ARROW GLOBAL GROUP PLC

Preliminary results

23 March, 2021

Lee Rochford
Group CEO

Highlights – resilient business performance

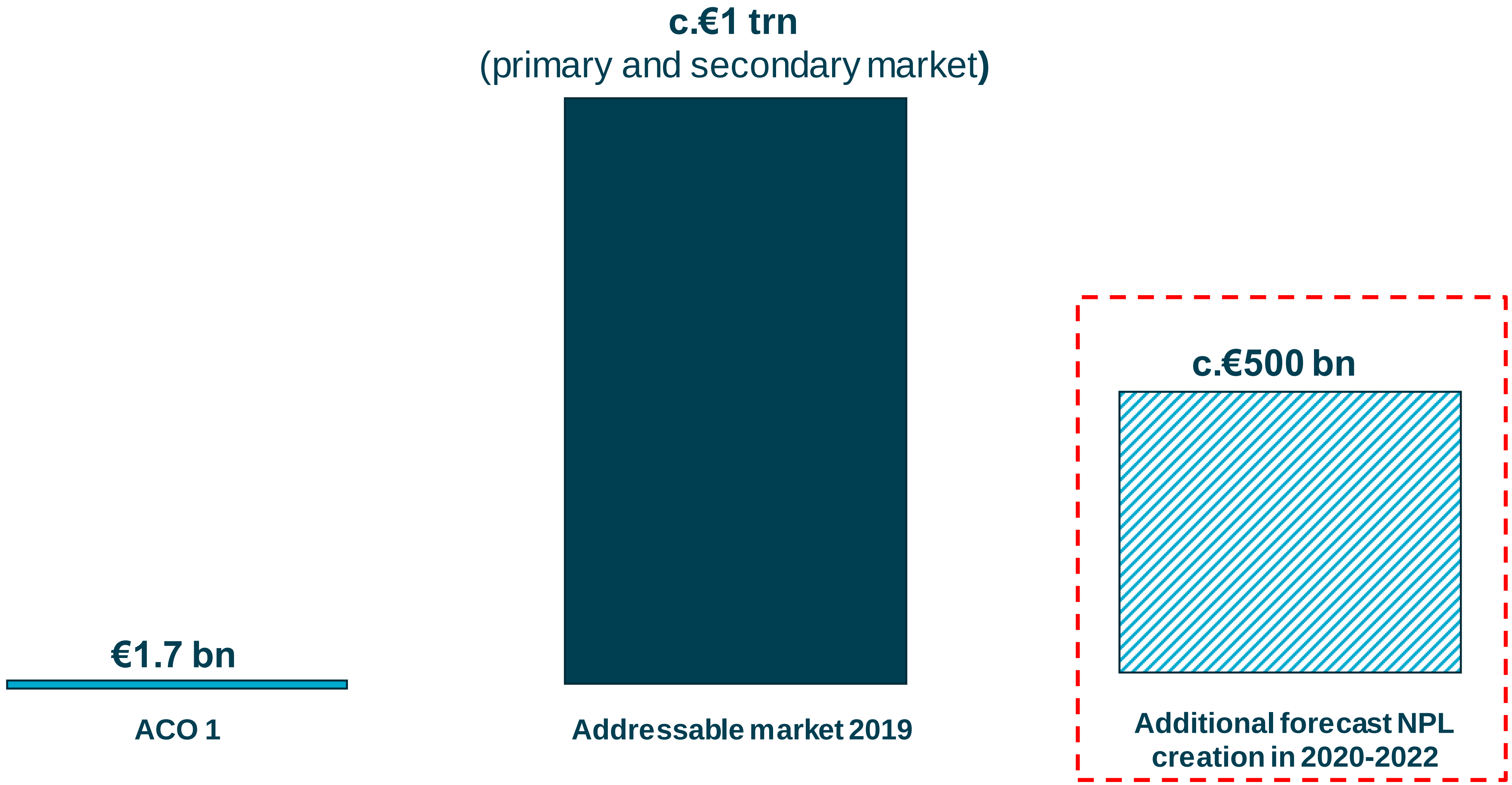
1	Arrow remained true to its purpose and values by putting the **welfare of colleagues and customers first**
2	Resilient business performance – Loss before tax of £114.8m driven by **non-cash impairment** from ERC asset write-down
3	Strong AMS performance – income grew 3% to £97.0m and registered a record **26 new contract wins**
4	Strong BS performance – collections at **125% of ERC** in H2 2020
6	Achieved final close of Arrow Credit Opportunities 1 (ACO 1) fund with **total capital commitments of €1.7bn** – pivot to become fully **integrated asset manager fully complete**
7	Increasingly **attractive investment environment** – ACO 1 35% deployed/committed at Feb 21
8	Managed balance sheet effectively through the COVID-19 crisis – maintained **strong liquidity** and **secured covenant flexibility**
9	**Excited about the prospects of the business** – dividend reinstatement tangible evidence of confidence

Confident in delivery of strategy and five-year targets

Zach Lewy

Founder & Chief Executive of Fund and Investment Management

European NPL and ‘Non-core’ credit offers a €1trn+ market of compelling opportunities in a high yield, highly granular and rapidly growing asset class

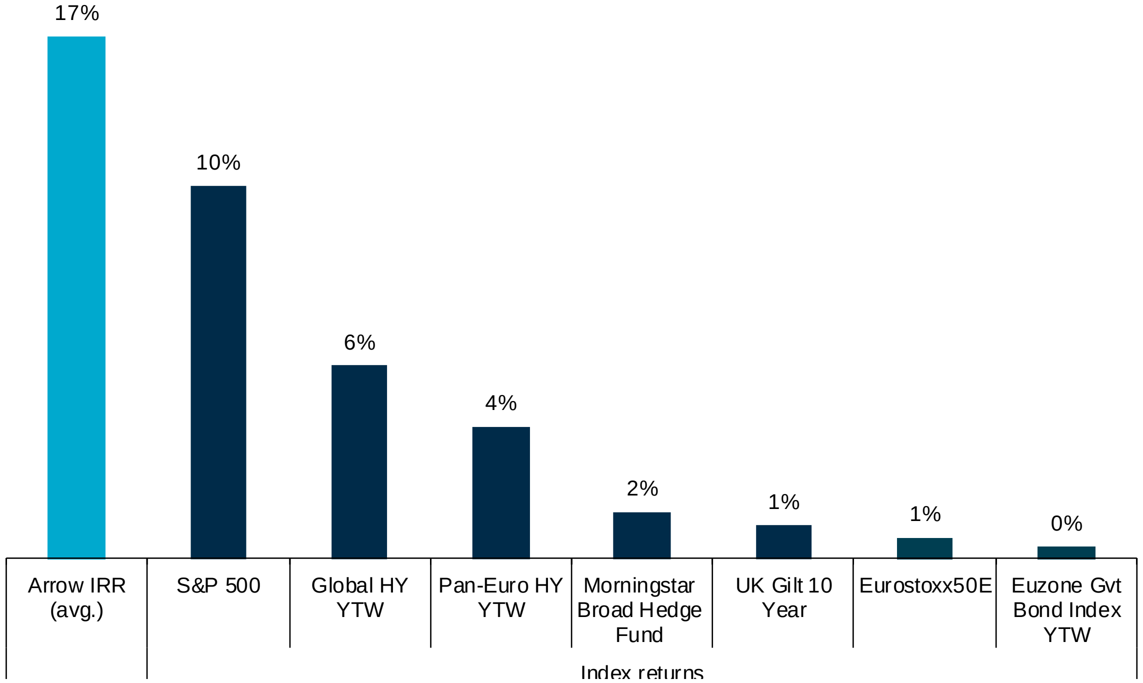


Newly raised ACO 1 fund positions Arrow as a leading investor in a growing market

