



15 March 2022

## Arrow Global Group Preliminary results for the year ended 31 December 2021<sup>1</sup>

### Group highlights

Arrow is a leading integrated asset manager and 2021 represented a landmark year.

#### ***The Group was taken private through the acquisition by TDR Capital LLP (TDR) in Q4 2021***

- In October 2021, Arrow was acquired by Sherwood Acquisitions Limited and the shares of Arrow Global Group plc were delisted from the London Stock Exchange. Sherwood Acquisitions Limited is wholly owned by Sherwood Parentco Limited, the acquisition vehicle of TDR
- Following the takeover, Zach Lewy, Founder and CIO, was appointed CEO
- On 27 October 2021, the Group priced new senior secured notes of GBP equivalent £1.2 billion with the proceeds being used to prepay all existing bonds of the Group and creating over £350 million of liquidity headroom

#### ***Under private ownership, the Group has accelerated the transition to our unique fully integrated asset manager model***

- The Group has realigned its organisational structure vertically to drive increased accountability within our servicing platforms and realise efficiency savings. Through the take private transaction and this realignment, we have delivered annualised costs savings of £20 million through the removal of 201 roles, with a cost to achieve of £16.1 million
- ACO 1, our discretionary managed fund, deployed record levels of capital, €297 million in Q4 2021 and €804 million for the full year. Furthermore, the performance is ahead of target, with a Deal IRR (after servicing costs) of 20%, demonstrating the benefits of our off-market origination strategy (76% for ACO 1) and the focus on high quality underlying collateral (81% secured on real estate or cash in court)
- ACO 1 is now over 70% invested and, as such, we have now commenced the capital raise for ACO 2 in line with previous expectations of timing. We expect ACO 2 to be a circa €2.5 billion fund, with a first close anticipated during mid 2022
- On 31 December 2021, Arrow acquired a stake in Maslow Global Limited (Maslow), a real estate development finance business currently focused on the UK market. The Group has acquired an initial 49% stake, with an option to purchase the remaining 51% in the future. The investment is aligned with our capital-light strategy and we believe we can help accelerate the growth of Maslow in an attractive segment of the market, delivering significant value

#### ***The Group has traded strongly, de-levered and continued to drive capital-light revenues***

- Adjusted (Cash) EBITDA for the year was £260.8 million, up 11.8% on the prior year
- Leverage reduced by 0.3 during 2021 to 4.8 times, despite absorbing the increased debt arising from the costs of the take private transaction and the impact of a short delay to a single large collection (£15.3 million) expected in December 2021 that was successfully received in January 2022
- EBITDA before adjusting items for the year was £104.8 million (2020: loss of £37.7 million) and profit before tax and adjusting items for the same period was £29.0 million (2020: loss of £114.8 million)

#### **Commenting on today's results, Zach Lewy, Group chief executive officer, said:**

"I am delighted with the progress that the Group has made under private ownership. The move to a new organisational structure to better support the business in the future has also realised material annualised cost savings. Our capital-light strategy has been further augmented with the acquisition of a stake in Maslow. The business operates in a growing market segment and I believe will continue to deliver attractive returns for investors.

With the record deployment of ACO 1 at above target returns, we are in an excellent position to raise ACO 2. Engagement with existing and new investors is extremely encouraging, giving us confidence that we will execute a sizeable first close around the middle of 2022."

<sup>1</sup> For the purposes of this document, the consolidated results of the Arrow Global Group Limited (formerly plc), prior to the acquisition by TDR, have been combined with the consolidated results of Sherwood Parentco Limited for the year to 31 December 2021. This enables the full year consolidated results for Arrow Global Group to be presented. The audited consolidated results of Sherwood Parentco Limited will be available shortly on our website at <https://bit.ly/3Co0rvQ>.

Group financial highlights	31 December 2021	31 December 2020	Change %
Free cash flow (£m)	182.1	156.6	16.3
Adjusted EBITDA (£m)	260.8	233.2	11.8
Balance sheet collections (£m)	367.4	338.9	8.4
Profit/(loss) before tax and adjusting items (£m) <sup>1</sup>	29.0	(114.8)	–
Loss before tax and after adjusting items (£m)	(84.7)	(114.8)	26.2
Third-party AMS and FIM income (£m)	116.5	97.0	20.0
Capital-light % of Group EBITDA before adjusting items (%)	21.1	(48.4)	–
Leverage (x)	4.8	5.1	0.3ppt
84-month ERC (£m)	1,530.3	1,555.8	(1.6)
120-month ERC (£m)	1,685.0	1,722.4	(2.2)
Net debt (£m)	1,298.1	1,226.3	5.9

<sup>1</sup> The results presented exclude adjusting items. For the reconciliation between these results and the condensed consolidated profit and loss, please see the reconciliation on page 14.

### Fund and Investment Management (FIM) Business

Deployment at above target returns has continued during the year, with 2021 third-party income of £21.2 million, up 56.2% (2020: £13.5 million)

- The total capital invested by ACO 1 is €1.2 billion and Funds Under Management (FUM) of €4.5 billion at 31 December 2021 (31 December 2020: €4.3 billion)
- ACO 1 is delivering above target returns with a Deal IRR (after servicing costs) of 20%
- Strong investment pipeline entering 2022
- Considering future commitments and recycled collections, total net capital commitments were circa €1.0 billion (representing 72% of ACO1 commitments excluding co-invest)

### Asset Management and Servicing (AMS) Business

There has been continued appetite for the services of our platforms, with third-party income growth up 14.2% to £95.3 million for year (2020: £83.5 million)

- A record 36 new contract wins during 2021 (2020: 26), driving high-quality recurring income
- Most significant new contract was the agreement to transfer the collections and recoveries operations within Tesco Bank's Customer Service division to Arrow

