

## Arrow Global Group plc results for the three months ended 31 March 2021

### *Good Q1 performance and strong momentum on capital-light strategy*

#### Highlights

- EBITDA of £27.1 million (Q1 2020: £26.5 million) – robust revenue performance despite European lockdowns; disciplined cost control
- Profit after tax of £6.0 million (Q1 2020: £6.9 million) – FX headwinds and increased finance costs
- Total income of £78.2 million (Q1 2020: £77.1 million)
- Total operating expenses of £55.5 million (Q1 2020: £54.6 million) – new business growth saw increased collection and Fund and Investment Management costs which more than offset a 19.8% reduction in other operating expenses
- Terms and conditions agreed for recommended all cash offer by TDR Capital; Scheme Document published on 28 April with shareholder vote taking place on 21 May

#### Fund and Investment Management (FIM) business – Attractive deployment opportunities

- Continued momentum in deployment of Arrow Credit Opportunities 1 (ACO 1) fund with attractive investment opportunities – 40% of fund deployed or committed (gross, before capital recycling) at Q1 2021 (including balance sheet co-investment; 47% excluding co-investment) with a strong Q2 2021 investment pipeline
- Q1 2021 third-party income of £3.2 million, up 38.6% (Q1 2020: £2.3 million)
- Funds Under Management (FUM) of €4.3 billion (FY 2020: €4.3 billion)

#### Asset Management and Servicing (AMS) business – Resilient revenues and new contract wins

- AMS business cashflows remained resilient with capital-light third-party income up 5.2% to £22.4 million (Q1 2020: £21.3 million)
- 6 new contract wins in Q1 2021, building on the record 26 wins in 2020, which will drive high-quality recurring revenue growth in 2021 and evidencing high demand for our servicing capabilities
- 73% of ACO 1 deployment being serviced by AMS platforms (as at 31 December 2020) – in line with 75% target

#### Balance Sheet (BS) business – Collections outperforming ERC

- New portfolio purchases of £28.4 million (Q1 2020: £28.1 million)
- Q1 2021 collections of £76.9 million (Q1 2020: £85.1 million) representing 105.8% of Estimated Remaining Collections (ERC) assumptions – in line with collections guidance
- No change to methodology used for ERC forecast review at Q1 2021; Next review at HY 2021

### **Capital and liquidity**

- Strengthened the liquidity position with successful €75 million bond tap in Q1 2021 with cash headroom increasing to £219.7 million (FY 2020: £174.6 million)
- Free cash flow (FCF) generation of £26.1 million (Q1 2020: £33.5 million)
- Leverage of 5.1x (FY 2020: 5.1x) comfortably within revised covenant levels; expected to peak in HY 2021, as the negative impact of H1 2020 COVID-19 lockdowns on collections remain in the Group's trailing 12-month calculation
- Continue to expect leverage to be circa 4.0x by the end of 2021 and within target 3.0x-3.5x range by 2023

### **Outlook and guidance**

- Despite a good start to the year and improving macroeconomic prospects in Arrow's target markets, the Group remains cautious given the ongoing short-term uncertainty, and the winding down of government support measures
- Economic dislocation will present significant investment and asset servicing opportunities in Arrow's target markets; in a strong position to take advantage of future opportunities
- Guidance given at FY20 remains appropriate

### **Commenting on today's results, Lee Rochford, Group chief executive officer, said:**

“Arrow has had a good start to the year, due to the strong commitment and dedication of colleagues and their relentless focus on maintaining excellent service to customers and clients. I am immensely proud of the high level of engagement shown across the Group, despite the operational challenges due to the continued lockdowns in our European markets. Our successful track record and the economic dislocation from the pandemic means we are well positioned to benefit from significant investment and asset servicing opportunities in our chosen markets.”

