23 May 2024

# Arrow Global Group
# Results for the period ended 31 March 2024

## Group highlights

Arrow is a leading integrated European fund manager with discretionary funds investing across credit, real estate and lending utilising our network of 21 local platforms. The business model provides significant opportunity for growth, delivering increasing capital light earnings and facilitating de-leveraging.

### Established multi-strategy vertically integrated fund manager

- Funds under management (FUM) were €9.3 billion, €1.4 billion higher than Q1 2023 and consistent with December 2023
- Three investment strategies; credit, real estate equity and lending, all utilising our local platforms and vertically integrated model
- Continue to make good fundraising progress on our lending strategy with a closing expected imminently
- Acquired Amitra, a Spanish master servicer, from Canada Pension Plan Investment Board (CPP Investments) and created the foundation for future collaboration with CPP Investments, focusing on both current and prospective investment opportunities. The acquisition of Amitra and the organic build of lending capabilities represents expansion into Spain, the sixth geography for the Group
- Deployed €187 million in Q1 2024 (Q1 2023: €209 million) with a strong pipeline going into Q2
- Continued to deliver strong returns in both our Arrow Credit Opportunities (ACO) funds with Deal IRR (after servicing costs) of 16% and 20% in ACO 1 and ACO 2 respectively, consistent with December 2023
- Strong cash generation has enabled a €60 million distribution to ACO 1 investors during Q1 2024

### Efficient integrated fund manager delivering capital-light income growth

- Integrated Fund Management EBITDA increased 63% to £13.8 million for the period (Q1 2023: £8.4 million), primarily reflecting the growth in fee paying Net Asset Value (NAV)
- Third-party capital light income rose by 17.7% to £48.6 million (Q1 2023: £41.3 million)
- The scaling of our deployment capabilities, driving the increase in fee paying NAV across our core discretionary strategies represents an opportunity to deliver significantly higher capital light earning streams going forward
- Strong asset management and servicing driven by new third-party servicing contract wins across multiple jurisdictions, including 15 new servicing mandates won across Europe in Q1 2024

### Collections performance in line with expectations with continued commitment to medium-term leverage target

- Collections were £56.9 million representing 102% of ERC (Q1 2023: £81.5 million)
- Adjusted EBITDA for the period was £49.5 million (Q1 2023: £72.1m) reflecting the lower year on year collections driven by the divestment of 50% of the wholly owned UK portfolios in 2023 and the 'lumpy' collections profile of real estate and collateral backed portfolio investments
- Leverage decreased by 0.2 times to 4.2 times over the last 12 months (31 March 2023: 4.4 times), with continuing commitment to our medium-term leverage target of 3 times and repaying debt
- Maintained healthy liquidity headroom of £208 million as at 31 March 2024 (31 December 2023: £227 million, 31 March 2023: £223 million) with no bond maturities until 2026

**Zach Lewy, Group chief executive officer at Arrow, commented:**

"In Q1 2024, we continued to experience strong growth in our integrated asset management operations. Complementing our suite of funds focused on opportunistic credit and real estate equity, fundraising for our real estate lending strategy is progressing well.

Additionally, we expanded our operational footprint into Spain through the acquisition of Amitra Capital Limited from the Canada Pension Plan Investment Board (CPP Investments). This acquisition not only establishes an important strategic European partnership with CPP Investments but also enhances our capability to manage complex credit and real estate investments on behalf of our investors across Europe.

We also maintained strong investment volumes, deploying £187 million in the first quarter of 2024, and our robust cash generation has enabled a €60 million distribution to our ACO I investors.

In line with our expectations, both ACO I and ACO II have demonstrated continued strong returns, with post-servicing cost Deal IRRs of 16% and 20% respectively. These achievements reflect the strength of our local platforms and the expertise of our colleagues."

| **Group financial highlights** | **31 March 2024** | **31 March 2023** | **Change %** |
|---|---|---|---|
| Balance sheet collections (£m) | 56.9 | 81.5 | (30.2) |
| Adjusted EBITDA (£m) | 49.5 | 72.1 | (31.3) |
| Free cash flow (£m) | 27.2 | 53.5 | (49.2) |
| Total income (£m) | 78.7 | 75.6 | 4.1 |
| Third-party integrated fund and asset management income (£m) | 48.6 | 41.3 | 17.7 |
| Loss before tax and adjusting items (£m)[1] | (3.6) | (10.4) | (65.4) |
| Loss before tax and after adjusting items (£m) | (11.3) | (14.5) | (22.1) |

| | **31 March 2024** | **31 December 2023** | **Change %** |
|---|---|---|---|
| Funds Under Management (FUM) (€bn) | 9.3 | 9.3 | 0.0 |
| Leverage (x) | 4.2 | 3.9 | 0.3 |
| 84-month ERC (£m)[2] | 1,175.3 | 1,213.7 | (3.2) |
| 120-month ERC (£m)[2] | 1,267.3 | 1,309.9 | (3.3) |
| Net debt (£m) | 1,357.9 | 1,338.9 | 1.4 |

*[1] The results presented exclude adjusting items. For the reconciliation between these results and the condensed consolidated profit and loss, please see the reconciliation on pages 19 and 20.*

*[2] ERC for FVTPL and Joint venture assets is reported on a 'net of servicing and collection costs' basis, as opposed to amortised cost assets which are typically measured gross. As the percentage of FVTPL and Joint venture assets has grown from 14.6% to 56.8% since ACO 1 was launched in December 2019, a growing proportion of the Group's ERC is reported on net basis.*

**Overview of group results and segmental commentary**

Arrow is a leading integrated European fund manager with discretionary funds investing across credit, real estate and lending utilising our network of 21 local platforms. The business model provides significant opportunity for growth, delivering increasing capital light earnings and facilitating de-leveraging.

FUM were €9.3 billion as at 31 March 2024, representing growth of €1.4 billion from €7.9 billion as at 31 March 2023 and consistent with 31 December 2023. The Group continues to make good fundraising progress on our lending strategy with a closing expected imminently. The lending strategy complements our other core discretionary strategies across credit and real estate, with fee paying Net Asset Value (NAV) growing to €2.5 billion as at 31 March 2024.

