Lowell Group

Q1 2014
Investor Presentation

28th February 2014

a better way forward Lowell. GROUP

Overview of Q1 2014

Very strong start to the financial year

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

Sara De Tute
Chief Risk Officer (CRO)

- **17 years of relevant experience**
- Joined Lowell in 2012
- Previous roles: Legal and Compliance Director at Wescot Credit Services and Solicitor at Eversheds. Sara is a non-executive Director of the CSA, and has been the CSA President for the last two years.

Q1 Overview

Continued growth, high returns and record committed portfolio purchases

Growth	• 19% collections growth Q1 2014 v Q1 2013 • December 2013 ERC stands at £548m, £81m (17%) up on December 2012 • Unlevered net IRR (after direct collection costs) of 34.5%
Business Development	• 64% (£79m) of 2013 spend already committed for 2014 after just 3 months • Forward flow agreements now in place with 11 clients (£60m secured for 2014 to date) • New business trials underway with key commercial and public sector clients
Cash Conversion	• 50% of ERC (£274m) to be delivered within the next 24 months • Cash asset return 23.2% for LTM to December 2013
Strategy & Operations	• Selective litigation of backbook delivering increasing cash collections and ERC • Industrialisation of IT Infrastructure complete and new 5 year deal renegotiated with Experian

Differentiated Portfolio Origination

Diversification, visibility, entrenched client relationships and new sectors

Diversification

- Diversified purchasing strategy across industry sectors continues
- Strong acquisition pipeline exists for Q2 in each of our core sectors, enabling continued diversification

Forward Flow

- 11 clients in FF arrangements representing £60m purchase value
- Lowell currently working on a number of extensions to existing forward flow agreements into future years

Value Added Services

- Value added services (VAS) leveraging Interlaken being delivered to key clients as part of overall acquisition offering, uniquely enhancing the strength of our strategic relationships
- Suite of VAS offering led by a dedicated Lowell team and being "productised" to ensure repeatability and cost efficiency

Government Trials

- Three "outsource to sell" pilots underway with HMRC tax credit performance well received

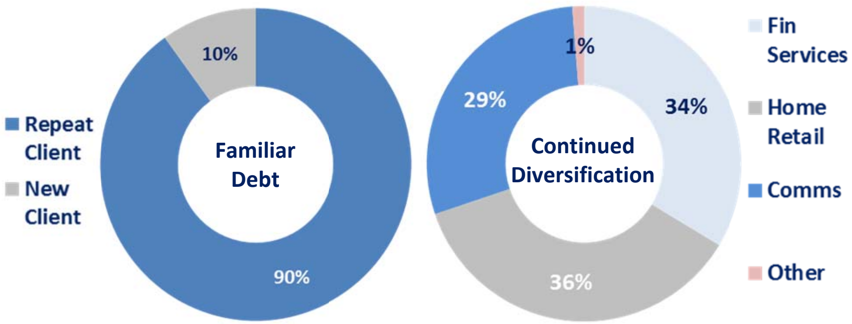
Acquisitions and Collections

Significant portfolio purchase growth focused on core high return sectors

Significant Embedded Portfolio Purchase Growth...

64% of 2013 spend already committed for 2014 after just 3 months

...In High Return Areas That We Know Well



Committed spend with repeat clients in high value sectors that we know well, across a diversified base of over 100 portfolios

Strong Macro-Economic Factors

Consumer Credit Growth

- Consumer credit lending expected to rise by 3.7% a year 2015-2017 with growth expected across credit cards, car finance and unsecured loans[1]

Financial Services

- £27bn Backlog of debt remains as sales being offset by new default
- Capital de-leveraging requirements will force European institutions to sell debt

Home Retail Credit and Communications

- Growth in home shopping retail credit as consumers turn to this channel for electronics products
- Communications debt sale shifting upstream to accelerate cash release for marketing (with fresher debt giving rise to increased spend opportunities)

