Lowell

23 November 2017

Lowell delivers continued growth in Q3

Lowell, a European leader in credit management services, announced today that it has delivered another positive quarter of growth for the period 1 July to 30 September 2017.

Following the close of the quarter, Lowell announced on 2 November 2017 the significant acquisition of the Carve-out Business from Intrum.

Highlights

- 21% y-o-y increase in Cash Income to £152m[1]
- 12% y-o-y increase in Cash EBITDA to £78m[1]
- 18% y-o-y increase in Estimated Remaining Collections (ERC) to a record high of £1.95bn[2]
- Strengthening collections performance – achieved 107% of collections as forecast at the start of the year
- Post Q3 close - acquisition of Carve-out Business from Intrum:
    - Creates Europe's second largest credit management services provider
    - Clear strategic fit - complementary business mix delivers further diversification
    - Strong growth platform with robust infrastructure, rich talent and consistent financial performance

James Cornell, CEO, said:

"This has been a successful quarter for us. We have delivered growth against all our key measures and provided clear evidence that our strategy delivers for clients and customers alike. We continue our strong growth track record and to support that have made another, significant acquisition.

"The combination of Lowell and the Carve-out Business from Intrum has a compelling rationale, not least the exciting opportunities for the further growth and diversification of our business.

"We're delighted to have extended the Lowell family with a business that shares our values, complements our strategy, and is aligned with our business ethos."

To join the Q3 Bond call at 10.30am BST today, please register on our investor website: www.lowellgroup.com

Overview

The quarter saw further growth as we continued to develop our sustainable competitive advantage across Europe. Our clear focus has remained on delivering portfolio diversification and expansion: expanding our data and improving our insight, and delivering better customer and client outcomes through our unique combination of ethics and analytics.

The acquisition of the Carve-out Business from Intrum, a market-leader in its own right, extends the Lowell family to new territories and sectors. This exciting development will support our key strategic objectives and provide us with a strong platform and robust infrastructure in the Nordic region to continue to drive growth and diversification.

Strategy delivering financial performance

Our Q3 financial performance followed our sustainable growth strategy with continued improvement across all our key indicators: Cash Income, Cash EBITDA and ERC. That strategy continues to be reflected in our disciplined portfolio acquisition strategy, maintaining strong forward flow agreements, continued diversification and prudent collection forecasts.

Cash Income rose to £152m in Q3, compared to £126m in the corresponding quarter in 2016, a rise of 21%. Cash EBITDA increased to £78m in Q3, from £69m in the corresponding quarter in 2016, a growth of 12%.

Last twelve months (LTM) Cash EBITDA was also up to £293m from £245m in Q3 the previous year, a 19% rise.

Growth in 120-month ERC saw the measure reach a record high at £1.95bn, a year-on-year rise of 18%, up from £1.7bn, with significant value lying beyond the 120-month mark - £313m of ERC between 121 and 180 months.

Our data-driven analytics and decision science investment has continued to inform both the prudence of our collections forecasting and the approach of our collections processes. As a result, year-to-date we have seen collections at 107% of forecast - supported by our commitment to sustainable, fair payment plans for customers.

Our ongoing sustainable growth is underpinned by the diversification of the business. Our portfolio acquisitions increased by 14% to £271m for the 12 months to September 2017. In total, we acquired 337 portfolios from 70 clients across all major unsecured sectors. Forward Flow relationships (contractual repeat business) accounted for 47% of acquisitions.

In Q3, we completed the successful re-financing of our €405m floating rate note, while at the same time improving our weighted average cost of debt. We also successfully reactivated an existing securitisation vehicle in Germany, further supporting the reduction in our funding costs.

Carve-out acquisition from Intrum

On 2 November, we entered into a definitive agreement to acquire the Carve-out Business from Intrum, for an Enterprise Value of €730m. The transaction is expected to close in H1 2018[3]. The Carve-out Business comprises Lindorff's entire businesses in Sweden, Finland, Denmark and Estonia as well as Intrum Justitia's entire business in Norway.

In its own right, the carve-out is a well-managed, successful business with significant revenues and cash generation. It has an integrated business model providing services across the credit management value chain, and is well positioned for further growth opportunities. This is a highly regarded franchise, with a market-leading position.

Together, the businesses will create the second largest credit management services provider in Europe.

The immediate scale and diversity of the combined business is clear in terms of broader geographic reach and a more balanced revenue mix, together with a complementary and client-focussed product offering. The deal immediately makes Lowell a market leader across the Nordic region: adding a significant third region to the UK and DACH.

The acquisition has a highly compelling strategic rationale. It further rebalances the business mix between Debt Purchase and Third Party Collections, and provides access to sophisticated markets: providing even more opportunities for the Group to diversify and grow.

The acquired business shares our overarching commitment to a fair and principled approach that puts people at the heart of what we do. This ethos will be central to the successful integration of the two businesses and to maintaining our strategic vision.

[1] For the three months to September 2017
[2] As at 30 September 2017
[3] Subject to the approval of Lowell as purchaser by the European Commission as well as customary competition and regulatory approvals.

Note to Editors

About Lowell:
Lowell is one of Europe's largest credit management companies with operations in the UK, Germany, Austria and Switzerland and a vision to be the best in its field in Europe. For clients. For consumers. Europe wide. Lowell combines its principled approach, international experience, deep understanding of data analytics and operational efficiency to serve every part of the credit management value chain, with expertise in debt purchasing, third party collections, business process outsourcing, credit management and e-commerce.

Previously named Lowell GFKL Group, Lowell was formed in 2015 following the merger of the UK and German market leaders: the Lowell Group and the GFKL Group. It is backed by global private equity firm Permira – whose funds first invested in 2015, backing the Lowell-GFKL merger – and Ontario Teachers' Pension Plan.

Lowell is headquartered in both Leeds (UK) and Essen (Germany). For more information on Lowell, please visit our investor website: www.lowellgroup.com

About the Carve-out Business:
The Carve-out Business comprises Lindorff's businesses in Denmark, Estonia, Finland and Sweden as well as Intrum Justitia's business in Norway and has been divested to address potential competition concerns raised by the European Commission following its investigation into the combination between Lindorff and Intrum Justitia. It is a full-service credit management service provider, offering services within debt collection and debt purchase as well as payment and invoicing services with approximately 900 colleagues. For the last twelve months to September 30, 2017, the Carve-out Business estimated revenues amount to approximately EUR 190 million. As of September 30, 2017, the carve-out business had purchased debt portfolios with a book value of approximately EUR 400 million.

Key contacts:
Investor Relations enquiries:
Jon Trott, Head of Investor Relations
Telephone: +44 333 556 5801 Ext. 30084
Email: investors@lowellgroup.co.uk

Media enquiries:
Jason Clarke, Communications Lead UK
Telephone: +44 7768 260 293
Email: media@lowellgroup.co.uk

Henrik Hannemann, Head of Communications DACH Region
Telephone: +49 201 102 1172
Email: pr@lowellgroup.de

James Olley, Communications Support UK
Telephone: +44 7974 982 302
Email: jolley@montfort.london