

Garfunkelux Holdco 2 S.A.

Q3-19 Interim Results

November 28th, 2019

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Agenda

1 | Executive Summary

2 | Financial Update

3 | Outlook

4 | Appendix

1. Executive Summary

Executive Summary

Growing the Business in the Right Way

Financial Performance

- Strong double digit growth across both Cash Income and Cash EBITDA
- Continued margin improvement; Cash EBITDA Margin increase in excess of 100bps year-on-year

New Business

- Opportunities remain fulsome across all geographies in terms of both value and volume
- Remain on track to meet FY19 purchasing guidance of £390m

Returns

- Strong momentum in collections; performance increasing to 105% vs Dec-18 static pool
- Frontbook returns continue to track at ~200bps greater than comparative period in FY18

Treasury Update

- Leverage reduced 0.2x to 4.9x in the quarter, in line with guidance
- Group maintains strong liquidity position of £285m

Executive Summary

£m	LTM Q3-18	LTM Q3-19	Var%
Cash Income	849	941	+11%
Cash EBITDA	422	479	+14%
Acquisitions	481	366	(24)%
120m ERC	3.0bn	3.3bn	+12%

105%
Collections vs Static
Pool¹

+100bps
Increase in
Cash EBITDA Margin

4.9x
Leverage

£285m
Available Liquidity²

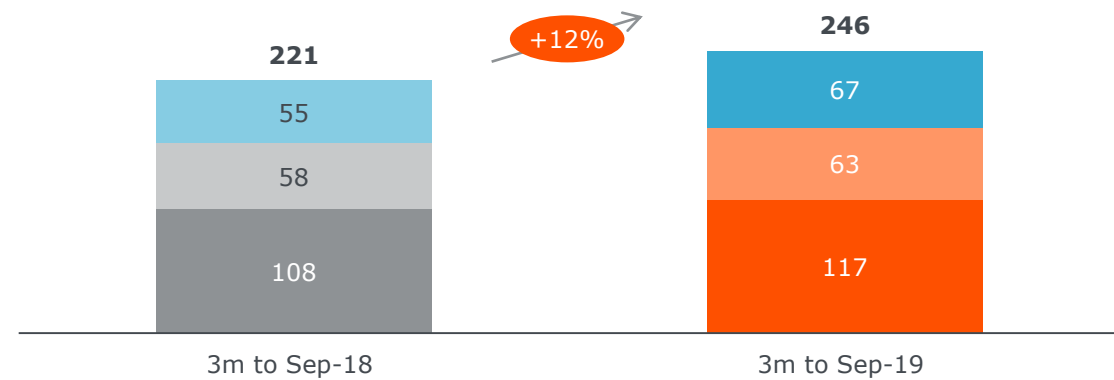
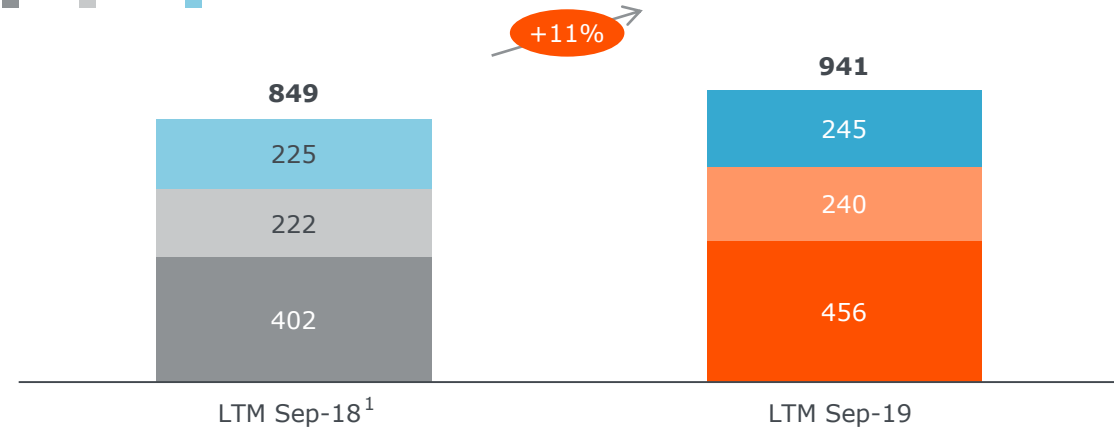
¹ Collection performance for the 9 months to Sep-19 vs Dec-18 static pool, excluding the sale of the Estonian backbook in August 2019. ² Calculated as Unrestricted cash on balance sheet plus amount available to draw on RCF as at Sep-19.

