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Q3 2013 Results

Investor Presentation

17 July 2013

Presented by

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CEO

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Overview & Highlights

Strong performance, strength in diversification and a positive outlook for further growth

Quarterly Performance Summary

Strong Quarter of Asset and Earnings Growth

- Solid track record of delivery continues

  - 24% ERC growth from £383.1m in Q3 2012 to £473.2m in Q3 2013
  - 14% Adjusted EBITDA growth from £24.8m in Q3 2012 to £28.4m in Q3 2013
  - 11% Collections growth from £35.7m in Q3 2012 to £39.9m
  - Unlevered IRR of 22.4% (35.5% after collection activity costs only)

- Spending and committed acquisitions as at June 2013 now in excess of £110m for FY13

- Increased diversification across all debt types and balances – against a backdrop of successfully defending our FS low balance and mobile market position AND delivering impressive yields

- Interlaken acquisition a success with integration progressing well

Behind The Numbers

Strength Through Scale And Continued Focus Upon People, Process And Technology

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- Q3 2013 saw our account base grow to over 11m for the first time – a relationship with 8 million unique customers and a sizeable proportion of credit active adults in the UK

- Size of the account base now a point of strategic differentiation to the competition – allows for better pricing and enhanced collection effectiveness

Since Inception	May-12	Aug-12	May-13
Portfolio Purchases (£m)	442	473	548
Face Value (£bn)	8.2	9.0	10.0
No. of Portfolios	548	586	674
No. of Accounts (m)	9.1	10.0	11.1

- New senior recruits further strengthen core areas of Pricing & Investments, Change Management and Compliance

- FCA preparations progressing well

- New email management system rolled out across Customer Services reflecting shifts in customer channel consumption - 50% of customer correspondence now received through email

- Fredrickson International, the principle subsidiary of Interlaken Group, wins prestigious Treating Customers Fairly industry award

Post Q3 Update

Significant Level of Acquisitions Achieved In June

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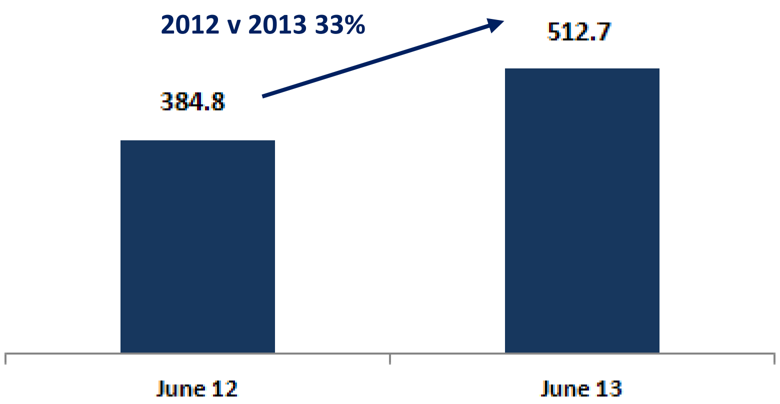
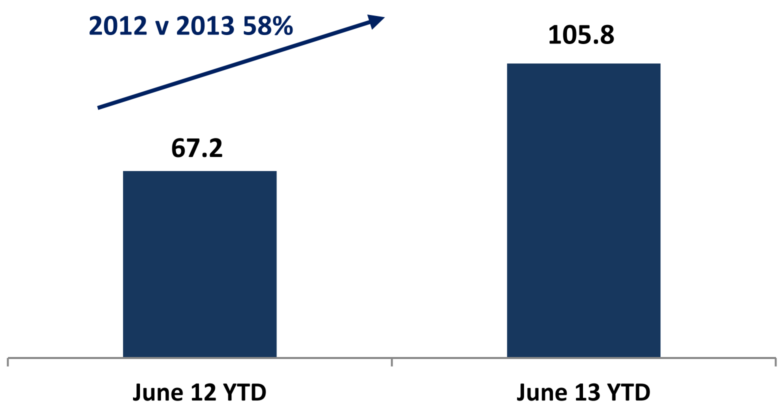
ERC As At 30th June (£m)



