

Lowell Group

Year End 2013 Investor Presentation

23rd January 2013



a better way forward

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Introduction To Today's Speakers



James Cornell

CEO

- **16 years of relevant experience**
- Founder and CEO of Lowell since 2004
- Previous roles: Head of Risk at Caudwell Group; Commercial Director of the B2B Division at Equifax Plc



Colin Storrar

CFO

- **20 years of relevant experience**
- Joined Lowell in early 2013
- Previous roles: CFO at HSBC First Direct and Head of HSBC contact Centres; Senior finance roles at GE Capital Bank and GE Money post 10 years with Arthur Andersen

Business Model

Simple Economics, Sophisticated Platform



A Powerful and Highly Profitable Business Model¹



Identify 22% of accounts that provide
100% of collections

Supported by Efficiency, Scale and Diversification



1. Data to September 2013

2. Unlevered Net IRR after collection costs .

1. Overview of Period Ending Sept 2013

Impressive performance and long track record of strong growth, returns and liquidity

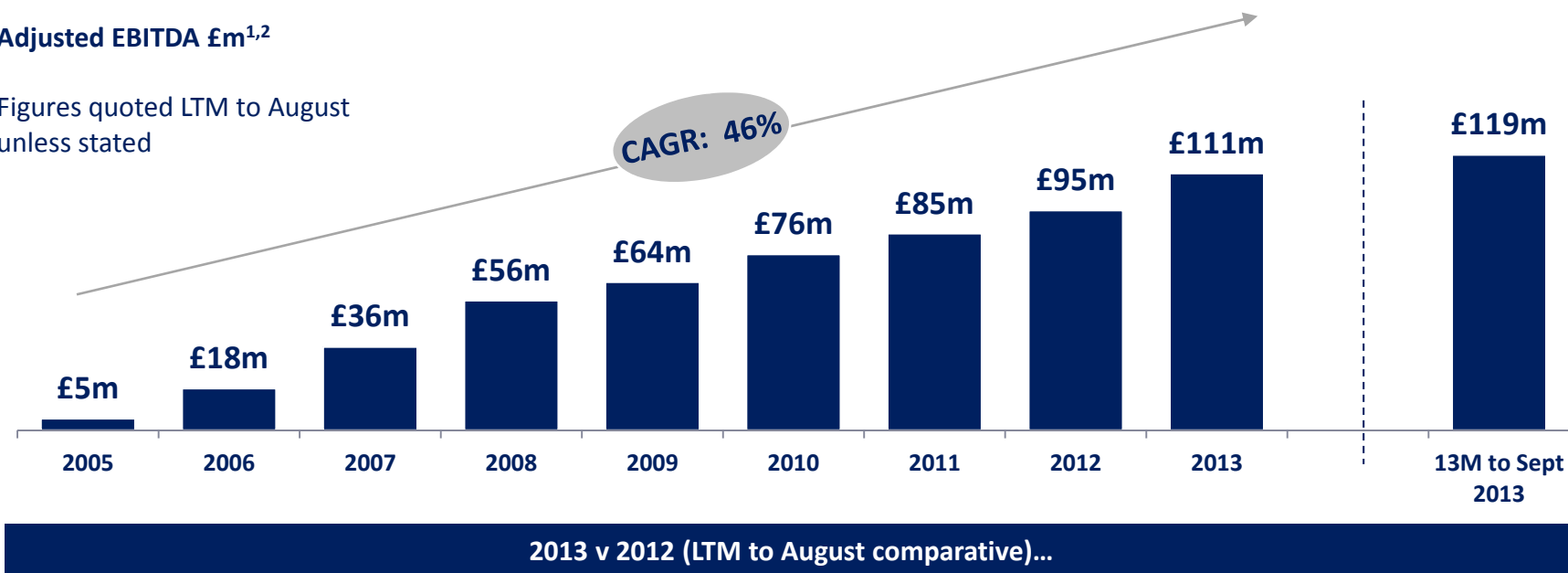
Financial Highlights

2013 - A Ninth Consecutive Year of Earnings Growth



Adjusted EBITDA £m^{1,2}

Figures quoted LTM to August unless stated



✓ Cash Collections up 18% (£25m)

✓ Cash conversion 100% (up 4%)

✓ Adjusted EBITDA up 17% (£16m)

✓ Gross ERC up 24% (£103m)

1. Adjusted EBITDA is defined as total collections less servicing costs, after exceptional items & non recurring items

2. Excludes the impact of Interlaken Group Limited

Operational Highlights

Significant Progress Across A Range of Areas



Regulation

- FCA preparation progressing well

Customer

- Awarded an 'outstanding' rating by Investor In Customers following a positive Net Promoter Score having been achieved

Interlaken

- Interlaken acquisition successfully executed – integration and leveraging of efficiencies well underway

Technology

- Focus on continuous improvement - outsourcing of IT Infrastructure gathering pace