2. Financial Update

Cash Income Growth

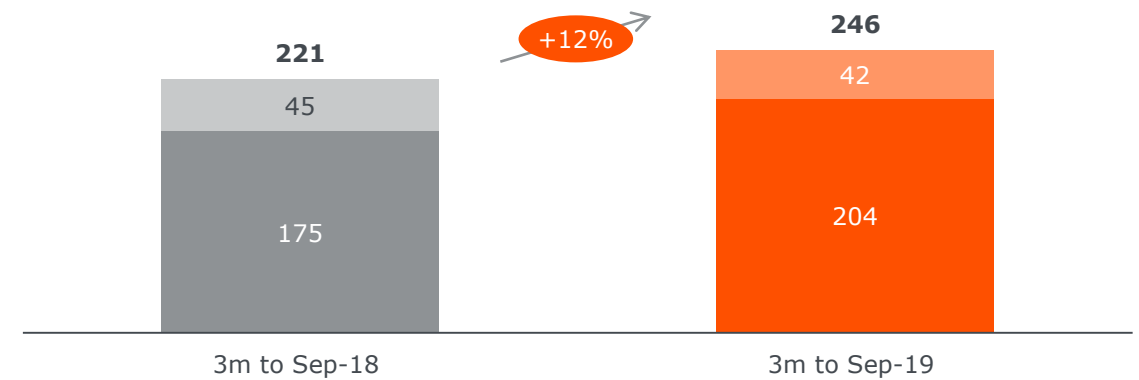
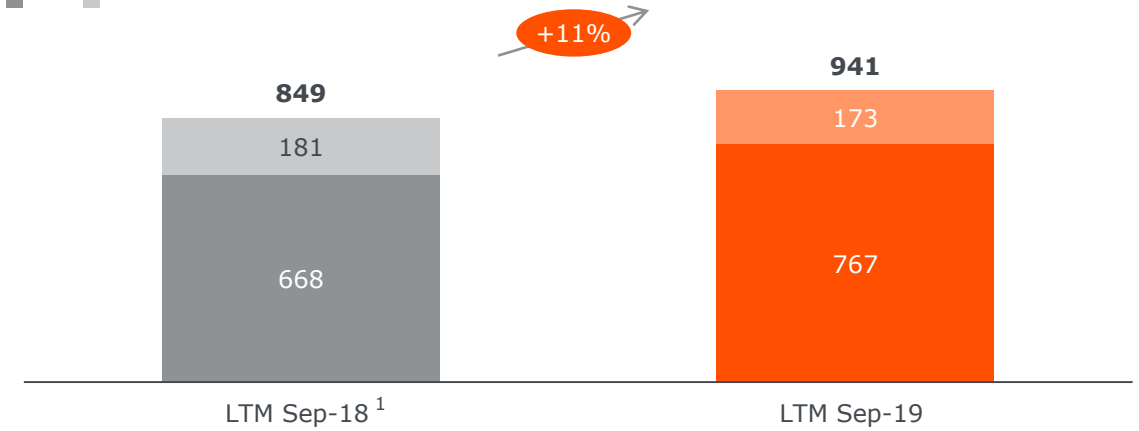
Cash Income by Geography (£m)

UK DACH Nordics



Cash Income by Service Line (£m)

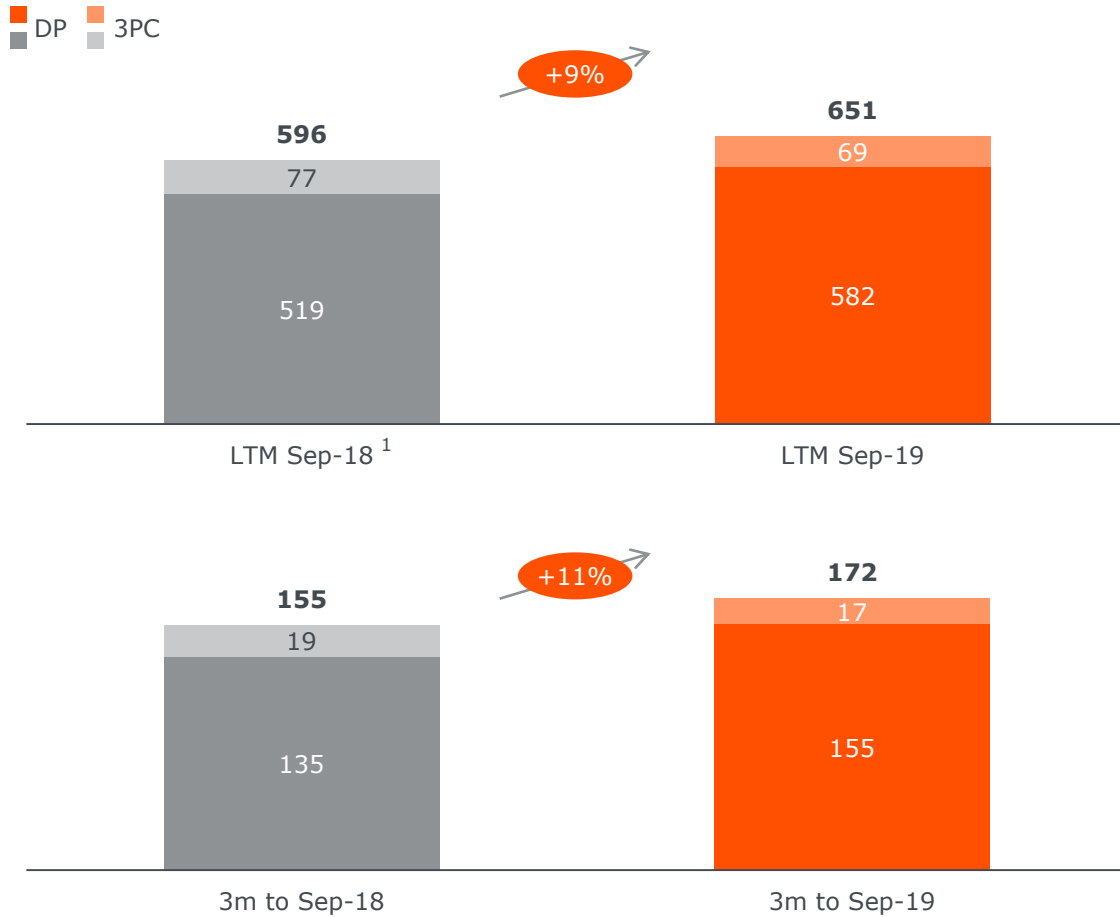
DP 3PC



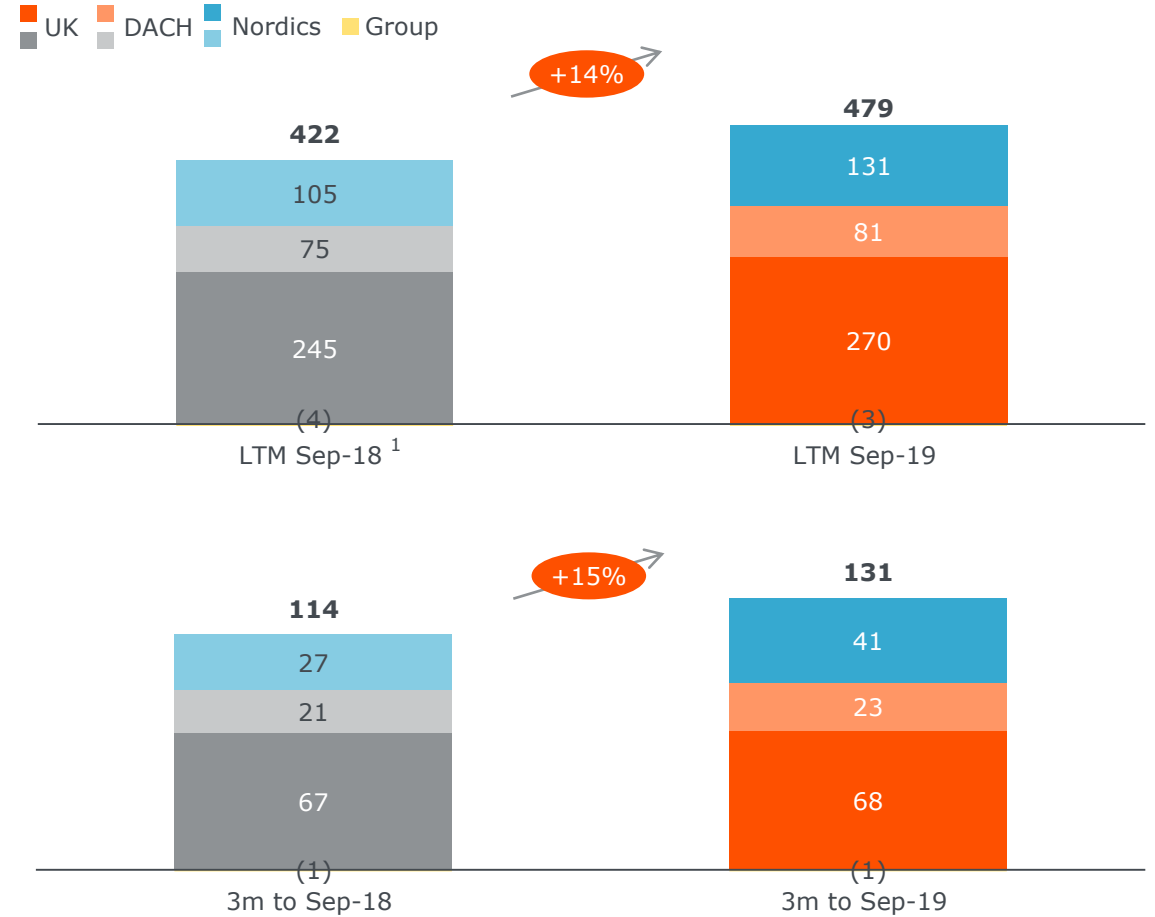
¹ Presented on a Pro Forma basis as if acquisition of the Carve-out Business had occurred on 1 Oct 2017.

Earnings Growth

Gross Profit (£m)



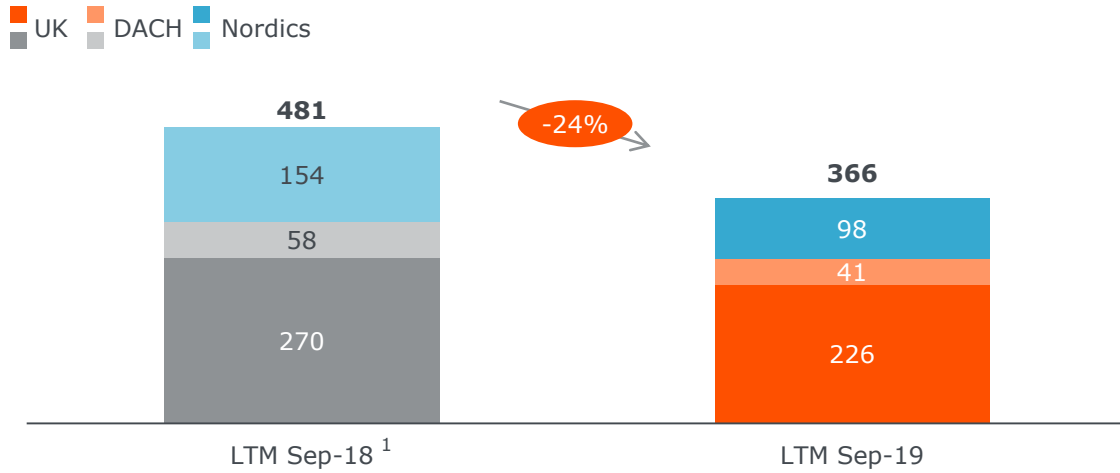
Cash EBITDA (£m)



