

# ARROW GLOBAL GROUP PLC

Q3 Results

28 November 2014

# IMPORTANT NOTICE

This presentation has been prepared by Arrow Global Group PLC (the “Company”) solely for information purposes and does not constitute, and should not be construed as, an offer to sell or issue securities or otherwise constitute an invitation or inducement to any person to purchase, underwrite, subscribe to or otherwise acquire securities in the Company or any member of the Group.

The information contained in this document is confidential and is being made only to, and is only directed at, persons to whom such information may lawfully be communicated. This document may not be (in whole or in part) reproduced, distributed, stored, introduced into a retrieval system of any nature or disclosed in any way to any other person without the prior written consent of the Company.

The information contained in this document has not been verified or reviewed by the Company’s auditors and, as such, is subject to all other publicly available information and amendments without notice (such amendments may be material).

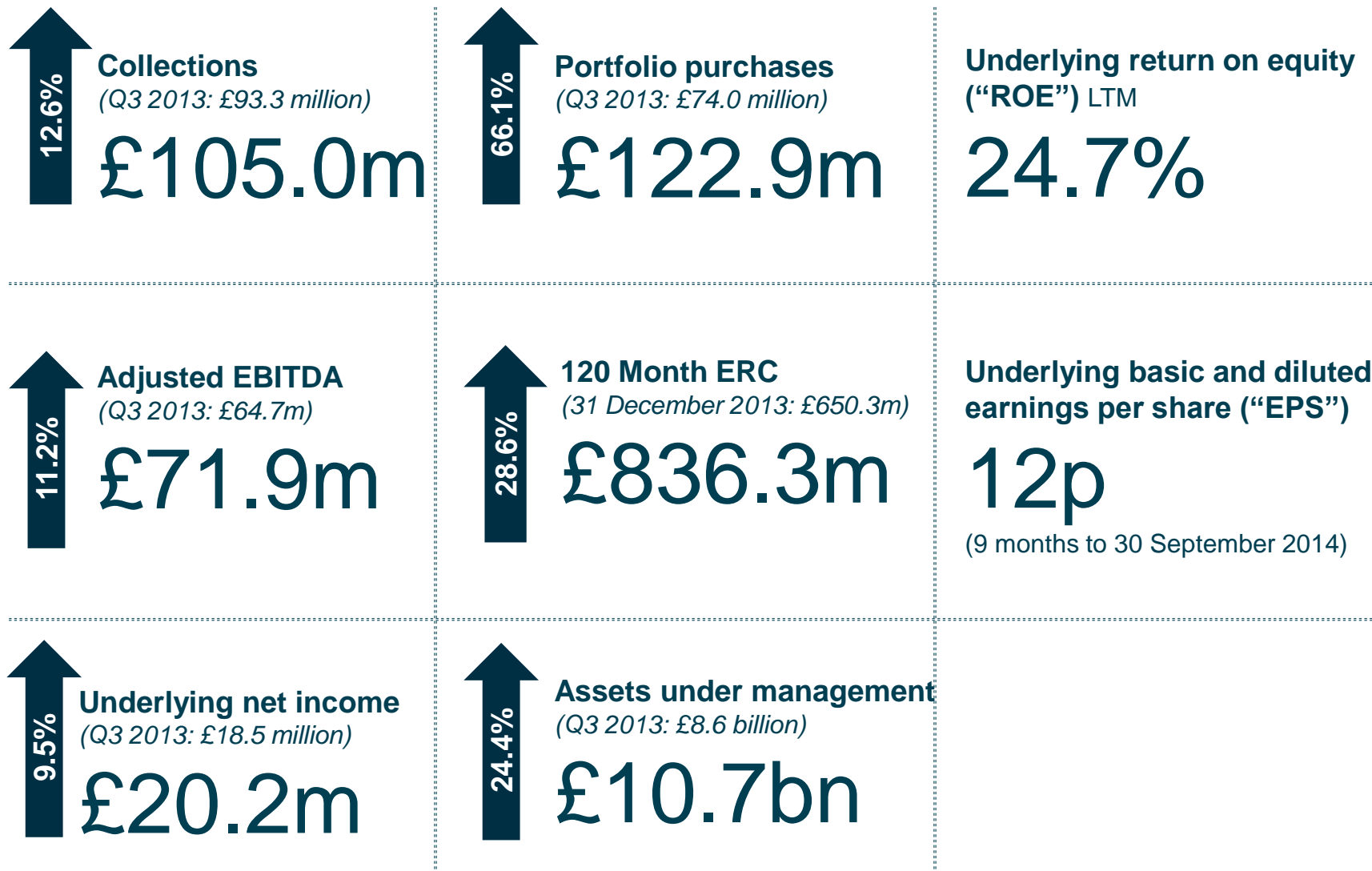
The Company makes no representation or warranty of any sort as to the accuracy or completeness of the information contained in this document or in any meeting or presentation which accompanies it or in any other document or information made available in connection with this document and no person shall have any right of action against the Company or any other person in relation to the accuracy or completeness of any such information.

