



Results for the nine months ended 30 September 2023

Arrow Global

22 November 2023



Introduction

Zach Lewy

Group Chief Executive Officer

Successful transition to a capital-light integrated fund manager

Development of our FUM growing capital-light revenue.....delivering improved credit metrics



Strong progress on fundraising, two additional discretionary funds raised in the last 12 months, with first close of Arrow Real Estate Opportunities (AREO) to complement our flagship Arrow Credit Opportunities (ACO) funds

Strengthening and development of our integrated fund manager proposition in the quarter



De-leveraging - a strategic priority

- Leverage reduced by 0.5x to 3.6x during 2023, representing strong progress towards the medium-term target of 3.0x
- Collections were £290.0 million for Q3 YTD, representing 145% of ERC YTD and 102% of ERC for Q3 and 5% above prior year (2022: £275.6 million)
- Net debt reduced by £19 million over the period



Continue to scale our fund management proposition

- Established three investment strategies; credit, real estate and lending
- €110 million initial close of our discretionary real estate equity fund (AREO) with further closings expected and progress in establishing a dedicated discretionary lending fund – both complementing ACO 2
- Development of fund management proposition supported in Q3 by two key appointments, Zach Vaughan as the Group's CIO of Real Estate and Toni McDermott as CIO across credit and lending
- Continued scaling of investment activity with €1 billion deployed during 2023 – up 78.5% on prior year
- Delivering strong returns with Deal IRR (after servicing costs) of 17% and 20% for ACO 1 and ACO 2 respectively
- Acquired the remaining 51% of Maslow in the quarter



Efficient local platforms create a differentiated proposition

- Integrated Fund Management segment delivering EBITDA of £29.1 million for the period (2022: £24.6 million), a rise of 18%
- 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
- Maintaining our strong regulatory and customer franchise, as part of our broader ESG commitments

Continued strategic development and investment across three core asset classes

Our local platforms provide a differentiated proposition for investors



Building three investment strategies with separate discretionary funds

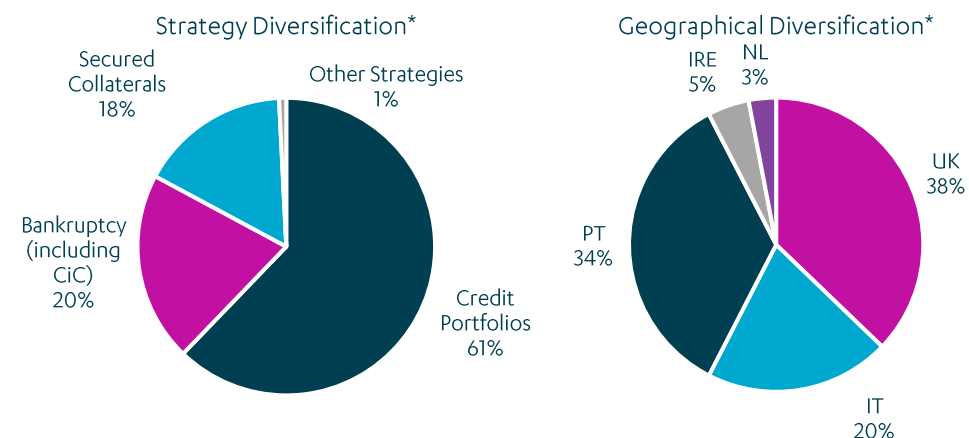
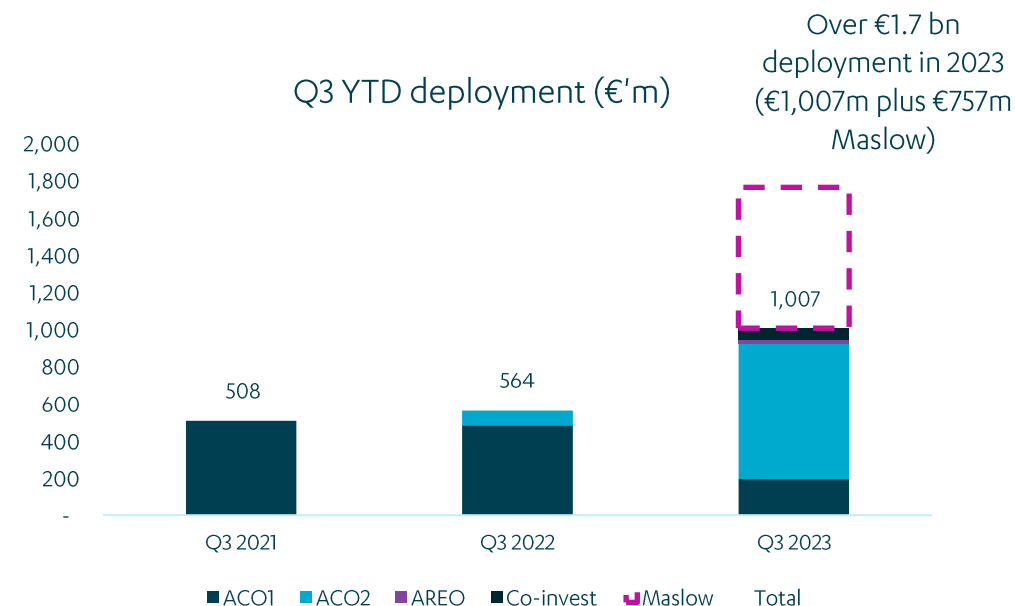
- Investments across the 5 geographies and multiple asset classes supported by **19 local platforms**
- **€4.5 billion of discretionary third-party capital**
- ACO 1 closed in 2020, deployed €1.9 billion¹, with Deal IRR (after servicing costs) of 17% as of September 2023
- ACO 2 raised with €2.75 billion hard cap in Q1 2023 from a diverse range of respected institutional LPs
- Continuing the expansion of the team to cover Arrow's target markets, **Toni McDermott joined Q3 as CIO across credit and lending**
- **4 lending platforms:** UK, Ireland, NL - including 100% of Maslow following the acquisition of the remaining 51% in Q3 2023
- Progress in establishing a dedicated discretionary lending fund
- **€8 billion servicing AuM by lending platforms**
- Appointment of **Zach Vaughan as Group's CIO of real estate**
- **9 real estate focused platforms in Arrow's 5 target countries** (UK, Ireland, Netherlands, Italy and Portugal)
- **+€13 billion Real Estate AuM with discretionary fund AREO**

