

Lowell Group  
Q3 2015  
Investor Presentation

26<sup>th</sup> August 2015



Lowell.

a better way forward

Lowell.  
GROUP

# Q3 2015 Bond Call

## Today's speakers



### James Cornell

Chief Executive Officer

- **16 years of relevant experience**
- Co-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

Chief Financial Officer

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

# Q3 2015 Bond Call

## Key business summary

### Key Highlights

#### Strong Underlying Performance

- Acquisitions of £60.0m
- Cash collections of £57.8m in the quarter, with July collections of £21m
- Adjusted EBITDA of £36.3m

#### Approval of ABS Application

- Exciting opportunity to extract further value from our portfolios
- Internalise all litigation activity creating greater control and ability to improve net performance

#### Increase in customer relationships

- Growing customer base and increasing crossover percentages
- Continued positive impact on our pricing accuracy and ability to improve net liquidations, whilst improving customer experience

#### Bringing Together Lowell and GFKL

- Creating a premier pan-European credit management business by bringing together two leading franchises in each jurisdiction

# Q3 2015 Business Highlights

## Key business drivers

### Acquisitions

- £60.0m acquired in Q3 2015
- 99% from repeat clients
- £14.4m / 24% from FF
- £155.5m acquired in LTM

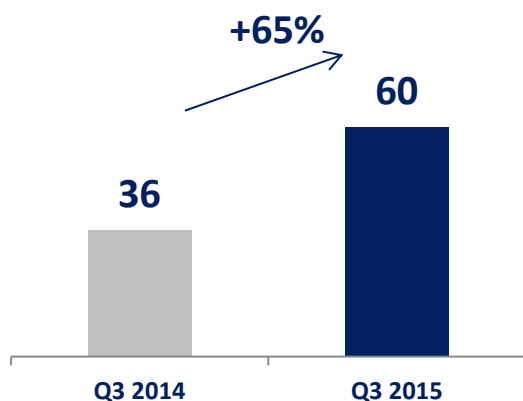
### P&L and Cash Position

- £57.8m cash collected in Q3
- Adjusted EBITDA - £36.3m
- Cash Asset Return of 19.1 %
- Net Debt - £386.8m

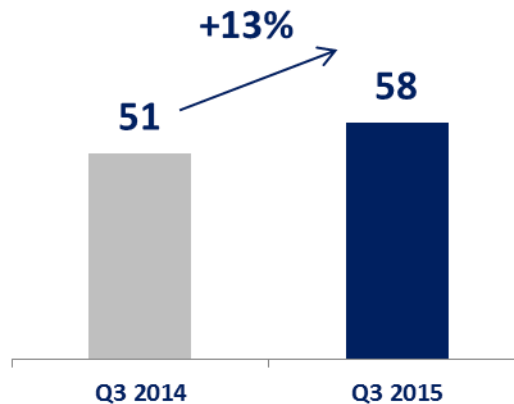
### Balance Sheet

- £830.7m 84m ERC and £972.3m 120m ERC
- 18m accounts and 9m customers
- Face value of debt owned £14.7bn

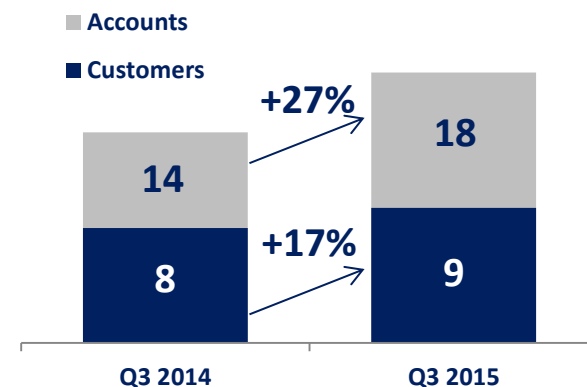
### Q3 Acquisitions (£m)