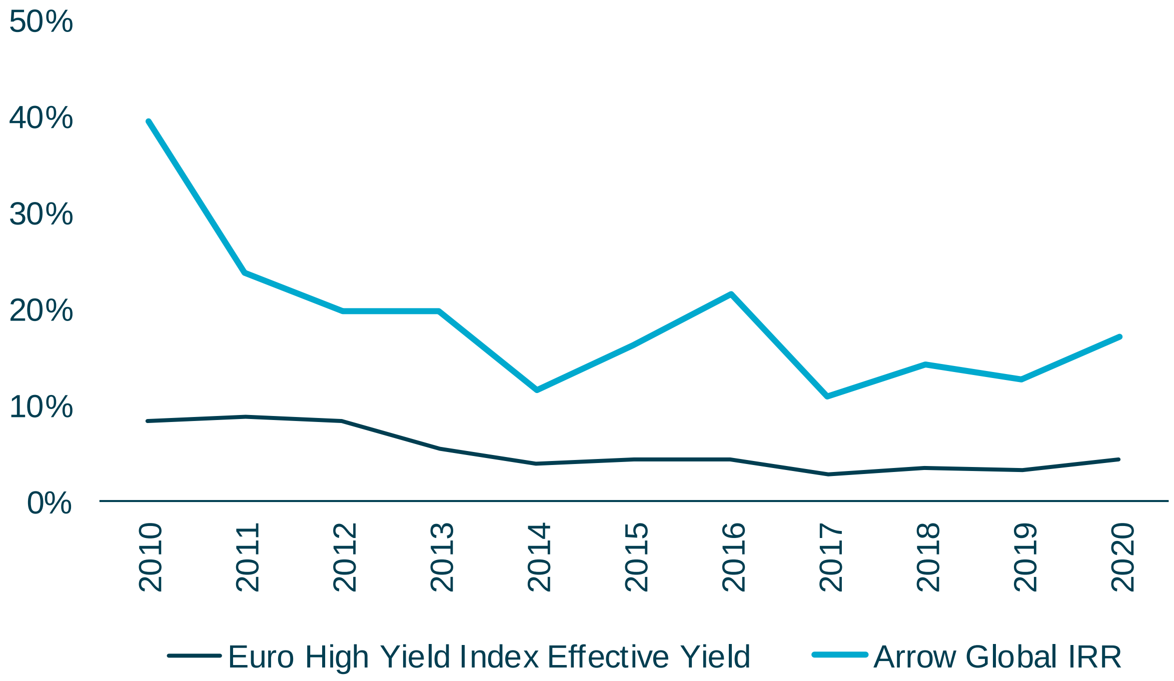
The returns available are very attractive

Arrow has consistently delivered high returns vs. other market indices **and returns are increasing**

Arrow Global returns vs global market indices[1]



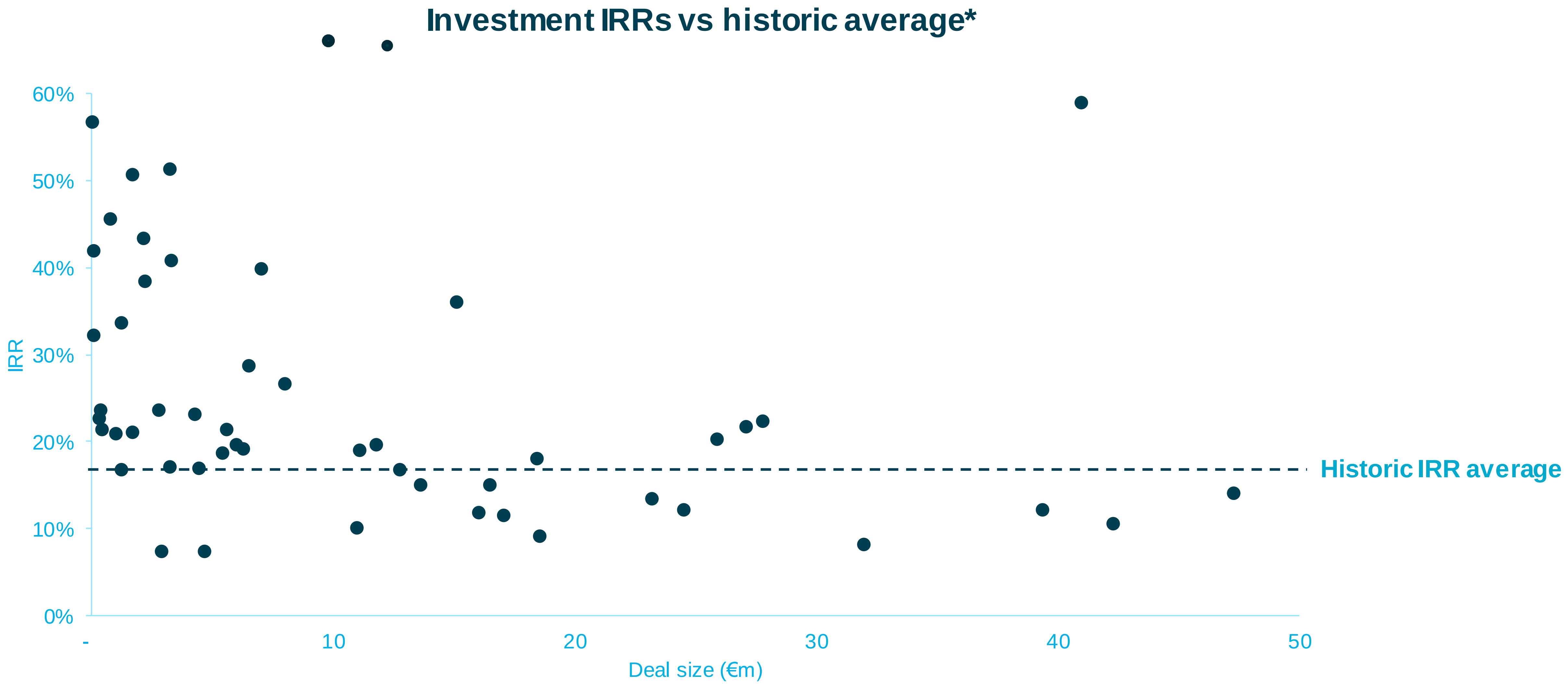
Arrow Global vs Euro high yield



Arrow's strong track record of delivering consistently high returns, combined with its model's ability to generate superior returns during economic dislocation, provides a strong platform to **continue to raise private funds for yield-seeking investors**

[1] *For bond indices, returns show the average yield-to-worst (YTW) on an annual basis in the period 2015-2020YTD. For equities indices, returns show CAGR for the total annual returns for each of the indices in the period 2015-2020YTD. Source(s): Bloomberg and Thomson Reuters, as of 03 November 2020*

