

# ARROW GLOBAL GROUP PLC

Q3 Year To Date Results

9 November 2016

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# TODAY'S SPEAKERS



**Tom Drury**  
*Group Chief Executive Officer*

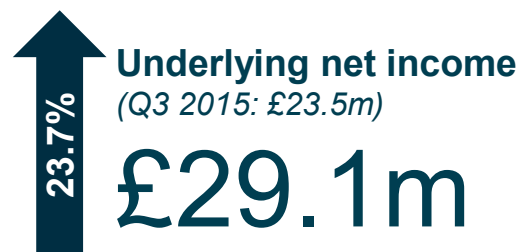
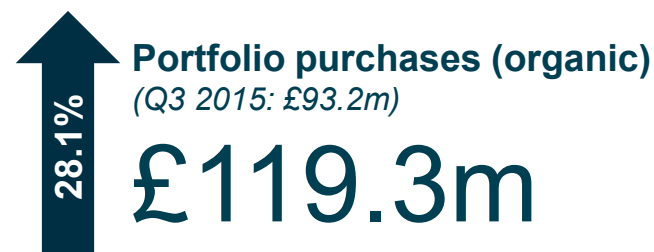
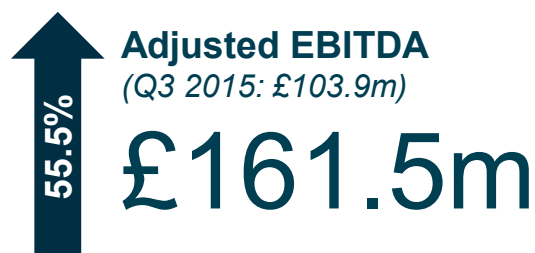
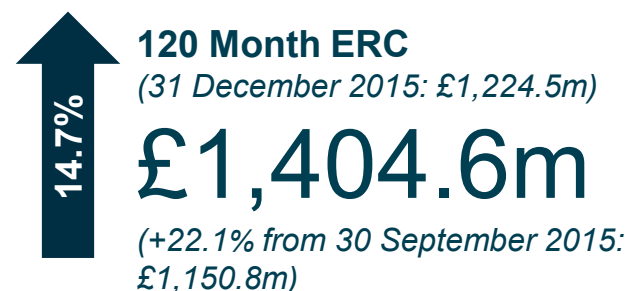


**Robert Memmott**  
*Group Chief Financial Officer*

## Q3 SUMMARY HIGHLIGHTS

- ▶ Continued income diversification, delivering strong growth in earnings and ROE
- ▶ Expanded Group footprint driving strong deal flow
- ▶ Total purchases of £154.6 million (£119.3 million organic) invested at target returns
- ▶ Material improvements in cost and duration of funding – average debt duration more than six years, average cost of debt now circa 5%
- ▶ Continue to see strong pipeline of opportunity for both debt purchase and servicing
- ▶ Announced landmark deal in the Netherlands – a co-invest in portfolio assets of circa €1.7 billion, with Group taking responsibility for servicing of entire loan book

