ARROW GLOBAL GROUP PLC

Interim Results

31 August 2016

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TODAY'S SPEAKERS

Tom Drury
Group Chief Executive Officer

Robert Memmott
Group Chief Financial Officer

AGENDA

Agenda	
I	Highlights
II	Strategic update
III	Financials
IV	Outlook & summary
	Q&A
	Appendix

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I. HIGHLIGHTS

SUMMARY HIGHLIGHTS

- Continued strong growth in earnings and dividend
- Maintained high returns – mid 20’s ROE
- Developed a leading position and growth opportunities in the Netherlands and Belgium through the acquisition of InVesting
- Strong total purchases of £131.4 million (including £96.0 million organic) invested at target returns
- Material improvements in cost and duration of funding
- Received our full FCA authorisation in August
- Continue to see strong pipeline across Europe with further opportunities for product and geographic growth

H1 2016 HIGHLIGHTS – FINANCIAL

38.0%
Core cash collections
(H1 2015: £100.6 million)
£138.8m

34.4%
Organic portfolio purchases
(H1 2015: £71.4 million)
£96.0m

25.8%
Underlying basic earnings per share ("EPS")
(H1 2015: 8.7.p)
10.9p

60.3%
Adjusted EBITDA
(H1 2015: £65.7 million)
£105.3m

15.7%
120 Month ERC
(31 December 2015: £1,224.5 million)
£1,417.2m
(+ 25.0% from 30 June 2015: £1,134.2m)

Underlying return on equity ("ROE") LTM *(H1 2015: 25.5%)*
27.4%

25.8%
Underlying net income
(H1 2015: £15.2 million)
£19.1m

18.0%
Purchased loan portfolios
(31 December 2015: £586.3 million)
£692.0m
(+ 34.1% from 30 June 2015: £515.8m)

58.8%
Interim dividends
(H1 2015: 1.7p)
2.7p per share

Executing our strategy to drive earnings and dividend growth

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II. STRATEGIC UPDATE

STRATEGIC OBJECTIVES

Vision	**Europe's leading purchaser and manager of debt**
Strategy	► To be a top 3 player in each of our chosen markets, building on our market leading platforms ► To focus on delivering strong returns through deep understanding of our customers and clients ► To be industry leaders in data and analytics ► To transform the customer journey within our industry and deliver great customer outcomes ► To further diversify the business

AN ENLARGED AND DIVERSIFIED BUSINESS

Origination
- Primary
- Secondary
- 10 different asset classes across secured and unsecured

Data

UK	▶ > 20m records in UK (PCB) ▶ c. 50% UK match rate
Portugal	▶ 9 year performance history in Portugal ▶ 30% match rate in Portugal
Netherlands	▶ 10.5m customer profiles in FOCUM information database in the Netherlands

Servicing
- Best in class 3rd party
- Leading internal platforms
- Asset management operations to account for around 25% of Group revenues

Product	Debt purchase	White label collections	Contingent collections	REO	BPO
Sector	Banking	Retail	Telecoms/ utility	Student loans	e-commerce

Coverage	UK	Portugal	Netherlands Belgium	France
120-Month Gross ERC (£m)	892	384	142	

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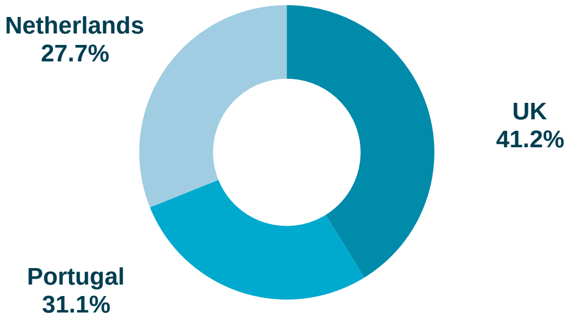
INVESTING UPDATE

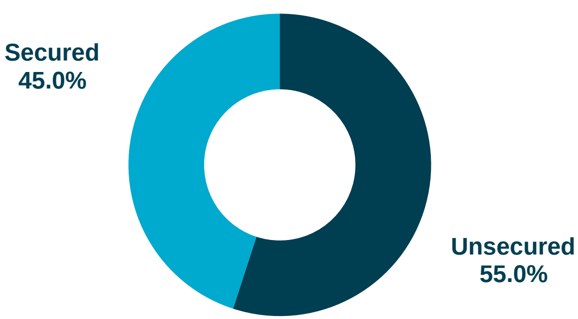
- Acquisition completed in May 2016. Enterprise value of €100 million including 502k accounts and 120 month ERC of €107 million
  - Vesting Finance is a traditional DCA + pension servicing business with long duration customer relationships
  - FOCUM is a business information provider with a large number of smaller contracts with 10.5 million profiles in its information database
  - AchterafBetelan is an open invoice payment provider for online post payment solutions with a large number of smaller contracts
- Portfolio assets performing favourably relative to our underwriting forecast
- Integration on track - InVesting CEO, Joost van Rens, now in-country CEO responsible for all Arrow Global assets in the geography
  - Embedded Arrow Global Group risk framework
  - Sharing of core competencies (analytics, origination, pricing)
  - Clear strategy to develop the business by using origination and fund relationships to focus the business on larger financial services opportunities

H1 2016 PORTFOLIO INVESTMENT – BENEFITTING FROM INCREASED OPPORTUNITY

Investment split by geography H1 2016[1]



Investment split secured/unsecured H1 2016[1]



