



AFE

# AFE S.A. SICAV-RAIF: H1 2024

Bondholder Presentation

September 2024

AGG CAPITAL  
MANAGEMENT

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## About AFE and Arrow Global

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**AFE:** AFE S.A. SICAV-RAIF (“AFE”) invests in a diverse range of primarily non-performing debt and real estate assets across the UK and Europe. AFE has broad based expertise spanning unsecured and secured consumer, SME and corporate debt as well as real estate equity.

AFE was acquired by funds managed by Arrow Global Group Capital Management Limited (“AGGCM”) in February 2024. AGGCM is the fund manager of Arrow Global (“Arrow”), a leading European alternative asset manager specialising in private credit and real estate. AFE now benefits from the wide network, extensive track record and expertise in origination, underwriting and asset management that Arrow Global has developed since inception.

**Arrow:** Founded in 2005 by Zach Lewy, CEO/CIO, Arrow delivers best-in-class risk-adjusted returns for global investors across European opportunistic credit, real estate lending and real estate equity. Arrow owns critical parts of the European infrastructure, giving an advantage when operating in fragmented European markets.

Arrow’s asset management and servicing platforms manage approximately €90 billion of third-party AUM, underpinned by c. 2,000 talented professionals based locally across seven European geographies – with offices in London, Milan, Rome, Lisbon, Porto, Madrid, Amersfoort, Amsterdam, Düsseldorf, Luxembourg, Dublin, Manchester, Leeds, and Jersey, amongst others. This platform breadth and local expertise generates differentiated opportunities through disciplined investing, underwriting insight and proprietary deal flow. This vertically integrated advantage allows us to create sustainable value through market cycles.

# Introduction and Agenda

## Welcome

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► Speaker Introduction:

- Zach Lewy (CEO, CIO, Fund Principal – Arrow Global)
- Meera Savjani (Fund CFO – AGGCM)

► Agenda:

- H1 2024 financial results
- Update of ERC
- Details of key go forward strategy and operations



**Zach Lewy,**  
CEO, CIO, Fund Principal (Arrow)



**Meera Savjani,**  
Fund CFO (AGGCM)

# Executive summary

## Recent developments of AFE

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- ▶ The transition agreement with Veld has completed in Q3 2024, with Arrow now taking on full management of the arrangement.
- ▶ Q2 2024 closing ERC at €487m, with an LTV of 91%
  - AFE has continued investing in existing Real Estate assets, with €6.5m invested in Q2, bringing H1 deployment to €29.1m
  - €18m received in Q3 to date and significant realisations expected in the coming quarters from completed Real Estate transactions
- ▶ We are actively looking at rationalising the cost base, with operating expenses reduced by 13% in Q2 and a normalised level expected in 2025.
- ▶ We will continue to allocate capital within a framework to maximise capital efficiency with the priority on de-leveraging.



▶ H1 2024 Results


# H1 2024 Key Metrics

## Key Financial Highlights


Total  
Attributable  
Collections

Jun YTD 2024: €35.0m  6.9%  
*Forecast (Dec 23 ERC): €32.7m*


Secured  
Net debt

Jun 2024: €445.4m  2.7%  
*Mar 2024: €433.9m*


ERC

Jun 2024: €486.9m  1.7%  
*Mar 2024: €478.6m*

LTV  
(Net Debt / ERC)

Jun 2024: 91%   
*Mar 2024: 91%*

Deployment

Jun YTD 2024: €29.1m  179.8%  
*Jun YTD 2023: €10.4m*

Leverage  
(Net Debt /  
Adj. EBITDA)

Jun 2024: 11.8x  2.0x  
*Mar 2024: 9.8x*

# H1 2024 Financial Summary

## Q2 vs Q1 2024 Financial Highlights

- ▶ **Collections performance in line with expectations with continued commitment to de-leverage**
- ▶ Collections in H1 2024 were €35m (of which €17m in Q2), 6.9% up vs year-end reforecasts
  - Business as usual collections, with granular NPLs performing ahead of forecast, part realisation of Real Estate in Q1, and further Real Estate realisations expected in Q3
- ▶ Net debt, €445m, increase primarily driven by added net debt from recapitalisation (PIK interest) with LTV stable vs Q1 2024 but lower than the post-recapitalisation proforma (91% vs 93%)
- ▶ **Operating expenses reducing** quarter on quarter (-13%) driven by (i) on-going cost base rationalisation (e.g. reduced management fee from 1.75% to 1.50%), and (ii) unwind of exceptionals / restructuring costs. As a result, we expect a normalised level of spend from 2025

