22 November 2023

Arrow Global Group
Results for the period ended 30 September 2023

Group highlights

Continued investment and build of capabilities, both in terms of people and infrastructure, with fundraising progressing across real estate and lending to complement our ACO discretionary credit opportunity funds. Our well-established integrated fund manager model drives growth in capital light earnings and balance sheet de-leveraging, as the group makes strong progress towards our strategic goal of becoming the leading European integrated fund manager.

Building a multi-strategy vertically integrated fund management model

- Established three investment strategies; credit, real estate equity and lending, all utilising our local platforms and vertically integrated model
- Important key hires made during Q3 with the appointment of Zach Vaughan as the Group's CIO of Real Estate and Toni McDermott as CIO across credit and lending
- €110 million initial close of our discretionary real estate equity fund (AREO) with further closings expected together with progress in establishing a dedicated discretionary lending fund – both complementing ACO 2
- Acquisition of the remaining 51% of Maslow for an initial £40m completed in Q3 2023. Maslow has continued to build its lending franchise and deployed over €750m YTD in 2023, sourced 100% from external LPs
- Assets under management has grown by 50% during 2023 to €9.3 billion, following the final close of ACO 2 in H1 2023 reaching the hard cap of €2.75 billion
- Continued scaling of investment activity with €1,007 million deployed YTD in 2023, up 78.5% on prior year (Q3 YTD 2022: €564 million)
- Delivering strong returns in both our ACO funds with Deal IRR (after servicing costs) of 17% and 20% in ACO 1 and ACO 2 respectively

Leverage decreased, maintaining our commitment to medium-term strategic target

- Leverage decreased by 0.5 times to 3.6 times as at 30 September 2023 (31 December 2022: 4.1 times, 30 September 2022: 4.4 times), continuing strong progress towards the medium-term strategic target of 3.0 times
- Collections were up 5.2% to £290.0 million for Q3 YTD 2023 (Q3 YTD 2022: £275.6 million) and representing 102% of ERC for the quarter
- Adjusted EBITDA for the period was £261.2 million, a year on year increase of 20% (Q3 YTD 2022: £217.5m)
- Maintained healthy liquidity headroom of £230 million as at 30 September 2023 with no bond maturities until 2026

Creating an efficient integrated fund manager to drive capital-light income and divestment of non-core UK platforms

- Third-party capital light income rose by 24.6% to £140.4 million for the period (Q3 YTD 2022: £112.7 million)
- Integrated Fund Management EBITDA rose 18.3% to £29.1 million for the period (Q3 YTD 2022: £24.6 million)
- Continued third-party asset and servicing mandate wins across all our territories, including a significant contract for servicing of circa €5 billion residential mortgages in Ireland, and a strong pipeline of opportunities
- Completed the divestment of our non-core Capquest and Mars UK platforms to Intrum UK in Q2 2023, along with 50% of the UK wholly owned unsecured back book, with net proceeds of £129 million

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

"Arrow has made strong progress towards our strategic goal of becoming the leading European vertically integrated fund manager. Our three core investment strategies – opportunistic credit, lending, and real estate equity – allow us to drive strong risk-adjusted returns through market cycles.

Our management team has been strengthened with the appointment of senior industry leaders and the continued expansion of our local asset management franchise, with the full acquisition of Maslow. We deployed over €1 billion during the first nine months of 2023, a substantial increase from 2022.

Despite an uncertain macro-economic environment, our collections continue to perform strongly, helping to reduce leverage towards our medium-term strategic target. Furthermore, our ACO funds continue to deliver strong risk-adjusted returns. This performance, coupled with our ability to attract institutional capital – reflected in a 50% increase to €9.3 billion FUM – will further accelerate the growth of capital-light earnings.

Our continued focus on optimising returns, along with our unique local franchise, dedicated workforce, and well-differentiated funds, ensures that Arrow continues to deliver robust growth and strong returns across our selected European markets."

Group financial highlights	**30 September 2023**	**30 September 2022**	**Change %**
Balance sheet collections (£m)	290.0	275.6	5.2
Adjusted EBITDA (£m)	261.2	217.5	20.1
Free cash flow (£m)	181.8	159.6	13.9
Total income (£m)	216.2	245.1	(11.8)
Third-party integrated fund and asset management income (£m)	140.4	112.7	24.6
Third-party integrated fund and asset management income before adjusting items (£m)	128.6	112.7	14.1
Loss before tax and adjusting items (£m)[1]	(42.2)	(1.1)	3,736.4
Loss before tax and after adjusting items (£m)	(86.4)	(36.3)	138.0

	30 September 2023	**31 December 2022**	**Change %**
Funds Under Management (FUM) (€bn)	9.3	6.2	50.0
Leverage (x)	3.6	4.1	(0.5)x
84-month ERC (£m)[2]	1,232.4	1,545.9	(20.3)
120-month ERC (£m)[2]	1,305.7	1,714.3	(23.8)
Net debt (£m)	1,346.9	1,365.7	(1.4)

[1] 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.

[2] ERC for FVTPL and Joint venture assets is reported 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 and Joint venture assets has grown from 14.6% to 55.5% since ACO 1 was launched in December 2019, a growing proportion of the Group's ERC is reported on net basis.

