

# ARROW GLOBAL GROUP PLC

Q1 Results

11 May 2016

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# TODAY'S SPEAKERS



**Tom Drury**  
*Chief Executive Officer*



**Robert Memmott**  
*Chief Financial Officer*

## Q1 2016 HIGHLIGHTS – FINANCIAL



**Collections**  
(Q1 2015: £51.1m)

**£67.0m**

**Portfolio purchases**  
(Q1 2015: £52.1m)

**£49.1m**



**Adjusted EBITDA**  
(Q1 2015: £32.8m)

**£51.7m**



**120 Month ERC**  
(31 December 2015: £1,224.5m)

**£1,285.8m**

(+11.2% from 31 March 2015: £1,156.6m)



**Underlying net income**  
(Q1 2015: £5.7m)

**£7.6m**



**Total purchased loan portfolios**  
(31 December 2015: £586.3m)

**£619.8m**

(+21.9% from 31 March 2015: £508.2m)

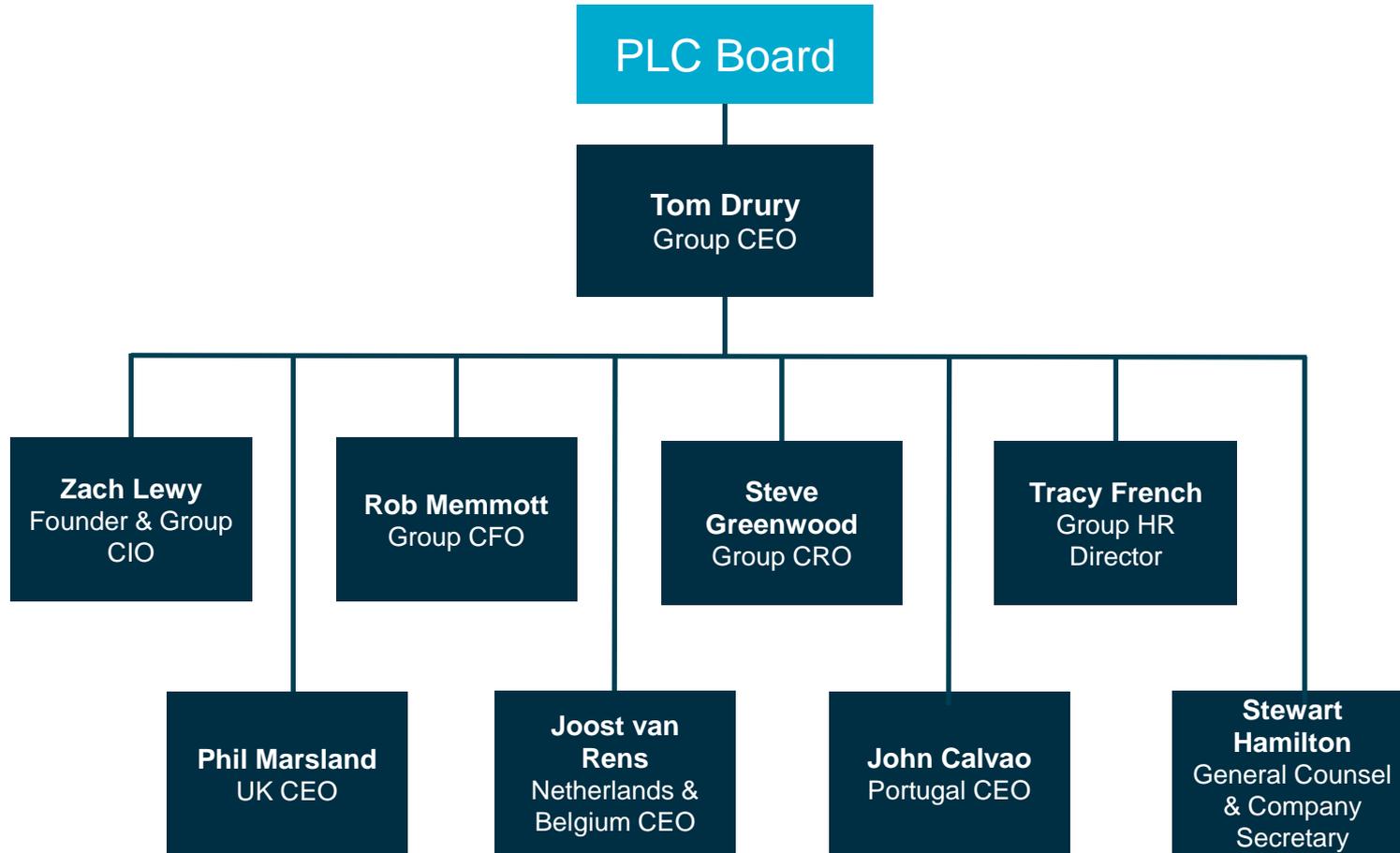
Executing our strategy to drive earnings and dividend growth

