ARROW GLOBAL GROUP PLC

Preliminary results 2018

28 February, 2019

Lee Rochford
Group CEO

I. Introduction

Agenda

Lee Rochford
Group CEO

Zach Lewy
Founder & Group CIO

Paul Cooper
Group CFO

I. Introduction

II. Strategic and operational overview

III. Investment Business overview

IV. Asset Management & Servicing Business overview

V. Financial performance

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II. Strategic and operational overview

Another set of strong results

Improving returns and increasing free cash generation support increased dividend

Core cash collections
(31 December 2017: £342.2m)
£411.6m
20.3%

Net IRRs
(31 December 2017: 15%)
17%
+2ppts.

Underlying basic EPS
(31 December 2017: 32.4p)
36.6p
13.0%

Net operating cashflow prior to portfolio investment[2]
(31 December 2017: £197.8m)
£244.3m
23.5%

Leverage
(31 December 2017: 3.9x)
3.7x
-0.2x

Underlying RoE
(31 December 2017: 32.9%)
34.8%
+1.9 ppts.

Underwriting performance
(31 December 2017: 103%)
104%
+1.0 ppt.

Gross AMS Income[1]
(30 June 2018: £59.7m)
£132.3m

Dividend per share
(31 December 2017: 11.3p)
12.7p
12.4%

[1]Includes Group intra-segment income. Segmental disclosure provided for the first time at HY 2018 so no full year-on-year comparison. 3rd party AMS income grew 29.0% year-on-year
[2]GAAP net cashflow from operating activities before purchases of portfolios
[3]Secured net debt to adjusted EBITDA

Strong strategic execution

Group highlights

- European platform build-out **largely completed**
- Enhanced segmental disclosure showing strong profitability of both operating segments
- Profitable sale of non-core Belgian business
- **Fully refinanced balance sheet** - WACD of 3.9% and **no debt maturities until 2024**

Investment business

- Record portfolio investments of £263.4m
- Most **diversified vintage** ever by geography and asset class
- Net IRRs[1] **improved 2 ppts. to 17%** - business model continues to deliver attractive opportunities
- Transacted 78% of portfolio purchases in non-competitive off-market transactions

Asset Management and Servicing business

- AMS drove **32.9%** of gross segmental income[2] with a **20%** EBITDA margin
- AUM grew to **£53bn**
- Progress made with **fund management build-out**

[1]Net of collection activity costs
[2]Includes intra-segment income

Investment partner and servicer of choice in our selected niches

Niches by asset class	UK	Portugal	Italy	Netherlands	Ireland
Consumer	Capquest	Gesphone	Parr Credit	Vesting	Small market
SME	Mars Capital	Whitestar	Europa Investimenti	RNHB	Mars Capital
Mortgage	Mars Capital	Whitestar	Expanding Parr	Vesting	Mars Capital
Real Estate	Mars Capital	Norfin	Europa Investimenti (Vegagest)	M7	Mars Capital
Master servicing/ Securitisation/ Credit bureau	Mars Capital	Hefesto	Zenith	Focum	Mars Capital
Fund management	Arrow UK	Norfin	Europa Investimenti (Vegagest)	Arrow Netherlands	Arrow Ireland

- These platforms target the asset classes that banks must reduce in order to delever, optimise risk-weighted assets and achieve their target cost:income ratios
- Having such deep capabilities in our chosen countries allows Arrow to be a **leading solutions provider** to bank and investor clients
- Arrow is able to **add value** to sophisticated institutional fund clients in high-value niches in our chosen geographies

Quality platforms for originating and servicing assets in our selected niches

Achieving operational excellence

Group highlights

- One Arrow programme **complete**
- New Country management leadership structure **fully implemented** reporting to COO
- Creation of **centres of excellence** in portfolio management and data and analytics
- Underlying cost:income ratio **reduced** from 65% to 64%

Country updates

- UK integration of Mars Capital and creation of servicing centres of excellence in secured and unsecured. Actively considering **potential to insource** legal collections
- Dutch Office consolidation and lean process optimisation driving **50%+ collections productivity**
- Built on strong position in Portugal with addition of Norfin's CRE expertise
- Italian acquisitions integration going well and work commenced to reconfigure Parr Credit as a **full spectrum financial services** servicer
- Good **progress in Ireland** supporting both Arrow's first investments and third party client business

Future Opportunities

- Focus now on extracting **operating leverage** and **cost synergies**
- Plans for roll out of the 'Big Three' (Lean Process Improvement, Cross Group Procurement, Technology Synergy and Integration)
- Target 60% cost:income ratio by 2023
- **Full cost review in 2019** to drive positive JAWS between revenue and cost growth

*Net of collection activity costs

Strong track record of delivery against key metrics

Returns	**Unlevered IRRs[1] have increased from 15% to 17%** **Continued focus on niche off-market deals** **Overall pricing environment improving**
Leverage	**Leverage[2] has reduced to 3.7x** **Will enter new 3.0x-3.5x range by end of 2019**
Core collections and free cashflow generation	**Core collections increased 20.3%** **GAAP net operating cashflow prior to portfolio investments increased by 23.5%**
Asset Management and servicing growth and profitability	**Third-party AMS revenue grew 29.0%** **AMS EBITDA of £26.7m at a 20.0% margin**

Business strongly geared for growth

[1]Net of collection activity costs
[2]Secured net debt to adjusted EBITDA

Zach Lewy

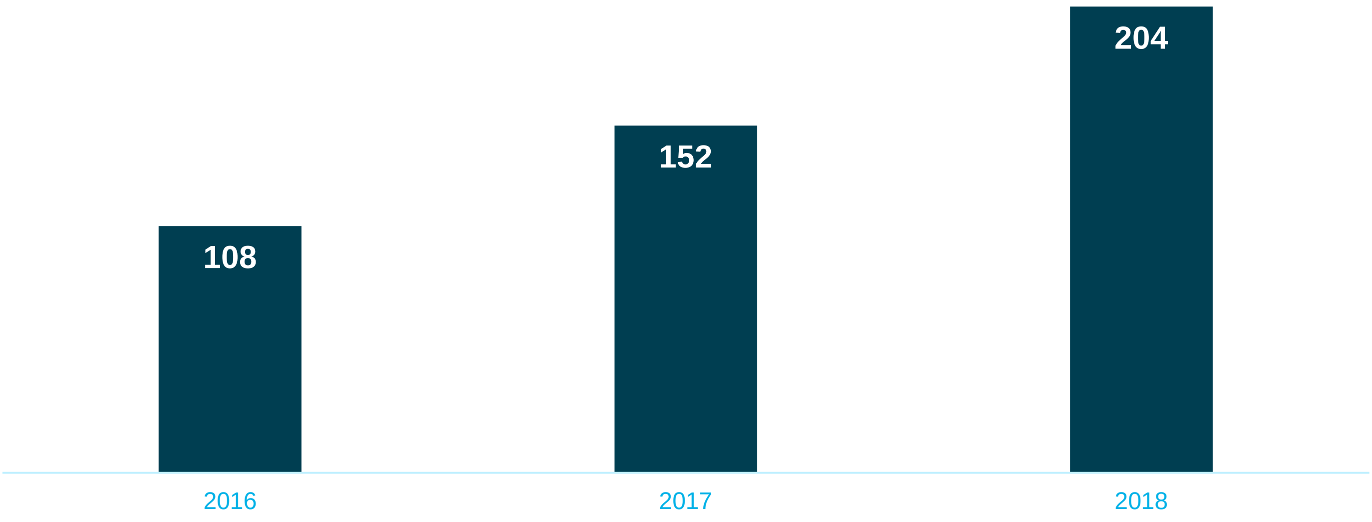
Founder & Group CIO

III. Investment Business overview

Growing market – 32% growth in market transaction volumes in 2018

Secondary market sales continue to increase

Volume of NPL transactions in Europe (€bn)[1]



