Arrow Global Group PLC

Results for the three months ended
31 March 2016

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Arrow Global Group PLC "the Company" and its subsidiaries (together "the Group"), a leading European purchaser and manager of debt portfolios, is pleased to announce its results for the three months ended 31 March 2016.

Q1 Highlights

- Strengthened our European market position with the acquisition of InVesting, a leading Netherlands and Belgium consumer debt purchaser and collector, for €100m
- Total revenue up 25.4% to £44.5 million (Q1 2015: £35.5 million), driven by a 31.3% increase in core collections[1] to £67.0 million (Q1 2015: £51.1 million), and asset management revenue increasing to £7.2 million, now contributing 16.1% of total revenue (Q1 2015: 3.4%)
- Adjusted EBITDA up 57.6% to £51.7 million (Q1 2015: £32.8 million)
- Profit attributable to shareholders up 46.5% to £7.6 million (Q1 2015: £5.2 million). LTM underlying ROE increased to 26.2% (Q1 2015: 25.6%)
- Acquired debt portfolios for a purchase price of £49.1 million, with a 120-month gross cash-on-cash multiple in line with our target returns
- Increased total purchased loan portfolios to £619.8 million (31 December 2015: £586.3 million) with 120-month ERC[2] up 5.0% to £1,285.8 million (31 December 2015: £1,224.5 million) and 84-month ERC up 5.2% to £1,082.2 million (31 December 2015: £1,028.6 million)
- Net debt of £620.8 million (31 December 2015: £588.6 million), with a net debt to LTM[3] Adjusted EBITDA ratio of 3.6 times (31 December 2015: 3.8 times) and LTM interest cover of 5.2 times (31 December 2015: 4.9 times)
- Balance sheet liquidity further strengthened with our revolving credit facility (RCF) increased to £180 million
- InVesting acquisition financed with the successful issuance of €230 million seven-year Floating Rate Notes, issued at an interest rate of EURIBOR plus 4.75% per year, as announced on 14 April 2016. The FRNs provide further balance sheet liquidity, reduce Arrow Global's weighted average cost of debt and extend Arrow Global's average debt maturity to 5.4 years

Commenting on today's results, Tom Drury, chief executive officer of Arrow Global said:

"Arrow Global delivered another set of impressive results in Q1 with portfolio purchases at £49.1 million, Adjusted EBITDA increased by over 57% to £51.7 million, and underlying net income increased by over 33% to £7.6 million.

"We remain focused on delivering on our strategy of being a top three player in each of our chosen markets. In May, we fully financed the €100m acquisition of leading Netherlands and Belgian consumer debt purchaser and collector, InVesting, making us a leading presence in the Benelux market.

"The InVesting acquisition, combined with the on going integration and growth of our Whitestar business in Portugal, further diversifies our income streams and we expect capital-light asset management operations to account for around 25% of Group revenues on a pro forma full-year basis.

"In April, we also successfully issued a €230 million bond. The funds were used to finance the InVesting acquisition, repay outstanding amounts under our RCF and provide firepower for future investments.

"Our strong Q1 results, coupled with over £40 million of future organic portfolio investments already awarded for the remainder of 2016, mean we remain confident in delivering on our target of investing at roughly twice our annual replacement rate, whilst maintaining strong portfolio returns. This, coupled with our continuous investment in growing 'capital light' asset management revenues, provide us with the confidence that we are on track to deliver overall full-year earnings in line with our expectations."

11 May 2016

Notes:

1. Core collections are collections on Arrow Global's purchased loan portfolios, including proceeds from asset disposals
2. Estimated remaining collections
3. Last Twelve Months ("LTM") is calculated by the addition of the consolidated financial data for the year ended 31 December 2015 and the consolidated financial data for the three months to March 2016, and the subtraction of the consolidated financial data for the three months to March 2015

A glossary of terms can be found on pages 12 to 13 which includes a reconciliation of Adjusted EBITDA. The directors believe that the presentation of the Adjusted EBITDA measure allows the users of the financial statements to gain a better understanding of the underlying performance of the business

Note: The financial information in this report has not been audited, but it was approved by the Board on 11 May 2016. The information provided is based on the same principles and practices as those used to draw up the annual financial statements.

