

# Garfunkelux Holdco 2 S.A.

## Q1-18 Interim Results

May 18th, 2018

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# Housekeeping

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- This presentation captures the consolidated trading results of Garfunkelux Holdco 2 S.A. (“GH2”) – the results are based on our management accounts and where appropriate, prepared in accordance with IFRS.
- We present cash metrics within this presentation as we believe it may enhance an investor’s understanding of the Group’s cash-flow generation.

## **Acquisition of the Carve-out Business**

- On 20 March 2018, GH2 acquired 100% of the Carve-out Business. Given the proximity of closing and immaterial difference to the end of the quarter, we have consolidated the Carve-out Business into our GH2 results as of 31 March 2018.
- As such, this presentation principally reports the year-on-year and quarter-on-quarter performance of the Extant Group. We also provide Pro Forma views where we feel this will enhance an investor’s understanding of the enlarged Group.
- With regards to the accompanying interim financial statements, the Consolidated Statement of Financial Position reflects the acquisition of the Carve-out Business including the provisional purchase price allocation, whereas the Consolidated Statement of Comprehensive Income does not reflect any contribution from the Carve-out Business.

## **Restatement of prior year presentation**

- Certain prior period amounts have been reclassified for consistency with the current period presentation. These reclassifications have no effect on the reported loss for the period.
- As a result of the adoption of IFRS 9 on 1 January 2018, an adjustment has been made to present Net portfolio write up within Total income for the 3 months to 31 March 2017. Previously, Net portfolio write up was presented within Revenue and Operating expenses.
- In addition, an adjustment has been made to the Consolidated Statement of Comprehensive Income (“SCI”) for the 3 months ended 31 March 2017 to reclassify appropriate staff costs as Collection activity costs.

# Agenda

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- 1 | Q1 Reported Actuals
- 2 | Pro Forma Group
- 3 | Funding Update
- 4 | Summary
- 5 | Appendix

*Hosting today:*

*James Cornell, Group CEO, Colin Storrar, Group CFO and Jon Trott, Head of Investor Relations*

# Q1 Executive Summary

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## Financial Performance

- **Strong year on year performance continues**
  - Quarterly performance is reflective of both timing and quantum of recent purchasing success with significant capital deployed in last six months
  - Pro Forma Group 120m ERC now stands at £2.8bn, an increase of 18% YoY

## Funding

- **Further actions undertaken to increase our funding flexibility**
  - Increase in RCF commitments to €455m
  - Follows the raise of €530m<sup>1</sup> and SEK1,280m<sup>2</sup> notes to fund Carve-out Business acquisition

## Acquisition of Carve-out Business

- **Acquisition of Carve-out Business completed 20 March 2018, forming our new Nordic region**
  - Integration activities well underway
  - Trading in line with investment case

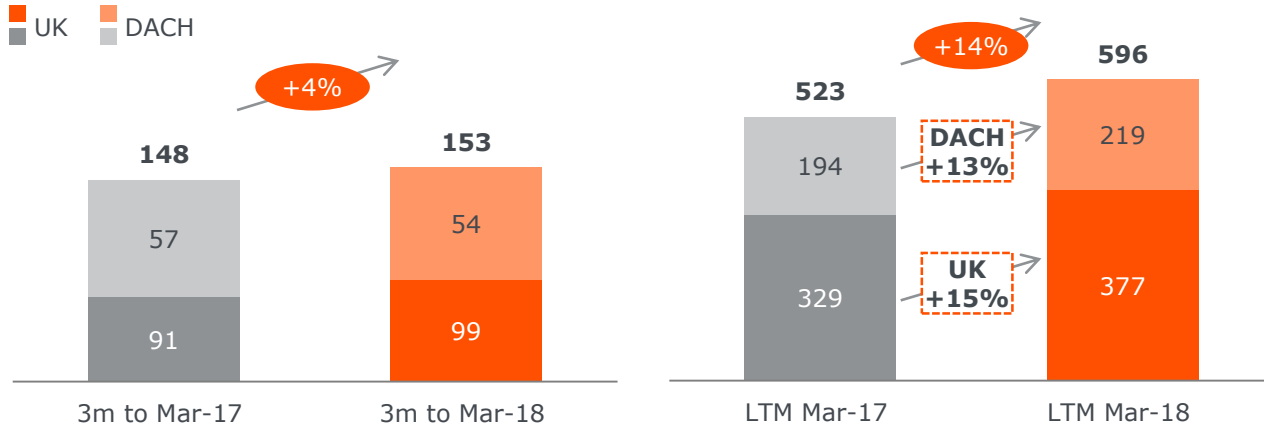
<sup>1</sup> €530m notes coupon rate of 4.5% plus EURIBOR <sup>2</sup> SEK 1,280m notes coupon rate of 4.75% plus STIBOR

