

Intrum

“Leading the way to a sound economy”

Investor Presentation
September 2020

intrum

Today's presenters



Mikael Ericson
*Chief Executive Officer &
President*

Table of contents

Company overview

Strong market growth dynamics

Group highlights

Historical financials

Outlook and near term focus

Intrum is Europe's leading credit management company

Overview

- Integrated business model with a holistic client service offering
 - Collections and servicing operations
 - Investment operations
- Diversification with local presence in 24 European markets, plus Brazil
 - Market leader in majority of the markets where we operate
- Strong operational performance and consistent financial returns

Intrum key metrics (LTM 30 June 2020)

Revenue	SEK 15,668m
Pro forma Adjusted Cash EBITDA	SEK 11,246m
Estimated Remaining Collections (180 months) ("ERC")*	SEK 64,674m
Market Capitalization**	SEK 26.6bn

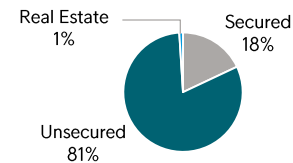
European geographic footprint

Intrum European Presence

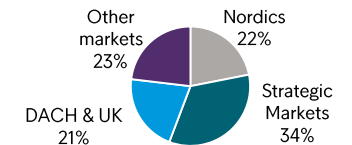
Our geographic footprint covers c.98% of Europe's bank NPL market***



ERC by asset class



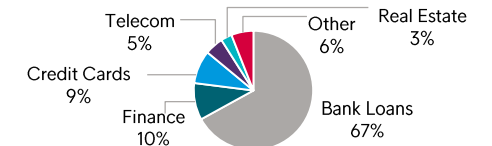
ERC by geography



ERC by investment type

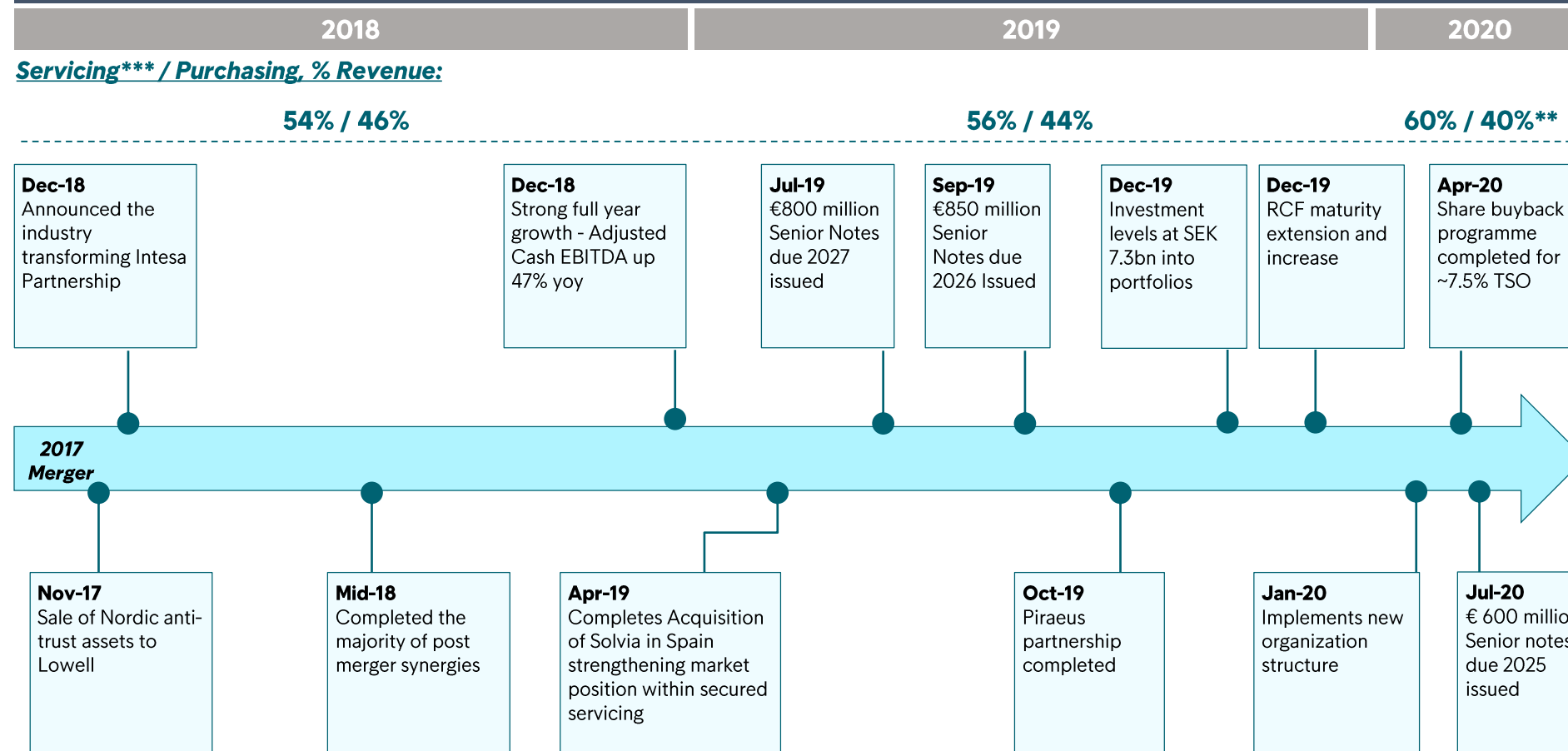


ERC by industry



Successful development in recent years

Key milestones since of the merger of Lindorff and Intrum Justitia in 2017



Key achievements

- Following the merger, Intrum has quickly consolidated its leadership position with notable acquisitions, including in Italy, Spain, and Greece
- Sale of RemCo* at attractive valuation post merger
- Synergies have materialised above initial expectation at merger
- Increased servicing share of net revenues from 54% in 2018 to 60% as of June 2020 LTM

Faster return towards normality than anticipated

Operational update

- Majority of our markets that were impacted have opened up relatively fast, including the legal systems in Greece, Italy and Spain – our operations are approaching a normalised level
- All Intrum offices are open, though ensuring required social distancing for staff
- Moving from 80% working remotely in March to circa 60% as of today
- We monitor the pandemic development closely and are prepared to adapt and adjust operations if necessary
- We have been able to support our clients effectively throughout H1 thanks to
 - Dedicated value driven employees – Empathy, Ethics, Dedication, Solutions
 - Clear customer guidelines which have guided us
- Our business model is proving its resilience
 - Benefits of having a diversified business in 25 countries
 - Approximately 85 per cent of our of collected amounts in our loan portfolios are generated from automated and online payments

Table of contents

Company overview

Strong market growth dynamics

Group highlights

Historical financials

Outlook and near term focus

Strong trends supporting supply for the credit management industry

Elevated NPL volumes in the financial system

- **NPL stock peaked but remains high...**
 - NPLs “backlog” from the previous crises substantially reduced over the last few years following record levels of disposals, in particular in Italy and Spain; however NPL stock remains significantly above pre global financial and Euro sovereign crises levels
- **...and COVID-19 crisis expected to increase supply**
 - Economic downturn expected to create new NPLs to be offloaded by financial institutions and companies
- **Ongoing underlying supply of new NPLs, even in expanding economy**
 - Run-rate defaults on loans and delayed payments to corporates continue generating NPLs across the cycle

