

**Arrow Global plc**  
**Pre-close trading statement**

***Continued strong cash collections and favourable investment environment; historic reported numbers disclosed in new segmental format***

**Trading update**

Arrow is pleased to announce an encouraging final quarter of 2020 with improved prospects for 2021 trading. In the fourth quarter, Arrow continued to see strong balance sheet cash collections performance and profitability, with fourth quarter collections at 111% of Half Year Estimated Remaining Collections forecasts. Third-party Asset Management and Servicing revenues remained resilient, further supported by a record 26 new contract wins for the year. The Group also exceeded its fourth quarter target deployment of the €1.7bn Arrow Credit Opportunities 1 fund.

At 31 December 2020, the investment vehicles comprising Arrow Credit Opportunities 1 had, prior to recycled capital, invested approximately 28% of their committed capital. Arrow's balance sheet investment for 2020 totalled £110m. Arrow Credit Opportunities 1 must be 70% committed to investments (inclusive of recycled capital) before the Group can commence raising Arrow Credit Opportunities 2. The strong investment volumes in H2 2020 are continuing into 2021 at very attractive returns in a favourable environment for Arrow's investment strategies.

The Group estimates year-end 2020 leverage of 5.1x, considerably better than forecast when renegotiating the RCF covenant in August 2020. Strong current trading provides increased confidence that leverage will reduce to circa 4x by end 2021, significantly better than the covenant requirement. Leverage is expected to peak toward the middle of 2021, as the negative impact of H1 2020 COVID-19 lockdowns on collections remain in the Group's trailing twelve month secured net debt to adjusted EBITDA leverage calculation.

In view of the expected reduction in leverage during 2021, the Board currently expects to resume dividend payments earlier than originally planned, with a final dividend in respect of year-end 2021.

**Segmental reporting information**

At the Group's Fund Management Analyst Seminar on 12 November 2020, Arrow announced that the Group's financial reporting would change to four segments to reflect the development of Arrow's fund management capabilities. These segments comprise the Balance Sheet, Asset Management & Servicing, Fund & Investment Management and Group Functions. Arrow is today releasing unaudited financial information for the six months ending 30 June 2020 and twelve months ending 31 December 2019 under this new financial segmentation. This provides a comparable set of financial statements ahead of the release of the Group's preliminary results for the twelve months ended 31 December 2020 on 23 March 2021. Tables containing the new segmental disclosure can be found on pages 3-5 of this announcement.

**Commenting on today's announcement, Lee Rochford, Group chief executive officer, said:**

"Arrow expects to have traded ahead of management expectations in Q4 2020, building on the strong return to profitability registered in Q3. Accelerated deployment of the Arrow Credit Opportunities 1 fund demonstrates the increasing market opportunity presented by the deep economic dislocation currently being experienced across our European markets. Our investment pipeline moving into 2021 is very promising and early indications are that available returns are continuing to increase."

“Continued strong trading in the first weeks of 2021 means that we are increasingly confident of reducing leverage significantly by the end of the year. As a result, the Group now expects to be in a position to resume dividend payments ahead of plan at year-end 2021.”

“The publishing today of Arrow’s historic financial results on the new segmental basis disclosed at our Fund Management Seminar in November 2020 is intended to assist the market in assessing our capital light Asset Management & Servicing and Fund and Investment Management businesses. Our new set of five-year targets will allow the market to measure our success against our ambitions to grow both the quantum and quality of the Group’s earnings significantly as we look to raise new funds and grow funds under management.”

**The Group’s preliminary results for the year ending 31 December 2020 will be published on 23 March 2021 at 0700 GMT. A presentation and live Q&A session with Arrow’s management team will take place at 0830 GMT. Webcast and conference call details to access the presentation and Q&A will be published separately.**

**For further information:**

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**About Arrow Global**

Established in 2005, Arrow Global is a European investor and alternative asset manager specialising in non-performing and non-core assets. We identify, acquire and manage secured and unsecured loan and real estate portfolios from and on behalf of financial institutions, such as banks, institutional fund investors and specialist lenders.

We play an active role in helping financial institutions reduce their balance sheets and recapitalise in order to increase mainstream lending. By purchasing and managing non-performing loans and other non-core assets, we provide valuable capital and expertise to a growing European market. We are a regulated business in all five of our European markets.

We invest in this asset class via our Fund and Investment Management Business and balance sheet, and also generate revenues from managing and servicing assets on behalf of third parties.

Arrow’s Fund and Investment Management Business has total FUM of €4.2 billion (as at Q3 2020).

## Segmental Information

H1 2019	Unaudited					Total Group
	Asset Management & Servicing	Balance Sheet Business	Fund & Investment Management	Group Functions	Intra Segment Elimination	
<i>Balance Sheet Cash Collections</i>	-	202,139	-	-	-	202,139
<b>Income</b>						
External Income	41,104	122,451	13,936	202	-	177,693
Internal Income	19,970	-	9,480	-	(29,450)	-
<b>Total Income</b>	<b>61,074</b>	<b>122,451</b>	<b>23,416</b>	<b>202</b>	<b>(29,450)</b>	<b>177,693</b>
Business Operating Costs	(32,549)	(53,617)	(7,728)	-	29,450	(64,444)
<b>Gross Margin</b>	<b>28,525</b>	<b>68,834</b>	<b>15,688</b>	<b>202</b>	<b>-</b>	<b>113,249</b>
<i>Gross Margin (%)</i>	47%	56%	67%			64%
Overheads	(20,124)	(5,714)	(6,845)	(11,404)		(44,087)
<b>EBITDA</b>	<b>8,401</b>	<b>63,120</b>	<b>8,843</b>	<b>(11,202)</b>	<b>-</b>	<b>69,162</b>
<i>EBITDA Margin (%)</i>	14%	52%	38%			39%
Depreciation, Amortisation & Forex	(3,283)	(3,121)	(206)	(3,529)		(10,139)
<b>EBIT</b>	<b>5,118</b>	<b>59,999</b>	<b>8,637</b>	<b>(14,731)</b>	<b>-</b>	<b>59,023</b>
Net Financing Costs				(26,510)		(26,510)
<b>Profit Before Tax</b>	<b>5,118</b>	<b>59,999</b>	<b>8,637</b>	<b>(41,241)</b>	<b>-</b>	<b>32,513</b>