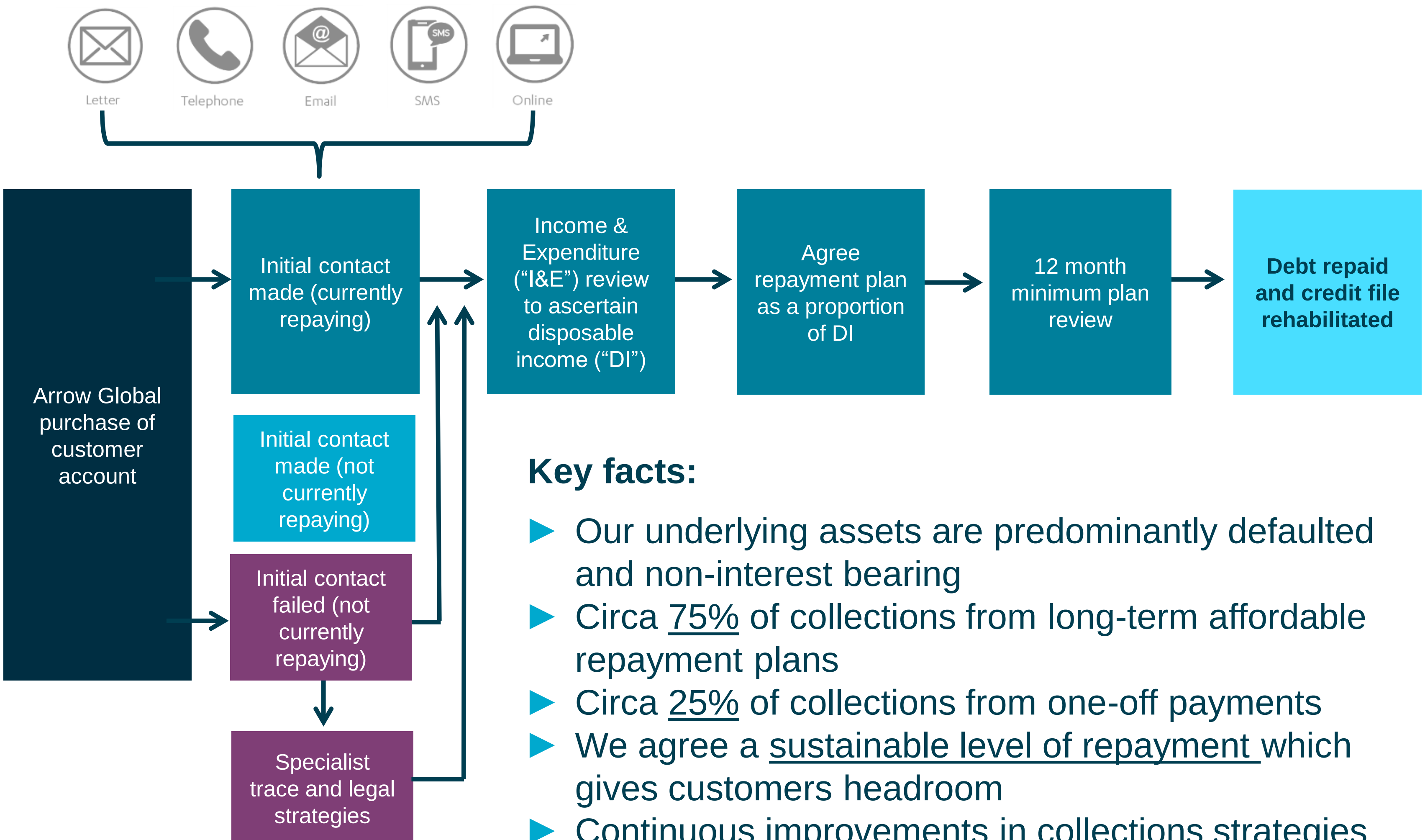
- Balanced between geographies and secured/unsecured
- Continue to source significant amount of deals off-market 89%
- 2016 vintage collecting favourably to underwriting forecast

Year	Volume of Deals				Win Ratio	Bid Ratio
	Won	Lost	Did Not Trade / Passed	Total		
2013	17	19	24	60	47%	60%
2014	23	28	35	86	45%	59%
2015	23	20	52	95	53%	45%
2016 H1	8	9	39	56	47%	30%

- Strengthened market position and embedded fund relationships generating greater opportunity
- More selective in deals we progress

1. *By purchase price (Includes InVesting portfolios)*

MODELLING UK MACROECONOMIC UNCERTAINTY – UNDERSTANDING THE CUSTOMER JOURNEY



Key facts:

- Our underlying assets are predominantly defaulted and non-interest bearing
- Circa 75% of collections from long-term affordable repayment plans
- Circa 25% of collections from one-off payments
- We agree a sustainable level of repayment which gives customers headroom
- Continuous improvements in collections strategies (e.g. digital)

MODELLING UK MACROECONOMIC UNCERTAINTY

- The purchase of Capquest gives Arrow Global the opportunity to gain deeper insight into customer payment behaviour under macro-economic stress and simulate the potential impacts of Brexit, and any downturn macro-economic factors, on Arrow Global's business

- Engaged Jaywing Consulting to review and challenge analysis

- The analysis consider the following 4 KPI's from the Arrow Simulation Engine used to forecast ERC:
  - Breakage rates: the proportion paying over time
  - Payment values: Proportional growth in arrangement value in quarter
  - Cumulative settlement rate: cumulative proportion of customers making a one-off settlement
  - Settlement liquidation rate: proportion of current balance's made as a settlement

- The analysis shows that whilst increases in payment values observed in non-recessionary times are supressed the other three metrics did not exhibit significant shocks within the last recession

- As such, it is expected that the impact of macroeconomic uncertainty on Arrow Global's ERC is within tolerances. Further analysis and monitoring will be on going as the macro-economic impacts as the process of withdrawal of the UK from the EU unfolds

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III. FINANCIALS

BUSINESS MODEL OVERVIEW – ILLUSTRATIVE ECONOMICS

Debt purchase (£m)[1]

	120 Month
Face value of purchased balances owed	100
Price paid for the portfolio	12.5
Gross cash collections	25.0
Gross Cash-on-Cash Multiple	**2.0**
Cost-to-collect ratio	15.5%
Net cash collections	21.1
Net Cash-on-Cash multiple	**1.7**

- Defaulted debts converted into sustainable long-term repayment plans

Asset management (£m)[1]

Income from asset management	17.2
Cost-to-collect	(10.1)
Net contribution to profit	7.1

- Derive fees from a broad service offering:
  - Advisory
  - BPO
  - Debt collection
  - Due diligence
  - Real estate management
- 'Capital light' (no up-front capital) supported by long-term contracts
- Supports origination and enhances ROE

