12 April 2018

LOWELL FULL YEAR RESULTS 2017

A year of growth, transition and investment

Lowell, a European leader in credit management services, has today announced strong results for its full year ended 31 December 2017, with double digit growth across all key metrics.

The addition of the Carve-out Business from Intrum as a new Nordic region, which successfully completed after the close of the period, brings further strategic diversification and growth opportunities for the Group.

Financial Highlights: Lowell as at 31.12.17

- Cash Income up 22% to £590m
- Growth driven by:
    - 20% increase in Debt Purchase cash collections
    - 32% increase in 3rd Party Collections (3PC) income
- Cash EBITDA up 18% to £299m
- 58% year-on-year increase in 3PC placements
- 120month gross Estimated Remaining Collections (ERC) up 17% year-on-year to £2.1bn

Operational Highlights

- Acquisition of Carve-out Business from Intrum
- Full FCA authorisation achieved in the UK
- Reduction in cost of debt through our refinancing strategy

James Cornell, CEO Lowell, said:

"The last 12 months have been a period of significant change for our business: embedding the new brand and the acquisition of the Carve-out Business from Intrum.

"But this is how we consistently deliver for our stakeholders – better results through continued innovation, investment and improvement.

"And within this, we kept sight of our mission – to make credit work better for all; helping our clients thrive, and getting our customers' finances back on track.

"The figures reported today show a diversifying business that is building platforms for growth on the solid foundations of prudence and sustainability.

"These are strong results that reinforce our confidence in our strategy and how we do business, this is the Lowell Way."

Investors wishing to join the FY17 Bond call at 10.30am BST today, please register on the investor website: www.lowellgroup.com

Overview

The last year is an exemplar for our strategy: prudence, targeted investment, customer-focus, diversification and sustainable growth. Our success against each of these is supported by the continued development of our unique combination of our advanced analytics, risk framework, and values – all enabling us to achieve responsible, sustainable collections.

We have continued to invest where we have seen well-priced opportunities that we believe will deliver sustainable growth, both at a portfolio and M&A level. The addition of the Carve-out Business from Intrum provides us with further diversification immediately, and a platform for further growth geographically and across sectors.

Delivering our financial objectives: the Lowell way

In 2017, we delivered double digit growth across all our key metrics: Cash EBITDA, Cash Income and ERC. Our strategy of sustainable growth is succeeding; underpinned by our enviable record of meeting or exceeding collections forecasts, ability to attract new blue-chip clients, and success in delivering repeat business from existing clients through forward flows.

Cash EBITDA rose to £299m for the full year 2017, an increase of 18%. Cash Income increased to £590m, a rise of 22% compared to FY16. Our success in attracting new business saw ERC grow to a new high of £2.1bn, up 17% on the previous twelve months.

Where there has been opportunity to gain value through attractive returns, the Group has continued to deploy capital to grow the business with £256m invested in new portfolios in the period. Our disciplined approach is underpinned by our exceptional analytics, long-term view and the excellent client relationships that generate forward flow arrangements that account for half of portfolio purchases.

The Group's diversification continued with 3PC income up 32% to £109m, and 3PC placements of £1.5bn, 58% more than 2016. On a pro forma basis, we now have over £13bn of 3PC Assets under Management.

The ability of the business to collect, analyse and use data appropriately and effectively remains one of its most important differentiators. The advanced analytics deployed across pricing, planning and portfolios deliver accurate, meaningful data that feeds in to our decision-making at a business and customer level. Our planning is based on prudent collections forecasts that have been shown to be robust in varying economic conditions over the last 10 years. That pattern continues - collections in FY17 represented 107% of forecast.

The Group has been successful in delivering its refinancing strategy. The refinancing of €405m Floating Rate Note in September 2017 and the new funds raised in January 2018 (post-period closing) for the Nordic acquisition have seen our Weighted Average Cost of Debt (WACD) fall from 8.0% to 6.6% on a pro forma basis for the combined Group.

