ARROW GLOBAL GROUP

Results for the quarter ended 31 March 2022

17 May 2022

INTRODUCTION

Zach Lewy
Group Chief Executive Officer

Strong progress towards our strategic goals

De-leveraging - a strategic priority

- **Continued reduction in leverage** - reducing from 4.8 times to 4.2 times over the quarter
- **Strong collections performance** - £108 million for the quarter (Q1 2021 £77 million), representing 105% of ERC
- Adjusted EBITDA increased to £88 million (Q1 2021: £52 million)

We continue to scale our fund management proposition

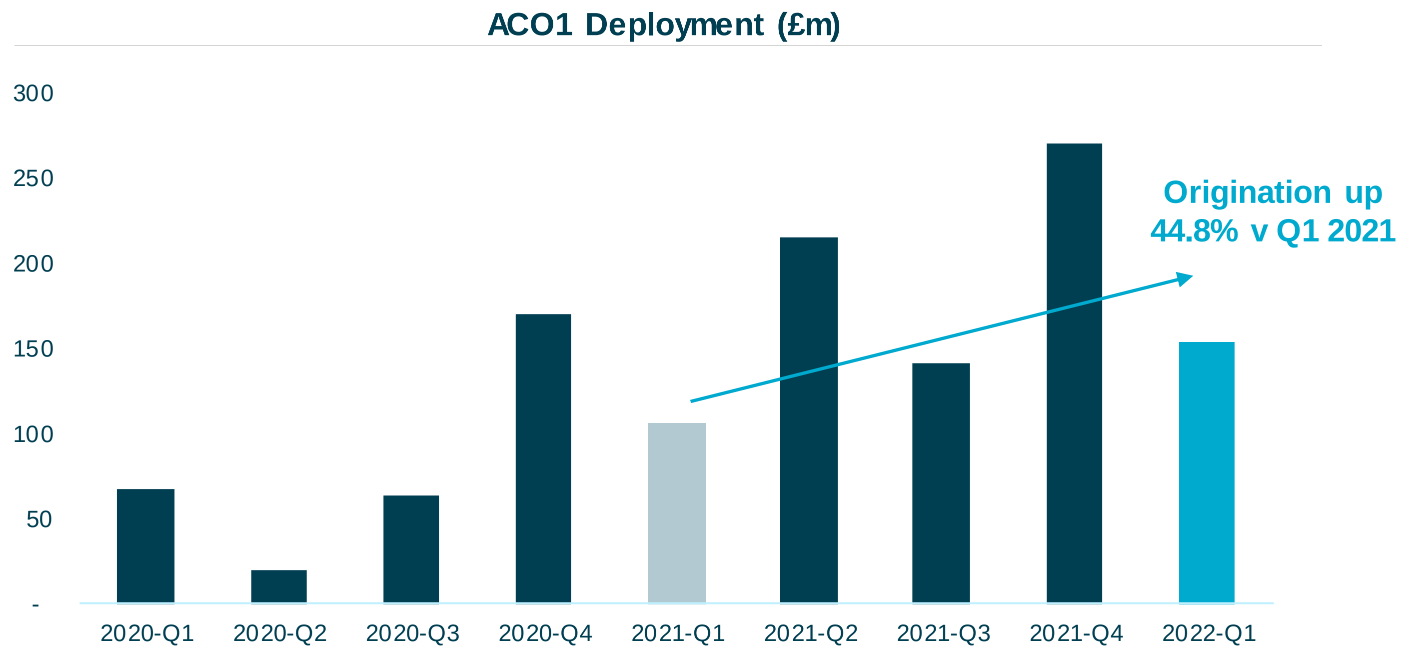
- Origination volumes continuing to scale up, with €168 million originated in Q1 2022 (Q1 2021: €116 million)
- **ACO 1 delivering above target returns at 20%** with total capital invested of €1.3bn
- **ACO 2 fund raising remains on track** - target €2.5bn with first close expected mid 2022
- Continue to **build real-estate and fundraising capabilities**

