ARROW GLOBAL GROUP

Preliminary results

15 March 2022

2021 OVERVIEW

Zach Lewy
Group Chief Executive Officer

Landmark year

Take private and strategic review complete

- **Take-private transaction completed** with acquisition by funds managed by TDR Capital
- **Debt refinanced** – no bond maturity for 5 years and over £300m liquidity headroom at year end
- **Vertically aligned the business** – local servicing platforms with full accountability supported by centralised functions where appropriate

Accelerated the transition to integrated fund manager

- **ACO 2 fund raising has been launched** with target €2.5bn with first close expected mid 2022
- **Acquired 49% stake in Maslow**, a real estate development finance business, with option to purchase remaining 51%
- **Cost efficiencies** – since acquisition, delivered annualised cost savings of c.£20m through the removal of 201 roles. Re-investment will be made in certain areas, such as capital fund raising

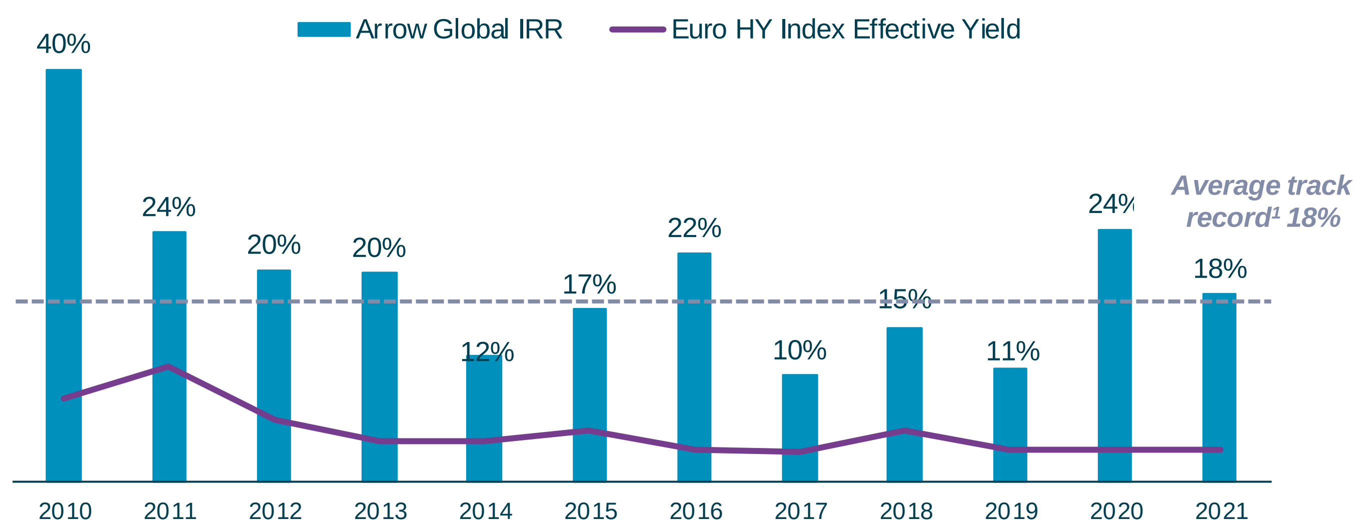
Strong financial performance

- **ACO 1 delivering above target returns** – 20.2% Deal IRR (after servicing costs) and over 70% invested
- **Strong FUM growth** – moving to €4.5bn by the close of 2021 (2020: €4.3bn)
- **Collected strongly** – materially ahead of plan on collections (112% of ERC for 2021)
- **Adjusted EBITDA up 11.8%** and leverage reduced by 0.3 times to 4.8 times, despite impacts of acquisition and restructuring costs
- **Continue to win AMS mandates** – external servicing income up 14.2% YoY

Investment performance

- Track record of delivering strong returns - averaging 18% Deal IRR (after servicing costs) across investments since 2010
- ACO 1 has continued to deliver above target returns – Deal IRR (after servicing costs) of 20.2% as of December 2021
- Recent vintages are performing significantly better than underwrite
  - 2020 vintage Deal IRR (after servicing costs) 24% versus 16% at underwrite
  - 2021 vintage Deal IRR (after servicing costs) 18% versus 15% at underwrite
- Collections profile remains strong – ACO 1 has collected 176% of underwrite as at December 2021

Track record by vintage[1] vs. Euro high yield (December 21)

