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Lowell Group

Q1 2013 Results

Investor Presentation

28 January 2013

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Overview and highlights

James Cornell, CEO

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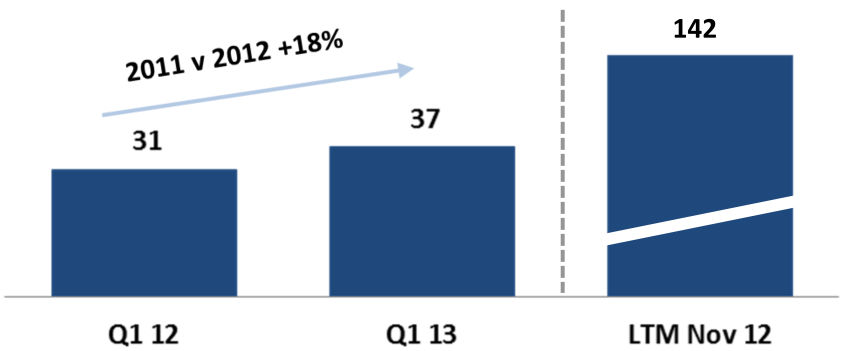
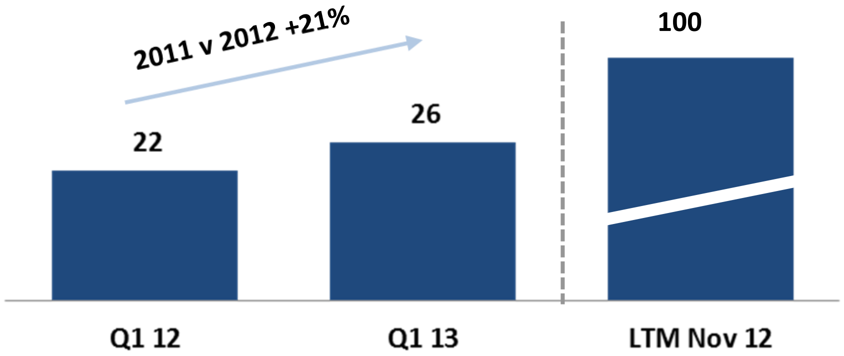
Summary performance

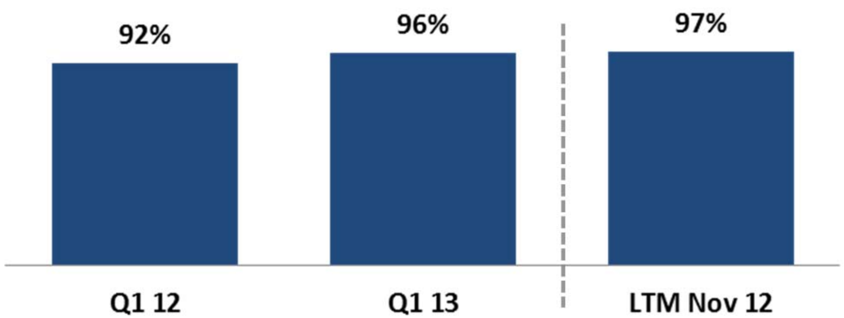
Collections (£m)



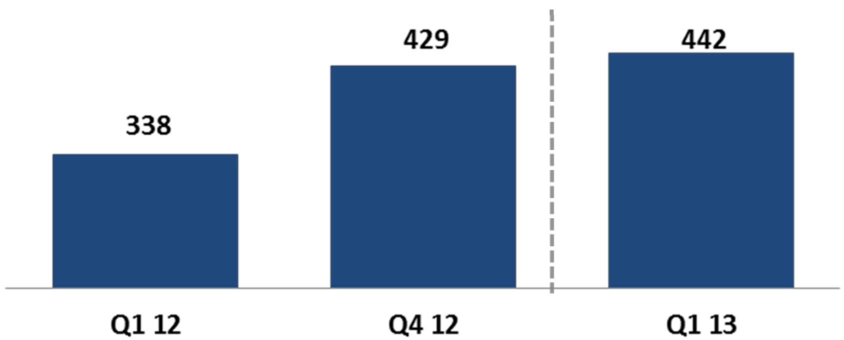
Adjusted EBITDA (£m)



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 ratio reduced from 57% at bond issuance to 43% at November 30, 2012
Nebt debt/adjusted EBITDA reduced from 2.3x at bond issuance to 1.9x at November 30, 2012
PF fixed charge cover increased from 3.9x at bond issuance to 4.5x at November 30, 2012