Our Nordic acquisition: a positive year, immediate benefits, a platform for growth

The acquisition of the Carve-out Business from Intrum, which becomes our new Nordic region, represents a transformational milestone for the Group and brings immediate and longer-term strategic and operational benefits.

A highly regarded business in its own right - our new region makes Lowell Europe's second largest CMS business and the market leader across the Nordic region. The Group now holds a leading position in the three largest, most sophisticated and best regulated markets in Europe; providing significant opportunities for profitable growth.

In the last 12 months, the Carve-out Business saw double digit growth in Cash Income (10%) and healthy growth in Cash EBITDA (7%).

There is meaningful impact on the Group's diversification strategy. On a pro forma basis, capital-light 3PC activity contributes 24% of Cash Income for the combined Group, and the new region provides 26% of 120-month ERC, of which more than £1bn is forecast to be collected in the next two years.

An integration programme was formally launched on completion of the acquisition in March 2018, which will identify and leverage cross-regional client opportunities, best practice sharing and synergies, and implement a Group-wide governance framework.

Outlook: Well-positioned in the market

Continued growth in unsecured consumer credit across all our regions bodes well for the future of the business. This sound base, together with the effects of IFRS9, ECB and EC guidance on NPLs, and the growth of non-traditional financial services providers, means the flow of debt is expected to remain healthy.

There is strong, positive momentum across the Group, including our new Nordic region, driven by its enhanced European scale, and underlying strengths. The work we have done, such as with our Nordic acquisition and refinancing, together with the inherent strengths of our operating model show our business to be well positioned and well prepared to take advantage of any changes or future market growth opportunities that present themselves.

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Note to Editors

Lowell is one of Europe's largest credit management companies with a mission to make credit work better for all. It operates in the UK, Germany, Austria, Switzerland, Denmark, Norway, Finland, Sweden and Estonia.

Lowell's unparalleled combination of data analytics insight and robust risk management provides clients with expert solutions in debt purchasing, third party collections and business process outsourcing. With its ethical approach to debt management, Lowell always looks for the most appropriate, sustainable and fair outcome for each customer's specific circumstances.

Lowell was formed in 2015 following the merger of the UK and German market leaders: the Lowell Group and the GFKL Group. In 2018, Lowell completed the acquisition of the Carve-out Business from Intrum, which has market leading positions in the Nordic region. It is backed by global private equity firm Permira and Ontario Teachers' Pension Plan.

For more information on Lowell, please visit our investor website: www.lowellgroup.com

Non-IFRS financial measures

We have included certain non-IFRS financial measures in this trading update, including Estimated Remaining Collections ("ERC") and Cash EBITDA.

We present ERC because it represents our expected gross cash proceeds of the purchased debt portfolios recorded on our balance sheet (the "Purchased Assets") over the 84-month, 120-month and 180-month periods. ERC is calculated as of a point in time assuming no additional purchases are made. ERC is a metric that is also often used by other companies in our industry. We present ERC because it represents our best estimate of the undiscounted cash value of our Purchased Assets at any point in time, which is an important supplemental measure for our board of directors and management to assess our performance, and underscores the cash generation capacity of the assets backing our business. In addition, the instruments governing our indebtedness use ERC to measure our compliance with certain covenants and, in certain circumstances, our ability to incur indebtedness. ERC is a projection, calculated by our proprietary analytical models, which utilise historical portfolio collection performance data and assumptions about future collection rates, and we cannot guarantee that we will achieve such collections. ERC, as computed by us, may not be comparable to similar metrics used by other companies in our industry.

We present Cash EBITDA because we believe it may enhance an investor's understanding of our profitability and the cash flow generation that could be used to service or pay down debt, pay income taxes, purchase new debt portfolios and for other uses, and because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies generally. In addition to ERC, our board of directors and management also use Cash EBITDA to assess our performance. Cash EBITDA is not a measure calculated in accordance with IFRS and our use of the term Cash EBITDA may vary from others in our industry.

ERC and Cash EBITDA and all the other non-IFRS measures presented have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS.