ARROW GLOBAL GROUP PLC

Interim Results

27 August 2015

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TODAY'S SPEAKERS

Tom Drury
Chief Executive Officer

- 18 Years of MD/CEO leadership roles
- Joined Arrow Global in 2011 from Shanks Group PLC (then a FTSE 250 Company) where he served as Group Chief Executive
- Previously served as Founding Managing Director of Vertex, a leading firm in the UK's business process outsourcing sector

Robert Memmott
Chief Financial Officer

- 13 years of experience as a CFO and 17 years in senior leadership roles
- Joined Arrow in 2011
- Previously CFO of Leeds Bradford International Airport Ltd as well as with Alfred McAlpine and Servisair plc
- Qualified Charted Accountant with KPMG

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AGENDA

01

I. HIGHLIGHTS

HY 2015 HIGHLIGHTS – FINANCIAL

41.9%

Core cash collections
(HY 2014: £70.9 million)
£100.6m

Portfolio purchases
(HY 2014: £99.3 million)
£75.4m

Underlying basic and diluted earnings per share ("EPS")
(HY 2014: 7.7p)
8.7p

33.9%

Adjusted EBITDA
(HY 2014: £49.0 million)
£65.7m

4.5%

120 Month ERC
(31 December 2014: £1,085.4 million)
£1,134.2m
(+ 37.1% from 30 June 2014: £827.3m)

Underlying return on equity ("ROE") LTM *(HY 2014: 23.9%)*
25.5%

13.1%

Underlying net income
(HY 2014: £13.4 million)
£15.2m

1.5%

Purchased loan portfolios
(31 December 2014: £508.2 million)
£515.8m
(+ 47.6% from 30 June 2014: £352.8m)

Interim dividend
(HY 2014: 1.7p)
1.7p per share

Building the asset base to support continued earnings growth

STRATEGIC HIGHLIGHTS

European Growth

- Whitestar and Gesphone acquisition completed (integration in progress), strengthening our position in Portugal and further diversifying our revenue streams
- Secured first servicing deal from strategic fund partnership in Portugal
- MCS trading in line with expectations

Capquest

- Performing well at 103% of initial underwriting forecast
- On target to deliver £6.5 million (pre tax) synergy savings in 2016
- Begun to assess the potential for further benefits to make our model more efficient to maintain our UK competitiveness

Portfolio Purchases

- £75.4 million portfolio purchases in line with expectations
- H1 investments were split 58% UK and 42% Europe[1]
- 120-month gross cash on cash multiple of 2.1x
- 22% of investments[1] underpinned by secured assets

Regulation

- Submission of our FCA landing slot application in September
- Continue to make good progress in enhancing our customer centric culture
- Servicer migration to our core panel on track with 52% of paying and 72% of non-paying accounts migrated

Data & Systems

- New customer service platform performing well and we are making further improvements to our portal to enhance the self-service experience
- Continued evolution of data driven model – PCB records increased to 21.6 million

1. *By investment value*

02

II. STRATEGIC UPDATE

STRATEGIC OBJECTIVES

Vision

Europe's leading purchaser and manager of debt

Strategy

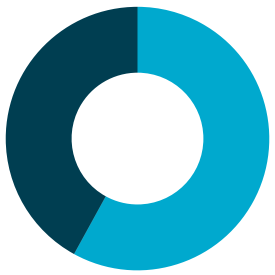
- To be a top 3 player in each of our chosen markets, building on our market leading platforms
- To focus on delivering strong returns through deep understanding of our customers and clients
- To be industry leaders in data and analytics
- To transform the customer journey within our industry and deliver great customer outcomes
- To diversify the business

STRATEGY FOR DIFFERENTIATED ORIGINATION

- **Data advantage** to boost accurate underwriting and strong collections
- **Geographic expansion** into markets where competitive dynamics more attractive
- **New asset classes** e.g. student loans, second lien and secured
- **Off market bilateral trades** outside auctions
- **Asset management proposition** including with credit funds to create walled garden of future purchase opportunities

HY 2015 ORIGINATION – BUILDING A BALANCED VINTAGE

Total investments six months ended 30 June 2015[1]



- 88% of investments[1] in off market trades
  - 80% of UK deals off market
  - 100% of Europe deals off market
- 22% of investments[1] underpinned by secured assets
- 100% of total investments from repeat sources
- Focused on maintaining strong returns – 120-month gross cash on cash of 2.1x
- Continue to assess investment opportunities and expect H2 2015 to reflect our increased presence in mainland Europe

