



AFE

# AFE S.A. SICAV-RAIF: FY 2023 and Q1 2024

Bondholder Presentation

June 2024

AGG CAPITAL  
MANAGEMENT

ARROW  
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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 €95 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:

- Year-end and Q1 2024 financial results
- Update of ERC given recent third-party valuations and updated servicer BPs
- 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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- ▶ Arrow began managing AFE in February 2024 – with Veld (formerly AnaCap) the Investment Advisor prior to this.
- ▶ Q4 2023: Veld closing forecast adjusted ERC down to €476m, giving 78% LTV.
  - for NPL assets, Arrow comfortable with updated NPL ERC.
  - for RE assets, third party valuers instructed per Arrow’s standard procedures – further €34m ERC adjustment made, giving proforma 85% LTV post adjustment.
- ▶ At restructuring, net debt increased by €39m given transaction costs and OID – giving proforma 93% LTV at start of Arrow’s tenure.
- ▶ Q1 2024: Post restructure, Arrow has successfully completed onboarding and focused on collecting ERC, optimising use of capital and investing in high multiple transactions.
  - Arrow started investing in Q1 with €23m of investments at blended 2.5x MOIC – bringing LTV down to 90.7%.
  - Continuing focus on using Arrow’s large origination footprint to deploy capital selectively into high multiple transactions.



▶ FY 2023 Results

# FY 2023 Key Metrics

## FY 2023 Key Financial Highlights

Total  
Attributable  
Collections

FY 2023: €69.1m

84 month  
ERC

Dec 2023: €475.7m

Deployment

FY 2023: €22.9m

Secured  
Net debt

Dec 2023: €372.4m

LTV  
(Net Debt / ERC)

Dec 2023: 78.3%

Leverage  
(Net Debt /  
Adj. EBITDA)

Dec 2023: 9.4x

# 2023 Year-End Financial Summary

## 2023 Financial Highlights

- ▶ Period managed by Veld Capital, prior to February 2024 recapitalisation.
- ▶ Gross Attributable Collections, €69m, driven by slow collections in Italy and Spain, plus delayed Real Estate collections
- ▶ Revenues, €47m, and Adjusted EBITDA, €40m, driven by reducing NPL portfolio size.
- ▶ 2023 asset impairments given:
  - several portfolios sold to generate liquidity prior to restructuring – €7m impairment vs. book value at sale.
  - ERC reduced by €34m following year-end reforecasts – €30m impairment to asset value.

## 2023 Financial KPIs

AFE Performance	FY 2023 €'m	FY 2022 €'m
Gross Attributable Collections	€69.1	€156.9
Adjusted EBITDA	€39.6	€116.8
Cash at the end of the period	€22.6	€18.8
LTV (Net Debt/ERC)	78.3%	64.6%
Net debt	€372.4	€357.0
Revenue	€46.5	€54.9
Collection activity cost	€(14.2)	€(17.0)
Other operating expenses	€(16.2)	€(20.1)
Finance costs	€(34.5)	€(24.8)
<b>(Loss)/Profit</b>	<b>€(18.4)</b>	<b>€(7.0)</b>
FV / Impairment (Loss) / Gain, incl. JVs	€(37.4)	€31.4
<b>(Loss)/Profit before tax</b>	<b>€(55.8)</b>	<b>€24.4</b>

# Debt restructuring completed just after year-end, providing much needed liquidity

## Successful Recapitalisation and Refinancing

- ▶ Feb 2024: 96% Bondholders consented to restructure and amendment, including maturity extended to July 2030.
- ▶ Under restructure, Arrow funds acquired majority ownership of AFE equity and AGGCM became Investment Advisor.
- ▶ Restructuring significantly improved liquidity of AFE, though increased overall Net Debt to €411m:
  - issuance of €36m bond principal at 70% price, generating €25m gross proceeds; and
  - increase of €37m in Super Senior Facility (SSF), replacing the prior RCF and covering €22m of transaction costs.

## Cash Movement on the restructuring date

Cash movement from the restructuring	Amount in €'m	Details
Super Senior Facility (SSF)	€37.2	New super senior liquidity facility B drawn at transaction closing
Additional bond	€35.7	€25m issued at 30% OID
OID on bonds	€(11.8)	30% original issue discount on bonds
Underwriting fees on Bond + SSF	€(2.2)	3% underwriting fee
Consent fee	€(3.0)	1% consent fee
<b>Operational liquidity</b>	<b>€55.9</b>	
Transaction costs	€(21.8)	Advisors' fees and investment advisor payments
<b>Cash available for AFE</b>	<b>€34.1</b>	<b>Cash available after bond refinancing</b>



# The restructuring resulted in a proforma increase in LTV to 93% due to increased Net Debt vs. cash

## The recapitalisation overall led to higher Net Debt

- ▶ Net debt increased to €411m following recapitalisation in February 2024
  - €73m increase in SSF and bonds, while only generating €34m of cash post transaction costs.
- ▶ Based on a constant Q4 ERC level, this mechanically increases LTV from 78% to 86% post-restructure.
- ▶ Following external valuations post-recapitalisation, proforma LTV at point of recapitalisation (based on adjusted Q4 ERC and net debt) stands at 93%.
  - Q4 ERC adjusted by €35m based on third party valuer reviews.