Each recipient acknowledges that neither it nor the Company intends that the Company act or be responsible as a fiduciary to such investor, its management, stockholders, creditors or any other person. By accepting and providing this document, each investor and the Company, respectively, expressly disclaims any fiduciary relationship and agrees that each investor is responsible for making its own independent judgments with respect to any transaction and any other matters regarding this document.

This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Company and its subsidiaries (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 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 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 assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

This document is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation or which would require any registration or licensing within such jurisdiction.

## Q3 2014 HIGHLIGHTS – FINANCIAL



Building the asset base to support continued earnings growth

# CAPQUEST ACQUISITION IN LINE WITH ARROW GLOBAL'S STRATEGY

Vision	Europe's Leading Purchaser and Manager of Debt	
Strategy	▶ To protect and enhance Arrow's leading market position and build on the platform created by our public listing and track record to date	✓
	▶ To deliver attractive risk adjusted investment returns alongside balance sheet optimisation	✓
	▶ To maintain Arrow's leading position in data enhancement, analytical insight and supply chain excellence	✓
	▶ To deliver a best-in-class customer experience and to minimise regulatory risk through a cautious approach to product extension	✓
	▶ To pursue diversification through a disciplined approach to geographic expansion and new asset classes	✓

# CAPQUEST UPDATE

- ▶ Helen Ashton, current CEO of Capquest and former MD of Barclaycard International, has joined Arrow Global's senior management team as COO
- ▶ Funding complete - €225 million senior secured floating rate notes due 2021
- ▶ Senior management structure confirmed and will be in place from 1 December 2014
- ▶ First major migration of legacy DCA panel commenced
- ▶ Strong confidence in delivery of £6.5 million synergies in 2016

## New enlarged Group - Business Overview

### Key financials

- ▶ £15.5bn<sup>1</sup> Combined face value of receivables under management
- ▶ £1.1bn<sup>1</sup> 120-Month Gross ERC
- ▶ 8.2m<sup>1</sup> owned customer accounts
- ▶ Increased cash generation capabilities

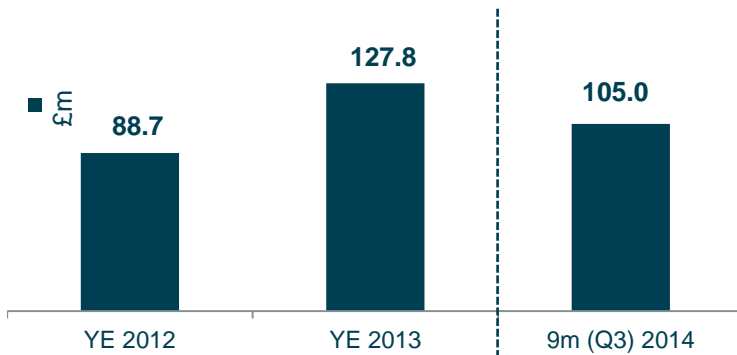
### Combined capabilities

- ▶ Expertise across a wider range of debt types provides enhanced purchasing flexibility and earnings diversification
- ▶ Enhanced data assets, especially PCB. Greater customer insight from collection operations
- ▶ A well invested business with both industry-leading data assets and servicing platform