- Arrow operates in a **growing primary market**
- **Evolving regulatory environment** is driving **increased NPL divestment** by banks
- Given **long-asset lives** and comparatively **short fund ownership lives**, a **strong secondary market** is forming
- Arrow's £53bn of AUM, where the majority of assets are **owned by third-party clients** creates a **"walled garden"** of future secondary market purchasing opportunities
- Arrow's addressable market will therefore **continue to grow** for many years to come

Arrow continues to position itself optimally in a growth market

[1]Deloitte deleveraging report

We continue to see a greater number of potential deals and are increasingly selective

Deal Volume and Win/ Bid Ratios

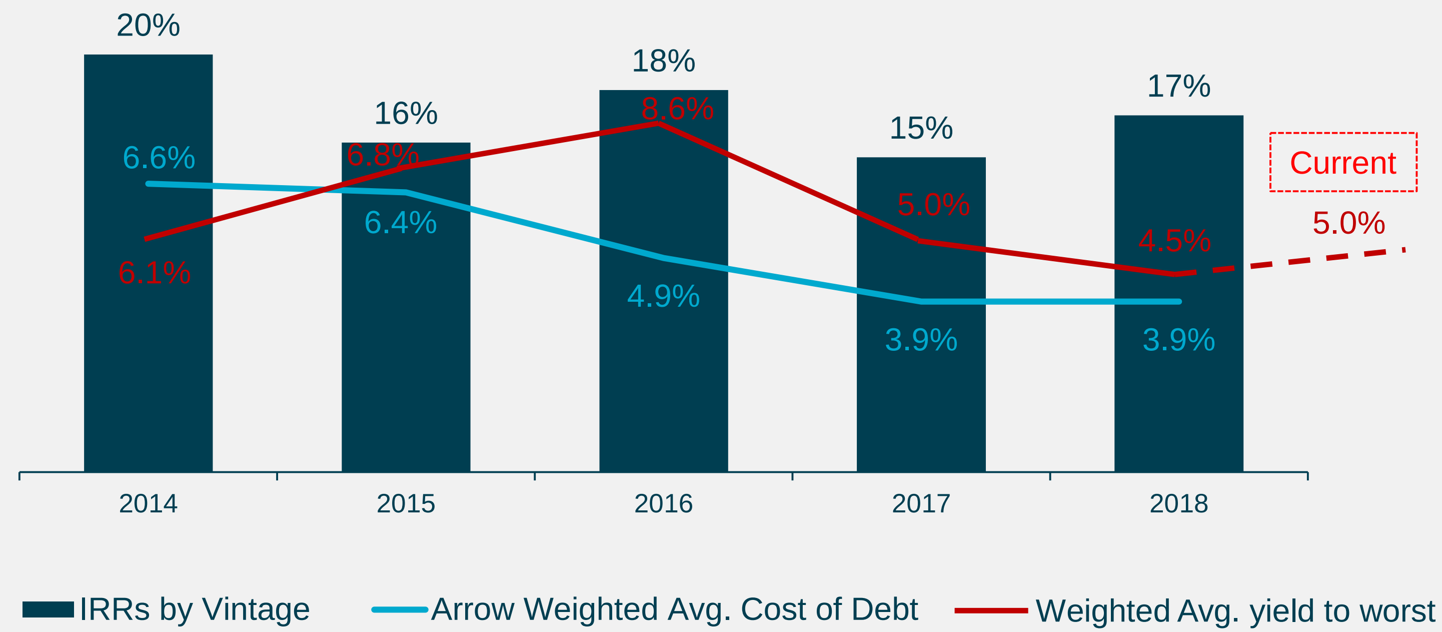
	Volume of deals evaluated	Bid Ratio	Win Ratio
2015 H1	47	60%	46%
2015 H2	48	31%	67%
2016 H1	56	30%	47%
2016 H2	73	51%	41%
2017 H1	69	42%	45%
2017 H2	78	44%	53%
2018 H1	82	44%	53%
2018 H2	112	35%	54%

- Platform originating more opportunities **than ever before**
- Highly selective in deals we progress – strong investment discipline **sustains returns profile**
- We are able to generally **avoid highly competitive auctions**
  - Off-market deals account for **78% of Arrow investments** in FY 2018 (FY 2017: 71%)
  - Average deal size (on own balance sheet) fell to £6.7m (FY 2017: £7m) = **lower concentration risk**

Arrow selectively focuses on deals with higher returns characteristics where it has a competitive advantage

Returns continue to improve
Arrow has a cost of debt advantage

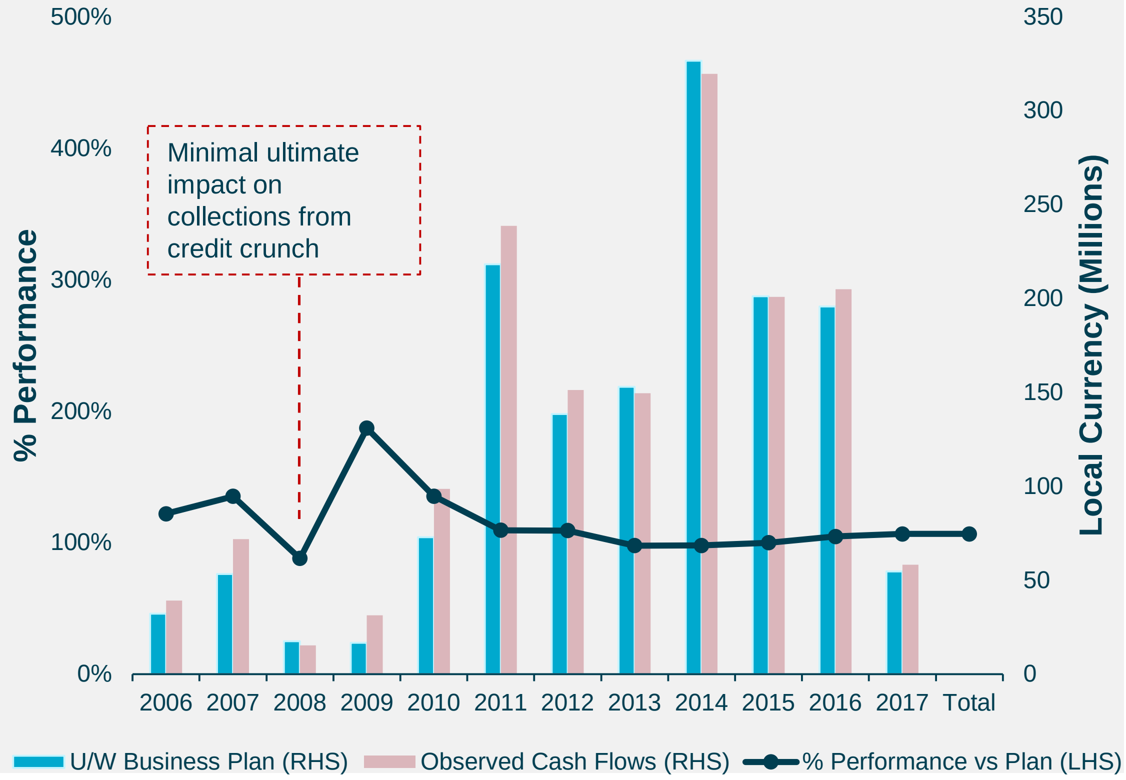
IRRs (at underwriting)[1] vs. Cost of Debt



