

ARROW GLOBAL GROUP PLC

Q3 Results

28 November 2014

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Q3 2014 HIGHLIGHTS – FINANCIAL

12.6%
Collections
(Q3 2013: £93.3 million)
£105.0m

66.1%
Portfolio purchases
(Q3 2013: £74.0 million)
£122.9m

**Underlying return on equity
("ROE") LTM**
24.7%

11.2%
Adjusted EBITDA
(Q3 2013: £64.7m)
£71.9m

28.6%
120 Month ERC
(31 December 2013: £650.3m)
£836.3m

**Underlying basic and diluted
earnings per share ("EPS")**
12p
(9 months to 30 September 2014)

9.5%
Underlying net income
(Q3 2013: £18.5 million)
£20.2m

24.4%
Assets under management
(Q3 2013: £8.6 billion)
£10.7bn

Building the asset base to support continued earnings growth

CAPQUEST ACQUISITION IN LINE WITH ARROW GLOBAL'S STRATEGY



CAPQUEST UPDATE

- ▶ Helen Ashton, current CEO of Capquest and former MD of Barclaycard International, has joined Arrow Global's senior management team as COO
- ▶ Funding complete - €225 million senior secured floating rate notes due 2021
- ▶ Senior management structure confirmed and will be in place from 1 December 2014
- ▶ First major migration of legacy DCA panel commenced
- ▶ Strong confidence in delivery of £6.5 million synergies in 2016

New enlarged Group - Business Overview

Key financials

- ▶ £15.5bn¹ Combined face value of receivables under management
- ▶ £1.1bn¹ 120-Month Gross ERC
- ▶ 8.2m¹ owned customer accounts
- ▶ Increased cash generation capabilities

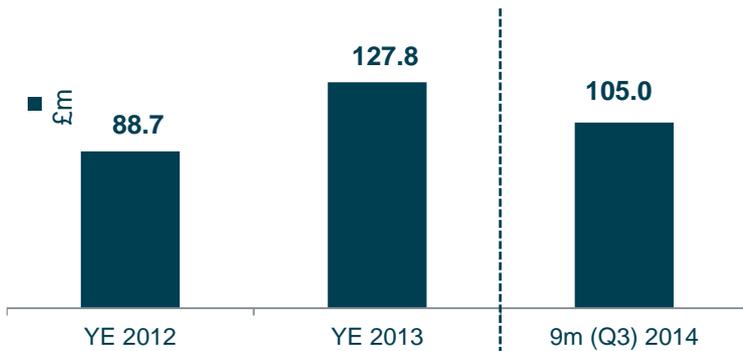
Combined capabilities

- ▶ Expertise across a wider range of debt types provides enhanced purchasing flexibility and earnings diversification
- ▶ Enhanced data assets, especially PCB. Greater customer insight from collection operations
- ▶ A well invested business with both industry-leading data assets and servicing platform

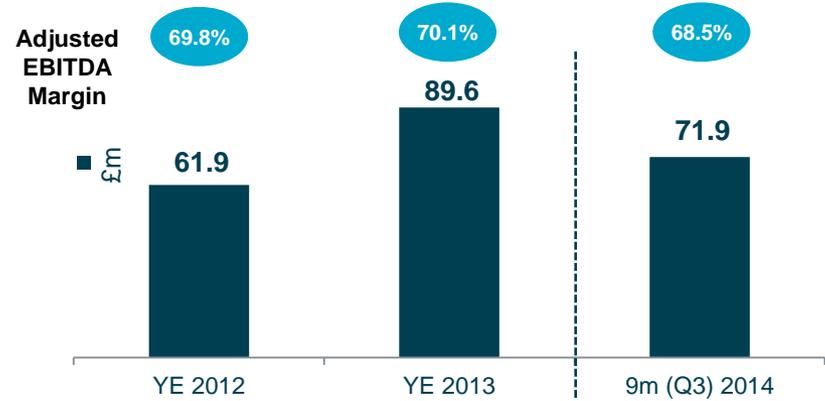
1. 120 month gross ERC and owned customer accounts as at 30 September 2014

YEAR TO DATE PERFORMANCE: 30 SEPTEMBER 2014

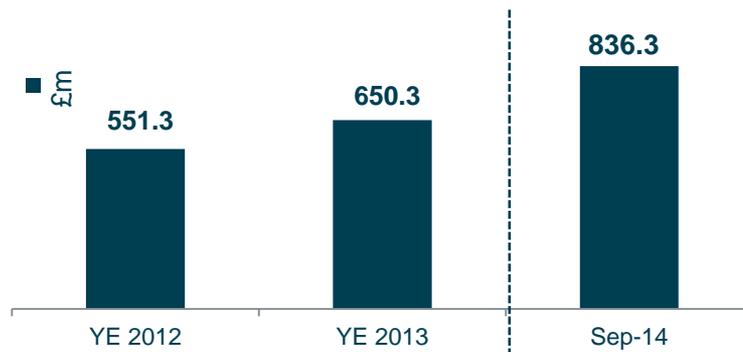
Core Cash Collections (£m)



