AFE S.A. SICAV-RAIF

Presentation of the consolidated financial results of AFE S.A. SICAV-RAIF for period ended 31 March 2023

30 May 2023

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INFORMATION: For further information about Veld please visit our website at www.veldcap.com or contact Mike McEwen, Veld Capital Limited, One Stephen Street, London, W1T 1AL, telephone + 44 20 7070 5258.

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Today’s Presenters

Justin Sulger – Managing Partner
Veld Capital

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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Agenda

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Overview

Justin Sulger

Overview

COLLECTION PERFORMANCE ABOVE TARGET	▪ 13th consecutive quarter of collections outperformance to forecast ▪ Q1 23 Gross Attributable Collections of €16.1m – 9% above forecast of €14.8m
DEPLOYMENT LIMITED IN NEAR TERM	▪ Continued to limit deployment to enhance liquidity and decrease leverage, with €4.6m follow-on capital into pre-existing investments ▪ ERC of €539m, 0.8% lower than Q1 22, with further embedded ERC growth of €63m from already contracted follow-on investments
LEVERAGE WITHIN TARGET	▪ 3.3x LTM Adjusted EBITDA leverage, down from 3.55x year-on-year, and in line with revised long-term guidance of 3.0x to 3.5x ▪ LTV of 68.5% as at Q1 23
ACTIVE LIABILITY MANAGEMENT	▪ RCF maturity extended to 31 December 2023, reducing to €60m from July 2023 ▪ Actively evaluating public and private refinancing alternatives, with sustainable leverage in line with long term target, strong interest coverage and increasingly compelling investment environment

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Key Financial Highlights

Eric Verret

Q1 2023 Key Financial Highlights

GROSS ATTRIBUTABLE COLLECTIONS	REVENUE	ADJ. EBITDA
€16.1m	**€16.9m**	**€111.3m**
-15.3% vs 3M to Q1 2022	+21.0% vs 3M to Q1 2022 [1]	+11.2% vs LTM to Q1 2022

DEPLOYMENT [2]	84-MONTH ERC	NET DEBT
€4.6m	**€538.8m**	**€369.3m**
-56.3% vs 3M to Q1 2022	-0.8% vs Q1 2022	+3.8% vs 3M to Q1 2022

1. YTD Include revaluation gain on Direct Real Estate investments
2. Includes follow-on investments

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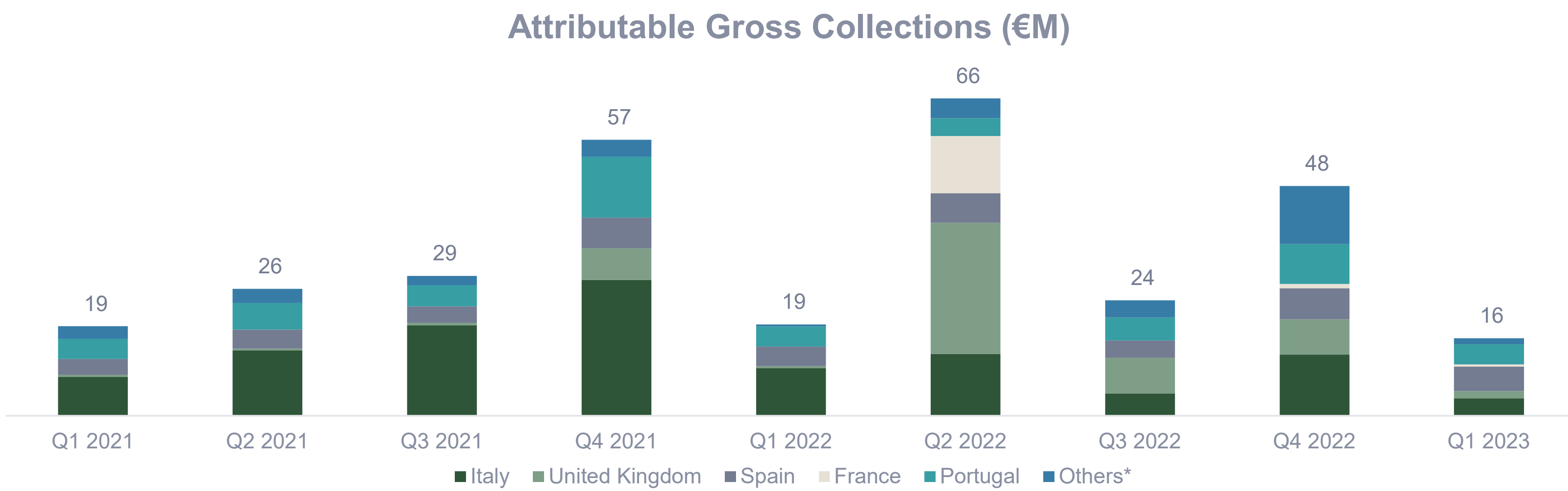
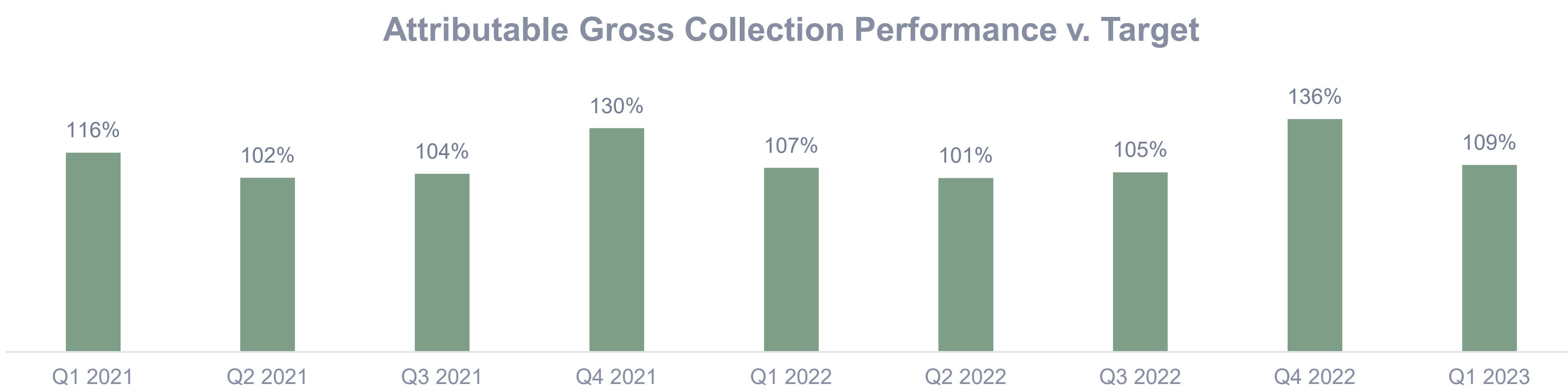
Continued strong collections outperformance

