³



DECREASING LTV



Note: We are continuing to evaluate alternatives and monitor market conditions with respect to a potential refinancing of outstanding indebtedness. We are also constantly reviewing our capital structure and liquidity position and look to optimise them over time; depending on market conditions and our operating results, this could include open market repurchases of securities, among other strategies

1. Net Debt / Adjusted EBITDA | 2. Adjusted EBITDA / Finance Costs | 3. In €m, liquidity represents amount undrawn on the RCF plus cash available | 4. Excludes cash held on AFE's account at servicers', cash deposits paid, and cash collected on behalf of secured loan note holders | 5. As reported in company accounts, excludes bank guarantees



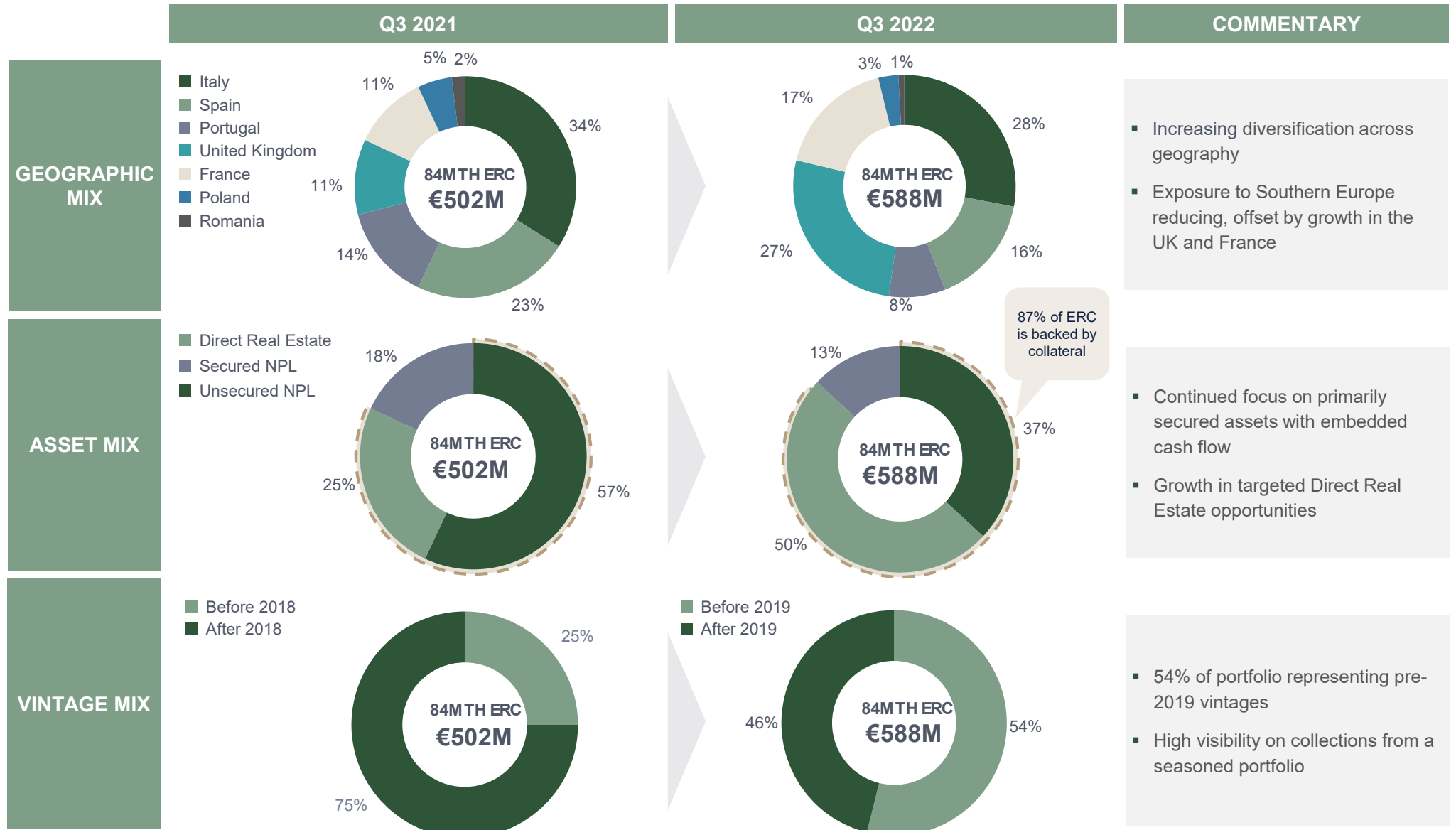
Operational Review

Tim Ayerbe



Operational review