# 1. Q1 Reported Actuals

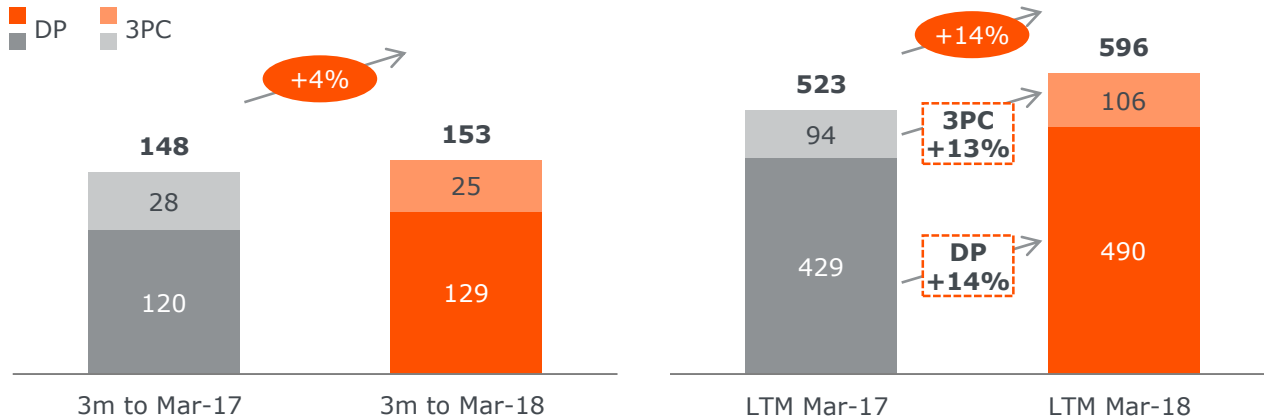
(Extant Group only given Carve-out Business consolidated from 31 March 2018)

# Strong Year on Year Growth of Cash Income Continues

Cash Income by Geography (£m)



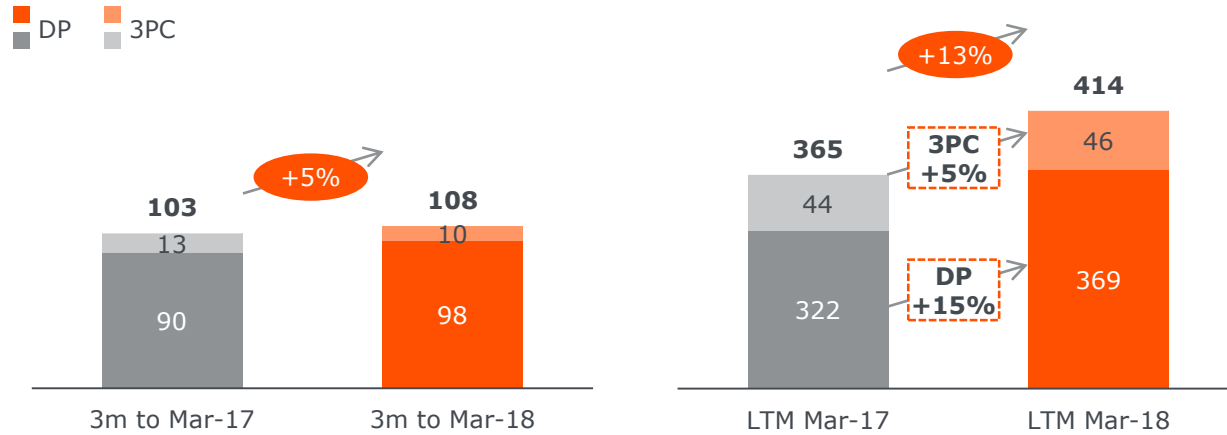
Cash Income by Service Line (£m)



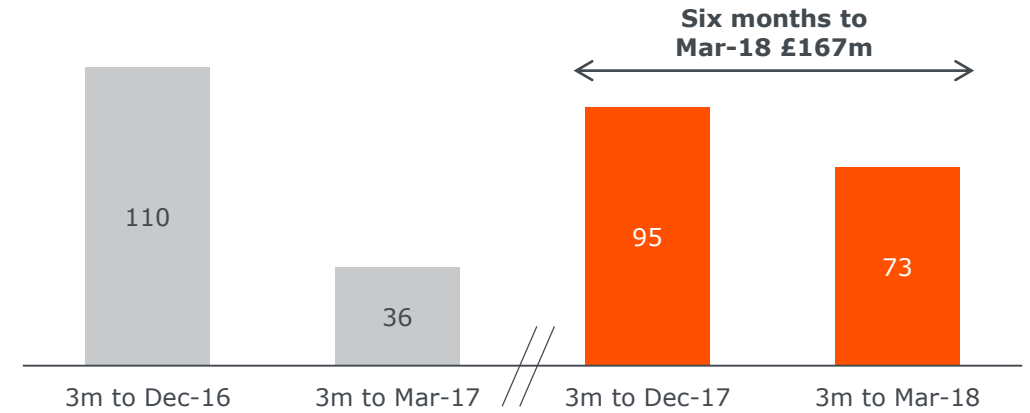
- 14% year-on-year and 4% quarter-on-quarter growth despite comparative strength of prior year period and impact of purchasing profile
- Softening in quarter on quarter 3PC income largely explained by following 'flip' of portfolios into DP in DACH
- 3PC pipeline remains strong with face value of placements up 7% quarter-on-quarter

