Press release

H1 23

iQ era

Create the difference

01 FINANCIAL HIGHLIGHTS

Certain figures in this presentation are on a pro-forma basis (PF) to incorporate the economic impact of the Italian bolt-on acquisition that has been closed in Q4-22 with retroactive effects. Additionally the leverage on Cash EBITDA is presented on a pro-forma basis (PF) to include the positive impact of cost saving initiatives over the coming 12 months.

- Lower-than-average portfolio acquisitions completed over the last quarters continued to impact our H1-2023 results. Whilst servicing revenues remained stable, collections on our own book mechanically declined YoY, the impact of which was only partly mitigated by our cost reduction initiatives. Consequently, Cash EBITDA is lower by €20m vs last year at the end of H1-23, and PF leverage stands at 3.9x.

- Volumes of debt acquired at the beginning of this year showed only a marginal improvement vs. last year so far. However, our existing book continued to perform strongly, with another €15m of revaluation booked this quarter (and €140m for the past ten quarters). On the servicing side, our push into higher added value services (i.e. complex partnerships, SaaS, legal and real estate specialist activities) is starting to pay off with MF Law (a specialist law firm acquired at the end of Y22) delivering strong results in terms of volumes and margins.

- We increased our focus on profitability improvement initiatives in our French platform. Cost reductions are starting to materialize – our Q2-23 LTM French cost base actually shows a reduction of €8m compared to the peak reached in Q3-22 – even though they don't fully impact our LTM metrics yet.

- Our pipeline of potential deals has built up in France and in Italy. Since the end of Q2-23, we have closed a significant deal with a French leading banking group on August 2nd and committed to a sizeable leasing portfolio acquisition in Italy to be completed in October. These two transactions fall into our core field of expertise and will allow us to materially grow our asset base before the end of the year. Even though these should favorably impact our revenues going forward, further cost savings initiatives will be launched from Q3 onwards, in order to strengthen our margins further.

01

FINANCIAL HIGHLIGHT

KEY METRICS

Revenues and Cash EBITDA

H1-23 vs PF H1-22: -€22m Cash revenues and -€20m Cash EBITDA

- Stable servicing revenues in a low-volume context
- Reduced collections given limited portfolio acquisitions recently
- Sound performance of backbook above expectations
- Cost reduction efforts to offset inflationary pressure are gathering pace

Capital deployment

€16m invested in H1-23

- H1-23 acquisitions stand at €16m, above the €13m invested in H-22 but still limited
- However market momentum has improved and we are seeing encouraging dynamics for portfolio acquisitions in our core field of expertise during H2 2023

01

FINANCIAL HIGHLIGHT

120M ERC

Gross ERC €528m (attributable €460m) end of June-23

- 10% decrease of Gross ERC YoY given limited portfolio investments, mitigated by continued ERC revaluation (€28m in H1-23)
- Limited decrease of attributable ERC (-3% YoY); attributable ERCs now represent 87% of total ERCs (vs. 81% as of Jun-22)

PF Leverage

3.9x

- PF Leverage stands at 3.9x following the decrease in cash EBITDA
- Net debt stable YoY at €576m, with Co-investor's debt reduced by 42% YoY (-€39m), reaching 8% of Gross Debt vs 13% LY
- €32m of cash used in the quater to reduce the outstanding principal of our 2024 Notes down to €100m
- €85m of cash available (excludind €50m of undrawn RCF)

02 BUSINESS REVIEW

H1-23 Gross collections and Cash Revenues decreased by €22m or 13% YoY

- iQera Cash revenues decreased by 13% vs the same period of last year – a relative improvement vs. the 17% decrease witnessed in Q1-23 vs. Q1-22. This decrease is solely due to the reduced contribution of our gross collections, down 20% over the period (vs -25% between Q1-23 vs Q1-22).
- H1-22 collections had been fueled by large acquisitions completed in 2019 and 2020. The related backbook continued to perform well during H1-23, but the reduced level of investment over the past quarters impacted the contribution of our frontbook at the beginning of this year.
- In parallel, servicing revenues are stable at €61m vs H1-23 despite limited inflows of new NPLs. Italian activities continue to show a robust growth trend, and make up for the voluntary reduction of our activities in France, where we are reducing activities stemming from low margin contracts.