Efficient local platforms create a differentiated proposition

- New **organisational structure now fully embedded** and operating as intended
- Completion of final actions to deliver **£20 million annualised cost savings** completed in the quarter
- Continued appetite for our services with **third party income increasing by 38.1% on Q1 2021**
- Maintaining our **strong regulatory and customer franchise**, as part of our broader ESG commitments

Origination and returns for ACO 1 remain strong

- ACO 1 deployment has continued to be strong with deployment of €168 million, up 44.8% on Q1 2021
- ACO 1 has continued to deliver above target returns, with a Deal IRR of 20.2% (Post-Servicing Costs) as of March 2022
- Recent ACO1 vintages are performing significantly better than underwrite:
    - 2020 - 24% versus 16% at underwrite
    - 2021 - 19% versus 15% at underwrite
    - 2022 – Underwritten at 15%
- Collections profile remains strong – ACO1 has collected 154% versus underwrite up to March 2022



Deal IRR (after servicing costs) 2020 Vintage[1]

Deal IRR (after servicing costs) 2021 Vintage[1]

1. Deal IRR (after servicing costs) represents the returns on investments, post servicing (including the servicer margin) and 3rd Party Costs. 2020 & 2021 Vintage includes total return across ACO1 and Arrow Balance Sheet investments, post servicing and 3rd Party Costs