Backdrop driving portfolio sales and externalisation of servicing

- **Stringent regulatory targets as well as changing economic models for banks**
 - Regulatory and accounting pressure on financial institutions to reduce NPE exposure (e.g. IFRS 9, calendar provisioning etc.)
 - Increasing deleveraging from banks and focus on core origination activities
 - Large markets with historically low NPL sales by banks still expected to open up to credit management players (e.g. Portugal, Greece, Cyprus, France)
- **Increasingly attractive externalisation and BPO offerings for financial institutions and companies**
 - Proven efficiency of external collections, providing flexibility and economic benefits

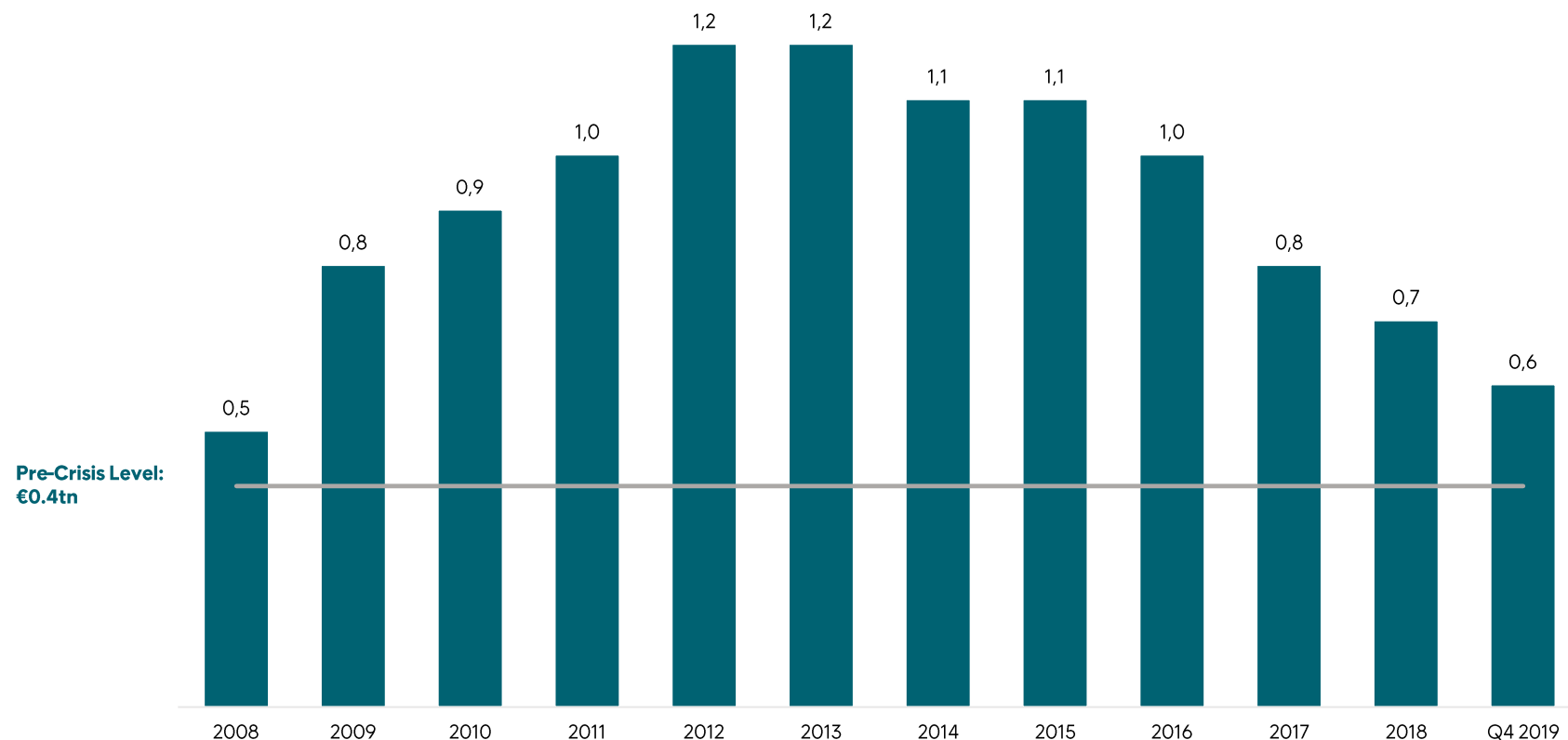
Financial sponsors expected to fuel activity for “strategics”

- **Large portion of NPL stock transferred to financial investors**
 - Opportunity for specialist servicers to provide for the portfolios
 - Secondary sales expected to increase with exits of financial sponsors who took part in the first waves of portfolio deals

NPL stock on banks' balance sheets significantly above pre-crisis levels already before COVID-19

European banks' non-performing loan stock (€tn)