### Cash Collections (£m)



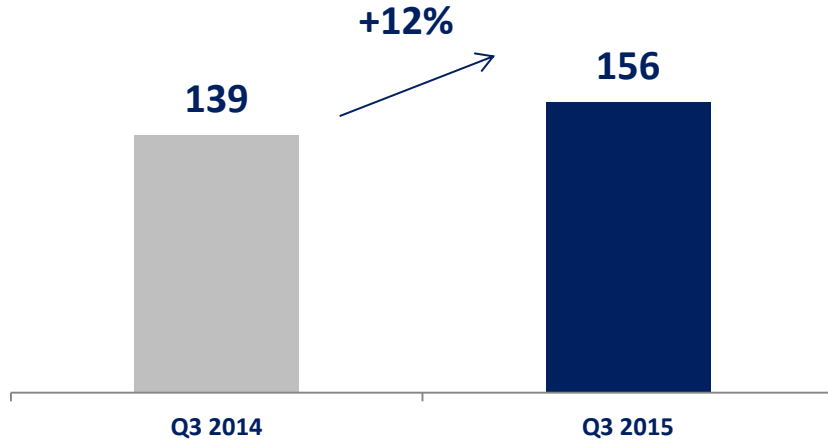
### Customers / Accounts (m)



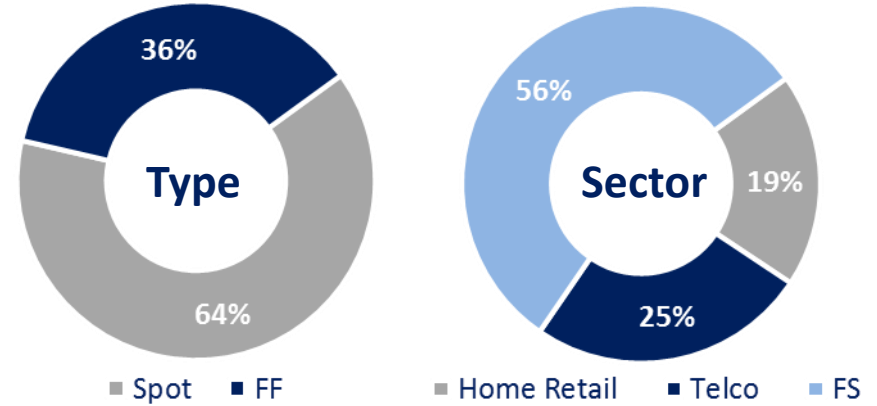
# Strong Acquisitions Performance and Continued Earnings Growth

Impressive double digit growth trajectory continues in Q3

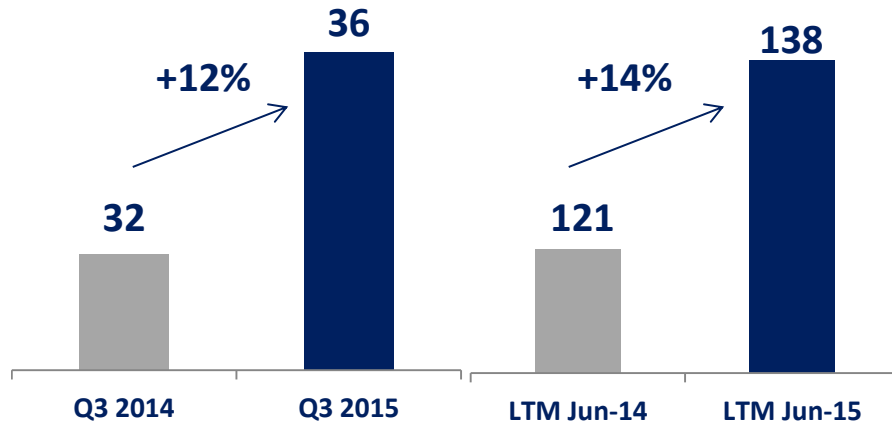
## Acquisitions LTM (£m)