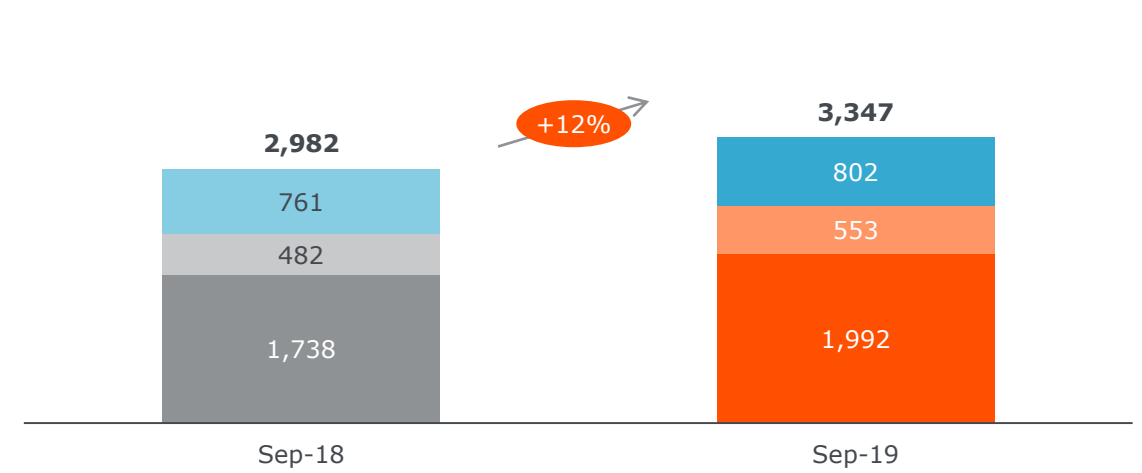
Note: Gross Profit calculated as Cash Income less Collection Activity Costs excluding Lawyer Service activity, less the amounts captured within Collection Activity Costs related to Non-recurring Costs / Exceptional Items (net of exceptional income). ¹ Presented on a Pro Forma basis as if acquisition of the Carve-out Business had occurred on 1 Oct 2017.

Growth in Asset Base

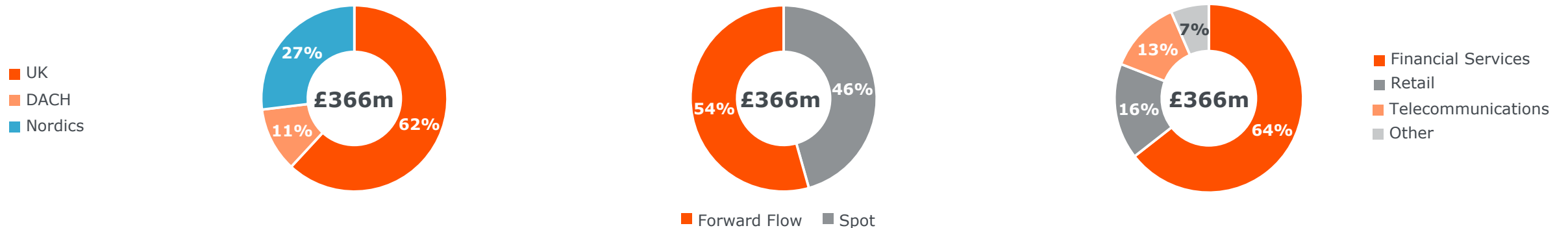
LTM Portfolio Acquisitions (£m)



120m ERC (£m)



LTM Acquisition Mix (£m)



¹ Presented on a Pro Forma basis as if acquisition of the Carve-out Business had occurred on 1 Oct 2017.

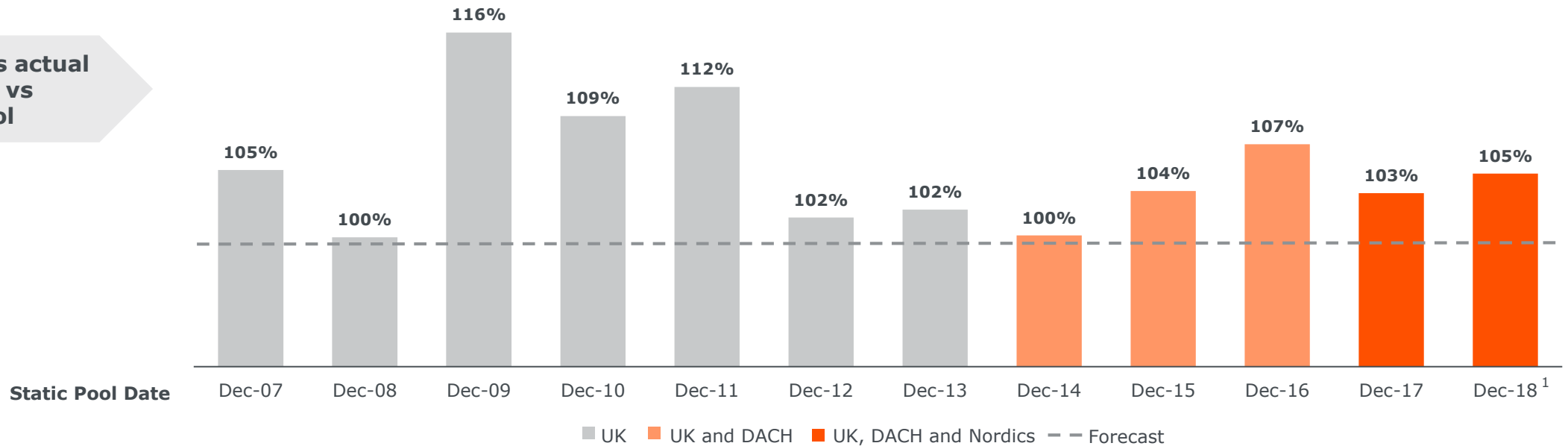
Continued Outperformance of Dynamic ERC Forecasts