### Balance Sheet (BS) Business

Outperformance against ERC has continued with collections representing 108% of ERC during the final quarter (2021: 112%)

- 2021 collections were up 8.4% to £367.4 million (2020: £338.9 million)
- Portfolio purchases of £189.7 million (2020: £109.9 million)
- No material changes to the outlook for macro-economic factors which informs the assumptions used in our ERC forecast



## Capital and liquidity

The refinancing of our bonds was successfully completed, creating additional duration and significant liquidity headroom

- On 27 October, the Group successfully priced €400 million 4.5% Euro fixed rate bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026 with the proceeds being used to prepay our existing bonds and drawings under the replacement revolving credit facility (RCF)
- A replacement RCF of £285 million was entered into on 6 October at a margin of 325 bps and maturity of April 2026, replacing our existing £285 million facility
- Liquidity headroom is £304 million as at 31 December 2021 at a weighted average cost of debt for the Group of 4.8%, with no bond maturities until 2026
- Free cash flow generation for the year of £182.1 million, a year on year increase of 16.3% (2020: £156.6 million)
- Leverage decreased during the year to 4.8x (2020: 5.1x), despite absorbing the increased debt arising from the costs of the take private transaction and the impact of a short delay in a single large collection (£15.3 million) expected in December 2021 that was successfully received in January 2022. Proforma leverage after accounting for this one-off collection in January was 4.5x
- We remain committed to de-levering to circa 3 times in the medium term

## Results Presentation – Conference call details

A presentation is available on the Company's website <https://bit.ly/3Co0rvO>.

There will be a conference call for bondholders at 10.00am (UK time) with Arrow Global's management team.

**Please join the event 5-10 minutes prior to scheduled start time.** You will be required to enter your name and registration details.

Conference ID: 6122503

Connect at: <https://mub.me/F64>

Provided dial-in list of [access numbers](#) is also available if needed.

### For further information:

Media contact

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### Notes:

*For the purposes of this document, the consolidated results of the Arrow Global Group Limited (formerly plc), prior to the acquisition by TDR, have been combined with the consolidated results of Sherwood Parentco Limited for the year to 31 December 2021. This enables the full year consolidated results for Arrow Global Group to be presented. This excludes the impact of non-cash adjustments to asset and liability valuations that have been recognised directly in the Sherwood Parentco Limited Consolidated Statement of Financial Position, as required for Sherwood Parentco Limited's acquisition of the Arrow Global Group under IFRS 3 Business Combinations. The audited consolidated results of Sherwood Parentco Limited will be available shortly on our website at <https://bit.ly/3Co0rvO>.*

*A glossary of terms can be found at the end of the document.*

**Forward looking statements**

*This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Group and the industry in which the Group operates. All statements other than statements of historical fact included in this document may be forward looking statements. 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 the 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, the Group 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 and the Group assume no obligation to update or provide any additional information in relation to such forward-looking statements, except as required pursuant to applicable law or regulation.*

*No statement in this report is intended as a profit forecast or estimate for any period. No statement in this report should be interpreted to indicate a particular level of profit and, as a consequence, it should not be possible to derive a profit figure for any future period from this report.*

*This report is intended solely to provide information to bondholders to assess the group’s strategies and neither the company nor its directors accept liability to any other person, save as would arise under English law. The report should not be relied on by any other party or for any other purpose.*

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
<b>Continuing operations</b>		
Income from portfolio investments at amortised cost	132,758	164,597
Fair value gains on portfolio investments at FVTPL	62,451	4,976
Impairment gains/(losses) on portfolio investments	17,508	(100,436)
Income from portfolio investments - real estate inventories	1,963	492
<b>Total income from portfolio investments</b>	<b>214,680</b>	<b>69,629</b>
Income from asset management and servicing and fund and investment management	116,477	97,026
Gain on disposal of leases	–	453
Other income	98	384
<b>Total income</b>	<b>331,255</b>	<b>167,492</b>
<b>Operating expenses:</b>		
Collection activity costs and fund management costs	(137,169)	(130,572)
Other operating expenses	(192,976)	(94,248)
<b>Total operating expenses</b>	<b>(330,145)</b>	<b>(224,820)</b>
<b>Operating profit/(loss)</b>	<b>1,110</b>	<b>(57,328)</b>
Net finance costs	(85,840)	(57,495)
<b>Loss before tax<sup>1</sup></b>	<b>(84,730)</b>	<b>(114,823)</b>
Taxation (charge)/credit on ordinary activities	(2,932)	21,206
<b>Loss after tax</b>	<b>(87,662)</b>	<b>(93,617)</b>
<b>(Loss)/profit attributable to:</b>		
Owners of the Company	(87,816)	(92,829)
Non-controlling interest	154	(788)
	<b>(87,662)</b>	<b>(93,617)</b>

<sup>1</sup> The loss before tax includes £113,741,000 of adjusting items. For the reconciliation between these results and the condensed consolidated profit and loss, please see the reconciliation on page 14.

For the purposes of this document, the condensed consolidated statement of profit or loss and other comprehensive income of the Arrow Global Group Limited (formerly plc), prior to the acquisition by TDR, have been combined with the condensed consolidated statement of profit or loss and other comprehensive income of Sherwood Parentco Limited for the year to 31 December 2021. This enables the full year condensed consolidated statement of profit or loss and other comprehensive income for Arrow Global Group to be presented. This excludes the impact of non-cash adjustments to asset and liability valuations that have been recognised directly in the Sherwood Parentco Limited Consolidated Statement of Financial Position, as required for Sherwood Parentco Limited's acquisition of the Arrow Global Group under IFRS 3 Business Combinations. The audited results, including the condensed consolidated statement of profit or loss and other comprehensive income, of Sherwood Parentco Limited will be available shortly on our website at <https://bit.ly/3Co0rvO>. The comparative results are for Arrow Global Group Limited (formerly plc).