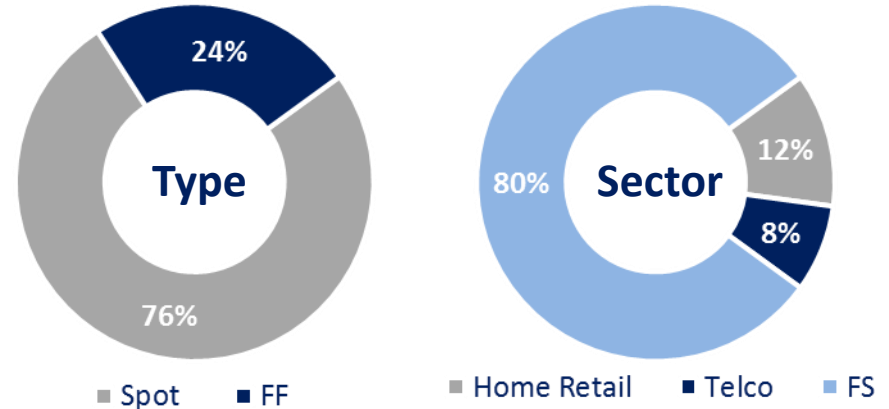
## Diversified Acquisitions LTM



## Adjusted EBITDA (£m)

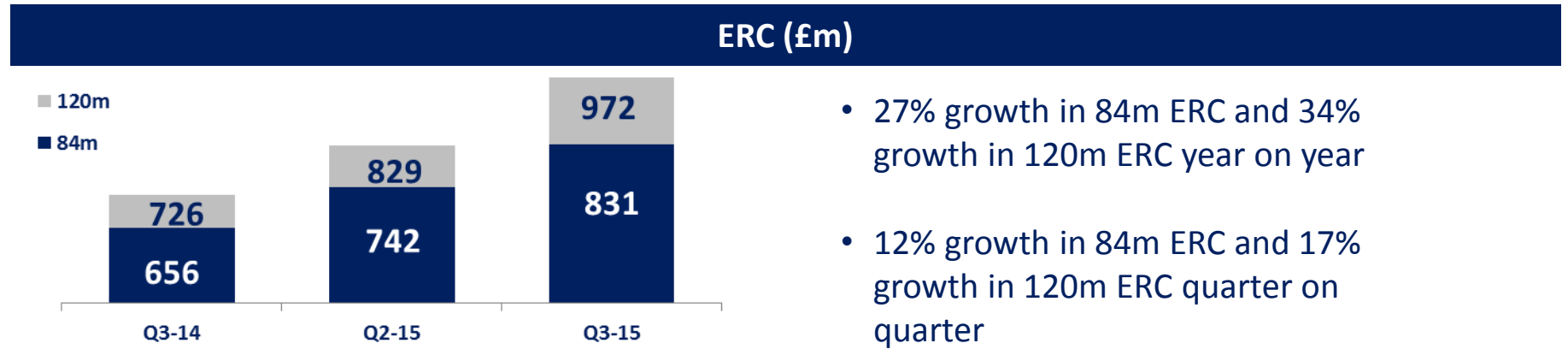


## Diversified Acquisitions Q3

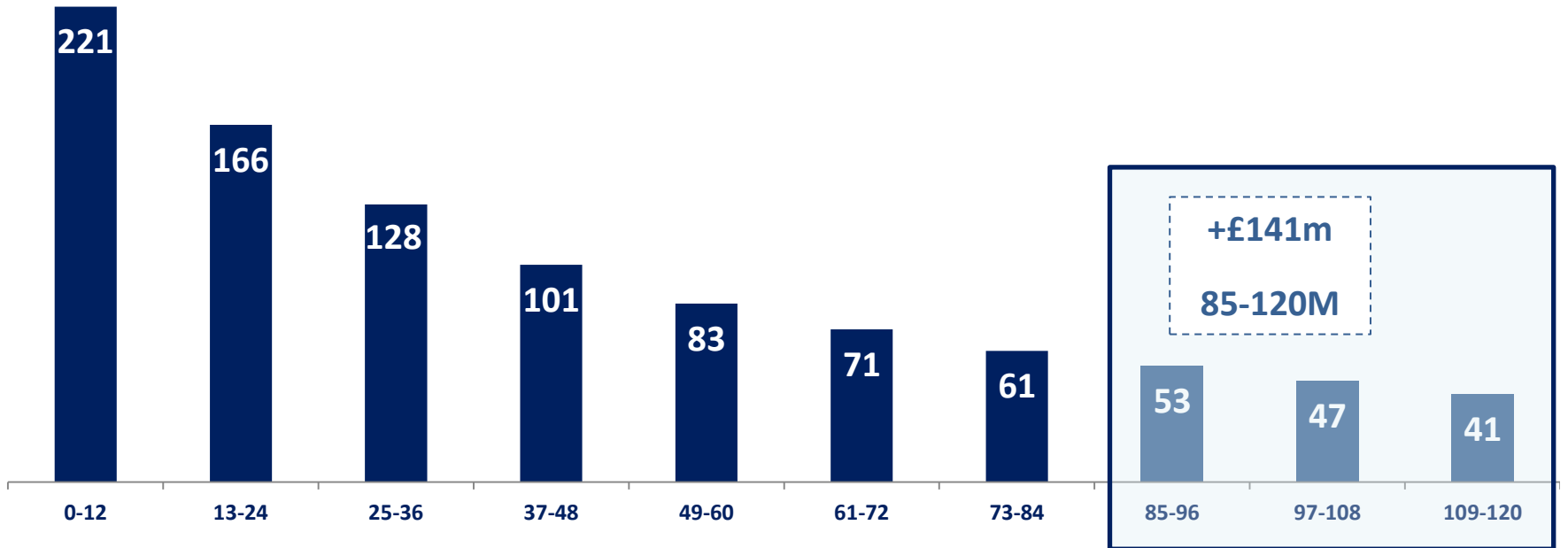


# Sustained Balance Sheet Growth

Growth in 84m and 120m estimates achieved in Q3



## Q3 2015 Gross ERC profile £m



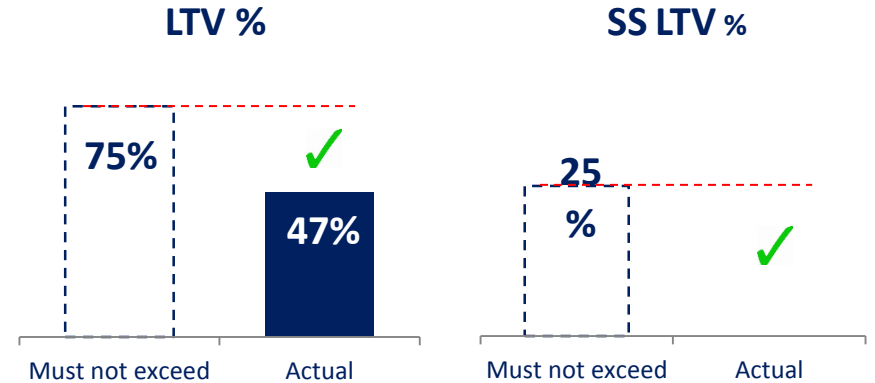
# Strong Liquidity and Cash Generation

Strong liquidity and performance against covenants well within requirements

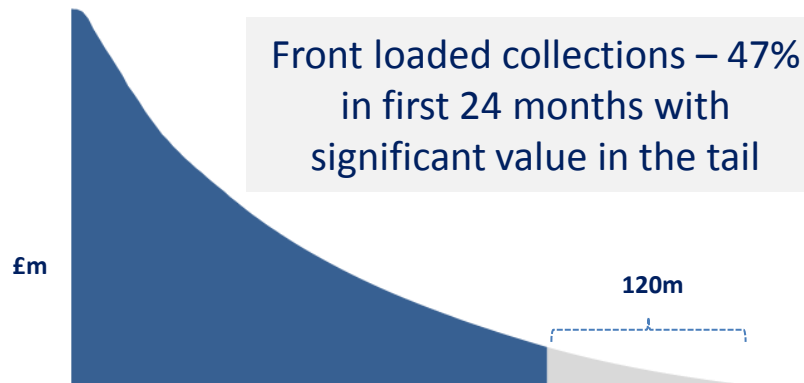
## Cash Flow (£m)

	Q3 14	Q3 15	LTM Jun 15
<b>ERC (84m)</b>	<b>655.7</b>	<b>830.7</b>	<b>830.7</b>
Reported portfolio purchases	36.3	60.0	155.5
Net debt	336.8	386.8	386.8
<b>Cash generation</b>			
Collections /income on owned portfolios	51.2	57.8	220.5
Other income	3.0	2.4	11.2
Servicing costs (net of depn, amort & non-recurring costs)	(21.9)	(23.9)	(93.7)
Adjusted EBITDA	32.3	36.3	138.0
Capital Expenditure	(1.3)	(0.8)	(2.0)
Movement in working capital	(2.8)	(1.6)	(4.5)
Cashflow before debt and tax servicing	28.2	33.9	131.5
Cash asset return *			19.1%

