

ARROW GLOBAL GROUP PLC

Full-Year Results

1 March 2018

Agenda

Lee Rochford, CEO

- I. Highlights
- II. Asset management
- III. Italian strategy
- IV. Differentiated business model

Zach Lewy, CIO

- V Commercial performance

Paul Cooper, CFO

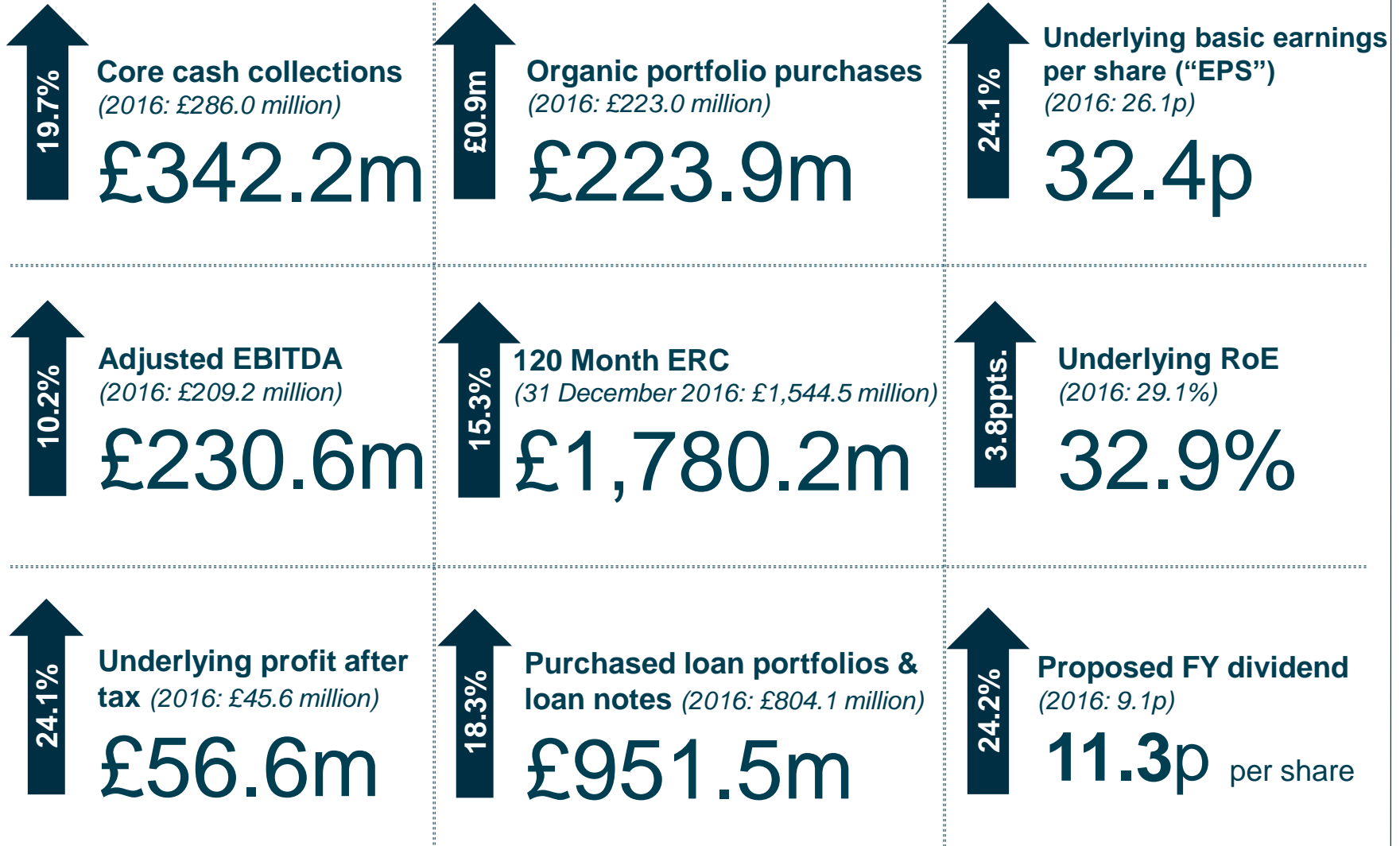
- VI. Financial performance

Lee Rochford, CEO

- VII. Summary
- VIII. 2018 Outlook
- Q&A

I. HIGHLIGHTS

FY 2017 HIGHLIGHTS – CONTINUED FINANCIAL EXCELLENCE



Executing our strategy to drive earnings and dividend growth

2017 SUMMARY – CONSISTENT STRATEGIC EXECUTION

Our objectives

Our delivery

High growth

- ▶ Record number of portfolio purchases, well diversified by geography and asset class
- ▶ Significant increase in AUM to £47.4 billion
- ▶ Acquisition of Mars Capital provided strategic entry into Ireland and boosts our secured servicing capabilities in the UK
- ▶ Zenith acquisition continuing to provide significant Italian opportunities
- ▶ Continued to establish Arrow as a pan-European credit manager, with top 3 positions in each target market

Operational excellence

- ▶ Continued to outperform underwriting forecasts; performance at 103%
- ▶ Maintained high returns across all geographies
- ▶ One Arrow programme on track to deepen expertise and build a platform to support sustainable growth and efficiencies

Financial excellence

- ▶ 53.5% increase in capital-light asset management revenues
- ▶ Consistent 84 month and 120 month ERC development
- ▶ Strengthened balance sheet: reduced WACD to 3.9% and increased duration
- ▶ Leverage ratio of 3.8x within target range of 3.5x to 4.0x

Strong returns

- ▶ Underlying RoE of 32.9%
- ▶ MCS sale generated a profit of £14.7million; proceeds recycled into growth and investment
- ▶ Increased dividend reflecting strong cash generation model and confidence in sustainable growth

A HIGHLY VISIBLE RUNWAY FOR SIGNIFICANT LONG-TERM GROWTH

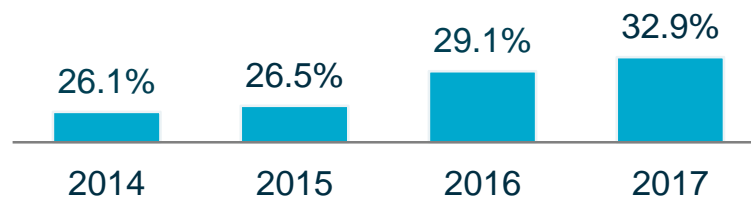
CONTINUED TO BUILD ON TRACK RECORD OF FINANCIAL DELIVERY

Key drivers

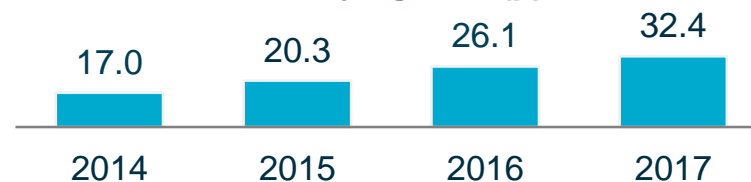
- ▶ Sophisticated investment approach driven by strong relationships and in-house origination and servicing capability
- ▶ Increasingly meaningful asset management offering, supported by strategic bolt-on acquisitions
- ▶ Increased geographic footprint
- ▶ Increasingly diversified asset classes
- ▶ Financial characteristics:
 - ▶ strong returns
 - ▶ continued earnings growth
 - ▶ ability to distribute capital

Consistently delivered strong returns since IPO

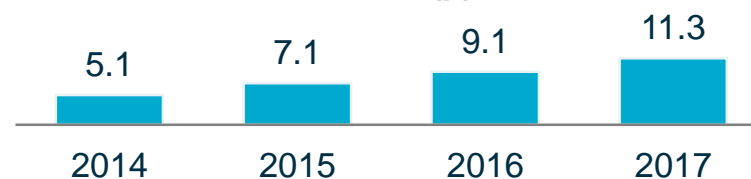
Underlying RoE



Underlying EPS (p)

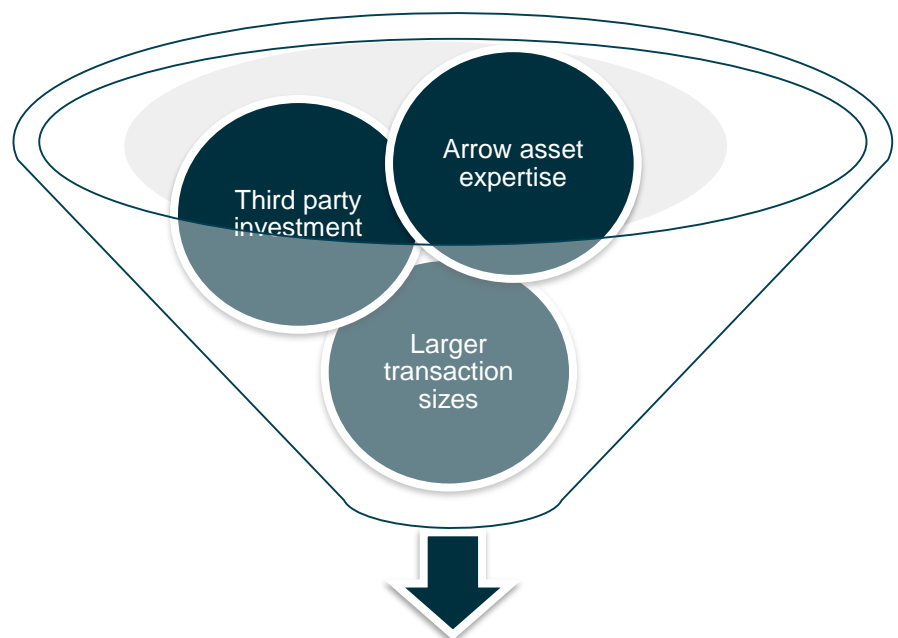


DPS (p)



