

ARROW GLOBAL GROUP PLC

Full-Year Results

3 March 2016

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TODAY'S SPEAKERS



Tom Drury
Chief Executive Officer



Robert Memmott
Chief Financial Officer

AGENDA

Agenda	
I	Highlights
II	Financials
III	Strategic update
IV	Summary
	Q&A
	Appendix

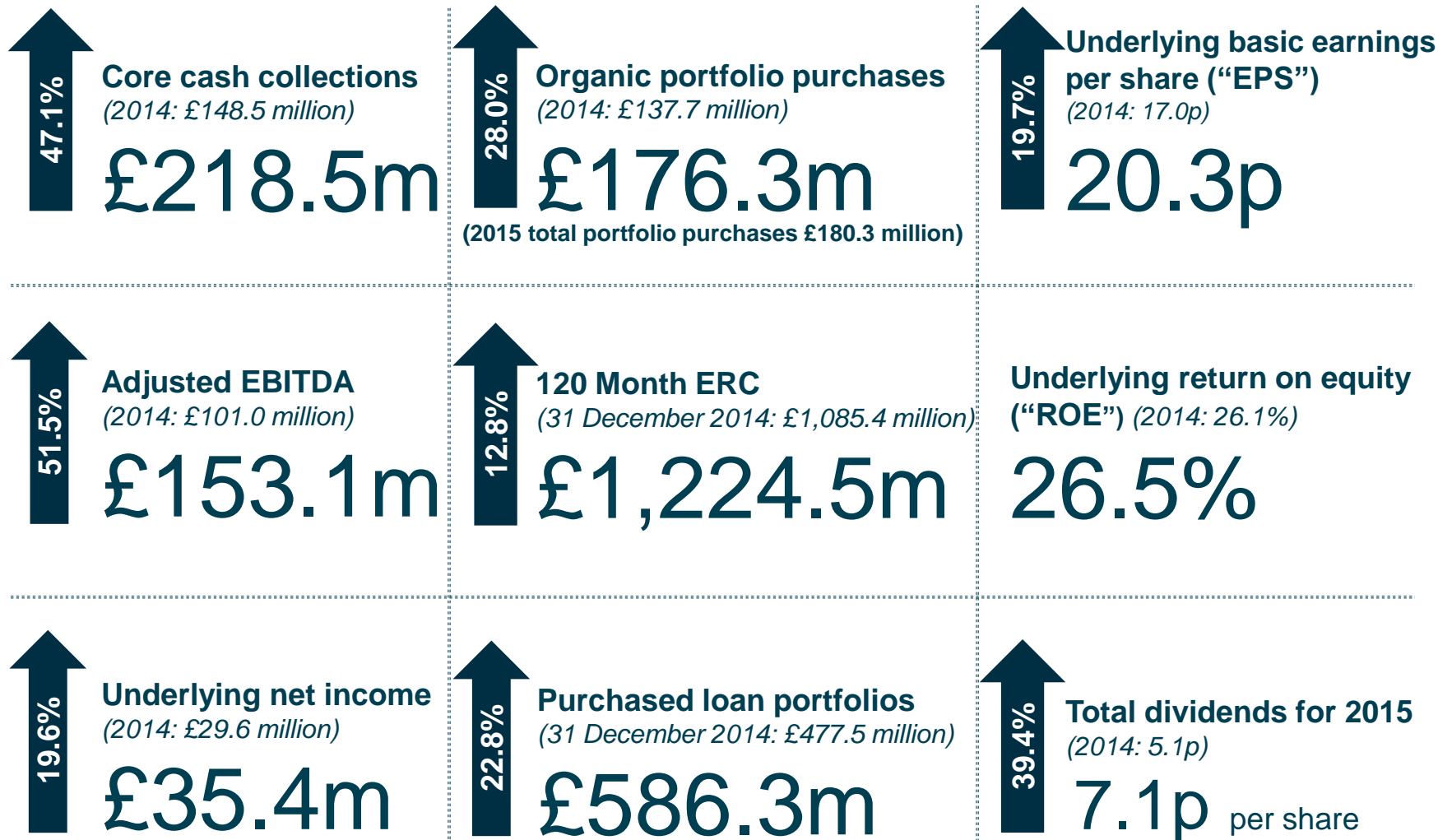
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I. HIGHLIGHTS

2015 SUMMARY HIGHLIGHTS

- ▶ Continued strong growth in earnings
- ▶ Maintained high returns – mid twenties ROE
- ▶ Further strengthened the Arrow Global franchise in all markets
- ▶ Diversification of revenue to include asset light streams
- ▶ Strong operational delivery
- ▶ Further opportunities for new product and new geographic growth
- ▶ Increased dividend reflecting strong cash generation model and confidence in sustainable growth

FY 2015 HIGHLIGHTS – FINANCIAL



Executing our strategy to drive earnings and dividend growth

STRATEGIC HIGHLIGHTS

European Growth

- ▶ Clear market leader in Portugal following the acquisition of Whitestar and Gesphone servicing platform
- ▶ Increased investment in the Netherlands
- ▶ Appointed former Portuguese Minister of State and Finance as NED (starts 7th March)

Service offering

- ▶ Increased asset management income to 9% of Group revenue (expected to be circa 15% in 2016)
- ▶ Launched best-in-class integrated customer servicing platform in UK
- ▶ Acquired Whitestar and Gesphone servicing businesses in Portugal
- ▶ Developed student loans capability, brought servicing of Erudio in-house

Origination excellence

- ▶ Portfolio purchases of £180.3 million at target returns
- ▶ Continued to secure off-market trades (57.4%¹)
- ▶ Invested in secured portfolios (32.3%¹)
- ▶ On going growth and investment in data assets

