a better way forward

Lowell Group

Annual Results 2012

Investor Presentation

29 November 2012

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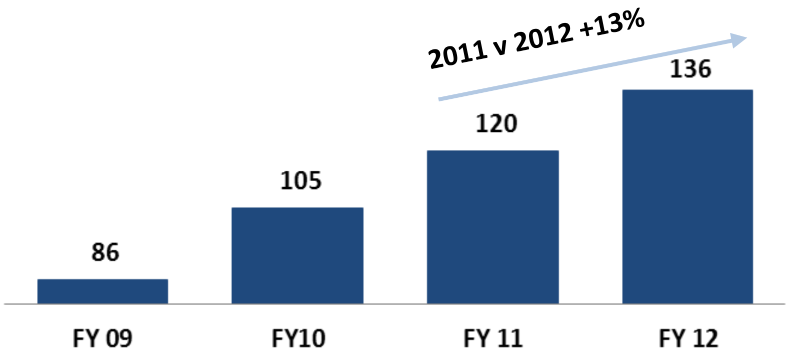
Overview and highlights

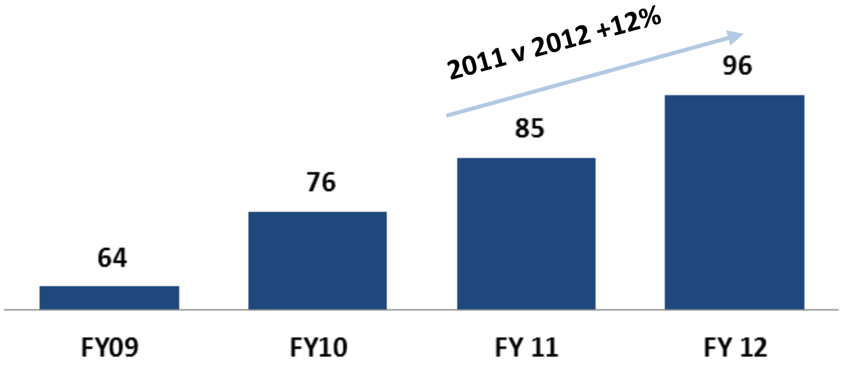
James Cornell, CEO

Summary performance

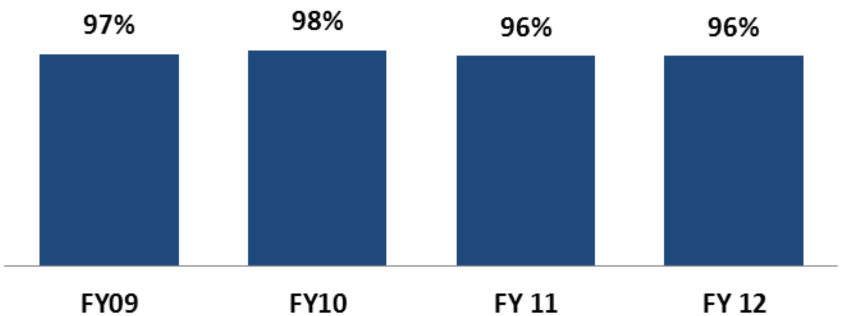
Collections (£m)



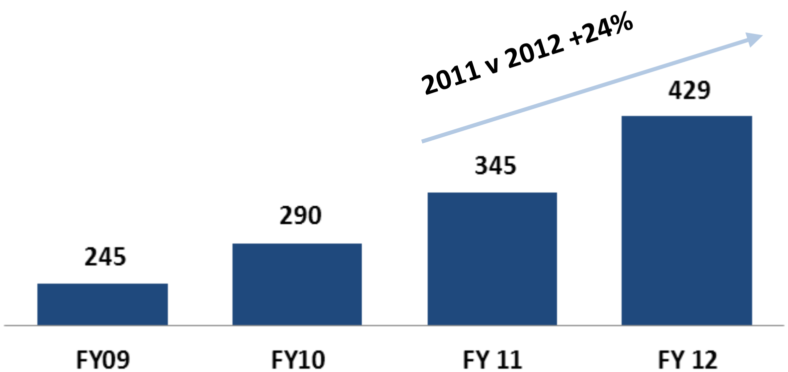
Adjusted EBITDA (£m)



Cash conversion (Operating Cash Flow[1]/Adj. EBITDA)



ERC(£m)



