



## AFE S.A. SICAV-RAIF

Presentation of the consolidated financial results  
of AFE S.A. SICAV-RAIF for the year ended 31  
December 2022

*29 March 2022*

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# Today's Presenters

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**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

## STRONG COLLECTION PERFORMANCE

- FY22 Gross Attributable Collections of €156.8m, up 19% on FY21
- 12th consecutive quarter of collections outperformance to forecast

## DEPLOYMENT AT HIGH GMM

- Closed deals of €94.8m for FY22 at aggregate GMM of 1.9x
- ERC of €552.5m, 4% higher than FY21, with further embedded ERC growth of €66m

## LOW LEVERAGE AND LTV

- 3.06x LTM Adjusted EBITDA leverage, in line with revised long-term guidance of 3.0x to 3.5x
- LTV of 64.6% as at FY22 vs 66.8% as at FY21

## ACTIVE ASSET LIABILITY MANAGEMENT

- Strategic temporary reduction in deployment to enhance liquidity and reduce financial leverage
- Advanced discussion with banks to extend RCF maturity and exploring public and private refinancing options with advisors to address 2024 bond maturity

## PLATFORM UPDATE

- Successful carve-out of AnaCap Credit business into Veld Capital completed in Q3 22, with no impact on AFE
- Sale of 30% stake in Phoenix Asset Management (Italy) for €12.3m, generating €2.8m of profit

