

# ARROW GLOBAL GROUP PLC

## Q1 Results

### 22 May 2014



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# TODAY'S SPEAKERS



**Tom Drury**  
*Chief Executive Officer*

- ▶ 17 Years of MD/CEO leadership roles
- ▶ Joined Arrow Global from Shanks Group PLC (then a FTSE 250 Company) where he served as Group Chief Executive
- ▶ Previously served as Founding Managing Director of Vertex, a leading firm in the UK's business process outsourcing sector



**Robert Memmott**  
*Chief Financial Officer*

- ▶ 12 years of experience as a CFO and 17 years in senior leadership roles
- ▶ Previously CFO of Leeds Bradford International Airport Ltd as well as with Alfred McAlpine and Servisair plc
- ▶ Qualified Chartered Accountant with KPMG

# Q1 HIGHLIGHTS

## 31 MARCH 2014

### Compliance

- FCA interim permissions granted – transition to FCA regime well progressed
- Further enhancements to our servicer management and oversight framework
- Appointment of BDO as internal auditors

### Portfolio Purchases

- Purchases £33.2m, a good start to building the vintage in line with our expected returns
- Total face value acquired £246m underpinned by 67.8% paying accounts
- £9.7bn assets under management including £7.5bn of purchased portfolios

### Adjusted EBITDA

- Increase of 17.6% to £22.3m
- Adjusted EBITDA ratio<sup>1</sup> 70.1%

### Underlying Net Income

- £5.2m with no portfolio write up
- Resolution of historical tax issue resulting in a non-recurring charge of £2.4m

### ERC<sup>2</sup>

- 84-month ERC up 15.9% to £587.8m at 31 March 2014
- 120-month ERC up 15.4% to £681.3m
- Current paying face value up to £1.2bn, 2.1 times 84-month ERC

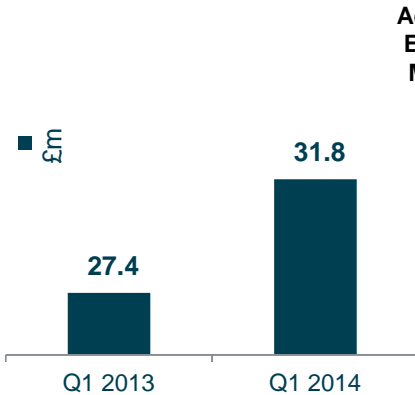
### Leverage

- Net debt<sup>3</sup> at 31 March 2014 : £201.4m
- Leverage ratio<sup>4</sup> 34.3%

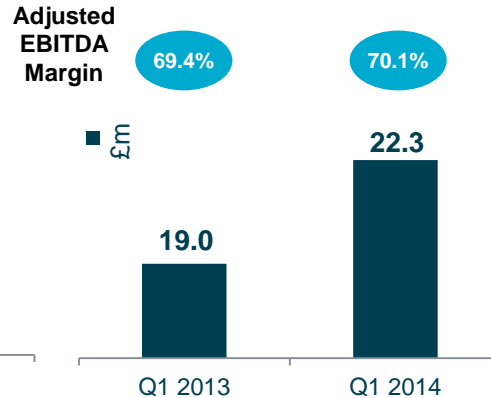
1. Adjusted EBITDA/core collections  
2. Estimated remaining collections on purchased loan portfolios over an 84-month/120 month period, as applicable  
3. Debt owed to third parties and cash and cash equivalents or unamortised bank arrangement fees, as applicable  
4. Leverage ratio – net debt/84-month ERC

# Q1 PERFORMANCE: 31 MARCH 2014

## Core Cash Collections (£m)



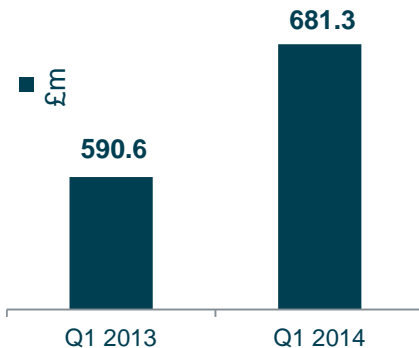
## Adjusted EBITDA (£m)