In addition, the Group continues to invest in the growth of the integrated fund manager proposition to capture opportunities in real estate and lending, including the recent acquisition of Amitra Capital, a Spanish master servicer, with €4.5 billion assets under management. The consideration for the platform was €0.3 million, an additional €4.5 million was paid for a portfolio investment of a 1% stake in Amitra's Spanish and Portuguese loan portfolios and provides a foundation for future collaboration with Canadian Pension Plan Investment Board, focusing on both current and prospective investment opportunities. This acquisition complements the organic build of lending capabilities in the Spanish market.

Deployment was €187 million in Q1 2024 (Q1 2023: €209 million), with a strong pipeline going into Q2. The Fund Manager has continued to focus on off-market acquisitions, with over 85% of ACO 2 investments being off-market, and on performing, real estate and cash in court portfolios. Over 90% of ACO 1 and ACO 2 is secured on real estate, cash in court and other mixed security and is built from highly granular deployment, with over 400 individual investments. ACO funds continue to deliver strong returns with a Deal IRR (after servicing costs) of 16% and 20% for ACO 1 and ACO 2 respectively.

The underlying loss before tax for the Group improved by £6.8 million to £3.6 million (Q1 2023: £10.4 million), driven by an increase in Integrated Fund Management and Balance Sheet revenues. The Integrated Fund Management segment EBITDA increased by £5.4 million or 63% to £13.8 million (Q1 2023: £8.4 million), the Balance Sheet segment EBITDA increased by £4.8 million to £17.6 million (Q1 2023: 12.8 million) and the Group segment EBITDA reduced by £0.4 million to £(7.6) million (Q1 2023: £(7.2) million). The results are explained further in the segmental commentary and analysis below.

Collections were £56.9 million during the period, representing 102% of ERC. Collections were lower than prior year (Q1 2023: £81.5 million), in part due to the divestment of 50% of the UK wholly owned portfolios, the increasing proportion of collections reported on a net basis (after servicing costs) and the increasingly 'lumpy' collections profile given the increasing element of ERC backed by real estate and collateral.

Free cash flow was £27.2 million (Q1 2023: £53.5 million). Despite the year-on-year reduction in collections of £24.6 million, free cash flow after portfolio investments reduced by only £15.9 million to £3.7 million (Q1 2023: £19.6 million). This reflects the strong growth in capital-light earnings and the co-investment at 10% into ACO 2 and AREO versus 25% in ACO 1. Adjusted EBITDA for the period was £49.5 million (Q1 2023: £72.1 million) and leverage decreased during last 12 months to 4.2 times (31 December 2023: 3.9 times, 31 March 2023: 4.4 times).

**Segmental commentary**

Our reportable operating segments are Integrated Fund Management, Balance Sheet and Group, as discussed below:

**Integrated Fund Management**

The Integrated Fund Management segment includes the results of our asset management and servicing and fund management activity, through our various platforms, providing capital-light returns.

In line with expectations, Integrated Fund Management EBITDA increased by 63% to £13.8 million (Q1 2023: £8.4 million) with the segmental revenue increasing by 30% to £58.0 million (Q1 2023: £44.6 million). EBITDA margin increased by 4.8 percentage points from 18.9% for Q1 2023 to 23.7% in Q1 2024, reflecting the growth in the higher margin discretionary fund management and the operational leverage and efficiency achieved through scaling of our operations, through both fund raises and increasing third party servicing mandates.

The net asset value (NAV) across our core discretionary strategies, ACO 1, ACO 2 and AREO, increased to €2.5 billion (December 2023: €2.3 billion), which increased management fees and servicing revenues from the core discretionary strategies to £23 million (Q1 2023 £15 million, FY 2023 £79 million). Strong asset management and servicing from the local/ancillary platform strategies increased revenues from these strategies to £35 million (Q1 2023 £30 million, FY 2023 £142 million).

**Balance Sheet**

This business includes all the portfolio investments that the Group owns, and the associated income and costs.

Collections were £56.9 million, representing 102% of ERC for the period. Collections were lower than the prior period (Q1 2023: £81.5 million) due to the divestment of the wholly owned UK portfolios, an increasing proportion of collections reported on a net basis (after servicing costs) and the lumpy nature of the increasing real estate and collateral backed portfolio investments. Net collections (balance sheet cash collections less collection activity costs) were £43.4 million, £19.9 million higher than portfolio purchases.

Investment purchases were £23.5 million in Q1 2024 (Q1 2023: £33.9 million) reflecting the typical 10% co-investment in ACO 2 and AREO.

Segmental Balance Sheet EBITDA increased by £4.8 million from £12.8 million Q1 2023 to £17.6 million in Q1 2024. The increase was largely driven by the recognition of income on the 50% divested UK wholly owned portfolios and year-on-year impairment variances. In Q1 2023, no income or cost was reported within the underlying results on the wholly owned UK portfolios subject to the divestment, compared with net income of £3.4m reported in Q1 2024 on the 50% joint venture interest in the UK portfolios. Impairment gains were £2.5 million for Q1 2024 (Q1 2023: £1.6 million impairment gains), resulting in a year-on-year impairment variance of £0.9million.

**Group**

The Group segment consists of costs not directly associated with the other segments, but relevant to overall oversight and control of the Group's activities.

Segmental Group EBITDA for Q1 2024 was £(7.6) million, broadly consistent with prior year (Q1 2023: £(7.2) million). Underlying net interest costs of £26.6 million were £1.3 million higher period-on-period (Q1 2023: £25.3 million), driven by higher interest rates. The Group has substantially mitigated the exposure during 2024 to interest rate fluctuations with circa 80% of the bonds either fixed or hedged as at 31 March 2024.

**Results Presentation – Conference call details**

A presentation is available on the Company's website https://bit.ly/3Co0rvO from 07.00am (UK time).

