Arrow Global Group PLC

Results for the three months ended
31 March 2019

9 May 2019

Arrow Global Group PLC
Results for the three months ended 31 March 2019

Strong cashflow generation, deleveraging and further funding diversification from first securitisation

Arrow Global Group PLC (the "Company", and together with its subsidiaries the "Group"), a leading European investor and asset manager in secured and unsecured defaulted and non-core loan portfolios and real estate, announces its results for the three months ended 31 March 2019.

Key Highlights

- Organic portfolio purchases of £56.4 million (Q1 2018: £79.9 million)
- Core collections increased 22.7% to £105.5 million (Q1 2018: £86.0 million)
- Third-party AMS income increased 21.7% to £23.0m (Q1 2018: 18.9 million)
- Free cashflow grew 32.0% to £57.8 million (Q1 2018: £43.8 million)
- Significant reduction in leverage ratio to 3.4x (Q1 2018: 4.0x)
- Underlying profit before tax increased 14.1% to £16.2 million (Q1 2018: £14.2 million)
- Underlying LTM ROE of 34.5%
- Securitisation in April 2019 further diversifies funding structure

Financial highlights	**31 March 2019**	**31 March 2018**	**Change %**
Core collections (£m)	105.5	86.0	22.7
Total income (£m)	86.6	77.1	12.3
Third party AMS income (£m)	23.0	18.9	21.7
Profit/(loss) before tax (£m)	15.8	(7.6)	-
Underlying profit before tax (£m)	16.2	14.2	14.1
Basic EPS (p)	6.1	(3.5)	-
Leverage (x)	3.4	4.0	(0.6)
84-month ERC (£m)	1,602.8	1,562.2	2.6
120-month ERC (£m)	1,935.4	1,852.4	4.5

Commenting on today's results, Lee Rochford, Group chief executive officer of Arrow Global, said:

"Our strong focus on returns and an improving pricing environment means that we took the decision in the first quarter to purchase fewer portfolios, conserving investment firepower for later in the year. Our strong pipeline visibility means that we remain confident in achieving around £250.0 million of portfolio purchases at our target returns.

Arrow Global is a highly cash generative business and this is evident when purchases are scaled back, driving the three-point reduction in leverage from 3.7x at the full year to 3.4x at the end of Q1. While leverage is likely to modestly rise from here as purchases increase, before trending down again by year end, we remain confident that our target leverage range of 3.0x-3.5x is a sustainable level for the business.

The announcement today of our first securitisation of loan portfolios via a £100 million revolving commitment adds an important element of diversification to our funding structure at attractive cost and modest scale.

We are pleased with the investment returns we have achieved so far in Q1 and believe that the pricing environment will continue to improve. Cash generation will continue to be a major priority through a heavy focus on delivering strong returns and our cost efficiency agenda."

Conference call details

There will be a conference call for analysts and investors at 0900 (UK time). Investors and analysts wishing to dial-in to the call can register using the following link:

http://bit.ly/2IZomJo

Notes:

A glossary of terms can be found on pages 14 to 16.

More details explaining the business can be found in the Annual Report & Accounts 2018 which is available on the Company's website at www.arrowglobalir.net

For further information:

Arrow Global Group PLC

Duncan Browne, Head of Investor Relations **+44 (0)161 242 5896**

FTI Consulting

Neil Doyle **+44 (0)20 3727 1141 /**
Tom Blackwell **arrowglobal@fticonsulting.com**
Laura Ewart

Forward looking statements

This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Group and the industry in which the Group operates. These statements may be identified by words such as "expectation", "belief", "estimate", "plan", "target", or "forecast" and similar expressions or the negative thereof; or by forward-looking nature of discussions of strategy, plans or intentions; or by their context. All statements regarding the future are subject to inherent risks and uncertainties and various factors could cause actual future results, performance or events to differ materially from those described or implied in these statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. Further, certain forward-looking statements are based upon assumptions of future events which may not prove to be accurate and neither the Company nor any other person accepts any responsibility for the accuracy of the opinions expressed in this document or the underlying assumptions. The forward-looking statements in this document speak only as at the date of this presentation and the Company assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

Unaudited consolidated statement of profit or loss and other comprehensive income
For the three months ended 31 March 2019

	Unaudited three months ended 31 March 2019 £000	Unaudited three months ended 31 March 2018 £000
Continuing operations		
Income from portfolio investments at amortised cost	44,760	45,172
Fair value gain on portfolio investments at FVTPL	6,647	4,816
Impairment gains on portfolio investments at amortised cost	12,172	8,301
Total income from portfolio investments	**63,579**	**58,289**
Income from asset management and servicing	22,952	18,855
Other income	98	-
Total income	**86,629**	**77,144**
Operating expenses:		
Collection activity costs	(26,790)	(27,808)
Other operating expenses	(31,515)	(27,397)
Total operating expenses	**(58,305)**	**(55,205)**
Operating profit	**28,324**	**21,939**
Net finance costs	(12,571)	(10,923)
Refinancing costs	-	(18,610)
Profit/(loss) before tax	**15,753**	**(7,594)**
Taxation (charge)/credit	(4,360)	1,561
Profit/(loss) after tax	**11,393**	**(6,033)**
Other comprehensive income:		
Items that are to be reclassified subsequently to profit or loss:		
Foreign exchange translation difference arising on revaluation of foreign operations	(4,688)	(1,033)
Movement on the hedging reserve	(54)	(298)
Total comprehensive income for the period	**6,651**	**(7,364)**
Profit attributable to:		
Owners of the Company	10,673	(6,051)
Non-controlling interest	720	18
	11,393	**(6,033)**
Basic EPS (p)	**6.1**	**(3.5)**

UNDERLYING PROFIT

Underlying profit is considered to be a key measure in understanding the Group's ongoing financial performance. Adjusting items are those items that management deem by virtue of their size, nature or incidence (i.e. outside the normal operating activities of the Group) are not considered to be representative of the ongoing performance of the Group and these items are excluded from underlying profit.

	Unaudited three months ended 31 March 2019 £000	Unaudited three months ended 31 March 2018 £000
Continuing operations		
Total income	**86,629**	**77,144**
Operating expenses		
Collection activity costs	(26,790)	(27,251)
Other operating expenses	(31,064)	(24,741)
Total operating expenses	**(57,854)**	**(51,992)**
Operating profit	**28,775**	**25,152**
Net finance costs	(12,571)	(10,923)
Underlying profit before tax	**16,204**	**14,229**
Taxation charge	(4,445)	(2,814)
Underlying profit after tax before non-controlling interest	**11,759**	**11,415**
Non-controlling interest	**(720)**	**(18)**
Underlying profit after tax	**11,039**	**11,397**
Underlying basic EPS (p)	**6.3**	**6.5**

Reconciliation between reported profit/(loss) and underlying profit

	31 Mar 2019 Profit before tax £000	31 Mar 2019 Tax £000	31 Mar 2019 Profit after tax £000	31 Mar 2018 Profit before tax £000	31 Mar 2018 Tax £000	31 Mar 2018 Profit after tax £000
Reported profit/(loss)	**15,753**	**(4,360)**	**11,393**	**(7,594)**	**1,561**	**(6,033)**
Adjustments:						
Collection activity costs	-	-	-	557	(139)	418
Other operating expenses	451	(85)	366	2,656	(607)	2,049
Bond refinancing costs	-	-	-	18,610	(3,629)	14,981
Total adjustments	**451**	**(85)**	**366**	**21,823**	**(4,375)**	**17,448**
Underlying profit	**16,204**	**(4,445)**	**11,759**	**14,229**	**(2,814)**	**11,415**
Non-controlling interest	(1,075)	355	(720)	(18)	-	(18)
Underlying profit attributable to owners	**15,129**	**(4,090)**	**11,039**	**14,211**	**(2,814)**	**11,397**

In the period to 31 March 2019, the other operating expenses adjustment primarily related to acquisition costs. In the period to 31 March 2018, the collection activity adjustment related to the One Arrow programme and the other operating expenses adjustment related to the One Arrow programme and costs incurred on acquisitions. See note 3 for details of the bond refinancing costs.

The non-controlling interest (NCI) relates to a co-investment in a portfolio where we have taken a majority share and hence consolidate the position and allocate the minority holding to the NCI.

Unaudited consolidated statement of financial position

As at 31 March 2019

	Notes	31 March 2019 £000	31 December 2018 £000	31 March 2018 £000
Assets				
Goodwill and intangible assets		294,601	306,943	214,743
Property, plant and equipment		30,538	7,761	9,885
Cash and cash equivalents		58,428	92,001	42,400
Other receivables		63,372	94,206	61,877
Portfolio investments	2	1,061,236	1,087,030	984,620
Deferred tax asset		8,055	8,113	7,899
Total assets		**1,516,230**	**1,596,054**	**1,321,424**
Equity				
Share capital		1,763	1,763	1,753
Other equity reserves		195,684	189,894	171,056
Total equity attributable to shareholders		**197,447**	**191,657**	**172,809**
Non-controlling interest		1,321	601	191
Total equity		**198,768**	**192,258**	**173,000**
Liabilities				
Trade and other payables		170,474	197,657	149,863
Net current and deferred tax liability		24,057	22,845	17,291
Derivative liability		729	502	3,210
Borrowings	3	1,122,202	1,182,792	978,060
Total liabilities		**1,317,462**	**1,403,796**	**1,148,424**
Total equity and liabilities		**1,516,230**	**1,596,054**	**1,321,424**

Unaudited consolidated statement of changes in equity
For the three months ended 31 March 2019

	Ordinary shares £000	Other equity reserves £000	Total £000	Non-controlling interest £000	Total £000
Balance at 1 January 2018	**1,753**	**193,395**	**195,148**	**173**	**195,321**
Impact of adopting IFRS 9	-	(14,000)	(14,000)	-	(14,000)
Balance post-IFRS adjustments at 1 January 2018	**1,753**	**179,395**	**181,148**	**173**	**181,321**
Loss for the period	-	(6,051)	(6,051)	18	(6,033)
Exchange differences	-	(1,033)	(1,033)	-	(1,033)
Net fair value losses - cash flow hedges	-	(378)	(378)	-	(378)
Tax on hedged items	-	80	80	-	80
Total comprehensive income for the period	**-**	**(7,382)**	**(7,382)**	**18**	**(7,364)**
Repurchase of own shares	-	(1,750)	(1,750)	-	(1,750)
Share-based payments	-	793	793	-	793
Balance at 31 March 2018	**1,753**	**171,056**	**172,809**	**191**	**173,000**
Profit for the period	-	36,020	36,020	(18)	36,002
Exchange differences	-	3,605	3,605	-	3,605
Recycled to profit after tax	-	(1,202)	(1,202)	-	(1,202)
Net fair value gains - cash flow hedges	-	87	87	-	87
Tax on hedged items	-	(30)	(30)	-	(30)
Total comprehensive income for the period	**-**	**38,480**	**38,480**	**(18)**	**38,462**
Impact of adopting IFRS 15	-	(199)	(199)	-	(199)
Shares issued	10	-	10	-	10
Repurchase of own shares	-	(759)	(759)	-	(759)
Share-based payments	-	2,474	2,474	-	2,474
Dividends paid	-	(21,158)	(21,158)	-	(21,158)
Dividends paid by NCI	-	-	-	(43)	(43)
Non-controlling interest on acquisition	-	-	-	471	471
Balance at 31 December 2018	**1,763**	**189,894**	**191,657**	**601**	**192,258**
Impact of adopting IFRS 16	-	(941)	(941)	-	(941)
Balance post IFRS adjustments at 1 January 2019	**1,763**	**188,953**	**190,716**	**601**	**191,317**
Profit for the period	-	10,673	10,673	720	11,393
Exchange differences	-	(4,688)	(4,688)	-	(4,688)
Net fair value gains - cash flow hedges	-	(65)	(65)	-	(65)
Tax on hedged items	-	11	11	-	11
Total comprehensive income for the period	**-**	**5,931**	**5,931**	**720**	**6,651**
Share-based payments	-	800	800	-	800
Balance at 31 March 2019	**1,763**	**195,684**	**197,447**	**1,321**	**198,768**