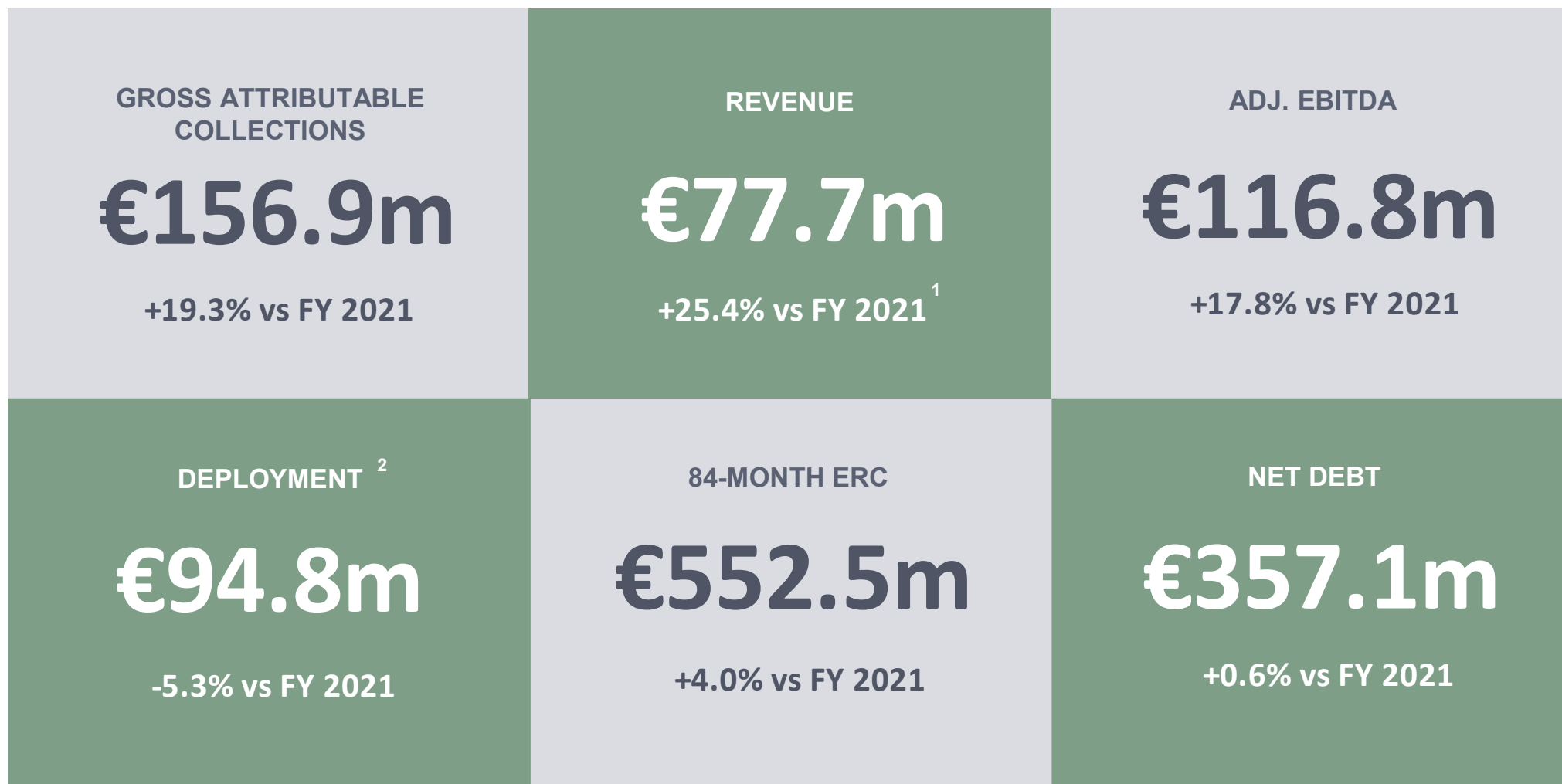


# Key Financial Highlights

*Eric Verret*



# FY 2022 Key Financial Highlights



1. YTD Include revaluation gain on Direct Real Estate investments

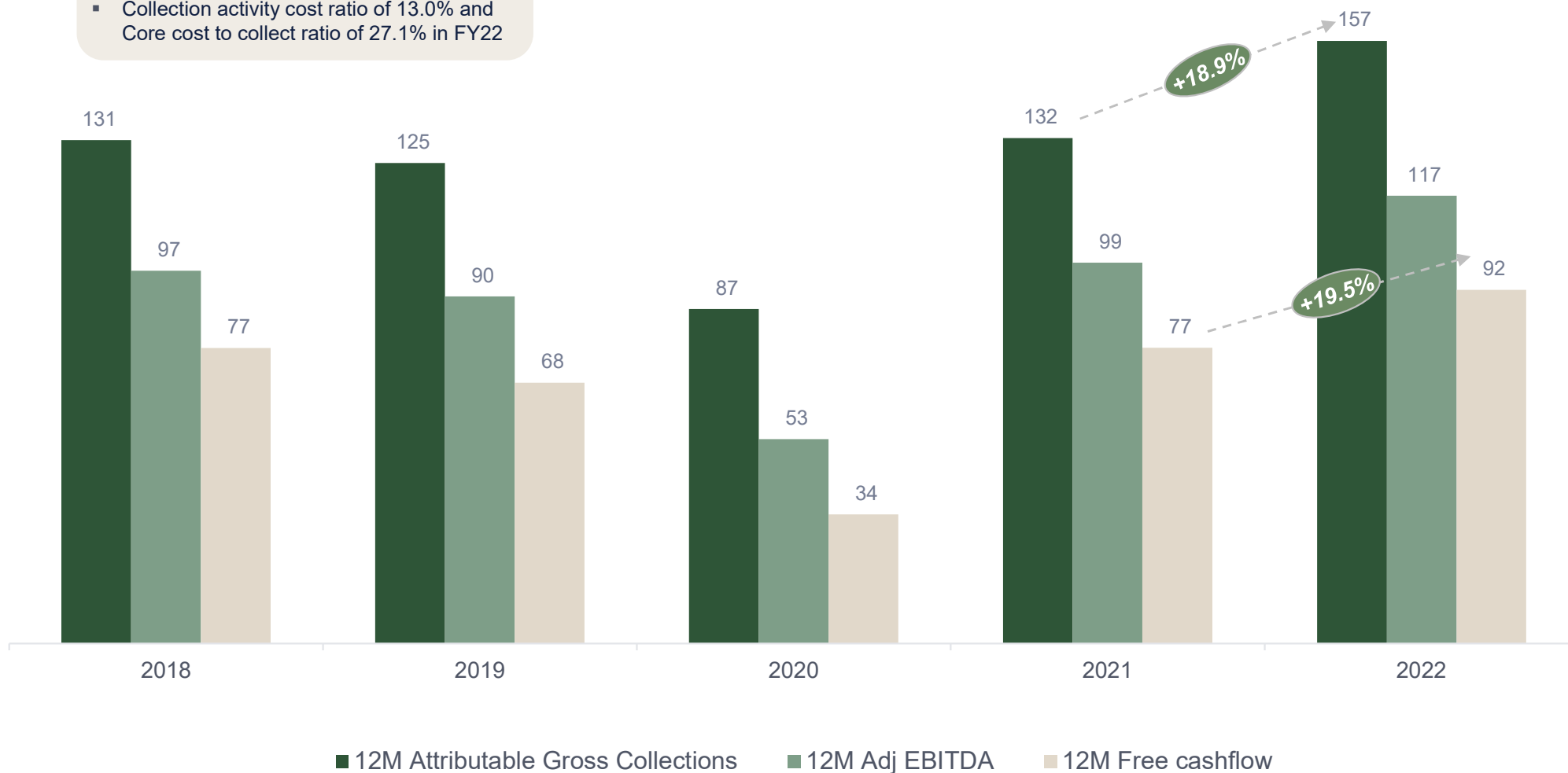
2. Includes follow-on investments into 2021 and 2020 vintages





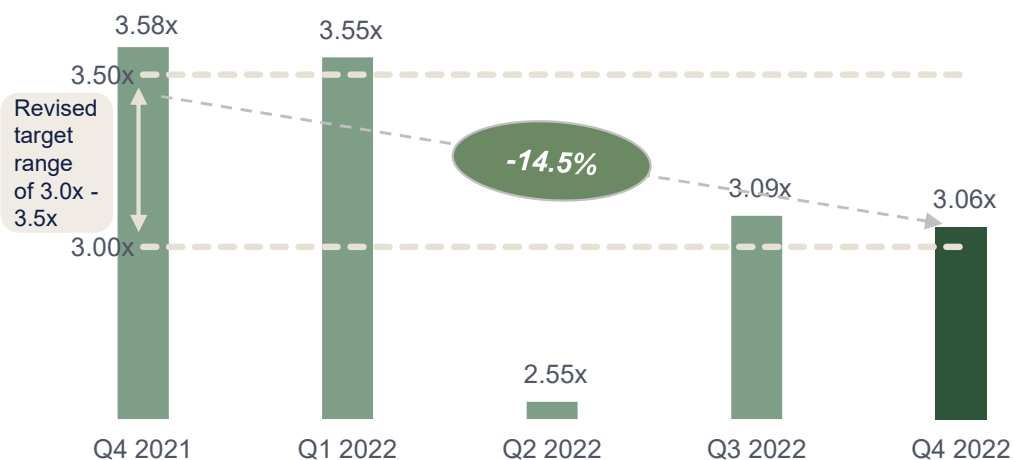
# Strong Collections Driving Significantly Increased Free Cashflow

- High free cashflow generation of €92m in FY22 driven by record Gross Attributable Collections of €157m
- Collection activity cost ratio of 13.0% and Core cost to collect ratio of 27.1% in FY22

