

AnaCap Financial Europe delivers strong collections performance and enhances investment diversification

Financial results for the year ended 31 December 2020

23 March 2021

AnaCap Financial Europe S.A. SICAV-RAIF (“AFE” or the “Company”) has today announced the financial results for the year ended 31 December 2020.

Key financial highlights for the year ended 31 December 2020 are summarised in the table below:

	Year ended 31 December 2020	Year ended 31 December 2019	Variance
Gross Attributable Collections	€86.6m	€125.0m	-30.7%
Revenue	€64.7m	€80.6m	-19.7%
Adjusted EBITDA	€53.2m	€90.3m	-41.1%
Total Operating Cost Ratio ¹	38.0%	25.9%	+1210 bps
Net Debt/Adjusted EBITDA	6.21x	3.83x	+2.38x
84-Month ERC	€472.5m	€523.5m	-9.7%

Key Highlights:

- Strong collections performance versus COVID-19 reforecast completed at the end of Q1 2020, with Gross Attributable Collections in Q4 2020 of €25.0m vs reforecast target of €22.2m, and €86.6m vs €64.8m for FY 2020, representing a 12% and 34% outperformance respectively
- Significant investment in developing AFE’s Asset Management² platform which now has 19 full time employees. This has been key to driving collections performance, with both Master Servicing and targeted internalisation of Special Servicing optimising performance, whilst also generating additional capital-light income for the Company (2020: €2.0m)
- €21m capital deployed in 2020 at 2.0x expected GMM across secured NPLs and direct real estate. AFE continues to remain disciplined and patient with deployment taking advantage of its low-cost operating model whilst seeking opportunities at the best risk adjusted returns
- Diversification into direct real estate investments, acquiring nine properties for aggregate capital deployment of €12.1m, representing 6% of ERC, with an additional two transactions signed in 2020. This includes transactions in France, adding further geographic diversification to AFE’s portfolio. AFE can expect to deploy an additional €14.0m in 2021 in respect of the nine properties acquired and the two signed transactions in 2020
- Over €87m of available liquidity as at 31 December 2020, leaving AFE well positioned to capitalise on further attractive investment opportunities in 2021

¹ Total operating cost ratio represents the ratio of total operating expenses (excluding non-recurring costs and foreign exchange gains/losses) divided by Gross Collections.

² AFE’s Asset Management platform means the AFE entities engaging in active investment monitoring and oversight to optimise recoveries, the provision of servicing solutions on NPL portfolios and the execution of value-add strategies on real estate assets.

Trading Update

The Company is pleased to report a strong collections performance in the quarter, with Q4 2020 attributable collections 12% ahead of Q1 2020 COVID-19 reforecast, resulting in a 34% outperformance to reforecast for the full year. The Company is also pleased to report that it acquired a total of nine well located properties across Italy and France during 2020, taking significant advantage of post COVID-19 re-pricing as a direct extension of its well established real estate secured NPL activities.

The strong collections performance in 2020 was supported by the significant development undertaken in recent years around AFE's Asset Management platform, which remained fully operational throughout 2020 and now includes 19 full time employees across the U.K., Italy, Spain, Portugal and Luxembourg. Despite the challenges presented by COVID-19, the Company's increased local presence allowed for maximum engagement across the portfolio. Highlights in the year include the acceleration of cash in court distributions in Italy despite disruptions to court proceedings, as well as significantly higher than expected residential real estate sales in Portugal, both in terms of the overall volume and values realised. The Company also adjusted strategies where possible to accelerate recoveries that were previously forecast for 2021, helping the Company significantly outperform its COVID-19 reforecast.

The Company remains cautious regarding the ongoing impact of COVID-19, with a conservative approach maintained during its year-end portfolio reforecast. The Company expects that COVID-19 will continue to impact collections performance during at least the first half of 2021 due to further lockdowns and a gradual ramp up of backlogged court proceedings. However, ample liquidity already available at the end of 2020, following a patient approach to deployment in 2019 and 2020, should enable the Company to continue to capitalise on a growing and highly attractive pipeline of opportunities in 2021 and beyond.

Capital Structure and Liquidity

The Company's liquidity position is strong, with available headroom of over €87m as of 31 December 2020. This places the Company in a good position to capitalise on market opportunities swiftly as they arise, with its low, predominantly variable cost base, enabling patience and discipline when required. Net Debt to Adjusted EBITDA at 6.21x rose sharply as expected following another year of low deployment and lower collections compared to 2019. However, with both capital deployment and already embedded collections expected to rise, the Company anticipates that leverage will fall to between 3.5x and 4x by the end of 2022.

Justin Sulger

Partner, Head of Credit at AnaCap Financial Partners

"We have been hugely impressed by the dynamic response of both the Company's growing team as well as all of our servicing partners since the onset of the COVID-19 crisis.

Whilst we expect further challenges ahead, we are very encouraged by both the outperformance against our prudent reforecast as well the ability to capitalise on a very attractive and growing pipeline."



Teleconference

At 14.00 hours BST on 23 March 2021, an audio Conference Presentation will be held on the results for the year ended 31 December 2020. For further details please visit the AFE website at:

www.anacapfe.com

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NOTES TO EDITORS

AnaCap Financial Europe (www.anacapfe.com)

AnaCap Financial Europe S.A. SICAV-RAIF (AFE) invests in a diverse range of primarily non-performing debt and non-core assets across Europe. AFE has broad based expertise spanning unsecured and secured, consumer, SME and corporate debt as well as real estate. AFE was established on 28 June 2017 and acquired a portfolio of assets from existing AnaCap Credit Funds on 21 July 2017. AFE benefits from the wide network and extensive track record in origination, underwriting and servicing that AnaCap has developed since 2005 across the European financial services sector.

AnaCap Financial Partners (www.anacapfp.com)

AnaCap is a leading specialist mid-market private equity investor, investing through complementary Financial Services Private Equity and Credit strategies.

Since 2009, AnaCap's credit business has raised €2.6bn in gross AUM and completed over 80 investments across 12 European jurisdictions and India. The platform operates out of 6 offices in London, Luxembourg, Madrid, Lisbon, New Delhi, and Mumbai.

Our name, AnaCap, defines our investment approach: 'Analytics before Capital'. Our investment decisions are founded on a disciplined, operational and data-driven investment approach with support from [Minerva](#), our digital proprietary intelligence platform which enables AnaCap to harness highly granular data and intelligence rapidly into actionable information, and AnaCap Global Services ("AGS"), our team of over 50 data and investment analysts providing lift and support to the European business.

In Credit, our active asset management approach focuses on using data intelligently to enhance recoveries and provide servicing solutions on credit loan portfolios and executing value-add strategies to enhance real estate assets.