# Recent Purchasing Success Drives Earnings Development

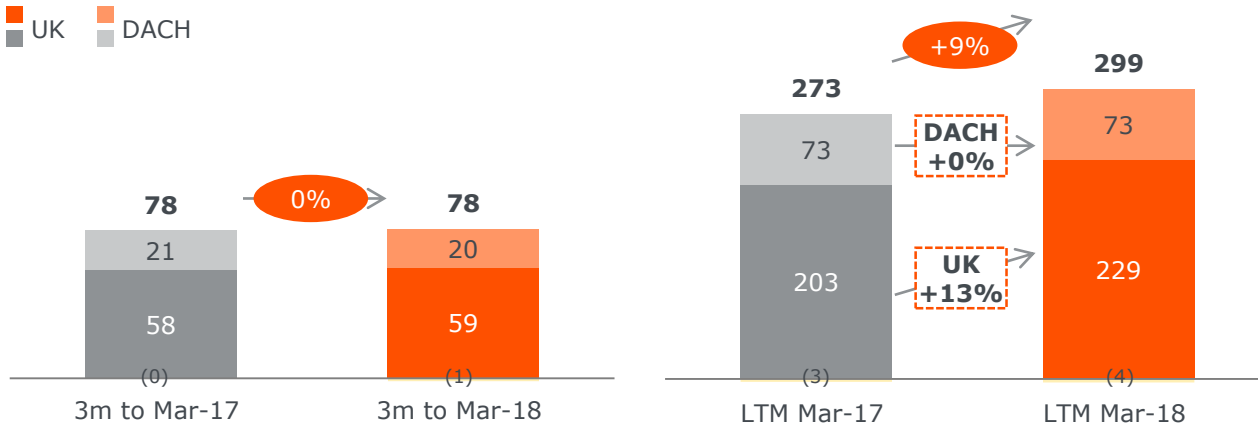
Gross Profit (£m)



Portfolio Acquisitions (£m)



Cash EBITDA (£m)



- Recent strong levels of purchasing softens short term Cash EBITDA growth as a greater element of the front-book moves through the peak of collection activity costs and is yet to hit peak cash collections

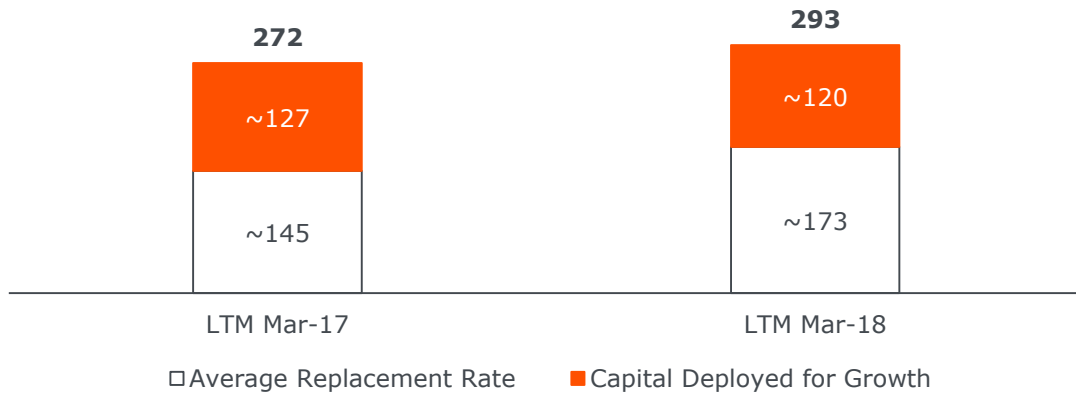
Note; Gross Profit calculated as Cash Income less Collection Activity Costs excluding Lawyer Service activity, less the amounts captured within Collection Activity Costs related to Non-recurring Costs / Exceptional Items (net of exceptional income).



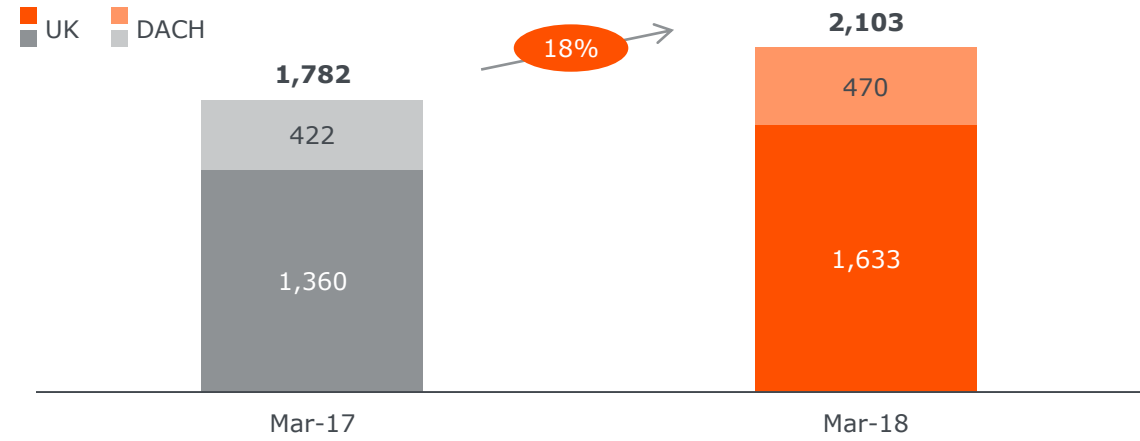
# Diversified Purchasing Capabilities Allow for Investment for Growth

Purchases in Excess of Average Replacement Rate (£m)