Operating efficiency

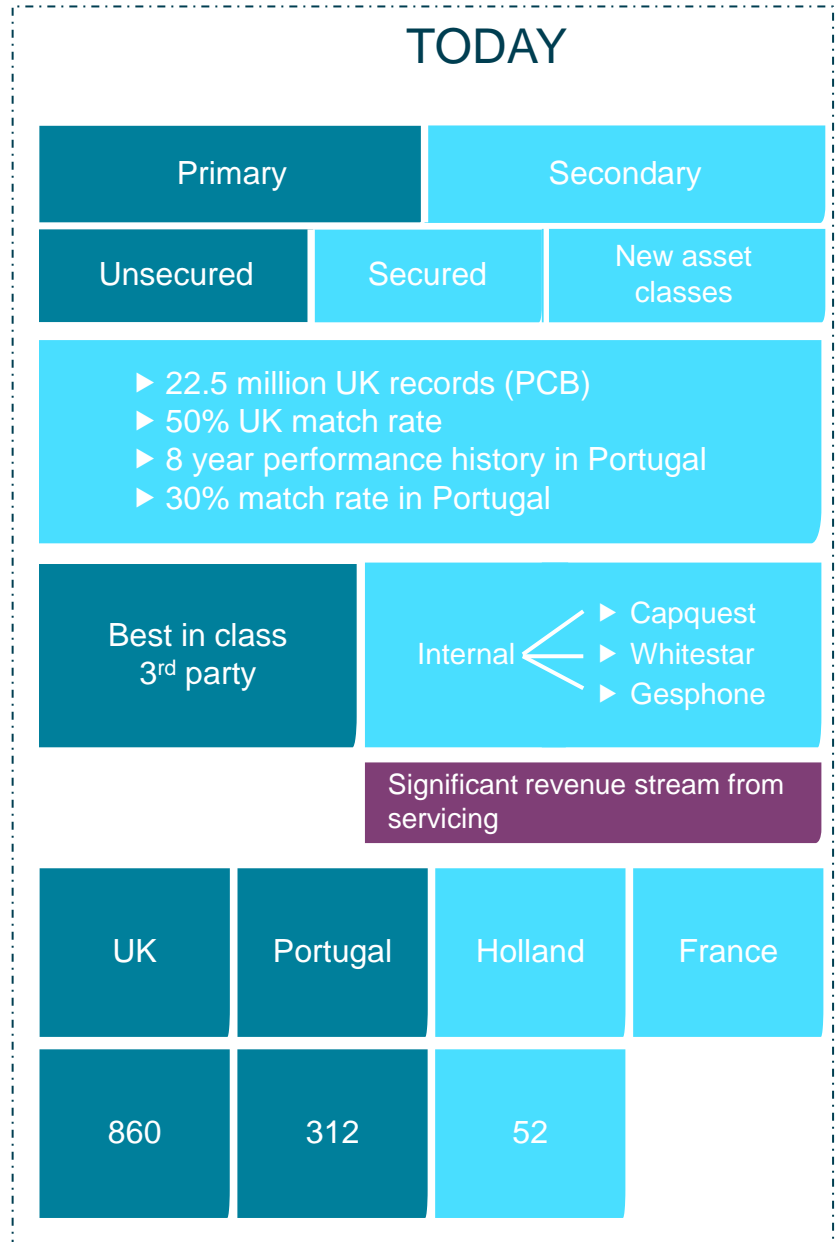
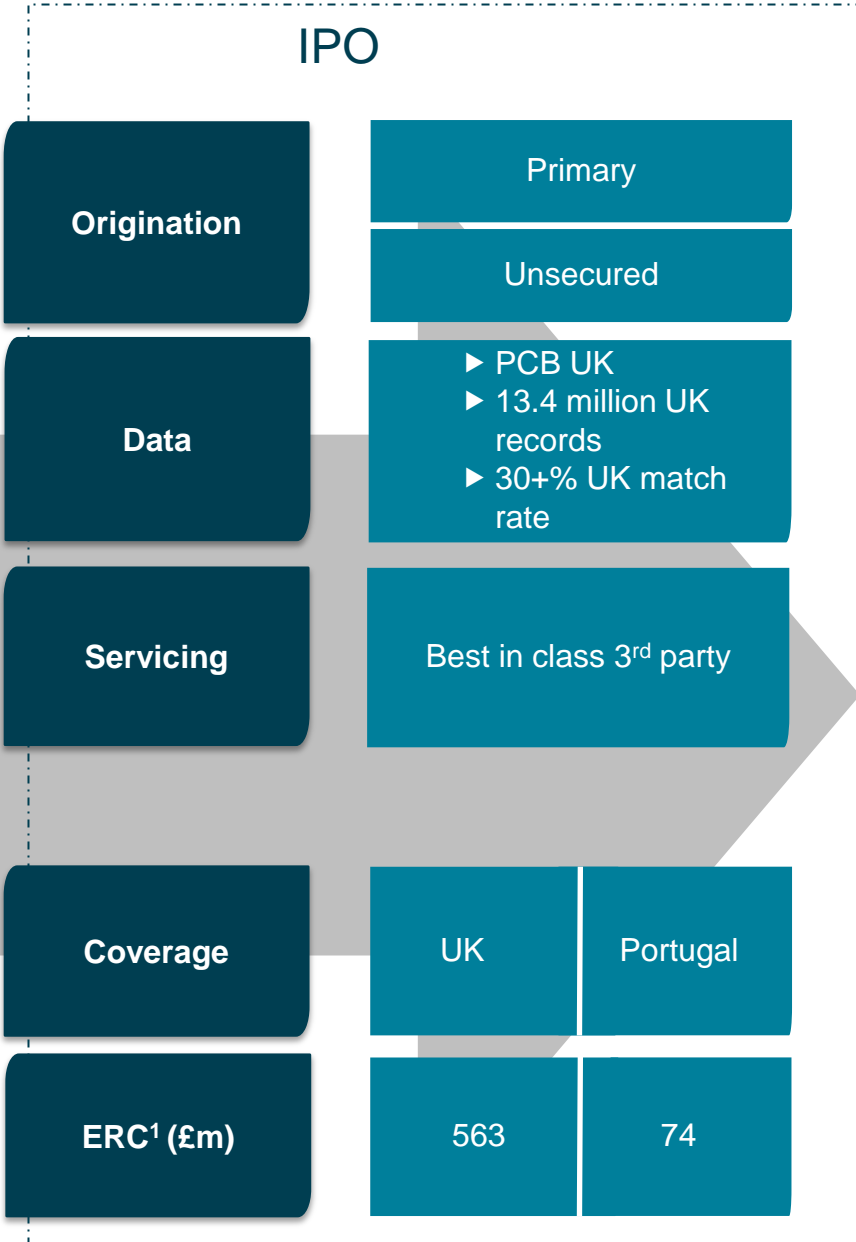
- ▶ Delivered on Capquest, Whitestar and Gesphone business plans
- ▶ Identified additional £2 million of annual synergy saving from Capquest acquisition (now expected to be £8.5 million for 2016)
- ▶ Improving cost-to-collect ratio

Risk management

- ▶ Diversified by asset class, geography and revenue stream
- ▶ Embedding the Arrow risk framework across new acquisitions
- ▶ Successfully issued €110 million bond providing additional headroom

1. Percentage of total portfolio purchases by investment value

STRATEGIC GROWTH



1. 120-month ERC

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II. FINANCIALS

BUSINESS MODEL OVERVIEW – DEBT PURCHASE

ILLUSTRATIVE ECONOMICS

Illustrative economics (£m)¹

	84 Month	120 Month
Face value of purchased balances owed	100	100
Price paid for the portfolio	12.0	12.0
Gross cash collections	20.4	24.0
Gross Cash-on-Cash Multiple	1.7	2.0
Cost-to-Collect ratio	16.9%	16.9%
Net cash collections	17.0	19.9
Net Cash-on-Cash multiple	1.4	1.7

Defaulted debts purchased at a significant discount to face value

Affordable and compliant payment plans typically agreed:

- ▶ Defaulted debts converted into sustainable long-term repayment plans (ERC – estimated remaining collections)
- ▶ Customers repay debts and repair their credit scores

1. Reflective of 2015 purchases

BUSINESS MODEL OVERVIEW – ASSET MANAGEMENT ILLUSTRATIVE ECONOMICS

Illustrative economics (£m)¹

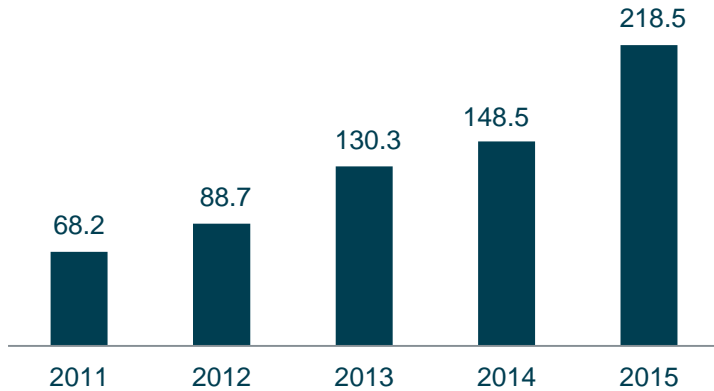
Income from asset management	15
Cost-to-collect	(8.8)
Net contribution to profit	6.2