Unaudited consolidated statement of cash flows

For the three months ended 31 March 2019

	Three months ended 31 March 2019 £000	Three months ended 31 March 2018 £000
Net cash flows from operating activities before purchases of portfolio investments	**64,961**	**84,450**
Purchase of portfolio investments	(56,377)	(80,971)
Net cash generated by operating activities	**8,584**	**3,479**
Net cash used in investing activities	**(7,752)**	**(15,466)**
Net cash flows (used in)/ generated by financing activities	**(32,546)**	**18,739**
Net (decrease)/ increase in cash and cash equivalents	**(31,714)**	**6,752**
Cash and cash equivalents at beginning of period	92,001	35,943
Effect of exchange rates on cash and cash equivalents	(1,859)	(295)
Cash and cash equivalents at end of period	**58,428**	**42,400**

Notes

1. Significant accounting policy updates

These financial statements are unaudited and do not include all of the information required for full annual or interim financial statements and therefore are not fully compliant with IAS 34 – *Interim financial reporting.* These quarterly results should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2018.

The annual financial statements of the Group are prepared in accordance with IFRS as adopted for use in the EU, and therefore comply with Article 4 of the EU IFRS Regulation. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, these financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated annual report for the year ended 31 December 2018, other than IFRS 16, which has been applied for the first time this year. Changes to significant accounting policies in 2019 have been disclosed below.

The consolidated financial statements of the Group for the year ended 31 December 2018 are available upon request from the Company's registered office at Belvedere, 12 Booth Street, Manchester, M2 4AW and can also be found online at www.arrowglobalir.net.

IFRS 16 is effective from 1 January 2019 and the Group has adopted it from this date.

IFRS 16 replaces the previous standard IAS 17 'Leases', bringing a number of leases on balance sheet, which were previously off balance sheet and accounted for as operating leases under IAS 17.

The Group is not required to restate comparatives on the initial adoption of IFRS 16, and has applied the modified retrospective approach. The Group has applied exemptions where appropriate for short-term leases of twelve months or less and low value assets to be expensed and has also applied 'grandfathering' to all IAS 17 judgements previously made. The incremental borrowing rates used to measure lease liabilities at initial application ranged between 4.2% and 7.2%.

The standard transition has led to a one-off opening 2019 reserves reduction of £0.9 million, a right-of-use asset disclosed in property, plant equipment of £23.8 million and a lease liability of £27.3 million and a release of lease accruals of £2.6 million, both disclosed in trade and other payables.

2. Portfolio investments

The movements in portfolio investments were as follows:

	Three months ended 31 March 2019 £000	Year ended 31 December 2018 £000	Three months ended 31 March 2018 £000
As at the period brought forward	1,087,030	951,467	951,467
Impact of adopting IFRS 9 at 1 January 2018	-	(17,000)	(17,000)
Brought forward after impact of IFRS 9 opening adjustment	1,087,030	934,467	934,467
Portfolio purchases during the year	56,377	263,350	80,971
Portfolio additions from acquired entities	-	11,853	-
Collections in the period	(105,493)	(411,588)	(85,993)
Total income from portfolio investments	63,579	269,404	58,289
Exchange and other movements	(27,096)	19,544	(3,114)
Portfolio restructure	(13,161)	-	-
As at the period end	**1,061,236**	**1,087,030**	**984,620**

Classification of portfolio investments

The following table provides a breakdown of the categories of portfolio investments under IFRS 9.

