

Garfunkelux Holdco 2 S.A.

Q2-20 Interim Results

August 20th, 2020

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Q2: Strong Performance Despite Challenging Economic Backdrop

LTM Cash EBITDA Growth of 11% vs prior year with 470bps of margin expansion

Leverage held flat at 4.7x

Strong liquidity maintained of £279m¹

Solvencia carve-out will drive 3PC growth in the Nordics

Limited operational impact following the move to 'working from home'

¹ Calculated as unrestricted cash on balance sheet plus amounts available to draw on RCF and UK Securitisation as at Jun-20.

Resilient Financial Performance Continues

£m	LTM Q2-19	LTM Q2-20	Var%
Cash Income	915	930	+2%
Cash EBITDA	461	513	+11%
Acquisitions	368	351	(5)%
120m ERC	3,296	3,466	+5%

94%
H1-20 Collections vs
Dec-19 Static Pool ¹

+470bps
Increase in
LTM Cash EBITDA
Margin

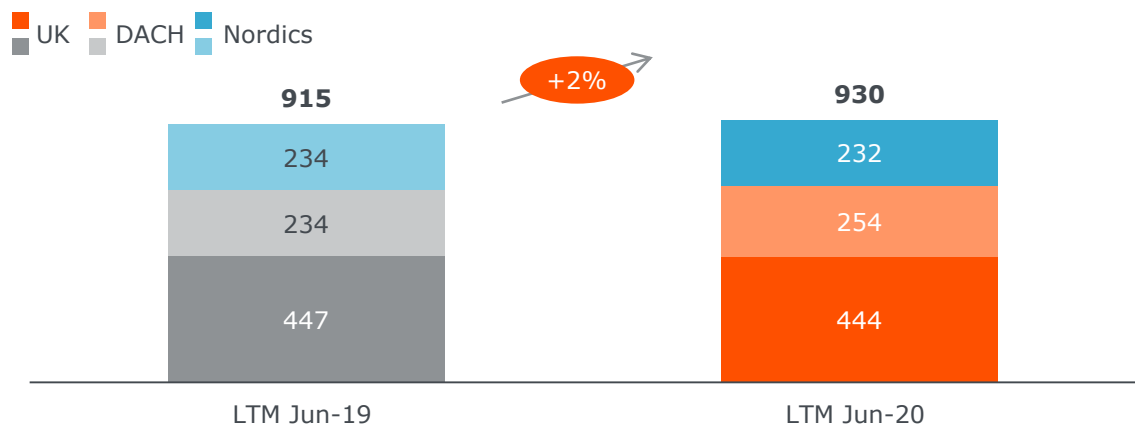
4.7x
Leverage ²

£279m
Available
Liquidity ³

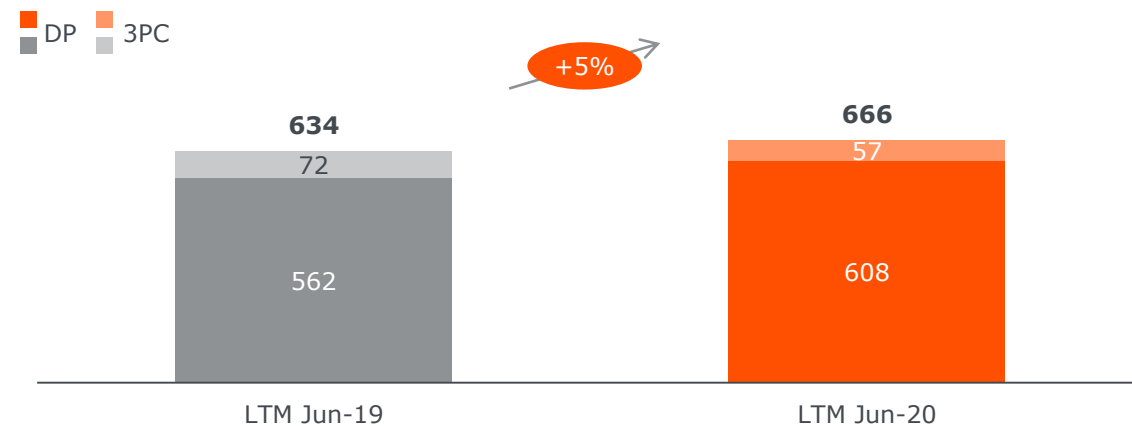
¹ Collection performance for the 6 months to Jun-20 vs Dec-19 static pool. ² Calculated as Net Debt to LTM Pro Forma Cash EBITDA. ³ Calculated as unrestricted cash on balance sheet plus amounts available to draw on RCF and UK Securitisation as at Jun-20.

Continuation of Strong LTM Growth Trends

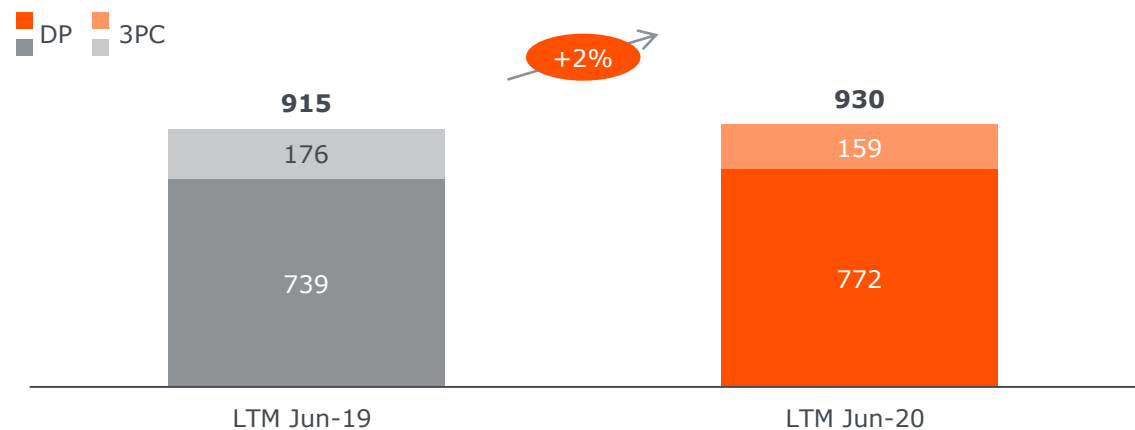
Cash Income by Geography (£m)



