



INTELLIGENT ANALYSIS
FAIR SOLUTIONS

Q1 2013 Results

May 30 2013

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I. Strategy and Q1 Highlights

II. Q1 Performance Summary

III. Outlook

IV. Q&A

Vision

To be the leading data-driven debt purchaser

Strategy

- > Grow ERC¹ whilst maintaining rigorous underwriting discipline and purchases in line with recent levels
- > Optimise cost to collect whilst maintaining a flexible cost base
- > Maintain a leading position in UK financial services and Portugal
- > Utilise data capability to invest in portfolios underpinned by paying accounts, with the opportunity to convert non-paying accounts
- > Establish Arrow as the most admired debt purchaser with a leading position in compliance, risk management and treating customers fairly

1. Estimated remaining collections

Compliance

- FCA readiness programme fully underway
- Investment in head count

Data Assets

- Extension of Experian contract to 2023
- Over 6m accounts under management including 4.7m purchased accounts
- Increase in PCB¹ records to 12m enabling sustainable pre-purchase match rates of 30%

Portfolio Purchases

- Purchases £33.4m, compared with £6.9m in Q1 2012
- Total face value acquired £804.7m underpinned by 91% paying accounts
- £8.6bn assets under management including £6.6bn of purchased accounts

ERC²

- 84-month ERC up 54.1% to £507m
- 120-month ERC up 54.6% to £591m
- Current paying face value up to £1.0bn, 2x 84 month ERC

Adjusted EBITDA

- Increase of 31.9% to £19m

Leverage

- Net debt/84-month ERC 39.6%
- Significant headroom on covenants

1. Pilot Collections Bureau, developed in conjunction with Experian
2. Estimated remaining collections

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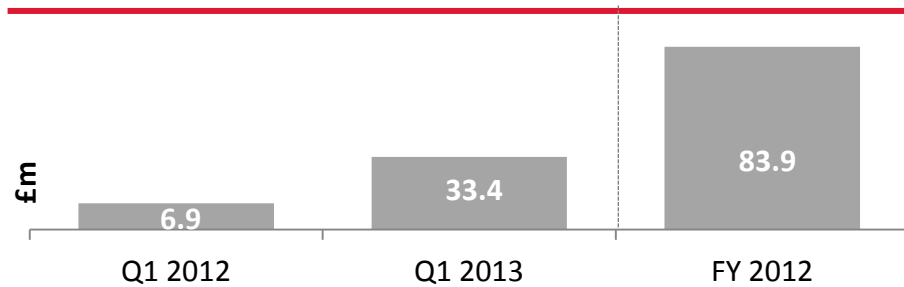
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KPIs	31-Dec-12	31-Mar-13	31-Mar-12
	£m	£m	£m
84-month ERC	464.4	507.2	329.1
120-month ERC	551.3	590.6	381.9
Purchases of loan portfolios	83.9	33.4	6.9
Number of accounts (thousands)	3562	4737	3289
Number of loan portfolios	96	99	78
Core collections	88.7	27.4	20.6
Collection activity costs	19.6	6.1	4.7
Collection activity cost ratio (%)	22.1%	22.4%	22.6%
Adjusted EBITDA	61.9	19.0	14.4
Adjusted EBITDA ratio	69.8%	69.4%	69.9%

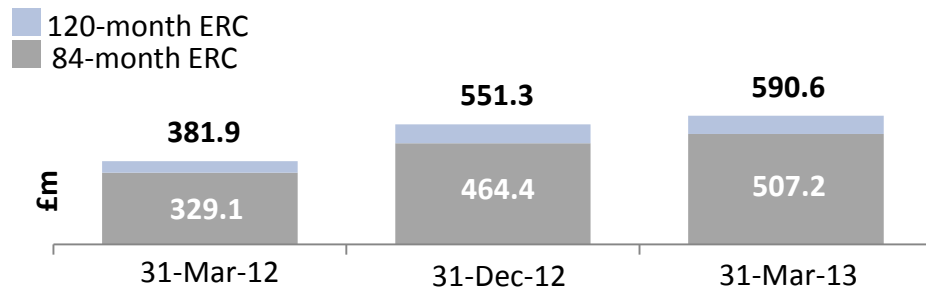
- > Purchased >1m customer accounts in three portfolios
- > Brings face value of total assets under management to £8.6bn, including £6.6bn of purchased portfolios
- > Core collections up 33.0% to £27.4m
- > Adjusted EBITDA up 31.9% to £19m