Forecasting Accuracy to Dynamic Forecasts

Cumulative collection performance to Sep-19 vs static pool



Next 12 months actual collections vs static pool



¹Actual collections for the nine month period only to Sep-19, excluding the sale of the Estonian backbook in August 2019.

Leverage and Liquidity

£m	Sep-19
Leverage	
Net Debt ¹	2,343
LTM Cash EBITDA²	480
Net Debt / LTM Cash EBITDA	4.9x
Leverage Guidance by 2021 – 2022	4.0x – 3.5x
Liquidity	
RCF capacity ³	397
Amounts drawn	(183)
Cash ⁴	72
Available Liquidity	285

£m	LTM Sep-19
Trailing LTM Excess Cash before Average Replacement Rate	326
Average Replacement Rate ¹	(274)
Excess Cash	51

- Leverage decreased by 0.2x to 4.9x in the quarter; in line with guidance
- Group maintains significant liquidity of ~£285m at Sep-19;
 - Additional ~£60m available through option to reset securitisation facility to £255m
- Trailing excess cash in ERC Steady State scenario at £51m; benefitting from margin accretion

¹ As calculated in Appendix. ² Pro Forma LTM Cash EBITDA includes Pro Forma cost adjustments of £1m. ³ Calculated as €200m, plus 7.9% of the Group's 84m ERC. ⁴ Unrestricted cash on balance sheet as at Sep-19.

3. Outlook

Outlook

Growing the Business in the Right Way

Favourable Market Outlook

- Market continues to support improved returns and growing pipeline opportunities
- Lowell continues to be discerning with regard to investment appetite
- Available liquidity of £285m and ~£60m optionality under securitisation agreement provide significant source of funds to enact on chosen opportunities

Balance Sheet Focus

- Cash generative business, with forecast collections in excess of £1.2bn across the next 24 months
- Group maintains disciplined approach to capital deployment
- Ongoing commitment of leverage reduction to target range of 4.0x – 3.5x by 2021 / 2022

Appendix

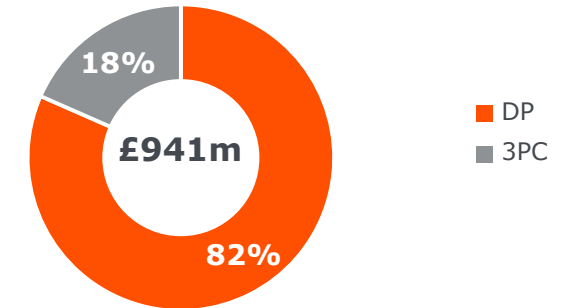
Regional Performance

Our Regional Performance

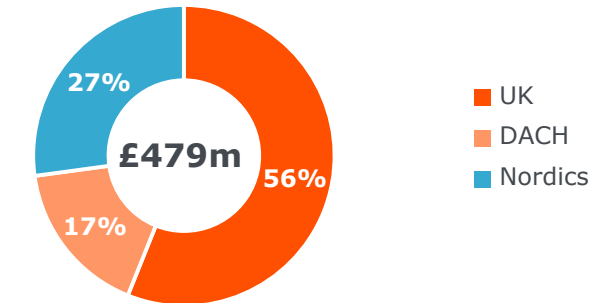
Geographies	£m	LTM Sep-18	LTM Sep-19	Var%
UK	Acquisitions	270	226	(16)%
	Cash Income	402	456	+13%
	Cash EBITDA	245	270	+10%
	120m ERC	1,738	1,992	+15%
DACH	Acquisitions	58	41	(29)%
	Cash Income	222	240	+8%
	Cash EBITDA	75	81	+8%
	120m ERC	482	553	+15%
Nordics	Acquisitions	154	98	(36)%
	Cash Income	225	245	+9%
	Cash EBITDA	105	131	+24%
	120m ERC	761	802	+5%

