

Q1 2020 Presentation

Avida Holding AB

AVIDA

Disclaimer

This Presentation has been produced by Avida Holding AB (the “Company”, “Avida” or “Avida Holding”), solely for use at the presentation to investors and is strictly confidential and may not be reproduced or redistributed, in whole or in part, to any other person. To the best of the knowledge of the Company and its board of directors, the information contained in this Presentation is in all material respect in accordance with the facts as of the date hereof, and contains no material omissions likely to affect its import. This Presentation contains information obtained from third parties. Such information has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information to be inaccurate or misleading.

This Presentation contains certain forward-looking statements relating to the business, financial performance and results of the Company and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words “believes”, “expects”, “predicts”, “intends”, “projects”, “plans”, “estimates”, “aims”, “foresees”, “anticipates”, “targets”, and similar expressions. The forward-looking statements contained in this Presentation, including assumptions, opinions and views of the Company or cited from third party sources are solely opinions and forecasts which are subject to risks, uncertainties and other factors that may cause actual events to differ materially from any anticipated development. None of the Company or any of their parent or subsidiary undertakings or any such person’s officers or employees provides any assurance that the assumptions underlying such forward-looking statements are free from errors nor does any of them accept any responsibility for the future accuracy of the opinions expressed in this Presentation or the actual occurrence of the forecasted developments. The Company assumes no obligation, except as required by law, to update any forward-looking statements or to conform these forward-looking statements to our actual results.

An investment in the company involves risk, and several factors could cause the actual results, performance or achievements of the company to be materially different from any future results, performance or achievements that may be expressed or implied by statements and information in this presentation, including, among others, risks or uncertainties associated with the company’s business, segments, development, growth management, financing, market acceptance and relations with customers, and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations, taxes, changes in competition and pricing environments, fluctuations in currency exchange rates and interest rates and other factors. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this presentation. The company does not intend, and does not assume any obligation, to update or correct the information included in this presentation.

No representation or warranty (express or implied) is made as to, and no reliance should be placed on, any information, including projections, estimates, targets and opinions, contained herein, and no liability whatsoever is accepted as to any errors, omissions or misstatements contained herein, and, accordingly, none of the Company or any of their parent or subsidiary undertakings or any such person’s officers or employees accepts any liability whatsoever arising directly or indirectly from the use of this document.

By attending or receiving this Presentation you acknowledge that you will be solely responsible for your own assessment of the market and the market position of the Company and that you will conduct your own analysis and be solely responsible for forming your own view of the potential future performance of the Company’s business.

This Presentation speaks as of 31st March. Neither the delivery of this Presentation nor any further discussions of the Company with any of the recipients shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since such date.

All figures presented in this Presentation are unaudited at the time of edit.

- Avida continued the strong growth into the first quarter, showing a net portfolio growth of SEK1.2bn or 14% vs last quarter. Both business segments and all core geographies showed growth. At the end of the quarter, net loans amounted to SEK9,529m, an increase of 50% YoY.
- As the COVID-19 pandemic unfolded in mid-March the company took a more cautious view on new loans and temporarily suspended new loans in Consumer Finance and restricted new loans in the Business Finance segment. The company has later adjusted the scorecards and is again granting new loans albeit on a lower level than in Q1. The company will adjust the growth in new loans as the full impact from COVID-19 is better understood.
- To reflect the heightened uncertainty of changing macroeconomic conditions and the likely consequences of the pandemic in the form of future credit losses, a decision was made to make an extraordinary credit loss provision of SEK39m. The company will review these provisions as the effects of the pandemic become clearer, and stands prepared to make further provisions if necessary.
- The underlying profitability of the business developed well and according to plan, with Q1 profits coming in at SEK37m excluding the extraordinary loan loss provisions. Profits before credit losses increased by 6.5% QoQ and totaled SEK102m. This corresponds to a growth in profits before credit losses of 85% YoY.
- Avida has taken several steps to improve the management of liquidity, and that contributed to improvements in net interest margins in the quarter. However, due to the uncertainty from COVID-19 the company made the decision to increase liquidity buffers to be better positioned for the risks and opportunities in the market. The deposit market responded as expected and the company now has a very solid liquidity position with LCR well above the regulatory floor at 180% end of quarter. The company will assess the need to keep this additional buffer throughout the quarter.
- Cost-income ratio came in at 40.7% and improved by 0.4 ppt QoQ.
- Adjusted for the extraordinary credit loss provision, loss ratio increased 0.5 ppts QoQ to 2.9%
- Return on CET1 capital, excluding the extraordinary provision of SEK39m, remained flat QoQ at 16%.

