

## Arrow Global Group results for the nine months ended 30 September 2021

### Highlights

A robust trading performance for the quarter, with both the takeover by TDR Capital LLP and refinancing of the Group's bonds completed

- On 11 October 2021, Sherwood Acquisitions Limited completed the acquisition of Arrow Global Group plc with the shares delisted from the LSE on 12 October 2021. Sherwood Acquisitions Limited is wholly owned by Sherwood Parentco Limited, the acquisition vehicle of TDR Capital LLP (TDR)
- Following the takeover, Zach Lewy, Founder and CIO, was appointed CEO for Arrow Global Group
- On 27 October, the Group priced new senior secured notes of GBP equivalent £1.2 billion with the proceeds being used to prepay all existing bonds of the Group and creating over £350 million of liquidity headroom
- The continued momentum towards realising the full benefits of our unique integrated asset manager model has continued during the third quarter with strong collections, deployment of ACO 1 and appetite for the services of our AMS platforms
- EBITDA before takeover costs for the nine months was £84.3 million (Q3 2020 YTD: loss of £70.1 million) and profit before tax and takeover costs for the same period was £27.4 million (Q3 2020 YTD: loss of £125.1 million)
- Adjusted (Cash) EBITDA for the first nine months of the year was £182.5m, up 2.9% on the prior year
- Following the takeover, management have reiterated previous guidance and have commenced a strategic review to vertically align the business and accelerate the transition to an integrated asset manager

### Fund and Investment Management (FIM) Business

Our continued strong deployment at above target returns has continued during the quarter, with Q3 2021 third-party income of £14.8 million, up 68.6% (Q3 2020: £8.8 million)

- ACO 1 deployment increased to 64% of fund deployed or committed (gross, before capital recycling and including both third-party and balance sheet co-investment) from 54% as at June 2021 and we remain on track to commence fundraising for ACO 2 during early 2022
- Funds Under Management (FUM) of €4.7 billion at 30 September 2021 (31 December 2020: €4.3 billion)
- ACO 1 is currently achieving an above target net deal IRR of 18%
- Strong investment pipeline entering Q4, the traditional peak trading period

### Asset Management and Servicing (AMS) Business

There has been continued appetite for the services of our platforms, with third-party income growth, up 13.4% to £69.6 million for the nine months (Q3 2020 YTD: £61.4 million)

- 10 new contract wins during Q3 2021 (FY 2020: 26), driving high-quality recurring income
- Most significant contract was the agreement to transfer the collections and recoveries operations within Tesco Bank's Customer Service division to Arrow

### Balance Sheet (BS) Business

Outperformance against ERC has continued with collections representing 115% of ERC during the quarter (YTD 111%)

- 2021 YTD collections of £257.0 million (Q3 2020 YTD: £260.9 million)
- Portfolio purchases of £22.2 million during the quarter and YTD £117.0 million (Q3 2020 YTD: £64.2 million)
- No material changes to the outlook for macro-economic factors which informs the assumptions used in our ERC forecast

## Capital and liquidity

The refinancing of our bonds was successfully completed, creating additional duration and significant liquidity headroom

- On 27 October, the Group successfully priced €400 million 4.5% Euro fixed rate bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026 with the proceeds being used to prepay our existing bonds and drawings under the replacement revolving credit facility (RCF)
- A replacement RCF of £285 million was entered into on 6 October at a margin of 325 bps and maturity of April 2026, replacing our existing £285 million facility
- The refinancing transactions create liquidity headroom of over £350 million at a weighted average cost of debt for the Group of 4.85%, with no bond maturities until 2026
- Free cash flow generation for the nine months of £119.2 million (Q3 2020 YTD: £120.3 million)
- Leverage at the end of September was 4.8x (FY 2020: 5.1x)
- We reiterate our commitment to reduce leverage to circa 4.0x by the end of 2021 (or circa 4.3x adjusted for takeover costs), with a medium-term target of circa 3x

### Commenting on today's results, Zach Lewy, Group chief executive officer, said:

“Following the completion of TDR’s acquisition, I am pleased to report a positive quarter for Arrow as we continue to realise the benefits of our integrated asset manager model. We have continued momentum in our FIM Business and remain on track with the deployment of ACO 1 at above target returns. This successful execution means we expect to begin fundraising for our second fund early next year.

We are also moving at pace to ensure that we have the right operational structure to align our local Asset Management and Servicing platforms with our investment activity and to accelerate our growth as a leading vertically integrated asset manager in credit and real estate.

I am extremely proud to take on the role of CEO of the business I founded in 2005 and look forward to working with our new owners and the colleagues throughout the five jurisdictions as we enter the next exciting phase for the Group.”