For further information:

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There will be a conference call for investors today at 2pm (UK time). Dial in details below:

Participant dial in UK: 0800 6940257
Participant dial.in International: +44 (0) 1452 555566
Conference ID: 75348293

About Arrow Global (for further information please visit the company website: www.arrowglobalir.net)

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. 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 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 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 assumes no obligation to update or provide any additional information in relation to such forward-looking statements.

Business and financial review of the three months to 31 March 2016

In Q1 2016 we remained focused on building leading positions in the markets in which we operate. Alongside strong portfolio purchases of £49.1 million, we continued to integrate and grow our Whitestar business. We also increased our overall Portuguese servicing capacity with the acquisition of a small specialist provider, Redrock Capital Partners SA, for £2.9 million.

Aligned to our vision of becoming Europe's leading purchaser and manager of debt, at the beginning of March 2016, we appointed Maria Luís Albuquerque to the board as a non-executive director. Having previously held senior finance and treasury positions in the Portuguese public sector, she brings a wealth of debt management experience, and complements the existing expertise of the board as we continue to expand in mainland Europe.

Key results

As of and period to	31-Mar-16	31-Mar-15	31-Dec-15
	£m	£m	£m
Purchases of loan portfolios	49.1	52.1	180.3
Total purchased loan portfolios	619.8	508.2	586.3[1]
Core collections	67.0	51.1	218.5
Total revenue	44.5	35.5	165.5
Adjusted EBITDA	51.7	32.8	153.1
Profit before tax	9.7	6.5	39.3
Profit attributable to shareholders	7.6	5.2	31.7
Underlying net income	7.6	5.7	35.4
84-month ERC	1,082.2	957.8	1,028.6
120-month ERC	1,285.8	1,156.6	1,224.5
Net debt	620.8	471.4	588.6
Net assets	157.8	127.2	145.4

[1] *Excluding £23.5 million of portfolios due to be resold*

A glossary of terms can be found on pages 12 to 13.

Purchased loan portfolios

During Q1 2016, we acquired debt portfolios with a face value of £129.9 million for a purchase price of £49.1 million. Of the purchase price invested 86.3% related to secured portfolios.

These portfolios acquired, net of amortisation, have increased the balance sheet value of our purchased loan portfolios to £619.8 million (31 December 2015: £586.3 million). The 31 December 2015 balance excludes a £23.5 million portfolio of assets which had been acquired at the year end, and was resold to an investment partner during Q1 2016.

ERC overview

Our 84-month ERC – the expected collections from our back book – after taking into account movement in foreign exchange rates and portfolio put backs, has increased by 5.2% from £1,028.6 million as at 31 December 2015 to £1,082.2 million, (120-month ERC increased 5.1% to £1,285.8 million) (31 December 2015: £1,224.5 million).

Revenue

Total revenue for the period was £44.5 million, an increase of 25.4% from total revenue in Q1 2015 of £35.5 million. Asset management revenue represented 16.1% of the total revenue (Q1 2015: 3.4%), in line with the Group's strategy to diversify the business.

Cash flow

Core collections increased to £67.0 million (Q1 2015: £51.1 million), reflecting the increase in our portfolio asset base. Collections were in line with our ERC forecast and reflect a higher proportion of collections coming from recently acquired better performing portfolios, which drives a higher amortisation charge in the quarter.

Adjusted EBITDA increased by 57.6% to £51.7 million (Q1 2015: £32.8 million). This was mainly driven by an increase in core collections net of collection costs and an increase in asset management revenues.

Profit attributable to shareholders

Profit attributable to equity shareholders increased 46.5% from £5.2 million to £7.6 million for the period ended 31 March 2016. This was largely driven by increased operational profit of £5.2 million and collection efficiencies, offset by an increase in finance costs of £2.5 million. We saw positive results of £0.6 million from our 15% interest in French market leader, MCS.

