



INTELLIGENT ANALYSIS  
FAIR SOLUTIONS

## **H1 & Q2 2013 Results**

August 14 2013

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**I. Strategy and H1 Highlights**

II. H1 Performance Summary

III. Outlook

IV. Q&A

Vision

**To be the leading data-driven debt purchaser**

Strategy

- Growing the business whilst maintaining rigorous underwriting discipline
- Optimising cost to collect whilst maintaining a flexible cost base
- Utilising data capability to invest in portfolios underpinned by paying accounts, with the opportunity to convert non-paying accounts
- Establishing Arrow as the most respected debt purchaser with a leading position in compliance, risk management and treating customers fairly
- Maintaining a prudent balance sheet
- Maintaining a leading position in the UK and Portuguese debt purchase markets
- Pursuing a disciplined approach to expanding into new asset classes and geographies

### Compliance

- FCA readiness programme progressing well
- Appointment of Steve Greenwood as Chief Risk Officer
- Continuing to lead industry efforts to improve standards

### Data Assets

- Extension of Experian contract to 2023
- Owned customer accounts 4.9 million at 30 June 2013 (31 December 2012: 3.6 million)
- Increase in PCB<sup>1</sup> records to 13.4 million at 30 June 2013 (31 December 2012: 11 million)

### Portfolio Purchases

- Purchases £68.5 million<sup>2</sup>, compared with £30.8 million in H1 2012
- Total face value acquired £999 million underpinned by 85.1% paying accounts
- £8.5 billion assets under management including £6.9 billion of purchased portfolios

### ERC<sup>3</sup>

- 84-month ERC up 41.4% to £548.7 million at 30 June 2012 (H1 2012: £388.0 million)
- 120-month ERC up 36.8% to £637.4 million (H1 2012: £466.1 million)
- Current paying face value up to £1.1 billion, 2.1 times 84-month ERC

### Adjusted EBITDA

- Increase of 44.2% to £43.4 million (H1 2012: £30.1 million, last 12 months (LTM) to June 2013: £75.3 million)
- Adjusted EBITDA ratio<sup>4</sup> 69.5% (H1 2012: 71.5%, LTM: 69.0%)

### Leverage

- Net debt<sup>5</sup> at 30 June 2013: £217.4 million
- Leverage ratio<sup>6</sup> 39.6%

1. Proprietary Collections Bureau, developed in conjunction with Experian

2. Includes £0.5 million of student loan investments held as loan notes

3. Estimated remaining collections on purchased loan portfolios over an 84-month/120 month period, as applicable

4. Adjusted EBITDA/core collections

5. Debt owed to third parties and cash and cash equivalents, but not including Shareholder Loan Notes or unamortised bank arrangement fees, as applicable

6. Leverage ratio – net debt/84-month ERC

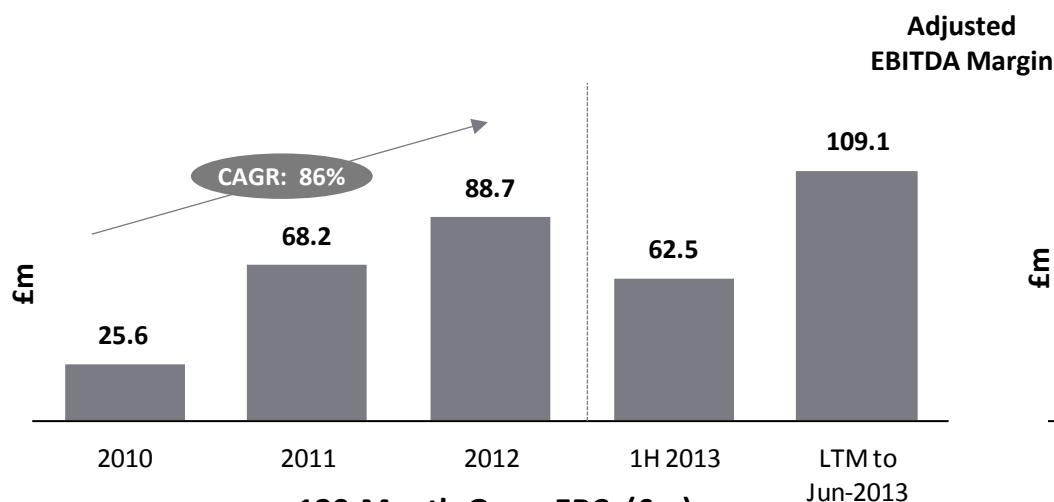
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**II. H1 Performance Summary**