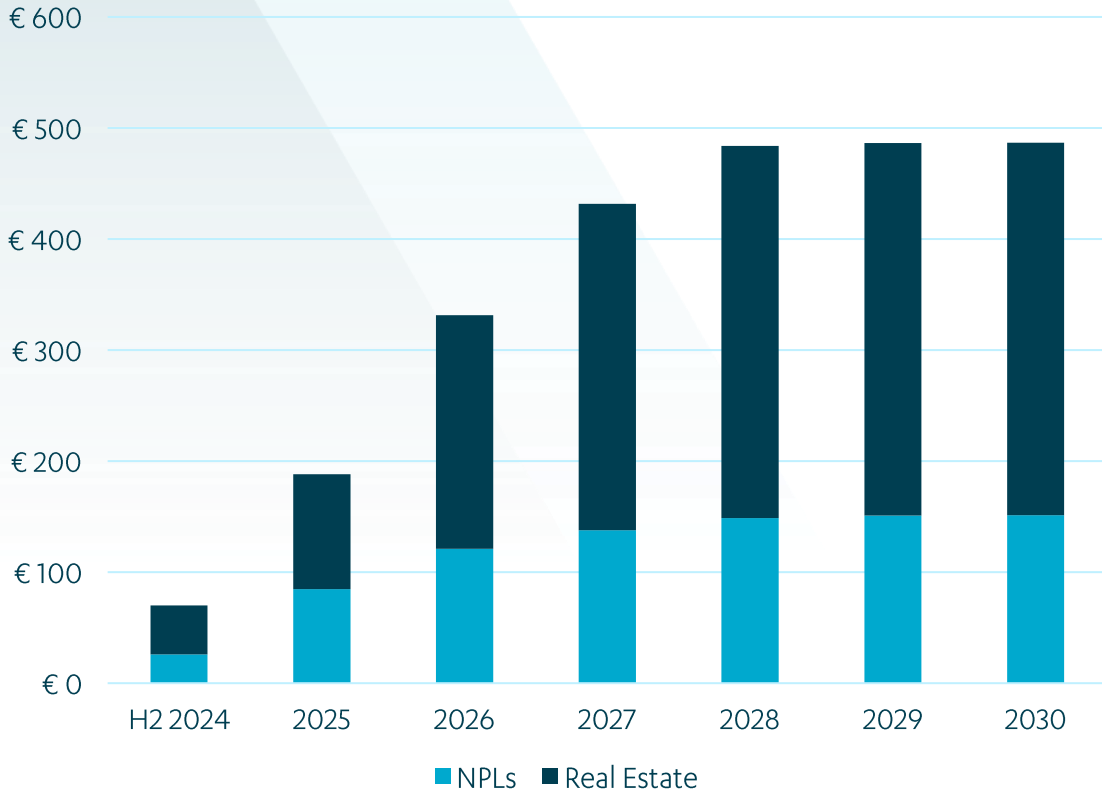
## Financial Metrics

AFE Performance	Q1 2024 €'m	Q2 2024 €'m	Change %
Total Attributable Collections	18.3	16.7	-9%
Adjusted EBITDA	10.8	10.8	-
LTV (Net Debt/ERC)	91%	91%	-
Net debt	433.9	445.4	+3%
Revenue	8.5	8.0	-7%
Collection activity cost	(3.8)	(2.3)	-40%
Other operating expenses	(4.6)	(4.0)	-13%
<b>(Loss)/Profit, pre-exceptionals &amp; Finance costs</b>	<b>0.2</b>	<b>1.7</b>	
Finance costs (incl. PIK and FX)	(11.3)	(14.3)	+26%
Exceptional and FV Gain/(Loss)*	(86.7)	1.1	
<b>(Loss)/Profit before tax</b>	<b>(97.9)</b>	<b>(11.6)</b>	

