

**FOR IMMEDIATE RELEASE**

24 September 2014

**Arrow Global Group PLC**  
**Proposed Acquisition of Capquest**

**Summary**

Arrow Global Group PLC ('Arrow Global') today announces the proposed acquisition of Capquest, a UK consumer debt purchaser and outsourced collections provider, from a fund controlled by TowerBrook Capital Partners L.P. ('TowerBrook') for a total consideration of £158m<sup>1</sup> (the 'Acquisition').

- The Acquisition will create a leading European debt purchase and debt management business, with £15.4bn<sup>2</sup> Combined<sup>3</sup> receivables under management by face value (£12.4bn of which are owned) and £1.1bn<sup>2</sup> Combined 120-Month Gross ERC.
- It enhances Arrow Global's market position, adding a customer-focused collections platform, 2.8m<sup>2</sup> customer accounts with a face value of £4.1bn<sup>2</sup> and 120-Month Gross ERC of £224m<sup>2</sup>.
- The Acquisition is consistent with Arrow Global's strategy of expanding into new asset classes and provides access to a more diverse range of origination sources to increase access to portfolio purchase opportunities at attractive returns.
- The combination of Capquest's in-house collection capabilities with Arrow Global's master servicing model is expected to provide the enlarged group with an enhanced collection model from a cost, operational and regulatory perspective.
- As at 30 June 2014, the enlarged group would have had 8.9m in combined accounts under management (8.2m of which would have been owned) with 82% by purchase cost being financial services accounts. For the 12 months ended 30 June 2014, the enlarged group would have generated Combined Adjusted EBITDA of £128.6m, before expected annual pre-tax cost savings of £6.5m expected to be delivered in full during 2016<sup>4</sup>.
- The Acquisition adds to Arrow Global's significant data assets, including the Proprietary Collections Bureau<sup>5</sup>, and is expected to increase match rates for UK portfolios from 40% to approximately 50%<sup>6</sup> and enhance collections performance.
- The Directors believe the Acquisition is financially attractive for Arrow Global, with an implied EV/120-Month Gross ERC<sup>7</sup> of 0.7 times and EV/LTM<sup>8</sup> Adjusted EBITDA of 4.6 times. It is expected to be strongly EPS accretive and Return on Equity ('ROE') enhancing from 2016 with full synergy benefits and moderately ROE and EPS accretive in 2015<sup>9</sup>. The Acquisition is expected to support further growth in Arrow Global's EPS going forward.
- The Acquisition will be fully financed through cash resources and debt with committed bridge financing from Goldman Sachs. Following the Acquisition and the incurrence of additional debt, including to finance the Acquisition, the enlarged group will retain a strong and prudent balance sheet, with the ratio of pro forma net debt to Combined Adjusted EBITDA of 3.2 times as at 30 June 2014. Upon completion of the Acquisition, total commitments under the enlarged group's revolving credit facility will be increased to £100m, providing additional capacity for further portfolio purchases<sup>10</sup>.

- Following the Acquisition, Helen Ashton, current CEO of Capquest and former Managing Director of Barclaycard International, will join Arrow Global's senior management team.
- The Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules. A General Meeting will be convened as soon as practicable to approve the Acquisition.

1. On an enterprise value basis.
2. As at 30 June 2014.
3. See Appendix II for an explanation of "Combined" financial information.
4. See "Synergies and operational efficiencies" section below for further details.
5. Containing 17.5m records, including 7m unique customers.
6. Arrow Global's average UK match rate for the six months to 30 June 2014. Applying combined Arrow Global and Capquest data to three financial services portfolios resulted in an average match rate of 51%.
7. Based on 120-Month Gross ERC as at 31 March 2014 as estimated by Arrow Global through account level ERC forecasting.
8. Last twelve months to 30 June 2014. See Appendix II for an explanation of LTM financial information.
9. Excluding one-off implementation costs of expected synergies and cost savings as well as Arrow Global's 2014 one-off costs.
10. See "Financing of the Acquisition" section below for further details.