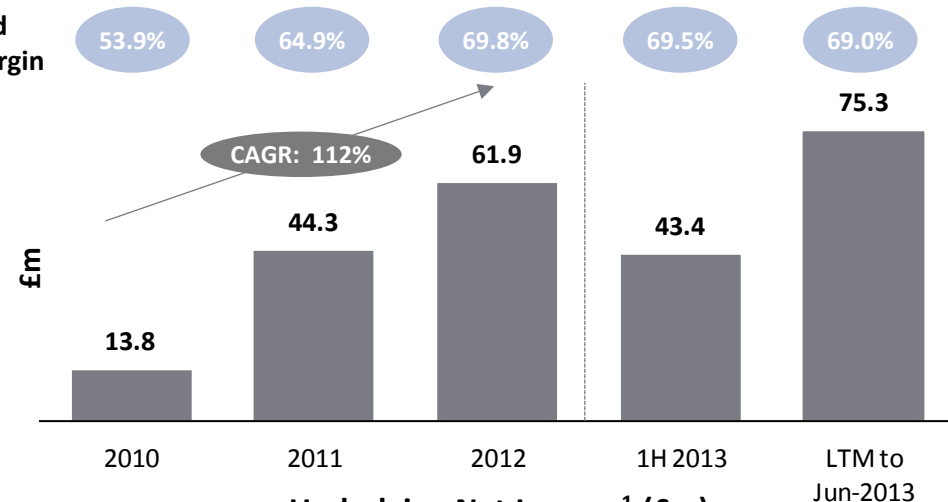
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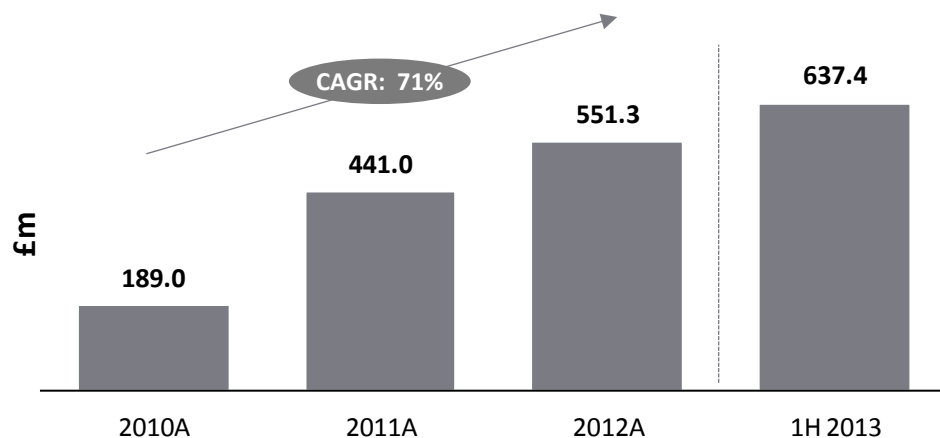
**Core Cash Collections (£m)**



