



# ARROW GLOBAL GROUP PLC

Q1 Results

11 May 2021

# Highlights – Good start to the year and progress on capital-light strategy

1

**Good operating performance** in Q1 despite European lockdowns

2

**Robust revenue performance** with total Group income of £78.2m, 1.5% ahead of Q1 2020

3

**AMS business resilience continues** – 3<sup>rd</sup> party income grew 5.2% to £22.4m and **6 new contract wins in Q1 2021**

4

Balance sheet collections **continue to outperform ERC** – collections at 106% of ERC in Q1 2021

6

**Attractive investment environment** – Arrow Credit Opportunities 1 (ACO 1) 40% deployed/committed (gross, before capital recycling) at 31 March 2021 (including balance sheet co-investment); strong Q2 2021 investment pipeline

7

**Effective balance sheet management** – liquidity headroom strengthened to £219.7m with successful €75m bond tap; leverage consistent with FY2020 at 5.1x (expect c. 4.0x by end 21)

8

**Terms and conditions agreed** for recommended all cash offer by TDR Capital; shareholder vote on 21 May

**Solid Q1 operational performance & continued progress on capital-light strategy**

# Group P&L

Strong cash flow performance despite ongoing lockdowns; disciplined control over costs

£m	Q1 2021	Q1 2020	Change (%)
Balance sheet cash collections	76.9	85.1	(9.6)
<i>Asset-based income<sup>1</sup></i>	<i>52.7</i>	<i>53.2</i>	<i>(1.1)</i>
<i>Fee-based income<sup>2</sup></i>	<i>25.6</i>	<i>23.6</i>	<i>8.5</i>
<i>Other income</i>	<i>-</i>	<i>0.3</i>	<i>-</i>
<b>Total income</b>	<b>78.2</b>	<b>77.1</b>	<b>1.5</b>
<b>EBITDA</b>	<b>27.1</b>	<b>26.5</b>	<b>2.3</b>
<b>Adjusted EBITDA</b>	<b>51.9</b>	<b>59.1</b>	<b>(12.3)</b>
<b>Profit before tax</b>	<b>7.9</b>	<b>9.0</b>	<b>(12.0)</b>

<sup>1</sup> Represents statutory income generated from assets on the balance sheet

<sup>2</sup> Represents third-party recurring fee income generated from the AMS and FIM businesses

# Fund & Investment Management (FIM)

Attractive investment opportunities

£m	Q1 2021	Q1 2020	Change (%)
<i>Third-party income</i>	3.2	2.3	38.6
<i>Intra-segment income</i>	5.6	4.6	21.7
<b>Total income</b>	<b>8.8</b>	<b>6.9</b>	<b>27.3</b>
ACO 1 deployed/committed (%) <sup>1</sup>	40	28	-
Funds under management (€bn) <sup>1</sup>	4.3	4.3	-

<sup>1</sup> Comparative as at 31 December 2020

- Continued momentum in deployment of Arrow Credit Opportunities 1 (ACO 1)
  - 40% deployed or committed (gross, before capital recycling) at Q1 2021 (including co-investment; 47% excluding co-investment)
  - Strong Q2 2021 investment pipeline
  - Targeting 70% deployment by end of 2021/early 2022 (excluding co-investment) enabling start of ACO 2 fundraising
- Established a Clients and Capital Formation group, responsible for setting Arrow's Capital Formation strategy and broadening the investor base, with 2 key appointments: Global Head and Director

**FIM income and margins expected to rise in line with ACO 1 deployment**

# Asset Management & Servicing (AMS)

Resilient income performance and strong demand for asset management & servicing capability

£m	Q1 2021	Q1 2020	Change (%)
<i>Third-party income</i>	22.4	21.3	5.2
<i>Intra-segment income</i>	9.6	10.0	(4.3)
<b>Total income</b>	<b>32.0</b>	<b>31.3</b>	<b>2.1</b>
# of 3 <sup>rd</sup> party contract wins	6	1	

- AMS business cashflows remained resilient with capital-light third-party income increasing by 5.2%
- 6 new third party contract wins in Q1 2021 (FY 2020: 26) which will drive high-quality recurring revenue growth in 2021
- 73% of ACO 1 deployment being serviced by AMS business as at 31 December 2020 (75% target) – highly complementary