**Tom Drury, Chief Executive Officer of Arrow Global commented:**

*"Today's announcement of the acquisition of Capquest reinforces Arrow Global's position as one of Europe's leading debt purchase and management businesses. The acquisition positions us well to enhance the quality of our offering to our customers and clients."*

*"Bringing together Capquest's customer-focused in-house collection capabilities with Arrow Global's data-driven master servicing model is an important step in achieving our vision. It adds a significant portfolio of assets at attractive returns, supports our broad range of origination sources and extends our reach into new asset classes. We expect the deal to be strongly EPS accretive and ROE enhancing from 2016, and to be moderately ROE and EPS accretive in 2015 as we integrate the two businesses."*

*"I look forward to welcoming Helen Ashton and her colleagues to our team and working together to deliver continued growth."*

For details of the Analyst Presentation to be held at 9.30am, or the Investor Call to be held at 3pm, please contact [Arrow-Global@instinctif.com](mailto:Arrow-Global@instinctif.com).

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**Important Notices**

This preceding summary should be read in conjunction with the full text of the following announcement and its appendices, together with the Shareholder Circular which will be published in due course. A copy of the Shareholder Circular when published will be available from the registered office of the Group and on Arrow Global's website at <http://www.arrowglobalir.net/>. Arrow Global will publish a further announcement upon the publication of the Shareholder Circular.

This announcement does not constitute, and should not be construed as, an offer to sell or issue securities or otherwise constitute an invitation or inducement to any person to purchase, underwrite, subscribe to or otherwise acquire securities in any member of the Arrow Global group. Nothing contained herein shall form the basis of any contract or commitment whatsoever. This presentation is not directed or intended for distribution to or use by, any person or entity that is a citizen or resident located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to the law or regulation of that jurisdiction or which would require any registration or licensing within such jurisdiction. Persons who come into possession of any document or other information referred to herein should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions. Any securities to be issued in connection with the transactions contemplated by this announcement will not be registered under the US Securities Act of 1933, as amended (the "Securities Act"), or under the applicable securities laws of any state or jurisdiction of the United States, and no such securities may be offered or sold in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. There will be no public offering in the United States.

This announcement contains certain forward-looking statements with respect to certain of Arrow Global's current expectations and projections about future events, including in relation to the Acquisition and the enlarged group of Arrow Global and Capquest (the 'Enlarged Group'). These statements, which sometimes use words such as "aim," "anticipate," "believe," "intend," "plan," "estimate," "expect," "pro forma" and words of similar meaning, reflect the directors' beliefs and expectations and involve a number of risks, uncertainties and assumptions (including the completion of the transactions described in this announcement) that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement. Statements contained in this announcement regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. The information contained in this announcement is subject to change without notice and, except as required by applicable law, Arrow Global does not assume any responsibility or obligation to update publicly or review any of the forward-

looking statements contained in it. Readers should not place undue reliance on forward-looking statements, which speak only as at the date of this announcement. No statement in this announcement is or is intended to be a profit forecast or profit estimate or to imply that the earnings or other measures of performance of Arrow Global or the Enlarged Group for the current or future financial years will necessarily match or exceed the historical or published earnings or other measures of performance of Arrow Global.

Neither the content of Arrow Global's website nor any website accessible by hyperlinks on Arrow Global's website is incorporated in, or forms part of, this announcement.

## Arrow Global Group PLC

### Proposed Acquisition of Capquest

#### 1. Introduction

Arrow Global Group PLC (the 'Company' and together with its subsidiaries, 'Arrow Global') today announces the proposed acquisition of Quest Topco Limited and its subsidiaries ('Capquest'), a UK consumer debt purchase and outsourced collections provider, from a fund controlled by TowerBrook Capital Partners L.P. ('TowerBrook') for a total consideration of £158m (the 'Acquisition').

Capquest is a UK debt purchaser and outsourced collections provider that owns and services portfolios in the financial services, retail, telecommunications and motor finance sectors. Founded as a DCA, Capquest has over 25 years of experience in the debt collection industry and operates in the UK with a primary focus on non-performing and semi-performing unsecured consumer loans.

In view of its size in relation to Arrow Global, the Acquisition is classified under the Listing Rules as a Class 1 transaction and accordingly is conditional on, among other things, the approval of Arrow Global's shareholders.