Consumer Finance

- Volume growth increased compared to the previous quarter and totaled SEK772m. Total portfolio volume at quarter end was SEK6,995m (+12% QoQ). Growth is still mainly driven by Sweden and Finland, as new recruitment remained suspended in Norway throughout the quarter.
- Following the COVID-19 outbreak, credit policies have been reviewed in order to adapt to the new conditions in the market. New recruitment was temporarily suspended, negatively impacting sales. The suspension was lifted in the end of March, and in April the company recruited approx. 25% of normal monthly volume.
- Net interest income increased by SEK14m (12% QoQ), representing a slight increase in growth rate QoQ.
- Yields improved for the second consecutive quarter following strong sales early in the quarter in Sweden and Finland at slightly higher APRs. Moreover, as nominal funding costs remained comparatively flat QoQ NIM improved accordingly.
- Credit origination in Norway is expected to start during the second quarter, although at low levels initially before ramping up volumes.
- As previously noted, an additional provision for credit losses relating to effects from the COVID-19 outbreak was made in the amount of SEK39m. Overall impairment and credit quality is being closely monitored. Rolling four quarters loss ratio, adjusted for the extraordinary provision, increased by 0.1 ppt to 3.2%.

Business Finance

- Coming out of seasonally lower months in terms of financing volumes, financed volumes increased during the end of the first quarter. Net portfolio increased by SEK404m (19%) QoQ and totaled 2,534, fueled by growth in the corporate and digital loans segment as well as the factoring portfolio.
- Furthermore, the increased focus on lending through digital channels has had a positive effect on margins, as well as allowing for efficient growth within current operational capacity.
- As the COVID-19 outbreak affects many sectors and impacts the general economic outlook across all Nordic countries, it is likely to impact financing need for some clients. However, factoring and lending portfolios are highly diversified and the demand from existing clients for working capital financing remains high. Efforts have been made to ensure close communication with clients during these extraordinary times, as well as maintain strict credit quality controls.
- Yield and overall profitability improved QoQ driven primarily by changes in portfolio composition.
- Credit loss ratio increased by 0.3ppt to 0.7%, and remains at a low level. The increased ratio is mainly attributable to increased provisioning, whereas actual losses remain low. The effects from the COVID-19 outbreak so far have been very limited, and have not had a significant effect on credit losses for Business Finance in the first quarter.

Significant events after the quarter

- Avida has traditionally used forward flow contracts to sell of non-performing loans (NPL) as they reach 90-120 days overdue.
- The market for selling such portfolios has showed weakness over the last few quarters and prices have declined. This trend has been aggravated by COVID-19 and many sales processes have been halted or postponed as there is significant uncertainty on pricing.
- The purchaser of Avida´s consumer NPLs in Sweden announced on March 30th that they were unilaterally terminating their Forward Flow scheme with Avida. The contract had a remaining life of 12 months. Avida is challenging this termination as the company does not agree there is legal basis for the purchaser to terminate the contract.
- After a period of discussions, Avida received on 22 May 2020 a notice from KKR stating KKR´s anticipation to terminate the Subscription Agreement based on alleged breaches of certain of the warranties by Avida under the Subscription Agreement. The alleged warranty breaches are, among others, related to the termination of a forward flow loan purchase agreement between Avida and a Nordic loan portfolio buyer. In its notice KKR also invited Avida to engage in discussions to explore whether there could be a basis for agreeing on a new revised transaction on amended terms.
- Avida subsequently entered into a new agreement with KKR which is pending regulatory and EGM approval. Under the revised terms, KKR will still subscribe for 9,090,909 new shares in Avida. However, the subscription price per share has been reduced from NOK 33 to NOK 26, resulting in Avida raising gross proceeds of approximately NOK 236 million.
- For further details regarding the renegotiated terms for the conditional private placement to KKR, please refer to the press release dated 2020-05-27.