<b>Group financial highlights</b>	<b>31 March 2021</b>	<b>31 March 2020</b>	<b>Change</b>
Total income (£m)	78.2	77.1	1.1
Free cash flow (£m)	26.1	33.5	(7.4)
Profit before tax (£m)	7.9	9.0	(1.1)
Annualised ROE (%)*	18.9	13.9	5.0
Basic EPS (£)	0.03	0.04	(0.01)
Third-party AMS and FIM income (£m)	25.6	23.6	2.0
Capital-light % of Group EBITDA (%)	17.5	18.5	(1.0)
Balance sheet collections (£m)	76.9	85.1	(8.2)
	<b>31 March 2021</b>	<b>31 December 2020</b>	<b>Change</b>
Leverage (x)	5.1	5.1	0.0
84-month ERC (£m)	1,480.4	1,555.8	(75.4)
120-month ERC (£m)	1,633.4	1,722.4	(89.0)
Net debt (£m)	1,179.3	1,226.3	(47.0)

\* ROE has been calculated by extrapolating the quarterly results. The full definition of 'annualised' can be seen within the glossary on page 16.

## Presentation for Q1 2021 results

No conference call will be held for the Q1 2021 results; however, the presentation detailing Arrow's Q1 2021 results is available on the Group's Investor Relations website.

### Notes:

A glossary of terms can be found at the end of the document.

More details explaining Arrow's business can be found on the Company's website at [www.arrowglobal.net](http://www.arrowglobal.net)

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## **About Arrow Global**

Established in 2005, Arrow Global is a European investor and alternative asset manager specialising in non-performing and non-core assets. We identify, acquire and manage secured and unsecured loan and real estate portfolios from and on behalf of financial institutions, such as banks, institutional fund investors and specialist lenders.

We play an active role in helping financial institutions reduce their balance sheets and recapitalise in order to increase mainstream lending. By purchasing and managing non-performing loans and other non-core assets, we provide valuable capital and expertise to a growing European market. We are a regulated business in all five of our European markets.

We invest in this asset class via our Fund and Investment Management business and balance sheet, and also generate income from managing and servicing assets on behalf of third parties.

Arrow's Fund and Investment Management business has total funds under management of €4.3 billion (as at 31 March 2021).

## **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 the 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, the Group 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 and the Group assume no obligation to update or provide any additional information in relation to such forward-looking statements.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the period ended 31 March 2021

	Unaudited three months ended 31 March 2021 £000	Unaudited three months ended 31 March 2020 £000
<b>Continuing operations</b>		
Income from portfolio investments at amortised cost	34,697	45,259
Fair value gain on portfolio investments at FVTPL	9,055	4,134
Impairment gains on portfolio investments	8,493	3,848
Income/(losses) from real estate inventories	407	(20)
<b>Total income from portfolio investments</b>	<b>52,652</b>	<b>53,221</b>
Income from asset management and servicing and fund and investment management	25,580	23,580
Other income	7	262
<b>Total income</b>	<b>78,239</b>	<b>77,063</b>
<b>Operating expenses:</b>		
Collection activity and fund management costs	(32,691)	(26,058)
Other operating expenses	(22,841)	(28,492)
<b>Total operating expenses</b>	<b>(55,532)</b>	<b>(54,550)</b>
<b>Operating profit</b>	<b>22,707</b>	<b>22,513</b>
Finance income	5	6
Finance costs	(14,767)	(13,486)
<b>Profit before tax</b>	<b>7,945</b>	<b>9,033</b>
Taxation charge	(1,907)	(2,168)
<b>Profit after tax</b>	<b>6,038</b>	<b>6,865</b>
<b>Other comprehensive (loss)/income:</b>		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign exchange translation difference arising on revaluation of foreign operations	(7,607)	6,356
Movement on the hedging reserve	19	85
<b>Total comprehensive (loss)/income</b>	<b>(1,550)</b>	<b>13,306</b>
<b>Profit after tax attributable to:</b>		
Owners of the Company	6,068	6,950
Non-controlling interest	(30)	(85)
	<b>6,038</b>	<b>6,865</b>
<b>Basic EPS (£)</b>	<b>0.03</b>	<b>0.04</b>
<b>Diluted EPS (£)</b>	<b>0.03</b>	<b>0.04</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