Delivering 13 straight quarters of outperformance since brief post-Covid slowdown





*Q4 2022 including €12M of Phoenix Asset Management subsidiary sale in Q4 22

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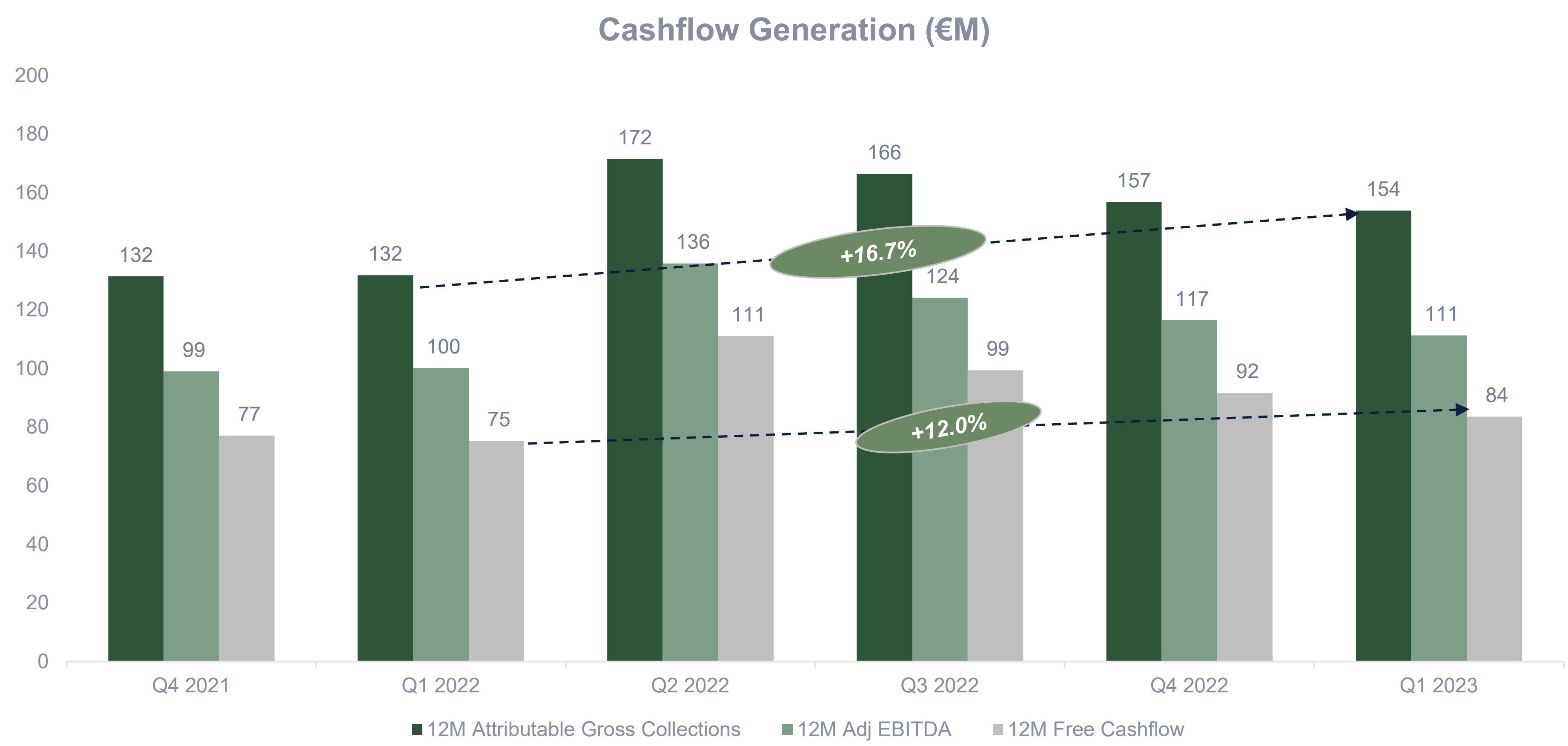
Strong collections driving free cashflow

Low fixed costs supporting consistently high LTM adjusted EBITDA and free cashflow