**New contract wins expected to be highly accretive to income in 2021**

# Balance Sheet business

Strong collections performance maintained

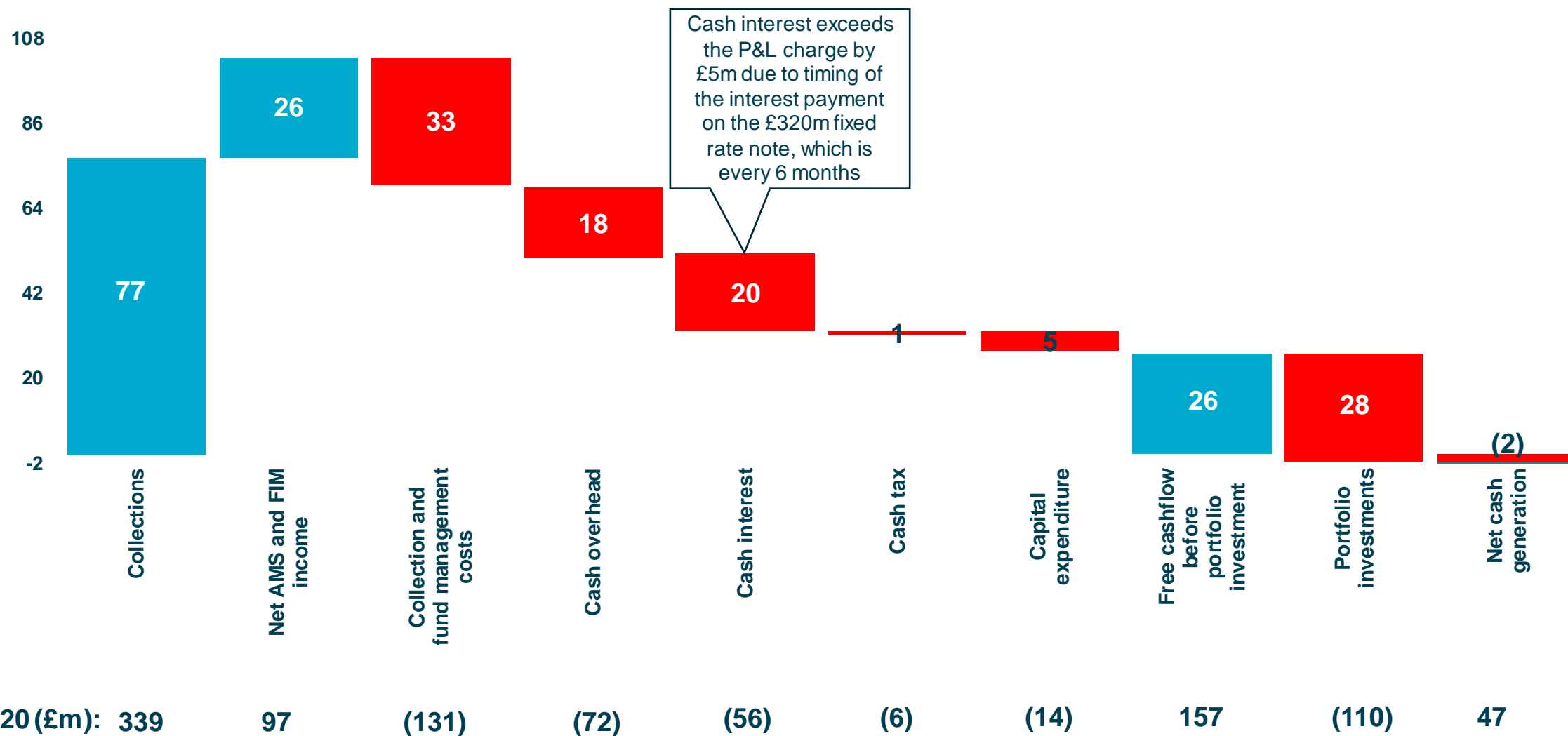
£m	Q1 2021	Q1 2020	Change (%)
Cash collections	76.9	84.8	(9.6)
<i>Income (pre-impairments)</i>	<i>42.6</i>	<i>49.3</i>	<i>(13.7)</i>
<i>Impairment gains</i>	<i>8.5</i>	<i>3.9</i>	<i>120.7</i>
<b>Total income</b>	<b>51.0</b>	<b>53.2</b>	<b>(4.0)</b>
84-month ERC <sup>1</sup>	1,480.4	1,555.8	(4.8)
120-month ERC <sup>1</sup>	1,633.4	1,722.4	(5.2)

<sup>1</sup> Comparative as at 31 December 2020

- New portfolio purchases of £28.4 million (Q1 2020: £28.1 million)
- Q1 2021 collections 106% of Estimated Remaining Collections (ERC)
  - in line with guidance of performing at least in line with ERC
- No change to methodology used for ERC forecast review at Q1 2021; Next review at HY 2021