		31 March	31 December	As re-presented
		2021	2020	31 March
	Note	£000	£000	2020 £000
<b>Assets</b>				
Cash and cash equivalents		137,221	182,892	109,355
Trade and other receivables		64,537	71,372	69,275
Current tax asset		569	–	–
Portfolio investments – amortised cost	2	746,294	793,554	950,022
Portfolio investments – FVTPL	2	204,527	187,421	176,832
Portfolio investments – real estate inventories	2	56,835	61,240	64,456
Property, plant and equipment		17,926	17,612	22,166
Intangible assets		37,856	38,709	38,524
Deferred tax asset		29,432	31,782	10,120
Goodwill		267,991	278,338	276,190
<b>Total assets</b>		<b>1,563,188</b>	<b>1,662,920</b>	<b>1,716,940</b>
<b>Liabilities</b>				
Bank overdrafts	3	2,534	3,648	4,111
Revolving credit facility	3	191,283	277,552	275,141
Derivative liability		59	83	407
Trade and other payables		158,704	166,965	199,174
Current tax liability		–	2,110	3,525
Other borrowings	3	3,086	3,247	3,838
Asset-backed loans	3	117,474	143,985	77,611
Senior secured notes	3	957,323	930,575	918,137
Deferred tax liability		17,101	18,056	19,147
<b>Total liabilities</b>		<b>1,447,564</b>	<b>1,546,221</b>	<b>1,501,091</b>
<b>Equity</b>				
Share capital		1,774	1,774	1,769
Share premium		347,436	347,436	347,436
Retained earnings		45,049	38,506	137,108
Hedging reserve		(47)	(67)	(338)
Other reserves		(282,059)	(274,451)	(274,274)
<b>Total equity attributable to shareholders</b>		<b>112,153</b>	<b>113,198</b>	<b>211,701</b>
Non-controlling interest		3,471	3,501	4,148
<b>Total equity</b>		<b>115,624</b>	<b>116,699</b>	<b>215,849</b>
<b>Total equity and liabilities</b>		<b>1,563,188</b>	<b>1,662,920</b>	<b>1,716,940</b>

The March 2020 balance sheet has been re-presented to show £7,766,000 of bank balances subject to certain restrictions within cash and cash equivalents in the year, that were previously shown within trade and other receivables. See the unaudited consolidated statement of cash flows on page 8 for more detail.

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the period ended 31 March 2021

	Share capital	Other equity reserves	Total	Non-controlling interest	Total
	£000	£000	£000	£000	£000
<b>Balance at 1 January 2020</b>	1,769	195,623	197,392	4,465	201,857
Profit after tax	–	6,950	6,950	(85)	6,865
Exchange differences	–	6,356	6,356	–	6,356
Net fair value gains - cash flow hedges	–	102	102	–	102
Tax on hedged items	–	(17)	(17)	–	(17)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>13,391</b>	<b>13,391</b>	<b>(85)</b>	<b>13,306</b>
Share-based payments net of tax	–	775	775	–	775
Non-controlling interest on acquisition	–	232	232	(232)	–
Change in non-controlling interest	–	(89)	(89)	–	(89)
<b>Balance at 31 March 2020</b>	<b>1,769</b>	<b>209,932</b>	<b>211,701</b>	<b>4,148</b>	<b>215,849</b>
Loss after tax	–	(99,779)	(99,779)	(703)	(100,482)
Exchange differences	–	385	385	–	385
Net fair value gains - cash flow hedges	–	325	325	–	325
Tax on hedged items	–	(54)	(54)	–	(54)
<b>Total comprehensive loss for the period</b>	<b>–</b>	<b>(99,123)</b>	<b>(99,123)</b>	<b>(703)</b>	<b>(99,826)</b>
Shares issued	5	–	5	–	5
Repurchase of own shares	–	(562)	(562)	–	(562)
Share-based payments net of tax	–	1,171	1,171	–	1,171
Change in non-controlling interest	–	6	6	56	62
<b>Balance at 31 December 2020</b>	<b>1,774</b>	<b>111,424</b>	<b>113,198</b>	<b>3,501</b>	<b>116,699</b>
Profit after tax	–	6,068	6,068	(30)	6,038
Exchange differences	–	(7,607)	(7,607)	–	(7,607)
Net fair value losses - cash flow hedges	–	24	24	–	24
Tax on hedged items	–	(5)	(5)	–	(5)
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>(1,520)</b>	<b>(1,520)</b>	<b>(30)</b>	<b>(1,550)</b>
Share-based payments net of tax	–	475	475	–	475
<b>Balance at 31 March 2021</b>	<b>1,774</b>	<b>110,379</b>	<b>112,153</b>	<b>3,471</b>	<b>115,624</b>

## UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the period ended 31 March 2021

	Unaudited period ended 31 March 2021 £000	As re-presented unaudited period ended 31 March 2020 £000
<b>Net cash flows from operating activities before purchases of portfolio investments</b>	<b>51,469</b>	<b>12,140</b>
Purchase of portfolio investments	(28,372)	(28,066)
<b>Net cash generated/(used) by operating activities</b>	<b>23,097</b>	<b>(15,926)</b>
<b>Net cash used in investing activities</b>	<b>(5,733)</b>	<b>(3,939)</b>
<b>Net cash flows (used)/generated by financing activities</b>	<b>(59,573)</b>	<b>11,360</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(42,209)</b>	<b>(8,505)</b>
Cash and cash equivalents at beginning of period	182,892	115,376
Effect of exchange rates on cash and cash equivalents	(3,462)	2,484
<b>Cash and cash equivalents at end of period</b>	<b>137,221</b>	<b>109,355</b>

Included within cash and cash equivalents in £8,571,000 (2020: £7,766,000) of cash, which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated securitisation structure awaiting a payment date. The 2020 reconciliation above has been re-presented to remove these amounts from the net cash generated/used by operating activities, as in the prior year they were included within this line item, but are now included within cash and cash equivalents at the beginning and end of each year.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. Significant accounting policy updates

These financial statements are unaudited and do not include all the information required for annual or interim financial statements and therefore are not fully compliant with IAS 34 – Interim financial reporting. These quarterly results should be read in conjunction with the Group’s consolidated annual report and accounts for the year ended 31 December 2020.

The Group’s consolidated annual report and accounts are prepared in accordance with the international accounting standards in conformity with the requirements of the Companies Act 2006 (‘Adopted IFRS’) and also in accordance with IFRS adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the EU. As required by the Disclosure and Transparency Rules of the Financial Conduct Authority, these financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Group’s published consolidated annual report and accounts for the year ended 31 December 2020.

The consolidated annual report and accounts for the year ended 31 December 2020 are available upon request from the Company’s registered office at Belvedere, 12 Booth Street, Manchester, M2 4AW and can also be found online at [www.arrowglobal.net](http://www.arrowglobal.net).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (*continued*)

### 2. Portfolio investments

The movements in portfolios investments were as follows:

#### Period ended 31 March 2021

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2021	793,554	187,421	61,240	1,042,215
Portfolios purchased during the period	3,573	24,799	–	28,372
Collections in the period	(68,439)	(5,728)	(2,752)	(76,919)
Income from portfolio investments at amortised cost	34,697	–	–	34,697
Fair value gain on portfolio investments at FVTPL	–	9,055	–	9,055
Income from portfolio investments - real estate inventories	–	–	407	407
Net impairment gains/(losses)	8,530	–	(37)	8,493
Exchange and other movements	(25,621)	(11,020)	(2,023)	(38,664)
As at 31 March 2021	<b>746,294</b>	<b>204,527</b>	<b>56,835</b>	<b>1,007,656</b>

#### Year ended 31 December 2020

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2020	932,199	169,799	61,626	1,163,624
Portfolios purchased during the year	47,169	62,681	–	109,850
Balance Sheet collections in the year	(287,662)	(46,074)	(5,136)	(338,872)
Income from portfolio investments at amortised cost	164,597	–	–	164,597
Fair value gain on portfolio investments at FVTPL	–	4,976	–	4,976
Income from portfolio investments - real estate inventories	–	–	492	492
Net impairment losses	(100,022)	–	(414)	(100,436)
Exchange and other movements	37,273	(3,961)	4,672	37,984
As at 31 December 2020	<b>793,554</b>	<b>187,421</b>	<b>61,240</b>	<b>1,042,215</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (continued)

### 2. Portfolio investments (continued)

#### Period ended 31 March 2020

	Amortised cost £000	FVTPL £000	Real estate inventories £000	Total £000
As at 1 January 2020	932,199	169,799	61,626	1,163,624
Portfolios purchased during the period	19,148	8,918	–	28,066
Collections in the period	(72,962)	(11,862)	(227)	(85,051)
Income from portfolio investments at amortised cost	45,259	–	–	45,259
Fair value gain on portfolio investments at FVTPL	–	4,134	–	4,134
Losses from portfolio investments - real estate inventories	–	–	(20)	(20)
Net impairment gains	3,848	–	–	3,848
Exchange and other movements	22,530	5,843	3,077	31,450
As at 31 March 2020	<b>950,022</b>	<b>176,832</b>	<b>64,456</b>	<b>1,191,310</b>