Group financial highlights (for the nine months ending)	30 September 2021	30 September 2020	Change
Free cash flow (£m)	119.2	120.4	(1.2)
Adjusted EBITDA (£m)	182.5	177.4	5.1
Balance sheet collections (£m)	257.0	260.9	(3.9)
Profit/(loss) before tax and takeover costs (£m)*	27.4	(125.1)	152.5
Loss before tax and after takeover costs (£m)	(17.1)	(125.1)	108.0
Third-party AMS and FIM income (£m)	84.4	70.2	14.2
Capital-light % of Group EBITDA before takeover costs (%)	24.5	(15.7)	40.2

	30 September 2021	31 December 2020	Change
Leverage (x)	4.8	5.1	(0.3)
84-month ERC (£m)	1,561.0	1,555.8	5.2
120-month ERC (£m)	1,716.8	1,722.4	(5.6)
Net debt (£m)	1,181.5	1,226.3	(44.8)

\* These results exclude certain advisor fees and other costs associated with the takeover of the business. For the reconciliation between this and the condensed consolidated profit and loss, please see the reconciliation on page 14.



**For further information:**

Media contact

[mediaenquires@arrowglobal.net](mailto:mediaenquires@arrowglobal.net)

Debt investor contact

[treasury@arrowglobal.net](mailto:treasury@arrowglobal.net)

**Notes:**

1. Given the recent bond refinancing, no conference call will be held for the Q3 2021 results. Full year results will be accompanied by a customary results presentation and investor call for bondholders.
2. Since the takeover occurred after the end of the reporting period, the consolidated results of Arrow Global Group plc and its subsidiaries for the nine-month period ended 30 September 2021 are presented.
3. A glossary of terms can be found at the end of the document. More details explaining the business can be found in the Annual Report & Accounts 2020, which is available on the Company's website at [www.arrowglobal.net](http://www.arrowglobal.net)

**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 the 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, the Group 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 and the Group assume no obligation to update or provide any additional information in relation to such forward-looking statements.

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 30 September 2021

	Unaudited nine months ended 30 September 2021 £000	Unaudited nine months ended 30 September 2020 £000	Unaudited three months ended 30 September 2021 £000	Unaudited three months ended 30 September 2020 £000
<b>Continuing operations</b>				
Income from portfolio investments at amortised cost	101,930	128,948	33,360	37,933
Fair value gains/(losses) on portfolio investments at FVTPL	34,577	(4,454)	11,158	8,387
Impairment gains/(losses) on portfolio investments	22,225	(110,307)	4,570	10,446
Income from portfolio investments - real estate inventories	1,585	264	552	97
<b>Total income from portfolio investments</b>	<b>160,317</b>	<b>14,451</b>	<b>49,640</b>	<b>56,863</b>
Income from asset management and servicing and fund and investment management	84,413	70,151	28,767	24,693
Other income	36	385	27	44
<b>Total income</b>	<b>244,766</b>	<b>84,987</b>	<b>78,434</b>	<b>81,600</b>
<b>Operating expenses:</b>				
Collection activity costs and fund management costs	(99,398)	(74,984)	(32,998)	(24,600)
Other operating expenses	(117,543)	(93,373)	(48,358)	(31,438)
<b>Total operating expenses</b>	<b>(216,941)</b>	<b>(168,357)</b>	<b>(81,356)</b>	<b>(56,038)</b>
<b>Operating profit/(loss)</b>	<b>27,825</b>	<b>(83,370)</b>	<b>(2,922)</b>	<b>25,562</b>
Net finance costs	(44,934)	(41,747)	(14,697)	(14,737)
<b>(Loss)/profit before tax</b>	<b>(17,109)</b>	<b>(125,117)</b>	<b>(17,619)</b>	<b>10,825</b>
Taxation credit/(charge) on ordinary activities	846	23,800	2,221	(1,709)
<b>(Loss)/profit after tax</b>	<b>(16,263)</b>	<b>(101,317)</b>	<b>(15,398)</b>	<b>9,116</b>
<b>Other comprehensive (loss)/income:</b>				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign exchange translation difference arising on revaluation of foreign operations	(6,078)	9,506	388	(28)
Movement on the hedging reserve	50	210	15	43
<b>Total comprehensive (loss)/income for the period</b>	<b>(22,291)</b>	<b>(91,601)</b>	<b>(14,995)</b>	<b>9,131</b>
<b>(Loss)/profit attributable to:</b>				
Owners of the Company	(16,411)	(100,631)	(15,473)	9,140
Non-controlling interest	148	(686)	75	(24)
	<b>(16,263)</b>	<b>(101,317)</b>	<b>(15,398)</b>	<b>9,116</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