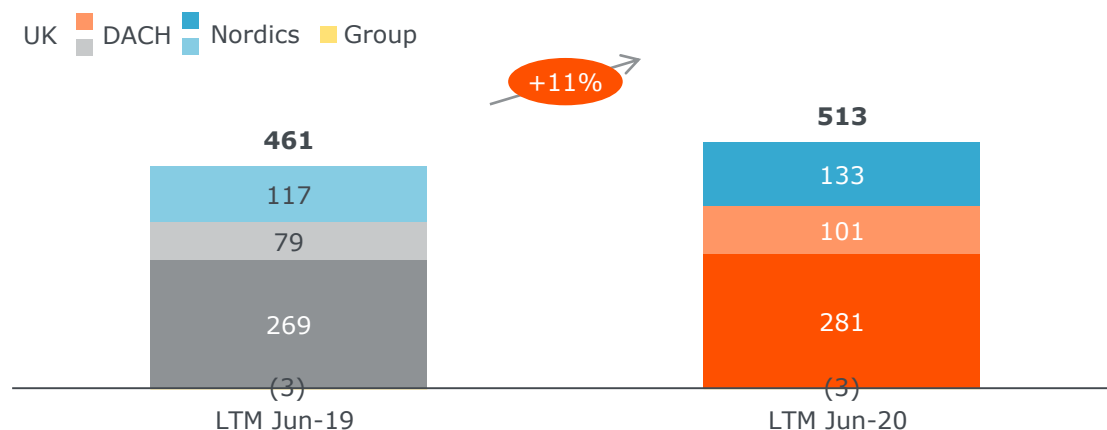
Gross Profit (£m)



Cash Income by Service Line (£m)



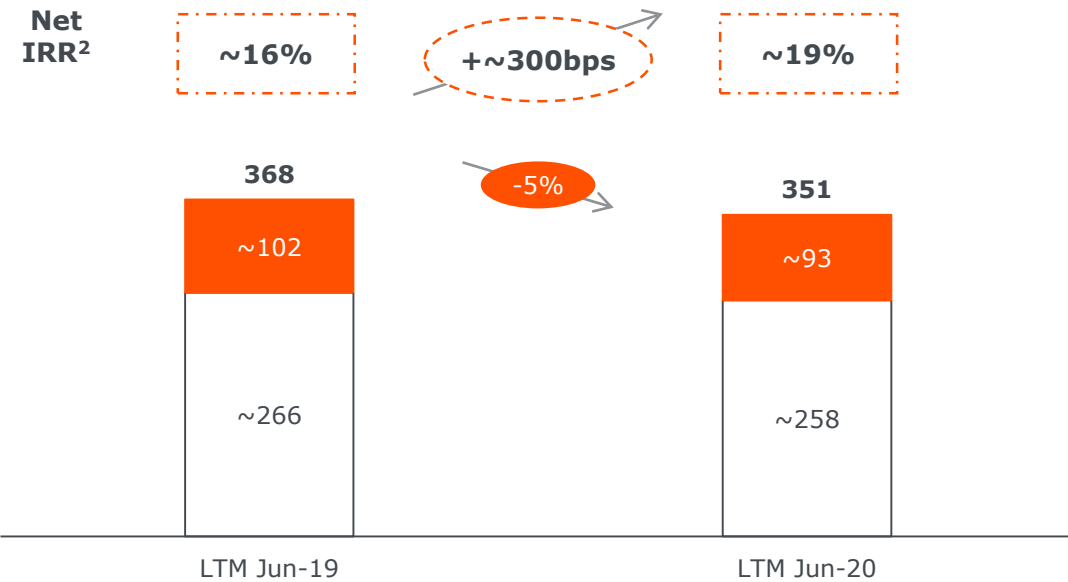
Cash EBITDA (£m)



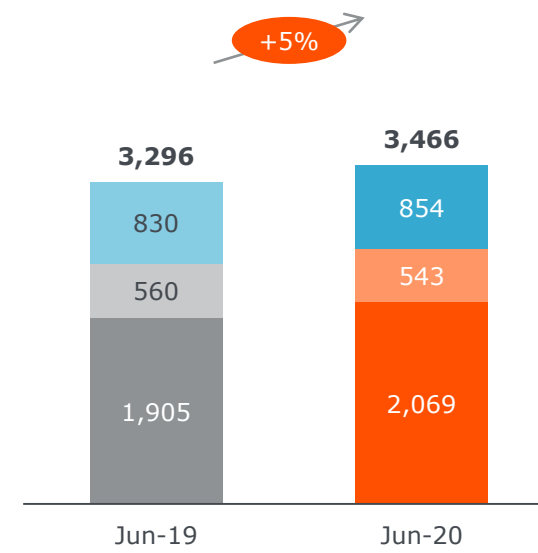
Disciplined Capital Deployment at Attractive IRRs

LTM Portfolio Acquisitions (£m)

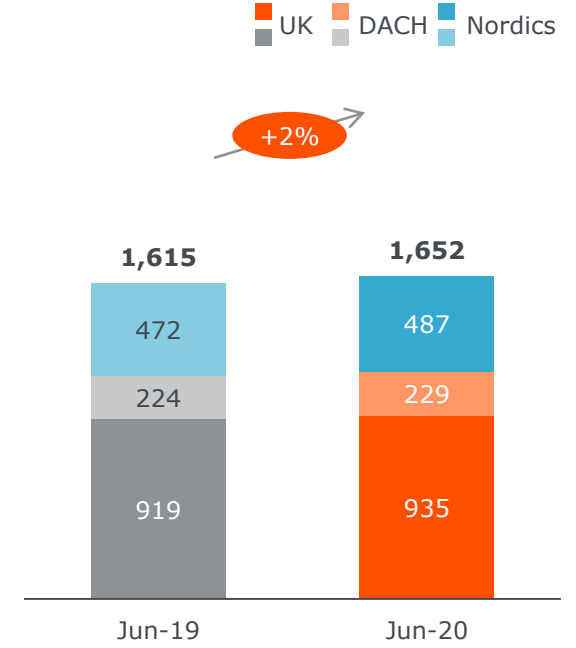
□ Average Replacement Rate¹ ■ Capital Deployed for Growth



120m ERC (£m)



Portfolio Book Value³ (£m)



- No change in expected gross collections, just deferral in collection timing
- Expected deferral has resulted in a £11m net portfolio write down in Q2; ~0.7% of total Portfolio Book Value

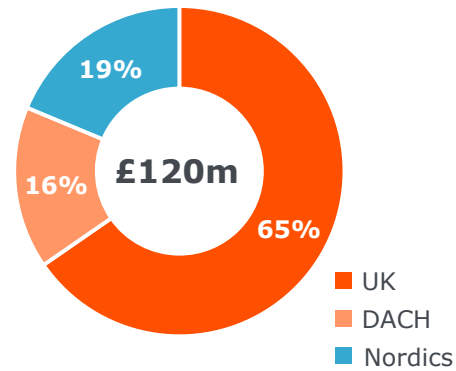
¹ In LTM Jun-20, Average Replacement Rate is an average of the Replacement Rate as calculated at Jun-20 and the Replacement Rate as calculated at Jun-19.

² Blended Group priced Net IRR, net of collection activity costs at LTM Jun-19 and LTM Jun-20. ³ Portfolio book value recognised on an 84m basis for UK and 120m basis for DACH and Nordics.