Q1 Financial Highlights

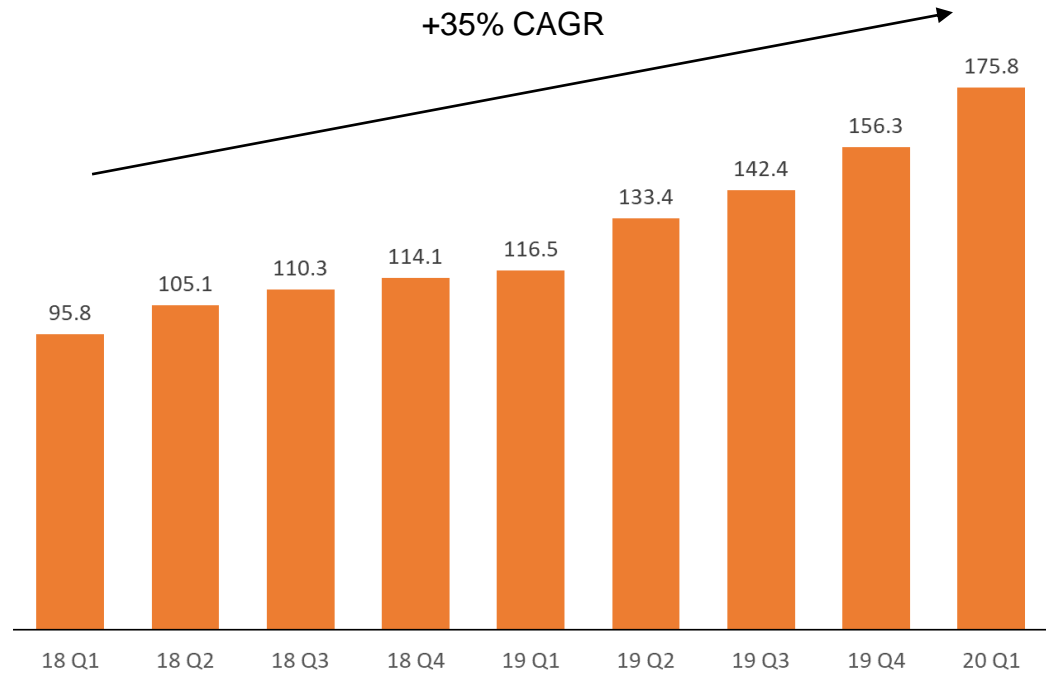
		Q1 2020	Q4 2019
I	Portfolio growth	QoQ growth in net loans of 14% - Total net loans of SEK9,529m	QoQ growth in net loans of 5% - Total net loans of SEK8,353m
II	Net interest margin ¹⁾	Net interest margin of 9.3%	Net interest margin of 9.0%
III	Cost / Income ratio	Cost / Income ratio of 40.7%	Cost / Income ratio of 41.1%
IV	Loan losses	Loan losses of 2.9% ²⁾	Loan losses of 2.4%
V	Profits before tax	Pre-tax profit of SEK-2.2m & SEK36.8m ²⁾ Profit before IFRS 9 provisions: SEK79m	Pre-tax profits of SEK47.5m Profit before IFRS 9 provisions: SEK83m
VI	Return on equity ³⁾	ROE of 16% ²⁾	ROE of 16%
VII	Capital Ratio	Total Capital Ratio of 15.5% & CET1 of 10.6% - Total Capital Requirements: 12.0% - CET1 Requirements: 8.0%	Total Capital Ratio of 16.9% & CET1 of 11.4% - Total Capital Requirements: 13.5% - CET1 Requirements: 9.6%

1) Net interest margin is excluding sales provisions

2) Adjusted for extraordinary provision of SEK39m

3) ROE calculated on CET1 capital

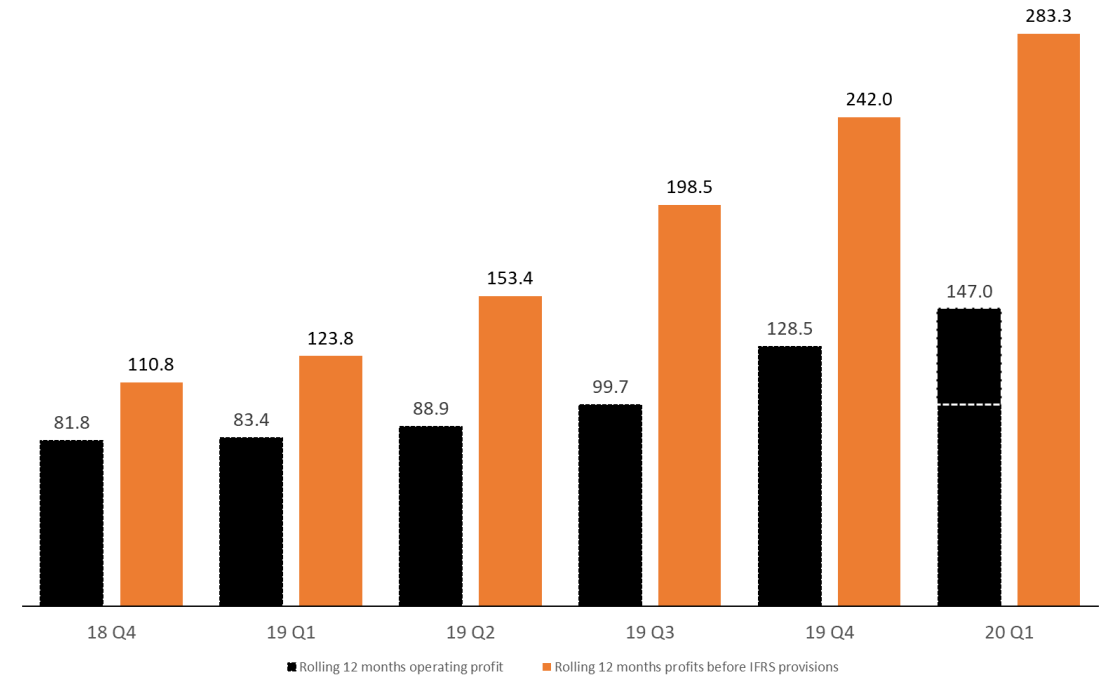
Net interest income* (SEKm)