## Q1 2016 HIGHLIGHTS

- ▶ Acquired debt portfolios for an aggregate purchase price of £49.1<sup>1</sup> million in line with target returns
- ▶ Agreed terms for InVesting acquisition (acquisition completed in May)
- ▶ Increased balance sheet liquidity.
  - ▶ RCF increased to £180 million (February)
  - ▶ Successful €230 million bond issuance at EURIBOR +4.75% (April)
- ▶ Appointed Maria Luís Albuquerque as non-executive director
- ▶ Appointed Phil Marsland as UK CEO

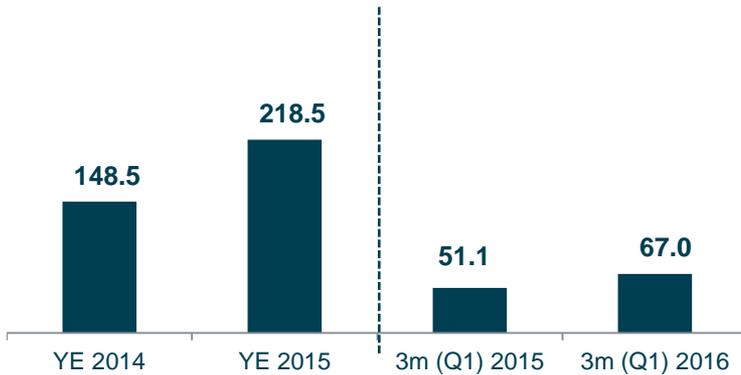
1. Excludes InVesting portfolios

# ORGANISATION STRUCTURE

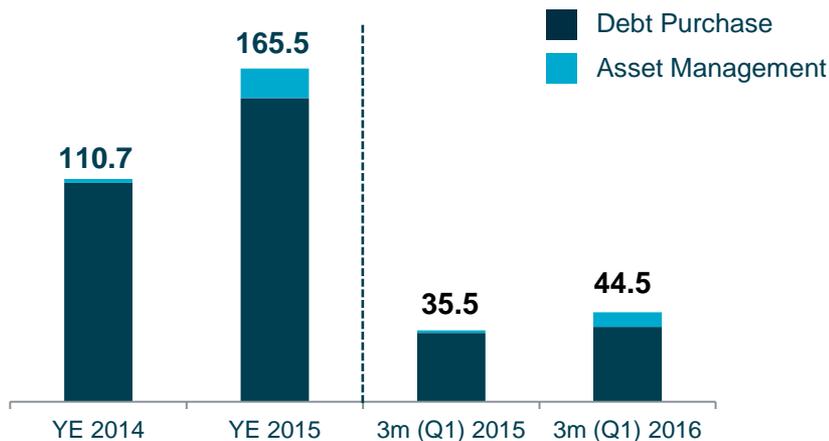


# YEAR TO DATE PERFORMANCE: 31 MARCH 2016

## Core Cash Collections (£m)



## Revenue (£m)

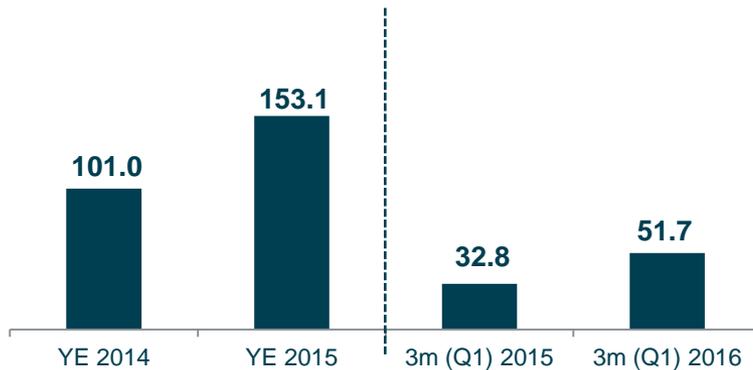


## Key Highlights

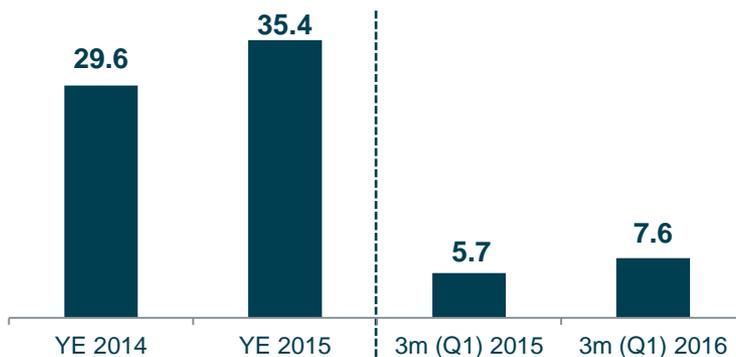
- ▶ Core collections growth reflecting increase in portfolio asset base
- ▶ Collections were in line with our ERC forecast and reflect a higher proportion of collections coming from recently acquired better performing portfolios, which drives a higher amortisation charge in the quarter