- ▶ Derive fees from a broad service offering:
 - ▶ Advisory
 - ▶ Due diligence
 - ▶ Debt collection
 - ▶ BPO
 - ▶ Real estate management
- ▶ ‘Capital light’ (no up-front capital) supported by long-term contracts
- ▶ Supports origination
- ▶ Enhances ROE

1. Includes first full year of servicing revenues from the Capquest business and 8 months from Whitestar

FY 2015 PERFORMANCE

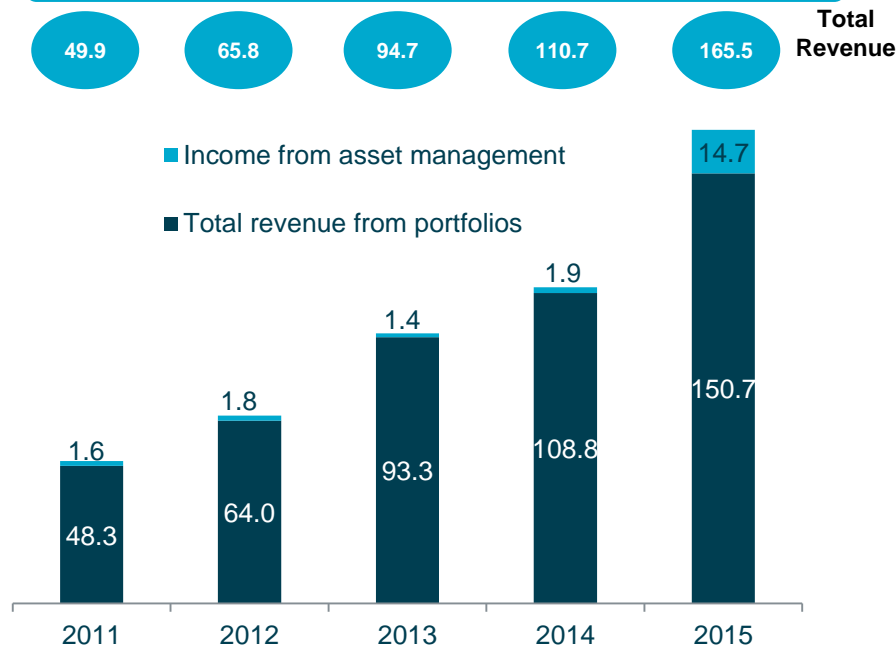
Core cash collections (£m)



- ▶ Growth of 47.1% in core cash collections to £218.5 million

- ▶ Capquest continues to perform well at 104% of original anticipated underwriting performance
- ▶ Collections in Portugal returned to pre court closure run rate albeit more slowly than expected. Collections were adversely affected by exchange rate movements and a higher than anticipated portfolio putback

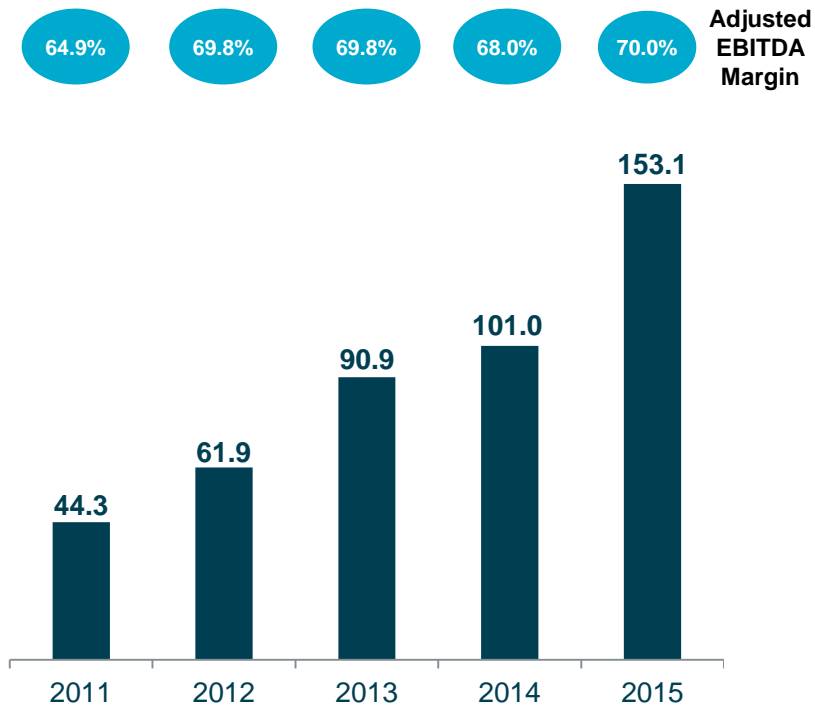
Revenue growth (£m)



- ▶ Increase of 49.5% in revenue to £165.5 million
- ▶ Asset management businesses generated £14.7 million of revenue (2014: £1.9 million)
- ▶ Asset management revenues expected to be circa 15% of Group revenue in 2016

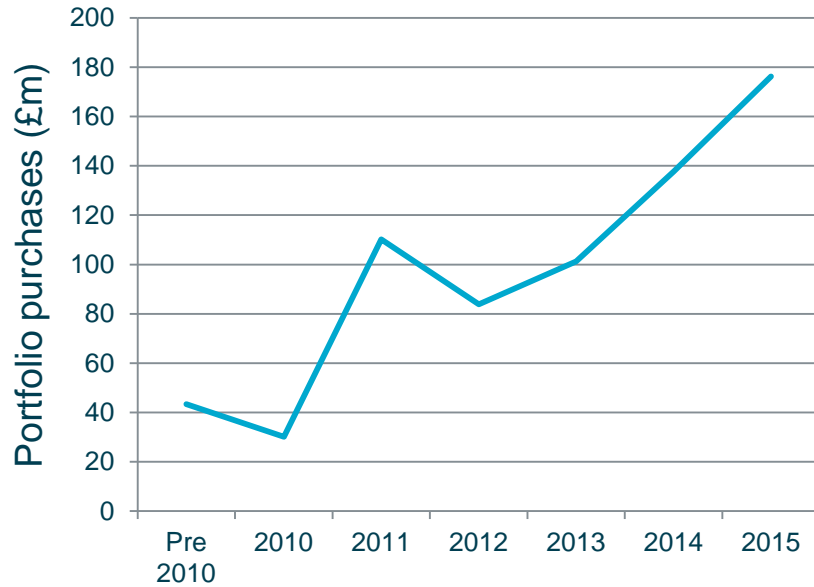
FY 2015 PERFORMANCE

Adjusted EBITDA (£m)



- ▶ Growth of 51.5% in adjusted EBITDA to £153.1 million – proxy for operating cash flow of £150.2 million
- ▶ Improvement in adjusted EBITDA driven by execution of investment plan
 - ▶ Growth in portfolio asset base
 - ▶ Migration (to core panel and in-house collection capabilities)
 - ▶ Delivery of Capquest synergies
 - ▶ Whitestar growth
- ▶ Circa 80% of adjusted EBITDA from owned assets held at beginning of year