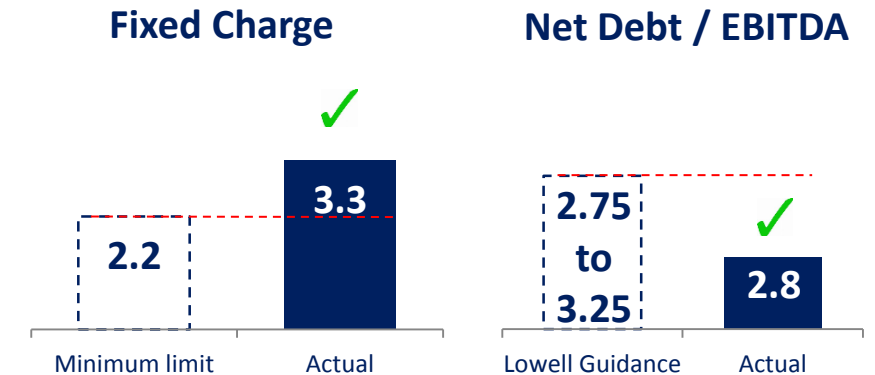
## Covenants



## ERC Profile



## Key Ratios



\* Cash asset return definition: LTM Adjusted EBITDA / Average LTM Gross ERC

# ABS Application & Approval

## Strategic rationale – Lowell Solicitors Limited

- Significant step forward for the Group as delivers a fully integrated, in-house, end-to-end credit management approach
- ABS allows the Group to offer a more efficient and streamlined customer experience, with litigation managed by an in-house fully regulated legal firm

### Key Benefits

#### Customer

- Clear to the customer that Lowell is the litigating party
- Direct control and oversight of customer journey and action
- More efficient and streamlined customer experience
- Clear escalation whilst not being passed onto another firm

#### Control & Oversight

- On-site oversight of ABS – gives improved capacity planning, structure and training
- Reduced reliance on third parties to carry out key sensitive activity

#### Improved Performance

- Creation of an ABS customer engagement team to strengthen our contact activity prior to and during Litigation, to increase contact rates and minimise need for further escalation
- Earlier and quicker implementation of improved and tailored strategies to uplift cash collections and IRRs

#### Financial

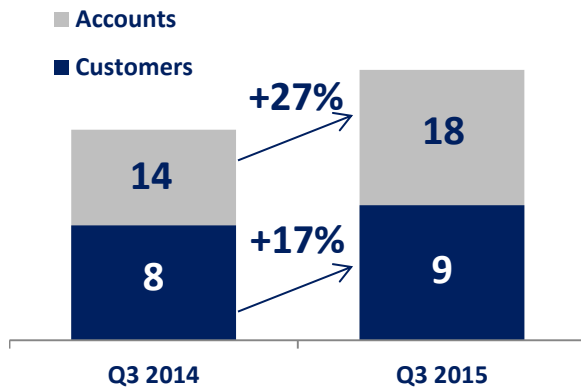
- Margin benefit from retention of all collections within the ABS
- Cost savings delivered through operational efficiencies



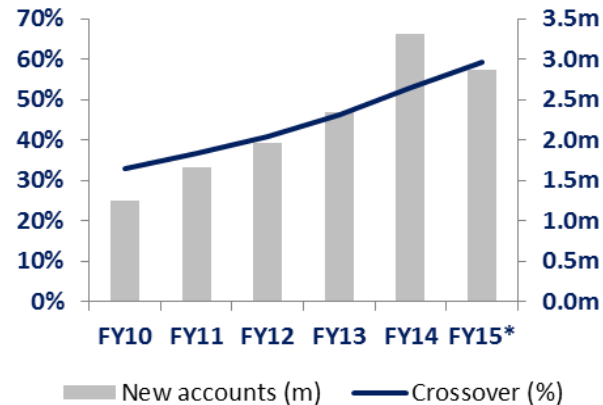
# Customer Crossover

Accurate forecasting and better customer insight

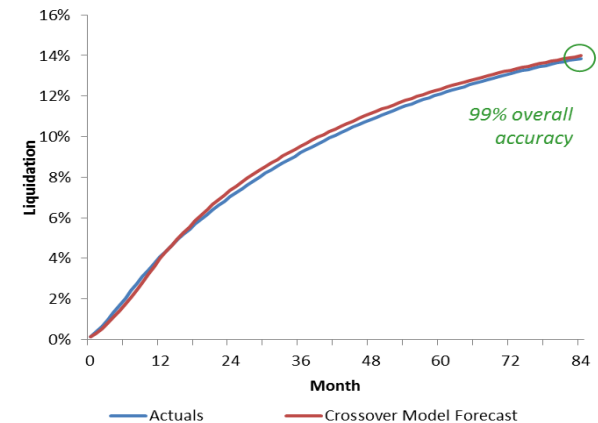
## Growing Customer Base



## Increase in Crossover Accounts



## Overall Crossover Model Pricing Accuracy



- 17% increase in the number of individual customers year on year
- Increased crossover year on year
- The distribution of pricing accuracy generated by the Crossover Model, at a portfolio level, is significantly less dispersed
- Independent testing of the Crossover Model, based upon a random sample of portfolios bought over 2013 – 2014, delivered aggregate pricing accuracy of 99% vs our 84m projections post acquisition