2020 investments are recording historically high IRRs

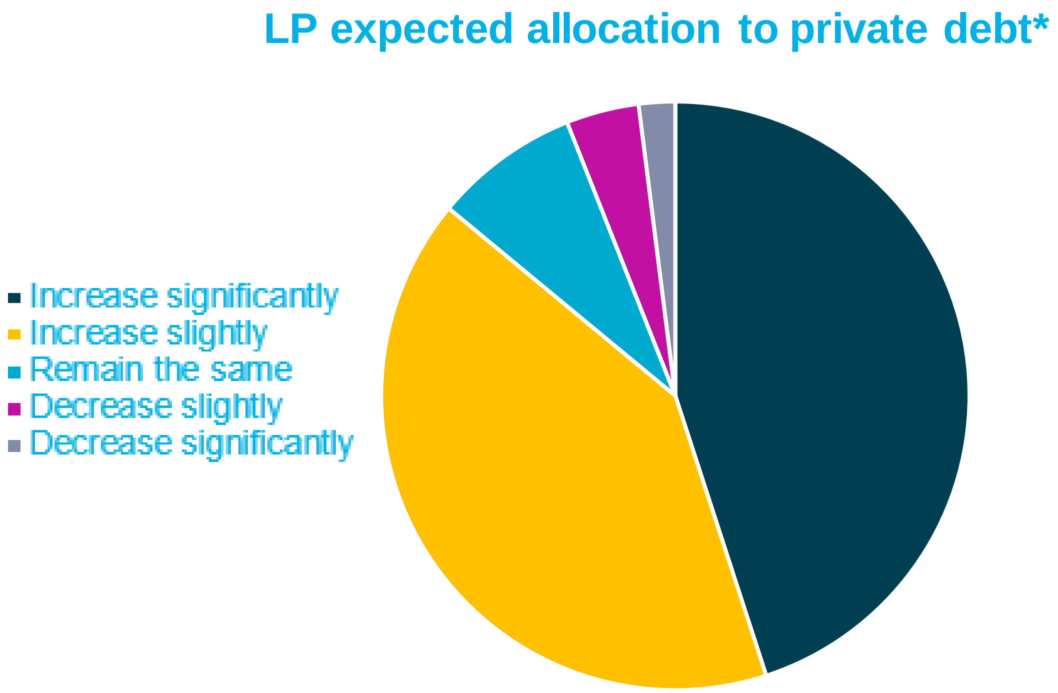


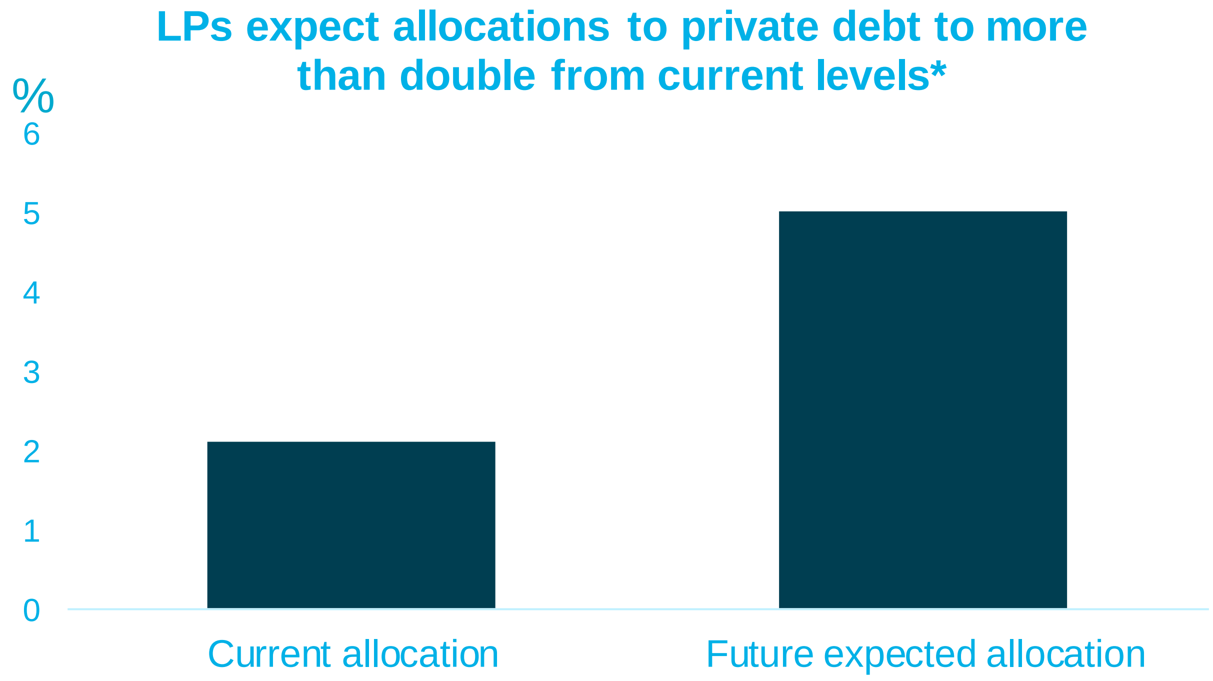
70% of investments made **off-market** – **<u>evidences strength of deal origination capability</u>**

**IRRs are actuals through 31/12/2020 and latest forecast thereafter*

LPs expect allocations to private debt strategies to increase significantly over the next five years

……..and Arrow generates some of the highest returns in the category





Arrow's offering is highly attractive to the **growing number of LPs looking to allocate to private debt**

*Preqin Global Private Debt report 2021

Arrow was one of the most successful fundraisers of 2020

Top private debt fund closings from 2020 by fund size

Fund name	Fund type	Size ($M)	Location
Apollo Strategic Origination Partners	Direct lending	$12,000.0	New York, NY
Blackstone Real Estate Debt Strategies IV	Real estate debt	$8,000.0	New York, NY
GSO European Senior Debt II	Direct lending	$4,546.5	London, UK
Monarch Capital Partners V	Distressed debt	$3,699.3	New York, NY
Ares Special Opportunities	Credit special situations	$3,518.0	Los Angeles, CA
Macquarie Global Infrastructure Debt II	Infrastructure debt	$3,374.7	London, UK
Ardian Private Debt IV	Direct lending	$3,341.1	London, UK
Bain Capital Distressed and Special Situations 2019	Distressed debt	$3,200.0	Boston, MA
Antares Senior Loan	Direct lending	$3,000.0	Chicago, IL
KKR Dislocation Opportunities	Distressed debt	$2,790.1	New York, NY
Brookfield Infrastructure Debt II	Infrastructure debt	$2,700.8	New York, NY
Apollo Accord III	Credit special situations	$2,647.0	Purchase, NY
Varde Dislocation	Distressed debt	$2,528.9	Minneapolis, MN
Blue Ocean	Direct lending	$2,100.0	New York, NY
Arrow Credit Opportunities	Credit special situations	$2,001.6	Manchester, UK
Churchill Middle Market Senior Loan II	Direct lending	$2,000.0	New York, NY

Source: PitchBook | Geography: Global

- **Largest** first time fundraise in **private debt globally** in 2020
- **3rd largest** credit fundraise in **special situations globally** in 2020
- **4th largest private credit** fundraise in **Europe**

Arrow's track record of generating superior returns during economic dislocation, combined with LP demand for private debt strategies provides a strong platform to **continue to raise private funds for yield-seeking investors**

Matt Hotson
Group CFO

Financial overview

Group P&L

Robust cashflow performance; loss driven by non-cash impairment

	2020 (£m)	2019 (£m)	Change (%)
Core cash collections	338.9	442.3	(23.4)
Balance Sheet business income pre-impairment gains	***170.1***	***232.1***	***(26.7)***
Impairment (losses)/gains	***(100.4)***	***12.7***	**-**
Asset Management & Servicing and Fund and Investment Management income	***97.0***	***94.4***	***2.8***
Other income	**0.8**	**0.4**	**-**
Total income	**167.5**	**339.5**	**(50.7)**
EBITDA	***(37.7)***	***125.3***	**-**
Adjusted EBITDA	***233.2***	***330.1***	***(29.4)***
(Loss)/profit before tax	**(114.8)**	**51.3**	**-**

- Core cash collections impacted by European lockdowns in H1
- Non-cash impairment created the loss after tax

Balance Sheet business

Strong collections performance, profit impacted by non-cash impairment from ERC write-down

Balance Sheet business

	2020	2019	Change (%)
Cash collections	338.9	442.3	(23.4)
Income (pre-impairments)	165.4	213.8	(22.6)
Impairment (losses)/gains	*(100.4)*	*12.7*	-
Income	**64.9**	**226.5**	**(71.3)**
Business Operating Costs	(98.4)	(110.9)	(11.3)
Overheads (excl. D&A)	(10.7)	(10.7)	-
EBITDA	**(44.3)**	**104.9**	**-**
(Loss)/profit before tax	**(49.4)**	**99.0**	**-**