	Amortised cost £000	FVTPL £000	31 March 2019 £000
As at the period end	862,184	199,052	**1,061,236**

3. Borrowings

	31 March 2019 £000	31 December 2018 £000	31 March 2018 £000
Senior secured notes	895,258	920,798	906,043
Senior secured notes interest	1,434	5,542	1,085
Revolving credit facility	221,262	242,121	50,446
Bank overdrafts	4,248	2,696	1,319
Finance lease	-	-	1,771
Other borrowings	-	11,635	17,396
Total borrowings	**1,122,202**	**1,182,792**	**978,060**

3. Borrowings *(continued)*

Revolving credit facility

On 26 February 2019, the maturity of the facility was extended to 4 January 2024 with no change in margin.

On 4 January 2018, the commitment under the revolving credit facility were increased from £215 million to £255 million. The maturity of the facility was extended to 2 January 2023 and the margin reduced to 2.5%.

On 1 November 2018, the commitment under the revolving credit facility were increased from £255 million to £285 million.

Senior secured notes

On 7 March 2018, Arrow Global Finance Plc issued €285 million floating rate senior secured notes due 2026 at a coupon of 3.75% over three-month EURIBOR and also issued a £100 million tap of its existing £220 million 5.125% fixed rate notes due 2024. As part of the transaction, Arrow Global Finance Plc also redeemed its €230 million 4.75% over three-month EURIBOR floating rate senior secured notes.

In 2018, bond refinancing costs comprised £18.6 million incurred on the early redemption of the €230 million notes due 2023, of which £13.6 million was a cash cost related to the call premium. The remaining £5.0 million was due to a non-cash write-off of related transaction fees, relating to the 2023 notes.

4. Post balance sheet events

Drydens Limited ("Drydens")

On 8 April 2019, the Group acquired 100% of the share capital of Drydens. Drydens is a provider of legal services, the acquisition of which will broaden the Group's UK range of servicing capabilities and skills across consumer and commercial litigation, probate and insolvency.

Asset backed security

On 30 April 2019, the Group completed a securitisation of loan portfolios at a £100 million revolving commitment, through an asset backed security funding structure at LIBOR + 3.1% per annum.

Additional Information

The adjusted EBITDA reconciliations for the periods ended 31 March 2019 and 31 March 2018 are shown below:

	Three months ended 31 March 2019 £000	Three months ended 31 March 2018 £000
Reconciliation of net cash flow to adjusted EBITDA		
Net cash generated by operating activities	8,584	3,479
Purchase of portfolio investments	56,377	80,971
Income taxes paid	2,625	4,550
Working capital adjustments	8,853	(35,369)
Amortisation of acquisition fees	43	69
Adjusting operating expenses	451	3,213
Adjusted EBITDA	**76,933**	**56,913**
Reconciliation of core collections to EBITDA	**£000**	**£000**
Income from portfolio investments including revaluations	63,579	58,289
Portfolio amortisation	41,914	27,704
Core collections (includes proceeds from disposal of portfolio investments)	**105,493**	**85,993**
Income from asset management and servicing	22,952	18,855
Other income	98	-
Operating expenses	(58,305)	(55,205)
Depreciation and amortisation	4,728	3,163
Foreign exchange losses	673	31
Amortisation of acquisition fees	43	69
Share-based payments	800	794
Adjusting operating expenses	451	3,213
Adjusted EBITDA	**76,933**	**56,913**
Reconciliation of operating profit to EBITDA	**£000**	**£000**
Profit/(loss) after tax	11,393	(6,033)
Underlying net finance costs	12,571	10,923
Taxation charge/(credit) on ordinary activities	4,360	(1,561)
Adjusting financing costs	-	18,610
Operating profit	**28,324**	**21,939**
Portfolio amortisation	41,914	27,704
Depreciation and amortisation	4,728	3,163
Foreign exchange losses	673	31
Amortisation of acquisition fees	43	69
Share-based payments	800	794
Adjusting operating expenses	451	3,213
Adjusted EBITDA	**76,933**	**56,913**