People

- Strength and depth of leadership team further augmented

2. Listening To The Market

Key themes from investors & analysts in 2013

Topics For Discussion

The Five Key Themes From 2013



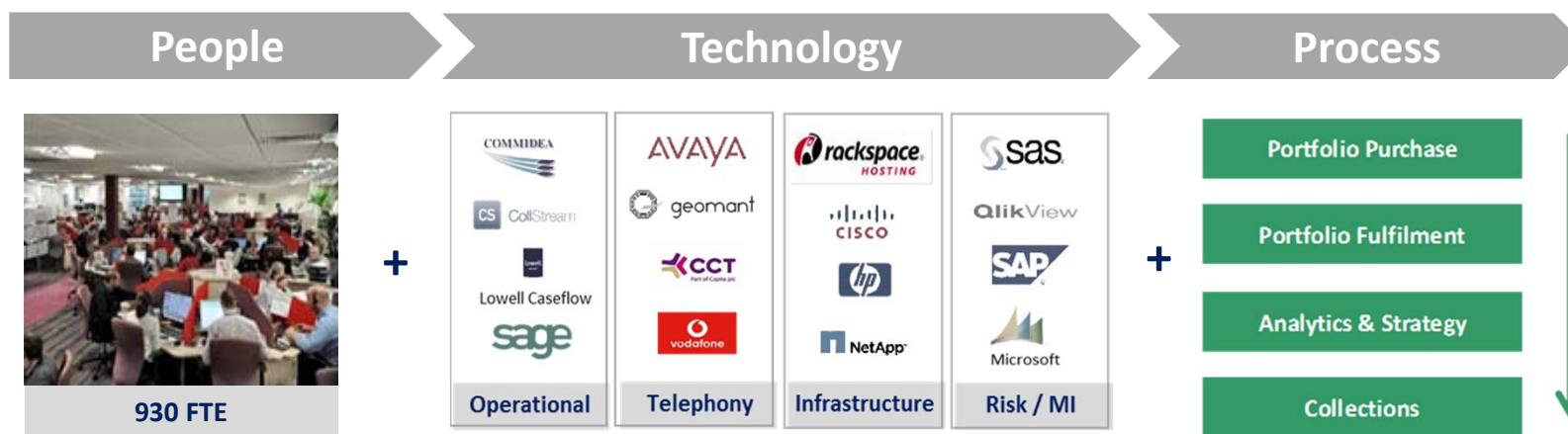
- 1 Compliance
- 2 Operational Efficiency
- 3 Data Analytics
- 4 Origination Capabilities
- 5 Collections & Cashflow Profile

Context For The Debate

In-House, Integrated Operating Model

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Sophistication – Integrated Platform



Scale Across Wider Group – Contact and Collection

£1.2 billion
collected in last
5 years

47,100,000
letters sent
per year

33,600,000
SMS messages
sent per year

4,900 plans
set up per
day

930,000
payments per
month

1 Compliance

Increasing Number and Breadth of Client Audits Clearly Evident



Market Trends

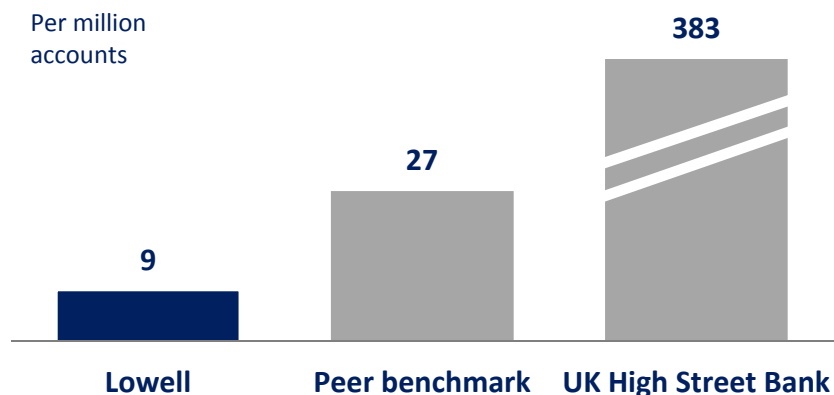
- Trust and experience increasingly important as Debt Purchase panels shrink
- Increasing onsite evidencing requirements
- Increasing focus upon end-to-end customer journeys

Benefits of The Lowell Platform

- Very limited third-party compliance risk
- Full control and oversight of all functions & customer engagement
- Ability to react immediately to change in guidance
- Client audit teams can live and breathe the customer experience in just one place
- Extensive technology to aid compliance monitoring
 - E.g. Proprietary call scoring systems linked to employee remuneration

Low Rate of Complaints Referred to FOS¹

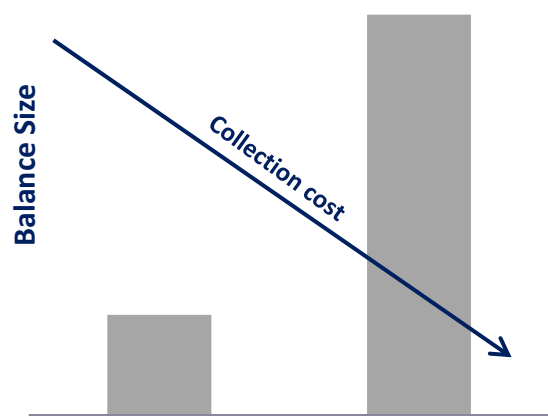
Per million accounts



1. Peer data is latest publicly available. Data for UK High Street Bank is for LTM to 30-Jun-2013 with the complaint ratio based on the FOS complaints excluding PPI and 8.3m accounts as reported.