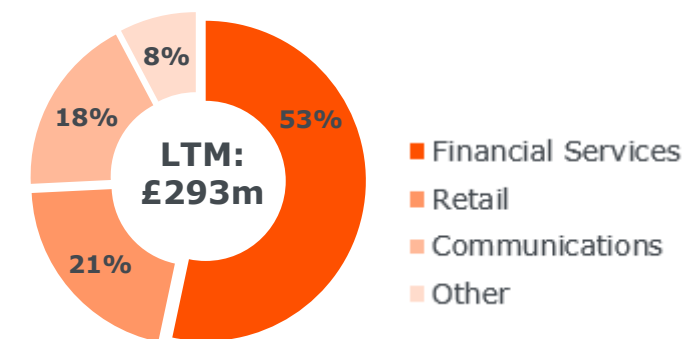
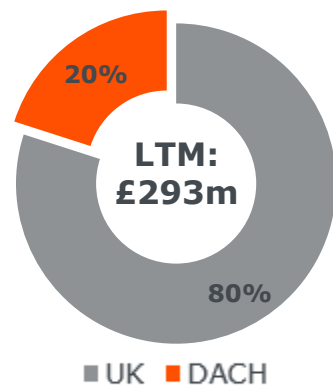
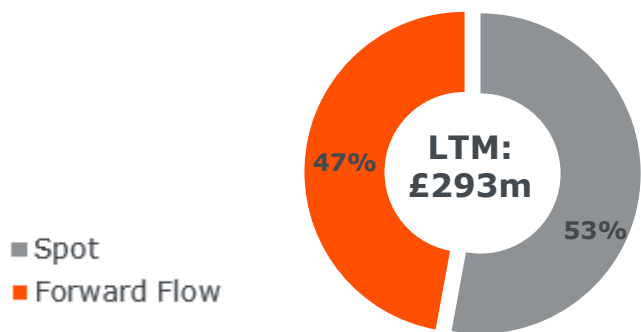
Significant Capital Invested for Growth



120m ERC (£m)



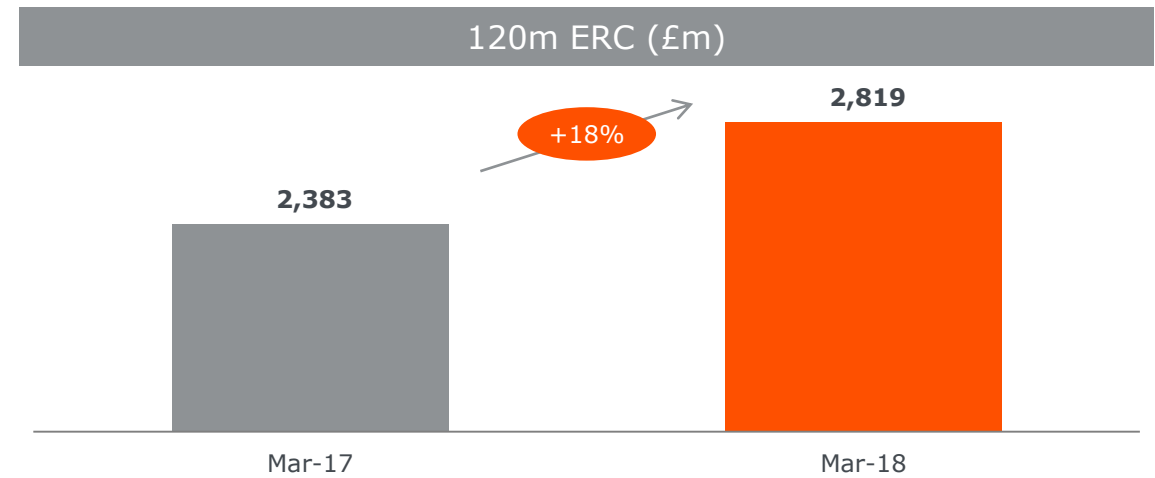
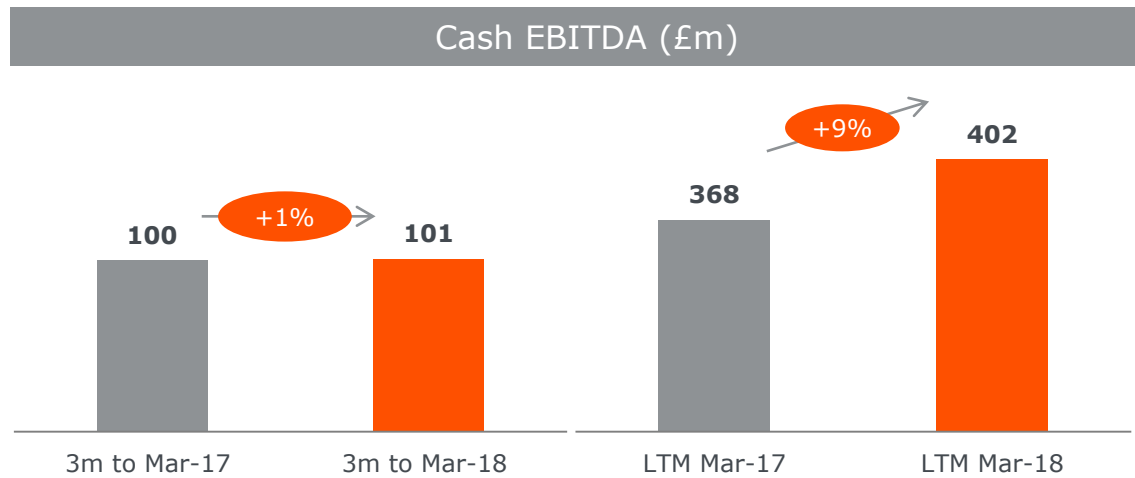
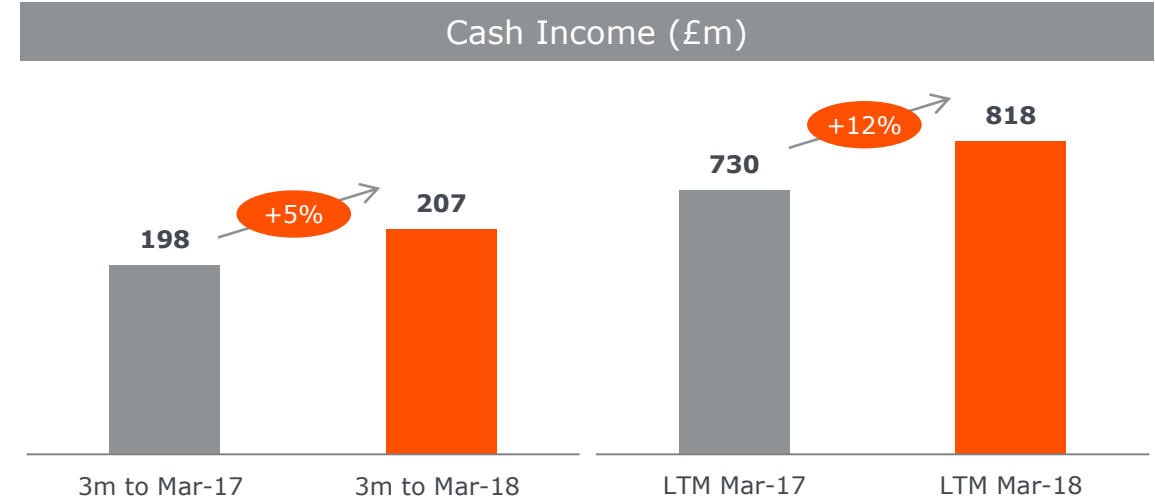
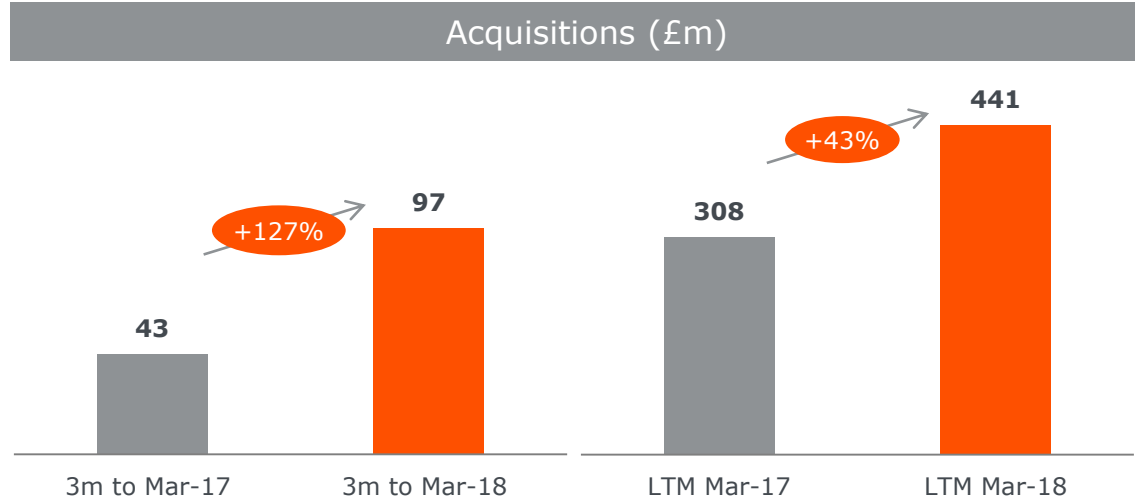
Acquisition Mix