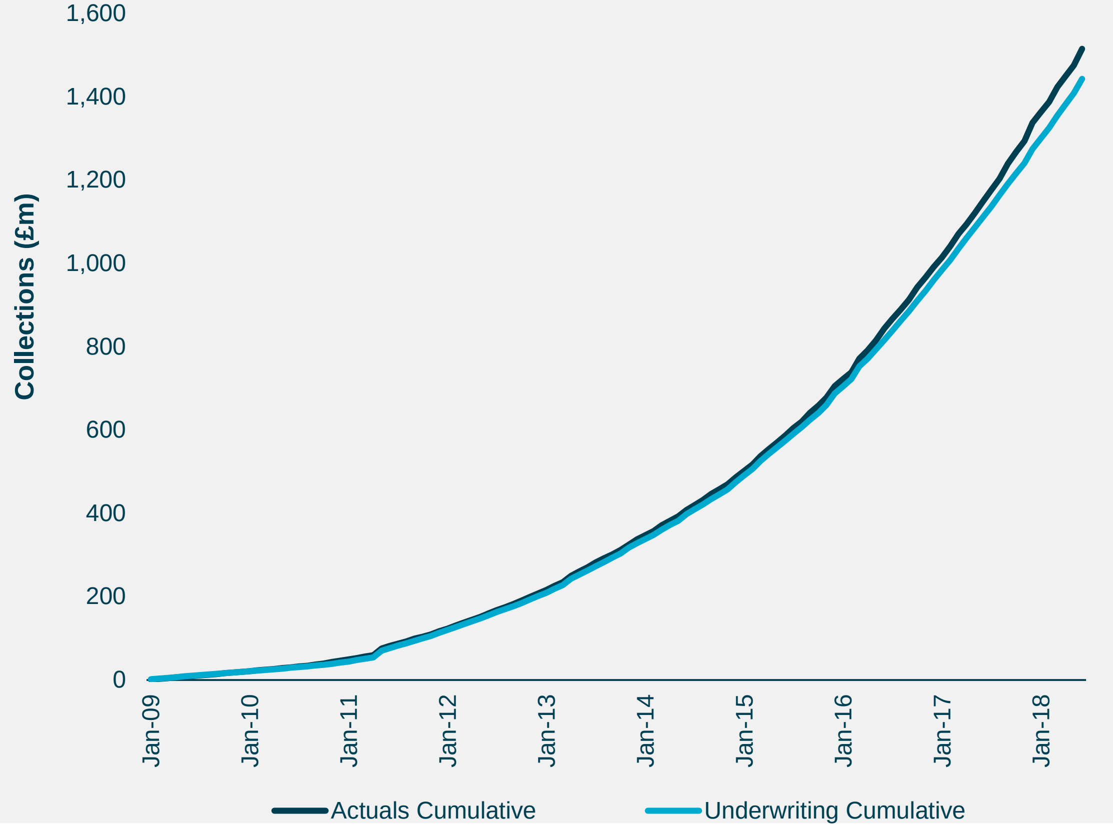
1. Net of collection activity costs

- IRRs **improved 2ppts.** to 17%
  - Evidence of increasingly disciplined asset pricing
  - Arrow continues to deliver **mid-teen unlevered IRRs** via our higher margin, niche markets
- Arrow is **strongly positioned** to take advantage of attractive opportunities
  - Successfully refinanced our balance sheet with **no debt maturities until 2024**
  - Competitive funding cost advantage with **WACD of 3.9%** locked in
- 2018 GMM of **1.8x**

Consistent cumulative underwriting outperformance



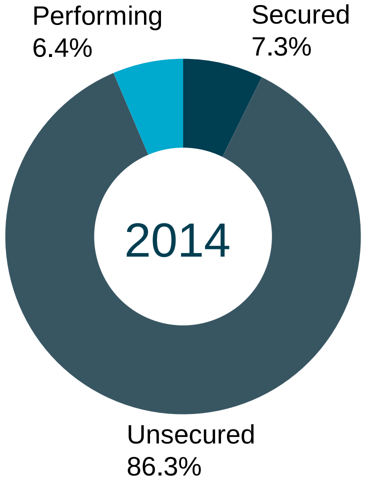
Cumulative underwriting performance



Cumulative underwriting performance of 104% across 540 Arrow portfolios underwritten since inception

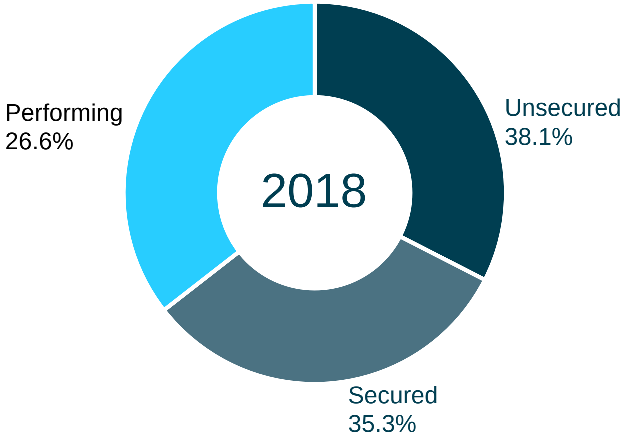
Most diversified investment vintage ever