FINANCIAL REVIEW

Phil Shepherd
Group Chief Commercial Officer

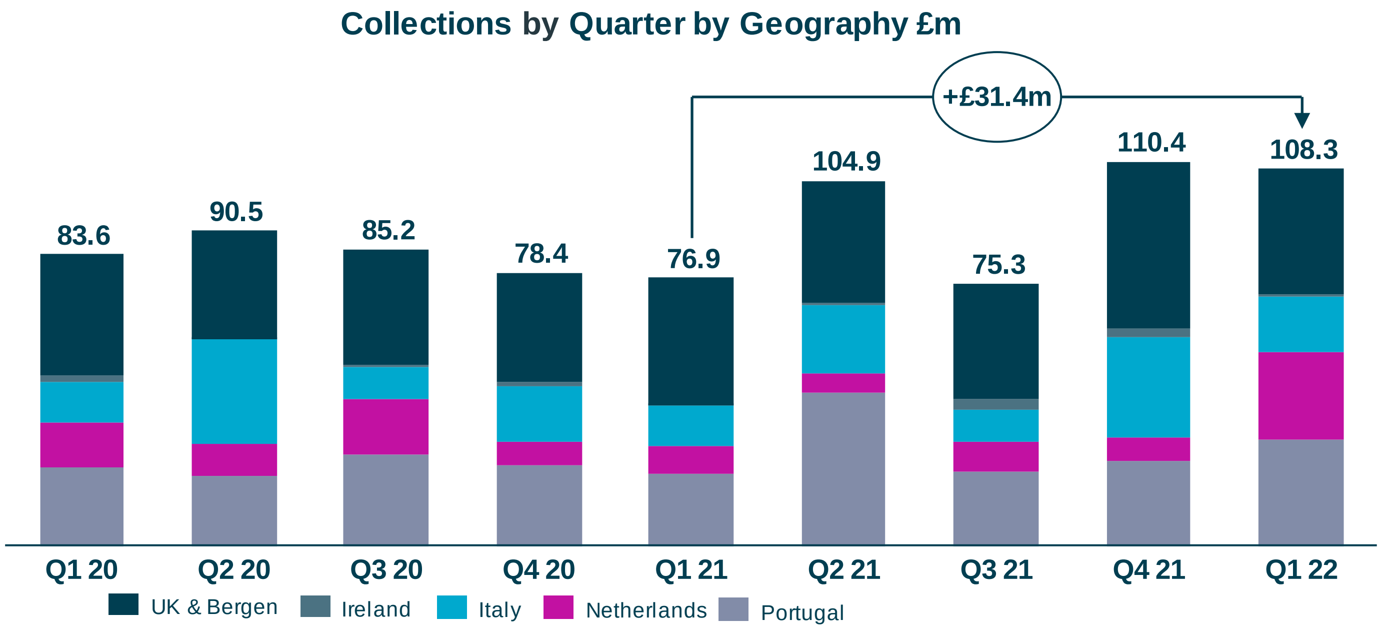
Underlying profit before tax

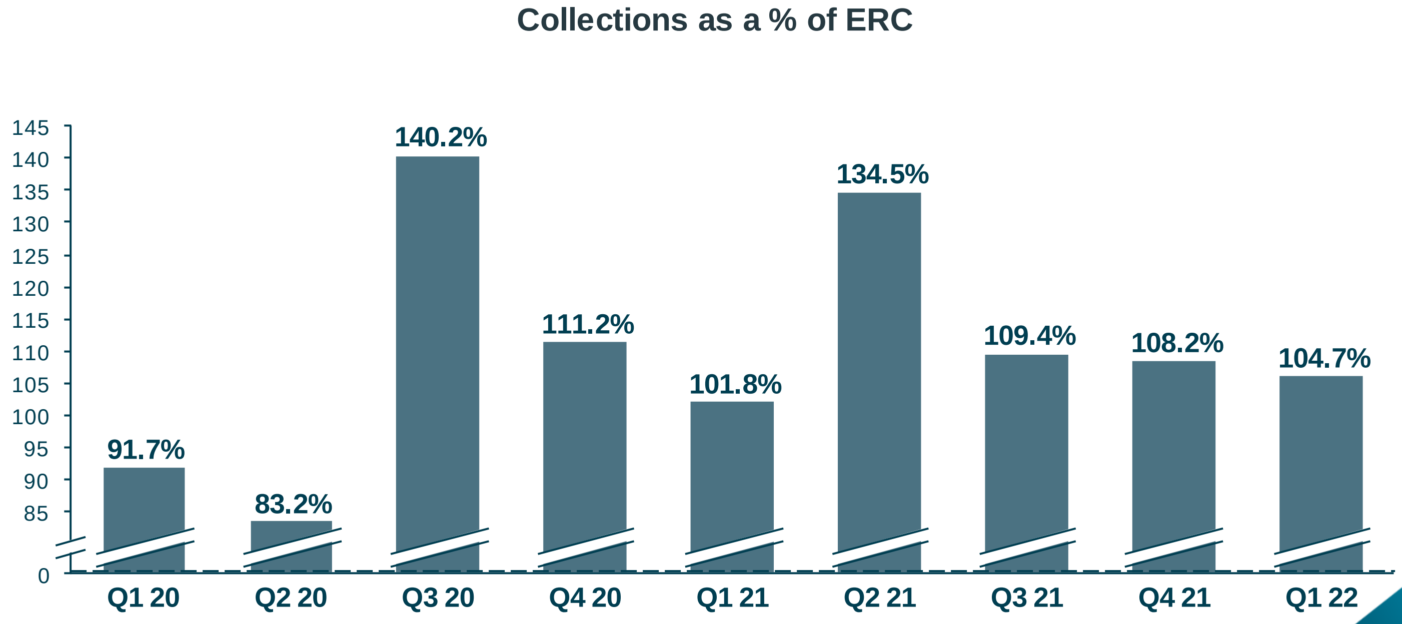
- Total revenue grew marginally during the period to £79.0 million
  - Capital-light income increased materially, rising by 38.1% driven by increased management fees and AMS contract wins
  - Income from portfolio investments reduced YoY, primarily reflecting revaluation gains of £8.5 million recognised in Q1 2021
- Total underlying costs rose by 8.4% from £55.5 million to £60.2 million due to:
  - Increased costs required to service the AMS contract wins and overall growth in AMS revenue
  - Investment to drive future performance as we scale fund management activity
  - Partially offset by savings from the cost reduction programme - annualised savings of £20 million will be fully realised from Q2 2022
- Interest costs rose reflecting the new financing structure, high levels of liquidity headroom and rising interest rates
- Underlying profit before tax (pre adjusting items) was £0.6 million (2021: £7.9 million)