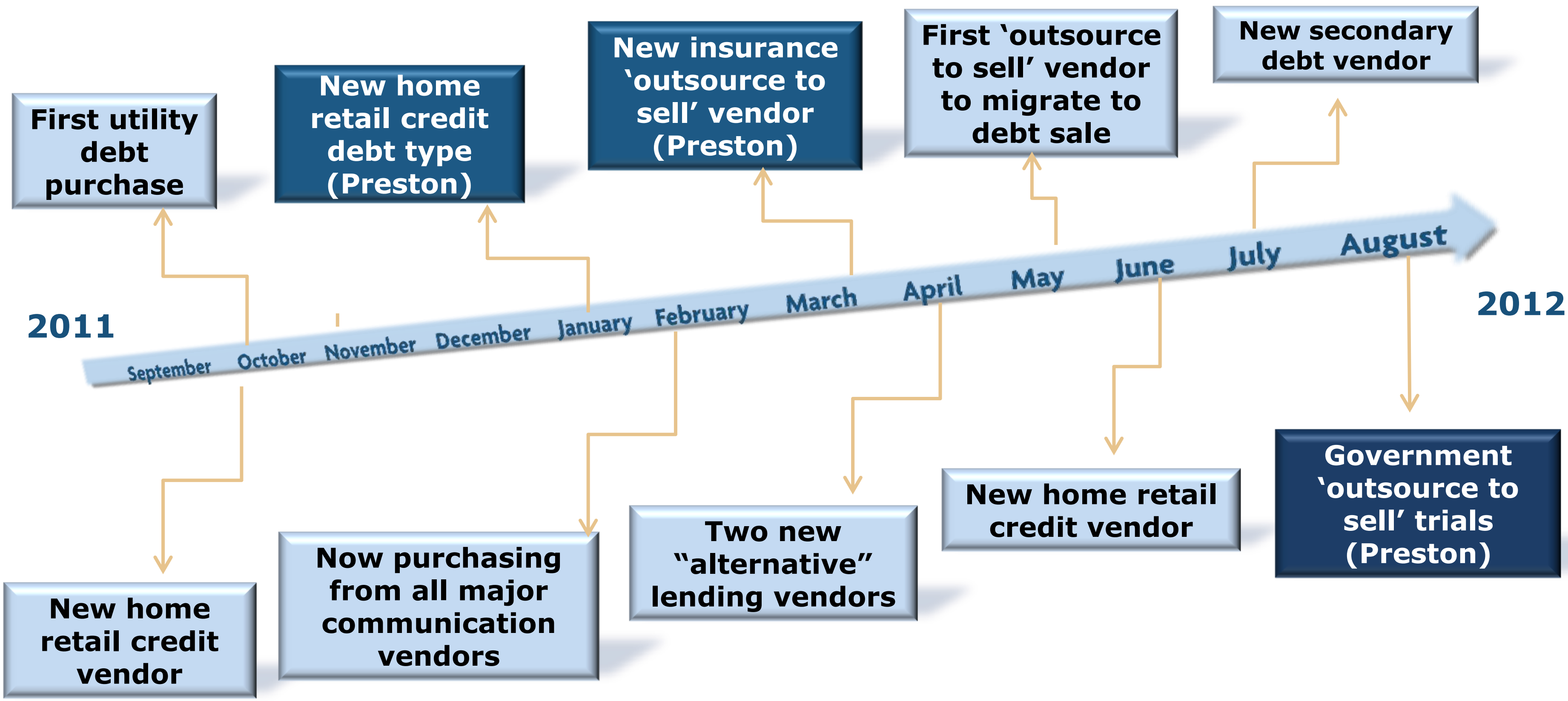
[1] Represents Adjusted EBITDA less capital expenditures and working capital movement but excluding portfolio purchases