Ability to invest opportunistically across market cycles and asset classes leveraging our local platform footprint

¹. Includes committed (not yet cash funded) investments and investments funded through recycled collections

Strong fundraising and origination across our asset classes

- Strong fund-raising progress for the year to date
 - ACO 2 fund recognised as largest distressed debt fund and fourth largest debt fund overall globally closed in Q1 2023¹, reaching its hard cap of €2.75 billion
 - Fund raising for our discretionary Real Estate Equity Fund (AREO) continues, with capital raised to date of €100 million (€110 million including Arrow co-invest)
 - Progress in establishing a dedicated discretionary lending fund
- Continued scaling of investment activity with €249 million deployed in Q3 2023 (Q3 2022: €200 million) – YTD deployment up 78.5% to €1,007 million
 - Additional over €750 million originated by Maslow funded by external third-party LPs
- Strong fund performance
 - ACO 1 is delivering strong returns, with a Deal IRR (after servicing costs) of 17% as of September 2023
 - The collections profile remains strong, having collected 105% of underwrite as at September 2023
 - Attractive returns for ACO 2 with Deal IRR (after servicing costs) of 20%, with Q3 volumes underwritten at 21%
 - Over 90% of ACO 1 is secured on real estate, cash in court and other mixed security and is built from highly granular deployment, with over 350 individual investments



¹Source: Private Debt Investor



Financial Review

Phil Shepherd

Group Chief Commercial Officer

Group cash performance

- Collections of £290.0 million were 5% above prior year and represented 145% of ERC YTD and 102% for the quarter
- Collections include proceeds of £91.5 million relating to the 50% divestment of the wholly owned UK unsecured back book
- Strong cash performance has delivered Adjusted EBITDA of £261.2 million, up 20% or £43.7 million on prior year
- Leverage reduced by 0.5x to 3.6x during the nine-month period to Q3 2023
- The strong collections and increasing capital light earnings drove free cash flow of £181.8 million (2022: £159.6 million), an increase of 14%
- Free cash flow post portfolio investment increased by 203% to £67.4 million (2022: £22.4 million)
 - Portfolio investments were £114 million¹ (2022: £137 million), reflecting co-investment at 10% in ACO 2 rather than 25% in ACO 1
- Net debt reduced by £19 million over the nine-month period as the proceeds of the divestment have in part being reinvested back into the business with the acquisition of Maslow and Eagle Street

Cash Performance	Q3 2023 YTD £'m	Q3 2022 YTD £'m	Change %
Core cash collections	290.0	275.6	5
Adjusted EBITDA	261.2	217.5	20
Leverage²	3.6x	4.1x	(0.5x)
Free cash flow generation	181.8	159.6	14
Free cash flow post portfolio investment	67.4	22.4	203

1. Includes movement on investments awaiting deployment of £3.1 million, excludes re-investment in 50% of UK unsecured back book
 2. 2022 comparative as at 31 December 2022