H1-23 Cash EBITDA is down by €20m YoY, while costs continue to decrease (-4% YoY)

- Lower revenue contribution of our debt purchase business impacted our H1-23 Cash EBITDA, which decreased to €66m YoY or -23% (although improved vs -30% decrease observed in Q1-23 vs Q1-22).
- Cash EBITDA margin stood at 45% in H1-23 vs 50% in H2-22, impacted by a lower contribution of our debt purchase activity. Q2-23 however stood at 47%, 5% higher than Q1-23.
- Costs decreased by €3m or -4% YoY. By geography:
  - Costs in Italy have been growing at 4% YoY, below our pace of organic growth;
  - In France, our cost base continued its attrition journey with a decrease of 6% YoY (-€4m), following the first wave of cost containment initiatives that we launched at the end of last year.

02 BUSINESS REVIEW

Cost containment initiatives have produced regular effects since last year

- We are maintaining a strong focus on the implementation of our profitability improvement initiatives in France, through cost reduction and margin enhancement.
- The effects of these initiatives started to show in Q4-22, with an inversion of the cost increase trend that was the result of our willingness to gear the business for growth after the Covid-19 crisis.
- In particular, on an LTM basis at the end of this quarter, personnel expenses as well as other committed costs are decreasing again – albeit at a lesser pace than revenues – in spite of an inflationary pressure on salaries and other operating (utilities, services, etc.).
- On an LTM basis from the peak observed in Q3-22 (€128m) we reduced by €8m our cost base with a strong reduction on personnel expenses (-€5.4m/-7%) to which we added €2.2m on other committed costs.
- If we do expect revenues to start picking up again following the successful completion of some portfolio acquisitions currently underway, further cost savings initiatives will be launched from Q3 onwards.

H1-23 acquisitions stand at €16m

- We deployed additional capital during Q2 that allowed us to reach c.€16m of capital in portfolio acquisitions during the first half in France and Italy – slightly ahead of last year.
- Our pipeline of potential deals has built up in France and in Italy. We have closed a significant deal with a French leading banking group on August 2Nd and committed to a sizeable leasing portfolio acquisition in Italy (to be completed in October). These two transactions fall into our core field of expertise and will allow us to materially grow our asset base before the end of the year.
- Still, in a macro environment that remains volatile, we do not depart from the extremely selective approach that characterizes our bids.

Backbook quality is confirmed by constant ERC revaluations

- We continued to extract further value from our backbook, with Q2-23 witnessing the tenth consecutive quarter of ERC revaluations for an amount of €15m.
- This revaluation pattern has been constant for more than two full years now, leading to c.€140m of value creation.
- This confirms our discipline in underwriting and our long term value-creating approach for our stakeholders.

02 BUSINESS REVIEW

ERCs reduction (due to lower acquisitions) continues to be mitigated by regular revaluations...

- Our ERC decreased by 10% over the past twelve months, following strong collections and a limited investment activity.
- This mechanical attrition continues to be significantly mitigated by revaluations extracted from the backbook, which amounted to €53m over the last 12 months.
- Over the quarter, ERC reduction has been lower than 5%.

...which mostly benefits the attributable portion of our ERCs, which keeps growing over time

- Our strong collections on the backbook enabled us to significantly pay down co-investors debt. As a consequence, our non-attributable ERCs decreased by 39% YoY.
- Conversely, attributable ERCs decreased by 3% only YoY, and the share of our total ERCs increased from 81% to 87% of total ERCs. Our attributable ERCs actually remained stable since Sept-22.
- This dynamic chiefly stems from our portfolio revaluations, which disproportionately benefit our own book (since most of our co-investors debt does not participate in portfolios' equity).

02 BUSINESS REVIEW

Operating cash-flows have been used to pay back a portion of our outstanding 2024 Notes as well as co-investors debt. Liquidity remains abundant as the end of the period.