LTV reduced from 57% at Bond issuance to 45% at August 31, 2012

Summary of the year

- **Strong performance – a year of records**
  - ERC of £428.8 million at August 2012, a 24% year-on-year increase
  - Adjusted EBITDA of £95.5 million, 12% up on FY 2011
  - Adjusted EBITDA converting at 95.7% into cash flow before debt and tax service
  - Full year collections of £135.9 million are 13% higher than 2011 – Record collections of £12.7 million in August 2012
  - Collections on portfolios owned at August 31, 2011 at 104% of ERC projections at August 31, 2011
  - Collections on portfolios purchased in 2012 performing at 111% of pricing curves
- **Significant deleveraging achieved**
  - LTV has reduced from 57% at bond issuance to 45% as of August 2012
- **Strong pipeline of debt sales**
  - £90.7 million of portfolio purchases in 2012, 30% up on 2011
  - 113 portfolios purchased, almost double previous years
  - Almost 10 million customer accounts with an aggregate face value of c. £9 billion
- **Diversified & increasingly predictable portfolio purchases**
  - Purchased portfolios from 31 vendors overall and 8 new vendors in the year
  - 2 further forward flow contracts agreed securing significant purchase volumes going forward
  - 45% of portfolio purchases in 2012 were contributed by forward flow contracts

Targeted strategy to continue to diversify



8 new vendors in 2012

Recent Developments

- **Appointment of new Chief Financial Officer**
  - Colin Storrar appointed, joining us from HSBC Bank PLC where he was CFO for both First Direct and the wider contact centres
- **Creation of two new roles to support business growth**
  - CIO (sitting on executive board) Gary Edwards appointed in the newly created role to enhance and develop our competitive advantage in technology
  - Director of New Ventures: Oliver Betts appointed in the new role to strengthen our partnership approach to client relationships
- **Named 'Outstanding Accredited Company to the Creditor Accreditation Initiative' in the 2012 Credit Services Association awards**
- **For the fifth consecutive year ranked as the leading credit management business across Europe by the strategic consulting firm OC&C**
- **Implementation of new technology to deliver customer level collections strategy**

Compliance focus - Regulation

- **New and combined Code of Practice launched in October 2012 by the Credit Services Association ("CSA") and Debt Buyers and Sellers Group ("DBSG")**
  - Code will be fully implemented by 1st January 2013
  - We will be fully compliant with the new Code
  - Sara de Tute, our Legal & Compliance Director is the President of the CSA
- **Financial Conduct Authority ("FCA") will be the new industry regulator**
  - FCA work will commence in Q1 2013 when it receives new powers from the Financial Services Bill currently going through parliament with full regulation planned for April 2014
  - Our Legal & Compliance Director is a member of the stakeholder forum set up by the Financial Services Authority ("FSA"), H M Treasury ("HMT") and the UK Department for Business, Innovation and Skills ("BIS")
- **We welcome the changes in regulation which align with our culture of placing significant importance on compliance and treating customers fairly**

We continue our significant investment in compliance

Pilot of Speech Analytics software to provide on-going monitoring of customer calls

Implementation of DBSG Continuous Improvements standard

Financial performance

Phil Screeton

Key Financial and Operating Data

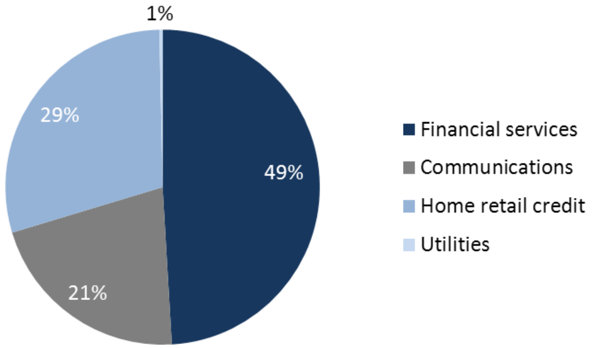
Key Financial and Operating Data (£m)

	FY 11	FY 12
Cash generative asset backing:		
ERC	344.7	428.8
Reported portfolio purchases	70.0	90.7
Net Debt	70.9	191.0
Cash generation:		
Collections/income on owned portfolios	120.1	135.9
Other income	0.1	0.3
Servicing costs	(35.0)	(40.6)
Adjusted EBITDA	85.2	95.5
Capital Expenditure	(2.3)	(2.0)
Working Capital Movement	(1.2)	(2.1)
Cash flow before debt and tax servicing	81.7	91.4
Conversion of Adjusted EBITDA to Cash Flow	96%	96%
Return on capital:		
Unlevered Net IRR of owned portfolios	25.6%	24.2%
Operational efficiency:		
Annual collections per collector FTE (£ thousands)	624	621
Payment plans per collector FTE(#)	2,444	2,585