Note: Average Replacement Rate as calculated in Appendix.

## 2. Pro Forma Group

# Pro Forma Group Financial Performance



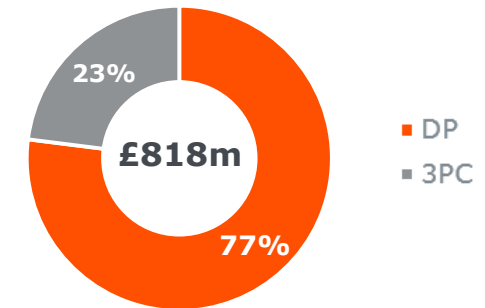
# Regional Positions of Scale and Diversification

## Our Regional Performance

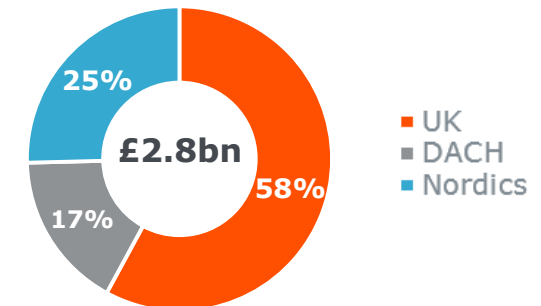
Geographies	£m	LTM Mar-17	LTM Mar-18	Var%
UK	Acquisitions	207	234	+13%
	Cash Income	329	377	+15%
	Cash EBITDA	203	229	+13%
	120m ERC	1,360	1,633	+20%
DACH	Acquisitions	65	59	(9)%
	Cash Income	194	219	+13%
	Cash EBITDA	73	73	+0%
	120m ERC	422	470	+11%
Nordics	Acquisitions	37	148	+304%
	Cash Income	207	222	+7%
	Cash EBITDA	95	99	+4%
	120m ERC	601	716	+19%