	31-Dec-13	31-Dec-14	HY 2015
Organic Portfolio acquisitions	£101.0m	£137.8m	£75.4m
Additional asset classes	+ SL, 2nd Lien	+ Motor, SME	+ Secured
Servicing revenue	Asset management	UK	Portugal
Geographies	UK, Portugal	+Benelux, France	
No of deals[2]	17	23	13

1. *By investment value*
2. *Forward flows counted as single deal at point of signing*

PORTUGUESE STRATEGIC DEVELOPMENTS

Strengthened market position

- Portuguese 120-month Gross ERC circa 21% of Group ERC
- €5.5 billion face value assets under management

Reinforced business model

- Five-year servicing agreement with CarVal
- Combination of existing capabilities with a sophisticated, customer-focused collections platform
  - At least 60% of collections expected to be conducted in-house post-acquisition
- Capability to service secure and unsecured
- Brings revenues from both portfolio returns and capital light income streams

Diversification of origination sources

- Five-year origination agreement with CarVal
- Combination with Whitestar and Gesphone provides access to a more diverse range of origination sources (e.g. new vendors, forward flow agreements) and asset classes (e.g. secured assets)

Enhanced data capabilities

- Gesphone and Whitestar have circa 15 and 8 years performance history
- Greater customer insight from collections operations expected

Financially attractive for shareholders

- Attractive purchase price implying an EV/2016 Adjusted EBITDA of 6x
- The combined effect of the acquisitions will be EPS accretive in 2016

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MAJOR PORTUGUESE MASTER SERVICING AND SUPPORT CONTRACT

- 1st deal to come from strategic partnership with CarVal Investors announced earlier in the year
- 10-year contract to support CarVal Investors as a master servicer associated with managing the debt and real estate platform (majority owned by CarVal Investors funds as recently acquired from a Portuguese bank) that manages over €2 billion of assets including consumer, secured and SME
- The Group earns a fee for acting as master servicer for Carval Investors and providing specific outsourced services
- We expect revenue from this contract to further underpin the expected 2016 Whitestar EBITDA
- Whitestar now has c£5 billion of assets under management

CAPQUEST

- As at 30 June 2015 we have cumulatively collected 103% of our original underwriting forecast
- Significant progress in the servicer migration plan with:
  - 52% of paying and
  - 72% of non-paying accounts migrated as at the end of Q2 2015
- Remain on track to deliver full synergy benefits in 2016
  - Begun to assess the potential for further benefits to make our model more efficient to maintain our UK competitiveness
- New customer service platform performing well
- Further portal improvements planned to enhance the self-service experience

REGULATION

- We continue to enhance our customer-centric culture and we will submit our FCA authorisation application in late September
- In July the FCA started a Thematic Review on Remuneration and Incentives. Along with many others in the wider credit industry, Arrow Global participated in this review
- We have good visibility of expected regulatory requirements:
    - Over the last 6 months the FCA has released further detail via a number of papers / reviews / guidance notes around key areas of conduct risk including: Forbearance, Vulnerability, Complaints Management, Quality of advice for debt management companies
    - We have already incorporated these into our policies and procedures
- Against the backdrop of this new enhanced regulatory environment, we expect to see continued consolidation within the purchase and collections market, especially within the UK

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03

III. FINANCIALS

BUSINESS MODEL OVERVIEW

Illustrative economics (£m)[1]

	84 Month	120 Month
Face value of purchased balances owed	100	100
Price paid for the portfolio	9.4	9.4
Gross cash collections	17.2	20.2
Gross Cash-on-Cash Multiple	**1.8**	**2.1**
Cost-to-Collect ratio	17%	17%
Net cash collections	14.2	16.7
Net Cash-on-Cash multiple	**1.5**	**1.8**

1. *Reflective of 2015 purchases*

Defaulted debts purchased at a significant discount to face value

Affordable and compliant payment plans typically agreed:

- Defaulted debts converted into sustainable long term repayment plans (ERC – estimated remaining collections)
- Customers repay debts and repair their credit scores
- No additional interest or penalties charged by Arrow Global on defaulted accounts

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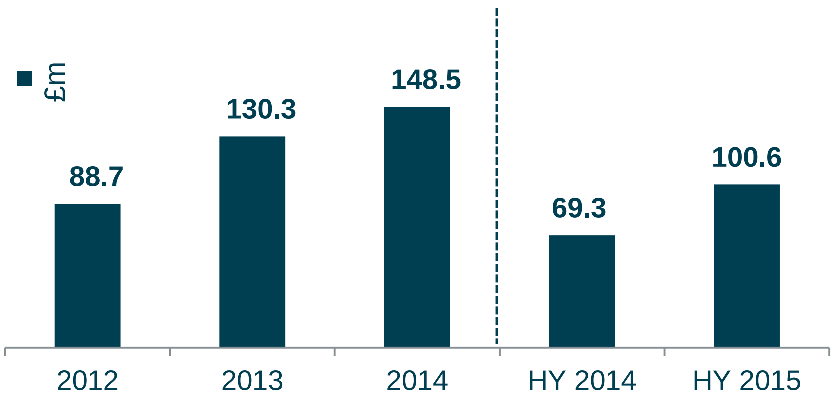
HY 2015 PERFORMANCE