€tn



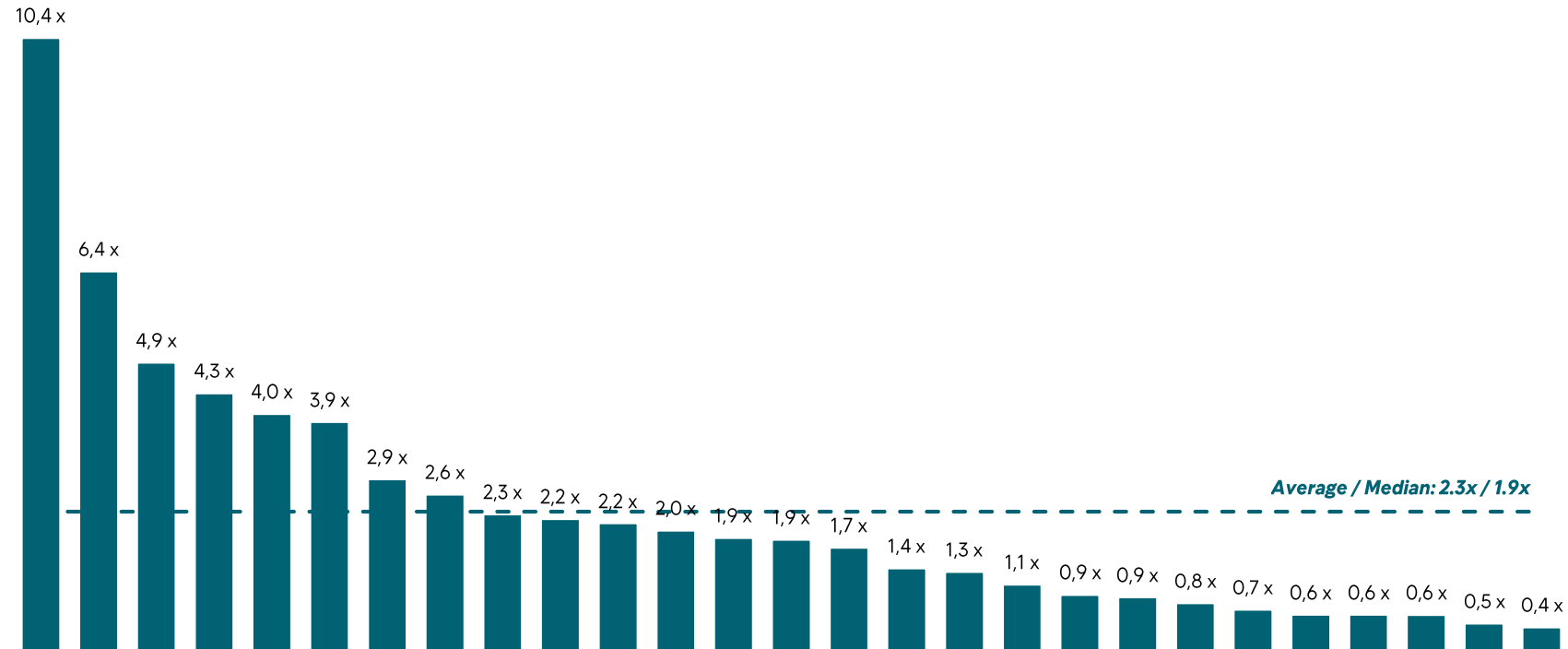
Key takeaways

- **European bank NPL stock increased from ~€0.4tn in 2007 to ~€1.2tn in 2013**
 - Increased default rates
 - Limited NPL sales activity
- **Subsequent reduction to ~€ 0.6tn as at Q4 2019 as banks have focused on deleveraging (primarily via debt sales)**
- **Despite active deleveraging since peak levels, European banks' NPL stock remained at an elevated level by end of 2019**
- **Regulation constantly driving banks to delever their balance sheet**

New supply expected from COVID-19 aftermath, adding to existing elevated stock

Cost of risk for key European banks on the back of COVID-19 outbreak*

1Q20 vs. 1Q19



Key takeaways

- **In Q1 2020, largest increase in loan loss provisions for European banks since 2008 financial crisis**
 - Expectations for a substantial increase in NPLs for European banks in coming quarters, with Q1 2020 LLPs already having increased €120 billion
- **Regulation and low profitability fuelling substantial portfolio disposals**
- **Furthermore, institutional investors' investments in NPLs expected to drive secondary sales and servicing volumes**

Table of contents

Company overview

Strong market growth dynamics

Group highlights

Historical financials

Outlook and near term focus

Group highlights

1

Reinforced leadership in European credit management

2

Strong position in the financial ecosystem, with integrated and diversified solutions for clients

3

Disciplined capital allocation, supported by unique footprint and origination platform to seize attractive new opportunities

4

Track record of continuous operational excellence, innovation and efficiency improvements

5

Proven resilience across the cycle, thanks to strong embedded risk culture

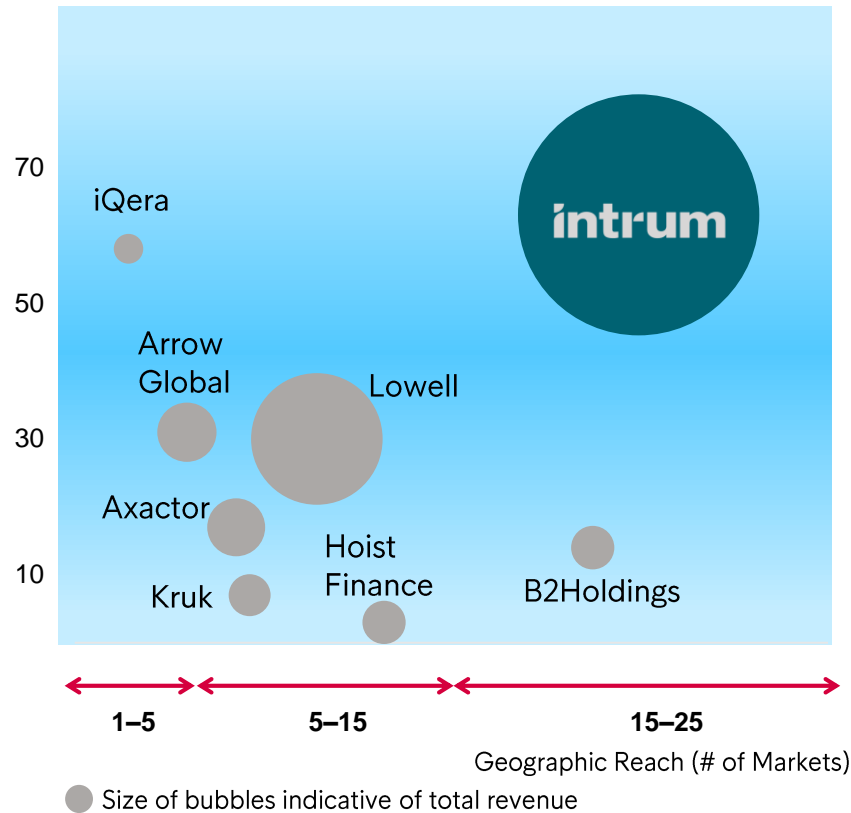
6

Robust financial position with strong cash generation

1 Strengthened leadership, built on scale and diversification...

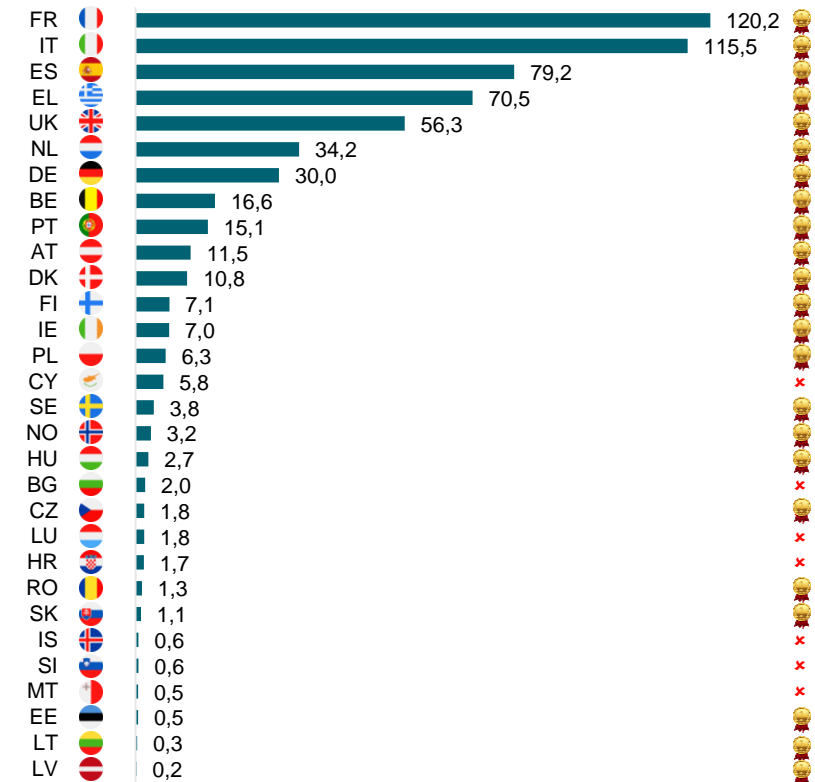
Leader in terms of size and geographical diversification...

% of Non-portfolio Investments Revenues



...with leading positions in all key European NPL markets

Q4 2019 European Bank NPL, €bn



Presence

intrum

- **The largest player in Europe**
 - Recent market dislocation has widened the gap between Intrum and its peers
- **The greatest geographical reach**
 - In recent years Intrum has successfully strengthened its position in the key European markets, having effectively strengthened its presence thanks to the Italian and Greek partnerships
- **The most balanced business model**
 - Diversified revenue streams with a complete value proposition, from investments to servicing

1 ...and an integrated, client-centric business model

Complementarity between Portfolio Investments and CMS...

