

# ARROW GLOBAL GROUP PLC

Q3 Results

9 November 2017

# AGENDA

## Agenda

- I Highlights
  - II Q3 review
  - III Q3 financial performance
  - IV 2017 Outlook
- Q&A

# I. Q3 HIGHLIGHTS

## Q3 2017 HIGHLIGHTS

|                      | Q3 2016 | Q3 2017 |          |
|----------------------|---------|---------|----------|
| Portfolio purchases  | £119.3m | £155.0m | +30%     |
| Revenue              | £164.4m | £231.6m | +41%     |
| PBT                  | £14.2m  | £20.1m  | +42%     |
| Underlying PAT       | £29.1m  | £38.9m  | +34%     |
| Underlying basic EPS | 16.7p   | 22.3p   | +34%     |
| Underlying LTM ROE   | 27.4%   | 33.9%   | +6.5ppts |

- ▶ Strong organic portfolio purchases – on track to deliver approximately £200.0m at FY
- ▶ Continued revenue growth driven by 64% increase in AM income and 13% increase in core collections
- ▶ 34% growth in underlying EPS; underlying LTM ROE of 33.9%
- ▶ Zenith progressing well and providing strong momentum in Italy
- ▶ Acquisition of Mars Capital on track to complete by year end
  - ▶ Provides entry into UK and Irish secured markets and will contribute to further growth in asset management revenues

## II. Q3 REVIEW

## HIGH GROWTH

- ▶ Continue to deliver on European expansion strategy – Italy performing well
  - ▶ Differentiated origination model continues to provide portfolio purchase opportunities with high returns
  - ▶ Continued tailwinds for sector - ECB NPL intervention + IFRS 9
- 

## OPERATIONAL EXCELLENCE

- ▶ Collections continue to outperform (103% of underwriting forecasts) - underlines strength of data and analytics
  - ▶ One Arrow launched, investment driving future efficiency gains and sustained growth
  - ▶ Legal collection investment continuing to improve value of the back book and additional ERC
- 

## FINANCIAL EXCELLENCE

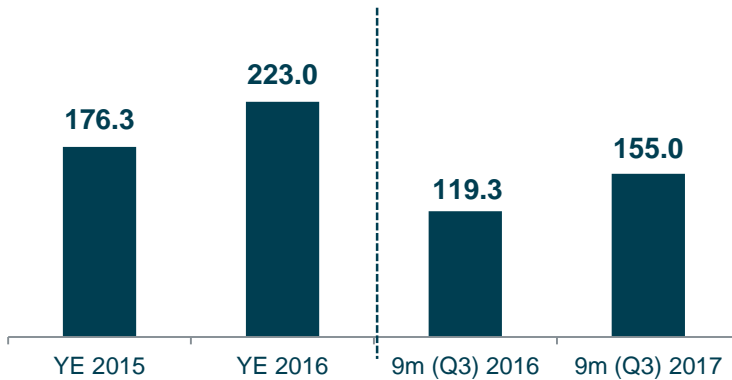
- ▶ 84-month ERC increased 22% to £1,455.6m
  - ▶ Asset Management revenues increased by 64% to £50.6m. Confident in growth towards 30% of Group revenue in 2018
  - ▶ 6% reduction in financing costs to £33.5m (Q3 2016: £35.5m) as benefits of refinancing begin to flow through
  - ▶ Secured net debt to Adjusted EBITDA reduced to 4.0x – within guided range of 3.5x – 4.0x
- 

## STRONG RETURNS

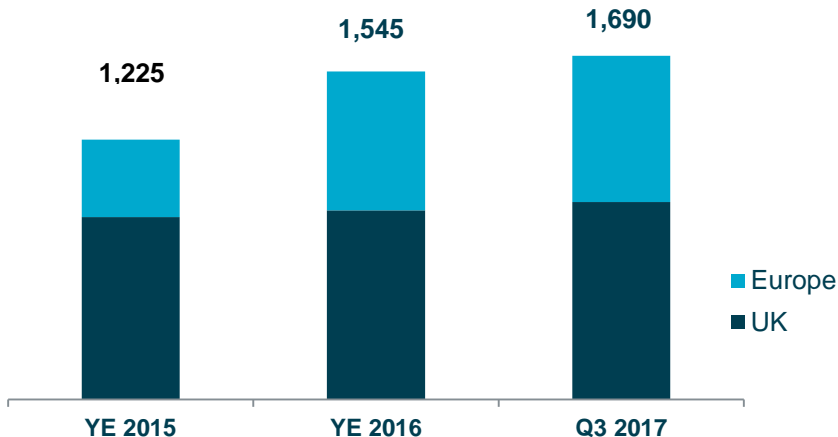
- ▶ The business continues to generate strong returns for shareholders:
  - ▶ Underlying PAT increased 34% to £38.9m (Q3 2016: £29.1m)
  - ▶ Underlying basic EPS increased 34% to 22.3p (Q3 2016: 16.7p)
  - ▶ Underlying LTM ROE increased to 33.9% from 27.4%