There will be a conference call for bondholders at 10.00am (UK time) with Arrow Global's management team.

To join, register your details using the registration link below. Once registered, you'll receive a separate email containing your dial in number and PIN.

| | |
|---|---|
| **Registration** | Register for the call **here** |

**For further information:**

| | |
|---|---|
| Debt investor contact | **treasury@arrowglobal.net** |
| Media contact | **njones@arrowglobal.net** |

**Notes:**

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

**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. All statements other than statements of historical fact included in this document may be forward looking statements. 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, except as required pursuant to applicable law or regulation.*

*No statement in this report is intended as a profit forecast or estimate for any period. No statement in this report should be interpreted to indicate a particular level of profit and, as a consequence, it should not be possible to derive a profit figure for any future period from this report.*

*This report is intended solely to provide information to bondholders to assess the group's strategies and neither the company nor its directors accept liability to any other person, save as would arise under English law. The report should not be relied on by any other party or for any other purpose.*

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

### For the three-month period ended 31 March 2024

| | 3 months to 31 March 2024 £000 | 3 months to 31 March 2023 £000 |
|---|---|---|
| **Continuing operations** | | |
| Income from portfolio investments at amortised cost | 11,835 | 15,116 |
| Fair value gains on portfolio investments at FVTPL | 12,070 | 8,165 |
| Impairment (losses)/gains on portfolio investments | 2,037 | 1,201 |
| Income from portfolio investments - real estate inventories | 534 | – |
| Share of profit in portfolio joint venture | 3,446 | – |
| **Total income from portfolio investments** | **29,922** | **24,482** |
| Integrated fund and asset management income | 48,631 | 41,334 |
| Remeasurement of held for sale assets and liabilities | – | 9,681 |
| Other income | 191 | 142 |
| **Total income** | **78,744** | **75,639** |
| **Operating expenses:** | | |
| Collection activity costs and fund management costs | (28,070) | (33,847) |
| Loss on reclassification to held for sale | – | – |
| Other operating expenses | (35,265) | (32,642) |
| **Total operating expenses** | **(63,336)** | **(66,489)** |
| **Operating profit** | **15,408** | **9,150** |
| Net finance costs | (26,756) | (25,731) |
| Share of profit in associate | – | 2,061 |
| **Loss before tax**[1] | **(11,348)** | **(14,520)** |
| Taxation credit on ordinary activities | 1,207 | 2,784 |
| **Loss after tax** | **(10,141)** | **(11,736)** |
| | | |
| **Other comprehensive loss:** | | |
| Items that are or may be reclassified subsequently to profit or loss: | | |
| Foreign exchange translation difference arising on revaluation of foreign operations | (1,239) | (770) |
| Movement on the hedging reserve | 1,217 | (14) |
| **Total comprehensive loss** | **(10,163)** | **(12,520)** |
| | | |
| **Loss attributable to:** | | |
| Owners of the Company | (10,066) | (11,269) |
| Non-controlling interest | (75) | (467) |
| | **(10,141)** | **(11,736)** |

[1] *The loss before tax of £11,348,000 for the 3-month period to 31 March 2024 (Q1 2023: £14,520,000), includes £7,786,000 of net adjusting costs (Q1 2023: £4,130,000), with an underlying loss before tax of £3,563,000 (Q1 2023: £10,390,000). For the reconciliation to the condensed consolidated profit and loss, please see the reconciliations on pages 19 and 20.*

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### As at 31 March 2024

| Assets | Note | 31 March 2024 £000 | 31 December 2023 £000 | 31 March 2023 £000 |
|---|---|---|---|---|
| Cash and cash equivalents | | 100,811 | 114,683 | 126,453 |
| Derivative asset | | 684 | 558 | 916 |
| Trade and other receivables | | 91,409 | 86,277 | 79,801 |
| Portfolio investments – amortised cost | 3 | 309,193 | 323,827 | 380,335 |
| Portfolio investments – FVTPL | 3 | 388,137 | 380,977 | 321,406 |
| Portfolio investments – real estate inventories | 3 | 51,391 | 54,588 | 54,200 |
| Portfolio investments – joint venture | 3 | 85,569 | 87,253 | – |
| Property, plant and equipment | | 29,052 | 30,010 | 27,018 |
| Intangible assets | | 117,180 | 118,632 | 102,137 |
| Deferred tax asset | | 6,504 | 6,610 | 9,334 |
| Current tax asset | | 181 | 1,759 | 66,210 |
| Investment in associate | | – | 321 | – |
| Goodwill | | 745,089 | 745,109 | 706,031 |
| Assets held for sale[1] | | – | – | 268,620[1] |
| **Total assets** | | **1,925,200** | **1,950,604** | **2,142,461** |
| **Liabilities** | | | | |
| Bank overdrafts | 4 | 6,785 | 6,214 | 7,997 |
| Revolving credit facility | 4 | 165,211 | 157,592 | 177,322 |
| Derivative liability | | 928 | 2,381 | 30,461 |
| Trade and other payables | | 167,962 | 186,663 | 160,252 |
| Current tax liability | | – | – | 3,073 |
| Other borrowings | 4 | 25,318 | 24,482 | 13,580 |
| Asset-backed loans | 4 | – | – | – |
| Senior secured notes | 4 | 1,243,792 | 1,246,132 | 1,262,905 |
| Deferred tax liability | | 18,129 | 19,827 | 28,370 |
| Liabilities held for sale[1] | | – | – | 43,573[1] |
| **Total liabilities** | | **1,628,125** | **1,643,291** | **1,727,533** |
| **Equity** | | | | |
| Share capital | | 166,813 | 166,813 | 166,813 |
| Share premium | | 419,609 | 419,609 | 410,859 |
| Retained deficit | | (293,111) | (283,657) | (167,697) |
| Hedging reserve | | (29) | (1,247) | 541 |
| Other reserves | | 1,797 | 3,036 | 2,060 |
| **Total equity attributable to shareholders** | | **295,079** | **304,554** | **412,576** |
| Non-controlling interest | | 1,996 | 2,759 | 2,352 |
| **Total equity** | | **297,075** | **307,313** | **414,928** |
| **Total equity and liabilities** | | **1,925,200** | **1,950,604** | **2,142,461** |