**Unaudited**

H2 2019	Asset Management & Servicing	Balance Sheet Business	Fund & Investment Management	Group Functions	Intra Segment Elimination	Total Group
<b>Balance Sheet Cash Collections</b>	-	240,172	-	-		240,172
<b>Income</b>						
External Income	45,686	104,465	11,484	190	-	161,825
Internal Income	22,026	(441)	13,429	-	(35,014)	-
<b>Total Income</b>	<b>67,712</b>	<b>104,024</b>	<b>24,913</b>	<b>190</b>	<b>(35,014)</b>	<b>161,825</b>
Business Operating Costs	(35,522)	(57,320)	(9,255)	-	35,014	<b>(67,083)</b>
<b>Gross Margin</b>	<b>32,190</b>	<b>46,704</b>	<b>15,658</b>	<b>190</b>	-	<b>94,742</b>
<i>Gross Margin (%)</i>	48%	45%	63%			59%
Overheads	(17,515)	(4,939)	(5,866)	(10,313)		<b>(38,633)</b>
<b>EBITDA</b>	<b>14,675</b>	<b>41,765</b>	<b>9,792</b>	<b>(10,123)</b>	-	<b>56,109</b>
<i>EBITDA Margin (%)</i>	22%	40%	39%			35%
Depreciation, Amortisation & Forex	(3,638)	(2,724)	(159)	(2,793)		<b>(9,314)</b>
<b>EBIT</b>	<b>11,037</b>	<b>39,041</b>	<b>9,633</b>	<b>(12,916)</b>	-	<b>46,795</b>
Net Financing Costs				(27,988)		<b>(27,988)</b>
<b>Profit Before Tax</b>	<b>11,037</b>	<b>39,041</b>	<b>9,633</b>	<b>(40,904)</b>	-	<b>18,807</b>

**Unaudited**

H1 2020	Asset Management & Servicing	Balance Sheet Business	Fund & Investment Management	Group Functions	Intra Segment Elimination	Total Group
<b>Balance Sheet Cash Collections</b>	-	<b>175,776</b>	-	-		<b>175,776</b>
<b>Income</b>						
External Income	39,844	(43,254)	6,456	341	-	<b>3,387</b>
Internal Income	19,801	(59)	10,083	-	(29,825)	-
<b>Total Income</b>	<b>59,645</b>	<b>(43,313)</b>	<b>16,539</b>	<b>341</b>	<b>(29,825)</b>	<b>3,387</b>
Business Operating Costs	(33,353)	(50,626)	(10,120)	(5)	29,825	<b>(64,279)</b>
<b>Gross Margin</b>	<b>26,292</b>	<b>(93,939)</b>	<b>6,419</b>	<b>336</b>	-	<b>(60,892)</b>
<i>Gross Margin (%)</i>	44%	-	39%			-
Overheads	(19,494)	(5,455)	(6,440)	(7,768)		<b>(39,157)</b>
<b>EBITDA</b>	<b>6,798</b>	<b>(99,394)</b>	<b>(21)</b>	<b>(7,432)</b>	-	<b>(100,049)</b>
<i>EBITDA Margin (%)</i>	11%	-	-			-
Depreciation, Amortisation & Forex	(2,378)	(2,779)	(250)	(3,476)		<b>(8,883)</b>
<b>EBIT</b>	<b>4,420</b>	<b>(102,173)</b>	<b>(271)</b>	<b>(10,908)</b>	-	<b>(108,932)</b>
Net Financing Costs				(27,010)		<b>(27,010)</b>
<b>Profit Before Tax</b>	<b>4,420</b>	<b>(102,173)</b>	<b>(271)</b>	<b>(37,918)</b>	-	<b>(135,942)</b>

## Notes to Revised Segmental Reporting

### Asset Management & Servicing (AMS)

1. AMS Revenue comprises revenue from third party clients, internal charges for servicing Balance Sheet business assets and external revenue from Arrow Credit Opportunities vehicles
2. AMS Business operating costs comprise the costs of collecting revenue for AMS clients as well as the direct costs of managing the platforms which comprise the AMS business

### Balance Sheet (BS)

1. Balance Sheet business revenue comprises revenue associated with assets held on the Arrow Global plc balance sheet (including assets held on Amortised Cost basis, Fair Value through the P&L (FVTPL) and Real Estate Inventories)
2. Balance Sheet business operating costs comprise payments to the AMS business for collections, payments to the FIM business for portfolio management services, payments to third party collections agents as well as the direct costs of managing the Balance Sheet business

### Fund and Investment Management (FIM)

1. FIM revenue comprises fund management and performance fees from the Group's Fund Management Businesses (AGGCM, Norfin and Sagitta), revenue from Europa Investimenti (the Group's Italian Investment Management platform), and internal revenue from the Balance Sheet business for portfolio management services (on the basis that FIM had existed as a distinct segment of the business historically).
2. FIM costs comprise the direct operating costs of running the FIM businesses

### Other

1. Overheads include the costs of support and corporate functions both at the Corporate Centre (included in Group Functions) and within the operating divisions of the Group.
2. Overheads, Depreciation, Amortisation and Forex costs are allocated based on the business giving rise to the costs.