

ARROW GLOBAL GROUP PLC

Q3 Results

8 November 2018

Agenda

- I. Q3 Highlights
- II. Q3 Financial Performance
- III. Outlook



I. Q3 Highlights

Another set of strong Q3 results

Underwriting performance and AUM growth supporting earnings momentum

Core cash collections

(30 Sept 2017: £244.1m)

£288.5m

↑
18.2%

Organic portfolio purchases

(30 Sept 2017: £155.0m)

£200.1m

↑
29.1%

Underlying basic EPS

(30 Sept 2017: 22.3p)

24.5p

↑
10.2%

Adjusted EBITDA

(30 Sept 2017: £156.7m)

£201.9m

↑
28.8%

AUM

(30 Sept 2017: £42.0bn)

£51.5bn

↑
22.6%

Underlying LTM RoE

(30 Sept 2017: 33.9%)

33.4%

↓
-0.5 pts

Underwriting performance

(30 June 2018: 103%)

104%

↑
+1.0 pts

Third party AMS Income

(30 Sept 2017: £50.6m)

£63.3m

↑
25.1%

Leverage

(30 June 2018: 4.0x)

3.8x

↓
-0.2x

Investment case

1

Sophisticated investment platform in a growth market

2

Increasing quality of earnings

3

Consistently strong returns for shareholders

4

Resilient balance sheet

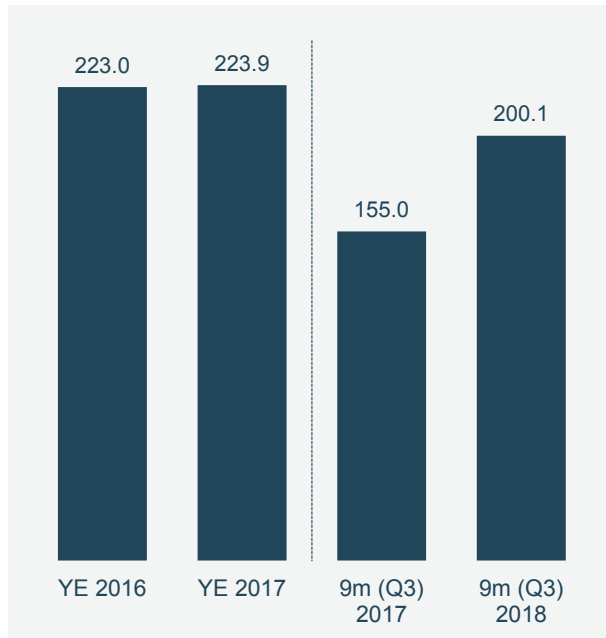
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Reliable through the cycle performance

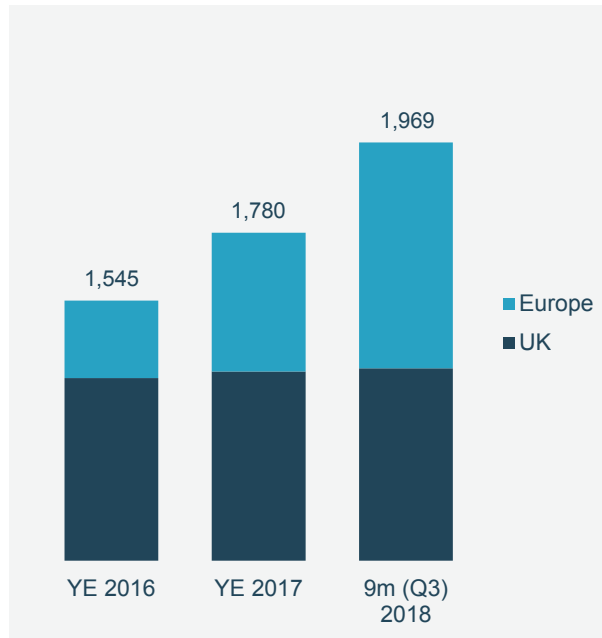
Arrow's unique and differentiated model provides an attractive investment opportunity

Strong Portfolio Acquisition and ERC Development

Organic Portfolio Purchases (£m)¹



120-Month Gross ERC (£m)