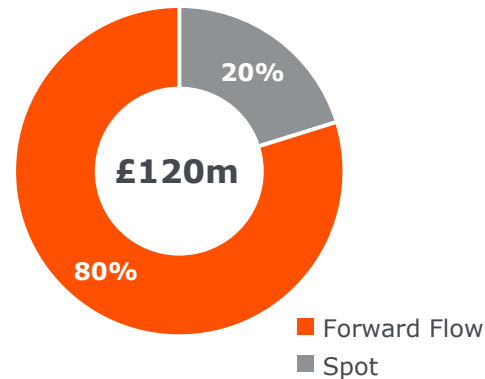
Leading Debt Purchase Franchises Across All Regions

Diversified Capital Deployment...

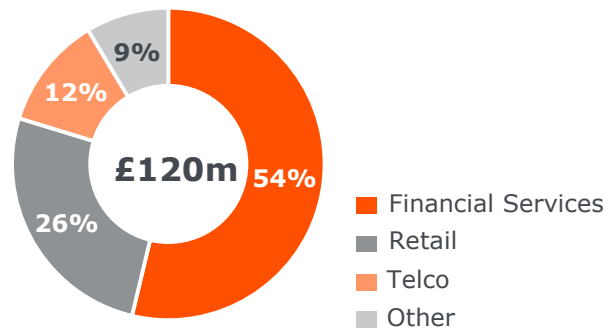
H1-20 Purchases by Region



H1-20 Spot/FF Mix



H1-20 Purchases by Sector



...Supported by Attractive Returns

Disciplined capital allocation rendering impressive results

- Central capital allocation drives return optimisation
- Guidance of ~£300m for total FY20 spend
- Expected FY20 vintage IRR of ~19%; with healthy contribution from forward flow purchases

Originating Expertise

- Deep client relationships across geographies and sectors
- Significant forward flows provide excellent visibility on returns

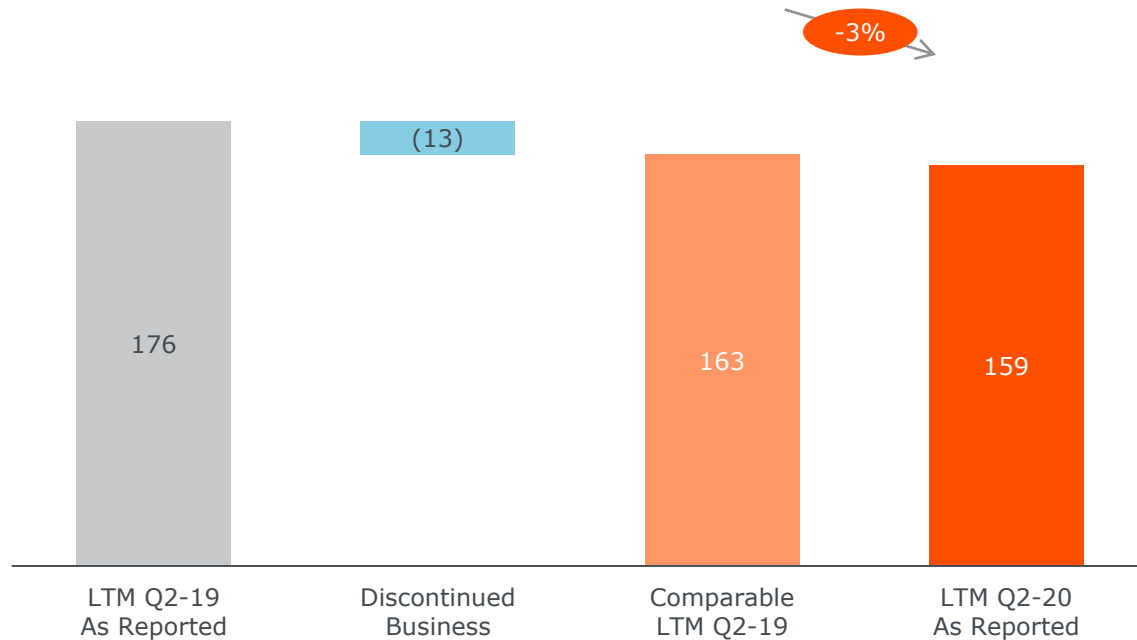
Best in class performance

- Track record of outperformance
- Vs both pricing expectations and dynamic collection forecasts

Leading 3PC Platforms and Deep Client Relationships

Underlying Stability in Performance...

3PC Cash Income, £m



...With Meaningful Scale

Leading Platforms of Scale & Capital-light Income

- Leading positions across DACH and Nordics
- Strong diversification – ~18% Group Cash Income
- £57m Gross Profit Contribution

Longstanding Client Relationships

- Over £2bn of face value placed across 300 client relationships¹ with an average relationship length of 8 years²

And Opportunities for Future Growth

Solvencia carve-out will provide future growth from Q4-20

- Value accretive servicing platform acquisition with key exposure to the Energy sector

Co-Investment Opportunities

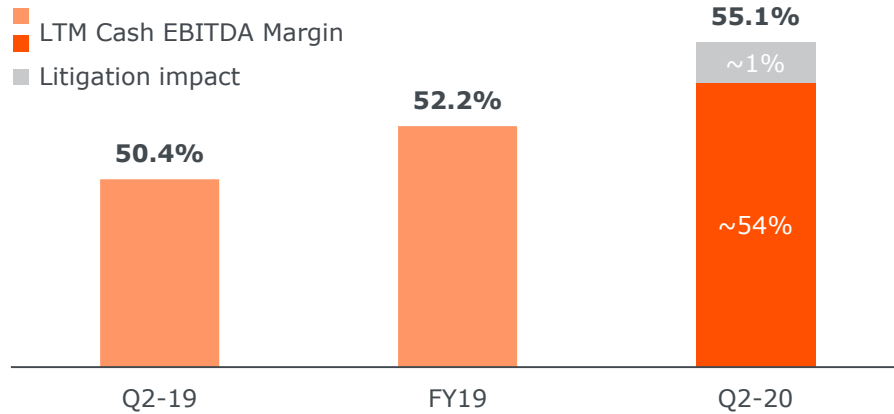
- Opportunity to capitalise on DP strengths to grow 3PC income with €300m to deploy across next three years

¹ Includes all 3PC clients in DACH and material 3PC clients in Nordics. ² Average length of current servicing relationships with clients in DACH and Nordics.

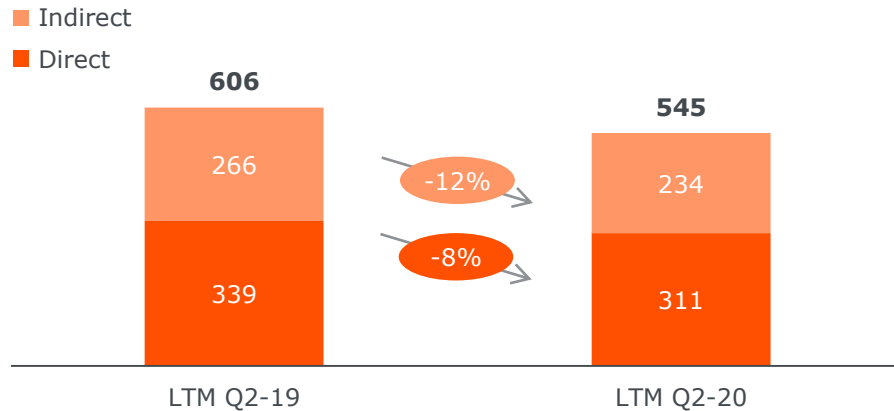
Impressive Cash EBITDA Margin Accretion Set to Continue

Tangible Progress to Date...