Continuing to outperform revised ERC estimates

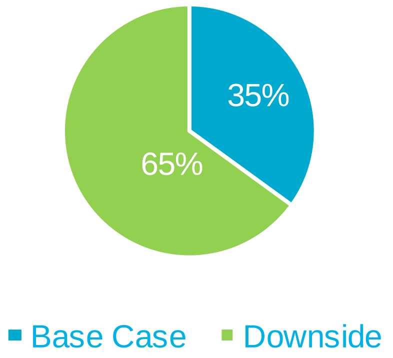
Conservative write down at H1 2020 – **continue to outperform forecasts**

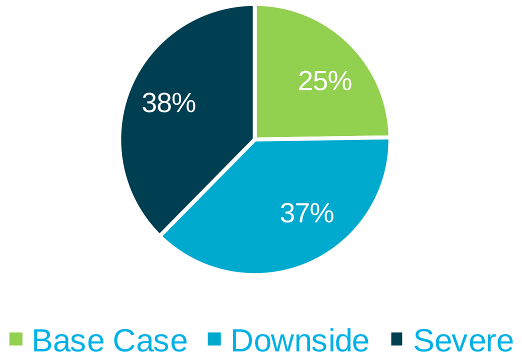
<u>Macroeconomic forecasts improving across all geographies</u>

ERC Booking based on probability weighting with skew to "downside"/"severe" scenarios

Peak Unemployment (%)		
	Base Case	Downside
UK	7.1	10.4
Italy	12.5	13.7
Portugal	11.5	14.0
NL	4.1	5.4
Ireland	8.0	14.9

Peak House Price Decline (%)			
	Base Case	Downside	Severe
UK	8.2	10.2	11.6
Italy	2.8	10.3	19.3
Portugal	0	0.3	5.4
NL	8.4	13.5	15.8
Ireland	6.0	8.9	13.8





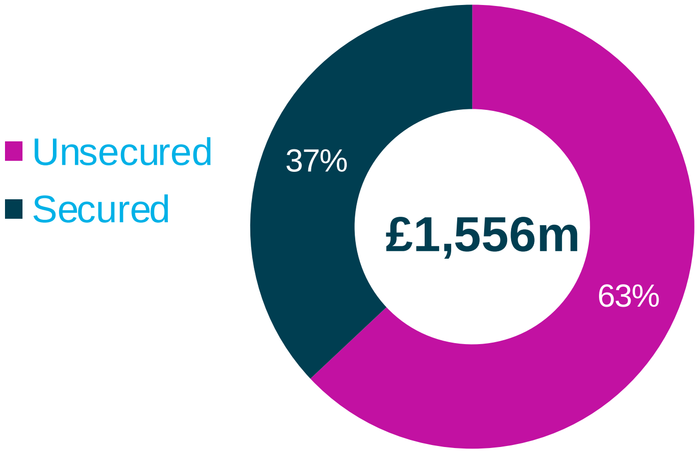
= Total ERC write-down of 13.2%

- Economic forecasts are currently better than at the time of reforecast – generally improving across all geographies
- Arrow's cash collections have consistently outperformed the reforecast ERC
  - Q3 2020 collections vs. ERC – 141%
  - Q4 2020 collections vs. ERC – 111%
  - Q1 2021 collections vs. ERC – continued strong performance
  - **<u>105% = circa £50m of upside value</u>**

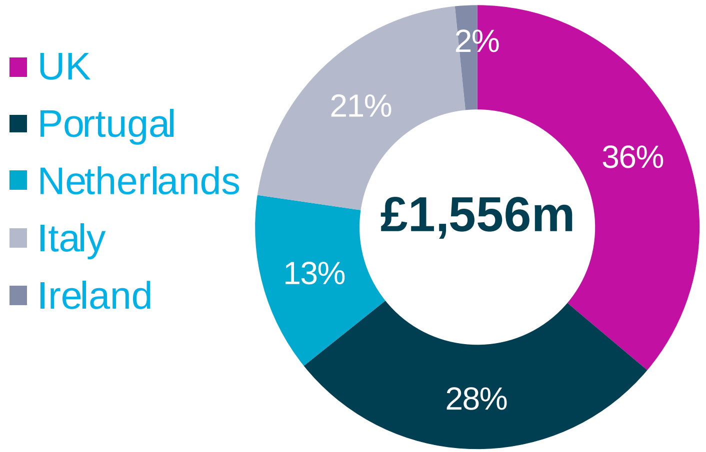
Expect to continue to perform in line with ERC at minimum

ERC exposure by country and asset class remains consistent following revaluation

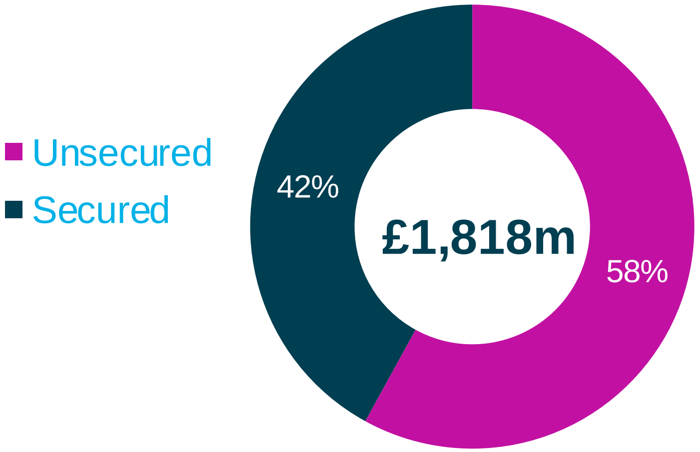
Dec 2020 84-month ERC by asset class



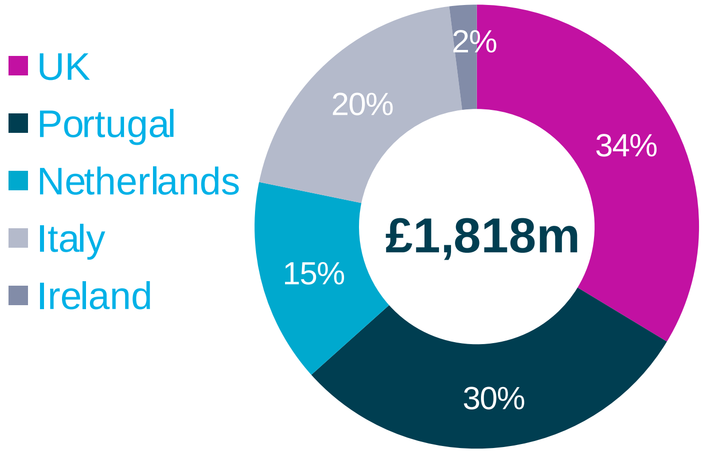
Dec 2020 84-month ERC by geography



Dec 2019 84-month ERC by asset class



Dec 2019 84-month ERC by geography



Fund & Investment Management

Initial fund management fee contribution from ACO1; income impacted by write-down of Europa Investimenti assets