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Note	31 December 2021 £000	31 December 2020 £000
<b>Assets</b>			
Cash and cash equivalents		198,911	182,892
Trade and other receivables		52,360	71,372
Portfolio investments – amortised cost	3	704,944	793,554
Portfolio investments – FVTPL	3	302,808	187,421
Portfolio investments – real estate inventories	3	41,029	61,240
Property, plant and equipment		16,634	17,612
Intangible assets		128,429	38,709
Deferred tax asset		3,212	31,782
Investment in associate		62,184	–
Goodwill		688,063	278,338
Assets held for sale <sup>1</sup>		5,655	–
<b>Total assets</b>		<b>2,204,229</b>	<b>1,662,920</b>
<b>Liabilities</b>			
Bank overdrafts	4	9,630	3,648
Revolving credit facility	4	167,373	277,552
Derivative liability		25,607	83
Trade and other payables		190,604	166,965
Current tax liability		1,837	2,110
Other borrowings	4	2,241	3,247
Asset-backed loans	4	55,158	143,985
Senior secured notes	4	1,211,416	930,575
Deferred tax liability		24,286	18,056
Liabilities held for sale <sup>1</sup>		5,655	–
<b>Total liabilities</b>		<b>1,693,807</b>	<b>1,546,221</b>
<b>Equity</b>			
Share capital		166,813	1,774
Share premium		410,859	347,436
Retained earnings		(71,672)	38,506
Hedging reserve		–	(67)
Other reserves		952	(274,451)
<b>Total equity attributable to shareholders</b>		<b>506,952</b>	<b>113,198</b>
Non-controlling interest		3,470	3,501
<b>Total equity</b>		<b>510,422</b>	<b>116,699</b>
<b>Total equity and liabilities</b>		<b>2,204,229</b>	<b>1,662,920</b>

<sup>1</sup> We expect to dispose of the Whitestar Italy platform. As a result, the balance sheet items of £5,655,000 in respect of the Whitestar Italy platform, for disclosure purposes has been moved to 'Assets held for sale' and 'liabilities held for sale' on the condensed consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
<b>Net cash flows from operating activities before purchases of portfolio investments</b>	<b>196,880</b>	<b>151,360</b>
Purchase of portfolio investments	(189,663)	(109,850)
<b>Net cash generated by operating activities</b>	<b>7,217</b>	<b>41,510</b>
<b>Net cash used in investing activities</b>	<b>(568,702)</b>	<b>(21,000)</b>
<b>Net cash flows (used in)/generated by financing activities</b>	<b>580,406</b>	<b>40,276</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>18,921</b>	<b>60,786</b>
Cash and cash equivalents at beginning of year	182,892	115,376
Effect of exchange rates on cash and cash equivalents	450	6,730
<b>Cash and cash equivalents at end of year including held for sale</b>	<b>202,263</b>	<b>182,892</b>
Cash and cash equivalents moved to assets held for sale <sup>1</sup>	(3,352)	–
<b>Cash and cash equivalents at end of year excluding held for sale</b>	<b>198,911</b>	<b>182,892</b>

<sup>1</sup> Cash and cash equivalents at the end of the year includes £3,352,000 of cash and cash equivalents in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position.

For the purposes of this document, the condensed consolidated statement of cashflows of the Arrow Global Group Limited (formerly plc), prior to the acquisition by TDR, have been combined with the condensed consolidated statement of cashflows of Sherwood Parentco Limited for the year to 31 December 2021. This enables the full year condensed consolidated statement of cashflows for Arrow Global Group to be presented. The audited results, including the condensed consolidated statement of cashflows, of Sherwood Parentco Limited will be available shortly on our website at <https://bit.ly/3Co0rvO>.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the purposes of this document, Arrow Global Group has sought to present the full year results for Arrow Global Group. The consolidated results of Arrow Global Group Limited (formerly plc), prior to the acquisition by TDR, have therefore been combined with the consolidated results of Sherwood Parentco Limited for the year to 31 December 2021. Given the change in the consolidating parent, it is not appropriate to show a condensed consolidated statement of changes in equity on such a basis. As such, no condensed consolidated statement of changes in equity has been provided due to the change in consolidating parent. The audited results, including the condensed consolidated statement of changes in equity of Sherwood Parentco Limited, will be available shortly on our website at <https://bit.ly/3Co0rvO>.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Significant accounting policy updates

These financial statements are unaudited and do not include all the information required for annual reporting. For the purposes of this document, the consolidated results of the Arrow Global Group Limited (formerly plc), prior to the acquisition by TDR, have been combined with the consolidated results of Sherwood Parentco Limited for the year to 31 December 2021. This enables the full year consolidated results for Arrow Global Group to be presented. These results should be read in conjunction with the Sherwood Parentco Limited Group's consolidated statutory report and accounts for the period from incorporation on 29 March 2021 to 31 December 2021. The audited consolidated results of Sherwood Parentco Limited will be available shortly on our website at <https://bit.ly/3Co0rvO>.

