22 November 2022

Arrow Global Group
Results for the nine-month period ended 30 September 2022

Group highlights

Trading for the period remained strong, and the Group continues to strengthen its fund management proposition with further capital committed to Arrow Credit opportunities (ACO) 2 and the divestment of non-core platforms.

Accelerating our transformation to the leading integrated fund manager with second and third closes of ACO 2

- Additional capital committed to ACO 2 with €1.4 billion secured to date, including Arrow's participation
- Strong momentum (including material further closings this year) to complete the ACO 2 capital raise at or above the original target of €2.5 billion by early 2023, with hard cap at €2.75 billion
- Deployment of €198 million capital in Q3 2022 (including commitments and deferred consideration) across ACO 1 and 2, bringing deployment for Q3 2022 YTD up 11% to €564 million (Q3 2021 YTD: €508 million) as origination capabilities are scaled
- ACO 1 continues to outperform our target returns with a Deal IRR (after servicing costs) of 19.1%[1]
- Expansion of our real estate footprint in Q3 2022, with the bolt on acquisition of 75% of Details, a Portuguese hospitality asset manager, acquired on 3 August 2022, for an initial €2.8 million

Divestment of non-core platforms and creating efficient platforms to drive capital-light income

- Following a strategic review, divestment of our Capquest and Mars UK platforms to Intrum UK, subject to customary closing conditions including regulatory approval, has been agreed along with 50% of the UK wholly owned unsecured back book for gross sale proceeds at lockbox date of £157.8 million, representing 105%[2] of the book value. The high levels of competition and overcapacity in the UK unsecured debt management sector have driven lower risk-adjusted returns with only 0.5% of total ACO investments deployed in this asset class
- The Platforms segment delivered EBITDA of £24.6 million for the period (Q3 2021 YTD: £16.3 million), a rise of 51.1%. Third-party capital-light income up 33.5% to £112.7 million (Q3 2021 YTD: £84.4 million)
- Continued third-party asset and servicing mandate wins across our territories, following a record second quarter
- Support provided to many colleagues through cost-of-living support payments and active consideration of customer's income and expenditure to manage ongoing affordability

Strong collections performance with continued de-levering of the balance sheet

- Q3 2022 YTD collections were up 7.2% to £275.6 million (Q3 2021 YTD: £257.0 million)
- Despite macroeconomic uncertainty, collections represented 108% of ERC during the Q3 2022 YTD and 104% for Q3 2022
- Adjusted EBITDA generation Q3 2022 YTD of £217.5 million, a year-on-year increase of 19.2% (Q3 2021 YTD: £182.5 million)
- Leverage decreased by 0.4 times to 4.4 times as at 30 September 2022 (30 June 2022: 4.5 times, 31 December 2021: 4.8 times) with healthy liquidity headroom of £238 million as at 30 September 2022 (31 December 2021: £304 million)
- Weighted average cost of debt for the Group of 5.2%, with no bond maturities until 2026

Zach Lewy, Group chief executive officer at Arrow, commented:

"Arrow continued to make excellent progress in its transition to a leading vertically integrated European fund manager. The divestment of the Capquest and Mars UK platforms to Intrum UK allows us to accelerate our fund management strategy, with continued investment into our local servicing platforms that can deploy capital at pace and scale, whilst delivering attractive risk-adjusted returns. Our selective investing, underwriting insight, and propriety deal flow continues to deliver strong risk-adjusted returns and we expect to close ACO 2 with a €2.7 billion hard cap in early 2023.

"Despite the uncertain economic environment, we have delivered robust collections that continue to underpin our strong performance, driving down leverage, and delivering strong capital-light revenue growth. Our responsible approach to business was reinforced with employee cost-of-living support to mitigate the worst effects of the cost-of-living crisis."

Group financial highlights	30 September 2022	30 September 2021	Change %
Balance sheet collections (£m)	275.6	257.0	7.2
Adjusted EBITDA (£m)	217.5	182.5	19.2
Free cash flow (£m)	159.6	119.2	33.9
Total income (£m)	245.1	244.8	0.2
Third-party capital-light income (£m)	112.7	84.4	33.5
(Loss)/profit before tax and adjusting items (£m) [3]	(1.1)	27.4	(104.0)
Loss before tax and after adjusting items (£m)	(36.3)	(17.1)	112.1

	30 September 2022	31 December 2021	Change %
Leverage (x)	4.4	4.8	(0.4)
84-month ERC (£m) [4]	1,530.1	1,530.3	0.0
120-month ERC (£m) [4]	1,698.6	1,685.0	0.8
Net debt (£m)	1,376.7	1,298.1	6.1

[1] The gross performance return to external LP investors is 22%, which reflects the impact of recycling and subscription finance

[2] Represents the gross sale proceeds as at March 2022, being the effective date for the lockbox arrangement, compared with the investment carrying value (50% being divested) and the net assets of the platforms being divested.

[3] The results presented exclude adjusting items. For the reconciliation between these results and the condensed consolidated profit and loss, please see the reconciliation on pages 17 and 18.

[4] 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 33.2%, since ACO 1 was launched in December 2019, a growing proportion of the Group's ERC is reported on a net basis.

Divestment of non-core platforms, Capquest and Mars UK

Following a strategic review, Arrow has agreed to divest our non-core platforms, Capquest and Mars UK, to Intrum UK, subject to customary closing conditions including regulatory approval, for gross sale proceeds at lockbox date of up to £157.8 million, with an expected 800 roles transferring to Intrum UK on completion. In addition, the UK unsecured back book, representing £265.4 million of carrying value, £416.3 million of 84-month ERC and £518.2 million of 120-month ERC as at 30 September 2022, will be subject to a 50:50 profit sharing arrangement with Intrum UK.