[1] *As at 31 March 2023, balance sheet items of £225,047,000, following impairment of £11,661,000, were moved to 'Assets held for sale' and 'Liabilities held for sale' on the condensed consolidated statement of financial position given the expected disposal of Capquest and Mars UK platforms, together with the wholly owned UK portfolios. The transaction completed in 2023.*

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### For the three-month period ended 31 March 2024

| | Share capital £000 | Other equity reserves £000 | Total equity attributable to shareholders £000 | Non-controlling interest £000 | Total equity £000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2023** | 166,813 | 257,816 | **424,629** | 2,819 | **427,448** |
| Loss after tax | – | (11,269) | **(11,269)** | (467) | **(11,736)** |
| Exchange differences | – | (770) | **(770)** | – | **(770)** |
| Net fair value gains – cash flow | – | (19) | **(19)** | – | **(19)** |
| Tax on hedged items | – | 5 | **5** | – | **5** |
| Total comprehensive loss for the period | – | (12,053) | **(12,053)** | (467) | **(12,520)** |
| **Balance at 31 March 2023** | **166,813** | **245,763** | **412,576** | **2,352** | **414,928** |
| Loss after tax | – | (114,698) | **(114,698)** | 1,161 | **(113,537)** |
| Exchange differences | – | 977 | **977** | – | **977** |
| Net fair value gains – cash flow | – | (2,384) | **(2,384)** | – | **(2,384)** |
| Tax on hedged items | – | 595 | **595** | – | **595** |
| Total comprehensive loss for the period | – | (115,510) | **(115,510)** | 1,161 | **(114,349)** |
| Shares issued in the period | – | 8,750 | **8,750** | – | **8,750** |
| Acquisition of non-controlling interests | – | (1,262) | **(1,262)** | **(754)** | **(2,016)** |
| **Balance at 31 December 2023** | **166,813** | **137,741** | **304,554** | **2,759** | **307,313** |
| Loss after tax | – | (10,066) | **(10,066)** | (75) | **(10,141)** |
| Exchange differences | – | (1,239) | **(1,239)** | – | **(1,239)** |
| Net fair value losses – cash flow | – | 1,623 | **1,623** | – | **1,623** |
| Tax on hedged items | – | (406) | **(406)** | – | **(406)** |
| Total comprehensive loss for the period | – | (10,088) | **(10,088)** | (75) | **(10,163)** |
| Purchase of NCI | – | 613 | **613** | (688) | **(75)** |
| **Balance at 31 March 2024** | **166,813** | **128,266** | **295,079** | **1,996** | **297,075** |

## CONSOLIDATED AND PARENT COMPANY STATEMENT OF CASH FLOWS

### For the three-month period ended 31 March 2024

| | Note | 3 months to 31 March 2024 £000 | 3 months to 31 March 2023 £000 |
|---|---|---|---|
| **Net cash generated by operations** | **5** | **805** | **8,701** |
| **Investing activities** | | | |
| Purchases of property, plant and equipment | | (1,031) | (1,578) |
| Purchases of intangible assets | | (3,951) | (1,641) |
| Acquisition of subsidiaries, net of cash acquired | | – | (7,727) |
| **Net cash used in investing activities** | | **(4,982)** | **(10,946)** |
| **Financing activities** | | | |
| Movements in other banking facilities | | 8,458 | 7,386 |
| Proceeds from RCF and other borrowings | | 1,005 | 199 |
| Repayment of asset backed loans | | – | (8,296) |
| Payment of interest on senior notes | | (12,064) | (9,281) |
| Payment of interest on revolving credit facility | | (3,672) | (3,313) |
| Bank interest received | | (53) | 193 |
| Bank and other similar fees paid | | (210) | (285) |
| Lease payments | | (1,661) | (1,820) |
| **Net cash flow used in financing activities** | | **(8,197)** | **(15,217)** |
| **Net decrease in cash and cash equivalents** | | **(12,374)** | **(17,462)** |
| Cash and cash equivalents at beginning of period | | 114,683 | 143,603 |
| Effect of exchange rates on cash and cash equivalents | | (1,498) | 312 |
| **Cash and cash equivalents at end of period** | | **100,811** | **126,453** |

Included within cash and cash equivalents is £8,896,000 (Q1 2023: £8,393,000) of cash which may be subject to constraints regarding when the balance can be remitted, such as cash in a consolidated structure awaiting a payment date.

## 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 interim results should be read in conjunction with the Group's consolidated report and accounts for the year ended 31 December 2023.

The Group's consolidated report and accounts are prepared in accordance with UK-adopted international accounting standards and in accordance with the requirements of the Companies Act 2006. These financial statements have been prepared by applying the accounting policies and presentation that were applied in the preparation of the Sherwood Parentco Limited Group's consolidated report and accounts for the period ended 31 December 2023, which can be found on the Arrow Global website.

### 2. Segmental reporting

In line with IFRS 8 Operating Segments, the Group reports under three separate reportable segments, being Integrated Fund Management, Balance Sheet and Group. Details of the principal business categories are as follows:

| | |
|---|---|
| Integrated Fund Management | Income and costs associated with managing debt portfolios on behalf of the Group, our discretionary funds and other third parties, the income and costs associated with providing other servicing and collection activities to third parties and income and costs associated with investment and asset management.<br>The combined income from this segment represents the capital-light income of the Group. |
| Balance Sheet | All portfolio investments that the Group owns, including investments held directly on our balance sheet together with our co-investment made through our discretionary funds, such as ACO 1, ACO 2 and AREO, and the associated income and direct costs of such investments. |
| Group | Costs not directly associated with the other two segments, but relevant to overall oversight and control of the Group's activities. |

These segments represent how the Group manages the wider business, and the organisational structure is aligned to these segments. Therefore, this has been deemed to be the appropriate level of disaggregation to provide information to the Chief Operating Decision Maker.