Balance Size

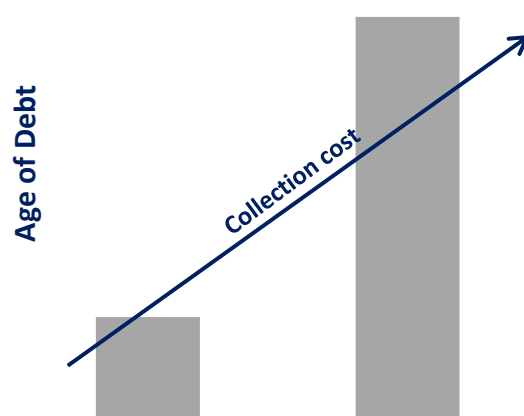
As balance size increases, cost to collect should reduce



Average Balance £		
Lowell	Arrow	Cabot
£895	£1,735	£2,263

Age of Debt

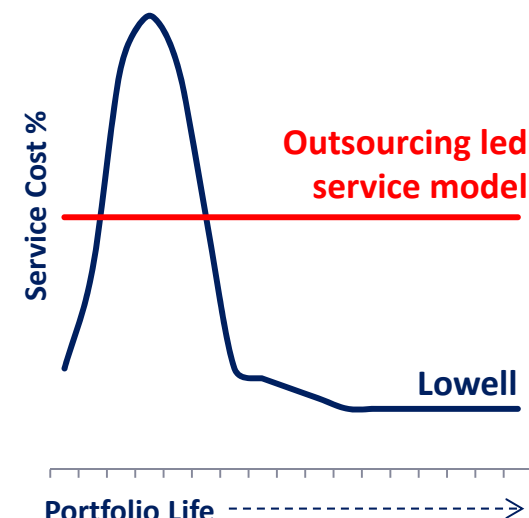
Older, lower quality debt, is more costly to collect



Average Price %		
Cabot	Arrow	Lowell
11%	7%	6%

Service Cost Profile

Lowell in house model drives higher up front service cost but lowers future servicing costs



Lowell Purchase Value £m		
2011	2012	2013
£70m	£91m	£123m

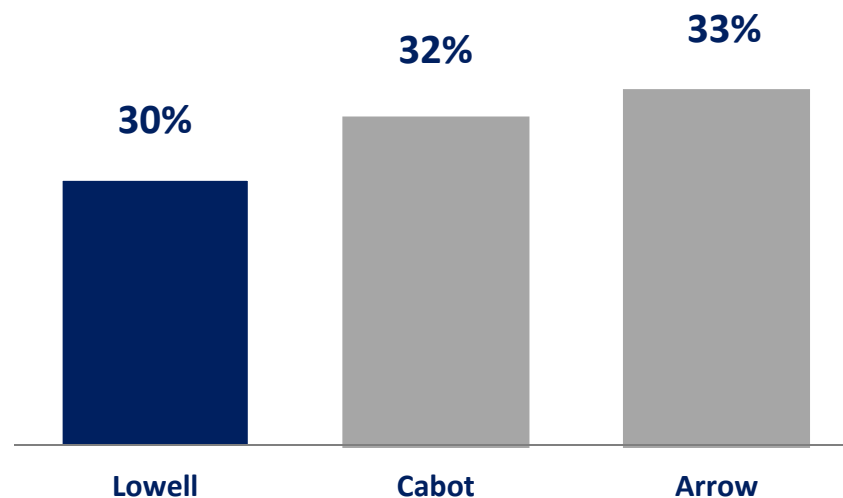
Data for Arrow and Cabot is based on publicly available financials as of 30-Sep-2013.

Operational Efficiency

Lowell's Clear Operational Efficiency Benefits



Lowell Benefits From Low Service Cost Ratio...

