

# Garfunkelux Holdco 2 S.A.

## 2016 Q3 Trading Update

Period Ending  
September 30<sup>th</sup>,  
2016

November 24<sup>th</sup>, 2016





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**James Cornell**

**Group CEO**

- Appointed Group CEO in April
- Co-founder and CEO of Lowell since 2004
- Longest serving CEO in the industry



**Colin Storrar**

**Group CFO**

- CFO of Lowell since February 2013
- 15 years of Financial Services senior management including previous role as CFO at HSBC First Direct
- Strong experience in capital markets and bond finance



- This presentation captures the Q3 2016 trading results of Garfunkelux Holdco 2 S.A. (“GH2”) – the results are unaudited, based on our management accounts and where appropriate, prepared in accordance with IFRS.
- The year-on-year comparisons captured in this presentation are not directly comparable given that the ultimate parent company in the Group, Garfunkelux Holdco 2 S.A. acquired Metis Bidco Limited (“Lowell”) on the 13<sup>th</sup> October 2015. Thus, the comparisons stated (being either the three months to September 2016 versus the three months to September 2015 or the position as at September 2016 versus the position as at September 2015) are based on:
  - 1) The trading results of Garfunkelux Holdco 2 S.A. for the three months to September 2016 or as at September 2016
  - 2) The combined trading results of Metis Bidco Limited and GFKL Financial Services GmbH (“GFKL”) for the three months to September 2015 or as at September 2015.
- We have elected to show such year-on-year comparisons as they still provide a reasonable proxy as to the development in the Group’s trading year-on-year given that only Group funding and some limited operational costs sit in entities above Metis Bidco Limited and GFKL Financial Services GmbH.



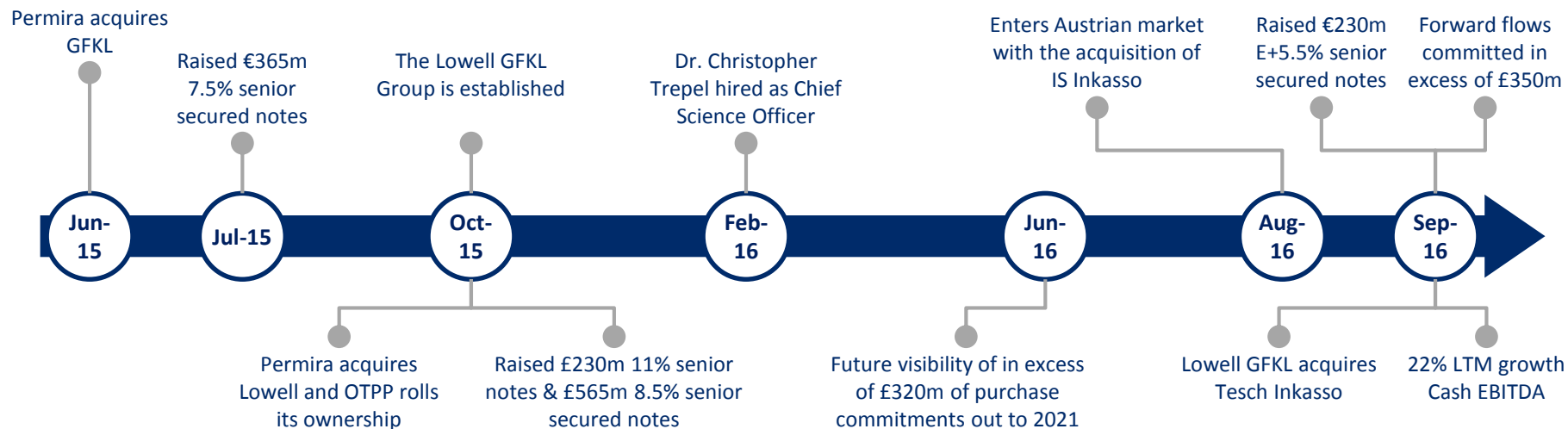
# **I. Strategic Update**

## **II. Q3 Highlights**

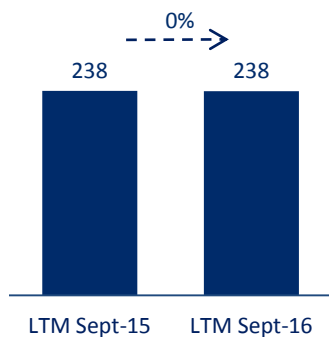
## **III. Outlook**

# Lowell GFKL Timeline – Key Events as a Group

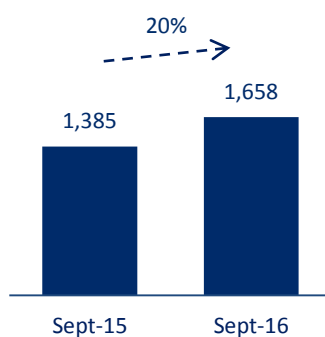
## Pan-European Provider of Credit Management Services



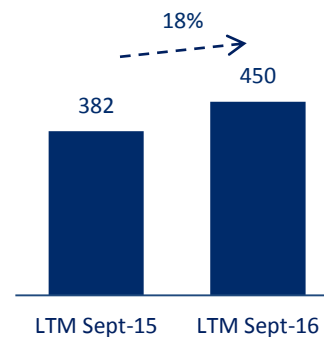
### NPL Portfolio Acquisition (£m)



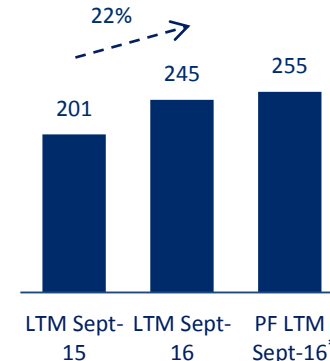
### 120m ERC (£m)



### Cash Income (£m)



### Cash EBITDA (£m)



\* Proforma LTM Cash EBITDA as quoted is defined as both Lowell's and GFKL's Cash EBITDA for the twelve months ended 30 September 2016, further adjusted to include the Cash EBITDA contributions of the Tesch Group and IS Inkasso Group for the twelve months ending 30 September 2016.

