Investor presentation
H1 2020 Results

August 27, 2020

iQera
Créer la différence

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Key highlights of H1 2020 results

Resilient financial performance despite challenging economic backdrop

- Resilient Debt Purchasing business with c.1% decline in Q2 y-o-y driven by a solid backbook performance notably on 2019 vintage. This partly offset the impact of lockdown measures in France and Italy, which forced collection teams to operate at reduced capacity (now back to normal) and resulted in the closing of courts (now progressively re-opening).
- Lower servicing revenues in Q2 (22% decline y-o-y) due to some clients shutting down their operations during the Covid-19 pandemic (most of them have now re-opened).
- Proactive cost cutting measures taken during the quarter (-7% y-o-y) in response to lower short-term revenues.

Normalisation already under way with continued growth and activity at pre-crisis level

- As of June 30, 2020, LTM figures[(1)] still represent solid growth and robust profitability versus LY with a 14% growth in cash revenues and 19% increase in Attributable Cash EBITDA.
- After a sudden stop in March, our activities experienced a significant pick up since mid-May with June/July levels returning to pre crisis levels. The rebound was particularly strong on the Debt Purchasing side with June 2020 revenues up 22% versus June 2019.
- An extensive review of our loan portfolio showed that Covid-19 had no significant impact on our ERC.

Renewed caution and opportunism in a disrupted market

- While acquisitions were limited to €2m in Q2 (compared to €21m in Q1), we acquired a secured SME and Mortgage portfolio with a total Gross Book Value in excess of €500m at the beginning of Q3, expanding our position in an area we know well.
- In the Debt Servicing business, we delivered significant additional revenues in Q2 2020 from the new large contract that we started onboarding in a leading bank in Italy during Q1 2020, despite Q2 collections made harder on that contract in the current environment.
- We expect the demand for Servicing to significantly increase in the next few quarters and portfolio sales to accelerate over the course of 2021.

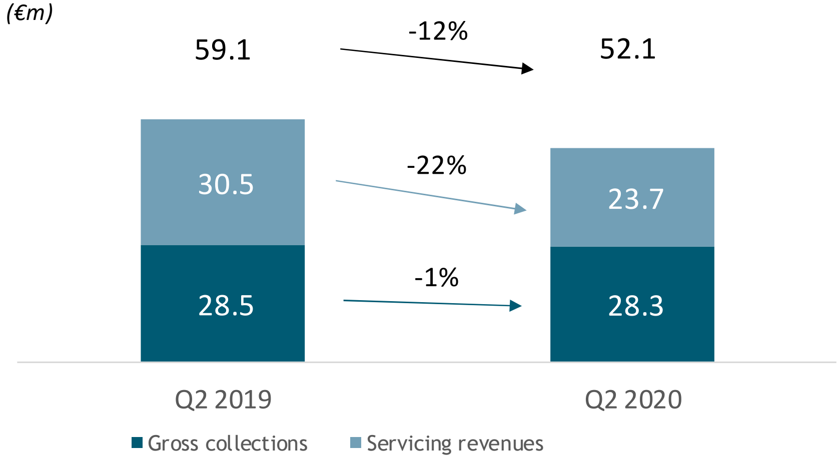
Increased liquidity and stable leverage levels remaining within guidance

- Our leverage ratio on Attributable Cash EBITDA was at 3.4x[(2)] as of June 30, 2020, unchanged vs. the previous quarter and within guidance of 2.5 – 3.5x.
- Having drawn our RCF in full, we have a strong liquidity position at the end of the quarter, with available cash of €99m.
- In addition to that, we have drawn a Government Guaranteed Loan (GGL) of €32m in July, giving us additional headroom to finance our portfolio acquisitions going forward.

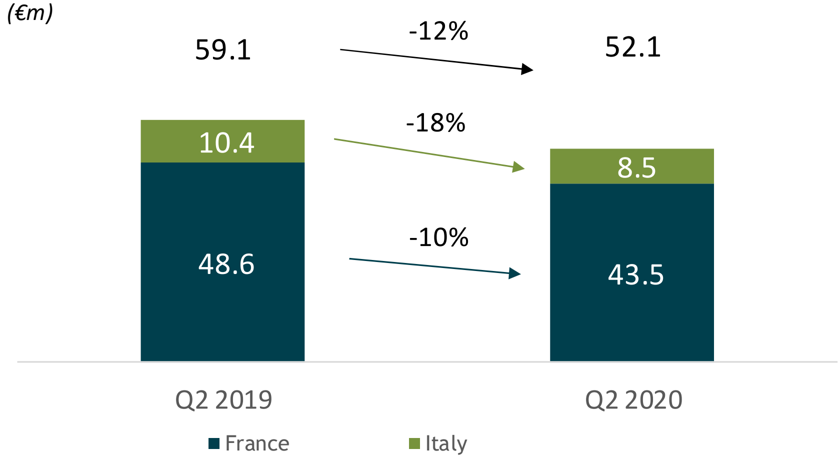
(1) H1 2019 as well as LTM figures as of June 30, 2019 are pro-forma including Sistemia
(2) Ratio calculation includes full-year effect savings to be generated from 2021 from our new optimization initiatives announced in Q1 2020, from which synergies already materialized have been restated