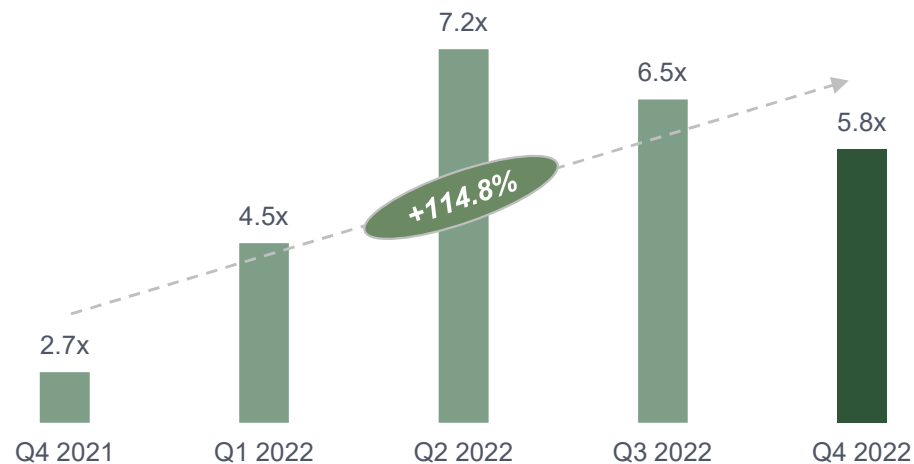


# Healthy Leverage In Line With Revised Guidance of 3.0x to 3.5x

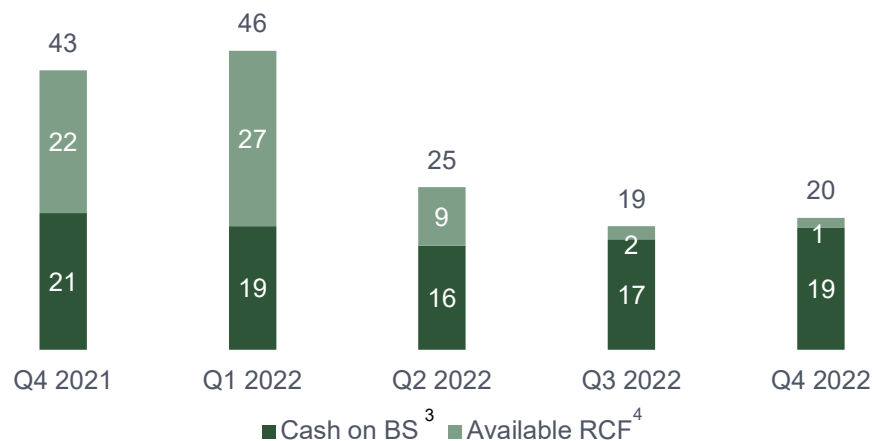
## LEVERAGE WITHIN REVISED TARGET <sup>1</sup>



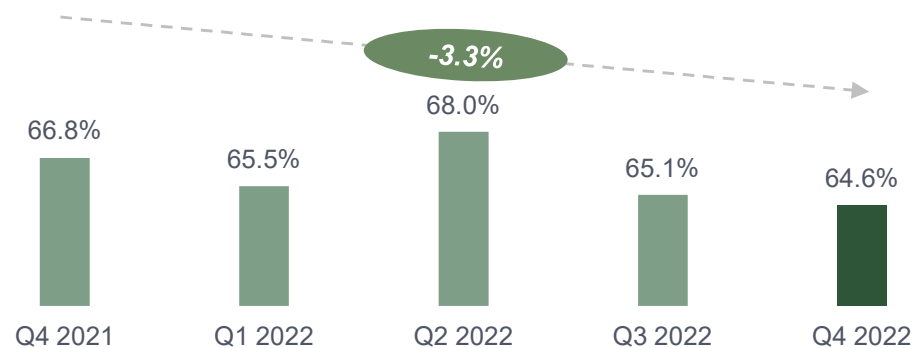
## STRONG INTEREST COVERAGE <sup>2</sup>



## LIQUIDITY POSITION <sup>3</sup>



## DECREASING LTV



1. Net Debt / Adjusted EBITDA | 2. Adjusted EBITDA / Finance Costs | 3. Excludes cash held on AFE's account at servicers', cash deposits paid, and cash collected on behalf of secured loan note holders | 4. In €m, represents amount undrawn on the RCF



# Positioning for a Successful Refinancing

## RCF EXTENSION

- Finalize RCF extension by end of Apr '23
- RCF expected to reduce to €60m from Jun '23

## LIQUIDITY

- Strategic temporary reduction in deployment
- Enhancing liquidity position and reducing financial leverage

## ACTIVE MANAGEMENT

- Continue to focus on accelerating collections where optimal
- Active asset management aimed at further value creation across Real Estate portfolio

## REFINANCING

- Exploring public and private refinancing options with advisors to address 2024 bond maturity
- Pro-active capital structure management, subject to market conditions