		Unaudited 30 September 2021 £000	Audited 31 December 2020 £000	As represented unaudited 30 September 2020 £000
<b>Assets</b>	Note			
Cash and cash equivalents		129,405	182,892	237,807
Trade and other receivables		55,630	71,372	53,233
Portfolio investments – amortised cost	2	729,028	793,554	795,195
Portfolio investments – FVTPL	2	262,309	187,421	163,043
Portfolio investments – real estate inventories	2	52,068	61,240	63,362
Property, plant and equipment		16,818	17,612	23,189
Intangible assets		38,826	38,709	37,937
Deferred tax asset		38,411	31,782	40,358
Goodwill		270,027	278,338	281,085
<b>Total assets</b>		<b>1,592,522</b>	<b>1,662,920</b>	<b>1,695,209</b>
<b>Liabilities</b>				
Bank overdrafts	3	1,712	3,648	5,888
Revolving credit facility	3	229,761	277,552	281,013
Derivative liability		58	83	92
Trade and other payables		191,898	166,965	154,146
Current tax liability		2,426	2,110	7,174
Other borrowings	3	2,369	3,247	4,374
Asset-backed loans	3	74,634	143,985	175,828
Senior secured notes	3	965,550	930,575	934,368
Deferred tax liability		18,694	18,056	20,706
<b>Total liabilities</b>		<b>1,487,102</b>	<b>1,546,221</b>	<b>1,583,589</b>
<b>Equity</b>				
Share capital		1,774	1,774	1,771
Share premium		347,436	347,436	347,436
Retained earnings		33,090	38,506	30,705
Hedging reserve		(17)	(67)	(210)
Other reserves		(280,512)	(274,451)	(271,686)
<b>Total equity attributable to shareholders</b>		<b>101,771</b>	<b>113,198</b>	<b>108,016</b>
Non-controlling interest		3,649	3,501	3,604
<b>Total equity</b>		<b>105,420</b>	<b>116,699</b>	<b>111,620</b>
<b>Total equity and liabilities</b>		<b>1,592,522</b>	<b>1,662,920</b>	<b>1,695,209</b>

The September 2020 balance sheet has been re-presented to show £13,309,000 of bank balances subject to certain restrictions within cash and cash equivalents in the period, that were previously shown within trade and other receivables. See the unaudited consolidated statement of cash flows on page 7 for more detail.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 30 September 2021

	Share capital £000	Other equity reserves £000	Total £000	Non-controlling interest £000	Total £000
<b>Balance at 1 January 2020</b>	1,769	195,623	197,392	4,465	201,857
Loss for the period	–	(100,631)	(100,631)	(686)	(101,317)
Exchange differences	–	9,506	9,506	–	9,506
Net fair value gains - cash flow hedges	–	346	346	–	346
Tax on hedged items	–	(136)	(136)	–	(136)
<b>Total comprehensive loss for the period</b>	–	<b>(90,915)</b>	<b>(90,915)</b>	<b>(686)</b>	<b>(91,601)</b>
Shares issued	2	–	2	–	2
Repurchase of own shares	–	(561)	(561)	–	(561)
Share-based payments net of tax	–	1,950	1,950	–	1,950
Purchase of non-controlling interest	–	232	232	(232)	–
Change in non-controlling interest	–	(84)	(84)	57	(27)
<b>Balance at 30 September 2020 (unaudited)</b>	<b>1,771</b>	<b>106,245</b>	<b>108,016</b>	<b>3,604</b>	<b>111,620</b>
Profit/(loss) after tax	–	7,802	7,802	(102)	7,700
Exchange differences	–	(2,765)	(2,765)	–	(2,765)
Net fair value gains - cash flow hedges	–	81	81	–	81
Tax on hedged items	–	65	65	–	65
<b>Total comprehensive profit/(loss) for the period</b>	–	<b>5,183</b>	<b>5,183</b>	<b>(102)</b>	<b>5,081</b>
Shares issued	3	–	3	–	3
Repurchase of own shares	–	(1)	(1)	–	(1)
Share-based payments net of tax	–	(4)	(4)	–	(4)
Change in non-controlling interest	–	1	1	(1)	–
<b>Balance at 31 December 2020 (audited)</b>	<b>1,774</b>	<b>111,424</b>	<b>113,198</b>	<b>3,501</b>	<b>116,699</b>
(Loss)/profit for the period	–	(16,411)	(16,411)	148	(16,263)
Exchange differences	–	(6,078)	(6,078)	–	(6,078)
Net fair value gains - cash flow hedges	–	62	62	–	62
Tax on hedged items	–	(12)	(12)	–	(12)
<b>Total comprehensive (loss)/profit for the period</b>	–	<b>(22,439)</b>	<b>(22,439)</b>	<b>148</b>	<b>(22,291)</b>
Movement in own share reserve	–	16	16	–	16
Share-based payments net of tax	–	10,996	10,996	–	10,996
<b>Balance at 30 September 2021 (unaudited)</b>	<b>1,774</b>	<b>99,997</b>	<b>101,771</b>	<b>3,649</b>	<b>105,420</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 30 September 2021