Covid-19 slowdown impact on Q2 revenues was significant in all our jurisdictions and business lines

Q2 Cash revenues by business[1]



Q2 Cash revenues by country[1]



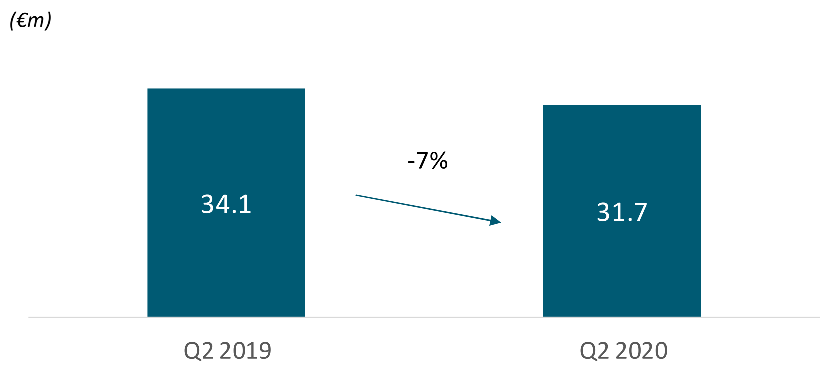
KEY HIGHLIGHTS

- Lockdown started in France on March 17th, one week after Italy, and therefore fully impacted our activity in Q2.
- With many customers having interrupted their activities when lockdown was enforced, Debt Servicing revenues in Q2 were strongly impacted and landed 22% below Q2 2019 servicing revenues and 12% below Q1 2020.
- Limited 1% decrease in Q2 collections, supported by a strong contribution of our 2019 vintage following the high level of acquisitions in that year.
- Overall, our revenues decreased by 12% in Q2 2020 compared to Q2 2019.
- In terms of geographic mix, France saw a moderate decline in revenues (-10%) vs. Italy (-18%) as the latter is exclusively focused on debt servicing activities

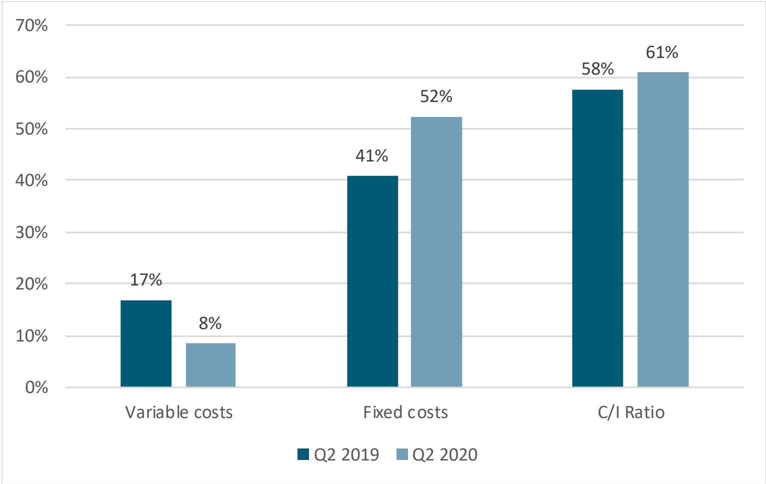
(1) Q2 2019 figures are pro forma including Sistemia

Covid-19 impact on Q2 2020 P&L was however contained by immediate, proactive cost-reduction measures

Q2 costs[(1)]