CAGR +35%

*Net of sales provisions and interest costs

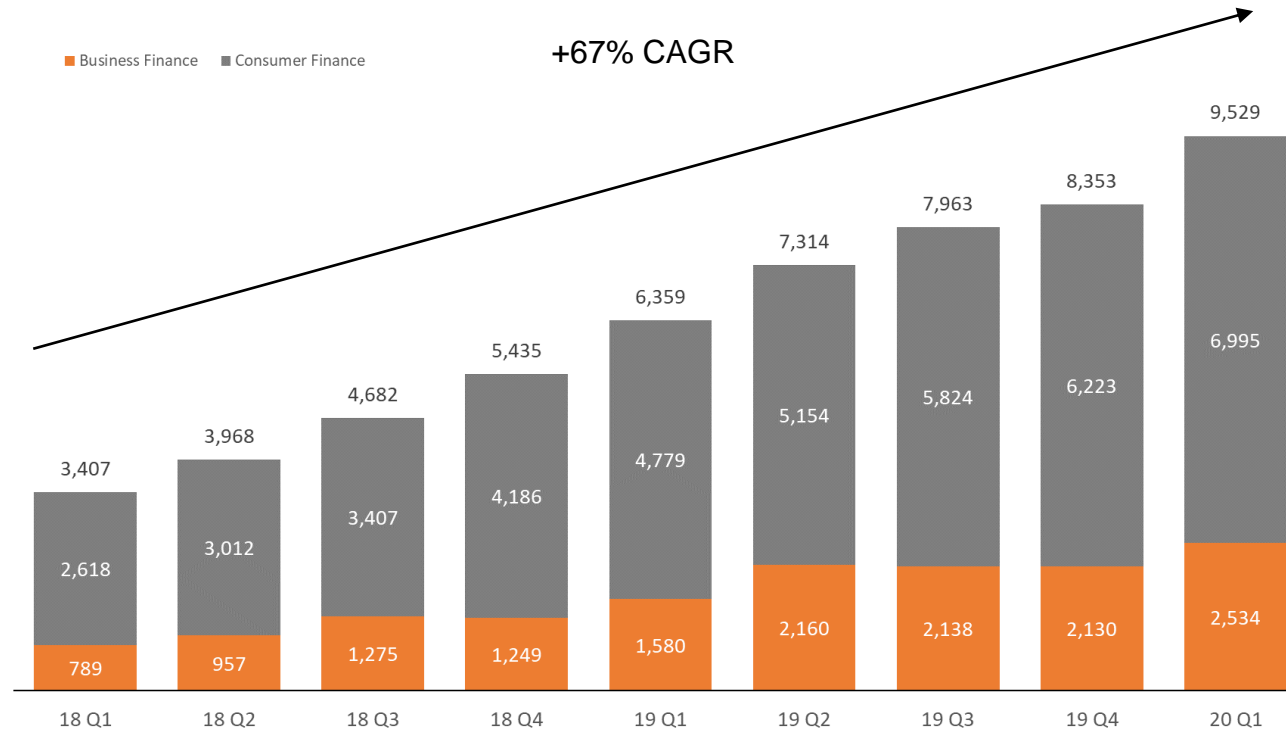
Rolling 12 months profit* (SEKm)



Continued growth in rolling EBT

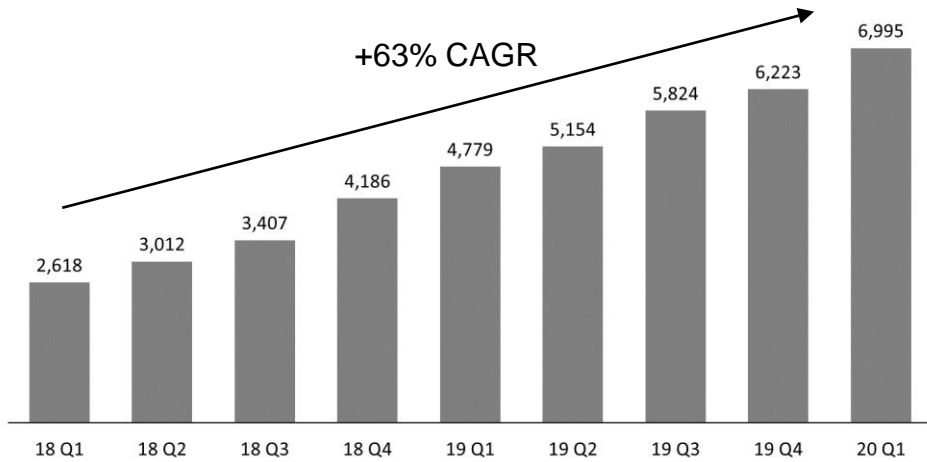
* Adjusted for extraordinary provision in Q1 2020 of SEK39m

Net loans to customers (SEKm)