Key Highlights

- Good balance by geography: UK 23.8%, Portugal 12.2%, Benelux 23.3%, Italy 22.9% and Ireland 17.8%
- 74.0% from off-market purchases – continuing trend and highlights strength of origination capabilities and key relationships across geographies
- 8.9% of purchases came from previously serviced accounts
- 68.4% of purchases related to secured portfolios²

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

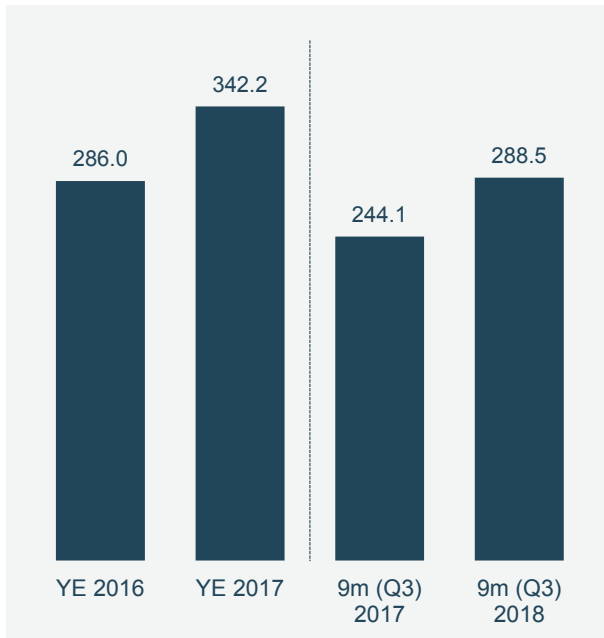
2. By purchase price



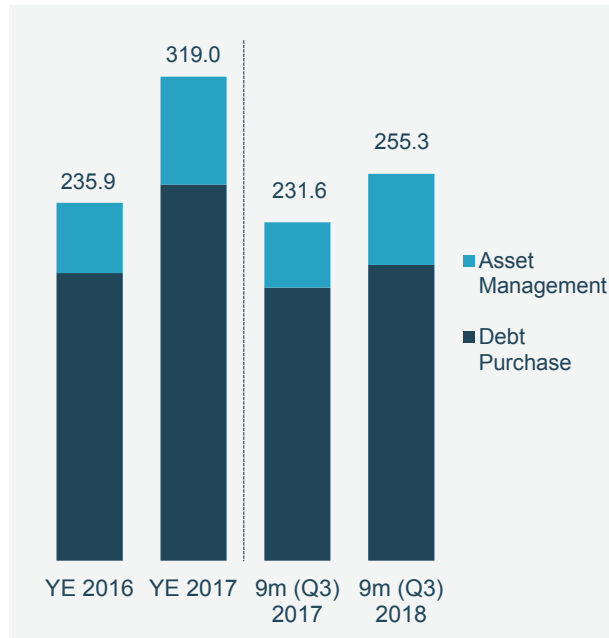
II. Q3 Financial Performance

Increase in Core Collections and Revenue

Core Cash Collections (£m)



Total Income (£m)