### 3. Borrowings and facilities

	31 March 2021 £000	31 December 2020 £000	31 March 2020 £000
Senior secured notes (net of transaction fees of £11,125,000, 31 December 2020: £10,480,000 31 March 2020: £12,233,000)	957,323	930,575	918,137
Revolving credit facility (net of transaction fees of £2,629,000, 31 December 2020: £2,790,000, 31 March 2020: £3,487,000)	191,283	277,552	275,141
Asset backed loan (net of transaction fees of £4,014,000, 31 December 2020: £4,708,000, 31 March 2020: £1,438,000)	117,474	143,985	77,611
Bank overdrafts	2,534	3,648	4,111
Other borrowings	3,086	3,247	3,838
<b>Total borrowings</b>	<b>1,271,700</b>	<b>1,359,007</b>	<b>1,278,838</b>
Amount due for settlement within 12 months	273,501	362,427	296,605
Amount due for settlement after 12 months	998,199	996,580	982,233
	<b>1,271,700</b>	<b>1,359,007</b>	<b>1,278,838</b>

**3. Borrowings (*continued*)****Senior secured notes**

The senior secured notes comprise three publicly issued Euro and Sterling senior notes secured by substantially all of the assets of the Group; £320 million 5.125% fixed-rate notes due September 2024, €400 million floating rate senior secured notes due April 2025 at a coupon of 3.75% over three-month Euribor and €360 million floating rate senior secured notes, including the €75 million tap, due March 2026 at a coupon of 3.75% over three-month Euribor. The Euro notes are subject to a zero percent floor on Euribor.

On 12 February 2021, Arrow Global Finance plc issued €75 million senior secured notes maturing 2026, at an issue price of 99%. This tap issue of the existing €285 million senior secured floating rate bonds due 2026 means that all terms and conditions of the new bonds are identical to those of the existing 2026 bonds, except for the issue price. The proceeds from the transaction of €74,250,000 less transaction fees and expenses were used to partially repay drawings under the Group's revolving credit facility.

**Revolving credit facility**

The £285 million revolving credit facility, provided by a syndicate of banks, matures in January 2024. On 12 August 2020, the Group executed an amendment agreement with its lenders to amend the financial covenants under the facility to reflect the potential impact on the business of COVID-19. The amendments to the financial covenants are for the period from September 2020 up to and including June 2022 and provide suitable headroom based upon the Group's downside projections, including an amendment to the maximum permitted leverage and minimum liquidity, and a move to a more dynamic margin calculation of between 2.50% and 3.25%.

**Asset backed securitisation**

The Group has two non-recourse committed asset-backed securitisation term loans.

The first loan of £66 million as at 31 March 2021, secured on UK unsecured assets, pays LIBOR plus 3.1%. The Group has sold ERC to a wholly owned subsidiary, AGL Fleetwood Limited, at various times since the transaction was originally established in April 2019.

On 31 March 2020, the Group sold a further £30 million of ERC into AGL Fleetwood Limited and on 2 April 2020 borrowed an additional £21 million non-recourse funding on the same terms under the facility.

During July 2020, the Group entered into further arrangements in connection with the non-recourse facility to mitigate potential balance sheet cash collections impacts of COVID-19. An additional £33 million of 84-month ERC was sold into the structure with no additional borrowings made. In consideration of the additional ERC pledged, the lender agreed to amend certain performance criteria.

During July 2020, the Group entered into a second non-recourse amortising loan of €104,700,000, which was fully drawn during the month. This loan was secured against €356 million of Portuguese 84-month ERC at a margin of 4.25%. The outstanding amount of the loan as at 31 March 2021 was €64 million.

As at 31 March 2021, £279,492,000 of the portfolio investments, set out in note 2, are pledged as collateral for the asset-backed securitisations.

## ADDITIONAL INFORMATION (UNAUDITED)

The adjusted EBITDA reconciliations for the periods ended 31 March 2021 and 31 March 2020 respectively are shown below:

	31 March 2021 £000	As re-presented 31 March 2020 £000
<b>Reconciliation of net cash flow to adjusted EBITDA</b>		
Net cash generated/(used) by operating activities	23,097	(15,926)
Purchase of portfolio investments	28,372	28,066
Income taxes paid	1,316	5,560
Working capital adjustments	(889)	43,124
Amortisation of acquisition and bank facility fee	–	17
Write off lease assets	–	(1,689)
<b>Adjusted EBITDA</b>	<b>51,896</b>	<b>59,152</b>
<b>Reconciliation of core collections to EBITDA</b>		
Income from portfolio investments including fair value and impairment gains	52,652	53,221
Portfolio amortisation	24,267	31,830
<b>Core collections</b> (includes proceeds from disposal of loan portfolios)	<b>76,919</b>	<b>85,051</b>
Other income	25,587	23,842
Operating expenses	(55,532)	(54,550)
Depreciation and amortisation	4,379	3,953
Foreign exchange losses	61	64
Amortisation of acquisition and bank facility fees	–	17
Write off and disposal of property, plant and equipment	7	–
Share-based payments net of tax	475	775
<b>Adjusted EBITDA</b>	<b>51,896</b>	<b>59,152</b>
<b>Reconciliation operating profit to EBITDA</b>		
Profit after tax for the period	6,038	6,865
Finance income and costs	14,762	13,480
Tax charge on ordinary activities	1,907	2,168
<b>Operating profit</b>	<b>22,707</b>	<b>22,513</b>
Portfolio amortisation	24,267	31,830
Depreciation and amortisation	4,379	3,953
Foreign exchange losses	61	64
Amortisation of acquisition and bank facility fees	–	17
Write off and disposal of property, plant and equipment	7	–
Share-based payments net of tax	475	775
<b>Adjusted EBITDA</b>	<b>51,896</b>	<b>59,152</b>

For more information about the 31 March 2020 re-presentation, see page 8.

## ADDITIONAL INFORMATION (UNAUDITED) (continued)

The table below reconciles the reported profit for the period to the free cash flow result.

### Reconciliation of profit after tax to the free cash flow result

Income	Reported profit £000	Other items £000	Free cash flow £000	
Income from portfolio investments at amortised cost	34,697	42,222	76,919	Collections in the period
Fair value gain on portfolio investments at FVTPL	9,055	(9,055)	–	
Net impairment gains on portfolio investments	8,493	(8,493)	–	
Income from real estate inventories	407	(407)	–	
Income from asset management and servicing	25,580	–	25,580	Income from asset management and servicing
Other income	7	–	7	
<b>Total income</b> <sup>1</sup>	<b>78,239</b>	<b>24,267</b>	<b>102,506</b>	Cash income
<b>Total operating expenses</b>	<b>(55,532)</b>	<b>4,922</b> <sup>2</sup>	<b>(50,610)</b>	Cash operating expenses
<b>Operating profit</b>	<b>22,707</b>	<b>29,189</b>	<b>51,896</b>	Adjusted EBITDA <sup>4</sup>
Net financing costs	<b>(14,762)</b>	<b>(4,805)</b> <sup>3</sup>	<b>(19,567)</b>	
<b>Profit before tax</b>	<b>7,945</b>	<b>24,384</b>	<b>32,329</b>	
Taxation charge on ordinary activities	(1,907)	591	(1,316)	
<b>Profit after tax</b>	<b>6,038</b>	<b>24,975</b>	<b>31,013</b>	
			(4,879)	Capital expenditure
			<b>26,134</b>	<b>Free cash flow</b> <sup>5</sup>

<sup>1</sup> Total income is largely derived from income from portfolio investments plus income from asset management and servicing, being commission on balance sheet cash collections for third parties and fee income received. The other items add back loan portfolio amortisation to get to balance sheet cash collections. Amortisation reflects a reduction in the statement of financial position carrying value of the portfolio investments arising from balance sheet cash collections, which are not allocated to income. Amortisation plus income from portfolio investments equates to balance sheet cash collections.

<sup>2</sup> Includes non-cash items including depreciation and amortisation, share-based payment charges and FX.

<sup>3</sup> Non-cash amortisation of fees and interest offset by bond payment timings.

<sup>4</sup> Adjusted EBITDA is a key driver to free cash flow. This measure allows us to monitor the operating performance of the Group. See additional information provided on page 13 for detailed reconciliations of adjusted EBITDA.

<sup>5</sup> Free cash flow is the adjusted EBITDA after the effect of capital expenditure and working capital movements.

## GLOSSARY OF ALTERNATIVE PERFORMANCE MEASURES

APM	Definition	Why is the measure used?
Adjusted EBITDA	The Adjusted EBITDA figure represents the Group's earnings before interest, tax, depreciation and amortisation, adjusted for any non-cash income or expense items.	Adjusted EBITDA is an approximate measure of the underlying cash EBITDA of the Group. In addition, the leverage ratio of the Group is calculated as the ratio of secured net debt to Adjusted EBITDA. This makes the Adjusted EBITDA figure a key component of this metric, which also features in the Group's banking covenant measures.
Free cash flow	The free cash flow represents current cash generation on a sustainable basis and is calculated as Adjusted EBITDA less cash interest, income taxes and overseas taxation paid, purchase of property, plant and equipment and purchase of intangible assets.	Free cash flow provides a measure of how much cash the Group generates across the reporting period which it can utilise on a discretionary basis.
Balance sheet cash collections	Balance sheet cash collections represent cash collections on the Group's existing portfolio investments including ordinary course portfolio sales and put-backs.	Balance sheet cash collections is a key metric as it represents the Group's most significant cash inflow. It is also a key component of Adjusted EBITDA which is used to calculate the Group's leverage position.
84-month ERC	The 84-month ERC means the Group's estimated remaining balance sheet cash collections on portfolio investments (of all classifications) over the next 84-months, representing the expected future balance sheet cash collections on portfolio investments during this period. The expected future balance sheet cash collections are calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time.	The 84-month ERC is particularly important for the Group as it shows the forecast cash inflows over the same period that is used to calculate the future cash flows of the Group's portfolio investments.
120-month ERC	The 120-month ERC means the Group's estimated remaining balance sheet cash collections on portfolio investments (of all classifications) over the next 120-months, representing the expected future balance sheet cash collections on portfolio investments during this period. The expected future balance sheet cash collections are calculated at the end of each month, based on the Group's proprietary ERC forecasting model, as amended from time to time.	The 120-month ERC is an important metric for the Group as in some cases the collection profile of a particular portfolio can extend beyond 84-months, and as such, the 120-month ERC gives a more holistic view of potential remaining balance sheet cash collections from the Group's portfolio investments.
Leverage	Leverage is calculated as secured net debt over Adjusted EBITDA.	The leverage metric provides an indication of the level of indebtedness of the Group, relative to its underlying cash earnings.

## GLOSSARY

**'ACO 1'** is Arrow Credit Opportunities Scsp, our first closed fund encompassing all fund vehicles.

**'Adjusted EBITDA'**. See the glossary of alternative performance measures on page 15 for the definition.

**'AMS'** Income from Asset Management and Servicing (AMS) contracts. The Group recognises revenue when it satisfies a performance obligation related to a service it has undertaken to provide to a customer.

**'AMS EBITDA margin'** is the EBITDA margin for the AMS segment.

**'Annualised'** terminology is used in respect of ROE. As the 31 December 2020 result was a large loss after tax, for the ROE calculation for the 31 March 2021, the result has been annualised by extrapolating the Q1 2021 result.

**'Balance sheet cash collections'**. See the glossary of alternative performance measures on page 15 for the definition.

**'Capital-light % of Group EBITDA'** is the Asset Management Servicing and Fund and Investment Management segment EBITDAs as a percentage of total EBITDA.

**'Cash headroom'** is cash on balance sheet, excluding the reclassified cash as detailed in the unaudited consolidated statement of cash flows on page 8, together with headroom on committed facilities.

**'Diluted EPS'** means the earnings per share whereby the number of shares is adjusted for the effects of potential dilutive ordinary shares, options and LTIP's.

**'EBITDA'** means earnings before interest, taxation, depreciation and amortisation.

**'EPS'** means earnings per share.

**'ERC'** means Estimated Remaining Collections. See the glossary of alternative performance measures on page 15 for the definition of 84-month ERC and 120-month ERC.

**'FIM'** means the Fund and Investment Management.

**'FIM EBITDA margin'** is the EBITDA margin for the FIM segment.

**'Free cashflow'** or **'FCF'**. See the glossary of alternative performance measures on page 15 for the definition.

**'Funds under management (FUM)'** means the value of all fund management assets managed by Arrow Global plc, including Arrow Credit Opportunities, Norfin Investimentos, Europa Investimenti, Sagitta, any of Arrow's own capital which it has committed to invest alongside third parties committed capital and Arrow's back book. FUM is an important metric used to understand the scale of the Group's Fund and Investment Management business and how this compares with others in the market.