- June ERC of £512.7 million
- ERC growth of 33% June 12 to June 13
- ERC movement in June 13 driven by record portfolio purchases of £30.3 million
- Significant success in Financial Services, with success in securing higher balance portfolios the result of having leveraged the expertise of the Interlaken Group

YTD Portfolio Purchases As At 30th June (£m)



- June a record month with £30.3 million of portfolio purchases
- June purchases bringing YTD portfolio purchases to £105.8 million
- Strong pipeline forecast for remainder of year and out into 2014

Financial Performance

Year on year growth across all key indicators, stable returns and leverage and coverage ratios still well within covenants post acquisition of Interlaken Group

Key Financial Metrics

Impressive Growth Across All Key Indicators

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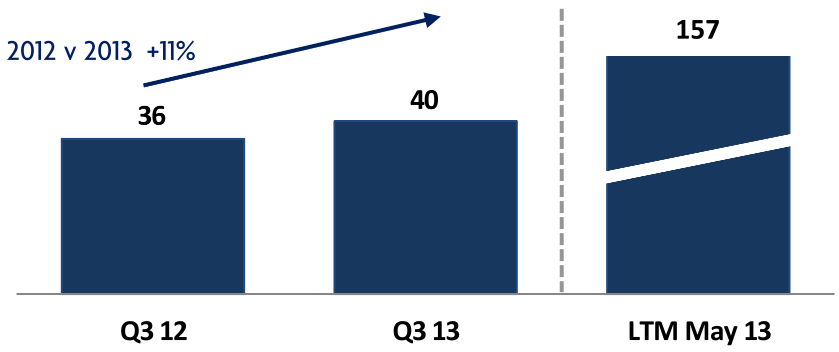
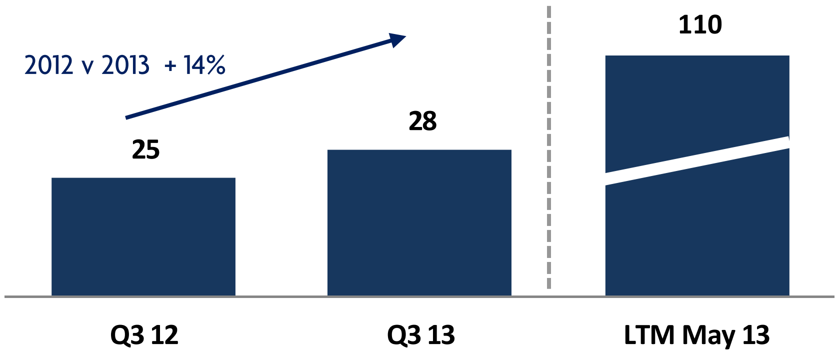
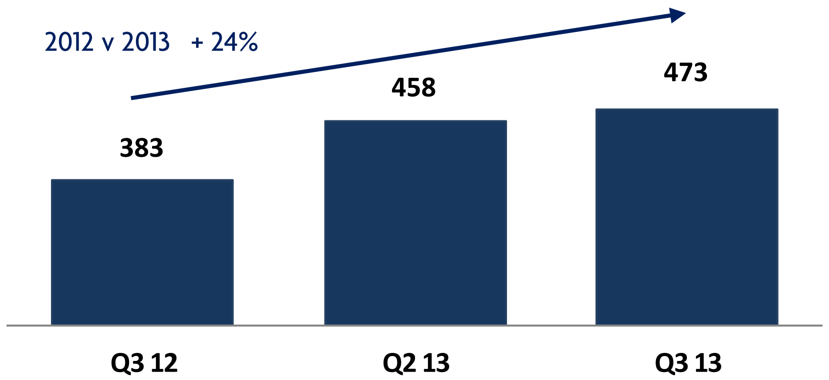
Collections (£m)



Adjusted EBITDA (£m)



ERC (£m)



- Collections performance, allied to purchase success, driving earnings and asset growth
- Costs growing at a lower rate than collections - positive differential in growth rates results in Adjusted EBITDA growth outstripping collections growth
- 24% year on year increase in ERC