### Company overview

- Tesch Inkasso is a well-established German 3PC company
- Founded in 1985 by Siegward Tesch, acquired in 2012 by Avedon Capital
- Within 3PC, the business is a market leader in Utilities and has a strong presence in the E-Commerce, Insurance, Financial, Retail, Telco and Travel sectors
- HQ in Gummersbach, Germany, in close proximity to GFKL headquarters in Essen
- Recently, the business has ventured into DP through proprietary portfolio acquisitions from its existing client base

### A compelling strategic proposition

- 1 Attractive and resilient standalone asset**
  - ✓ Margin profile and historical growth above industry average
  - ✓ Longstanding and entrenched client relationships
- 2 Further solidifies Lowell GFKL's leading presence in Germany**
  - ✓ Underscores our commitment to being a leader in all markets where we participate
- 3 Good cost synergy potential and opportunities for further revenue growth**
  - ✓ Potential to apply Lowell GFKL's data analytics and debt purchasing to Tesch's platform
- 4 Further diversifies group in terms of business mix and geographies**
  - ✓ Transaction increases servicing revenue contribution



## I. Strategic Update

## II. Q3 Highlights

## III. Outlook





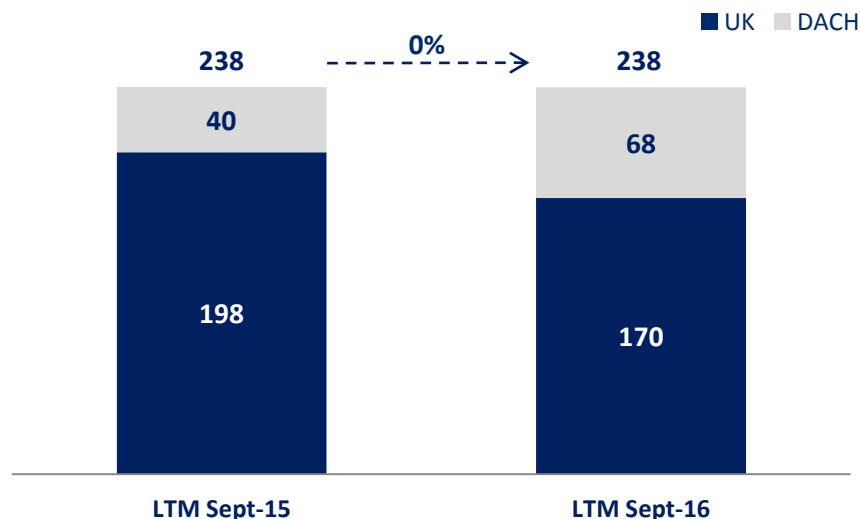
- 1 Group Cash EBITDA of £69m for the three months to Sept-16 – an increase of 34% versus the three months to Sept-15
- 2 120 month gross ERC of £1.7bn, an increase of 20% from Sept-15 (up £274m) and 22% higher versus Dec-15
- 3 Non-Performing Loan (“NPL”) portfolio acquisitions of £238m in the last 12 months to Sept-16, consistent with the last 12 months to Sept-15
- 4 Solid pipeline of NPL portfolio acquisitions in place for Q4 giving visibility of expected purchases in the financial year in excess of £250m
- 5 Acquisition of Tesch Inkasso closed at end of Sept-16 following €230m having been raised to fund the transaction and provide further investment capital

