

# ARROW GLOBAL GROUP PLC

Q3 Results

9 November 2017

# AGENDA

## Agenda

- I Highlights
  - II Q3 review
  - III Q3 financial performance
  - IV 2017 Outlook
- Q&A

# I. Q3 HIGHLIGHTS

## Q3 2017 HIGHLIGHTS

	Q3 2016	Q3 2017	
Portfolio purchases	£119.3m	£155.0m	+30%
Revenue	£164.4m	£231.6m	+41%
PBT	£14.2m	£20.1m	+42%
Underlying PAT	£29.1m	£38.9m	+34%
Underlying basic EPS	16.7p	22.3p	+34%
Underlying LTM ROE	27.4%	33.9%	+6.5ppts

- ▶ Strong organic portfolio purchases – on track to deliver approximately £200.0m at FY
- ▶ Continued revenue growth driven by 64% increase in AM income and 13% increase in core collections
- ▶ 34% growth in underlying EPS; underlying LTM ROE of 33.9%
- ▶ Zenith progressing well and providing strong momentum in Italy
- ▶ Acquisition of Mars Capital on track to complete by year end
  - ▶ Provides entry into UK and Irish secured markets and will contribute to further growth in asset management revenues

## II. Q3 REVIEW

## HIGH GROWTH

- ▶ Continue to deliver on European expansion strategy – Italy performing well
  - ▶ Differentiated origination model continues to provide portfolio purchase opportunities with high returns
  - ▶ Continued tailwinds for sector - ECB NPL intervention + IFRS 9
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## OPERATIONAL EXCELLENCE

- ▶ Collections continue to outperform (103% of underwriting forecasts) - underlines strength of data and analytics
  - ▶ One Arrow launched, investment driving future efficiency gains and sustained growth
  - ▶ Legal collection investment continuing to improve value of the back book and additional ERC
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## FINANCIAL EXCELLENCE

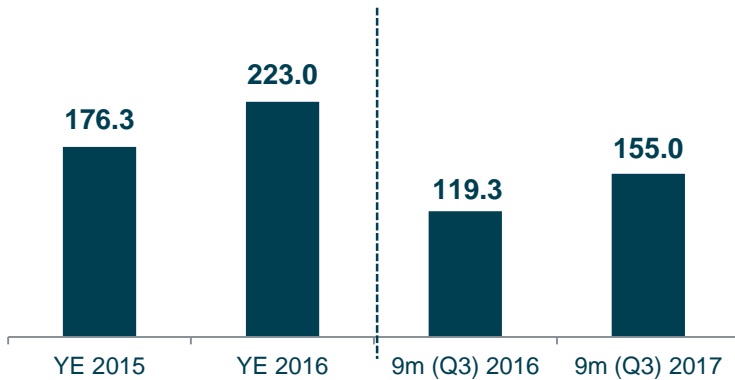
- ▶ 84-month ERC increased 22% to £1,455.6m
  - ▶ Asset Management revenues increased by 64% to £50.6m. Confident in growth towards 30% of Group revenue in 2018
  - ▶ 6% reduction in financing costs to £33.5m (Q3 2016: £35.5m) as benefits of refinancing begin to flow through
  - ▶ Secured net debt to Adjusted EBITDA reduced to 4.0x – within guided range of 3.5x – 4.0x
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## STRONG RETURNS

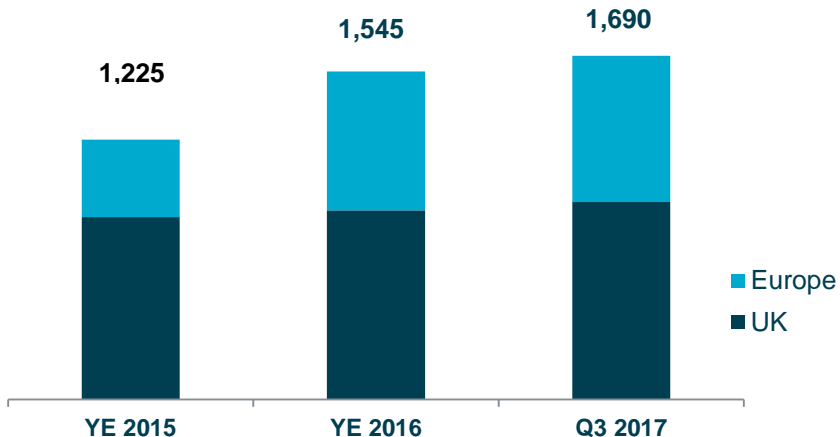
- ▶ The business continues to generate strong returns for shareholders:
  - ▶ Underlying PAT increased 34% to £38.9m (Q3 2016: £29.1m)
  - ▶ Underlying basic EPS increased 34% to 22.3p (Q3 2016: 16.7p)
  - ▶ Underlying LTM ROE increased to 33.9% from 27.4%