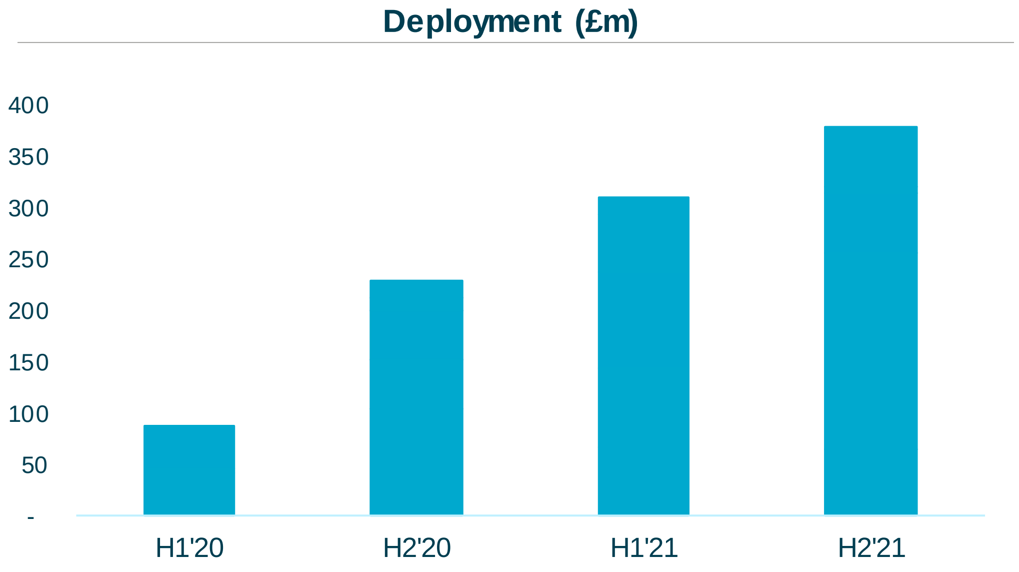


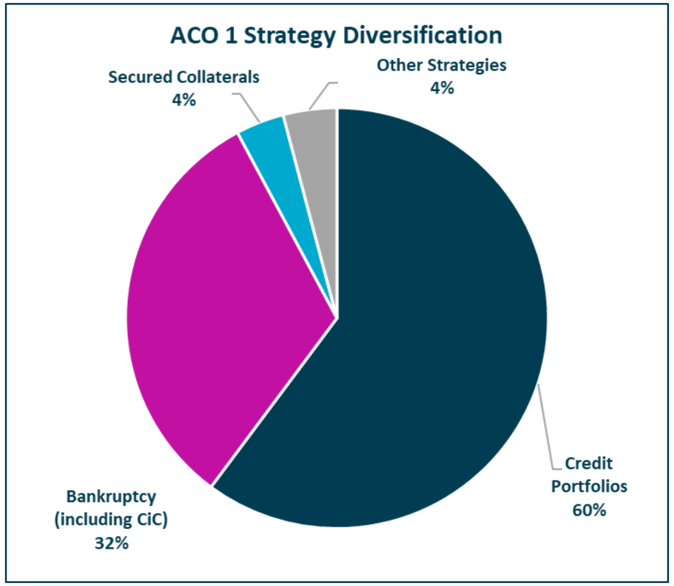
Deal IRR (after servicing costs) (2020 Vintage) [1]

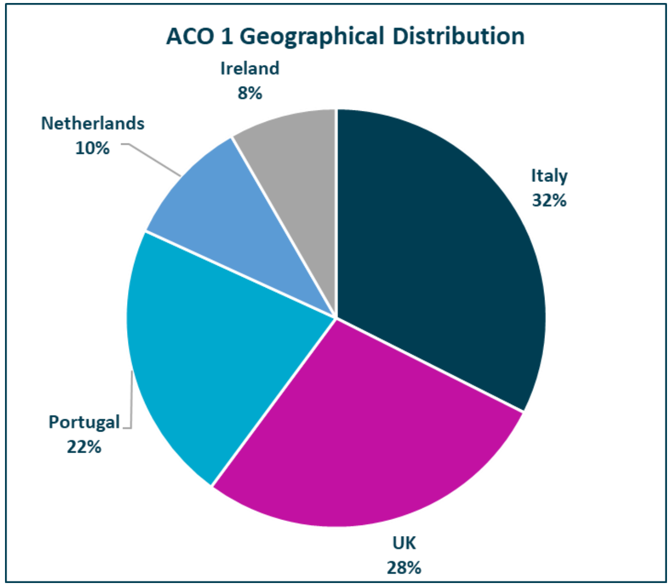
Deal IRR (after servicing costs) (2021 Vintage) [1]

1. Deal IRR (after servicing costs) represents the returns on investments, post servicing (including the servicer margin) and 3rd Party Costs. 2020 & 2021 Vintage includes Total Return Across ACO1 and Arrow Balance Sheet investments, post servicing and 3rd Party Costs.

Capital deployment







- Over €800m capital has been deployed across ACO 1 in 2021 (up from €352m in 2020)
- Continued focus on off-market acquisitions
  - 76% of investments to date have been off-market
- Increased investment in paying, real estate, cash in court portfolios to reflect the uncertain economic environment
  - 81% secured on real estate or cash in court
- Highly granular deployment
  - 423 deals acquired in ACO 1
- ACO 1 72% invested (excluding co-invest)
- ACO 2 fund raising launched
  - Engaged with c.200 LPs during pre-marketing
  - Confident of strong demand given ACO 1 performance
  - Targeting €2.5bn with first close mid-2022

Acquisition of Maslow

- Arrow acquired a minority stake (49%) in Maslow on 31 December 2021 for £24.5m cash and £12.25m equity
- Arrow has a 4-year option to acquire the remaining 51%
- Existing Maslow management team aligned to grow and scale business with overall business culture that fits well within Arrow