## Our Diversified Business

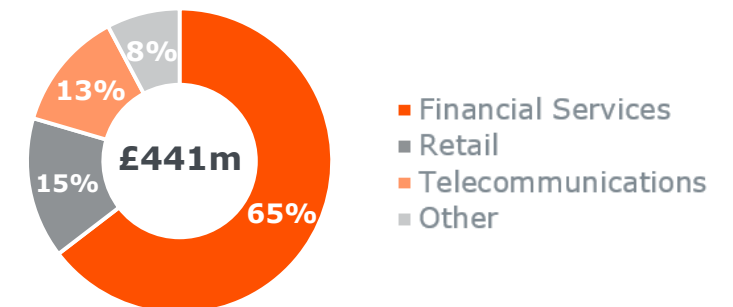
### Cash Income



### 120M ERC



### NPL Acquisitions



# 3. Funding Update

# Pro Forma Leverage in Keeping With Year End Guidance

£m	Pro Forma as at Mar-18
Gross Debt	2,176
Senior Secured Net Debt	1,847
Net Debt	2,107
<b>LTM Cash EBITDA</b>	<b>402<sup>1</sup></b>
Gross Debt / LTM Cash EBITDA	5.4x
Senior Secured Net Debt / LTM Cash EBITDA	4.6x
<b>Net Debt / LTM Cash EBITDA</b>	<b>5.2x</b>

- Minimal movement in net debt position despite continued purchasing success in Q1-18
- Successful increase in Revolving Credit Facility commitments to €455m from €200m provides greater funding flexibility
- Medium term net debt leverage guidance of 4.5x

<sup>1</sup> Pro Forma LTM Cash EBITDA includes Pro Forma cost adjustments rolled forward as at March 2018, in line with disclosure in Offering Memorandum dated January 19, 2018

# Successfully Increased RCF Commitments to €455m

## Key Terms

- Key terms unchanged;
  - Super Senior Secured
  - 3.50% + LIBOR / EURIBOR, drawable in GBP or EUR
  - Maturity 31 December 2021

## Drawdown Capacity

- Successful increase in Revolving Credit Facility commitments to €455m from €200m;
  - New commitments from the existing banking group and new participants
  - Overall support from 13 banks

## Size of Facility

- Drawdown capacity with accordion feature;
  - €200m + 7.9% of 84m ERC
  - Pro Forma Group 84m ERC of £2,382m as at 31 March 2018

## 4. Summary

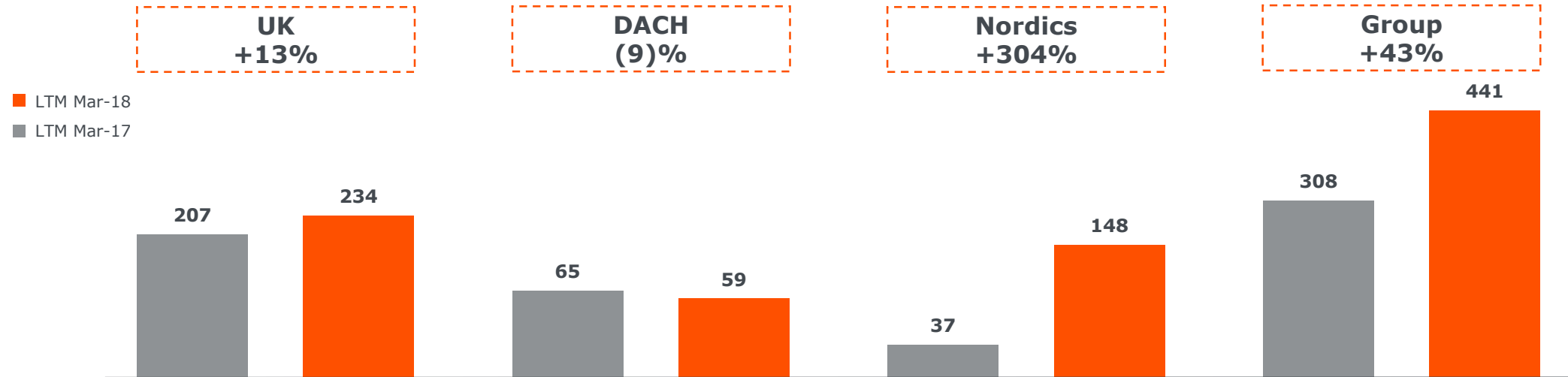


# Summary

## Outlook

- Outlook in keeping with our 2017 year end view
- Positive momentum seen year to date, with a strong purchasing and 3PC placements pipeline in place

## Portfolio Purchases Across Regions (£m)



- The Nordic region has recorded purchases ahead of investment case at attractive returns – a trend that is expected to continue
- We will continue to deploy capital to achieve growth and drive earnings in balance with our leverage target

# Appendix

# IFRS 9 – Changes to the SCI

## Understanding the IFRS 9 Restatement of the Prior Year Comparative

£000	Q1-17 Under IAS 39	Q1-17 IFRS 9 Transition	Q1-17 Under IFRS 9
<b>Income</b>			
Income from portfolio investments	57,241	-	57,241
Portfolio write up	27,574	(27,574)	-
Net portfolio write up	-	26,660	26,660
Portfolio fair value release	(641)	-	(641)
Service revenue	43,487	-	43,487
Other revenue	754	-	754
Other income	283	-	283
<b>Total income</b>	<b>128,698</b>	<b>(914)</b>	<b>127,784</b>
<b>Total operating expenses</b>	<b>(94,169)</b>	<b>914</b>	<b>(93,255)</b>
<b>Operating profit</b>	<b>34,529</b>	<b>-</b>	<b>34,529</b>