# YEAR TO DATE PERFORMANCE: 30 SEPTEMBER 2017

## Organic Portfolio Purchases (£m) <sup>1</sup>



## 120-Month Gross ERC (£m)



## Key Highlights

- ▶ Acquired organic portfolios with face value of £1,897.4m for £155.0m
- ▶ Good balance by geography: UK 41.6%, Portugal 23.8%, Benelux 14.4%, Italy 20.2%
- ▶ 59.9% from off-market purchases - highlights strength of key relationships across geographies
- ▶ 28.9% of purchases came from previously serviced accounts
- ▶ 37% of purchases related to secured portfolios<sup>2</sup>; 19% of total ERC is now secured assets
- ▶ At 30 September approx. 600k accounts paid Arrow in last 3 months, with a current face value of approx. £1.8bn

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

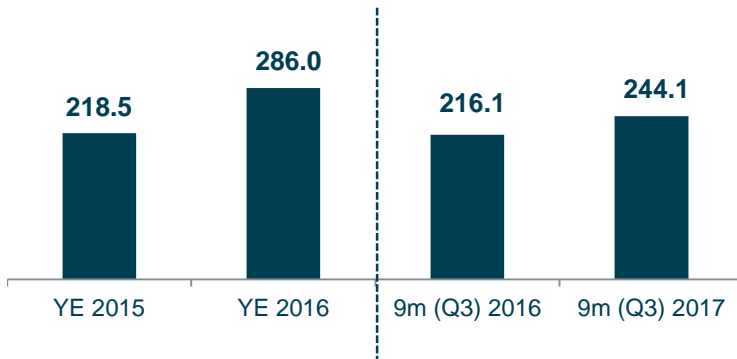
2. By purchase price

## III. Q3 FINANCIAL PERFORMANCE

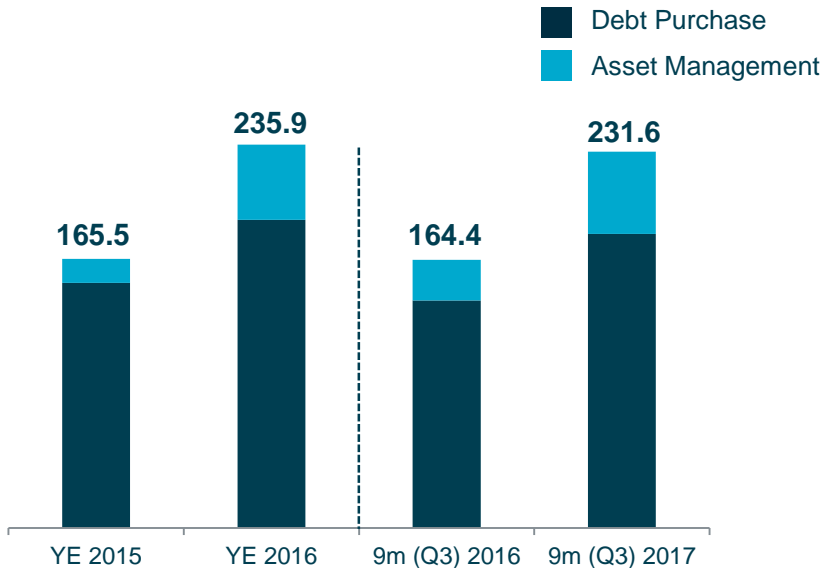


# YEAR TO DATE PERFORMANCE: 30 SEPTEMBER 2017

## Core Cash Collections (£m)



## Revenue (£m)

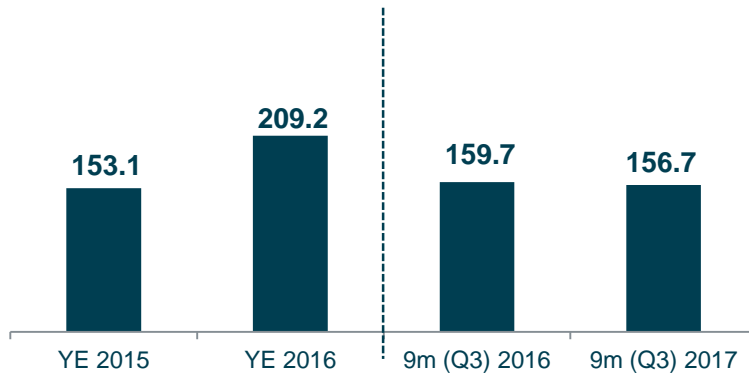


## Key Highlights

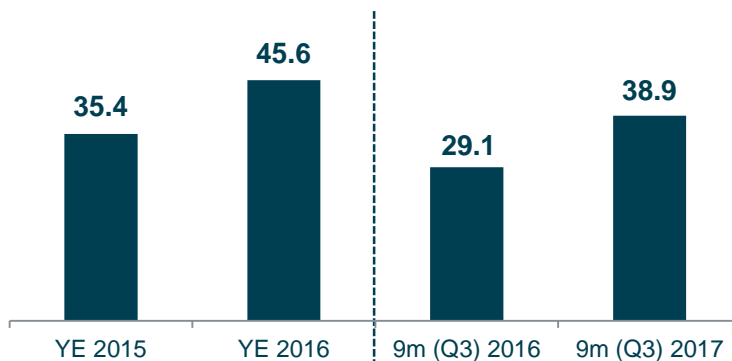
- ▶ Core collections growth reflecting increase in portfolio asset base
- ▶ Collections in Q3 2017 were in line with ERC forecast
- ▶ Strong revenue growth underpinned by enhanced asset management revenues – a trend we expect to continue
- ▶ Additional litigation spend supports further ERC and portfolio income
- ▶ Asset management revenue now totalling £50.6m (Q3 2016: £31.0)