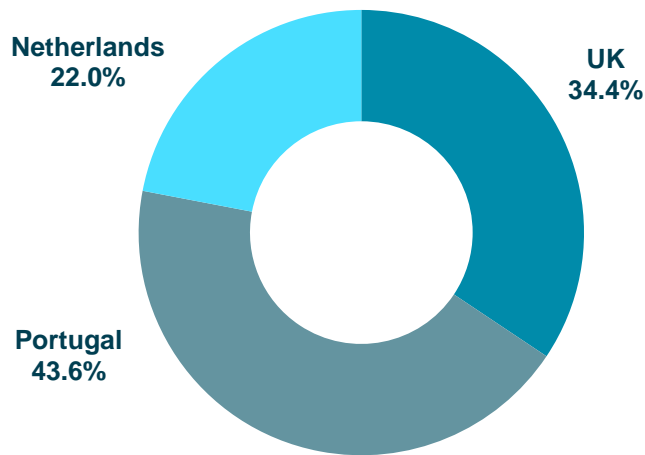
2015 PORTFOLIO INVESTMENT



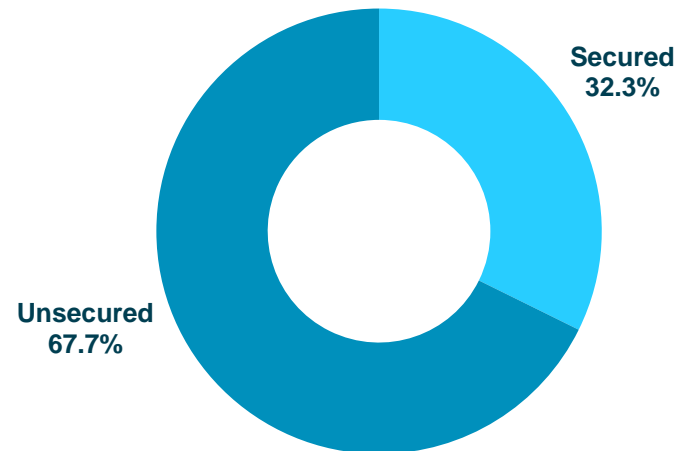
* 2014 excludes Capquest acquisition

- ▶ 2015 a record year for organic portfolio purchases at £176.3 million (2014: £137.7 million)
- ▶ Continue to source significant amount of deals off-market 57.4%
- ▶ At 102% of original anticipated underwriting performance
- ▶ Expanded origination function across multiple geographies, includes specialists in Portugal and Netherlands

Investment split by geography 2015¹

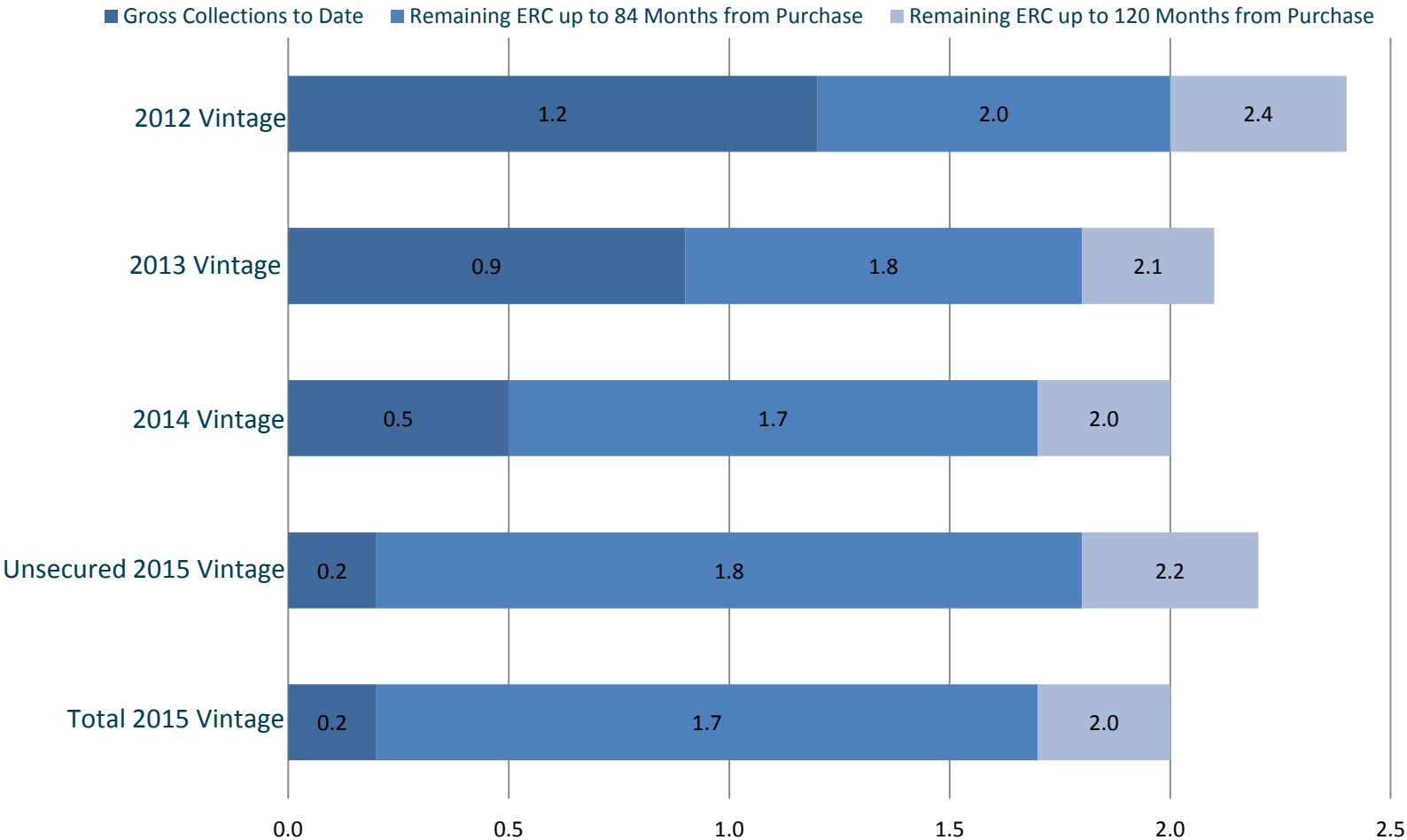


Investment split secured/unsecured 2015¹



1. By purchase price

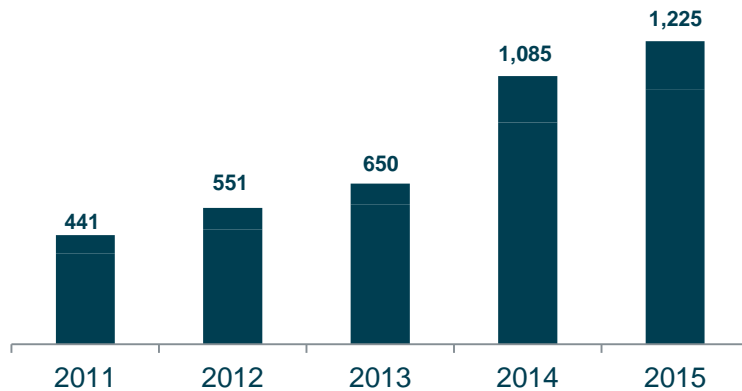
GROSS CASH ON CASH MULTIPLES



- ▶ Purchased above our vintage cash-on-cash target of 2x for unsecured loan portfolios
- ▶ We expect total returns to be higher as they mature as collections are expected beyond 120 months
- ▶ 2015 vintage includes 32.3% secured by purchase price