# Portfolio Review

*Tim Ayerbe*

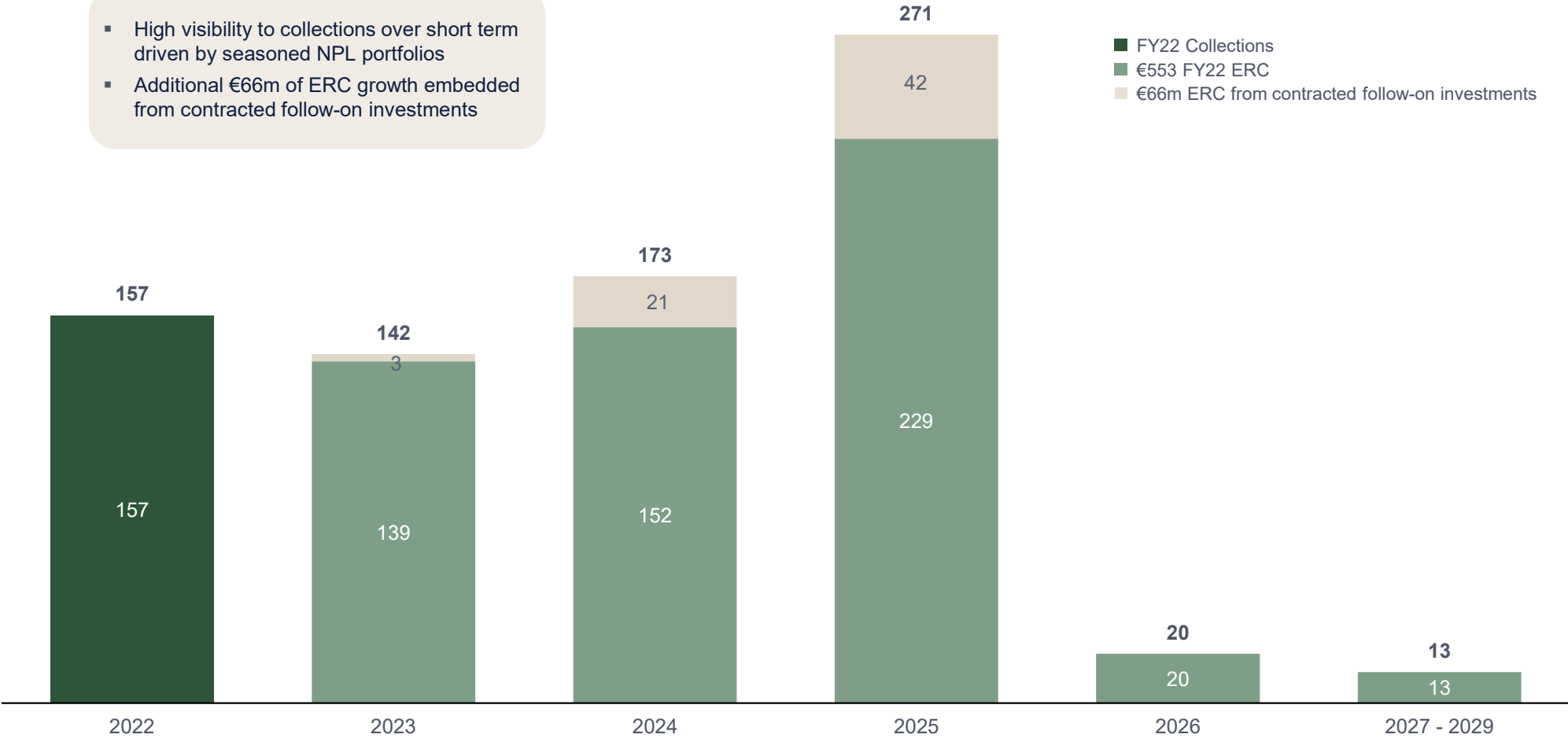


# Embedded ERC Growth

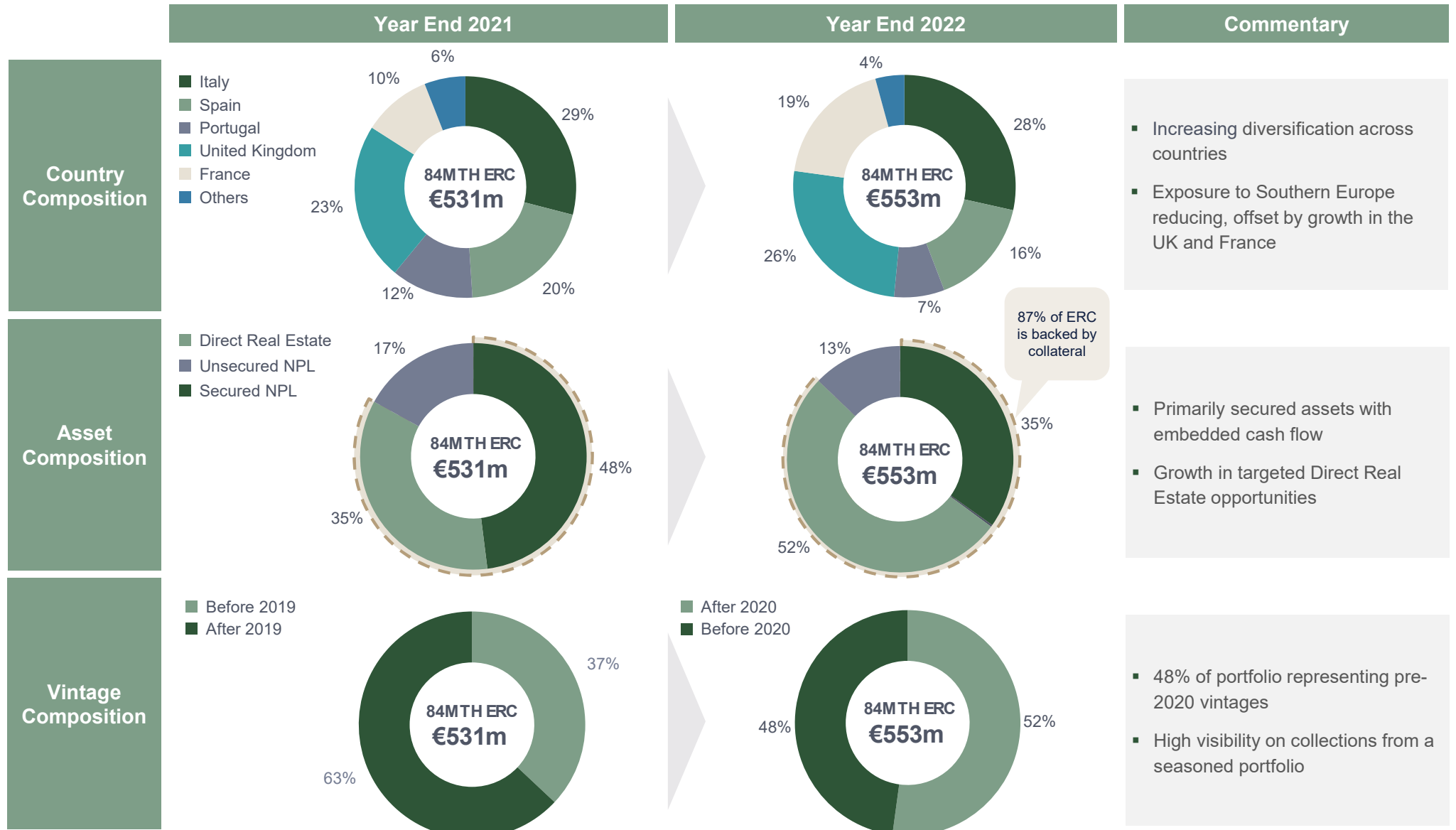
ERC CURVE (€m)

- High visibility to collections over short term driven by seasoned NPL portfolios
- Additional €66m of ERC growth embedded from contracted follow-on investments

■ FY22 Collections  
■ €553 FY22 ERC  
■ €66m ERC from contracted follow-on investments



# Highly Diversified and Predominantly Secured ERC

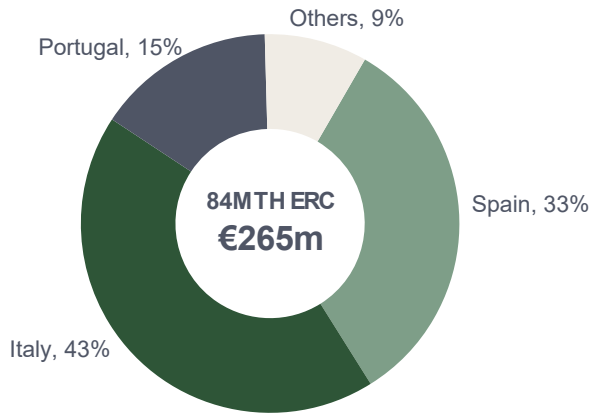


# Seasoned, Over-collateralised NPL Portfolio

## NPL Snapshot (as at 31 December 2022)

ERC	€265m (48% ERC)
Secured ERC	€194m
Outstanding Balance	€3,868m
No of Borrowers	~90,000
No of Loans	~126,000
Average Balance	~€30,000
Collateral Value	+€280m
Number of Collateral	7,335