The Integrated Fund Management segment charges the Balance Sheet segment for servicing and collection of the Group portfolio investments and management and servicing fees in relation to fund management in respect to its investments. This intra-segment charge is calculated on equivalent commercial terms to charging third parties. The intra-segment elimination column below removes such charges.

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

## 2. Segmental reporting *(continued)*

### Three-month period ended 31 March 2024

| | Integrated Fund Management £000 | Balance Sheet £000 | Group £000 | Intra-segment elimination £000 | Adjusting items £000 | Total exc. adjusting items 31 March 2024 £000 | Total inc. adjusting items 31 March 2024 £000 |
|---|---|---|---|---|---|---|---|
| **Total income** | 58,013 | 31,147 | 2 | (9,257) | (1,161) | 79,905 | 78,744 |
| Collection activity costs | (23,764) | (13,507) | (56) | 9,257 | – | (28,070) | (28,070) |
| Gross margin | **34,249** | **17,640** | **(54)** | – | **(1,161)** | **51,835** | **50,674** |
| *Gross margin %* | *59.0%* | *56.6%* | | | | 64.9% | 64.4% |
| Other operating expenses excluding depreciation, amortisation and forex | (20,488) | (28) | (7,544) | – | (2,408) | (28,060) | (30,468) |
| **EBITDA** | **13,761** | **17,612** | **(7,598)** | – | **(3,569)** | **23,775** | **20,206** |
| *EBITDA margin %* | *23.7%* | *56.5%* | | | | 29.8% | 25.7% |
| Depreciation and amortisation | (2,002) | – | (667) | – | (4,071) | (2,669) | (6,740) |
| Foreign exchange translation gain | – | – | 1,942 | – | – | 1,942 | 1,942 |
| **Operating profit/(loss)** | **11,759** | **17,612** | **(6,323)** | – | **(7,640)** | **23,048** | **15,408** |
| Net finance costs | – | – | (26,610) | – | *(146)* | (26,610) | (26,756) |
| **Profit/(loss) before tax** | **11,759** | **17,612** | **(32,933)** | – | **(7,786)** | **(3,562)** | **(11,348)** |

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

## 2. Segmental reporting *(continued)*

### Three-month period ended 31 March 2023

| | Integrated Fund Management £000 | Balance Sheet £000 | Group £000 | Intra-segment elimination £000 | Adjusting items £000 | Total exc. adjusting items 31 March 2023 £000 | Total inc. adjusting items 31 March 2023 £000 |
|---|---|---|---|---|---|---|---|
| **Total income** | 44,635 | 25,620 | 10 | (9,286) | 14,660 | 60,979 | 75,639 |
| Collection activity costs | (20,593) | (12,777) | 52 | 9,286 | (9,815) | (24,032) | (33,847) |
| Gross margin | **24,042** | **12,843** | **62** | **–** | **4,845** | **36,947** | **41,792** |
| *Gross margin %* | *53.9%* | *50.1%* | | | | *60.6%* | *55.3%* |
| Other operating expenses excluding depreciation, amortisation and forex | (15,602) | – | (7,226) | – | (4,722) | (22,828) | (27,550) |
| **EBITDA** | **8,440** | **12,843** | **(7,164)** | **–** | **123** | **14,119** | **14,242** |
| *EBITDA margin %* | *18.9%* | *50.1%* | | | | *23.2%* | *18.8%* |
| Depreciation and amortisation | (2,087) | – | (745) | – | (3,869) | (2,832) | (6,701) |
| Foreign exchange translation gain | – | – | 1,609 | – | – | 1,609 | 1,609 |
| **Operating profit/(loss)** | **6,353** | **12,843** | **(6,300)** | **–** | **(3,746)** | **12,896** | **9,150** |
| Net finance costs | – | – | (25,347) | – | (384) | (25,347) | (25,731) |
| Share of profit in associate | 2,061 | – | – | – | – | 2,061 | 2,061 |
| **Profit/(loss) before tax** | **8,414** | **12,843** | **(31,647)** | **–** | **(4,130)** | **(10,390)** | **(14,520)** |

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

## 3. Portfolio investments

The movement in portfolios investments were as follows:

### As at 31 March 2024

| | Amortised cost | FVTPL | Real estate inventories | Joint venture | Total |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| As at 1 January 2024 | 323,827 | 380,977 | 54,588 | 87,253 | 846,645 |
| Portfolios purchased during the period | – | 23,547 | – | – | 23,547 |
| Movement in investments awaiting deployment[1] | – | 3,464 | – | – | 3,464 |
| Collections in the period | (23,952) | (24,246) | (3,553) | (5,130) | (56,881) |
| Income from portfolio investments at amortised cost | 11,835 | – | – | – | 11,835 |
| Fair value gains on portfolio investments at FVTPL | – | 12,070 | – | – | 12,070 |
| Income from portfolio investments - real estate inventories | – | – | 534 | – | 534 |
| Share in profit in portfolio joint venture | – | – | – | 3,446 | 3,446 |
| Net impairment gains | 2,037 | – | – | – | 2,037 |
| Capital expenditure on real estate inventories | – | – | 746 | – | 746 |
| Exchange and other movements | (4,554) | (7,675) | (924) | – | (13,153) |
| **As at 31 March 2024** | **309,193** | **388,137** | **51,391** | **85,569** | **834,290** |

[1] *Investments awaiting deployment relates to movements in cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which have not yet completed at the period end.*

