ARROW GLOBAL GROUP

Interim results for 6 months ended 30 June 2022

10 August 2022

INTRODUCTION

Zach Lewy
Group Chief Executive Officer

Strong progress towards our strategic goals

De-leveraging - a strategic priority

- **Strong collections performance** - £192 million for the 6 months (H1 2021 £180 million), representing 110% of ERC
- Adjusted EBITDA increased to £154 million (H1 2021: £131 million)
- **Continued reduction in leverage** - reducing from 4.8 times to 4.5 times over the half year period

Continue to scale our fund management proposition

- **First close of ACO 2 fund completed with €1.1 billion capital commitments –** an important milestone for the Group and we remain on track to meet our €2.5bn target
- With Arrow Co-investment reducing to 10% for ACO 2, **proforma return on capital invested rises to circa 40%**[1]
- **Origination volumes continuing to scale up**, with €372 million originated in H1 2022 (H1 2021: €359 million)
- **ACO 1 delivering above target returns at 19.4%**[2] with total capital invested of over €1.5bn

Efficient local platforms create a differentiated proposition

- New **organisational structure fully embedded** with new segmental reporting and performance management aligned to a vertical, platform-led organisation
- **Increase in capital light revenues of 30%** on H1 2021, reflecting our transition to an integrated fund manager
- Completion of final actions to deliver **£20 million annualised cost savings**
- Maintaining our **strong regulatory and customer franchise**, as part of our broader ESG commitments

1. *Indicative proforma return based upon 10% co-investment level. Further details are shown in slide 23*
2. *The gross performance return to external LP investors is 24%, which reflects the impact of recycling and subscription finance*

Delivering above target investment returns

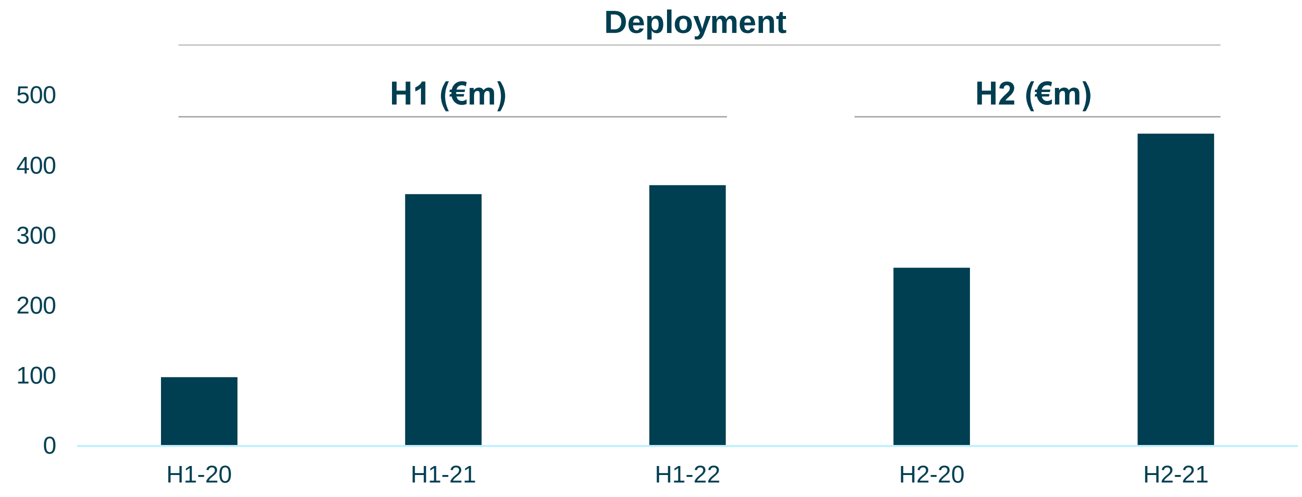
- Track record of delivering strong returns - averaging 18% Deal IRR (after servicing costs) across investments since 2010
- ACO 1 has continued to deliver above target returns – Deal IRR (after servicing costs) of 19.4%[2] as of June 2022
- Given the uncertain macro-economic environment since the onset of Covid, conservative underwriting assumptions have been applied
- Recent vintages have outperformed the conservative underwriting assumptions
  - 2021 ACO 1 vintage at 19% Deal IRR (after servicing costs) versus 15% at underwriting
  - 2022 ACO1 vintage underwritten at consistent IRR to 2021 vintage
- Collections profile remains strong – ACO 1 has collected 159% of underwrite as at June 2022

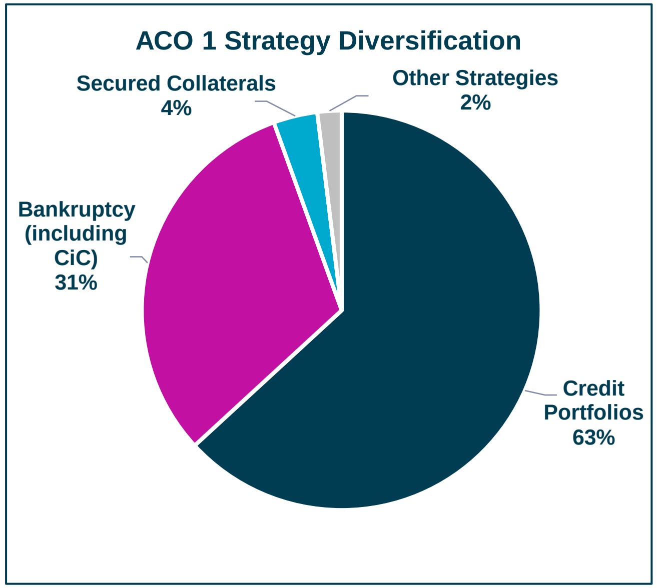
ACO 1 only Deal IRR (after servicing costs) (2020 Vintage)[1]