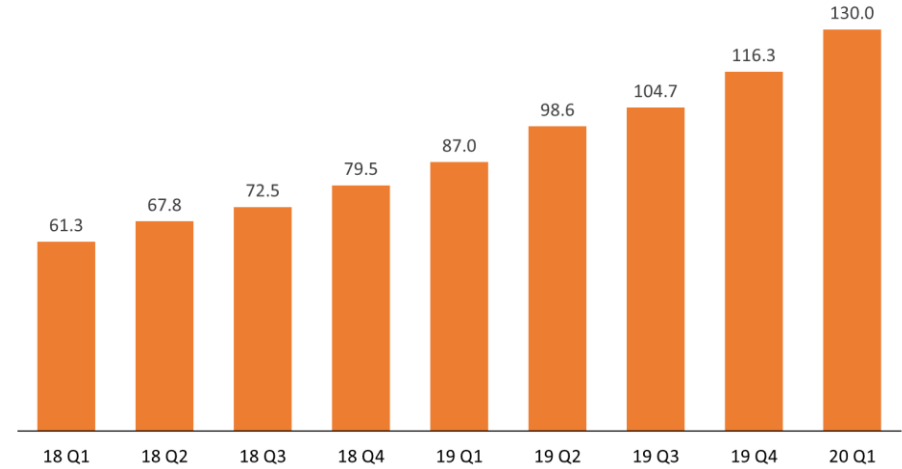


Significant volume growth continues during Q1 2020

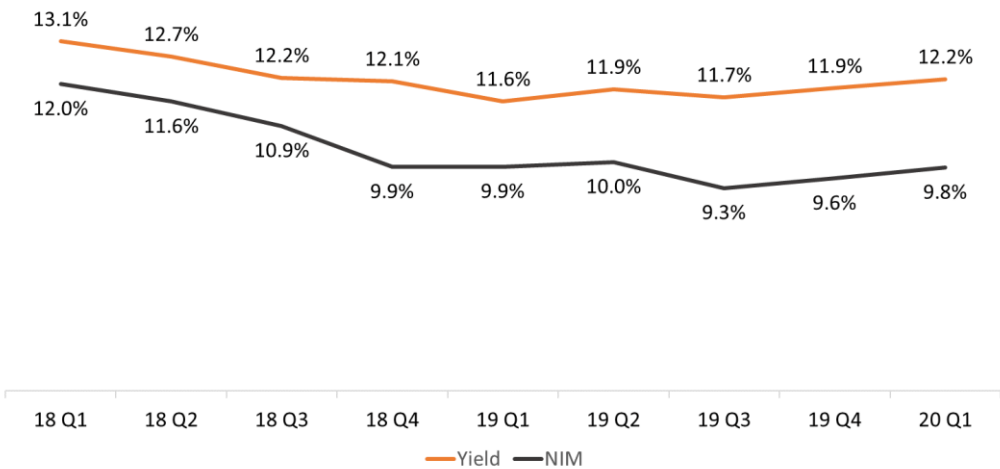
Net loans (SEKm)*



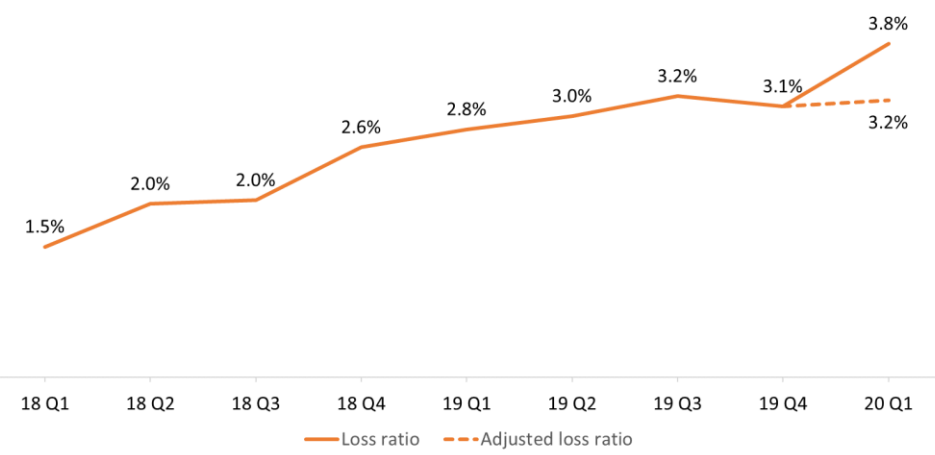
Net interest income (SEKm)