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

## 3. Portfolio investments (*continued*)

### As at 31 December 2023

| | Amortised Cost | FVTPL | Real estate inventories | Joint venture | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| As at 1 January 2023 including held for sale | 641,194 | 331,199 | 51,463 | – | 1,023,856 |
| Portfolios purchased during the year | 33,752 | 117,893 | – | 91,511[2] | 243,156 |
| Movement in investments awaiting deployment[1] | – | (3,166) | – | – | (3,166) |
| Acquisitions in the year | – | 1,013 | – | – | 1,013 |
| Collections in the year | (161,769) | (88,570) | (22,146) | (11,378) | (283,863) |
| Proceeds on sale of non-core UK portfolios[2] | (183,023) | – | – | – | (183,023) |
| Deferred purchase consideration liability transfer on sale to non-core UK portfolios[3] | (26,208) | – | – | – | (26,208) |
| Income from portfolio investments at amortised cost | 55,462 | – | – | – | 55,462 |
| Fair value gains on portfolio investments at FVTPL | – | 32,433 | – | – | 32,433 |
| Income from portfolio investments - real estate inventories | – | – | 2,403 | – | 2,403 |
| Share in profit in portfolio joint venture | – | – | – | 7,266 | 7,266 |
| Net impairment (losses)/gains | (16,088) | – | (795) | – | (16,883) |
| Loss on sale of UK non-core portfolios | (16,773) | – | – | – | (16,773) |
| Capital expenditure on real estate inventories | – | – | 21,633 | – | 21,633 |
| Exchange and other movements | (2,720) | (9,825) | 2,030 | (146) | (10,661) |
| **As at 31 December 2023** | **323,827** | **380,977** | **54,588** | **87,253** | **846,645** |

[1] *Investments awaiting deployment relates to movements in cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which have not yet completed at the period end.*

[2] *The £183,023,000 proceeds reflect 100% derecognition of the wholly owned UK portfolios subject to the divestment. 50% of these portfolios have been immediately repurchased into a new category entitled 'Joint venture'. This treatment is required by IFRS.*

## 3. Portfolio investments (*continued*)

### As at 31 March 2023

| | Amortised cost £000 | FVTPL £000 | Real estate inventories £000 | Total £000 |
|---|---|---|---|---|
| As at 1 January 2023 | 641,194 | 331,199 | 51,463 | 1,023,856 |
| Portfolios purchased during the period | 18,147 | 15,756 | – | 33,903 |
| Movement in investments awaiting deployment[1] | – | (9,318) | – | (9,318) |
| Collections in the period | (57,976) | (21,918) | (1,589) | (81,483) |
| Income from portfolio investments at amortised cost | 15,116 | – | – | 15,116 |
| Fair value gains on portfolio investments at FVTPL | – | 8,165 | – | 8,165 |
| Income from portfolio investments - real estate inventories | – | – | – | – |
| Net impairment gains | 881 | – | 320 | 1,201 |
| Capital expenditure on real estate inventories | – | – | 3,424 | 3,424 |
| Exchange and other movements | (1,403) | (2,478) | 582 | (3,299) |
| **As at 31 March 2023 including held for sale** | **615,959** | **321,406** | **54,200** | **991,565** |
| Portfolios moved to liabilities held for sale[2] | (235,624) | – | – | (235,624) |
| **As at 31 March 2023 excluding held for sale** | **380,335** | **321,406** | **54,200** | **755,941** |

*[1] Investments awaiting deployment relates to cash held in an investment vehicle, in anticipation of purchasing portfolio investments, which have not yet completed at the period end*

*[2] Portfolio investments include £235,624,000 in respect of the Capquest and Mars UK platforms as at 31 March 2023, which for disclosure purposes were moved to 'Assets held for sale' on the condensed consolidated statement of financial position. Therefore, there were £380,335,000 of 'portfolio investments – amortised cost' on the consolidated statement of financial position.*

## 4. Borrowings and facilities

| **Secured borrowing at amortised cost** | 31 March 2024 £000 | 31 December 2023 £000 | 31 March 2023 £000 |
|---|---|---|---|
| Senior secured notes (net of transaction fees of £14,932,000, 31 December 2023: £16,297,000, 31 March 2023: £20,390,000) | 1,243,792 | 1,246,132 | 1,262,905 |
| Revolving credit facility (net of transaction fees of £1,943,000, 31 December 2023: £2,176,000, 31 March 2023: £2,876,000) | 165,211 | 157,592 | 177,322 |
| Bank overdrafts | 6,785 | 6,214 | 7,997 |
| Other borrowings | 25,318 | 24,482 | 13,580 |
| **Total borrowings** | **1,441,106** | **1,434,420** | **1,461,804** |
| | | | |
| **Total borrowings including held for sale** | | | |
| Amount due for settlement within 12 months | 188,038 | 178,580 | 186,370 |
| Amount due for settlement after 12 months | 1,253,068 | 1,255,840 | 1,275,434 |
| | **1,441,106** | **1,434,420** | **1,461,804** |

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

## 4. Borrowings and facilities (*continued*)

**Senior secured notes**

On 27 October 2021, the Group successfully placed €400 million 4.5% Euro fixed rated bonds due 2026, €640 million 4.625% over three months EURIBOR floating rate notes due 2027, and £350 million 6% fixed rate bonds due 2026, with the proceeds being used to prepay all the outstanding bonds at that time and certain drawings under the revolving credit facility. The bonds were issued by Sherwood Financing plc and the floating rate notes are subject to a zero percent EURIBOR floor. The bonds are secured on the majority of the Group's assets and subject to market conditions, the Group may initiate a repurchase.

**Revolving credit facility**

On 6 October 2021, the Group entered into a new £285 million revolving credit facility with a margin of 325bps, maturing in April 2026. The margin is subject to a ratchet downwards based upon decreasing leverage levels. The facility ranks senior secured and therefore has a similar security package to the cancelled facility and the bonds issued during 2021. Under the terms of an intercreditor agreement, the facility ranks super senior to the bonds as any obligations under the facility will be settled in advance of any obligations under the bonds. The facility has one financial covenant, being a leverage test.