Liquidity And Profitability

Readily Apparent Strength In Cashflow And Returns

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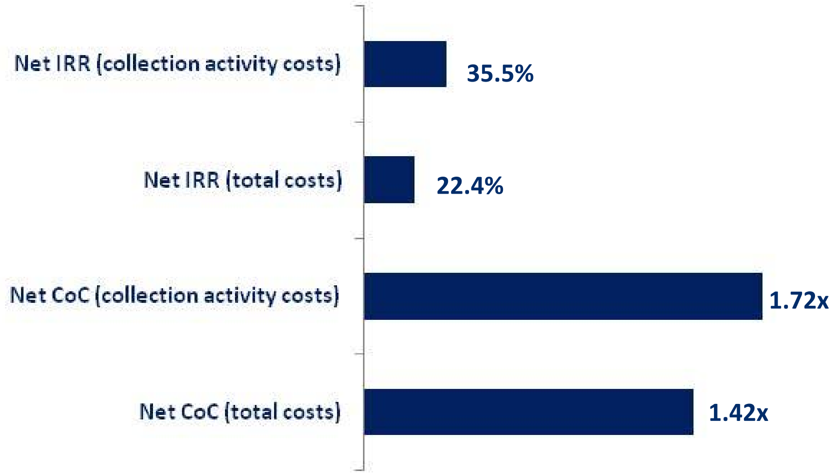
Cashflow (£m)

	Q3 12	Q3 13	LTM May 13
Cash generative asset backing:			
ERC	**383**	**473**	**473**
Reported portfolio purchases	28	19	107
Net Debt	186	241	241
Cash generation:			
Collections/income on owned portfolios	35.7	39.9	156.6
Other income	0.1	0.1	0.4
Servicing costs	(11.0)	(11.6)	(47.4)
Adjusted EBITDA	**24.8**	**28.4**	**109.6**
Capital Expenditure*	(0.6)	(0.4)	(2.5)
Working Capital Movement	4.0	(0.3)	(2.3)
Cash flow before debt and tax servicing	28.2	27.7	104.8
Conversion of Adjusted EBITDA to Cash Flow	114%	98%	96%
Cash asset return	n/a	n/a	22.1%
Return on capital			
Unlevered Net IRR of owned portfolios (total costs)	24.1%	22.4%	22.4%
Unlevered Net IRR of owned portfolios (collection activity costs)	n/a	35.5%	35.5%

* The capital expenditure does not include the purchase of Interlaken Group in May 2013

Unlevered Rate Of Return



- Cash flow conversion of 98% for the quarter
- Cash asset return of 22.1% - significant and rapid conversion of ERC into cashflow, reducing risk and providing substantial liquidity for new purchases

- Net IRR on portfolios owned at 31 May 13 of 22.4% (35.5% based on collection activity costs only)
- Unlevered IRR consistent with prior quarter and pricing expectations

Portfolio Purchases
Significant Purchase Growth Adding To ERC Diversification

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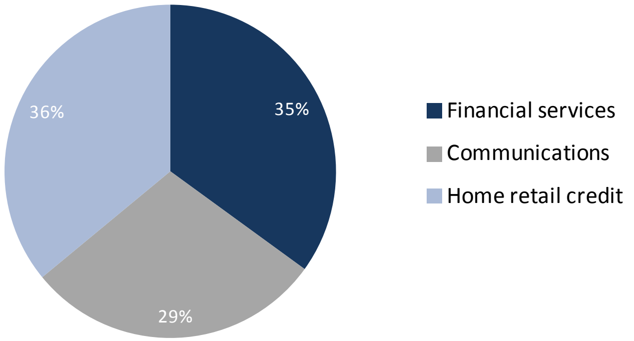
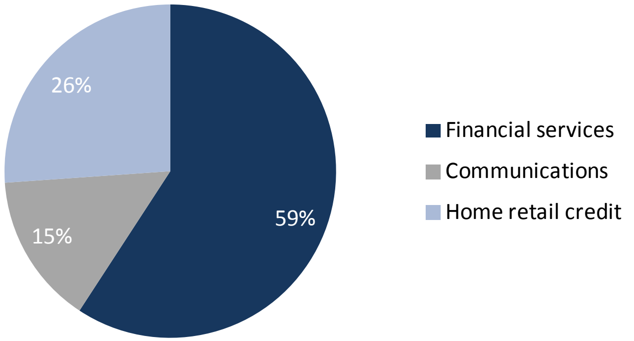
Portfolios purchased in the quarter