Summary of the quarter

- **Strong performance continues**
  - ERC of £442.1 million at November 2012, a 31% year-on-year increase
  - Adjusted EBITDA of £26.1 million, a 21% year-on-year increase
  - Adjusted EBITDA converting at 96% into cash flow before debt and tax service
  - £37.1 million of collections in the quarter, an 18% year-on-year increase
  - Collections in the quarter on portfolios owned at August 31, 2012 at 105% of ERC projections from August 31, 2012
  - Collections on portfolios purchased in the last 6 months performing at 109% of collection forecast assumptions at pricing
- **Continued industry leading return on capital**
  - Net IRRs of 24.2% after total costs
  - Net IRRs of 37.9% after collection activity costs[1]
  - Cash asset return (LTM Adjusted EBITDA/Average Gross ERC) of 25.7%[2]
- **Continued deleveraging achieved**
  - LTV reduced from 57% at bond issuance to 43% as of November 2012
  - Net debt/Adjusted EBITDA reduced from 2.3x at bond issuance to 1.9x as of November 2012, at bottom-end of industry peers
  - Fixed charge cover increased from 3.9x at bond issuance to 4.5x as of November 2012, at high-end of industry peers
- **Strong pipeline of debt sales/majority of budgeted FY13 purchases already committed**
  - £14.8 million of portfolio purchases in Q1 2013, 43% up on Q1 2012
  - 25 portfolios purchased in the quarter bringing the total purchased since inception to 611
  - Over 10.1 million customer accounts with an aggregate face value of c. £9.2 billion
  - 52% of portfolio purchases in Q1 2013 contributed by forward flow contracts

[1] Net IRR after direct cost of collections on our purchased loan portfolios only. Metric is sometimes presented by industry peers and shown for comparability purposes.
[2] Shown to illustrate the speed of cash conversion and underlying return of our purchased portfolio assets (ERC).

Recent Developments

- **New CFO Colin Storrar is due to commence on 11th February**
  - Colin brings a longstanding track record in the financial services industry formerly as CFO or in operational leadership roles at HSBC, First Direct and GE Capital
- **New CIO Gary Edwards further strengthens our focus on technology and operational excellence**
  - Gary brings significant experience as CIO of companies such as Thomson Travel and Barclaycard
- **We have created and filled a new role as Director of New Ventures, to continue strengthening the level of strategic relationships we establish with clients**
- **We further enhanced liquidity and capital available to grow ERC by increasing our RCF**
  - Revolver upsized by £15 million, plus £15 million of uncommitted accordion
  - RCF increase completed with existing lenders, showing their continued support for Lowell's positioning and the strength of portfolio purchase opportunities the company is pursuing in the market
- **During the quarter we won a number of new accolades including**
  - No.1, for the fifth year running, in the OC&C index of all the main credit management and debt collection companies in Europe
  - Debt Purchaser of the Year in Credit Today's Debt Sale and Purchase Awards for the second time in three years
  - Highest average score across the industry in the Credit Services Association's Collector Accreditation Initiative (CAI)
  - Winners of the regional stage of The National Apprenticeship Service training award for our future leaders programme

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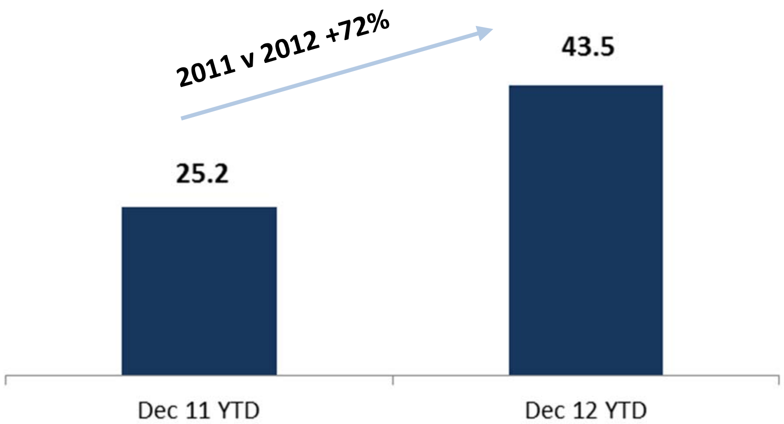
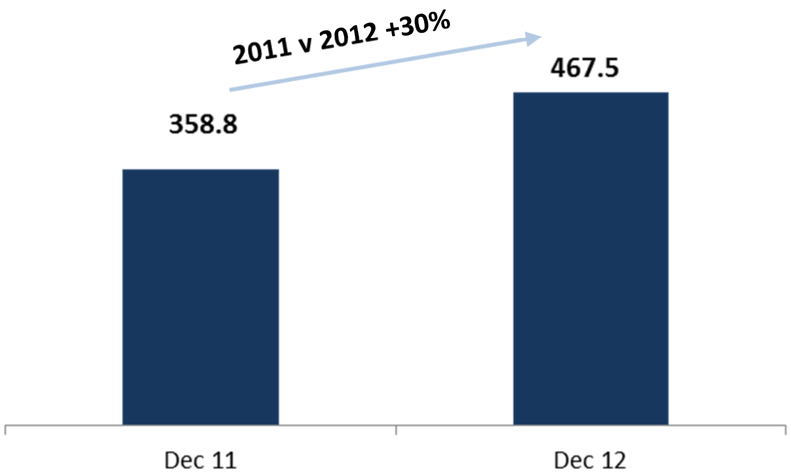
Recent Developments