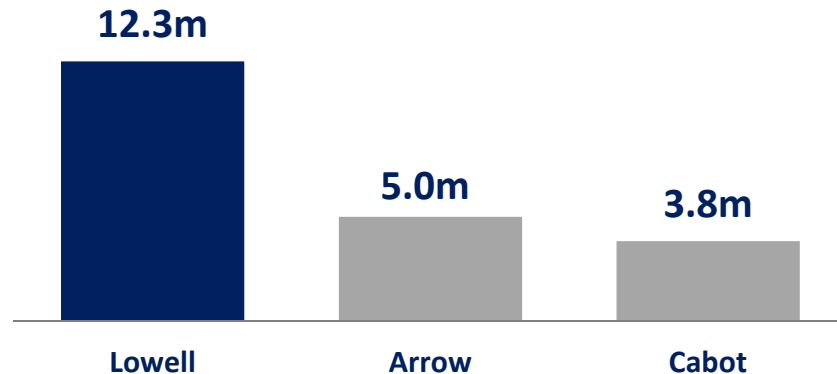


- Lowell has the lowest service cost ratio amongst its peers

...Delivered through Our In-House Platform

- Automation of in-house processes
- Low reliance on collections provided by third party DCA's
- Control of collection strategies:
 - Effort sloping towards accounts with both a willingness and ability to pay
 - Unlimited access to real-time customer data and portfolio performance allows for constant refinement of collection strategies

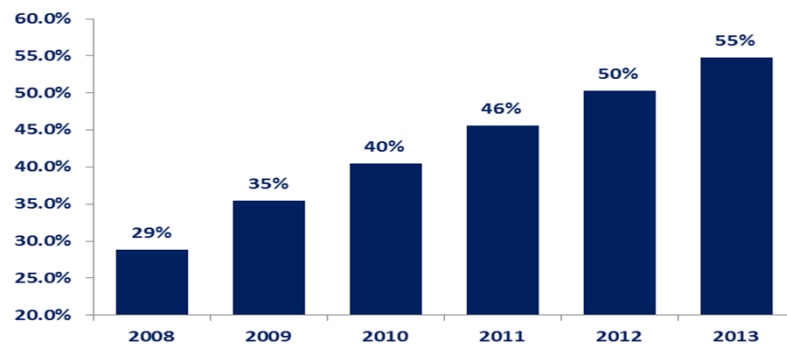
Data for Arrow and Cabot is based on publicly available financials as of 30-Sep-2013.

Clear Data Advantage Associated With Scale And Ownership of Customer AccountsNumber of Owned Accounts¹

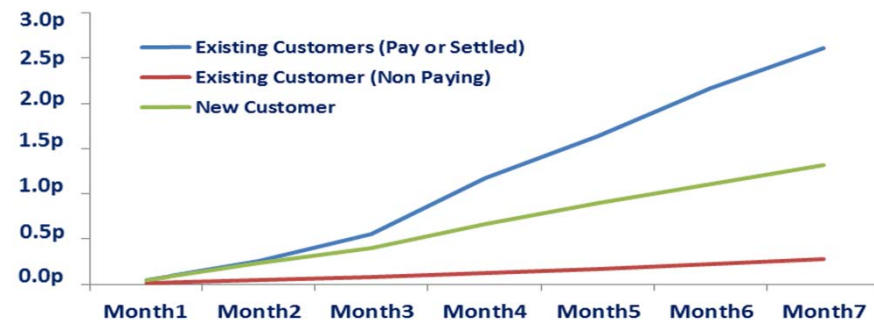
- Relationship with 6.7m customers, equivalent to 1 in 6 UK adults of working age²
- 55% average account match rates

We Collect More from Those Customers We Already Have on Book...

% of customers who have multiple accounts with Lowell:



Pence in £ collected in first 7 months of account ownership:



1. Data for Arrow and Cabot is based on publicly available financials as of 30-Sep-2013.

2. Working adults defined as those aged between 18 – 65 in mid 2012 population update provided by ONS. Relationship defined as owning account.

4 Origination

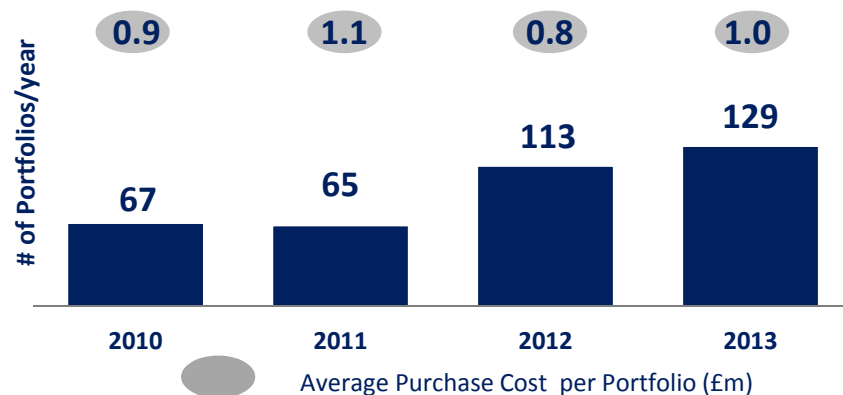
Clear focus, market breadth, high portfolio availability & diversification



1. Clear Focus On Specific Debt Types

- Remain focused on low balance - £860 average balance of 2013 purchases
- Remain focused on non-paying debt - 84% of 2013 purchase cost