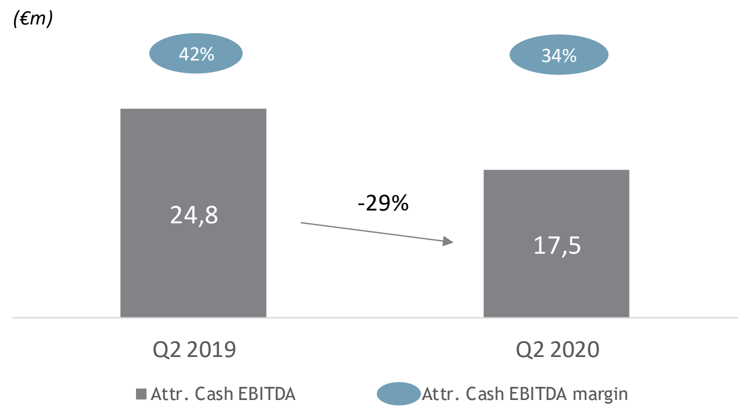
Cost income ratio evolution [(1)]



KEY HIGHLIGHTS

- A full set of cost-reduction measures was immediately implemented to offset the impact of revenues decrease on Cash EBITDA Margin.
- As a consequence, variable costs decreased faster than our revenues, and fixed costs were contained in absolute terms vs 2019 despite the growth of our business over the period.
- These decisive actions on costs enabled our C/I ratio to remain nearly stable y-o-y in spite of a sharp and sudden revenue drop and to offset part of the Covid-19 negative impact on our P&L. However, attributable Cash EBITDA still decreased by 29% in Q2 2020 compared to the same period last year.

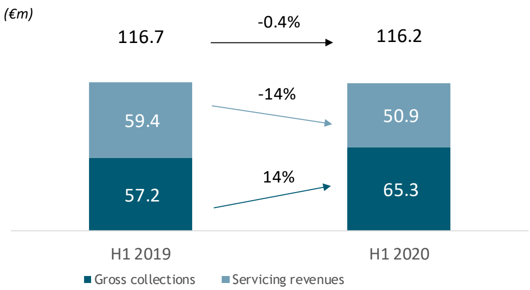
Q2 Attr. Cash EBITDA[(1)] & Margin



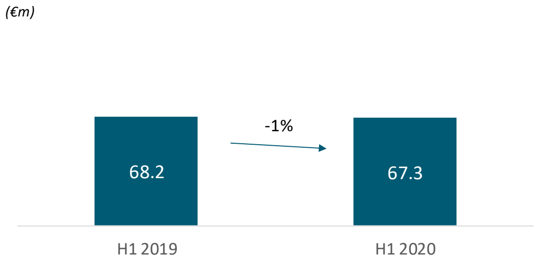
(1) Q2 2019 figures are pro forma including Sistemia

H1 2020 performance is stable vs H1 2019, and LTM figures continue to show a solid growth of our business and profitability

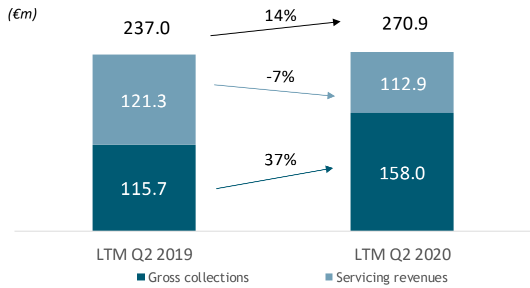
H1 Cash revenues[1]



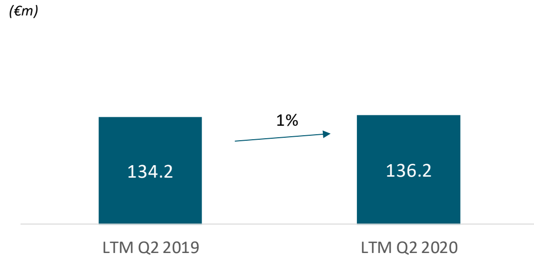
H1 costs[1]



LTM Cash revenues[1]



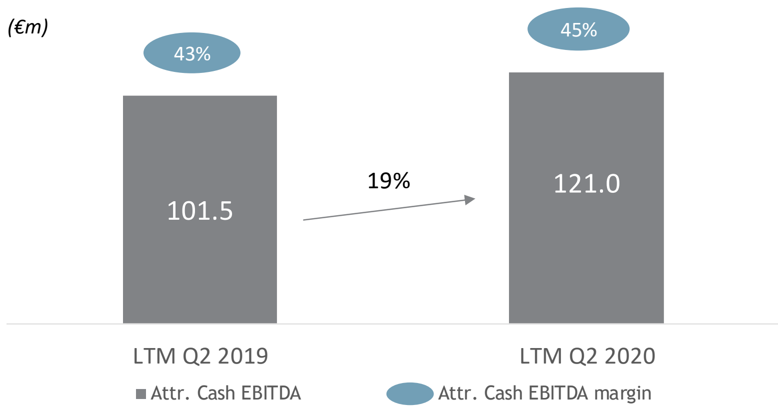
LTM costs[1]