Our Diversified Business

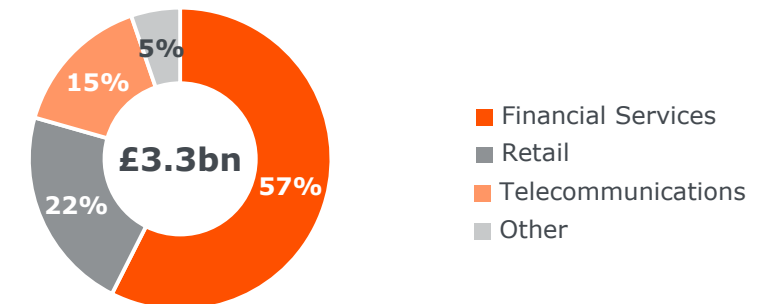
Cash Income



Cash EBITDA



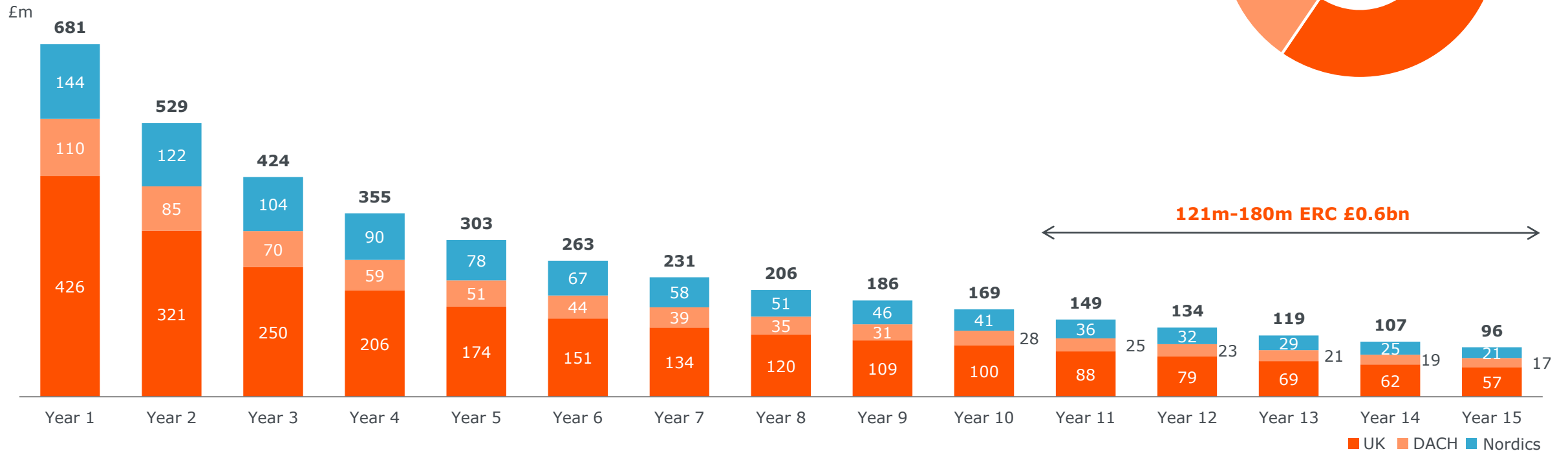
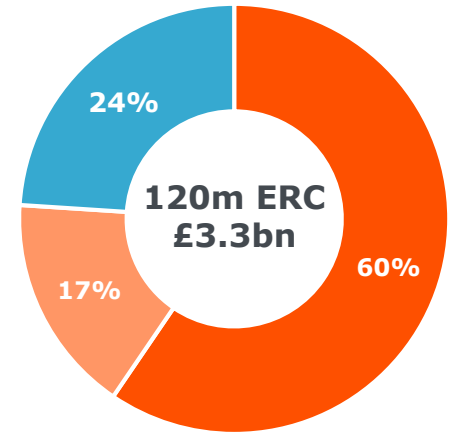
120m ERC



Backbook - ERC Profile

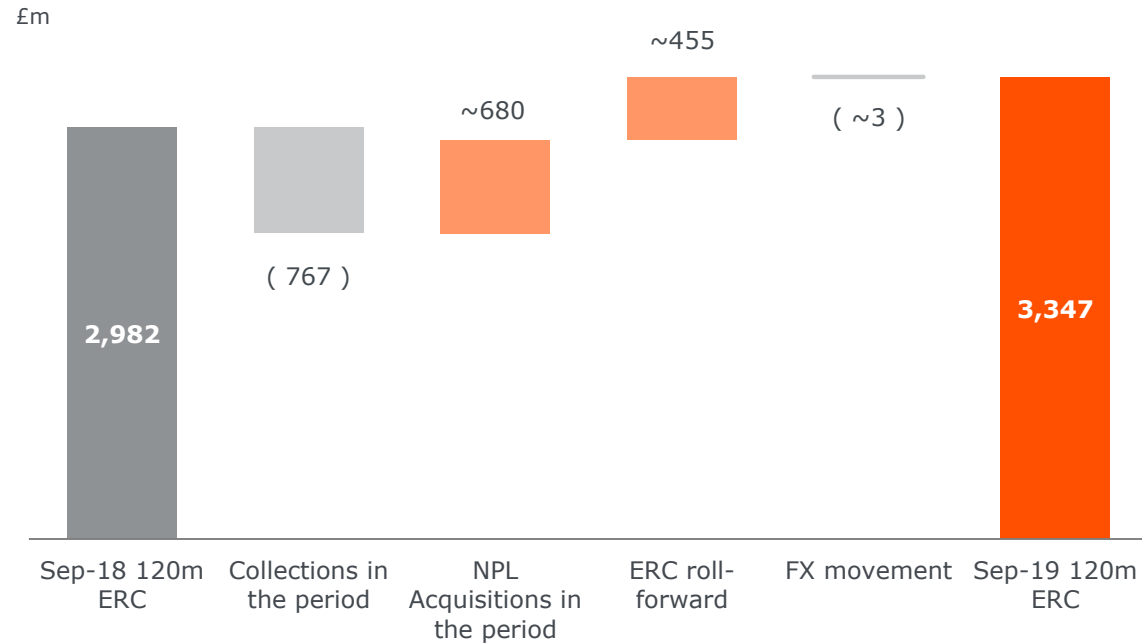
Over £1.2bn collections forecast over next 24 months