...Resulting in clear synergies and tangible benefits



Flexibility	<ul style="list-style-type: none">• Full service offering to meet clients' evolving needs
Origination synergies	<ul style="list-style-type: none">• Access to serviced portfolios
Data analytics	<ul style="list-style-type: none">• Further improved collection efficiency and decreased costs
Operational synergies	<ul style="list-style-type: none">• Greater scale supporting investments, innovation and fixed costs absorption
Financial synergies	<ul style="list-style-type: none">• Capital light earnings from CMS for portfolio investments and deleveraging• Higher debt capacity at lower cost

2 Intrum plays a key role in the financial ecosystem and in the society...

Contributing to a sound and sustainable economy

- **In economies heavily relying on credit, it appears crucial to ensure healthy repayments and borrowing turnover within the financial ecosystem**
 - As a leading credit management company, Intrum plays a key role in efficiently recovering outstanding receivables for companies and deleveraging banks' balance sheets, creating room for further lending and investing
- **In Europe, Intrum has been active over the years in the sanitation of the banking environment following the global financial crisis**
- **Intrum became a trusted long-term partner to several companies and financial institutions, offering tailored solutions for the optimisation of their operations and balance sheets**

Sustainably supporting customers in their financial recovery

- **Intrum is actively engaging with customers in order to understand their specific situations and define a clear path to recover from financial challenges**
 - We offer long and detailed interactions to build sustainable repayment programs for individuals and businesses, helping them towards economic well-being
- **As part of this process, and in the context of the current crisis, we are adapting to the evolving circumstances of some of our customers, providing advice and additional flexibility**
- **Intrum plays a key role in the industry, leading the way with well-established values, focusing on customer treatment, conducting in-depth market analyses, and working closely with relevant regulators, in order to be at the forefront of best practices and sustainability**

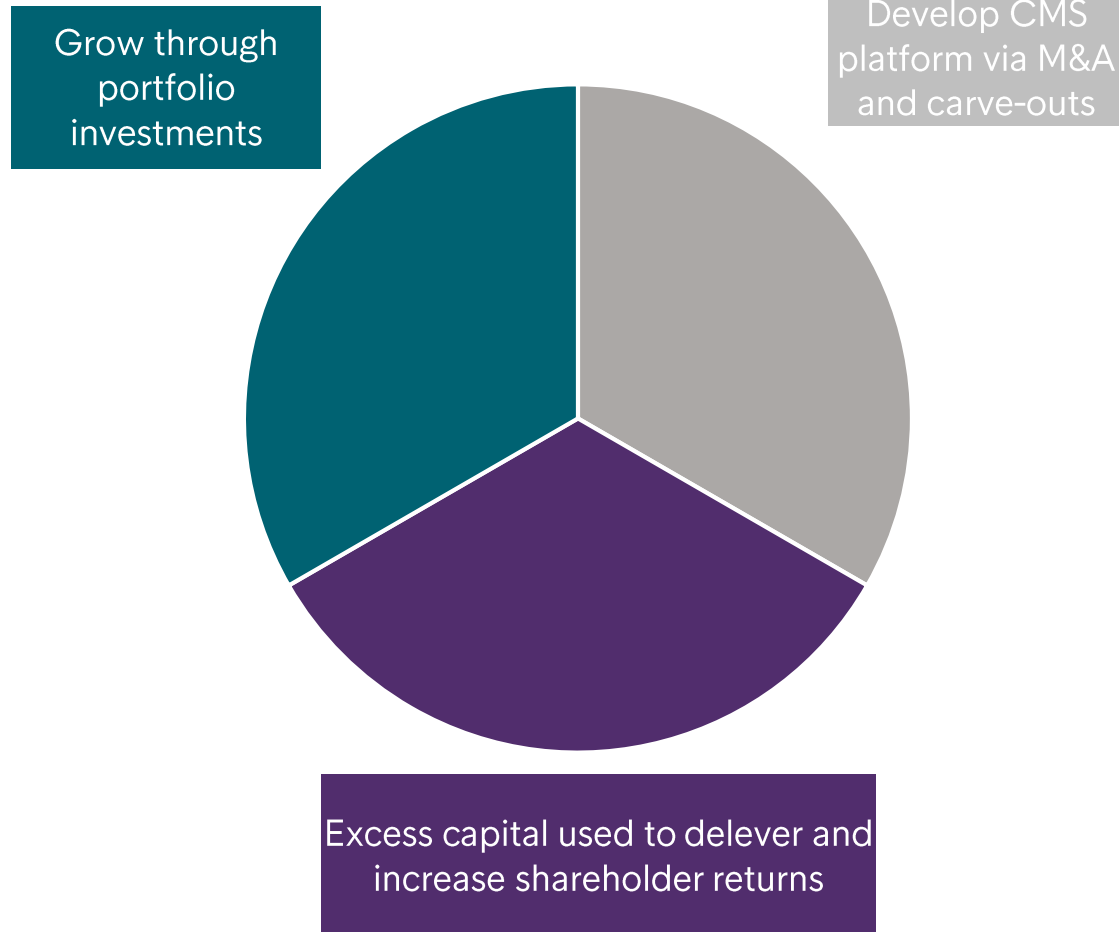
2 ...becoming a partner of choice for leading institutions across Europe

Coverage of the full CMS value chain								
	Value add services		Product expertise			Solutions		
	Information services	Invoice and payment services	Portfolio Investments	CMS*	Real estate services	BPO**/ carve-outs	Co-investments	Pan-European***
intrum	✓	✓	✓	✓	✓	✓	✓	✓
Peer 1	✓	-	✓	-	-	✓	-	✓
Peer 2	-	-	✓	-	-	✓	✓	-
Peer 3	-	-	✓	-	✓	✓	✓	-
Peer 4	-	-	✓	-	-	✓	✓	✓
Peer 5	-	-	✓	-	-	-	✓	✓
Peer 6	✓	-	✓	-	-	-	✓	-

Preferred relationship with European banks

ABN-AMRO Banesto
 Bankia Deutsche Bank
 DNB iberCaja
 INTESA SANPAOLO
 Nordea PIRAEUS BANK
 Sabadell Santander
 Santander Consumer Finance Swedbank

3 Disciplined capital allocation, supported by unique footprint and origination platform...



Intrum effectively balances capital allocation between portfolio investments and its CMS platform, and across geographies

- **Portfolio Investments**

- Reinvest cash flows at attractive return levels
- Access to largest and most diversified pipeline across Europe, benefiting from strong relationships with leading selling institutions
- Strong in-house sourcing and servicing capabilities, benefiting by local expertise and centralised resources (IT, data analytics etc.)