470bps increase in LTM Cash EBITDA margin supported by reduced Litigation across Q2-20



Focus on overheads control with reduction in discretionary spend



...Driven by Strategic Cost Control

- Leveraging of indirect costs; with costs reducing vs growing cash income and asset base
- Increased proportion of digital journeys and back office automation
- Benefit of FTE reduction initiatives

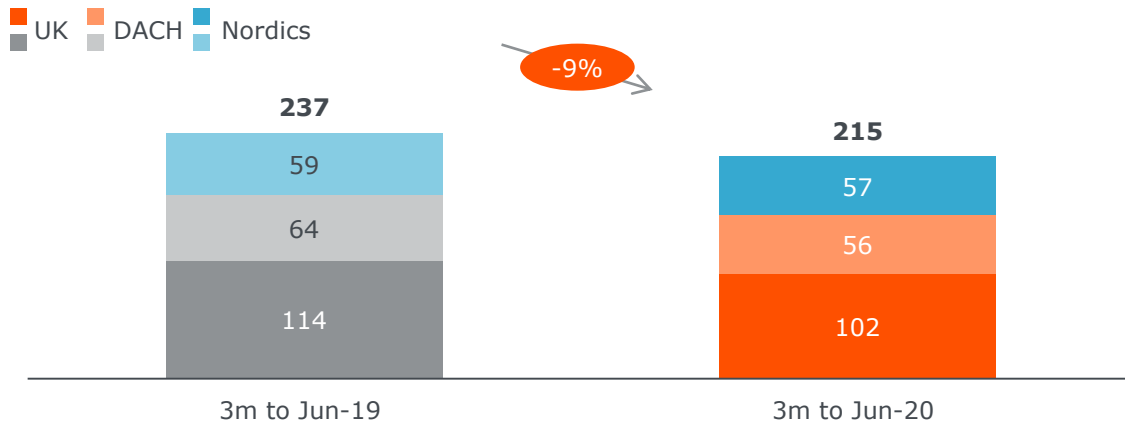
With Further Margin Accretion Expected

- **~300bps margin accretion forecast across next 24 months**
- Building on progress to date:
 - Expansion of digital collection activities
 - Continued leveraging of the Group's scale
 - Continued roll out of RPA¹ across the business
 - Full year benefits of FTE reductions initiated

¹ Robotic Process Automation

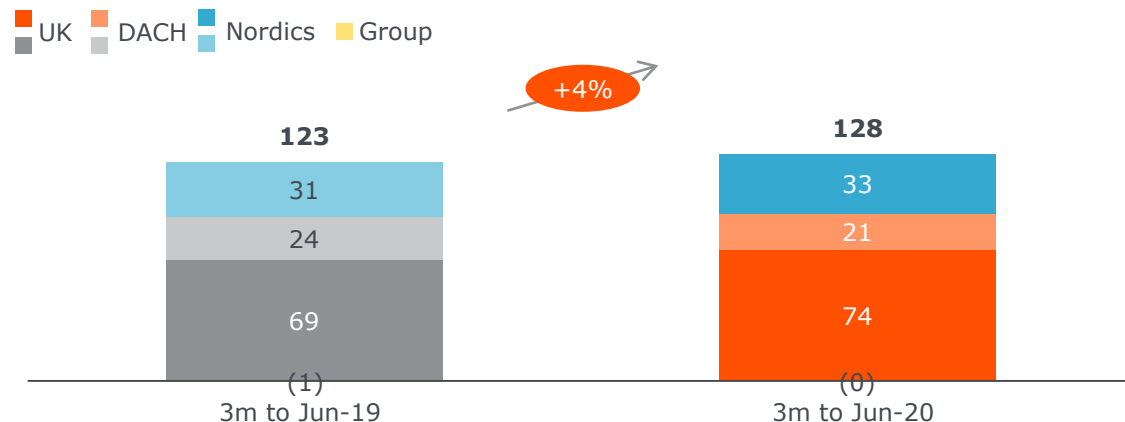
Demonstrable Collections Resilience and Strong Cash EBITDA Growth In Q2

Cash Income by Geography (£m)



- Resilient collection performance in Q2:
 - DACH and Nordics ahead of Dec-19 Static Pool expectation**
 - UK performing at ~90% YTD as a result of actions taken by Management

Cash EBITDA (£m)



- Continued margin accretion:
 - Principally from Management actions to drive down costs;** and
 - To a lesser extent, reduced litigation spend in UK across Q2
- Strong business performance provides great momentum for H2**

UK Collections Performance in Context

90% of UK Collection Shortfall a Result of Proactive Consumer Focused Measures

Resilience Underpinned by Customer Continuity

£14.50
Average Monthly Payment

81%
Plans set up after Affordability Review¹

~75%
Plans set up on Direct Debit

6.2%
LTM Default Rate²

Resulting in a delay, not loss, of collections

UK static pool performance³



Collections to Date Impacted by Management Choices

Litigation

- Decision to pause UK related activity in March 2020

Outbound Dialling

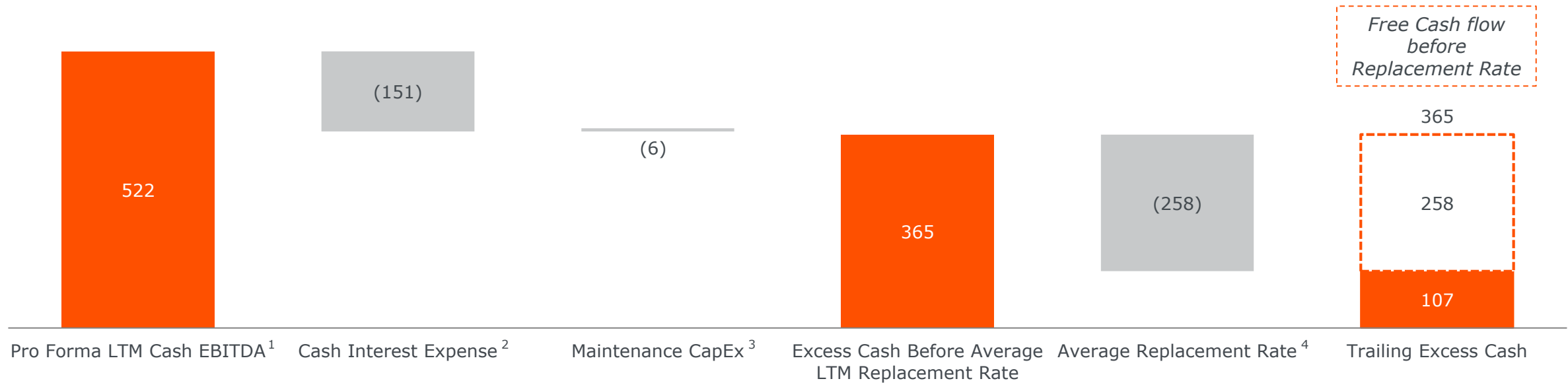
- Outbound calls limited during April and May
- Management decision to reduce outbound whilst initial stages of Covid played out

With Activity Now Recommencing

- Litigation to restart across Q3
- Outbound dialling recommenced mid-June, with volumes reaching pre-Covid levels across July & August

¹ YTD plans set up. ² Default rate is the % of payment plans which made no payments in the month a payment was due. ³ Collection performance vs UK Dec-19 Static Pool, not cumulative.