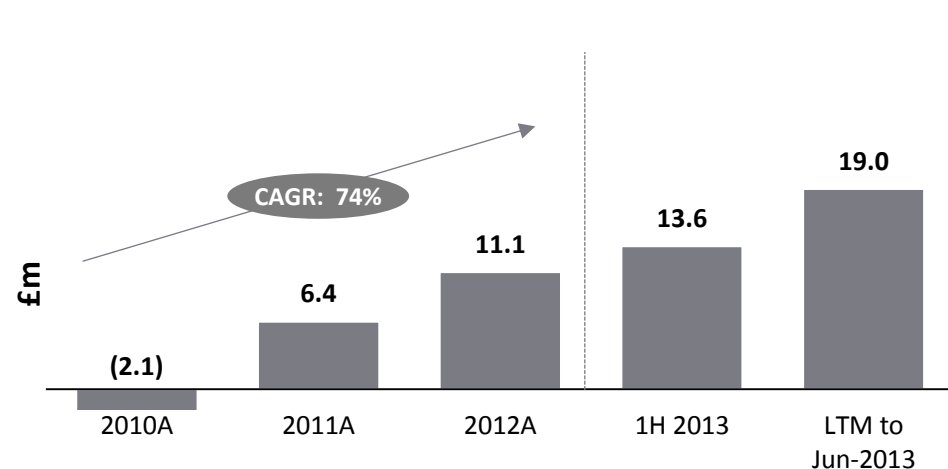
**Adjusted EBITDA (£m)**



**120-Month Gross ERC (£m)**

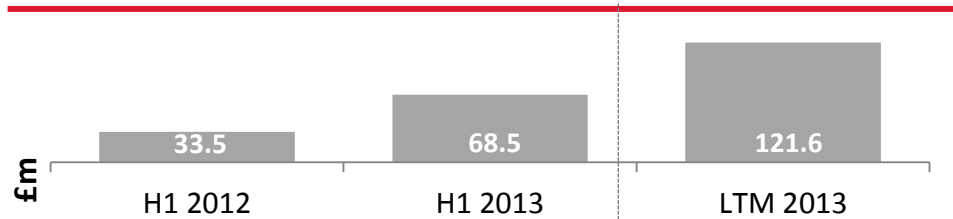


**Underlying Net Income<sup>1</sup> (£m)**

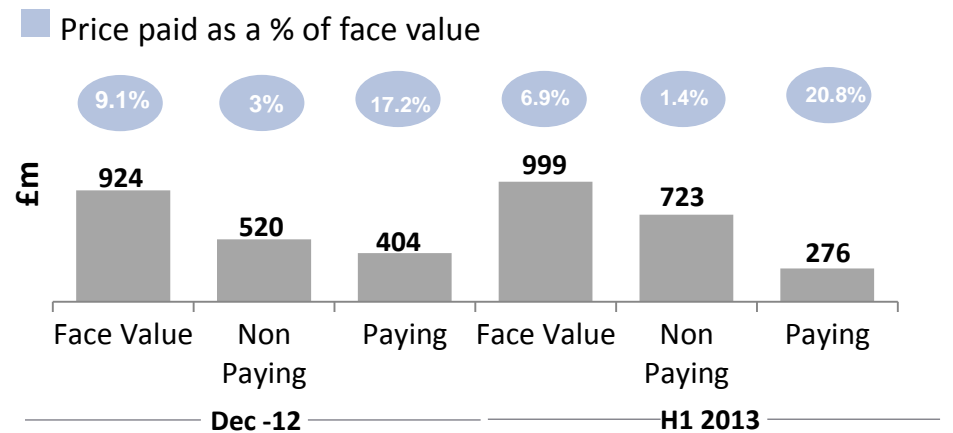


1. Net income adjusting for post-tax effect of exceptionals. Net income is equivalent to profit/(loss) for the period attributed to equity shareholders.

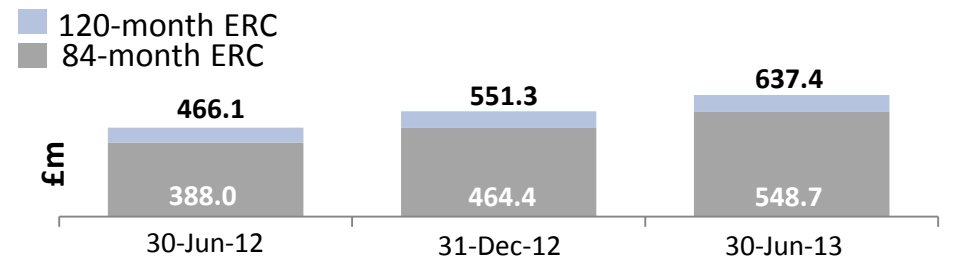
## Portfolio Purchases<sup>1</sup>



### Face Value of Portfolio Purchases



### 84 and 120-Month Gross ERC (£m)



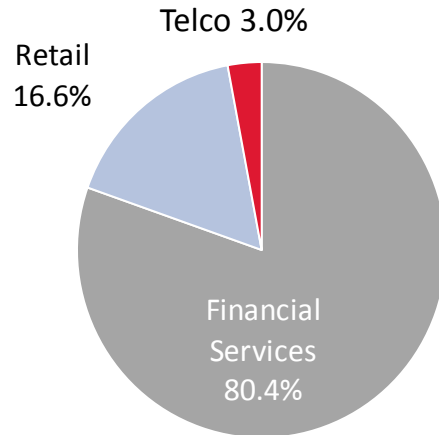
## Key Highlights

- Acquired portfolios with a face value of £999 million for £68.5 million
- 85.1% 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
- 84-month ERC up 41.4% to £548.7 million at 30 June 2013 (30 June 2012: £388.0 million)
- 120-month ERC up 36.8% to £637.4 million at 30 June 2013 (30 June 2012: £466.1 million)
- Current face value of accounts that have paid Arrow in the last 3 months has increased to £1.1 billion, representing 2.1 times 84-month ERC