The high levels of competition and overcapacity in the UK unsecured debt management sector have driven lower risk-adjusted returns and Arrow has invested just 0.5% or €9 million in UK unsecured versus total ACO investments of €1.7 billion. Real estate, secured and small and medium enterprise lending represent the significantly larger portion of the market and our platforms remain highly relevant to our existing clients with significant market opportunities. Focusing on these high-return segments, through our off-market origination strategy, Arrow expects to continue to deliver strong risk-adjusted returns for our investors, enabling us to scale and accelerate our transition to the leading vertically integrated European fund manager, with lower net debt and leverage.

Arrow platforms central to its fund management strategy, including Bergen Finance, Drydensfairfax, and Maslow Capital are not included in the sale, and they will continue to service Arrow-owned portfolios and accelerate the deployment of capital on behalf of Arrow's ACO fund vehicles.

In agreeing terms, we were careful to ensure that our purpose of building better financial futures and company values were closely aligned with Intrum UK. We are confident this close alignment will help Capquest and Mars UK optimise their long-term potential and future success to the benefit of colleagues, customers and clients. Arrow will continue to have Group and UK operations in Manchester, Leeds and London.

The portfolio valuation as at March 2022 was £271.7 million (50% share: £135.9 million) and Intrum UK have agreed gross sales proceeds of £157.8 million at lockbox date, representing 105%[2] of the book value as at that date. The actual cash proceeds from the sale will depend upon the timing of completion, as well as the completion accounts of the platforms. It is expected that the platform net assets will amount to circa £10 million at completion.

If completion had occurred as at 30 September 2022, then the cash proceeds would be £144.5 million. Post completion, the divestment is not expected to have a material impact on leverage.

In line with applicable accounting standards, the assets and liabilities subject to the agreement, including 100% of the UK unsecured assets, have been reclassified to 'assets held for sale' and 'liabilities held for sale' and remeasured at their expected proceeds less costs to sell. As a result, an impairment of £26.0 million has been recognised in adjusting items. Of the £26 million impairment, £14 million represents the difference between the carrying value of the portfolios as at September versus proceeds post lock-box date, together with proceeds for the platforms less the short-term working capital requirements, £6 million represents transaction costs and £6 million arises due to write-off of intangible and sundry assets in connections with the platforms.

Overview of group results and segmental commentary

The Group delivered Adjusted EBITDA for the period of £217.5 million, a year-on-year increase of 19.2% primarily driven by the strong collections performance and growth in third-party capital light income. Q3 2022 YTD collections were up 7.2% to £275.6 million, representing 108% of ERC during Q3 2022 YTD and 104% for Q3 2022. Despite the current macro-economic backdrop our collections continue to prove resilient and our ERC assumptions have proved prudent. The strong cash generation has resulted in a decrease in leverage over the period by 0.4 times to 4.4 times as at 30 September 2022.

The loss before tax and adjusting items was £1.1 million for the period, compared with £27.4 million profit in Q3 2021 YTD. The decrease is primarily due to the non-cash impairment write-up of balance sheet investments (including FV assets) being £18 million higher in 2021 than 2022 and an £8.1 million FX re-translation loss incurred in Q3 2022 YTD, representing the non-cash revaluation of our Euro net liability position. The Group has an increasing level of Euro income, primarily arising from fund management income, and in the future, carried interest. As such, the Group is maintaining an excess Euro liability as a natural hedge, which gives rise to short-term non-cash profit and loss volatility.

Overall, the Group is making good progress on its transition to the leading integrated fund manager. Our Platforms segment delivering EBITDA up £8.3 million to £24.6 million for the period.

The ACO 2 Fund now has €1.4 billion committed to date, with strong momentum to complete the remaining capital raise by early 2023, with hard cap at €2.7 billion, including Arrow's participation of 10%. The performance of ACO 1 has continued above target with a Deal IRR (after servicing costs) of 19.1%[1] and deployment into ACO 1 and 2 increased to €564 million in Q3 2022, from a total €508 million in Q3 2021.

Interest costs were £14.2 million higher in the period compared with Q3 2021 YTD, primarily driven by the refinancing following the take private transaction and rising interest rates.

Segmental commentary

More detail around our reportable operating segments, can be found on pages 10 to 12, with the highlights for each segment Platforms, Balance Sheet and Group discussed below:

Platforms

The platform segment includes the results of our asset management and servicing and fund management activity, through our various platforms, providing capital-light returns.

Overall Platform EBITDA increased by 51.1%, from £16.3 million in Q3 2021 YTD to £24.6 million in Q3 2022 YTD, 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 real estate capabilities.

There has been strong deployment into ACO 1 and ACO 2, with total capital invested of €1.7 billion, with Group Funds Under Management (FUM) of €5.3 billion at 30 September 2022. Considering future commitments and net of recycled collections, total net capital commitments were circa €1.2 billion (representing over 80% of ACO 1 commitments excluding co-invest). €198 million of capital was deployed in Q3 2022 (including commitments and deferred consideration) in ACO 1 and ACO 2, bringing deployment for Q3 2022 YTD to €564 million (Q3 2021 YTD: €508 million), as the Group continues to invest in scaling our origination capabilities.

Given the uncertain macro-economic outlook, the Group has continued to focus on off-market acquisitions, with over 80% of ACO 1 investments being off-market and increased investments in paying, real estate and cash in court portfolios. Over 90% of the portfolio is secured on real estate, cash in court and other mixed security and is built from highly granular deployment, with over 300 individual investment lines in ACO 1. As a result, ACO 1 is delivering above target returns with a Deal IRR (after servicing costs) of 19.1%[1], with a strong investment pipeline.