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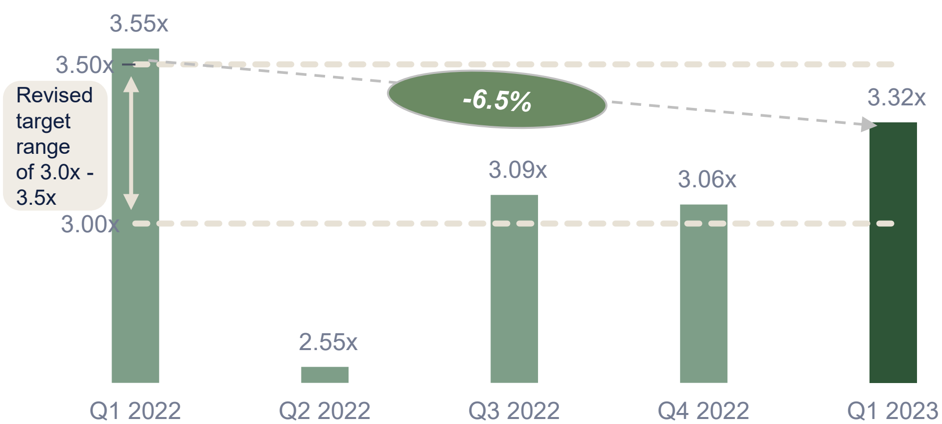
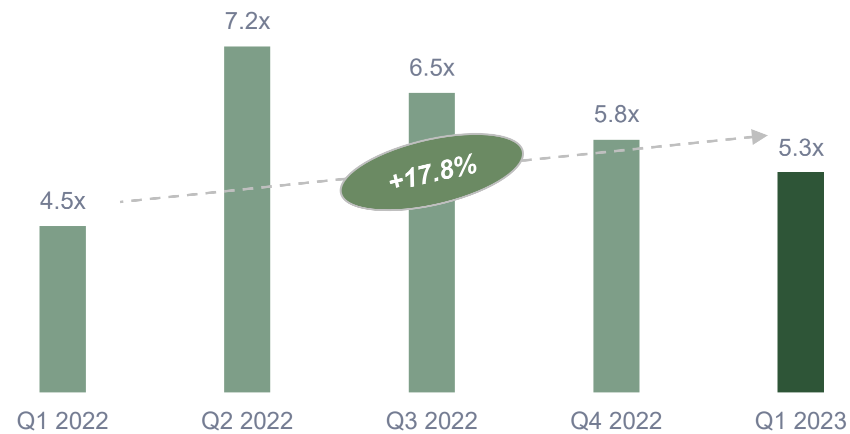
Leverage already in line with sustainable long term guidance

Now 3.3x versus 3.7x LTM Adjusted EBITDA at inception, with continued strong interest coverage

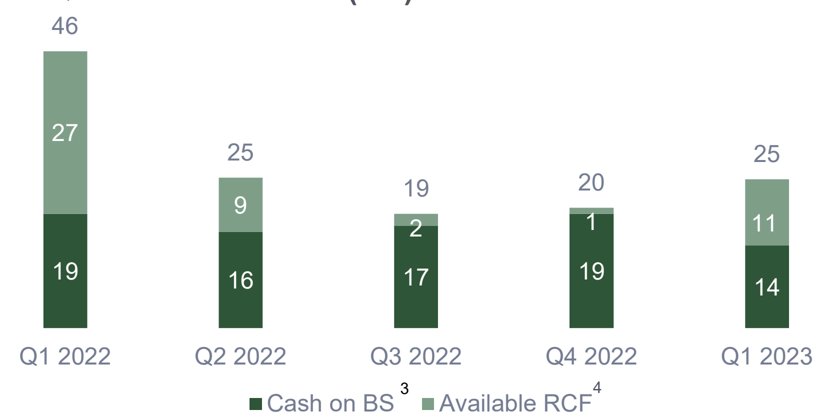
LEVERAGE WITHIN REVISED TARGET [1]



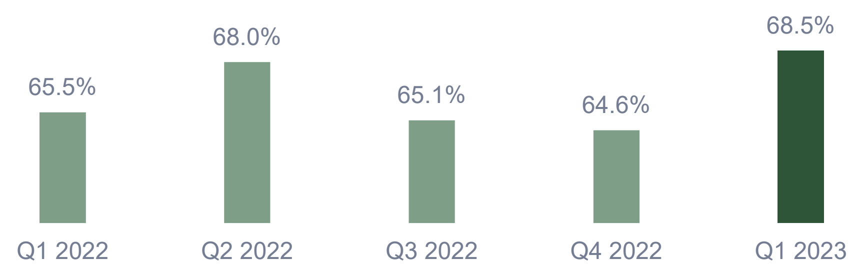
STRONG INTEREST COVERAGE [2]



LIQUIDITY POSITION (€m) [3]



STABLE 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

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Positioning for a successful near term refinancing

Supported by sustained track record of consistently strong free cashflow and stable leverage

RCF EXTENSION	▪ RCF maturity successfully extended to YE 2023 ▪ RCF will step down to €60m from July 2023 as previously anticipated and better aligned with overall capital structure
LIQUIDITY	▪ Temporary reduction in deployment, limited to committed follow-on investments delivering embedded ERC growth ▪ Enhancing liquidity position and reducing financial leverage overall
ACTIVE ASSET MANAGEMENT	▪ Active approach aimed at accelerating cashflow across portfolio where optimal ▪ Enhanced value, with increased lease-up and income generation across real estate portfolio
REFINANCING	▪ Exploring public and private refinancing options to address 2024 bond maturity in near term ▪ Banks actively engaged on varied alternatives, subject to dynamic market conditions