1. *Reflective of H1 2016 purchases and asset management revenues*

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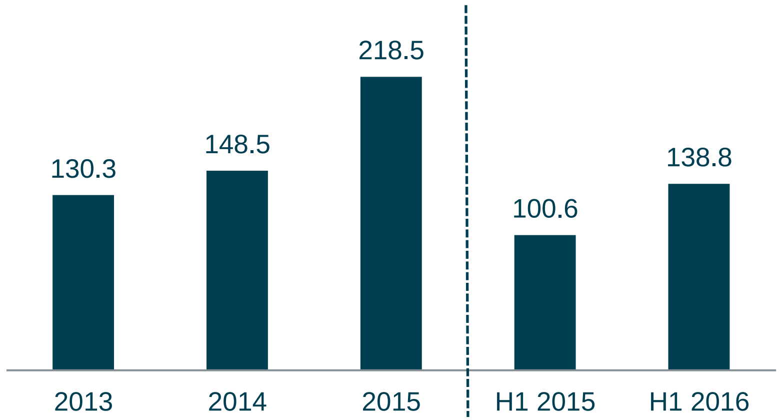
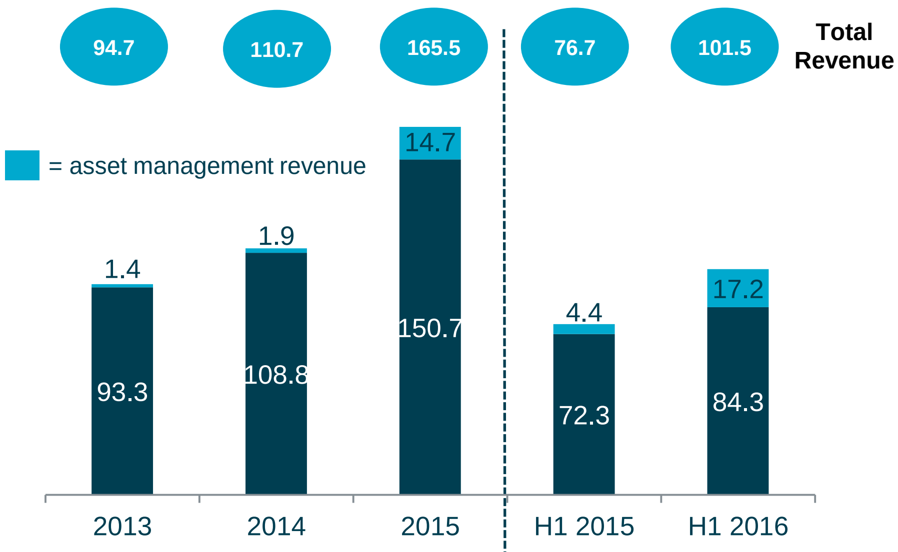
H1 2016 PERFORMANCE

Core cash collections (£m)



Revenue growth (£m)



- Growth of 38.0% in core cash collections to £138.8 million
- Overall collections ahead of ERC forecast
  - Strong performance of 2015 and 2016 vintages
  - UK collections in line with ERC
  - Some disruption in Portugal as we migrate portfolios in-house
- 2016 vintage curve shape drives higher collections and amortisation charge
- Increase of 32.4% in revenue to £101.5 million
- Asset management businesses generated £17.2 million (17%) of revenue (H1 2015: £4.4 million, 6%)
- Asset management revenues expected to be circa 25% of Group revenue on a run rate basis

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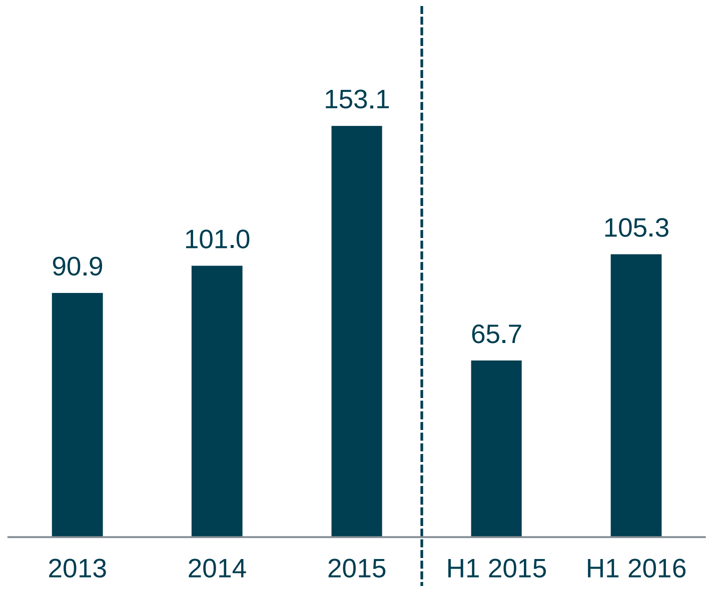
H1 2016 PERFORMANCE

Adjusted EBITDA (£m)



- Growth of 60.3% in Adjusted EBITDA to £105.3 million
- Improvement in Adjusted EBITDA driven by execution of investment plan
  - Growth in portfolio asset base
  - Strong performance of 2015 and 2016 vintages
  - Account migration to core panel and in-house collection operation
  - Continued delivery of Capquest synergies
  - InVesting acquisition
- Circa 82% of Adjusted EBITDA from owned assets and contracts held at beginning of year

