

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

18 December, 2019

Arrow Global Group plc (“Arrow Global”, and together with its subsidiaries the “Group”) announces a €838.0 million fund raising for inaugural pan-European NPL fund

Arrow Global is pleased to announce that Arrow Credit Opportunities SCSp and related entities, the “Fund”, raised €628.5 million of third-party capital commitments into an 8-year closed end fund structure, drawing commitments from some of the largest and most sophisticated global investors from diverse geographies and sectors.

- €838.0 million achieved in total capital commitments, with €628.5 million from third-party investors
- Targeting €2.0 billion of total AUM¹ before the end of 2020
- Arrow Global to invest at least either 24.9% of the final commitment made to the Fund or €500.0 million as a co investor²
- Strong demand across a range of investors by geography and sector
- Deployment of AUM to commence early in 2020, providing additional Asset Management and servicing (AMS) revenue and fund management fee income to the Group

Fund raise is transformational for Arrow Global

Raising the Fund is a major achievement in the development of Arrow Global’s fund management capabilities and is central to the Group’s strategy to accelerate towards a more capital-light model. The benefits of this model include:

- Accelerated achievement of five-year targets
- Faster reduction in leverage due to lower absolute levels of Arrow balance sheet investment compared to recent periods as a result of the co-invest structure with the Fund³
- Increased future flexibility around Arrow Global’s capital structure
- New capital light earnings streams from market standard management fees and performance fees payable to Arrow Global as manager of the Fund, resulting in further improvements in the quantum and quality of earnings in the medium-term
- Scalable opportunity to grow capital light AMS activities by offering AMS services to the Fund
- Continuing attractive returns on capital from Arrow Global’s co-investment in portfolios

Lee Rochford, Group Chief Executive Officer of Arrow Global said:

“This first successful fund raising is transformational for the Group. It shows we are successfully executing our strategy to transform the business through the build-out of our fund management capabilities. This represents the completion of a significant initial stage of this strategy and part of our continued drive to engage with capital partners and grow our assets under management. I have been impressed with the speed of execution of this fund raising, driven by strong demand from institutional investors and the fantastic efforts of the Arrow Global team.

¹ Including commitment from Arrow Global

² Arrow will base the commitment of its own capital on the lesser of these two numbers but has the ability to increase its commitment to the lesser of (a) 29.9% of the final commitment made to the Fund and (b) €600.0m

³ See further detail in ‘About the fund’ section

“Fund management businesses are high-margin and capital-light, delivering strong recurring revenues. Growing our fund management business will allow us to accelerate the achievement of our five-year targets while also providing our investors with access to a specialist and highly attractive asset class through our leading pan-European platform.

“Furthermore, managing a significant pool of third-party capital will grow capital-light revenue in our asset management and servicing businesses through the offering of AMS services to the Fund. When combined with the long weighted average duration of our debt, the raising of third-party funds will have a positive impact on our future funding model.

“We are excited by the fund management business’s potential to transform the quantum and sustainability of our earnings and, as the business evolves further, we expect to provide further guidance on its implications for Arrow Group’s five-year targets. At this stage, the market’s medium-term expectations for the Group’s profitability remain appropriate. In 2020, the financial impact of the Fund on the Group’s profit will be immaterial.”

Zach Lewy, Founder and Chief Investment Officer, said:

“We look forward to working with our Limited Partners to make this fund – and future funds – a great success. This fund raise has brought a diverse range of new clients to the Arrow Global Group and we are excited about the opportunity we have to unlock value for this important new client base in our specialist, high return asset classes.”

About the Fund

The Fund will invest in selective European credit opportunities sourced through the Arrow Global investment management business, leveraging the pan-European expertise of the Group to offer investors attractive access to specialist and high-return asset classes. The capital commitment comprises multiple investment vehicles, including a fund and a co-investment programme. Arrow Global has committed to invest an amount of its own capital equal to the lower of at least (a) 24.9% of the final commitment made to the Fund and (b) €500.0m as a co investor⁴. This co-investment will form the majority of Arrow Global’s ordinary course of investment volume, meaning Arrow Global may invest at a slightly reduced rate compared to recent years depending on total Fund investment. Arrow Global’s capital commitment will increase commensurate with the growth of third-party assets under management, with the maximum commitment currently capped at €500 million. The Group is targeting €1.5bn total third-party AUM before the end of 2020.

AGG Capital Management Limited (“AGG Capital Management”), a Jersey-incorporated and wholly-owned subsidiary of Arrow Global, will serve as portfolio manager to the Fund. AGG Capital Management will receive a market standard management fee for its services and will also have the opportunity to generate additional performance-based returns once certain investment targets are met. Arrow Global expects to receive servicing revenue from the Fund – which will be negotiated on commercial terms – in return for providing collection services to the Fund.

Conference call

There will be a conference call for analysts and investors at 1400 (UK time).

Investors and analysts wishing to dial-in to the call can do so via the below numbers:

United Kingdom & Intl.: +44 (0)330 336 9105

United States: +1 646-828-8143

⁴ Arrow will base the commitment of its own capital on the lesser of these two numbers but has the ability to increase its commitment to the lesser of (a) 29.9% of the final commitment made to the Fund and (b) €600.0m

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Forward looking statements

This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Group and the industry in which the Group operates. These statements may be identified by words such as “expectation”, “belief”, “estimate”, “plan”, “target”, or “forecast” and similar expressions or the negative thereof; or by the forward-looking nature of discussions of strategy, plans or intentions; or by their context. All statements regarding the future are subject to inherent risks and uncertainties and various factors could cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Group’s present and future business strategies and the environment in which the Group will operate in the future. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate and neither the Company, the Group nor any other person accepts any responsibility for the accuracy of the opinions expressed in this document or the underlying assumptions. The forward-looking statements in this document speak only as at the date of this presentation and the Company and the Group assume no obligation to update or provide any additional information in relation to such forward-looking statements.

Inside information

The person responsible for arranging the release of this announcement is Stewart Hamilton, Company Secretary and Chief Legal and Risk Officer, at Arrow Global Group, 12 Booth Street, Manchester, M2 4AW or on +44 (0) 161 242 4488.

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