Portfolio Purchases (£m)



ERC (£m)



- **Strong growth in ERC to £467.5 million as of December 2012, 30% up on prior year and up from £442.1 million in November 2012**
- **£28.7 million in purchases in December bringing portfolio purchases YTD to £43.5 million, 72% above prior year**
- **Significant diversification in portfolio purchases with the majority of December 2012 purchases in the home retail credit sector**
- **Majority of portfolio purchases budgeted for FY13 were already committed as of December 2012**

Financial performance

Andrew Russell, Acting CFO

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Key Financial and Operating Data

Key Financial and Operating Data (£m)

	Q1 12	Q1 13	LTM Nov 12
Cash generative asset backing:			
ERC	**337.7**	**442.1**	**442.1**
Reported portfolio purchases	10.3	14.8	95.1
PF Net Debt	193.0	190.5	190.5
Cash generation:			
Collections/income on owned portfolios	31.5	37.1	141.5
Other income	0.0	0.2	0.4
Servicing costs	(10.0)	(11.1)	(41.7)
Adjusted EBITDA	**21.5**	**26.1**	**100.2**
Capital Expenditure	(0.4)	(0.8)	(2.4)
Working Capital Movement	(1.4)	(0.2)	(0.5)
Cash flow before debt and tax servicing	19.7	25.1	97.4
Conversion of Adjusted EBITDA to Cash Flow	92%	96%	97%
Return on capital:			
Unlevered Net IRR of owned portfolios (total costs)	**25.1%**	**24.2%**	**24.2%**
Unlevered Net IRR of owned portfolios (collection activity costs)	**37.9%**	**37.9%**	**37.9%**
Cash asset return	**N/A**	**N/A**	**25.7%**

- Cash collections for the quarter of £37.1 million, 18% or £5.6 million higher than Q1 2012
- Debt sale activity continues at strong levels, with volume fluctuations across different quarters. £14.8 million of purchases in Q1 2013 helping drive ERC to £442.1 million
- Adjusted EBITDA of £26.1 million for the quarter, 21% up on Q1 2012
- Cash flow conversion of 96% for the quarter, significantly improved on Q1 2012
- Net IRRs on owned portfolios at 24.2% (37.9% based on collection activity costs only)
- Cash asset return (LTM Adjusted EBITDA / average ERC) performing strongly. Metric has been added to show the speed with which Lowell converts its ERC into cash flow and the strength of its return on purchased portfolio assets

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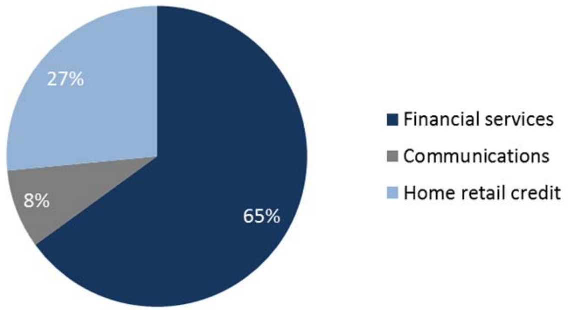
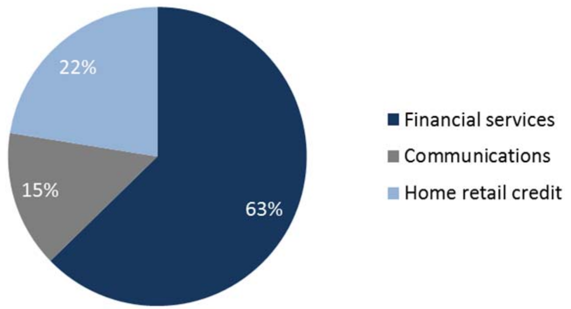
Portfolio Purchases