#### 2. Background to and reasons for the Acquisition

##### 2.1. Arrow Global's strategy

Arrow Global's vision is to become Europe's leading purchaser and manager of debt. Its strategy is to grow by leveraging its data-driven business model and leading position in growing markets by pursuing its strategic objectives:

1. To protect and enhance Arrow Global's position as a leading debt purchase and debt management business and build on the platform created by its public listing and track record to date
2. To deliver attractive risk adjusted investment returns alongside balance sheet optimisation
3. To maintain and develop Arrow Global's innovative data assets and analytics capabilities and supply chain excellence
4. To deliver a sophisticated customer experience and to minimise regulatory risk through a cautious approach to product extension
5. To pursue diversification through a disciplined approach to geographic expansion and new asset classes

##### 2.2. Reasons for the Acquisition

The Acquisition helps to advance Arrow Global towards its vision of becoming Europe's leading purchaser and manager of debt and is a logical development of its business model reflecting the scale that it has now reached.

Combining Arrow Global's data-driven master servicing model with Capquest's customer-focused in-house collections platform helps to create a leading European debt purchase and debt management business in line with Arrow Global's strategic objectives:

1. It enhances Arrow Global's position as a leading debt purchase and management business, adding 2.8m customer accounts with a face value of £4.1bn at 30 June 2014 to become one of only two UK debt purchasers with over £1bn of Combined 120-Month Gross ERC as at 30 June 2014. The Acquisition reinforces Arrow Global's established focus on the financial services sector and will provide increased customer insight from collections operations which is expected to further improve pricing models and underwriting accuracy.
2. It utilises Arrow Global's balance sheet to acquire over £100m of UK portfolio assets at returns in line with Arrow Global's usual targets.
3. It combines Arrow Global's 5.4m owned customer account records with Capquest's 2.8m owned customer accounts (in each case as at 30 June 2014) to further enhance the depth of Arrow Global's data assets. As a consequence, match rates for UK portfolios are expected to increase from 40% to approximately 50%, which will help with underwriting. The combination of Arrow Global and Capquest's data sources and Capquest's sophisticated technology and servicing platform is expected to further enhance the collections performance of the Enlarged Group.
4. It brings together two businesses with a shared commitment to customer engagement and compliance which is expected to provide greater customer insight and enhance Arrow Global's ability to deliver a high quality offering to customers and clients. In addition, Capquest's presence on a number of bank debt purchase panels and its established capability as a contingency collections provider for a number of key strategic clients in the financial services sector will enhance Arrow Global's offering to clients.
5. Capquest's existing presence in the motor finance sector and established capability to collect high volume low balance accounts will enable Arrow Global to successfully continue to extend its diversification into new asset classes.

### 3. Financial effects of the Acquisition

Arrow Global will acquire Capquest for a total consideration of £158m on an enterprise value basis. The valuation is underpinned by portfolios re-underwritten using Arrow Global's proprietary models with additional value allocated to Capquest's platform and other assets.

As at 30 June 2014, the Enlarged Group would have had £15.4bn in Combined receivables under management by face value (£12.4bn of which would have been owned), Combined 120-Month Gross ERC of £1.1bn and 8.9m combined accounts under management (8.2m of which would have been owned) with 82% being financial services accounts. For the 12 months ended 30 June 2014, the Enlarged Group would have generated a Combined Adjusted EBITDA of £128.6m, before expected annual pre-tax cost savings of £6.5m expected to be achieved from 2016.

With an implied combined EV/120-Month Gross ERC<sup>1</sup> multiple of 0.7 times, the Board believes the Acquisition is financially attractive for Arrow Global. Overall, the Acquisition is expected to deliver strong EPS accretion and ROE enhancement with full synergies and cost savings from 2016, and to be moderately ROE and EPS accretive in 2015 (excluding one-off restructuring costs of £2.5m, expected to be incurred between 2014 and 2016 and Arrow Global's 2014 one-off costs). In addition to these cost savings, it is expected that the Acquisition will create the opportunity for further collection benefits from the sharing of best practice between the two businesses.