	Unaudited period ended 30 September 2021 £000	As represented unaudited period ended 30 September 2020 £000
<b>Net cash flows from operating activities before purchases of portfolio investments</b>	<b>184,951</b>	<b>110,143</b>
Purchase of portfolio investments	(117,016)	(64,168)
<b>Net cash generated by operating activities</b>	<b>67,935</b>	<b>45,975</b>
<b>Net cash used in investing activities</b>	<b>(20,849)</b>	<b>(18,277)</b>
<b>Net cash flows (used in)/generated by financing activities</b>	<b>(98,338)</b>	<b>85,908</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(51,252)</b>	<b>113,606</b>
Cash and cash equivalents at beginning of period	182,892	115,376
Effect of exchange rates on cash and cash equivalents	(2,235)	8,825
<b>Cash and cash equivalents at end of period</b>	<b>129,405</b>	<b>237,807</b>

Included within cash and cash equivalents is £9,973,000 (2020: £13,309,000) of cash, which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. The 2020 reconciliation above has been re-presented to remove these amounts from the net cash generated/used by operating activities, as in the prior reporting they were included within this line item, but are now included within cash and cash equivalents at the beginning and end of each period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Significant accounting policy updates

These financial statements are unaudited and do not include all the information required for 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 Group’s consolidated annual report and accounts for the year ended 31 December 2020.

The Group’s consolidated annual report and accounts are prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006 (‘Adopted IFRS’) and also in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, these financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Group’s published consolidated annual report and accounts for the year ended 31 December 2020.

The consolidated annual report and accounts for the year ended 31 December 2020 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.arrowglobal.net](http://www.arrowglobal.net).



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

### 2. Portfolio investments

The movements in portfolios investments were as follows:

#### Period ended 30 September 2021

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2021	793,554	187,421	61,240	1,042,215
Portfolios purchased during the period	22,885	94,131	-	117,016
Collections in the period	(202,098)	(44,967)	(9,911)	(256,976)
Income from portfolio investments at amortised cost	101,930	-	-	101,930
Fair value gains on portfolio investments at FVTPL	-	34,577	-	34,577
Income from portfolio investments - real estate inventories	-	-	1,585	1,585
Net impairment gains/(losses)	22,400	-	(175)	22,225
Exchange and other movements	(9,643)	(8,853)	(671)	(19,167)
As at 30 September 2021	<b>729,028</b>	<b>262,309</b>	<b>52,068</b>	<b>1,043,405</b>

#### Year ended 31 December 2020

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2020	932,199	169,799	61,626	1,163,624
Portfolios purchased during the period	47,169	62,681	-	109,850
Balance sheet cash collections in the year	(287,662)	(46,074)	(5,136)	(338,872)
Income from portfolio investments at amortised cost	164,597	-	-	164,597
Fair value gain on portfolio investments at FVTPL	-	4,976	-	4,976
Income from portfolio investments - real estate inventories	-	-	492	492
Net impairment losses	(100,022)	-	(414)	(100,436)
Exchange and other movements	37,273	(3,961)	4,672	37,984
As at 31 December 2020	<b>793,554</b>	<b>187,421</b>	<b>61,240</b>	<b>1,042,215</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

### 2. Portfolio investments (*continued*)

#### Period ended 30 September 2020

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2020	932,199	169,799	61,626	1,163,624
Portfolios purchased during the period	35,537	28,631	–	64,168
Collections in the period	(217,788)	(38,572)	(4,513)	(260,873)
Income from portfolio investments at amortised cost	128,948	–	–	128,948
Fair value losses on portfolio investments at FVTPL	–	(4,454)	–	(4,454)
Income from portfolio investments - real estate inventories	–	–	264	264
Net impairment losses	(110,298)	–	(9)	(110,307)
Exchange and other movements	26,597	7,639	5,994	40,230
As at 30 September 2020	<b>795,195</b>	<b>163,043</b>	<b>63,362</b>	<b>1,021,600</b>

### 3. Borrowings and facilities

	30 September 2021 £000	31 December 2020 £000	30 September 2020 £000
<b>Secured borrowing at amortised cost</b>			
Senior secured notes (net of transaction fees of £9,903,000, 31 December 2020: £10,480,000, 30 September 2020: £11,048,000)	965,550	930,575	934,368
Revolving credit facility (net of transaction fees of £2,153,000, 31 December 2020: £2,790,000, 30 September 2020: £3,023,000)	229,761	277,552	281,013
Asset backed loan (net of transaction fees of £1,333,000, 31 December 2020: £4,708,000, 30 September 2020: £4,810,000)	74,634	143,985	175,828
Bank overdrafts	1,712	3,648	5,888
Other borrowings – non-recourse facility	2,369	3,247	4,374
	<b>1,274,026</b>	<b>1,359,007</b>	<b>1,401,471</b>
<b>Total borrowings</b>			
Amount due for settlement within 12 months	287,425	362,427	370,096
Amount due for settlement after 12 months	986,601	996,580	1,031,375