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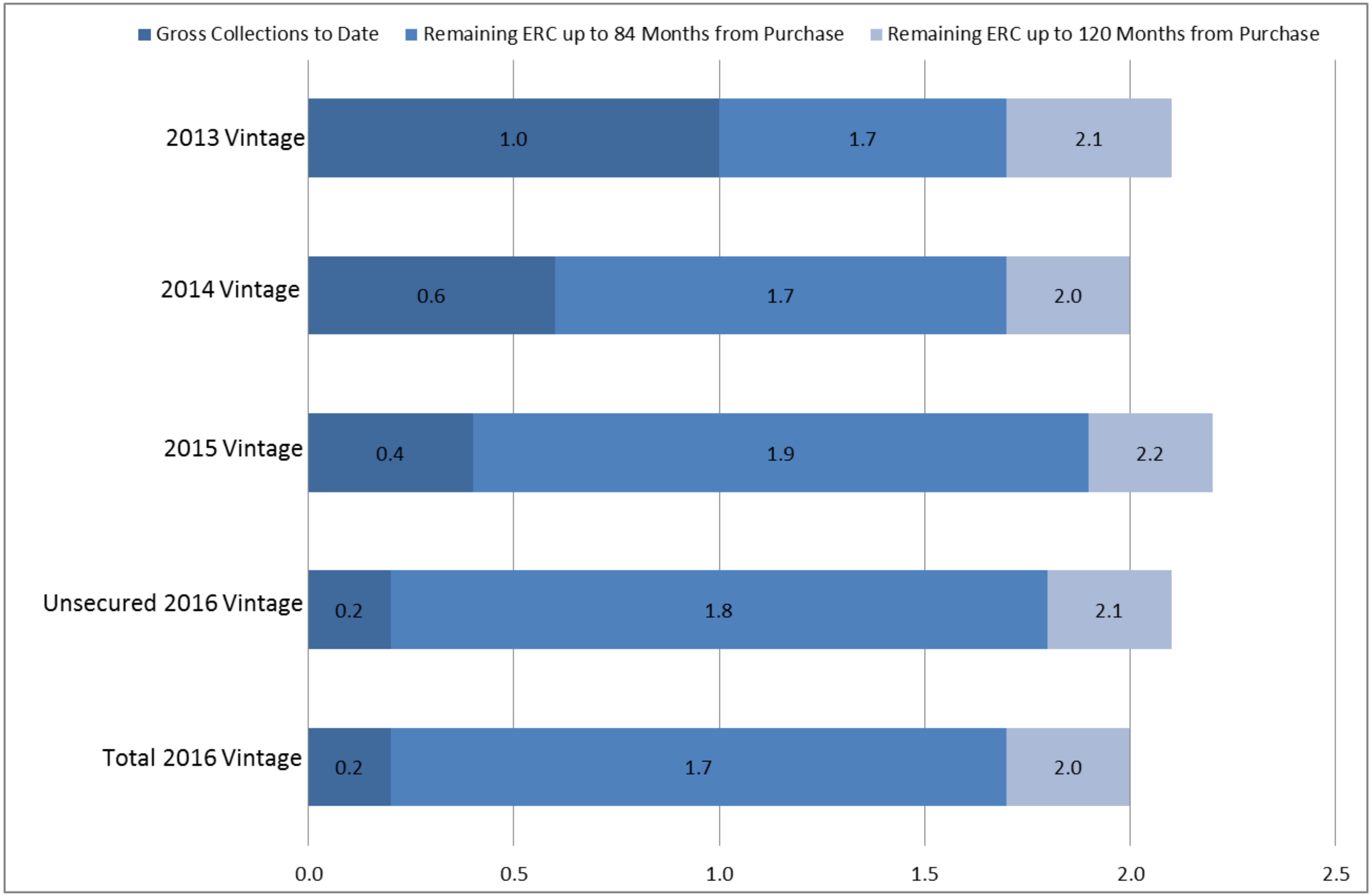
GROSS CASH ON CASH MULTIPLES



- We expect total returns to be higher as they mature as collections are expected beyond 120 months
- H1 2016 vintage includes 45% secured by purchase price

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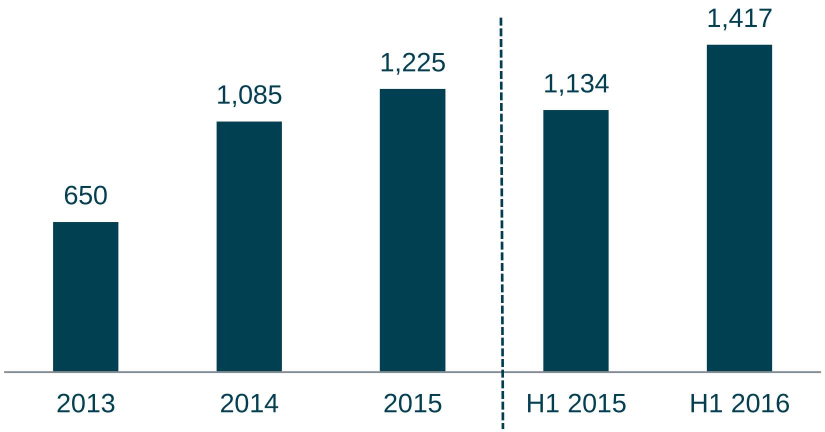
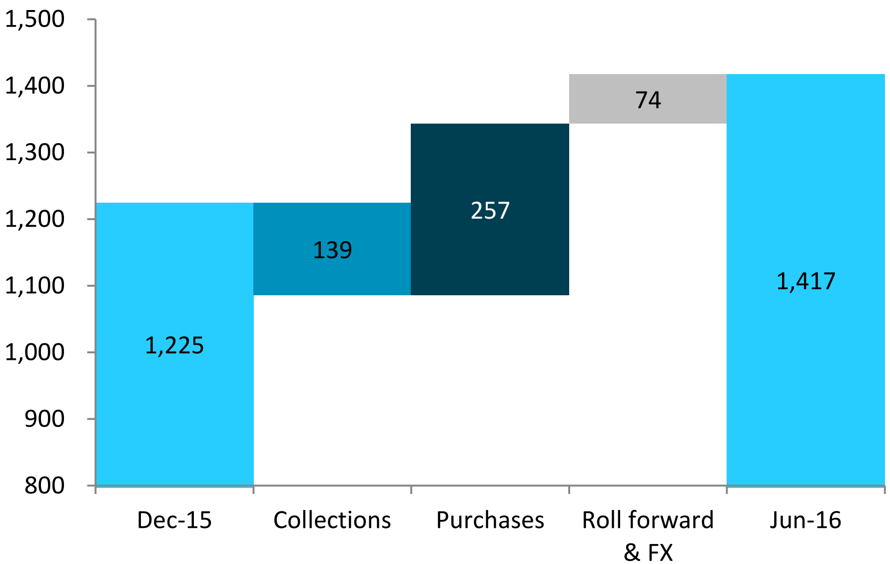
Proprietary and Confidential

H1 2016 PERFORMANCE

120-month gross ERC (£m)



120-month ERC bridge Dec 15 to Jun 16 (£m)



- Continued growth in ERC driven by strong H1 2016 purchases
- 120-month ERC breakdown
  - UK 63%
  - Portugal 27%
  - Netherlands 10%
- At 30 June 2016 approximately 600,000 accounts paid Arrow in the last 3 months with a current face value of approx £1.7 billion
- Replacement rate for next 12 months approx £100 million