Integrated Fund Management Segment

- Integrated Fund Management income of £156.6 million was broadly in line with prior year on a reported basis:
 - £27.1 million decrease in reported revenue due to the divestment of Capquest and Mars UK, which is reported within adjusting items and not in the underlying result in 2023
 - **Underlying capital light revenues increased by £29.9 million or 23.6%**
 - Increased management fees from our discretionary funds
 - Strong asset management and servicing driven by new third-party servicing contract wins across multiple jurisdictions
- Despite exclusion of divested platforms from the underlying result, **EBITDA increased by 18% to £29.1 million**
 - LTM EBITDA has increased by 58% to £44.2 million compared with LTM to September 2022
- EBITDA margin expanded by 2.6%pts from 16.0% to 18.6%, reflecting the growth in the discretionary funds deployed, the operational leverage and efficiency from scaling of our operations
- We continue to invest in the growth of our Integrated Fund Management Segment to capture opportunities in real estate and lending
 - EBITDA and profit margins will continue to grow over the medium term as the business scales FUM and in time recognises carried interest

Integrated Fund Management Segment EBITDA	Q3 2023 YTD £'m	Q3 2022 YTD £'m	Change %
Income	156.6	153.8	2
Business operating costs	(70.7)	(68.8)	(3)
Overheads (excl. D&A and FX)	(56.8)	(60.4)	6
EBITDA	29.1	24.6	18
<i>EBITDA margin (%)</i>	<i>18.6</i>	<i>16.0</i>	<i>2.6 pts</i>

Note: Results for Capquest and Mars UK excluded in Q3 YTD 2023 (included in Q3 YTD 2022)

Balance Sheet Segment

- Collections of £290.0 million were £14.4million higher than prior year, representing 145% of ERC YTD and 102% for Q3
 - Includes £91.5 million relating to the 50% divestment of the wholly-owned UK unsecured back book
- Net collections¹ were £250.1 million and exceeded portfolio investments of £114.4² million by £135.7 million
- EBITDA was £27.8 million, £(38.5) million lower than prior year driven by:
 - Impact from divestments:
 - 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.
 - Year on year EBITDA impact was circa £13 million comprising 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
 - Impairment:
 - In addition, £24.3 million year-on-year impairment variance - £3.8 million write up during Q3 YTD 2022 versus £20.4 million write down in 2023
 - Reflecting the current macro-economic environment, the impairment loss during the period relates to non-cash adjustments representing circa 2% of total NPV

Balance Sheet Segment EBITDA	Q3 2023 YTD £'m	Q3 2022 YTD £'m	Change %
Core cash collections	290.0	275.6	5
Net collections ¹	250.1	208.6	20
Income	67.7	133.3	(49)
Business operating costs	(39.9)	(67.0)	40
EBITDA	27.8	66.3	(58)
<i>EBITDA margin (%)</i>	43.7	49.7	(17)

Note: Results for UK unsecured wholly owned portfolios excluded in Q3 YTD 2023 (included in Q3 YTD 2022)

1. Net collections is collections less collections activity costs
 2. Includes movement in investments awaiting deployment of £3.1 million

Group Segment

- EBITDA in the Group segment reduced by £5.0 million driven by investment as we scale our fund management operations, in particular:
 - Additional on-going costs to continue to build fund-raising capabilities
 - Upfront set-up costs, such as legal and tax, to establish ACO 2 and AREO 1
- During Q3, EBITDA was £(7.3) million, marginally down on Q3 2022 £(6.6) million
- Investment leaves the business well placed to continue the expansion of the capital-light business model into adjacent asset classes, such as real estate and lending

Group Segment EBITDA	Q3 2023 YTD £'m	Q3 2022 YTD £'m	Change %
Income	0.0	0.3	(93)
Business operating costs	(0.1)	(0.3)	74
Overheads (excl. D&A and FX)	(22.6)	(17.7)	(28)
EBITDA	(22.7)	(17.7)	28

Summary of group performance

- Loss before adjusting items was £42.2 million for the period, compared with £1.1 million loss during 2022
- Year on year comparison is impacted by the divestment of the UK platforms and 50% of the wholly owned UK portfolios
 - No income / costs on the balance sheet assets subject to divestment are reported in our underlying results up until deal completion (c.£17 million in Q3 YTD 2022)
- Financing costs were £16.6 million higher YoY reflecting:-
 - Rising interest rates
 - Costs of maintaining high levels of liquidity headroom
- During the period, £3.9 million FX gain (2022: £8.1 million loss) on the non-cash retranslation of our net Euro liability position as a natural hedge to the surplus Euro income generation from increasing fund management income and in due course, carried interest