Portfolio Purchases¹



	Q1 2012			Q1 2013			12m Dec 2012		
	FY ²	Pp ³	%	FY ²	Pp ³	%	FY ²	Pp ³	%
	£m			£m			£m		
Paying	17.0	24.0p	59.1%	188.0	16.2p	91.1%	404.0	17.2p	82.6%
Non-Paying	33.8	8.3p	40.9%	616.7	0.5p	8.9%	489.4	3.0p	17.4%
Total	50.8	13.6p	100.0%	804.7	4.2p	100.0%	893.4	9.4p	100.0%

84 and 120-Month Gross ERC (£m)



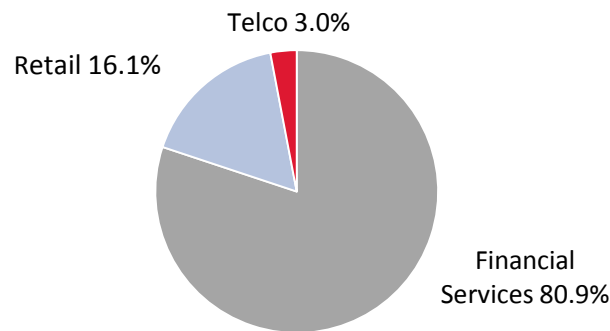
Key Highlights

- > Acquired portfolios with a face value of £804.7m for £33.4m, bringing purchases for last 12 months to £110.4m
- > 91% of the purchase price underpinned by paying accounts
 - Optimising risk adjusted returns
 - Our data capability is applied to the non paying portion to deliver upside
- > Total face value of purchased loan portfolios £6.6bn (31 December 2012: £5.9bn)
 - > 84-month ERC up 54.1% to £507.2m
 - > 120-month ERC up 54.6% to £590.6m
- > Current face value of accounts that have paid Arrow in the last 3 months has increased to £1bn representing 2 x 84 month ERC

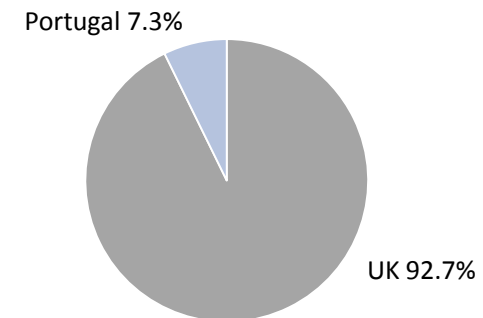
1. Purchased loan portfolios represents the purchase price of our purchased loan portfolios excluding related acquisition expenses.
 2. Face value of purchased portfolios
 3. Purchase price of purchased portfolios

- > 4.7m accounts with average account balance of £1,461
 - Average UK balance of £1,286 and Portugal balance of £4,294
 - Average balance of Financial Services debt of £3,279, Retail of £477 and Telco of £314

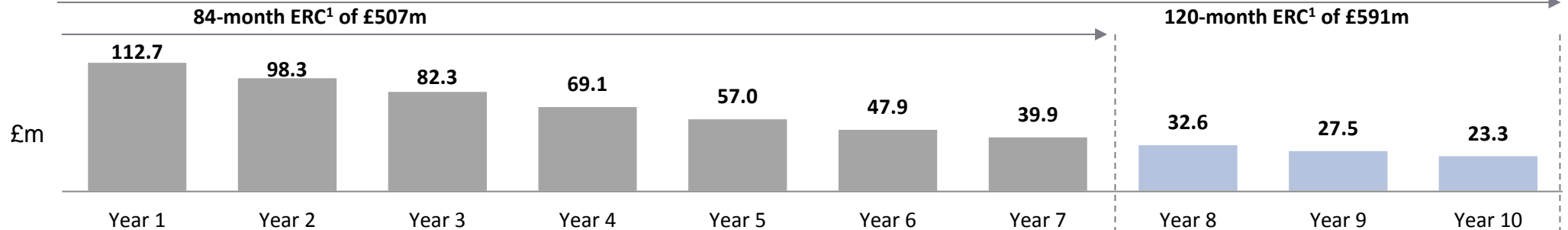
Split by Asset Class – Purchase Cost (31 March 2013)