KEY HIGHLIGHTS

- Debt Servicing revenues decreased by 14% over H1 and 7% on an LTM basis, most of the impact being Covid-19 related given the 22% y-o-y decrease during Q2 2020.
- Collections increased by 14% over H1 and by 37% on an LTM basis, with performance being solid across the whole book (H2 2019 acquisitions as well as earlier vintages).
- Good level of costs control mainly due to synergies realized last year giving full effect this year and additional efforts to cope with Covid-19 effects. We have continued to invest to accompany business growth, with selected hires and IT investments.
- On an LTM basis, Attributable Cash EBITDA margin[2] increased by 2 p.p from 43% to 45% in spite of significant reimbursement of co-investors debt during the past three quarters.

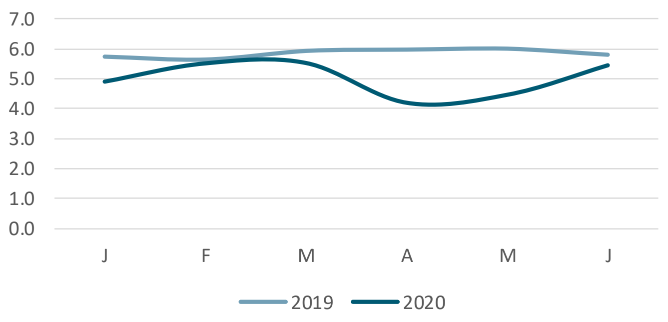
LTM Attr. Cash EBITDA[1] & Margin



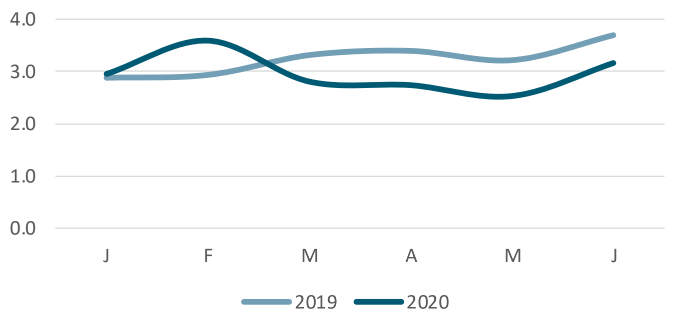
(1) Figures are pro forma including DSO, Serfin and Sistemia for both 2018 et 2019
(2) As a reminder, in 2019, we partly financed our biggest portfolio acquisition with specific non-recourse financing. Since related collections will be mainly dedicated to co-investors debt reimbursement, this will temporarily lead to a greater gap between Cash EBITDA and Attributable Cash EBITDA.