II. ASSET MANAGEMENT

PARTNERSHIP WITH INSTITUTIONAL INVESTOR MARKS A WIDENING OF ARROW'S ASSET MANAGEMENT CAPABILITIES



Arrow asset management timeline

2013: 100% of assets managed on balance sheet



2013-2017: acquired leading servicing platforms



2017: Manage over £47 billion of assets



2018 onwards: will continue to expand AM business organically and via acquisition

- ▶ Partnership marks an important step towards discretionary asset management
- ▶ Institutional investor relies more on Arrow's underwriting and asset management expertise
- ▶ Good template for enhanced fee revenue for Arrow
- ▶ Expect to announce further incremental developments to support strategy
- ▶ Continue to work with broad client base

Highly differentiated approach gives confidence in continued high quality AM earnings growth

III. ITALIAN STRATEGY

THE NEXT STAGE – LAUNCHING ARROW'S SUPERIOR ASSET SERVICING CAPABILITIES IN ITALY

- ▶ Arrow's market position with Zenith has enabled us to identify high value niches in the very large Italian market
 - ▶ Analysed market for two years before purchase
 - ▶ Master servicer – sits above over 60 primary servicers and provides deep insight and data across regions and asset classes
- ▶ Performance has exceeded projections
 - ▶ Grown AUM faster than expected – from €14.9 billion to €25.6 billion
 - ▶ Invested capital ahead of forecasts at excellent returns
- ▶ Purchasing primary servicing businesses within these high value niches is the logical next step

Parr Credit acquisition

- ▶ unsecured servicer originally built to service NPLs for sophisticated financial investors
- ▶ provides a scalable platform for our cross asset class servicing offering
- ▶ diversified into small ticket utilities and telecoms servicing
- ▶ seasoned management team, scalable IT, strong customer focus and 200 Rome-based staff.

Europa Investimenti acquisition

- ▶ provides a 35-strong team experienced in forensic underwriting capabilities in non-performing corporate and SME bankruptcies
- ▶ similar to MCS at time of acquisition – strong underwriting skills and outstanding investment track record
- ▶ potential to create further value by scaling the business through systemisation, lower cost of funding and using Arrow's relationships: identical to MCS strategy

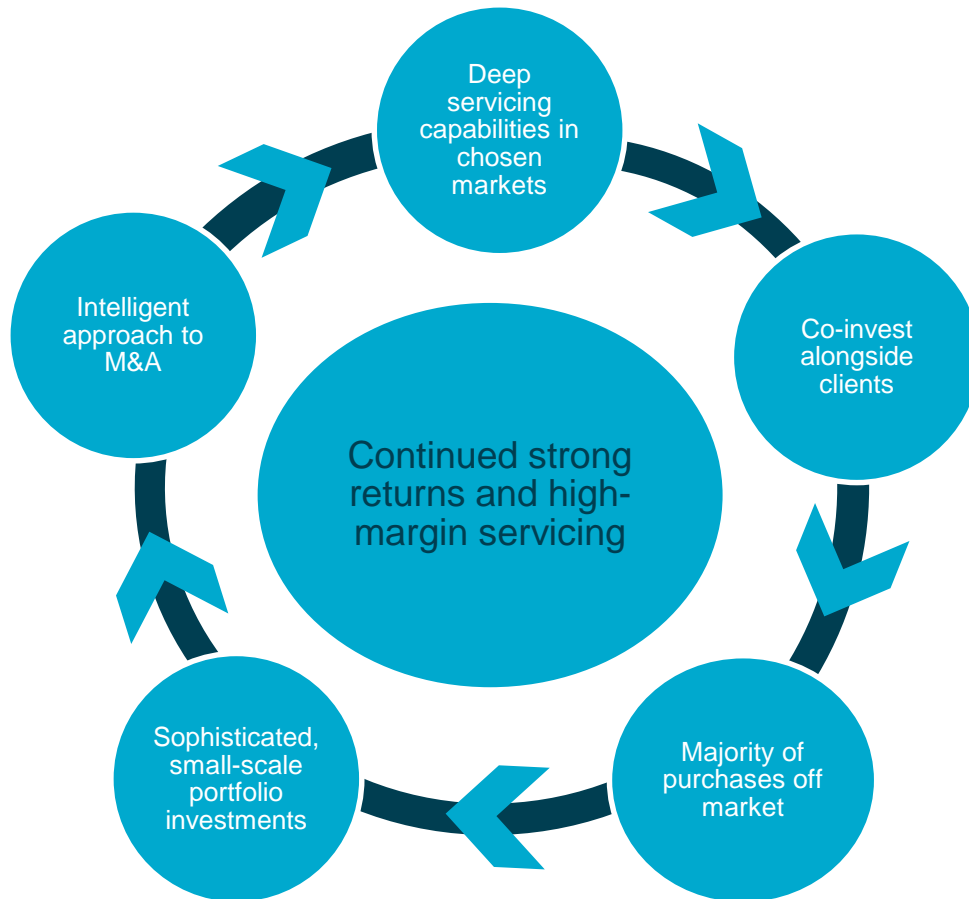
- ▶ Both businesses purchased at between 7-10x EBITDA



Italian acquisitions build on strong platform

IV. DIFFERENTIATED BUSINESS MODEL

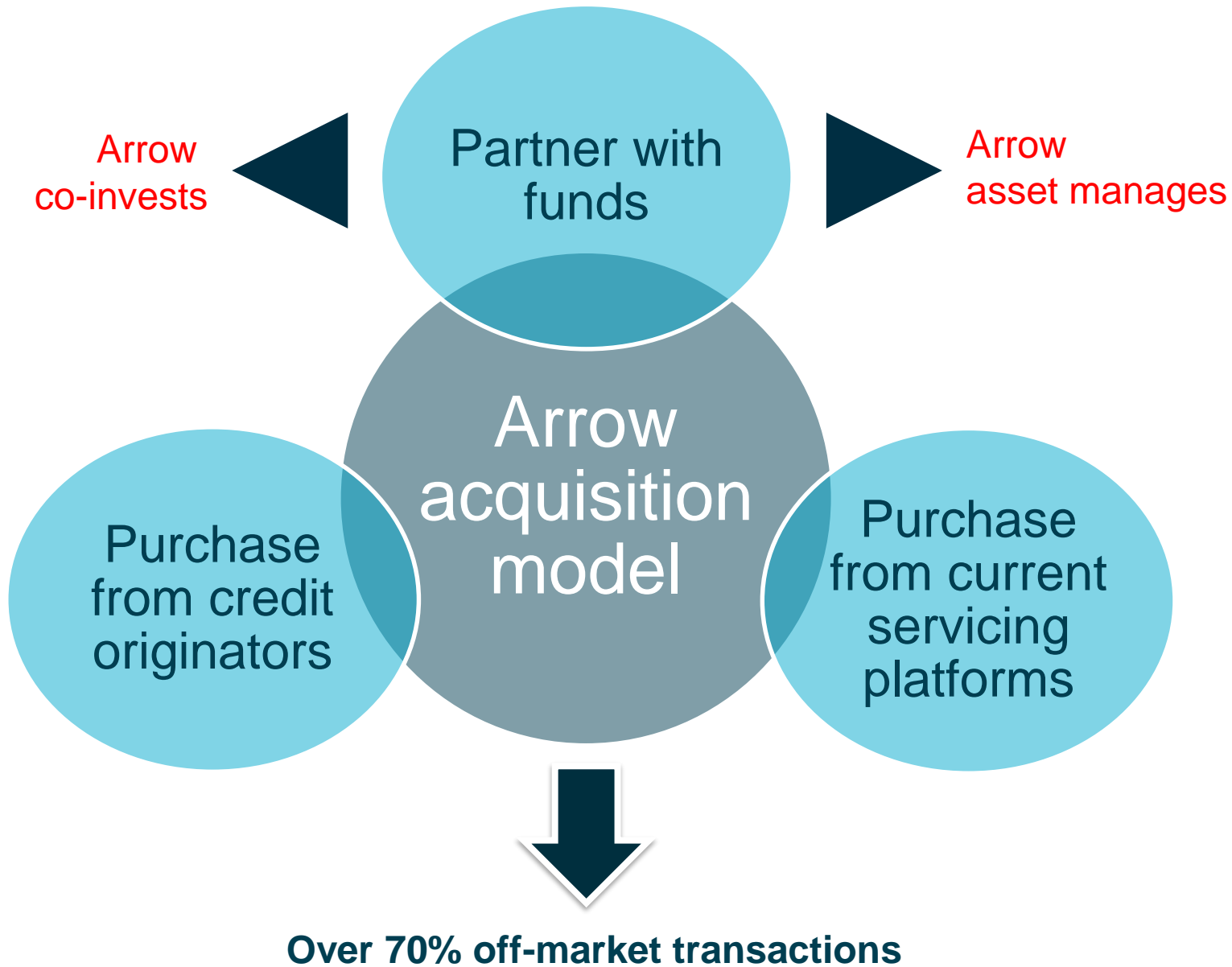
ARROW'S BUSINESS MODEL IS HIGHLY DIFFERENTIATED



- ▶ Strategy founded on deep servicing penetration in chosen markets
- ▶ Arrow is a sophisticated investor and asset manager, not a bulk buyer of loans
- ▶ Approach driven by strong client relationships
- ▶ Co-investment structure aligns with client interests for servicing
- ▶ Majority of portfolio purchases transacted off market, avoiding auction pressure
- ▶ Taking incremental steps towards becoming a trusted discretionary asset manager to the alternative asset sector