[1] Source: EY Item Club forecast for Financial services (Credit Today 10.02.2014)

Q1 Overview

Transition to FCA regulation well underway

From the OFT…

- OFT is the prime regulator for consumer credit activity covered by the Consumer Credit Act (CCA)
- OFT Debt Collection Guidance (DCG) are the primary rules in place
- Industry codes of practice reinforce DCG and are customer outcome focused

…to the Financial Conduct Authority (FCA)

- OFT will cease to exist as the regulator of consumer credit & FCA will take over from April 1st 2014
- Firms with a consumer credit licence must have applied and been granted Interim Permission by the FCA to continue to collect CCA regulated debts
- DCG rules will be 'grandfathered' across to form the basis for Consumer Credit Source Book (CONC) – these are the new rules
- Firms have until October 2014 to apply for full authorisation

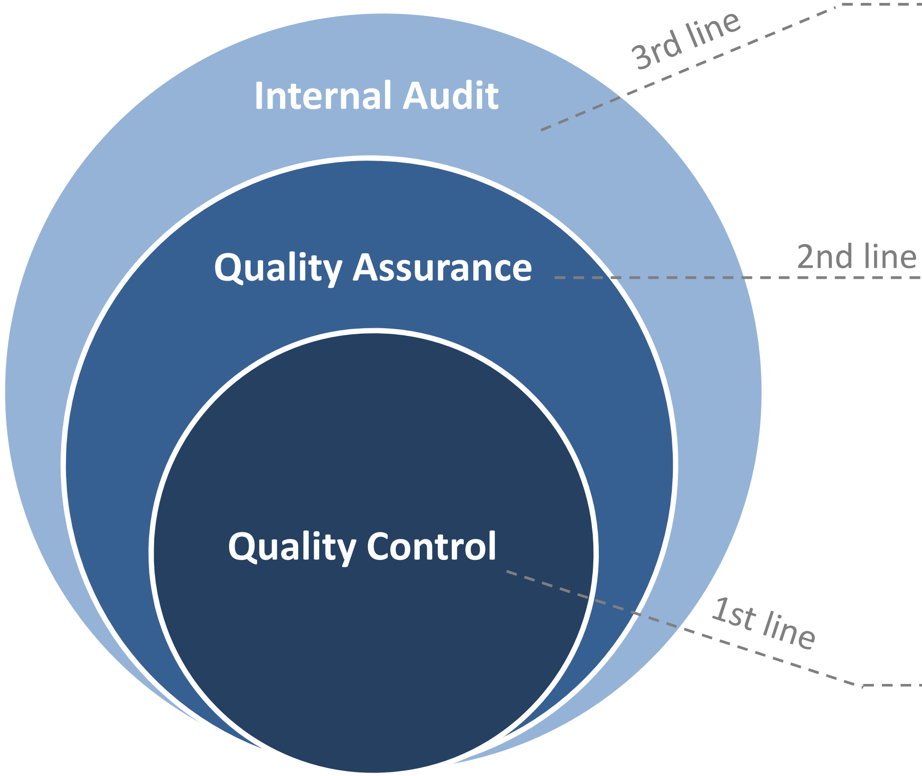
How are we preparing?

- Interim permission applied for and granted in November 2013
- FAIR programme: challenging and improving our core customer touch points; developing a specific focus measuring customer outcomes; enhancing training of customer facing colleagues
- Enhancing our corporate governance framework to enable a more visible demonstration of decisions and challenge
- Evolving our risk management approach to be more focused on the actions required to manage risk within our appetite

Q1 Overview

FCA transition underpinned by robust core risk management model

The Three Lines of Defence Approach



Accountable for assurance

- Review and assess the adequacy of the controls in place

Accountable for oversight

- Team leader assessment
- Calls reviewed independently by call quality
- Input into call consistency sessions
- Input into customer experience forum
- Input into Operational Risk and Control Committee