#### Senior secured notes

The senior secured notes at 30 September 2021 comprise three publicly issued Euro and Sterling senior notes secured by substantially all of the assets of the Group; £320 million 5.125% fixed-rate notes due September 2024, €400 million floating rate senior secured notes due April 2025 at a coupon of 3.75% over three-month Euribor and €360 million floating rate senior secured notes, including the €75 million tap, due March 2026 at a coupon of 3.75% over three-month Euribor. The Euro notes are subject to a zero percent floor on Euribor.

**3. Borrowings (*continued*)**

On 12 February 2021, Arrow Global Finance plc issued €75 million senior secured notes maturing 2026, at an issue price of 99%. This tap issue of the existing €285 million senior secured floating rate bonds due 2026 means that all terms and conditions of the new bonds are identical to those of the existing 2026 bonds, except for the issue price. The proceeds from the transaction of €74,250,000 less transaction fees and expenses were used to partially repay drawings under the Group's revolving credit facility.

Post reporting period end, on 27 October, the Group successfully priced €400 million 4.5% Euro fixed rate bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026, with the proceeds being used to prepay our existing bonds and drawings under the replacement revolving credit facility.

**Revolving credit facility**

The £285 million revolving credit facility, provided by a syndicate of banks, was due to mature in January 2024. On 12 August 2020, the Group executed an amendment agreement with its lenders to amend the financial covenants under the facility to reflect the potential impact on the business of COVID-19. The amendments to the financial covenants are for the period from September 2020 up to and including June 2022 and provide suitable headroom based upon the Group's downside projections, including an amendment to the maximum permitted leverage and minimum liquidity, and a move to a more dynamic margin calculation of between 2.50% and 3.25%. On 11 October 2021, the facility was cancelled.

Post reporting period end, on 6 October 2021, the Group entered into a replacement £285 million revolving credit facility with a margin of 325bps, maturing in April 2026. The facility has a similar security package to the cancelled facility and a leverage financial covenant.

**Asset Backed Securitisation**

The Group has two non-recourse committed asset-backed securitisation term loans.

The first loan of £46,264,000 as at 30 September 2021, secured on UK unsecured assets, pays LIBOR plus 3.1%. The Group initially established a £100 million asset-backed facility in April 2019 with £137 million of ERC being sold to a wholly owned subsidiary, AGL Fleetwood Limited and further ERC has been sold to AGL Fleetwood Limited at various times since the initial set up allowing further borrowings to be drawn.

Since 1 January 2020, there has been one such drawing. On 31 March 2020, the Group sold £30 million of ERC into AGL Fleetwood Limited and on 2 April 2020 borrowed an additional £21 million non-recourse funding on the same terms under the facility.

During July 2020, the Group entered into further arrangements in connection with the non-recourse facility to mitigate potential balance sheet cash collections impacts of COVID-19. An additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made. In consideration of the additional ERC pledged, the lender agreed to amend certain performance criteria. Since July 2020, no further drawings have been made.

During July 2020, the Group entered into a second non-recourse amortising loan of €104,700,000, which was fully drawn during the month. This loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%. The outstanding amount of the loan as at 30 September 2021 was €34,172,000.

As at 30 September 2021, £278,789,000 of the portfolio investments, set out in note 2, are pledged as collateral for the asset-backed securitisations.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

### 4. Post balance sheet events

On the 11 October 2021, the entire issued and to be issued share capital was acquired by Sherwood Acquisitions Limited, a newly formed company owned by investment funds managed by TDR Capital. On 12 October 2021, the Financial Conduct Authority cancelled the listing of Arrow shares on the London Stock Exchange.

On 6 October 2021, the Group entered into a replacement £285 million revolving credit facility with a margin of 325bps, maturing in April 2026. The facility has a similar security package to the cancelled facility and a leverage financial covenant. The existing £285 million revolving credit facility was cancelled on 11 October 2021.

On 27 October, the Group successfully priced €400 million 4.5% Euro fixed rate bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026, with the proceeds being used to prepay our existing bonds and drawings under the replacement revolving credit facility.