## Q3 YTD 2016 HIGHLIGHTS – FINANCIAL



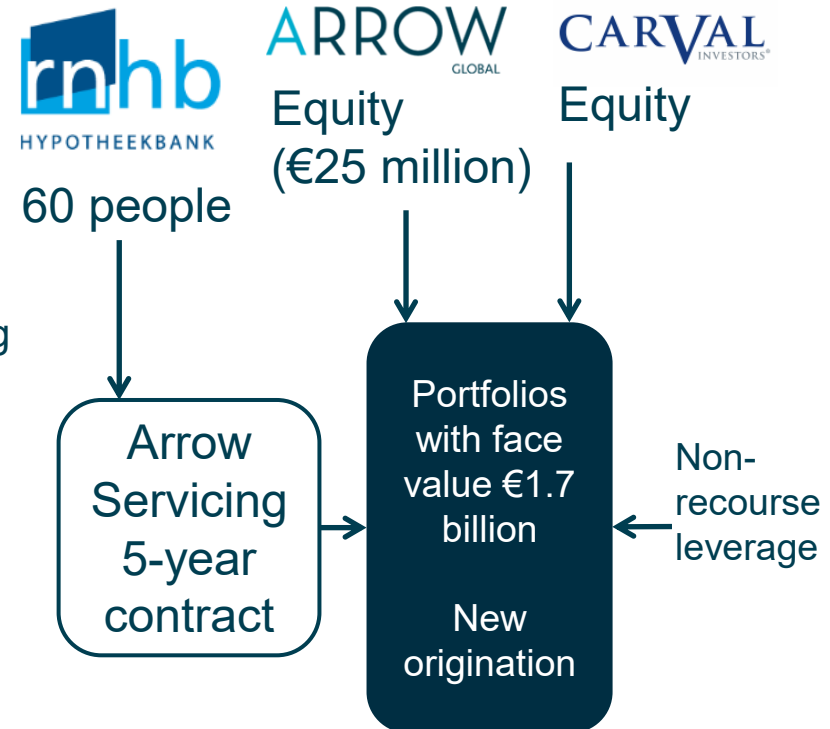
Building the asset base and franchise to support continued earnings growth

# STRATEGIC OBJECTIVES



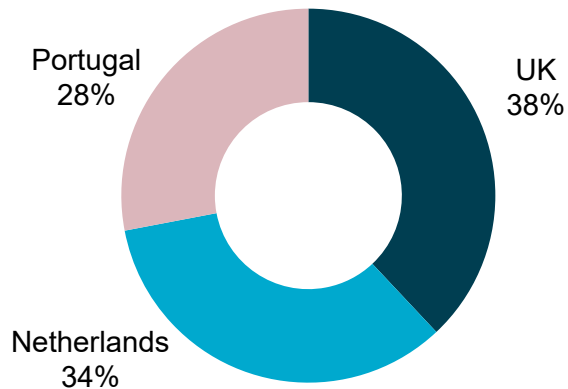
# LANDMARK TRANSACTION IN THE NETHERLANDS

- ▶ Transformative deal which adds specialist servicing expertise to our market-leading Dutch offering
- ▶ Purchase (alongside CarVal Investors) and servicing of loan portfolios with a face value of circa €1.7 billion (circa 9,300 loans)
- ▶ Comprises 100% of the real estate financing activities of RNHB Hypotheekbank, a division of FGH Bank (fully-owned subsidiary of Rabobank)
- ▶ High quality secured loan assets (average LTV of 66%)
- ▶ Builds on secured asset and REO expertise and capabilities of Portuguese business
- ▶ Underpins existing growth plans and is expected to complete in Q4 2016