Funding, net debt and net assets

On 9 February 2016, we successfully increased our RCF to £180 million. The RCF was drawn by £143 million as at 31 March 2016 and we had cash and RCF resources of £110 million available and cash interest cover of 5.2 times (31 December 2015: 4.9 times). The successful issuance of €230 million Floating Rate Notes post quarter end provides additional headroom.

Net debt was £620.8 million, being 3.6 times LTM Adjusted EBITDA and a net debt/84 month ERC loan to value ratio of 57.4% and a secured loan to value ratio of 51.3%, which is significantly below our financial covenants of 75%. The driver of the increase in net debt of £32.2 million from 31 December 2015 was largely due to a foreign exchange movement in the senior secured loan notes.

Net assets increased to £157.8 million during the period, mostly reflecting the retained profit of the period.

Recent developments

On 1 April 2016, Arrow Global announced its proposed acquisition of InVesting B.V., a leading consumer debt purchaser and collections provider with operations in the Netherlands and Belgium, for a total consideration of around €100 million. This included the purchase of €663 million of portfolios by face value and an Estimated Remaining Collections (ERC) of €107 million.

With circa 500 people operating from five offices across the Netherlands and Belgium, InVesting's focus is on portfolio purchase, asset management and outsourced collections provision. InVesting's head office is based in Hilversum, the Netherlands. The acquisition of InVesting was subject to works council advice and obtaining regulatory approvals from the Netherlands Authority for the Financial Markets (AFM). Having successfully secured both, the acquisition completed on 4 May 2016.

On 14 April 2016, Arrow Global successfully closed its offering of €230 million of seven-year Floating Rate Notes, bearing an interest rate of EURIBOR plus 4.75% per year. The funds from this have been used to finance the InVesting acquisition, repay outstanding amounts under our RCF, with the remainder being used to pursue Arrow's organic growth strategy.

Outlook

PwC's Portfolio Advisory Group Q4 2015 market update revealed that 2015 was the strongest ever year for portfolio transactions in Europe, up around 50% on 2014 volumes. It also noted that there was a strong pipeline of portfolios coming to market in 2016.

Our portfolio purchases in Q1 2016, combined with the portfolios acquired as part of the InVesting acquisition, mean we have already had a strong start to the year. With over £40 million of future organic portfolio investments already awarded for the remainder of 2016, we remain confident in delivering on our target of investing at roughly twice our annual replacement rate, whilst maintaining strong portfolio returns. This, coupled with our continuous investment in growing 'capital light' asset management revenues, provide us with the confidence that we are on track to deliver overall full-year earnings in line with our expectations.

Unaudited Consolidated Statement Of Comprehensive Income

For the three months ended 31 March 2016

	Three months ended 31 March 2016 £000	Three months ended 31 March 2015 Underlying £000	Non-recurring items 2015 £000	Three months ended 31 March 2015 including non-recurring £000
Continuing operations				
Revenue				
Income from purchased loan portfolios	37,303	34,107	-	34,107
Profit on portfolio and loan note sales	-	134	-	134
	37,303	34,241	-	34,241
Income from asset management	7,176	1,218	-	1,218
Total revenue	**44,479**	**35,459**	**-**	**35,459**
Operating expenses				
Collection activity costs	(13,603)	(12,361)	-	(12,361)
Professional fees and services	(1,121)	(586)	-	(586)
Recurring other operating expenses	(10,177)	(7,519)	-	(7,519)
Non- recurring other operating expenses				
Servicer migration	-	-	*(200)*	*(200)*
IPO related costs	-	-	*(435)*	*(435)*
Total other operating expenses	**(10,177)**	**(7,519)**	**(635)**	**(8,154)**
Total operating expenses	**(24,901)**	**(20,466)**	**(635)**	**(21,101)**
Operating profit	**19,578**	**14,993**	**(635)**	**14,358**
Finance income	89	45	-	45
Finance costs	(10,566)	(8,018)	-	(8,018)
Share of profit in associate	591	93	-	93
Profit before tax	**9,692**	**7,113**	**(635)**	**6,478**
Taxation charge on ordinary activities	(2,141)	(1,452)	129	(1,323)
Profit for the period attributable to equity shareholders	**7,551**	**5,661**	**(506)**	**5,155**
Other comprehensive income:				
Reclassified in the statement of comprehensive income:				
Foreign exchange translation difference arising on revaluation of foreign operations	1,872	(49)	-	(49)
Hedging movement	2,352	(453)	-	(453)
Total comprehensive income for the period attributable to equity shareholders	**11,775**	**5,159**	**(506)**	**4,653**