Third-party capital-light income increased by 33.5% or £28.3 million to £112.7 million from Q3 2021 YTD to Q3 2022 YTD. Following an outstanding second quarter, Arrow continued to add valuable third-party asset and servicing mandates in the current quarter across the UK, Ireland and Italy in secured and unsecured channels.

The pipeline in the UK, Ireland and the Netherlands remains very strong as high street and challenger banks continue to seek best-in-class outsourcing solutions where Arrows investment and servicing capabilities can be deployed. Arrow evidenced increased volumes of secondary performing and non-performing loan transactions, where private equity sponsors are disposing of portfolios and our platforms are supporting both ACO 2, as well as partner funds, in undertaking diligence and onboarding portfolios.

Balance Sheet

This business includes all the portfolio investments that the Group owns, and the associated income and costs.

The cash performance has been strong. Q3 2022 YTD collections were up 7.2% to £275.6 million (Q3 2021 YTD: £257.0 million). Purchases of £129.9 million were made in Q3 2022 YTD (Q3 2021 YTD: £117.0 million) with a strong investment pipeline, primarily through ACO 2, continuing into Q4 2022. Going forward, a greater proportion of portfolio investments will be made through ACO 2, with a 10% co-investment level rather than the 25% level through ACO 1.

Overall Balance Sheet EBITDA decreased by 24.8%, from £88.1 million in Q3 2021 YTD to £66.3 million in Q3 2022 YTD, primarily as a result of lower non-cash impairment gains year on year of £18 million.

Whilst the 2022 YTD has seen macro-economic pressures build, the forecast has proven resilient, with collections represented 108% of ERC during Q3 2022 YTD and 104% during Q3 2022.

Group

The Group segment consists of costs not directly associated with the other segments, but relevant to overall oversight and control of the Group's activities. There was a continued focus on cost control during the period, whilst ensuring that the Group continues to invest for the future. Underlying segmental Group operating expenses, excluding FX, decreased by £4.4 million to £20.0 million (Q3 2021 YTD: £24.4 million), driven by a higher utilisation of staff servicing the fund and recovering their costs, the strong cost control, offset by increased investment, in particular, in fund raising capabilities.

In addition, there was a £8.1 million FX loss arising in the period (Q3 2021 YTD: £0.6 million gain) on the non-cash retranslation of our Euro assets and liabilities. The Group has an increasing level of Euro income, primarily arising from fund management income, and in the future, carried interest. As such, the Group is maintaining an excess Euro liability as a natural hedge. This gives rise to short-term non-cash profit and loss volatility.

There is a strong focus on cost control, with management actions delivering annualised cost savings of £20 million, following the transaction from public to private ownership in late 2021, completed during Q1 2022.

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.

To join, register your details using the registration link below. Once registered, you'll receive a separate email containing your dial in number and PIN.

Registration	Register for the call **here**

For further information:

Media contact	**mediaenquires@arrowglobal.net**
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Notes:

For the purposes of this document, the comparative results are for Arrow Global Group Limited (formerly plc), being the consolidated results of the Group prior to the acquisition by TDR.

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.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the nine-month period ended 30 September 2022

	9 months to 30 September 2022 £000	As re-presented 9 months to 30 September 2021 £000	3 months to 30 September 2022 £000	As re-presented 3 months to 30 September 2021 £000
Continuing operations				
Income from portfolio investments at amortised cost	83,562	101,930	27,760	33,360
Fair value gains on portfolio investments at FVTPL	30,577	34,577	10,112	11,158
Impairment gains on portfolio investments	13,109	22,225	4,313	4,570
Income from portfolio investments - real estate inventories	1,766	1,585	255	552
Total income from portfolio investments	**129,014**	**160,317**	**42,440**	**49,640**
Capital-light income	112,718	84,413	40,251	28,767
Gain on disposal of subsidiary	2,720	–	–	–
Other income	693	36	(87)	27
Total income	**245,145**	**244,766**	**82,604**	**78,434**
Operating expenses:				
Collection activity costs and fund management costs	(94,847)	(101,554)	(31,549)	(33,836)
Loss on reclassification to held for sale	(25,959)	–	(25,959)	–
Other operating expenses	(103,192)	(115,387)	(38,390)	(47,520)
Total operating expenses	**(223,998)**	**(216,941)**	**(95,898)**	**(81,356)**
Operating profit	**21,147**	**27,825**	**(13,294)**	**(2,922)**
Net finance costs	(59,123)	(44,934)	(20,106)	(14,697)
Share of profit in associate	1,684	–	–	–
Loss before tax[1]	**(36,292)**	**(17,109)**	**(33,400)**	**(17,619)**
Taxation credit/(charge) on ordinary activities	2,110	846	1,609	2,221
Loss after tax	**(34,182)**	**(16,263)**	**(31,791)**	**(15,398)**
Other comprehensive income/(loss):				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign exchange translation difference arising on revaluation of foreign operations	999	(6,078)	703	388
Movement on the hedging reserve	–	50	–	15
Total comprehensive loss	**(33,183)**	**(22,291)**	**(31,088)**	**(14,995)**
(Loss)/profit attributable to:				
Owners of the Company	(34,651)	(16,411)	(32,387)	(15,473)
Non-controlling interest	469	148	596	75
	(34,182)	**(16,263)**	**(31,791)**	**(15,398)**

[1] *The loss before tax of £36,292,000 for the 9-month period to 30 September 2022, includes £35,202,000 of net adjusting costs, with an underlying loss before tax of £1,090,000. For the reconciliation to the condensed consolidated profit and loss, please see the reconciliation on pages 17 and 18.*

For the purposes of this document, the comparative results are for Arrow Global Group Limited (formerly plc), being the consolidated results of the Group prior to the acquisition by TDR.