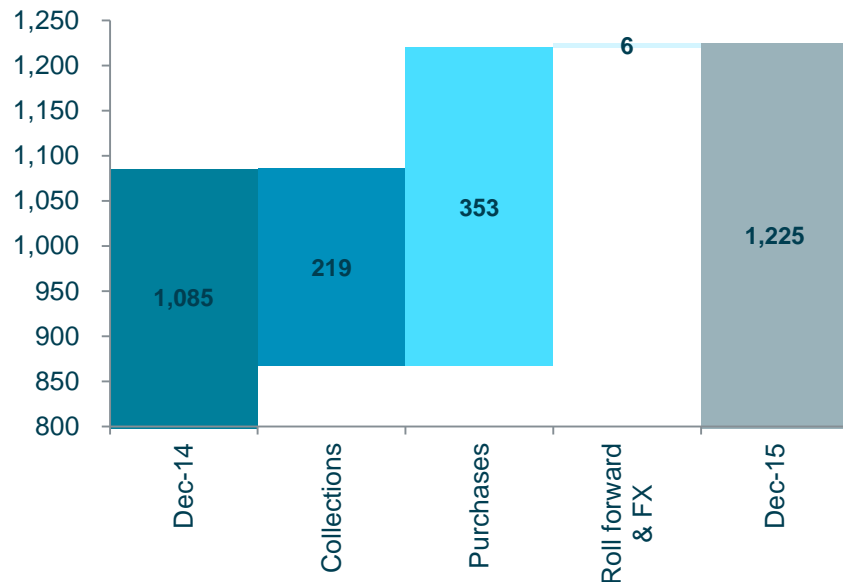
FY 2015 PERFORMANCE

120-month gross ERC (£m)



- ▶ Continued growth in ERC driven by strong organic purchases
- ▶ 120-month ERC breakdown
 - ▶ UK 70.3%
 - ▶ Portugal 24.0%
 - ▶ Netherlands 5.8%

120-month ERC¹ bridge Dec 14 to Dec 15 (£m)



- ▶ At 31 December 2015 over 600,000 accounts paid Arrow in the last 3 months with a current face value of circa £1.5 billion
- ▶ ERC roll forward takes into account movement in FX rates¹
- ▶ Replacement rate for 2016 is circa £78 million

1. Euro ERC at 31 December 2015 exchange rate 1.36, 31 December 2014 1.28

NET DEBT AND LEVERAGE

Indebtedness – as at 31 Dec 2015 (£m)

Net Debt	588.6
Adjusted EBITDA	153.1
84-Month ERC	1,028.4
Leverage Metrics	
Net Debt / Adjusted EBITDA	3.8x
LTV (Net Debt / 84-Month ERC)	57.2%
Secured LTV (Secured Net Debt/ 84-Month ERC)	51.8%
Cash cover	4.9x

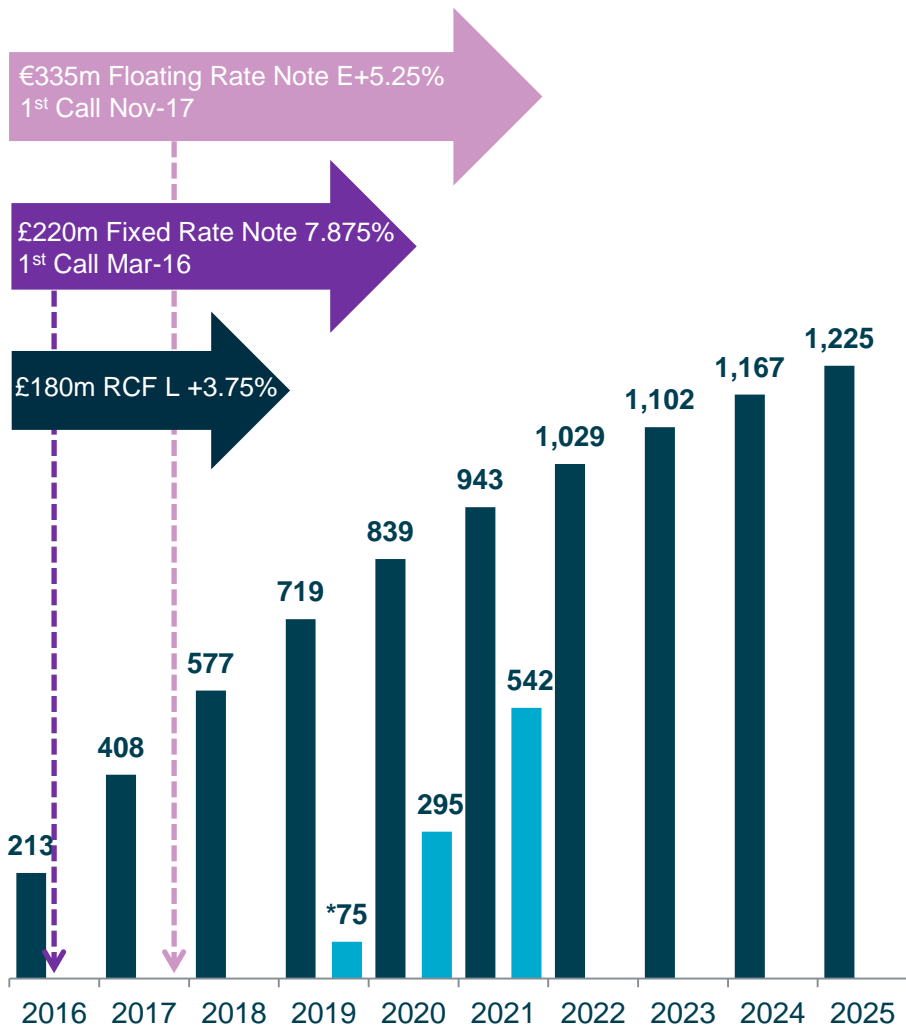
Key Highlights

- ▶ Balance sheet liquidity further strengthened with Revolving Credit Facility increased to £165 million (provided by 5 banks) – increased to £180 million as of 9 Feb 2016
- ▶ Successfully raised €110 million in September, used to provide additional RCF headroom
- ▶ Significant headroom on 57.2% LTV covenant with LTV of 75%
- ▶ Current post interest and tax monthly net cash flow of circa £9 million¹
- ▶ Continue to assess additional funding options

1. Excludes purchases of loan portfolios

SECURE LONG-TERM FUNDING

Debt maturity & 120-month ERC



- ▶ Significant ERC coverage of debt maturities
- ▶ Average debt duration currently stands at circa 4.5 years
- ▶ Continued to reduce cost of debt since IPO