## Net debt movement

Net debt movement	Q4 2023 €'m	Proforma €'m	Change €'m
Super Senior Facility (SSF)	€95.7	€132.9	€37.2
Bond Notes	€307.5	€343.2	€35.7
<b>Total debt</b>	<b>€403.2</b>	<b>€476.1</b>	<b>€72.9</b>
Cash at bank	€(22.6)	€(56.7)*	€34.1
Cash held at servicers	€(10.0)	€(10.0)	-
Cash collected on behalf of co-investors	€1.8	€1.8	-
<b>Net debt</b>	<b>€372.4</b>	<b>€411.2</b>	<b>€38.8</b>
Pro forma LTV based upon Q4 ERC (€476m)	78.3%	86.4%	8.1%
Pro forma LTV based upon Q4 ERC, plus asset review impairments (€441m)	84.5%	<b>93.3%</b>	8.8%

\*Cash at bank increased by amount of net refinancing proceeds



▶ Q1 2024 Results

# Q1 2024 Key Metrics

## Q1 2024 Key Financial Highlights



# Q1 2024 Financial Summary

## Q1 2024 Financial Highlights

- ▶ Gross Attributable Collections of €18m, above the equivalent 2023 period given strong NPL performance.
- ▶ Revenues, €9m, and Adjusted EBITDA, €11m.
  - large portion of EBITDA increase attributable to lower operating expenses vs. equivalent 2023 period.
- ▶ Liquidity improved significantly, €33m cash at the end of period.
- ▶ Net debt, €434m, increase primarily driven by added net debt from recapitalisation plus cash used for new investment.
- ▶ Q1 2024 asset impairments driven by review and revaluation of all portfolios by the AFE and Arrow team.
  - majority of impairment related to aligning real estate asset valuations to third party reviews (*see next slide*).

## Q1 2024 Financial Metrics

AFE Performance	Q1 2024 €'m	Q1 2023 €'m	Change %
Gross Attributable Collections	€18.3	€16.1	+14%
Adjusted EBITDA	€10.8	€6.2	+74%
Cash at the end of the period	€32.6	€13.7	
LTV (Net Debt/ERC)	90.7%	68.5%	
Net debt	€433.9	€369.3	
Revenue	€8.5	€12.5	(31%)
Collection activity cost	€(3.8)	€(5.6)	(32%)
Other operating expenses	€(2.8)	€(4.2)	(32)%
Finance costs (incl. PIK)	€(13.1)	€(8.7)	+50%
<b>(Loss)/Profit, pre-restructuring</b>	<b>€(11.2)</b>	<b>€(6.0)</b>	
FV / Impairment (Loss) / Gain, incl. JVs	€(49.5)	€4.4	
Exceptional restructuring costs*	€(37.3)	-	
<b>(Loss)/Profit before tax</b>	<b>€(98.0)</b>	<b>€(1.6)</b>	