## ADDITIONAL INFORMATION (UNAUDITED)

The adjusted EBITDA reconciliations for the periods ended 30 September 2021 and 30 September 2020 respectively are shown below:

	30 September 2021 £000	30 September 2020 £000
<b>Reconciliation of net cash flow to adjusted EBITDA</b>		
Net cash flow generated by operating activities	67,935	45,975
Purchase of portfolio investments	117,016	64,168
Income taxes paid	3,282	4,351
Working capital adjustments	(40,721)	62,880
Amortisation of acquisition and bank facility fee	–	41
Adjusting items	34,972	–
<b>Adjusted EBITDA</b>	<b>182,484</b>	<b>177,415</b>
<b>Reconciliation of balance sheet cash collections to EBITDA</b>		
Income from portfolio investments including fair value and impairment losses and gains	160,317	14,451
Portfolio amortisation	96,659	246,422
<b>Balance sheet cash collections</b> (includes proceeds from disposal of portfolio investments)	<b>256,976</b>	<b>260,873</b>
Income from asset management and servicing, fund and investment management and other income	84,449	70,536
Operating expenses	(216,941)	(168,357)
Depreciation and amortisation	12,566	12,568
Foreign exchange (gains)/losses	(570)	714
Amortisation of acquisition and bank facility fees	–	41
Loss/(profit) on disposal of intangible asset	36	(910)
Share-based payments excluding adjusting items	1,424	1,950
Adjusting items	44,544	–
<b>Adjusted EBITDA</b>	<b>182,484</b>	<b>177,415</b>
<b>Reconciliation operating profit to EBITDA</b>		
Loss after tax	(16,263)	(101,317)
Net finance costs	44,934	41,747
Tax credit on ordinary activities	(846)	(23,800)
<b>Operating profit/(loss)</b>	<b>27,825</b>	<b>(83,370)</b>
Portfolio amortisation	96,659	246,422
Depreciation and amortisation	12,566	12,568
Foreign exchange (gains)/losses	(570)	714
Amortisation of acquisition and bank facility fees	–	41
Loss/(profit) on disposal of intangible asset	36	(910)
Share-based payments excluding adjusting items	1,424	1,950
Adjusting items	44,544	–
<b>Adjusted EBITDA</b>	<b>182,484</b>	<b>177,415</b>

For more detail on the re-presentations, see the condensed consolidated statement of cash flows on page 7.

## ADDITIONAL INFORMATION (UNAUDITED) (continued)

### Profit before takeover costs

	Unaudited period ended 30 September 2021 £000	Unaudited period ended 30 September 2020 £000
<b>Total income</b>	<b>244,766</b>	<b>84,987</b>
Collection activity and fund management costs	(99,398)	(74,984)
Other operating expenses	(72,999)	(93,373)
<b>Total operating expenses</b>	<b>(172,397)</b>	<b>(168,357)</b>
<b>Operating profit/(loss)</b>	<b>72,369</b>	<b>(83,370)</b>
Net finance costs	(44,934)	(41,747)
<b>Profit/(loss) before tax and takeover costs</b>	<b>27,435</b>	<b>(125,117)</b>
Taxation (charge)/credit on underlying activities	(2,840)	23,800
<b>Profit/(loss) after tax before takeover costs</b>	<b>24,595</b>	<b>(101,317)</b>
<b>Non-controlling interest</b>	<b>(148)</b>	<b>686</b>
<b>Profit/(loss) before takeover costs attributable to owners of the company</b>	<b>24,447</b>	<b>(100,631)</b>
<b>Tax rate on results before takeover costs</b>	<b>10.4%</b>	<b>19.0%</b>

### Reconciliation between IFRS profit and profit before takeover costs:

	30 September 2021 profit before tax £000	30 September 2021 tax £000	30 September 2021 profit after tax £000	30 September 2020 profit before tax £000	30 September 2020 tax £000	30 September 2020 profit after tax £000
<b>IFRS profit/(loss)</b>	<b>(17,109)</b>	<b>846</b>	<b>(16,263)</b>	<b>(125,117)</b>	<b>23,800</b>	<b>(101,317)</b>
Adjusting items:						
Deal costs, share-based payment acceleration, retention and incentive payments	44,544	(3,686)	40,858	–	–	–
<b>Profit/(loss) before takeover costs</b>	<b>27,435</b>	<b>(2,840)</b>	<b>24,595</b>	<b>(125,117)</b>	<b>23,800</b>	<b>(101,317)</b>

Adjusting items are those items that by virtue of their size, nature or incidence (ie 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 to get to the profit before takeover costs.

In light of the acquisition of the business by TDR Capital, a number of costs relating to the acquisition have been included in these results in respect to the Group's professional advisors and other deal related costs, accelerated share-based payments, retention arrangements and incentive payments for key personnel across the takeover period.

## ADDITIONAL INFORMATION (UNAUDITED) (continued)

The table below reconciles the reported profit after tax for the period to the free cash flow result.