Rebound is now well underway : Servicing activities

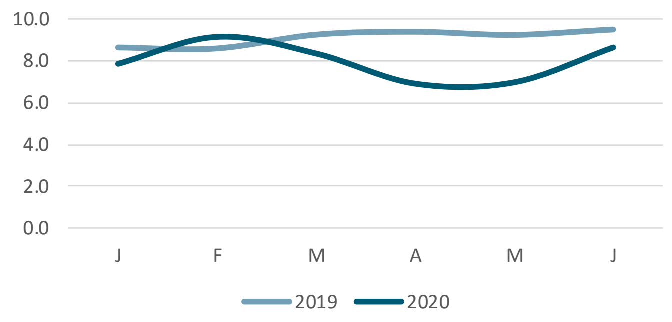
(m€) **Servicing revenues France(1)**



(m€) **Servicing Revenues Italy(1)**



(m€) **Servicing revenues Group(1)**

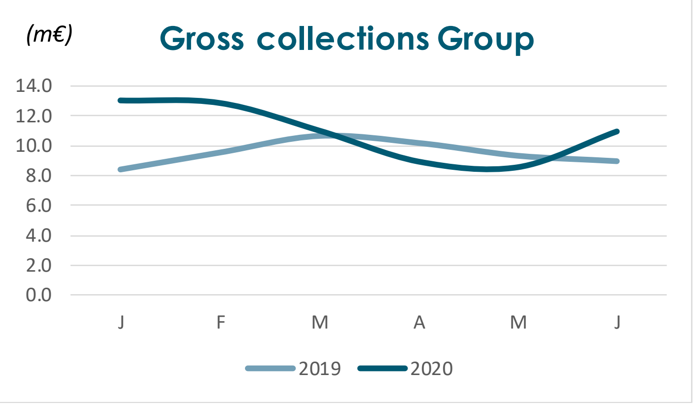


KEY HIGHLIGHTS

- Our servicing activities were the first ones to stop with lockdowns. Strong focus of client base on managing payments in a responsible manner, both in France and Italy, resulting in a decrease in servicing volumes. Then, depending on each client, the activity started to pick up gradually as the situation started to improve.
- In France, impact on recurring contracts during the quarter differed across the industry sectors of our clients, public sector and insurance being the most impacted, while telecom had a good performance.
- In Italy, revenues slowed down in both Serfin and Sistemia but impacts were partially offset by the revenues of the large new contract with a leading bank we have onboarded in Q1 2020 and which started delivering significant results.
- Overall, while the quarter shows a 22% y-o-y decline, April stood at -26% to finish in June at -9% when excluding run-off contract.
- Looking into the start of Q3 2020, we see that all sectors are now back to levels of activity similar to pre-crisis in France. Italy's rebound is also noticeable albeit slower.
- We expect the demand for Servicing to significantly increase in the next few quarters.

(1) H1 2019 figures are pro forma including Sistemia. Both H1 2019 & 2020 Servicing revenues are excluding run off contract

Rebound is now well underway : Debt purchasing activities

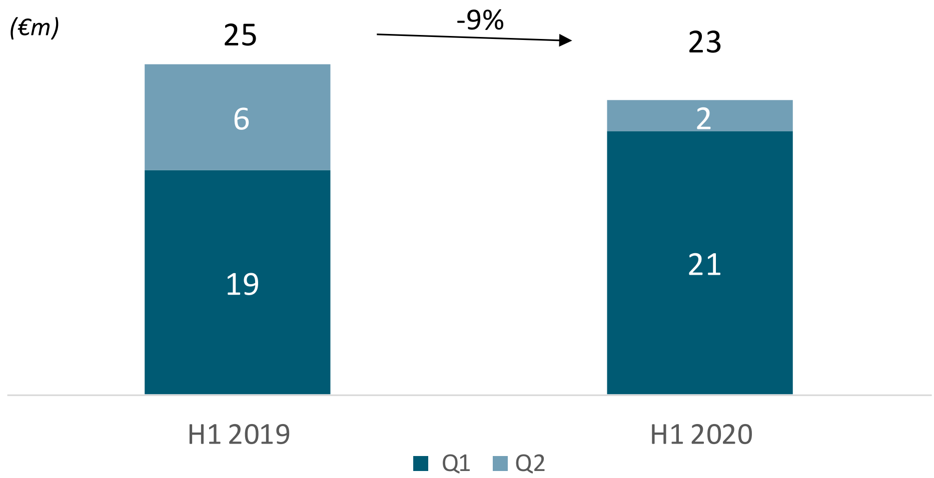


KEY HIGHLIGHTS

- Debt purchasing was slower to dip than Servicing. Low point was reached in May, after two months of full lockdown in France – leading iQera collections teams to operate at reduced capacity (now back to normal) given the closure of French courts.
- However, we have seen a sharp pick up at the end of the quarter, June finishing up 22% versus last year (+29% in Q1 2020 y-o-y).
- Courts are reopening in France and court decisions can now be executed again, though at a lower pace.
- The month of July confirmed this rebound, collections being even higher than those in June.