- **Develop the CMS platform**

- Generate attractive return on capital, building on best-in-class operations to provide tailored solutions across Europe
- Consolidate market position in key geographies and acquire new capabilities

- **Excess capital expected to be used to delever to target range by 2022 and increase shareholder returns**

- Healthy cash generation allowing to balance growth with shareholders return and deleveraging

3 ...with Intrum being ideally positioned to capture new opportunities in the current environment

Tailwinds in the European NPL market

- **NPL stock in the European financial system remains high**
- **Regulatory developments continue to drive deleveraging for banks, with business models adapting for the long-run**
- **Secondary market partly untapped**

Implications from the COVID-19 crisis

- **Economic downturn expected to generate new NPL stock and fuel supply in the market across Europe**
- **Market dislocation expected to generate more attractive terms for portfolio acquisitions, with improved returns in the medium term**
- **Intrum, benefiting from strong funding and liquidity, capable of being opportunistic, at a time when competitors might struggle**
- **Accelerated transformation for the business, with increased digitalisation of the activities and optimisation of the operating structures**

4 Track record of continuous operational excellence, innovation and efficiency improvements

	Key initiatives	Status
1 Shared Service Center (SSC)	<ul style="list-style-type: none"> Scale up current services in more countries Transition new areas with scale potential Further develop centers of excellence 	<ul style="list-style-type: none"> ✓ The SSC has more than doubled in size since YE 2017
2 IT effectiveness and efficiency	<ul style="list-style-type: none"> Execute on the IT integration program, including one infrastructure platform Build harmonization of solutions and systems 	<ul style="list-style-type: none"> ✓ The IT integration is ongoing with continued reduction in IT costs (partially included in merger cost synergies)
3 Sourcing and procurement	<ul style="list-style-type: none"> Utilise scale to merge and renegotiate contracts Establish partnerships with group-wide leverage 	<ul style="list-style-type: none"> ✓ Continued reduction in addressable spend (partially included in merger cost synergies)
4 Best practice and operational performance mgmt	<ul style="list-style-type: none"> Drive best practice across CMS value chain Establish operational performance insight Measure through common KPIs, driving value 	<ul style="list-style-type: none"> ✓ Currently 16 markets in testing and pilot phase

Operational improvement targets to be achieved largely through current resources and cost structure

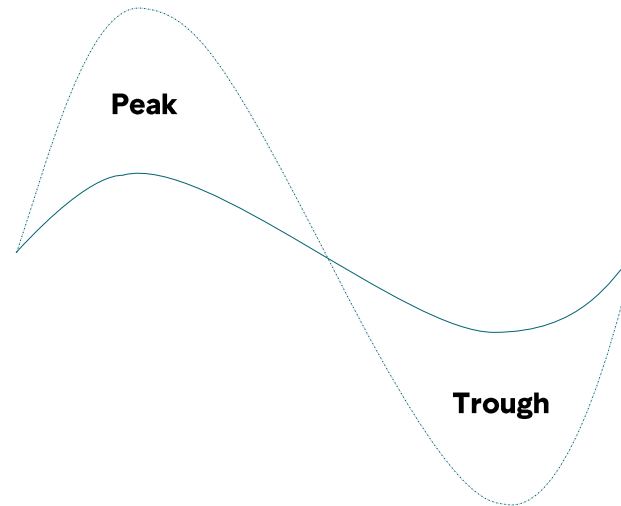
5 Resilient business model through economic cycles...

Ability to effectively weather the crises

Balancing The Benefits of An Integrated Business Model

Resilient Performance Throughout The Cycle

	Peak	Trough
Consumer lending volumes	Increasing	Decreasing
Credit origination quality	Decreasing	Increasing
Volumes of defaulted claims	Reducing	Picking up
Initial inflow to NPL	Above average	Below average
Supply & market sentiment	Low & optimistic	High & deteriorating
Debtor repayment capacity	Improving	Deteriorating
Collectability on back book	Increasing	Slowing



COVID-19 reaction

- The spread of COVID-19 has impacted Intrum’s segments and regions different ways, with Strategic Markets being the most adversely affected, Credit Management Services maintaining a flat operating margin and Portfolio Investments being impacted primarily as a result of extending our collection forecasts
- Intrum’s geographical and product diversity has reduced the risks and created flexibility to cope with the crisis
- With more than 80% of collected amount coming from digital and automated channels and 34% of ERC relating to Strategic Markets, Intrum’s business model is proving its resilience
- Rate of investment temporarily reduced and increased yield requirements for portfolio investments in order to increase cash flow in the business
- All Intrum offices are open, though ensuring required social distancing for staff
- Management continuously and closely monitoring the pandemic development and prepared to adapt and adjust operations if necessary

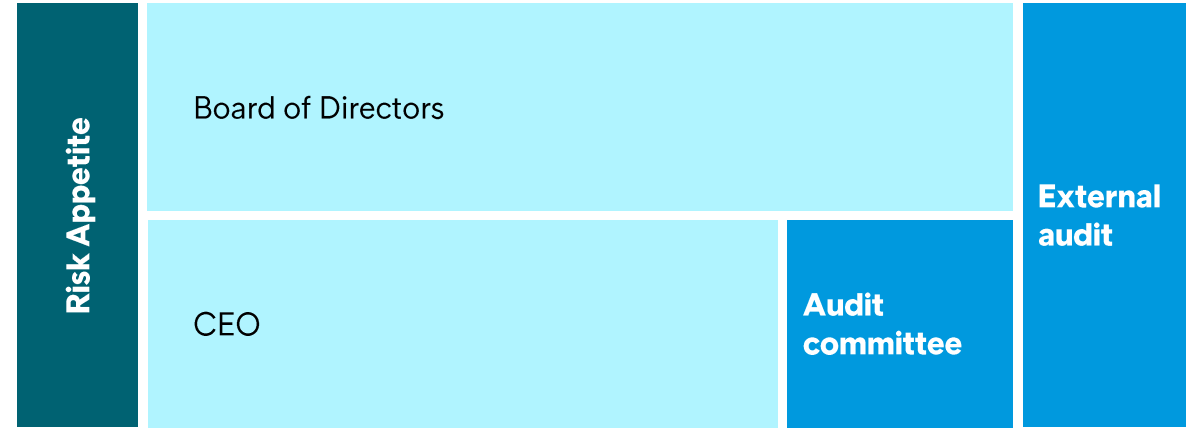
Historical economic slowdown impact-Integrated business model benefits

- ✓ A balanced Portfolio Investment led growth rests on the solid foundation of the CMS business model’s natural hedge against all the economic cycles

5 ...and strong governance and risk controls embedded in culture and processes...



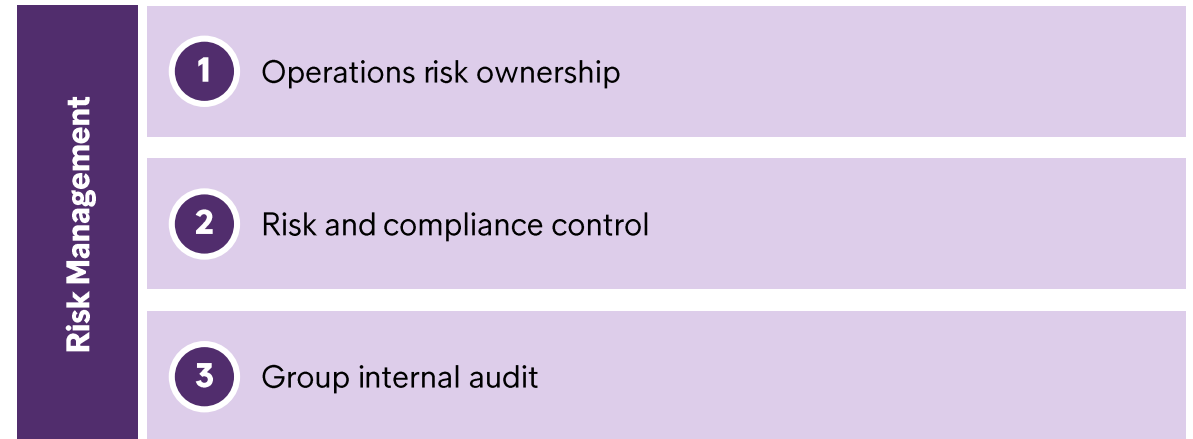
A well-established best practice model with clear roles and responsibilities regarding governance and risk management