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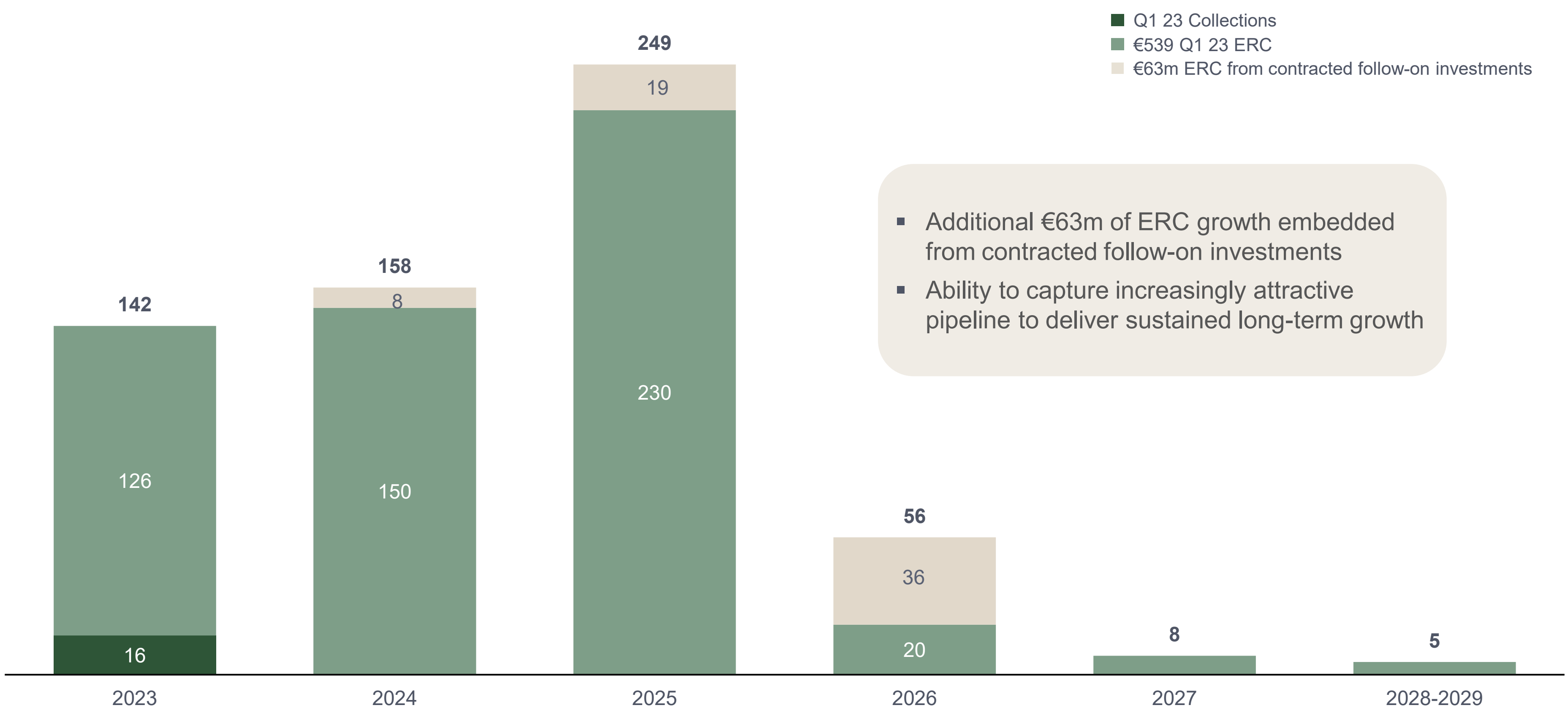
Portfolio Review

Tim Ayerbe

Embedded ERC growth

High visibility to rising free cash flow, with embedded growth plus increasingly attractive pipeline

ERC CURVE (€m)



- Additional €63m of ERC growth embedded from contracted follow-on investments
- Ability to capture increasingly attractive pipeline to deliver sustained long-term growth

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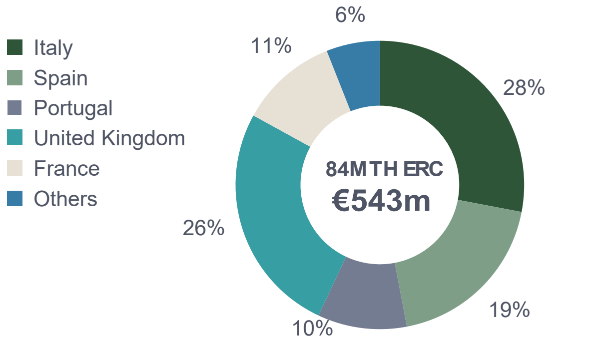
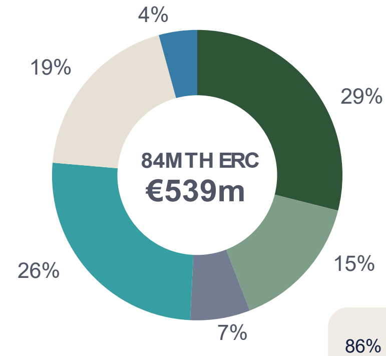
Highly diversified and predominantly secured ERC