# YEAR TO DATE PERFORMANCE: 30 SEPTEMBER 2017

## Adjusted EBITDA (£m)



## Underlying PAT (£m)

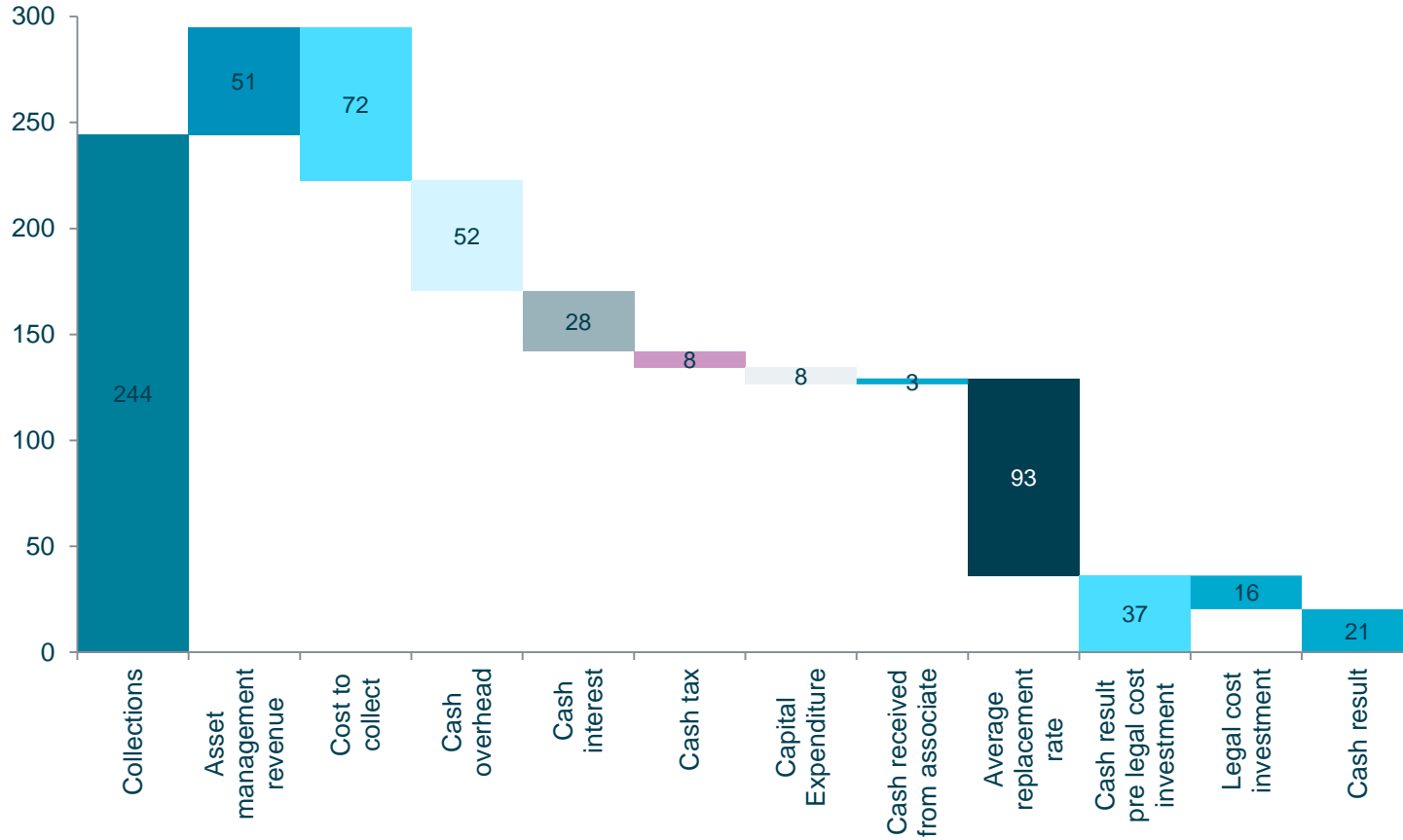


## Key Highlights

- ▶ Adjusted EBITDA decreased due to investment in legal collection costs and particularly strong collections in Q1 2016
- ▶ One Arrow launched and on track to drive future efficiency improvements and sustain growth
- ▶ Underlying basic EPS of 22.3p, up 34% (Q3 2016: 16.7p)
- ▶ Underlying LTM ROE increased to 34% (Q3 2016: 27%)
- ▶ Underlying profit after tax continues to grow, increasing by 34% to £38.9m

# YEAR TO DATE PERFORMANCE: 30 SEPTEMBER 2017

**Cash Result (£m)**



# NET DEBT & KEY CREDIT RATIOS

## Indebtedness – as at 30 September 2017 (£m)

Net Debt	926.2
Secured Net Debt <sup>1</sup>	868.5
LTM Adjusted EBITDA <sup>2</sup>	217.2
84-Month ERC	1,455.6
<b>Leverage Metrics</b>	
Secured Net Debt <sup>1</sup> / LTM Adjusted EBITDA	4.0x
Secured LTV <sup>3</sup> (Secured Net Debt / 84-Month ERC)	60.3%
LTM cash interest cover	5.7x

## Key Highlights

- ▶ Leverage reduced to within 3.5x – 4.0x guided range
- ▶ Pro forma leverage of 3.8x, reflecting full year impact of Zenith acquisition and sale of MCS in Q4 2017
- ▶ Strong cash cover at 5.7x – continued strengthening expected as full benefits of reduced WACD are realised
- ▶ £122.1m of cash and RCF available as at 30 September 2017
- ▶ 60.3% LTV provides significant headroom on 75% LTV covenant