Underlying profit before tax and KPIs	**Q1 2022 £'m**	**Q1 2021 £'m**	**Change %**
Total income from portfolio investments	43.2	52.6	*(17.9)*
Income from asset management and servicing and fund and investment management	35.3	25.6	*38.1*
Other income	0.5	-	-
Total Revenue	**79.0**	**78.2**	***1.0***
Collection activity costs and fund management costs	(30.9)	(32.7)	*(5.5)*
Other operating expenses	(29.3)	(22.8)	*28.5*
Operating Profit	**18.8**	**22.7**	***(17.2)***
Interest costs	(19.3)	(14.8)	*30.4*
Share of profit in associate	1.1	-	-
Profit before tax and adjusting items	**0.6**	**7.9**	***(92.4)***
Core cash collections	108.1	76.9	*40.6*
FUM	€4.4bn	€4.5bn	*(2.2)*
Leverage	4.2x	4.8x	*(12.5)*
Adjusted EBITDA	**88.0**	**51.9**	***69.6***

Collections

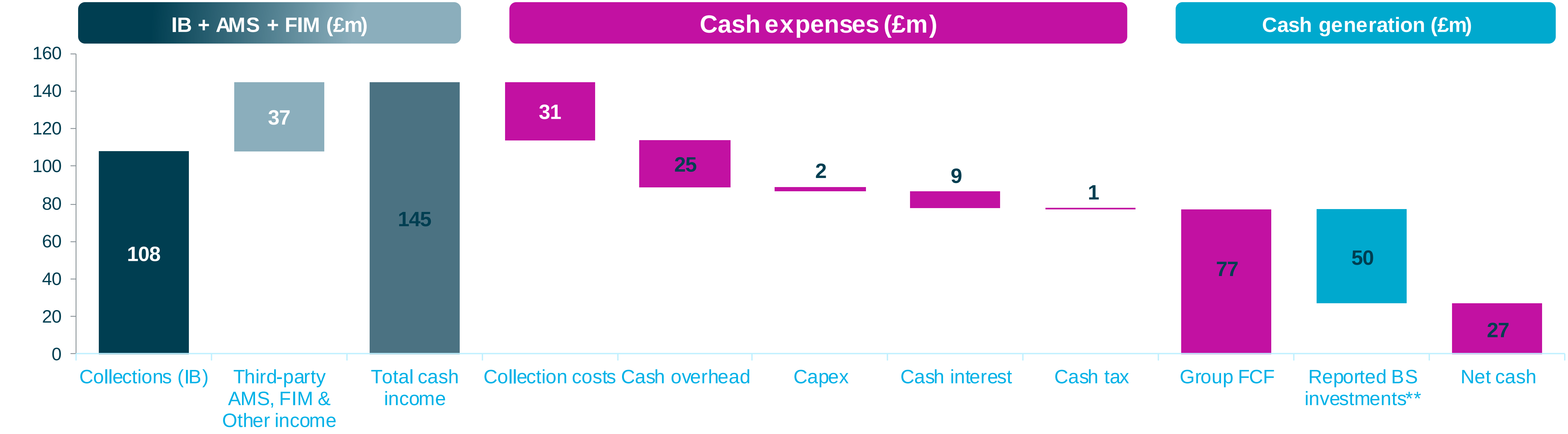
- Cash collections continued their strong recovery from 2021, with 40.6% growth YoY
- The strong collections performance has driven an 69.5% growth in Adjusted EBITDA to £88.0 million
- Represents 105% of ERC
- Collections across all territories have performed well
- From Q2 2022, leverage will no longer benefit from the strong collections performance in Q2 2021, leading in the short term to a rise in leverage
- The Group's ERC continues to reflect prudent underlying assumptions