V. COMMERCIAL PERFORMANCE

HOW WE ACQUIRE LOAN PORTFOLIOS AND SERVICING ASSETS – STRONG RELATIONSHIPS



KEY ARROW CLIENT BASES

1. Credit Originators



We work with over 120 clients and did 76% repeat business

2. Funds & Investment Partners



We work directly with the largest institutional investors in the market (over 80% of the largest purchasers by volume since 2015)

3. Purchasing from Servicing



£47.4 billion of AUM provides a strong purchasing pipeline

DEAL EXAMPLES

UK bank

Geography: UK
Asset class: Unsecured
Transaction: Auction
Total FV*: £113m
Arrow FV: £113m



Italian bank

Geography: Italy
Asset class: Secured
Transaction: Off-market
Total FV: £94m
Arrow FV: £47m

Investment partner:
Global fund

Global fund

Geography: IRE
Asset class: Secured
Transaction: Off-market
Total FV: £63m
Arrow FV: £63m



Portuguese bank

Geography: Portugal
Asset class: Public securitisation
Transaction: Off-market
Total FV: £345m
Arrow FV: £5m

Investment partner:
Global fund

Global fund

Geography: Benelux
Asset class: Secured
Transaction: Off-market
Total FV: £114m
Arrow FV: £6m

Investment partner:
International bank

Italian partner

Geography: Italy
Asset class: Unsecured
Transaction: Off-market
Total FV: £149m
Arrow FV: £149m



Dutch bank

Geography: Benelux
Asset class: Secured
Transaction: Off-market
Total FV: £500m
Arrow FV: £6m

Investment partner:
Global fund

Global fund

Geography: Benelux
Asset class: Secured
Transaction: Auction
Total FV: £122m
Arrow FV: £1m

Investment partner:
Global fund

Italian bank

Geography: Italy
Asset class: Master servicer/corporate servicer
Total FV: £3,000m
Arrow FV: £3,000m

Investment partners:
International bank/Italian bank

Italian bank

Geography: Italy
Asset class: Securitisation/Master servicer/Primary servicer
Total FV: £250m
Arrow FV: £250m



*FV= Face Value

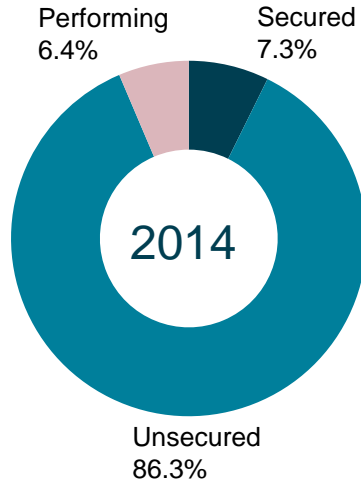
INCREASED PORTFOLIO INVESTMENT OPPORTUNITIES DRIVING SELECTIVE APPROACH AND MAINTAINING RETURNS

Year	Volume of Deals				Win Ratio	Bid Ratio
	Won	Lost	Did Not Trade/Passed	Total		
2013	17	19	24	60	47%	60%
2014	23	28	35	86	45%	59%
2015	23	20	52	95	53%	45%
2016	23	31	75	129	43%	42%
2017	31	32	84	147	49%	43%

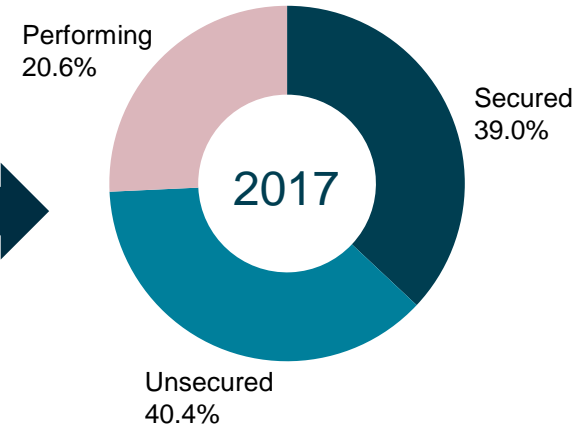
- ▶ Total completed purchases in 2017 of £224 million
- ▶ 31 transactions in 2017, average deal size of £7 million
- ▶ Record repeat and off-market business from existing clients
 - ▶ off-market deals accounted for over 70% and repeat clients were 76% of purchases
 - ▶ commitments signed in 2017 of £54 million for completion in 2018
 - ▶ therefore total investments contracted during 2017 were £278 million
- ▶ Strong origination franchise leading to pipeline growth in all geographies
- ▶ Highly selective in deals we progress
 - ▶ portfolio purchase total vs. market size is small, allowing good investment discretion
 - ▶ continued to decline a greater number of opportunities
 - ▶ allows Arrow to maintain investment discipline and sustain returns profile

COMPREHENSIVE DELIVERY OF GEOGRAPHIC EXPANSION AND ASSET CLASS DIVERSIFICATION

Investment by asset classes 2014

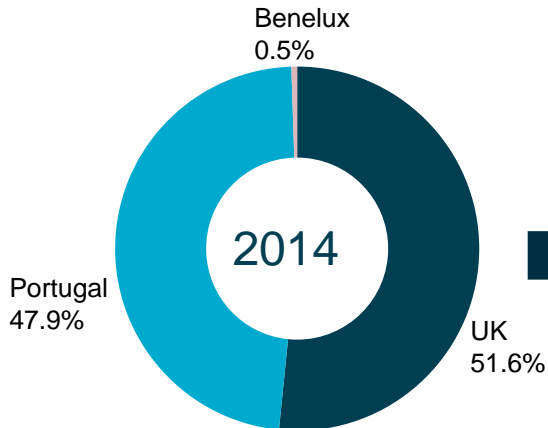


Investment by asset classes 2017**

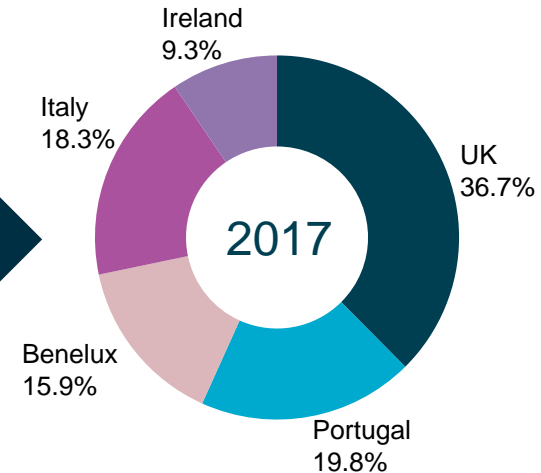


Significant asset diversification

Investment split by geography 2014*



Investment split by geography 2017**



Significant geographic expansion

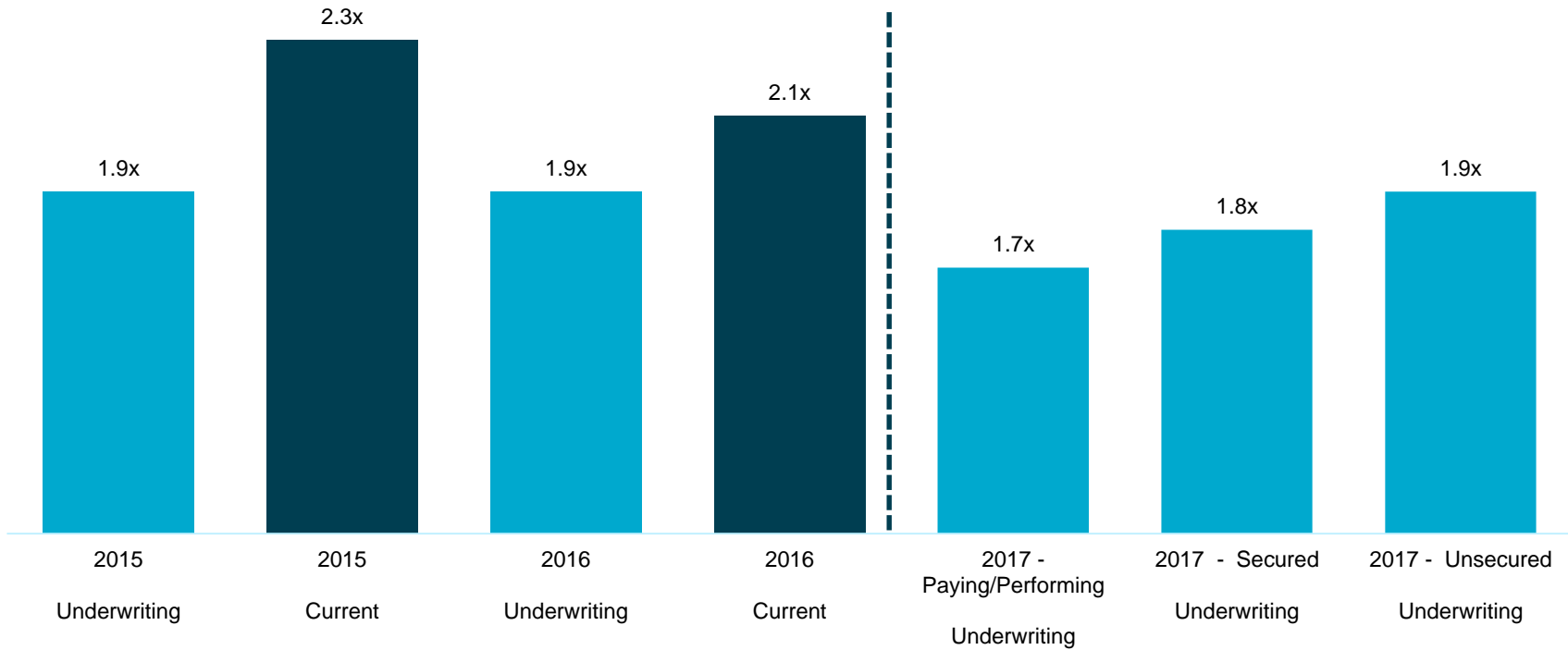
*Organic purchases

** Includes 2017 purchases and commitments

► Total completed purchases of £224 million and total committed purchases of £278 million