Average interest cost

Year	Bond	RCF
2013	7.875%	L+4.00%
2014	7.491%	L+3.75%
2015	6.108%	L+3.75%

■ Cumulative 120-month ERC

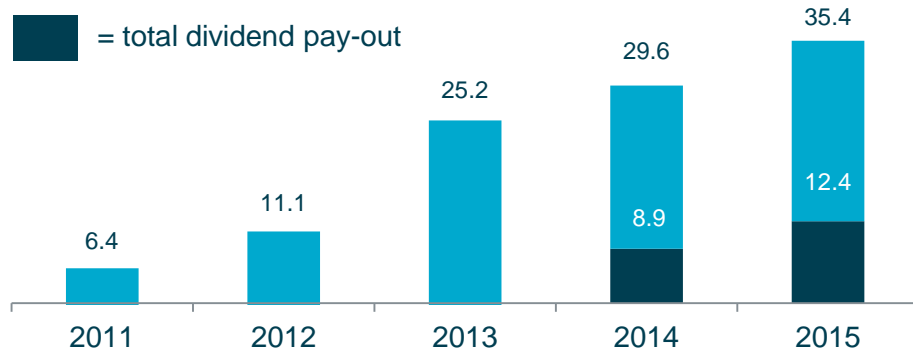
■ Cumulative debt maturities

* £75 million drawn of £180 million RCF available

↓ Bond call date

FY 2015 PERFORMANCE

Underlying net income¹ (£m)

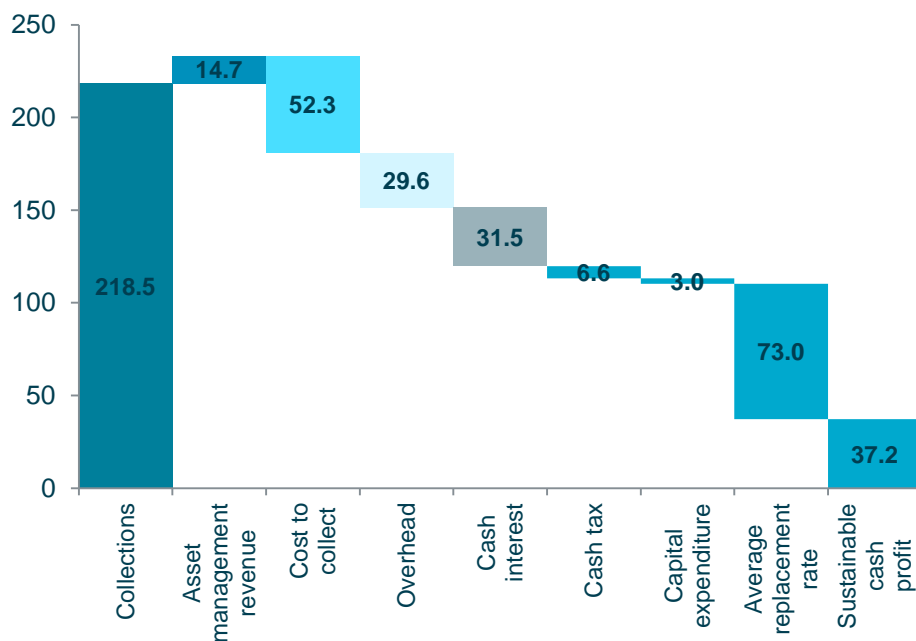


▶ Underlying net income increased by 19.6% to £35.4 million¹

▶ Positive results from the first full year of investment in MCS – contribution of £1.2 million PAT

▶ EPS of 20.3p – growth of 19.7% (2014: 17.0p)

Sustainable cash profit (£m)



▶ Full-year dividend 7.1p – representing an increased pay-out of 35% and an increase of 39% over 2014

▶ Increased dividend reflecting the confidence long-term asset management revenues and ERC provide

▶ Underlying net income includes amortisation of £68.3 million – broadly consistent with average replacement rate of £73 million

1. Net income adjusting for post-tax effect of non-recurring items (IPO related staff costs, Portuguese strategic acquisition, Capquest integration).

FINANCIAL SUMMARY

- ▶ Consistent delivery since IPO
- ▶ Strong momentum on portfolio purchases, whilst maintaining strong unlevered returns
- ▶ Complemented by growth of 'capital light' asset management revenues
- ▶ Resulting in significant earnings growth and mid-twenties ROE
- ▶ Balanced capital structure
- ▶ High visibility and cash generation underpin confidence in progressive dividend policy

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III. STRATEGIC UPDATE

STRATEGIC OBJECTIVES

Vision

Europe's leading purchaser and manager of debt

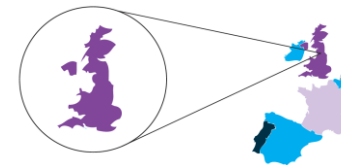
Strategy

- ▶ To be a top 3 player in each of our chosen markets, building on our market leading platforms
- ▶ To focus on delivering strong returns through deep understanding of our customers and clients
- ▶ To be industry leaders in data and analytics
- ▶ To transform the customer journey within our industry and deliver great customer outcomes
- ▶ To further diversify the business

MARKET OUTLOOK

- ▶ Size of European market has increased significantly (2012: €46 billion 2015: €160 billion)¹ and we expect this trend to continue with structural drivers remaining
- ▶ Our own Debt Britain analysis estimates consumer debt defaults will rise 17% by 2020
- ▶ Continue to see consolidation in UK and mainland Europe market
- ▶ Shift to BPO-type revenues creating further opportunities for long-term contracts
- ▶ Focus on collections efficiency will be an important factor in achieving strong returns

1. Total value of debt sold - source: PWC



Market Context

1. Large established market estimated at £70 billion¹ in 2015 of which £9 billion² unsecured NPLs
2. High propensity to sell
3. Consolidated market with 5-6 well funded participants
4. Unsecured defaults expected to grow circa 5% p.a.² plus potential for increase in propensity to sell. Our own Debt Britain research suggests an increase of 17% in consumer defaults by 2020
5. Strong FCA conduct regulation

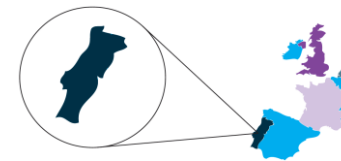
Arrow Update

- ▶ Expect to receive full FCA authorisation during 2016
- ▶ Capquest integration proceeding well:
 - ▶ Collections at 104% of underwriting
 - ▶ Extra £2 million synergy savings will be re-invested
 - ▶ Migration to best in class IT platform largely complete
 - ▶ Building strong digital proposition
 - ▶ DCA panel reduction proceeding well
- ▶ Recruitment of Phil Marsland as UK COO with substantial data & analytics expertise
- ▶ 67% of deals by investment value sourced off market
- ▶ Continue to focus on student loans – Erudio servicing brought in-house. Government expects the value of outstanding loans to reach over £100 billion (2014-15 prices) in 2018

OUTLOOK: Selective acquisitions that play to Arrow's competitive strengths

Source 1: PWC Portfolio Advisory Group – “Market Update Q3 2015” estimate of total UK portfolio transactions in 2015

2: EY research on behalf of Arrow Global Feb 2016



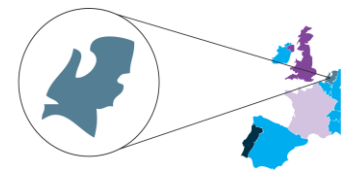
Market Context

1. Fast growing market – stock of €88 billion¹ of NPLs
2. ECB AQR provided real stimulus to NPL disposal
3. Significant activity amongst Portuguese domestic banks
4. Arrow only active established purchaser – significant credit fund activity
5. Deals large and mixed asset type
6. Collections more legally based with supportive regime, e.g. 20 year statute of limitations