Fund & Investment Management

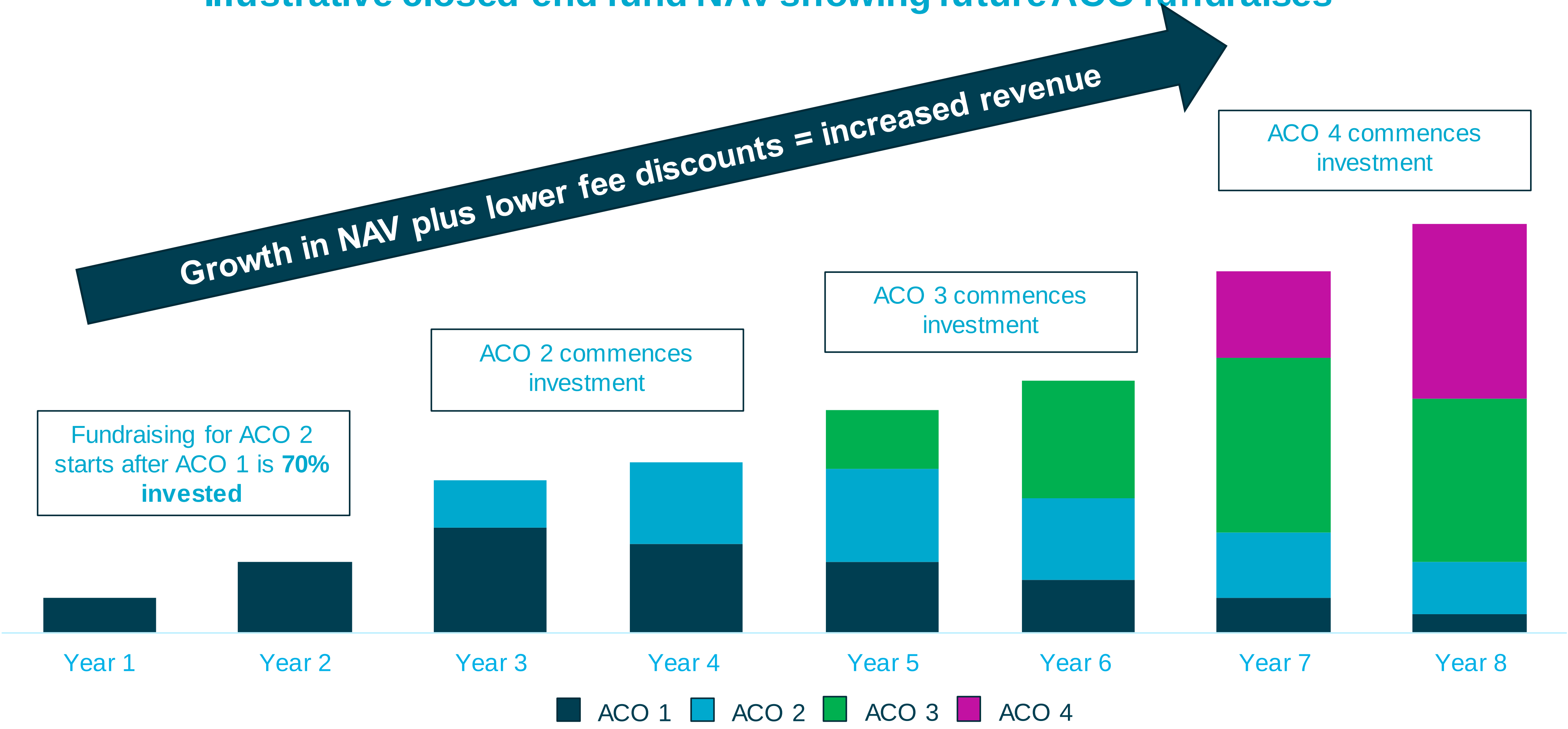
	2020	2019	Change (%)
Income	36.8	48.3	(23.9)
Business operating costs	(21.3)	(17.0)	25.6
Overheads (excl. D&A and FX)	(12.8)	(12.7)	0.7
EBITDA	2.7	18.6	(85.5)
EBITDA margin (%)	7.2	38.6	-
Profit before tax	2.1	18.3	(88.5)

FIM revenue and margins expected to rise in line with ACO 1 deployment

Future funds will lead to NAV growth and compounding management fees

NAV grows over years 1-3 of investment period (option to increase fund life by two 1 year extensions)

Illustrative closed-end fund NAV showing future ACO fundraises



- Arrow intends to **raise future funds**
- Expect ACO 1 to be **70% invested** by end 2021, enabling **start of fundraising** for ACO 2

Asset Management & Servicing

Resilient income performance and record new contract wins

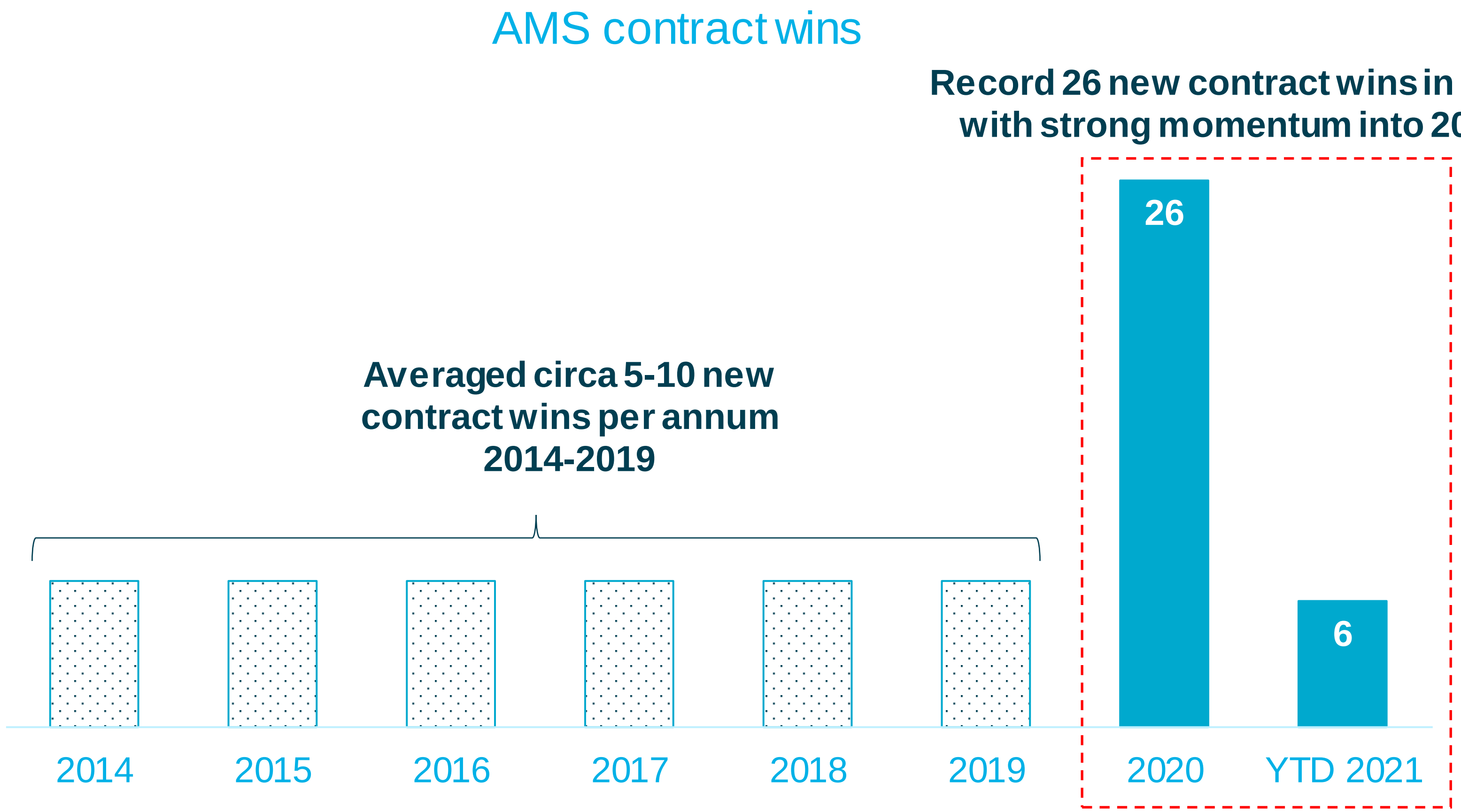
Asset Management & Servicing

	2020	2019	Change %
Third-party income	*97.0*	*94.4*	*2.8*
Total income	**125.4**	**128.8**	**(2.7)**
Business Operating Costs	(71.2)	(68.1)	4.5
Overheads (excl. D&A and FX)	(38.6)	(37.6)	2.6
EBITDA	**15.6**	**23.1**	**(32.4)**
EBITDA Margin (%)	12.4	17.9	-
Profit before tax	**10.7**	**16.2**	**(33.8)**