3. Plentiful Small Purchases



2. In A Large & Diversified Market



4 Origination

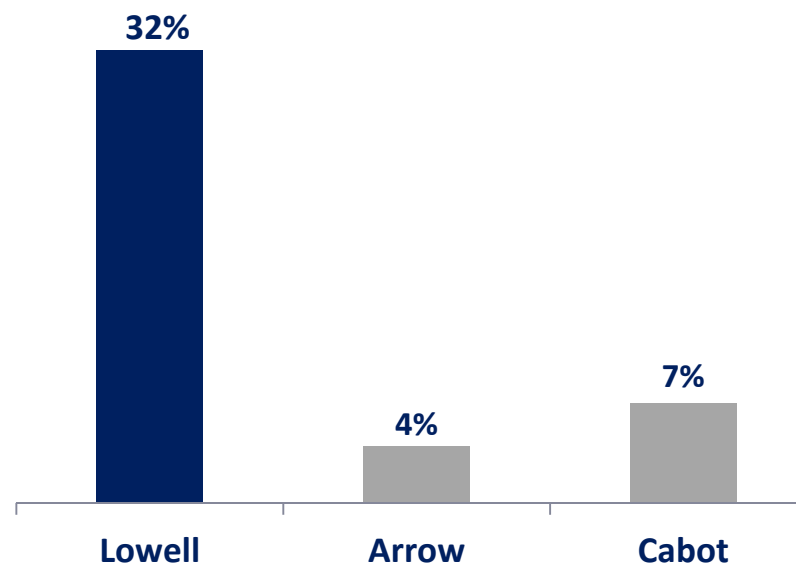
Significant Predictability



Mature, established relationships

- 96% of purchases from repeat sellers
- Average length of relationship = 4 years
- 32% of purchases were forward flows
- Lowell invited to 98% of debt sale tenders

Forward Flow a Key Differentiator¹



- 11 risk adjusted forward flow clients across all sectors
- £59m forward flows committed for 2013/14²

1. Data for Arrow and Cabot is latest relates to period ending December 2012
2. Signed deals as at 9th January 2014

5 Collections & Cashflow Profile

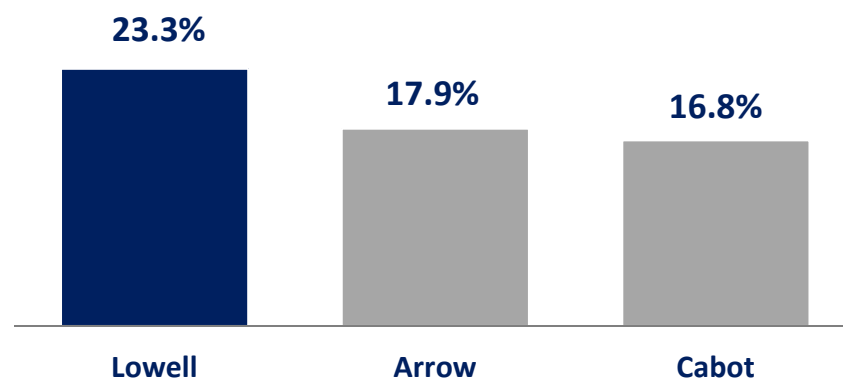
Superior Cash Generation

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Market Leading Cashflow Conversion £m¹



Superior Cash Asset Return²



Cashflow Walk

	2012	13 months to 30 Sept 13
Cash generative asset backing:		
ERC	428.8	530.3
Reported portfolio purchases	90.7	124.4
PF Net Debt	191.0	270.3
Cash generation:		
Collections/income on owned portfolios	135.9	173.5
Other income	0.3	0.5
Servicing costs	(41.3)	(54.6)
Adjusted EBITDA	94.9	119.4
Capital Expenditure	(2.0)	(2.5)
Working Capital Movement	(1.4)	(0.1)
Cash flow before debt and tax servicing	91.5	116.7
Conversion of Adjusted EBITDA to Cash Flow	96.4%	97.8%
Cash asset return (LTM View)	25.8%	23.3%

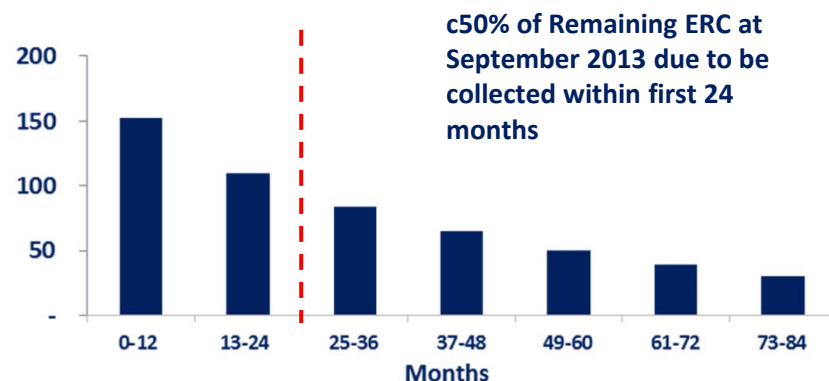
1. Based on 13M to Sep2013. Excludes Interlaken.