# Q3 Highlights – NPL Portfolio Acquisitions

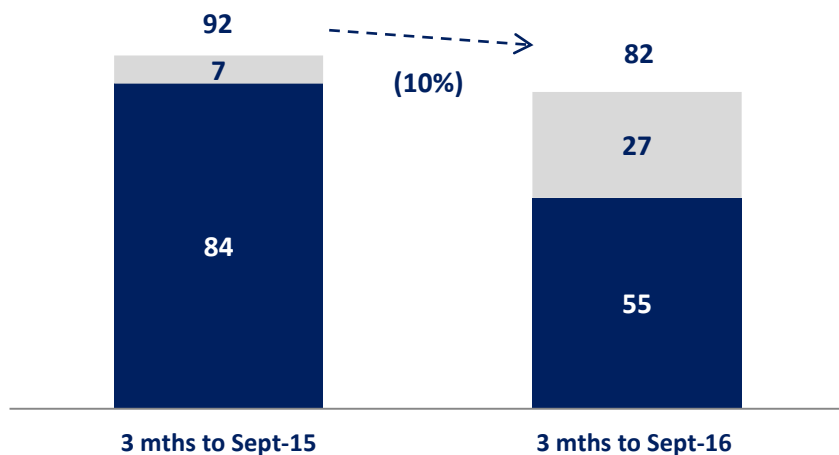
LTM Acquisitions of £238m



## LTM NPL Portfolio Acquisition (£m)



## Quarterly NPL Portfolio Acquisition (£m)



## Insight

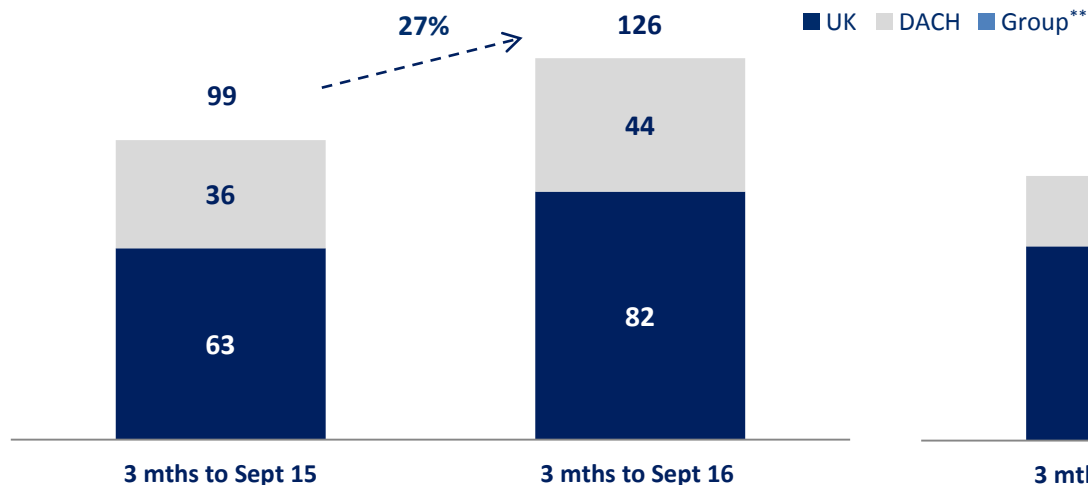
- On a LTM basis, NPL acquisitions were consistent with the prior year period
- NPL acquisitions underpinned by continued diversification with no reliance on one single sector – Retail accounting for 41% of acquisitions, Communications 27% and Financial Services 23%
- Solid pipeline of NPL portfolio acquisitions in place for Q4 giving visibility of expected purchases in the financial year in excess of £250m

# Q3 Highlights – Income Metrics

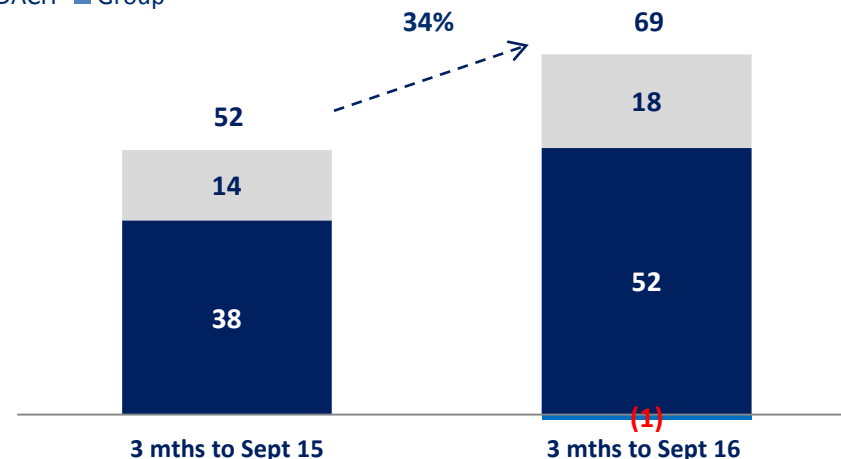
## Sustained EBITDA Growth



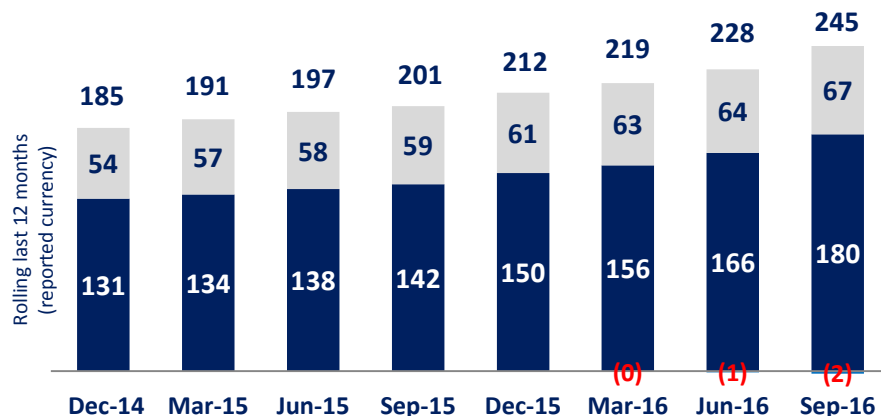
### Cash Income (£m)



### Cash EBITDA (£m)\*



### LTM Cash EBITDA Evolution (£m)\*



### Insight

- 34% increase in Cash EBITDA for the 3 months to Sept-16 as compared to prior year driven by growth in NPL cash collections
- Group continues to deliver sustained Cash EBITDA growth;
  - LTM to Sept-16 Cash EBITDA of £245m stands £44m (22%) higher versus the LTM to Sept-15

\* Cash EBITDA for the three months to 30 September 2015 and on a last 12 months basis to 31 December 2015 is defined as both Lowell's and GFKL's Adjusted EBITDA, each as defined in the Offering Memorandum dated 14 October 2015. Cash EBITDA for the three months to 30 September 2016 and on a last 12 months basis post 31 December 2015 is defined as collections on owned portfolios plus other turnover, less collection activity costs and other expenses (which together equals servicing costs) and before exceptional items, depreciation and amortisation. \*\* Group represents Head Office costs not recharged to either GFKL or Lowell