There has been a reclassification between the two operating expenses rows 'collection activity and fund management costs' and 'other operating expenses' in the prior period. This change was made to better reflect the evolved nature of the Group's business model and presenting direct costs of the Group's business lines is deemed to provide more relevant information. As such, we have reclassified £2,156,000 from 'other operating expenses' to 'collection activity and fund management costs' in the prior period. The total operating expenses impact is £nil. Further information can be found in note 2.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2022

Assets	Note	30 September 2022 £000	31 December 2021 £000	30 September 2021 £000
Cash and cash equivalents		133,854	198,911	129,405
Trade and other receivables		59,174	52,360	55,630
Portfolio investments – amortised cost	3	404,967	704,944	729,028
Portfolio investments – FVTPL	3	357,395	302,808	262,309
Portfolio investments – real estate inventories	3	50,292	41,029	52,068
Property, plant and equipment		23,626	16,634	16,818
Intangible assets		107,777	128,429	38,826
Deferred tax asset		6,157	3,212	38,411
Investment in associate		64,035	62,184	–
Goodwill		698,860	688,063	270,027
Assets held for sale		278,849[1]	5,655[2]	–
Total assets		**2,184,986**	**2,204,229**	**1,592,522**
Liabilities				
Bank overdrafts	4	8,840	9,630	1,712
Revolving credit facility	4	167,466	167,373	229,761
Derivative liability		25,434	25,607	58
Trade and other payables		164,896	190,604	191,898
Current tax liability		7,390	1,837	2,426
Other borrowings	4	4,864	2,241	2,369
Asset-backed loans	4	15,261	55,158	74,634
Senior secured notes	4	1,258,698	1,211,416	965,550
Deferred tax liability		20,800	24,286	18,694
Liabilities held for sale[1]		34,398[1]	5,655[2]	–
Total liabilities		**1,708,047**	**1,693,807**	**1,487,102**
Equity				
Share capital		166,813	166,813	1,774
Share premium		410,859	410,859	347,436
Retained earnings		(106,324)	(71,672)	33,090
Hedging reserve		–	–	(17)
Other reserves		1,952	952	(280,512)
Total equity attributable to shareholders		**473,300**	**506,952**	**101,771**
Non-controlling interest		3,639	3,470	3,649
Total equity		**476,939**	**510,422**	**105,420**
Total equity and liabilities		**2,184,986**	**2,204,229**	**1,592,522**

[1] As at 30 September 2022, we expected to dispose of the Capquest and Mars UK platforms, as well as disposing of the UK unsecured back book into a profit sharing arrangement. As a result, the balance sheet items of £244,451,000, following impairment of £25,959,000, were moved to 'Assets held for sale' and 'liabilities held for sale' on the condensed consolidated statement of financial position.

[2] As at 31 December 2021, we expected 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 were moved to 'Assets held for sale' and 'liabilities held for sale' on the condensed consolidated statement of financial position. This platform has been subsequently disposed of and therefore not included in the 30 September 2022 position.

For the purposes of this document, the 30 September 2021 condensed consolidated statement of financial position is that of Arrow Global Group Limited (formerly plc), being the condensed consolidated statement of financial position of the Group prior to the acquisition by TDR.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2022

	Share capital £000	Other equity reserves £000	Total equity attributable to shareholders £000	Non-controlling interest £000	Total equity £000
Balance at 1 January 2022	166,813	340,139	**506,952**	3,470	**510,422**
(Loss)/profit after tax	–	(34,651)	**(34,651)**	469	**(34,182)**
Exchange differences	–	999	**999**	–	**999**
Total comprehensive (loss)/profit for the period	–	(33,652)	**(33,652)**	469	**(33,183)**
Dividends paid to non-controlling interest	–	–	**–**	(1,818)	**(1,818)**
Minority interest on acquisition	–	–	**–**	1,518	**1,518**
Balance at 30 September 2022	**166,813**	**306,487**	**473,300**	**3,639**	**476,939**

Given the change in the consolidating parent in the prior year, it is not appropriate to show a comparative condensed consolidated statement of changes in equity on such a basis. As such, no comparative condensed consolidated statement of changes in equity has been provided.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2022

	Period ended 30 September 2022 £000	Period ended 30 September 2021 £000
Net cash flows from operating activities before purchases of portfolio investments	**162,919**	**184,951**
Portfolio purchases and investments awaiting deployment	(137,203)	(117,016)
Net cash generated by operating activities	**25,716**	**67,935**
Net cash used in investing activities	**(15,277)**	**(20,849)**
Net cash flows used in financing activities	**(88,596)**	**(98,338)**
Net decrease in cash and cash equivalents	**(78,157)**	**(51,252)**
Cash and cash equivalents at beginning of period	202,263[1]	182,892
Effect of exchange rates on cash and cash equivalents	9,748	(2,235)
Cash and cash equivalents at end of period	**133,854**	**129,405**

[1] *Cash and cash equivalents at the 31 December 2021, included £3,352,000 of cash and cash equivalents in respect of the Whitestar Italy platform, which for disclosure purposes was moved to 'Assets held for sale' on the condensed consolidated statement of financial position.*

For the purposes of this document, the comparative results are for Arrow Global Group Limited (formerly plc), being the consolidated results of the Group prior to the acquisition by TDR.