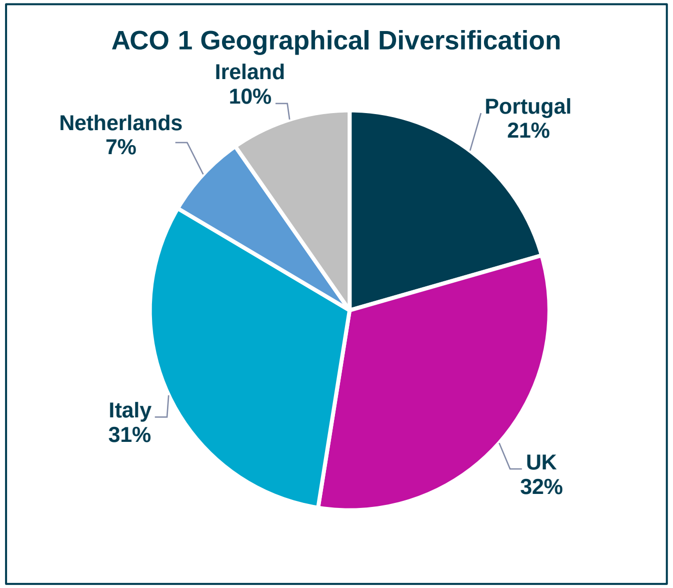
ACO 1 only Deal IRR (after servicing costs) (2021 Vintage)[1]

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.*
2. *The gross performance return to external LP investors is 24%, which reflects the impact of recycling and subscription finance*

Scaled capital deployment and ACO 2 first close







- Over €1.5bn capital has been deployed including committed deferrals across ACO 1 to June 2022
- Continued focus on off-market acquisitions
  - Over 80% of investments to date have been off-market.
- Increased investment in paying, real estate, cash in court portfolios to reflect the uncertain economic environment
  - Over 90% secured on real estate, cash in court or other mixed security
- Highly granular deployment – over 80 investments completed in H1 2022
- ACO 1 over 80% committed net of recycled collections to date (excluding co-invest)
- Our deployment and performance track record of ACO 1 has provided a solid foundation for the ACO 2 fund raise
- ACO 2 first close raised €1.1 billion (including Arrow commitment) and we remain on track to complete our target of €2.5 billion
- FUM increased to €5.3 billion following ACO 2 close

FINANCIAL REVIEW

Phil Shepherd
Group Chief Commercial Officer

Updated segmental methodology

- Following the take private transaction and the subsequent reorganisation of the business, the Group is adjusting its segmental reporting to align with the amended organisational design and ensuring simplicity
- Three segments which reflect accountability and commercial and performance management of the organisation, being:-
    1. **Platforms;**
    2. **Balance Sheet Business; and**
    3. **Group**
- **Platforms Segment** captures the capital-light revenue and costs from our asset management, servicing and fund management platforms
    - Our vertically aligned asset management, servicing and fund management platforms have locally responsible management teams
    - Each platform receives capital-light revenues for the services offered from either our Balance Sheet Business, our fund investments or third-parties
    - Each platform has direct control over its local direct and overhead cost base
    - The inter-dependent nature of our platforms with origination, fund management and servicing closely linked means that it is appropriate to disclosure platforms as a single segment
- **Balance Sheet Segment** captures all investments, both on our balance sheet and our co-investment through ACO 1
- **Group Segment** reflects the costs of the centrally controlled Group functions

What are the key differences from the old segmental reporting?

- The previous segments were Fund and Investment Management (FIM), Asset Management and Servicing (AMS), Balance Sheet (BSB) and Group
- **Platforms Segment**
  - FIM and AMS revenues and direct costs are within Platforms
  - However, the majority of FIM and AMS overhead costs were a re-allocation from the centrally controlled costs (for example total finance costs throughout the group were centrally managed and allocated to the previous segments)
  - Locally controlled overhead costs are now the direct responsibility of local platform management and are not a notional allocation improving accountability
  - Europa Investimenti was previously all allocated to FIM (including its balance sheet investment income). Europa Investimenti operates as a platform and its balance sheet investments are reported within the Balance Sheet segment, with the platform solely generating capital-light revenues
- **Balance Sheet Segment**
  - As above, the key variances to previous BSB is the inclusion of Europa Investimenti balance sheet investments and the lower level of notionally allocated central costs
- **Group Segment**
  - The previous Group segment represented the centrally controlled costs less notional allocated costs to the other businesses
  - The current Group represents the centrally controlled overhead costs with limited reallocation of costs
- Further explanation is set out in the appendix

Group result and key performance metrics

- The Group delivered a strong cash result with collections performance and servicing revenues driving Adjusted EBITDA to £154 million, up 17% on H1 2021
- Cash collections continued an upward trend from 2021, with 7% growth YoY and performing at 110% of ERC
- Profit before tax and adjusting items was £1.9 million for H1 2022 with growth in our capital light revenues and strong cost control. A number of non-cash items affected profitability:-
  - The non-cash impairment write up of balance sheet investments (including FV assets) in H1 2021 was £18 million higher than H1 2022 in H1 2022 (£7 million, compared with £25 million in H1 2021)
  - £4.3 million FX retranslation loss in H1 2022 representing the non-cash revaluation of our Euro net liability position
- Interest costs were £8.8 million higher driven by the refinancing following the take private transaction