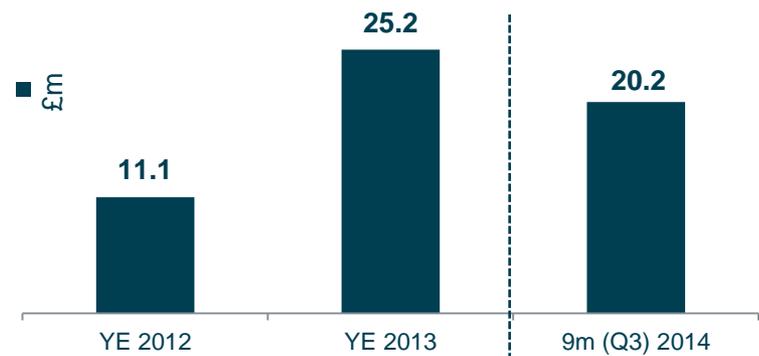
Adjusted EBITDA (£m)



120-Month Gross ERC (£m)

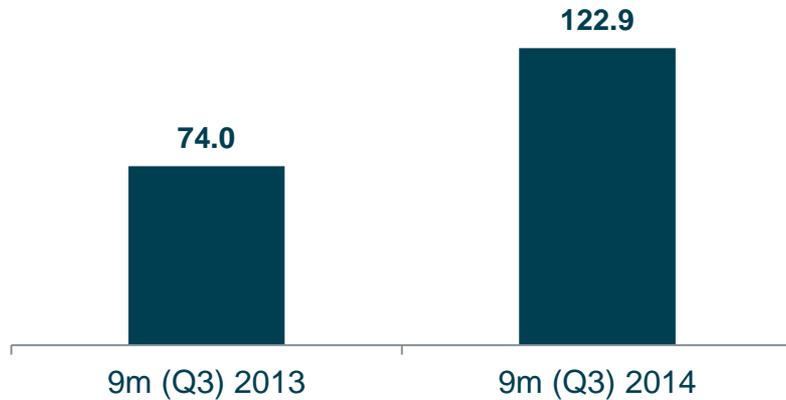


Underlying net income (£m)



Q3 2014 PURCHASES

Portfolio Purchases¹



Accounts	Face Value	Purchase Price	% of Investment
Paying	£152.7m	33.9p	42.1%
Non Paying	£1,020.5m	7.0p	57.9%
Total	£1,173.2m	10.5p	100%

Key Highlights

- ▶ As at 30 September 2014, acquired portfolios with a face value of £1,173.2m for £122.9m, with a 120-month gross cash on cash multiple of 2.2x
- ▶ In Q3 2014 acquired portfolio split by geography:
 - ▶ 93% UK, 7% Europe
- ▶ Nine months to 30 September acquired portfolio split by geography:
 - ▶ 47% UK, 53% Europe
- ▶ 42.1% of the purchase price underpinned by paying accounts
- ▶ Continued strategy of diversifying purchases by asset class – acquired a portfolio of secured loans in Q3
- ▶ Portfolio from new seller with which we have agreed a new strategic partnership
- ▶ Annual replacement rate of circa £50m

1. Purchased loan portfolios represents the purchase price of our purchased loan portfolios excluding related acquisition expenses.

NET DEBT AND LEVERAGE

Indebtedness – as at 30 September 2014 (£m)

Key Metrics

Cash and Cash Equivalents	(26.2)
Bond	220.0
Accrued Bond Interest	1.4
Deferred Consideration	31.9
Revolving Credit Facility	28.6
Net Debt	255.7
LTM Adjusted EBITDA	96.8
84-Month ERC	708.7
Leverage Metrics	
Net Debt / LTM Adjusted EBITDA	2.6x
LTV (Net Debt / 84-Month ERC)	36.1%

Key Highlights

- ▶ Significant headroom on 75% LTV covenant with LTV of 36.1%
- ▶ Retain strong balance sheet
- ▶ Net Debt/Adjusted EBITDA of 2.6x
- ▶ Significant capacity for future purchases

FINANCING AND CAPITAL STRUCTURE POST CAPQUEST ACQUISITION

Key Pro Forma Combined Metrics LTM to 30 September 2014 (£m)

Pro Forma Net Debt¹	424
Combined Adjusted EBITDA (Pre-Synergies) ¹	132
Combined 84-Month Gross ERC	896
Pro Forma Net Debt to Combined Adjusted EBITDA (Pre-Synergies)	3.2 x
Pro Forma Net Debt to Combined 84-Month Gross ERC	47.4%
Cash Interest Coverage	4.5x

- ▶ Issued a €225 million senior secured floating rate notes at a coupon of 3m Euribor + 525bps:
 - ▶ An annual cash interest cost of 5.8% including hedging
 - ▶ Plus a non cash P&L charge of c 0.95% relating to amortisation of fees
- ▶ Prudent balance sheet retained
 - ▶ Cash interest coverage (Pre-Synergies) of 4.5x
 - ▶ Pro forma Net Debt to LTM Combined Adjusted EBITDA (Pre-Synergies) of 3.2x
 - ▶ Pro forma Net Debt to Combined 84-Month Gross ERC of 47.4%
 - ▶ Expected to reduce leverage ratios over time
- ▶ Sufficient liquidity and capacity, on a pro forma basis, to realise Arrow Global's growth ambitions
 - ▶ LTM Combined Adjusted EBITDA (Pre-Synergies) of £132m for the 12 months to 30 September 2014
 - ▶ RCF increased to £100m at completion on better terms