Who Maslow are	**27** Team	**£2.2bn** Total committed facilities	**14,084** Number of units across 239 loans	**13%** Average Gross unlevered IRR	**£0** Losses[1]	**59%** Average LTV
What they do	Originated, underwrite, risk mange and service development loans covering all the “Living Sectors” (e.g. multi-family residential, student accommodation, senior living)					
Their aim	Deliver above market risk adjusted returns with low volatility and strong ESG credentials whilst protecting investor’s downside through careful deal selection and rigorous risk management					

- An exciting opportunity to acquire a leading business that Arrow knows well
  - Best-in-class systems and analytics developed in-house - Founded in 2009 by Marc Rose (Chairman) and Ellis Sher (CEO)
  - B&C’s Best Development Finance Lender (£10m+ category) last 3 years running and Property Awards 2021 ‘Best Lender of the Year Above £20m’
- Significant market opportunity remains in the UK development finance space - Maslow receives £6.5bn of annual new loan enquiries
- Acquisition accelerates the transition to integrated asset manager and diversifies Arrow’s fund offerings
  - Increases capital light revenues
  - Builds fund management and real estate capabilities
- Arrow able to support Maslow in upscaling their business
  - Development of funding options
  - Expanding loan product set in the UK (e.g. bridge financing) as well as geographic reach to countries where Arrow’s operations can help expedite growth

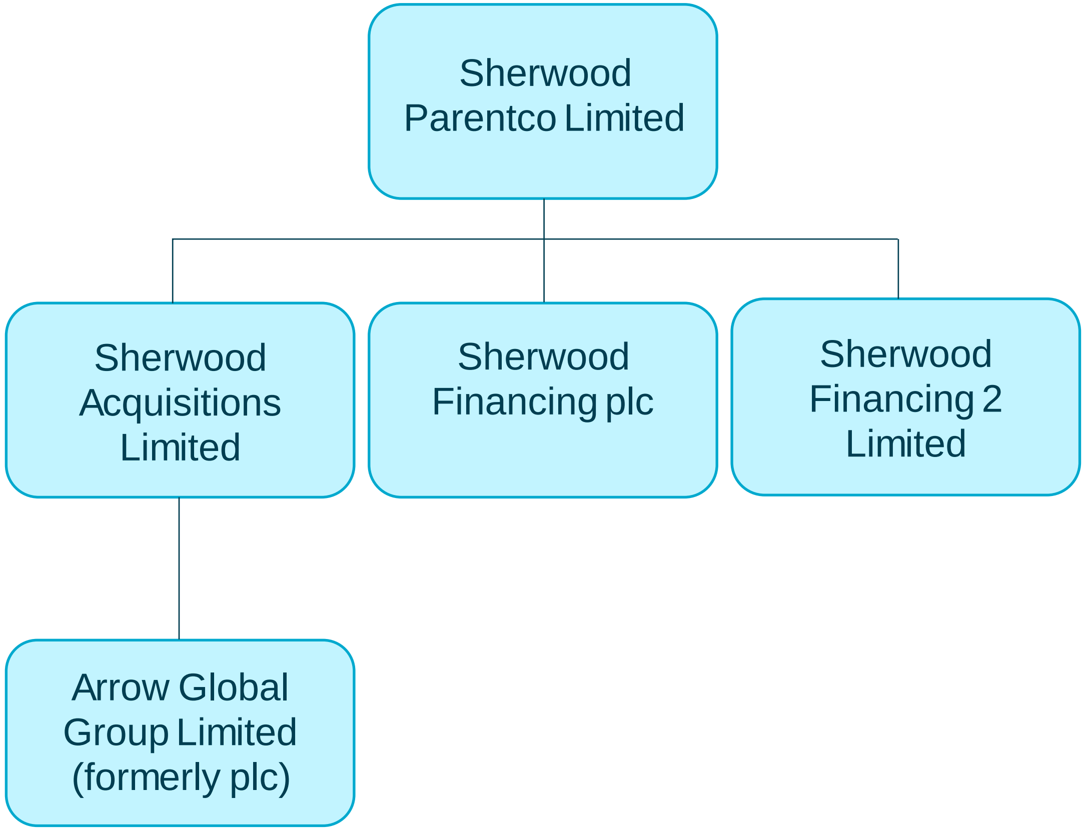
1. *Capital, interest and fees*

FINANCIAL REVIEW

Phil Shepherd
Group Chief Commercial Officer

Group structure and basis of presentation

- Sherwood Parentco Limited is the top entity within the bond financing group
  - Bonds issued by Sherwood Financing plc
- Report and Accounts for Sherwood Parentco Limited
  - Include results of Arrow Global Group Limited since acquisition only
- Unaudited 'continuity' accounts to provide a view of the 2021 financial year for Arrow Global Group
  - Results discussed within this presentation and provide a view on the performance of the Arrow Global Group for 2021
  - Include 9 months consolidated results for Arrow Global Group Limited and 3 months consolidated results for Sherwood Parentco Limited.