Unaudited Consolidated Balance Sheet
As at 31 March 2016

Assets	*Notes*	31 March 2016 £000	31 December 2015 £000	31 March 2015 £000
Non-current assets				
Goodwill		84,739	79,490	46,891
Intangible assets		21,313	20,643	11,889
Property, plant & equipment		3,558	3,649	2,499
Loan notes		-	862	1,331
Investments in associates		14,072	12,158	12,248
Deferred tax asset		534	639	28
Total non-current assets		**124,216**	**117,441**	**74,886**
Current assets				
Cash and cash equivalents		73,097	10,183	37,439
Other receivables		35,435	34,781	20,040
Derivative asset		4,309	-	-
Purchased loan portfolios	1	619,800	609,793	508,248
Total current assets		**732,641**	**654,757**	**565,727**
Total assets		**856,857**	**772,198**	**640,613**
Equity				
Share capital		1,744	1,744	1,744
Share premium		347,436	347,346	347,436
Retained earnings		85,130	76,916	57,279
Hedging reserve		1,050	(1,302)	(1,140)
Other reserves		(277,566)	(279,438)	(278,147)
Total equity attributable to shareholders		**157,794**	**145,356**	**127,172**
Liabilities				
Non-current liabilities				
Senior secured notes	2	466,221	447,545	367,730
Trade and other payables		8,019	7,648	-
Deferred tax liability		4,297	4,396	1,976
Total non-current liabilities		**478,537**	**459,589**	**369,706**
Current liabilities				
Trade and other payables		69,814	83,906	23,107
Current tax liability		5,122	3,755	2,469
Derivative liability		-	1,281	3,449
Revolving credit facility	2	139,619	71,479	112,527
Senior secured notes	2	5,971	6,832	2,183
Total current liabilities		**220,526**	**167,253**	**143,735**
Total liabilities		**699,063**	**626,842**	**513,441**
Total equity and liabilities		**856,857**	**772,198**	**640,613**

Unaudited Consolidated Statement Of Changes In Equity
For the three months ended 31 March 2016

	Ordinary shares	Share premium	Retained earnings	Hedging reserve	Own Share reserve*	Translation reserve *	Merger reserve *	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 1 January 2015	**1,744**	**347,436**	**51,479**	**(687)**	**(562)**	**(575)**	**(276,961)**	**121,874**
Profit for the period	-	-	5,155	-	-	-	-	5,155
Exchange differences	-	-	-	-	-	(49)	-	(49)
Net fair value gains/losses cash flow hedges	-	-	-	(543)	-	-	-	(543)
Tax on hedged items	-	-	-	90	-	-	-	91
Total comprehensive income for the period	**-**	**-**	**5,155**	**(453)**	**-**	**(49)**	**-**	**4,653**
Share based payments	-	-	645	-	-	-	-	645
Balance at 31 March 2015	**1,744**	**347,436**	**57,279**	**(1,140)**	**(562)**	**(624)**	**(276,961)**	**127,172**
Profit for the period	-	-	26,594	-	-	-	-	26,594
Exchange differences	-	-	-	-	-	83	-	83
Net fair value gains/losses cash flow hedges	-	-	-	(186)	-	-	-	(186)
Tax on hedged items	-	-	-	24	-	-	-	24
Total comprehensive income for the period	**-**	**-**	**26,594**	**(162)**	**-**	**83**	**-**	**26,515**
Repurchase of own shares	-	-	-	-	(1,374)	-	-	(1,374)
Share-based payments	-	-	1,932	-	-	-	-	1,932
Dividend paid	-	-	(8,889)	-	-	-	-	(8,889)
Balance at 31 December 2015	**1,744**	**347,436**	**76,916**	**(1,302)**	**(1,936)**	**(541)**	**(276,961)**	**145,356**
Profit for the period	-	-	7,551	-	-	-	-	7,551
Exchange differences	-	-	-	-	-	1,872	-	1,872
Net fair value gains/losses cash flow hedges	-	-	-	2,868	-	-	-	2,868
Tax on hedged items	-	-	-	(516)	-	-	-	(516)
Total comprehensive income for the period	**-**	**-**	**7,551**	**2,352**	**-**	**1,872**	**-**	**11,775**
Share based payments	-	-	663	-	-	-	-	663
Balance at 31 March 2016	**1,744**	**347,436**	**85,130**	**1,050**	**(1,936)**	**1,331**	**(276,961)**	**157,794**