Split by Geography – Purchase Cost (31 March 2013)

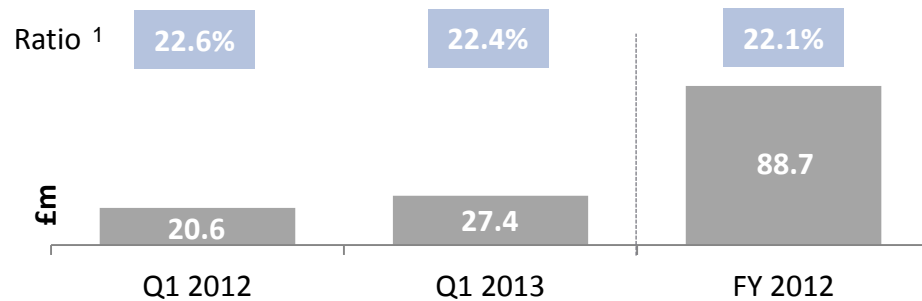


ERC¹ Recovery (31-Mar-2013)

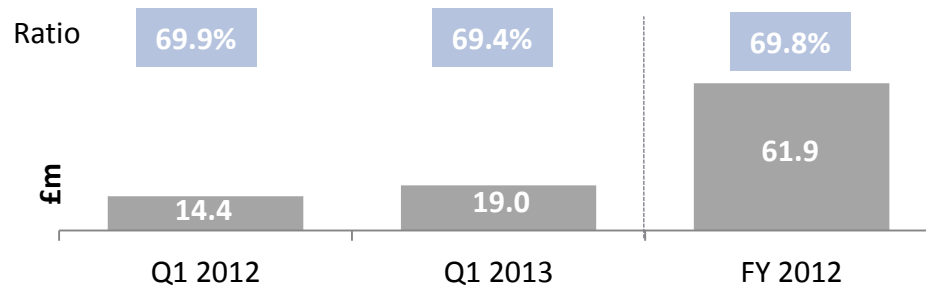


1. Aggregate amount of estimated remaining collections projected to be received by members of the Group from all portfolio accounts owned by members of the Group during the period of 84 months, as calculated by the Portfolio ERC Model, as at the last day of the month most recently ended prior to the date of calculation.

Core Collections



Adjusted EBITDA



Key Highlights

- > Core collections up 33.0% to £27.4m driven by portfolio acquisitions and improved matching rates
- > Cumulative gross collections 103% of pre purchase underwriting projection
- > Collections relating to long-term agreed regular repayment programmes maintained at 76%
- > Collection activity cost ratio has remained consistent with prior year
- > Adjusted EBITDA up 31.9% to £19m (Q1 2012: £14.4m)
- > Adjusted EBITDA ratio is maintained, for every £1 we collect we convert 70p into adjusted EBITDA our proxy for free cash flow

1. Collection activity cost ratio

- > Successful £220m bond issue increases flexibility and liquidity to continue expansion
 - 7.875% coupon dated 2020
 - Proceeds used to repay existing liabilities and support operations
- > Net debt at 31 March £200.8m (at issuance: £179.4m)
 - Leverage ratio² of 39.6%
- > £40m revolving credit facility undrawn at 31 March
- > Significant headroom on LTV¹ and SSLTV² covenants

Net Debt	At Issuance	31-Mar-13
	£m	£m
Cash and equivalents	40.6	19.2
RCF Bank loan	-	-
Senior secured notes	(220.0)	(220.0)
	<u>(179.4)</u>	<u>(200.8)</u>

Bond covenants	Covenant	31-Mar-13
SSLTV ²	25%	-
LTV ¹	75%	39.6%

1. Leverage ratio: net debt / 84-Month ERC

2. Net drawn position of revolving credit facility less cash on balance / 84-Month ERC

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- > Strong start to Q2 with four acquisitions to date including:
 - Large financial services portfolio
 - Effico assets from BNP Paribas
 - Second investment in student loans
- > Investing in new data sources
- > Well positioned to benefit from an increasing flow of attractive portfolios opportunities coming to market

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Q&A

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