Yield (%) and NIM (%)*



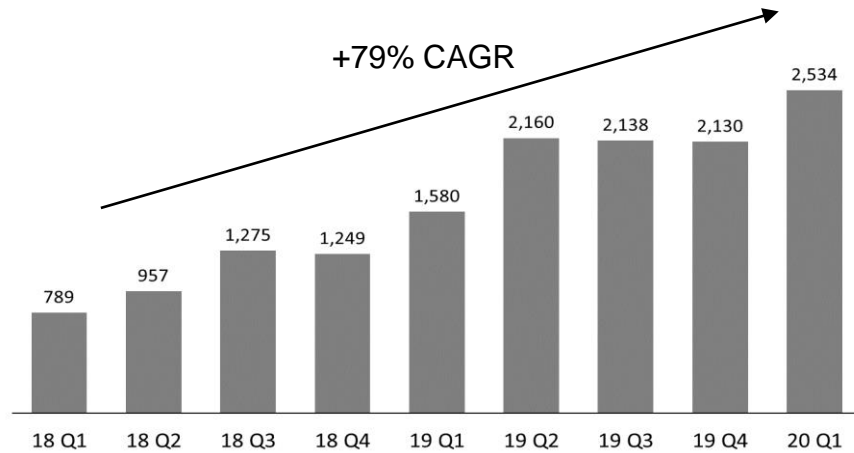
Loss ratio (%)**



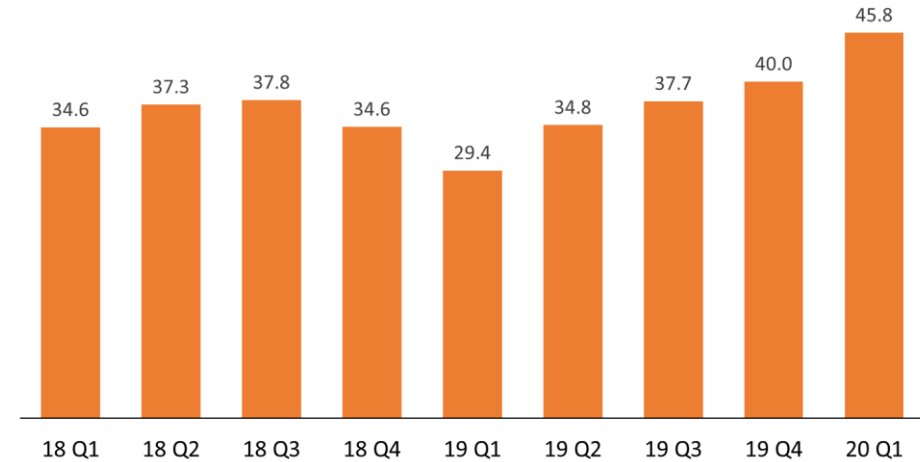
* Net loans, Yield and NIM are excluding sales provisions

** Loss ratio calculated as rolling 4 quarters credit losses divided by rolling 4 quarters average net loans
Adjusted loss ratio disregards extraordinary provision of SEK39m in Q1 2020

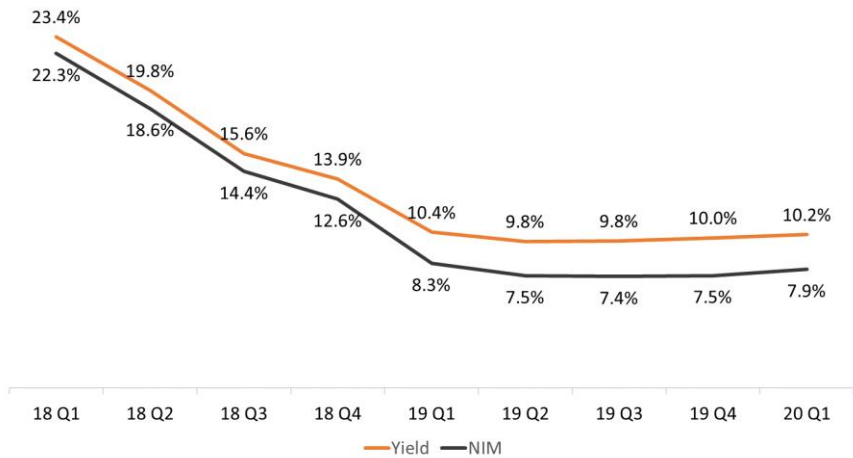
Net loans (SEKm)*



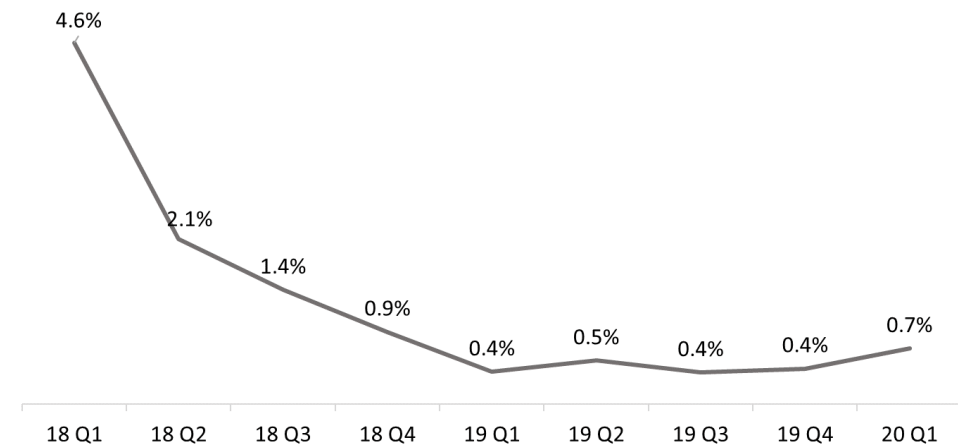
Net interest income (SEKm)