Profit before tax and KPIs	H1 2022 £'m	H1 2021 £'m	Change %
Core cash collections	192.1	179.6	*7*
Adjusted EBITDA	**153.8**	**131.2**	*17*
EBITDA			
Platforms	14.7	12.7	*16*
Balance Sheet Business	45.6	61.8	*(26)*
Group	(11.1)	(13.2)	*(16)*
EBITDA	**49.2**	**61.3**	*(20)*
Depreciation and amortisation	(5.5)	(8.6)	*(36)*
FX (losses) / gains	(4.3)	0.4	-
Interest costs	(39.0)	(30.2)	*29*
Share of profit from associate net of tax	1.7	-	-
Profit before tax	**1.9**	**22.9**	*(92)*
Leverage[1]	4.5x	4.8x	*(0.3x)*

[1] *2021 comparative as at 31 December 2021*

Platforms Segment

- Platform income continued to grow strongly to £98.8 million, representing an increase of £13 million or 16% YoY, driven by:-
  - The record level of new contract wins in 2021, the most significant being the transfer the collections and recoveries operations within Tesco Bank's Customer Service division to Arrow
  - Increased management fees as the level of discretionary funds deployed continues to grow
- Overall EBITDA increased by 16% with EBITDA margin remaining broadly flat at 14.9%, reflecting the increase in revenue, partially offset by the increased costs of delivering the servicing contracts and increased investment in fund activities, such as the build-out of out real estate capabilities
- We expect that EBITDA margins will widen in due course as revenues growth will outpace cost growth, given limited further investment in scaling out operations

Platforms Segment EBITDA	H1 2022 £'m	H1 2021 £'m	Change %
Income	98.8	85.5	*16*
Business operating costs	(45.5)	(46.6)	*(2)*
Overheads (excl. D&A and FX)	(38.6)	(26.2)	*47*
EBITDA	**14.7**	**12.7**	***16***
EBITDA margin (%)	*14.9*	*14.8*	

Balance Sheet Segment

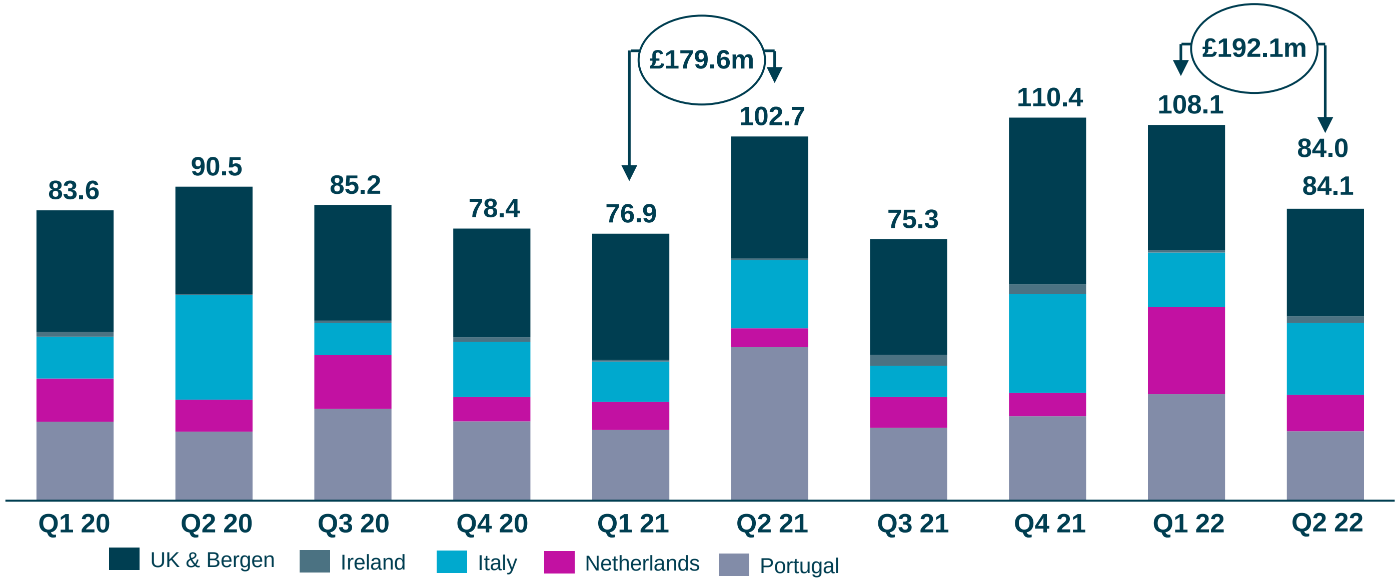
- Collections performance remained strong in H1 2022, totalling 110% of ERC and outperforming H1 2021 by 7%
- Purchases were £75.3 million in H1 2022 (H1 2021: £94.8 million), reflecting the strong deployment in ACO 1 with a 25% co-investment level
- Income was £21.0 million lower, primarily as a result of the non-cash revaluation gains in H1 2021 totalling £25 million, compared with £7 million in H1 2022
- Overall EBITDA was £45.6 million, representing a 51% EBITDA margin