Additional Information *(continued)*

The table below reconciles the reported profit for the period to the free cash flow result. For completeness we also separate out other adjusting items.

Reconciliation of profit after tax to the free cash flow result

Income	**Reported profit £000**	**Adjusting items [4] £000**	**Underlying profit £000**	**Other items £000**	**Free cash flow £000**	
Income from portfolio investments	44,760	-	44,760	60,733	105,493	Collections in the period
Fair value gains portfolio investments at FVTPL	6,647	-	6,647	(6,647)	-	
Impairment gains on portfolio investments at amortised cost	12,172	-	12,172	(12,172)	-	
Income from asset management and servicing	22,952	-	22,952	-	22,952	Income from asset management and servicing
Other income	98	-	98	-	98	
Total income [1]	**86,629**	**-**	**86,629**	**41,914**	**128,543**	Cash income
Total operating expenses	(58,305)	451	(57,854)	6,244[2]	(51,610)	Cash operating expenses
Operating profit	**28,324**	**451**	**28,775**	**48,158**	**76,933**[5]	Adjusted EBITDA
Net financing costs	(12,571)	-	(12,571)	(2,158)[3]	(14,729)	
Profit before tax	**15,753**	**451**	**16,204**	**46,000**	**62,204**	
Taxation charge on ordinary activities	(4,360)	(85)	(4,445)	1,820	(2,625)	
Profit after tax	**11,393**	**366**	**11,759**	**47,820**	**59,579**	
					(1,743)	Capital expenditure
					57,836	**Free cash flow**

[1] Total income is largely derived from income from portfolio investments plus income from asset management and servicing being commission on collections for third parties and fee income received. The other items add back loan portfolio amortisation to get to core collections. Amortisation reflects a reduction in the statement of financial position carrying value of the portfolio investments arising from collections which are not allocated to income. Amortisation plus income from portfolio investments equates to core collections

[2] Includes non-cash items including depreciation and amortisation, share-based payment charges and FX

[3] Non-cash amortisation of fees and interest

[4] The free cash flow result is viewed on an underlying basis which excludes certain items. These items have been excluded to provide a more comparable basis for assessing the Group's performance between financial periods

[5] This is the adjusted EBITDA for the business, which is a key driver to the cash result. This measure allows us to monitor the operating performance of the Group. See page 12 for detailed reconciliations of adjusted EBITDA

Glossary

'Adjusted EBITDA' means profit for the period attributable to equity shareholders before interest, tax, depreciation, amortisation, foreign exchange gains or losses and adjusting items.

'Adjusting items' are those items that by virtue of their size, nature or incidence (i.e. outside the normal operating activities of the Group) are not considered by the board to be representative of the ongoing performance of the Group and are therefore excluded from underlying profit after tax.

'AMS' means asset management and servicing.

'Cash income' represents core collections and income from asset management and servicing.

'Collection activity costs' represents the direct costs of collections related to the Group's portfolio investments, such as internal staff costs, commissions paid to third party outsourced providers, credit bureaux data costs and legal costs associated with collections.

'Core collections' or 'core cash collections' mean cash collections on the Group's existing portfolios including ordinary course portfolio sales and put backs.

'EPS' means earnings per share.

'84-month ERC' and **'120-month ERC'** (together **'gross ERC'**), mean the Group's estimated remaining collections on portfolio investments over an 84-month or 120-month period, respectively, representing the expected future core collections on portfolio investments over an 84-month or 120-month period (calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time).