Free cash flow generation

- Strong free cash flow generation during Q1 2022 of £77 million, up 196% on Q1 2021
- Free cash flow generation exceeded the cash outflow for portfolio investments by £27 million
- Unique integrated asset manager model enables revenue/earnings growth with balance sheet de-leveraging as we go forward



Q1 2021 (£m):	**77**	**26**	**103**	**(33)**	**(18)**	**(5)**	**(20)**	**(1)**	**26**	**(28)**	**(2)**

* Free cashflow = Cash generated after the effects of capital expenditure, financing and tax cash impacts and before reinvestment and cash impact of adjusting items
** Investments made in 2022 including funding into holding structure, does not include funding deferred purchases from previous years

Liquidity and leverage position

- **Group reduced leverage by 0.6 times** in the period, from 4.8 times to 4.2 times driven by strong collections performance
- **Low cost funding base with long duration funding and significant liquidity headroom**
  - Significant levels of liquidity headroom with no bond maturities until 2026
  - Weighted average duration of debt 4.9 years (FY 2021: 5 years)
  - WACD of 4.9% (FY 2021: 4.8%)
- Gross 120-month ERC reduced by 2.4% to £1,644 million, partly reflecting that ERC for new co-investments through ACO 1 are calculated and reported net of servicing costs
- Target leverage reducing to circa 3 times in the medium term, with £500 million cumulative cash flow generation (after portfolio investment) over the next 5 year period

£'millions	Mar-22
Cash	(155)
£350m 6% Fixed Rate Notes due 2026	350
€640m Floating Rate Notes due 2027 Euribor + 4.625%	539
€400m 4.5% Fixed Rate Notes due 2026	337
Revolving credit facility - £285m maturing 2026	159
Asset backed loans	31
Total secured net debt	**1,261**
LTM Adjusted EBITDA	296.8
Leverage	***4.2x***
Liquidity headroom (cash and RCF headroom)	272
120-month ERC	1,644

STRATEGIC FOCUS

Zach Lewy
Group Chief Executive Officer

Accelerating the transition to an integrated asset manager

De-leveraging - a strategic priority

- **Committed to reducing leverage to circa 3 times** and repaying net debt over the medium term
- Strong collections focus, augmenting the build of capital light revenue streams
- Co-investment in 2022 will reduce to 10% for ACO 2

Continue to scale our fund management proposition

- Success of ACO 1 provides **excellent platform to fund raise ACO 2** - target €2.5bn with first close expected mid 2022
- Working with Maslow to take advantage of a growing, highly attractive market segment and will consider further 'bolt-on' acquisitions if compatible with our de-leveraging targets
- Continue to **build real-estate and fundraising capabilities**
- Ongoing scaling of our origination through **our off-market, local strategy driving higher returns**

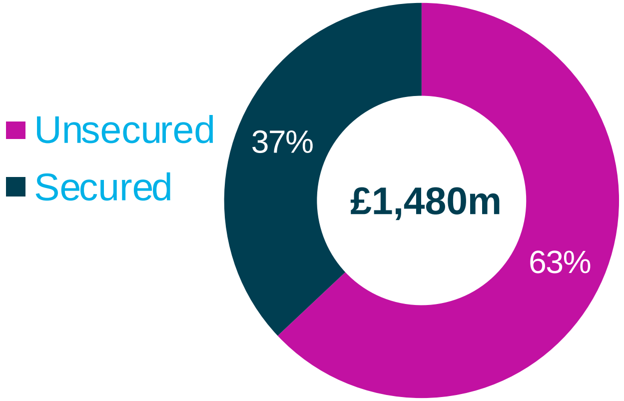
Efficient local platforms create a differentiated proposition