## 5. Notes to the statement of cash flows

| | 3 months to 31 March 2024 £000 | 3 months to 31 March 2023 £000 |
|---|---|---|
| Loss after tax | (10,141) | (11,736) |
| **Adjusted for:** | | |
| Balance sheet cash collections in the period | 56,881 | 81,483 |
| Income from portfolio investments | (12,369) | (15,116) |
| Fair value gains on portfolios | (12,070) | (8,165) |
| Net impairment gains | (2,037) | (1,201) |
| Depreciation and amortisation | 6,740 | 6,701 |
| Gain on write-off and disposal of property, plant and equipment | (87) | – |
| Share of profit in associate | – | (2,061) |
| Share of profit in portfolio joint venture | (3,446) | – |
| Deferred remuneration unwind | 2,408 | – |
| Net interest payable excluding lease liability interest | 26,269 | 25,323 |
| Lease liability interest | 487 | 407 |
| Loss on reclassification to held for sale | – | (9,681) |
| Foreign exchange gains | (1,942) | (1,608) |
| Tax credit | (1,207) | (2,784) |
| **Operating cash flows before movement in working capital** | **49,486** | **61,562** |
| Increase in other receivables | (6,045) | (16,331) |
| Decrease in trade and other payables | (16,020) | (11,092) |
| **Cash generated by operations** | **27,421** | **34,139** |
| Income taxes and overseas taxation received/(paid) | 395 | (853) |
| **Net cash flow from operating activities before purchases of portfolio investments and investments awaiting deployment** | **27,816** | **33,286** |
| Purchase of portfolio investments and investments awaiting deployment | (27,011) | (24,585) |
| **Net cash generated by operating activities** | **805** | **8,701** |

## ADDITIONAL INFORMATION

The Adjusted EBITDA reconciliations for the periods ended 31 March 2024 and 31 March 2023 respectively are shown below:

| **Reconciliation of net cash flow to EBITDA** | **31 March 2024 £000** | **31 March 2023 £000** |
|---|---|---|
| Net cash flow generated by operating activities | 805 | 8,701 |
| Portfolio purchases and movement investments awaiting deployment | 27,011 | 24,585 |
| Income taxes (received)/paid | (395) | 853 |
| Working capital and other adjustments | 22,065 | 27,423 |
| Share of profit in associate | – | 2,061 |
| Cash operating adjusting items | – | 8,453 |
| **Adjusted EBITDA** | **49,486** | **72,076** |
| **Reconciliation of balance sheet cash collections to EBITDA** | | |
| Income from portfolio investments including fair value and impairment losses and gains | 29,922 | 24,482 |
| Portfolio amortisation | 26,929 | 57,001 |
| **Balance sheet cash collections** (includes proceeds from disposal of portfolio investments) | **56,881** | **81,483** |
| Integrated fund and asset management income, gain on disposal of subsidiary and other income | 48,822 | 41,476 |
| Operating expenses | (63,336) | (66,489) |
| Depreciation and amortisation | 6,740 | 6,701 |
| Foreign exchange gains | (1,942) | (1,609) |
| Net profit on disposal and write off intangible assets and property, plant and equipment | (87) | – |
| Share of profit in associate | – | 2,061 |
| Operating adjusting items | 2,408 | 8,453 |
| **Adjusted EBITDA** | **49,486** | **72,076** |
| **Reconciliation operating profit to EBITDA** | | |
| Loss after tax | (10,141) | (11,736) |
| Net finance costs | 26,756 | 25,731 |
| Share of profit in associate | – | (2,061) |
| Tax credit on ordinary activities | (1,207) | (2,784) |
| **Operating profit** | **15,408** | **9,150** |
| Portfolio amortisation | 26,959 | 57,001 |
| Depreciation and amortisation | 6,740 | 6,701 |
| Foreign exchange gains | (1,942) | (1,609) |
| Net profit on disposal and write off of intangible assets and property, plant and equipment | (87) | – |
| Share of profit in associate | – | 2,061 |
| Profit on reclassification to held for sale | – | (9,681) |
| Operating adjusting items | 2,408 | 8,453 |
| **Adjusted EBITDA** | **49,486** | **72,076** |

For details on adjusted items see pages 19 and 20.

## ADDITIONAL INFORMATION *(continued)*

### Loss before adjusting items

| | 3 months to 31 March 2024 £000 | 3 months to31 March 2023 £000 |
|---|---|---|
| **Total income** | **79,905** | **60,979** |
| Collection activity and fund management costs | (28,070) | (24,032) |
| Other operating expenses | (28,787) | (24,051) |
| **Total operating expenses** | **(56,857)** | **(48,083)** |
| **Operating profit** | **23,048** | **12,896** |
| Derivative fair value movements | – | – |
| Net finance costs | (26,610) | (25,347) |
| Share of profit in associate | – | 2,061 |
| **Loss before tax and adjusting items** | **(3,562)** | **(10,390)** |
| Taxation charge on underlying activities | 463 | 2,078 |
| **Loss after tax before adjusting items** | **(3,099)** | **(8,312)** |
| **Non-controlling interest** | **75** | 467 |
| **Loss before adjusting items attributable to owners of the company** | **(3,024)** | **(7,845)** |
| | | |
| **Tax rate on results before adjusting items** | **13.0%** | **20.0%** |

Reconciliation between IFRS profit and profit before adjusting items for the three-month periods:

| | **3 months to 31 March 2024** | | | **3 months to31 March 2023** | | |
|---|---|---|---|---|---|---|
| | **loss before tax** | **tax** | **loss after tax** | **loss before tax** | **tax** | **loss after tax** |
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **IFRS reported loss** | **(11,348)** | **1,207** | **(10,141)** | **(14,520)** | **2,784** | **(11,736)** |
| Adjusting items: | | | | | | |
| Acquisition costs (including amortisation of acquisition intangible assets) | 7,786 | – | 7,786 | 4,664 | – | 4,664 |
| Remeasurement of held for sale assets and liabilities | – | – | – | (9,681) | – | (9,681) |
| Operations held for sale result | – | – | – | 9,147 | – | 9,147 |
| Tax associated with adjusting items | – | (744) | (744) | – | (706) | (706) |
| **Loss before adjusting items** | **(3,562)** | **463** | **(3,099)** | **(10,390)** | **2,078** | **(8,312)** |

Adjusting items are those items that by virtue of their size, nature or incidence (i.e. outside the normal operating activities of the Group) are not considered to be representative of the ongoing performance of the Group and these items are excluded to get to the loss before adjusted items.