Record 26 new contract wins expected to be highly accretive to income in 2021

Strong AMS momentum driven by new contract wins and FIM growth

Income driven by 3rd party servicing fees and servicing fees charged to the ACO funds



- Won significantly more contracts in 2020 than the historic average
- 6 new contracts already won in 2021
- New contract wins will drive AMS revenues significantly 2021 onwards
- Expect to be servicer to ACO funds 75% of the time – incremental AMS revenues as ACO funds are invested

Expect total AMS revenue growth **of c.10% per annum** for the period 2020-2025

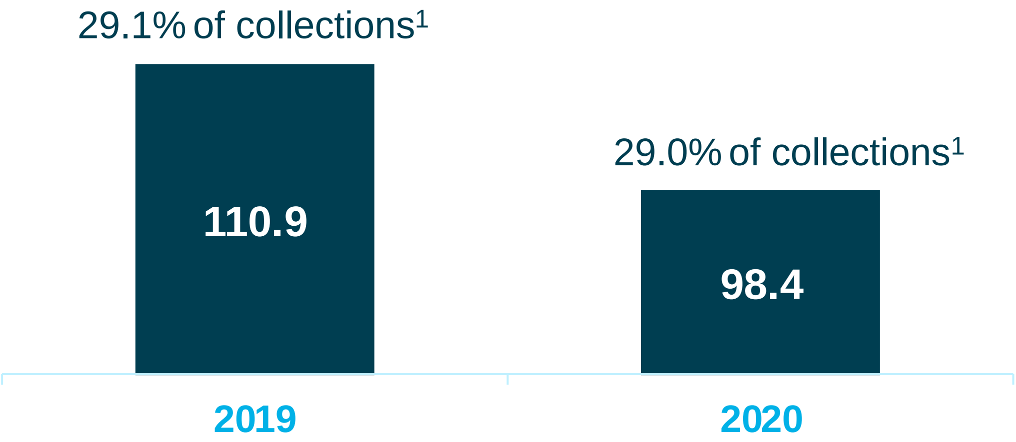
Group functions

Group functions

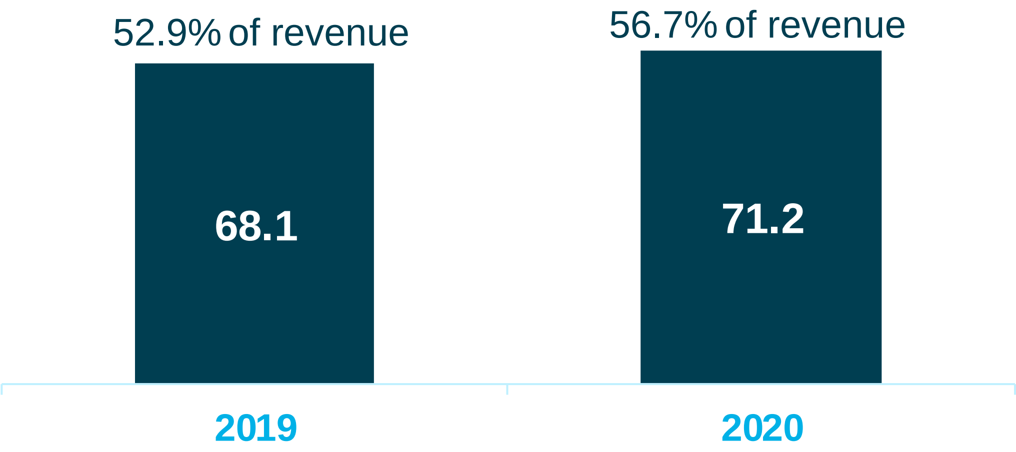
	2020	2019	Change (%)
Income	**0.8**	**0.4**	**113.5**
Collection activity costs	-	-	-
Other operating expenses (excl. D&A and FX)	(12.5)	(21.7)	(42.6)
EBITDA	**(11.6)**	**(21.3)**	**(45.4)**
EBITDA Margin (%)	-	-	-
Net finance costs	(57.5)	(54.5)	-
Loss before tax	**(78.3)**	**(82.1)**	**4.7**

Costs – Strong cost control, opportunities to do more

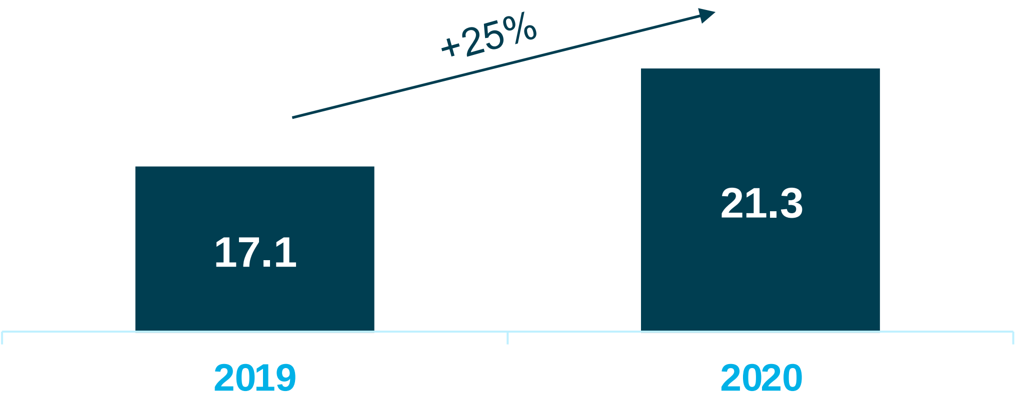
BSB Business Operating Costs (£m)



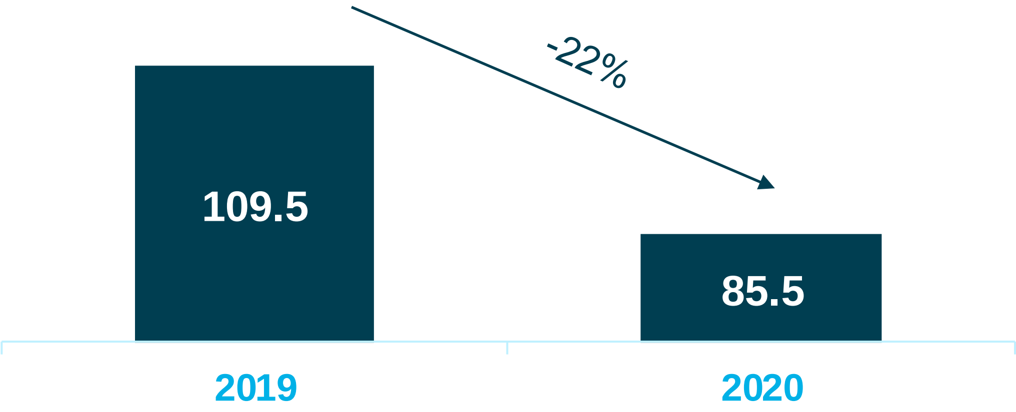
AMS Business Operating Costs (£m)



FIM Business Operating Costs (£m)



Total Cash overheads[2] (£m)