Arrow Update

- ▶ Acquisition of Whitestar and Gesphone creates clear servicing market leader with €5.8 billion AUM
- ▶ Strategic origination agreement with Carval working well
- ▶ Very strong pipeline with over €4 billion of potential sales in the market
- ▶ Completed Portugal's first 'carve out' with 10-year servicing contract
- ▶ Migration of Gesphone to Whitestar complete and other portfolio migrations in flight

OUTLOOK: Well positioned as clear market leader to support several years of bank deleveraging, followed by further secondary opportunities



Market Context

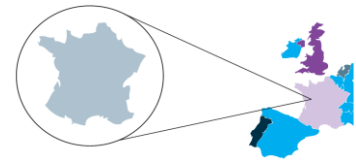
1. Mid-size market – stock of €116 billion¹ of NPLs
2. Low propensity to sell currently
3. NPL unsecured personal loans sold worth circa €400 million² p.a.
4. High household debt – 273.6% of net disposable income (vs. 156% for UK)
5. AQR expected to drive greater asset sales
6. Competition: established DP's e.g. Hoist, Intrum, Lindorff plus smaller local players

Arrow Update

- ▶ First pilot portfolio 2014
- ▶ Arrow received regulatory licence from AFM
- ▶ Acquired two portfolio investments in Q4 2015 with a total combined face value of approximately €300 million
- ▶ Portfolio serviced by leading Dutch consumer finance servicer

OUTLOOK: Continue to build market position

FRANCE – UPDATE



Market Context

1. Large immature market – stock of €393 billion¹ of NPLs
2. Very low propensity to sell
3. Larger banks can raise capital as alternative to NPL sale
4. Market is expected to develop over time

Arrow Update

- ▶ Arrow invested £11 million for 15% interest in market leader MCS
- ▶ Positive results from the first full year with MCS contributing £1.2 million to Group PAT

OUTLOOK: Remain supportive investor and watch development of French market

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IV. SUMMARY

SUMMARY & OUTLOOK

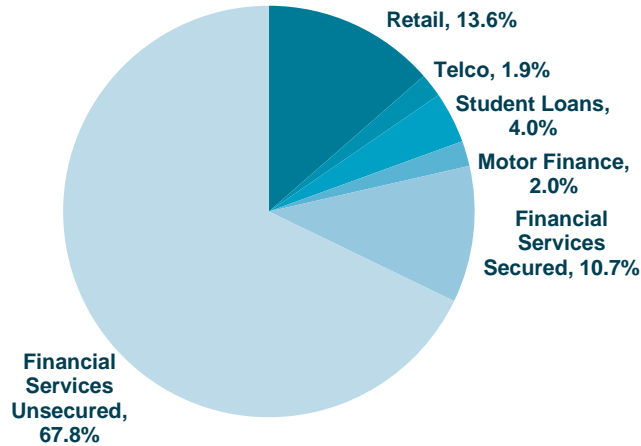
- ▶ 2015 was a year of record growth and delivery
- ▶ Continued to strengthen and diversify our business
- ▶ We are confident in maintaining portfolio investments at approximately twice our average annual replacement rate of circa £78 million
- ▶ Balanced capital structure
- ▶ Expect to see continued strong earnings growth in 2016
- ▶ Remain confident of our ability to deliver a medium-term ROE percentage in the mid-twenties
- ▶ Remain committed to progressive dividend policy

Q&A

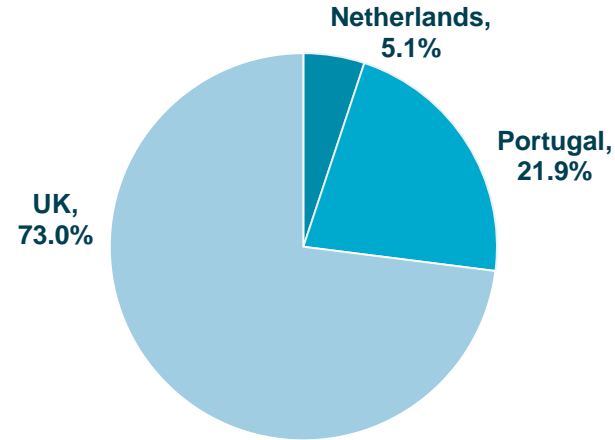
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PORTFOLIO SUMMARY