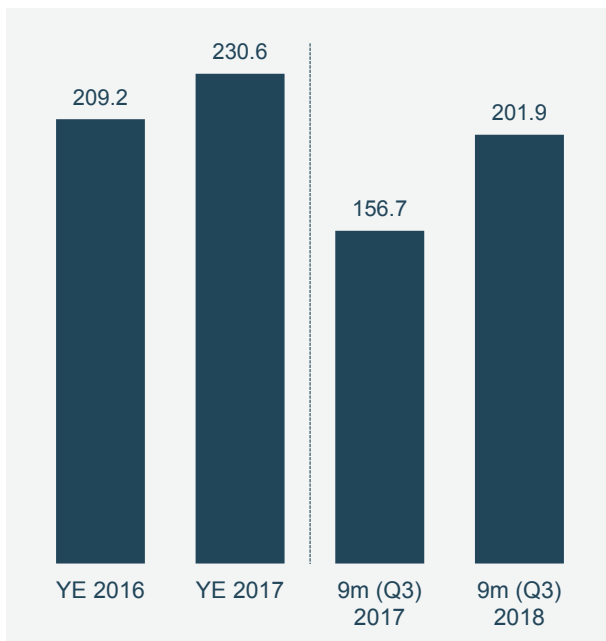


Key Highlights

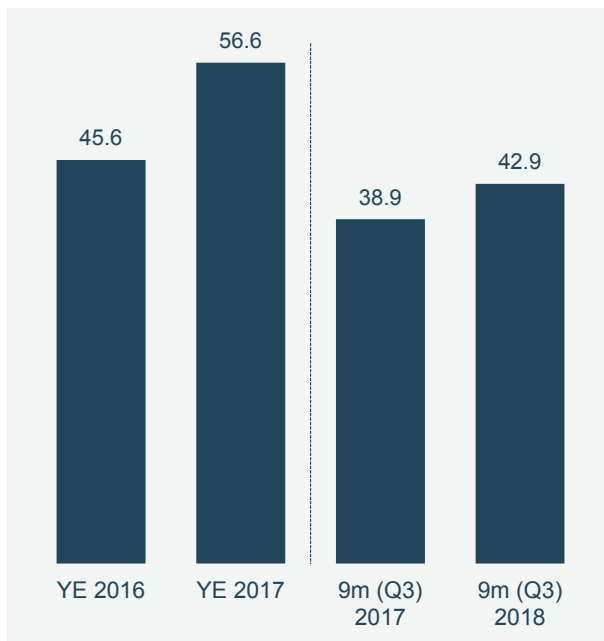
- Strong core collections performance
- Collections in Q3 2018 continue to out perform ERC forecast
- Strong income growth underpinned by enhanced asset management incomes – a continuing trend
- Capital light third-party asset management incomes grew by 25.1% to £63.3 million

Continued Underlying PAT Growth

Adjusted EBITDA (£m)



Underlying PAT (£m)

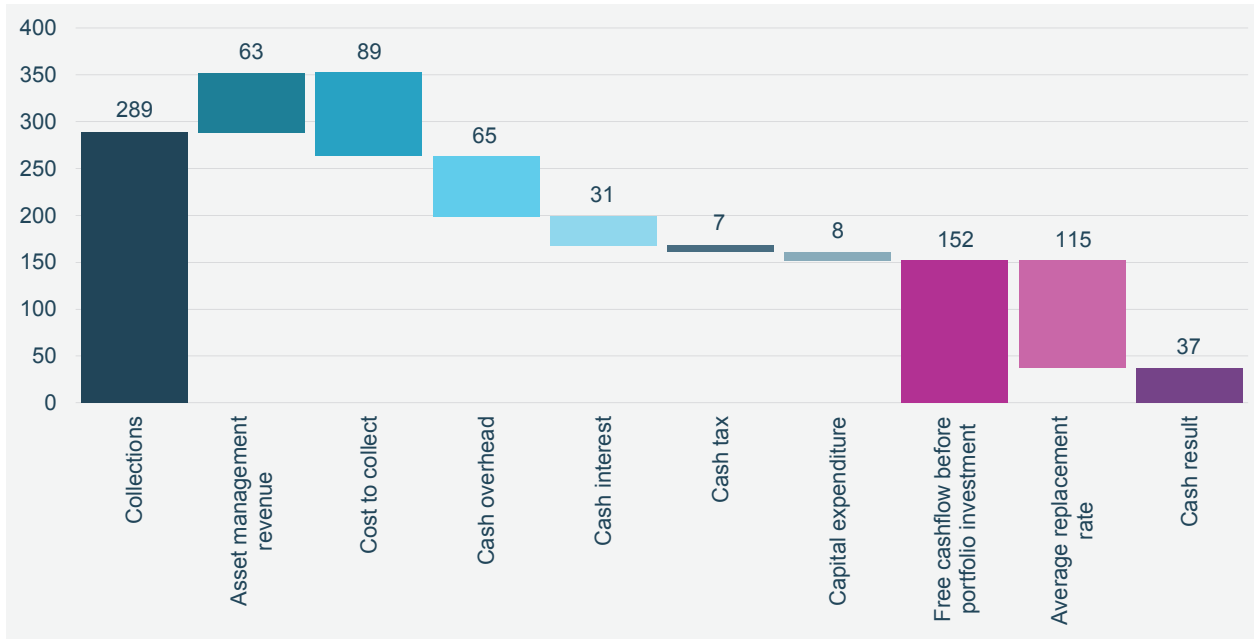


Key Highlights

- 28.8% increase in Adjusted EBITDA – continued strong cash generation
- Underlying basic EPS of 24.5p, up 10.2% (Q3 2017: 22.3p)
- Underlying LTM ROE of 33.4% (Q3 2017: 33.9%)
- Underlying profit after tax continues to grow, increasing by 10.2% to £42.9 million