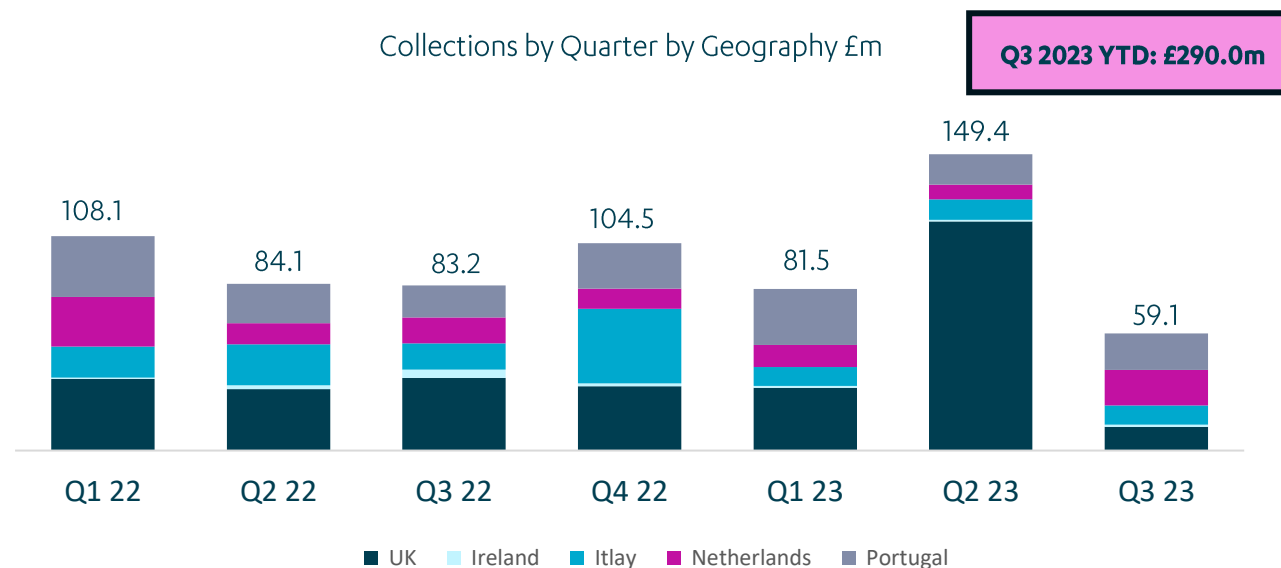
Profit before tax and KPIs	Q3 2023 YTD £'m	Q3 2022 YTD £'m	Change %
EBITDA:			
Integrated Fund Management	29.1	24.6	18
Balance Sheet Business	27.8	66.3	(58)
Group	(22.7)	(17.7)	(28)
EBITDA	34.3	73.2	(53)
Depreciation and amortisation	(7.6)	(8.6)	11
FX gains / (losses)	3.9	(8.1)	n/a
Interest costs	(75.8)	(59.2)	(28)
Share of profit from associate net of tax	3.1	1.7	83
Loss before tax before adjusting items	(42.2)	(1.1)	n/a

Note: Results for Capquest, Mars UK and UK unsecured wholly owned portfolios excluded in Q3 YTD2023 (included in Q3 YTD 2022)