Yield (%) and NIM (%)*



Loss ratio (%)**



* Net loans, Yield and NIM are excluding sales provisions

** Loss ratio calculated as rolling 4 quarters credit losses divided by average rolling 4 quarters net loans.

Profit & loss

	2020	2019	2019	2019	2019
SEKm	Q1	Q4	Q3	Q2	Q1
Interest income	227.4	205.6	188.1	167.7	142.6
Interest cost	-51.6	-49.3	-45.7	-34.2	-26.1
Net interest income	175.8	156.3	142.4	133.4	116.5
Net result from financial transactions	-3.9	6.2	2.0	3.4	3.2
Other income	0.4	0.3	1.2	0.3	0.7
Total income	172.4	162.9	145.6	137.2	120.4
Administrative cost	-65.6	-57.3	-55.9	-65.1	-62.6
Depreciation and amortization	-4.6	-9.6	-2.8	-2.4	-2.5
Sum operational cost	-70.2	-66.9	-58.7	-67.6	-65.1
Result before credit losses	102.1	95.9	86.8	69.7	55.3
Actual losses	-23.0	-12.7	-9.9	-25.6	-17.5
Result before IFRS 9 provisions	79.2	83.2	76.9	44.0	37.8
IFRS 9 provisions	-81.3	-35.7	-40.3	-18.1	-19.5
Operating profit	-2.2	47.5	36.6	26.0	18.4
Tax	0.0	-13.6	-8.6	-3.6	-5.6
Profit after tax	-2.2	33.9	28.0	22.5	12.8

Comments

Key developments in Consumer Finance

Consumer Finance delivered a quarterly growth in net loans of SEK772m (+12%) and LTM growth of SEK2,216m (+46%). Growth has been driven by Sweden and Finland, since new recruitment in Norway remained suspended.

New recruitment was temporarily suspended during the second half of March due to the COVID-19 outbreak, which had a negative impact on new volumes. The suspension was lifted in the end of March, and in April the company recruited approx. 25% of normal monthly volume.

Margins continued to increase during the quarter following continuous improvements in scoring and credit policies, as well as efforts to maintain cost efficient funding.

Key developments in Business Finance

Business Finance net volumes increased QoQ, as the previous quarter was affected by seasonality effects for several clients. Quarterly growth in net loans was SEK404m (+19%) and LTM growth of SEK954m (+60%).

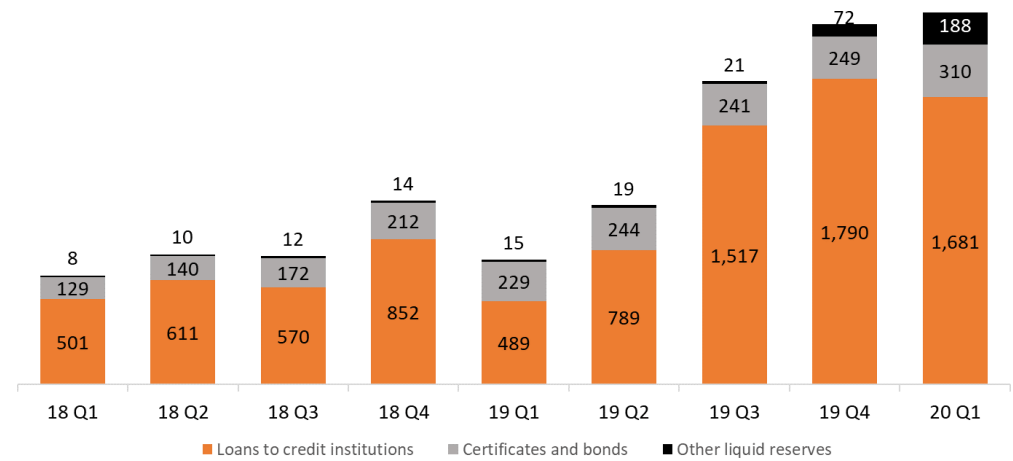
Yield and overall profitability improved QoQ driven primarily by changes in portfolio composition. Furthermore, the increased focus on lending through digital channels has had a positive effect on margins, as well as allowing for efficient growth within current operational capacity.

As the credit portfolio is highly diversified, credit losses remain at a very low level. Rolling four months loss ratio increased slightly QoQ driven by increased provisioning, whereas actual losses remain low.