Core cash collections (£m)



- Growth of 41.9% (H1 2015: £100.6 million, H1 2014: £69.3 million)
  - UK collections growth driven by our Capquest acquisition
  - Capquest backbook at 103% of forecast
  - Collections in Portugal returned to their run rate pre court closures, albeit more slowly than expected
  - Collections were affected by exchange rate movements and a higher than anticipated portfolio putback
- c90% of 2015 collections came from assets that we owned on 1 January 2015
- Back book continues to perform well at 102% of original underwriting target

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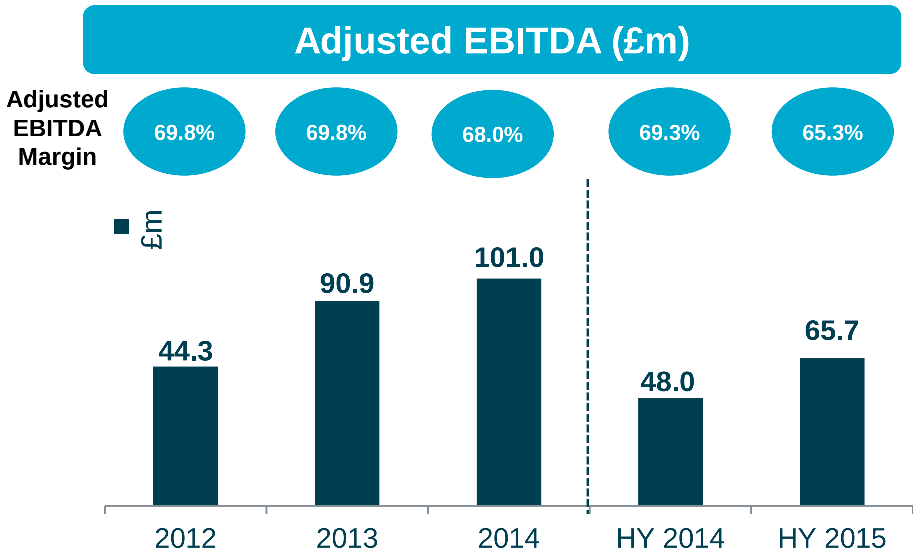
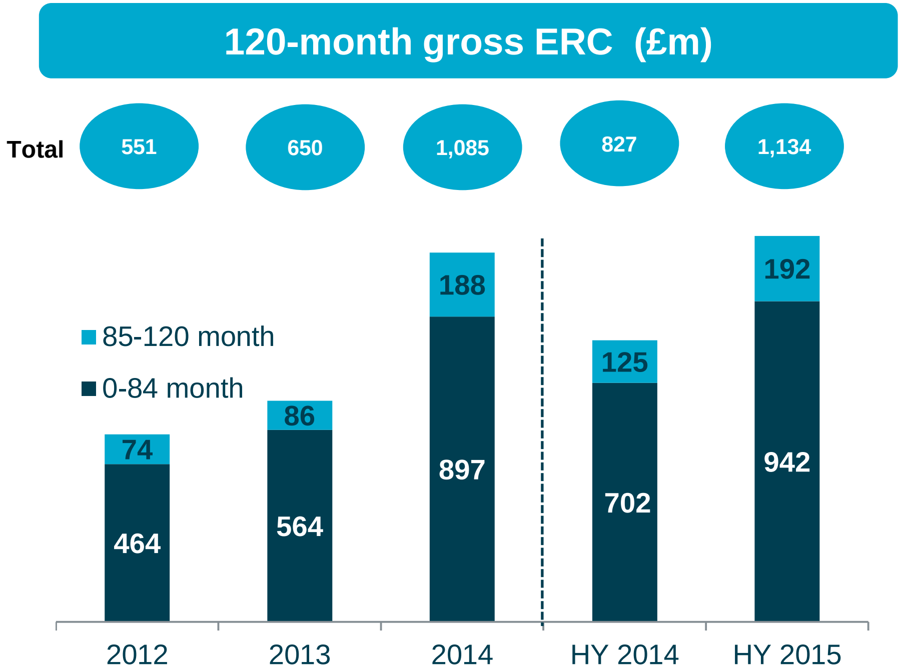
HY 2015 PERFORMANCE