# YEAR TO DATE PERFORMANCE: 30 SEPTEMBER 2017

## Organic Portfolio Purchases (£m) <sup>1</sup>



## 120-Month Gross ERC (£m)



## Key Highlights

- ▶ Acquired organic portfolios with face value of £1,897.4m for £155.0m
- ▶ Good balance by geography: UK 41.6%, Portugal 23.8%, Benelux 14.4%, Italy 20.2%
- ▶ 59.9% from off-market purchases - highlights strength of key relationships across geographies
- ▶ 28.9% of purchases came from previously serviced accounts
- ▶ 37% of purchases related to secured portfolios<sup>2</sup>; 19% of total ERC is now secured assets
- ▶ At 30 September approx. 600k accounts paid Arrow in last 3 months, with a current face value of approx. £1.8bn

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

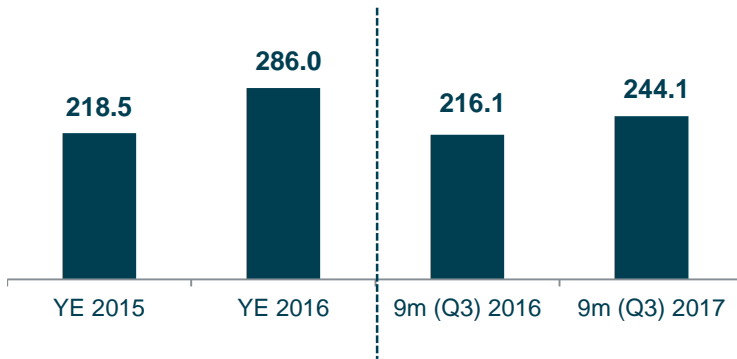
2. By purchase price

## III. Q3 FINANCIAL PERFORMANCE

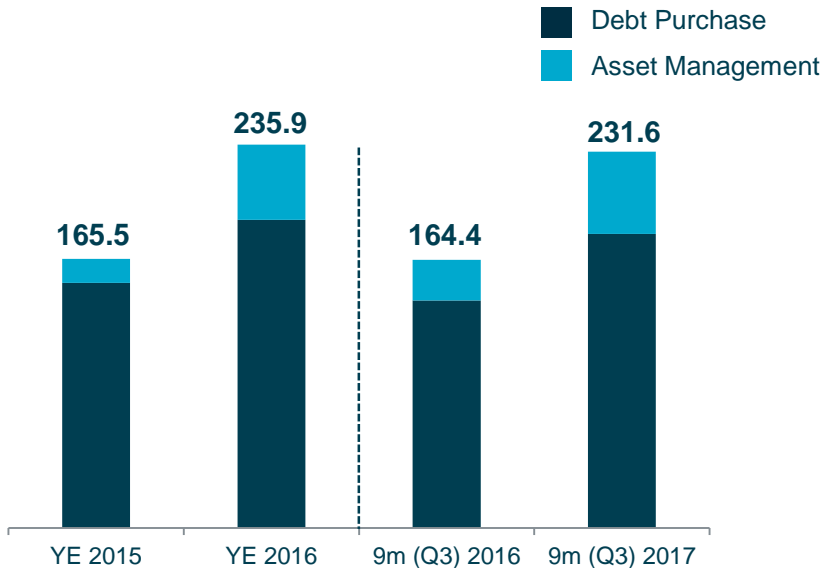


# YEAR TO DATE PERFORMANCE: 30 SEPTEMBER 2017

## Core Cash Collections (£m)



## Revenue (£m)

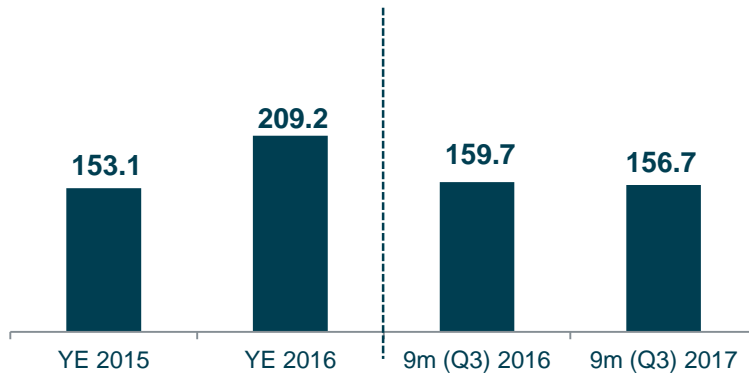


## Key Highlights

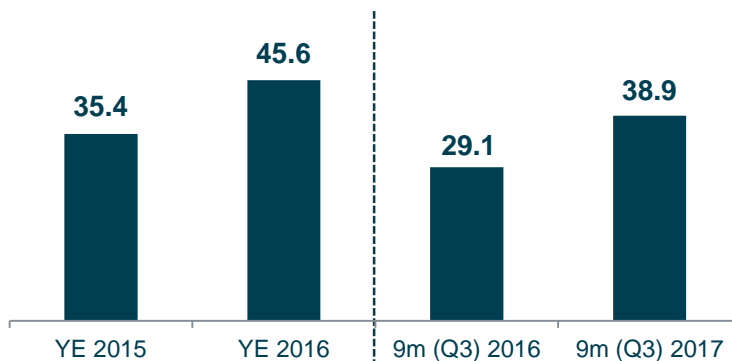
- ▶ Core collections growth reflecting increase in portfolio asset base
- ▶ Collections in Q3 2017 were in line with ERC forecast
- ▶ Strong revenue growth underpinned by enhanced asset management revenues – a trend we expect to continue
- ▶ Additional litigation spend supports further ERC and portfolio income
- ▶ Asset management revenue now totalling £50.6m (Q3 2016: £31.0)