### Reconciliation of profit after tax to the free cash flow result

Income	Reported profit £000	Other items £000	Free cash flow £000	
Income from portfolio investments	101,930	155,046	256,976	Balance sheet cash collections in the period
Fair value gain on portfolio investments at FVTPL	34,577	(34,577)	–	
Impairment gains on portfolio investments at amortised cost	22,225	(22,225)	–	
Income from portfolio investments – real estate inventories	1,585	(1,585)	–	
Income from asset management and servicing and fund and investment management	84,413	–	84,413	Income from AMS and FIM
Other income	36	–	36	Other income
<b>Total income<sup>1</sup></b>	<b>244,766</b>	<b>96,659</b>	<b>341,425</b>	Cash income
<b>Total operating expenses</b>	<b>(216,941)</b>	<b>58,000<sup>2</sup></b>	<b>(158,941)</b>	Cash operating expenses
<b>Operating profit</b>	<b>27,825</b>	<b>154,659</b>	<b>182,484</b>	Adjusted EBITDA <sup>4</sup>
Net financing costs	(44,934)	(2,539) <sup>3</sup>	(47,473)	Cash financing costs
<b>(Loss)/profit before tax</b>	<b>(17,109)</b>	<b>152,120</b>	<b>135,011</b>	
Taxation credit/(charge) on ordinary activities	846	(4,128)	(3,282)	Cash taxation
<b>(Loss)/profit after tax</b>	<b>(16,263)</b>	<b>147,992</b>	<b>131,729</b>	
			<b>(12,538)</b>	Capital expenditure
			<b>119,191</b>	<b>Free cash flow<sup>5</sup></b>

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

<sup>2</sup> Includes non-cash items including depreciation and amortisation, share-based payment charges and FX.

<sup>3</sup> Non-cash amortisation of fees and interest.

<sup>4</sup> Adjusted EBITDA is a key driver to free cash flow. This measure allows us to monitor the operating performance of the Group. See additional information provided on page 13 for detailed reconciliations of adjusted EBITDA.

<sup>5</sup> Free cash flow is the adjusted EBITDA after the effect of capital expenditure and working capital movements.

## GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES

APM	Definition	Why is the measure used?
Adjusted EBITDA	The Adjusted EBITDA figure represents the Group's earnings before interest, tax, depreciation and amortisation, adjusted for any non-cash income or expense items.	Adjusted EBITDA is an approximate measure of the underlying cash EBITDA of the Group. In addition, the leverage ratio of the Group is calculated as the ratio of secured net debt to Adjusted EBITDA. This makes the Adjusted EBITDA figure a key component of this metric, which also features in the Group's banking covenant measures.
Free cash flow	The free cash flow represents current cash generation on a sustainable basis and is calculated as Adjusted EBITDA less cash interest, income taxes and overseas taxation paid, purchase of property, plant and equipment and purchase of intangible assets.	Free cash flow provides a measure of how much cash the Group generates across the reporting period which it can utilise on a discretionary basis.
Balance sheet cash collections	Balance sheet cash collections represent cash collections on the Group's existing portfolio investments including ordinary course portfolio sales and put-backs.	Balance sheet cash collections is a key metric as it represents the Group's most significant cash inflow. It is also a key component of Adjusted EBITDA which is used to calculate the Group's leverage position.
84-month ERC	The 84-month ERC means the Group's estimated remaining balance sheet cash collections on portfolio investments (of all classifications) over the next 84-months, representing the expected future balance sheet cash collections on portfolio investments during this period. The expected future balance sheet cash collections are calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time.	The 84-month ERC is particularly important for the Group as it shows the forecast cash inflows over the same period that is used to calculate the future cash flows of the Group's portfolio investments.
120-month ERC	The 120-month ERC means the Group's estimated remaining balance sheet cash collections on portfolio investments (of all classifications) over the next 120-months, representing the expected future balance sheet cash collections on portfolio investments during this period. The expected future balance sheet cash collections are calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time.	The 120-month ERC is an important metric for the Group as in some cases the collection profile of a particular portfolio can extend beyond 84-months, and as such, the 120-month ERC gives a more holistic view of potential remaining balance sheet cash collections from the Group's portfolio investments.
Leverage	Leverage is calculated as secured net debt over Adjusted EBITDA.	The leverage metric provides an indication of the level of indebtedness of the Group, relative to its underlying cash earnings.



## GLOSSARY OF OTHER ITEMS

**'ACO 1'** is Arrow Credit Opportunities Scsp, our first closed fund encompassing all fund vehicles.

**'ACO 2'** is Arrow Credit Opportunities Scsp, our second closed fund encompassing all fund vehicles.

**'Adjusted EBITDA'**. See the glossary of alternative performance measures on page 16 for the definition.

**'AMS'** Income from Asset Management and Servicing (AMS) contracts. The Group recognises revenue when it satisfies a performance obligation related to a service it has undertaken to provide to a customer.