Increasing Cashflow Generation



£m	LTM Mar-19	LTM Jun-19	LTM Sep-19	LTM Dec-19	LTM Mar-20	LTM Jun-20
Trailing LTM Excess Cash before Average Replacement Rate	291	308	326	349	359	365
Average Replacement Rate ⁴	(264)	(266)	(274)	(282)	(276)	(258)
Excess Cash	27	42	51	67	84	107

~4x

Note: LTM Jun-20 the Group received a net Tax credit of ~£7m which has been excluded from the waterfall. ¹ Pro Forma Cash EBITDA includes Pro Forma cost adjustments of ~£9m which represent adjustments made to the reflect the full run rate benefit of changes enacted. ² Cash Interest calculated as next 12 months interest on debt instruments and drawings as at Jun-20. ³ Management Pro Forma Group estimate as disclosed in Jan-18 Offering Memorandum. ⁴ Average Replacement Rate as calculated in Appendix.

Leverage and Liquidity

£m	Jun-20
Leverage	
Net Debt ¹	2,465
Pro Forma LTM Cash EBITDA²	522
Net Debt / LTM Cash EBITDA	4.7x
Leverage Guidance by 2021 – 2022	4.0x – 3.5x
Liquidity	
RCF capacity ³	408
Amounts drawn	(403)
Securitisation reset availability	35
Cash ⁴	240
Available Liquidity	279

- £481m of LTM cash generated from operating activities before portfolio acquisitions
- Group maintains significant liquidity of ~£279m
- Leverage held flat at 4.7x through robust collections performance and cost control
- Commitment to leverage guidance of 4.0x – 3.5x by 2021 – 2022

¹ As calculated in Appendix. ² Pro Forma LTM Cash EBITDA includes Pro Forma cost adjustments of £9m. ³ Calculated as €200m, plus 7.9% of the Group's 84m ERC. ⁴ Unrestricted cash on balance sheet as at Jun-20.

Strong Performance Positions Us Well for the Future

5

...With a focus to upon innovation...

- Increased focus upon **capital-light solutions** (co-investment vehicle launched in 2020, agreed to acquire Solvencia in Jul-20)
- Ongoing investment in **digital capabilities**

4

...Resulting in visible deleveraging...

- Strong underlying performance with **Cash EBITDA +11%** in LTM Q2-20
- Driving **net leverage reduction of 0.4x** from Q1-19 to 4.7x at Q2-20 and supporting solid liquidity position of £279m¹ at Jun-20



1

...Strong cash generation...

- **Resilience demonstrated in H1-20** (94% for Dec-2019 pool)
- LTM **£481m of cash generated from operating activities** before portfolio acquisitions

2

...With measured growth in DP...

- **Portfolio purchases restricted** (-5% in LTM Q2-20)
- **IRR improvement by ~300bps** Y-o-Y

3

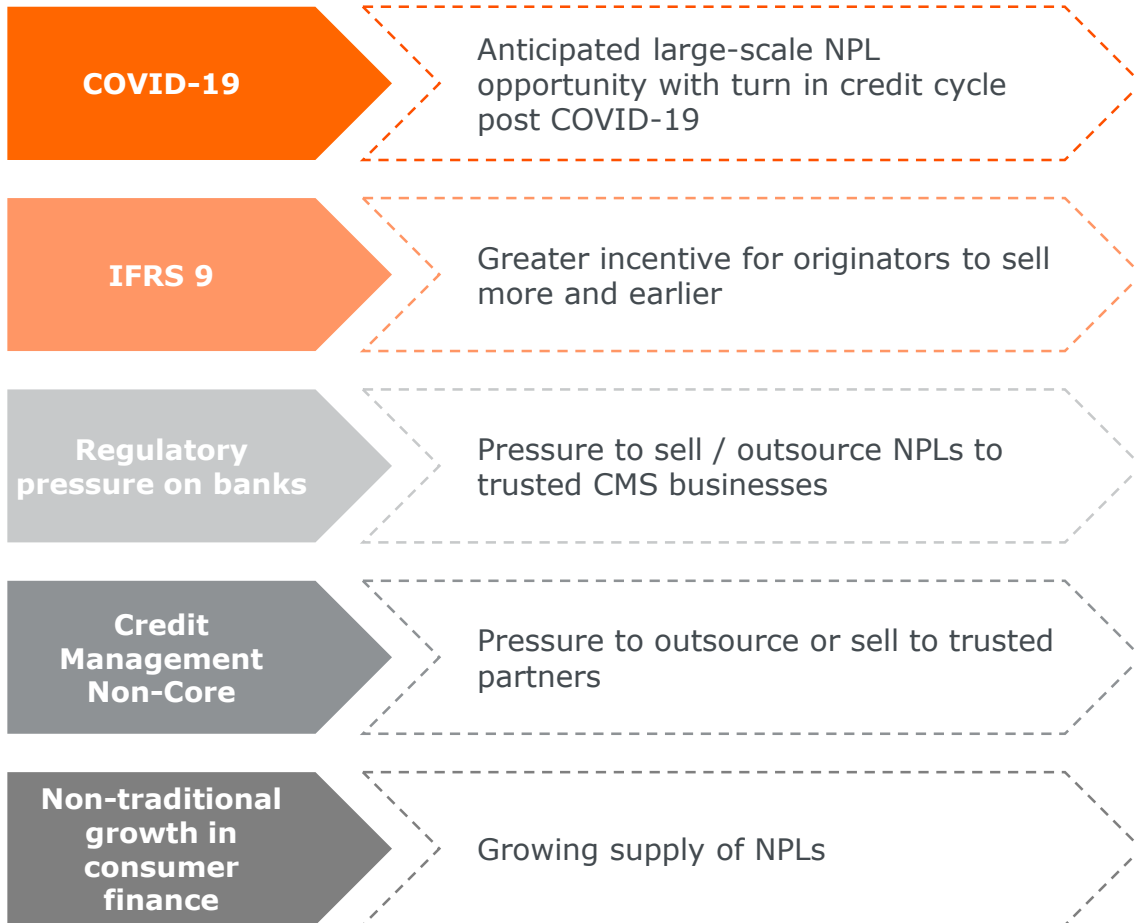
...Material efficiency improvement...