The Group's consolidated annual report and accounts are prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 ('Adopted IFRS') and also in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. These financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Sherwood Parentco Limited Group's consolidated report and accounts for the period ended 31 December 2021 that will be published shortly.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

### 2. Segmental reporting

2021	Balance Sheet business	AMS business	FIM business	Group functions	Intra-segment elimination	Adjusting items	Total
	£000	£000	£000	£000	£000	£000	£000
Total income	199,400	133,092	55,019	98	(56,354)	1,343	<b>332,598</b>
Collection activity and fund management costs	(87,578)	(77,820)	(28,125)	–	56,354	–	<b>(137,169)</b>
<b>Gross margin</b>	<b>111,822</b>	<b>55,272</b>	<b>26,894</b>	<b>98</b>	<b>–</b>	<b>1,343</b>	<b>195,429</b>
<i>Gross margin %</i>	56.1%	41.5%	48.9%				58.8%
Other operating expenses excluding depreciation, amortisation and forex	(9,909)	(44,348)	(15,752)	(105,931)	–	85,325	<b>(90,615)</b>
<b>EBITDA</b>	<b>101,913</b>	<b>10,924</b>	<b>11,142</b>	<b>(105,833)</b>	<b>–</b>	<b>86,668</b>	<b>104,814</b>
<i>EBITDA margin %</i>	51.1%	8.2%	20.3%				31.5%
Depreciation, amortisation and forex	(2,518)	(6,531)	(3,057)	(4,930)	–	4,188	<b>(12,848)</b>
<b>Operating profit/(loss)</b>	<b>99,395</b>	<b>4,393</b>	<b>8,085</b>	<b>(110,763)</b>	<b>–</b>	<b>90,856</b>	<b>91,966</b>
Net finance costs	–	–	–	(85,840)	–	22,885	<b>(62,955)</b>
<b>(Loss)/profit before tax and adjusting items</b>	<b>99,395</b>	<b>4,393</b>	<b>8,085</b>	<b>(196,603)</b>	<b>–</b>	<b>113,741</b>	<b>29,011</b>
<i>Adjusting items</i>	–	–	–	–	–	(113,741)	<b>(113,741)</b>
<b>Profit/(loss) before tax</b>	<b>99,395</b>	<b>4,393</b>	<b>8,085</b>	<b>(196,603)</b>	<b>–</b>	<b>–</b>	<b>(84,730)</b>

2020	Balance Sheet business	AMS business	FIM business	Group functions	Intra-segment elimination	Total
	£000	£000	£000	£000	£000	£000
Total income	64,882	125,361	36,774	837	(60,362)	<b>167,492</b>
Collection activity and fund management costs	(98,446)	(71,164)	(21,324)	–	60,362	<b>(130,572)</b>
<b>Gross margin</b>	<b>(33,564)</b>	<b>54,197</b>	<b>15,450</b>	<b>837</b>	<b>–</b>	<b>36,920</b>
<i>Gross margin %</i>	(51.7)%	43.2%	42.0%			
Other operating expenses excluding depreciation, amortisation and forex	(10,724)	(38,599)	(12,800)	(12,472)	–	<b>(74,595)</b>
<b>EBITDA</b>	<b>(44,288)</b>	<b>15,598</b>	<b>2,650</b>	<b>(11,635)</b>	<b>–</b>	<b>(37,675)</b>
<i>EBITDA margin %</i>	(68.3)%	12.4%	7.2%			
Depreciation, amortisation and forex	(5,094)	(4,903)	(513)	(9,143)	–	<b>(19,653)</b>
<b>Operating (loss)/profit</b>	<b>(49,382)</b>	<b>10,695</b>	<b>2,137</b>	<b>(20,778)</b>	<b>–</b>	<b>(57,328)</b>
Net finance costs	–	–	–	(57,495)	–	<b>(57,495)</b>
<b>(Loss)/profit before tax</b>	<b>(49,382)</b>	<b>10,695</b>	<b>2,137</b>	<b>(78,273)</b>	<b>–</b>	<b>(114,823)</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

### 3. Portfolio investments

The movements in portfolios investments were as follows:

#### Year ended 31 December 2021

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2021	793,554	187,421	61,240	1,042,215
Portfolios purchased during the year	35,518	154,145	–	189,663
Collections in the year	(280,999)	(73,923)	(12,464)	(367,386)
Income from portfolio investments at amortised cost	132,758	–	–	132,758
Fair value gains on portfolio investments at FVTPL	–	62,451	–	62,451
Income from portfolio investments - real estate inventories	–	–	1,963	1,963
Net impairment gains/(losses)	18,535	–	(1,027)	17,508
Fair value adjustments on acquisition	13,694	–	(8,328)	5,366
Exchange and other movements	(8,116)	(27,286)	(355)	(35,757)
As at 31 December 2021	<b>704,944</b>	<b>302,808</b>	<b>41,029</b>	<b>1,048,781</b>

#### Year ended 31 December 2020

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2020	932,199	169,799	61,626	1,163,624
Portfolios purchased during the year	47,169	62,681	–	109,850
Balance sheet cash collections in the year	(287,662)	(46,074)	(5,136)	(338,872)
Income from portfolio investments at amortised cost	164,597	–	–	164,597
Fair value gain on portfolio investments at FVTPL	–	4,976	–	4,976
Income from portfolio investments - real estate inventories	–	–	492	492
Net impairment losses	(100,022)	–	(414)	(100,436)
Exchange and other movements	37,273	(3,961)	4,672	37,984
As at 31 December 2020	<b>793,554</b>	<b>187,421</b>	<b>61,240</b>	<b>1,042,215</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

### 4. Borrowings and facilities

	31 December 2021 £000	31 December 2020 £000
<b>Secured borrowing at amortised cost</b>		
Senior secured notes (net of transaction fees of £20,538,000, 31 December 2020: £11,048,000)	1,211,416	930,575
Revolving credit facility (net of transaction fees of £4,042,000, 31 December 2020: £3,023,000)	167,373	277,552
Asset backed loan (net of transaction fees of £636,000, 31 December 2020: £4,810,000)	55,158	143,985
Bank overdrafts <sup>1</sup>	9,559	3,648
Other borrowings – non-recourse facility	2,241	3,247
<b>Total borrowing including held for sale</b>	<b>1,445,747</b>	<b>1,359,007</b>
Bank overdraft moved to liabilities held for sale	71	–
<b>Total borrowings excluding held for sale</b>	<b>1,445,818</b>	<b>1,359,007</b>
<b>Total borrowings including held for sale</b>		
Amount due for settlement within 12 months	220,813	362,427
Amount due for settlement after 12 months	1,224,934	996,580

<sup>1</sup> Bank overdraft includes £71,000 in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position. Therefore, there is £9,630,000 of bank overdrafts on the consolidated statement of financial position.