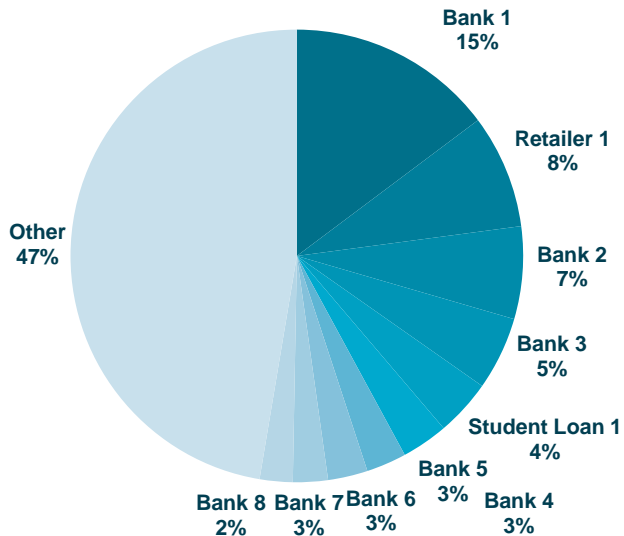
Portfolio split by asset class¹



Portfolio split by geography¹



Portfolio split by originator¹

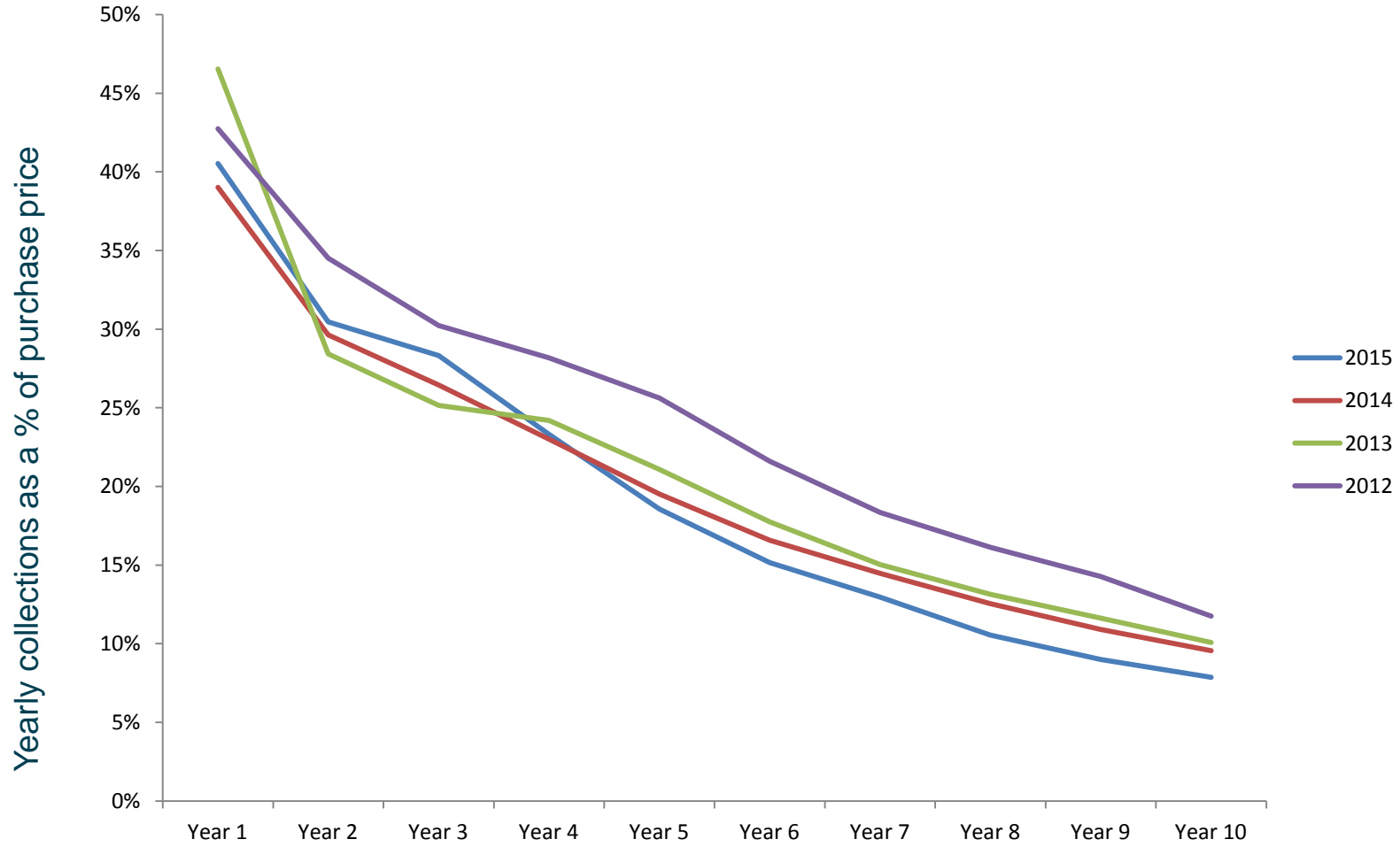


Cumulative highlights¹

- ▶ Total face value of acquired purchased portfolios of £14.2 billion across 8.6 million customer accounts
 - ▶ Average account balance of £1,600 (an increase of 4.5% from 2014: £1,531)
 - ▶ Average financial services balance of £2,783
 - ▶ Average balance of paying accounts of £2,528

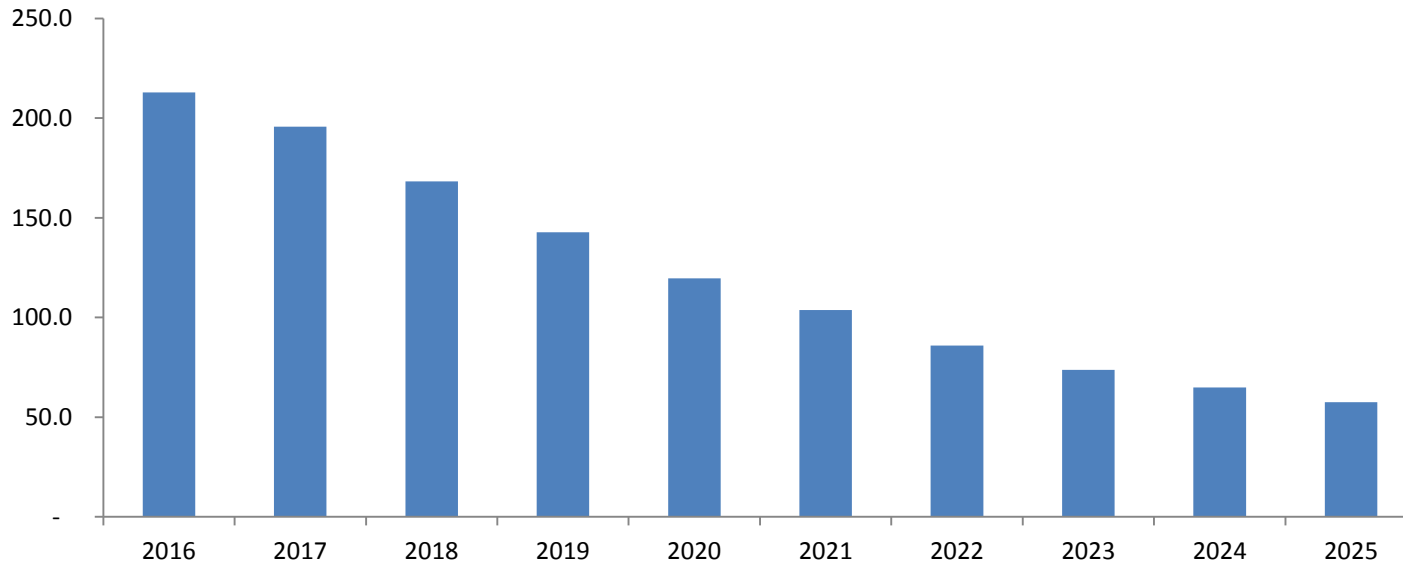
1. Cumulative by purchase price

ESTIMATED REMAINING COLLECTIONS



ESTIMATED REMAINING COLLECTIONS¹

120-month ERC – value embedded in existing book (£m)



	84-Month Gross ERC							120-Month Gross ERC			Total
Year	1	2	3	4	5	6	7	8	9	10	
ERC (£m's)	212.8	195.7	168.2	142.7	119.7	103.7	85.9	73.7	64.9	57.4	1,224.7

1. Euro ERC at 31 December 2015 exchange rate 1.36

KEY METRICS – NET DEBT

	£m
Cash and Cash Equivalents	(10.2)
Bond	466.8
Accrued Bond Interest	6.8
Deferred Consideration	50.2
Revolving Credit Facility	75.0
Net Debt	588.6

STATEMENT OF COMPREHENSIVE INCOME

£m - IFRS	Dec-15	Dec-14
Core Cash Collections	218.5	148.5
Portfolio Amortisation	(68.3)	(40.6)
Total Revenue from Portfolios	150.2	107.9
Income from Asset Management	14.7	1.9
Other Income	0.5	0.8
Total Revenue	165.5	110.7
Collection Activity Costs	(52.3)	(34.2)
Overhead Costs	(29.6)	(16.1)
Total Operating Expenses (pre-Exceptionals)	(81.9)	(50.3)
Share in Associate Profit	1.2	-
Adjusted EBITDA	153.1	101.0
Non-cash operating expenses	(0.4)	(1.0)
Exceptional Items	(4.3)	(12.0)
EBITDA	80.1	47.5
Depreciation & Amortisation	(4.2)	(1.1)
Financing Costs (pre-exceptionals)	(36.6)	(22.3)
Profit Before Tax	39.3	24.1
Taxes	(7.5)	(5.9)
Net Income	31.7	18.3
Net Income (Pre-exceptionals)	35.4	29.6

Key ratios

Cost-to-Collect Ratio	23.9%	23.0%
Adjusted EBITDA Margin	70.0%	68.0%
Portfolio Amortisation as % of Core Cash Collections	31.2%	27.3%