- Track record of diligent direct and indirect **cost management**
- **+470bps Cash EBITDA margin uplift** in LTM Q2-20

¹ Calculated as Unrestricted cash on balance sheet plus amounts available to draw on RCF and UK Securitisation as at Jun-20

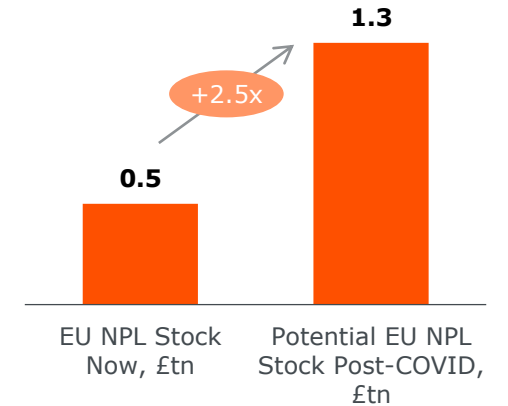
An Attractive Market Outlook...

Increased Requirement for CMS Support



Significant NPL Opportunity in the Mid-Term

- European banks on average **increased loan loss provisions by 2x** YoY in Q1-20 (up to 7x increase in some of our markets)
- In mid-term, European **stock of NPLs could increase to as much as £1.3tn** vs. £0.5tn in 2019¹, reflecting increased opportunity for us



Lowell Well Positioned to Capitalize

- Strong client relationships and a position of significant liquidity allow for opportunities to be captured
- Non-performing unsecured consumer debt remains our area of focus
- IRR accretion anticipated

Source: EBA Risk Dashboard

¹ Illustrative estimate based on Dec-2019 credit outstanding (€21.3tn per EBA Risk Dashboard Q4-2019) and peak NPL ratio post Global Financial Crisis (achieved in Q4-2013 at 6.8% per EBA Risk Dashboard).

...With a Clear Strategy to Deliver

- 1** Leverage scale to build on our in-market leadership in selected geographies
- 2** Pursue measured purchasing growth at attractive risk-adjusted returns
- 3** Drive operational excellence in our platform to support sustainable margin improvement
- 4** Support further diversification through targeted growth of our 3PC offering
- 5** Maintain consumer focus and develop relationships that provide long term value creation
- 6** Deliver leverage reduction to meet our medium term guidance

Strong Performance Demonstrates Strength of Business Model

LTM Cash EBITDA Growth of 11% vs prior year with 470bps of margin expansion

Leverage held flat at 4.7x

Strong liquidity maintained of £279m¹

Solvencia carve out will drive 3PC growth in the Nordics

Limited operational impact following the move to 'working from home'

¹ Calculated as Unrestricted cash on balance sheet plus amounts available to draw on RCF and UK Securitisation as at Jun-20.