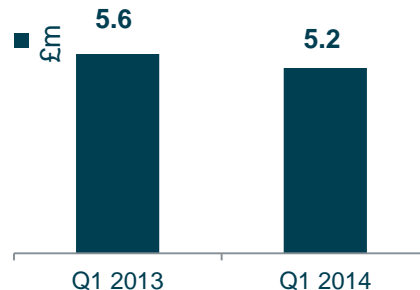
## Key Highlights

- ▶ Core cash collections increased by 16%
- ▶ Adjusted EBITDA increased by 18% with an improved margin
- ▶ Growth in ERC driven by purchasing activity
- ▶ Underlying net income reflects no portfolio write up (2013 included £2.6 million of portfolio write up). Portfolio revaluation moved from a quarterly to a half yearly process in line with our audit timetable
- ▶ Resolution of historical tax issue resulting in a non-recurring charge of £2.4m

## 120-Month Gross ERC (£m)



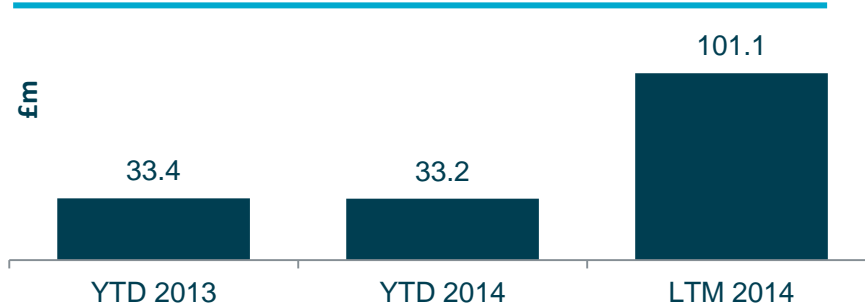
## Underlying Net Income<sup>1</sup> (£m)



1. Net income adjusting for post-tax effect of exceptionals. Net income is equivalent to profit / (loss) for the period attributable to equity shareholders.

# Q1 2014 PURCHASES

## Portfolio Purchases<sup>1</sup>



Accounts	Face Value	Purchase Price	% of Investment
Paying	£67m	33.5p	68%
Non Paying	£179m	6.0p	32%
<b>Total</b>	<b>£246m</b>	<b>13.5p</b>	<b>100%</b>

## Key Highlights

- ▶ Acquired portfolios with a face value of £246m for £33.2m, 100% in our core UK market
- ▶ 67.8% of the purchase price underpinned by paying accounts
- ▶ Paying accounts include good quality portfolios with some deferred consideration and secured assets
- ▶ Non paying accounts include the first tranche of deferred student loan assets
- ▶ Good start to building the vintage in line with our expected returns

1. Purchased loan portfolios represents the purchase price of our purchased loan portfolios excluding related acquisition expenses.

# NET DEBT AND LEVERAGE

Indebtedness – as at 31 March 2014 (£m)

## Key Metrics

Cash and Cash Equivalents	(32.6)
Bond	220.0
Accrued Bond Interest	5.8
Revolving Credit Facility	-
Deferred consideration	12.6
Net Debt	201.4
LTM Adjusted EBITDA	92.9
84-Month ERC	587.8

## Leverage Metrics

Net Debt / Adjusted EBITDA	2.2x
LTV (Net Debt / 84-Month ERC)	34.3%

- ▶ 5-year (to 2018) Revolving credit facility of £55m - currently undrawn
- ▶ Significant headroom on 75% LTV covenant with LTV of 34.3%
- ▶ £87.6 million of cash and RCF resources available at 31 March 2014
- ▶ Significant capacity for future purchases
- ▶ Net Debt/Adjusted EBITDA of 2.2 inside our target of 2.5

# OUTLOOK

- ▶ Overall outlook remains strong
- ▶ Banks propensity to sell is increasing
- ▶ Segments of UK market remain competitive, but our ability to access deals from multiple sources will allow us to continue to invest in attractive loan portfolios
- ▶ The business is highly cash generative and the board confirms its intent to announce a maiden dividend with our half year results
- ▶ We continue to anticipate a normal weighting of purchasing to the second half of the year
- ▶ We remain on track to deliver results in line with our expectations



# Q&A

