Press release

Q1 2023

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. Additionaly 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.

- The lower-than-average portfolio acquisitions completed over the last quarters continued to impact the results of our first quarter in 2023. Collections on our own book mechanically declined by €14m YoY whilst servicing revenues remained stable. Cash EBITDA declined by €13m, not reflecting yet the full impact of our cost reduction initiatives. Consequently, PF leverage also went up to 3.8x at the end of the quarter.

- Volumes in the debt purchase segment have remained quite subdued for two years now, and we are only seeing modest favorable changes in the amounts of new debt for sale as well as on the repricing of NPLs, in spite of a prolonged period of macro uncertainty. In such a context, we remained committed to maintain price discipline and to focus on resilient asset classes. As a matter of fact, our existing book continued to perform strongly, with another €13m of revaluation booked this quarter.

- In parallel, we carried on our plan to improve the margins of our servicing business by reorganizing/automating activities and by replacing low-margin contracts with higher added value services (i.e. complex partnerships, SaaS, legal and real estate specialist activities). Our investment in MF Law (the law firm acquired at the end of Y22) so far confirmed our strategy, with good results in terms of volumes and margin recorded in Q1-23.

- As CMS operators in Europe cope with low NPL volumes, inflationary pressure on costs base and funding volatility, we are increasing the focus on our profitability improvement initiatives in our French platform, through cost reductions and margin enhancements, in order to adapt to lower activity volumes. Their effects, which we are monitoring closely, are starting to show in our quarterly reporting in spite of an inevitable lagtime before their full transformation into our LTM metrics.

01

FINANCIAL HIGHLIGHT

KEY METRICS

Revenues and EBITDA

YOY: -14% Cash revenues and -13% Cash EBITDA

- Stable servicing revenues in a low-volume context
- Reduced collections given limited portfolio acquisitions recently
- Sound performance of backbook vs. expectations
- Increased efforts to reduce costs to offset inflationary pressure

Capital deployment

€12M invested in Q1-23

- The market is still characterized by limited NPL inflow and perceivedmismatch between prices and macro conditions
- Encouraging Q1-23 with €12m invested vs €5m Q1-22

FINANCIAL HIGHLIGHT

120M ERC

Gross ERC €553m (attributable €473m) end of March-23

- 9% decrease of Gross ERC YoY given limited portfolio investments, mitigated by continued ERC revaluation (€13m this quaters)
- Limited decrease of attributable ERC (-2% YoY) leading to increased share of attributable ERCs (from 80% to 86% of Gross ERC) over the period

PF Leverage

3.8x

- Leverage up to 3.8x following the decrease in cash EBITDA
- Net debt down by 1% (-€8m) YoY to reach €586m, with Co-investor's debt reduced by 38% YoY (-€39m), reaching 9% of Gross Debt vs 14% LY
- €118m of cash available (excluding €50m of undrawn RCF)

02 BUSINESS REVIEW

Q1-23 Gross collections and Cash Revenues decreased by €14m or 17% YoY

- iQera Cash revenues decreased by 17% vs the same period of last year (or-12% on an LTM basis), solely due to reduced contribution coming from gross collections (-25%).
- Q1-22 collections have been fueled by large acquisitions completed in 2019 and 2020. The related backbook continued to display a strong performance also during Q1-23. The reduced level of investments over the past quarters (although this quarter and the previous one showed an improvement) impacted the contribution of our frontbook.
- In parallel, servicing revenues are stable at €29m vs Q1 despite the limited new NPL inflows. Italian revenues, that are above the level of Q1-22, made up for the voluntary reduction of our activities in France, where we are reducing activities stemming from low margin contracts.

Q1-23 Cash EBITDA is down by €13m YoY, while costs continue to decrease (-4% YoY)

- Q1-23 Cash EBITDA decreased by 30% YoY to €30m, driven by the lower revenue contribution of our debt purchase business.
- Cash EBITDA margin stood at 42%, in line with the business mix shift triggered by the above.
- Costs decreased by €1m or -4% YoY. By geography:
  - Costs in Italy have been growing at 6% YoY, below our pace of organic growth;
  - In France, our cost base continued its attrition journey with a decrease of 7% YoY, thanks to cost containment initiatives that started generating effects

02 BUSINESS REVIEW

Cost containment initiatives continued to produce effect during Q1-23

- In the current challenging macro context, we are increasing our 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.).

Q1-23 acquisitions stand at €12m

- Although Q1 is generally a weak quarter, we managed to deploy c.€12m of capital in portfolio acquisitions this quarter in France and Italy, ahead of last year.
- Our pipeline of potential deals has built up in France and in Italy. We believe opportunities may arise in the quarters to come but we will strive to remain extremely selective in our bids and favor value over growth as the macro environment remains volatile.

Backbook quality is confirmed by constant ERC revaluations

- We continued to extract further value from our backbook, with Q1-23 witnessing the ninth consecutive quarter of revaluations for an amount of €13m.
- This revaluation pattern has been constant for two full years now, leading to more than €120m of value creation.
- This confirms our discipline in underwriting and our long-term view in terms of creating value for our stakeholders.

02 BUSINESS REVIEW

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

- Our ERC decreased by 9% 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 €59m over the last 12 months.
- Over the quarter, ERC reduction has been lower than €2%.