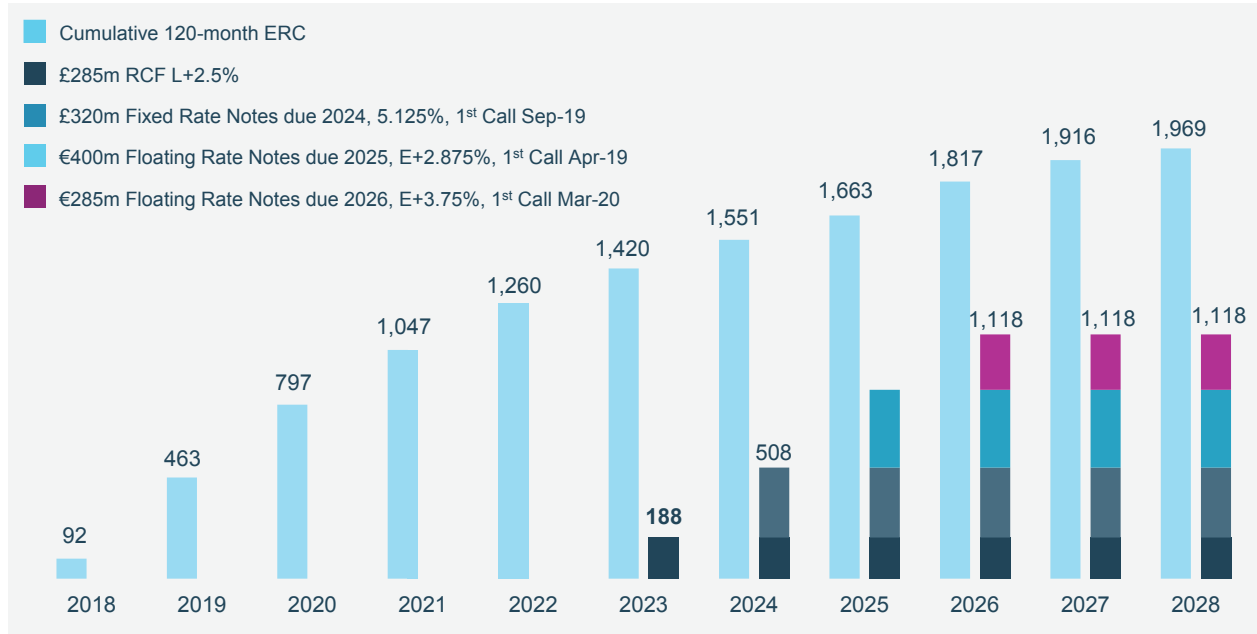
Strong cash generation

Cash Result (£m)



Long-Term Funding

Debt Maturity & 120-month ERC (£m)



Key Highlights

- No debt maturities until **2023**
- Significant ERC coverage of debt maturities
- Weighted average cost of debt **3.9%**
- Weighted average debt **duration 6.1 years**
 - Compares favorably to shorter weighted average asset life
- Secured net debt to ebitda reduced to **3.8x** from 4.0x (H1 2018)
- Strong cash interest cover at **6.6 times**



IV.Outlook

5-year targets

ROE

Mid-20s

- Continue achieving underlying ROE in mid-20s through-the-cycle

**AMS
Contribution**

50% of
Group Revenue

- Double AMS revenue
- Higher quality, capital-light earnings
- EBITDA margins to mid-20s

Leverage

3.0x to 3.5x

- Natural delevering from M&A platforms
- Flexibility to deploy financial firepower

**Dividend
Policy**

≥ 35% of
underlying net
income

- Supported by growing AMS contribution
- Continue progressive dividend target and apply balance sheet discipline

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