- Vertical alignment of our platforms to drive **greater accountability and improve margins**
- Local platforms provide a **differentiated strategy** (supporting smaller ticket, higher return deals) versus other credit funds
- Maintaining our **strong regulatory and customer franchise**, as part of our broader ESG commitments

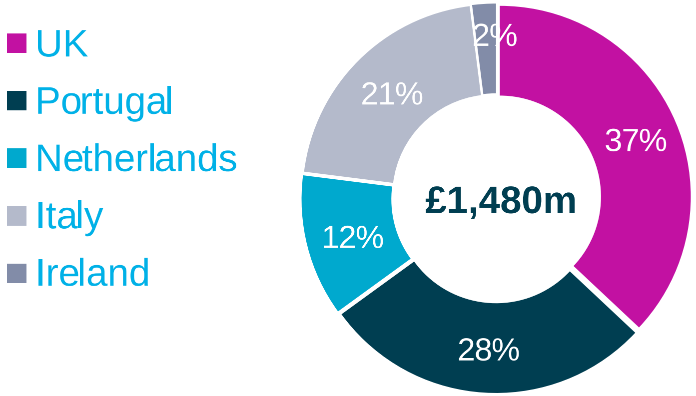
Appendix

ERC exposure by geography and type

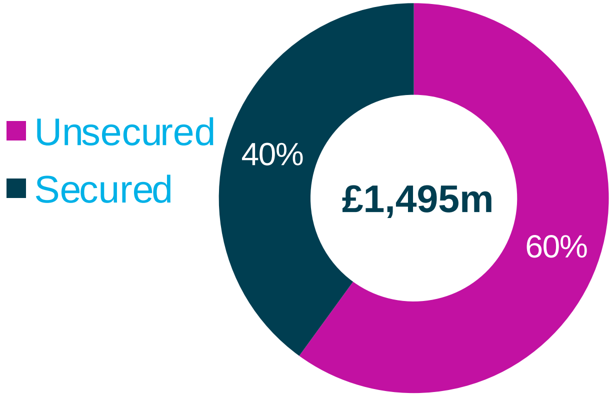
March 2021 84-month ERC by asset class



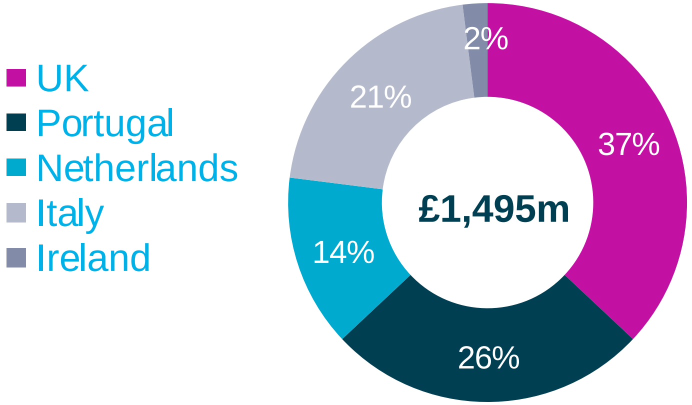
March 2021 84-month ERC by geography



March 2022 84-month ERC by asset class



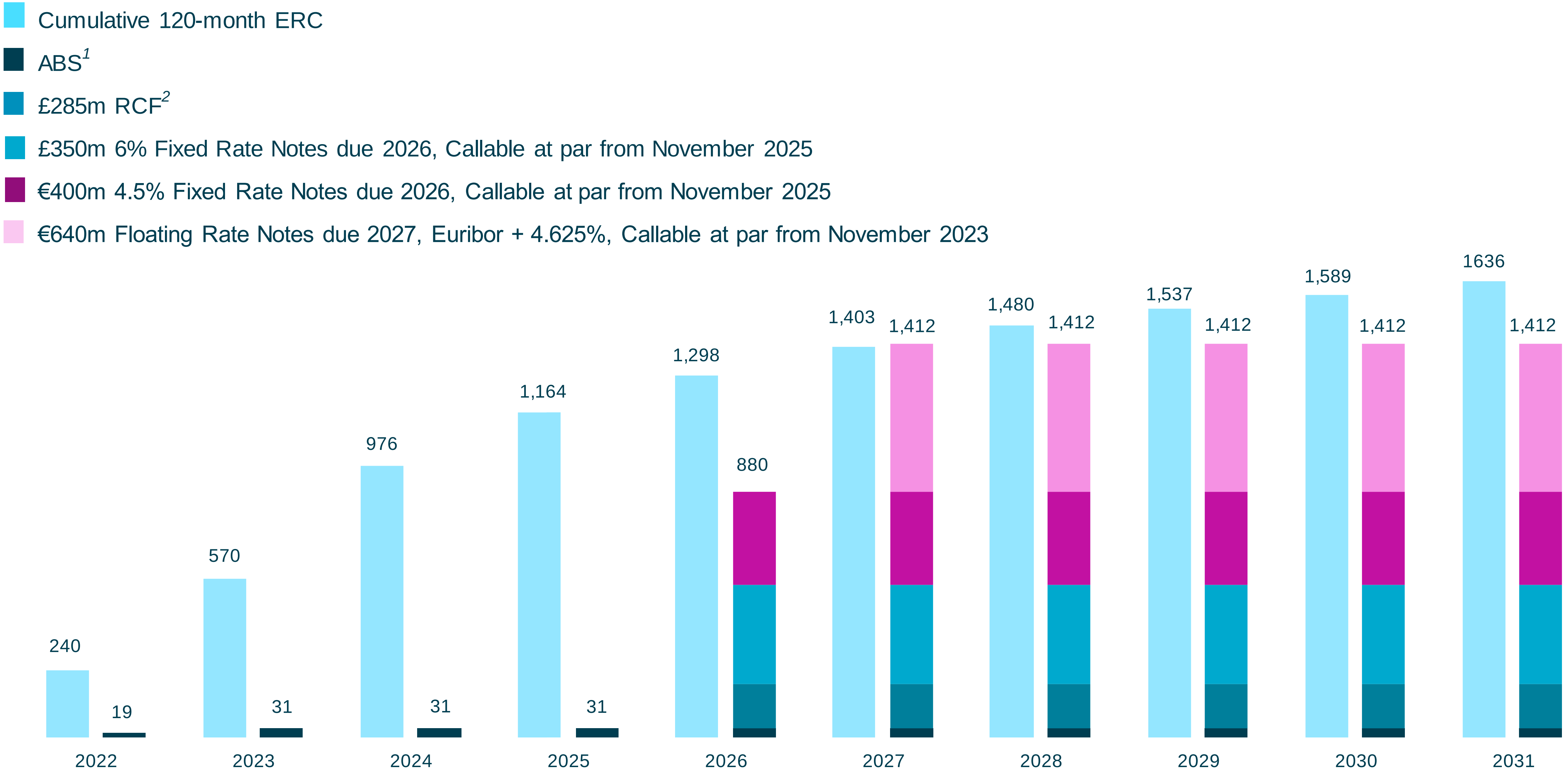
March 2022 84-month ERC by geography



Notes

- *ERC includes Arrow's investment in ACO 1*
- *ERC for FVTPL assets, such as Arrow's share of ACO 1, is typically measured on a 'net of servicing and collection costs' basis, as opposed to amortised cost assets which are typically measured gross. As the percentage of FVTPL assets has grown from 14.6% to 30.1% since ACO 1 was launched in December 2019, a growing proportion of the Group's ERC is reported on a net basis.*

Gross debt maturity profile against 120 month ERC



[1] Drawn ABS revolver as at March 2022 was £31m and the maturity profile shown in the chart reflects debt amortising based upon forecast collections.
[2] Drawn RCF balance as at March 2022 was £159m.
[3] All debt maturities are shown gross, not taking into account Group cash balances of £155.1m which were held as at March 2022

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