The financing of the Acquisition is described in section 10 below. Following the Acquisition and the incurrence of additional debt, including to finance the Acquisition, the Enlarged Group will retain a strong and prudent balance sheet, with the ratio of pro forma net debt to Combined Adjusted EBITDA (pre-synergies) of 3.2 times, and pro forma net debt to Combined 84-month ERC of 46.0%, in each case as at 30 June 2014. In addition, upon completion of the Acquisition, the total commitments under Arrow

Global's revolving credit facility will be increased to £100m, providing additional capacity for further portfolio purchases.

<sup>1</sup> Based on 120-Month Gross ERC as at 31 March 2014 as estimated by Arrow Global through account level ERC forecasting.

#### **4. Summary information on Arrow Global**

Arrow Global is one of the UK's largest providers of debt purchase and receivables management solutions measured by 120-Month Gross ERC, which stood at £827.3m as at 30 June 2014.

Established in 2005, Arrow Global uses its proprietary data and analytical capabilities to acquire and manage defaulted debt portfolios from Debt Originators. A critical component of the management function is to locate defaulted customers by improving inaccurate or incomplete data relating to those underlying customers with Arrow Global's data assets. Arrow Global seeks to build a consolidated profile of each defaulted customer's circumstances so that an affordable and sustainable repayment solution can be formulated for each customer. Arrow Global's strategy has enabled it to convert previously defaulted assets into reliable long term cash flow streams.

As at 30 June 2014, Arrow Global owned and managed defaulted debt portfolios with an aggregate face value of £10.6bn (£352.8m based on book value), including £8.3bn of purchased loan portfolios and approximately 5.4m owned customer accounts. Arrow Global's Adjusted EBITDA, which it believes is representative of its operating cash generation, has grown from £44.3m for the year ended 31 December 2011 to £94.1m for the 12 months ended 30 June 2014. As at 30 June 2014, 79.7% (by purchase price) of the defaulted debt portfolios that it had purchased originated in the UK with the remaining 20.3% originated in Portugal. As at 30 June 2014, 83.6% of Arrow Global's defaulted debt portfolios across the UK and Portugal (by purchase price) were financial services loan portfolios (with the remaining consisting of retail, telecommunications and student loan portfolios). Arrow Global believes that its focus on financial services loan portfolios provides it with stable long-term cash flows, as the higher average balances of these portfolios (relative to other types of debt) typically result in a high proportion of accounts being restructured into long term repayment plans consisting of small, regular, annuity-like payments.

#### **5. Summary information on Capquest**

Capquest is a UK debt purchaser and outsourced collections provider that owns and services portfolios in the financial services, retail, telecommunications and motor finance sectors.

Founded as a DCA, Capquest has over 25 years of experience in the debt collection industry, and operates in the UK with a primary focus on non-performing and semi-performing unsecured consumer loans. Over the past decade, Capquest has developed extensive debt purchasing capabilities and has grown to become one of the largest privately-owned purchasers of non-performing consumer debt in the UK. Between 1 September 2004 and 30 June 2014, Capquest purchased debt with a face value of £4.1bn for £286m. Together, Capquest's portfolio purchases represent 2.8m owned customer accounts as at 30 June 2014. As an established participant in the UK market, Capquest partners with a diverse, blue chip client base and holds positions on numerous DP and DCA panels. Capquest has 385 full time equivalent employees across two offices in Farnborough and Glasgow.

As well as servicing its owned purchased portfolios, Capquest traces customers and collects and services debt on behalf of a number of key strategic clients in the financial services sector. This contingency collections business complements Capquest's debt purchase activities, providing it with increased proprietary deal flow, operational feasibility data and 'test and learn' capabilities.

In 2011, Capquest was acquired by TowerBrook, a private equity firm, and subsequently underwent significant restructuring. Since 2012, Capquest's senior management team has been bolstered by a number of new appointments, including Chief Executive Officer Helen Ashton. Since then, the senior

management team has driven a number of initiatives that have supported Capquest's operational development and continued growth.