# Q3 Highlights – Net Debt

## Leverage and ERC Growth



### Group Key Leverage Metrics (£m)

#### Bond Principal

€230m Senior Secured Notes EURIBOR +5.5%	198
€365m Senior Secured Notes 7.5%	314
£565m Senior Secured Notes 8.5%	565
£230m Senior Notes 11%	230

#### RCF Drawings

EUR Drawn RCF	0
GBP Drawn RCF	17

#### Cash

Cash in Garfunkelux Holdco 2 S.A.	(89)
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<b>Senior Secured Net Debt as at 30-Sept-2016</b>	<b>1,005</b>
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<b>Net Debt as at 30-Sept-2016</b>	<b>1,235</b>
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UK 120 month Gross ERC	1,244
DACH 180 month Gross ERC	484

<b>Group Gross ERC as at 30-Sept-2016</b>	<b>1,729</b>
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<b>Net Debt / Gross ERC</b>	<b>71%</b>
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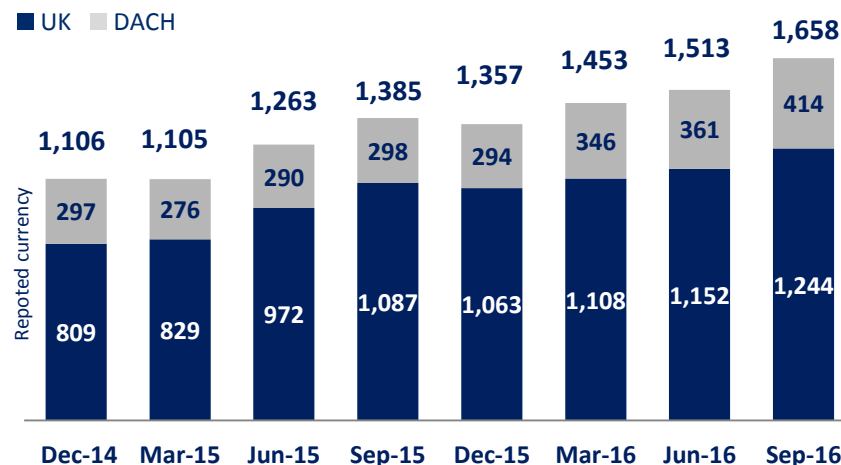
<b>PF LTM Cash EBITDA*</b>	<b>255</b>
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<b>Senior Secured Net Debt / PF LTM Cash EBITDA*</b>	<b>3.9x</b>
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<b>Net Debt / PF LTM Cash EBITDA*</b>	<b>4.8x</b>
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\* Proforma LTM ("PF LTM") Cash EBITDA as quoted is defined as both Lowell's and GFKL's Cash EBITDA for the twelve months ended 30 September 2016, further adjusted to include the Cash EBITDA contributions of the Tesch Group and IS Inkasso Group for the twelve months ending 30 September 2016.

### 120 month ERC Evolution (£m)



### Insight

- Improvement in leverage:

	Sept-16	Sept OM	Change
Net Debt / PF LTM Cash EBITDA*	4.8x	5.1x	↓ 0.3x
LTV	71%	79%	↓ 8 pp

- Proforma LTM Cash EBITDA\* of £255m consisting of:

Lowell GFKL	£245m
IS Inkasso	£1m (being a 8 months period)
Tesch	£9m (being a 12 months period)



## I. Strategic Update

## II. Q3 Highlights

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- Focus on value creation remains paramount
  - Sharing best practice to increase competitiveness
  - Building the strongest platforms to secure local market leadership
  - Maintaining a disciplined approach to pricing and investment
- Significant visibility of future purchases with committed forward flows in excess of £350m<sup>1</sup>
- We have added both Tesch and IS Inkasso to the Group during the year and the integration of the Group continues to make good progress
- Overall outlook remains positive, with on-going opportunities to deploy capital in accretive investments

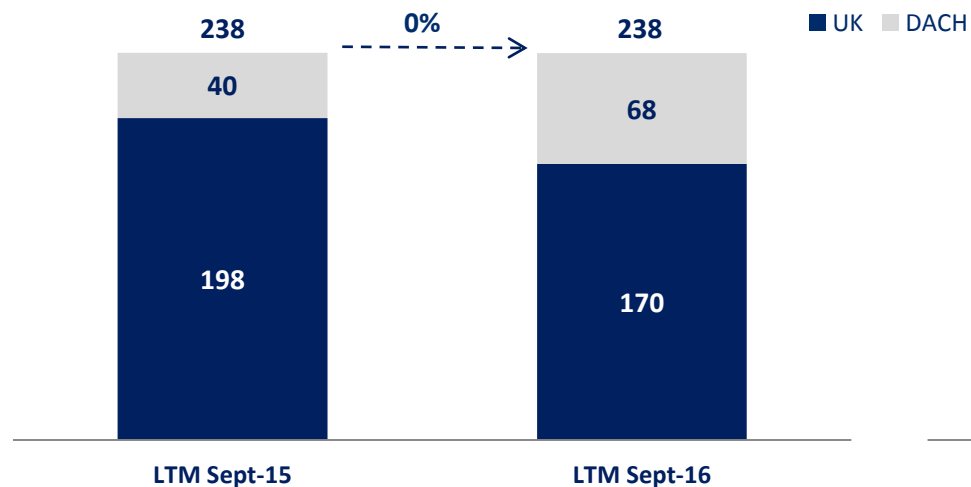
(1) Cumulative committed forward flows out to 2021.