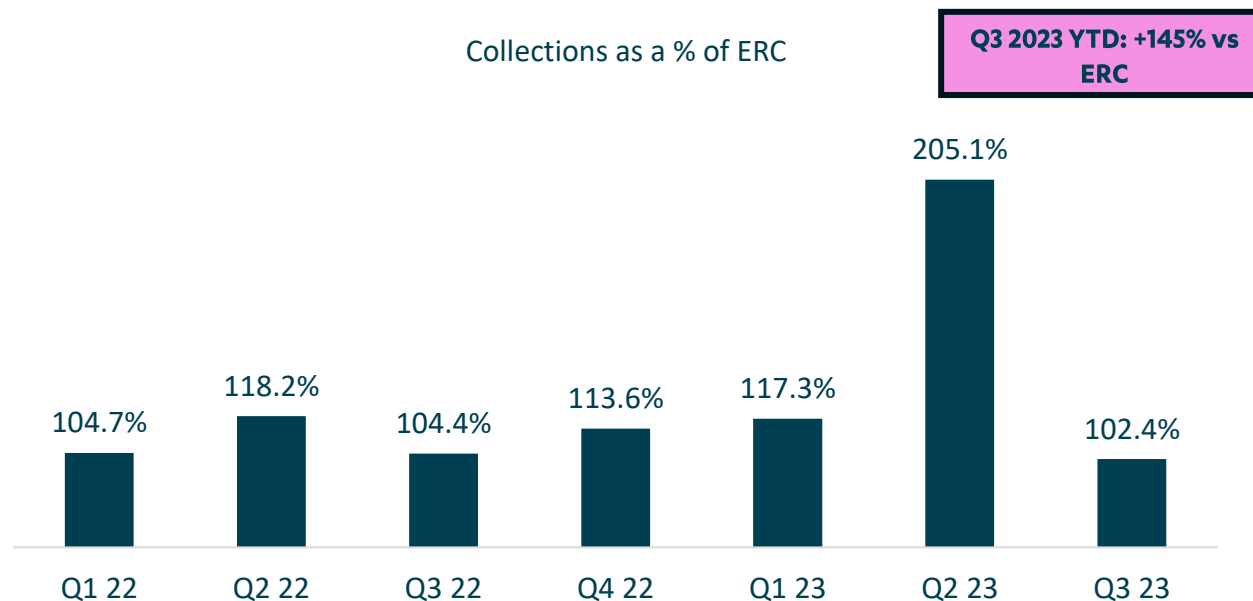
Collections

- Strong cash collections year to date of £290.0 million were £14.4 million higher than prior year, representing 145% of ERC
- Includes proceeds of £91.5 million relating to the 50% divestment of wholly owned UK unsecured back book
- Performance excluding the divestment is broadly in line with ERC year to date
- Performance during the quarter was 102.4% of ERC
- A growing proportion of the Group's ERC is reported net of servicing and collection costs. The percentage of 84-month ERC for assets measured on a net basis was 56% as at September 2023 vs 33% at September 2022
- Collections profile is impacted by the increasing element of ERC backed by real estate and collateral, which can be "lumpy" in their realisation
- Despite the current macro-economic backdrop our collections continue to prove resilient with solid performance against our ERC assumptions

Collections by Quarter by Geography £m

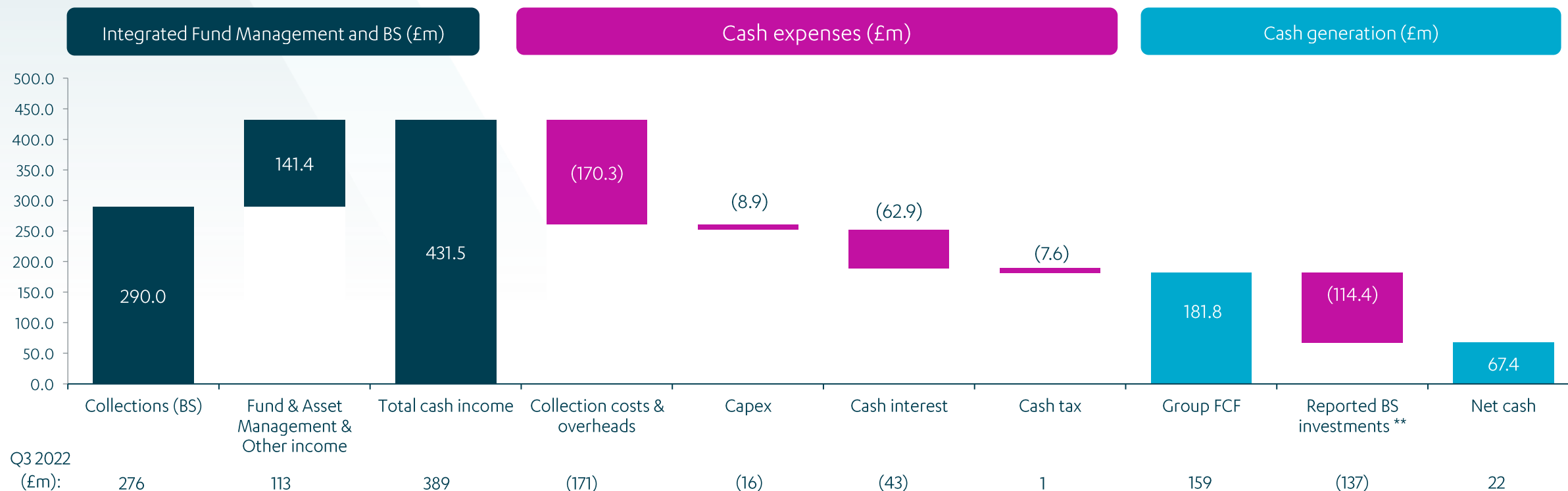


Collections as a % of ERC



Free cash flow generation

- Strong free cash flow* generation of £181.8 million (2022: £159.6 million)
- Free cash flow generation exceeded the cash outflow for portfolio investments by £67.4 million (2022 £22.4 million)
- Investment levels will benefit from 10% co-invest ratio in ACO 2 versus 25% through ACO 1, therefore capital intensity is expected to continue to reduce across the remainder of 2023
- Unique integrated fund manager model enables revenue/earnings growth with balance sheet de-leveraging going forward