*Other reserves total £277,566 deficit (December 2015: £279,438,000; March 2015: £278,147,000)

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Merger reserve

The merger reserve represents the reserve generated upon consolidation of the Group following the Group reconstruction as part of the IPO where Arrow Global became the parent Company.

Own share reserve

The own share reserve comprises the cost of the Company's ordinary shares held by the Group.

Unaudited Consolidated Statement of Cash Flows
For the three months ended 31 March 2016

	Three months ended 31 March 2016 £000	Three months ended 31 March 2015 £000
Net cash flows from operating activities before purchases of loan portfolios and loan notes	59,337	18,329
Purchases of purchased loan portfolios	(49,731)	(52,121)
Net cash generated by/ used in operating activities	**9,606**	**(33,792)**
Net cash used in investing activities	**(5,741)**	**(7,988)**
Net cash flows generated by financing activities	**58,150**	**64,677**
Net increase in cash and cash equivalents	**62,015**	**22,897**
Cash and cash equivalents at beginning of period	10,183	14,542
Effect of exchange rates on cash and cash equivalents	899	-
Cash and cash equivalents at end of period	**73,097**	**37,439**

Notes

1. Financial assets

Purchased loan portfolios

The Group recognises income from purchased loan portfolios in accordance with IAS 39. At 31 March 2016, the carrying amount of the purchased loan portfolio asset was £619,800,000 (31 December 2015: £609,793,000; 31 March 2015: £508,248,000).

The movements in purchased loan portfolio assets were as follows:

	Three months ended 31 March 2016	Year Ended 31 December 2015	Three months ended 31 March 2015
	£000	£000	£000
As at the period brought forward	609,793	477,513	477,513
Portfolios acquired during the period *	49,731	177,716	52,121
Purchased loan portfolios to be resold	(23,519)	23,519	-
Portfolios acquired through acquisition of a subsidiary	-	3,970	-
Collections in the period	(66,962)	(218,515)	(51,074)
Income from purchased loan portfolios	37,303	150,238	34,107
Exchange gain/ (loss) on purchased loan portfolios	13,454	(5,151)	(4,553)
Profit on disposal of purchased loan portfolios	-	503	134
As at the period end	**619,800**	**609,793**	**508,248**

* inclusive of capitalised portfolio expenditure of £652,000 (31 December 2015: £1,406,000, 31 March 2015: £464,000)

2. Borrowings

	31 March 2016	31 December 2015	31 March 2015
Secured borrowing at amortised cost	**£000**	**£000**	**£000**
Senior secured notes (net of transaction fees of £18,507,000, December 2015: £19,286,000; 31 March 2015: £16,840,000)	466,221	447,545	367,730
Revolving credit facility (net of transaction fees of £3,381,000, December 2015 £3,521,000; 31 March 2015: £3,350,000)	139,619	71,479	112,527
Senior secured notes interest	5,971	6,832	2,183
	611,811	**525,856**	**482,440**
Total borrowings			
Amount due for settlement within 12 months	**145,590**	**78,311**	**114,710**
Amount due for settlement after 12 months	**466,221**	**447,545**	**367,730**

Glossary

"**Adjusted EBITDA**" means profit for the year attributable to equity shareholders before interest, tax, depreciation, amortisation, foreign exchange gains or losses and non-recurring items. The adjusted EBITDA reconciliations for the periods ended 31 March 2016 and 31 March 2015 are shown below:

	Three months ended 31 March 2016	Three months ended 31 March 2015
Reconciliation of Net Cash Flow to EBITDA	**£000**	**£000**
Net cash flow used in operating activities	9,606	(33,792)
Purchases of loan portfolios	49,731	52,121
Income taxes paid	769	1,126
Working capital adjustments	(10,000)	13,058
Amortisation of acquisition and bank facility fees	74	69
Foreign exchange losses	899	-
Share of profit in associates	591	-
Non-recurring items	-	200
Adjusted EBITDA	**51,670**	**32,782**

Reconciliation of Core Collections to EBITDA		
	£000	**£000**
Income from loan portfolios	37,303	34,107
Portfolio amortisation	29,659	16,967
Core collections	**66,962**	**51,074**
Other income	7,176	1,218
Operating expenses	(24,901)	(21,101)
Depreciation and amortisation	1,152	744
Foreign exchange gains	(47)	(160)
Amortisation of acquisition and bank facility fees	74	69
Share-based payments	663	210
Share of profit in associate	591	93
Non-recurring items	-	635
Adjusted EBITDA	**51,670**	**32,782**

Reconciliation of Operating Profit to EBITDA		
	£000	**£000**
Profit for the period attributable to equity shareholders	7,551	5,155
Underlying finance income and costs	10,477	7,973
Taxation charge on ordinary activities	2,141	1,323
Share of profit in associate	(591)	(93)
Operating profit	**19,578**	**14,358**
Portfolio amortisation	29,659	16,967
Profit on disposal of purchased loan portfolios	-	(134)
Depreciation and amortisation	1,152	744
Foreign exchange gains	(47)	(160)
Amortisation of acquisition and bank facility fees	74	69
Share-based payments	663	210
Share of profit in associate	591	93
Non-recurring items	-	635
Adjusted EBITDA	**51,670**	**32,782**

"Collection activity costs" represents the direct costs of external collections related to the Group's purchased loan portfolios, such as commissions paid to third party outsourced providers, credit bureau data costs and legal costs associated with collections

"Core collections" or "core cash collections" mean cash collections on the Group's existing portfolios including ordinary course portfolio sales and put backs.

Glossary *(Continued)*

“EBITDA” means earnings before interest, taxation, depreciation and amortisation

“84-month ERC” and **“120-month ERC”** (together **“gross ERC”**), mean the Group’s estimated remaining collections on purchased loan portfolios over an 84-month or 120-month period, respectively, representing the expected future core collections on purchased loan portfolios over an 84-month or 120-month period (calculated at the end of each month, based on the Group’s proprietary ERC forecasting model, as amended from time to time)

“Existing portfolios” or **“purchased loan portfolios”** are on the Group’s balance sheet and represent all debt portfolios that the Group owns at the relevant point in time

“Gross cash-on-cash multiple” means core collections to date plus the 84-month gross ERC or 120-month gross ERC, as applicable, all divided by the purchase price for each portfolio

“Net debt” means the sum of the senior secured notes, interest thereon, and amounts outstanding under the RCF, less cash and cash equivalents. Net debt is presented because it indicates the level of debt after taking out of 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 RCF. The breakdown of net debt for the three months ended 31 March 2016 is as follows:

	31 March 2016	**31 December 2015**
	£000	**£000**
Cash and cash equivalents	(73,097)	(10,813)
Senior secured notes (pre transaction fees net off)	484,728	446,832
Senior secured notes interest	5,971	6,832
Revolving credit facility (pre transaction fees net off)	143,000	75,000
Deferred consideration	60,171	50,149
Net debt	**620,772**	**588,630**

“PCB” means the Proprietary Collections Bureau, a data matching tool designed by Arrow Global and Experian

“Purchased loan portfolios” see **“existing portfolios”**

“RCF” means revolving credit facility

“Underlying net income” means profit for the year attributable to equity shareholders adjusted for the post-tax effect of non-recurring items. The Group presents underlying net income because it excludes the effect of non-recurring items (and the related tax on such items) on the Group’s profit or loss for a year and forms the basis of its dividend policy