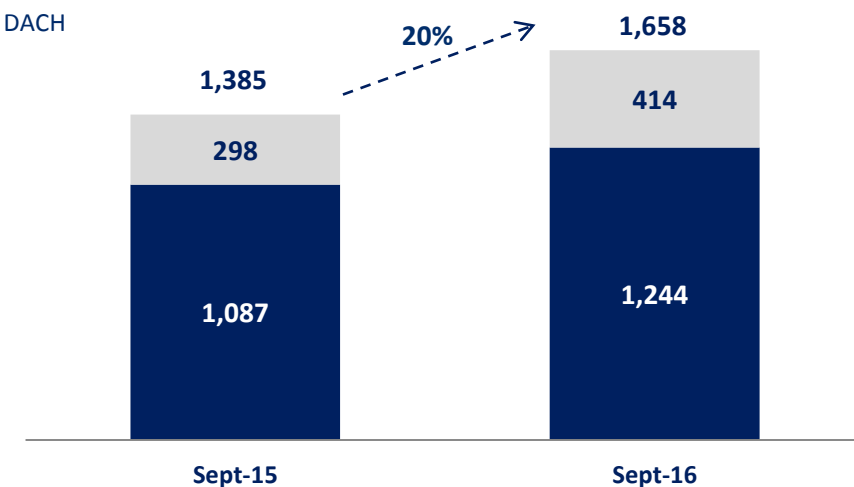
# Appendix



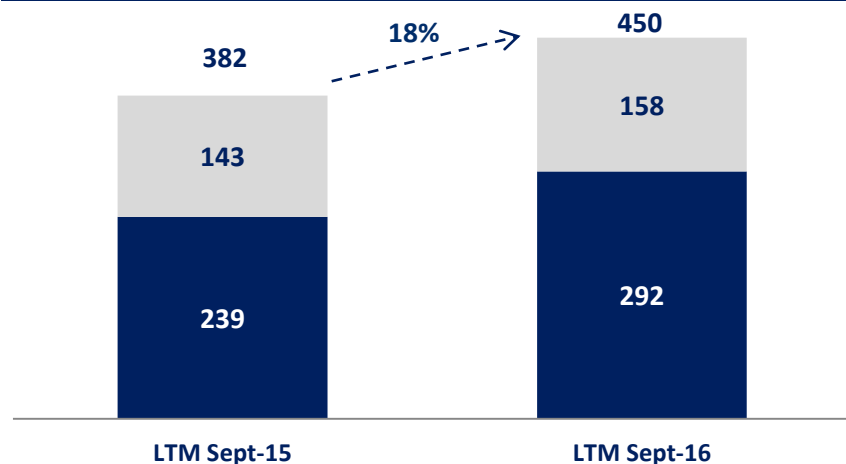
## NPL Portfolio Acquisition (£m)



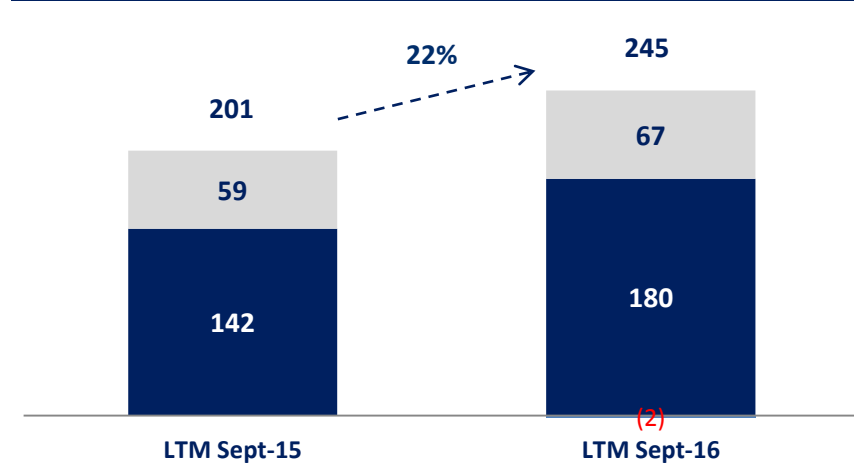
## 120 month ERC Development (£m)