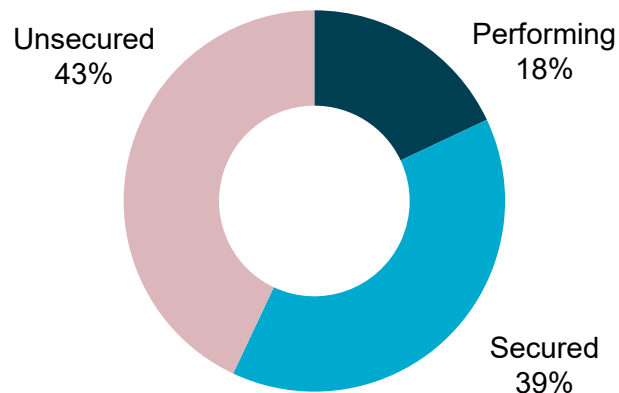


## Q3 YTD ORIGINATION

### Investment split by geography Q3 2016<sup>1</sup>



### Q3 investment split<sup>1</sup>



### Key Highlights

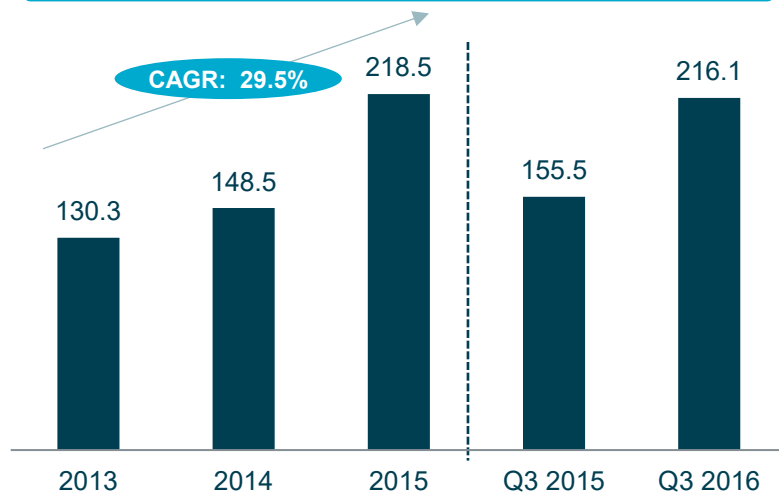
- ▶ Acquired debt portfolios with a face value of £1,166.5 million for £154.6 million
- ▶ Portfolio purchases continue to build a balanced vintage in line with our target returns
- ▶ 81% purchased off-market
- ▶ 120-month ERC has grown to £1.4 billion
- ▶ Continue to build asset management towards 25% of Group revenue