**Continuing to outperform ERC estimates**

# Q1 2021 free cash flow generation (£m)

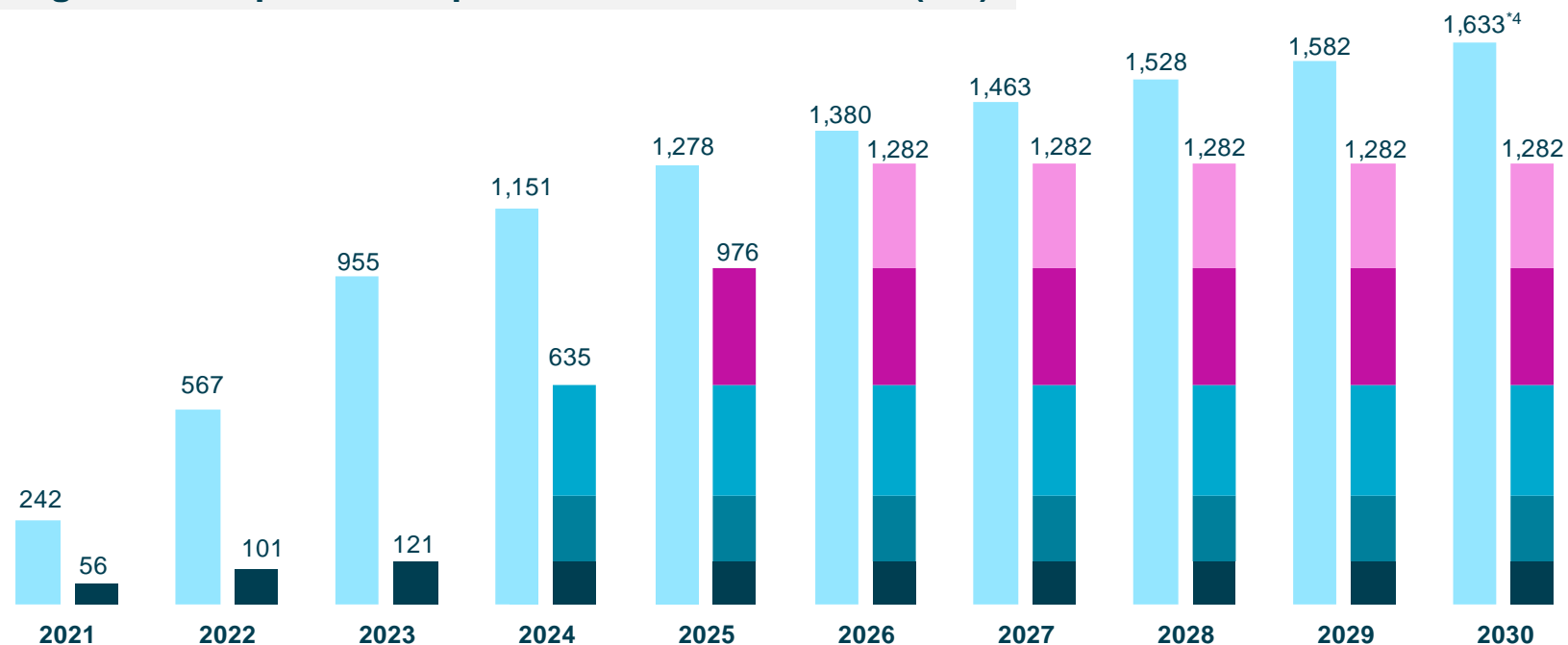


# Prudently managed balance sheet with long-term funding

ERC shows over £1 billion cashflow prior to first bond maturity in 2024

- Strengthened the liquidity position with successful €75 million bond tap in Q1 2021 with cash headroom increasing to £219.7 million (FY 2020: £174.6 million)
- LTM leverage of 5.1x (FY 2020: 5.1x) comfortably within revised covenant levels
- **Continue to expect leverage to be circa 4.0x by end 2021 and within target 3.0x-3.5x range by 2023**

Long term debt profile compared with 120-month ERC (£m)



■ Cumulative 120-month ERC

■ ABS\*1

■ £285m RCF\*2

■ £320m Fixed Rate Notes due 2024, 5.125%, Callable at par from Sept-21

■ €400m Floating Rate Notes due 2025, E+2.875%, Callable at par from Apr-20

■ €360m\*3 Floating Rate Notes due 2026, E+3.75%, Callable at par from Mar-21

\*1 Drawn ABS revolver as at March 2021 was £121m and the maturity profile shown in the chart reflects debt amortising based upon forecast collections.

\*2 Drawn RCF balance as at March 2021 was £194m.

\*3 Includes fungible bond tap of €75m issued in Q1 2021.

\*4 Includes the ERC due until March 2031.



# Outlook – Cautious outlook despite improving macroeconomic prospects; significant growth opportunities from economic dislocation

1

Remain confident cash collections will perform **at least in line** with ERC – macroeconomic indicators appear **more positive than forecast, but no action taken** on ERC at Q1 2021

2

**Targeting 70% deployment of ACO 1 by end of 2021/early 2022** (excluding balance sheet co-investment), enabling start of fundraising for ACO 2

3

Anticipate **continued AMS contract wins** as NPL volumes increase; expect c. 75% AMS servicing of FIM deployment

4

Leverage expected to be **circa 4.0x by end 2021** and **within target 3.0x-3.5x range** by 2023

5

**Strong position** to take advantage of **investment and asset servicing opportunities** from economic dislocation

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