ERC remains underpinned by strong, over-collateralised portfolio

Q1 2022 | **Q1 2023** | **Commentary**

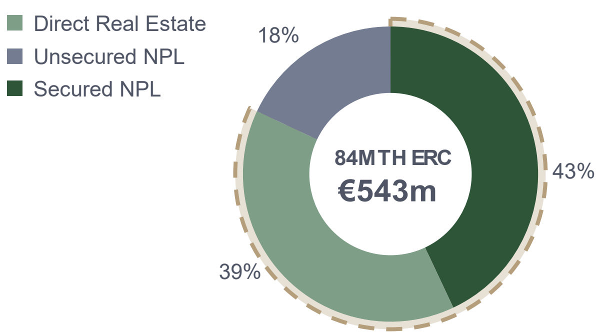
Country Composition

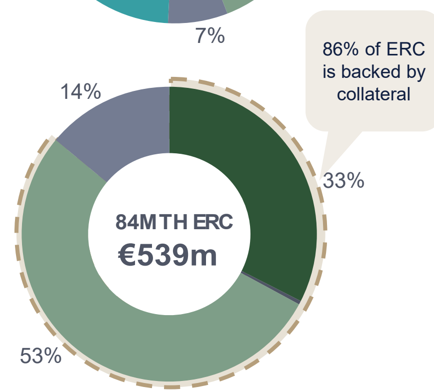




- Good diversification across countries
- Continued reduction in Southern European exposure, offset by growth in the UK and France

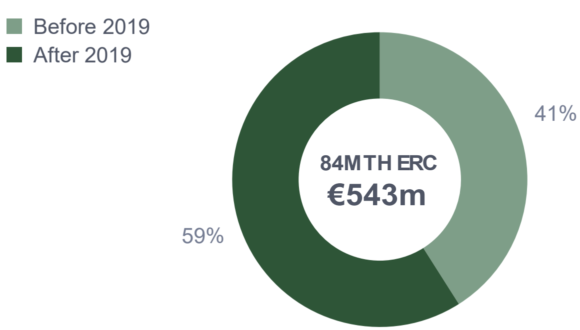
Asset Composition

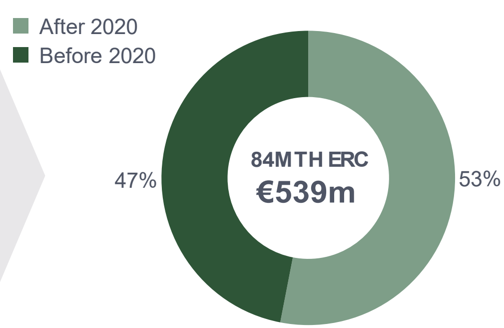




- Primarily secured assets with high embedded cash flow
- Growth in targeted Direct Real Estate opportunities

Vintage Composition





- 47% of portfolio representing pre-2020 vintages
- High visibility on collections from a seasoned portfolio

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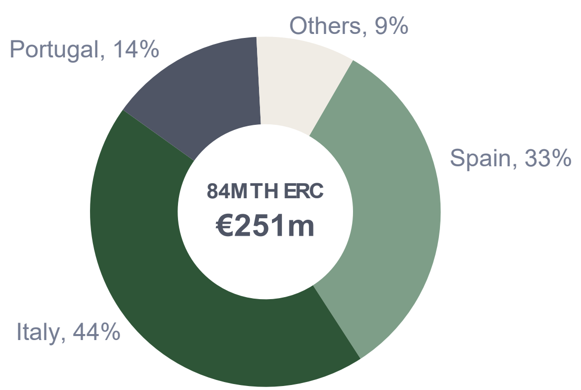
Highly seasoned, cash generative NPL portfolio

Continually to deliver strong cashflow underpinned by significant over-collateralisation

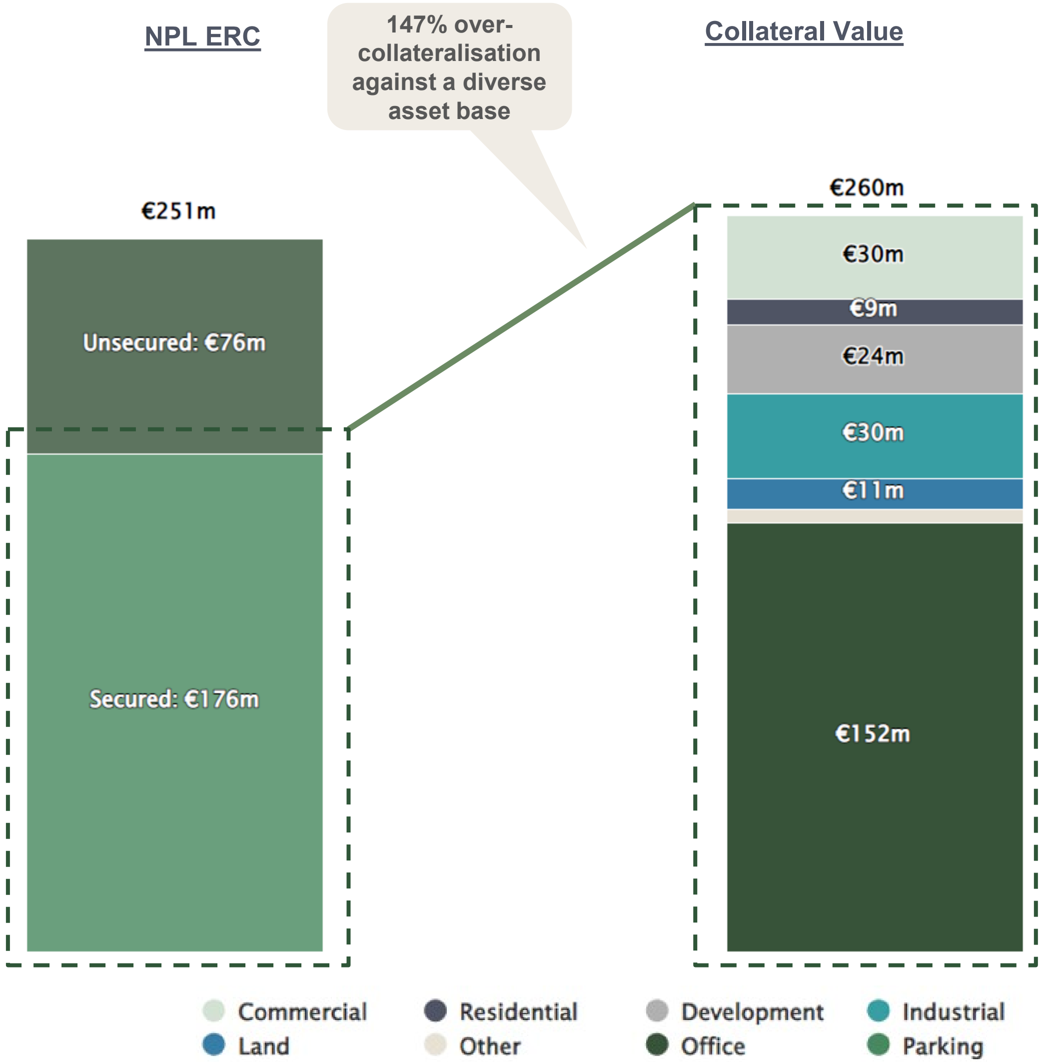
NPL Snapshot (as at 31 March 2023)