Arrow has built a stronger, more diversified and resilient model

CONSISTENTLY ACHIEVING TARGET RETURNS



- ▶ Returns have remained stable across geographies
- ▶ Greater contribution of secured and paying/performing assets to overall asset mix has lowered Gross Money Multiples
 - ▶ Initial costs related to secured are higher than unsecured, but lifetime costs are lower
 - ▶ Paying/performing assets have lower lifetime collections cost
 - ▶ Net Money Multiples therefore remain broadly consistent

Note: includes purchases only

VI. FINANCIAL PERFORMANCE

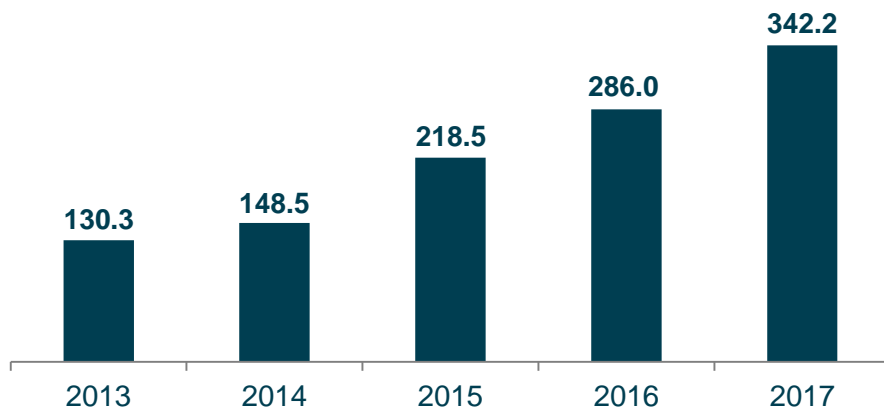
FINANCIAL HIGHLIGHTS – ANOTHER STRONG YEAR

	FY 2016	FY 2017	
Core collections	£286.0m	£342.2m	+19.7%
Revenue	£235.9m	£319.0m	+35.2%
Portfolio purchases	£223.0m	£223.9m	+0.4%
Underlying PAT	£45.6m	£56.6m	+24.1%
Underlying basic EPS	26.1p	32.4p	+24.1%
Underlying ROE	29.1%	32.9%	+3.8 pts
DPS	9.1p	11.3p	+24.2%

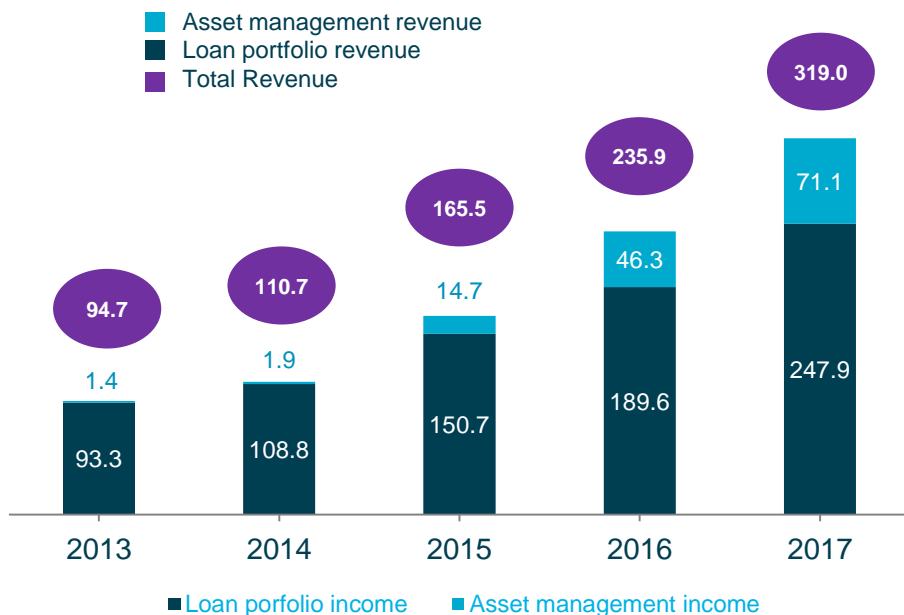
- ▶ Continued revenue growth driven by 19.7% increase in core collections and 53.5% increase in AM income
- ▶ Strong organic portfolio purchases ahead of target
 - ▶ Continue to invest at stable returns across geographies
- ▶ Strong performance has led to EPS and ROE growth ahead of targets
- ▶ Stable net returns adjusted for mix

FY 2017 PERFORMANCE

Core cash collections (£m)

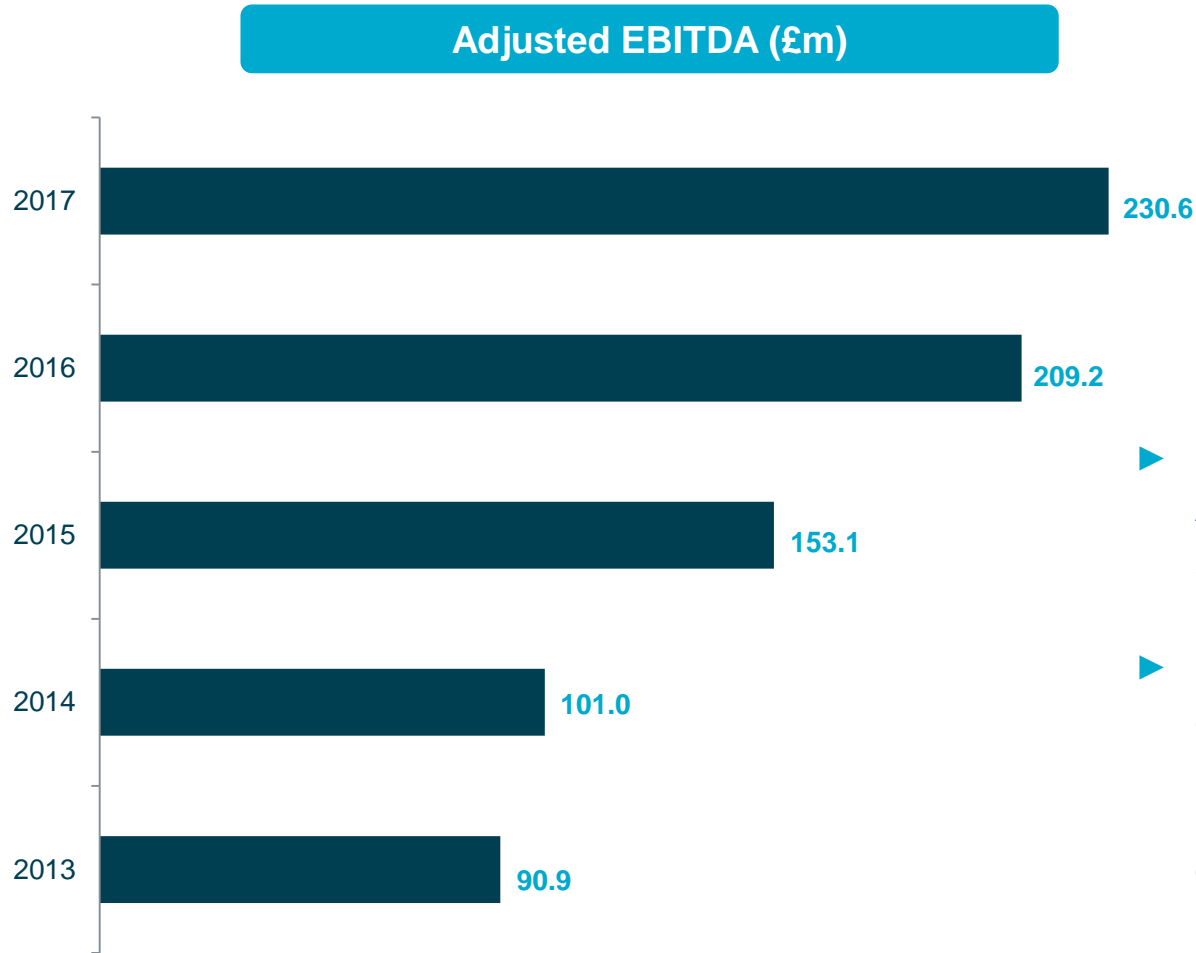


Revenue growth (£m)



- ▶ Growth of 19.7% in core cash collections to £342.2 million
- ▶ Overall collections ahead of ERC forecast (103.0% of underwriting forecast)
- ▶ Asset management revenues continue to rise, increasing by 53.5% to £71.1 million
- ▶ Increase of 35.2% in revenue to £319.0 million
- ▶ Lower amortisation rate of 29% driven by higher proportion of secured assets and in year one-off legal investment, which increased value of the back book