Appendix

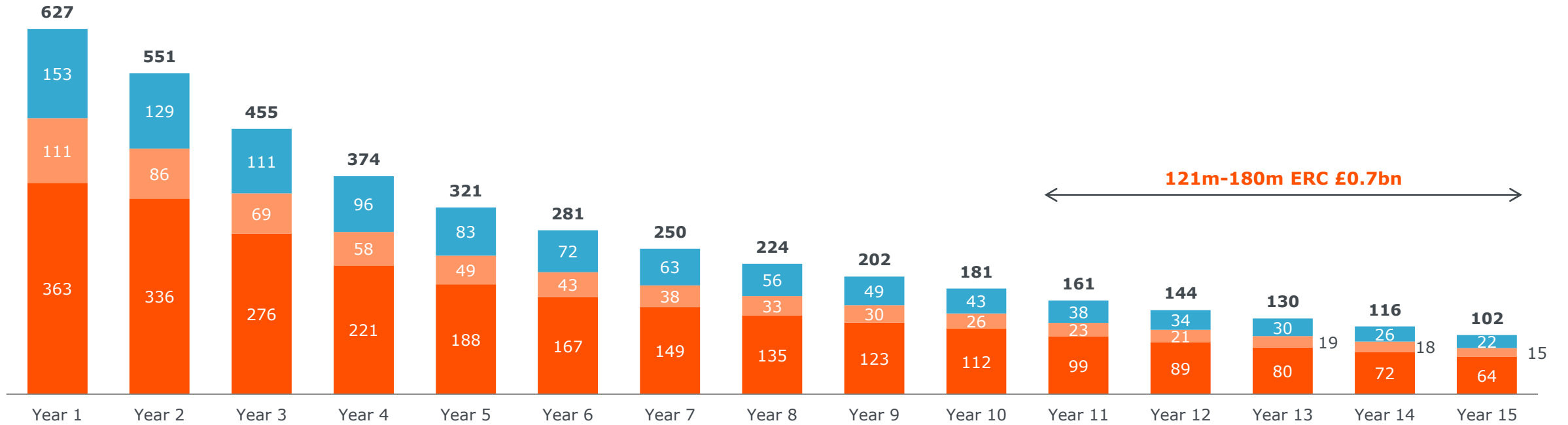
ERC Profile

£m

UK DACH Nordics

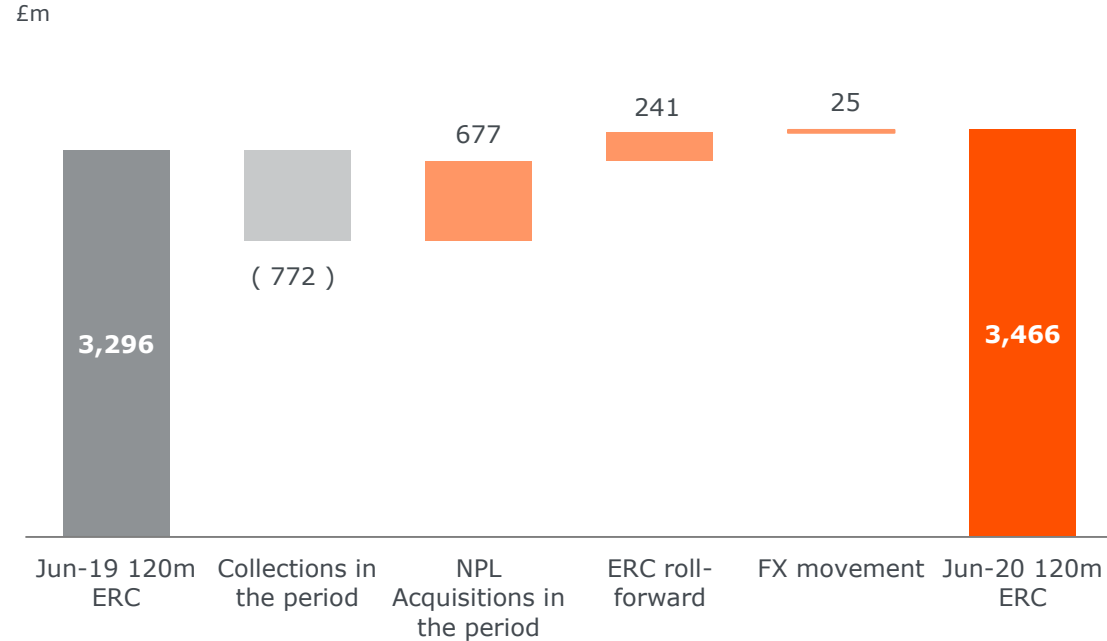
120m ERC £3.5bn

121m-180m ERC £0.7bn

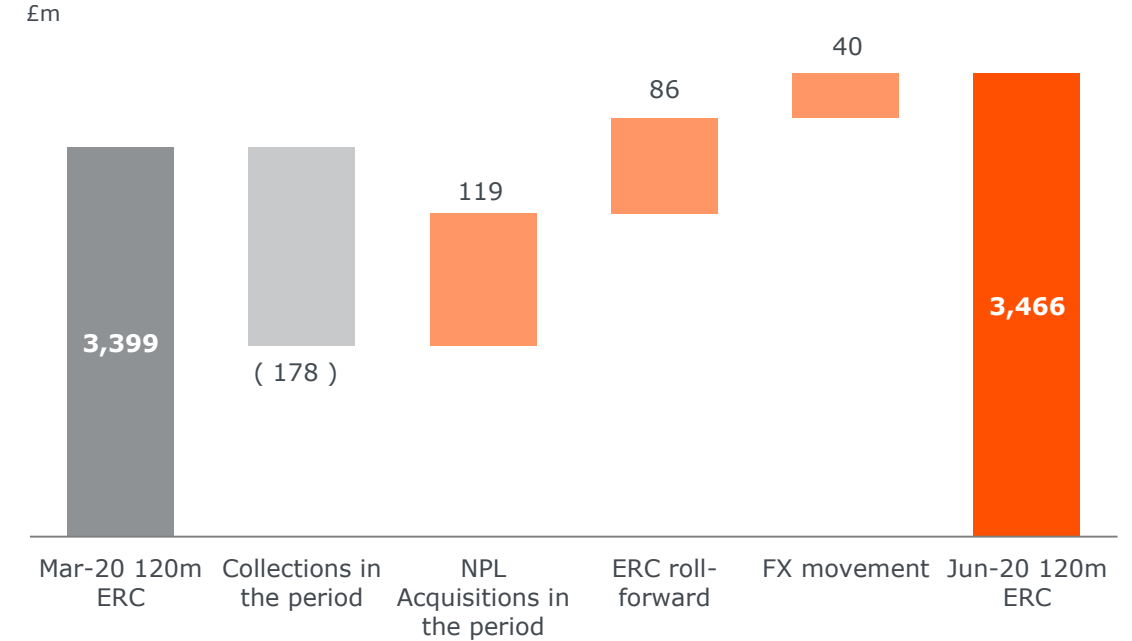


120m ERC Roll-Forward

ERC Roll-Forward; Jun-19 to Jun-20

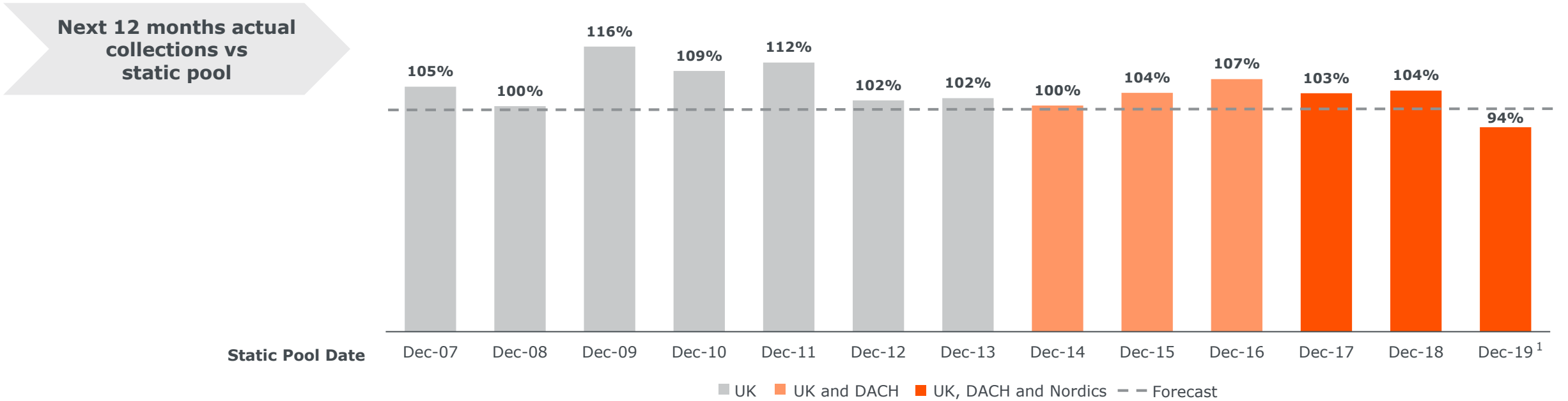
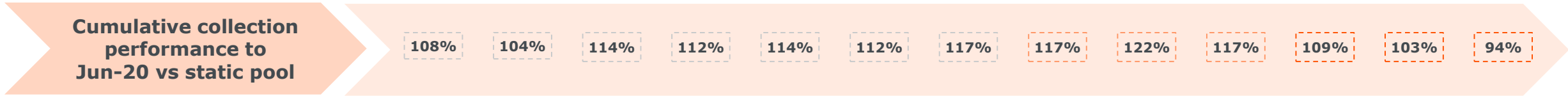


ERC Roll-Forward; Mar-20 to Jun-20



- 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

Track Record of Collections Resilience



¹Actual collection performance for the 6 months to Jun-20 vs Dec-19 static pool. Group collection performance below 100% as a result of actions taken in UK to pause litigation and limit outbound dialling across Q2-20

Reconciling to the Financial Statements

Reported Income to Cash Income

	DP	3PC	Group Total
Income from Portfolio Investments	98	-	98
<i>Add Portfolio Amortisation</i>	80	-	80
DP Cash Income	178	-	178
Service Revenue	-	45	45
<i>Less Lawyer Service Income</i>	-	(9)	(9)
3PC Cash Income	-	37	37
A Total Cash Income	178	37	215

Reported Costs to Normalised Costs

	DP	3PC	Group Total
Collection Activity Costs	-	-	61
<i>Less Lawyer Service Costs</i>	-	-	(9)
<i>Less Non recurring costs</i>	-	-	(1)
B Normalised Collection Activity Costs	28	23	51

Gross Profit Calculation

	DP	3PC	Group Total
A Cash Income	178	37	215
B Collection Activity Costs	(28)	(23)	(51)
C Gross Profit	150	13	164
C/A Gross Profit Margin	84%	37%	76%

Other Expenses

	Group Total
Other Expenses	56
<i>Less Depreciation, Amortisation & Impairment</i>	(11)
<i>Less Non recurring costs</i>	(8)
Normalised Other Expenses	37