Since 2012, Capquest has invested heavily in seeking to build an industry-leading approach to compliance, creating a governance framework and processes that leverage best practice from the broader financial services industry. This has included the implementation of a "three lines of defence" risk management model similar to that employed by banks and by Arrow Global, which provides oversight, challenge and reporting on risks within the business.

As part of its organisational change programme, Capquest has focused on developing an integrated data, analytics and technology platform to underpin its flexible operating model, which is currently in the final phases of a staged implementation. The new, highly-advanced technology platform is expected to offer sophisticated account servicing capabilities with a strong focus on compliance and the customer journey.

## 6. Financial information for Capquest

The following has been extracted from the preliminary, unaudited consolidated IFRS financial information of Quest Topco Limited as at and for the 12 month period ended 30 June 2014.

	<b>LTM (£m)</b>
Total gross assets	157.7
Loss before interest and tax (including non-recurring items)	(1.9)
Loss before tax (including non-recurring items)	(21.5)
Loss before interest and tax (excluding non-recurring items)	(0.6)
Loss before tax (excluding non-recurring items)	(20.3)

*Interest expense includes non-cash interest expense on shareholder loan notes which will be repaid as part of the Acquisition.*

## 7. Integration of Capquest

Capquest and Arrow Global are complementary businesses, the combination of which is expected to build on both parties' skills and capabilities to provide a high quality offering to customers and clients.

Capquest has a well-invested and sophisticated technology and servicing platform but its operations are currently sub-scale. In acquiring Capquest, Arrow Global has the opportunity to place increased volume through the platform by migrating the servicing of a number of its existing accounts, both paying and non-paying, into Capquest, which is expected to improve margins.

Following the Acquisition, Arrow Global expects to manage approximately 40% of the Enlarged Group's UK business collections in-house. For the remaining 60%, Arrow Global plans to continue to work with debt collections agencies ('DCAs') but, in line with other creditors, will accelerate the continued rationalisation of its DCA network to a core group of strategic DCA partners. Overall, it is hoped that an additional 110 front line jobs will be created at Capquest to grow the size of the operation at both its Farnborough and Glasgow sites.

Both the Arrow Global and Capquest brands will be retained.

## 8. Synergies and operational efficiencies

The Board believes that the Enlarged Group will benefit from synergies and cost savings as a result of:

1. Overhead cost savings through the removal of duplicated or overlapping activities between Arrow Global and Capquest as well as reduced data costs.
2. Operating cost savings from better management of collection resources and capabilities.
3. Potential ERC uplift from overlap in customer data, through enhancing back book collections on non-paying accounts and increasing match rates for UK portfolios.
4. Further potential collection benefits achieved through sharing of best practices between the two businesses.

The Board estimates that, as a result of these factors, following the Acquisition the Enlarged Group has the potential to achieve annual pre-tax cost savings of £6.5m. The Board expects that the Enlarged Group will benefit fully from these synergies during 2016. The Board expects that the realisation of these synergies and costs savings will involve the incurrence of one-off cash costs of approximately £2.5m between 2014 and 2016. In addition to these cost savings, the Board expects that the Acquisition will create the opportunity for further collection benefits from the sharing of best practice between the two businesses.

## 9. Summary of the key terms of the Acquisition

The Company and its subsidiary, Arrow Global Investments Holdings Limited ('AGIHL'), have entered into a sale and purchase agreement with Quest Holdings B.V. and current and former management shareholders under which Quest Topco Limited will be sold to AGIHL. A separate warranty deed has also been entered into with certain management shareholders.

The consideration payable by Arrow Global is £158m on an enterprise value basis.

The Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and is therefore conditional upon the approval of Arrow Global's shareholders at a General Meeting. Shareholder approval must be satisfied within four months, failing which AGIHL will be required to pay £1m to TowerBrook and the Acquisition will not proceed.

Title and capacity warranties have been given by all sellers and management has also given customary business warranties in relation to Capquest (although these are subject to significant limitations on the maximum value of any claims). The transaction documents also contain covenants regarding the conduct of the Capquest business pending completion.