1. Acquisition consideration of £158 million and estimated acquisition and bond related fees and expenses of £11 million

OUTLOOK

- ▶ European debt purchase markets predicted to grow and banks propensity to sell expected to continue to increase (AQR, IFRS9, Basel III etc.)
- ▶ Unsecured credit expected to gather speed with the recovery¹. New sellers expected to come to market¹
- ▶ Have made significant progress in our plans to integrate the Arrow Global and Capquest businesses and are very confident that we will be able to deliver the envisaged cost savings
- ▶ Excluding purchase of Capquest and its associated portfolios, full-year portfolio purchases expected to be in line with previous expectations
- ▶ Remain on track to deliver overall full-year results in line with our expectations

1. Source: Apex Insight report November 2014 – UK Consumer Debt Collection and Debt Purchase

Q&A

APPENDIX A:

ARROW GLOBAL GUERNSEY HOLDINGS LIMITED - SUB-CONSOLIDATION

BALANCE SHEET – ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

Assets	Arrow Global Group PLC	Adjustments	AGGHL
	£000	£000	£000
Non-current assets			
Purchased loan portfolios	287,554	-	287,554
Other non current assets	5,129	-	5,129
Total non-current assets	292,683	-	292,683
Current assets			
Cash and cash equivalents	26,170	(77) ¹	26,093
Purchased loan portfolios	75,225	-	75,225
Other current assets	18,399	(191) ¹	18,208
Total current assets	119,794	(268)	119,526
Total assets	412,477	(268)	412,209
<i>Total purchased loan portfolios</i>	<i>362,779</i>	<i>-</i>	<i>362,779</i>
Equity			
Total equity attributable to shareholders	120,753	(48,053)	72,700
Liabilities			
Non-current liabilities			
Senior secured Notes	212,379	-	212,379
Other non-current liabilities	2,244	-	2,244
Total non-current liabilities	214,623	-	214,623
Current liabilities			
Revolving credit facility	28,560	-	28,560
Senior secured notes	1,408	-	1,408
Other current liabilities	47,133	47,785 ²	94,918
Total current liabilities	77,101	47,785	124,886
Total liabilities	291,724	47,785	339,509
Total equity and liabilities	412,477	(268)	412,209

1. AGG PLC trading

2. Mostly made up of £45.2 million of intercompany

INCOME STATEMENT – ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

Revenue	Arrow Global Group PLC	Adjustments	AGGHL
	£000	£000	£000
Income from purchased loan portfolios	76,132	-	76,132
Portfolio write up	-	-	-
Income from asset management	1,360	-	1,360
Other income	825	-	825
Total revenue	78,317	-	78,317
Operating Expenses			
Collection activity costs	(24,201)	(3) ¹	(24,204)
Professional fees and services	(1,024)	385 ¹	(639)
Other operating expenses	(16,105)	428 ¹	(15,677)
<i>Of which non-recurring items</i>	<i>(3,864)</i>	<i>-</i>	<i>(3,864)</i>
Other operating expenses excluding non-recurring items	(12,241)	428 ¹	(11,813)
Total operating expenses before non-recurring items	(37,466)	810	(36,656)
<i>Exceptional items</i>	<i>3,864</i>	<i>-</i>	<i>3,864</i>
Total operating expenses after non-recurring items	(41,330)	810	(40,520)
Operating profit including non recurring items	36,987	810	37,797
Finance income	326	-	326
Finance costs	(15,381)	(3,006) ²	(18,387)
<i>Of which non-recurring items</i>	<i>(143)</i>	<i>-</i>	<i>(143)</i>
<i>Finance costs excluding non recurring items</i>	<i>(15,238)</i>	<i>(3,006)²</i>	<i>(18,244)</i>
Profit before tax	21,932	(2,196)	19,736
Taxation charge on ordinary activities	(4,945)	503	(4,442)
Profit for the period attributable to equity shareholders	16,987	(1,693)	15,294

1. Operating expenses of Arrow Global Group PLC
2. Interest charged on intercompany loans between AGG PLC and Arrow Global Limited

KEY RATIOS – ARROW GLOBAL GUERNSEY HOLDINGS LIMITED

Nine months to	30 September 2014 £m
Purchases of loan portfolios	122.9
Face value of portfolios acquired (billion)	8.4
Number of accounts ('000)	5,504
Core collections	105.0
Collection cost ratio (%)	23.0%
Adjusted EBITDA	72.8
Adjusted EBITDA ratio	69.3%
84-month ERC	708.8
120-month ERC	836.3
Net debt	255.8
Leverage ratio (net debt / LTM adjusted EBITDA)	2.6x
LTV ratio (net debt / 84 month ERC)	36.1%