Investment by asset classes FY 2014

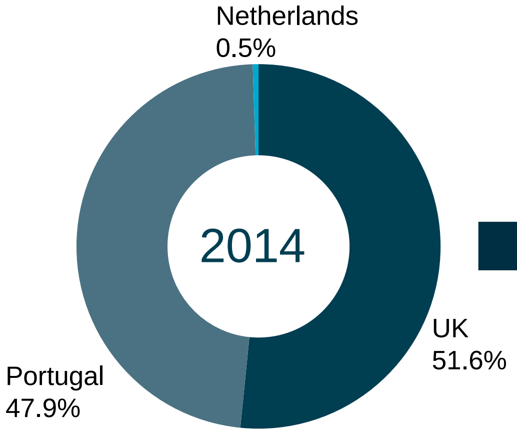


Significant asset diversification

Investment by asset classes FY 2018

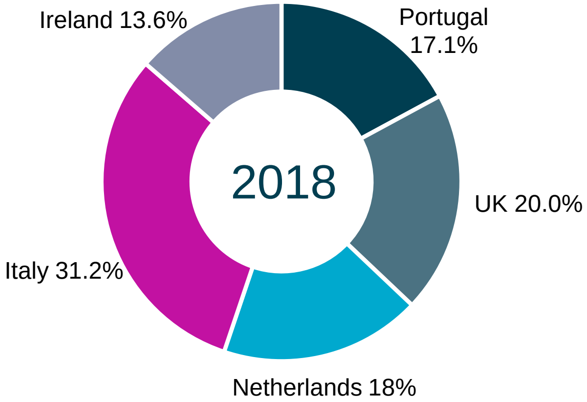


Investment split by geography FY 2014*



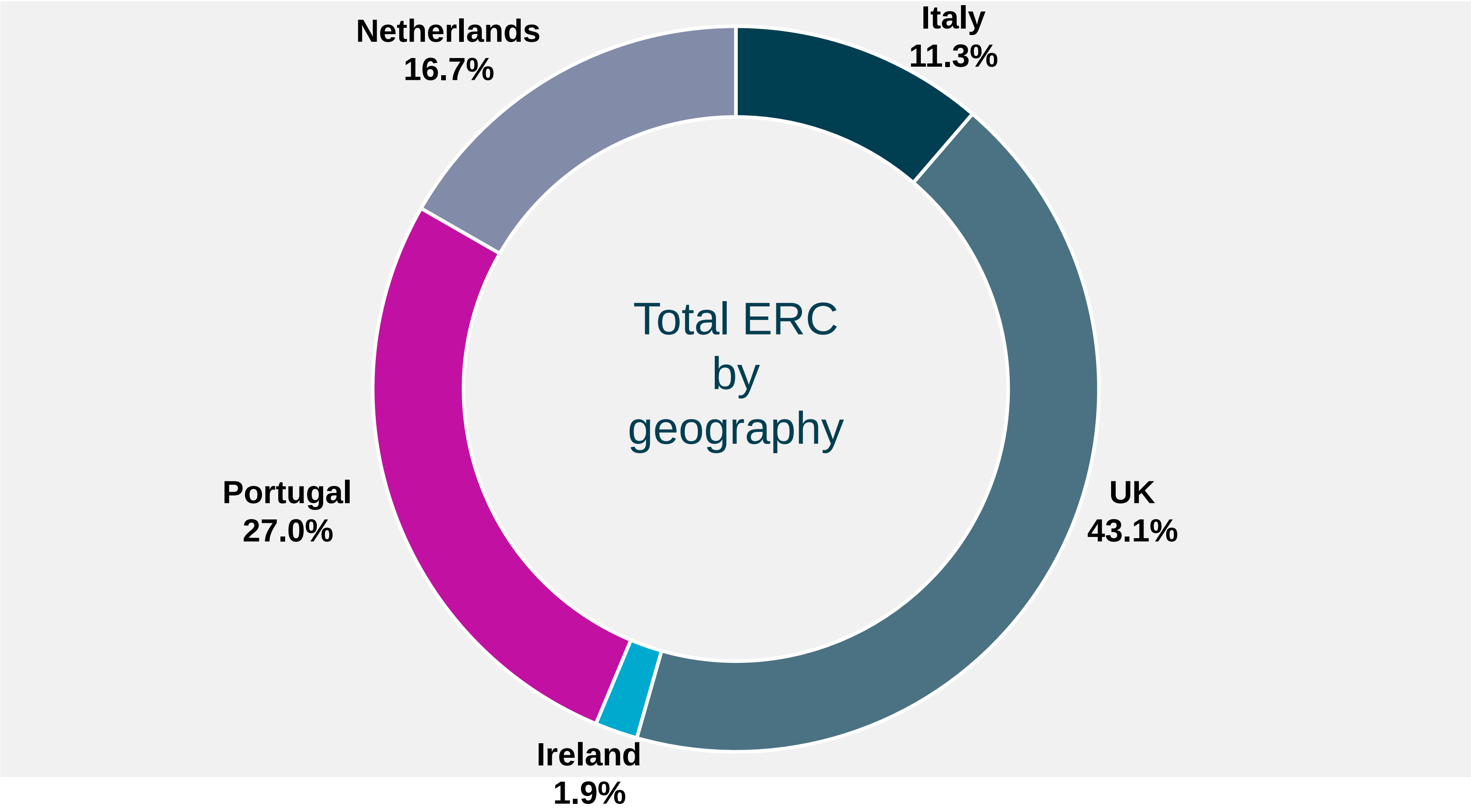
Significant geographic expansion

Investment split by geography FY 2018



Arrow has built a strong multi-asset class track record across all core geographies

Increasingly diversified balance sheet



- European non-UK jurisdictions now account for over 50% of ERC
- More diversified portfolio
- Better risk-adjusted returns

Arrow's back book is increasingly diversified by geography and asset class

III. Asset Management & Servicing Business overview

Arrow's AMS platforms have the expertise, scale and client demand to capitalise on the opportunity

High-quality platforms

- **Focused** geographic footprint
- **Unique** access to deal flow
- **Regulatory parity** with banks
- Leading positions in **high-value niches**
- **Award winning** platforms in key markets

Growing demand from clients

- Banks increasingly outsourcing in **specialist niches**
- Alternative investors seeking **asset exposure** with us, **not platform acquisition**
- **Add value** to sophisticated institutional fund investors

Diversified and predictable cashflows

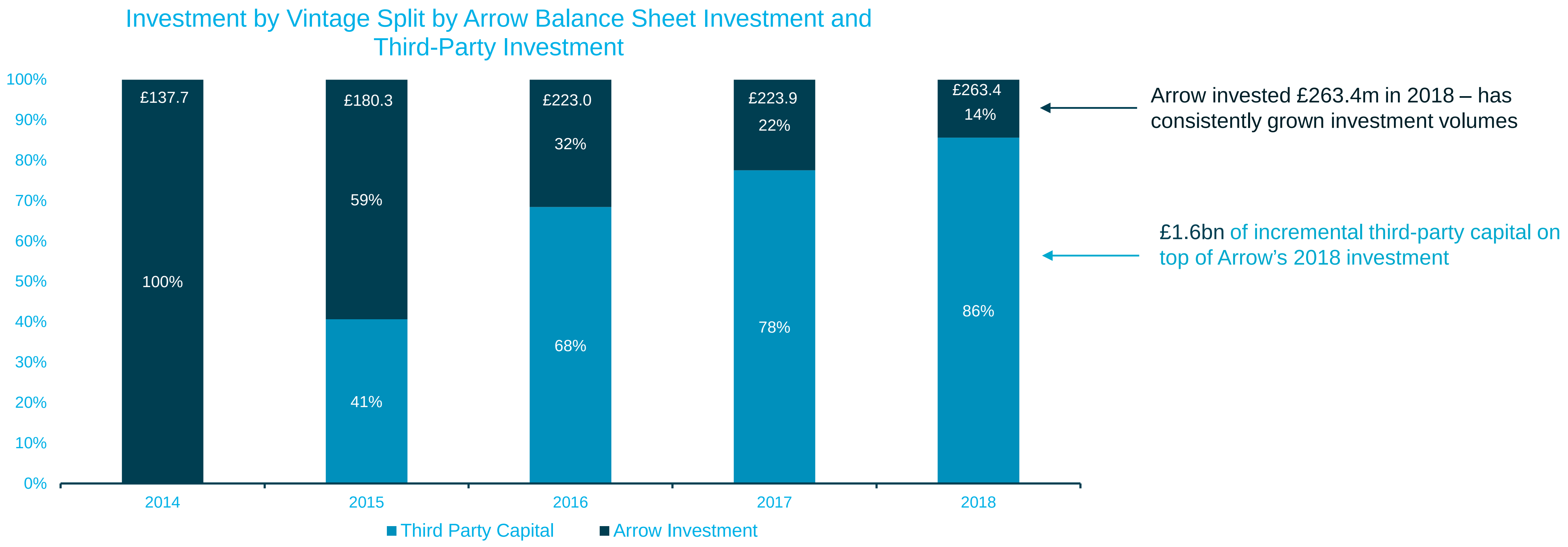
- Large number of **long-term contracts**
- Revenues have **similar predictability** to Group ERC
- Incentive structures often based on **collections outperformance**

Scale benefits

- Operating leverage
- Local expertise
- Local relationships

AMS growth provides predictable cashflows and higher-quality earnings

Arrow’s client demand is clear – third-party investment is growing



- Driven by Arrow’s strong institutional fund client relationships and the co-investment model
- Arrow can source more investment opportunities than its balance sheet can capture
- Progressing towards more sophisticated and larger scale fund management – built track record with managed accounts and have increased fund management capability with Norfin acquisition

Arrow continues to gain exposure to a greater number of investment opportunities with less capital intensity

Arrow has an excellent track-record of growing acquired servicing platforms

	AUM at acquisition	AUM at 30 Dec 2018	Increase
ZENITH SERVICE	€14.1bn	€27.6bn	+96%
WHITESTAR ASSET SOLUTIONS	€5.5bn	€8.9bn	+62%
VESTING FINANCE	€3.7bn	€5.1bn	+38%
capquest	£4.1bn	£4.9bn	+20%
Total	**£27.4bn**	**£46.5bn**	**+70%**