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 or interim financial statements and therefore are not fully compliant with IAS 34 – Interim financial reporting. These quarterly results should be read in conjunction with the Group's consolidated report and accounts for the year ended 31 December 2021. The comparative results are for Arrow Global Group Limited (formerly plc), being the consolidated results of the Group prior to the acquisition by TDR.

The Group's consolidated 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, which can be found on the website at https://bit.ly/3Co0rvO.

2. Segmental reporting

In October 2021, the Arrow Group 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. Post-acquisition, the Group strategically re-positioned itself as a platform led vertically aligned business, with our internal reporting and performance management aligned to this structure. This has resulted in a change to our reportable operating segments and the segmental information that is provided and reviewed on a regular basis by the chief operating decision maker (CODM), which is the board of directors of Sherwood Parentco Limited collectively, as defined in IFRS 8.

In the 2021 results, the Group reported under the separate reportable segments Asset Management and Servicing business, Fund and Investment Management business, Balance Sheet business and Group functions. Under the new segmental disclosure, the Group will now report under three separate reportable segments, being Platforms, Balance Sheet and Group. Details of the new principal business categories are as follows:

Platforms	Income and costs associated with managing debt portfolios on behalf of the Group, our discretionary funds and other third parties, the income and costs associated with providing other servicing and collection activities to third parties and income and costs associated with investment and asset management. The combined income from this segment represents the capital-light income of the Group.
Balance Sheet	All portfolio investments that the Group owns, including investments held directly on our balance sheet together with our co-investment made through our discretionary funds, such as ACO 1, and the associated income and direct costs of such investments.
Group	Costs not directly associated with the other two segments, but relevant to overall oversight and control of the Group's activities.

These segments represent how the Group manages the wider business, and the organisational structure is aligned to these segments. Therefore, this has been deemed to be the appropriate level of disaggregation to provide information to the CODM.

There has been a reclassification between the two operating expenses rows 'collection activity and fund management costs' and 'other operating expenses' in the prior period. This change was made to better reflect the evolved nature of the Group's business model and presenting direct costs of the Group's business lines is deemed to provide more relevant information. As such, we have reclassified £2,156,000 from 'other operating expenses' to 'collection activity and fund management costs' in the prior period. The total operating expenses impact is £nil.

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

2. Segmental reporting *(continued)*

The Platform segment charges the Balance Sheet segment for servicing and collection of the Group portfolio investments and management and servicing fees in relation to fund management in respect to its investments. This intra-segment charge is calculated on equivalent commercial terms to charging third parties. The intra-segment elimination column below removes such charges.

Nine-month period ended 30 September 2022

	Platforms £000	Balance Sheet £000	Group £000	Intra-segment elimination £000	Adjusting items £000	Total exc. adjusting items 30 September 2022 £000	Total inc. adjusting items 30 September 2022 £000
Total income	153,776	133,262	(708)	(41,185)	1,040	246,185	245,145
Collection activity costs	(68,761)	(66,988)	(283)	41,185	–	(94,847)	(94,847)
Gross margin	**85,015**	**66,274**	**(991)**	**–**	**1,040**	**151,338**	**150,298**
Gross margin %	*55.3%*	*49.7%*				*61.5%*	*61.3%*
Loss on reclassification to held for sale			(25,959)		25,959	–	(25,959)
Other operating expenses excluding depreciation, amortisation and forex	(60,429)	–	(17,788)	–	56	(78,161)	(78,217)
EBITDA	**24,586**	**66,274**	**(44,738)**	**–**	**27,055**	**73,177**	**46,122**
EBITDA margin %	*16.0%*	*49.7%*				*29.7%*	*18.8%*
Depreciation and amortisation	(6,606)	–	(10,275)	–	8,257	(8,624)	(16,881)
Forex	–	–	(8,094)	–	–	(8,094)	(8,094)
Operating profit/(loss)	**17,980**	**66,274**	**(63,107)**	**–**	**35,312**	**56,459**	**21,147**
Net finance costs	–	–	(59,123)	–	(110)	(59,233)	(59,123)
Share of profit in associate	1,684	–	–	–	–	1,684	1,684
Profit/(loss) before tax	**19,664**	**66,274**	**(122,230)**	**–**	**35,202**	**(1,090)**	**(36,292)**
Adjusting items	–	–	–	–	*(35,202)*	*(35,202)*	–
Profit/(loss) before tax including adjusting items	*19,664*	*66,274*	*(122,230)*	**–**	–	*(36,292)*	*(36,292)*

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

2. Segmental reporting *(continued)*

Nine-month period ended 30 September 2021

	Platforms [1] £000	Balance Sheet [1] £000	Group[1] £000	Intra-segment elimination[1] £000	Adjusting items[1] £000	Total exc. adjusting items 30 September 2021 £000	As re-presented Total inc. adjusting items 30 September 2021 £000
Total income	129,000	160,314	326	(44,874)	–	244,766	244,766
Collection activity costs[2]	(70,877)	(72,232)	(3,319)	44,874	–	(101,554)	(101,554)
Gross margin	**58,123**	**88,082**	**(2,993)**	**–**	**–**	**143,212**	**143,212**
Gross margin %	*45.1%*	*54.9%*				*58.5%*	*58.5%*
Other operating expenses excluding depreciation, amortisation and forex[2]	(41,855)	–	(61,536)	–	44,544	(58,847)	(103,391)
EBITDA	**16,268**	**88,082**	**(64,529)**	**–**	**44,544**	**84,365**	**39,821**
EBITDA margin %	*12.6%*	*54.9%*				*34.5%*	*16.3%*
Depreciation and amortisation	(8,510)	3	(4,059)	–	–	(12,566)	(12,566)
Forex	–	–	570	–	–	570	570
Operating profit/(loss)	**7,758**	**88,085**	**(68,018)**	**–**	**44,544**	72,369	**27,825**
Net finance costs	–	–	(44,934)	–	–	(44,934)	(44,934)
Profit/(loss) before tax	**7,758**	**88,085**	**(112,952)**	**–**	**44,544**	**27,435**	**(17,109)**
Takeover costs	–	–	–	–	*(44,544)*	*(44,544)*	–
Profit/(loss) before tax including takeover costs	*7,758*	*88,085*	*(112,952)*	**–**	–	*(17,109)*	*(17,109)*