- ▶ Strong revenue growth underpinned by enhanced asset management revenues – a trend we expect to continue following the successful acquisition of InVesting
- ▶ Asset management revenue now contributing 16.1% of total revenue (Q1 2015: 3.4%)
- ▶ We expect capital-light asset management operations to account for around 25% of Group revenues on a pro forma full-year basis

# YEAR TO DATE PERFORMANCE: 31 MARCH 2016

## Adjusted EBITDA (£m)



## Underlying net income (£m)

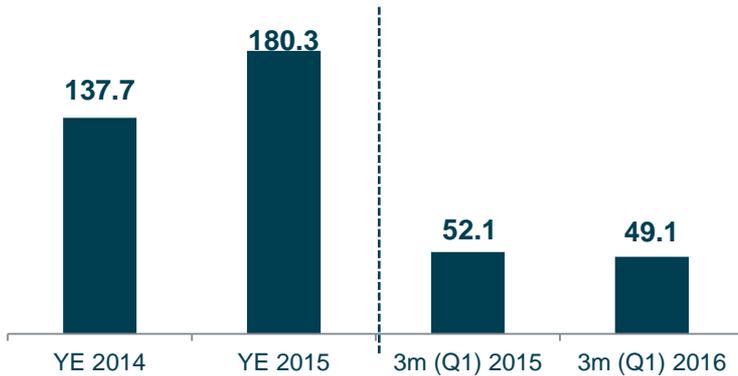


## Key Highlights

- ▶ For the period ended 31 March 2016, Adjusted EBITDA increased by £18.9 million (57.6%) to £51.7 million
- ▶ Growth in Adjusted EBITDA driven by collections, growth in asset management revenue and cost efficiencies
- ▶ Underlying net income continues to grow, increasing by 33.4% to £7.6 million
- ▶ LTM underlying ROE increased to 26.2% (Q1 2015: 25.6%)