## Country Composition

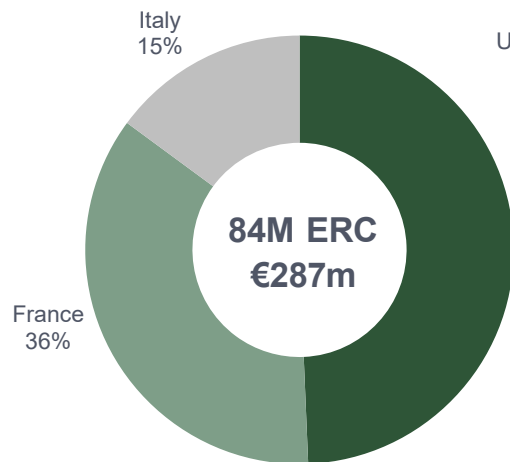


## NPL ERC Portfolio vs Collateral Value

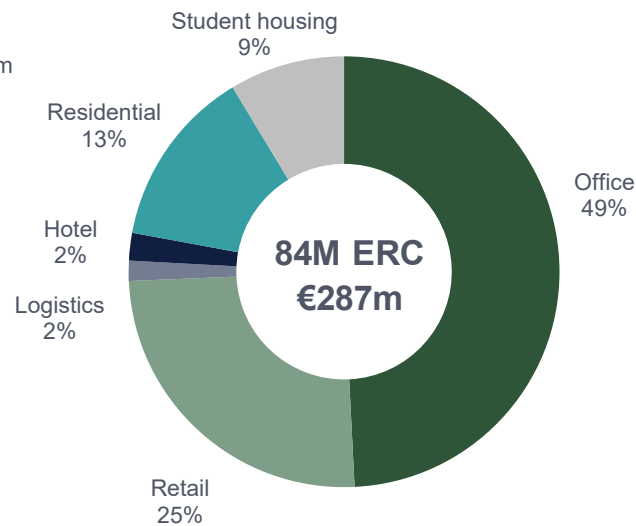


# Diversified Real Estate Portfolio

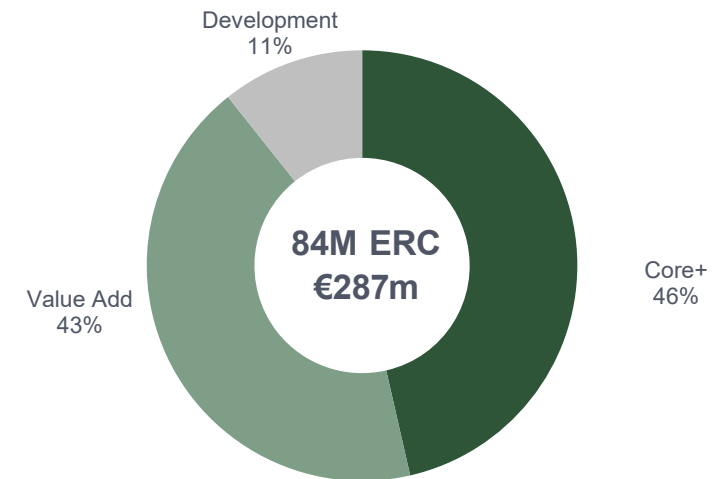
REAL ESTATE ERC  
BY COUNTRY<sup>2</sup>



REAL ESTATE ERC  
BY ASSET TYPE<sup>2</sup>



REAL ESTATE ERC  
BY STRATEGY<sup>2</sup>



Direct Real Estate investments represent **52% of total ERC at attractive average GMM of 2.0x<sup>1</sup>**:

- Targeted investments in **well-known countries** in top tier locations
- Mix of predominantly **income-generating asset type**
- Continually de-risking and value creation through **active asset management initiatives**

1. Weighted by ERC  
2. Data as at 31 December 2022



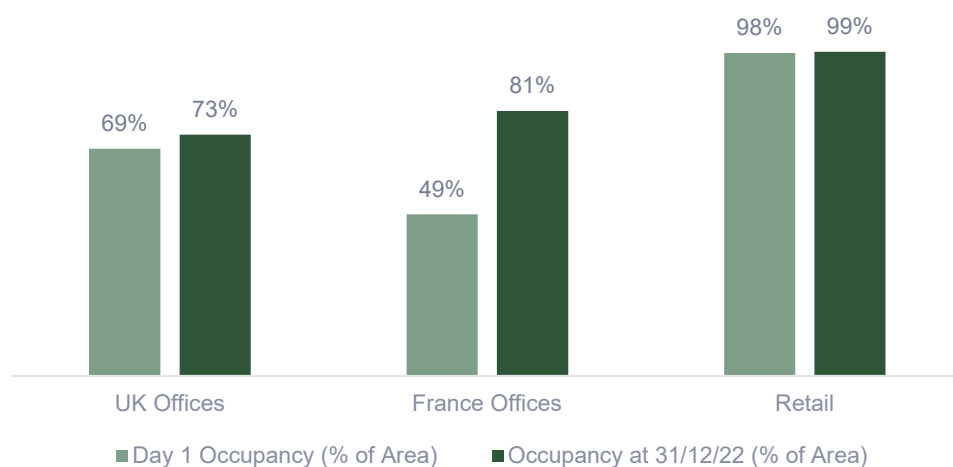


# Strong Income Generating Portfolio

## Income Generating Portfolio

ERC	€193m (67% Real Estate ERC )
Number of Assets	23 office / 2 retail assets
Number of Tenants	243
Total Area	213,000 sqm
Initial Yield	6.2%
Current Yield	7.6%
Stabilised Yield	9.3%
Initial Occupancy	73%
Current Occupancy	83%

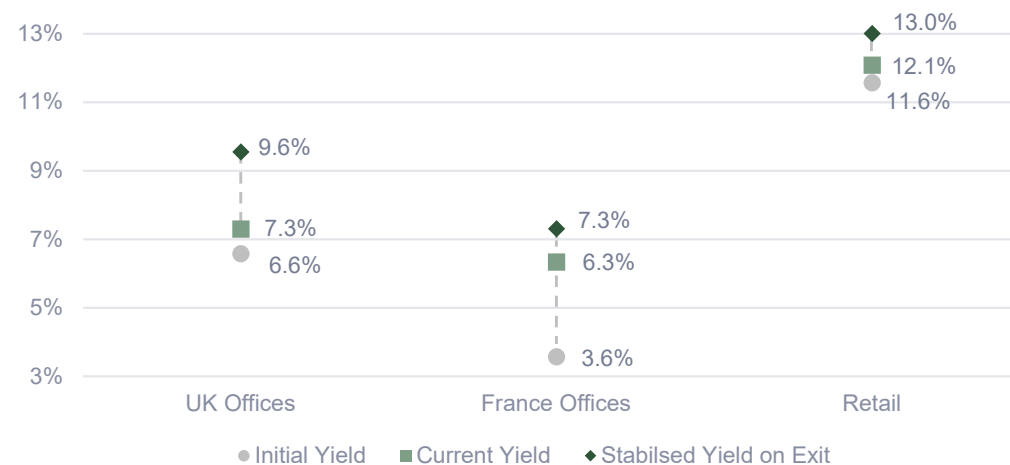
## Occupancy Levels



## Commentary

- Mix of 25 high quality office and retail assets
- High level of income, with average current yield of ~7.6%
- Since acquisition, ~22,000 sqm of additional space leased, increasing occupancy from 73% to 83%
- Contracted rent increased 22% across the portfolio