Portfolio acquisitions : discipline and opportunism

H1 portfolio acquisitions



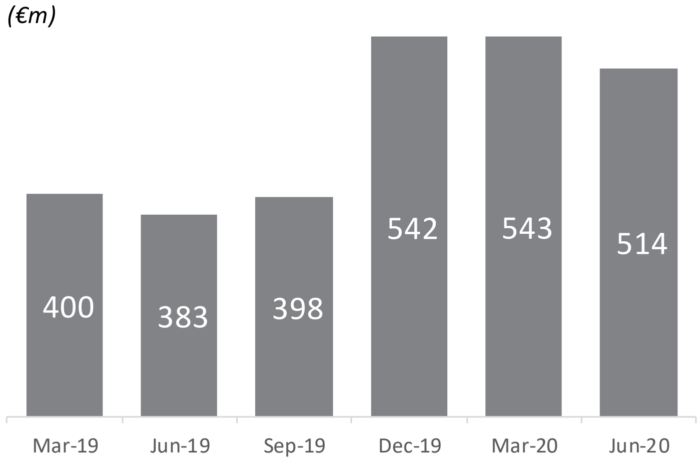
KEY HIGHLIGHTS

- Q2 acquisitions were very limited (€2m investment) as we tightened our underwriting policy in a disrupted environment. As a consequence, our acquisitions decreased by 9% in H1 2020 vs H1 2019 at €23m.
- However, we have acquired a secured SME and Mortgage portfolio with a total Gross Book Value in excess of €500m at the beginning of Q3. This acquisition came from a recurring seller to us, on our core expertise. It is lodged in an ad-hoc SPV, and has been partly financed through non-recourse debt. The c.€70m equity investment was made with a co-investors' 51% participation in order to keep a flexible balance sheet, and with a majority of the investment made through non-recourse debt.
- We expect portfolio sales to accelerate over the course of 2021. Short and medium-term outlook is strong, with Oliver Wyman expecting NPLs on European banks balance sheets to double by 2021, reaching €1.0-1.2tn[1].

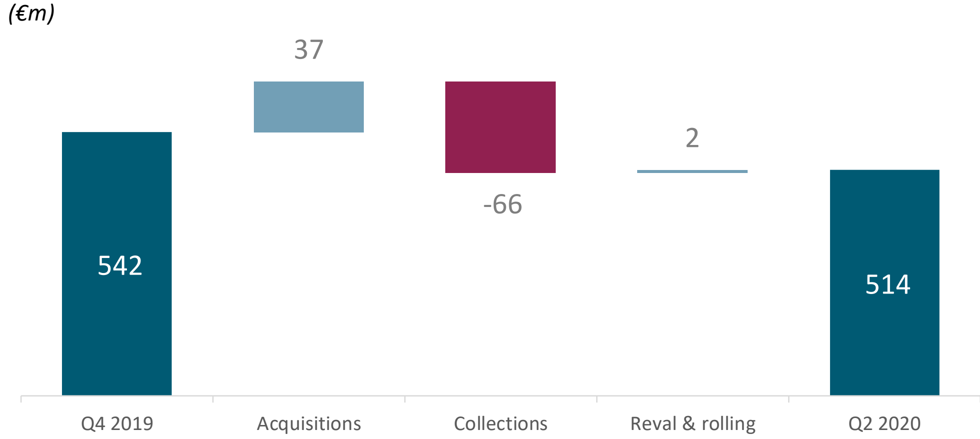
(1) Source: Oliver Wyman, The NPL Tsunami, 3 July 2020

iQera's ERCs proved very resilient to Covid-19

120M Gross ERC



Bridge 120M Gross ERC – H1 2020



KEY HIGHLIGHTS

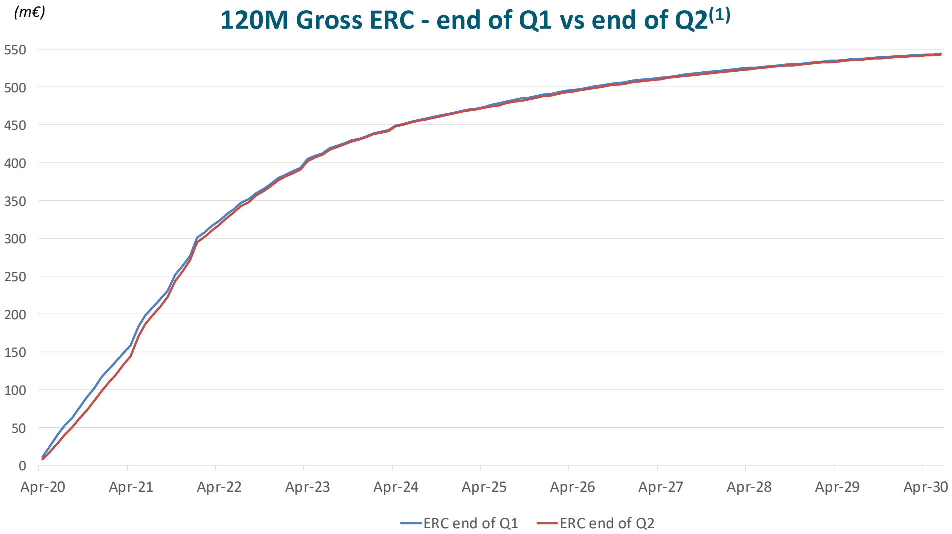
- 120M Gross ERC decreased to €514 million (-5% vs. both end of Q4 2019 and Q1 2020).
- This limited decline is wholly attributable to the low level of portfolio acquisitions completed during Q2.
- As a matter of fact and following an extensive review, we came to the conclusion that Covid-19 had so far no significant impact on our ERCs going forward.