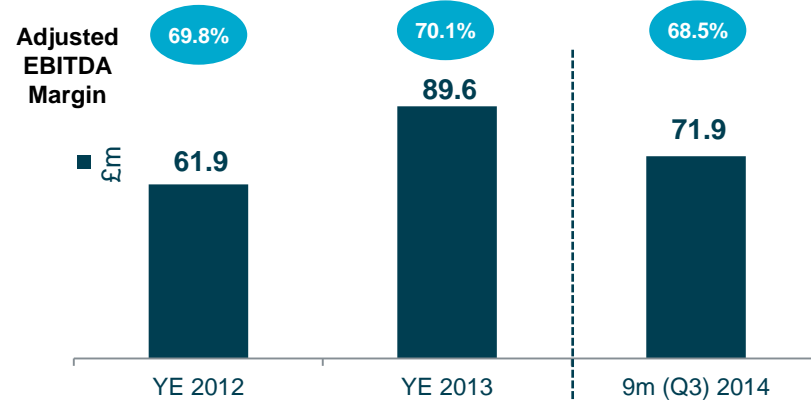
1. 120 month gross ERC and owned customer accounts as at 30 September 2014

# YEAR TO DATE PERFORMANCE: 30 SEPTEMBER 2014

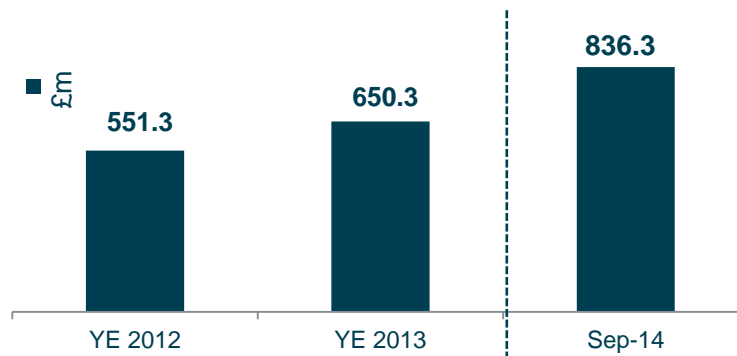
Core Cash Collections (£m)



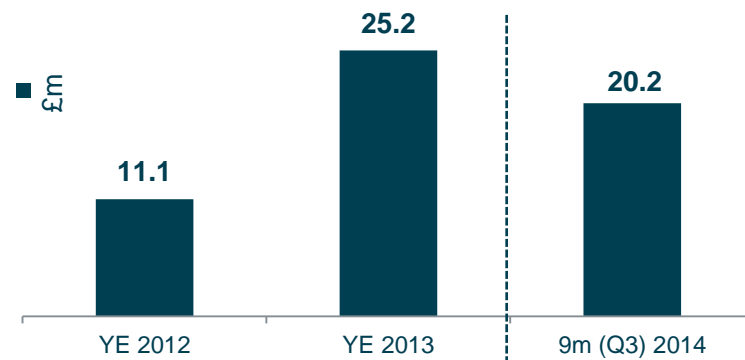
Adjusted EBITDA (£m)



120-Month Gross ERC (£m)

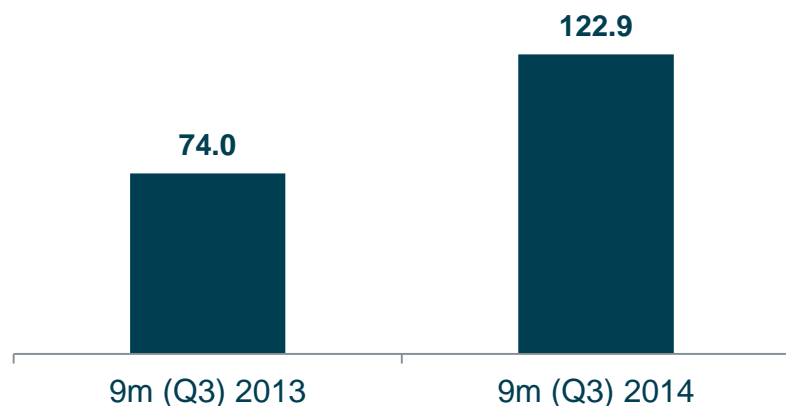


Underlying net income (£m)



# Q3 2014 PURCHASES

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



Accounts	Face Value	Purchase Price	% of Investment
Paying	£152.7m	33.9p	42.1%
Non Paying	£1,020.5m	7.0p	57.9%
<b>Total</b>	<b>£1,173.2m</b>	<b>10.5p</b>	<b>100%</b>