Group result and key performance metrics

- Underlying profit before tax (pre adjusting items) improved by £143.8m to £29.0m (2020: loss of £114.8m)
- Improvement primarily relates to:-
  - The COVID related non-cash impairment of £133.6m made during 2020
  - Growth in FIM EBITDA as ACO 1 is deployed with recurring management fees providing a stable revenue source
- Cash collections continued an upward trend from 2020, with 8.4% growth YoY
- The strong collections performance has driven an 11.8% growth in Adjusted EBITDA to £260.8m

Profit before tax and KPIs	**2021 £'m**	**2020 £'m**	**Change %**
EBITDA:			
Fund & Investment management	11.1	2.7	*311.1*
Asset Management & Servicing	10.9	15.6	*(30.1)*
Balance Sheet Business	103.3	(44.3)	-
Group (pre Adjusting items)	(20.5)	(11.6)	*76.7*
EBITDA pre adjusting items	**104.8**	**(37.7)**	-
Depreciation and amortisation	(12.8)	(19.7)	*(35.0)*
Interest costs	(63.0)	(57.5)	*9.6*
Profit/(loss) before tax and adjusting items	**29.0**	**(114.8)**	-
Core cash collections	367.4	338.9	*8.4*
FUM	€4.5bn	€4.3bn	*9.3*
Leverage	4.8x	5.1x	*(5.9)*
Adjusted EBITDA	**260.8**	**233.2**	***11.8***

Adjusting items

- The Group has incurred a number of one-off and / or exceptional items during the year (Adjusting items)
- The Adjusting items are characterised as follows:-
  1. Relating to the acquisition of Arrow by TDR, such as legal and professional fees, refinancing costs, stamp duty and the early vesting of certain remuneration schemes, totalling some £83.0m
  2. To deliver the annualised cost savings of £20m through the removal of 201 roles predominantly commencing Q1 2022, restructuring costs of £16.0m were incurred
  3. Non-cash write-down of certain assets, totalling £8.0m, which were subject to impairment due to changes in the Group's organisation design
  4. Other adjusting items of £6.7m, primarily relating to the non-cash amortisation of acquisition intangible assets and other accounting adjustments arising on the acquisition of the Group by TDR

Adjusting item	2021 £'m
Acquisition-related expenditure	83.0
Restructuring provisions	16.0
Non-cash write-down	8.0
Other adjusting items	6.7
Total adjusting items	**113.7**

Fund and investment management (FIM)

- FIM experienced strong revenue growth YoY, as ACO 1 continued to deploy capital
- Total capital invested by ACO 1 is €1.2 billion, with total Funds Under Management of €4.5 billion
- ACO 1 continues to deliver above target returns, with Deal IRR (post servicing) of over 20%, which positions FIM to generate performance fees (carry) in the coming years
- Whilst there was continued investment in building further fund management capabilities and infrastructure, EBITDA Margin improved markedly in the period from 7.2% to 20.3%

	2021 £'m	**2020 £'m**	**Change %**
Income	55.0	36.8	*49.5*
Business operating costs	(28.1)	(21.3)	*(31.9)*
Overheads (excl. D&A and FX)	(15.8)	(12.8)	*(23.4)*
EBITDA	**11.1**	**2.7**	***311.1***
EBITDA margin (%)	*20.3*	*7.2*	*181.9*

Asset Management and Servicing (AMS)

- AMS income continued to grow strongly YoY, driven primarily by third party income growth of 14.2% from £83.5m to £95.3m
- 2021 was a record year for new business, with 36 new contract wins in 2021
  - Most significant new contract was the agreement to transfer the collections and recoveries operations within Tesco Bank's Customer Service division to Arrow
- New business drives higher up-front investment / costs and has led to a slight erosion of margins from 12.4% to 8.2%
- Greater accountability through the vertically integrated model, together with the annualised cost savings delivered in late 2021, together with the strong appetite from third party clients position AMS well for the future

	2021 £'m	2020 £'m	Change %
Income	133.1	125.4	*6.1*
Business operating costs	(77.8)	(71.2)	*(9.3)*
Overheads (excl. D&A and FX)	(44.4)	(38.6)	*(15.0)*
EBITDA	10.9	15.6	*(30.1)*
EBITDA margin (%)	*8.2*	*12.4*	*(33.9)*

Balance Sheet Business (BSB)