1. By purchase price including the Vesting Finance acquisition

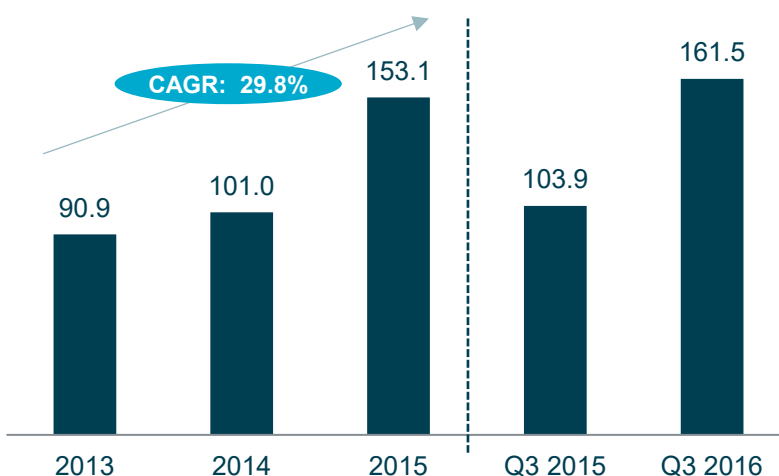


# Q3 YTD PERFORMANCE

## Core Cash Collections (£m)



## Adjusted EBITDA (£m)

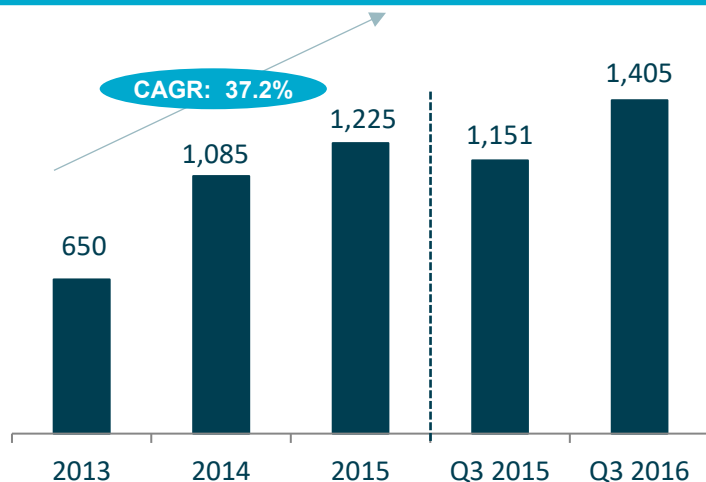


## Key Highlights

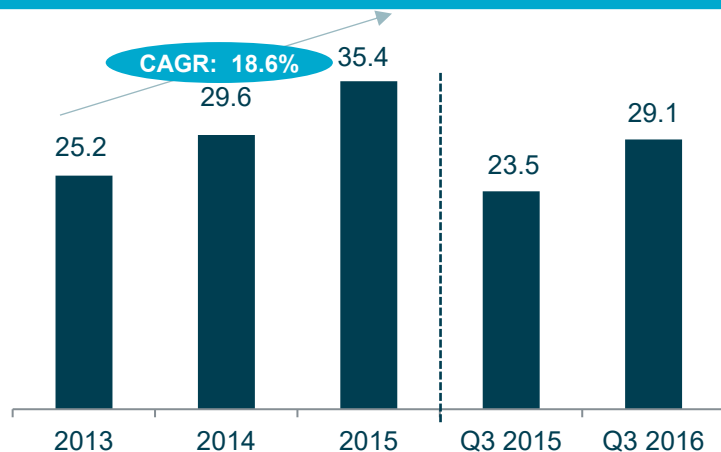
- ▶ Core collections increased by 38.9% to £216.1 million (Q3 2015: £155.5 million), reflecting the increase in our portfolio asset base
- ▶ Back book continues to perform well at 102% of original underwriting target
- ▶ Strong performance of the 2015 and 2016 vintage has mitigated disruption of collections in Portugal, driven by moving from third party servicers to our in-house operation
- ▶ For the period ended 30 September 2016, Adjusted EBITDA increased by 55.5% to £161.5 million (Q3 2015: £103.9 million)
- ▶ Asset management revenues increased to £31.0 million (2015: £9.2 million)

# Q3 YTD PERFORMANCE

## 120-month ERC (£m)



## Underlying net income (£m)



## Key Highlights

- ▶ 22.1% increase in 120-month ERC to £1,404.6 million (30 September 2015: £1,150.8 million). Increased diversity within ERC (UK 63%, Portugal 26%, Netherlands 11%)
- ▶ The ERC is underpinned by paying accounts that have a face value of £1.7 billion, which represents 1.4x 84-month ERC cover (1.2x 120-month ERC cover)
- ▶ Replacement rate approx. £100 million of purchases required over the next 12 months to maintain current 120-month ERC
- ▶ Underlying net income has increased by 23.7% year on year
- ▶ Non-recurring items in the period were £21.3 million (including operating expenses costs and finance costs) with a cash impact of £12.0 million