## Key Highlights

- ▶ As at 30 September 2014, acquired portfolios with a face value of £1,173.2m for £122.9m, with a 120-month gross cash on cash multiple of 2.2x
- ▶ In Q3 2014 acquired portfolio split by geography:
  - ▶ 93% UK, 7% Europe
- ▶ Nine months to 30 September acquired portfolio split by geography:
  - ▶ 47% UK, 53% Europe
- ▶ 42.1% of the purchase price underpinned by paying accounts
- ▶ Continued strategy of diversifying purchases by asset class – acquired a portfolio of secured loans in Q3
- ▶ Portfolio from new seller with which we have agreed a new strategic partnership
- ▶ Annual replacement rate of circa £50m

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

# NET DEBT AND LEVERAGE

Indebtedness – as at 30 September 2014 (£m)

## Key Metrics

Cash and Cash Equivalents	(26.2)
Bond	220.0
Accrued Bond Interest	1.4
Deferred Consideration	31.9
Revolving Credit Facility	28.6
<b>Net Debt</b>	<b>255.7</b>
LTM Adjusted EBITDA	96.8
84-Month ERC	708.7

## Leverage Metrics

Net Debt / LTM Adjusted EBITDA	2.6x
LTV (Net Debt / 84-Month ERC)	36.1%

## Key Highlights

- ▶ Significant headroom on 75% LTV covenant with LTV of 36.1%
- ▶ Retain strong balance sheet
- ▶ Net Debt/Adjusted EBITDA of 2.6x
- ▶ Significant capacity for future purchases



# FINANCING AND CAPITAL STRUCTURE POST CAPQUEST ACQUISITION

## Key Pro Forma Combined Metrics LTM to 30 September 2014 (£m)

<b>Pro Forma Net Debt<sup>1</sup></b>	<b>424</b>
Combined Adjusted EBITDA (Pre-Synergies) <sup>1</sup>	132
Combined 84-Month Gross ERC	896
Pro Forma Net Debt to Combined Adjusted EBITDA (Pre-Synergies)	3.2 x
Pro Forma Net Debt to Combined 84-Month Gross ERC	47.4%
Cash Interest Coverage	4.5x

- ▶ Issued a €225 million senior secured floating rate notes at a coupon of 3m Euribor + 525bps:
  - ▶ An annual cash interest cost of 5.8% including hedging
  - ▶ Plus a non cash P&L charge of c 0.95% relating to amortisation of fees
- ▶ Prudent balance sheet retained
  - ▶ Cash interest coverage (Pre-Synergies) of 4.5x
  - ▶ Pro forma Net Debt to LTM Combined Adjusted EBITDA (Pre-Synergies) of 3.2x
  - ▶ Pro forma Net Debt to Combined 84-Month Gross ERC of 47.4%
  - ▶ Expected to reduce leverage ratios over time
- ▶ Sufficient liquidity and capacity, on a pro forma basis, to realise Arrow Global's growth ambitions
  - ▶ LTM Combined Adjusted EBITDA (Pre-Synergies) of £132m for the 12 months to 30 September 2014
  - ▶ RCF increased to £100m at completion on better terms

1. Acquisition consideration of £158 million and estimated acquisition and bond related fees and expenses of £11 million

# OUTLOOK

- ▶ European debt purchase markets predicted to grow and banks propensity to sell expected to continue to increase (AQR, IFRS9, Basel III etc.)
- ▶ Unsecured credit expected to gather speed with the recovery<sup>1</sup>. New sellers expected to come to market<sup>1</sup>
- ▶ Have made significant progress in our plans to integrate the Arrow Global and Capquest businesses and are very confident that we will be able to deliver the envisaged cost savings
- ▶ Excluding purchase of Capquest and its associated portfolios, full-year portfolio purchases expected to be in line with previous expectations
- ▶ Remain on track to deliver overall full-year results in line with our expectations