2. Cash Asset Return derived from Adjusted EBITDA divided by average ERC. Calculated as LTM to Sep-2013 For Lowell. Peer data latest publicly available

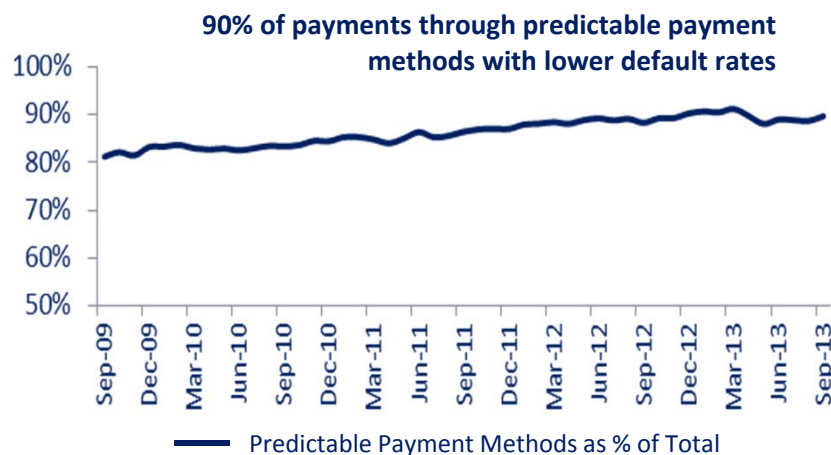
Collections & Cashflow Profile

Superior Cashflow Predictability

84-Month ERC £m



Preferred Payment Methods¹



Predictable Payments

- Greater than 500k paying accounts per month
- 80% of collections from set ups rather than settlements

Cash On Cash Multiple²



- Stable and impressive cash on cash multiples achieved

1. Preferred payment methods defined as direct debits and credit / debit cards

2. Gross cash on cash multiple defined as total cash expected over 84 month life of portfolio divided by purchase price. Shown here for all portfolios purchased since inception to September 2013

3. Financial Performance

Year on year growth with strong returns generated from leverage well within covenants

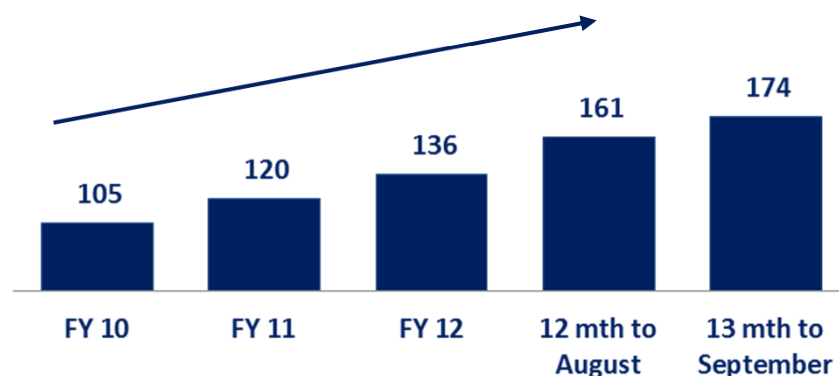
2013 Furthers Long Track Record of Growth

Impressive Growth Across All Key Indicators

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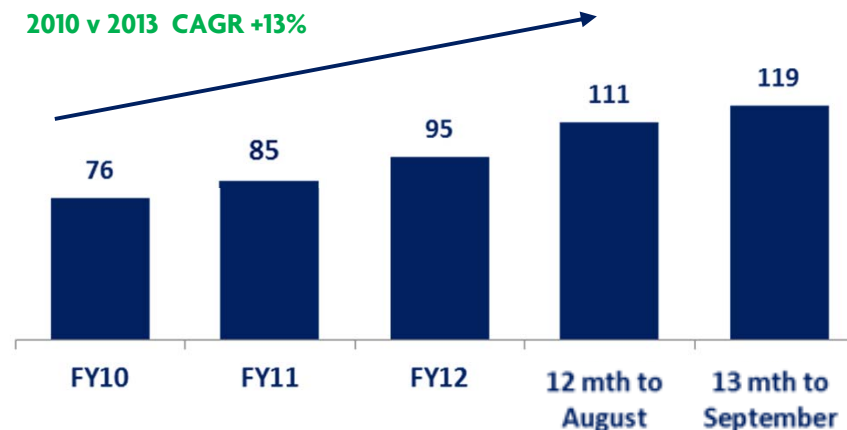
Collections (£m)¹