Accountable for own process

- Team leader monitoring
- Input into call consistency sessions
- Input into customer experience forum

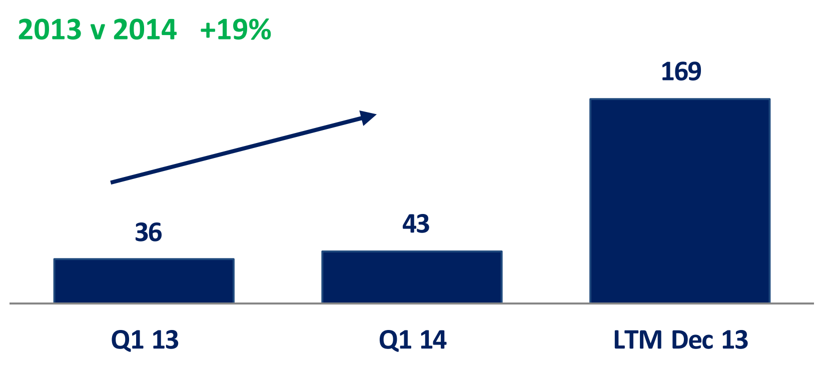
Financial Performance

Strong growth, high returns, predictable earnings and ongoing financial prudency

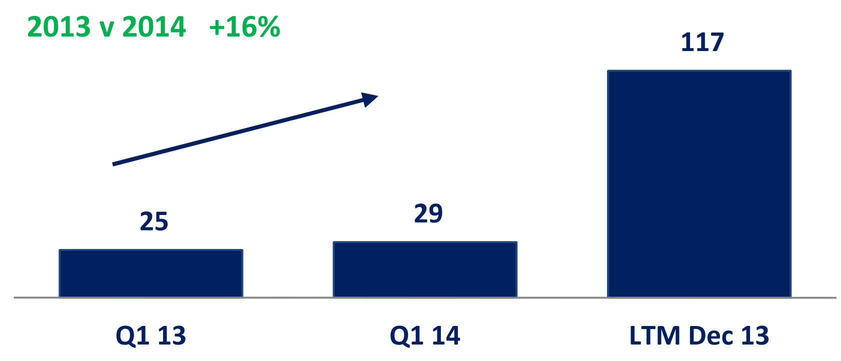
Financial Performance

Continued growth across key metrics

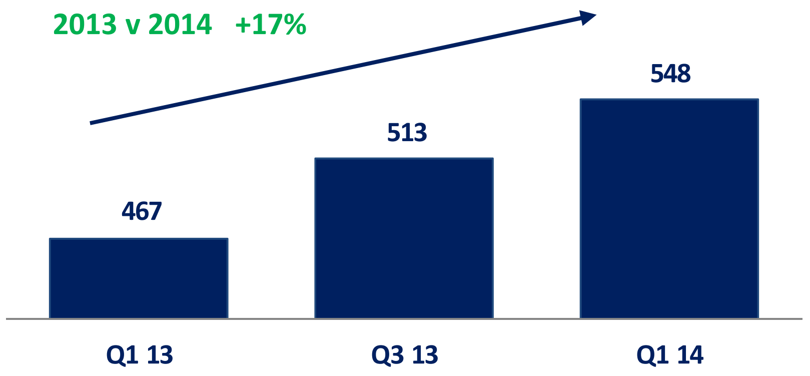
Gross Cash Collections (£m)



Adjusted EBITDA (£m)



Gross ERC (£m)