Portfolios purchased in the quarter



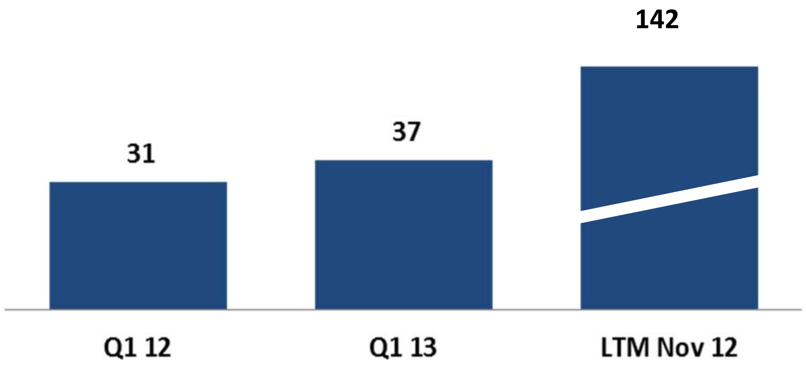
All portfolios purchased since inception



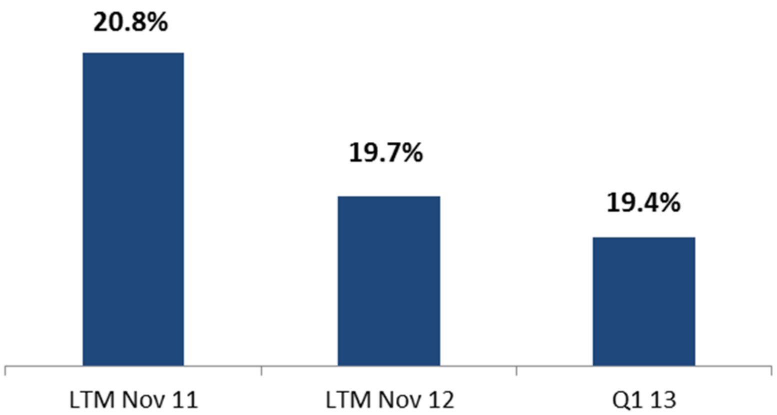
- Portfolio purchases of £14.8 million, £4.4 million (43%) up on Q1 2012, with significant further increase of £28.7 million in December 2012
- Portfolios continue to be diversified with 65% in Financial Services, 8% in Communications and 27% in Home retail credit acquired in quarter. Purchases in December, which primarily fall in the home-retail credit sector, continued to add to this diversification
- Forward flow agreements contributed 52% of purchases in Q1 2013 , demonstrating our close relationships with vendors. They continue to provide a steady and predictable flow of account purchases, and add to the predictability of our earning growth
- A majority of our portfolio purchase budget for FY13 was committed under spot purchases or existing forward flow agreements as of December 2012
- We now have 611 portfolios across 48 clients which continues to provide diversification of client relationships and underlying portfolio performance

Collections

Gross Cash Collections (£m)



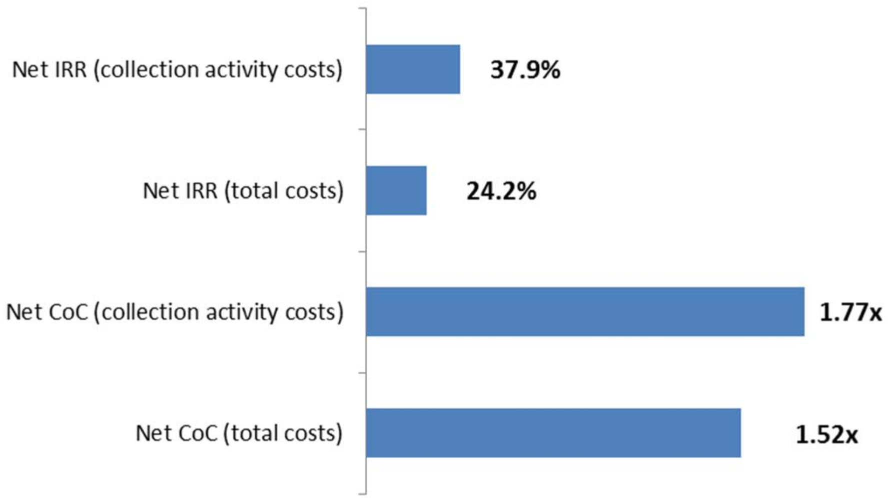
Default rate (%)