Balance Sheet Segment EBITDA	H1 2022 £'m	H1 2021 £'m	Change %
Core cash collections	192.1	179.6	*7*
Income	89.7	110.7	*(19)*
Business operating costs	(44.1)	(48.9)	*(10)*
EBITDA	**45.6**	**61.8**	***(26)***
EBITDA margin (%)	*50.8*	*55.8*	-

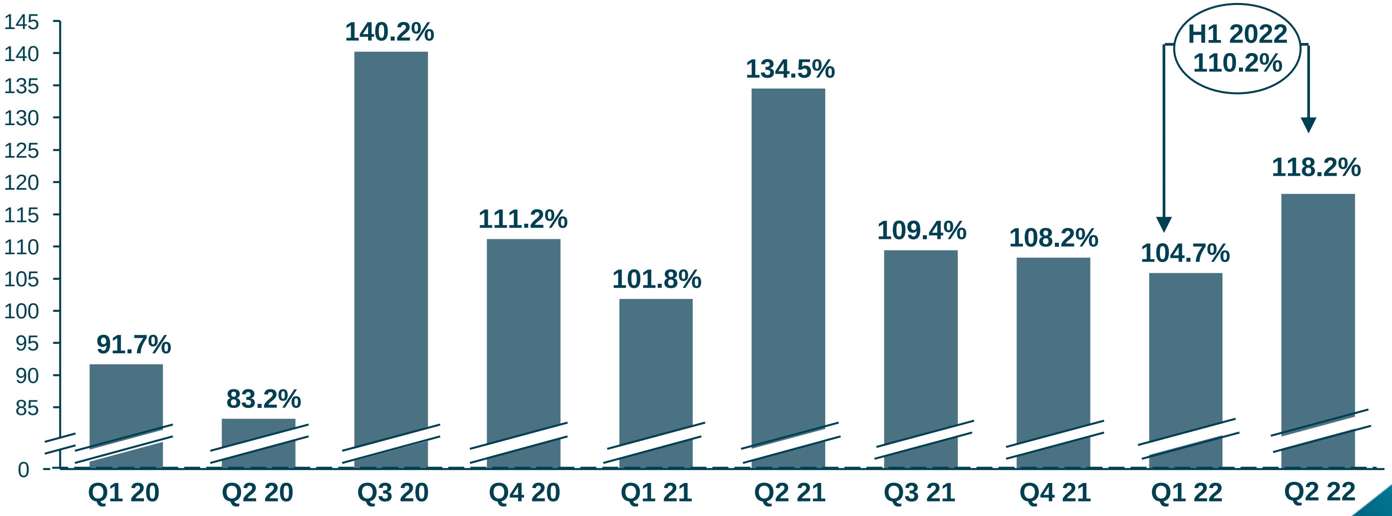
Collections

- Cash collections continued their strong recovery from 2021, with 7% growth in H1 2022 vs H1 2021
- Despite the macro-economic uncertainty and the cost of living impacts, collections represent 110% of ERC for H1 2022 and 118% for Q2 2022, demonstrating our collections resilience and prudent ERC assumptions
- The strong collections performance, partly driven by an acceleration of collections, has contributed to the 17% improvement in Adjusted EBITDA YoY to £153.8 million for the six month period
- Collections across all territories have performed well and the Group's ERC continues to reflect prudent underlying assumptions

Collections by Quarter by Geography £m



Collections as a % of ERC



Group Segment

- EBITDA in the Group segment has improved by £2 million YoY due to:-
  - As ACO 1 NAV grows, there is an increased allocation of group overheads to the fund through designated charges
  - The strong cost control focus and the impact of the £20 million annualised cost savings
  - Partially offset by increased investment in areas such as fund raising

Group Segment EBITDA	H1 2022 £'m	H1 2021 £'m	Change %
Income	1.0	-	-
Business operating costs	(0.7)	(2.1)	*(67)*
Overheads (excl. D&A and FX)	(11.4)	(11.1)	*3*
EBITDA	**(11.1)**	**(13.2)**	***(16)***

FX and interest costs

- During the period, there was a £4.3 million FX translation loss (H1 2021: £0.4 million gain) on the non-cash retranslation of our Euro assets and liabilities
  - Given the increasing level of Euro denominated income, primarily arising from fund management income, and in due course, carried interest
  - The Group is maintaining a net Euro liability position as a natural hedge to the surplus Euro income generation
  - From an accounting perspective, this gives rise to non-cash short-term profit or loss volatility
- Financing costs are £8.8 million higher YoY reflecting:-
  - The new capital structure post the take private transaction
  - Rising interest rates
  - Costs of maintaining high levels of liquidity headroom