# Q1 2015 PURCHASES

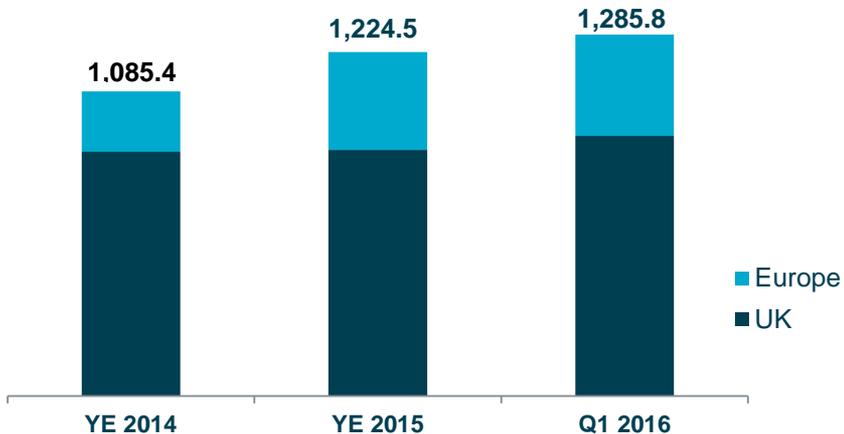
## Organic Portfolio Purchases (£m) <sup>1</sup>



## Key Highlights

- ▶ As at 31 March 2016, acquired portfolios with a face value of £129.9 million for £49.1 million, with a 120-month gross cash-on-cash multiple in line with target returns
- ▶ 86.3% of Q1 purchases secured<sup>3</sup>

## 120-Month Gross ERC (£m) <sup>2</sup>



- ▶ Country ERC split:
  - ▶ UK circa 72%
  - ▶ Portugal circa 24%
  - ▶ Netherlands circa 4%

1. Purchased loan portfolios represents the purchase price of our purchased loan portfolios excluding related acquisition expenses  
 2. Excludes InVesting figures  
 3. By purchase price

# NET DEBT AND LEVERAGE

## Indebtedness – as at 31 March 2016 (£m)

Net Debt	620.8
Adjusted LTM EBITDA	171.9
84-Month ERC	1,082.2
<b>Leverage Metrics</b>	
Net Debt / LTM Adjusted EBITDA	3.6x
LTV (Net Debt / 84-Month ERC)	57.4%
Secured LTV (Secured Net Debt/ 84-Month ERC)	51.3%
LTM cash interest cover	5.2x

## Key Highlights

- ▶ Significant headroom on 75% LTV covenant with LTV of 57.4%
- ▶ Net Debt/LTM Adjusted EBITDA of 3.6 times
- ▶ Cash interest cover of 5.2 times
- ▶ RCF at £180 million (increased from £165 million)

# BALANCED CAPITAL STRUCTURE

## Pro Forma Debt Maturity & 120-Month Gross ERC<sup>1</sup>



## Key Highlights

- ▶ Net Debt/LTM Adjusted EBITDA maintained at 3.6 times
- ▶ Significant ERC coverage of debt maturities
- ▶ Pro forma average debt duration at c. 5.4 years
- ▶ Continued to reduce cost of debt since IPO
- ▶ Reduced the weighted average cost of bond debt to 5.985%

1. Arrow Global combined ERC – Arrow 120-Month ERC as at 31 March 2016 + InVesting latest forecast

# 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

# ACQUISITION OF INVESTING

## Key Transaction Terms

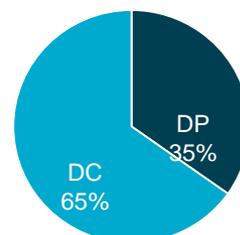
- ▶ Total cash consideration of €100m (£78.5m<sup>1</sup>)
- ▶ Financially attractive:
  - ▶ Implied EV/LTM Adjusted EBITDA of 4.1x
  - ▶ Earnings and RoE accretive

## InVesting Business Overview

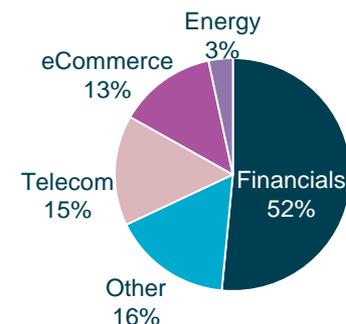
- ▶ Provides financial servicing activities, debt collection, and debt purchasing services, alongside data intelligence and credit information services via the Focum subsidiary
- ▶ Currently operates from 5 offices across the Netherlands and Belgium and employs around 500 people
- ▶ Founded in 1996, InVesting has grown both organically and by acquisition to become a leading player in the Benelux region
- ▶ InVesting was an existing commercial partner of Arrow Global in the Netherlands prior to acquisition