Calculation of Group ERC Replacement Rate Using Static GMM

Group (£m)		
		Jun-20
	Group ERC ¹	3,714
	Year 1 Collections	627
	Roll-forward (UK - YR11, DACH and Nordics - YR16)	131
A	Collections to replace	495
	2019 vintage Static GMM	2.0x
	2020 vintage Static GMM	2.0x
B	Blended Static GMM ²	2.0x
A/B	Replacement Rate as calculated at Jun-20	248
	Replacement Rate as calculated at Jun-19	267
	Average LTM Replacement Rate ³	258

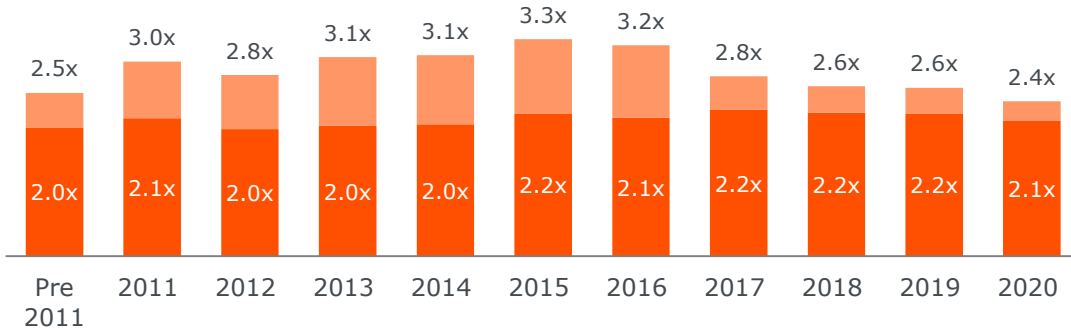
GMM Weighted Average Calculation				
2019 Vintage	UK	DACH	Nordics	Total
Purchases (£m)	234	65	98	397
% of total purchases	59%	16%	25%	100%
Actual Static GMM	2.2x	1.7x	1.8x	
Weighted Average				2.0x
2020 Vintage	UK	DACH	Nordics	Total
Purchases (£m)	79	19	23	120
% of total purchases	65%	16%	19%	100%
Actual Static GMM	2.0x	2.0x	2.0x	
Weighted Average				2.0x
Blended Static GMM				2.0x

¹ Group ERC represents 120m for UK and 180m for DACH and Nordics. ² Blended GMM represents the weighted average static GMM for 2019 and 2020 vintages, across the UK, DACH and Nordics as at Jun-20.

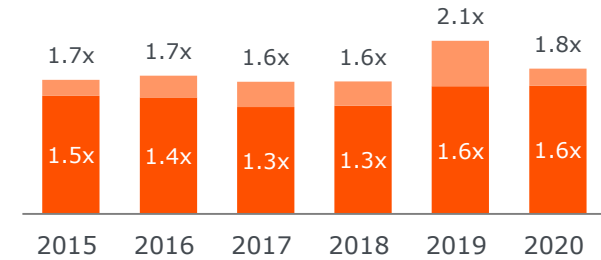
³ Average Replacement Rate is an average of the Replacement Rate as calculated at Jun-20 and the Replacement Rate as calculated at Jun-19.

GMM Per Vintage – Pricing vs Current

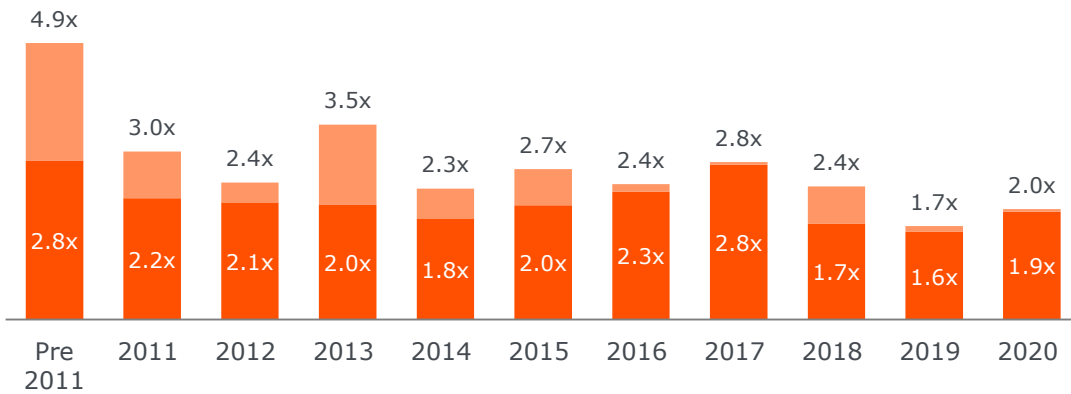
UK Non-Paying¹



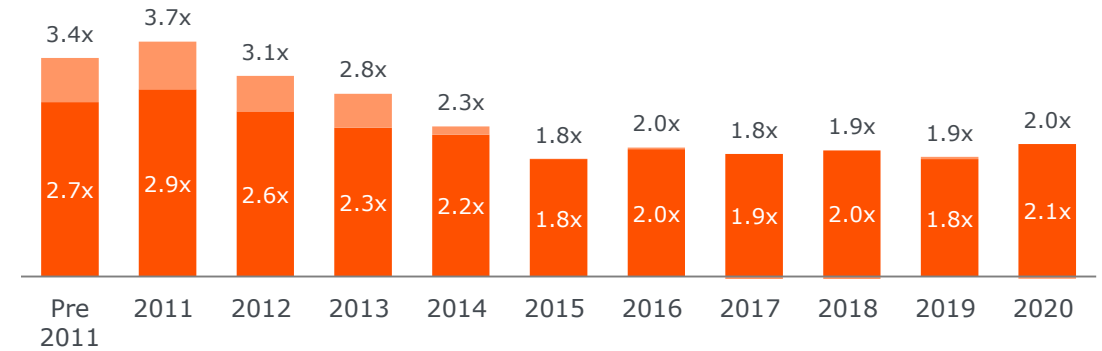
UK Paying¹



DACH²



Nordics²



■ Priced GMM ■ Current GMM

Note: Current GMM is calculated using actual collections to Mar-20 plus ERC across the next 120m (UK) and 180m (DACH and Nordics).

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.

Net Debt and Borrowings as at 30 June 2020

Net Debt (£m)

Bond Principal

£565m Senior Secured Notes 8.5%	565
€365m Senior Secured Notes 7.5%	333
€415m Senior Secured Notes EURIBOR +3.5%	378
€530m Senior Secured Notes EURIBOR +4.5%	483
SEK1,280m Senior Secured Notes STIBOR +4.75%	111
£230m Senior Notes 11%	197 ²

RCF Drawings and Other

GBP Drawn RCF	290
EUR Drawn RCF	113
UK Securitisation	220
DACH Securitisation	14

Cash

Cash ¹	240
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Senior Secured Net Debt	2,034
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Net Debt	2,465
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Gross Debt	2,705
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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	Apr-24	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	
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	
Gross Profit	-	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)	
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 (up to the point of disposal)	
NPL	-	Non Performing Loans	
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	

Upcoming Events

Results

- Q3-20 – November 2020

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