# Restatement of Quarterly Operating Expenses

£m		Q1-17	Q2-17	Q3-17	Q4-17	FY17
<b>Restated Amounts</b>						
Collection activity costs	①	60.6	59.8	60.5	58.0	238.9
Other expenses		32.6	36.9	41.4	54.9	165.8
Total operating expenses		93.3	96.7	101.9	112.9	404.7
<b>Previous Treatment</b>						
Collection activity costs	②	46.1	45.1	45.3	-	239.9
Other expenses		48.1	52.1	57.0	-	169.4
Total operating expenses		94.2	97.2	102.2	-	409.3
<b>Differences</b>						
Collection activity costs	③	14.5	14.7	15.3	-	(1.0)
Other expenses		(15.4)	(15.2)	(15.6)	-	(3.6)
Total operating expenses		(0.9)	(0.5)	(0.3)	-	(4.6)
Net portfolio write up		0.9	0.5	0.3	-	4.6
Net	④	-	-	-	-	-

① Quarterly figures restated to account for:

- The reclassification of appropriate staff costs as Collection activity costs from Other expenses; and
- An adjustment moving Impairment of Non-performing loans from Operating expenses to Net portfolio write up. This is as a result of the adoption of IFRS 9 on 1 January 2018

② Amounts as disclosed in Financial Statements

- FY17 figures as per FY17 Consolidated Financial Statements, which included the reclassification of staff costs for the full year

③ Detailed breakdown of the adjustments. Impairment of non-performing loans has been reclassified from Operating Expenses to Net portfolio write up, which sits within Income in the SCI

④ The overall net impact is nil

# Calculation Of Group ERC Replacement Rate Using Static GMM

## Extant Group (£m)

		Mar-18
	Group ERC <sup>1</sup>	2,180
	Year 1 Collections	469
	Roll-forward (UK - YR11, DACH - YR16)	75
<b>A</b>	Collections to replace	394
	2017 vintage Static GMM	2.1x
	2018 vintage Static GMM	1.9x
<b>B</b>	Blended Static GMM <sup>2</sup>	2.0x
<b>A/B</b>	Mar-18 Replacement Rate	~195

	Mar-17 Replacement Rate	~151
	Average LTM Replacement Rate <sup>3</sup>	~173

## Pro Forma Group (£m)

		Mar-18
	Group ERC <sup>1</sup>	3,018
	Year 1 Collections	597
	Roll-forward (UK - YR11, DACH & Nordics - YR16)	91
<b>A</b>	Collections to replace	506
	2017 vintage Static GMM	2.1x
	2018 vintage Static GMM	1.9x
<b>B</b>	Blended Static GMM <sup>2</sup>	2.0x
<b>A/B</b>	Mar-18 Replacement Rate	~258

	Mar-17 Replacement Rate	~198
	Average LTM Replacement Rate <sup>3</sup>	~228

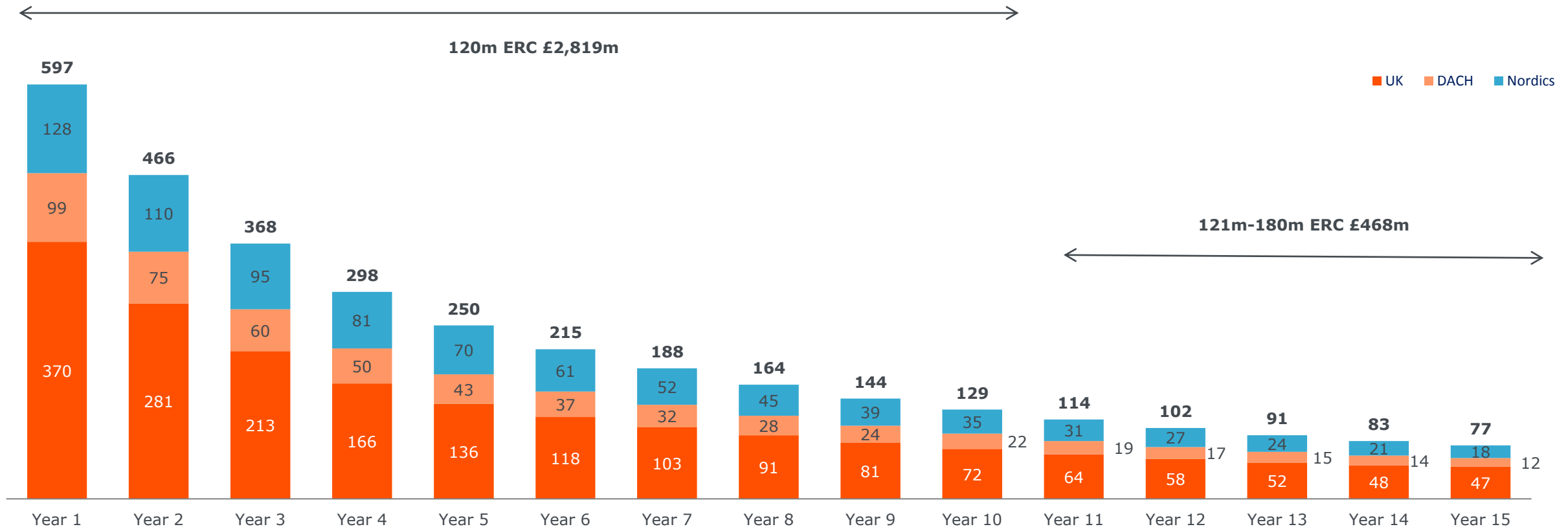
- A prudent calculation on the basis of static GMMs and the use of our most recent vintages being most representative of the current purchasing environment

<sup>1</sup> Group ERC represents 120m for UK, 180m for DACH and Nordics where applicable. <sup>2</sup> Blended GMM represents the weighted average static GMM for 2017 and 2018 vintages, across the UK, DACH and Nordics as at Mar-18.