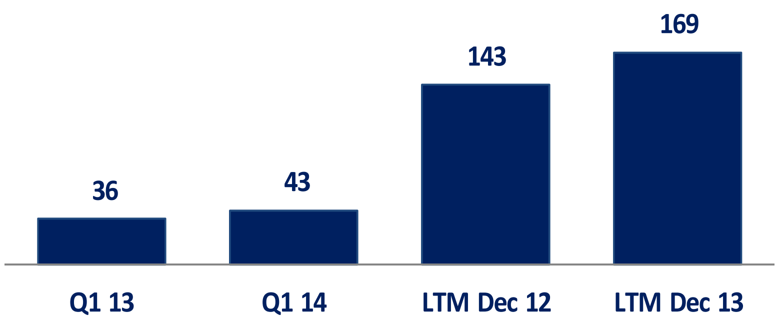
- Collections performance continues to show positive growth year on year
- EBITDA growth of 16% year on year, representing a 67% collections conversion rate in Q1 2014
- 17% year on year ERC growth to £548m, with 50% to be delivered within the next 24 months

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

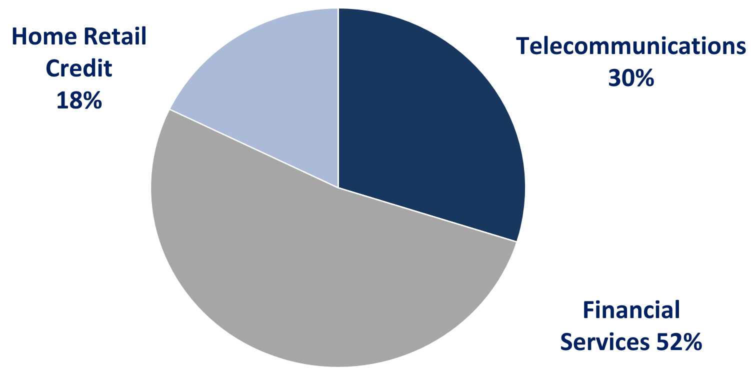
Acquisition and Collections

Significant collection growth supported by falling default rate

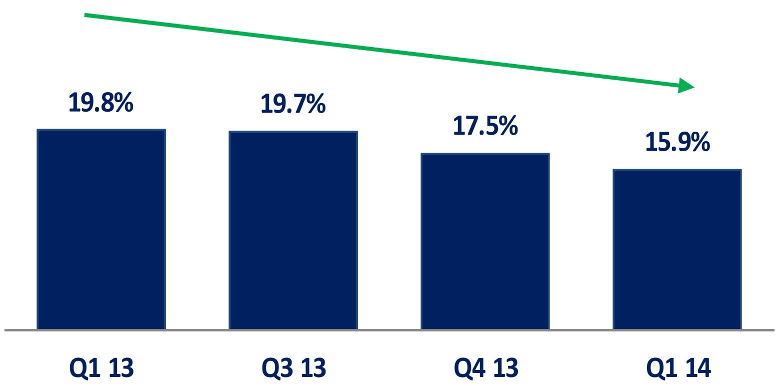
Gross Cash Collections (£m)



Portfolios purchased in the Quarter



Short Term Default Rate (%)[1]



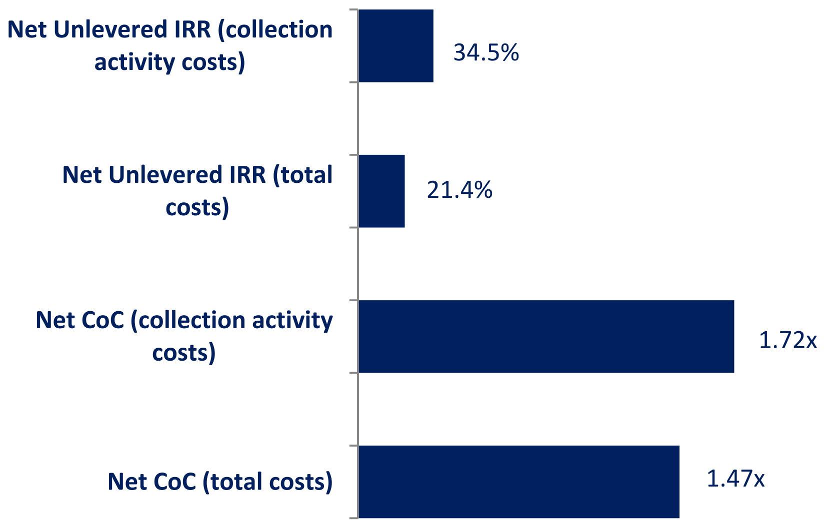
- Portfolio purchases in the 3 months to December 13 were £30.2m (-£11.8m compared to 3 months to December 12).
- Year on year quarterly performance impacted by short-term volatility of portfolio purchases and specifically the purchase of a single large portfolio in December 2012
- Underlying portfolio purchases at very strong levels, with 64% of prior-year annual purchases committed in the first three months of FY14 in Lowell's core sectors and with repeat clients