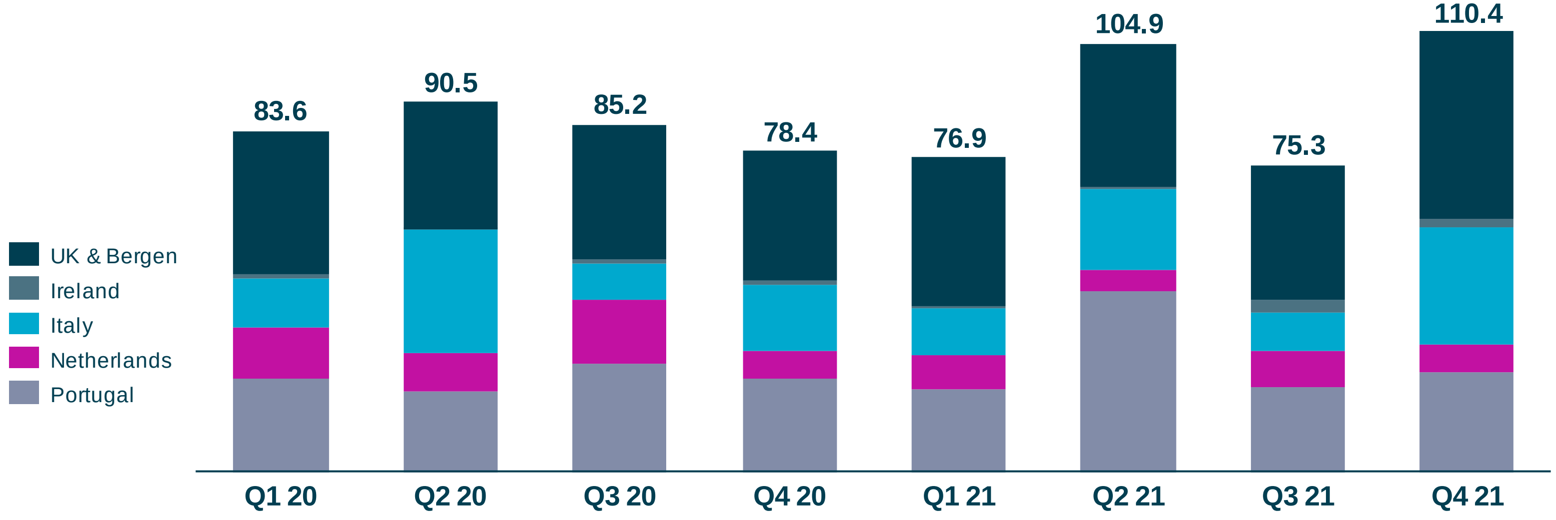
- BSB had a strong year, with collections and income recovering from 2020 levels
- Collections have continued to outperform in 2021, totalling 112% of ERC for the year
- Purchases were £189.7m in 2021 (2020: £109.9)
  - 2021 volumes reflect the strong deployment in ACO 1 with a 25% co-investment level
  - Co-investment in ACO 2 is expected to decrease to 10%, with a corresponding reduction in purchase volumes
- Operating and overhead costs reduced YoY supporting 51.1% EBITDA margin during 2021

	2021 £'m	**2020 £'m**	**Change %**
Core cash collections	367.4	338.9	*8.4*
Income	200.8	64.9	*209.4*
Business operating costs	(87.6)	(98.4)	*(11.0)*
Overheads (excl. D&A and FX)	(9.9)	(10.7)	*(7.5)*
EBITDA	103.3	(44.2)	-
EBITDA margin (%)	*51.1*	*(68.3)*	-

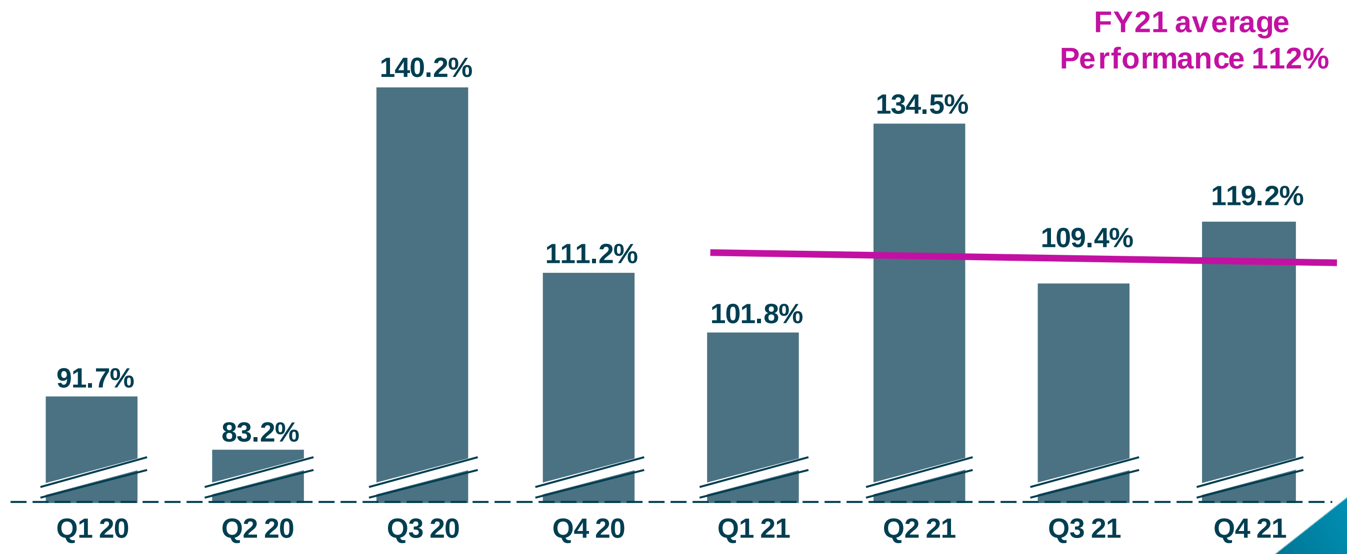
Collections

- Collections during FY 2021 were £367m
  - 8.4% higher than FY 2020
  - Representing 112% of ERC
- Strong collections in fourth quarter (£110.4m) exceeded ERC despite the short delay of a single large collection (£15.0m) successfully received in early 2022
- Collections across all territories have performed well
- The Group's ERC continues to reflect prudent underlying assumptions