[1] In line with the requirements of IFRS 8:29, due to the change of the segmental reporting structure aligned to the Group now being platform led post the TDR acquisition, the corresponding information for 2021 has also been restated.

[2] There has been a reclassification between the two operating expenses rows 'collection activity and fund management costs' and 'other operating expenses' in the prior period. This change was made to better reflect the evolved nature of the Group's business model and presenting direct costs of the Group's business lines is deemed to provide more relevant information. As such, we have reclassified £2,156,000 from 'other operating expenses' to 'collection activity and fund management costs' in the prior period. The total operating expenses impact is £nil. The prior year has been re-presented accordingly on this basis.

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

3. Portfolio investments

The movement in portfolios investments were as follows:

Nine-month period ended 30 September 2022

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2022	704,944	302,808	41,029	1,048,781
Portfolios purchased during the period	18,683	101,617	9,620	129,920
Investments awaiting deployment[1]	–	7,283	–	7,283
Collections in the period	(170,492)	(95,530)	(9,556)	(275,578)
Income from portfolio investments at amortised cost	83,562	–	–	83,562
Fair value gains on portfolio investments at FVTPL	–	30,577	–	30,577
Income from portfolio investments - real estate inventories	–	–	1,766	1,766
Net impairment gains	13,099	–	10	13,109
Exchange and other movements	20,576	10,640	7,423	38,639
As at 30 September 2022 including held for sale	**670,372**	**357,395**	**50,292**	**1,078,059**
Portfolios moved to liabilities held for sale[2]	(265,405)	–	–	(265,405)
As at 30 September 2022 excluding held for sale	**404,967**	**357,395**	**50,292**	**812,654**

[1] Investments awaiting deployment relates to cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which have not yet completed at the period end

[2] *Portfolio investments include £265,405,000 in respect of the Capquest and Mars UK platforms as at 30 September 2022, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is a £404,967,000 of 'portfolio investments – amortised cost' on the consolidated statement of financial position.*

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	**704,944**	**302,808**	**41,029**	**1,048,781**

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

3. Portfolio investments *(continued)*

Nine-month period ended 30 September 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 period	22,885	94,131	–	117,016
Collections in the period	(202,098)	(44,967)	(9,911)	(256,976)
Income from portfolio investments at amortised cost	101,930	–	–	101,930
Fair value gain on portfolio investments at FVTPL	–	34,577	–	34,577
Income from portfolio investments - real estate inventories	–	–	1,585	1,585
Net impairment gains/(losses)	22,400	–	(175)	22,225
Exchange and other movements	(9,643)	(8,853)	(671)	(19,167)
As at 30 September 2021	**729,028**	**262,309**	**52,068**	**1,043,405**

4. Borrowings and facilities

Secured borrowing at amortised cost	**30 September 2022 £000**	**31 December 2021 £000**	**30 September 2021 £000**
Senior secured notes (net of transaction fees of £21,736,000, 31 December 2021: £20,538,000, 30 September 2021: £9,903,000)	1,258,698	1,211,416	965,550
Revolving credit facility (net of transaction fees of £3,342,000, 31 December 2021: £4,042,000, 30 September 2021: £2,153,000)	167,466	167,373	229,761
Asset backed loan (net of transaction fees of £179,000, 31 December 2021: £636,000, 30 September 2021: £1,333,000)	15,261	55,158	74,634
Bank overdrafts	8,840	9,559[1]	1,712
Other borrowings – non-recourse facility	4,864	2,241	2,369
Total borrowing including held for sale	**1,455,129**	**1,445,747**	**1,274,026**
Bank overdraft moved to liabilities held for sale	–	71[1]	–
Total borrowings excluding held for sale	**1,455,129**	**1,445,818**	**1,274,026**
Total borrowings including held for sale			
Amount due for settlement within 12 months	191,567	220,813	287,425
Amount due for settlement after 12 months	1,263,562	1,224,934	986,601
	1,455,129	**1,445,747**	**1,274,026**

[1] *Bank overdraft includes £71,000 in respect of the Whitestar Italy platform as at 31 December 2021, 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 respectively on the consolidated statement of financial position.*

4. Borrowings and facilities *(continued)*

Senior secured notes

On 27 October 2021, Group successfully priced €400 million 4.5% Euro fixed rated 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 and subject to market conditions, the Group may initiate a repurchase.

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 2021. 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 and this revolving credit facility had three financial covenants, being leverage, liquidity and SSLTV tests.

Asset Backed Securitisation

The Group has one (2021: two) non-recourse committed asset-backed securitisation term loan.

The loan outstanding amounts to £15.4 million as at 30 September 2022 and is secured on UK unsecured assets, pays SONIA plus 3.1% and has a spread adjustment cost of 0.0325%. 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. During 2020, the Group entered into further arrangements in connection with the non-recourse facility and an additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made.