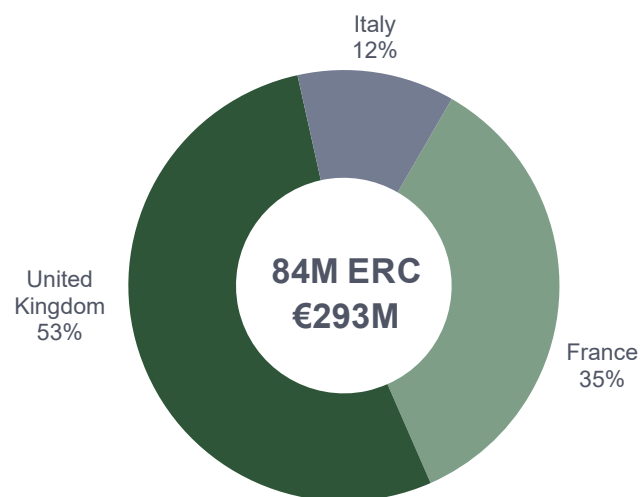
Growing ERC across an increasingly diversified secured asset base



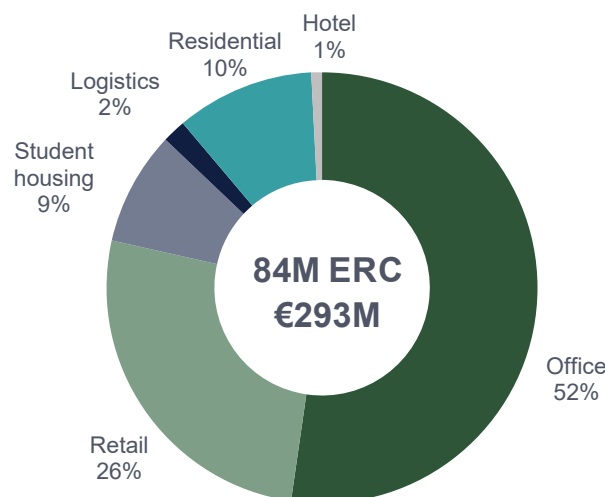
Operational review

Diversified Direct Real Estate Portfolio

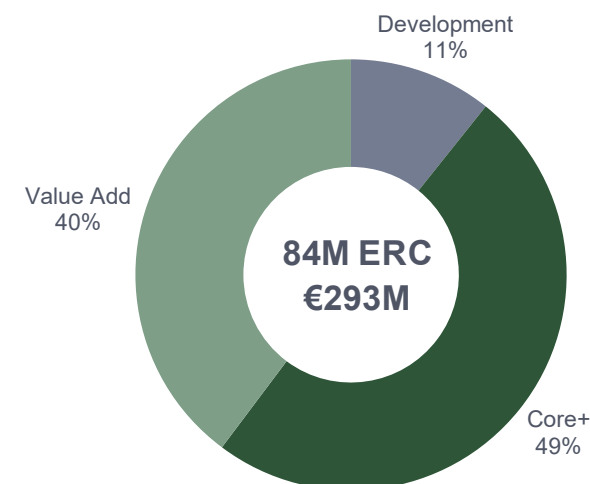
REAL ESTATE ERC BY GEOGRAPHY²



REAL ESTATE ERC BY ASSET TYPE²



REAL ESTATE ERC BY STRATEGY²



Direct Real Estate investments represent **50% of total ERC at attractive average GMM of 2.0x:**

- Diversified portfolio by **asset type**, with underlying granularity across 38 assets and 1,563 units¹
- 10 different specialised real estate operating partners, tailored to local, asset specific requirements
- Targeted investments in **well-known geographies and asset types** in top tier locations
- **Strategy** focused on stable income generation, with exposure to development risk reducing

