Financial report

9M-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.

- Servicing revenues have remained fairly stable YoY, as our focus on higher added value services (i.e. complex partnerships, SaaS, legal and real estate specialist activities) combined with the performance of Italian Servicing revenues have made up for the voluntary reduction of some of our low margin activities in France. In spite of a reduced volume of portfolio acquisitions until June 2023 and subsequent shrinking of our Backbook, the gap in collections witnessed this year vs Y22 is gradually closing. Q3-23 has seen a good performance of Backbook collections, as well as another €10m of revaluation.

- Simultaneously, the impact of our first wave of cost reduction initiatives launched at the end of Y22 has been growing quarter after quarter. Our French cost base showed, in Q3-23, a reduction of -10% vs the same period last year, leading to €11m LTM savings at the end of September. On top of this, we launched a second wave of initiatives that will be secured by year end and will generate additional savings in the coming quarters.

- Q3-23 Cash EBITDA stood at €30.8m (-6% vs LY), and €95m for 9M-23 - confirming the continued directional improvement of this indicator since the beginning of the year.

- On the balance sheet side, Q3-23 marked a significant improvement in our purchasing business with a clear reversal of the trend observed over the past two years. We deployed €90m of capital during the quarter, bringing our total acquisitions to €106m since the beginning of the year - largely above the amounts invested in the entire 2022 (€38m) and our yearly ERC replenishment level. Gross ERCs amount to €633m with an increase of €105m or 20% in the quarter (€72m or 13% YoY). Other portfolio acquisitions have been secured and shall be closed during Q4-23, as the debt sale market continues its mutation and corrects its past imbalances.

- This sudden hike in portfolio acquisitions has sent our PF leverage ratio to a peak of 4.5x, as the Frontbook collections' benefits relative to these significant investments will only show their full potential in the next twelve months. This, together with our focus on cost reductions, should mechanically decrease leverage from now on.

- In order to preserve our liquidity and at the favour of a significant paydown of our historical co-investor's debt, we took the opportunity to finance our latest acquisitions via a new non-recourse loan which came at a significantly lower cost than our current average cost of debt. Liquidity remains therefore abundant with €121m of available funds (of which €68m of cash and €53m of untapped RCF).

01

FINANCIAL HIGHLIGHT

KEY METRICS

Revenues and Cash EBITDA

9M-23 vs PF 9M-22:

Cash revenues at €214m or -11% (vs. -6% in this quarter)
Cash EBITDA at €95m or -18% (vs. -6% in this quarter)

- Stable servicing revenues
- Gap in collections is gradually closing vs. Y22, in spite of a backbook which continued to shrink until June 2023
- Cost reduction efforts in France are increasing, and so is the materialization of their impact in our accounts. Significant extra savings have been further secured since the end of the quarter

Capital deployment

€106m

invested in 9M-23

- Q3-23 showed an acceleration in our acquisition activities with €90m invested over the quarter and €106m since the beginning of the year – above our yearly ERC replenishment level
- Other investments have been secured and shall be closed during Q4-23, as the debt sale market continues its mutation and corrects its past imbalances

01

FINANCIAL HIGHLIGHT

120M ERC

Gross ERC at €633m (attributable €494m) at end of Sep-23, up 13% YoY (+20% in the quarter)

- Gross ERC increase by 13% or €72m YoY, driven by our rebound in acquisitions coupled with continued ERC revaluation.
- Non attributable ERCs also increased by €37m over the period, since we leveraged our most recent acquisitions on a non recourse basis.