Overview of group results and segmental commentary

The Group continues to make strong progress towards becoming the leading European integrated fund manager with the establishment of three investment strategies; credit, real estate equity and lending, all utilising our local platforms and vertically integrated model. Important key hires have been made during Q3 with the appointment of Zach Vaughan as the Group's CIO of Real Estate and Toni McDermott as CIO across credit and lending. Zach was most recently at Brookfield Asset Management, where he was a Managing Partner in Brookfield's Real Estate Group. In his most recent role, Zach served as CEO and a member of the Board of Directors of Brookfield REIT. Prior to 2021, he was the Head of Europe, overseeing all real estate activities in the region, including investments, asset management, and new fund formation. Toni joins Arrow from Morgan Stanley APAC, where she served as the Managing Director of Loan Solutions and Securitisation. In this role, she advised clients on sales, acquisitions, and financing of pools of financial and real estate assets across the significant markets of Australia, New Zealand, China, and Southeast Asia. Prior to this, she was a Managing Director in Centerbridge Partners Europe, responsible for the firm's Asset Backed Special Situations business in Europe.

The Group completed a €110 million initial close of our discretionary real estate equity fund (AREO) with further closings expected together with progress in establishing a dedicated discretionary lending fund – both complementing ACO 2. These funds will complement ACO 2 that closed at the hard cap of €2.75 billion, which Private Debt Investor reported as the largest distressed debt fund and fourth largest debt fund closed globally in Q1 2023.

Furthermore, the Group continues to invest in our integrated fund manager proposition as the Group scales our fundraising, investing and servicing capabilities across credit, real estate and lending. Building the vertically integrated fund manager across multiple strategies drives capital-light revenue streams and facilitates de-leveraging. The acquisition of the remaining 51% stake in Maslow was completed in Q3 2023 and strengthens our lending capabilities. The investment enabled YTD deployment to grow to €1,007 million (Q3 YTD 2022: €564 million), which includes the first investments into AREO and the Maslow acquisition. The performance of ACO 1 and ACO 2 have continued to be strong with a Deal IRR (after servicing costs) of 17% and 20% for ACO 1 and ACO 2 respectively.

FUM have grown to €9.3 billion as at 30 September 2023, representing growth of €4.0 billion from €5.3 billion as at 30 September 2022 and €3.1 billion from €6.2 billion at 31 December 2022.

Collections were £290.0 million during the period, 5.2% higher than the prior period (Q3 YTD 2022: £275.6 million). Collections performance was robust, representing 102% of ERC for Q3 and 145% YTD, which includes £91.5 million in respect of the collection arising from the disposal of 50% of the wholly owned UK portfolios. Despite the current macro-economic backdrop our collections continue to prove resilient with solid performance against our ERC assumptions. Timing impacts of the increasing element of ERC backed by real estate and collateral, which can be "lumpy" in their realisation, were also reflected in the collections profile for the period. The robust collections and increasing capital-light earnings drove free cash flow of £181.8 million (Q3 YTD 2022: £159.6 million), an increase of 13.9%. Free cash flow after portfolio investments[1] increased to £67.4 million (Q3 YTD 2022: £22.4 million), with co-investment in ACO 2 and AREO investments at 10%, down from 25% in ACO 1. Adjusted EBITDA for the period was £261.2 million (Q3 YTD 2022: £217.5 million) and leverage decreased by 0.5 times to 3.6 times (31 December 2022: 4.1 times, 30 September 2022: 4.4 times), representing strong progress towards the medium-term strategic commitment of 3.0 times. The strong cash performance facilitated net debt reduction of £18.8 million during 2023, after incurring £40m cash outflow in respect of the acquisition of the remaining 51% of Maslow.

Overall, the underlying loss before tax was £42.2 million (Q3 YTD 2022: £1.1 million), primarily driven by the divestment of the non-core UK platforms and 50% of the wholly owned UK investment portfolios, higher underlying interest costs of £75.8 million and impairment losses given the current macro-economic environment. The Integrated Fund Management segment EBITDA increased by 18.3% to £29.1 million (Q3 YTD 2022: £24.6 million), the Balance Sheet segment EBITDA decreased by £38.5 million to £27.8 million (Q3 YTD 2022: £66.3 million) and the Group segment EBITDA decreased by £5.0 million to £(22.7) million (Q3 YTD 2022: £(17.7) million). The Balance Sheet segment performance has been impacted by year-on-year impairment variance of £24.3 million and the divestment of the non-core platforms, Capquest and Mars UK, to Intrum UK. The income and associated costs on 100% of the wholly owned UK portfolio investments subject to the profit share relationship with Intrum UK, from September 2022 to completion at the end of May 2023, are not reported within our underlying results. The results are explained further in the segmental commentary and analysis below.

[1] *Including investments awaiting deployment but excluding joint venture sale purchases.*

Segmental commentary

Our reportable operating segments are Integrated Fund Management, Balance Sheet and Group, as discussed below:

Integrated Fund Management

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

The Integrated Fund Management segment EBITDA increased by 18.3% to £29.1 million (Q3 YTD 2022: £24.6 million) with the segment revenue increasing marginally to £156.6 million (Q3 YTD 2022: £153.8 million). Increased management fees from the discretionary funds and strong asset management and servicing driven by continued third party contract wins across all territories, including a landmark deal in Ireland of circa €5 billion, have driven revenue growth. This growth has been offset by the impact of the divestment of the non-core platforms, Capquest and Mars UK, to Intrum UK, with the platforms trading revenue during the year through to deal completion of £27.1 million shown in adjusting items, and not reported within our underlying results.