Strong client demand for our expertise has driven consistent platform growth

Paul Cooper
Group CFO

VIII. SUMMARY & FINANCIAL OUTLOOK

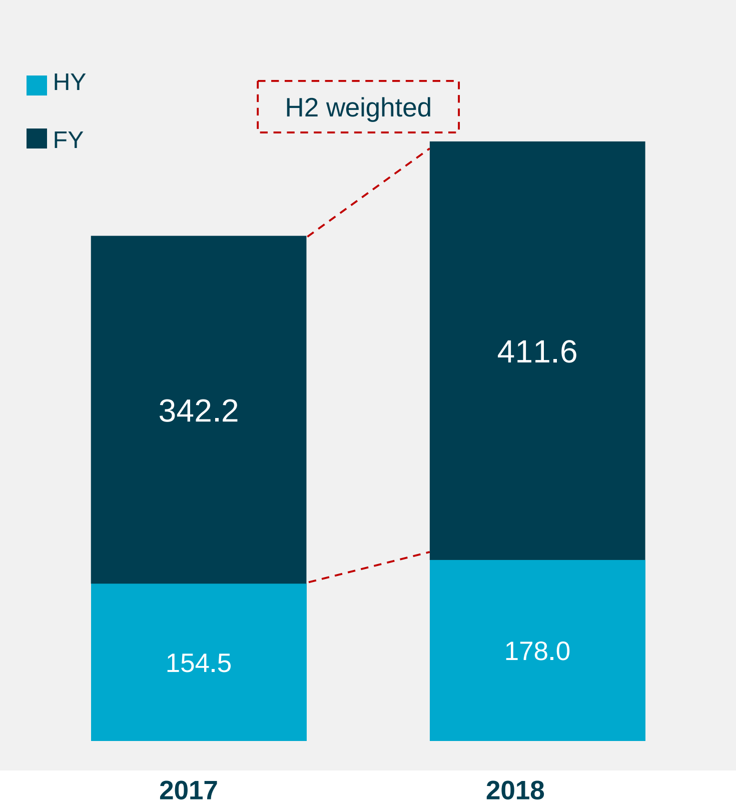
STRONG UNDERLYING EARNINGS GROWTH

	FY 2017	FY 2018	
Total cash income *Core collections plus AMS income*	**£413.3m**	**£503.2m**	**+21.8%**
Core collections	£342.2m	£411.6m	+20.3%
Income from portfolio assets at amortised cost	**£179.5m**	**£193.9m**	**+8.0%**
Impairment gains	£63.1m	£50.7m	
Fair value gains	£5.3m	£24.7m	
Income from portfolio investments	**£247.9m**	**£269.4m**	**+8.7%**
Third-party AMS income	**£71.1m**	**£91.7m**	**+29.0%**
Other income	-	£0.7m	
Total income	**£319.0**	**£361.8m**	
Underlying collection activity costs	(£117.6m)	(£118.0m)	
Underlying other operating expenses (incl. D&A)	(£88.3m)	(£113.3m)	+28.2%
Underlying operating profit	**£113.0m**	**£130.5m**	**+15.5%**
Underlying PAT	**£56.6m**	**£64.1m**	**+13.3%**

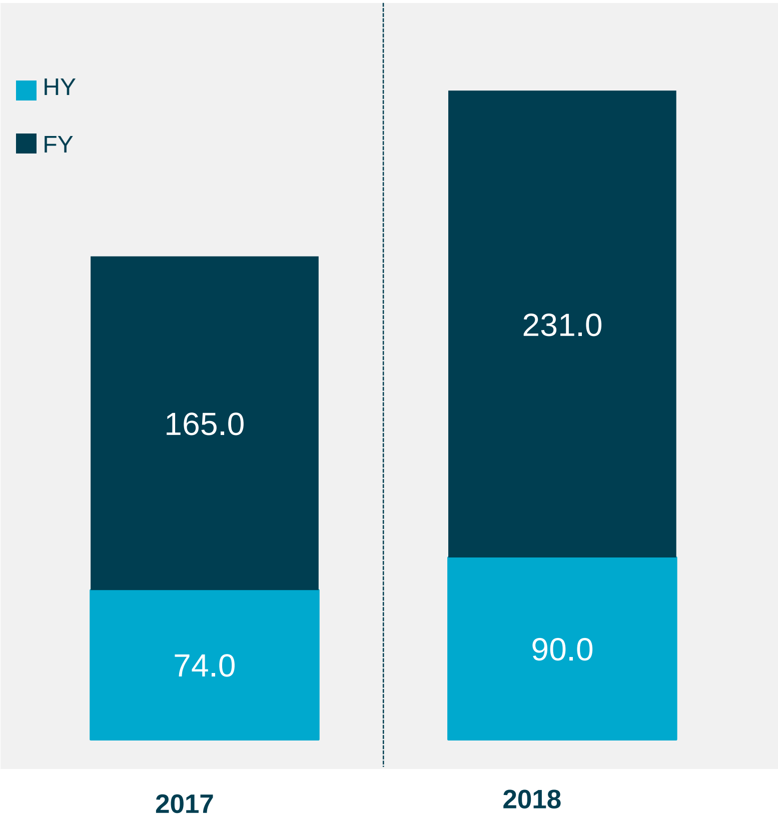
- Total cash income of **over £0.5bn** for first time
- Core collections growth driven by **strong cashflow** from **secured assets**
- Impairment gains split between **revaluations** and **roll-in of year 8 cashflows** onto balance sheet – **conservative** asset recognition policy
- **29.0% increase** in third-party AMS revenue
- Increase in underlying other operating expenses reflects the **investment and acquisition activity** of the group
- Higher tax rate due to increase in **non-UK revenues**
- Underlying PAT increased **over 13%**

Increasing core collections and cash generation

Core Cash Collections (£m)



Segmental free cashflow[1] prior to investment at replacement rate (£m)



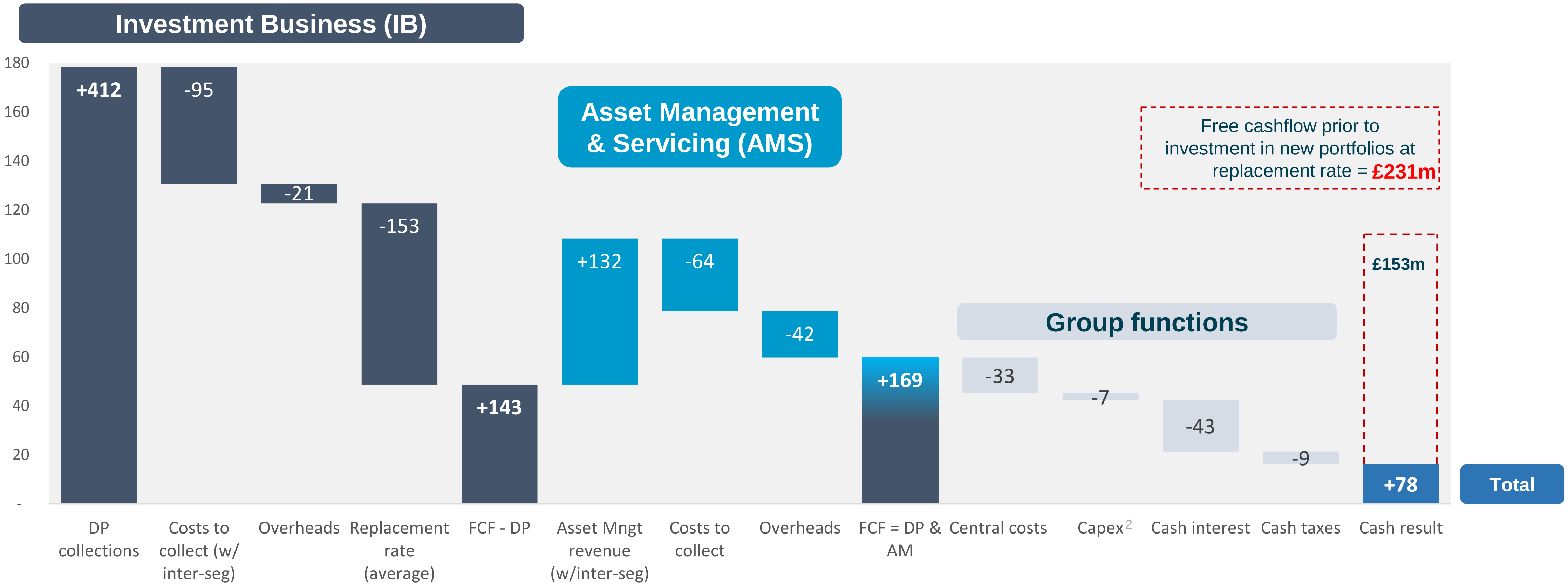
Key Highlights

- Core collections grew 20.3% to £411.6m
- Secured assets bought in recent years generating strong cashflows
- Collections drove a 40.0% increase in segmental FCF prior to investing at replacement rate
- Performance weighted to H2