Profit before tax and KPIs	H1 2022 £'m	H1 2021 £'m	Change %
EBITDA:			
Platforms	14.7	12.7	*16*
Balance Sheet Business	45.6	61.8	*(26)*
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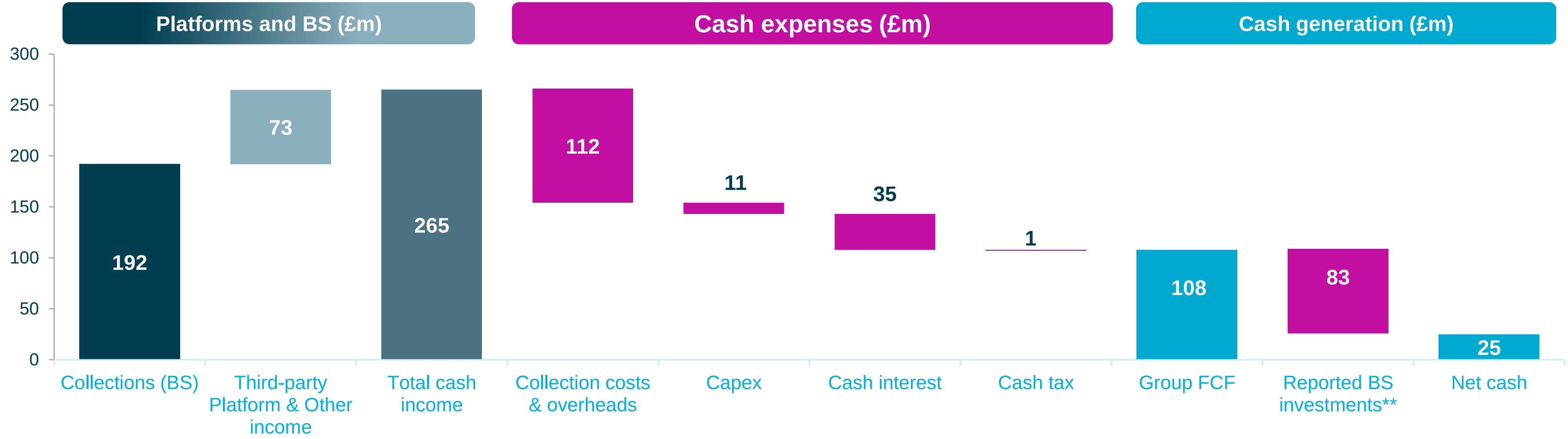
EBITDA	49.2	61.3	*(20)*
Depreciation and amortisation	(5.5)	(8.6)	*(36)*
FX (losses) / gains	**(4.3)**	**0.4**	**-**
Interest costs	**(39.0)**	**(30.2)**	***29***
Share of profit from associate net of tax	1.7	-	-
Profit before tax	1.9	22.9	*(92)*

Free cash flow generation

- Strong free cash flow* generation during H1 2022 of £108 million, up 19% on H1 2021
- Free cash flow generation exceeded the cash outflow for portfolio investments by £25 million (H1 2021: £4 million outflow)
- Unique integrated fund manager model enables revenue/earnings growth with balance sheet de-leveraging as we go forward



H1 2021 (£m):	180	56	236	(105)	(9)	(30)	(1)	91	(95)	(4)

* Free cash flow = 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

Cash generation and capital allocation

- Free cash flow (£108 million) exceeded cash purchases (£74 million) by £34 million (£25 million excluding impacts of deferred consideration)
- Despite this cash inflow, net debt rose by £41 million due to the foreign exchange impact of retranslating our Euro debt (£22 million) as well as working capital movements during the period
- Going forward (with 10% co-investment in ACO 2), the strong free cash flow is expected to continue to exceed portfolio investment

£'millions	2018	2019	2020	2021	H1 2022
Free Cash Flow	**231**	**261**	**157**	**182**	**108**
Reported Balance Sheet investments*	(263)	(304)	(110)	(190)	(83)
Deferred portfolio purchases to following period	12	63	10	40	24
Deferred purchases from prior year	(16)	(12)	(61)	(10)	(15)
Total cash purchases in year	**(267)**	**(253)**	**(161)**	**(160)**	**(74)**
Total free cash flow (post purchases)	**(36)**	**8**	**(4)**	**22**	**34**
Acquisition-related expenditure	-	-	-	(83)	-
M&A costs in current year/prior year deferred	(114)	(5)	-	(25)	-
Dividends Paid	(21)	(23)	-	-	-
FX & Other	(62)	(40)	5	14	(75)
Movement in net debt	**(233)**	**(60)**	**1**	**(72)**	**(41)**

* Includes funding into holding structure made in 2022

Liquidity and leverage position

- **Group reduced leverage by 0.3 times** during 2022, from 4.8 times to 4.5 times driven by strong collections performance and increasing capital light revenues
- **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 4.6 years (FY 2021: 5 years)
  - WACD of 5% (FY 2021: 5%)
- Gross 120-month ERC reduced by 4.4% to £1,612 million in 2022, 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	Jun-22
Cash	(134)
£350m 6% Fixed Rate Notes due 2026	350
€640m Floating Rate Notes due 2027 Euribor + 4.625%	551
€400m 4.5% Fixed Rate Notes due 2026	344
Revolving credit facility - £285m maturing 2026	149
Asset backed loans	23
Total secured net debt	**1,283**
LTM Adjusted EBITDA	283.3
Leverage	***4.5x***
Liquidity headroom (cash and RCF headroom)	262
120-month ERC	1,612

STRATEGIC FOCUS

Zach Lewy

Group Chief Executive Officer

Accelerating the transition to an integrated fund 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 will reduce to 10% for ACO 2

Continue to scale our fund management proposition

- Arrow completed an important milestone for the Group with the **first close of our ACO 2 fund**, which raised total capital commitments of €1.1 billion and we remain on track to meet our €2.5 billion target
- A further important milestone in the transition to an integrated fund manager - With Arrow Co-investment reducing to 10% for ACO 2, **proforma return on capital invested rises to circa 40%**[1]
- 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** (typically smaller, higher return deals) versus other credit funds
- Maintaining our **strong regulatory and customer franchise** and support our customers and colleagues through the cost of living crisis, as part of our broader ESG commitments