Collections by quarter by geography (£'m)

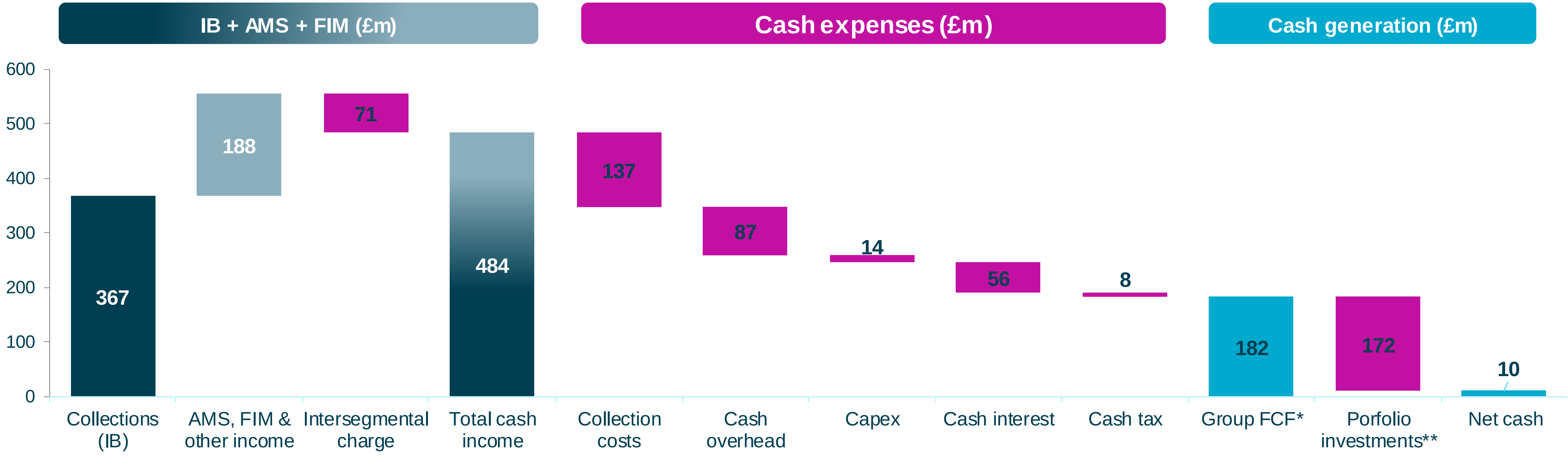


Collections as a percentage of ERC (%)



Free cash flow generation

- Strong free cashflow during 2021 of £182m, up 16% on 2020
- Free cashflow exceeded the cash outflow for portfolio investments by £10m
- Unique integrated asset manager model enables revenue/earnings growth with balance sheet de-leveraging as we go forward



FY 2020 (£m):	339	162	(65)	436	(131)	(72)	(14)	(56)	(6)	157	(161)	(4)

* Free cashflow = Cash generated after the effects of capital expenditure, financing and tax cash impacts and before reinvestment and cash impact of adjusting items
** Investments made in 2021 reflects the cash outflow during the year

Cash generation and capital allocation

- Net debt has increased by £60m in the year, driven by the following factors:
  - Acquisition-related costs incurred in 2021
  - The Maslow acquisition late December (£25m)
  - Investments during the year were £160m
  - Offset by strong free cash flow generation of £182m
- Going forward (with 10% co-investment in ACO 2), the strong free cash flow is expected to continue to exceed portfolio investment

£'millions	2017	2018	2019	2020	2021
Free Cash Flow	**173**	**231**	**261**	**157**	**182**
Reported Balance Sheet investments	(224)	(263)	(304)	(110)	(190)
Deferred portfolio purchases to following period	15	12	63	10	40
Deferred purchases from prior year	(27)	(16)	(12)	(61)	(10)
Total cash purchases in year	**(236)**	**(267)**	**(253)**	**(161)**	**(160)**
Acquisition-related expenditure	-	-	-	-	(83)
M&A costs in current year/prior year deferred	(23)	(114)	(5)	-	(25)
Dividends Paid	(17)	(21)	(23)	-	-
FX & Other	(29)	(62)	(40)	5	14
Movement in net debt	**(132)**	**(233)**	**(60)**	**1**	**(72)**

Liquidity and leverage position

- **Low cost funding base with long duration funding and over £300m of liquidity headroom**
  - WACD of 4.8% (FY 2020: 3.8%)
  - No bond maturities until 2026
  - Weighted average duration of debt 5 years (FY 2020: 3.7 years)
- Group reduced leverage by 0.3 times during 2021 from 5.1 times to 4.8 times – improvement achieved despite:-
  - The increased debt arising from the costs of the take-private transaction (£83m – equivalent to 0.3 times leverage impact); and
  - The short delay on a single large collection (£15.0m) successfully received in early 2022 (equivalent to 0.3 times leverage impact)
- Remain committed to reducing leverage to circa 3 times in the medium term
- Target £500m cumulative cash flow generation (after portfolio investment) over the next 5 year period