Portfolios purchased since inception



- Portfolio purchases in the quarter were £19.3 million, (with a further £30.3m achieved in June)
- ERC grew from £458.3 million to £473.2m between Q2 and Q3 close, and stands at £512.7m at the end of June 2013
- Lowell continues to benefit from strong client relationships which resulted in 25% of spot purchases coming from 'off market' transactions
- In addition, forward flow arrangements continue to provide greater certainty of portfolio purchases – over 50% of total spend in the quarter came from forward flow arrangements
- Excellent prospects for further growth on back of strong pipeline of opportunities

Collections

Rising Collections And Continued Low Default Rate

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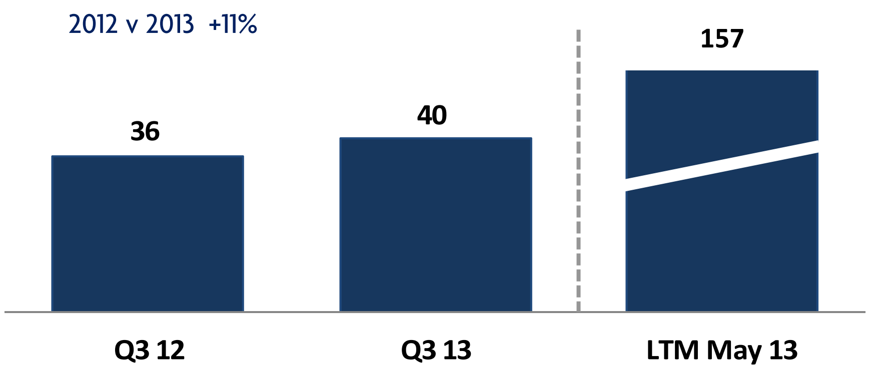
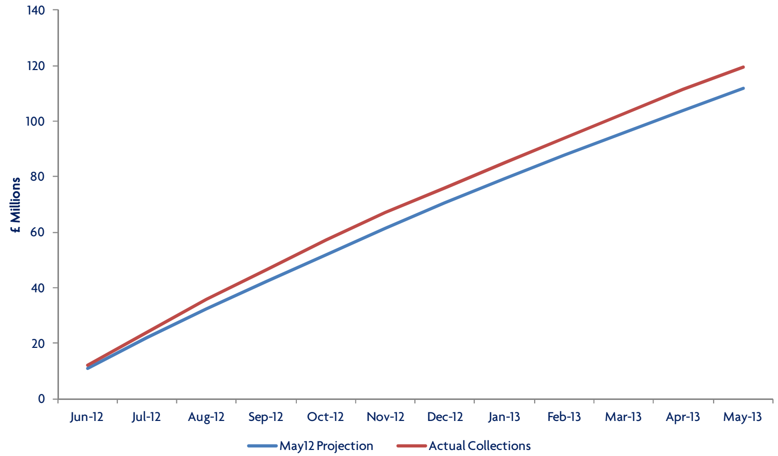
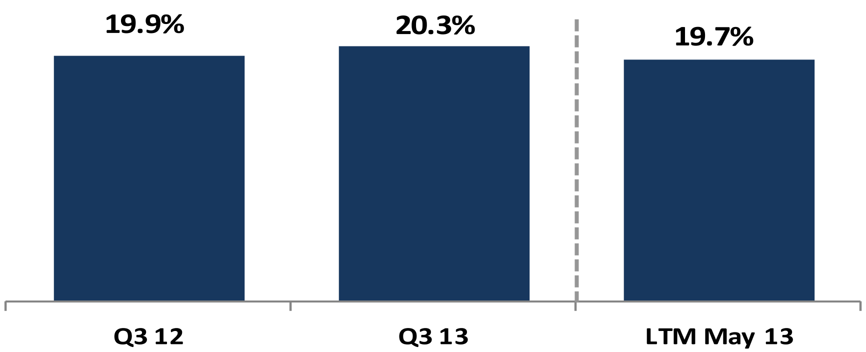
Gross Cash Collections (£m)



LTM Actual Collections v May 2012 PVM Projections



Default Rate (%)



- LTM collections at 107% of May 2012 model expectations
- Collections in the quarter on portfolios owned at 31 August 2012 and on portfolios purchased in the last six months performing at 103% of ERC projections of 31 August 2012 and pricing models respectively
- Consistent default rate once again evident and in line with expectations

Asset Coverage

Leverage And Coverage Ratios Remain Well Within Covenants Post Interlaken Acquisition

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Key B/S and coverage ratios as of May 13

	Q3 12*	Q3 13	Covenants
Key Financial Metrics			
ERC	383.1	473.2	
PF Gross Debt	200.0	275.0	
Cash	(13.5)	(34.3)	
Net Debt	186.5	240.7	
Annual Interest payable*	22.6	31.4	
Adjusted EBITDA (12 months to quarter end)	88.2	109.6	
Leverage and Coverage Ratios			
LTV	48.7%	50.9%	75%
Net debt / Adjusted EBITDA	2.1	2.2	
EBITDA / total interest payable	3.9	3.5	3x

Notes

* Q3 12 numbers 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

- Portfolios forecast to generate £473.2 million in cash collections (ERC) in the next 84 months
  - 49% 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
- Movement in reported LTV and interest cover the result of Interlaken acquisition – both measures remain comfortably within covenant stipulations and favourable to position at bond issue
- Interlaken, as a DCA, does not bring immediate ERC, but is expected to allow Lowell to expand significantly in new debt purchase sectors through the capabilities it brings
- Quarterly performance reinforces our underlying ability to deliver sustained leverage and coverage improvement

Interlaken Acquisition

Facilitating portfolio purchase strategy while diversifying earnings

Acquisition of Interlaken Group
Transaction Summary

- Purchase completed on 16th May
- Lowell Group acquired 100% of the equity of Interlaken Group Limited ("Interlaken") and its subsidiaries Fredrickson International Limited and SRJ Debt Recoveries Limited
- Interlaken becomes a 100% subsidiary of Lowell Finance Limited – a restricted subsidiary and guarantor of the Bond (and indeed the RCF)
- Purchase funded entirely through cash consideration – did not require use of RCF

Acquisition of Interlaken Group

Strong Strategic Rational – Acquisition Represents Springboard To Further Asset Purchases

- Increases competitive positioning across all debt types and balances – in particular, gives Lowell data and capability to expand into higher balance portfolios
- Facilitates entry into the emerging sector of government debt – a significant growth opportunity
- Represents a further broadening of Lowell's client base – client synergies readily apparent
- Allows Lowell to develop more sophisticated strategic partnerships with clients across various aspects of their debt management process, thereby differentiating its offering and strengthening relations

Interlaken Performance

An Opportunity To Drive Greater Group Earnings Through The Growth Of Interlaken

- Interlaken to be maintained as a standalone operation
- Separation of debt collection from debt purchase business key to maintaining integrity of independent client relationships whilst still leveraging common sector knowledge and transferable collections skills
- Overwhelmingly positive client and stakeholder reaction to the deal
- Size of combined group will facilitate economies of scale and cost efficiencies to be achieved – work well underway to leverage opportunities identified during due diligence

Outlook

Strategy remains unchanged with further opportunities anticipated to leverage competitive advantages

Outlook

Market View And Lowell Focus

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Debt Purchase Market

- Strong pipeline in terms of financial services continues out beyond current financial year - significant debt sales from UK clearing banks as sales of scale hit the market
- Communications and Home Retail expected to maintain regular portfolio sales

Acquisition Focus

- Remain committed to ongoing pricing discipline and leveraging areas of competitive advantage
- Will continue to focus upon low balance non performing debt, while seeking to augment strength of market position with further purchases in new debt segments enabled by Interlaken acquisition

Operational Focus

- Lowell and Interlaken management teams relishing the opportunity to work together to execute the growth strategy of both businesses
- Further focusing upon the competitive advantage that the scale of our account base represents through consideration of current plans and historic interactions
- Immediate focus upon collection, cash conversion and ERC growth following our most successful month of portfolio purchases ever

Questions?

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Q3 Investor Presentation

(Three months ending 31 May 2013)