- Growth of 33.9% (H1 2015: 65.7 million, H1 2014: £49.0 million)
- Reduction in adjusted EBITDA ratio reflects acquisition of lower margin Capquest business
- Made significant progress in the integration of Capquest into our business and remain on track to deliver full synergy benefits in 2016
  - 52% of paying and 72% of non-paying accounts migrated
  - Overhead structures now implemented
  - Procurement savings now contracted
- Synergy benefits run rate at end of June 2015 circa £400k per month
- This drives improvement in our adjusted EBITDA margin quarter on quarter (Q2 2015: 66.4% Q1 2015: 64.2%)

HY 2015 PERFORMANCE



- 37% increase in 120-month ERC (H1 2015: £1,134.2 million, H1 2014: £827.3 million)
- Replacement rate circa £68 million of purchases required over the next 12 months to maintain current ERC
- Portuguese 120-month Gross ERC circa 21% of Group ERC
- ERC roll forward takes into account movement in FX rates (at 30 June 2015 1.42, 31 December 2014 1.28) and a higher than anticipated portfolio putback
- At 30 June over 680k accounts paid Arrow in the last 3 months with a current face value of £1.5 billion

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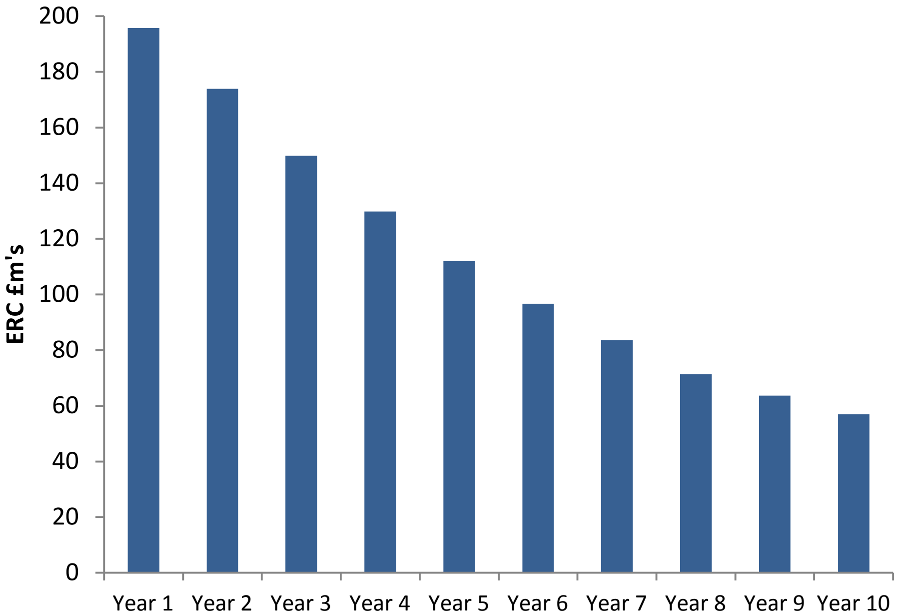
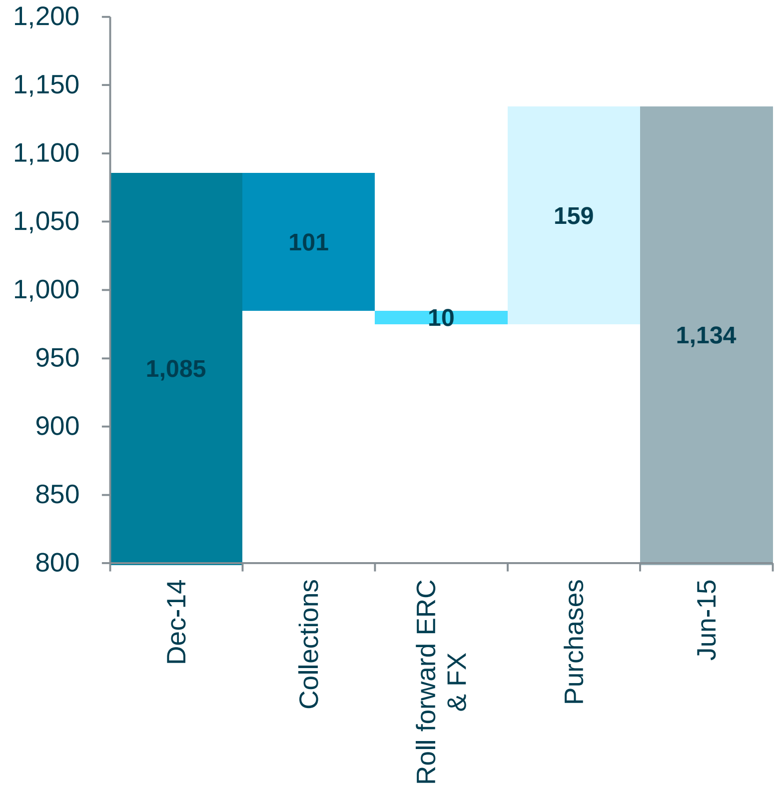
ESTIMATED REMAINING COLLECTIONS[1]