ERC	€251m (47% ERC)
Secured ERC	€176m
Outstanding Balance	€4,086m
No of Borrowers	~90,000
No of Loans	~124,000
Average Balance	~€30,000
Collateral Value	+€260m
Number of Collateral	~6,600

Country Composition



NPL ERC Portfolio vs Collateral Value



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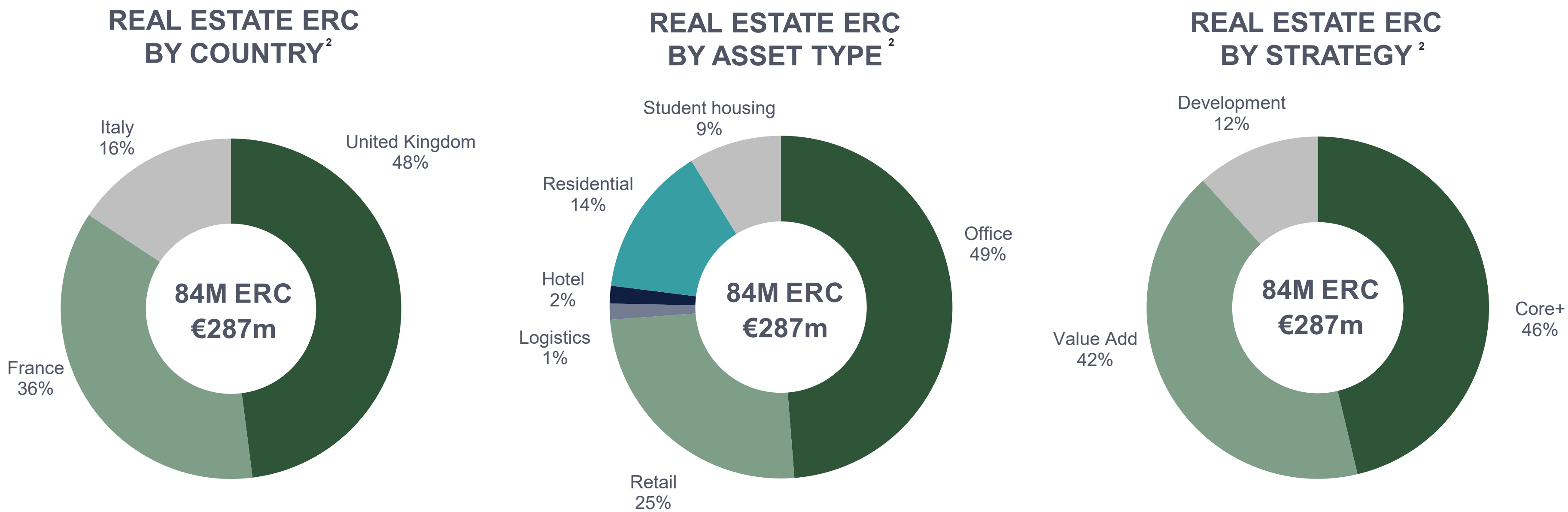
Diversified portfolio of high quality real estate

Mix of targeted properties acquired at significant discounts to market value from distressed sellers



Direct Real Estate investments represent **53% of total ERC at an attractive average GMM of 2.0x**[1]:

- Targeted **'winning assets' from distressed sellers** in top tier locations
- Predominantly **income-generating** asset types
- Continually **de-risking through active asset management** driving increased income generation and value creation
- Ability to hold assets for longer and deliver **additional cashflow** in outer years

1. Weighted by ERC
2. Data as at 31 March 2023

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Well balanced geographic diversification across core markets