1. A unit is part of a group of similar dwellings which are located in real estates that can be sold to third parties separately
2. Note: Data as at 30 September 2022



Strategic Outlook

Justin Sulger



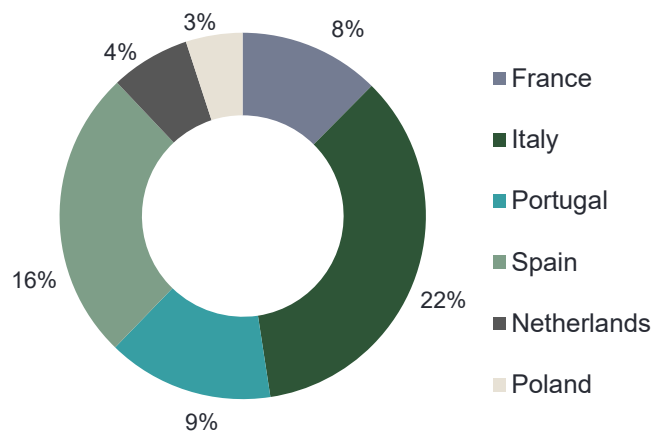
Strategic Outlook

Strong pipeline offering consistently attractive returns and further diversification across predominantly real estate secured asset types

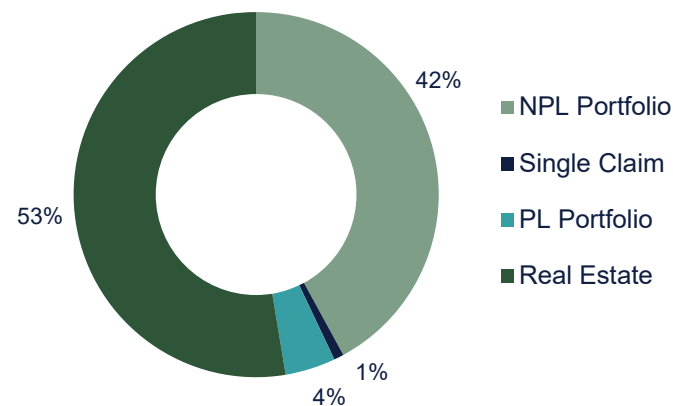
- Annual deployment at 93% of FY budget, with 98% already signed at a high aggregate GMM of 1.9x, allowing us to remain selective in seeking the best risk-adjusted returns
- ~ €650m of executable pipeline offering further diversification across well known geographies
- Targeting predominantly real estate secured opportunities outside competitive auctions
- NPL pipeline increasing again, with pricing continuing to adjust to economic realities

CURRENT PIPELINE

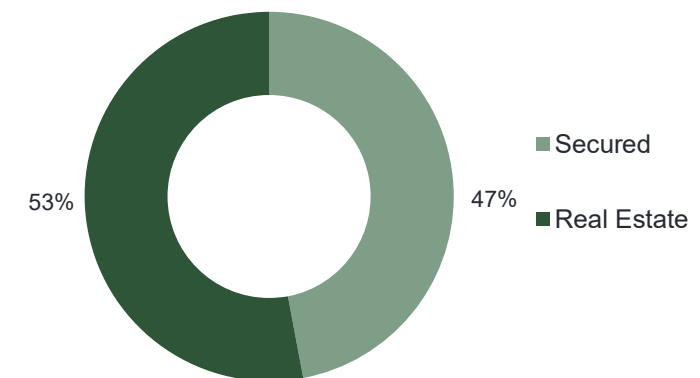
BY GEOGRAPHY



BY ASSET TYPE



BY SECURITY



Strategic Outlook

Closing remarks



Q&A



Q&A

Any questions?