The Integrated Fund Management EBITDA margin increased by 2.6 percentage points from 16.0% for Q3 YTD 2022 to 18.6% in 2023, reflecting the growth in the discretionary funds deployed, operational leverage and efficiency in scaling of our operations.

The Group has continued to scale the investment capabilities, with deployment growing to €1,007 million during 2023 (Q3 YTD 2022: €564 million). The Fund Manager has continued to focus on off-market acquisitions, with over 80% of ACO 2 investments being off-market with a continued focus on performing, real estate and cash in court portfolios. Over 90% of ACO 1 and ACO 2 is secured on real estate, cash in court and other mixed security and is built from highly granular deployment, with circa 350 individual investments. ACO funds continue to deliver strong returns with a Deal IRR (after servicing costs) of 17% and 20% for ACO 1 and ACO 2 respectively.

The Group has expanded its origination and asset management capabilities through the acquisition of Eagle Street in Q1 2023 and the remaining 51% of Maslow not previously owned by the Group during Q3 2023 for £64 million (£40 million cash, £15 million deferred consideration and £9 million in equity). Maslow has continued to build its franchise and originated over €750 million in Q3 YTD 2023, sourced 100% from external LPs. In addition, the Group is organically building a bridge lending proposition across our geographies, which is complementary to the activities of Maslow.

We completed the divestment of our non-core Capquest and Mars UK platforms to Intrum in Q2 2023 along with 50% of the UK wholly owned unsecured back book, as announced in November 2022. The results of these platforms have been removed from our underlying results, which can be seen on pages 17 to 18. Aligning our asset management and servicing platforms with our investment strategies is important to maximise the potential of the integrated fund manager model.

Balance Sheet

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

Collections were £290.0 million during the period, 5.2% higher than the prior period (Q3 YTD 2022: £275.6 million). Collections performance was robust, representing 102% of ERC for Q3 and 145% YTD, which includes £91.5 million in respect of the collection arising from the disposal of 50% of the wholly owned UK portfolios. Performance excluding the divestment represents 102% of ERC year-to-date. Net collections (balance sheet cash collections less collection activity costs) were £250.1 million, £135.7 million higher than portfolio purchases (including investments awaiting deployment).

Investment purchases were £114.4[1] million in Q3 YTD 2023 (Q3 YTD 2022: £137.2 million) with a strong investment pipeline. Portfolio investments typically represent a 10% co-investment in ACO 2 and AREO rather than the 25% level through ACO 1.

[1] *Including investments awaiting deployment but excluding joint venture sale purchases.*

Segmental Balance Sheet EBITDA decreased by £38.5 million from £66.3 million Q3 YTD 2022 to £27.8 million in Q3 YTD 2023. The reduction was largely driven by the divestment of the non-core platforms, Capquest and Mars UK, to Intrum UK and year-on-year impairment variances. On the divested portfolios, no income or associated collection costs (both 50% being sold, together with the 50% retained by Arrow) are reported within our underlying results up until deal completion. Performance under the lock-box mechanism adjusted the proceeds received from Intrum and the re-recognition value on the 50% retained by Arrow. Year on year EBITDA impact was circa £13 million, comprising of EBITDA recognised during 2023 for the period since completion of circa £4 million on the 50% retained portfolios, compared with EBITDA on 100% divested portfolios for Q3 2022 YTD of circa £17 million. In addition, impairment losses were £20.4 million for Q3 YTD 2023 (Q3 YTD 2022: £3.8 million impairment gains), resulting in a year-on-year impairment variance of £24.3 million. The impairment loss during the year driven by the weakening macro-economic environment relates to non-cash adjustments to underlying ERC and represents circa 2.0% of total NPV.

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.

Segmental Group EBITDA for Q3 YTD 2023 was £(22.7) million (Q3 YTD 2022: £(17.7) million). Despite the continued increase in Group overheads absorbed by the fund as the scale of ACO and AREO increases, strong cost control focus and the impact of the £20 million annualised cost savings delivered during 2022, the acceleration of our proposition into adjacent strategies, such as real estate and lending, has led to increased investment as we scale our operations. This investment leaves the business well placed to grow our capital-light fee model, increase FUM and de-lever.

Underlying net interest costs of £75.8 million were £16.6 million higher period-on-period (Q3 YTD 2022: £59.2 million), primarily driven by rising interest rates. The Group has substantially mitigated the exposure to interest rate fluctuations with circa 80% of the bonds either fixed or hedged as at 30 September 2023.

Results Presentation – Conference call details

A presentation is available on the Company's website https://bit.ly/3Co0rvO from 07.00am (UK time).

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:

Debt investor contact	**treasury@arrowglobal.net**
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Notes:

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 period ended 30 September 2023

Continuing operations	9 months to 30 September 2023 £000	9 months to 30 September 2022 £000	3 months to 30 September 2023 £000	3 months to 30 September 2022 £000
Income from portfolio investments at amortised cost	41,621	83,562	13,376	27,760
Fair value gains on portfolio investments at FVTPL	25,180	30,577	7,776	10,112
Impairment (losses)/gains on portfolio investments	(7,198)	13,109	(1,888)	4,313
Income from portfolio investments - real estate inventories	(79)	1,766	(226)	255
Share of profit in portfolio joint venture	3,274	–	2,365	–
Total income from portfolio investments	**62,798**	**129,014**	**21,403**	**42,440**
Integrated fund and asset management income	140,405	112,718	48,017	40,251
Profit on disposal of held for sale assets and liabilities[1]	11,944	–	–	–
Gain on disposal of subsidiary	–	2,720	–	–
Other income	1,040	693	446	(87)
Total income	**216,187**	**245,145**	**69,866**	**82,604**
Operating expenses:				
Collection activity costs and fund management costs	(97,883)	(94,847)	(28,947)	(31,549)
Loss on reclassification to held for sale	–	(25,959)	–	(25,959)
Other operating expenses	(142,849)	(103,192)	(76,961)	(38,390)
Total operating expenses	**(240,732)**	**(223,998)**	**(105,908)**	**(95,898)**
Operating (loss)/profit	**(24,545)**	**21,147**	**(36,042)**	**(13,294)**
Derivative fair value movements	12,018	–	12,018	–
Net finance costs	(76,987)	(59,123)	(25,642)	(20,106)
Share of profit in associate	3,089	1,684	–	–
(Loss) before tax[2]	**(86,425)**	**(36,292)**	**(49,666)**	**(33,400)**
Taxation credit on ordinary activities	11,383	2,110	4,694	1,609
(Loss) after tax	**(75,042)**	**(34,182)**	**(44,972)**	**(31,791)**
Other comprehensive loss:				
Items that are or may be reclassified subsequently to profit or loss:				
Foreign exchange translation difference arising on revaluation of foreign operations	(159)	999	2,063	703
Movement on the hedging reserve	1,707	–	(298)	–
Total comprehensive loss	**(73,494)**	**(33,183)**	**(43,207)**	**(31,088)**
Loss attributable to:				
Owners of the Company	(75,838)	(34,651)	(45,810)	(32,387)
Non-controlling interest	796	469	838	596
	(75,042)	**(34,182)**	**(44,972)**	**(31,791)**

[1] In the 9-month period to September 2023 this includes the previously captioned 'Remeasurement of held for sale assets and liabilities as well as the 'profit on disposal of held for sale assets and liabilities, now that the disposal of the Capquest and Mars UK platforms, as well as disposing of the UK unsecured back book into a profit sharing arrangement, has taken place.

[2] The loss before tax of £86,425,000 for the 9-month period to 30 September 2023 (Q3 YTD 2022: £36,292,000), includes £44,200,000 of net adjusting costs (Q3 YTD 2022: £35,202,000), with an underlying loss before tax of £42,225,000 (Q3 YTD 2022: £1,090,000 underlying loss). For the reconciliation to the condensed consolidated profit and loss, please see the reconciliations on pages 17 and 18.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

Assets	Note	30 September 2023 £000	31 December 2022 £000	30 September 2022 £000
Cash and cash equivalents		90,529	143,603	133,854
Derivative asset		2,957	808	–
Trade and other receivables		83,753	65,041	59,174
Portfolio investments – amortised cost	3	362,450	392,182	404,967
Portfolio investments – FVTPL	3	367,919	331,199	357,395
Portfolio investments – real estate inventories	3	61,578	51,463	50,292
Portfolio investments – joint venture	3	88,154	–	–
Property, plant and equipment		25,893	27,614	23,626
Intangible assets		119,577	104,890	107,777
Deferred tax asset		19,664	4,815	6,157
Current tax asset		2,049	–	–
Investment in associate		321	64,150	64,035
Goodwill		746,345	698,879	698,860
Assets held for sale[1]		–	270,986[1]	278,849[1]
Total assets		**1,971,189**	**2,155,630**	**2,184,986**
Liabilities				
Bank overdrafts	4	7,542	8,423	8,840
Revolving credit facility	4	127,359	169,104	167,466
Derivative liability		(121)	30,335	25,434
Trade and other payables		168,548	173,446	164,896
Current tax liability		–	1,902	7,390
Other borrowings	4	23,847	13,590	4,864
Asset-backed loans	4	–	8,246	15,261
Senior secured notes	4	1,253,626	1,258,358	1,258,698
Deferred tax liability		27,684	27,851	20,800
Liabilities held for sale[1]		–	36,927[1]	34,398[1]
Total liabilities		**1,608,485**	**1,728,182**	**1,708,047**
Equity				
Share capital		166,813	166,813	166,813
Share premium		419,609	410,859	410,859
Retained deficit		(232,266)	(156,428)	(106,324)
Hedging reserve		2,263	556	–
Other reserves		2,670	2,829	1,952
Total equity attributable to shareholders		**359,089**	**424,629**	**473,300**
Non-controlling interest		3,615	2,819	3,639
Total equity		**362,704**	**427,448**	**476,939**
Total equity and liabilities		**1,971,189**	**2,155,630**	**2,184,986**

[1] *As at 31 December 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 31 December 2022: £234,059,000, following impairment of £21,342,000, were moved to 'Assets held for sale' and 'liabilities held for sale' on the condensed consolidated statement of financial position. As at 30 September 2023, these platforms have been disposed of.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine-month period ended 30 September 2023