Sustained performance despite increasing economic headwinds across Europe

	Italy	United Kingdom	Spain	France
ERC %	**29%**	**26%**	**15%**	**19%**
Key Market Updates	▪ Collection performance remains strong despite economic headwinds ▪ Residential sales remain resilient despite higher borrowing costs	▪ Office market continuing to recover with leasing volume in central London up 7% ▪ Regional prime headline rents continue to increase	▪ Resilient property market, despite credit restrictions and inflation pressures ▪ Courts operating with some backlogs however no significant impact on collections	▪ Office take-up below historical averages but rents in supply constrained locations increasing
Key Performance Drivers	▪ Acceleration of cash in court and amicable solutions ▪ Tailored loan sales an efficient tool for cash acceleration ▪ Focus on optimising sales velocity without impacting prices	▪ Tight controls on rent collection processes ▪ Proactive lease re-gearing ▪ Creating plug-and-play, ready to occupy units (Cat A+), to capture demand and rental premia	▪ Active marketing of REO stock ▪ Campaigns to accelerate repossession timings ▪ Loan and mini portfolio sales of less liquid residential assets	▪ Tight controls on rent collection processes ▪ Proactive engagement with tenants to regear leases ▪ Disciplined, value-added capex programs with tight controls over budgets
Outlook	▪ Selective sub-portfolio sales to benefit from scarce trading activity on primary market ▪ Signs rising capex costs are starting to ease in 2023	▪ Leasing activity to continue improving over course of 2023 ▪ Proactive asset management to capture demand and unlock rental premia	▪ Continue proactive, forensic management of legal cases to mitigate backlog impact ▪ Targeted loan sales and REO campaigns to accelerate collections	▪ Leasing activity expected to improve this year, with prime buildings in good locations expected to capture most demand

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Strategic Outlook

Justin Sulger

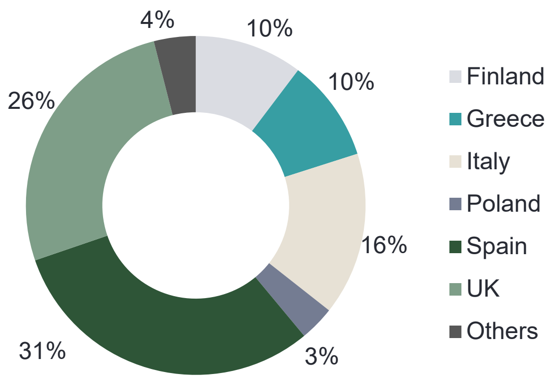
Increasingly compelling investment environment

Growing pipeline of attractive opportunities after protracted period of historically low rates

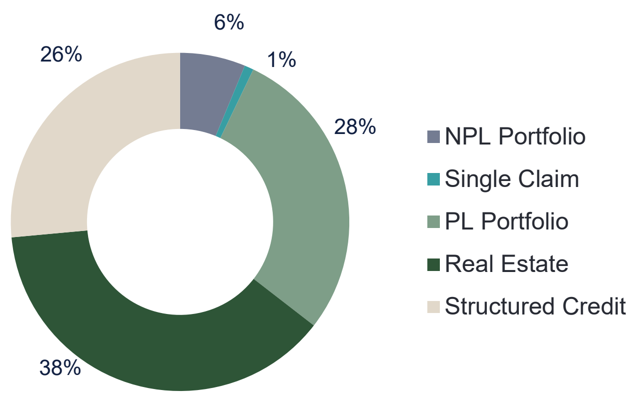
- ~€2bn of executable pipeline offering further diversification across well known countries and asset types
- Targeting predominantly real estate secured opportunities from increasingly motivated sellers in the face of more limited risk appetite from banks and investors
- Significant uptick in NPL pipeline from both primary and secondary sellers, with banks looking to address legacy volumes before inevitable new NPL formation
- Improved competitive dynamics with less ‘asset chasing’ and ability to capture better risk-adjusted returns

CURRENT PIPELINE

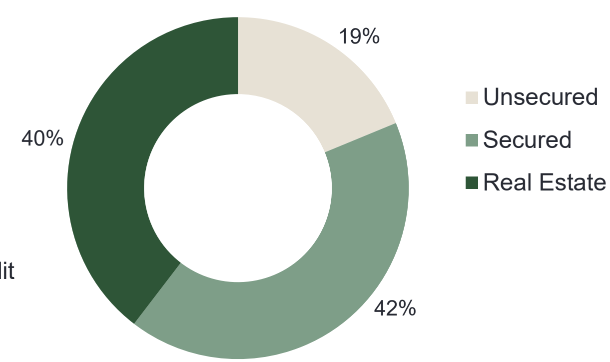
BY COUNTRY



BY ASSET TYPE



BY SECURITY



Pipeline data as at May 23

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Strategic Outlook

Key Takeaways

1. Continued strong collections performance, with 13th consecutive quarters above forecast
2. Strong free cash flow delivering high interest coverage and stable, sustainable leverage of 3.3x – already in line with long term guidance and lower than at inception in 2017
3. Stable ERC of €539m, with additional €63m ERC growth embedded from already contracted follow-on investments

What's Next

4. Continuing to limit deployment near term to enhance liquidity position
5. Bring RCF down to €60m as previously anticipated and more in line with overall capital structure
6. Actively evaluating public and private refinancing alternatives, targeting a near term solution to enable the business to capitalise on the most compelling investment environment in over a decade

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Q&A

Q&A

Any questions?

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Appendix

Profit & Loss Statement

€m	3M to Q1 2023	3M to Q1 2022	% Change
Interest Income	€11.22	€12.82	-12%
Servicing Income	€1.24	€1.13	9%
Fair Value Investments gains	€4.41	€0.00	100%
Total revenue	€16.88	€13.95	21%
Collections Activity Costs	(€5.65)	(€3.41)	66%
Overheads	(€5.21)	(€3.92)	33%
Impairment (losses)/gains	€0.00	€0.00	0%
Net foreign currency (loss)/gain	€1.06	(€0.11)	-1105%
Total Operating expenses	(€9.80)	(€7.43)	32%
Net Finance costs	(€8.70)	(€5.77)	51%
Other gain/(losses)	€0.00	€0.32	-100%
PBT	**(€1.63)**	**€1.07**	**-252%**
Tax credit/(expenses)	(€0.04)	(€0.05)	-25%
Comprehensive income for the period	**(€1.67)**	**€1.02**	**-263%**