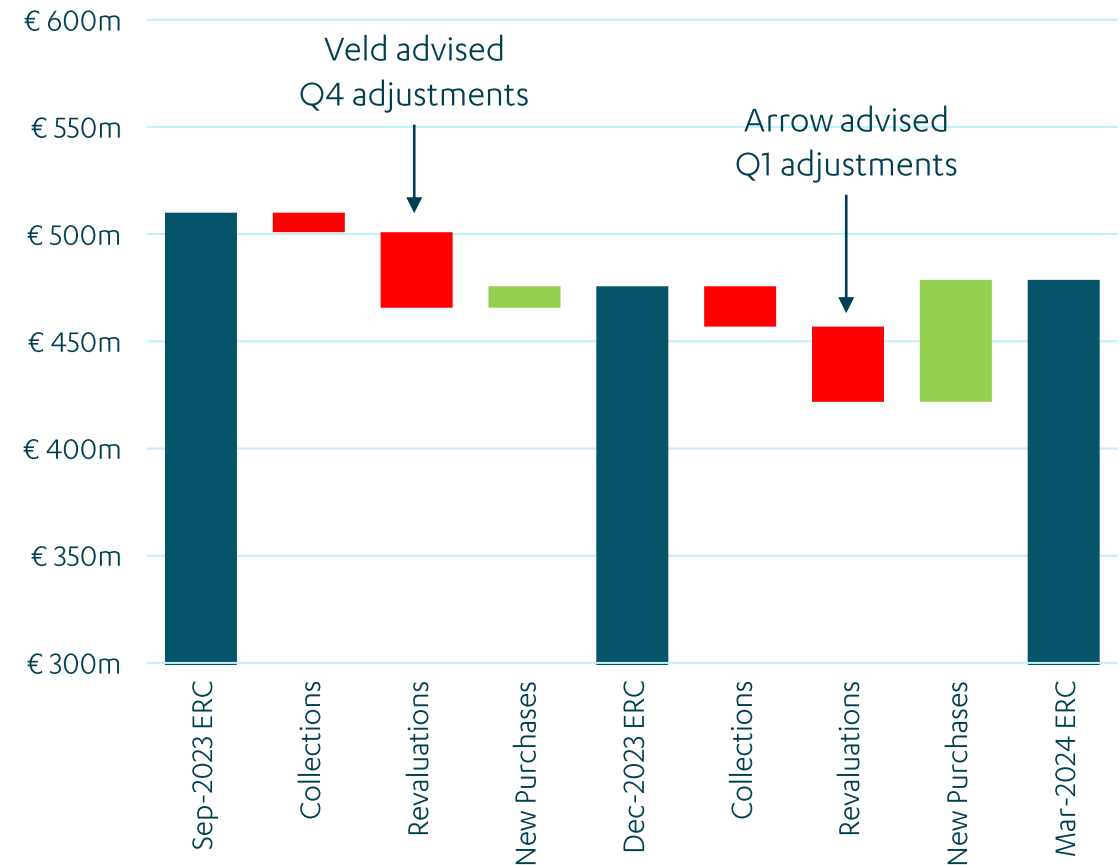
\*Includes cost of underwriting and consent fees, transaction costs and advisory fees.

# ERCs reviewed and adjusted, with new deployment balancing the impact of write downs

## All assets were reviewed for the Q1 2024 accounts

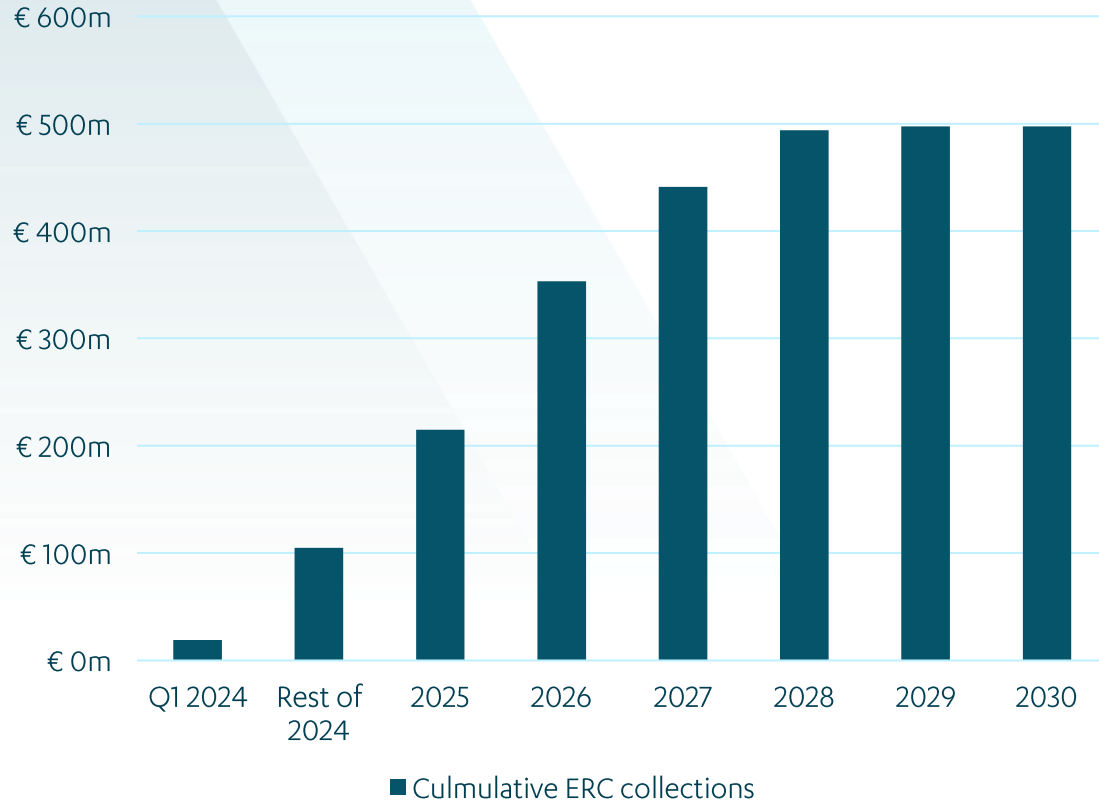
- ▶ In Q1 2024 all investments were revalued by AFE asset management team in conjunction with Arrow.
  - while some impairment loss on NPLs, mostly timing related with minimal adjustment to ERC.
  - following full review by Arrow, real estate investments' ERC reduced by €34m.
- ▶ To review real estate investments, third party valuations were instructed, in line with Arrow's standard ERC policies.
  - external valuations reflect significant weakening in legacy European office assets, with impact from widening exit cap rates and low liquidity.
- ▶ ERC reduction was partially offset by €57m of new investment ERC, primarily sourced from Arrow platforms.