Value embedded in existing book



120-month ERC bridge from Dec 14 to June 15

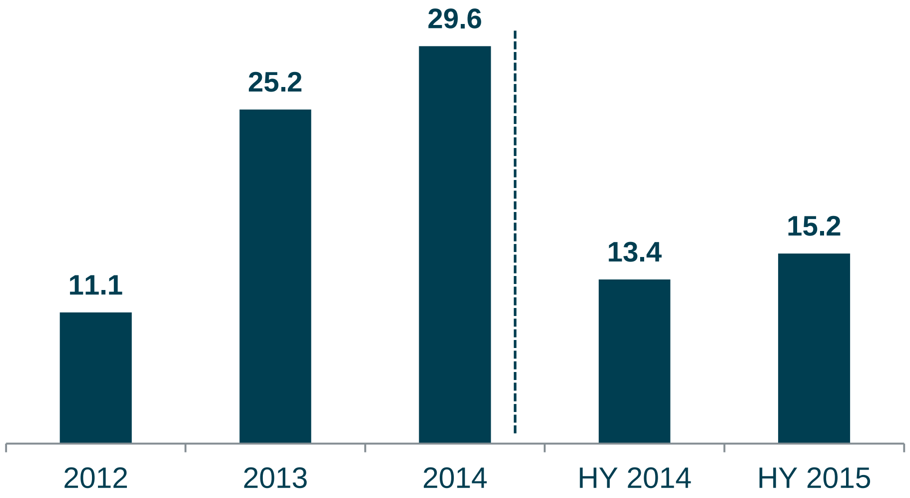


	84-Month Gross ERC							120-Month Gross ERC			Total
Year	1	2	3	4	5	6	7	8	9	10	
ERC (£m's)	**195.8**	**173.9**	**149.8**	**129.8**	**112.0**	**96.7**	**83.6**	**71.4**	**63.7**	**57.0**	**1,134**

1. Euro ERC at 30 June 2015 exchange rate 1.42, 31 December 2014 1.28

HY 2015 PERFORMANCE

Underlying net income[1] (£m)

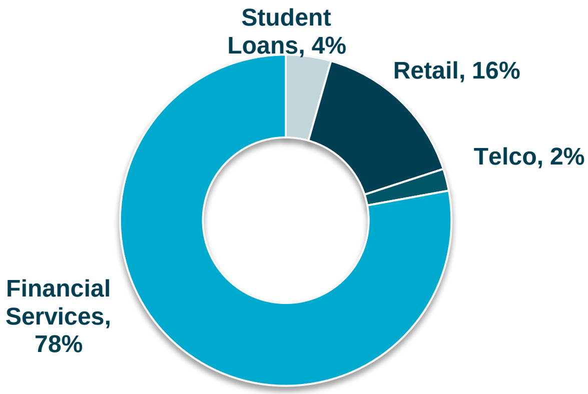


- Underlying net income increased by 13.1% to £15.2 million
- Whitestar and Gesphone consolidated from 1 May 2015 supporting an increase in our servicing revenue
- MCS contributed £0.4 million to PAT and is trading inline with expectations
- Underlying LTM ROE of 25.5%
- EPS of 8.7p representing growth of 13% (H1 2014: 7.7p)
- Interim dividend of 1.7p, being 50% of the 2014 final dividend of 3.4p

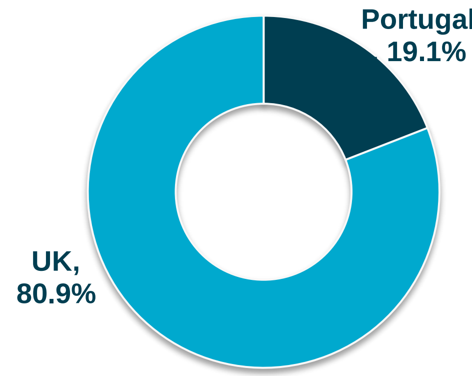
1. *Net income adjusting for post-tax effect of non-recurring items. Net income is equivalent to profit / (loss) for the period attributable to equity shareholders*