1. Source: Apex Insight report November 2014 – UK Consumer Debt Collection and Debt Purchase

# Q&A

## APPENDIX A:

# ARROW GLOBAL GUERNSEY HOLDINGS LIMITED - SUB-CONSOLIDATION

# BALANCE SHEET – ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

Assets	Arrow Global Group PLC	Adjustments	AGGHL
<i>Non-current assets</i>	£000	£000	£000
Purchased loan portfolios	287,554	-	287,554
Other non current assets	5,129	-	5,129
<b>Total non-current assets</b>	<b>292,683</b>	<b>-</b>	<b>292,683</b>
<i>Current assets</i>			
Cash and cash equivalents	26,170	(77) <sup>1</sup>	26,093
Purchased loan portfolios	75,225	-	75,225
Other current assets	18,399	(191) <sup>1</sup>	18,208
<b>Total current assets</b>	<b>119,794</b>	<b>(268)</b>	<b>119,526</b>
<b>Total assets</b>	<b>412,477</b>	<b>(268)</b>	<b>412,209</b>
<i>Total purchased loan portfolios</i>	<i>362,779</i>	<i>-</i>	<i>362,779</i>
Equity			
<b>Total equity attributable to shareholders</b>	<b>120,753</b>	<b>(48,053)</b>	<b>72,700</b>
Liabilities			
<i>Non-current liabilities</i>			
Senior secured Notes	212,379	-	212,379
Other non-current liabilities	2,244	-	2,244
<b>Total non-current liabilities</b>	<b>214,623</b>	<b>-</b>	<b>214,623</b>
<i>Current liabilities</i>			
Revolving credit facility	28,560	-	28,560
Senior secured notes	1,408	-	1,408
Other current liabilities	47,133	47,785 <sup>2</sup>	94,918
<b>Total current liabilities</b>	<b>77,101</b>	<b>47,785</b>	<b>124,886</b>
<b>Total liabilities</b>	<b>291,724</b>	<b>47,785</b>	<b>339,509</b>
<b>Total equity and liabilities</b>	<b>412,477</b>	<b>(268)</b>	<b>412,209</b>

1. AGG PLC trading

2. Mostly made up of £45.2 million of intercompany

# INCOME STATEMENT – ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

Revenue	Arrow Global Group PLC	Adjustments	AGGHL
	£000	£000	£000
Income from purchased loan portfolios	76,132	-	76,132
Portfolio write up	-	-	-
Income from asset management	1,360	-	1,360
Other income	825	-	825
<b>Total revenue</b>	<b>78,317</b>	<b>-</b>	<b>78,317</b>
<b>Operating Expenses</b>			
Collection activity costs	(24,201)	(3) <sup>1</sup>	(24,204)
Professional fees and services	(1,024)	385 <sup>1</sup>	(639)
Other operating expenses	(16,105)	428 <sup>1</sup>	(15,677)
<i>Of which non-recurring items</i>	<i>(3,864)</i>	<i>-</i>	<i>(3,864)</i>
Other operating expenses excluding non-recurring items	(12,241)	428 <sup>1</sup>	(11,813)
<b>Total operating expenses before non-recurring items</b>	<b>(37,466)</b>	<b>810</b>	<b>(36,656)</b>
<i>Exceptional items</i>	<i>3,864</i>	<i>-</i>	<i>3,864</i>
<b>Total operating expenses after non-recurring items</b>	<b>(41,330)</b>	<b>810</b>	<b>(40,520)</b>
<b>Operating profit including non recurring items</b>	<b>36,987</b>	<b>810</b>	<b>37,797</b>
Finance income	326	-	326
Finance costs	(15,381)	(3,006) <sup>2</sup>	(18,387)
<i>Of which non-recurring items</i>	<i>(143)</i>	<i>-</i>	<i>(143)</i>
<i>Finance costs excluding non recurring items</i>	<i>(15,238)</i>	<i>(3,006)<sup>2</sup></i>	<i>(18,244)</i>
<b>Profit before tax</b>	<b>21,932</b>	<b>(2,196)</b>	<b>19,736</b>
Taxation charge on ordinary activities	(4,945)	503	(4,442)
<b>Profit for the period attributable to equity shareholders</b>	<b>16,987</b>	<b>(1,693)</b>	<b>15,294</b>

1. Operating expenses of Arrow Global Group PLC

2. Interest charged on intercompany loans between AGG PLC and Arrow Global Limited

# KEY RATIOS – ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

Nine months to	30 September 2014 £m
Purchases of loan portfolios	122.9
Face value of portfolios acquired (billion)	8.4
Number of accounts ('000)	5,504
Core collections	105.0
Collection cost ratio (%)	23.0%
Adjusted EBITDA	72.8
Adjusted EBITDA ratio	69.3%
84-month ERC	708.8
120-month ERC	836.3
Net debt	255.8
Leverage ratio (net debt / LTM adjusted EBITDA)	2.6x
LTV ratio (net debt / 84 month ERC)	36.1%