FY 2017 PERFORMANCE



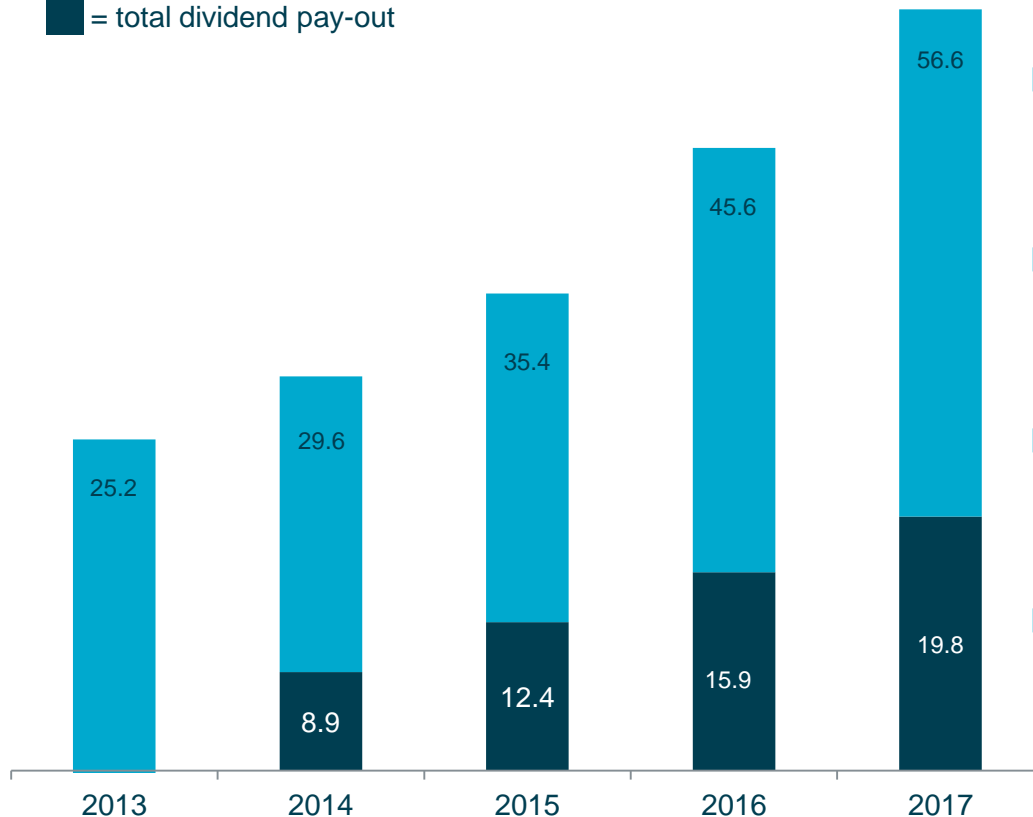
▶ Growth of 10.2% in Adjusted EBITDA to £230.6 million

▶ Improvement driven by strong collections & increase in asset management partially offset by increased legal collection costs in 2017

FY 2017 PERFORMANCE

Underlying profit after tax (£m)

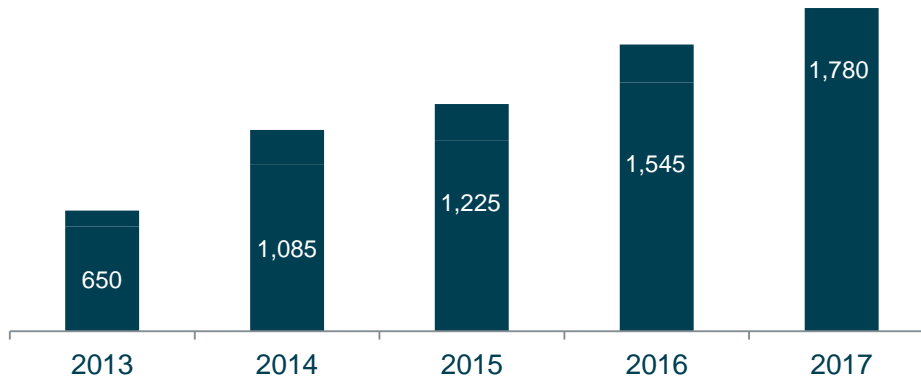
■ = total dividend pay-out



- ▶ Strong track record of bottom line growth
- ▶ Good performance has enabled further dividend growth
- ▶ Dividend at top of pay-out ratio again
- ▶ Full-year dividend of 11.3p – 24.2% increase
- ▶ Italian acquisitions will require investment; supportive of strong returns in late 2019

FY 2017 PERFORMANCE

120-month gross ERC (£m)



▶ Continued growth in ERC driven by strong organic purchases

▶ 120-month ERC breakdown

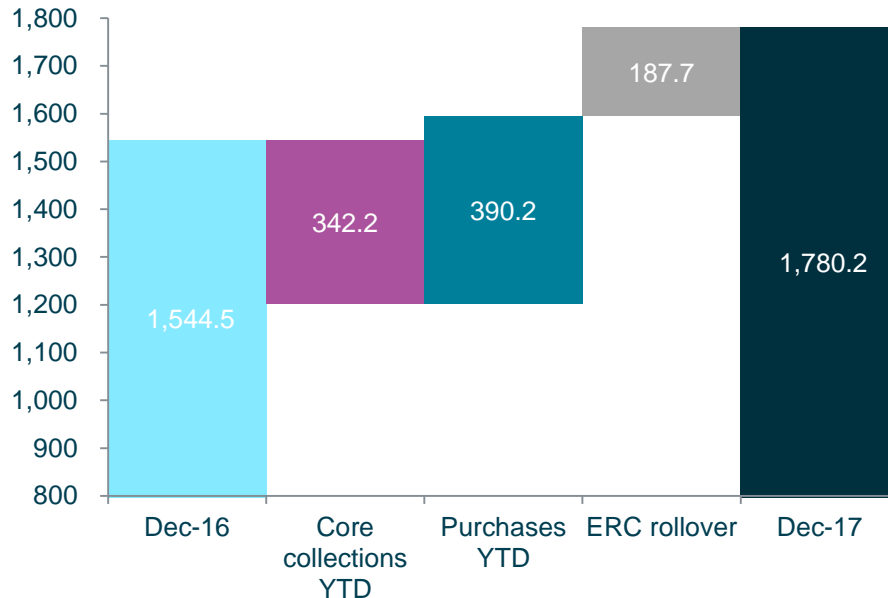
- ▶ UK 54% (2016: 58%)
- ▶ Portugal 29% (2016: 32%)
- ▶ Benelux 13% (2016: 10%)
- ▶ Italy 4% (2016: 0%)

▶ 22% of 120-month ERC secured assets

▶ In year additional legal collections investment drives additional ERC

▶ Replacement rate for 2018 is approx. £130 million

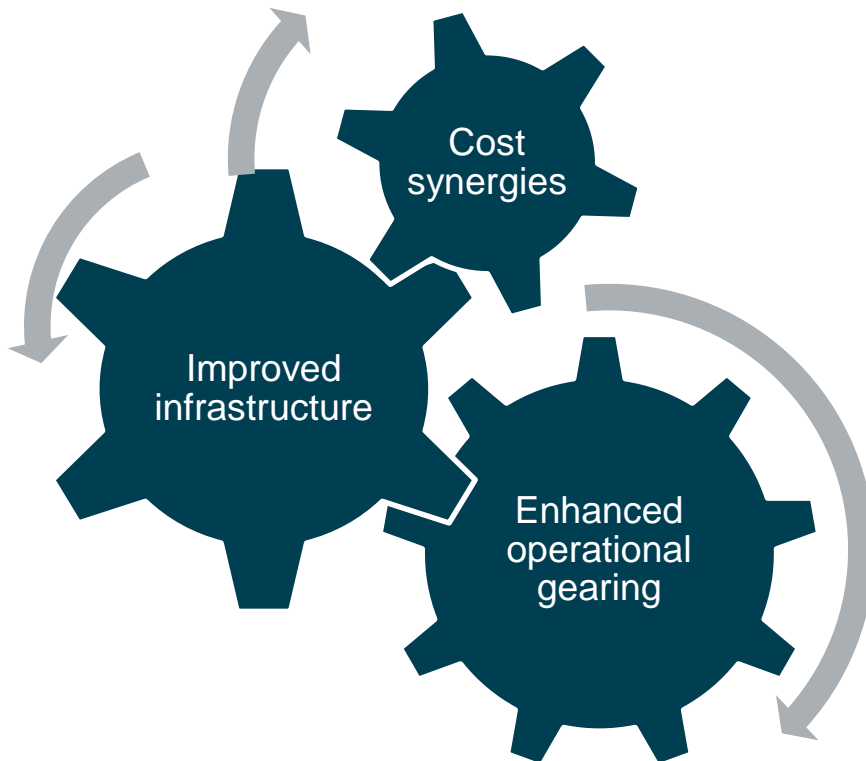
120-month ERC¹ bridge Dec 16 to Dec 17 (£m)