* Free cash flow = Cash generated after the effects of capital expenditure, financing and tax cash impacts & before reinvestment and cash impact of adjusting items

** Investments made includes movements on funding into holding structure, does not include funding deferred portfolio investments from previous years, excludes re-investment in 50% of UK unsecured back book

Cash generation and capital allocation

- Free cash flow (£182 million) exceeded portfolio investments (£114 million) by £67 million
- Net debt reduced by £19 million during 2023
- During Q3, cash outflow in respect of the Maslow acquisition was £40 million, which was partly offset by the inflow relating to the divestment of the UK platforms in H1 2023 resulting in a net M&A outflow of £9 million
- The £39 million other outflow predominantly represents the movement associated with UK divestment (£14 million) and £27 million operational working capital outflow, driven by the impact of business growth, accrued profits of Maslow and capitalised Fund set-up costs for ACO 2 and AREO. During Q3, there was an operational working capital inflow of £5 million
- Going forward (with 10% co-investment in ACO 2), the strong free cash flow is expected to continue to exceed portfolio investment and support de-leveraging

£'millions	2021	2022	Q3 2023 YTD
Free Cash Flow	182	214	182
Reported Balance Sheet investments ¹	(190)	(181)	(114)
Net Cash Flow post investment	(8)	33	67
Deferred portfolio investment to following periods	40	24	13
Deferred portfolio investment from prior periods	(10)	(18)	(12)
TDR acquisition-related expenditure	(83)	-	-
Net M&A	(25)	(7)	(9)
Other	14	(100)	(39)
(Increase) / decrease in net debt	(72)	(68)	19

Item	£m
FX	16
Operational working capital	(27)
Movement associated with divestment	(14)
Accrued Interest	(15)
Total	(39)

1. Includes movements on funding into holding structure made in 2022 and 2023

Liquidity and leverage position

- Group leverage reduced by 0.5 times during 2023 from 4.1x to 3.6x, representing strong progress towards medium term strategic leverage commitment of 3.0 times
- The strong cash performance has facilitated debt repayment of £19 million
- Significant levels of liquidity headroom with no bond maturities until 2026
 - Weighted average duration of debt 3.5 years (FY 2022: 4.2 years)
 - Weighted average cost of debt of 6.7% (FY 2022: 6.3%)
 - Currently circa 80% of total bonds are fixed rate, including the impact of interest rate swaps
- Gross 120-month ERC was £1,306 million at Q3 2023, 23% lower than December 2022. The reduction is caused by the divestment of 50% of the wholly-owned UK unsecured backlog and the increased level of ERC reported net of servicing costs rather than gross
- Commitment to reaching medium term target leverage of circa 3 times

£'millions	Sep-23
Cash	(91)
£350m 6% Fixed Rate Notes due 2026	350
€640m Floating Rate Notes due 2027 Euribor + 4.625%	555
€400m 4.5% Fixed Rate Notes due 2026	347
Revolving credit facility - £285m maturing 2026	130
Total secured net debt	1,291
LTM Adjusted EBITDA	359.1
Leverage	3.6x
Liquidity headroom (cash and RCF headroom)	230
84-month ERC ¹	1,232.4
120-month ERC ¹	1,305.7

1. Given Arrow now co-invests in ACO 1 & 2 with an increasing proportion of ERC measured on FVTPL basis, approximately 56% of 84-month ERC and 55% of 120-month ERC is stated net of servicing and collections costs. Assuming 15% servicing costs, comparable gross ERC would be £1,353 million 84-month ERC and £1,431 million 120-month ERC respectively



Strategic focus

Zach Lewy

Group Chief Executive Officer

The leading European integrated fund manager



De-leveraging - a strategic priority

- Committed to reducing leverage to circa 3 times and repaying net debt over the medium term
- Strong collections focus, augmenting the build of capital light revenue streams
- Co-investment reduced to 10% for ACO 2 and AREO will drive increasing free cashflow after portfolio re-investment, supporting de-leveraging and will generate a proforma return on capital invested of circa 40%



Continue to scale our fund management proposition

- Development of three investment strategies, credit, real estate equity and lending, all utilising our local platforms and our vertically integrated model
- Fundraising across real estate and lending to complement the credit opportunity (ACO) discretionary funds
- Ongoing scaling of our origination through our off-market, local strategy driving higher returns
- Significant new hires during the quarter



Efficient local platforms create a differentiated proposition

- Integrated Fund Management segment delivering increased EBITDA and capital light revenues as we scale our business
- Aligned local platforms provide a differentiated strategy (typically smaller, higher return deals) versus other credit funds
- Maintaining our strong regulatory and customer franchise as part of our broader ESG commitments