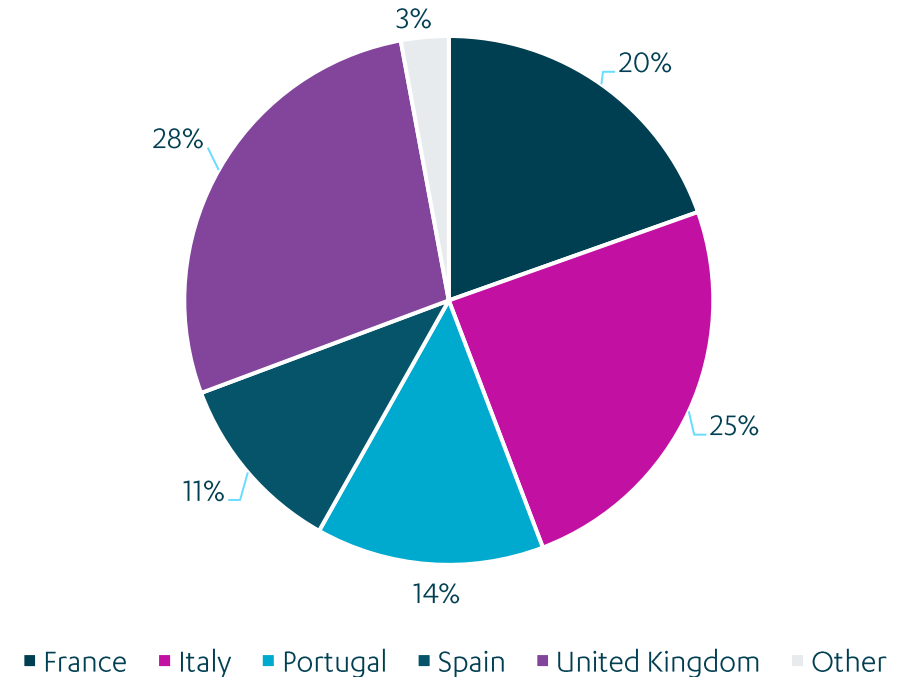
\*Exceptional costs include €37.7m restructuring costs and €48.0m FV impairment in H1 2024

# Updated ERC for June 2024, prior to impact of future recycling

**Cumulative ERC profile (existing assets) €'m**



**ERC split by geography**





# Arrow has successfully completed integration, and continues to optimise capital efficiently

## Integration update

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- ▶ First investment leveraging off Arrow's platform completed in March 2024 for €17m, with another €12m of follow-on capex investment across existing Real Estate asset (€29m total deployed in H1 2024).
- ▶ Completed integration into servicers- and operating partners across both NPL and RE investments.
- ▶ Completion of full revaluation of assets by Arrow and AFE portfolio management team in H1 2024.
- ▶ Migration of IT and Finance infrastructure completed.

## Adjusted Annual Run Rate metrics

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- ▶ Investment Advisory management fees reduced to 1.5% management fee, vs previous fee of 1.75%
- ▶ Removal of exceptional and non-recurring costs, consisting:
  - restructuring costs of €37m, including transaction costs, prior advisory fees, underwriting and consent fees,
  - asset impairment losses of €37m incurred in FY 2023, and €48m incurred in H1 2024.
- ▶ Operation efficiency improvements via simplification of holding entities and reduce structure operating costs ongoing. 13% reduction in Q2 with further review and we expect a normalised level in 2025.



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### Debt Investors

For all investor relations enquiries please contact: [afe-treasury@arrow-afe.com](mailto:afe-treasury@arrow-afe.com)

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Various statements contained in this presentation constitute “forward-looking statements.” All statements other than statements of historical fact included in this presentation, including, without limitation, statements regarding our future financial position, strategy, anticipated investments, costs and results (including growth prospects in particular countries), plans, projects to enhance efficiency, the impact of governmental regulations or actions, litigation outcomes and timetables, future capital expenditures, liquidity requirements, the successful integration of acquisitions and joint ventures, and objectives of management for future operations, may be deemed to be forward-looking statements. When used in this financial report, the words “believe,” “anticipate,” “should,” “intend,” “plan,” “will,” “expect,” “estimates,” “positioned,” “strategy” and similar expressions identify these forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted, whether expressed or implied, by these forward-looking statements. Any forward-looking statements are only as at the date of the particular statement and we do not intend, and do not assume any obligation to update the forward-looking statements set out in this financial report.

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