PF Leverage

4.5x

- Gross debt increased from €706m to €720m vs. last year, following significant cash-out incurred to finance portfolio acquisitions.
- As a consequence, PF Leverage increases to stand at 4.5x.
- Co-investor's debt increased to €117m or 16% of our Gross Debt, with a view to allow capital deployment and protect liquidity
- €68m of cash available (excluding €53m of undrawn RCF)

02 BUSINESS REVIEW

9M-23 Cash Revenues decreased by 11% YTD vs. 13% in H1-23, as the gap on collections is gradually decreasing

- iQera Cash revenues decreased by 11% vs the same period of last year – confirming the trend of improvement vs. the -13% witnessed in 1H-23 vs 1H-22 (and -17% of Q1-23 vs Q1-22). The revenues decrease is solely due to the reduced contribution of our gross collections, down 16% over the period (vs -20% in 1H-23 vs 1H-22).
- The reduced contribution of front-book collections (not fueled by large acquisitions) has been compensated by a good performance of our back-book leading to €126m of collection.
- In parallel, 9M-23 servicing revenues are relatively stable at €88m (-2% vs 9M-22) despite limited inflows of new assets under servicing. Italian activities continue to show a growth trend and make up for the voluntary reduction of our activities in France, where we are reducing activities stemming from low margin contracts.

The impact of the first wave of cost reduction initiatives continues to materialize in France. As a consequence, Q3-23 Cash EBITDA is down by 18% YTD vs. 23% in H1-23.

- Although 9M-23 Cash EBITDA is still lagging -18% vs. last year's, the relative performance of this indicator has improved since the beginning of the year, showing -6% in Q3-23 vs Q3-22.
- The gap is gradually closing as the difference in collections progressively reduces, and as the impact of our first wave of cost reduction initiatives continues to materialize in France.
- Indeed, costs at as 9M-23 decreased by €6m or -4% YoY. By geography:
  - Costs in Italy slightly increased in line with growth;
  - In France, our cost base reduced by 7% YTD, vs. 6% in H1-23 also thanks a significant improvement in Q3-23 that showed a -10% vs Q2-22.

02 BUSINESS REVIEW

We are now launching a second wave of cost reduction initiatives in France

- One of our main priority continues to improve profitability in France, with a key emphasis on reducing costs without impacting the quality of our services.
- We launched a first wave of cost containment initiatives in Q4-22, that has shown increasing effects since in spite of inflationary pressure on salaries and other operating costs (utilities, services, etc.).
- On an LTM basis from the peak observed in Q3-22 (€128m) we continued to decrease our cost base with - €11m and with a strong reduction on personnel expenses (-€7.4m/-10%) to which we added a reduction on other committed costs (-€3.3m/-6%).
- These initiatives have not produced their full-year effects yet and they will generate additional savings in the coming months.
- On top of it we launched a second wave of cost containment initiatives in France that will generate additional savings in the coming quarters.

We completed €106m of acquisitions in 9M-23, in sharp contrast with 2022 and above our ERC replenishment level

- Q3-23 marked a significant change in our purchasing business. By the end of the quarter, we had deployed €106m of capital since largely above the amounts invested in the entire 2022 (€38m) and beyond our ERC replenishment level (€87m).
- Other deals already secured for Q4-23 in France and Italy will allow us to grow our asset base even further.
- This is a clear reversal from the trend we witnessed over the past two years – with a somewhat growing pipeline and greater discipline from market participants following significant increases in their cost of funding. However, we continue to be extremely selective in our bids, favoring portfolios with resilient cash-flows and strong downside protection.

02 BUSINESS REVIEW

Constant ERC revaluations confirm the quality of our backbook and of our underwriting discipline

- Despite the reduction of our Backbook until June 2023, we continued to extract additional value from it : Q3-23 marked the twelfth consecutive quarter of ERC revaluations with another €10 million of additional ERCs created.
- The consistent ongoing trend of revaluation over the last three years, created c. €160 million of extra value.
- This confirms our discipline in underwriting and our long term value-creating approach for our stakeholders.

ERCs increase materially again, thanks to significant acquisitions and ongoing revaluation

- ERC increased by 20% vs Q2-23 leading to +13% over the past twelve months, from €561m vs €633m, thanks to:
  - €191m of new ERC related to our portfolio acquisitions over the period, and
  - €55m of portfolio revaluations.
- Secured portfolios continue to represent the bulk of our ERC (83%, increasing by 4% vs Q2-23).
- We are now pretty much back to the level of ERCs that we had at the end of Y21.