The Group previously had a loan secured on Portuguese assets, which was fully repaid in January 2022. The Group entered into this second non-recourse amortising loan of €104.7 million during 2020, which was fully drawn at that time. This loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%.

As at 30 September 2022, £98.7 million of the portfolio investments, set out in note 3, are pledged as collateral for the asset-backed securitisations.

ADDITIONAL INFORMATION

The Adjusted EBITDA reconciliations for the periods ended 30 September 2022 and 30 September 2021 respectively are shown below:

	30 September 2022 £000	30 September 2021 £000
Reconciliation of net cash flow to EBITDA		
Net cash flow generated by operating activities	25,716	67,935
Portfolio purchases and investments awaiting deployment	137,203	117,016
Income taxes (received)/paid	(1,395)	3,282
Working capital adjustments	54,257	(40,721)
Share of profit in associate	1,684	–
Operating cash adjusting items	56	34,972
Adjusted EBITDA	**217,521**	**182,484**
Reconciliation of balance sheet cash collections to EBITDA		
Income from portfolio investments including fair value and impairment losses and gains	129,014	160,317
Portfolio amortisation	146,564	96,659
Balance sheet cash collections (includes proceeds from disposal of portfolio investments)	**275,578**	**256,976**
Income from asset management and servicing, fund and investment management and other income	116,131	84,449
Operating expenses	(223,998)	(216,941)
Depreciation and amortisation	16,881	12,566
Foreign exchange losses/(gains)	8,094	(570)
Net (profit)/loss on disposal and write off intangible assets and property, plant and equipment	(144)	36
Share-based payments (excluding adjusting items)	–	1,424
Share of profit in associate	1,684	–
Profit on disposal of subsidiary	(2,720)	–
Loss on reclassification to held for sale	25,959	–
Operating cash adjusting items	56	44,544
Adjusted EBITDA	**217,521**	**182,484**
Reconciliation operating profit to EBITDA		
Loss after tax	(34,182)	(16,263)
Net finance costs	59,123	44,934
Share of profit in associate	(1,684)	–
Tax charge on ordinary activities	(2,110)	(846)
Operating profit	**21,147**	**27,825**
Portfolio amortisation	146,564	96,659
Depreciation and amortisation	16,881	12,566
Foreign exchange losses/(gains)	8,094	(570)
Net (profit)/loss on disposal of intangible assets and property, plant and equipment	(144)	36
Share-based payments (excluding adjusting items)	–	1,424
Share of profit in associate	1,684	–
Profit on disposal of subsidiary	(2,720)	–
Loss on reclassification to held for sale	25,959	–
Operating cash adjusting items	56	44,544
Adjusted EBITDA	**217,521**	**182,484**

For details on adjusted items see pages 17 and 18.

ADDITIONAL INFORMATION *(continued)*

Profit/(loss) before adjusting items

	Nine-month period ended 30 September 2022 £000	As re-presented Period ended 30 September 2021 £000
Total income	**246,185**	**244,766**
Collection activity and fund management costs	(94,847)	(101,554)
Other operating expenses	(94,879)	(70,843)
Total operating expenses	**(189,726)**	**(172,397)**
Operating profit	**56,459**	**72,369**
Net finance costs	(59,233)	(44,934)
Share of profit in associate	1,684	–
(Loss)/profit before tax and adjusting items	**(1,090)**	**27,435**
Taxation charge on underlying activities	262	(2,840)
(Loss)/profit after tax before adjusting items	**(828)**	**24,595**
Non-controlling interest	**(469)**	**(148)**
(Loss)/profit before adjusting items attributable to owners of the company	**(1,297)**	**24,447**
Tax rate on results before adjusting items	**24.0%**	**10.4%**

Reconciliation between IFRS profit and profit before adjusting items:

	Period ended 30 Sep 2022 profit before tax £000	Period ended 30 Sep 2022 tax £000	Period ended 30 Sep 2022 profit after tax £000	Period ended 30 Sep 2021 profit before tax £000	Period ended 30 Sep 2021 tax £000	Period ended 30 Sep 2021 profit after tax £000
IFRS reported loss	**(36,292)**	**2,110**	**(34,182)**	**(17,109)**	**846**	**(16,263)**
Adjusting items:						
Gain on disposal of subsidiary	(2,720)	–	(2,720)	–	–	–
Other acquisition costs (including amortisation of acquisition intangible assets)	11,963	–	11,963	–	–	–
Deal costs, share-based payment acceleration, retention and incentive payments	–	–	–	44,544		44,544
Loss on reclassification to held for sale	25,959	–	25,959	–	–	–
Tax associated with adjusting items	–	(1,848)	(1,848)	–	(3,686)	(3,686)
(Loss)/profit before adjusting items	**(1,090)**	**262**	**(828)**	**27,435**	**(2,840)**	**24,595**

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.

Following a strategic review, the Group have agreed to divest our non-core platforms, Capquest and Mars UK, to Intrum UK, subject to customary closing conditions including regulatory approval, and the UK unsecured back book, which will be subject to a 50:50 profit share arrangement with Intrum UK. The portfolio valuation as at March 2022 was £271.7 million (50% share: £135.9 million) and Intrum UK have agreed gross sales proceeds of £157.8 million at lockbox date, representing 105%[1] of the book value as at that date. The actual cash proceeds from the sale will depend upon the timing of completion, as well as the completion accounts of the platforms. It is expected that the platform net assets will amount to circa £10 million at completion.