1. Euro ERC at 31 December 2017 exchange rate 1.13, 31 December 2016 1.17

ONE ARROW PROGRAMME ON TRACK

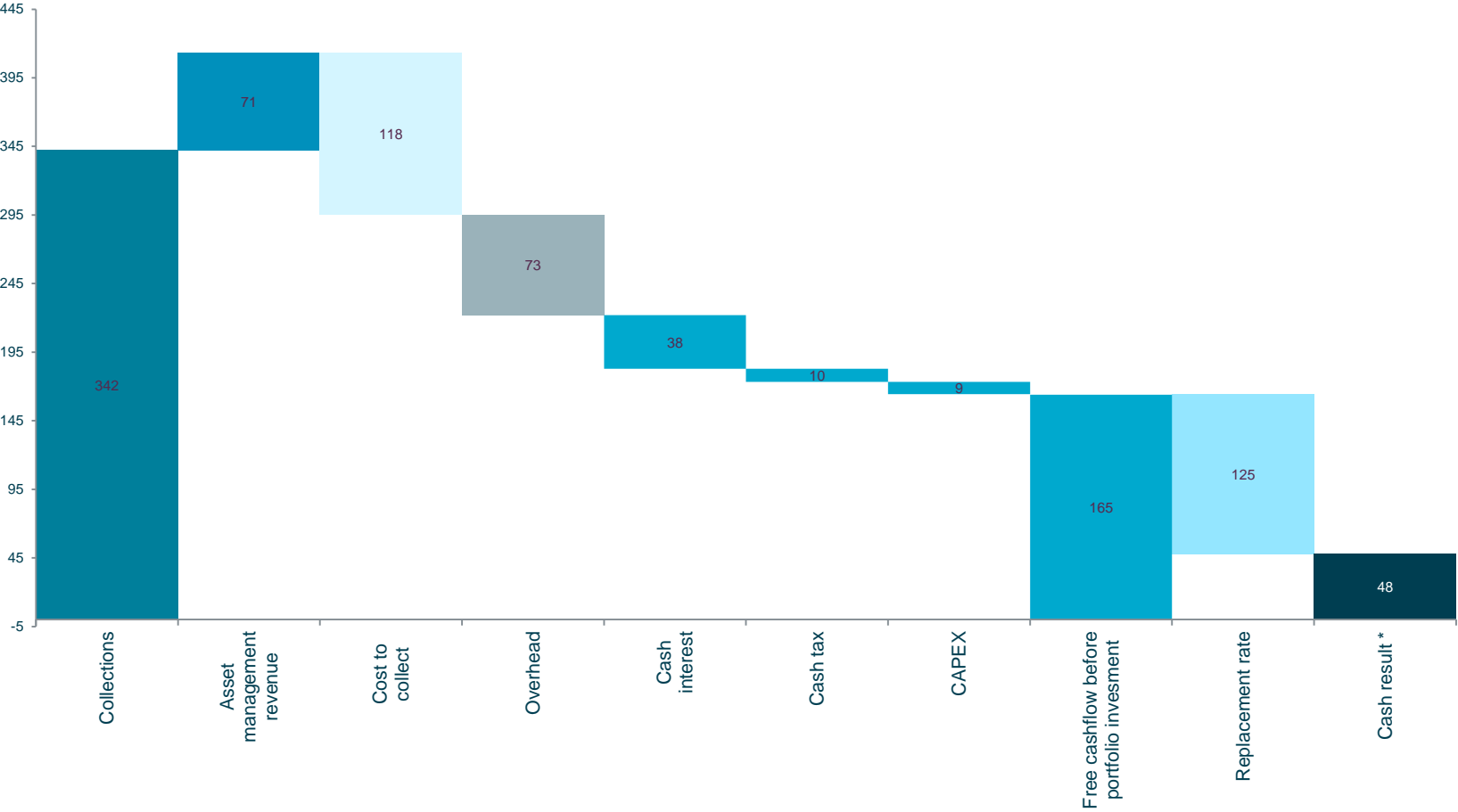
Building One Arrow



- ▶ Announced at HY 2017
- ▶ Programme to streamline Group functions and enhance efficiency
- ▶ £22 million programme on track
- ▶ Will increase operational gearing over time

FY 2017 PERFORMANCE

Cash Result (£m)



► Consistently strong cash generation

*Includes £7.0 of cash received from associate and £1m from disposal of intangible asset

NET DEBT AND KEY CREDIT RATIOS

Capital structure (£m)

	2016	2017
Net Debt	816.0	948.4
Secured Net Debt	761.9	899.2
Adjusted EBITDA	209.2	230.6
84-Month ERC	1,339.1	1,516.9

Leverage Metrics	Policy	2016	2017
Secured Net Debt/ Adjusted EBITDA	3.5-4.0x	3.6x	3.9x
Secured LTV ¹ (Secured Net Debt/84-Month ERC)	60.0%	57.0%	59.7%
Cash interest cover	>4.0x	5.2x	5.9x

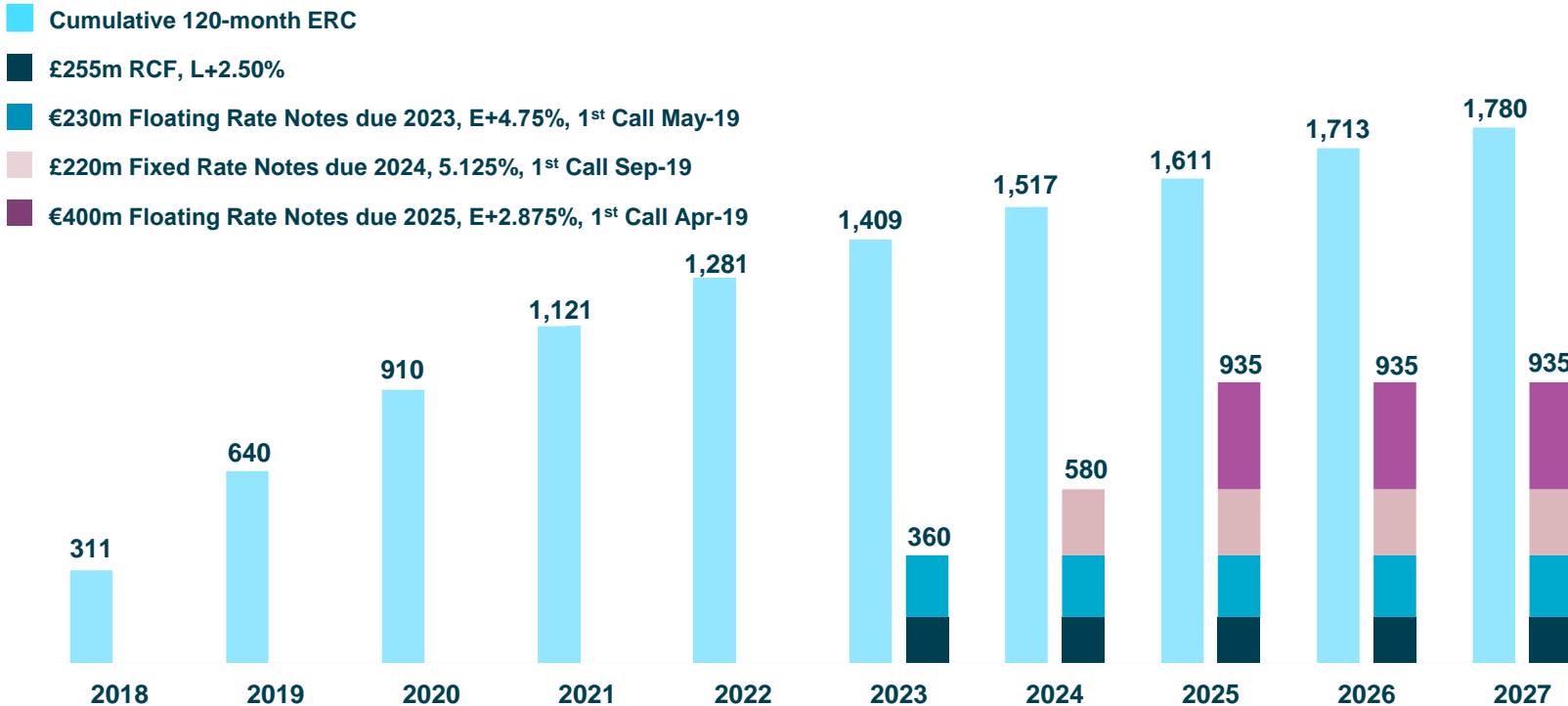
- ▶ Secured Net Debt/Adjusted EBITDA within policy range
- ▶ Secured Net Debt/*Pro forma* LTM Adjusted EBITDA² 3.8x
- ▶ Significant LTV headroom compared to our maintenance covenant of 75%
- ▶ Cash cover continues to benefit from the reduction in WACD
- ▶ RCF further increased in January 2018 by £40 million to £255 million
- ▶ £136.5 million cash and RCF available as a result of increasing RCF

¹ Excluding debt and estimated remaining collections attributable to non-recourse borrowings, accrued interest, amounts drawn under bank overdrafts and deferred consideration.

² *Pro forma* LTM Adjusted EBITDA includes the full year effect of the acquisitions of Zenith (£1.3 million) and Mars Capital (£2.3 million).