## ERC development from Sep 2023 to Mar 2024

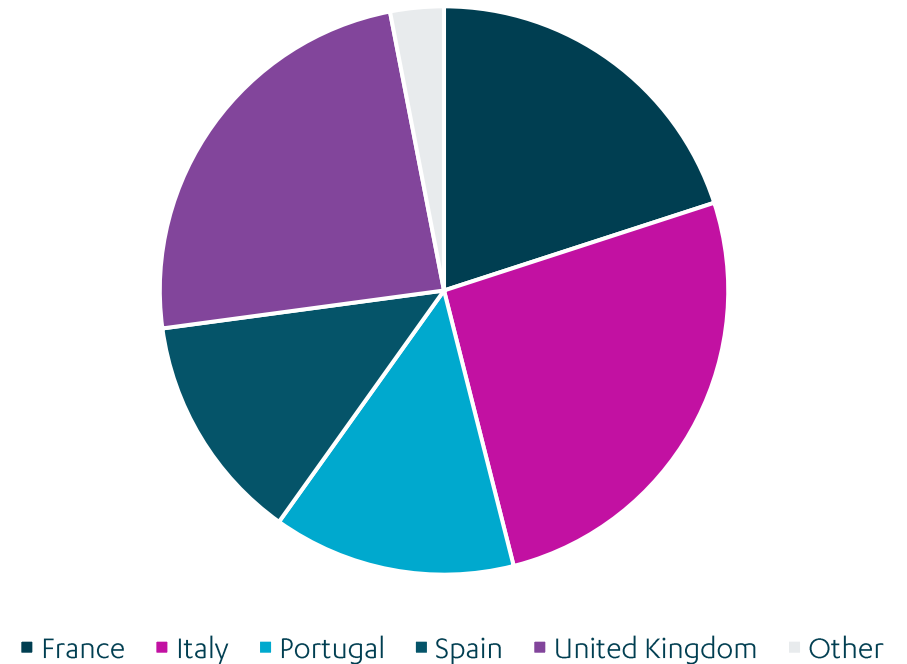


# Updated ERC for Q1 2024, prior to impact of future recycling

Cumulative ERC profile (existing assets)



ERC split by geography



# Arrow has successfully assumed management, and is focused on optimizing annual cash available for reinvestment going forward

## Integration update

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- ▶ Implementation of Arrow's standard governance and processes in Q1 as Investment Advisor.
- ▶ First investment leveraging off Arrow's platform completed in March 2024 for €17m.
- ▶ Successful onboarding of 20 AFE employees in UK, Italy, Luxembourg, Spain and Portugal into Arrow's systems and processes.
- ▶ Established relationship with all servicers and operating partners.
- ▶ Completion of full revaluation of assets by Arrow and AFE portfolio management team as of Q1 2024.
- ▶ Migration of IT and Finance infrastructure is advanced, with completion expected by end of June.

## Adjusted Annual Run Rate metrics

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- ▶ Over last 12 months significant non-BAU costs and impairments occurred, given financial liquidity constraints and ultimate restructuring.
- ▶ Investment Advisory management fees reduced vs. prior periods (1.5% management fee, instead 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 €49m incurred in Q1 2024.
  - removal of Veld transitional expenses after Q2.
- ▶ Operation efficiency improvements via simplification of holding entities and reduce structure operating costs.



▶ 'Go forward' strategy



# Strategic focus on deleveraging – driven by deployment, operational efficiency and monitoring for capital structure opportunities

## 2024 priorities

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Deleveraging is priority strategic focus – enabled by achieving three key items:

- ▶ Deliver against ERC.
- ▶ Recycle efficiently into selective high multiple transactions.
- ▶ Optimise capital structure and cost structure to enable efficient restructuring.



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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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