# YEAR TO DATE PERFORMANCE: 30 SEPTEMBER 2017

## Adjusted EBITDA (£m)



## Underlying PAT (£m)

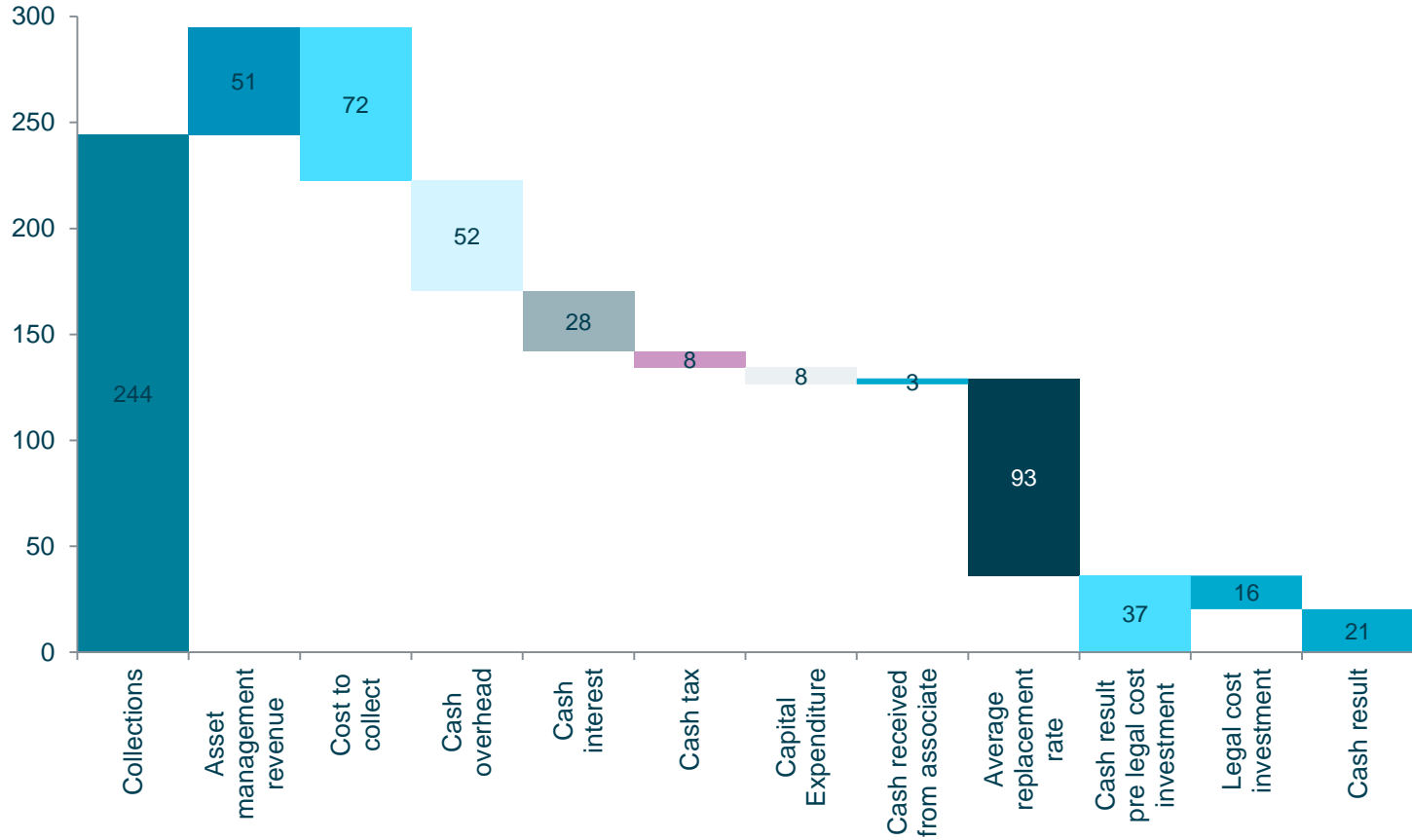


## Key Highlights

- ▶ Adjusted EBITDA decreased due to investment in legal collection costs and particularly strong collections in Q1 2016
- ▶ One Arrow launched and on track to drive future efficiency improvements and sustain growth
- ▶ Underlying basic EPS of 22.3p, up 34% (Q3 2016: 16.7p)
- ▶ Underlying LTM ROE increased to 34% (Q3 2016: 27%)
- ▶ Underlying profit after tax continues to grow, increasing by 34% to £38.9m

# YEAR TO DATE PERFORMANCE: 30 SEPTEMBER 2017

**Cash Result (£m)**



# NET DEBT & KEY CREDIT RATIOS

## Indebtedness – as at 30 September 2017 (£m)

|                                                            |         |
|------------------------------------------------------------|---------|
| Net Debt                                                   | 926.2   |
| Secured Net Debt <sup>1</sup>                              | 868.5   |
| LTM Adjusted EBITDA <sup>2</sup>                           | 217.2   |
| 84-Month ERC                                               | 1,455.6 |
| <b>Leverage Metrics</b>                                    |         |
| Secured Net Debt <sup>1</sup> / LTM Adjusted EBITDA        | 4.0x    |
| Secured LTV <sup>3</sup> (Secured Net Debt / 84-Month ERC) | 60.3%   |
| LTM cash interest cover                                    | 5.7x    |

## Key Highlights

- ▶ Leverage reduced to within 3.5x – 4.0x guided range
- ▶ Pro forma leverage of 3.8x, reflecting full year impact of Zenith acquisition and sale of MCS in Q4 2017
- ▶ Strong cash cover at 5.7x – continued strengthening expected as full benefits of reduced WACD are realised
- ▶ £122.1m of cash and RCF available as at 30 September 2017
- ▶ 60.3% LTV provides significant headroom on 75% LTV covenant