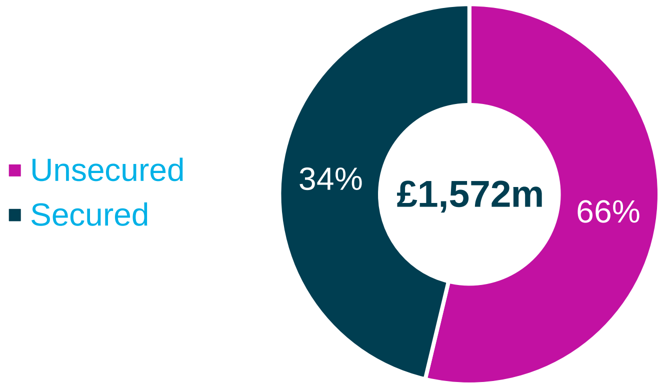
1. Indicative proforma return based upon 10% co-investment level. Further details are shown in slide 23

Appendix

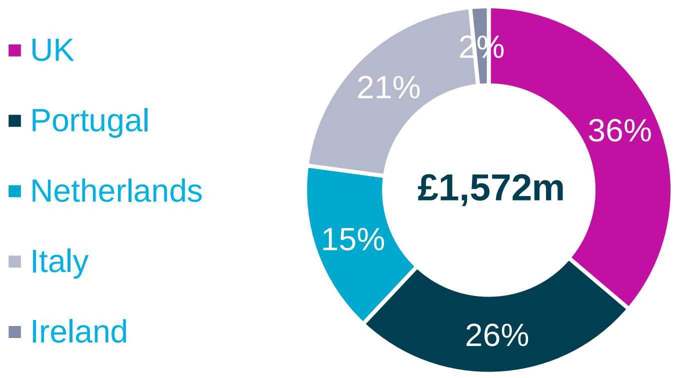
ERC exposure by geography and type

ERC for FVTPL assets is typically measured net of servicing and collection costs and represents 30% of total ERC