[1] *Represents the gross sale proceeds as at March 2022, being the effective date for the lockbox arrangement, compared with the investment carrying value (50% being divested) and the net assets of the platforms being divested.*

ADDITIONAL INFORMATION *(continued)*

Profit/(loss) before adjusting items *(continued)*

If completion had occurred as at 30 September 2022, then the cash proceeds would be £144.5 million. Post completion, the divestment is not expected to have a material impact on leverage.

In line with applicable accounting standards, the assets and liabilities subject to the agreement, including 100% of the UK unsecured assets, have been reclassified to 'assets held for sale and 'liabilities held for sale' and remeasured at their expected proceeds less costs to sell. An impairment of £26.0 million has been recognised in adjusting items in relation to this.

Of the £26 million impairment, £14 million represents the difference between the carrying value of the portfolios as at September versus proceeds post lock-box mechanics at that date, together with proceeds for the platforms less the short-term working capital requirements, £6 million represents transaction costs and £6 million arises from write-off of intangible and sundry assets in connections with the platforms.

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. £2.7 million of net profit has been recognised in adjusting items in relation to this.

In 2021, Arrow Global Group Limited (formerly plc) was purchased by Sherwood Acquisitions Limited, a newly formed company owned by certain investment funds managed by TDR. The transaction created ongoing non-cash acquisition intangible and fair value accounting unwinds, which are adjusted out of the results, being £12.0 million in the 2022 period.

ADDITIONAL INFORMATION *(continued)*

Reconciliation of profit after tax to the free cash flow result

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

Nine-month period ended 30 September 2022

Income	**Reported profit £000**	**Other items £000**	**Free cash flow £000**	
Income from portfolio investments at amortised cost	83,562	192,016	275,578	Balance sheet cash collections in the period
Fair value gain on portfolio investments at FVTPL	30,577	(30,577)	–	
Impairment gains on portfolio investments at amortised cost	13,109	(13,109)	–	
Income from portfolio investments – real estate inventories	1,766	(1,766)	–	
Income from capital-light income	112,718	–	112,718	Income from capital-light income
Gain on disposal of subsidiary	2,720	(2,720)	–	
Other income	693	–	693	Other income
Total income[1]	**245,145**	**143,844**	**388,989**	Cash income
Total operating expenses	(223,998)	52,530[2]	(171,468)	Cash operating expenses
Operating profit	**21,147**	**196,374**	**217,521**	Adjusted EBITDA[4]
Net financing costs	(59,123)	15,923[3]	(43,200)	Cash financing costs
Share of profit in associate	1,684	(1,684)	–	
(Loss)/profit before tax	**(36,292)**	**210,613**	**174,321**	
Taxation credit on ordinary activities	2,110	(715)	1,395	Cash taxation
(Loss)/profit after tax	**(34,182)**	**209,898**	**175,716**	
			(16,122)	Capital expenditure
			159,594	**Free cash flow [5]**

[1] *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.*

[2] *Includes non-cash items including depreciation and amortisation, foreign exchange gains and losses and adjusting items.*

[3] *Non-cash amortisation of fees and interest and non-recurring refinancing costs.*

[4] *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 16 for detailed reconciliations of Adjusted EBITDA.*

[5] *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 (including investment portfolio amortisation), adjusted for any non-cash income or expense items and adjusting items. The comparative results are for Arrow Global Group Limited (formerly plc), being the consolidated results of the Group prior to the acquisition by TDR.	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 LTM 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. The comparative results are for Arrow Global Group Limited (formerly plc), being the consolidated results of the Group prior to the acquisition by TDR.	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, Arrow Credit Opportunities II SCSp, SICAV-RAIF, and related investment vehicles.

'Adjusted EBITDA'. See the glossary of alternative performance measures on page 20 for the definition.

'APM' means alternative performance measure.

'Capital-light income' income and costs associated with managing debt portfolios on behalf of the Group, our discretionary funds and other third parties, the income and costs associated with providing other servicing activities to third parties and income and costs associated with investment and asset management.

'**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 20 for the definition of 84-month ERC and 120-month ERC.

'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.

'IFRS' means EU adopted international financial reporting standards.

'Leverage' is secured net debt to LTM Adjusted EBITDA. See the glossary of alternative performance measures on page 20 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.

'LTM' means last twelve months, calculated by the addition of the consolidated financial data for the year ended 31 December 2021 and the consolidated financial data for the nine months to 30 September 2022, and the subtraction of the consolidated financial data for the nine months to 30 September 2021.

'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 30 September 2022 is as follows:

	30 September 2022 £000	31 December 2021 £000
Cash and cash equivalents	(133,854)	(202,263)[2]
Senior secured notes (pre-transaction fees net off)	1,263,082	1,223,080
Revolving credit facility (pre-transaction fees net off)	170,808	171,415
Asset-backed loans (pre-transaction fees net off)	15,409	55,613
Secured net debt	**1,315,445**	**1,247,845**
Deferred consideration – portfolio investments	30,202[1]	27,854
Deferred consideration – business acquisitions	–	1,503[2]
Senior secured loan notes interest	17,352	8,874
Asset backed loan interest	31	181
Bank overdrafts	8,840	9,559[2]
Other borrowings	4,864	2,241
Net debt	**1,376,734**	**1,298,057**

[1] *Deferred consideration – portfolio investments at 30 September 2022 includes £11,237,000 in respect of the Capquest and Mars UK platforms, which for disclosure purposes has been moved to 'Liabilities held for sale' on the condensed consolidated statement of financial position.*

[2] *Cash and cash equivalents at 31 December 2021 included £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 at 31 December 2021 included £182,000 and £71,000 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. Example portfolios comprise of groups of customer accounts or real estate, purchased in a single transaction.

'Secured net debt' see table in 'net debt' definition.