## InVesting Business Split<sup>2</sup>

### Business Line



### Industry Mix



## InVesting Key Financial Metrics

	2015
Total Revenue	€68m
Adjusted EBITDA	€24.5m
# of Accounts	0.5m
Face Value of Total Debt Managed	€663m
120-Month Gross ERC <sup>3</sup>	€107m
Gross Assets	€79m

Source: Company information. InVesting financials based on Dutch GAAP. Note: FY 2015 GBP/EUR exchange rate of 1.3571 as of 31-Dec-2015

1. GBP/EUR exchange rate of 1.2739 used at the time of acquisition announcement

2. Based on FY2015 Revenue split

3. 120-Month Gross ERC of the InVesting Group has been calculated in accordance with Arrow Global's models, policies and procedures for calculating Arrow Global's 120-Month Gross ERC

# IN LINE WITH OUR STRATEGIC OBJECTIVES

***“To be a top 3 player in each of our chosen markets”***

- ▶ A leading player in the €12bn+ Benelux debt purchasing market
- ▶ Complements Arrow Global's operations in the UK and Portugal

***“To deliver strong returns through deep understanding of the Company's customers and clients”***

- ▶ InVesting GMMs in line with Arrow Global's target returns
- ▶ Number of strong historical relationships with large institutions in the Netherlands
- ▶ The combined effect of the acquisitions expected to be EPS accretive in 2017 (neutral in 2016)

***“To be industry leaders in data and analytics”***

- ▶ InVesting's subsidiary Focum is at the forefront of credit data analytics in the Netherlands
- ▶ Has circa 20 years performance history
- ▶ 502k customer accounts with a face value of €663m as of 31-Dec-2015

***“To transform the customer journey and deliver great customer outcomes”***

- ▶ InVesting has an excellent reputation for customer engagement and compliance
- ▶ Will add to Arrow Global's ability to provide high service levels to its customers and clients

***“To further diversify the business”***

- ▶ New market allowing greater flexibility of capital allocation
- ▶ InVesting's portfolio is strongly diversified across sectors (Financial Services, Telco, Energy, etc.)
- ▶ Strong contribution to income from capital light asset management services

# AN ENLARGED AND INCREASINGLY DIVERSIFIED BUSINESS

<b>Origination</b>	Primary		Secondary		
	10 different asset classes across secured and unsecured				
<b>Data</b>	UK	<ul style="list-style-type: none"> <li>▶ 24.4m UK records (PCB)</li> <li>▶ c. 50% UK match rate</li> </ul>			
	Portugal	<ul style="list-style-type: none"> <li>▶ 8 year performance history in Portugal</li> <li>▶ 30% match rate in Portugal</li> </ul>			
	Holland	▶ 10.5m customer profiles in FOCUM information database in the Netherlands			
<b>Servicing</b>	Best in class 3rd party		Internal <ul style="list-style-type: none"> <li>▶ Capquest</li> <li>▶ Whitestar</li> <li>▶ Gesphone</li> <li>▶ Vesting Finance</li> </ul>		
	Asset management operations to account for around 25% of Group revenues				
<b>Product</b>	Debt purchase	White label collections	Contingent collections	REO	BPO
<b>Sector</b>	Banking	Student loans	Telecoms/ utility	Retail	e-commerce
<b>Coverage</b>	UK		Portugal		Netherlands
					Belgium
<b>120-Month Gross ERC (£m)<sup>1</sup></b>	926		311		128

1. 2016 Q1 combined with the full year 2015 effect for InVesting

# OUTLOOK

- ▶ European market outlook remains positive – 2015 strongest year ever for portfolio transactions in Europe<sup>1</sup>
- ▶ Strong pipeline – over £40 million of future organic portfolio investment already awarded for the remainder of the 2016
- ▶ FCA application engagement continues
- ▶ Bond gives the Group firepower to execute strategy and maintain portfolio purchases of roughly twice replacement rate
- ▶ Continue to target mid-20s ROE and remain on track to deliver overall full-year earnings in line with our expectations

1. PWC Portfolio Advisory Group – Market update Q4 2015 – Around €140 billion of transactions completed during 2015, an increase of around 50% on 2014 volumes

# Q&A