# SECURE LONG-TERM FUNDING

## Indebtedness – as at 30 September 2016 (£m)

Net Debt	766.0
LTM Adjusted EBITDA	210.7
84-Month ERC	1,189.6

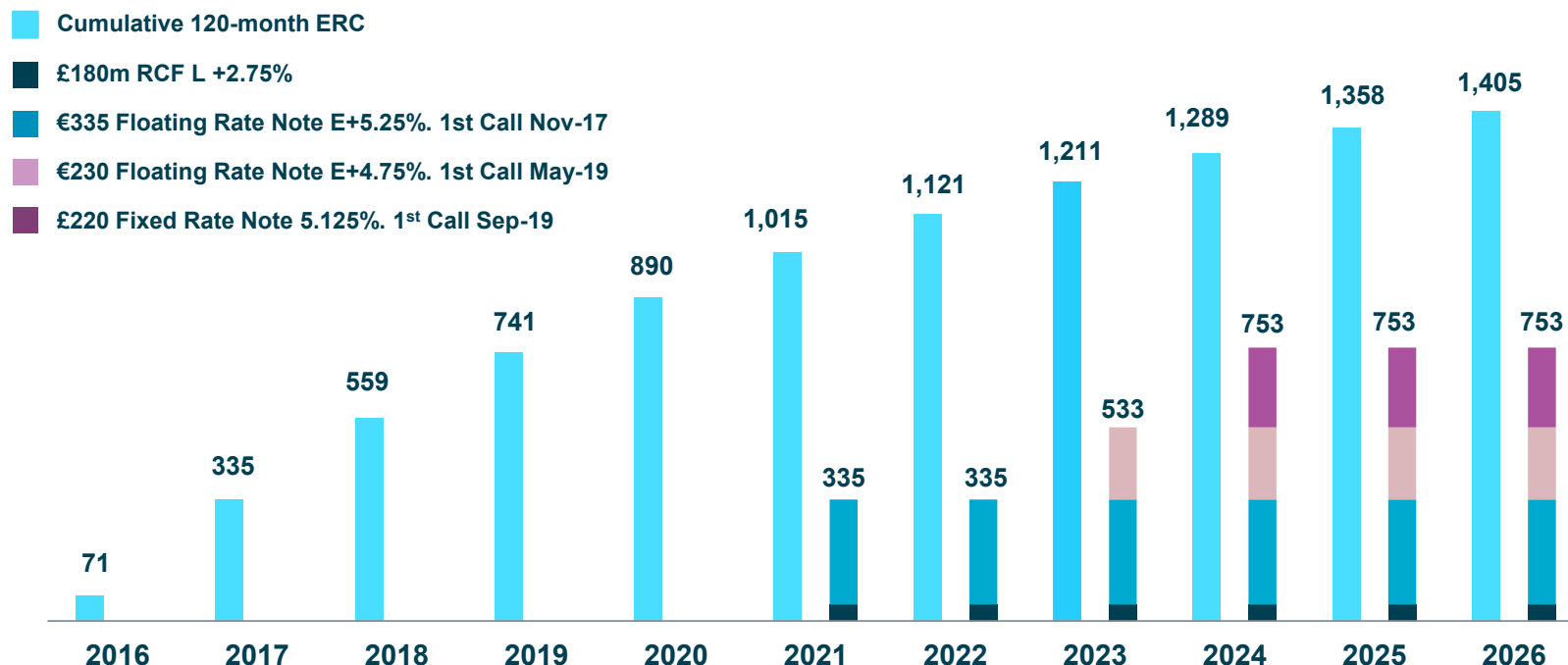
### Leverage Metrics

Net Debt / Adjusted EBITDA	3.6x
LTV (Net Debt / 84-Month ERC)	64.4%
Secured LTV (Secured Net Debt/ 84-Month ERC)	62.6%
Cash cover	5.4x

- ▶ Combined Arrow/Vesting LTM Adjusted EBITDA of £220.3 million and proforma leverage of 3.5x
- ▶ Significant headroom on 62.6% LTV compared to covenant of 75%
- ▶ As at 30 September cash and RCF resources of £144.1 million available