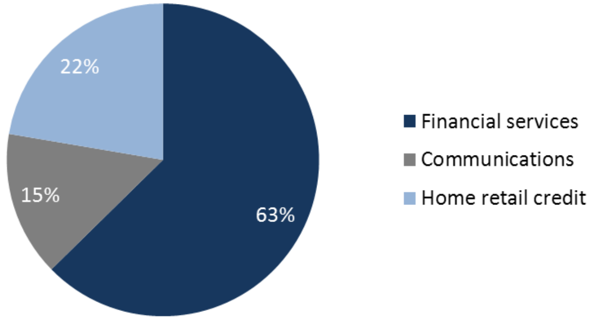
- Cash collections for the year of £135.9 million with £37.0 million collected in the final quarter including the highest month of collections at £12.7 million
- Continued debt sale activity in the market providing strong opportunities for us and a continued increase in ERC to £428.8 million
- Record levels of portfolio purchases of £90.7 million with £31.2 million in the final quarter
- Adjusted EBITDA of £95.5 million for the year, 12% up on FY 2011
- Cash flow conversion of 96% for the year, consistent with 2011
- Net IRRs on owned portfolios at 24.2%; portfolios acquired during this financial year are performing at 111% of collection forecast assumptions at pricing

Portfolio Purchases

Portfolios purchased in the year



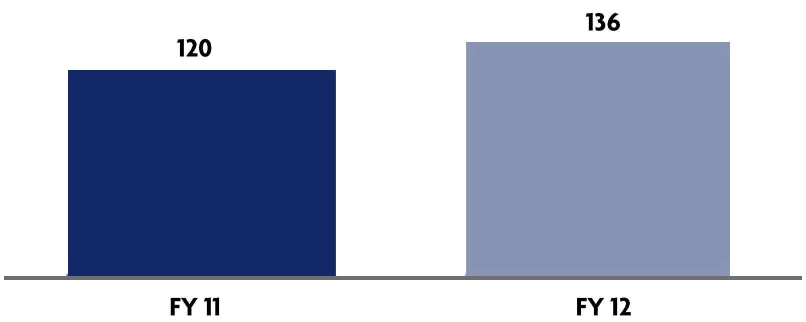
All portfolios purchased since inception



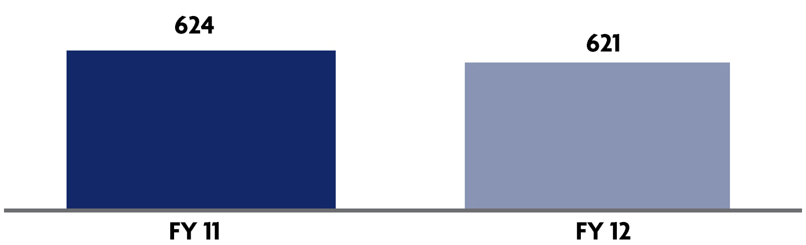
- Portfolio purchases of £90.7 million, 30% up on 2011
- Portfolios continue to be diversified with 49% in Financial Services, 21% in Communications and 29% in Home retail credit acquired in the year
- Testing a new market with a £0.3 million purchase in the Utility sector
- Forward flow agreements contributed 45% of purchases in 2012 and provide a steady and predictable flow of account purchases, demonstrating the importance of our close relationships with vendors
- We now have 586 portfolios across 46 clients providing diversification of client relationships

Collections

Gross Cash Collections (£m)



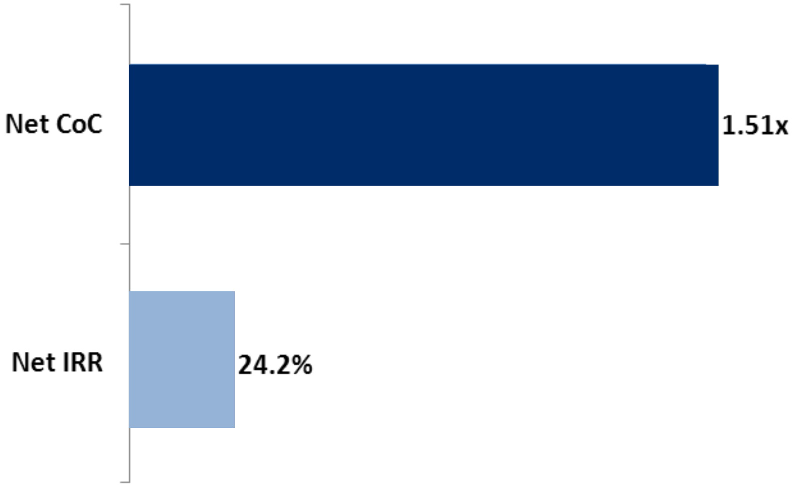
Annualized collections per collector FTE (£'000)



- Achieved record collections of £135.9 million for the year
- August collections at £12.7 million were record monthly collections for the business
- Annualised collections per collector in 2012 held broadly level with 2011 performance
- Continued strong collections performance driven by investment in technology and people
- For the full year to August 2012 the default rate among our customers was 20%, compared to 22% for 2011
- The business continues to demonstrate a strong cash flow conversion of Adjusted EBITDA into cash flow before debt and tax services at 96% in the last twelve months

Portfolio Returns

Unlevered returns of existing book (August '12)



Note: Returns calculated based on actual performance since portfolio acquisitions and balance sheet valuation as of August 2012;

- Achieved a 24.2% unlevered net IRR on Lowell's aggregate portfolios
  - Continued track record of generating strong and consistent unlevered returns
- Collections in the year to date on portfolios owned as of August 31, 2012 were 104% of the ERC projections from August 31, 2011
- Performance on portfolios during the financial year to date are running at 111% of collections forecast assumptions at pricing

Asset Coverage

Key B/S and coverage ratios as of August '12

	PF Nov 11	FY 12
Key Financial Metrics		
ERC	337.7	428.8
PF Gross Debt	200.0	200.0
Cash	(7.0)	(9.0)
Net Debt	193.0	191.0
Annual Interest payable	22.1	22.1
Adjusted EBITDA	85.4	95.5
Leverage and Coverage Ratios		
Loan to value ratio	57.1%	44.5%
Net debt / Adjusted EBITDA	2.3	2.0
EBITDA / total interest payable	3.9	4.3

- **Lowell's portfolios are forecast to generate £428.8 million in cash collections (ERC) in the next 84 months**

  50% of cash collections are expected to be generated in the next 24 months

  78% of cash collections are expected to be generated in the next 48 months

- **Solid leverage and coverage metrics**

  Loan to value ratio of 45%, a 12% improvement on 57% at bond issuance

  Net debt / adjusted EBITDA of 2.0

Note: Leverage and Coverage ratios calculated on same basis as presented in the Offering Memorandum "Summary Consolidate Financial Data"
Gross Debt, Cash and Net Debt are presented on a pro forma basis relating to the issuance included within the Offering memorandum

Markets and outlook

James Cornell

Current Market Context

- Significant increase in activity in Q4, particularly in Financial Services (paying accounts) and Communications, where a number of vendors are conducting substantial sales of accumulated debt

- Market continues to be competitive with experienced market participants each focusing on particular segments in the larger auctions

- Continued success in expanding the vendor base:
  - Completed debt purchases with three new vendors in the quarter
  - Completed debt purchase with one new vendor following the year end
  - In total eight new vendors YTD

- In new market segments the business is proving the value of its "outsource to sell model" at Preston:
  - Completed the first sale for a contingent vendor to move to debt sale
  - Signed up the first insurance vendor to Preston
  - Investigating trials with a number of Government departments as a pre-cursor to debt sale
  - Currently gaining experience working debt from three separate utility companies, including one where we have purchased two tranches of debt

Outlook

Debt Purchase Market

- Focus on pricing discipline and areas of competitive advantage
- Continued diversification into the "un-tapped" opportunities in the sectors of government, utilities and insurance
- Pipeline remains strong in the financial services sector, with further large debt sales on the horizon from all UK clearing banks
- Continued regular portfolio sales expected from communications and home retail sectors
- A growing number of "Paying Portfolios" being brought to market by vendors

Operations

- "Voice analytics" trial underway in the operation, enhancing further compliance on customer calls and increasing overall collections conversion
- Further investment into automated decision mapping tools (e.g. FICO – Blaze)
- Additional third party credit bureau data increasing the business' trace capability and allowing even more sophisticated customer contact strategies
- Focus on "Single Customer View" analytics to optimize net returns at customer level

Other

- Review strategic initiatives opportunistically, such as M&A

In Summary

- Achieved or over-achieved on **all financial objectives**
- Continued strengthening in core areas
    - People, technology and operational processes
- Demonstrable success in creating B2B strategic partnerships
- A very strong pipeline of opportunities
- Long-term flexible financing structure

Q&A

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