A Shareholder Circular setting out further details of the Acquisition, including the Resolution seeking approval of the Acquisition, is expected to be sent to Arrow Global shareholders as soon as practicable. Arrow Global expects the General Meeting to be held in the fourth quarter of 2014, with completion of the Acquisition also expected to occur in the fourth quarter of 2014.

## 10. Financing of the Acquisition

Arrow Global proposes to finance the Acquisition through cash resources and debt with committed financing from Goldman Sachs.

In addition, upon completion of the Acquisition, the total commitments under Arrow Global's revolving credit facility will be increased to £100m from £82.5m (having recently been increased from £55m on improved terms). The increase in the size of the revolving credit facility will also provide additional capacity for further portfolio purchases.

In connection with the Acquisition, amounts outstanding under certain of Capquest's existing debt arrangements (including Capquest's existing revolving credit facility, term loan and certain shareholder and management loans) are expected to be repaid and terminated.

As at 30 June 2014, taking into account the effect of the Acquisition, the debt expected to be issued or drawn, including to fund the Acquisition consideration, the ratio of the Enlarged Group's pro forma net debt to Combined Adjusted EBITDA (pre-synergies) would be 3.2 times, and pro forma net debt as a percentage of Combined 84-Month ERC would be 46.0%, as set out in the table below.

	<b>12 months ended 30 June £m</b>
Existing senior secured notes	220.0
Amounts drawn under revolving credit facility	— <sup>(1)</sup>
Additional debt raised <sup>(2)</sup>	225.0
Deferred consideration	12.4
Cash and cash equivalents <sup>(3)</sup>	(47.2)
Pro forma net debt <sup>(4)</sup>	<u>410.2</u>
Combined Adjusted EBITDA (pre-synergies)	128.6
Combined 84-Month Gross ERC	892.6
Pro Forma Net Debt to Combined Adjusted EBITDA (pre-synergies)	3.2x
Pro Forma Net Debt to Combined 84-Month Gross ERC	46.0%

1. As at 30 June 2014, £26.9m was outstanding under the revolving credit facility. This amount is expected to be repaid from a portion of the proceeds of the additional debt raised.

2. Reflects new debt to be raised, including to fund the Acquisition and to repay debt of Capquest assumed by Arrow Global.

3. Adjusted to reflect additional cash on the balance sheet as a result of the raising of additional debt, net of cash used to repay amounts outstanding under the revolving credit facility and after taking into account £10m of estimated transaction costs.

4. Excluding £5.7m accrued bond interest, which was paid on 1 September 2014.

The Board believes that the Enlarged Group will have sufficient liquidity and capacity to realise Arrow Global's growth ambitions, as a result of the combination of Combined Adjusted EBITDA of £129m for the 12 months ended 30 June 2014, £47m of cash available as at 30 June 2014 and a £100m revolving credit facility. The Board also expects the Enlarged Group to reduce its leverage ratios over time.

## 11. Current trading and future prospects

Arrow Global had a strong first half of 2014, with Core Collections rising 10.9% to £69.3m (H1 2013: £62.5m), and Adjusted EBITDA increasing 10.6% to £48.0m (H1 2013: £43.4m). Against this backdrop of continuing growth, and in accordance with the Group's dividend policy, a maiden interim dividend of 1.7p was declared on 28 August 2014 and is payable on 9 October 2014.

In the first half of 2014, Arrow Global acquired loan portfolios with a face value of £1.1bn for £99.3m, £62.4m of which were in Portugal, which, the Board believes, reflects Arrow Global's expanding origination capability and the increasing propensity of creditors in Portugal to sell.

Arrow Global maintains its focus on targeted European expansion and in August 2014 completed a €1m pilot portfolio investment in the Netherlands. Arrow Global continues to assess a number of opportunities in European geographies with favourable market dynamics and also has good visibility of a strong pipeline in the UK. Arrow Global also continues to pursue a strategy to diversify its investments by both asset class and geography.

## 12. Management and employees

Following the Acquisition, Helen Ashton will join Arrow Global's senior management team. Currently Capquest's Chief Executive Officer, Helen has previously held senior banking positions, including as Finance Director of Community Banks within Lloyds Banking Group and as Managing Director of Barclaycard International within Barclays. The Board believes that Arrow Global's combined management team following the Acquisition will be key to its growth strategy going forward and to leading the integration of the businesses of Arrow Global and Capquest.