£'millions	Dec 21
Cash	(202)
£350m 6% Fixed Rate Notes due 2026	350
€640m Floating Rate Notes due 2027 Euribor + 4.625%	537
€400m 4.5% Fixed Rate Notes due 2026	336
Revolving credit facility - £285m maturing 2026	171
Asset backed loans	56
Total secured net debt	**1,248**
LTM Adjusted EBITDA	260
Leverage	***4.8x***
Liquidity headroom (cash and RCF headroom)	304

STRATEGIC FOCUS

Zach Lewy
Group Chief Executive Officer

Strategic focus

De-leveraging continues to be 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 in 2022 will reduce to 10% for ACO 2

Continue to scale our fund management proposition

- Success of ACO 1 provides **excellent platform to fund raise ACO 2** with target €2.5bn with first close expected mid 2022
- Our stake in Maslow will enable Arrow to bring fund management expertise and take advantage of a growing, highly attractive market segment
- Continue to **build real-estate and fundraising capabilities**
- Ongoing scaling of our origination through **our off-market, local strategy driving higher returns**

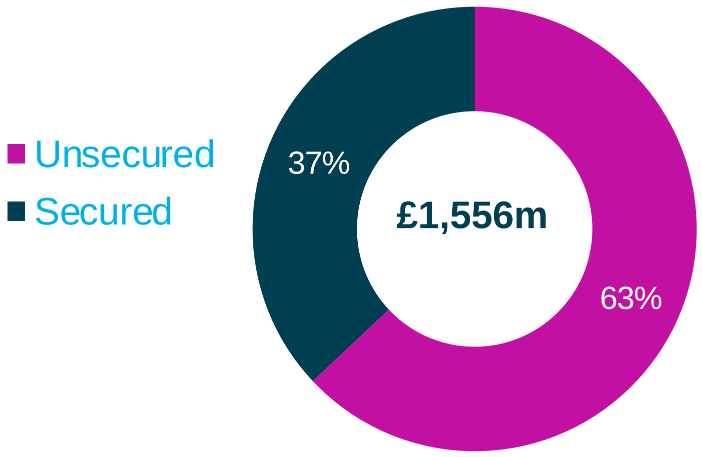
Alignment of our local platforms

- Vertical alignment of our platforms to drive **greater accountability and improve margins**
- Local platforms provide a **differentiated strategy** versus other credit funds (typically sourcing larger, lower return deals)
- Maintaining our **strong regulatory and customer franchise**, as part of our broader ESG commitments

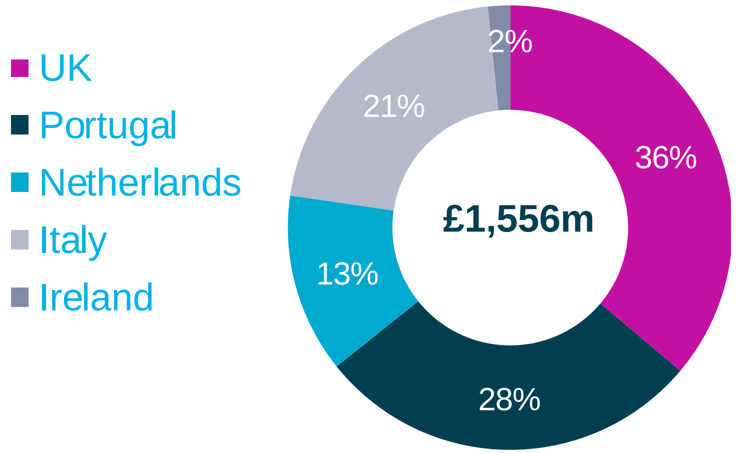
Appendix

ERC exposure by geography and type (Arrow Balance Sheet and Arrow SMA Only)