2010 v 2013 CAGR +15%



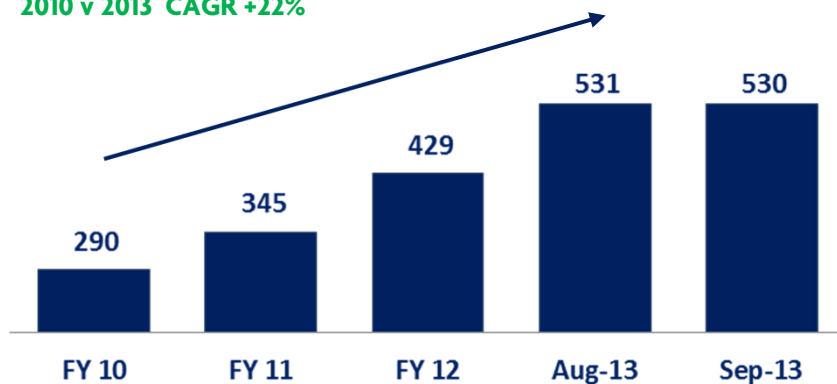
Adjusted EBITDA (£m)^{1,2}

2010 v 2013 CAGR +13%



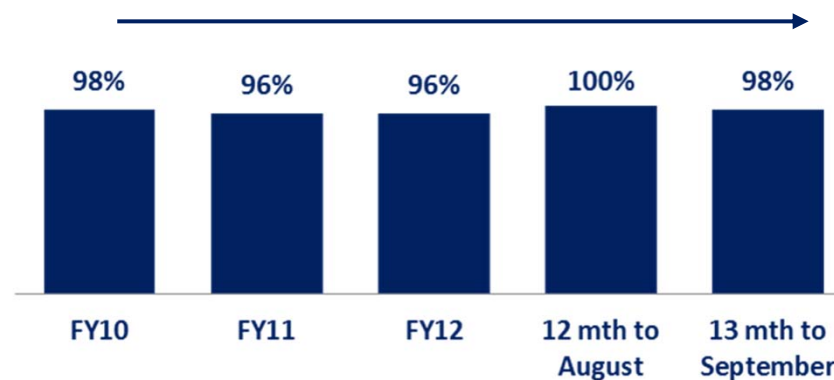
ERC (£m)¹

2010 v 2013 CAGR +22%



Cash Conversion %¹

Strong, stable cash conversion performance



1. Excludes the impact of Interlaken Group Limited

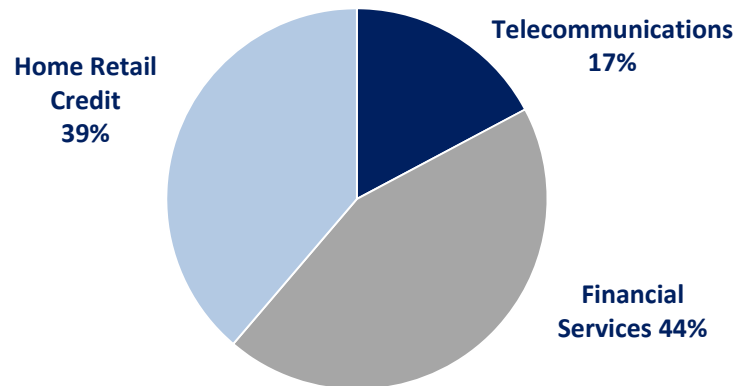
2. Adjusted EBITDA is defined as total collections less servicing costs, after exceptional items & non-recurring items

Portfolio Purchases

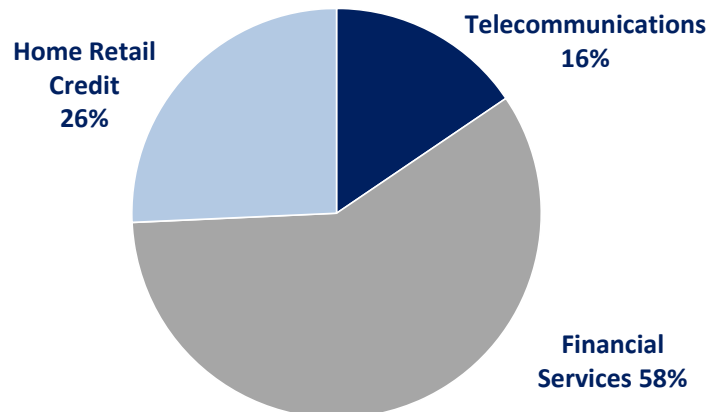
Significant Purchase Growth And Further ERC Diversification



Portfolios purchased in the year (13M to Sept 13)



Portfolios purchased since inception



Record Purchases in 2013

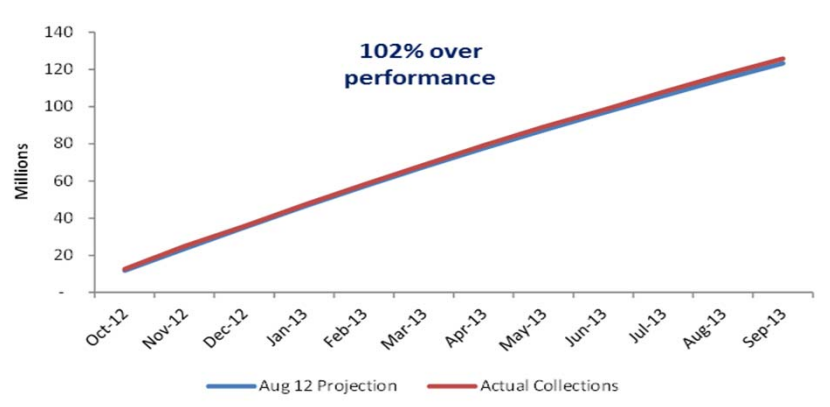
- Portfolio purchases in the year were £123.0million (LTM to Sept 13)
- ERC grew from £423.0 million (Sept 12) to £530.3million (Sept 13) in the period
- 32% of 2013 purchases were achieved through forward flow arrangements (at an average unlevered net IRR of 32.6%)
- Further growth anticipated from a strong pipeline of opportunities
- Forward flow commitments of £59m going into 2014 (signed deals as at 9 Jan 2014)