#### Senior secured notes

On 27 October 2021, Group successfully priced €400 million 4.5% Euro fixed rate bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026, with the proceeds being used to prepay all the outstanding bonds at that time and certain drawings under the revolving credit facility. The bonds were issued by Sherwood Financing plc and the floating rate notes are subject to a zero percent EURIBOR floor. The bonds are secured on the majority of the Group's assets.

#### Revolving credit facility

On 6 October 2021, the Group entered into a new £285 million revolving credit facility with a margin of 325bps, maturing in April 2026. The margin is subject to a ratchet downwards based upon decreasing leverage levels. The facility ranks senior secured and therefore has a similar security package to the cancelled facility and the bonds issued during the year. Under the terms of an intercreditor agreement, the facility ranks super senior to the bonds as any obligations under the facility will be settled in advance of any obligations under the bonds.

The facility has one financial covenant, being a leverage test. On 11 October 2021, the existing revolving credit facility, also for £285 million, was cancelled. The existing revolving credit facility had three financial covenants, being leverage, liquidity and SSLTV tests.

#### Asset Backed Securitisation

The Group has two non-recourse committed asset-backed securitisation term loans.

The first loan of £38.2 million as at 31 December 2021, secured on UK unsecured assets, pays LIBOR plus 3.1%. The Group initially established a £100 million asset-backed facility in April 2019 with £137 million of ERC being sold to a wholly owned subsidiary, AGL Fleetwood Limited, and further ERC has been sold to AGL Fleetwood Limited at various times since the initial set up allowing further borrowings to be drawn.

Since 1 January 2020, there has been one such drawing. On 31 March 2020, the Group sold £30 million of ERC into AGL Fleetwood Limited and on 2 April 2020 borrowed an additional £21 million non-recourse funding on the same terms under the facility.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

### 4. Borrowings and facilities (*continued*)

During July 2020, the Group entered into further arrangements in connection with the non-recourse facility to mitigate potential balance sheet cash collections impacts of COVID-19. An additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made. In consideration of the additional ERC pledged, the lender agreed to amend certain performance criteria.

During July 2020, the Group entered into a second non-recourse amortising loan of €104.7 million, which was fully drawn during the month. This loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%. The outstanding amount of the loan as at 31 December 2021 was €17.4 million. The loan was fully repaid in January 2022.

As at 31 December 2021, £262.6 million of the portfolio investments, set out in note 3, are pledged as collateral for the asset-backed securitisations.

### 5. Post balance sheet events

Since the year end, we have seen the development concerning the Ukrainian crisis and related international sanctions. At present, it is not possible to assess the detailed impact of the emerging risk but there is growing concern about the impact on the European economy and the financial markets. There has been a significant correction in the financial markets in the last few weeks. The Group continue to monitor events and are keeping the board updated on the economic impact, if any, to the Group.

The Group agreed the sale of subsidiaries Whitestar Italia S.r.l, New Call S.r.l and PARR S.H.P.K (together “Whitestar Italy”) on 11 March 2022. The disposal concerned business process outsourcing of Italian utility collections, which is considered non-core to the Group’s operations. The secured and unsecured investment portfolios and their collections activity previously undertaken by Whitestar Italy were moved to other Arrow subsidiaries pre-disposal.

## ADDITIONAL INFORMATION

The Adjusted EBITDA reconciliations for the years ended 31 December 2021 and 31 December 2020 respectively are shown below:

	<b>31 December 2021 £000</b>	<b>31 December 2020 £000</b>
<b>Reconciliation of net cash flow to EBITDA</b>		
Net cash flow generated by operating activities	7,217	41,510
Purchases of portfolio investments	189,663	109,850
Income taxes paid	8,408	6,491
Working capital adjustments	(16,633)	75,266
Amortisation of acquisition and bank facility fees	–	46
Cash operating adjusting items	72,108	–
<b>Adjusted EBITDA</b>	<b>260,763</b>	<b>233,163</b>
<b>Reconciliation of balance sheet cash collections to EBITDA</b>		
Income from portfolio investments including fair value and impairment losses and gains	214,680	69,629
Portfolio amortisation	152,706	269,243
<b>Balance sheet cash collections</b> (includes proceeds from disposal of portfolio investments)	<b>367,386</b>	<b>338,872</b>
Income from asset management and servicing, fund and investment management and other income	116,575	97,410
Operating expenses	(330,145)	(224,820)
Depreciation and amortisation	15,726	18,910
Foreign exchange (gains)/losses	(2,808)	743
Amortisation of acquisition and bank facility fees	–	46
Net loss on disposal of intangible assets and property, plant and equipment	3,091	249
Share-based payments excluding adjusting items	1,424	1,753
Operating adjusting items	89,514	–
<b>Adjusted EBITDA</b>	<b>260,763</b>	<b>233,163</b>
<b>Reconciliation operating profit to EBITDA</b>		
Loss after tax	(87,662)	(93,617)
Net finance costs	85,840	57,495
Tax charge/(credit) on ordinary activities	2,932	(21,206)
<b>Operating profit/(loss)</b>	<b>1,110</b>	<b>(57,328)</b>
Portfolio amortisation	152,706	269,243
Depreciation and amortisation	15,726	18,910
Foreign exchange (gains)/losses	(2,808)	743
Amortisation of acquisition and bank facility fees	–	46
Gain on disposal of leases	–	(453)
Net loss on disposal of intangible assets and property, plant and equipment	3,091	249
Share-based payments excluding adjusting items	1,424	1,753
Operating adjusting items	89,514	–
<b>Adjusted EBITDA</b>	<b>260,763</b>	<b>233,163</b>