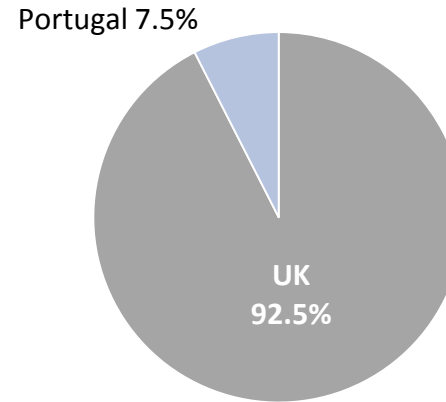
1. Purchased loan portfolios represents the purchase price of our purchased loan portfolios excluding related acquisition expenses.



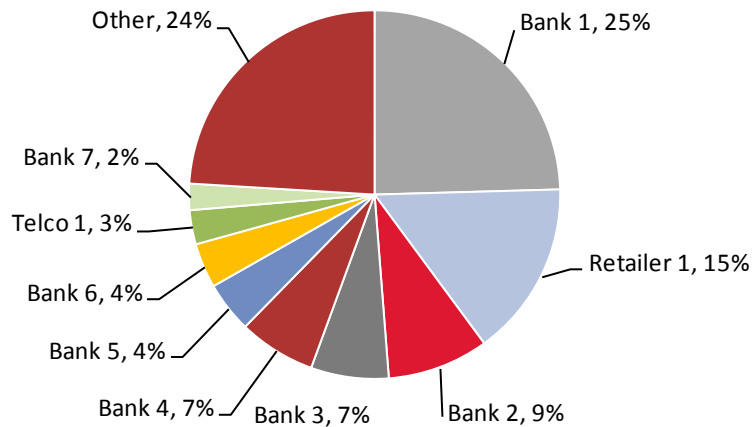
**Portfolio Split by Asset Class – Purchase Cost (to Jun-2013)**



**Portfolio Split by Geography – Purchase Cost (to Jun-2013)**



**Split by Originator – Purchase Cost (to Jun-2013)**



**Key Highlights**

- Mainly invested in the UK – £5.9 billion by face value
- £1.0 billion portfolio in Portugal by face value
- 4.9 million total purchased accounts with average account balance of £1,406
  - Average balance of financial services debt of £2,490, retail of £475 and telco of £322
  - Average balance of paying accounts of £2,501
- Over £1.6 billion of asset management receivables under management
- Actual cash collections for LTM to June 2013 is 100% of ERC forecast from June 2012 for portfolios owned at that time

## Indebtedness – as of Jun-2013 (£m)

### Key Metrics

Cash and Cash Equivalents	(10.0)
Bond	220.0
Accrued Bond Interest	7.4
Revolving Credit Facility	-

<b>Net Debt</b>	<b>217.4</b>
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LTM Adjusted EBITDA	75.3
84-Month ERC	548

### Leverage Metrics

Net Debt / Adjusted EBITDA	2.9x
LTV (Net Debt / 84-Month ERC)	39.6%
Adjusted EBITDA Interest Coverage Ratio <sup>1</sup>	4.5x

- Successful £220 million bond issue increases flexibility and liquidity to continue growth
  - 7.875% coupon
  - 2020 maturity
- £40 million 5-year (to 2018) revolving credit facility currently undrawn
  - LIBOR + 4.25% interest
- Significant headroom on 75% LTV covenant with LTV of 39.6% consistent with ratio as at the bond issuance
- Significant capacity for future purchases

1. Based on 1H Jun-'13 financing costs and Adjusted EBITDA.

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- Gross collections for the 2013 vintage are at 102% of underwriting
- Continued to invest in building data analysis, risk and compliance teams
- Should continue to benefit from an increasing flow of attractive portfolio opportunities
- Look forward to future with confidence

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# Q&A

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