► Appendix

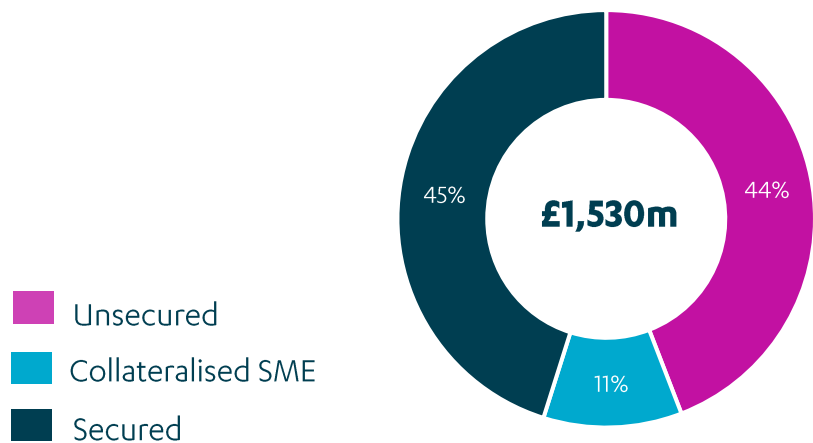
Divestment of non-core platforms: accounting & financial impact

- Following a strategic review, in Q3 2022, Arrow agreed to divest our non-core platforms, Capquest and Mars UK, to Intrum UK, subject to customary closing conditions including regulatory approval, with UK wholly-owned unsecured back book subject to a 50:50 profit sharing arrangement. This divestment completed in Q2 2023
 - Net proceeds received of £129 million, representing £91.5 million in respect of 50% of the portfolios, with £37.5 million being received for the platforms
 - 100% of UK wholly-owned unsecured back book represented £225.6 million of carrying value, £395.3 million of 84-month ERC and £482.0 million of 120-month ERC as at 31 May 2023
 - Circa £19 million net asset value of the platform transferred
- £2.8 million loss has been recognised in adjusting items for the period to September 2023, being a £11.9 million profit on disposal of held for sale assets and liabilities offset by £14.8 million of operations held for sale result
- Going forward, the 50% balance sheet investments retained by Arrow will be accounted for on a joint venture basis

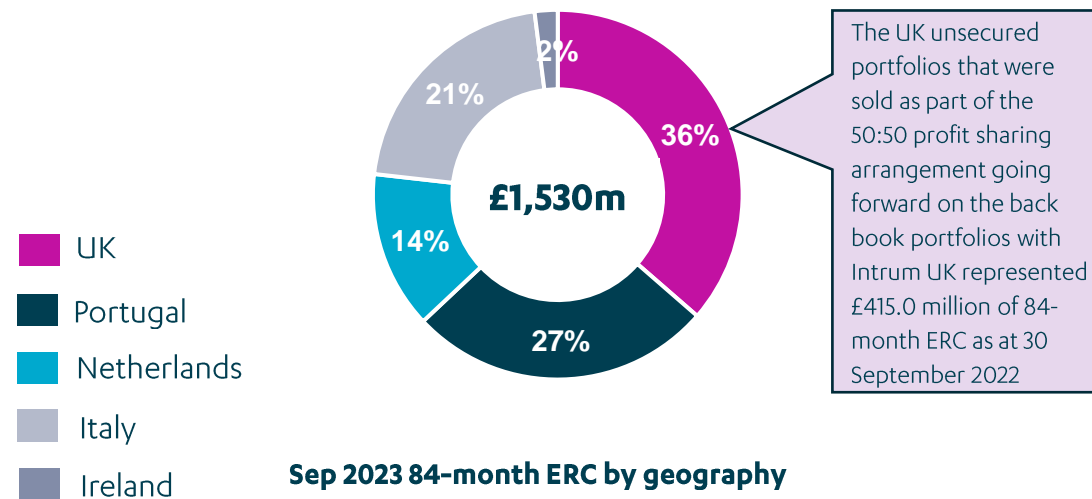
ERC exposure by geography and type

ERC for assets measured net of servicing and collection costs and represents 56% of total ERC