For the purposes of this document, the condensed consolidated statement of profit or loss and other comprehensive income of the Arrow Global Group Limited (formerly plc), prior to the acquisition by TDR, have been combined with the condensed consolidated statement of profit or loss and other comprehensive income of Sherwood Parentco Limited for the year to 31 December 2021. This enables the full year condensed consolidated statement of profit or loss and other comprehensive income for Arrow Global Group to be presented. This excludes the impact of non-cash adjustments to asset and liability valuations that have been recognised directly in the Sherwood Parentco Limited consolidated statement of financial position, as required for Sherwood Parentco Limited's acquisition of the Arrow Global Group under IFRS 3 Business Combinations. The audited results, including the condensed consolidated statement of profit or loss and other comprehensive income, of Sherwood Parentco Limited will be available shortly on our website at <https://bit.ly/3Co0rvO>. For details on adjusted items see page 14.

## ADDITIONAL INFORMATION *(continued)*

### Profit before adjusting items

	Year ended 31 December 2021 £000	Year ended 31 December 2020 £000
<b>Total income</b>	<b>332,598</b>	<b>167,492</b>
Collection activity and fund management costs	(137,169)	(130,572)
Other operating expenses	(103,463)	(94,248)
<b>Total operating expenses</b>	<b>(240,632)</b>	<b>(224,820)</b>
<b>Operating profit/(loss)</b>	<b>91,966</b>	<b>(57,328)</b>
Net finance costs	(62,955)	(57,495)
<b>Profit/(loss) before tax and adjusting items</b>	<b>29,011</b>	<b>(114,823)</b>
Taxation (charge)/credit on underlying activities	(5,741)	21,206
<b>Profit/(loss) after tax before adjusting items</b>	<b>23,270</b>	<b>(93,617)</b>
<b>Non-controlling interest</b>	<b>(154)</b>	<b>788</b>
<b>Profit/(loss) before adjusting items attributable to owners of the company</b>	<b>23,116</b>	<b>(92,829)</b>
<b>Tax rate on results before adjusting items</b>	<b>19.8%</b>	<b>18.5%</b>

Reconciliation between IFRS profit and profit before adjusting items:

	Year ended 31 December 2021 profit before tax £000	Year ended 31 December 2021 tax £000	Year ended 31 December 2021 profit after tax £000
<b>IFRS reported loss</b>	<b>(84,730)</b>	<b>(2,932)</b>	<b>(87,662)</b>
Adjusting items:			
Takeover costs	82,967	–	82,967
Organisational restructure costs	16,063	–	16,063
Non-cash write-down	8,014	–	8,014
Other acquisition costs (including amortisation of acquisition intangible assets)	6,697	–	6,697
Tax associated with adjusting items	–	(2,809)	(2,809)
<b>Profit before adjusting items</b>	<b>29,011</b>	<b>(5,741)</b>	<b>23,270</b>

There were no adjusting items in the year to 31 December 2020.

Adjusting items are those items that by virtue of their size, nature or incidence (ie outside the normal operating activities of the Group) are not considered to be representative of the ongoing performance of the Group and these items are excluded to get to the profit before adjusted items.

On 31 March 2021, Arrow Global Group Limited (formerly plc) announced the board's agreement to the terms and conditions of a recommended all cash offer of 307.5 pence for each ordinary share of the Group by Sherwood Acquisitions Limited, a newly formed company owned by certain of the investment funds managed by TDR. TDR is a leading specialist buyout firm with total FUM of approximately €10 billion as of 31 December 2020 and is based in the UK. Following shareholder approval on 21 May 2021, with 93.79% of our shareholders voting in favour of the transaction, receipt of the final antitrust and regulatory clearances on 29 September 2021 and the High Court sanctioning the 240 Scheme at the sanction hearing held on 7 October 2021, the acquisition closed on 11 October 2021.



## **ADDITIONAL INFORMATION (*continued*)**

As part of the transaction, there were a number of one-off costs, including but not limited to, advisor and legal fees for both TDR and Arrow Global Group Limited (formerly plc), fees and other costs associated with the arrangement of committed bridge financing secured by TDR in advance of their bid for the Group and certain advisory and legal fees in connection with the refinancing of the bonds and revolving credit facilities that existed at the time of the acquisition. The total costs incurred by Sherwood Parentco Limited and its subsidiaries, including Arrow Global Group Limited (formerly plc), both before and after the transaction completed were £83.0 million.

Following the completion of the takeover by TDR, the Group undertook a review of its organisational structure. The realignment from a horizontal matrix structure to a vertical structure to enable greater accountability and empowerment of our local servicing platforms has enabled the Group to remove several roles and a layer of management. In addition to the removal of certain costs reflecting the private rather than public ownership of the Group, annualised cost savings of £20 million have been delivered. The majority of the savings have been delivered through people savings effective 1 January 2022 and the costs of the reorganisation, primarily redundancy costs, incurred during 2021 were £16.1 million.

Furthermore, the Group has undertaken a review of previously capitalised costs, primarily relating to the IT infrastructure and systems, and concluded that, under the new organisational structure, certain assets have no further economic value to the Group and, as such, have been impaired. The total of such non-cash costs incurred during 2021 was £8.0 million.