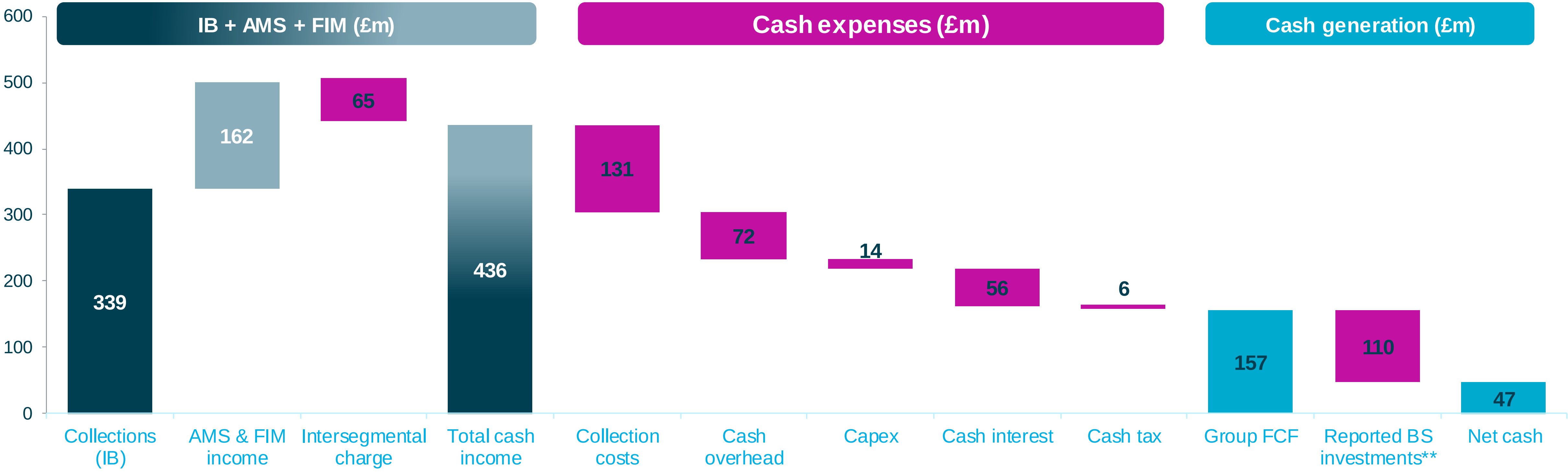
£10m cost reduction programme on track – continued focus on strong cost control

1 Excluding one-off acceleration of collections and portfolio disposals
2 Excluding benefits of deferred consideration releases (£21.1m in 19, £5.7m in 20)

Continued strong free cash generation

Cash generation of £157m and in-year investments of £110m

FY 2020 Segmental Free Cashflow*



FY 2019 (£m):	442	177	(83)	537	(132)	(75)	(13)	(42)	(14)	261	(304)	(43)

Arrow remains a highly cash generative and increasingly cash positive due to lower Balance Sheet business investment volumes

* Free cashflow = Cash generated after the effects of capital expenditure, financing and tax cash impacts and before reinvestment
** Investments made in 2020; does not include funding deferred purchases from previous years

Cash generation and capital allocation

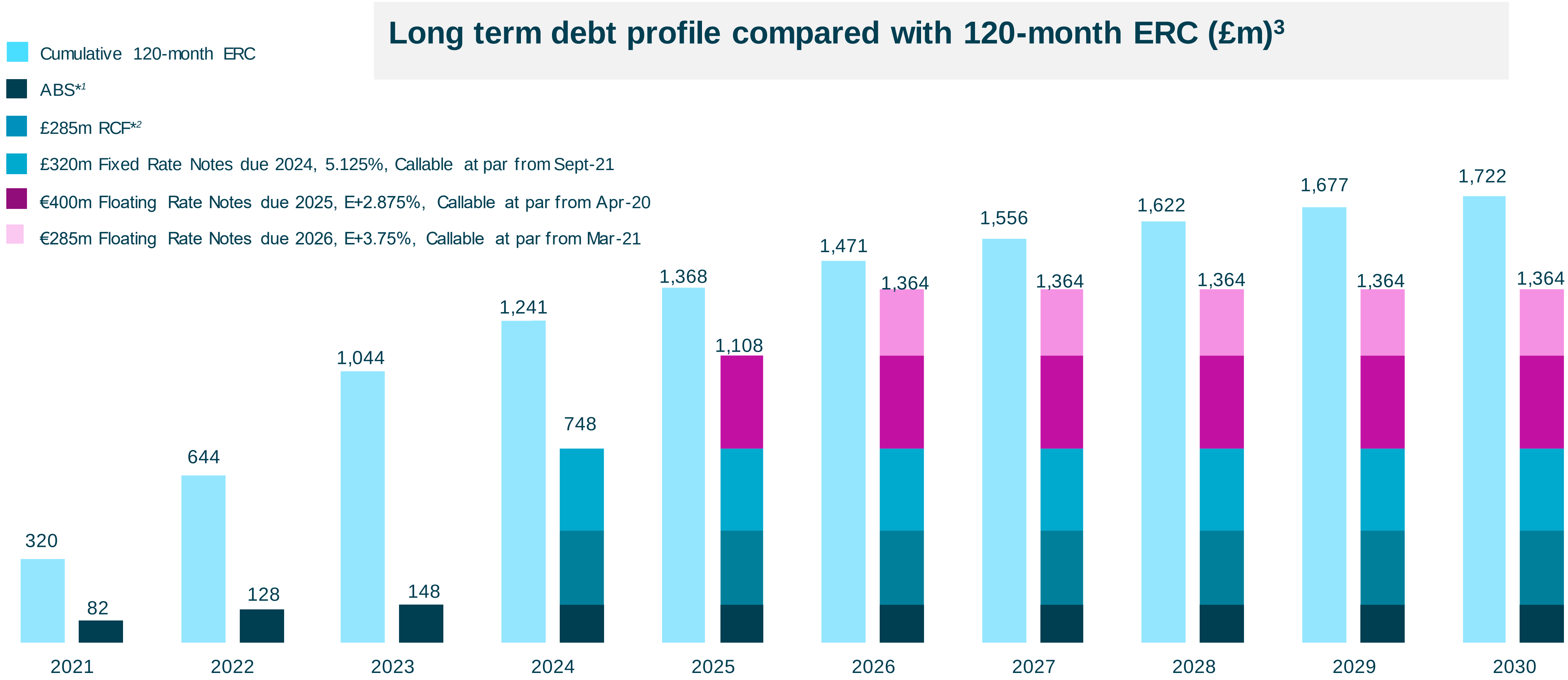
Arrow is approaching "peak net debt"; moving towards net debt reduction

	2017	2018	2019	2020
FCF	**£173m**	**£231m**	**£261m**	**£157m**
Reported Balance Sheet investments	**(£224m)**	**(£263m)**	**(£304m)**	**(£110m)**
Deferred portfolio purchases to following period	£15m	£12m	£63m	£10m
Deferred purchases from prior year	(£27m)	(£16m)	(£12m)	(£61m)
Total cash purchases in year	**(£236m)**	**(£267m)**	**(£253m)**	**(£161m)**
M&A costs in current year/prior year deferred	(£23m)	(£114m)	(£5m)	-
Dividends Paid	(£17m)	(£21m)	(£23m)	-
Other	(£29m)	(£62m)	(£40m)	£5m
Movement in net debt	**(£132m)**	**(£233m)**	**(£60m)**	**£1m**

Net debt reduction means **more of enterprise value flows to equity holders**

Prudently managed balance sheet with long-term funding

ERC shows over £1 billion cashflow prior to first bond maturity in 2024



*[1] *Drawn ABS revolver as at December 2020 was £148m and the maturity profile shown in the chart reflects debt amortising based upon forecast collections.*

*[2] *Drawn RCF balance as at December 2020 was £280m.*

*[3] *Balance sheet as at 31 December. Fungible bond tap is not included*

Strong liquidity and significant deleveraging expected

Low cost funding structure with long duration funding

£mm	As of Dec-20 Amount
Cash	(183)
5.125% GBP Senior Secured Notes due 2024	320
E+287.5bps EUR Senior Secured FRNs due 2025	359
E+375bps EUR Senior Secured FRNs due 2026[1]	256
RCF (facility amount £285m)	280
ABS	148
Total secured net debt	**1,181**
LTM Adjusted EBITDA	233
Leverage	***5.1 x***