<sup>3</sup> Average Replacement Rate is an average of the Replacement Rate as calculated at Mar-17 and the Replacement Rate as calculated at Mar-18.

# Group ERC Profile

## ERC Development (£m)



# Net Debt and Borrowings as at 31 March 2018

## Net Debt (£m)

### Bond Principal

£565m Senior Secured Notes 8.5%	565
€365m Senior Secured Notes 7.5%	319
€415m Senior Secured Notes EURIBOR +3.5%	363
€530m Senior Secured Notes EURIBOR +4.5%	463
SEK1,280m Senior Secured Notes STIBOR +4.75%	109
£230m Senior Notes 11%	230

### RCF Drawings and Other

GBP Drawn RCF	51
EUR Drawn RCF	46
EUR Other <sup>1</sup>	30

### Cash<sup>2</sup>

Cash	69
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<b>Senior Secured Net Debt</b>	<b>1,847</b>
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<b>Net Debt</b>	<b>2,107</b>
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<b>Gross Debt</b>	<b>2,176</b>
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## Bonds

Currency	Issue	Security	Maturity	Coupon	Issuer
GBP m	565	Senior secured notes	Nov-22	8.50%	GH3
EUR m	365	Senior secured notes	Aug-22	7.50%	GH3
EUR m	415	Senior secured notes	Sep-23	EURIBOR +3.50%	GH3
EUR m	530	Senior secured notes	Sep-23	EURIBOR +4.50%	GH3
SEK m	1,280	Senior secured notes	Sep-23	STIBOR +4.75%	GH3
GBP m	230	Senior notes	Nov-23	11.00%	GH2

## Revolving Credit Facility (RCF)

Currency	Committed Amount	Security	Maturity	Interest	Margin
EUR m	200 <sup>3</sup>	Super Senior Secured	31-Dec-21	LIBOR / EURIBOR	3.50%

<sup>1</sup> Includes £30m drawn under existing securitisation facilities. <sup>2</sup> Excludes restricted cash. <sup>3</sup> Post March 31<sup>st</sup>, 2018 subsequently increased to €455m

# Glossary

<b>3PC</b>	-	Third Party Collection	<b>FRN</b>	-	Floating Rate Notes
<b>Acquisitions</b>	-	The purchases of NPLs	<b>FTE</b>	-	Full-time equivalent employees
<b>Cash EBITDA</b>	-	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 and impairment of non-performing loans	<b>GMM</b>	-	'Gross money multiple', being the expected collections on a portfolio or particular vintage, divided by its respective purchase price. Reported on either a 'static' or 'current' basis
<b>Cash Income</b>	-	Total revenue for the period adding back portfolio amortisation and portfolio fair value release and deducting portfolio write-up, lawyer service revenue and other revenue	<b>IFRS</b>	-	International Financial Reporting Standards
<b>CMS</b>	-	Credit Management Services	<b>LIBOR</b>	-	London Interbank Offer Rate
<b>DACH</b>	-	Germany, Austria, Switzerland and Croatia	<b>Net Debt</b>	-	Senior Secured Notes bond principal plus Senior Notes bond principal plus RCF drawn amounts plus securitisation drawn amounts less cash
<b>DP</b>	-	Debt Purchase	<b>Nordics</b>	-	For the purpose of the presentation include Sweden, Denmark, Norway, Finland and Estonia
<b>EBITDA</b>	-	Defined as operating profit plus depreciation & amortisation, non-recurring costs and exceptional items (net of exceptional income) and portfolio fair value adjustment (where applicable)	<b>NPL</b>	-	Non Performing Loans
<b>ERC</b>	-	Estimated Remaining Collections over 84, 120 or 180 months	<b>Pro Forma Group</b>	-	The combined group following the acquisition of the Carve-out Business from Intrum
<b>EURIBOR</b>	-	Euro Interbank Offer Rate	<b>Replacement Rate</b>	-	The estimated amount of purchases to maintain current Group ERC
<b>Extant Group</b>	-	The underlying group prior to completion of the acquisition of the Carve-out Business from Intrum	<b>RCF</b>	-	Revolving Credit Facility
			<b>STIBOR</b>	-	Stockholm Interbank Offered Rate
			<b>WACD</b>	-	Weighted average cost of debt



# Upcoming Events

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## Results

- Q2-18 Results – Late August 2018
- Q3-18 Results – Late November 2018

### **Investor Relations Contact:**

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## Investor Relations Activity

- Accounting Teach In, London – 12 June 2018
- Deutsche Bank – Annual European Leveraged Finance Conference, London – 13 June 2018
- Nordea – Nordic High Yield and Leveraged Loan Conference, Stockholm – 4 September 2018
- Goldman Sachs – EMEA Leveraged Finance Conference, London – 4 September 2018