## Initial, Current and Stabilised Yields



# Strategic Outlook

*Justin Sulger*

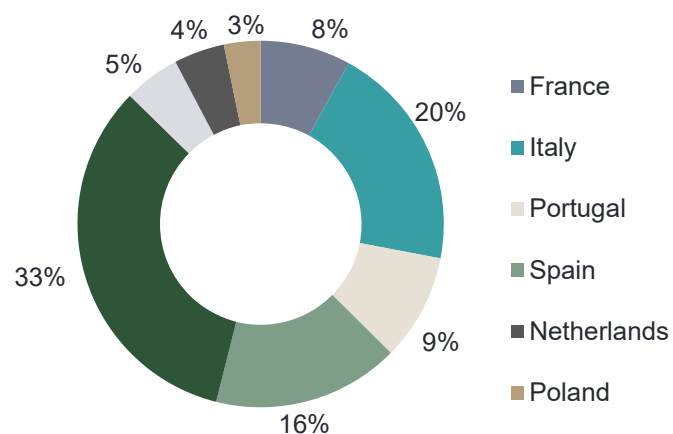


# Strong Pipeline Offering Attractive Returns and Diversification

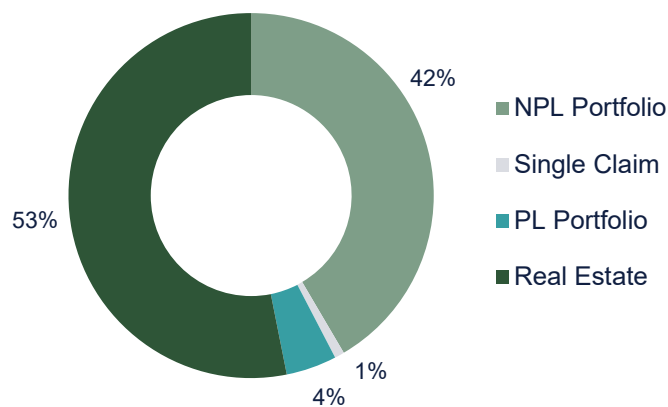
- FY22 deployment of ~€95m at a high aggregate GMM of 1.9x, selectively targeting best risk-adjusted returns
- ~€650m of executable pipeline offering further diversification across well known countries
- Targeting predominantly real estate secured opportunities outside competitive auctions
- Current opportunity set driven by sellers of high quality assets in need of liquidity and/ or refinancing
- NPL pipeline increasing, with pricing continuing to adjust to economic realities, but primary supply lags cycle