**'FVTPL'** – means financial instruments at fair value with all gains or losses being recognised in the profit or loss.



## GLOSSARY (continued)

**'Gross income'** includes commission income, debt collection, due diligence, real estate management, advisory fees and intra-group income for Asset Management and Servicing and FIM, total income for the Investment Business and other income.

	<b>31 March 2021 £000</b>	<b>31 March 2020 £000</b>
Third-party AMS income	22,362	21,258
Intra-Group AMS income	9,640	10,077
<b>Gross AMS income</b>	<b>32,002</b>	<b>31,335</b>
Third-party FIM income	3,218	2,322
Intra-Group FIM income	4,007	4,567
Income reallocation from Balance Sheet business	1,585	33
<b>Gross FIM income</b>	<b>8,810</b>	<b>6,922</b>
Balance Sheet business income	52,652	53,221
Income reallocation to FIM business	(1,585)	(33)
<b>Gross Balance Sheet business income</b>	<b>51,067</b>	<b>53,188</b>
Other income	7	262
<b>Gross income</b>	<b>91,886</b>	<b>91,707</b>

**'IFRS'** means EU adopted international financial reporting standards.

**'Income from AMS'** includes commission income, debt collection, due diligence, real estate management and advisory fees.

**'Leverage'** is secured net debt to LTM Adjusted EBITDA. See the glossary of alternative performance measures on page 15 for more detail.

**'LTIP'** means the Arrow long-term incentive plan.

**'LTM'** means last twelve months, calculated by the addition of the consolidated financial data for the year ended 31 December 2020 and the consolidated financial data for the three months to 31 March 2021, and the subtraction of the consolidated financial data for the three months to 31 March 2020.

## GLOSSARY (continued)

‘**NCI**’ means non-controlling interest.

‘**Net debt**’ means the sum of the outstanding principal amount of the senior secured notes and asset-backed loans, interest thereon, amounts outstanding under the revolving credit facility and deferred consideration payable in relation to the acquisition of portfolio investment, less cash and cash equivalents. Net debt is presented because it indicates the level of debt after removing 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 revolving credit facility. The breakdown of net debt as at 31 March 2021 is as follows:

	<b>31 March 2021 £000</b>	<b>31 December 2020 £000</b>
Cash and cash equivalents	(137,221)	(182,892)
Senior secured notes (pre-transaction fees net off)	966,816	935,487
Revolving credit facility (pre-transaction fees net off)	193,912	280,342
Asset-backed loans (pre-transaction fees net off)	121,001	148,044
<b>Secured net debt</b>	<b>1,144,508</b>	<b>1,180,981</b>
Deferred consideration – portfolio investments	7,969	12,038
Deferred consideration – business acquisitions	19,045	20,130
Senior secured loan notes interest	1,632	5,568
Asset backed loan interest	487	649
Bank overdrafts	2,534	3,648
Other borrowings	3,086	3,247
<b>Net debt</b>	<b>1,179,261</b>	<b>1,226,261</b>

‘**Portfolio amortisation**’ represents total balance sheet cash collections plus income from portfolio investments.

‘**Portfolio investments**’ are on the Group’s statement of financial position and represent all debt portfolios that the Group owns at the relevant point in time. A portfolio comprises a group of customer accounts purchased in a single transaction.

‘**ROE**’ means the return on equity as calculated by taking annualised profit after tax divided by the average equity attributable to shareholders. Average equity attributable is calculated as the average quarterly equity from Q1 2020 to Q1 2021 as shown in the quarterly, half year and full year statements. See ‘**Annualised**’ for more information.

‘**Secured net debt**’ means the sum of the outstanding principal amount of the senior secured notes and asset-backed loans, amounts outstanding under the revolving credit facility, less cash and cash equivalents. Secured net debt is presented because it indicates the level of secured debt after taking out the Group’s assets that can be used to pay down outstanding secured borrowings, and because it is a component of the incurrence tests in the senior secured notes. The breakdown of secured net debt for the period ended 31 March 2021 is shown in net debt above.