Collections

Predictable And Delivered With Improved Operational Efficiency



Performance In Keeping With Model Expectations



- Accuracy of model projections clearly apparent
- Chart shows last twelve month collections vs September 2012 PVM projections (in effect a static pool report)

Contact Centre Liquidations Enhancement From 2009 to 2013

- Payment plans per FTE grew from 1,340 to 2,428
- Collections per collector FTE per annum grew from £367k to £615k



- Based on the same level of FTE and achieving 2009 collections per head, in 2009 we would have collected just £97m of the £162m actually achieved in the current year
- **Additional £65m an indicator of improvements in collection effectiveness**

Asset Coverage

Leverage And Coverage Ratios Remain Well Within Covenants



Key B/S and Coverage Ratios

	2012	12 months to Sept 2013
Key Financial Metrics		
ERC	428.8	530.3
Gross Debt	200.0	285.0
Cash	(9.0)	(14.7)
Net Debt	191.0	270.3
Annual Interest payable	23.7	32.3
Adjusted EBITDA	94.9	110.7
Leverage and Coverage Ratios		
Loan to value ratio	44.5%	51.0%
Net debt / Adjusted EBITDA	2.0	2.4
EBITDA / total interest payable	4.0	3.4

- Portfolios forecast to generate £530m in cash collections (ERC) in the next 84 months
 - 50% of cash collections expected to be generated in the next 24 months
 - 77% of cash collections expected to be generated in the next 48 months
- Both LTV and interest cover measures remain comfortably within covenant stipulations and favourable to position at bond issue

Notes

All figures for gross debt, net debt, cash, annual interest payable and the resulting ratios are on a proforma basis

Leverage and Coverage ratios calculated on same basis as presented in the Offering Memorandum "Summary Consolidated Financial Data"

Gross Debt, Cash and Net Debt are presented on a pro forma basis relating to the issuance included within the Offering memorandum

The company and its shareholders continually assess a range of strategic options for the business, including an IPO

Profitability

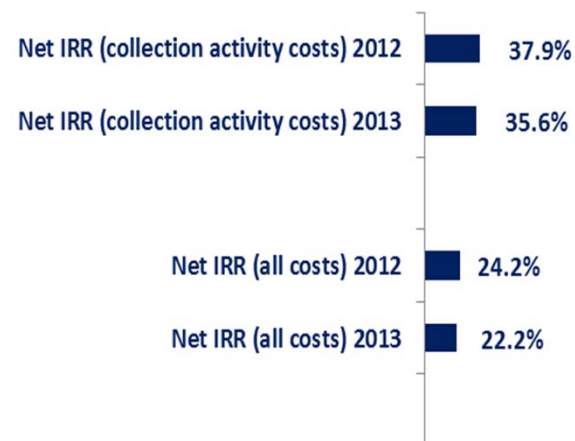
Embedded Earnings and Market Leading Returns



Earnings Visibility

- 82% of Adjusted EBITDA comes from assets owned at the start of the year
- 6% of Adjusted EBITDA comes from assets secured under forward flow arrangements
- Net result is highly predictable earnings

Unlevered Rate Of Return¹



1. 2013 Quoted as at September - IRRs calculated by subtracting costs from the next 84M gross collections since the date of purchase (collections are a mix between actual collections since purchase date and remaining forecast collections to the end of the 84M period). Calculated on collections from purchased loan portfolios only

4. Looking Forward

Strategy remains unchanged with further opportunities to leverage competitive advantages

Market Outlook

Lowell Well Positioned to Capitalise on Market Growth



The Market

- Financial Services debt sales anticipated to increase in the foreseeable future:
 - i. BAU disposals
 - ii. De-leveraging in response to continued industry wide capital regulation
- Communications and Home Retail expected to maintain regular portfolio sales

Our Focus

- Lowell remain primarily committed to low balance, non-performing debt
- Increased focus upon litigation to help unlock further spending opportunities
- Increased focus upon Group value add services to again unlock further spending opportunities
- Risk adjusted forward flow arrangements remain a key focus

Conclusion

Leading Position In A Structurally High Growth Market



- Strong Financials – growth, high returns and predictable earnings
- High and predictable cash generation
- Clear strategic positioning
- Compliance advantages of an integrated operational platform
- Industry leading returns on capital
- Accomplished and experienced leadership team

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