- Interest Income reduction compensated by revaluation gains due to increasing % of Direct Real Estate investments, offering diversification in profit generation
- Asset light revenue up 9% YoY to €1.2m in Q1 23 as a result of 30% YoY growth in asset under management

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Adjusted EBITDA reconciliations

	3M to Q1 2023	3M to Q1 2022	Variance	Variance
	€m	€m	€m	%
Profit before tax	-1.6	1.1	-2.7	166%
Finance costs	8.7	5.8	2.9	34%
Share of profit in associate and joint ventures	0.0	-0.3	0.3	0%
Net foreign currency movements	-1.1	0.1	-1.2	110%
Impairment losses/(gains)	0.0	0.0	0.0	0%
Portfolio disposals	0.0	0.0	0.0	0%
Collections from portfolios	16.1	18.3	-2.2	-14%
Revenue	-16.9	-14.0	-2.9	17%
Other income	1.2	1.1	0.1	10%
Cash collected on behalf of secured loan noteholders	-0.2	-0.4	0.2	-83%
Adjusted EBITDA	**6.2**	**11.7**	**-5.5**	**-88%**

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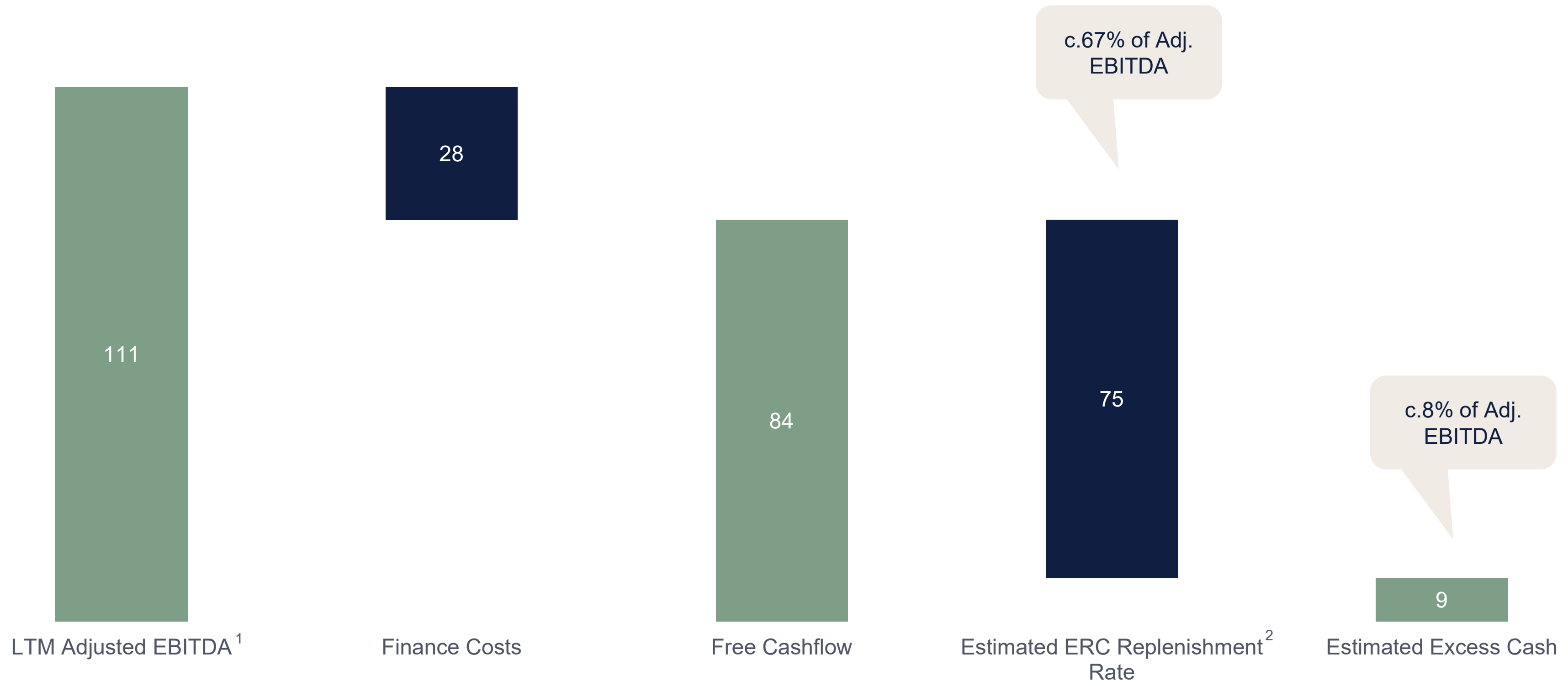
Excess Cash Flow Generation

EXCESS CASH FLOW GENERATION WATERFALL (€M)



1. As at 31 March 2023
2. Calculated in page 26

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Estimated ERC replenishment rate calculation

ERC REPLENISHMENT RATE CALCULATION (€M)

12M Gross Attributable Collections (excluding sales of subsidiaries) to Q1 2023[1]	142	a
Estimated money multiple for new deployments[2]	1.9x	b
Estimated 84MTH ERC Replenishment Rate[3]	75	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, excluding subsidiary's disposals included in Gross Attributable Collections during the period. 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.

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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 (€m)			
3M to Q1 2023 Gross Attributable Collections		**16.1**	Used to calculate ERC
Gross up for portfolios with co-investors[1]		0.2	
Remove costs deducted at source[2]	-	0.2	
Remove proceeds from assets sale		-	
3M to Q1 2023 Core Collections		**16**	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

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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.
- **"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 March 2023
- **"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[1]
- **"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

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