PORTFOLIO OVERVIEW

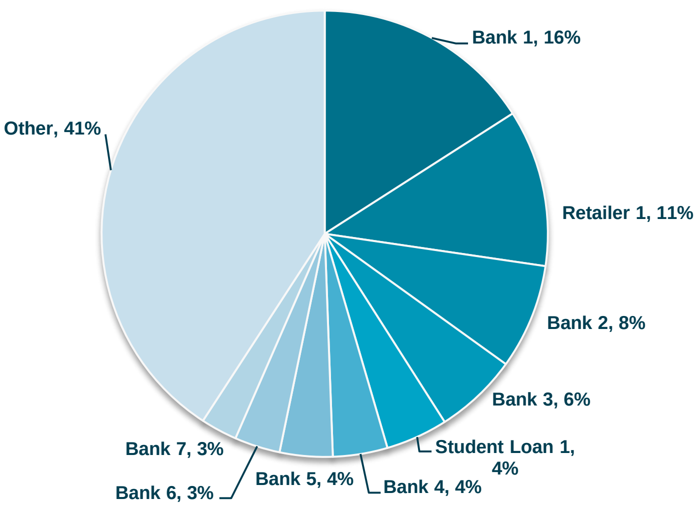
Portfolio split by asset class[1]



Portfolio split by geography[1]



Portfolio split by originator[1]

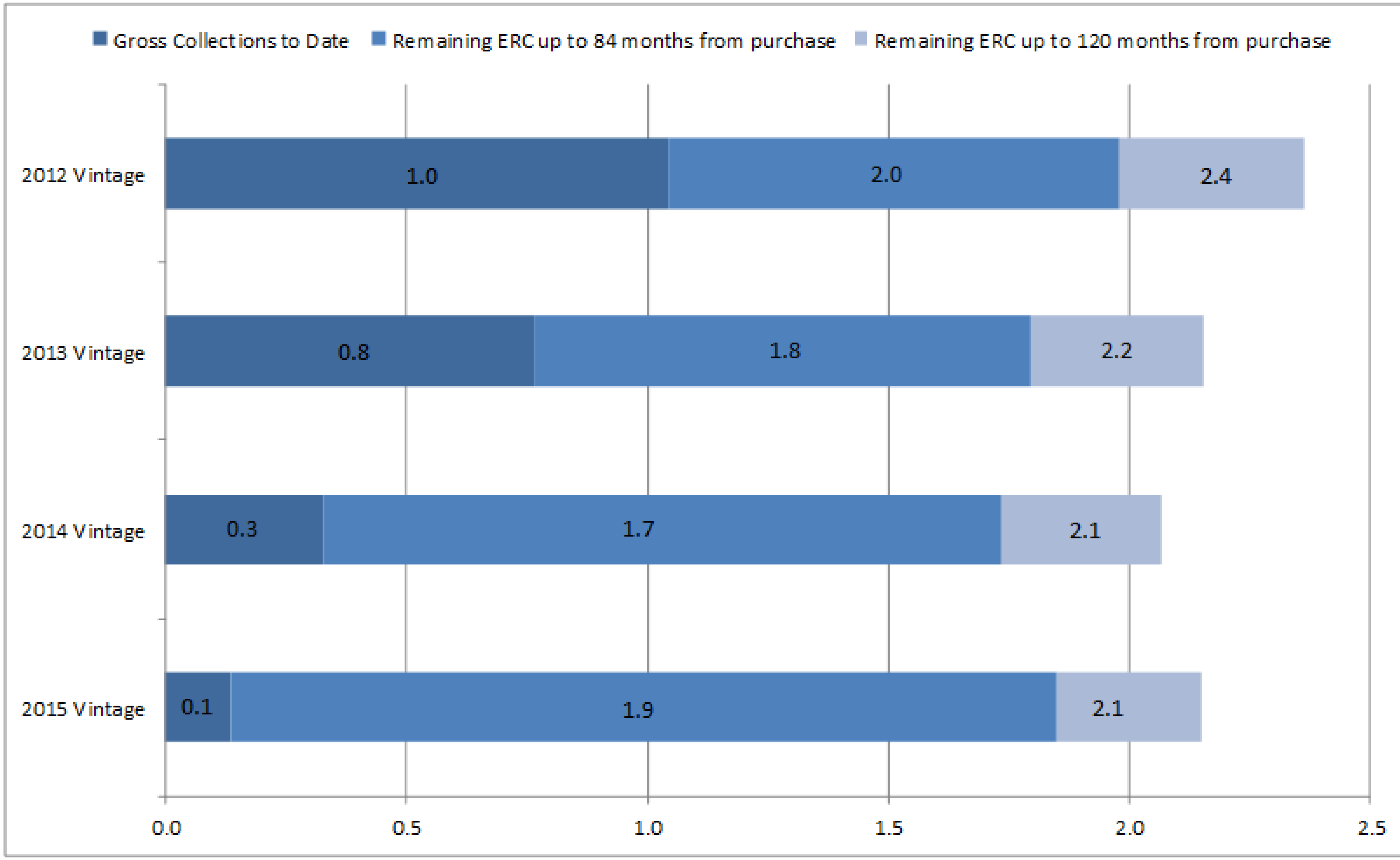


Cumulative highlights[1]