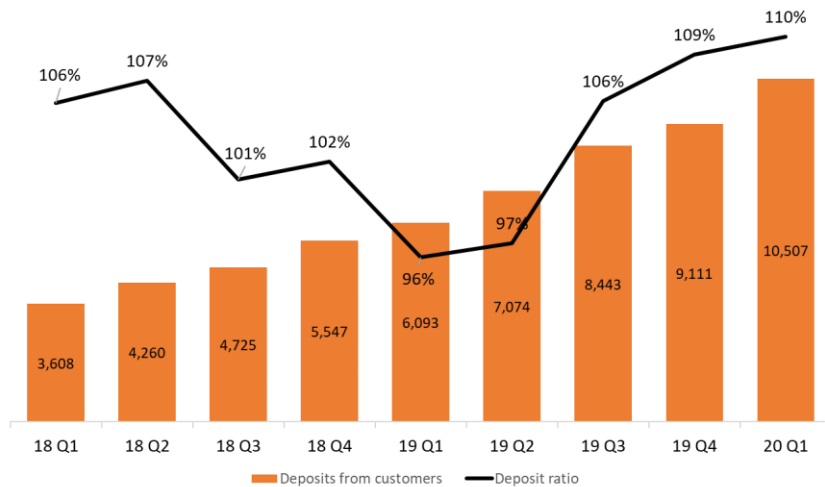
Key ratios

Average outstanding loan size	~SEK 90,000
LCR	180%
Deposit ratio	110%

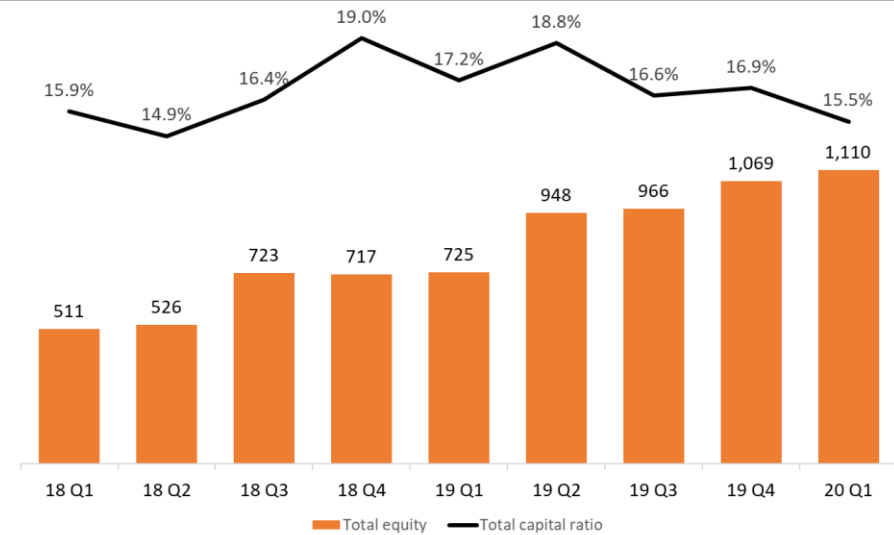
Liquidity (SEKm)



Funding (SEKm) and deposit ratio (%)



Total equity (SEKm) & Capital ratios (%)



Balance sheet

	2020-03-31	2019-12-31	2019-09-30	2019-06-30	2019-03-31
SEKm	Q1	Q4	Q3	Q2	Q1
Cash and balance to central bank	187.7	72.3	20.7	18.8	15.4
Certificates and bonds	310.4	249.1	241.2	243.8	228.6
Loans to credit institutions	1,680.7	1,789.6	1,516.5	788.6	488.5
Net loans to customers	9,528.6	8,352.6	7,962.7	7,314.0	6,358.9
Intangible assets	45.3	42.7	25.3	17.1	18.5
PP&E	16.4	18.6	16.7	18.6	20.8
Other assets	226.2	35.2	8.0	20.8	9.4
Prepaid expenses and accrued income	17.9	23.2	76.9	71.3	72.0
Total assets	12,013.2	10,583.3	9,868.0	8,493.1	7,212.3
Deposits from customers	10,506.7	9,111.4	8,443.5	7,074.2	6,092.7
Other liabilities	122.3	132.1	175.9	167.4	98.5
Accrued expenses and prepaid income	27.9	24.9	37.6	45.6	42.8
Deferred tax liabilities	0.0	0.0	0.0	11.6	0.8
Subordinated debt	246.1	245.9	245.4	245.9	252.4
Total liabilities	10,902.9	9,514.3	8,902.4	7,544.7	6,487.1
Share capital	6.2	6.1	5.8	5.8	5.8
AT1 bond	194.3	194.0	193.6	200.0	0.0
Retained earnings	911.9	771.9	703.0	707.3	706.5
Earnings in year	-2.2	97.1	63.2	35.2	12.8
Total equity	1,110.3	1,069.1	965.6	948.4	725.1
Total equity and liabilities	12,013.2	10,583.3	9,868.0	8,493.1	7,212.3

Comments

Net loans increased by SEK1,176m (+14%) QoQ and SEK3,170m (+50%) LTM, resulting in a total outstanding balance of net loans to customers of SEK9,529m.

Avida's main source of funding is deposits from customers, and the funding and liquidity situation has been stable throughout the first quarter. With deposit accounts available for all major currencies used in operations, Avida stands well equipped.

A capital injection of SEK45m was made during the quarter.

STOCKHOLM

Visiting address:
Södermalmsallén 36

Postal address:
Postbox 38101
100 64 Stockholm

Contact information:
Phone: +46 08-56420100
Email: info@avida.se

HELSINKI

Visiting address:
Säterinportti, Linnoitustie 6 B

Postal address:
Linnoitustie 6 B
02600 Espoo

Contact information:
Phone: +358 7575 50070
Email: luotto@avidafinans.fi

OSLO

Visiting address:
Fredrik Selmersvei 6

Postal address:
Postbox 6134 Etterstad
0602 Oslo

Contact information:
Phone: +47 23335000
Email: info@avida.no

AVIDA