02 BUSINESS REVIEW

Both Attributable and Non Attributable ERC show an increase YoY, following our acquisitions and partial releverage of our asset base

- Our ERC increased by €72m YoY (+€105m in the quarter).
- Over the period, strong collections on the backbook enabled us to continue to significantly pay down co-investors debt (for €36m), but this has been offset by the raising of a new senior, non-recourse financing we in Q3-23, thus resulting in a net increase of Non attributable ERC by €37m. Simultaneously, attributable ERC increased by €34m.

Operating cash-flows used to repay a portion of outstanding 2024 Notes and co-investors debt. New portfolio investments partly financed via co-investor debt.

- Cash flows from operating activities reached €105m over 9M-23, slightly above last year YoY. Over the same period, portfolio investments amounted to €106m vs €18m LY.
- In the same time, we have repaid €36m to our co-investors and raised another €74m in non recourse debt to fund new acquisition - resulting in a net cash increase of €37m.
- Other investment activities at €19m 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.
- Cash flows from other financing activities were related to (i) the payment of our bonds and loans interests over the period,(ii) a €33m repayment of the principal of our outstanding 2024 Notes as well as (iii) other loans repayment in Italy and France – partly offset by the net cash generated by the Feb-23 HYB issuance for €25m.
- As a combination of all this, liquidity remains abundant with €121m of available funds (of which €68m of cash and €53m of untapped RCF) vs. €162m at the beginning of the year, in spite of €106m of portfolio acquisitions completed over the period. In anticipation of portfolio acquisitions already secured for Q4-23 we have drawn our €50m RCF in full in October.

02 BUSINESS REVIEW

Increase in leverage in Q3-23 due to the significant increase of our asset base, that does not yet impact our LTM Cash EBITDA

- Since Q2-23, our Gross debt increased by €58m, and our net debt increased by €75m, given the material amounts of capital we deployed over the quarter (€90m) for portfolio acquisitions.
- At the same time, at the end of Q3-23, our PF LTM Cash EBITDA stands at €146m (stable vs. Q2-23).
- As a consequence, our PF leverage now stands at a peak of 4.5x, at the end of the quarter. We are confident that the increasing impact of cost reductions, as well as the mechanical benefits, on Cash EBITDA, that the newly acquired frontbook collections will generate, should mechanically reverse the curve of our leverage ratio in the quarters to come.
- Also, please note that our outstanding 2024 Notes amount to €96m at the end of Q3-23 (IFRS value) – materially below our available liquidities.

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

- Analysis of the first Materiality assessment of iQera (Consideration of stakeholders → investors + business partners + employees + customers + NGOs, etc)
- Test of new E-learning module on eco-friendly actions to raise awareness and foster our employees' engagement

MAIN KPIs

Carbon footprint (per employee in 2022 Scope 1, 2, 3 GREENLY)	% of employees trained (Q3 - 2023)
3.6T CO_2	55%

Pillar No. 2

SOCIAL

For our employees
- PULSE#9 employees survey (Employee Mood: 4,9/10 ; confidence score: 2,9/5)
- Happy trainees label by Choosemycompany for the 4th consecutive year

For our customers
- Continuous monitoring of debtors satisfaction (83 180 surveys in Q3 2023)
- Publication of debtors feedbacks on GoogleMyBusiness through our customers feedback system and implementation of a moderation process

03 CSR POLICY UPDATE

For citizens

- Oxygen program: continuously action for debtors in vulnerable situations – 4 528 clients debtors detected

MAIN KPIs

Pulse Employee Mood (Q3 2023)	Clients-CSAT (Q3 2023)	Financially vulnerable supported clients (vulnerable customers detected) (Q3 2023)
4.9/10	79%	4 528

Pillar No. 3

GOVERNANCE

- Compliance training topic for Q3 2023 :
  - GDPR training launched
  - Ethical collections training launched
- Updating of the claims management procedure and the AML procedure
- Creation of incivilities management procedure
- CSR committee #2 2023
- Gold medal at the ecovadis label for iQera Services for the second consecutive year

MAIN KPIs

% of employees trained in anti-bribery (Q3 - 2023)	Gender equality index (France - 2022)
97%	96/100

FORWARD LOOKING STATEMENTS

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Contact information

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