- Total face value of acquired purchased portfolios of £13.5 billion across 8.5 million customer accounts
- Average account balance of £1,595
  - Average balance of financial services debt of £2,085, retail of £851 and telco of £494
  - Average balance of paying accounts of £2,254

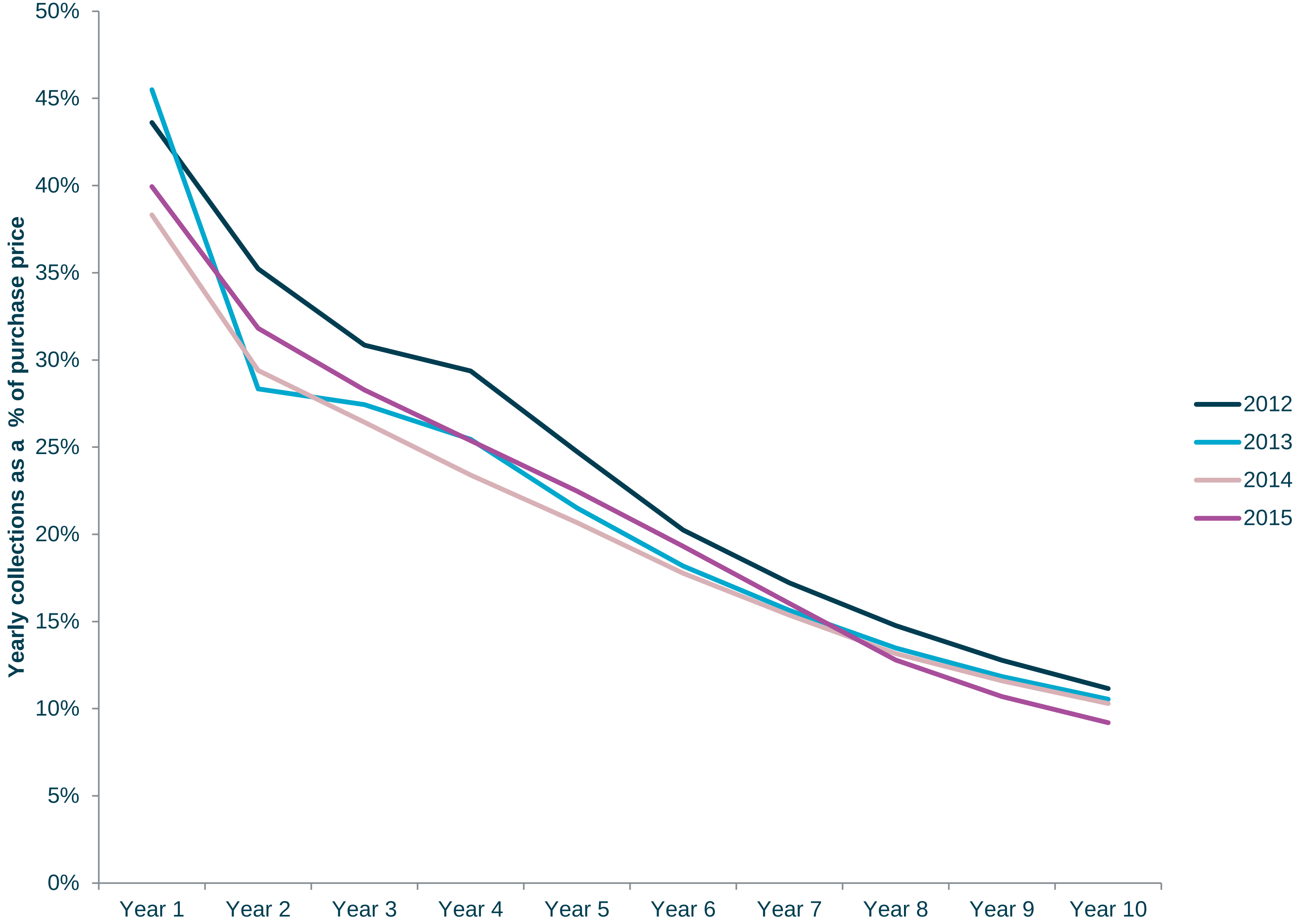
1. *Cumulative by purchase price*

GROSS CASH ON CASH MULTIPLES



- Continue to purchase above our vintage cash on cash target of 2x
- 2015 vintage: 22% of H1 2015 investments underpinned by secured assets
- We expect total returns to be higher as they mature as collections are expected beyond 120 months