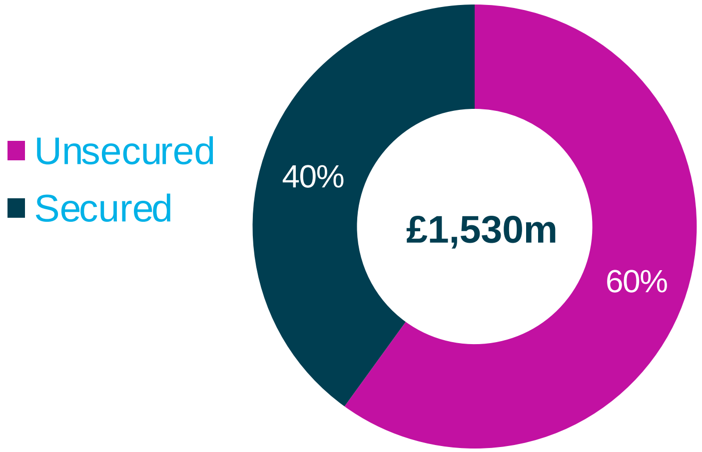
Dec 2020 84-month ERC by asset class



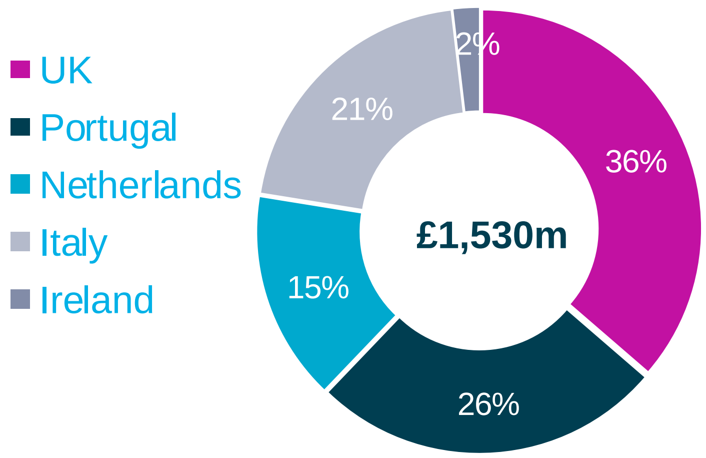
Dec 2020 84-month ERC by geography



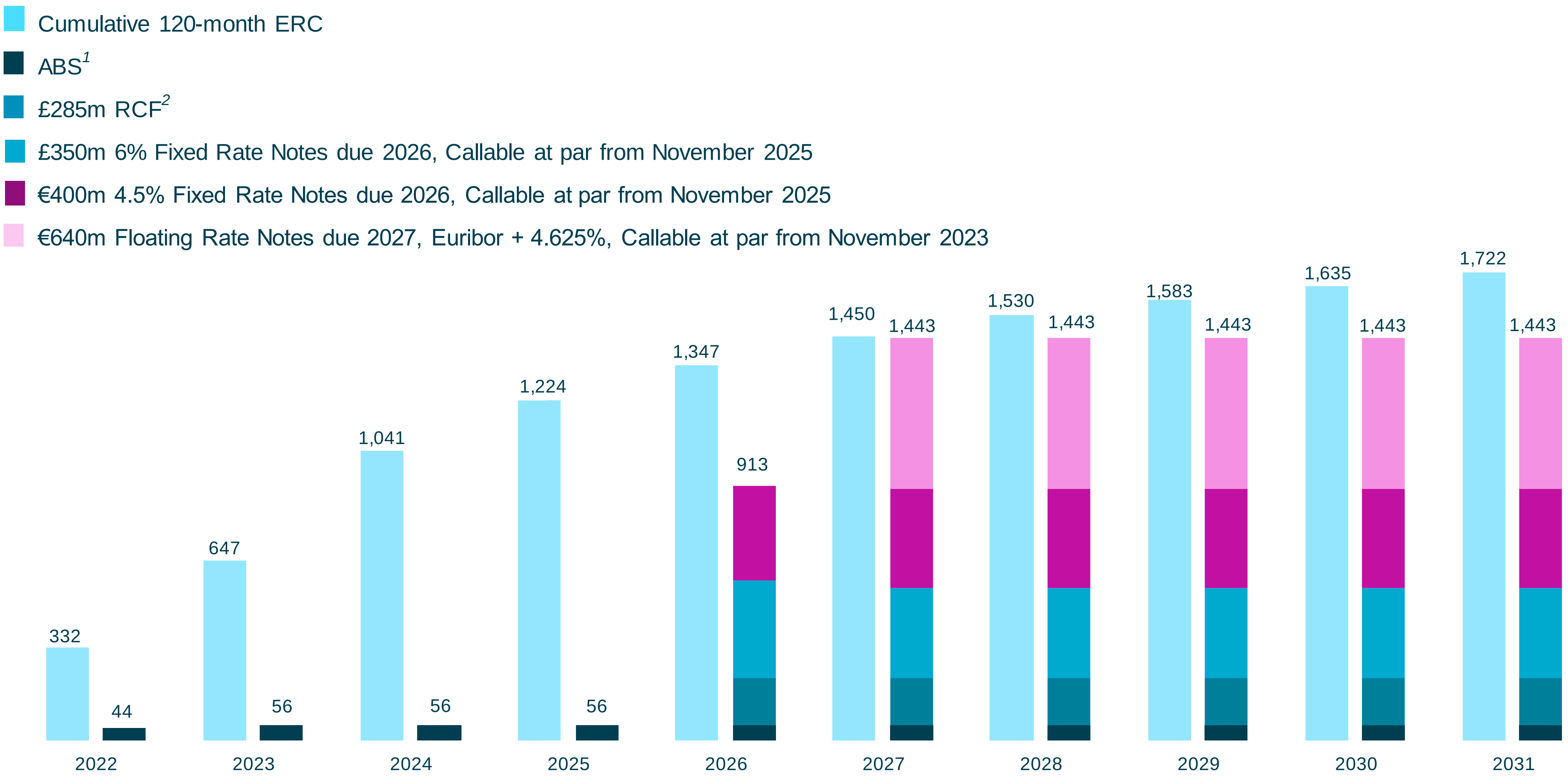
Dec 2021 84-month ERC by asset class (Inc Arrow Balance Sheet & Arrow SMA Investment)



Dec 2021 84-month ERC by asset class (Inc Arrow Balance Sheet & Arrow SMA Investment)



Gross debt maturity profile against 120 month ERC



[1] Drawn ABS revolver as at December 2021 was £56m and the maturity profile shown in the chart reflects debt amortising based upon forecast collections.
[2] Drawn RCF balance as at December 2021 was £171m.
[3] All debt maturities are shown gross, not taking into account Group cash balances of £198.9m which were held as at 31/12/2021

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