Three lines of defence



Regulatory framework for financial services companies reflected in the governance structure of Intrum

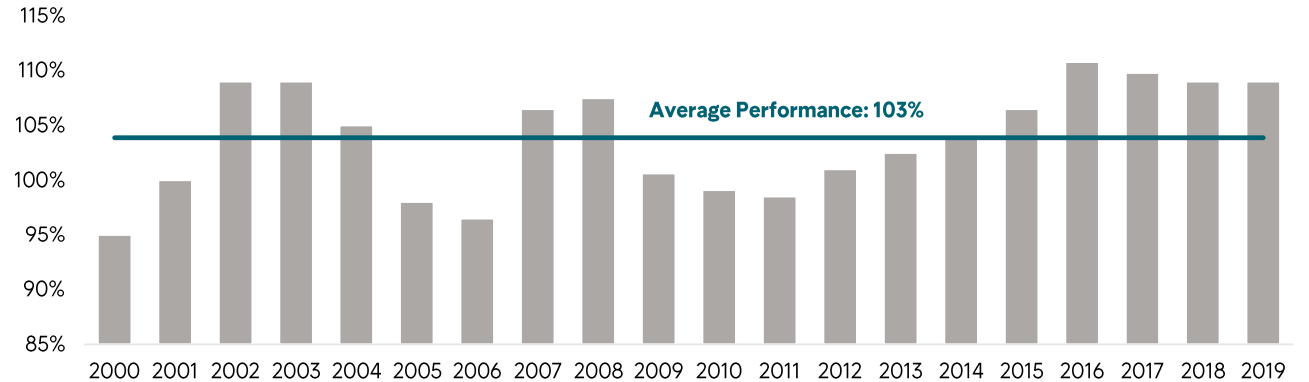


5 ...delivering recurring outperformance of initial collection forecasts

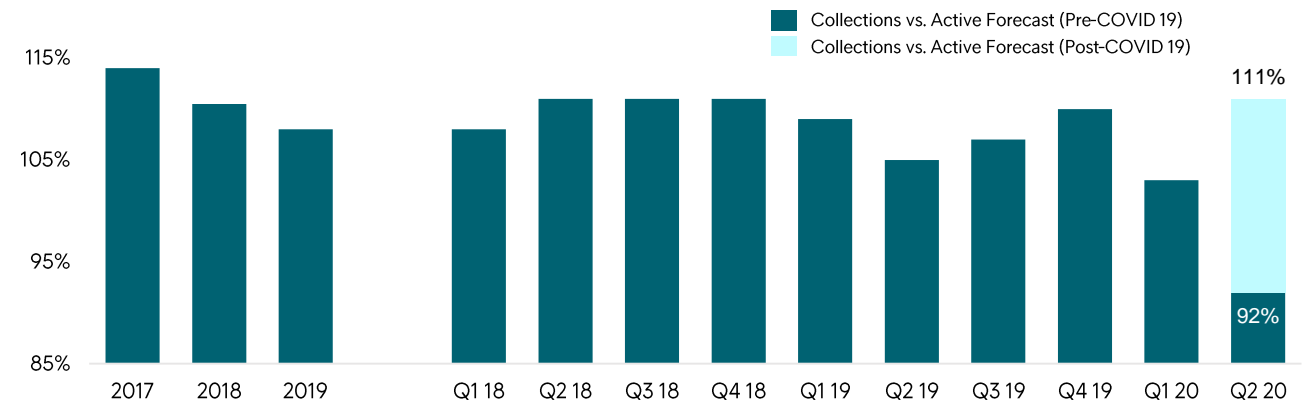
Strong return trajectory across time

- Intrum, through its long experience in credit management, has strong knowledge of identifying the right investment opportunities
- Being the most scalable and geographically diversified player in the sector, Intrum is able to capture opportunities unavailable to competitors
- As a result, Intrum has achieved attractive returns over time with collection performance consistently above initial forecast, even in challenging times of economic downturn
- Continued strong performance of <2005 vintages, with performance being temporarily diluted by 2005-2006 when book value grew 60%+