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SECURE LONG-TERM FUNDING

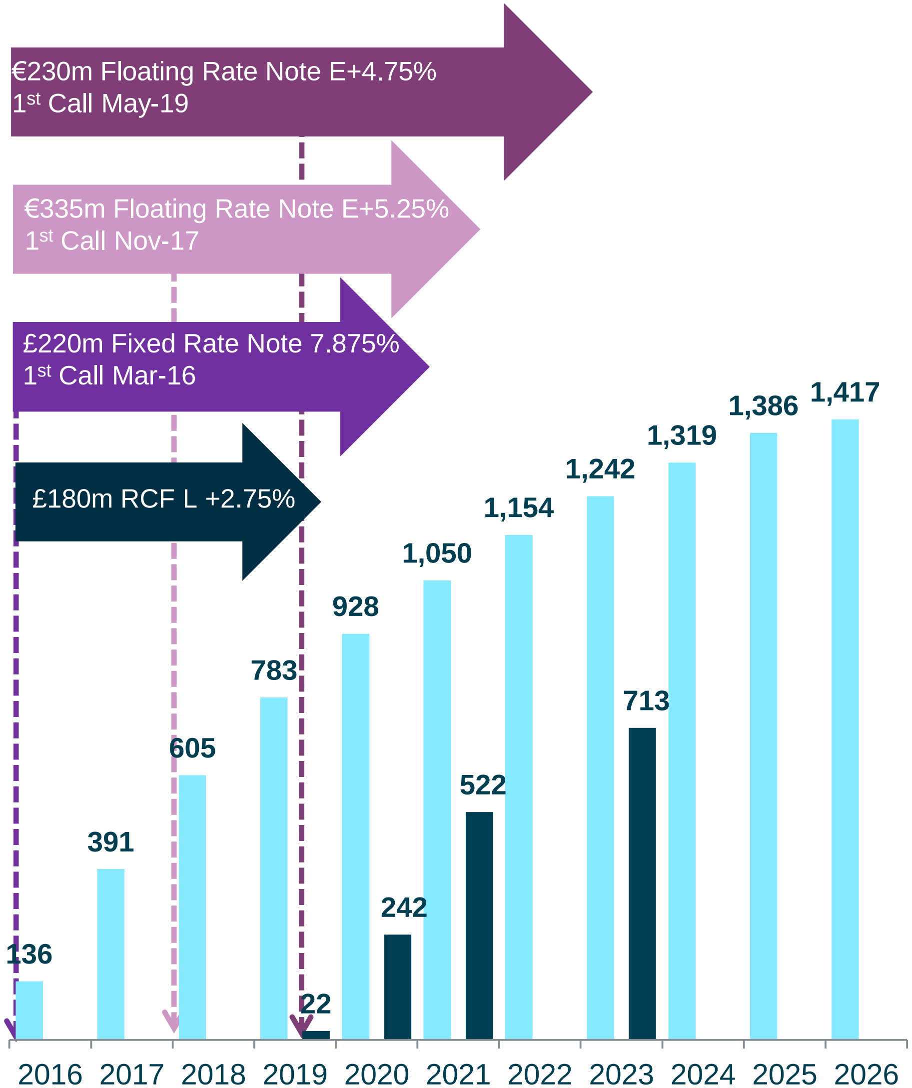
Indebtedness – as at 30 June 2016 (£m)

Net Debt	739.1
LTM Adjusted EBITDA	192.7
84-Month ERC	1,200.0
Leverage Metrics	
Net Debt / Adjusted EBITDA	3.8x
LTV (Net Debt / 84-Month ERC)	61.6%
Secured LTV (Secured Net Debt/ 84-Month ERC)	58.5%
Cash cover	5.3x

- Net Debt/Adjusted EBITDA unchanged following InVesting acquisition
- Successful €230 million bond issuance at EURIBOR +4.75%
- Significant headroom on 58.5% LTV compared to covenant of 75%
- Maintained significant headroom in advance of UK EU referendum vote
- £158 million of RCF undrawn
- Cost of holding additional liquidity has a negative impact on funding costs