Acquisition costs primarily relate to impact of the acquisition of Arrow Group by TDR, but also includes the acquisitions of Maslow and Blue Current Capital, both acquired in 2023. These acquisitions create ongoing non-cash acquisition intangible and fair value or other accounting unwinds, which in Q1 2024 amounted to £7.8 million (Q1 2023: £4.7 million).

## ADDITIONAL INFORMATION *(continued)*

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

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

**Three-month period ended 31 March 2024**

| **Income** | **Reported loss £000** | **Other items £000** | **Free cash flow £000** | |
|---|---|---|---|---|
| Total income from portfolio investments | 29,922 | 26,959 | 56,881 | Balance sheet cash collections in the period[4] |
| Income from integrated fund and asset management income | 48,631 | – | 48,631 | Income from integrated fund and asset management income |
| Other income | 191 | – | 191 | Other income |
| **Total income**[1] | **78,744** | **26,959** | **105,703** | Cash income |
| **Total operating expenses** | (63,336) | 7,119[2] | (56,217) | Cash operating expenses |
| **Operating profit** | **15,408** | **34,078** | **49,486** | Adjusted EBITDA[4] |
| Net financing costs | (26,756) | 9,095[3] | (17,661) | Cash financing costs |
| Share of profit in associate | – | – | – | |
| **(Loss)/profit before tax** | **(11,348)** | **43,173** | **31,825** | |
| Taxation credit/(charge) on ordinary activities | 1,207 | (812) | 395 | Cash taxation |
| **(Loss)/profit after tax** | **(10,141)** | **42,361** | **32,220** | |
| | | | (4,983) | Capital expenditure |
| | | | **27,237** | **Free cash flow**[5] |

*[1] Total income is largely derived from income from portfolio investments plus income from managing debt portfolios for our discretionary funds and other third parties, and 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.*

*[2] Includes non-cash items including depreciation and amortisation, foreign exchange gains and losses and adjusting items.*

*[3] Non-cash amortisation of fees and interest and non-recurring refinancing costs.*

*[4] 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 18 for detailed reconciliations of Adjusted EBITDA.*

*[5] 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 (including investment portfolio amortisation), adjusted for any non-cash income or expense items and adjusting 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 portfolio investments including collections on the Group’s co-investment into ACO 1, ACO 2 and AREO, 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 amortised cost 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 this is the period used to value FVTPL portfolio investments, which is now the Group’s most significant portfolio asset class. In some cases the collection profile of amortised cost portfolios 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 OF OTHER ITEMS

**‘ACO 1’** is Arrow Credit Opportunities SCSp SICAV-RAIF and related investment vehicles, our first closed fund.

**‘ACO 2’** is our second closed fund, Arrow Credit Opportunities II SCSp, SICAV-RAIF, and related investment vehicles.

**‘Adjusted EBITDA’** see the glossary of alternative performance measures on page 21 for the definition.

**‘APM’** means alternative performance measure.

**‘AREO’** is our Real Estate Opportunity discretionary fund, Arrow Real Estate Opportunities I SCSp, SICAV-RAIF.

**‘Capital-light income’** income and costs associated with managing debt portfolios on behalf of the Group, our discretionary funds and other third parties, the income and costs associated with providing other servicing activities to third parties and income and costs associated with investment and asset management.

‘**Deal IRR (after servicing costs)**’ means the internal rate of return adjusted for actual collections and the latest ERCs. This is post-servicing fee, but pre-management fees, carry/performance fees and other fund level costs.

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

**‘ERC’** means Estimated Remaining Collections. See the glossary of alternative performance measures on page 21 for the definition of 84-month ERC and 120-month ERC.

**‘Free cashflow’** or **‘FCF’** means Adjusted EBITDA after the effects of capital expenditure, financing and tax cash impacts.

**‘Funds under management (FUM)’** means the value of all fund management assets and commitments managed by Arrow Global Group Limited, including ACO 1, ACO 2 and AREO, AFE, Norfin Investimentos, Europa Investimenti, Sagitta, Maslow and any of Arrow’s own capital which it has committed to invest alongside third-parties committed capital. FUM is an important metric used to understand the scale of the Group’s fund management activities and how this compares to others in the market.

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

**‘FY’** means full year being the 12 months to 31 December.

**‘IFRS’** means EU adopted international financial reporting standards.

**‘Leverage’** is secured net debt to Adjusted EBITDA. See the glossary of alternative performance measures on page 21 for more detail.

**‘Liquidity headroom’** is cash on balance sheet, excluding the reclassified cash as detailed in the unaudited consolidated statement of cash flows, together with headroom on committed facilities.

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

## GLOSSARY OF OTHER ITEMS *(continued)*

**'Net debt'** means the sum of the outstanding principal amount of the senior secured notes and 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 2024 is as follows:

| | 31 March 2024 | 31 December 2023 |
|---|---|---|
| | £000 | £000 |
| Cash and cash equivalents | (100,811) | (114,683) |
| Senior secured notes (pre-transaction fees net off) | 1,239,117 | 1,251,605 |
| Revolving credit facility (pre-transaction fees net off) | 167,154 | 159,768 |
| **Secured net debt** | **1,305,460** | **1,296,690** |
| Deferred consideration – portfolio investments | 720 | 737 |
| Deferred and contingent consideration – business acquisitions | – | – |
| Senior secured loan notes interest | 19,607 | 10,824 |
| Bank overdrafts | 6,785 | 6,214 |
| Other borrowings | 25,318 | 24,482 |
| **Net debt** | **1,357,890** | **1,338,947** |

**'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. Example portfolios comprise of groups of customer accounts or real estate, purchased in a single transaction.

**'Secured net debt'** see table in 'net debt' definition.