	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 after tax	–	(34,651)	**(34,651)**	469	**(34,182)**
Exchange differences	–	999	**999**	–	**999**
Total comprehensive loss 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**
Loss after tax	–	(50,105)	(50,105)	(820)	**(50,925)**
Exchange differences	–	878	878	–	**878**
Net fair value gains – cash flow	–	741	741	–	**741**
Tax on hedged items	–	(185)	(185)	–	**(185)**
Total comprehensive loss for the period	–	(48,671)	(48,671)	(820)	**(49,491)**
Distributions paid to non-controlling interest	–	–	–	–	–
Minority interest on acquisition	–	–	–	–	–
Balance at 31 December 2022	**166,813**	**257,816**	**424,629**	**2,819**	**427,448**
Loss after tax	–	(75,838)	**(75,838)**	796	**(75,042)**
Exchange differences	–	(159)	**(159)**	–	**(159)**
Net fair value losses – cash flow	–	2,276	**2,276**	–	**2,276**
Tax on hedged items	–	(569)	**(569)**	–	**(569)**
Total comprehensive loss for the period	–	(74,290)	**(74,290)**	796	**(73,494)**
Shares issued in the period	–	8,750	**8,750**	–	**8,750**
Balance at 30 September 2023	**166,813**	**192,276**	**359,089**	**3,615**	**362,704**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine-month period ended 30 September 2023

	Period ended 30 September 2023 £000	Period ended 30 September 2022 £000
Net cash flows from operating activities before purchases of portfolio investments	**90,894**	**162,919**
Portfolio purchases and movement in investments awaiting deployment[1]	(205,956)	(137,203)
Proceeds from sale of UK non-core portfolios[2]	183,023	–
Net cash generated by operating activities	**67,961**	**25,716**
Net cash generated by/(used in) investing activities	**(17,832)**	**(15,277)**
Net cash flows used in financing activities	**(104,154)**	**(88,596)**
Net decrease in cash and cash equivalents	**(54,025)**	**(78,157)**
Cash and cash equivalents at beginning of period	143,603	202,263
Effect of exchange rates on cash and cash equivalents	951	9,748
Cash and cash equivalents at end of period	**90,529**	**133,854**

Included within cash and cash equivalents is £14,087,496 (Q3 2022: £10,176,806) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated structure awaiting a payment date.

[1] Includes 50% of the proceeds in connection with the divestment of non-core Capquest and Mars UK portfolios, which have been immediately repurchased into a new category entitled 'Joint venture'.

[2] The £183,023,000 proceeds reflect 100% derecognition of the portfolios subject to the divestment of non-core Capquest and Mars UK platforms. 50% of these portfolios have been immediately repurchased into a new category entitled 'Joint venture'. This treatment is required by IFRS. However, the other 50% portfolio net proceeds of £91,511,000, have been reported in the underlying collections figure of £205,480. The net proceeds from the sale of the platforms of £37,651,000 is included within the caption 'Net cash generated by/(used in) investing activities'.

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 interim results should be read in conjunction with the Group's consolidated report and accounts for the year ended 31 December 2022.

The Group's consolidated report and accounts are prepared in accordance with UK-adopted international accounting standards and in accordance with the requirements of the Companies Act 2006. 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 2022, which can be found on the Arrow Global website.

2. Segmental reporting

In line with IFRS 8 Operating Segments, the Group reports under three separate reportable segments, being Integrated Fund Management, Balance Sheet and Group. Details of the principal business categories are as follows:

Integrated Fund Management	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, ACO 2 and AREO, 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 Chief Operating Decision Maker.

The Integrated Fund Management 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.

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

2. Segmental reporting *(continued)*

Nine-month period ended 30 September 2023

	Integrated Fund Management £000	Balance Sheet £000	Group £000	Intra-segment elimination £000	Adjusting items £000	Total exc. adjusting items 30 September 2023 £000	Total inc. adjusting items 30 September 2023 £000
Total income	156,622	67,700	20	(28,479)	20,324	195,863	216,187
Collection activity costs	(70,723)	(39,869)	(77)	28,479	(15,693)	(82,190)	(97,883)
Gross margin	**85,899**	**27,831**	**(57)**	–	**4,631**	**113,673**	**118,304**
Gross margin %	*54.8%*	*41.1%*				*58.0%*	*54.7%*
Other operating expenses excluding depreciation, amortisation and forex	(56,792)	–	(22,625)	–	(48,797)	(79,417)	(128,214)
EBITDA	**29,107**	**27,831**	**(22,682)**	–	**(44,166)**	**34,256**	**(9,910)**
EBITDA margin %	*18.6%*	*41.1%*				*17.5%*	*(4.6)%*
Depreciation and amortisation	(6,147)	–	(1,496)	–	(10,892)	(7,643)	(18,535)
Foreign exchange translation gain	–	–	3,900	–	–	3,900	3,900
Operating profit/(loss)	**22,960**	**27,831**	**(20,278)**	–	**(55,058)**	**30,513**	**(24,545)**
Derivative fair value movements	--	–	–	–	12,018	--	12,018
Net finance costs	–	–	(75,827)	–	(1,160)	(75,827)	(76,987)
Share of profit in associate	3,089	–	–	–	–	3,089	3,089
Profit/(loss) before tax	**26,049**	**27,831**	**(96,105)**	–	**(44,200)**	**(42,225)**	**(86,425)**
					Allocate adjusting items	*(44,200)*	–
					Loss before tax including adjusting items	*(86,425)*	*(86,425)*