LONG-TERM FUNDING

Debt maturity & 120-month ERC (£m)



- ▶ RCF amended in January 2018
 - ▶ £40 million increased to £255 million
 - ▶ Margin reduced by a further 25bps to 250bps
 - ▶ Maturity extended to January 2023
- ▶ Successfully raised €400 million E+ 2.875% eight-year bond
- ▶ Significant ERC coverage of debt maturities
- ▶ Weighted average cost reduced to 3.9%
- ▶ Weighted average debt duration 6.2 years
 - ▶ Compares favourably to shorter weighted average asset life
- ▶ No debt maturities within next five years

VII. SUMMARY

SUMMARY

2017 was another strong year of growth for Arrow Global

Our sophisticated investment approach meant we continued to achieve excellent returns across all geographies

One Arrow programme already driving improved culture and operational efficiency

Further diversified the geographic reach and asset class expertise of the Group with the acquisition of Mars Capital

Zenith acquisition has integrated well, providing deep insight into the Italian market and highlighting further opportunities for both the asset management and debt purchase businesses

The asset management business has continued to grow strongly

Strengthened funding position with reduced weighted average cost of debt & long duration

VIII. OUTLOOK

Significant opportunities

Market opportunity remains considerable

Financial institutions continue to deleverage

ECB NPL provision guidance and IFRS 9 driving faster NPL recognition

Increasing secondary market trades from assets traded in 2012-2015 period

Continue to see attractive attractive portfolio acquisition opportunities

Investment pipeline remains attractive, project circa £230 million - £240 million of purchases this year

First investments in Ireland and UK secured market supported by Mars Capital platform

Italian opportunity remains significant

Strong 2017 returns provide further confidence in capital allocation strategy

Acquisitions to bolster client-driven revenues in niches we can dominate

Continued growth from capital light asset management

Remain confident in growing revenues and AUM

Early stage investment in establishing discretionary asset management services

Continue to focus on capital markets opportunities

Attractive bolt-on acquisitions to reinforce asset management and asset class capabilities

Maintain strong funding position

Economic conditions across Europe remain strong

Well positioned to capitalise on any potential downturn given back book resilience and potential front book opportunities

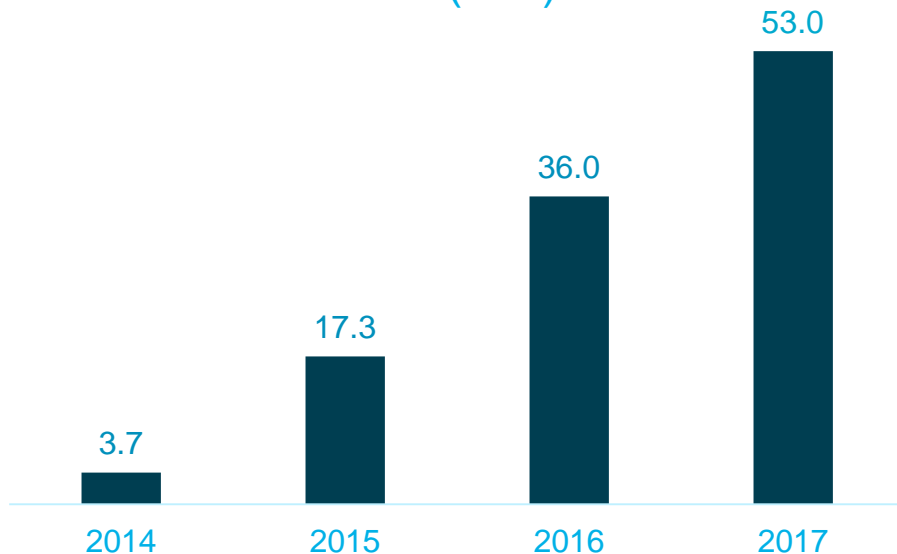
Relatively insulated against interest rate rises – few customers with mortgages and 69% of debt fixed or hedged

Q&A

Appendix

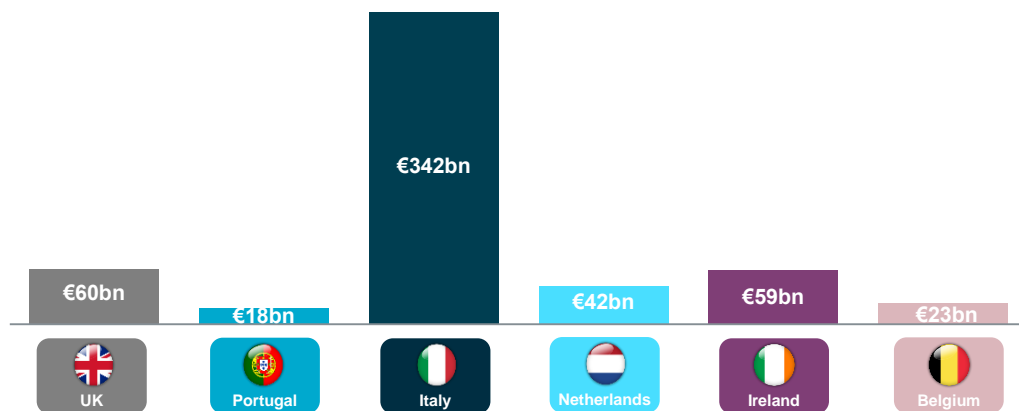
ITALY – THE SCALE OF THE OPPORTUNITY

Italian NPL sales (€bn)

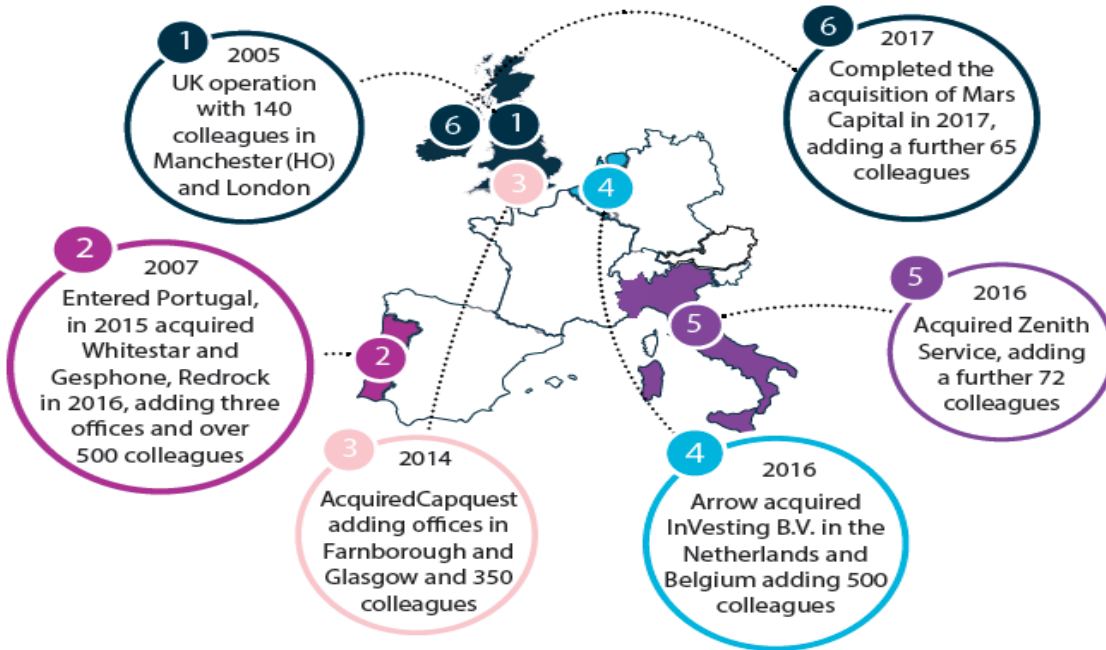


- ▶ Italy largest European NPL market at circa €300.0 billion
- ▶ Long collection curves provide strong cashflows
- ▶ Market activity rapidly increasing following increased regulatory pressure
 - ▶ ECB provisioning
 - ▶ IFRS 9

€500bn+ outstanding NPL



DIVERSIFIED BY GEOGRAPHY AND ASSET CLASS



- ▶ £47.4 billion assets under management
- ▶ Approx. 1,500 colleagues
- ▶ Operating across 6 different geographies
- ▶ 9.8 million customer accounts
- ▶ Over 30 million data records

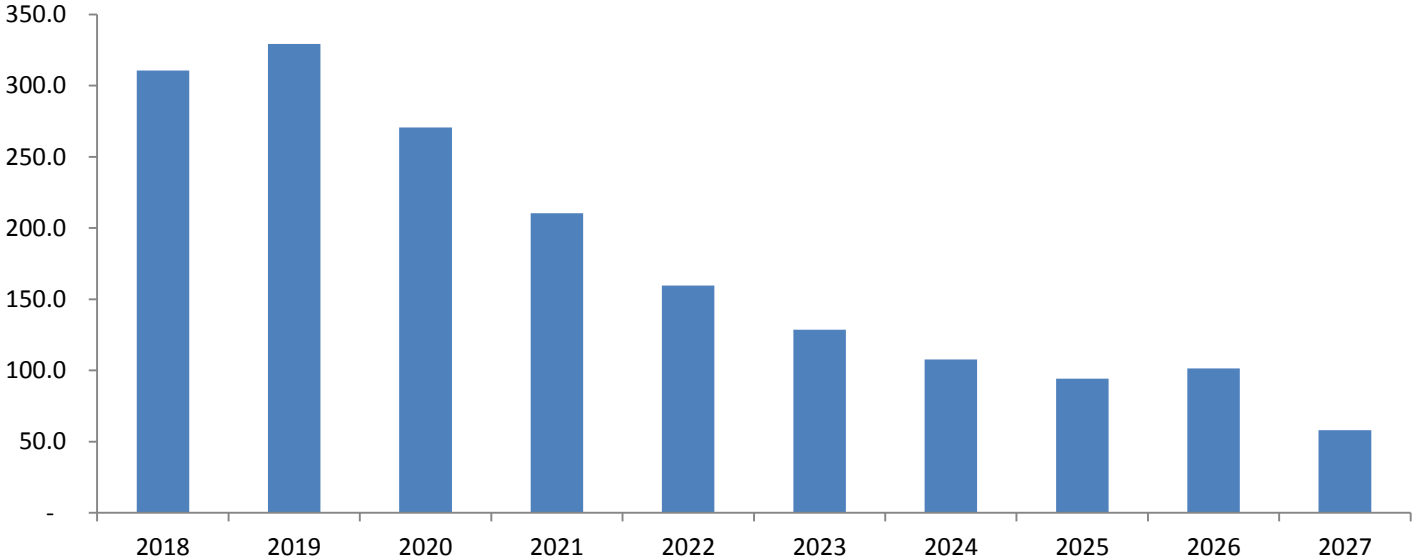
- ▶ Regulated and rated in all markets
- ▶ Early positioning in 'growth markets' with leadership positions
- ▶ Multi-asset approach – unsecured, secured, SME
- ▶ Long-established relationships with investor participants in bank de-leveraging