120m ERC £3.3bn

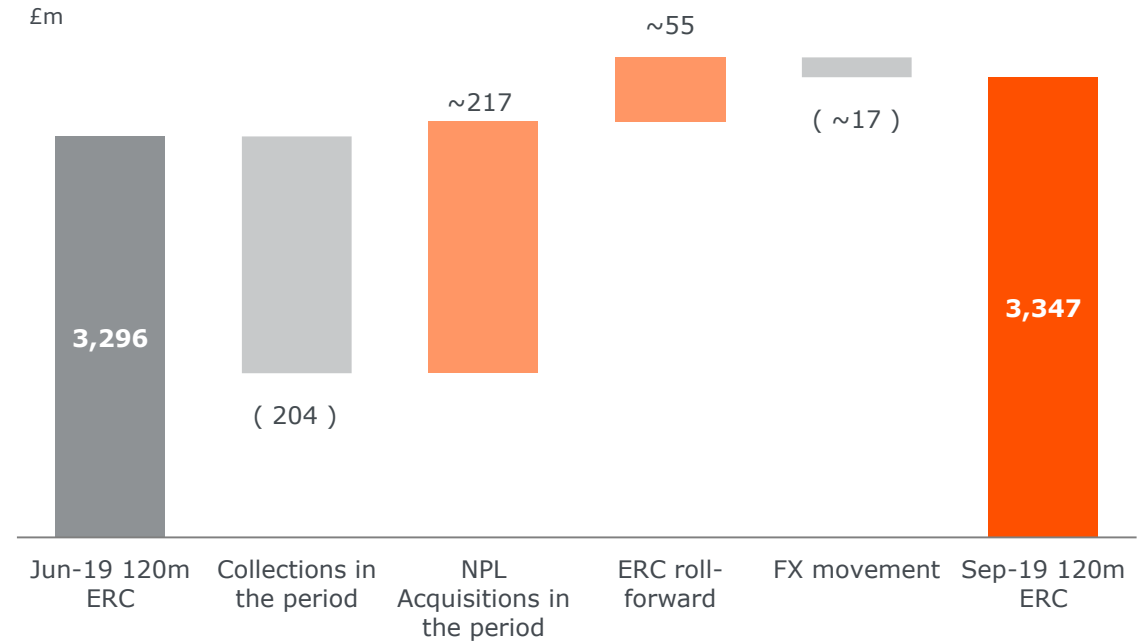


120m ERC Roll-Forward

ERC Roll-Forward; Sep-18 to Sep-19



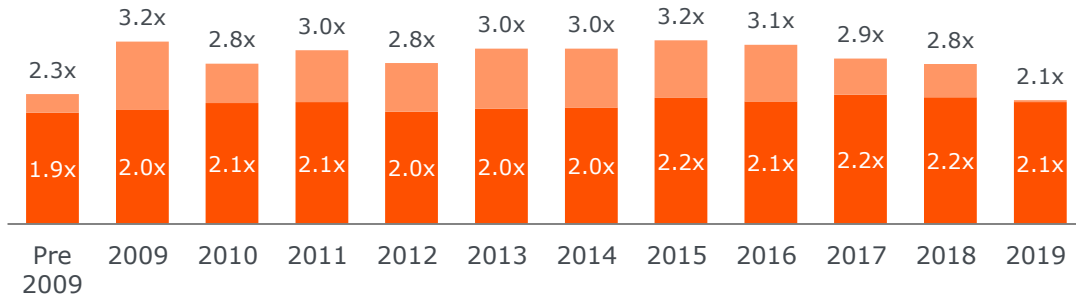
ERC Roll-Forward; Jun-19 to Sep-19



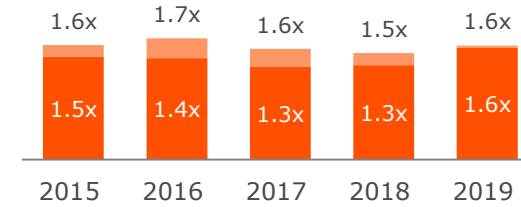
- NPL Acquisitions in the period: purchases in the period grossed up to 120m ERC based on respective priced 120m GMMs
- ERC roll-forward takes into account:
 - Mechanical nature of revaluation (roll-in of value present in the tail)
 - Change in collections expectations leading to an uplift or reduction in estimated cash-flows