## 13. General Meeting

As a result of its size, the Acquisition constitutes a Class 1 transaction for the purposes of the Listing Rules and its completion is therefore conditional upon the approval of Arrow Global's shareholders. A General Meeting will be convened in due course. The purpose of the General Meeting is to consider and, if thought fit, pass the Resolution to approve the Acquisition. A Shareholder Circular will be sent to shareholders as soon as practicable.

## 14. Further information

Further details of the Acquisition and the transactions related to the Acquisition, together with a notice convening a General Meeting to consider the Acquisition, will be contained in the Shareholder Circular. Shareholders should pay particular attention to the risk factors which will be described in the Shareholder Circular.

## APPENDIX I – SUMMARY COMBINED FINANCIAL DATA<sup>1</sup>

£m, 12 months ended 30 June 2014	Arrow Global	Capquest	Combined
Core Collections	134.6	60.6	195.2
Portfolio Amortisation and Revaluation	(40.0)	(34.3)	(74.3)
<i>As % of Core Collections</i>	29.7%	56.6%	38.1%
Other Revenue	3.4	4.7	8.0
Total Revenue	98.0	31.0	128.9
Operating Expenses (Excl. Exceptionals)	(46.2)	(31.6)	(77.8)
Operating Profit (Excl. Exceptionals)	51.8	(0.6)	51.1
<i>% Margin vs. Revenue</i>	52.8%	(2.1)%	39.7%
Adjusted EBITDA	94.1	34.5	128.6
<i>% Margin vs. Core Collections</i>	69.9%	56.9%	65.9%
84-Month Gross ERC <sup>2</sup>	701.7	190.9	892.6
120-Month Gross ERC <sup>2</sup>	827.3	224.4	1,051.8

1. Capquest data based on preliminary, unaudited consolidated IFRS financial information of Quest Topco Limited. See Appendix II for further details.
2. Capquest Gross ERC is as estimated by Arrow Global through account level ERC forecasting. See Appendix II for further details.

## APPENDIX II – KEY NOTES

1. **Financial information of Capquest.** The financial information of Quest Topco Limited in this announcement is preliminary, unaudited consolidated IFRS financial information. The Shareholder Circular when published will include, in accordance with the Listing Rules, audited historical consolidated financial information of Quest Topco Limited (which is the entity that is expected to be acquired by Arrow Global) prepared in accordance with IFRS, in a form consistent with the accounting policies adopted by Arrow Global in its own annual consolidated accounts, which will differ from the summary financial information for Quest Topco Limited set out in section 6.
2. **“Combined” financial information.** This announcement includes certain financial and operational measures of performance on a “Combined” basis, which represents a simple aggregation of the relevant measures for Arrow Global and Capquest for the relevant period. This presentation of combined information is not made in accordance with IFRS, and excludes any accounting or *pro forma* adjustments that would be applied to present consolidated or *pro forma* financial information.
3. **Other Non-IFRS financial information.** This announcement contains certain other financial information not presented in accordance with IFRS. This information includes financial information for the 12 months ended 30 June 2014 (“LTM financial information”), Adjusted EBITDA and pro forma net debt.
  - a. *LTM financial information.* Arrow Global’s LTM financial information is calculated by the addition of its consolidated financial data for the year ended 31 December 2013 and its unaudited condensed consolidated interim financial data for the six months ended 30 June 2014 and the subtraction of its unaudited condensed consolidated interim financial data for the six months ended 30 June 2013. Capquest’s LTM financial information is calculated by the addition of its consolidated financial data for the year ended 31 March 2014 and its unaudited condensed consolidated interim financial data for the three months ended 30 June 2014 and the subtraction of its unaudited condensed consolidated interim financial data for the three months ended 30 June 2013. As Arrow Global’s financial year ends on 31 December, and Capquest’s financial year ends on 31 March, the presentation of this information is not made in accordance with IFRS. Arrow Global presents this information as the Board believes the information is useful as supplemental measures for investors in assessing the impact of the Acquisition. This information is not necessarily indicative of the results that may be expected for the year 31 December 2014, and should not be used as the basis for, or prediction of, an annualised calculation.
  - b. *Adjusted EBITDA.* Adjusted EBITDA represents core collections (which includes income from purchased loan portfolios and portfolio amortisation), including the effects of income from asset management, other income and operating expenses, and excluding the effects of depreciation and amortisation, net foreign exchange (gains)/losses, amortization of acquisition and bank facility fees, share-based payments and non-recurring items included under professional fees and services and other operating expenses.
  - c. *Pro forma net debt.* Pro forma net debt represents Arrow Global’s net debt as at 30 June 2014, adjusted to reflect the subsequent payment of accrued interest under its existing