## CURRENT PIPELINE

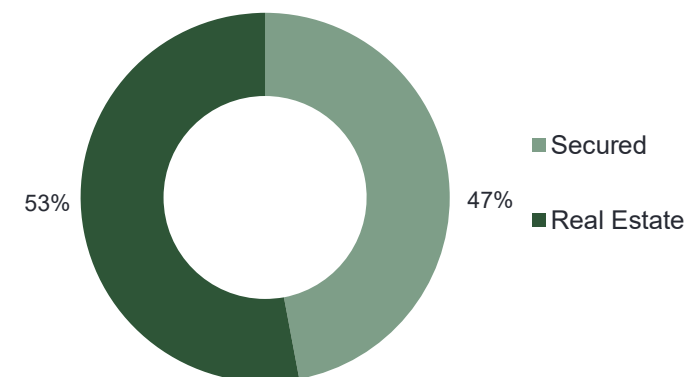
### BY COUNTRY



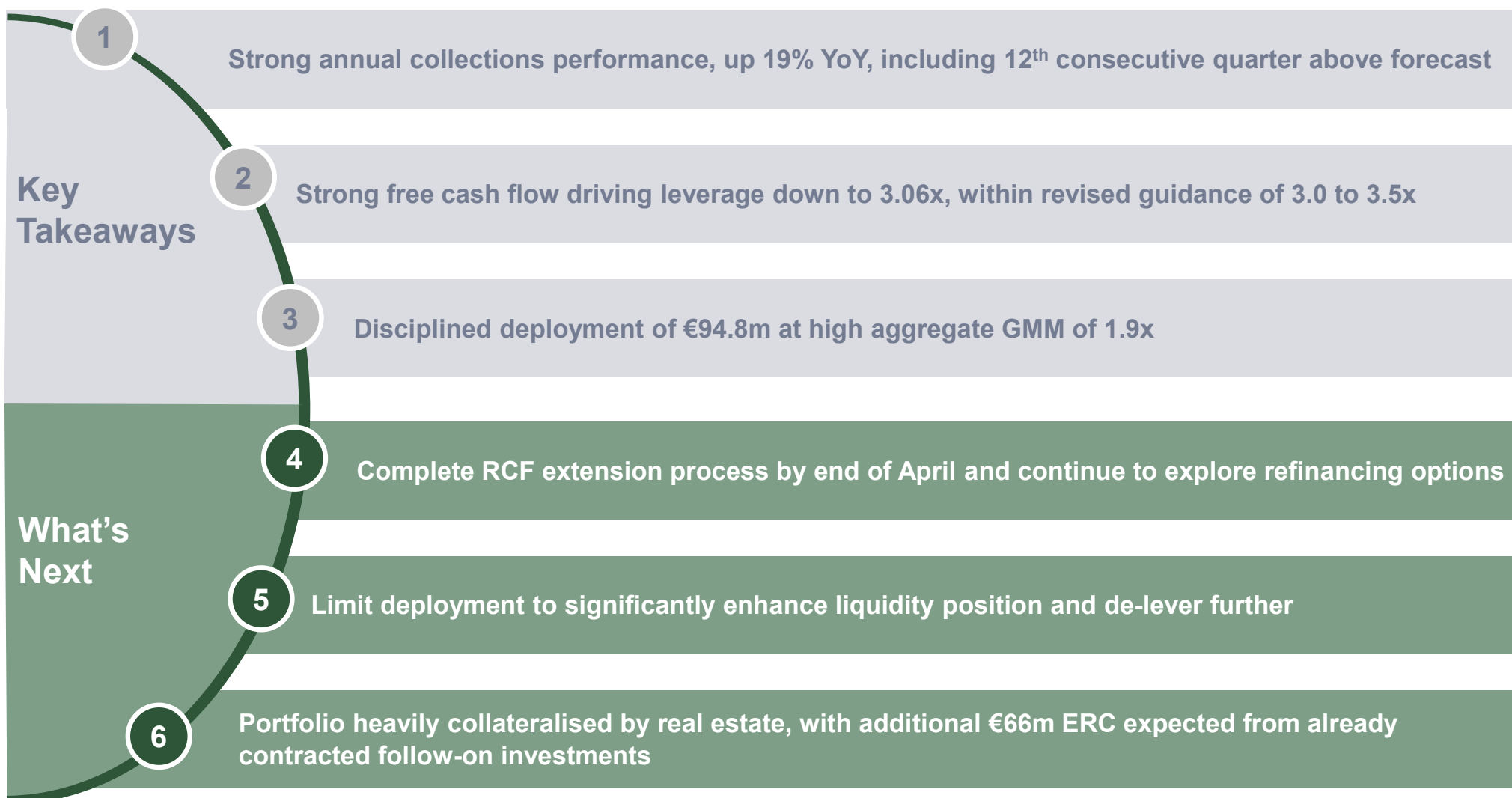
### BY ASSET TYPE



### BY SECURITY



# Strategic Outlook



Q&A



# Q&A

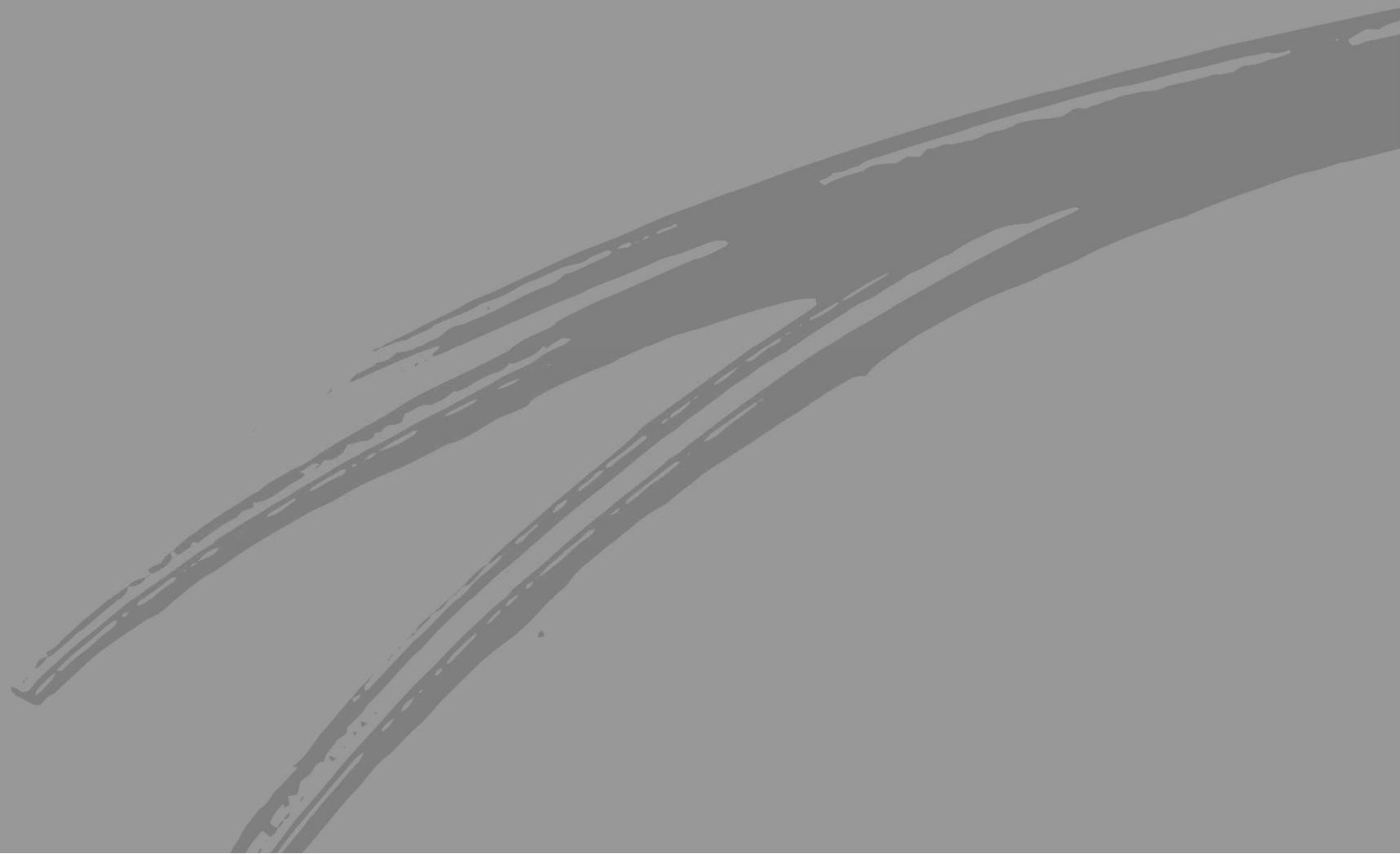
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## Any questions?