High cash generation provides capital allocation optionality

[1]Cash generated by IB and AMS businesses after central functions, capex, cash taxes, cash interest and before portfolio investments at replacement rate

Segmental FCF and cash result waterfall (£m)



- Segmental free cashflow generated prior to portfolio purchases increased 40.0% to £231.0m
- Cash result after investing at replacement rate (maintenance capex) increased by 62.5%
- GAAP net operating cashflow prior to portfolio investments of £244.3m[1]

[1] A full reconciliation from segmental free cashflow to GAAP free cashflow can be found in the appendix
[2] Excludes £2.5m of CAPEX relating to One Arrow and includes £3.8m of proceeds from sale of property

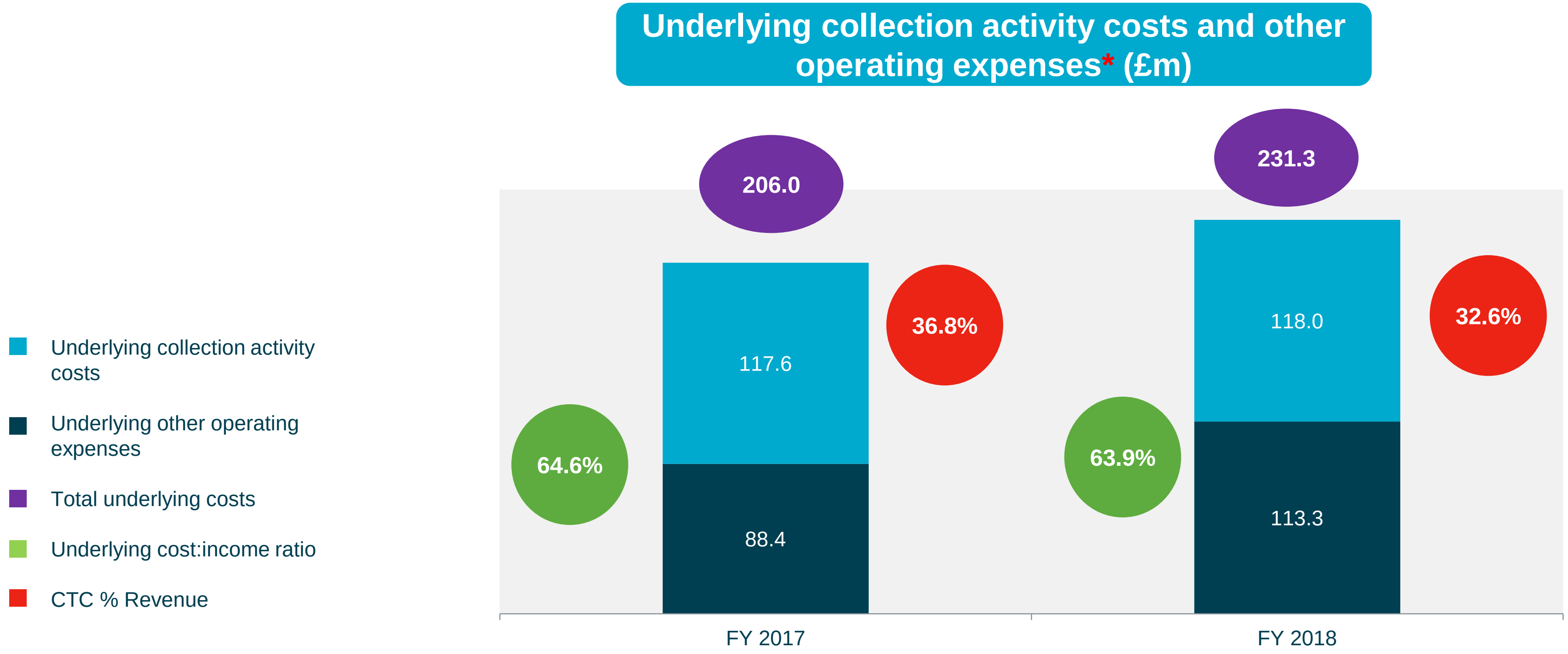
Strong segmental revenue and margin growth

	Investment Business	Asset Management & Servicing Business	Group Functions	Intra segment elimination	Adjusting items	Total period ended 31 Dec 2018
Total income	£269.4m	£132.3m[1]	**0.7**	(£40.6m)[4]	-	£361.8m
Collection activity costs (CAC)	(£94.6m)	(£64.0m)[4]	-	£40.6m	(£1.1m)	(£119.0m)
Gross margin	£174.8m	£68.3m	0.7	-	(£1.1m)	£242.8m
Gross margin %	***65%***	***52%***	-	-	-	-
Other operating expenses*	(£20.7m)	(£41.6)	(£36.7m)[3]	-	(£22.7m)	(£121.7m)
EBITDA	**£154.1m**	**£26.7m**	**(£36.0m)**		**(£23.8m)**	**£121.0m**
EBITDA margin %	***57%***	***20%***[2]		-	-	-
Operating profit	**£154.1m**	**£26.7m**	**(£50.2m)**	-	**(£23.8m)**	**£106.8m**
Finance costs	-	-	**(£48.1m)**[5]	-	**(£18.7m)**	**(£66.8m)**
PBT	**£154.1m**	**£26.7m**	**(£98.4m)**		**(£42.4m)**	**£40.0**

- [1]Total AMS income is 32.9% of gross Group segment income (HY 2018: 32.2%)
- [2]Total AMS EBITDA margin growth has increased 1ppt. – 5 year target to increase margins to 25%
- [3]Fully allocate out all staff and other costs to appropriate segment; unallocated costs are true Group oversight (Group executive, risk, finance, governance etc.) or cannot be allocated to IB or AMS
- [4] Intra-segment revenue calculated on a consistent commercial basis as third-party fees
- [5]Includes financing costs related to European expansion of Investment Business and Asset Management and Servicing Business