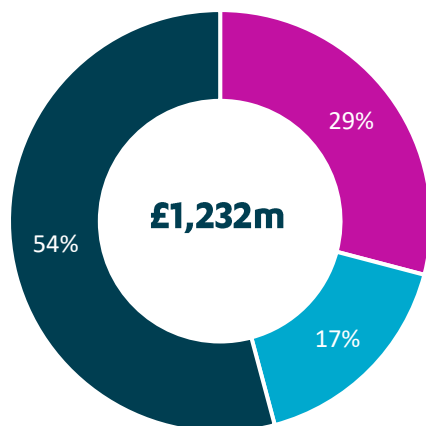
Sep 2022 84-month ERC by asset class



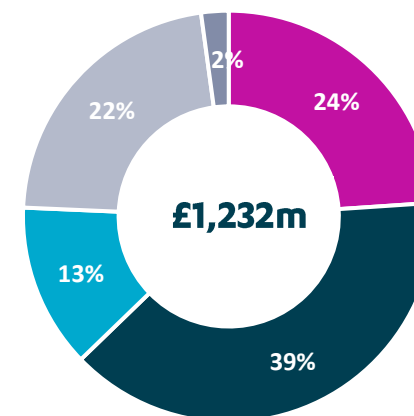
Sep 2022 84-month ERC by geography



Sep 2023 84-month ERC by asset class



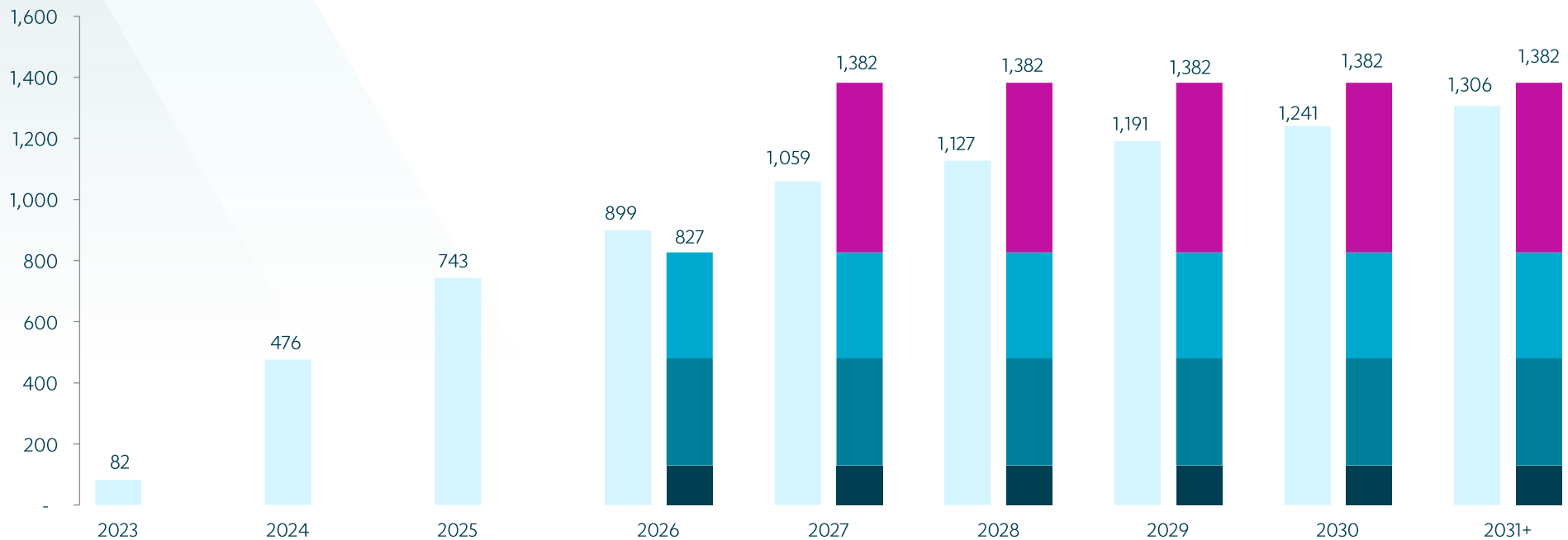
Sep 2023 84-month ERC by geography



1. ERC includes Arrow's investment in ACO 1, ACO 2 and AREO 1
2. A growing proportion of the Group's ERC is reported net of servicing and collection costs. The percentage of 84-month ERC for assets measured on a net basis was 56% as at September 2023
3. Collateralised unsecured primarily represents claims in bankruptcy situations originated by Europa Investimenti

Gross debt maturity profile against 120-month ERC

- Cumulative 120-month ERC
- £285 million RCF¹
- £350 million 6% Fixed Rate Notes due 2026, callable at par from November 2025
- €400 million 4.5% Fixed Rate Notes due 2026, callable at par from November 2025
- €640 million Floating Rate Notes due 2027, Euribor + 4.625%, callable at par from November 2023



¹Drawn RCF balance as at September 2023 was £130 million

²All debt maturities are shown gross, not taking into account Group cash balances of £91 million which were held as at September 2023

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