LONG-TERM FUNDING

Debt maturity & 120-month ERC

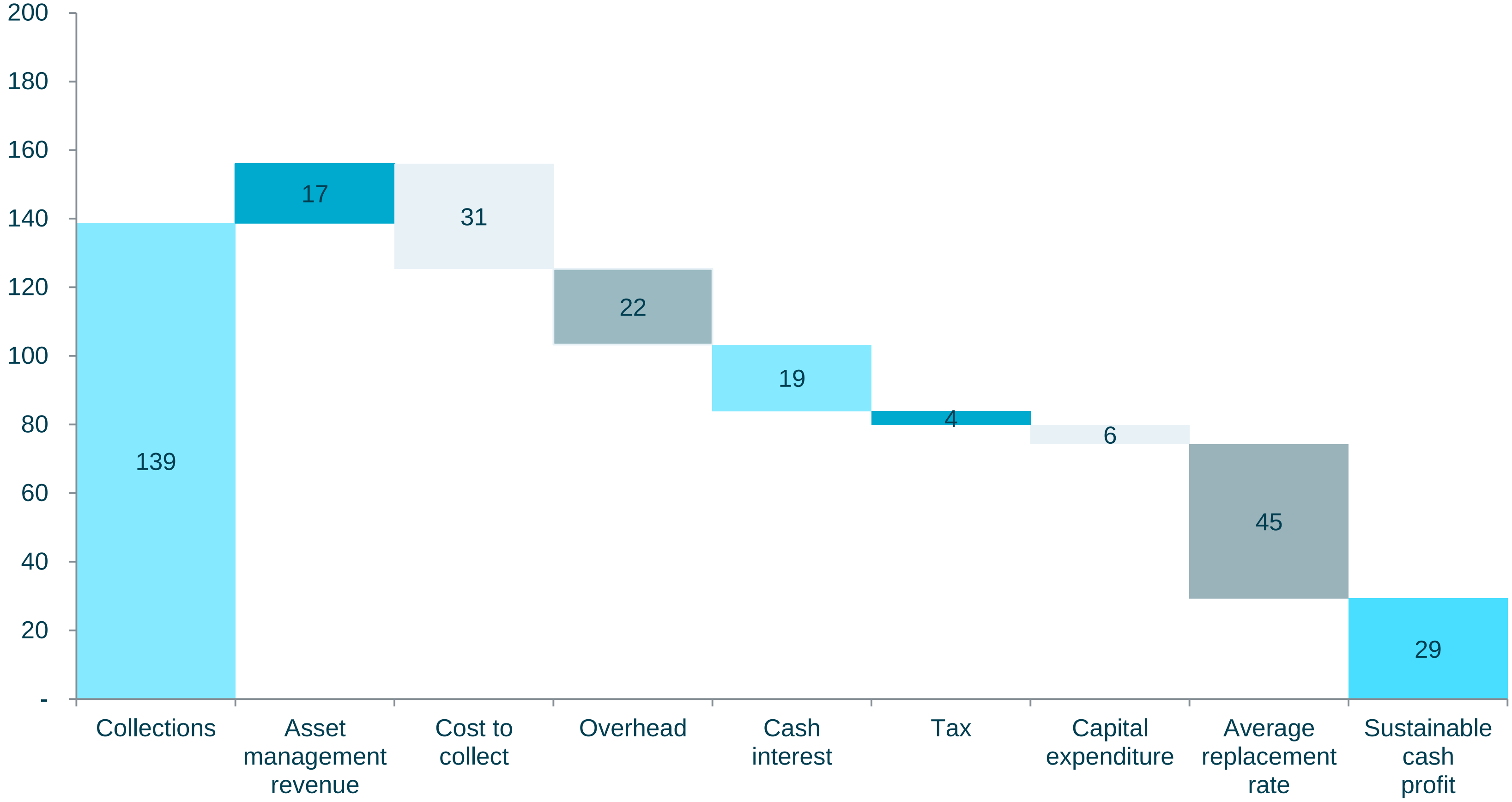


Cumulative 120-month ERC   Cumulative debt maturities   * £22 million drawn of £180 million RCF available   Bond call date

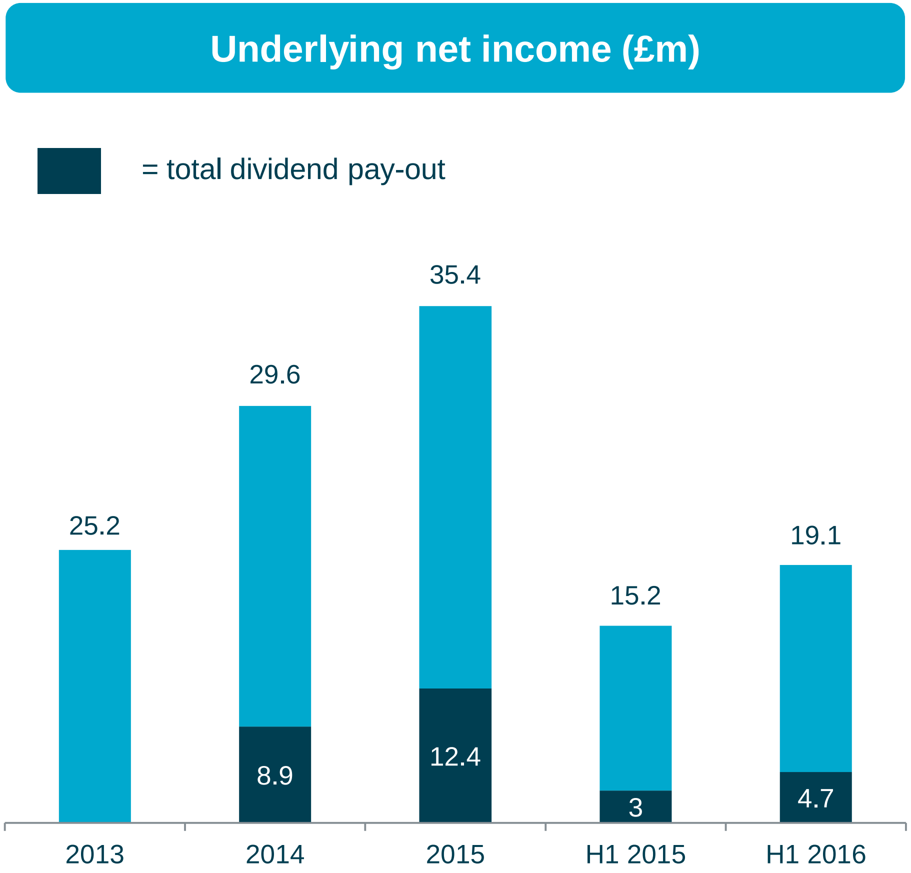
- Significant ERC coverage of debt maturities
- Average debt duration currently stands at circa 5.2 years with a WACD of 5.75%
- RCF refinanced in July.
  - 100 bps reduction in margin
  - 54 bps reduction in commitment fee
  - Extended duration to November 2019 with a committed option to July 2021
- S&P ratings upgrade to BB
- Continue to assess funding opportunities to reduce the WACD and extend maturity

H1 2016 PERFORMANCE

Sustainable cash profit (£m)



H1 2016 PERFORMANCE



- Includes two months from InVesting
- £1.3 million contribution from MCS (H1 2015: £0.5 million)
- Underlying net income increased by 25.8% to £19.1 million
- EPS of 10.9p – growth of 25.8%
- Underlying LTM ROE of 27.4%
- Interim dividend of 2.7p, being 50% of the 2015 final dividend of 5.4p

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IV. OUTLOOK & SUMMARY

MARKET OUTLOOK

- Evidence suggests that the post EU referendum pause has now subsided[1]
- Transaction volumes for the market already at 68% of completed 2015 volumes. Volumes continue to increase across Europe[1]
- Associated Brexit not expected to impact our ability to operate and purchase portfolios in Europe (licensed in our own right in each of our chosen markets and as such are not reliant on the UK's on going membership of the EU)
- Continued shift to BPO-type revenues creating further opportunities for long-term contracts
- Continue to see strong pipeline – organic portfolio purchases for the remainder of 2016 of over £29 million already awarded
- Debt purchase (front book) drivers remain unaffected – changes in regulatory environment and the need for recapitalisation