- Cash flows from operating activities reached €60m.
- Portfolio investments amounted to €16m vs €13m LY.
- We have repaid another €23m to our co-investors during H1-23.
- Other investment activities at €16m is related to the acquisition of tangible and intangible assets, including the buy-out of minority shares in one of our French subsidiaries in Q1-23 (and offsetting an equivalent amount of debt in our balance sheet, see line “Others” in the Gross Debt details on next page).
- Cash flows from other financing activities were mainly related to the payment of our bonds and loans interests over the period, offset by the net cash generated by the new HYB issuance for €25m. During the last quarter, we have also used €32m of liquidity to reduce the principal of our outstanding 2024 Notes down to €100m.
- Liquidity remains abundant with €135m of available funds, of which €85m of cash and €50m of untapped RCF.

PF Leverage up by 0.1x in Q2-23 due to the reduction of our LTM Cash EBITDA

- Despite the temporary increase in HYB exposure connected to our Feb-23 issuance, our Gross Debt decreased by €52m since LY thanks to the steady reimbursement of our co-investors' debt (now amounting to 8% of our gross consolidated debt only).
- At the end of Q2-23, our outstanding 2024 Notes amount to €96m (IFRS value) following the €32m call realized during last quarter.
- Considering the impact of the cost reduction initiatives over the coming 12 months (€10m), our PF LTM Cash EBITDA stands at €147m – showing a decrease of €42m vs LY.
- This reduction in LTM Cash Ebitda, as well as the expenses related to our HYB issuance, have impacted our PF leverage. It stands at 3.9x at the end of the quarter, above our target range of 2.5x-3.5x to which we remain firmly committed.

We or our affiliates may from time to time seek to repurchase or retire the 2024 Notes through cash purchases, in open market purchases, privately negotiated transactions, tender offers, or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our and their liquidity, contractual restrictions, and other factors.

03 CSR POLICY UPDATE

- ESG: a new CSR Policy to better fit with our future challenges
- 3 new pillars translated into commitments, to take immediate action and go beyond intentions

Pillar No. 1

ENVIRONMENT

- Evaluation of our carbon footprint 2022 scope 1,2 and 3 with our partner GREENLY: Scope 1: -9%; Scope 2: -1%; Scope 3: +27% vs 2021
- E-learning module on eco-friendly actions to raise awareness and foster our employees' engagement
- New action plan for the reduction of the Group's carbon footprint (alignment with the PARIS accords, -6% of CO^2 per year) by 2031: Launch of Environment Committees

MAIN KPIs

Carbon footprint	% of employees trained
(per employee in 2022 Scope 1, 2, 3 GREENLY)	(Q2 - 2023)
3,6T CO_2	55%

Pillar No. 2

SOCIAL

For our employees
- CONFIDENCES #2 employees survey (Employee Mood: 6,1/10; e-nps: +46
- Events for employees

For our customers
- Continuous monitoring of debtors satisfaction (85 800 surveys in Q2 2023)
- Publication of debtors feedbacks on GoogleMyBusiness through our customers feedback system and implementation of a moderation process : 3,2/5 in June 2023

03 CSR POLICY UPDATE

For citizens

- Oxygen program: continuously action for debtors in vulnerable situations – 4739 clients debtors detected

MAIN KPIs

Pulse Employee Mood (Q2 2023)	Clients-CSAT (Q2 2023)	Financially vulnerable supported clients (vulnerable customers detected) (Q2 2023)
6,1/10	76%	4739

Pillar No. 3

GOVERNANCE

- Compliance training topic for Q2-2023
  - anti-bribery training launched
- Updating of the anti-fraud procedure and creation of supports by business line
- Updating of the internal control policy
- Launch of the first Materiality assessment of iQera (Consideration of stakeholders > investors + business partners + employees + custumers + NGOs, etc)

MAIN KPIs

% of relevant employees trained in anti-money laundering (Q1/Q2 - 2023)	Gender equality index (France - 2022)
Standardized training 86% Advanced training 94%	96/100

FORWARD LOOKING STATEMENTS

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