*Excluding depreciation, amortisation and forex

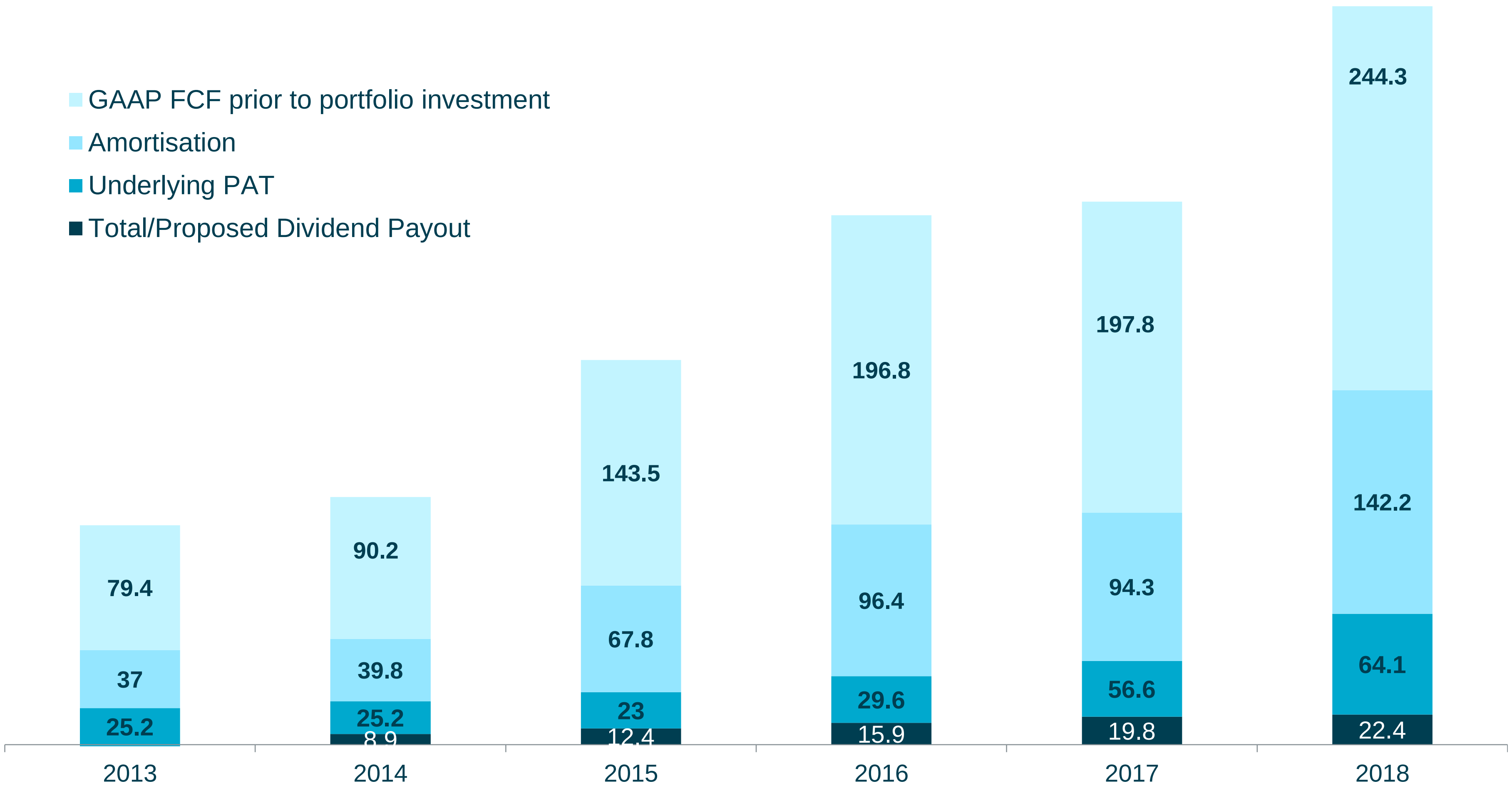
Improving cost:income ratio



- Underlying collection activity costs were **flat in 2018** and cost to collect ratio **improved by over 4ppts**. driven by increased efficiencies from the One Arrow programme
- Cost:income ratio improved, despite a **larger cost base from M&A activity** and **build-out of central functions**
- 'One Arrow' investment programme complete – well-positioned to deliver operational gearing from late 2019 onwards, in line with guidance
- Guidance that cost:income ratio will **reduce towards 60.0%** over next five years, despite growth of higher cost AMS
- Following completion of M&A platform build-out, the Group will be performing a **full cost review in 2019**

*A full reconciliation of underlying costs can be found in the appendix

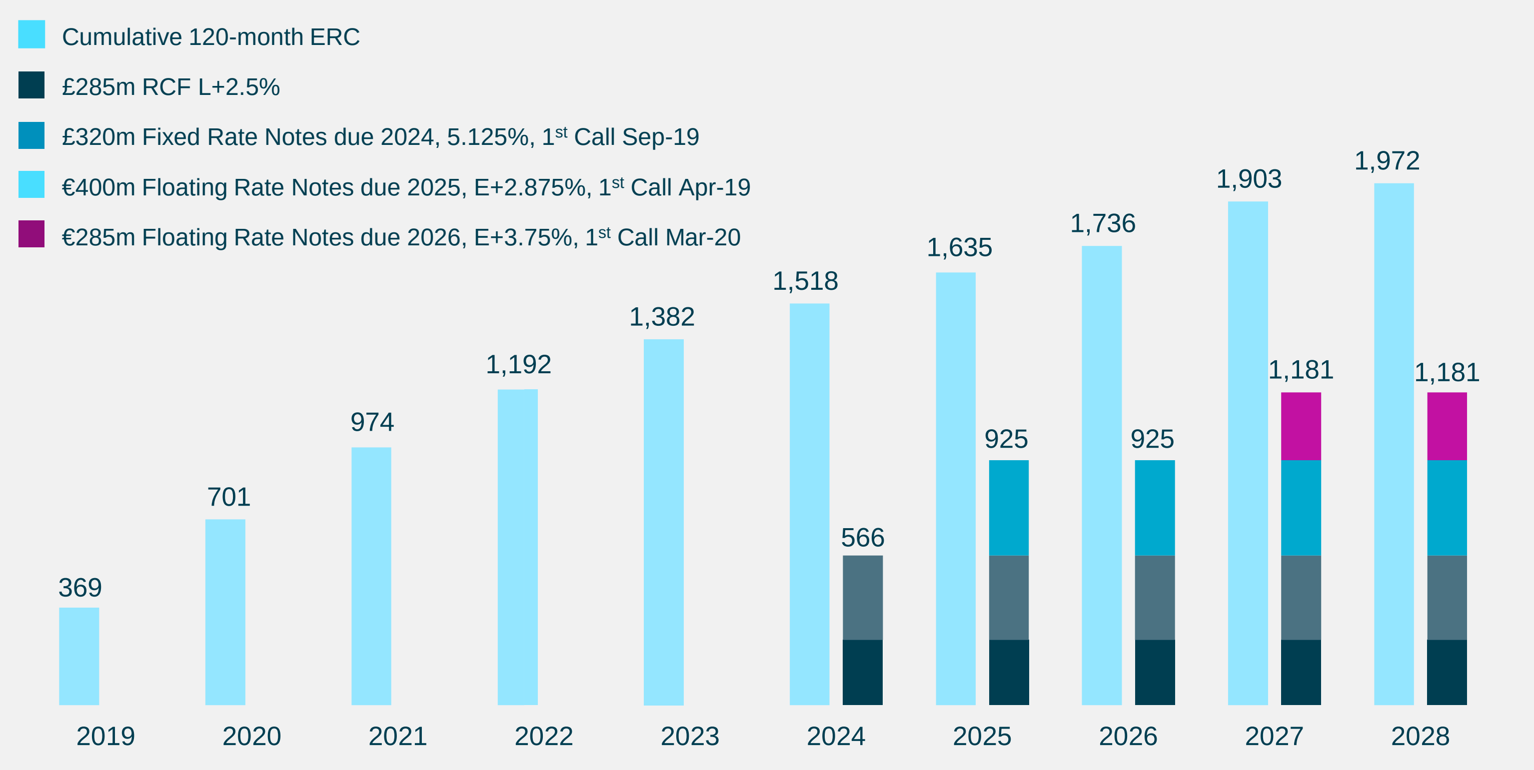
Consistent FCF, PAT and dividend growth



- Strong track record of **cash generation** and **bottom line growth**
- Good performance has enabled **consistent dividend growth**
- Full-year dividend of 12.7p – 12.4% increase
- Dividend paid at top end of ratio for **fifth consecutive year**
- Underpins move to 35% minimum payout ratio

Long-term funding drives competitive advantage

Debt Maturity & 120-month ERC (£m)



Key Highlights

- RCF maturity extended in February 2019 to **January 2024**
- Continue to evaluate options for **funding diversification**
- No debt maturities **within the next five years**
- Significant ERC coverage of debt maturities
- Weighted average cost of debt **3.9%**
- Weighted average debt **duration 6.1 years**
  - Compares favourably to shorter weighted average asset life
- Secured net debt to Adjusted EBITDA reduced to **3.7x from 4.0x (H1 2018)**
- Strong cash interest cover at **6.7 times**