...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 36% YoY.
- Conversely, attributable ERCs decreased by 2% only YoY, and the share of our total ERCs increased from 80% to 86% of total ERCs. In fact, our attributable ERCs have now been growing for two consecutive quarters.
- 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

Gross Cash-flows in line with Q1-22 used to pay back debt at a significant pace and to fund new acquisitions. Meanwhile, liquidity remains abundant

- Cash flows from operating activities reached €26m below Q1-22 by €4m.
- Portfolio investments amounted to €12m vs €5m LY.
- We have repaid another €11m to our co-investors during Q1-23.
- 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 below).
- 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.
- Overall, our liquidity increased by €10m in this quarter (-€16m YoY). The Group had €168m of available liquidity as of Mar 31, 2023 of which €118m of cash and €50m of untapped RCF.

Leverage grew in Q1-23 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 €24m since LY thanks to the steady reimbursement of our co-investors' debt (now amounting to 9% of our gross consolidated debt only).
- Considering the impact of the cost reduction initiatives over the coming 12 months (€10m), our PF LTM Cash EBITDA stands at €154m – showing a decrease of €38m 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 3.8x at the end of the quarter, above our target range of 2.5x-3.5x to which we remain firmly committed.
- The 2024 Notes amounts, at the end of Q1-23, to €132m. During the month of May we have repurchased in open market transactions approx. €2.6m of 2024 Notes (of which €2.1m of FRNs and €0.5m of 6.5% SSNs), such notes have been canceled. On top of this, at the end of May, we issued conditional notices of redemption of certain series of the 2024 Notes (€22m of FRNs and €7.4m of 6.5% SSNs). The impact of these transactions will be reflected in Q2 figures

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

- In progress: evaluation of our carbon footprint 2022 scope 1, 2 and 3 with our partner GREENLY
- 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

MAIN KPIs

Carbon footprint	% of employees trained
(per employee in 2021 Scope 1, 2, 3 GREENLY)	(Q1 - 2023)
2,6T CO_2	28%

Pillar No. 2

SOCIAL

For our employees

- Launch of our CONFIDENCES #2 employees' survey
- New format for the Senior Management seminar
- Events for employees

For our customers

- Continuous monitoring of debtors satisfaction (86 000 surveys in Q1 2023)
- Publication of debtors feedbacks on GoogleMyBusiness through our customers feedback system and implementation of a moderation process : 1,3/5 in March 2022 vs 3,3/5 in March 2023 (+2pts)

03 CSR POLICY UPDATE

For citizens

- Oxygen program : continuously action for debtors in vulnerable situations – reinforcement of teams in Poitiers, 4739 clients debtors detected
- Inclusive actions with NGOs : Jury for the "Institut de l'engagement" and donation of computers

MAIN KPIs

Pulse Employee Mood (2022)	Clients-CSAT (Q1 2023)	Financially vulnerable supported clients (vulnerable customers detected) (Q1 2023)
6/10	80%	4739

Pillar No. 3

GOVERNANCE

- CSR committees #4 2022 held in january 2023 : Review of all CSR actions for year 2022
- New CSR policy 2023 – 2025 based on 3 new pillars
- Gender Equality Index (France) : +4 pts vs 2022
- Awarded ECOVADIS Certification bronze medal for iQera SAS : + 4pts
- Action plan with PwC to comply with the futur CRSD European regulation
- Annual preventive declaration campaign of conflicts of interest for sensitive functions
- New annual Compliance training plan with 9 topics for 2023 (Q1 2023 : AML and Incident Management)
- Compliance meetings on each site : information on new process and risk awareness

MAIN KPIs

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

FORWARD LOOKING STATEMENTS

THIS REPORT IS NOT AN OFFER OR SOLICITATION OF AN OFFER TO BUY OR SELL SECURITIES. IT IS CONFIDENTIAL AND IT IS FOR INFORMATIONAL PURPOSES ONLY. This report and any related oral information is strictly confidential and has been prepared solely for use in this report. This report is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident of, or located in, any locality, state, country or other jurisdiction where such distribution or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. This report may include unpublished price sensitive information that may constitute "insider information" for the purposes of any applicable legislation and each recipient should comply with such legislation and restrictions and take appropriate advice as to the use to which such information may lawfully be put. We do not accept any responsibility for any violation by any person of such legal restrictions under any applicable jurisdictions. This report may include financial information and/or operating data and/or market information regarding our business, assets and liabilities and the markets in which we are active. Unless indicated otherwise, such financial information may not have been audited, reviewed or verified by any independent accounting firm and/or such operating information is based on management estimates or on reports prepared by third parties which we have not independently verified. Certain financial data included in this report consists of "non-IFRS financial measures". These non-IFRS financial measures may not be comparable to similarly titled measures presented by other companies, nor should they be construed as an alternative to other financial measures determined in accordance with IFRS. You are cautioned not to place undue reliance on any non-IFRS financial measures and ratios included herein. This report contains various forward-looking statements. All statements other than statements of historical fact included in this report are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance, industry and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "target," "believe," "expect," "aim," "intend," "may," "anticipate," "estimate," "plan," "project," "will," "can have," "likely," "should," "would," "could" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our control that could cause our actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forwardlooking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. All information in this report is provided as of the date of this report, are subject to change without notice and we assume no responsibility to update the information included in this report

The iQera Group attaches great importance to respect for fundamental rights and freedoms. It undertakes to implement adequate measures to ensure its protection and comply with the applicable provisions, in particular European Regulation 2016/679 known as "GDPR". You can consult our GDPR Policy on www.iqera.com and exercise your rights via the email address dpo@iqera.com

Contact information

iQERA GROUP
256 bis rue des Pyrénées
75020 Paris
+331 53 30 11 00
https://www.iqera.com