Annual performance for unsecured consumer collections

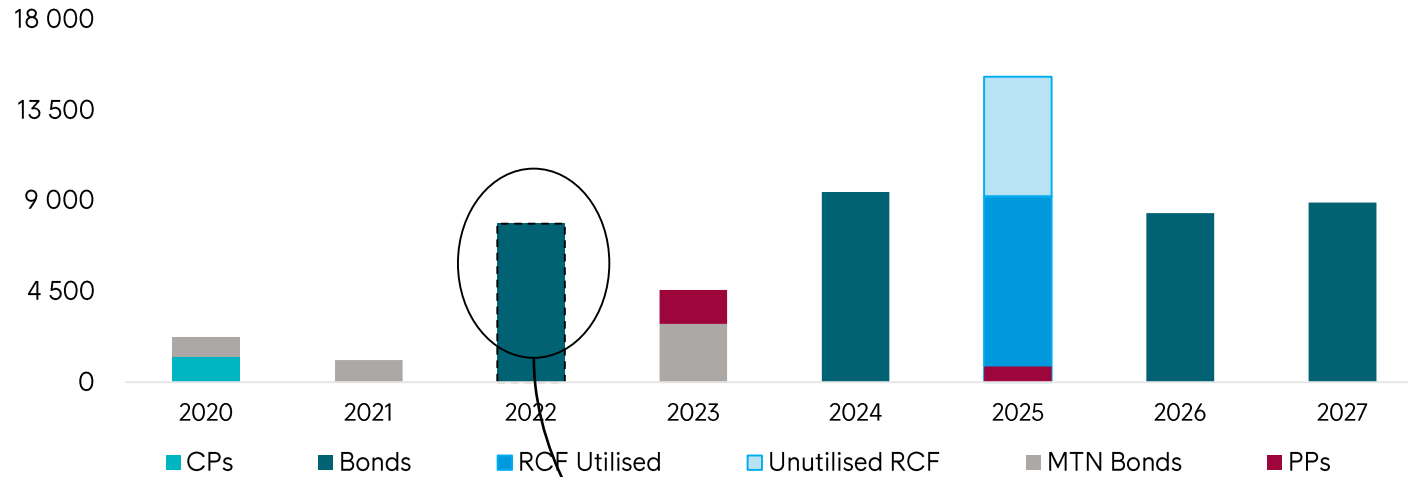


Collection performance vs. forecasts – per quarter

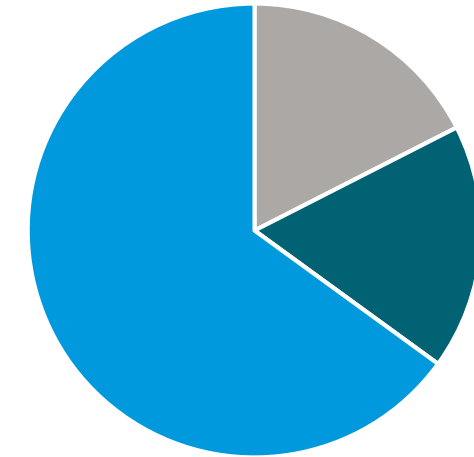


6 Diversified and sustainable funding profile...

Maturity Profile, SEKm*

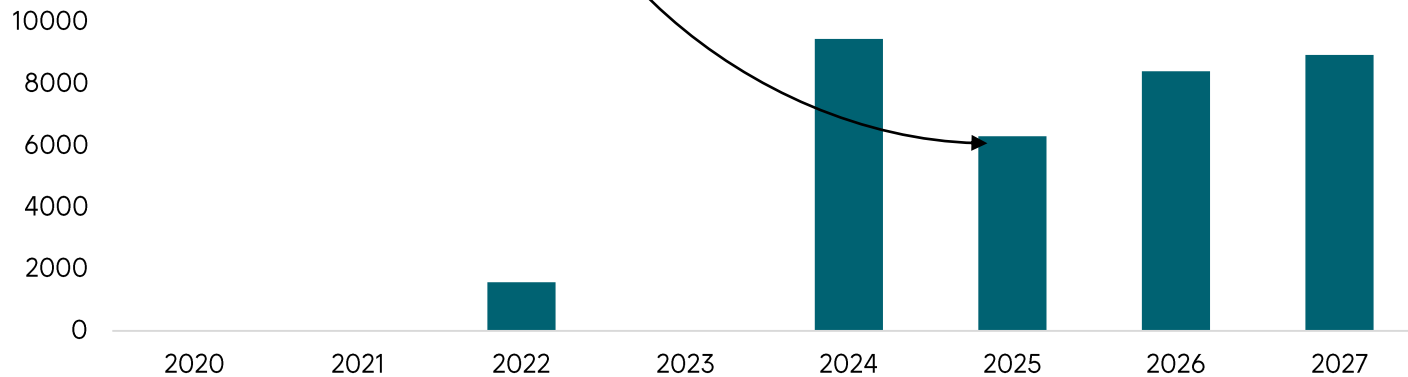


Illustrative current Funding Sources



■ Domestic Market (MTN, PP, CP) ■ Bank Funding ■ Bonds

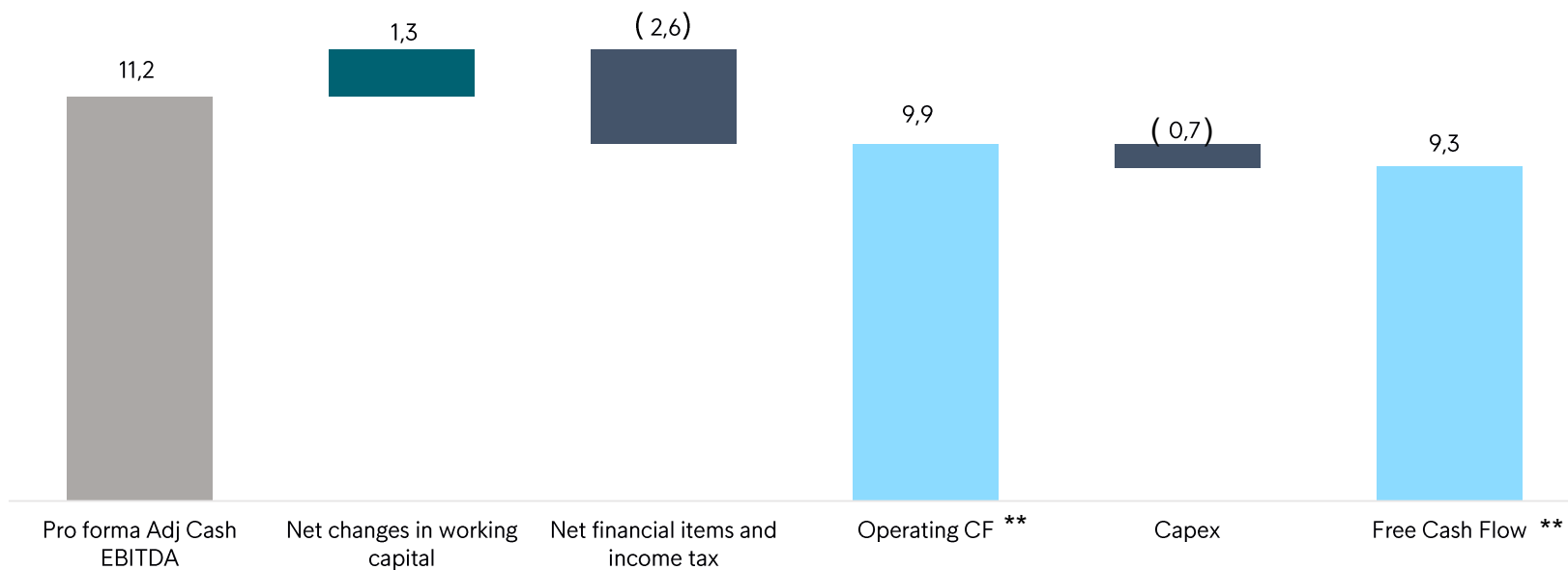
Bond Maturity Profile, post July transaction, SEKm



- Available liquidity of SEK 11bn from cash balance and unutilised RCF*
- Key Bond and RCF restrictions:
 - Fixed Charged Coverage Ratio >2x | Current 6.5x (Cash EBITDA/Interest cost)
 - Drawn Super Senior Leverage < 2x | Current 0.8x (Utilisation/Cash EBITDA)

6 ...supported by strong cash generation potential

Cash flow walk – 30 June 2020 LTM, SEK bn



Commentary

- LTM Portfolio Investments at SEK 7.5bn* significantly outpaced portfolio amortisations (SEK 4.2bn)
- ERC stable year-to-date at c.SEK 65bn*, with an ambition to maintain at this level in 2020 and grow investment level in 2021
- Cash flow from operating activities was SEK 9.9bn, or ~130% of LTM Portfolio Investments
- Strong cash flow generation expected to support leverage reduction

Table of contents

Company overview

Strong market growth dynamics

Group highlights

Historical financials

Outlook and near term focus

Stronger performance than expected

Q2 Highlights

Sequentially improved EBIT performance

- 1,345 MSEK well above first quarter level of 1,095 MSEK
 - *Good collection performance*
 - *Strategic Markets societies & court systems opening up*
 - *Strict internal cost control*