- Strong collections performance in the quarter delivering £37.1 million, 18% growth against prior year, driven through continued disciplined purchasing and investment in technology and people
- The default rate for Q1 2013 has dropped to 19% compared to 21% for FY 2012
- 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 three months

Portfolio Returns

Unlevered returns of existing book (November '12)



- Collections in the year to date on portfolios owned as of August 31, 2012 were 105% of the ERC projections from August 31, 2012
- Performance on portfolios acquired in the last six months are running at 109% of collection forecast assumptions at pricing
- Continued track record of generating strong and consistent unlevered returns
  - Net CoC and Net IRR were 1.52x and 24.2% after total costs,
  - Net CoC and Net IRR were 1.77x and 37.9% after collection activity costs

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

Asset Coverage

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

	Q1 12*	Q1 13
Key Financial Metrics		
ERC	337.7	442.1
Gross Debt	200.0	200.0
Cash	(7.0)	(9.5)
Net Debt	193.0	190.5
Annual Interest payable	22.1	22.1
Adjusted EBITDA (12 months to quarter end)	85.4	100.2
Leverage and Coverage Ratios		
Loan to value ratio	57.1%	43.1%
Net debt / Adjusted EBITDA	2.3	1.9
EBITDA / total interest payable	3.9	4.5

* Q1 12 numbers for gross debt, net debt, cash, annual interest payable and the resulting ratios are on a proforma basis

Note: 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

- **Lowell's portfolios are forecast to generate £442.1 million in cash collections (ERC) in the next 84 months**
  - 49% of cash collections are expected to be generated in the next 24 months
  - 77% of cash collections are expected to be generated in the next 48 months
- **Continued enhancement in leverage and coverage metrics since bond issuance**

LTV ratio reduced from 57% at bond issuance to 43% at November 30, 2012
Nebt debt/adjusted EBITDA reduced from 2.3x at bond issuance to 1.9x at November 30, 2012
PF Fixed charge cover increased from 3.9x at bond issuance to 4.5x at November 30, 2012

Markets and outlook

James Cornell, CEO

Current Market Context

- **Continued success in expanding and diversifying the asset base**
  - Completed 2-year forward flow agreement with a large credit card operator which commenced in November
  - Completed a significant purchase with a new vendor in home retail credit
  - Increased amount of paying debt purchased, focusing on low average balances and with strong return expectations

- **Significant activity YTD, strong pipeline and high level of committed purchases for FY13**
  - Majority of FY13 budgeted purchases already committed
  - Lowell is benefiting from a very visible pipeline as a result of the proportion of purchases coming from forward flows
  - Current pipeline well above FY13 budgeted purchases

- **Lowell is carefully picking the segments in which to price, to optimize RoC and leverage the competitive advantages of its operating platform and client relationships**

- **The business is proving the value of its "outsource to sell model" at Preston:**
  - Large new home retail credit client was sourced through the Preston operation
  - Investigating potential debt sales with two existing utility contingent clients; looking to enter into a forward flow agreement with a third client where we have already completed 2 spot sales
  - Reviewing debt sale options with an insurance vendor where we are currently working the debt on a contingent basis
  - Continuing focus on the government sector

Outlook

Debt Purchase Market

- Very strong pipeline across sectors and significant debt sales from UK clearing banks now underway (e.g. £620 million sale by one of the major high street banks recently)
- Focus on pricing discipline and areas of competitive advantage
- Continued diversification into the “un-tapped” opportunities in the sectors of government, utilities and insurance
- Continued focus on stronger strategic relationships with clients and predictable portfolio purchase strategies to further enhance visibility
- Continued regular portfolio sales expected from communications and home retail sectors

Operations

- “Voice analytics” now being rolled out across all customer facing teams continuing to enhance compliance on customer calls and increasing overall collections conversion
- Contract agreed with new print and fulfillment supplier saving the business over £0.5 million of costs in the first year
- Trial of new MI system successful. Full drill down capability will be available to all operational areas as the system is rolled out.

Other

- Review of strategic initiatives opportunistically, such as in-fill M&A

Q&A

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