# LONG-TERM FUNDING

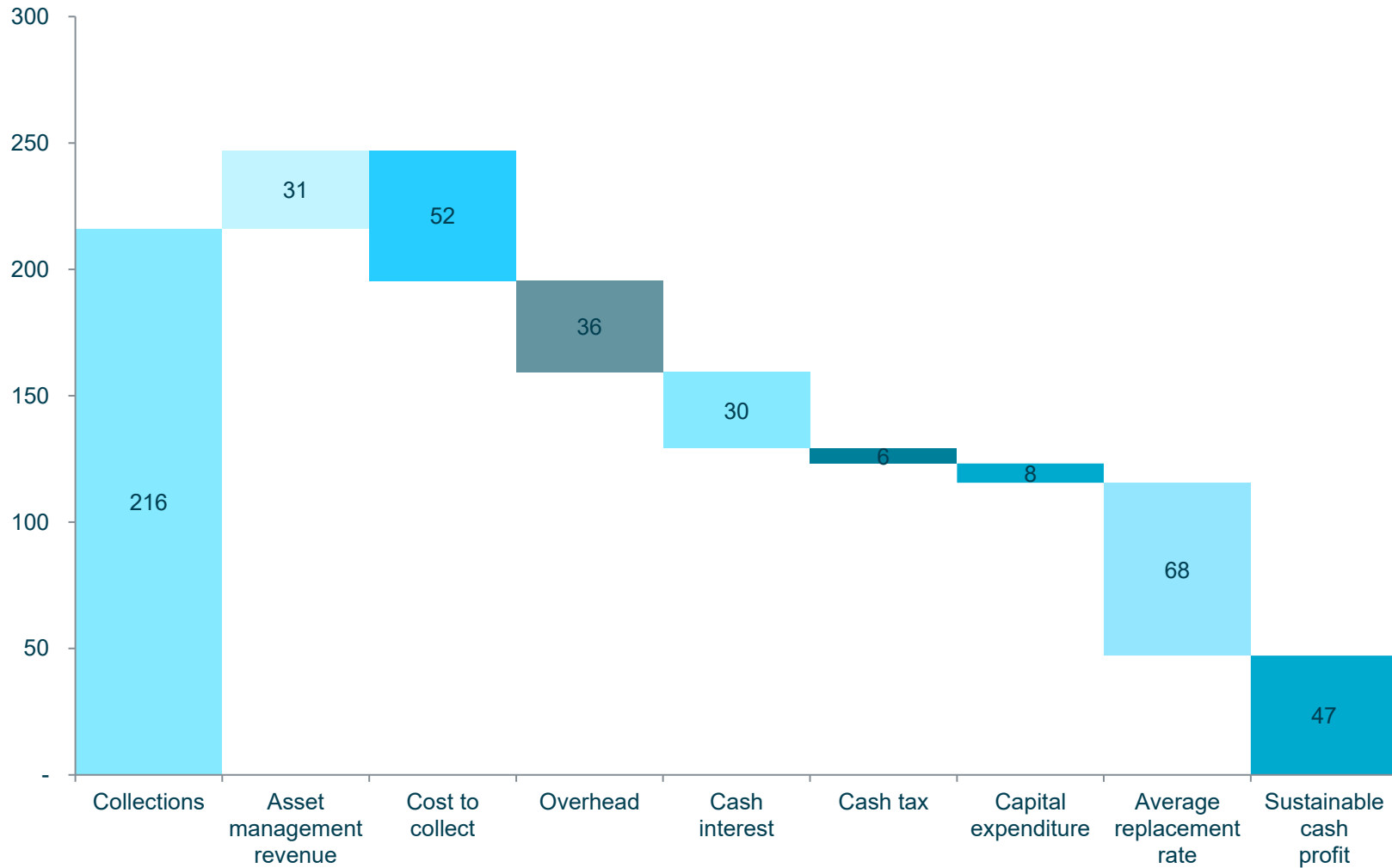
## Debt maturity & 120-month ERC



- ▶ RCF refinanced in July.
  - ▶ 100 bps reduction in margin
  - ▶ 54 bps reduction in commitment fee
  - ▶ Extended duration to July 2021
- ▶ S&P ratings upgrade to BB
- ▶ £220m bond refinanced in September 2016
  - ▶ 275 bps reduction in coupon
  - ▶ 8 nc3
- ▶ Average debt duration currently stands at circa 6.2 years with a WACD of 4.97%

# Q3 YTD 2016 PERFORMANCE

## 9-months 30 September 2016 sustainable cash profit (£m)



# OUTLOOK

- ▶ European banks expected to continue to delever creating on going supply in the medium and long term
- ▶ Good visibility on a strong pipeline of opportunities in Q4 of which over £38 million of portfolio purchases have already been awarded
- ▶ Look to embed and build on additional opportunities afforded by our expanded business
- ▶ Continue to grow asset management business
- ▶ Remain firmly on track to deliver overall full-year earnings in line with our expectations
- ▶ Confidence in delivering continued growth and ROE in the mid 20's

# Q&A