**'APM'** means alternative performance measure.

**'Capital-light % of Group EBITDA'** is the Asset Management Servicing and Fund and Investment Management segment EBITDAs as a percentage of total EBITDA.

**'EBITDA'** means earnings before interest, taxation, depreciation and amortisation.

**'ERC'** means Estimated Remaining Collections. See the glossary of alternative performance measures on page 16 for the definition of 84-month ERC and 120-month ERC.

**'FIM'** means Fund and Investment Management.

**'Free cashflow'** or **'FCF'** means adjusted EBITDA after the effects of capital expenditure, financing and tax cash impacts.

**'Funds under management (FUM)'** means the value of all fund management assets managed by Arrow Global Group Limited, including Arrow Credit Opportunities, Norfin Investimentos, Europa Investimenti, Saggita and any of Arrow's own capital which it has committed to invest alongside third-parties committed capital. FUM is an important metric used to understand the scale of the Group's Fund and Investment Management business and how this compares to others in the market.

**'FVTPL'** – means financial instruments designated at fair value with all gains or losses being recognised in the profit or loss.

**'FY'** means full year being the 12 months to 31 December 2020.

## GLOSSARY OF OTHER ITEMS *(continued)*

‘**Gross income**’ includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-group income for Asset Management and Servicing and fund and investment management, total income for the Balance Sheet Business and other income.

	<b>30 September 2021 £000</b>	<b>30 September 2020 £000</b>
Third party AMS income	69,605	61,370
Intra-Group AMS income	28,640	29,712
<b>Gross AMS income</b>	<b>98,245</b>	<b>91,082</b>
Third party FIM income	14,808	8,781
Intra-Group FIM income	12,093	14,164
Income reallocation from Balance Sheet business	8,098	894
<b>Gross FIM income</b>	<b>34,999</b>	<b>23,839</b>
Balance Sheet Business income	160,317	14,451
Income reallocation to FIM business	(8,098)	(894)
<b>Gross Balance Sheet business income</b>	<b>152,219</b>	<b>13,557</b>
<b>Other income</b>	<b>36</b>	<b>385</b>
<b>Gross income</b>	<b>285,499</b>	<b>128,863</b>

‘**IFRS**’ means EU adopted international financial reporting standards.

‘**Income from AMS**’ includes commission income, debt collection, due diligence, real estate management, and advisory fees.

‘**Leverage**’ is secured net debt to LTM Adjusted EBITDA. See the glossary of alternative performance measures on page 16 for more detail.

‘**Liquidity headroom**’ is cash on balance sheet, excluding the reclassified cash as detailed in the unaudited consolidated statement of cash flows on page 7, together with headroom on committed facilities.

‘**LSE**’ means the London Stock Exchange.

‘**LTM**’ means last twelve months and is calculated by the addition of the consolidated financial data for the year ended 31 December 2020 and the consolidated financial data for the nine months to 30 September 2021, and the subtraction of the consolidated financial data for the nine months to 30 September 2020.

‘**NCI**’ means non-controlling interest.

‘**Net deal IRR**’ means the internal rate of return adjusted for latest actual collections and ERCs.

## GLOSSARY OF OTHER ITEMS *(continued)*

**‘Net debt’** means the sum of the outstanding principal amount of the senior secured notes and asset-backed loans, interest thereon, amounts outstanding under the revolving credit facility and deferred consideration payable in relation to the acquisition of portfolio investment, 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 as at 30 September 2021 is as follows:

	<b>30 September 2021 £000</b>	<b>31 December 2020 £000</b>
Cash and cash equivalents	(129,405)	(182,892)
Senior secured notes (pre-transaction fees net off)	973,843	935,487
Revolving credit facility (pre-transaction fees net off)	231,914	280,342
Asset-backed loans (pre-transaction fees net off)	75,689	148,044
<b>Secured net debt</b>	<b>1,152,041</b>	<b>1,180,981</b>
Deferred consideration – portfolio investments	12,076	12,038
Deferred consideration – business acquisitions	11,429	20,130
Senior secured loan notes interest	1,610	5,568
Asset backed loan interest	278	649
Bank overdrafts	1,712	3,648
Other borrowings	2,369	3,247
<b>Net debt</b>	<b>1,181,515</b>	<b>1,226,261</b>

**‘Portfolio amortisation’** represents total balance sheet cash collections plus income from portfolio investments.

**‘Portfolio investments’** are on the Group’s statement of financial position and represent all debt portfolios that the Group owns at the relevant point in time. A portfolio comprises a group of customer accounts purchased in a single transaction.

**‘Secured net debt’** see table in ‘net debt’ definition.