The Crossover Pricing Model is built on c1,300 individual customer variables including raw bureau data, proprietary behavioural data, contact data and generates significantly more accurate pricing forecasts

\*FY15 is a ten month period (Oct 14 – July 15)

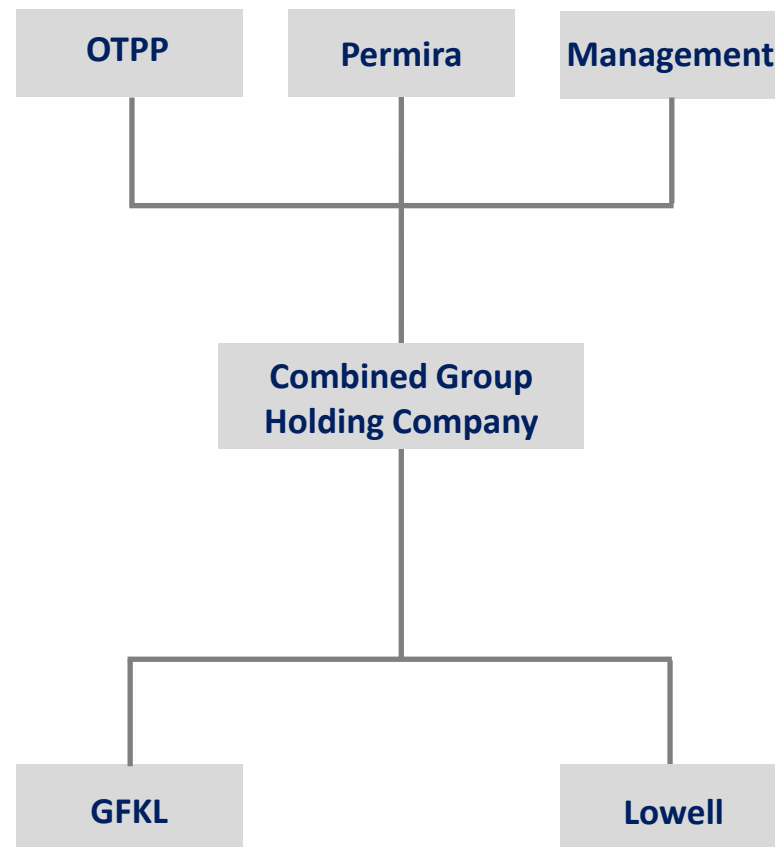
# Bringing Together Lowell and GFKL

## Permira funds' acquisition of Lowell Group

### Transaction Overview & Rationale

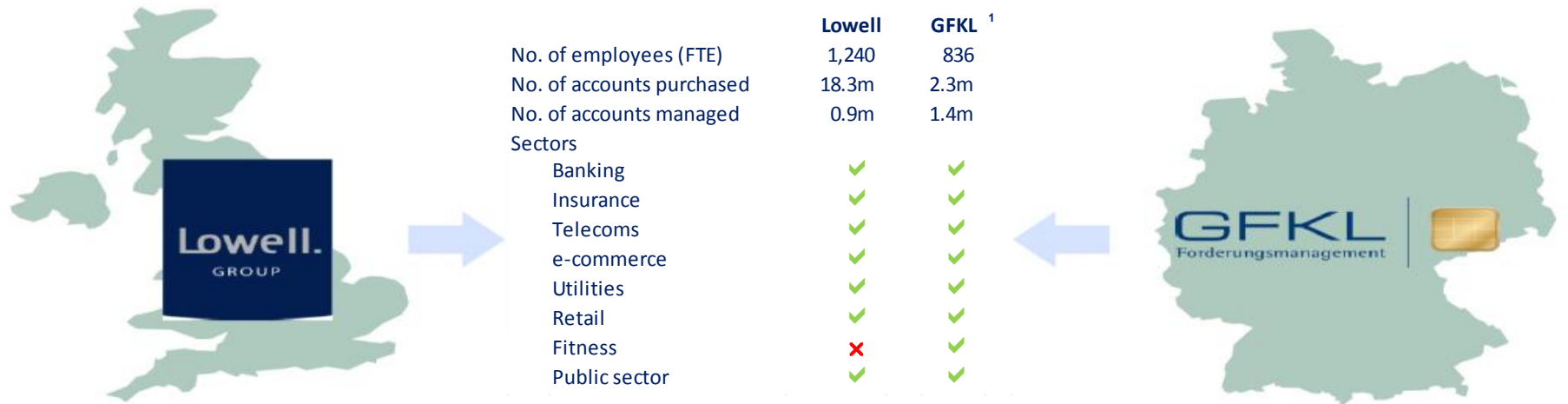
- On Friday 7 August Lowell, Permira and TDR Capital announced that a company backed by Permira funds had entered into an agreement to acquire Metis Bidco (the Lowell Group holding company) from its majority shareholder, funds advised by TDR Capital
- As part of this transaction, Lowell will merge with GFKL combining two premium large-scale operators in the two largest European credit markets
- Complementary operational strengths with product, client and sector diversification
- Significant opportunity for future growth in European markets with a multi-national operating model which mirrors that of the larger credit providers
- Very complementary competencies in debt purchase and outsourced credit services