## Cash Income (£m)



## Cash EBITDA (£m)





# Balance Sheet Highlights

## ERC By Year Of Purchase



£m / Month	0-12	13-24	25-36	37-48	49-60	61-72	73-84	85-96	97-108	109-120	121-180	0-120	0-180
2003	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.3	0.9	1.2
2004	1.2	1.1	1.0	0.9	0.9	0.8	0.8	0.8	0.7	0.7	2.9	8.9	11.8
2005	0.9	0.7	0.6	0.5	0.4	0.4	0.3	0.3	0.3	0.2	0.9	4.6	5.5
2006	3.3	2.9	2.5	2.2	2.0	1.9	1.8	1.6	1.5	1.4	5.9	21.1	27.1
2007	12.2	10.7	9.4	8.4	7.5	6.8	6.2	5.6	5.1	4.7	18.1	76.6	94.6
2008	4.4	3.5	2.7	2.2	1.8	1.6	1.4	1.2	1.1	1.0	3.6	20.7	24.3
2009	19.7	16.6	14.1	12.0	10.4	9.1	8.1	7.1	6.3	5.5	19.8	108.9	128.7
2010	10.4	8.3	6.5	5.2	4.2	3.7	3.2	2.7	2.4	2.1	7.0	48.6	55.6
2011	14.9	11.4	8.8	6.9	5.7	5.0	4.3	3.8	3.3	2.9	10.3	67.2	77.5
2012	27.2	21.0	16.5	13.0	10.9	9.5	8.3	7.3	6.5	5.8	20.8	125.9	146.7
2013	39.5	30.7	24.2	19.3	16.0	13.9	12.1	10.4	9.1	8.0	27.9	183.3	211.3
2014	59.5	45.1	35.2	27.7	22.8	19.6	17.0	14.8	12.9	11.2	39.3	265.7	304.9
2015	94.2	66.0	50.9	40.4	33.4	28.7	24.9	21.5	18.8	16.2	56.4	394.9	451.3
2016	75.6	54.5	42.2	34.4	28.5	24.4	21.3	18.7	16.6	14.6	52.5	330.9	383.4
Total	363.1	272.5	214.7	173.1	144.7	125.4	109.8	96.0	84.6	74.4	265.6	1,658.3	1,923.9
% cum.	21.9%	38.3%	51.3%	61.7%	70.4%	78.0%	84.6%	90.4%	95.5%	100.0%	-	100%	-

# Performance of Our Backbook



## Portfolio Performance by Vintage (£m)

Vintage	Portfolio Acquisitions*		GMM		Portfolio Maturity
	UK	DACH	UK**	DACH***	
2004	16	7	2.0x	4.1x	12 years
2005	32	2	1.5x	4.4x	11 years
2006	41	12	2.5x	3.7x	10 years
2007	57	49	2.1x	4.2x	9 years
2008	62	7	2.5x	2.9x	8 years
2009	63	64	3.1x	4.7x	7 years
2010	61	14	2.7x	3.7x	6 years
2011	74	10	2.9x	2.5x	5 years
2012	111	22	2.6x	2.0x	4 years
2013	111	26	2.8x	3.0x	3 years
2014	154	41	2.5x	2.0x	2 years
2015	205	37	2.2x	2.3x	1 year
2016 YTD	140	57	2.0x	2.3x	< 1 year
<b>Total</b>	<b>1,127</b>	<b>348</b>	<b>2.4x</b>	<b>3.2x</b>	

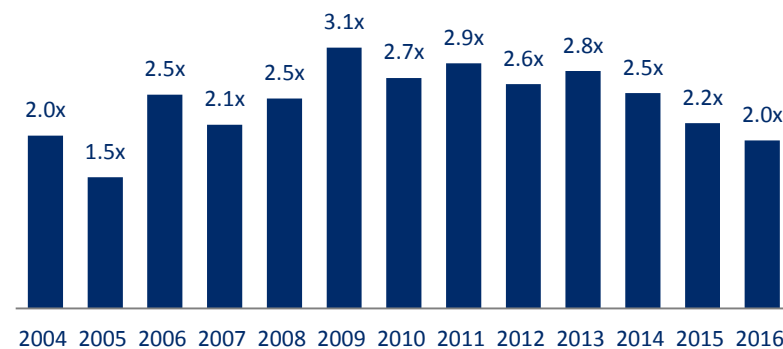
\* 2004-2015 portfolio acquisitions as reported in the September 2016 OM.

\*\* UK based on 120m ERC.

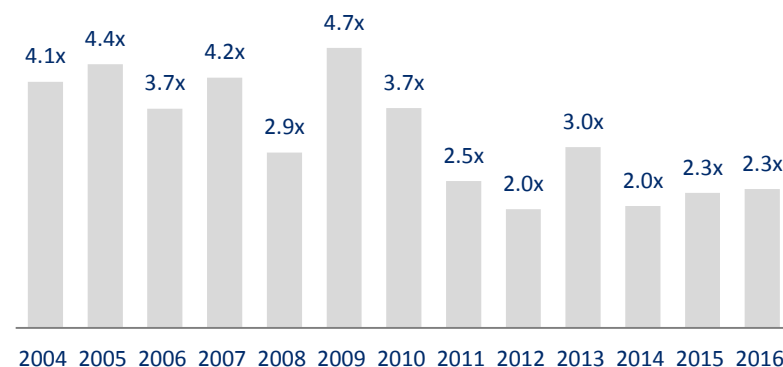
\*\*\* DACH based on 180m ERC.

## GMM Per Vintage

UK\*\*



DACH\*\*\*



# Group Operating Profit

## Year-On-Year Comparative



Continuing operations, £m	Lowell + GFKL 3 months to 30 September 2015*	Garfunkelux Holdco 2 S.A. 3 months to 30 September 2016*	Variance	V%
<b>Revenue</b>				
Income from portfolio investments	42	51	9	21%
Portfolio write up	25	34	9	34%
Portfolio fair value release	(1)	(1)	0	8%
Service income	35	41	6	17%
Other revenue	1	1	0	31%
<b>Total revenue</b>	<b>102</b>	<b>126</b>	<b>24</b>	<b>23%</b>
Other income	1	1	1	134%
<b>Operating expenses</b>				
Collection activity costs	(41)	(49)	(9)	(22)%
Other expenses	(31)	(36)	(5)	(17)%
<b>Total operating expenses</b>	<b>(72)</b>	<b>(86)</b>	<b>(14)</b>	<b>(20)%</b>
<b>Operating profit</b>	<b>31</b>	<b>42</b>	<b>10</b>	<b>32%</b>