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# Appendix



# Profit & Loss Statement

€m	FY 2022	FY 2021	% Change
Interest Income	€49.83	€57.85	-14%
Servicing Income	€5.06	€4.13	23%
Fair Value Investments gains	€22.84	€0.00	100%
<b>Total revenue</b>	<b>€77.73</b>	<b>€61.98</b>	<b>25%</b>
Collections Activity Costs	(€16.98)	(€17.99)	-6%
Overheads	(€18.39)	(€14.01)	31%
Impairment (losses)/gains	(€3.79)	€0.15	-2609%
Net foreign currency (loss)/gain	(€1.74)	(€0.34)	421%
<b>Total Operating expenses</b>	<b>(€40.90)</b>	<b>(€32.18)</b>	<b>27%</b>
Net Finance costs	(€24.81)	(€22.11)	12%
Other gain/(losses)	€12.34	€7.73	60%
<b>PBT</b>	<b>€24.37</b>	<b>€15.42</b>	<b>58%</b>
Tax credit/(expenses)	€0.23	(€0.17)	-236%
<b>Comprehensive income for the period</b>	<b>€24.59</b>	<b>€15.25</b>	<b>61%</b>

- Interest Income reduction compensated by revaluation gains due to increasing % of Direct Real Estate investments, offering diversification in profit generation
- Asset light revenue up 23% YoY to €5.1m in 2022 as a result of 23% growth in asset under management
- Collection Activity Costs is down 6% driven by Direct Real Estate's lower cost to collect





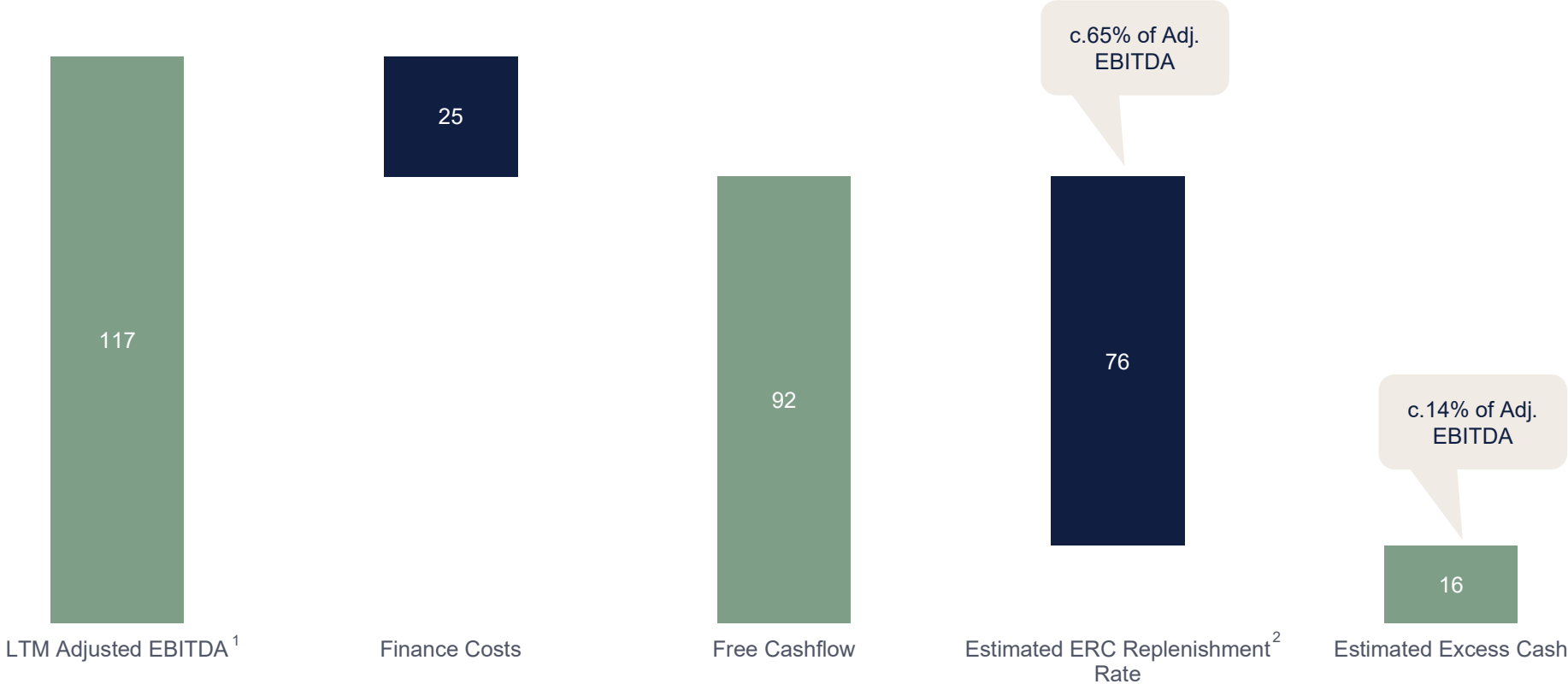
# Adjusted EBITDA reconciliations

	12m 2022	12m 2021	Variance	Variance
	€m	€m	€m	%
Profit before tax	24.4	15.4	8.9	37%
Finance costs	24.8	22.1	2.7	11%
Share of profit in associate and joint ventures	-12.3	-7.7	-4.6	37%
Net foreign currency movements	1.7	0.3	1.4	81%
Impairment losses/(gains)	3.8	-0.2	3.9	104%
Portfolio disposals	19.8	6.5	13.4	67%
Collections from portfolios	130.4	122.6	7.8	6%
Revenue	-77.7	-62.0	-15.8	20%
Other income	5.1	3.9	1.2	24%
Cash collected on behalf of secured loan noteholders	-3.1	-1.8	-1.3	42%
<b>Adjusted EBITDA</b>	<b>116.8</b>	<b>99.1</b>	<b>17.7</b>	<b>15%</b>



# Excess Cash Flow Generation

EXCESS CASH FLOW GENERATION WATERFALL (€M)



1. As at 31 December 2022  
2. Calculated in page 26



# Estimated ERC replenishment rate calculation

## ERC REPLENISHMENT RATE CALCULATION (€M)

<b>Gross Attributable Collections (excluding sales of subsidiaries) for 2022<sup>1</sup></b>	145	a
<b>Estimated money multiple for new deployments<sup>2</sup></b>	1.9x	b
<b>Estimated 84MTH ERC Replenishment Rate<sup>3</sup></b>	76	a / b

In line with:

- Original underwriting, despite conservative revaluations

## FOOTNOTES AND DEFINITIONS

- 1) Gross 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 Gross 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 Gross 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 €95m.



# 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)

<b>12m 2022 Gross Attributable Collections</b>	<b>156,895</b>	Used to calculate ERC
Gross up for portfolios with co-investors <sup>1</sup>	- 3,125	
Remove costs deducted at source <sup>2</sup>	- 3,569	
Remove proceeds from assets sale	- 19,813	
<b>12m 2022 Core Collections</b>	<b>130,388</b>	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 total operating expenses to core collections
- **“Collection Activity cost ratio”** represent the ratio of collection activity costs 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 31 December 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 assets<sup>1</sup>
- **“Credit Opportunities”** represents Veld Credit Opportunities III, IV and any future Veld Credit funds

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