GMM Per Vintage – Pricing vs Current

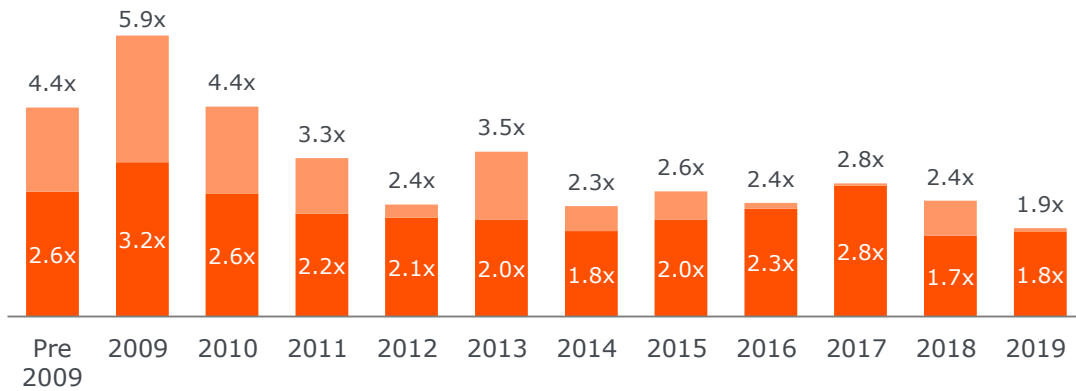
UK Non-Paying¹



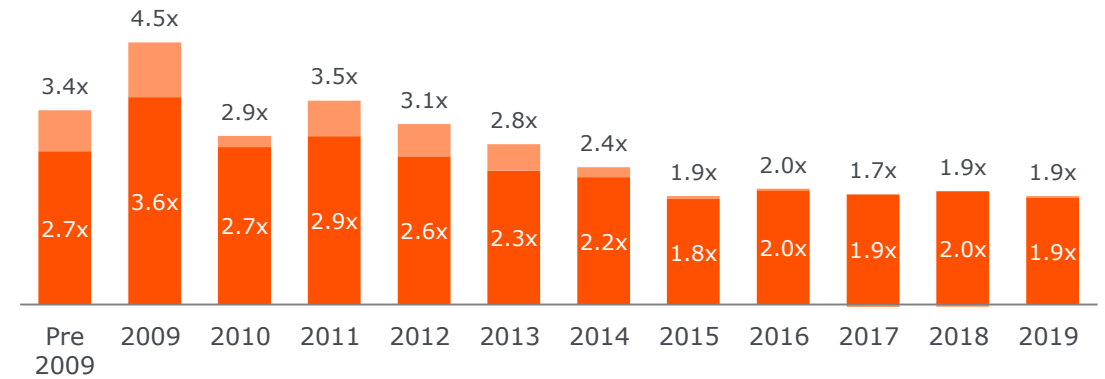
UK Paying¹



DACH²



Nordics²



■ Priced GMM ■ Current GMM

¹ UK based on 120m ERC. GMM at pricing based on initial 120m only priced collection expectation. UK Paying: These portfolios are determined at the point of acquisition based on the proportion of accounts within that portfolio which are set up on a payment plan. ² Based on 180m ERC. GMM at pricing based on initial 180m only priced collection expectation. Current GMM is calculated using actual collections to Sep-19, plus ERC across the next 120m (UK) and 180m (DACH and Nordics).

Calculation Of Group ERC Replacement Rate Using Static GMM

Group (£m)		
		Sep-19
	Group ERC ¹	3,595
	Year 1 Collections	681
	Roll-forward (UK - YR11, DACH and Nordics - YR16)	121
A	Collections to replace	560
	2018 vintage Static GMM	2.1x
	2019 vintage Static GMM	2.0x
B	Blended Static GMM ²	2.1x
A/B	Replacement Rate as calculated at Sep-19	271
	Replacement Rate as calculated at Sep-18	277
	Average LTM Replacement Rate ³	274

GMM Weighted Average Calculation				
	UK	DACH	Nordics	Total
2018 Vintage				
Purchases (£m)	233	57	118	408
% of total purchases	57%	14%	29%	100%
Actual Static GMM	2.2x	2.4x	1.9x	
Weighted Average				2.1x
2019 Vintage				
Purchases (£m)	180	30	65	275
% of total purchases	65%	11%	24%	100%
Actual Static GMM	2.1x	1.8x	1.9x	
Weighted Average				2.0x
Blended Static GMM				2.1x

¹ Group ERC represents 120m for UK, 180m for DACH and Nordics where applicable. ² Blended GMM represents the weighted average static GMM for 2018 and 2019 vintages, across the UK, DACH and Nordics as at Sep-19.

³ Average Replacement Rate is an average of the Replacement Rate as calculated at Sep-19 and the Replacement Rate as calculated at Sep-18.

Net Debt and Borrowings as at 30 September 2019

Net Debt (£m)

Bond Principal

£565m Senior Secured Notes 8.5%	565
€365m Senior Secured Notes 7.5%	323
€415m Senior Secured Notes EURIBOR +3.5%	367
€530m Senior Secured Notes EURIBOR +4.5%	469
SEK1,280m Senior Secured Notes STIBOR +4.75%	106
£230m Senior Notes 11%	197 ²

RCF Drawings and Other

GBP Drawn RCF	156
EUR Drawn RCF	27
UK Securitisation	196
DACH Securitisation	9

Cash¹

Cash	72
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Senior Secured Net Debt	1,877
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Net Debt	2,343
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Gross Debt	2,415
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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	197 ²	Senior notes	Nov-23	11.00%	GH2

Revolving Credit Facility (RCF) and Other

Currency	Committed Amount	Security	Maturity	Interest	Margin
EUR m	455	Super Senior Secured RCF	31-Dec-21	LIBOR / EURIBOR	3.50%
GBP m	255	Asset Backed Loan	Nov-22	LIBOR	2.85%

¹ Excludes restricted cash. ² The Group repurchased £33.5m of the bonds in August 2019.

Glossary

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

Upcoming Events

Results

- FY19 Results – March 2020

- Q1-20 – May 2020

Investor Relation Activity

- Goldman Sachs – Credit Management Services Conference, London – 11 December 2019

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