### Group Structure

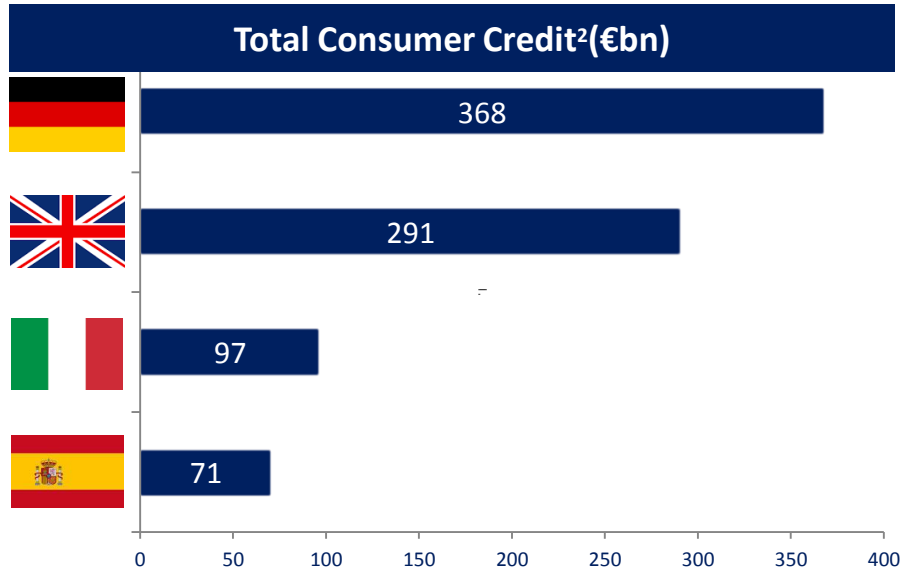


# Creating a premier pan-European credit management business

Bringing together two leading franchises in each jurisdiction



Key attributes of Lowell	Key attributes of GFKL
Extremely strong modelling capabilities	Long-standing experience in servicing / BPO
Wealth of experience in data analytics	Relationships with blue chip international clients
First-rate pricing capabilities	Gateway to continental European markets
Highly skilled in cost optimisation	Broad product diversification across multiple sectors
More attractive credit profile due to greater ability to leverage the combined businesses and increased diversification	
Complementarity of teams' competencies and commonality of culture	



<sup>1</sup> All data is as at 30 June 2015

<sup>2</sup> Unsecured and secured consumer lending excluding mortgages and other housing lending. Data as at 31 Dec 2013.

# Conclusion

## Strong Q3 for Lowell and an exciting future for the combined business

### Lowell Specific Outlook

- Strong quarter for portfolio acquisitions, securing a further £60m of purchases
- Continued strong performance on investments already acquired, with continued earnings growth, ongoing prudent leverage and strong liquidity
- Strong balance sheet provides Lowell with enviable position to achieve further purchases, enhanced by the launch of the ABS
- Extensive change programme in place to equip the business for the future

### Combined Opportunity



**Opportunity to create the most successful  
pan-European credit management  
business by initially combining market  
leaders in the largest markets in Europe**

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