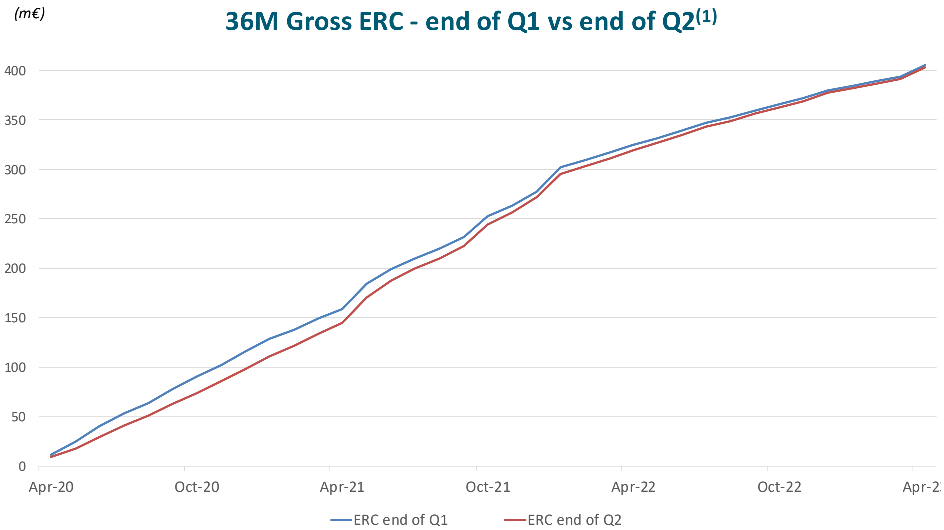
Assessment of Covid-19 impact on our ERCs

KEY HIGHLIGHTS

- Towards the end of the second quarter, when we started to get clarity on the sanitary and economic situation in France, we decided to lead an in-depth review of our portfolios to assess the potential Covid-19 impacts on our ERCs. This extensive analysis was performed by all our asset managers at the most granular level, ie on a claim by claim basis. For each asset type and for each step of the recovery process, generic guidelines were established by our teams of experts, but ultimately, the individual characteristics of each situation prevailed when assessing the timing and quantum of future cash-flows estimates.

- Two main effects of this review:
  - Delays in some cash-flows initially expected in Q2 2020, as well as H2 2020, mostly due to courts closures and moratorium effects.
  - Continued cash-flow creations on our book overall, though at a lower pace than in recent quarters, especially thanks to positive news on the 2019 vintage.





- The combination of those delays and creations of cash-flows has led to a very limited negative valuation impact on the NPV of our loan portfolio (€-0.5m in Q2 2020).

- Global resilience is explained by our significant exposure to the French NPL secured market and historically conservative ERC computation.

(1) Constant BackBook scope as of March 31, 2020

iQera Group consolidated cash flows – H1 2020

	For the first 6 months ended June
€m	Jun-20
Net cash flows from operating activities	**59.2**
Net cash flows for investment activities	(24.2)
Net cash from financing activities	27.1
Foreign exchange effects on cash & cash equivalents	(0.1)
Net change in cash and cash equivalents	**62.1**
Opening cash and cash equivalents	50.7
Closing cash and cash equivalents	112.8
o/w restricted cash	*14.0*

€59m
Net cash flows from operating activities
H1-2020

€99m
Net closing cash excluding restricted cash
Jun-20

KEY HIGHLIGHTS

- Through the combination of tightened underwriting criteria, efforts on costs and active management of our working capital, net cash from operating activities largely exceeded investment flows, with over €35m of net cash-flows generated during H1 2020.
- Net cash from financing activities derives from an additional €44 million on our RCF partially offset by repayment of borrowings (€3.4 million) and payment of interests on HYB and other loans (€12.6 million).
- Overall, €62m additional liquidities were added to the balance sheet by the end of H1 2020.
- A €32 million GGL (Government Guaranteed Loan) was granted by RCF lenders in July (not included in H1 figures) and will give us additional headroom to finance portfolio acquisitions in the short to medium term – including the large portfolio acquired in early August.