Website:

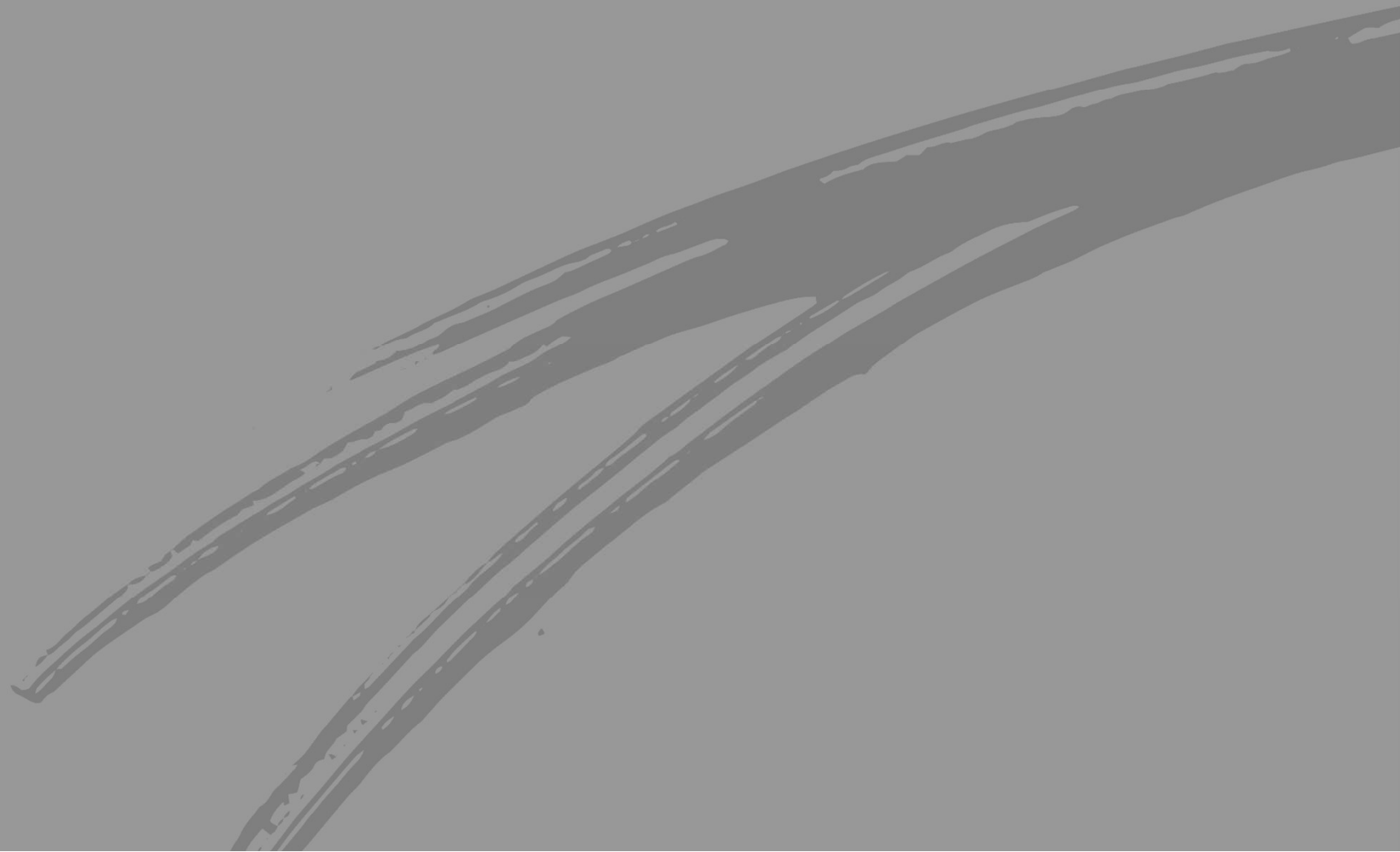
<https://veld-fe.com/>

Email:

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Appendix



Growing profitability, diversification and market leading cost structures

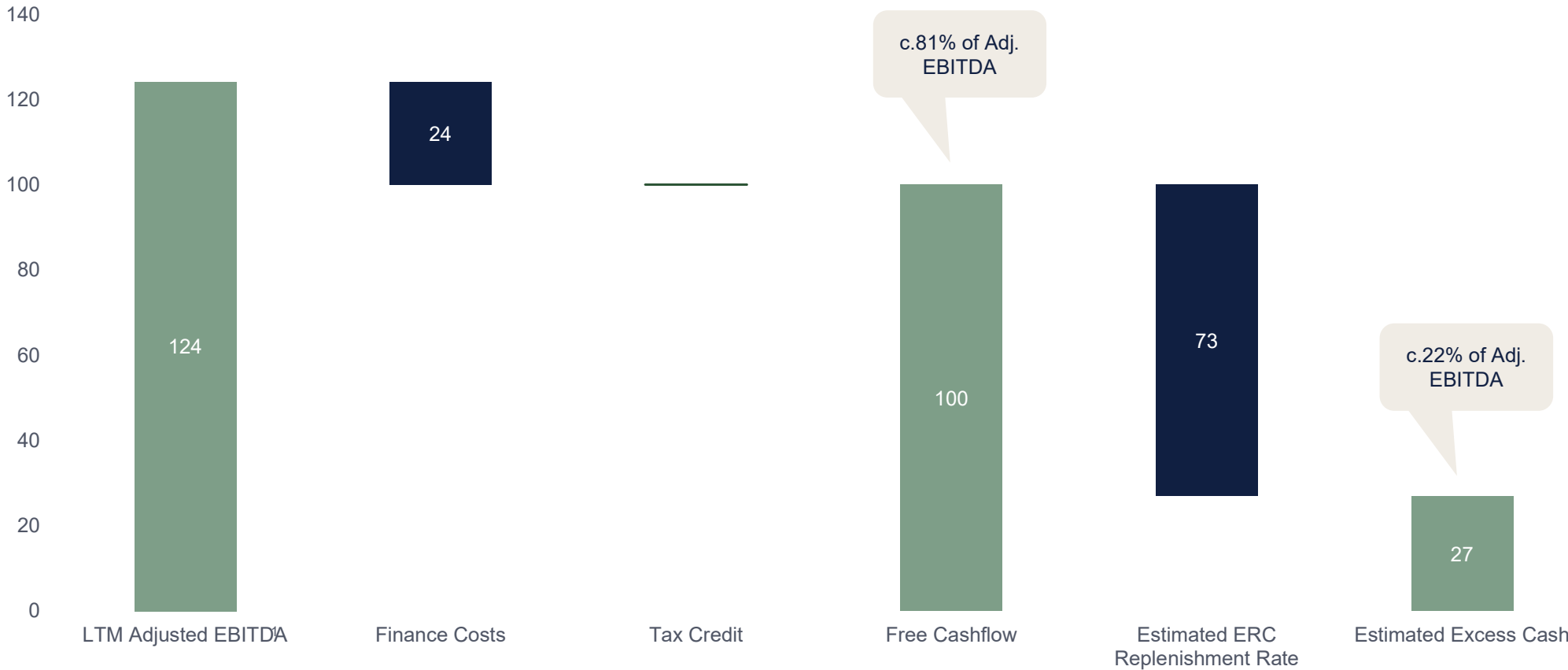
€m	YTD 2022	9M to Q3 2021	% Change
Interest Income	€37.74	€43.91	-14%
Servicing Income	€3.30	€2.52	31%
Fair Value Investments gains	€19.68	€0.00	100%
Total revenue	€60.73	€46.43	31%
Collections Activity Costs	(€11.26)	(€11.79)	-4%
Overheads	(€12.52)	(€9.59)	31%
Impairment (losses)/gains	(€1.64)	€0.16	-1102%
Net foreign currency (loss)/gain	(€1.14)	(€0.44)	156%
Total Operating expenses	(€26.56)	(€21.65)	23%
Net Finance costs	(€18.73)	(€16.72)	12%
Other gain/(losses)	€2.31	€0.58	300%
PBT	€17.75	€8.64	105%
Tax credit/(expenses)	€0.26	(€0.06)	-514%
Comprehensive income for the period	€18.01	€8.58	110%

- Interest Income reduction compensated by revaluation gains due to increasing % of Direct Real Estate investments, offering diversification in profit generation
- Asset light revenue up 31% YoY to €3.3m in Q3 2022 as a result of 22% growth in asset under management
- Core collection cost ratio down to 23.9% from 30.4% driven by Direct Real Estate's low cost to collect ratio of 16%
- Improving operating profit margin of 56% vs 52% in prior year



Estimated Excess Cash Flow Generation

ESTIMATED EXCESS CASH FLOW GENERATION WATERFALL (€M)¹



1. As at 30 September 2022



Estimated ERC replenishment rate calculation

ERC REPLENISHMENT RATE CALCULATION (€M)