A further £6.7 million of one-off costs were incurred in 2021, primarily relating to £5.4 million unwind of non-cash TDR acquisition intangible and fair value adjustments and £1.0 million in respect of the acquisition of a 49% stake in Maslow Global Limited, with the Group having the option to purchase the remaining 51%.

## ADDITIONAL INFORMATION *(continued)*

The table below reconciles the reported profit after tax for the year to the free cash flow result.

### Reconciliation of profit after tax to the free cash flow result

Income	Reported profit £000	Other items £000	Free cash flow £000	
Income from portfolio investments	132,758	234,628	367,386	Balance sheet cash collections in the year
Fair value gain on portfolio investments at FVTPL	62,451	(62,451)	–	
Impairment gains on portfolio investments at amortised cost	17,508	(17,508)	–	
Income from portfolio investments – real estate inventories	1,963	(1,963)	–	
Income from asset management and servicing and fund and investment management	116,477	–	116,477	Income from AMS and FIM
Other income	98	–	98	Other income
<b>Total income<sup>1</sup></b>	<b>331,255</b>	<b>152,706</b>	<b>483,961</b>	Cash income
<b>Total operating expenses</b>	<b>(330,145)</b>	<b>106,947<sup>2</sup></b>	<b>(223,198)</b>	Cash operating expenses
<b>Operating profit</b>	<b>1,110</b>	<b>259,653</b>	<b>260,763</b>	Adjusted EBITDA <sup>4</sup>
Net financing costs	(85,840)	30,004 <sup>3</sup>	(55,836)	Cash financing costs
<b>(Loss)/profit before tax</b>	<b>(84,730)</b>	<b>289,657</b>	<b>204,927</b>	
Taxation charge on ordinary activities	(2,932)	(5,476)	(8,408)	Cash taxation
<b>(Loss)/profit after tax</b>	<b>(87,662)</b>	<b>284,181</b>	<b>196,519</b>	
			(14,415)	Capital expenditure
			<b>182,104</b>	<b>Free cash flow<sup>5</sup></b>

<sup>1</sup> Total income is largely derived from income from portfolio investments plus income from asset management and servicing, being commission on balance sheet cash collections for third-parties and fee income received. The other items add back loan portfolio amortisation to get to balance sheet cash collections. Amortisation reflects a reduction in the statement of financial position carrying value of the portfolio investments arising from balance sheet cash collections, which are not allocated to income. Amortisation plus income from portfolio investments equates to balance sheet cash collections.

<sup>2</sup> Includes non-cash items including depreciation and amortisation, share-based payment charges, foreign exchange gains and losses and adjusting items.

<sup>3</sup> Non-cash amortisation of fees and interest and non-recurring refinancing costs.

<sup>4</sup> Adjusted EBITDA is a key driver to free cash flow. This measure allows us to monitor the operating performance of the Group. See additional information provided on page 13 for detailed reconciliations of Adjusted EBITDA.

<sup>5</sup> Free cash flow is the Adjusted EBITDA after the effect of capital expenditure and working capital movements.



## GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES

APM	Definition	Why is the measure used?
Adjusted EBITDA	The Adjusted EBITDA figure represents the Group's earnings before interest, tax, depreciation and amortisation, adjusted for any non-cash income or expense items and adjusting items. For the current period the figure is inclusive of Arrow Global Group Limited (formerly plc) results prior to the acquisition by TDR, combined with the results of the Sherwood Parentco Limited Group for the year to 31 December 2021.	Adjusted EBITDA is an approximate measure of the underlying cash EBITDA of the Group. In addition, the leverage ratio of the Group is calculated as the ratio of secured net debt to Adjusted EBITDA. This makes the Adjusted EBITDA figure a key component of this metric, which also features in the Group's banking covenant measures.
Free cash flow	The free cash flow represents current cash generation on a sustainable basis and is calculated as Adjusted EBITDA less cash interest, income taxes and overseas taxation paid, purchase of property, plant and equipment and purchase of intangible assets. For the current period the figure is inclusive of Arrow Global Group Limited (formerly plc) results prior to the acquisition by TDR, combined with the results of the Sherwood Parentco Limited Group for the year to 31 December 2021.	Free cash flow provides a measure of how much cash the Group generates across the reporting period which it can utilise on a discretionary basis.
Balance sheet cash collections	Balance sheet cash collections represent cash collections on the Group's existing portfolio investments including ordinary course portfolio sales and put-backs.	Balance sheet cash collections is a key metric as it represents the Group's most significant cash inflow. It is also a key component of Adjusted EBITDA which is used to calculate the Group's leverage position.
84-month ERC	The 84-month ERC means the Group's estimated remaining balance sheet cash collections on portfolio investments (of all classifications) over the next 84-months, representing the expected future balance sheet cash collections on portfolio investments during this period. The expected future balance sheet cash collections are calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time.	The 84-month ERC is particularly important for the Group as it shows the forecast cash inflows over the same period that is used to calculate the future cash flows of the Group's portfolio investments.
120-month ERC	The 120-month ERC means the Group's estimated remaining balance sheet cash collections on portfolio investments (of all classifications) over the next 120-months, representing the expected future balance sheet cash collections on portfolio investments during this period. The expected future balance sheet cash collections are calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time.	The 120-month ERC is an important metric for the Group as in some cases the collection profile of a particular portfolio can extend beyond 84-months, and as such, the 120-month ERC gives a more holistic view of potential remaining balance sheet cash collections from the Group's portfolio investments.
Leverage	Leverage is calculated as secured net debt over Adjusted EBITDA.	The leverage metric provides an indication of the level of indebtedness of the Group, relative to its underlying cash earnings.