Capital structure & leverage position – H1 2020

3.4x(3)
Leverage on Attributable Cash EBITDA incl. Synergies
Jun-20

Currency: € m	Jun-20	Synergies impact (3)	Jun-20 with synergies
High Yield Bonds	434.2	-	434.2
Other loans (1)	82.1	-	82.1
Co-investors' Debt	32.4	-	32.4
Others (2)	7.2	-	7.2
Gross Debt (IFRS)	**555.9**	**-**	**555.9**
Cash including restricted cash	112.8	-	112.8
Restricted cash	14.0	-	14.0
Cash and cash equivalents	**98.8**	**-**	**98.8**
Net Debt (IFRS)	**457.2**	**-**	**457.2**
LTM Cash EBITDA (3)	134.7	3.2	137.9
Leverage on Cash EBITDA	**3.4x**		**3.3x**
Net Debt excluding co-investors debt	**424.8**	**-**	**424.8**
LTM Attributable cash EBITDA (3)	121.0	3.2	124.2
Leverage on Attributable Cash EBITDA	**3.5x**		**3.4x**

KEY HIGHLIGHTS

Leverage Ratio on Attributable Cash EBITDA was 3.4x(3) as of June 30, 2020

- Our liquidity position is strong with €99m (excluding restricted cash) as of June 30, 2020, with a fully drawn RCF of €50m.
- Our leverage ratio on Attributable Cash EBITDA is stable at 3.4x. It remains among the lowest in the industry and within previous guidance of 2.5x – 3.5x.
- Since the acquisition of Sistemia, 63%(4) of our net revenues come from capital light Debt Servicing activities.

(1) Includes DSO (BPI), Serfin loans, a Sistemia acquisition loan, a portfolio loan and RCF drawings for €50 million.
(2) Includes profit sharing accruals and EFFICO put for €6.1 million
(3) LTM pro forma Cash EBITDA includes the full-year effect savings still to be generated from 2021 from our new optimization initiatives announced in Q1 2020 from which synergies already materialized have been restated. Total synergies secured as of June 30, 2020 reached €0.5 million of which €0.2 million were already in our P&L.
(4) iQera pro forma ratio calculated on LTM as of June 30, 2020

Appendices

Financial Performance iQera – H1 2020

Highlights

	For the first 6 months ended June			LTM		
€m	2019 (1)	2020	Variation (%)	Ended Q2-19 (1)	Ended Q2-20	Variation (%)
Gross Collections	**57.2**	**65.3**	**14%**	**115.7**	**158.0**	**37%**
Attr. Gross Collection	56.8	58.5	3%	114.6	144.3	26%
Non Attr. Gross Collection	0.5	6.8	1344%	1.1	13.8	1185%
Servicing Revenues	**59.4**	**50.9**	**-14%**	**121.3**	**112.9**	**-7%**
Total Cash Revenues	116.7	116.2	0%	237.0	270.9	14%
Professional fees and services	(20.3)	(12.4)	-39%	(42.8)	(27.2)	-36%
Personnel costs	(33.5)	(35.4)	6%	(65.0)	(69.2)	6%
Committed costs	(14.5)	(19.5)	35%	(26.5)	(39.9)	51%
Total costs	**(68.2)**	**(67.3)**	**-1%**	**(134.2)**	**(136.2)**	**1%**
Cash EBITDA	48.4	48.9	1%	102.8	134.7	31%
Cash distributions to SPV co-investors	(0.6)	(6.8)	1034%	(1.3)	(13.7)	982%
Attributable Cash EBITDA	47.8	42.0	-12%	101.5	121.0	19%
Cash EBITDA Margin	42%	42%		43%	50%	
Attributable Cash EBITDA Margin	41%	36%		43%	45%	

KEY HIGHLIGHTS

- H1 stable cash revenues in 2020 vs 2019
  - +14% increase in gross collections essentially due to Backbook performance on the period.
  - Decreasing servicing revenues in relation with Covid-19 slowdown with a stronger impact in France (-17% / -€6.8 million) - impacted by bailiffs activity slowdown and courts closure - than in Italy (-9% / -€1.7 million) where the large contract onboarded in Q1 2020 continued to deliver in Q2 2020.
- H1 costs in 2020 slightly below than in 2019
  - Professional fees and services decreased by +€7.9 million (-39%) due to (i) the decrease of legal costs in France in relation with baillifs and procedures costs decrease in France (-1.8 million impact in H1 o/w -2.4 million in Q2) and (ii) the impact of alignment of iQera allocation rules in Italian branches (-€6.1 million impact in H1 o/w -€3.1 million in Q2).
  - Personnel costs increased by €2.0 million (+6%) linked to servicing activity and support staffing catch up following two years of significant growth.
  - Committed costs increased by €5 million (+35%) with an impact of €5.9 million in Italy including an impact of allocation alignment for €6.1 million with professional fees and services. Considering only France, committed costs decreased by 7% (-€0.9 million) impacted both by a good level of cost control and the first impacts of our synergies plan from the beginning of 2019.

(1) 2019 figures are based on iQera pro forma figures including Sistemia