'Free cash flow' means Adjusted EBITDA after the effects of capital expenditure, financing and tax cash impacts and before the replacement rate.

'FVTPL' – Financial instruments at fair value with all gains or losses being recognised in the profit or loss.

'Grandfathering' allows the application of IFRS 16 only to those contracts in which a lease was previously identified in accordance with IAS 17.

'Gross AMS income' includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-group income for these services.

	31 March 2019 £000
Third party AMS income	22,952
Intra-Group AMS income	9,172
Gross AMS income	**32,124**

Glossary *(continued)*

'Gross income' includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-group income for Asset Management and Servicing, total income for the Investment Business and other income.

	31 March 2019 £000
Third party AMS income	22,952
Intra-Group AMS income	9,172
Gross AMS income	32,124
Investment Business income	63,579
Other income	98
Gross income	**95,801**

'IFRS' means EU adopted international financial reporting standards.

'Incremental borrowing rate' is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

'Leverage' is secured net debt to LTM Adjusted EBITDA.

'LTM' means last twelve months and is calculated by the addition of the consolidated financial data for the year ended 31 December 2018 and the consolidated financial data for the three months to 31 March 2019 and the subtraction of the consolidated financial data for the three months to 31 March 2018.

'Net debt' means the sum of the outstanding principal amount of the senior secured notes, interest thereon, amounts outstanding under the revolving credit facility and deferred consideration payable in relation to the acquisition of portfolio investments, less cash and cash equivalents. Net debt is presented because it indicates the level of debt after removing the Group's assets that can be used to pay down outstanding borrowings and because it is a component of the maintenance covenants in the revolving credit facility. The breakdown of net debt is as follows:

	31 March 2019 £000	31 December 2018 £000
Cash and cash equivalents	(58,428)	(92,001)
Senior secured notes (pre transaction fees net off)	909,645	935,567
Revolving credit facility (pre transaction fees net off)	225,244	245,587
Secured net debt	**1,076,461**	**1,089,153**
Deferred consideration – acquisitions	52,116	59,922
Deferred consideration – portfolios	15,067	12,031
Senior secured notes interest	1,434	5,542
Bank overdrafts	4,248	2,696
Other borrowings	-	11,635
Net debt	**1,149,326**	**1,180,979**

Glossary *(continued)*

‘NCI’ means non-controlling interest.

‘Non-controlling interest’, also known as minority interest, is the portion of equity ownership in a subsidiary which is not attributable to the parent company, who has a controlling interest of greater than 50% but less than 100%, and consolidates the subsidiary’s results with its own.

‘ROE’ means the return on equity as calculated by taking profit after tax divided by the average equity attributable to shareholders. Average equity attributable is calculated as the average quarterly equity from Q1 2018 to Q1 2019 as shown in the quarterly, half year and full year statements. In the comparative period this is calculated as the average annual equity attributable.

‘Secured net debt’ means the sum of the outstanding principal amount of the senior secured notes, amounts outstanding under the revolving credit facility, less cash and cash equivalents. Secured net debt is presented because it indicates the level of secured debt after taking out the Group’s assets that can be used to pay down outstanding secured borrowings, and because it is a component of the incurrence tests in the senior secured notes. The breakdown of secured net debt is shown in net debt above.

‘Underlying basic EPS’ represents earnings per share based on underlying profit after tax, excluding any dilution of shares.

‘Underlying profit after tax’ means profit for the year attributable to equity shareholders adjusted for the post-tax effect of certain adjusting items. The Group presents underlying profit after tax because it excludes the effect of items (and the related tax on such items) which are are not considered representative of the Group’s ongoing performance, on the Group’s profit or loss and forms the basis of its dividend policy.

‘Underlying ROE’ represents the ratio of underlying profit for the period attributable to equity shareholders to average shareholder equity.