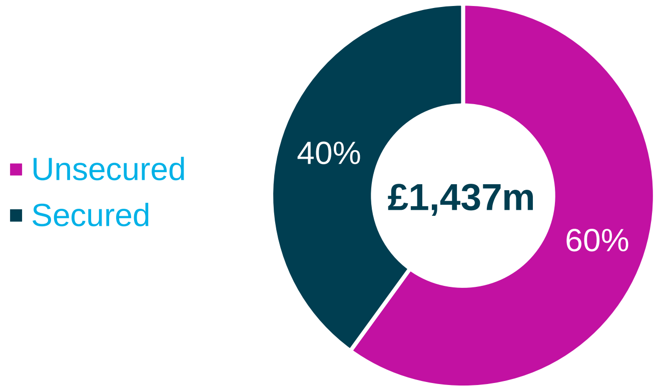
June 2021 84-month ERC by asset class



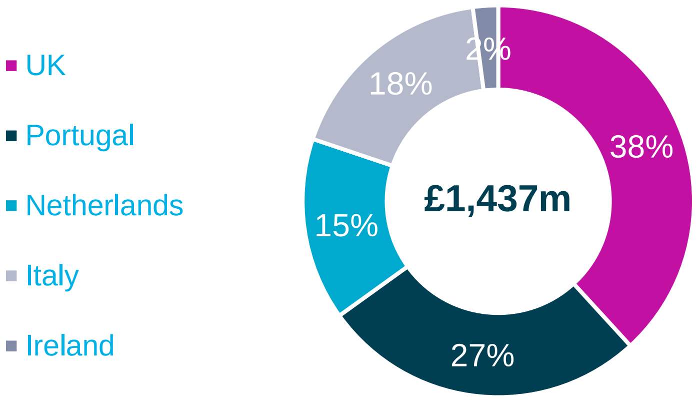
June 2021 84-month ERC by geography



June 2022 84-month ERC by asset class



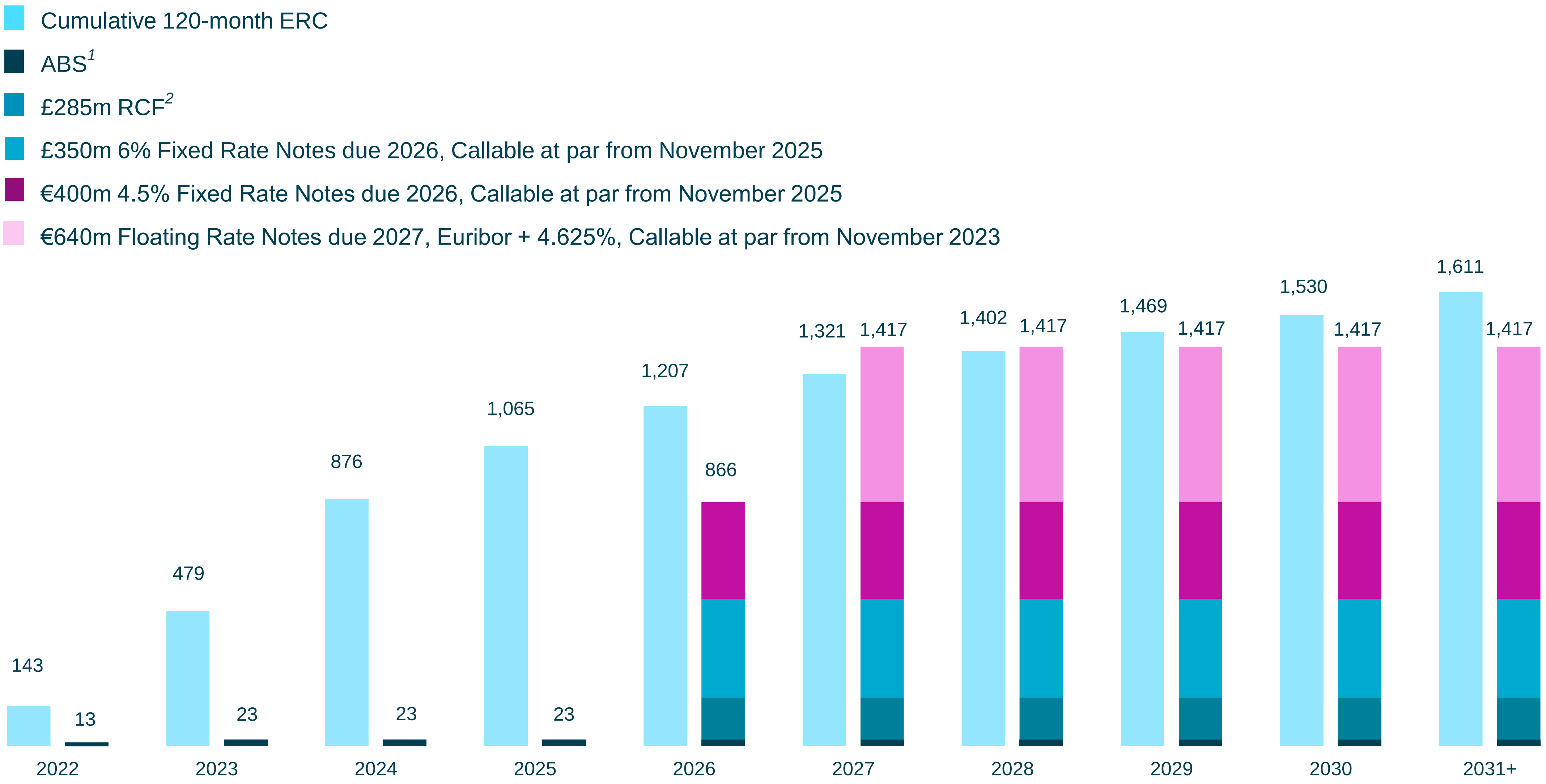
June 2022 84-month ERC by geography



Notes

1. *ERC includes Arrow's investment in ACO 1*
2. *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 31.5% 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

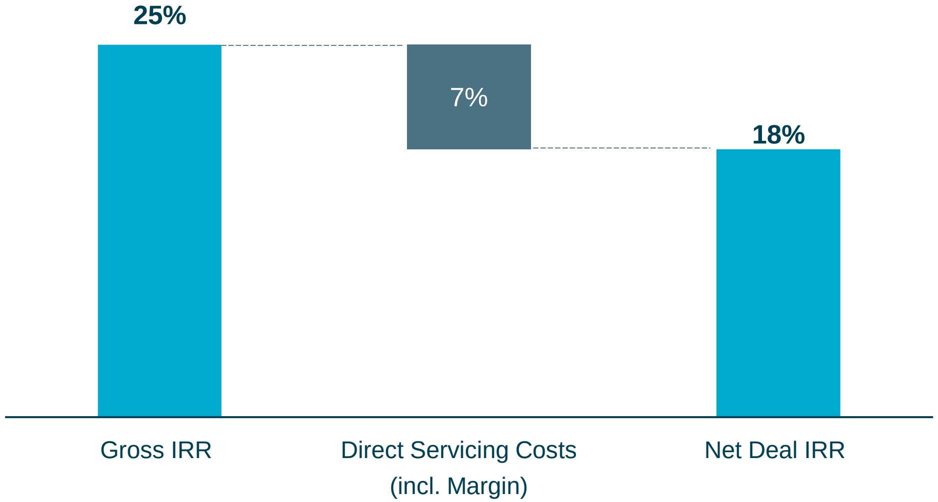


[1] ABS loan as at June 2022 was £23m and the maturity profile shown in the chart reflects debt amortising based upon forecast collections
[2] Drawn RCF balance as at June 2022 was £149m
[3] All debt maturities are shown gross, not taking into account Group cash balances of £134m which were held as at June 2022

Indicative returns on co-investment in ACO 2

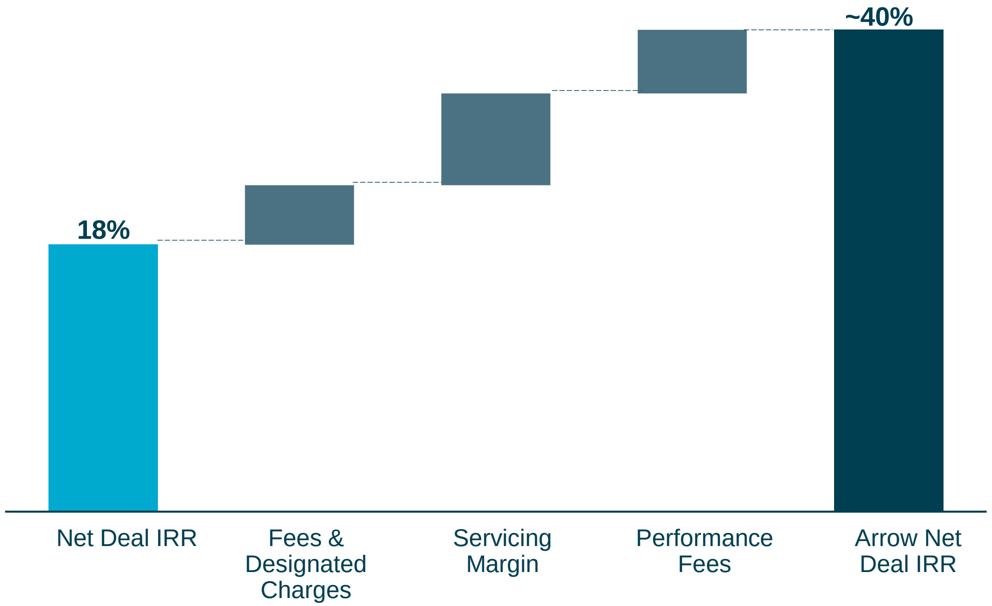
The charts below show the proforma indicative returns on capital employed for a balance sheet investor, compared with the proforma indicative returns, including the capital-light revenue streams, generated by a 10% co-investment within ACO 2