Robust capital structure with high liquidity

	2017	2018
Net Debt	948.4	1,181.0
Secured Net Debt	899.2	1,089.2
Adjusted EBITDA	230.6	294.0
84-Month ERC	1,516.9	1,634.8

Leverage Metrics	**Policy**	**2017**	**2018**
Secured Net Debt/ Adjusted EBITDA	3.0-3.5x	3.9x	3.7x
Cash interest cover	>4.0x	5.9x	6.7x

- New lower leverage range of **3.0x-3.5x** Secured Net Debt/Adjusted EBITDA
- Strong deleveraging over the course of the year
- Cash cover continues to benefit from the reduction in WACD
- RCF further increased in November 2018 by £30 million to £285 million
- **£131 million cash and RCF** available as a result of increasing RCF
- Cash interest cover at **6.7 times**

Lee Rochford
Group CEO

Attractive investment case

1	Sophisticated investment platform in a growth market	**Unlevered asset level IRRs in mid-teens**
2	Increasing quality of earnings	**AMS towards 50% of Group revenues and increasing to mid-20s margins**
3	Resilient balance sheet	**Leverage of 3.0x-3.5x**
4	Consistently strong returns for shareholders	**ROE in mid-20s%**
5	Reliable through the cycle performance	**Dividend policy of ≥ 35%**

Sustainable return, prudently funded business model with predictable cash flows

Outlook

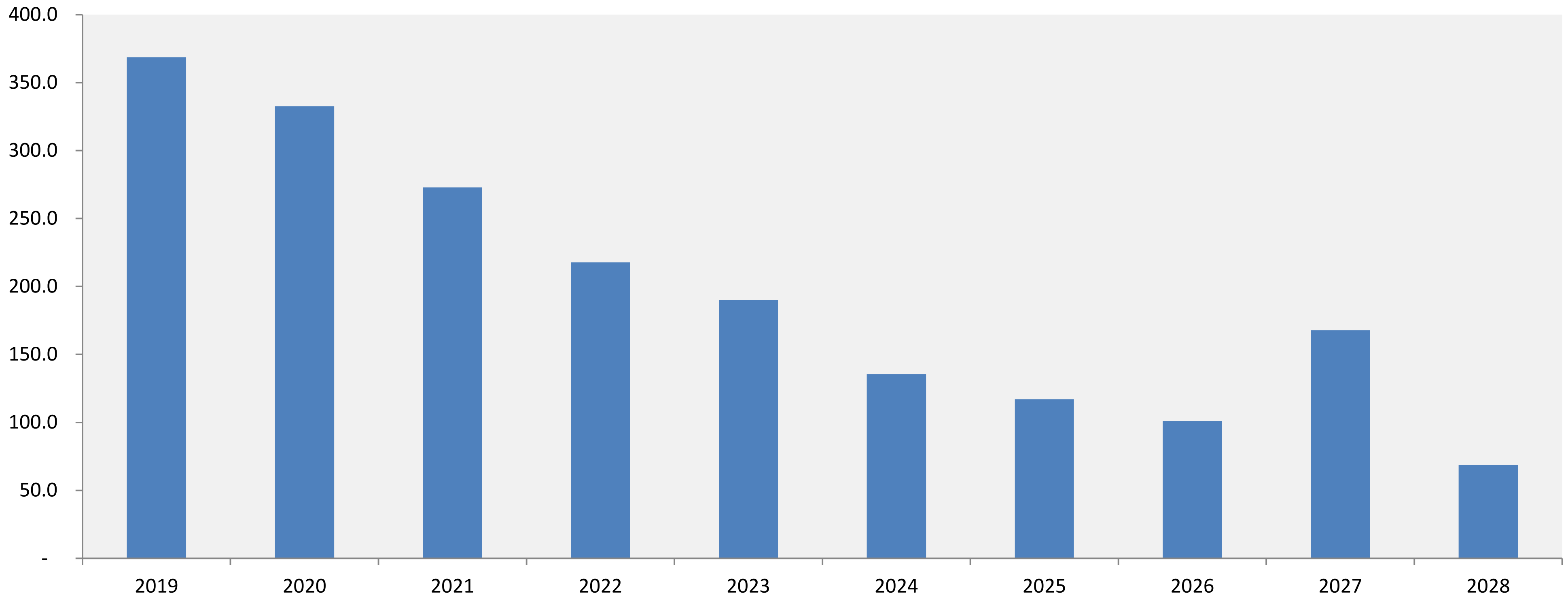
Continued growth market	Financial institutions continue to deleverage Regulatory backdrop remains supportive Increasing secondary market trades
Differentiated business model continues to drive attractive opportunities	Continued disciplined approach to capital allocation Platform generating more opportunities than ever – project c.£250m of purchases in 2019
Continued growth from capital-light Asset Management & Servicing	Continue to invest significantly more third-party capital than Arrow co-invests Continue to grow fund management capability – high-margin business
Drives focus on operating leverage and cost efficiency	Opportunity to benefit from scale and improve cost efficiency Full cost review during 2019
Prudent balance sheet management	Prudent balance sheet combined with returns focus/underwriting discipline Well-positioned for any Brexit related downturn No Market funding required before 2024

I. Appendix

Reconciliation of GAAP free cashflow to segmental free cashflow (£m)

GAAP FCF prior to portfolio investment	**244.3**
Non-recurring expenses	23.8
Cash interest	(43.0)
Working capital movements	12.6
Proceeds from sale of property	3.8
Underlying capex (excludes One Arrow costs)	(10.9)
Arrow segmental FCF prior to portfolio investment	**230.5**

Estimated remaining collections[1]

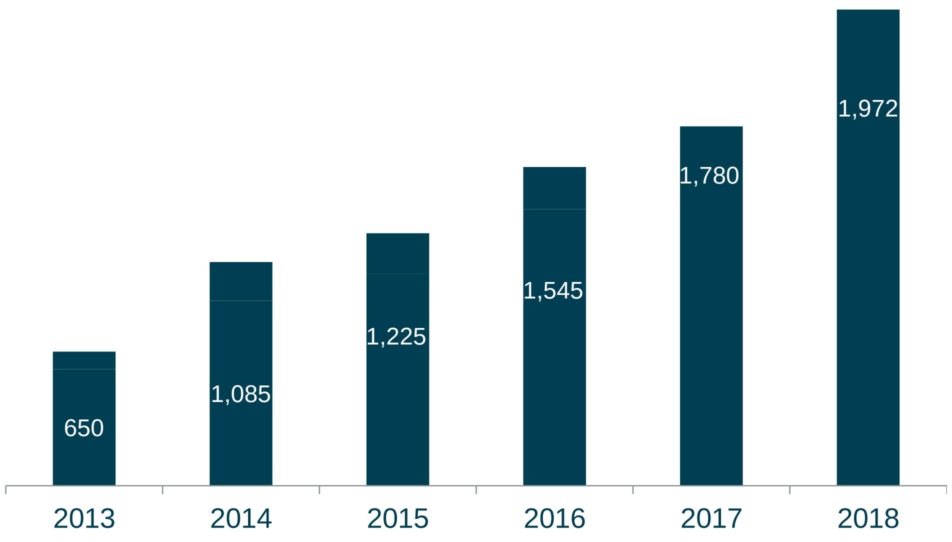


	84-Month Gross ERC							120-Month Gross ERC			Total
Year	1	2	3	4	5	6	7	8	9	10	
ERC (£m's)	368.8	332.7	273.0	217.9	190.2	135.3	117.1	100.9	167.8	68.6	1,972.1

1. Euro ERC at 31 December 2018 exchange rate 1.11

CONTINUED ERC GROWTH

120-month gross ERC (£m)



120-month ERC bridge Dec 17 to Dec 18 (£m)