senior secured notes, additional debt to be raised, including to fund the Acquisition and to repay existing debt of Capquest, to repay amounts outstanding under Arrow Global's revolving credit facility and approximate fees to be paid in connection with the raising of debt.

- 4. Operational metrics.** This announcement contains references to certain operational metrics, including 84-Month Gross ERC and 120-Month Gross ERC. 84-Month Gross ERC and 120-Month Gross ERC mean Arrow Global's and Capquest's estimated remaining collections on purchased loan portfolios over an 84-month or 120-month period, respectively, representing the expected future core collections on purchased loan portfolios over an 84-month or 120-month period.

Capquest's Gross ERC figures shown in this announcement represent Arrow Global's view of such Gross ERC based on the re-underwriting of Capquest's loan portfolios using Arrow Global's proprietary ERC forecasting model. These figures are different from the Gross ERC figures that Capquest has historically presented.

- 5. Synergies and cost-savings.** Statements of estimated cost savings and synergies in this announcement relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the cost savings and synergies referred to in this announcement may not be achieved, or those achieved could be materially different from those estimated.

### APPENDIX III – DEFINITIONS / GLOSSARY

<b>Acquisition</b>	means the proposed acquisition of Capquest, a UK consumer debt purchaser and outsourced collections provider, from a fund controlled by TowerBrook Capital Partners L.P.;
<b>Arrow Global</b>	means Arrow Global Group PLC and its subsidiaries;
<b>Board</b>	means the board of directors of Arrow Global Group PLC;
<b>Capquest</b>	means Quest Topco Limited and its subsidiaries;
<b>Company</b>	means Arrow Global Group PLC;
<b>Core Collections</b>	means collections on all debt portfolios that Arrow Global or Capquest, as applicable, own at the relevant point in time;
<b>DCA</b>	means debt collection agencies;
<b>Debt Originators</b>	means financial institutions or other initial credit providers to consumers, certain of which entities choose to sell paying accounts or non-paying accounts receivables related thereto to debt purchasers;
<b>Enlarged Group</b>	means Arrow Global as at and from completion of the Acquisition;
<b>ERC</b>	means estimated remaining collections on purchased loan portfolios over an 84-month or 120-month period, respectively, representing the expected future Core Collections on purchased loan portfolios over an 84-month or 120-month period (calculated at the end of each month, based on Arrow Global's proprietary ERC forecasting model, as amended from time to time);
<b>EV</b>	means enterprise value;
<b>FCA</b>	means the Financial Conduct Authority;
<b>General Meeting</b>	the general meeting of Arrow Global Group PLC to consider the Resolution, expected to be held in the fourth quarter of 2014;

<b>IFRS</b>	means the International Financial Reporting Standards, as adopted by the European Commission for use in the European Union;
<b>Listing Rules</b>	means the Listing Rules of the UK Listing Authority;
<b>Resolution</b>	means the resolution to be considered by Arrow Global's shareholders at the General Meeting;
<b>Return on Equity</b>	means the amount of net income returned as a percentage of shareholders' equity;
<b>Shareholder Circular</b>	means the shareholder circular setting out further details of the Acquisition, including the Resolution seeking approval of the Acquisition, expected to be sent to Arrow Global's shareholders in the fourth quarter of 2014; and
<b>TowerBrook</b>	means TowerBrook Capital Partners L.P.