Total Attributable Collections for LTM Q3 2021	97	a
Total Attributable Collections for LTM Q3 2022	166	b
Average Total Attributable Collections¹	132	$(a + b) / 2 = c$
Estimated money multiple for new deployments²	1.8x	d
Estimated 84MTH ERC Replenishment Rate³	73	c / d

In line with:

- Original underwriting, despite conservative revaluations

FOOTNOTES AND DEFINITIONS

- 1) Average Total Attributable Collections represents management's estimate of the amount of collections that would need to be replenished in order to maintain a steady state ERC balance. Utilizing the Average Total Attributable Collections to estimate the ERC Replenishment Rate may result in understating the ERC Replenishment Rate as the method assumes that all purchases are made at period end. Management utilizes Average Total Attributable Collections to estimate the ERC Replenishment Rate to enable comparability amongst competitors, many of whom utilize this same method.
- 2) Money multiples represent total expected gross cash collections divided by portfolio acquisition price. Money multiple for new deployments represents the money multiple reported at the end of the year of acquisition.
- 3) Estimated ERC Replenishment Rate represents management's estimate of the amount of purchases that were needed to replenish ERC in order to maintain a steady state ERC balance. The Estimated ERC Replenishment Rate is an illustrative calculation based on management's estimates and assumptions with respect to money multiples and the amount of ERC to be replenished. The Estimated ERC Replenishment Rate may be determined or calculated differently by other companies. Actual purchases during the period were €100M.



Adjusted EBITDA reconciliations

The below outlines the reconciliation of profit before tax to Adjusted EBITDA for the 9 months ended 30 Sep 2022 and 30 Sep 2021

	9m 2022	9m 2021	Variance	Variance
	€m	€m	€m	%
Profit before tax	17.7	8.6	9.1	51%
Finance costs	18.7	16.7	2.0	11%
Share of profit in associate and joint ventures	-2.3	-0.6	-1.7	75%
Net foreign currency movements	1.1	0.4	0.7	61%
Impairment losses/(gains)	1.6	-0.2	1.8	110%
Portfolio disposals	3.3	0.0	3.3	100%
Collections from portfolios	99.4	74.3	25.0	25%
Revenue	-60.7	-46.4	-14.3	24%
Other income	3.3	2.2	1.1	33%
Cash collected on behalf of secured loan noteholders	-2.2	-0.2	-1.9	89%
Adjusted EBITDA	80.0	54.9	25.1	31%



Reconciliation from Gross Attributable Collections to Core Collections

Collections are monitored in two different ways:

- 1. Gross Attributable Collections** - These comprise collections received before any Collection Activity Costs 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
- 2. 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, less any disposals of the Group's Assets.

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

9m 2022 Gross Attributable Collections	108,416	Used to calculate ERC
Gross up for portfolios with co-investors ¹	- 3,303	
Remove costs deducted at source ²	- 3,593	
Remove proceeds from assets sale	- 2,158	
9m 2022 Core Collections	99,362	Used in Financial Statements to calculate book value of investments

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



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.
- **“Estimated Rental Value (“ERV”)”** means current rent at which space within a property could reasonably be expected to be let given current market conditions.
- **“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.
- **“Free Cashflow”** reflects how much cash the business generates before purchasing new portfolios
- **“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.
- **“Core collection cost ratio”** represent the ratio of operating expenses to core collections
- **“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.
- **“GMM”** 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.
- **“PBT”** means Profit before tax
- **“Leverage Ratio”** represents Net Debt divided by LTM Adjusted EBITDA.
- **“LTM Adjusted EBITDA”** means Adjusted EBITDA for the 12 months period to 30 September 2022.
- **“ICR”** means Interest Coverage Ratio representing LTM adjusted EBITDA divide by Interest expense
- **“Weighted Average Life”** means average life of all deals in years. Weighted average base on Gross Attributable Collections
- **“LTV”** means Net Debt 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.
- **“Direct Real Estate”** represents participation into joint ventures’ holding Direct Real Estates
- **“Asset Solutions”** represents investment monitoring to enhance recoveries and provide servicing solutions on credit loan portfolios and executing value add strategies to enhance real estate assets¹
- **“Credit Opportunities”** represents Veld Credit Opportunities III, IV and any future Veld Credit funds

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