\* Garfunkelux Holdco 2 S.A. Q3-16 Operating profit versus Lowell & GFKL Q3-15 proforma Operating profit

# Current ERC Covering Long-Term Funding

## Debt Details

**£230m senior unsecured @ 11.00%**

Maturity: Nov-23

1<sup>st</sup> call date: 1<sup>st</sup> November 2018

**£565m senior secured @ 8.50%**

Maturity: Nov-22

1<sup>st</sup> call date: 1<sup>st</sup> November 2018

**€365m senior secured @ 7.50%**

Maturity: Aug-22

1<sup>st</sup> call date: 1<sup>st</sup> August 2018

**€230m senior secured @ EURIBOR +5.50%**

Maturity: Sept-21

1<sup>st</sup> call date: 1<sup>st</sup> October 2017

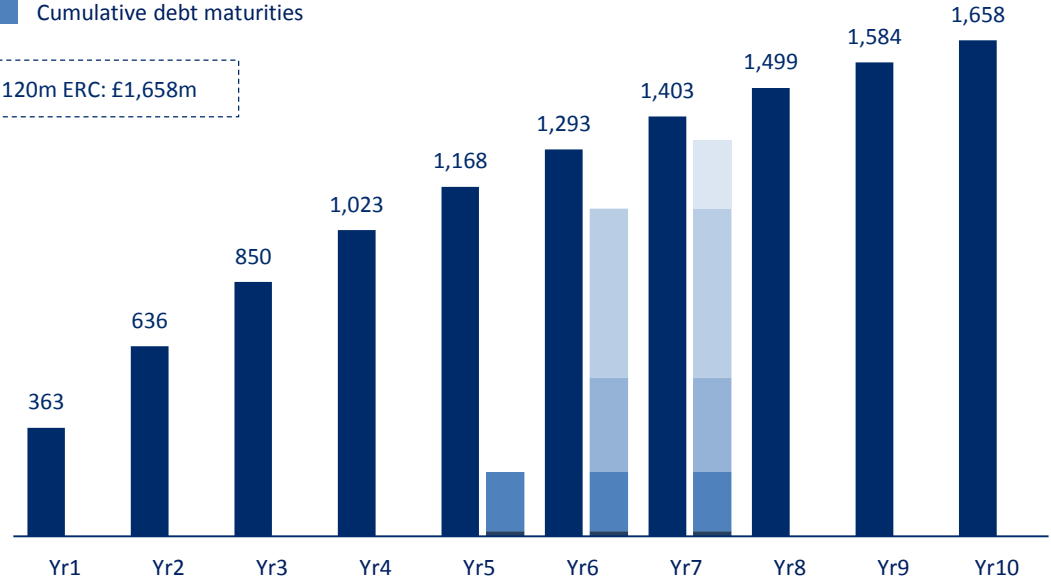
**€200m RCF @ LIBOR / EURIBOR + 3.50%**

Maturity: December 2021

## 120-month ERC & Debt Maturity (£m)

■ Cumulative 120m ERC  
■ Cumulative debt maturities

120m ERC: £1,658m



- Recent FRN issuance at E+5.5% reducing the weighted average cost of debt to 8.2%
- RCF provides additional flexibility, with amounts drawable in either GBP or EUR

# Garfunkelux Holdco 2 S.A.

## Reconciling The Q3 Interim Numbers To This Presentation



	£m
<b>Garfunkelux Holdco 2 S.A. Cash EBITDA for the 3 months to Sept-16</b>	<b>69</b>
<i>Reconciliation adjustments to derive Operating Profit;</i>	
Conversion from Cash Income to L&R Revenue	(23)
Add Depreciation & Amortisation	(3)
Add-back Exceptionals	(2)
<b>Garfunkelux Holdco 2 S.A. Operating profit for the 3 months to Sept-16</b>	<b>42</b>
Interest income	0
Finance costs	(33)
Foreign exchange	1
<b>Garfunkelux Holdco 2 S.A. Profit before tax for the 3 months to Sept-16</b>	<b>10</b>
Tax	(2)
<b>Garfunkelux Holdco 2 S.A. Profit for the 3 months to Sept-16</b>	<b>8</b>

Disclosure Note: There exists no material differences if we were to consolidate the accounts at the Garfunkelux Holdco 3 S.A. level versus the consolidated accounts of Garfunkelux Holdco 2 S.A.



## Revolving Credit facility (RCF)

Currency	Committed Amount	Security	Maturity	Interest	Margin	Participants
EUR m	200	Super Senior Secured	31-Dec-21	LIBOR / EURIBOR	3.50%	Citibank, Credit Suisse, Goldman Sachs, ING Bank, JPMorgan, NIBC, HSBC