1. *Source: PWC Portfolio Advisory Group, Market Update Q2 2016 (published August 2016)*

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- Continued strong financial performance with EPS increase of 25.8% and ROE (LTM) grown to 27.4%
- Strong H1 2016 investment with £96.0 million (organic) invested at target returns
- Continue to diversify our business and strengthen the organisation
- Significant funding progress with RCF refinanced and S&P ratings upgrade
- FCA authorisation, an important milestone now achieved
- Resilient underlying assets – affordable repayment plans
- Confident that overall full-year earnings will be in line with our expectations and we remain confident in meeting our growth and returns targets

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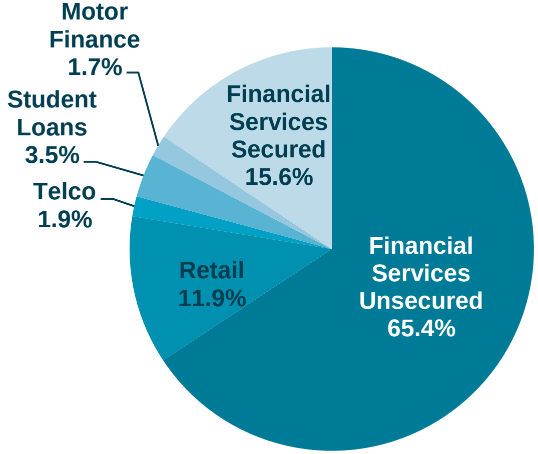
Q&A

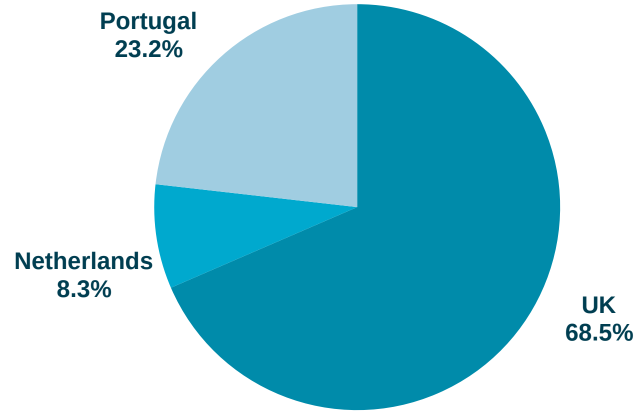
Appendix

PORTFOLIO SUMMARY

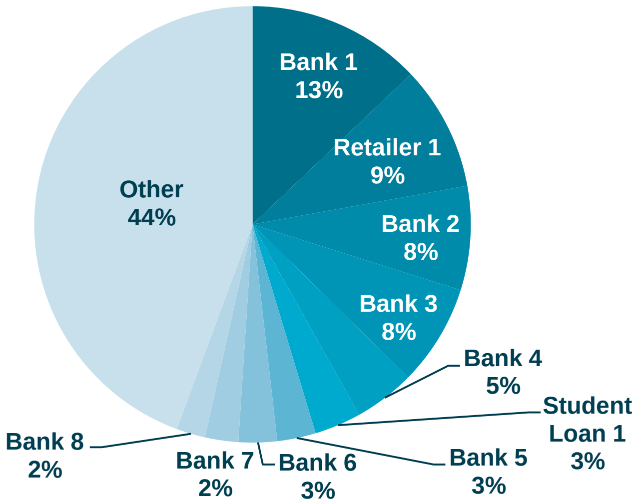
Portfolio split by asset class[1]



Portfolio split by geography[1]



Portfolio split by originator[1]



Cumulative highlights[1]

- Average account balance of £1,661(an increase of 4.1% from H1 2015: £1,595)
- Average financial services balance of £1,929
- Average balance of paying accounts of £2,988