1. Calculated as defaults on active payment plans

Liquidity And Profitability

Strong and visible cashflow and industry leading returns

Unlevered Rate of Return



- Unlevered Net IRR (after collections costs) on portfolios owned at December 13 of 34.5%
- Marginally and typically lower than prior quarter due to lower collections in the run up to the festive season and weight of newer assets

Cashflow (£m)

	Q1 13	Q1 14	LTM Dec 13
ERC	**467.5**	**548.5**	**548.5**
Reported portfolio purchases	42.0	30.2	111.2
Net debt	216.6	281.5	281.5
Cash generation			
Collections /income on owned portfolios	36.2	43.1	168.5
Other income	0.2	0.1	0.3
Servicing costs	(11.7)	(14.5)	(51.8)
Adjusted EBITDA	24.6	28.7	117.0
Capital Expenditure	0.7	0.5	1.9
Working capital movement	(0.5)	(7.1)	(14.0)
Cashflow before debt and tax servicing	24.8	22.1	104.9
Cash asset return	n/a	n/a	23.2%

- Cash asset return of 23.2% represents a significant and rapid conversion of ERC into cashflow, thereby reducing risk and providing substantial liquidity for new purchases
- Working capital movement in Q1-14 comes from increase in litigation activity on the Lowell backbook, leveraging the Interlaken infrastructure (results in upfront capitalized costs)

Asset Coverage

Covenants well within requirements

Key Coverage Measures

	Q1 13	Q4 13	Q1 14
Key Financial Metrics			
ERC	467.5	530.3	548.5
PF Gross Debt	200	285	285
Cash	6.4	14.2	3.5
Net Debt	216.6	270.8	281.5
Annual Interest Payable	23.7	32.5	32.5
Adjusted EBITDA (12 months to quarter end)	99.0	112.5	117.0
Leverage and Coverage Ratios			
Loan to value ratio	46%	51%	51%
Net debt / Adjusted EBITDA	2.2	2.4	2.4
EBITDA / total interest payable	4.2	3.5	3.6

Notes

All 3 quarters numbers for gross debt, net debt, cash, annual interest payable and the resulting ratios are on a pro forma 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 £549 million in cash collections (ERC) in the next 84 months, a 17% YoY increase:
  - 50% of cash collections expected to be generated in the next 24 months
  - 78% of cash collections expected to be generated in the next 48 months
- Credit ratios stable on prior quarter
- Pro forma credit ratios excluding effect of the Interlaken acquisition would be flat to prior year (Interlaken expected to bring significant future ERC growth hereafter)

Outlook

Strategy unchanged with strong growth opportunities in areas we know well

Market Outlook

Lowell well positioned to capitalise on market growth

Acquisition Focus

- Focus on core, non-performing debt across a diverse range of sectors
- Strengthen strategic relationships with clients – 90% of FY14 committed spend from repeat clients, £60m of portfolio purchases committed for FY14 through forward flow arrangements as of Q2-14, 50% of FY13 full-year purchases
- Continue to leverage operational excellence in non performing debt while leveraging Interlaken operational capabilities provide all round value to our existing and prospective clients