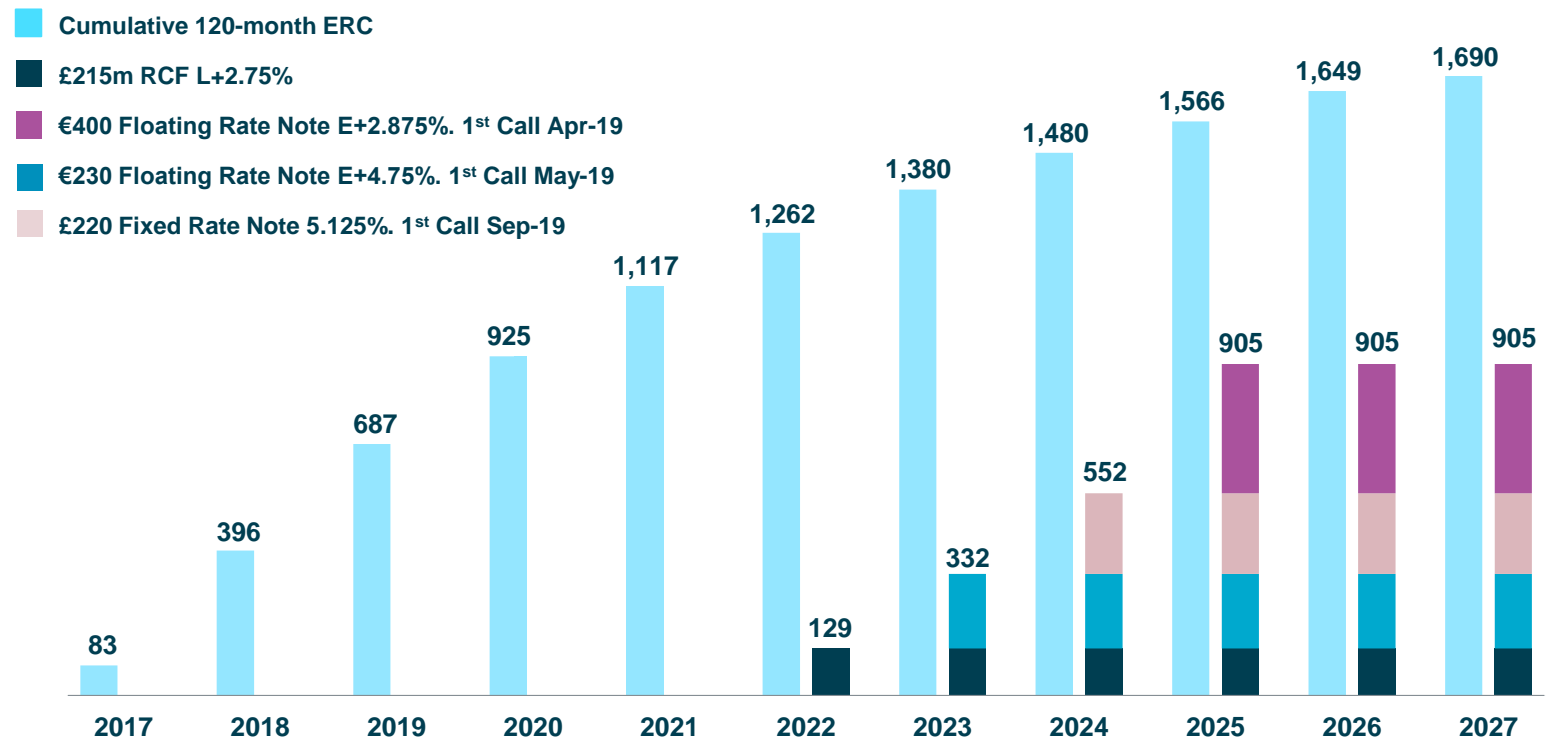
<sup>1</sup> Net debt excluding debt attributable to non-recourse borrowings (£11.5m), accrued interest (£1.2m), amounts drawn under unsecured bank overdrafts (£1.3m), Zenith finance lease (£1.8m) and deferred consideration (£41.8m).

<sup>2</sup> Adjusted for non-recourse collections in Q4 2016 (£6.5m) and MCS cash distributions not previously recognised in Adjusted EBITDA from Q4 2016 (£6.2m).

<sup>3</sup> Excluding debt (£11.5m) and estimated remaining collections (£15.3m) attributable to non-recourse borrowings, accrued interest (£1.2m), amounts drawn under unsecured bank overdrafts (£1.3m), Zenith finance lease (£1.8m) and deferred consideration (£41.8m).

# LONG-TERM FUNDING

## Debt maturity & 120-month ERC



- ▶ Weighted average debt duration c. 6.4 years
- ▶ No debt maturities until 2022
- ▶ Significant ERC coverage of debt maturities
- ▶ Significantly reduced cost of debt since IPO
- ▶ Weighted average cost of debt less than 4.0%

## IV. 2017 OUTLOOK

# OUTLOOK

- ▶ Continue to see attractive opportunities across Arrow markets
- ▶ On track to meet guidance of delivering approximately £200.0m of portfolio investment in 2017
- ▶ Sustained pressure for banking reform across Europe provides growth environment
- ▶ One Arrow programme improving operations and supporting future efficiency gains

## **Continued confidence in ability to:**

- meet earnings expectations for the year
- deliver a medium-term underlying ROE percentage in mid-twenties
- deliver high-teens EPS growth
- employ a progressive dividend policy

# Q&A



# 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.