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

2. Segmental reporting *(continued)*

Nine-month period ended 30 September 2022

	Integrated Fund Management £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	328	(41,181)	(1,040)	246,185	245,145
Collection activity costs	(68,761)	(66,988)	(282)	41,184	–	(94,847)	(94,847)
Gross margin	**85,015**	**66,274**	**46**	**3**	**(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)
Other operating expenses excluding depreciation, amortisation and forex	(60,429)	–	(17,732)	–	(56)	(78,161)	(78,217)
EBITDA	**24,586**	**66,274**	**(17,686)**	**3**	**(27,055)**	**73,177**	**46,122**
EBITDA margin %	*16.0%*	*49.7%*				*29.7%*	*18.8%*
Depreciation and amortisation	(6,606)	–	(2,018)	–	(8,257)	(8,624)	(16,881)
Foreign exchange translation gain	–	–	(8,094)	–	–	(8,094)	(8,094)
Operating profit/(loss)	**17,980**	**66,274**	**(27,798)**	**3**	**(35,312)**	**56,459**	**21,147**
Net finance costs	–	–	(59,233)	–	110	(59,233)	(59,123)
Share of profit in associate	1,684	–	–	–	–	1,684	1,684
Profit/(loss) before tax	**19,664**	**66,274**	**(87,031)**	**3**	**(35,202)**	**(1,090)**	**(36,292)**
					Allocate adjusting items	*(35,202)*	–
					Loss before tax including adjusting items	*(36,292)*	*(36,292)*

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

3. Portfolio investments

The movement in portfolios investments were as follows:

As at 30 September 2023

	Amortised cost	FVTPL	Real estate inventories	Joint venture	Total
	£000	£000	£000	£000	£000
As at 1 January 2023 including held for sale	641,194	331,199	51,463	–	1,023,856
Portfolios purchased during the period	32,018	85,523	–	91,511[2]	209,052
Movement in investments awaiting deployment[1]	–	(3,096)	–	–	(3,096)
Acquisitions in the period	–	1,013	–	–	1,013
Collections in the period	(116,382)	(67,837)	(7,786)	(6,486)	(198,491)
Proceeds on sale of non-core UK portfolios[2]	(183,023)	–	–	–	(183,023)
Income from portfolio investments at amortised cost	41,621	–	–	–	41,621
Fair value gains on portfolio investments at FVTPL	–	25,180	–	–	25,180
Income from portfolio investments - real estate inventories	–	–	(79)	–	(79)
Share in profit in portfolio joint venture	–	–	–	3,274	3,274
Net impairment (losses)/gains	(8,127)	–	929	–	(7,198)
Loss on sale of UK non-core portfolios	(16,773)	–	–	–	(16,773)
Exchange and other movements	(28,078)	(4,063)	17,051	(145)	(15,235)
As at 30 September 2023	**362,450**	**367,919**	**61,578**	**88,154**	**880,101**

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

[2] The £183,023,000 proceeds reflect 100% derecognition of the portfolios subject to the divestment of non-core Capquest and Mars UK platforms. 50% of these portfolios have been immediately repurchased into a new category entitled 'Joint venture'. This treatment is required by IFRS. However, the other 50% portfolio net proceeds of £91,511,000, have been reported in the underlying collections figure of £290,003,000.

As at 31 December 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 year	37,007	129,500	9,207	175,714
Investments awaiting deployment[1]	–	5,305	–	5,305
Collections in the year	(233,657)	(134,608)	(11,858)	(380,123)
Income from portfolio investments at amortised cost	97,812	–	–	97,812
Fair value gains on portfolio investments at FVTPL	–	21,351	–	21,351
Income from portfolio investments - real estate inventories	–	–	2,072	2,072
Net impairment gains	8,992	–	138	9,130
Exchange and other movements	26,096	6,843	10,875	43,814
As at 31 December 2022 including held for sale	**641,194**	**331,199**	**51,463**	**1,023,856**
Portfolios moved to liabilities held for sale[2]	(249,012)	–	–	(249,012)
As at 31 December 2022 excluding held for sale	**392,182**	**331,199**	**51,463**	**774,844**

[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 year end

[2] Portfolio investments include £249,012,000 in respect of the Capquest and Mars UK platforms as at 31 December 2022, which for disclosure purposes has been moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there is £392,182,000 of 'portfolio investments – amortised cost' on the consolidated statement of financial position.

As at 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 £404,967,000 of 'portfolio investments – amortised cost' on the consolidated statement of financial position.