Operational Focus

- Transition to FCA and industry focus upon compliance will remain a driver of our operating model – we can use this to strengthen our competitive advantage and maintain high barriers to entry
- Carefully expand litigation activity on Lowell's backbook to enhance collections and ERC, leveraging Interlaken low cost litigation infrastructure in a controlled manner
- Continue to enhance the use of Lowell's unique data asset from the transactional history of 13 million customer accounts, including customer cross-over optimisation

Conclusion

Strong performance continues in a growing marketplace

- Strong Financials – growth, high returns and predictable earnings
- Clear focus on compliance and FCA transition
- Interlaken delivering group synergy and unlocking strategic goals
- Highly liquid, cash performance continues
- Industry pioneering, highly diversified origination strategies
- Well positioned in a market that continues to deliver growth

Disclaimer

By reading or reviewing the presentation that follows, you agree to be bound by the following limitations.

This presentation has been prepared by Lowell Group ("the Company") solely for informational purposes. For the purposes of this disclaimer, the presentation that follows shall mean and include the slides that follow, the oral presentation of the slides by the Company or any person on their behalf, any question-and-answer session that follows the oral presentation, hard copies of this document and any materials distributed in connection with the presentation. By attending the meeting at which the presentation is made, dialing into the teleconference during which the presentation is made or reading the presentation, you will be deemed to have agreed to all of the restrictions that apply with regard to the presentation and acknowledged that you understand the legal regulatory sanctions attached to the misuse, disclosure or improper circulation of the presentation.

The Company has included certain non-GAAP financial measures in this presentation, including estimated remaining collections ("ERC"), Adjusted EBITDA, Unlevered Net IRR, Net Debt and certain other financial measures and ratios. These measurements may not be comparable to those of other companies and may be calculated differently from similar measurements under the indenture governing the Company's 10.75% Senior Secured Notes due 2019. Reference to these non-UK GAAP financial measures should be considered in addition to GAAP financial measures, but should not be considered a substitute for results that are presented in accordance with GAAP.

The information contained in this presentation has not been subject to any independent audit or review. A significant portion of the information contained in this document, including all market data and trend information, is based on estimates or expectations of the Company, and there can be no assurance that these estimates or expectations are or will prove to be accurate. Our internal estimates have not been verified by an external expert, and we cannot guarantee that a third party using different methods to assemble, analyze or compute market information and data would obtain or generate the same results. We have not verified the accuracy of such information, data or predictions contained in this report that were taken or derived from industry publications, public documents of our competitors or other external sources. Further, our competitors may define our and their markets differently than we do. In addition, past performance of the Company is not indicative of future performance. The future performance of the Company will depend on numerous factors which are subject to uncertainty.

Certain statements contained in this document that are not statements of historical fact, including, without limitation, any statements preceded by, followed by or including the words "targets," "believes," "expects," "aims," "intends," "may," "anticipates," "would," "could" or similar expressions or the negative thereof, constitute forward-looking statements, notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in press releases, and in oral and written statements made by or with the approval of the Company that are not statements of historical fact and constitute forward-looking statements. Examples of forward-looking statements include, but are not limited to: (i) statements about future financial and operating results; (ii) statements of strategic objectives, business prospects, future financial condition, budgets, projected levels of production, projected costs and projected levels of revenues and profits of the Company or its management or board of directors; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict and outside of the control of the management of the Company. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. We have based these assumptions on information currently available to us, if any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition, and the market price of the notes, could be materially adversely affected. You should not place undue reliance on these forward-looking statements. All subsequent written and oral forward-looking statements concerning the proposed transaction or other matters and attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

The presentation does not constitute or form part of, and should not be construed as, an offer to sell or issue, or the solicitation of an offer to purchase, subscribe to or acquire the Company or the Company's securities, or an inducement to enter into investment activity in any jurisdiction in which such offer, solicitation, inducement or sale would be unlawful prior to registration, exemption from registration or qualification under the securities laws of such jurisdiction. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This presentation is not for publication, release or distribution in any jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction nor should it be taken or transmitted into such jurisdiction.