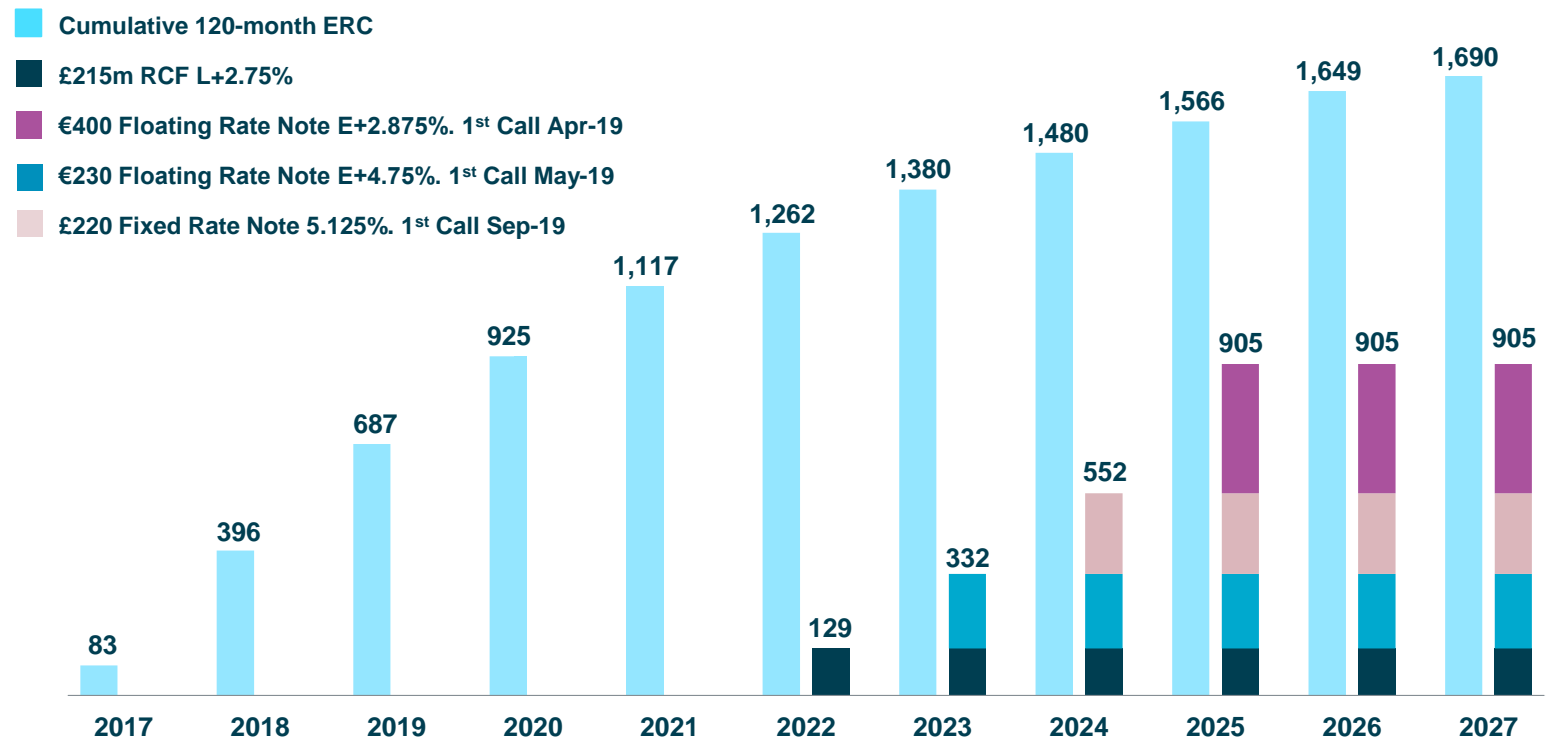
<sup>1</sup> Net debt excluding debt attributable to non-recourse borrowings (£11.5m), accrued interest (£1.2m), amounts drawn under unsecured bank overdrafts (£1.3m), Zenith finance lease (£1.8m) and deferred consideration (£41.8m).

<sup>2</sup> Adjusted for non-recourse collections in Q4 2016 (£6.5m) and MCS cash distributions not previously recognised in Adjusted EBITDA from Q4 2016 (£6.2m).

<sup>3</sup> Excluding debt (£11.5m) and estimated remaining collections (£15.3m) attributable to non-recourse borrowings, accrued interest (£1.2m), amounts drawn under unsecured bank overdrafts (£1.3m), Zenith finance lease (£1.8m) and deferred consideration (£41.8m).

# LONG-TERM FUNDING

## Debt maturity & 120-month ERC



- ▶ Weighted average debt duration c. 6.4 years
- ▶ No debt maturities until 2022
- ▶ Significant ERC coverage of debt maturities
- ▶ Significantly reduced cost of debt since IPO
- ▶ Weighted average cost of debt less than 4.0%

## IV. 2017 OUTLOOK

# OUTLOOK

- ▶ Continue to see attractive opportunities across Arrow markets
- ▶ On track to meet guidance of delivering approximately £200.0m of portfolio investment in 2017
- ▶ Sustained pressure for banking reform across Europe provides growth environment
- ▶ One Arrow programme improving operations and supporting future efficiency gains

## **Continued confidence in ability to:**

- meet earnings expectations for the year
- deliver a medium-term underlying ROE percentage in mid-twenties
- deliver high-teens EPS growth
- employ a progressive dividend policy

# Q&A



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