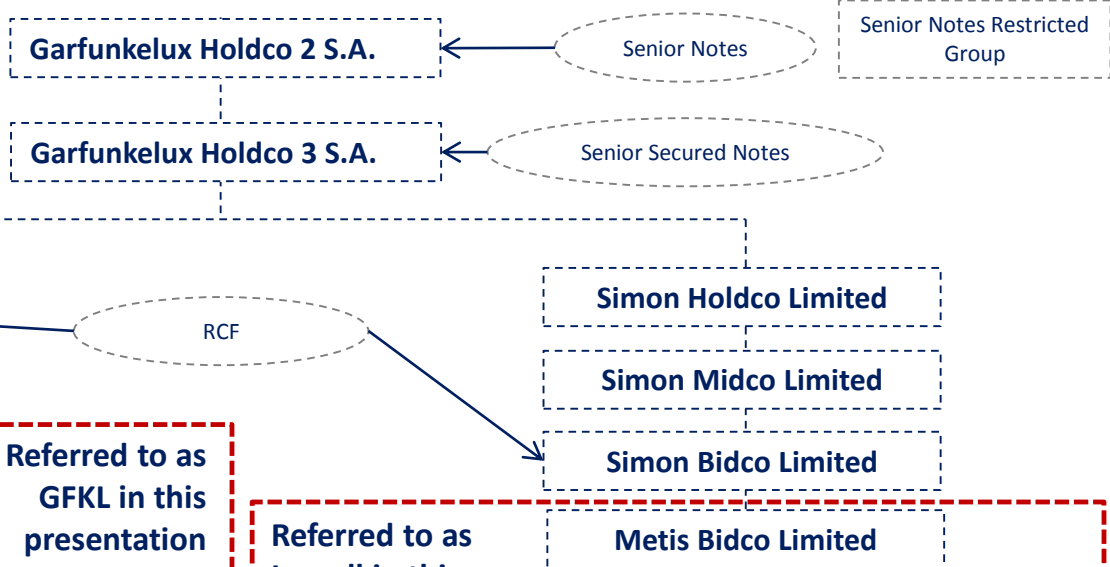
## Bonds

Currency	Issue	Security	Maturity	Coupon	Issuer
EUR m	230	Senior Secured Notes	01-Oct-21	EURIBOR +5.50%	GH3
EUR m	365	Senior Secured Notes	01-Aug-22	7.50%	GH3
GBP m	565	Senior Secured Notes	01-Nov-22	8.50%	GH3
GBP m	230	Senior Notes	01-Nov-23	11.00%	GH2

# Group Structure



Referred to as GH2 in this presentation



GFKL Financial  
Services GmbH

Referred to as  
GFKL in this  
presentation

100% unless stated:

- debifact Factoring GmbH & Co. KG
- debifact Verwaltungs GmbH
- ZYKLOP INKASSO DEUTSCHLAND GMBH
- GFKL PayProtect GmbH
- GFKL Collections GmbH
- Deutsche Multiauskunftei GmbH
- GFKL Service Center GmbH
- Proceed Collection Services GmbH
- Sirius Inkasso GmbH
- IBW Verwaltungs-und Beteiligungs GmbH
- INKASSO BECKER WUPPERTAL GmbH & Co. KG
- intratech GmbH (51%)
- IS Group Management GmbH
- IS Forderungsmanagement GmbH
- IS-Inkasso Service GmbH (Österreich)
- EDV-Hofer GmbH
- IS Inkasso Service GmbH (Schweiz)
- IS Inkasso Servis d.o.o. (Croatia)
- Tesch Inkasso GmbH
- Tesch Service GmbH
- DC Holding GmbH
- DC Portfolien GmbH
- DC Forderungsmanagement GmbH
- Tesch Inkasso Finance GmbH
- Tesch mediafinanz GmbH
- mediafinanz collection services GmbH
- Global Credit Solutions Pty Ltd. (Australia) - 5% stake
- Tesch Inkasso Forderungsmanagement GmbH

Referred to as  
Lowell in this  
presentation

100% unless stated:

- Lowell Finance Holdings Limited
- Lowell Group Financing Plc
- Lowell Group Limited
- Lowell Funding Limited
- Lowell Acquisitions Limited
- Lowell Holdings Limited
- Lowell Finance Limited
- Interlaken Group Limited
- Lowell Solicitors Limited
- Lowell Portfolio IV Holdings Limited
- Lowell Portfolio III Holdings Limited
- SRJ Debt Recoveries Limited
- Fredrickson International Limited
- Lowell Portfolio IV Limited
- Lowell Portfolio III Limited
- Lowell Financial Limited
- Lowell Portfolio I Limited
- Tocatto Limited

## Definitions:

**Acquisitions** – Purchases of Non-Performing Loans (“NPLs”)

**Cash EBITDA** – Cash EBITDA for the three months to 30 September 2015 and on a last 12 months basis to 31 December 2015 is defined as both Lowell’s and GFKL’s Adjusted EBITDA, each as defined in the Offering Memorandum dated 14 October 2015. Cash EBITDA for the three months to 30 September 2016 and on a last 12 months basis post 31 December 2015 is defined as collections on owned portfolios plus other turnover, less collection activity costs and other expenses (which together equals servicing costs) and before exceptional items, depreciation and amortisation

**Proforma LTM Cash EBITDA** – Defined as both Lowell’s and GFKL’s Cash EBITDA for the twelve months ended 30 September 2016, further adjusted to include the Cash EBITDA contributions of the Tesch Group and IS Inkasso Group for the twelve months ending 30 September 2016

**Cash Income** – Cash collections from owned assets plus cash commissions received from assets serviced

**ERC** – Estimated Remaining Collections over 84, 120 or 180 months

**Senior Secured Net Debt** – Senior Secured Notes Bond principal plus RCF drawn amounts less Cash

**Net Debt** – Senior Secured Notes Bond principal plus Senior Notes Bond principal plus RCF drawn amounts less Cash

## Abbreviations:

**3PC** – Third Party Collections

**EBITDA** – Earnings before Interest, Tax, Depreciation and Amortisation

**FTE** – Full-time equivalent employees

**LTM** – Last Twelve Months