Indicative Underlying Returns on Investments



- Gross deal IRR[1] represents the gross collections on portfolios versus the original cost of investment
- Deal IRR (after servicing costs)[2] shows the return on collections after servicing costs, including servicing margin (i.e. AMS margin) and pre-overheads

Indicative Arrow Returns



- Arrow collects management fees and, in addition, a 30-40% share of performance fees, paid by LPs to incentivize the Fund Manager
- Arrow also generates additional returns through the servicing margin in AMS (i.e. in-house servicing of Fund assets)
- The Deal IRR (after servicing costs) increases to indicative returns to circa 40% (pre-overheads) for a 10% co-investment within ACO 2, compared with circa 25% for ACO 1 and a co-investment level of 25%

Notes: Indicative return is based upon a Deal IRR (after servicing costs) of 18%, compared with the current ACO 1 performance of 19.4%
[1] Calculated using actual Cash Collections to date plus future lifetime expected Cash Collections adjusted regularly in line with ERC; [2] Calculated using actual Cash Collections (net of servicing costs including servicing margin) to date plus future lifetime expected Cash Collections adjusted regularly in line with ERC (net of servicing costs including servicing margin);

Updated segmental methodology

Following the take private transaction and the subsequent reorganisation of the Business, the Group will report under 3 segments which reflects the commercial management of the organisation: **Platforms; Balance Sheet Business and Group. Further details on the methodology are set out below:-**

New segmental basis	Previous segmental basis
Platforms ➢ Includes all of the operating platforms of the Group and revenues that were previously reported in AMS or FIM segments ➢ Now **excludes** revenues from Europa Investimenti Balance Sheet (now included in Balance Sheet Business which aligns more closely the underlying nature of the assets and activity) ➢ The internal servicing revenue will continue to be charged at the agreed rate card, which replicates benchmark external rates ➢ Locally incurred overhead costs are managed and controlled by the Platform and are presented within the Platform Segment rather than receiving an apportionment of Group costs that were previously centrally controlled. This reflects the switch from a horizontally aligned model to a vertical platform driven organisational structure ➢ Platforms all now reported as one segment to reflect the holistic economics of the origination, investment and servicing activity	**Asset Management & Servicing (AMS)** ➢ AMS Revenue comprises revenue from third party clients, internal charges for servicing Balance Sheet business assets and external servicing revenue from ACO 1 ➢ AMS Business operating costs comprise the costs of collecting revenue for AMS clients as well as the direct costs of managing the AMS business **Fund & Investment Management (FIM)** ➢ FIM revenue comprises fund management and performance fees from managing ACO 1 and the Group's balance sheet assets, together with the entire results of the Group's other fund management businesses (Norfin, Sagitta and Europa Investimenti) ➢ FIM costs comprise the direct operating costs of running the FIM businesses ➢ For both AMS and FIM, overheads include the direct costs as well as an allocation of the costs of support and corporate functions

Updated segmental methodology (continued)

New basis	Previous basis
Balance Sheet Segment ➢ Balance Sheet business revenue comprises revenue associated with all assets held on the Arrow Global balance (including Europa Investimenti Balance Sheet income) and co-investments through ACO 1 ➢ Includes assets held on Amortised Cost basis, Fair Value through the P&L (FVTPL) and Real Estate Inventories ➢ Balance Sheet business operating costs comprise payments to the Platform Segment for collections and portfolio management services as well as internal and third party direct costs of managing the Balance Sheet segment	**Balance Sheet Business** ➢ Balance Sheet business revenue comprises revenue associated with assets held on the Arrow Global balance sheet and co-investments through ACO 1(including assets held on Amortised Cost basis, Fair Value through the P&L (FVTPL) and Real Estate Inventories) excluding investments held by Europa Investimenti ➢ Balance Sheet business operating costs comprise payments to the AMS business for collections payments to the FIM business for portfolio management services, payments to third party collections agents as well as the direct costs of managing the Balance Sheet business
Group ➢ Includes the centrally controlled costs of support and corporate functions at the Corporate Centre alone ➢ Whilst the centrally controlled costs are lower, the Group Segment cost base is reported higher since there is limited notional re-allocation of costs to the Platform and Balance Sheet Segments	**Group** ➢ These relate predominantly to support functions and reflect those costs incurred as a result of the horizontal structure ➢ The Group costs were notionally allocated from the Group business to the AMS, FIM and BSB

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