Stable Cash EBITDA and strong cash flow

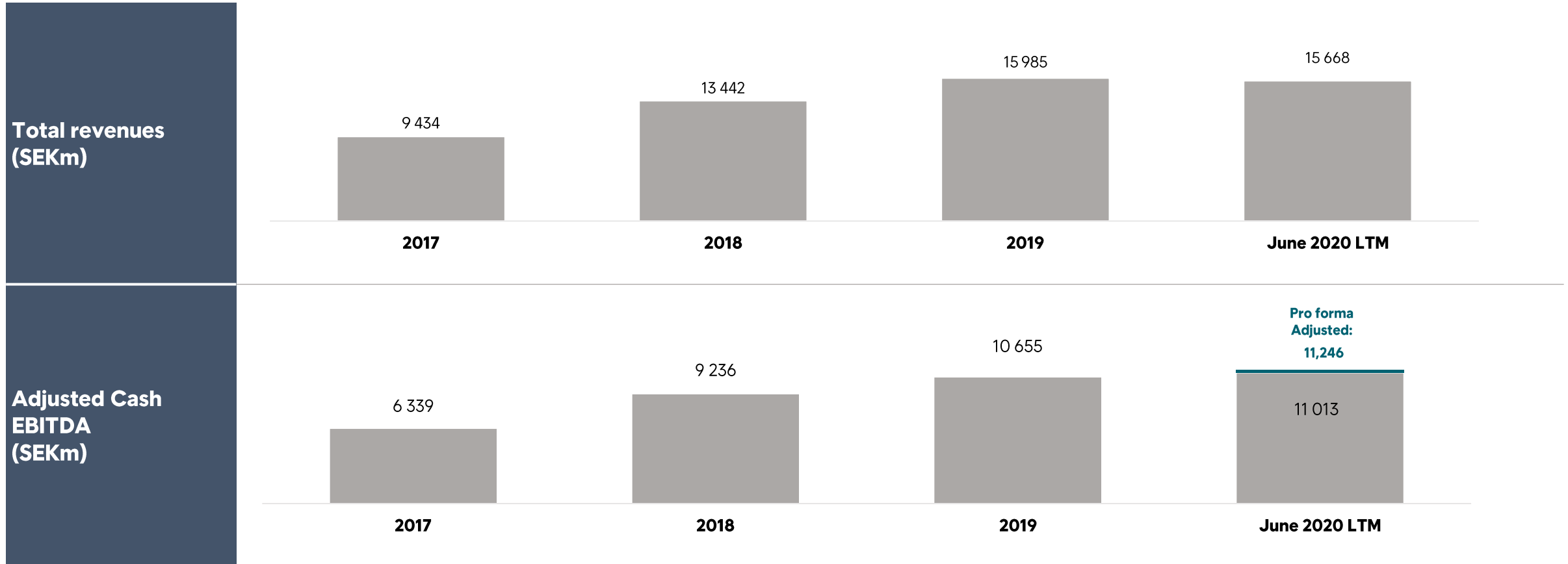
- Cash EBITDA of SEK 2,7 bn
 - *Slight growth both compared to last year and first quarter*
 - *Strong liquidity position of SEK 11bn*
 - *Net debt/Cash EBITDA of 4,4x vs 4,5x Q1-20*
- Strong cash flow generation
 - *Improvement of 53% in Q2 and 59% H1 compared to last year*
 - *Supported by improved working capital position*

Strong recovery in Strategic Markets

- CMS reported slowing revenue and margins - overall performance held back by lower business volumes
- Strategic Markets experienced an improving operating environment throughout Q2 with a strong June
- Portfolio Investments collected above forecast but still below pre-Covid19 forecast levels

Intrum's integrated business model is well suited to balance changes across the economic cycle

Strong momentum in group performance



Group financials by segment

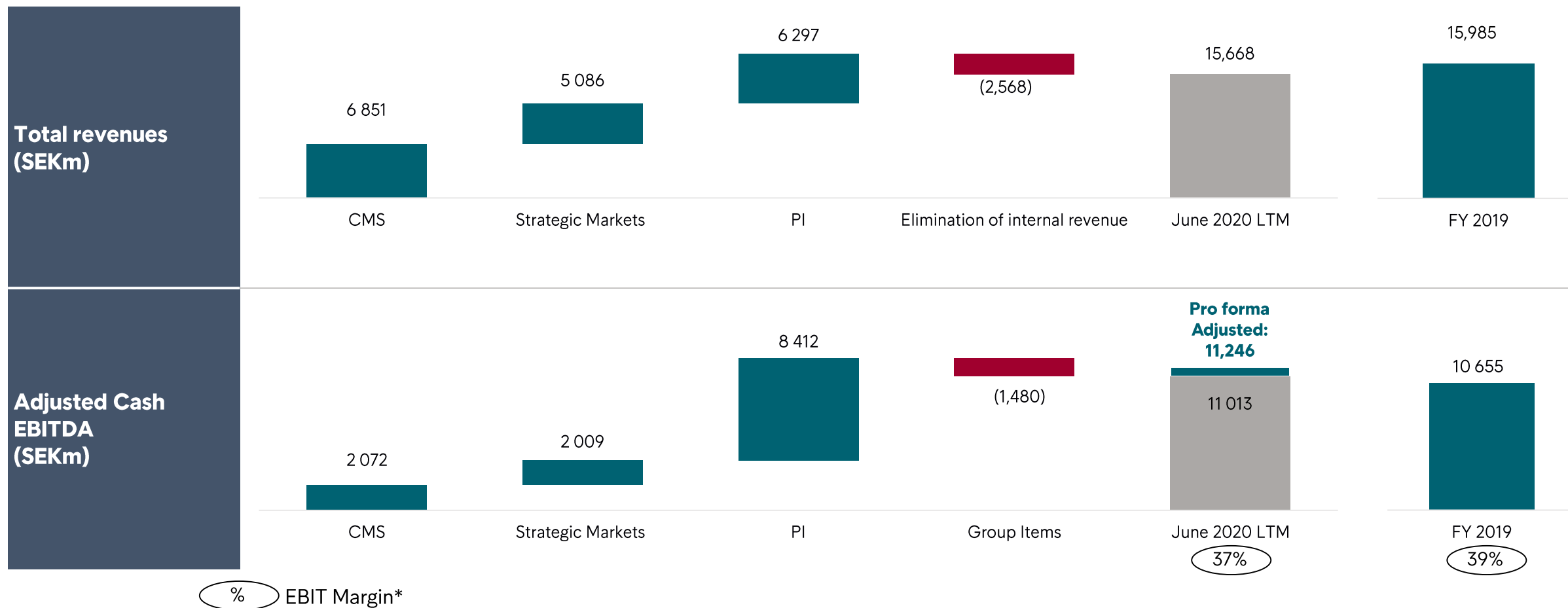


Table of contents

Company overview

Strong market growth dynamics

Group highlights

Historical financials

Outlook and near term focus

Encouraging outlook but with short term risks

Business trends

- Servicing and Investment volumes set to increase longer term but short term outlook is more cautious
- Overall positive operational trend throughout Q2 continuing in to Q3
- Q3 is a seasonally slower quarter due to the holiday period

Slower economic activity to prevail for the foreseeable future

- We anticipate a slow economic activity albeit with a gradual improvement in H2-2020
- Government & Institutional economic support and stimulus across Europe combined mitigating recessionary trends
- Intrum's integrated business model well suited to balance changes across the cycle

Moderation of growth in PI mitigated by new case volumes – Long-term trends intact

- Balancing PI return level with ambition to maintain ERC in 2020 and grow investment level in 2021
- New Servicing volumes are expected to increase gradually throughout 2020 and beyond
- Structurally, our clients increasingly sell portfolios and outsource NPL collection on an ongoing basis, while also reviewing and pursuing long-term strategic solutions

Short and medium term focus in 2020

Despite approaching a normal state of business, we remain vigilant and monitor developments closely and are prepared to adapt if necessary

Accelerate internal transformation agenda by implementing a further standardized and global operating and collection process

Capitalise on significant emerging business opportunities that will follow the COVID-19 pandemic by continuing to support our clients

At our CMD during Q4 we will update the market on our strategy and share new financial targets

Q&A

intrum