## GLOSSARY OF OTHER ITEMS

**'ACO 1'** is Arrow Credit Opportunities SCSp SICAV-RAIF and related investment vehicles, our first closed fund.

**'ACO 2'** is our second closed fund encompassing all fund vehicles.

**'Adjusted EBITDA'**. See the glossary of alternative performance measures on page 17 for the definition.

**'AMS'** Income from Asset Management and Servicing (AMS) contracts. The Group recognises revenue when it satisfies a performance obligation related to a service it has undertaken to provide to a customer.

**'APM'** means alternative performance measure.

**'Capital-light % of Group EBITDA'** is the Asset Management Servicing and Fund and Investment Management segment EBITDAs as a percentage of total EBITDA.

**'Deal IRR (after servicing costs)'** means the internal rate of return adjusted for actual collections and the latest ERCs. This is post-servicing fee, but pre-management fees, carry/performance fees and other fund level costs.

**'EBITDA'** means earnings before interest, taxation, depreciation and amortisation.

**'ERC'** means Estimated Remaining Collections. See the glossary of alternative performance measures on page 17 for the definition of 84-month ERC and 120-month ERC.

**'FIM'** means Fund and Investment Management.

**'Free cashflow'** or **'FCF'** means Adjusted EBITDA after the effects of capital expenditure, financing and tax cash impacts.

**'Funds under management (FUM)'** means the value of all fund management assets managed by Arrow Global Group Limited, including ACO 1, Norfin Investimentos, Europa Investimenti, Saggita and any of Arrow's own capital which it has committed to invest alongside third-parties committed capital. FUM is an important metric used to understand the scale of the Group's Fund and Investment Management business and how this compares to others in the market.

**'FVTPL'** – means financial instruments designated at fair value with all gains or losses being recognised in the profit or loss.

**'FY'** means full year being the 12 months to 31 December.

## GLOSSARY OF OTHER ITEMS *(continued)*

‘**Gross income**’ includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-group income for Asset Management and Servicing and fund and investment management, total income for the Balance Sheet Business and other income.

	<b>31 December 2021 £000</b>	<b>31 December 2020 £000</b>
Third party AMS income	95,316	83,482
Intra-Group AMS income	37,776	41,879
<b>Gross AMS income</b>	<b>133,092</b>	<b>125,361</b>
Third party FIM income	21,161	13,544
Intra-Group FIM income	18,578	18,483
Income reallocation from Balance Sheet business	15,280	4,747
<b>Gross FIM income</b>	<b>55,019</b>	<b>36,774</b>
Balance Sheet Business income	214,680	69,629
Income reallocation to FIM business	(15,280)	(4,747)
<b>Gross Balance Sheet business income</b>	<b>199,400</b>	<b>64,882</b>
<b>Other income</b>	<b>98</b>	<b>837</b>
<b>Adjusting items</b>	<b>1,343</b>	<b>–</b>
<b>Gross income</b>	<b>388,953</b>	<b>227,854</b>

‘**IFRS**’ means EU adopted international financial reporting standards.

‘**Income from AMS**’ includes commission income, debt collection, due diligence, real estate management, and advisory fees.

‘**Leverage**’ is secured net debt to Adjusted EBITDA. See the glossary of alternative performance measures on page 17 for more detail.

‘**Liquidity headroom**’ is cash on balance sheet, excluding the reclassified cash as detailed in the unaudited consolidated statement of cash flows, together with headroom on committed facilities.

‘**NCI**’ means non-controlling interest.

## GLOSSARY OF OTHER ITEMS *(continued)*

‘**Net debt**’ means the sum of the outstanding principal amount of the senior secured notes and asset-backed loans, interest thereon, amounts outstanding under the revolving credit facility and deferred consideration payable in relation to the acquisition of portfolio investment, less cash and cash equivalents. Net debt is presented because it indicates the level of debt after removing the Group’s assets that can be used to pay down outstanding borrowings, and because it is a component of the maintenance covenants in the revolving credit facility. The breakdown of net debt as at 31 December 2021 is as follows:

	<b>31 December 2021 £000</b>	<b>31 December 2020 £000</b>
Cash and cash equivalents <sup>1</sup>	(202,263)	(182,892)
Senior secured notes (pre-transaction fees net off)	1,223,080	935,487
Revolving credit facility (pre-transaction fees net off)	171,415	280,342
Asset-backed loans (pre-transaction fees net off)	55,613	148,044
<b>Secured net debt</b>	<b>1,247,845</b>	<b>1,180,981</b>
Deferred consideration – portfolio investments	27,854	12,038
Deferred consideration – business acquisitions <sup>1</sup>	1,503	20,130
Senior secured loan notes interest	8,874	5,568
Asset backed loan interest	181	649
Bank overdrafts <sup>1</sup>	9,559	3,648
Other borrowings	2,241	3,247
<b>Net debt</b>	<b>1,298,057</b>	<b>1,226,261</b>

<sup>1</sup> Cash and cash equivalents includes £3,352,000 of cash in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to ‘Assets held for sale’. Deferred consideration – business acquisitions and bank overdrafts include £182,000 and £71,000 of bank overdrafts respectively in respect of the Whitestar Italy platform, which for disclosure purposes has been moved to ‘Liabilities held for sale’ on the condensed consolidated statement of financial position.

‘**Portfolio amortisation**’ represents total balance sheet cash collections plus income from portfolio investments.

‘**Portfolio investments**’ are on the Group’s statement of financial position and represent all debt portfolios that the Group owns at the relevant point in time. A portfolio comprises a group of customer accounts purchased in a single transaction.

‘**Secured net debt**’ see table in ‘net debt’ definition.