1. *Cumulative by purchase price*

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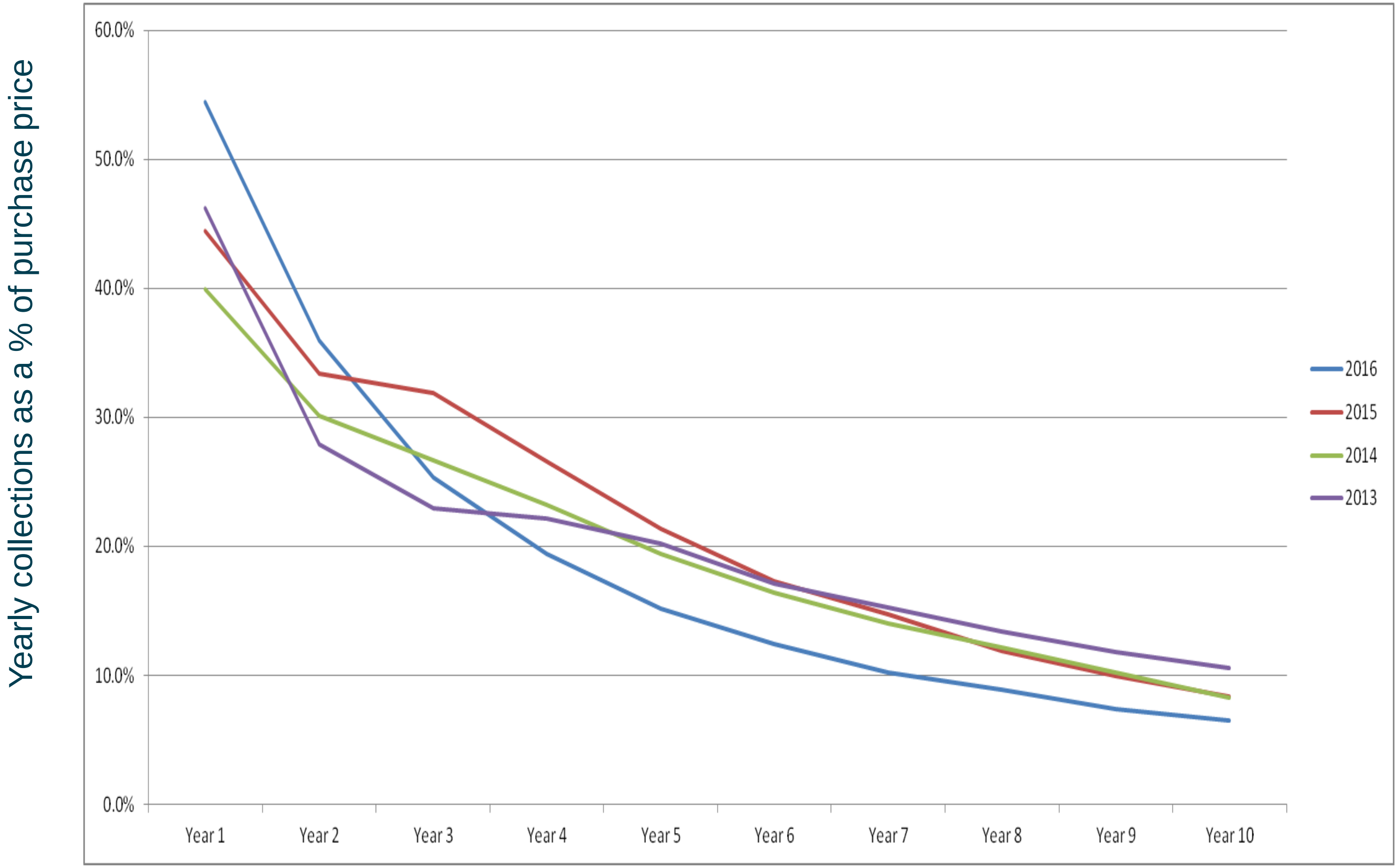
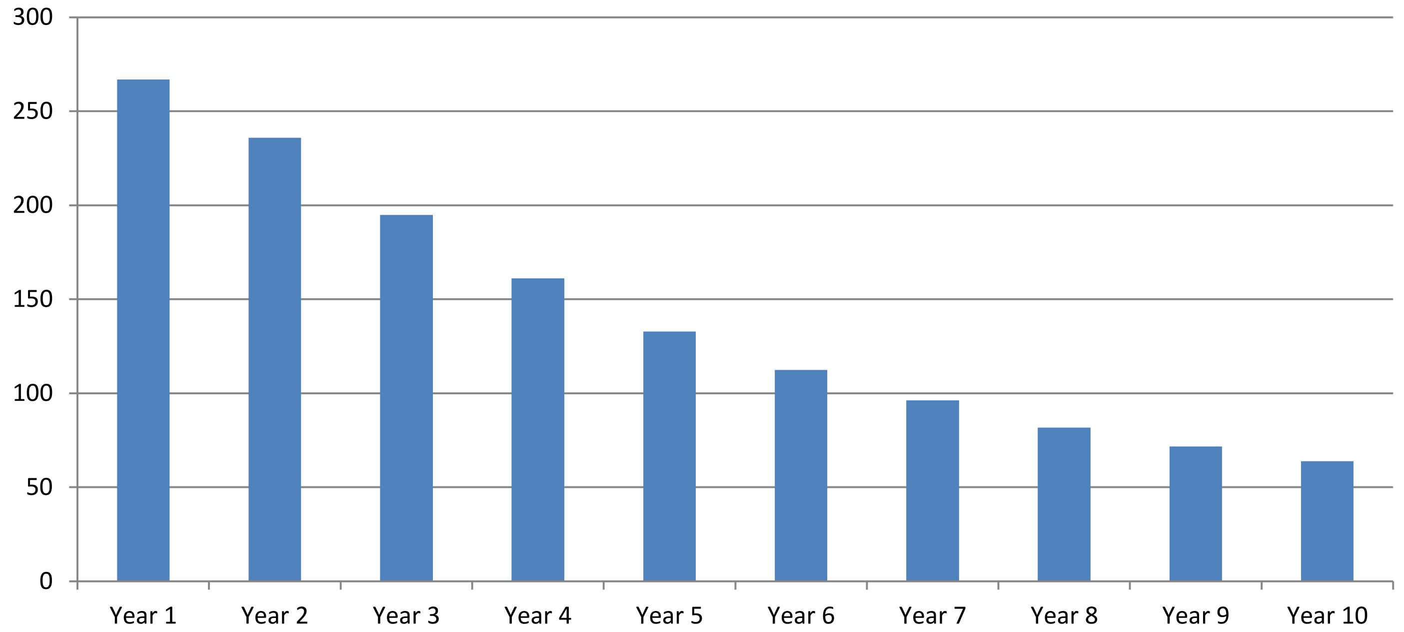
VINTAGE CURVES



ESTIMATED REMAINING COLLECTIONS

120-month ERC[1] – value embedded in existing book (£m)



	84-Month Gross ERC							120-Month Gross ERC			Total
Year	1	2	3	4	5	6	7	8	9	10	
ERC (£m's)	266.8	235.9	194.9	161.1	132.8	112.3	96.2	81.7	71.7	63.8	1,417.2

1. Euro ERC at 30 June 2016 exchange rate 1.20

KEY METRICS – NET DEBT

	£m
Cash and Cash Equivalents	(20.7)
Bond	691.5
Accrued Bond Interest	8.7
Bank Overdraft	8.6
Deferred Consideration	28.9
Revolving Credit Facility	22.0
Net Debt	**739.1**

STATEMENT OF COMPREHENSIVE INCOME

£m - IFRS	Jun-16	Jun-15
Core Cash Collections	**138.8**	**100.6**
Portfolio Amortisation	(55.2)	(28.5)
Total Revenue from Portfolios	**83.7**	**72.2**
Income from Asset Management	17.2	4.4
Other Income	0.6	0.1
Total Revenue	**101.5**	**76.7**
Collection Activity Costs	(30.7)	(24.1)
Overhead Costs	(21.4)	(15.7)
Total Operating Expenses (pre-Exceptionals)	**(52.1)**	**(39.8)**
Share in Associate Profit	1.3	0.5
Adjusted EBITDA	**105.3**	**65.7**
Non-cash operating expenses	(2.1)	0.5
Exceptional Items	(2.7)	(2.8)
EBITDA	**46.0**	**35.1**
Depreciation & Amortisation	(3.6)	(1.6)
Financing Costs (pre-exceptionals)	(21.9)	(17.0)
Profit Before Tax	20.5	16.4
Taxes	(4.0)	(3.5)
Net Income	**16.5**	**12.9**
Net Income (Pre-exceptionals)	**19.1**	**15.2**