Notes
[1] Excludes the fungible tap of €75 million bonds issued in February 2021

- Group expects to **de-lever and reduce net debt**
  - Bank covenant restructure successfully executed with long term restructure through to mid 2022
  - Expect leverage to fall to c. 4 times by end of 2021 and to within target range of 3 to 3.5 times by 2023
  - Target greater than £500m cash generation (after investment) over the next 5 year period
- Group continues to have **low cost funding base, with long duration funding**
  - WACD of 3.8% (FY 2019: 3.7%)
  - No bond maturities until 2024
  - Weighted average duration of debt 3.7 years (FY 2019: 4.8 years)
  - Diversified funding base with three core funding sources ; bonds, bank RCF and ABS
- Further strengthened the liquidity position with bond tap
  - Liquidity headroom was £175m at the year end (FY 2019: £153m)
  - Fungible bond tap executed in February 2021 - €75m 2026 bonds issued at 99, Euribor + 375bps coupon and maturity of March 2026
  - Provides additional liquidity headroom

Group expects leverage to be circa 4.0 times by end of 2021 and within target range of 3 – 3.5 times by 2023

Outlook – performance in line with targets; growth opportunities from economic dislocation

1	Remain confident cash collections will perform **at least in line** with revised ERC – macroeconomic indicators appear **more positive than initial forecasts** used for ERC write-down
2	Expect to deploy **£150-£200m of balance sheet capital** in 2021 Targeting **commencement of ACO 2 fundraise** by end 2021/early 2022
3	Anticipate **continued AMS contract wins** as the market reacts to higher NPL volume
4	Leverage expected to be **circa 4.0x by end 2021** and **within target 3.0x-3.5x range** by 2023
5	Capital allocation focused on **investment returns and deleveraging** – reinstatement of dividend reflects continued confidence

Strong momentum across all business lines and increased confidence in meeting new targets

Lee Rochford
Group CEO

Investment opportunities and outlook

Strong ESG focus drove better operational outcomes

Focus on **'S'** and **'G'** firmly embedded in Arrow's purpose and culture statement

Internal benefits	**External benefits**	**External benefits**
Fair employee treatment	Reputation and regulatory compliance	Reputation and regulatory compliance
+	+	+
Fair customer treatment	Fair customer treatment	Corporate governance
+	+	+
Operational resilience + track record	Operational resilience + track record	Operational resilience + track record
=	=	=
Strong cash collections	**Record AMS contract wins**	**Record fundraising from LP investors**

'S' **'G'** **Arrow core competence**

Key takeaways - increased capital-light earnings and reduced capital intensity mean Arrow can grow whilst reducing leverage

	Fund and Investment Management Business	Asset Management and Servicing Business	Balance Sheet Business
Five Year Targets	➢ €10bn FUM by 2025 ➢ 40% EBITDA Margin	➢ 10% CAGR pa Revenue growth ➢ 25% EBITDA Margin	➢ Leverage 3.0-3.5x ➢ Net Debt Reduction
Value Drivers	1. Targeting 1% management fee on FUM 2. Significant Performance Fee opportunity 3. Rapid growth in FUM = growth in fees 4. New "flagship" fund every c.2 years plus opportunities for bolt on funds	1. c.75% of fund assets serviced by Arrow 2. Significant third party demand post COVID-19 3. Economies of scale as platforms grow 4. Overhead reduction in train	1. Continuing to invest into attractive returns environment 2. Cash generation will exceed capital deployment = net debt reduction 3. Accounting simplification over time
Outputs	c.250% increase in FUM over 5 years	c.60% growth in AMS revenue over 5 years	Modest reduction in BSB normalised EBITDA (c.5% pa)
	Central costs expected to be £15-20m pa		

Appendix

The power of being local, unlevered and diversified in dislocated times

On and off market mix → *Sourced by Arrow-owned platforms* → *Single name credit and portfolio consolidation strategy* → *Control and increased returns through aggregation*

Italian single name bankruptcy accumulation

1. Arrow's Italian platform targeted and tracked a large compulsory liquidation

2. 2020 bidding campaign at credits held by over 15 banks and funds

3. Strategic bidding process to achieve first mover advantage employed

4. ~€350m GBV credits acquired at varying prices from 10 sellers = control gained in 4 months vs traditional 2-3 years

5. Control allows for Arrow creditor settlement strategy and accelerated distribution program to be implemented

6. Only achievable through forensic diligence, local relationships and ability to manage diverse stakeholder base incl. administrators, receivers and creditors

Directly replicable across a number of similar Italian bankruptcy situations

The power of being local, unlevered and diversified in dislocated times

On and off market mix → *Sourced by Arrow-owned platforms* → *Single name credit and portfolio consolidation strategy* → *Control and increased returns through aggregation*

Portugal NPL Portfolio Consolidation for Scale

1. 5 portfolios sold in 3 auctions by 3 Portuguese banks (well known to Arrow)

2. Arrow's local Portuguese platform diligenced multiple thousands of secured/unsecured exposures

3. Arrow's central investment team supported in-country experts to value the assets

4. Exclusivity granted by selling banks following final bids

5. Portfolios subsequently refined by both parties to achieve the best risk adjusted return by excluding less attractive assets

6. Portfolios acquired unlevered for ~€100m – now able to securitise for improved returns given scale

Knowledge accumulation from 10 years in market, <u>deep local relationships and forensic diligence capability</u>

The power of being local, unlevered and diversified in dislocated times

On and off market mix → *Sourced by Arrow-owned platforms* → *Single name credit and portfolio consolidation strategy* → *Control and increased returns through aggregation*

Irish Granular 'Renovate-to-Rent' Strategy

1. Residential buy-to-let (PRS) investment aggregation programme (assets acquired require renovation)

2. Irish platform allows granular selection of assets at depressed prices on a one-by-one basis

3. Renovate using the platform and then rent at attractive yields

4. Investment funded an existing real estate asset and an operating platform acquisition and holding company (sold for EV once scale reached)

5. Assets initially held unlevered

6. Once scale reached, leverage added based on long contracts, strong cashflows and resilience of high quality owned real estate

Unlevered, asset-backed strategy – leverage added to increase returns once scale reached

Important notice

This presentation has been prepared by Arrow Global Group PLC (the "Company") solely for information purposes and does not constitute, and should not be construed as, an offer to sell or issue securities or otherwise constitute an invitation or inducement to any person to purchase, underwrite, subscribe to or otherwise acquire securities in the Company or any member of the Group.

The information contained in this document is confidential and is being made only to, and is only directed at, persons to whom such information may lawfully be communicated. This document may not be (in whole or in part) reproduced, distributed, stored, introduced into a retrieval system of any nature or disclosed in any way to any other person without the prior written consent of the Company.

The information contained in this document has not been verified or reviewed by the Company's auditors and, as such, is subject to all other publicly available information and amendments without notice (such amendments may be material).

The Company makes no representation or warranty of any sort as to the accuracy or completeness of the information contained in this document or in any meeting or presentation which accompanies it or in any other document or information made available in connection with this document and no person shall have any right of action against the Company or any other person in relation to the accuracy or completeness of any such information.

Each recipient acknowledges that neither it nor the Company intends that the Company act or be responsible as a fiduciary to such investor, its management, stockholders, creditors or any other person. By accepting and providing this document, each investor and the Company, respectively, expressly disclaims any fiduciary relationship and agrees that each investor is responsible for making its own independent judgments with respect to any transaction and any other matters regarding this document.

This document contains statements that constitute forward-looking statements relating to the business, financial performance and results of the Company and its subsidiaries (the "Group") and the industry in which the Group operates. 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 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 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 assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

This document is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation or which would require any registration or licensing within such jurisdiction.