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

4. Borrowings and facilities

Secured borrowing at amortised cost	30 September 2023 £000	31 December 2022 £000	30 September 2022 £000
Senior secured notes (net of transaction fees of £17,556,000, 31 December 2022: £21,745,000, 30 September 2022: £21,736,000)	1,253,626	1,258,358	1,258,698
Revolving credit facility (net of transaction fees of £2,410,000, 31 December 2022: £3,109,000, 30 September 2022: £3,342,000)	127,359	169,104	167,466
Asset backed loan (net of transaction fees of £nil, 31 December 2022: £73,000, 30 September 2022: £179,000)	–	8,246	15,261
Bank overdrafts	7,542	8,423	8,840
Other borrowings	23,847	13,590	4,864
Total borrowings	**1,412,374**	**1,457,721**	**1,455,129**
Total borrowings including held for sale			
Amount due for settlement within 12 months	136,296	186,771	191,567
Amount due for settlement after 12 months	1,276,078	1,270,950	1,263,562
	1,412,374	**1,457,721**	**1,455,129**

Senior secured notes

On 27 October 2021, the Group successfully placed €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.

Asset Backed Securitisation

The Group has repaid in full (31 December 2022 balance: £8.3 million) the non-recourse committed asset-backed securitisation term loan during the period (December 2022: the Group had one ABS loan).

The loan was secured on UK unsecured assets, paid SONIA plus 3.1% and had 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 AGG 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.

ADDITIONAL INFORMATION

The Adjusted EBITDA reconciliations for the periods ended 30 September 2023 and 30 September 2022 respectively are shown below:

Reconciliation of net cash flow to EBITDA	**30 September 2023 £000**	**30 September 2022 £000**
Net cash flow generated by operating activities	67,961	25,716
Portfolio purchases and movement investments awaiting deployment[1]	205,956	137,203
Proceeds from sale of UK non-core portfolios[2]	(91,511)	–
Income taxes paid	7,557	(1,395)
Working capital and other adjustments	54,271	54,257
Share of profit in associate	3,089	1,684
Cash operating adjusting items	13,865	56
Adjusted EBITDA	**261,188**	**217,521**
Reconciliation of balance sheet cash collections to EBITDA		
Income from portfolio investments including fair value and impairment losses and gains	62,798	129,014
Portfolio amortisation	227,207	146,564
Balance sheet cash collections (includes proceeds from disposal of portfolio investments)[2]	**290,005**	**275,578**
Integrated fund and asset management income, gain on disposal of subsidiary and other income	141,445	116,131
Operating expenses	(240,732)	(223,998)
Depreciation and amortisation	18,535	16,881
Foreign exchange (gains)/losses	(3,900)	8,094
Net loss/(profit) on disposal and write off intangible assets and property, plant and equipment	75	(144)
Share of profit in associate	3,089	1,684
Profit on disposal of subsidiary	–	(2,720)
Loss on reclassification to held for sale	–	25,959
Operating adjusting items	52,671	56
Adjusted EBITDA	**261,188**	**217,521**
Reconciliation operating profit to EBITDA		
Loss after tax	(75,042)	(34,182)
Net finance costs	76,987	59,123
Share of profit in associate	(3,089)	(1,684)
Tax credit on ordinary activities	(11,383)	(2,110)
Derivative fair value movements	(12,018)	–
Operating profit	**(24,545)**	**21,147**
Portfolio amortisation	227,207	146,564
Depreciation and amortisation	18,535	16,881
Foreign exchange (gains)/losses	(3,900)	8,094
Net loss/(profit) on disposal and write off of intangible assets and property, plant and equipment	75	(144)
Share of profit in associate	3,089	1,684
Profit on disposal of subsidiary	–	(2,720)
Profit on disposal of held for sale assets and liabilities	(11,944)	–
Loss on reclassification to held for sale	–	25,959
Operating adjusting items	52,671	56
Adjusted EBITDA	**261,188**	**217,521**

[1] Includes 50% of the proceeds in connection with the divestment of non-core Capquest and Mars UK portfolios, which have been immediately repurchased into a new category entitled 'Joint venture'.

[2] The £91,511,000 relates to proceeds received from the divestment of non-core Capquest and Mars UK portfolios, which were not subject to immediate repurchase into a new category entitled 'Joint venture'. The other 50% portfolio net proceeds of £91,511,000, have been reported in the underlying collections figure of £290,003,000. For details on adjusted items see pages 17 and 18.

ADDITIONAL INFORMATION *(continued)*

Loss before adjusting items

	Nine-month period ended 30 September 2023 £000	Nine-month period ended 30 September 2022 £000
Total income	**195,863**	**246,185**
Collection activity and fund management costs	(82,190)	(94,847)
Other operating expenses	(83,160)	(94,879)
Total operating expenses	**(165,350)**	**(189,726)**
Operating profit	**30,513**	**56,459**
Derivative fair value movements	--	–
Net finance costs	(75,827)	(59,233)
Share of profit in associate	3,089	1,684
Loss before tax and adjusting items	**(42,225)**	**(1,090)**
Taxation charge on underlying activities	8,445	262
Loss after tax before adjusting items	**(33,780)**	**(828)**
Non-controlling interest	**(796)**	**(469)**
Loss before adjusting items attributable to owners of the company	**(34,576)**	**(1,297)**
Tax rate on results before adjusting items	**20.0%**	**24.0%**

Reconciliation between IFRS profit and profit before adjusting items for the nine-month periods:

	Period ended 30 Sep 2023 loss before tax £000	Period ended 30 Sep 2023 tax £000	Period ended 30 Sep 2023 loss after tax £000	Period ended 30 Sep 2022 loss before tax £000	Period ended 30 Sep 2022 tax £000	Period ended 30 Sep 2022 loss after tax £000
IFRS reported loss	**(86,425)**	**11,383**	**(75,042)**	**(36,292)**	**2,110**	**(34,182)**
Adjusting items:						
Gain on disposal of subsidiary	–	–	–	(2,720)	–	(2,720)
Maslow acquisition costs	26,438	–	26,438	–	–	–
Other acquisition costs (including amortisation of acquisition intangible assets)	14,930	–	14,930	11,963	–	11,963
Profit on disposal of held for sale assets and liabilities	(11,944)	–	(11,944)	–	–	–
Operations held for sale result	14,776	–	14,776	25,959	–	25,959
Tax associated with adjusting items	–	(2,938)	(2,938)	–	(1,848)	(1,848)
Loss before adjusting items	**(42,225)**	**8,445**	**(33,780)**	**(1,090)**	**262**	**(828)**

Adjusting items are those items that by virtue of their size, nature or incidence (i.e. 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 loss before adjusted items.

The acquisition of Maslow occurred through an initial 49% acquisition and subsequently via the exercise of the option to acquire the remaining 51% and the acquisition has resulted in a reported loss of £26.4m within adjusting items. The loss arises firstly due to the requirement under IFRS 3 and 9 to re-measure previously recognised assets and liabilities to fair value immediately prior to the full acquisition and secondly due to the potential contingent earn-out payments that do not qualify as business combination consideration under IFRS 3. The total consideration for Maslow was £64.5 million cash, £21 million equity issuance and £15 million deferred consideration, across both the initial 49% acquisition and option payment for the remaining 51%.

ADDITIONAL INFORMATION *(continued)*

Loss before adjusting items *(continued)*

Other acquisition transactions, primarily the acquisition of Arrow Group by TDR, but also the acquisition of Details in 2022 and Eagle Street and Blue Current Capital in 2023, created ongoing non-cash acquisition intangible and fair value accounting unwinds in 2023, which are adjusted out of the results, being £14.9 million (Q3 YTD 2022: £12.0 million).

Following a strategic review, in Q3 2022, the Group agreed to divest our non-core UK platforms, Capquest and Mars UK, to Intrum UK, and the UK unsecured back book, which will be subject to a 50:50 profit share arrangement with Intrum UK, and this divestment completed in Q2 2023, for net proceeds of £129 million. £91.5 million of the net proceeds were received in respect of 50% of the portfolios, with £37.5 million being received for the platforms. In the period, this resulted in a £2.8 million loss in the statement of comprehensive income (being a £11.5 million profit on disposal of held for sale assets and liabilities offset by £17.0 million of operations held for sale result), which has been moved to adjusting items.

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 was 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 the prior period in relation to this.

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 2023

Income	**Reported loss £000**	**Other items £000**	**Free cash flow £000**	
Total income from portfolio investments	62,798	227,206	290,004	Balance sheet cash collections in the period[5]
Income from integrated fund and asset management income	140,405	–	140,405	Income from integrated fund and asset management income
Profit on disposal of held for sale of assets and liabilities	11,944	(11,944)	–	
Other income	1,040	–	1,040	Other income
Total income[1]	**216,187**	**215,262**	**431,449**	Cash income
Total operating expenses	(240,732)	70,471[2]	(170,261)	Cash operating expenses
Operating profit	**(24,545)**	**285,733**	**261,188**[4]	
Derivative fair value movements	12,018	(12,018)	–	
Net financing costs	(76,987)	14,057[3]	(62,930)	Cash financing costs
Share of profit in associate	3,089	(3,089)	–	
(Loss)/profit before tax	**(86,425)**	284,683	**198,258**	
Taxation credit/(charge) on ordinary activities	11,383	(18,940)	(7,557)	Cash taxation
(Loss)/profit after tax	**(75,042)**	**265,743**	**190,701**	
			(8,948)	Capital expenditure
			181,753	**Free cash flow**[6]

[1] *Total income is largely derived from income from portfolio investments plus income from managing debt portfolios for our discretionary funds and other third parties, and 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] *Includes £91,511,000 of net proceeds for the 50% portfolios sold in connection with the divestment of non-core Capquest and Mars UK portfolios, which have not been repurchased.*

[6] *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 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 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 amortised cost 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.

'AREO' is our Real Estate Opportunity discretionary fund, Arrow Real Estate Opportunities I SCSp, SICAV-RAIF.

'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 and ACO 2, 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 management activities 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 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.

'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 2023 is as follows:

	30 September 2023 £000	31 December 2022 £000
Cash and cash equivalents	(90,529)	(143,603)
Senior secured notes (pre-transaction fees net off)	1,251,369	1,270,761
Revolving credit facility (pre-transaction fees net off)	129,769	172,213
Asset-backed loans (pre-transaction fees net off)	–	8,296
Secured net debt	**1,290,609**	**1,307,667**
Deferred consideration – portfolio investments	5,087	23,433[1]
Deferred and contingent consideration – business acquisitions	–	3,197
Senior secured loan notes interest	19,813	9,342
Asset backed loan interest	–	23
Bank overdrafts	7,542	8,423
Other borrowings	23,847	13,590
Net debt	**1,346,898**	**1,365,675**

[1] Deferred consideration – portfolio investments includes £17,123,000 as at 31 December 2022, 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.

'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.