ESTIMATED REMAINING COLLECTIONS



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NET DEBT AND LEVERAGE

Indebtedness – as at 30 June 2015 (£m)	
Key Metrics	
Cash and Cash Equivalents	(14.5)
Bond	378.8
Accrued Bond Interest	6.3
Deferred Consideration	22.0
Revolving Credit Facility	115.0
Net Debt	507.7
Pro forma Adjusted EBITDA[1]	133.2
84-Month ERC	942.0
Leverage Metrics	
Net Debt / Pro forma Adjusted EBITDA	3.8x
LTV (Net Debt / 84-Month ERC)	53.9%
Cash cover	4.4x

Key Highlights

- Significant headroom on 75% LTV covenant with LTV of 53.9%
- Deferred consideration largely relates to Whitestar acquisition
- Current post interest and tax monthly cash flow of circa £8 million
- Balance sheet further strengthened with Revolving Credit Facility increased to £165 million (provided by 5 banks)

1. *Pro forma Adjusted EBITDA has been calculated by annualising the results of the last two quarters (H1 2015 multiplied by 2) and adding in the EBITDA of Whitestar for the 12 months ended 31 December 2014*

PROGRESS SINCE IPO

	@ IPO 30-Jun-2013 LTM	31-Dec-13	31 Dec 14[1]	30-Jun-2015 LTM	Percentage Increase[2]
120-month ERC	£637.4m	£650.3m	£1,085.4m	£1,134.2m	▲ 77.9%
Adjusted EBITDA	£75.3m	£89.6m	£128.1m[1]	£133.2m[3]	▲ 76.9%
Cash cover	3.9x	4.7x	4.4x[1]	4.4x	
Underlying net income	£19.0m	£25.2m	£29.6m	£31.4m	▲ 65.3%
Dividend	N/A	nil	5.1p	1.7p	
ROE	N/A	26.5%	26.1%	25.5%	
Asset Classes	FS, Telco, Retail	+ Student Loans, 2nd Lien	+ Motor, SME	+ Secured	
Geographies	UK, Portugal	UK, Portugal	+ Benelux, France		
Servicing revenues	Asset management		UK	Portugal	

Building the asset base and franchise to support continued earnings growth

1. *Pro forma for Capquest acquisition*
2. *Since IPO*
3. *Pro forma Adjusted EBITDA has been calculated by annualising the results of the last two quarters (H1 2015 multiplied by 2) and adding in the EBITDA of Whitestar for the 12 months ended 31 December 2014*

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04

IV. SUMMARY

SUMMARY

- Arrow continues to deliver in line with earnings expectations
- Structural drivers for growth remain and are enhanced by increasing regulation
- Increased servicing and origination capabilities in the UK and mainland Europe ensure we are well positioned for continued growth
- Integration of Capquest progressing well, synergy savings on track with work beginning to assess the potential for further benefits to make our model more efficient to maintain our UK competitiveness
- We look to continue to diversify the business
- Outlook for current year earnings in line with our expectations with anticipated strong earnings growth and returns in the medium term

Q&A

Appendix

STATEMENT OF COMPREHENSIVE INCOME

£m - IFRS	Jun-15	Jun-14
Core Cash Collections	**100.6**	**69.3**
Portfolio Amortisation	(28.5)	(19.3)
Total Revenue from Portfolios	**72.2**	**49.9**
Income from Asset Management	4.4	1.2
Other Income	0.1	0.5
Total Revenue	**76.7**	**51.6**
Collection Activity Costs	(24.1)	(15.6)
Overhead Costs	(15.8)	(7.4)
Total Operating Expenses (pre-Exceptionals)	**(39.9)**	**(23.0)**
Adjusted EBITDA	**65.7**	**49.0**
Non-cash operating expenses	0.7	1.1
Exceptional Items	(2.8)	(3.6)
EBITDA	**34.6**	**23.9**
Depreciation & Amortisation	(1.6)	(0.4)
Financing Costs (pre-exceptionals)	(17.0)	(9.9)
Share in profit in associates	0.5	-
Profit Before Tax	16.0	13.6
Taxes	(3.5)	(3.1)
Net Income	**12.9**	**10.5**
Net Income (Pre-exceptionals)	**15.2**	**13.4**

Key ratios

Cost-to-Collect Ratio	23.9%	22.6%
Adjusted EBITDA Margin	65.3%	69.3%
Portfolio Amortisation as % of Core Cash Collections	28.3%	27.9%

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