...across multiple asset classes

Credit Cards	Loans	CQS	Student Loans	1st Liens	2nd Liens	CRE	REOs
Motor	SME	Utilities	Retail	Telco	Buy-to-let	Other real estate-backed instruments	Residential

ESTIMATED REMAINING COLLECTIONS¹

120-month ERC – value embedded in existing book (£m)



	84-Month Gross ERC							120-Month Gross ERC			Total
Year	1	2	3	4	5	6	7	8	9	10	
ERC (£m's)	310.6	329.3	270.6	210.5	159.7	128.5	107.7	94.2	101.4	67.7	1,780.2

1. Euro ERC at 31 December 2017 exchange rate 1.13

COUNTRY REVIEW: ARROW GLOBAL IN THE UK

Regulated



Data-driven

35 million +
PCB records

- €15.1 billion asset under management
- 558 colleagues
- Across 5 locations

Market-leading technology

New customer
servicing
platform

New digital
portal

Hybrid model

In-house
collections
>40%

FCA
authorised
panel of
specialist

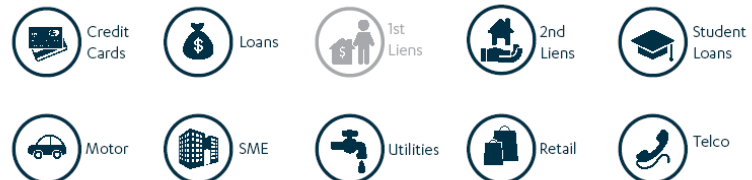
Strong client relationships

97% of LTM
portfolio
purchases from
existing clients

Enhanced asset
management
capabilities creating
additional
opportunities



...across multiple asset classes



ARROW GLOBAL IN ITALY - ZENITH SERVICE SPA

Regulated and rated



S&P Global

Leading Master Servicer & CQS primary servicer

Complete range of services to the structured finance industry

- €25.6 billion assets under management
- 77 colleagues
- S&P upgraded rating to strong

Proprietary platform, carefully built

S&P cite 'Enhanced IT capabilities', supporting:

- Master servicing
- Corporate servicing
- Primary servicing
- Back up servicing
- Calculation agent services
- Pool auditors and trustee
- ECB investor reporting
- B.o.I. regulatory reporting

A market leader in structured finance services & CQS primary servicing

Master servicer of multiple investor-owned portfolios

Full provider of services: Towers CQS and 'Arianna SPV' transactions

€2.4bn of CQS assets under management

Monitoring agent in the 1st GACS transaction

A reputation for quality and service in a complex regulated market

120 SPVs / transactions under management

Master servicing AUM:
 - 40% Performing consumer & mortgages
 - 38% NPLs consumer & other
 - 22% other including leasing

ECB reporting for €7.5 billion euros of loans



...across multiple asset classes



Pension funds



Personal/consumer loans



Trade Receivables



Mortgages



Leasing



NPLs

COUNTRY REVIEW: ARROW GLOBAL IN PORTUGAL

Regulated



Throughout cycle

Performing, sub-performing and non-performing

Leading servicing platform

Combination of expertise and servicing platforms:

- Whitestar
- Gesphone
- Redrock

+ 370k loans under management

+ 290k debtors under management

Specialism in secured & REO

Sold 5,600+ properties since 2009

Currently manages 9,300+ properties (REOs + claims)

Servicing complemented by a full suite offering of **Advisory, Securitisation Management and Structuring, Corporate Advisory and Restructuring, and Real Estate Services**

- €6.8 billion assets under management
- 359 colleagues
- Across 3 locations



...across multiple asset classes



Credit Cards



Loans



1st Liens



2nd Liens



Student Loans



Motor



SME



Utilities



Retail



Telco

COUNTRY REVIEW: ARROW GLOBAL IN BENELUX

Regulated and rated



Broad in-house proposition

Spanning Credit Marketing to primary servicing through to asset disposal and collection of shortfalls

- €5.0 billion assets under management
- 402 colleagues
- Across 2 countries and 6 locations

Leading platform, carefully built to support a diverse range of assets...

Manages performing, sub-performing and non-performing secured and unsecured assets for SME, Mid and Corporate Clients, Rental, Telco, Utility, Pension administrators, financial institutions and private equity investors

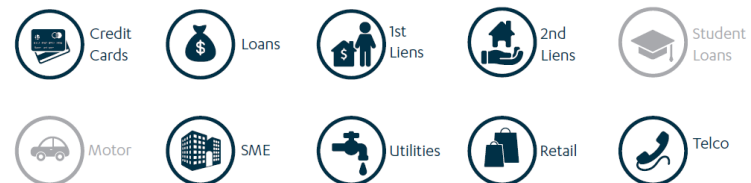
Market leader in consumer credit & adding secured & origination capabilities

- Proprietary data bureau Focum, one of 2 credit bureau in Benelux
- Servicing multiple investor-owned portfolios
- Servicing GE Artesia's purchased run-off book
- Transformative RNHB transaction including specialist servicing of €1.7bn secured assets

Built on long-term client relationships



...across multiple asset classes



COUNTRY REVIEW: ARROW GLOBAL IN IRELAND

Regulated

CBI

Market-leading

Secured assets
specialist

Excellent data

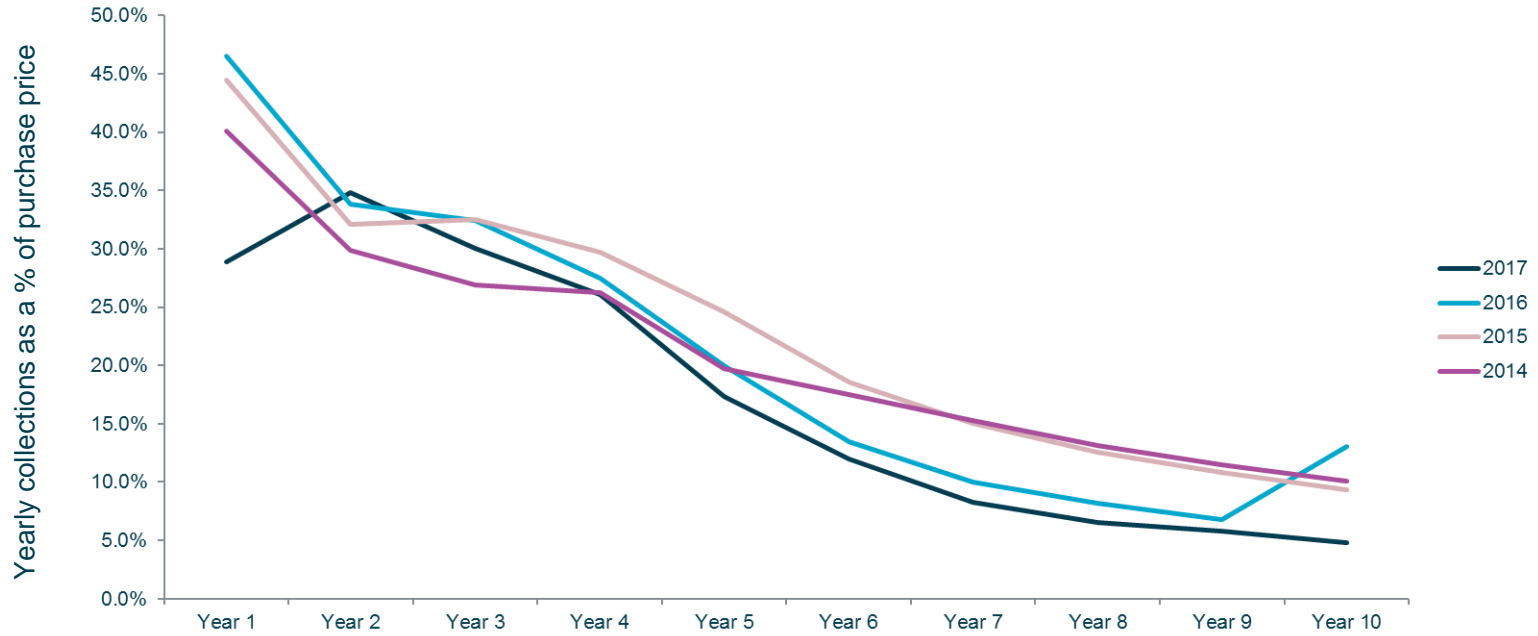
Oaktree Capital Management

Established a strategic partnership in
the UK and Ireland with Oaktree Capital
Management L.P.

- €0.9 billion AUM
- €59 billion NPL market
- 68 colleagues
- Across 1 location



ESTIMATED REMAINING COLLECTIONS



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.