Lowell first quarter results 2021

Strong collection performance and improving margins

Lowell, a European leader in credit management services, today announces its results for the 3 months ended 31 March 2021.

Commenting on today's announcement Colin Storrar, Group Chief executive Officer, said:

"I am very happy with the financial performance during the first quarter of the year, with collection performance exceeding our forecasts. In particular, the pace of recovery of deferred FY20 UK collections is ahead of our expectations.

"We made pleasing progress towards our margin ambitions and the strength of our balance sheet and substantial liquidity positions our business strongly for what we continue to believe will be a substantial market opportunity."

Key Highlights

- 230bps margin expansion in Cash EBITDA
- Strong collection performance at 112% of Dec-20 static pool
- UK collections 102% of Dec-19 static pool in Q1; ahead of expectations
- UK Digital collections growth of 32% YoY will be further strengthened by imminent Digital App release
- Leverage reduced 0.2x in quarter to 3.6x with strong cash flow improvement
- Well positioned to take advantage of market opportunity with £498m liquidity

Key Financial Highlights

As at 31 March 2021	Q121	Q120	Change
Cash Income	229	228	0%
Cash EBITDA	124	120	+3%
LTM Cash EBITDA Margin	56%	53%	+230bps
Portfolio Acquisitions	33	58	(42)%

Outlook

As we move in to the second quarter of 2021 we are encouraged by the strength of our business and we are well-positioned to participate in the future NPL market opportunity. We continue to deliver both efficiency initiatives and strong collection performance, while expanding our margins and further improving our cash flow. Our focus on digital is proving a driver to this and we anticipate further developments in this area, not least with the launch of our new app in the coming months. We believe that our commitment to delivering ease of access, personalised journeys, and highly rated services provides a strong and sustainable platform for growth.

Group Financial Performance

Strong Q1 collection performance

Collection performance has been very strong in the first quarter, performing at 112% against our Dec-20 static pool; all regions have outperformed ERC forecast. UK collection performance has been significant, and it reported 102% collection performance in Q1-21 vs our pre-COVID Dec-19 static pool expectations. Such performance is very encouraging, and management is pleased with the pace of the recovery in the deferred UK collections which is ahead of expectations.

Outperformance of ERC projection in quarter

In the three months ended March 31, 2021, we recognised a Net portfolio write-up of £31m or 1.9% of the Group's portfolio carrying balance. Q1-21 collections performed at 112% of Dec-20 static pool forecasts. This forecast incorporated the impact of deferred collections principally in the UK because of management actions taken during FY20. The strength of collection performance and the pace of recovery of the deferred collections underpins our confidence in our balance sheet carrying value.

Focus on efficiency drives margin expansion

Focus on cost control delivered a 230bps expansion of our LTM Cash EBITDA margin to 56%, with the Group's LTM Operating Expenses down £56m YoY.

Margin accretion has continued through the combination of strong collection performance and the delivery of cost efficiency actions which are underway. These programmes remain on track to deliver ~£50m of run rate savings by Dec-21 and support the delivery of the further margin expansion as previously guided.

Expected acceleration of capital deployment through 2021

Portfolio acquisitions totalled £33m in the quarter and £257m on an LTM basis, in line with our average Replacement Rate of £251m. We have strong visibility as to the purchasing pipeline providing further confidence in our full year guidance of £300m.

We believe the future market opportunity remains attractive across our regions and we believe that NPL volumes will continue to grow across the next 12-24 months as the longer-term impact of the global pandemic plays out across our three regions.

Strengthening of business fundamental leads to strong operating cash flow

Cash flow continued to strengthen in the quarter with £121m generated from operations before portfolio acquisitions, an increase of £23m vs Q1-20. On a steady state basis, after deducting £251m of replacement rate portfolio purchases, the level required to maintain our ERC constant, we generated £130m excess cash in the last twelve months, a 55% year-on-year increase.

Our cash flow continues to strengthen through strong collection performance and further margin expansion.

The Group has significant balance sheet capacity. As at March 31, 2021 our liquidity position remains substantial, with £498m available. Leverage has further reduced by 0.2x in the quarter to 3.6x and is at the lower end of our guidance range of 4.0x – 3.5x.

Conference Call and Webcast

Call and webcast live at 8.30am (BST) Friday 14 May 2021

Registration details

- Webcast (listen only with digital question submission)
  - https://www.lowell.com/media/1891/our-q1-21-results.pdf
- Call (with interactive Q&A)
  - UK: +44 3333 0092 72
  - Further lines available here

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Legal Disclaimer

About Lowell

Lowell is one of Europe's largest credit management companies with a mission to make credit work better for all and a commitment to fair and ethical customer practices. It operates in the UK, Germany, Austria, Switzerland, Denmark, Norway, Finland, and Sweden. The Group employs over 4,000 people, including 1,500 in the UK.

Lowell's unparalleled combination of data analytics, deep consumer insight and robust risk management provides clients with expert solutions in debt purchasing, third party collections and business process outsourcing. With its ethical approach to debt management, Lowell is committed to delivering the most fair and affordable outcome for each customer's specific circumstances.

Lowell was formed in 2015 following the merger of the UK and German market leaders: the Lowell Group and the GFKL Group. In 2018, Lowell completed the acquisition of the Carve-out Business from Intrum, which has market leading positions in the Nordic region. It is backed by global private equity firm Permira and Ontario Teachers' Pension Plan.

For more information on Lowell, please visit our investor website: www.lowell.com

Lowell, with its mission to make credit work better for all, supported the launch of the Financial Vulnerability Index, a new bi-annual data tool profiling financial vulnerability across the United Kingdom, to improve understanding of the financial health of the UK and support policymakers tackling problem debt across the country. For further information on the Financial Vulnerability Index, please visit the tool here:https://apps.urban.org/features/uk-financial-vulnerability-index