

## Lowell reports full year 2022 results

### Continued Delivery of Growth Despite Consumer Challenges

Lowell, a European leader in credit management services, today announces its full-year results for the 12 months ended 31 December 2022.

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

"These results demonstrate a year of delivery against a backdrop of known consumer pressures. It is testament to the resilience of the business that we can report another year of growth, alongside some key corporate milestones with the delivery of the first publicly rated European ABS and the completion of the Hoist UK acquisition.

We are well positioned to capture the improving market dynamics we are seeing, and the clear financial guidance provided in today's results will help drive the continued sustainable growth of the Lowell Group"

#### Key Highlights

- Cash Income and Cash EBITDA growth of 8% and 7% respectively YoY with Cash EBTIDA margin held flat at 59% YoY as guided
- Strong collection performance at 101% vs Jun-22 static pool which includes the encouraging recovery in DACH collections, with 107% collection performance reported in Q4-22
- Issuance of first publicly rated ABS and subsequent deconsolidation resulting in balance sheet velocity and ability to recycle capital quicker
- Acquisition of Hoist Finance UK facilitates UK earnings growth and increased experience of banking assets
- Cashflow generative with £146m excess cash generated after Replacement Rate to self-fund growth
- Leverage within guidance at 4.0x, with step change delivered post year-end following balance sheet developments providing a PF view of 3.4x
- Release of second Annual Sustainability Report and scorecard demonstrating notable progress

#### Key Financial Highlights

- Cash Income of £971m (£898m) – up 8%
- Cash EBITDA of £569m (£531m) – up 7%
- Cash EBITDA Margin of 59% (59%) – held flat YoY as guided
- In market Portfolio Acquisitions of £473m (£403m) – up 17%

*(Note: comparable numbers for FY21 in brackets)*

#### Outlook

We are encouraged by the continued resilience of the business, especially in the UK against the backdrop of publicised UK consumer pressures. Our focus in FY23 remains the sustainable growth of the business, supported by increased balance sheet velocity, helping to recycle capital quicker and crystallise portfolio returns earlier, to invest in growing front book returns and to achieve our margin growth ambitions. We expect meaningful increase in flows to market in the next 12-18 months which the Group is well placed to participate in whilst maintaining balance sheet discipline and delivering on our revised leverage guidance of <3.0x in the next 18 months.

## **Group Financial Performance**

### ***Ongoing Collections Resilience***

The Group reported 101% collection performance vs Jun-22 static pool and this resilient collection performance has continued into Q1-23 with 100% reported vs the Dec-22 balance sheet position.

In the UK this has been delivered against a backdrop of continued consumer affordability pressures through rising costs of living. This has been achieved through operational strategies driving increases in customer engagement and plan payment volumes, but keeping default rates low at <5% through sustainable plans.

### ***Continued Focus on Cost Management and Maintenance of Margin***

The Group delivered on maintaining flat Cash EBITDA margin YoY as guided, whilst it embedded the cost out initiatives that delivered +500bps across FY21 and onboarded record levels of portfolio acquisitions.

The Group believes further margin expansion is achievable and targets +300bps improvement across the next 18 months through delivery of further operating leverage.

### ***Capital Deployed at Attractive Risk Adjusted Returns***

The Group deployed significant levels of capital across FY22, taking advantage of attractive risk adjusted returns and strong net returns on offer. This included increased success in acquiring higher balance banking portfolios which was further supplemented by the Hoist UK acquisition.

### ***Cashflow Generative Business***

The Group continues to generate significant levels of cash from its growing balance sheet and servicing business. The Group generated £146m excess cash generated after Replacement Rate which is available to self-fund future growth. The Group expects to collect £750m from its DP backbook during FY23 providing significant cashflow prior to future portfolio purchases. The Group expects to invest around £350m during 2023 as it focuses on investing at increasing returns and balance sheet strength.

### ***Step Change in Leverage and Liquidity Achieved Post Year End***

In 2023, the Group has delivered on a significant balance sheet velocity initiative with the sale of a pool of Swedish portfolios to Hoist Finance AB, which provides a step change in the Group's leverage and liquidity.

Balance sheet initiatives are a key part of the Group's strategy to increase balance sheet velocity, recycling capital from the balance sheet faster, accelerating portfolio returns and diversifying sources of funding.

### ***Clear Financial Guidance and Positive Outlook***

The Group is focused on sustainable growth and today's refreshed financial guidance supports this clear objective.

The Group's 2023 purchasing ambition is expected to be around £350m and is set to be more closely aligned to the Group's Replacement Rate to support strong cashflow generation and balance sheet

strength. The Group expects to deliver +300bps further margin expansion over the next 18 months, taking Cash EBTIDA margin above 60%. The Group's purchasing and margin guidance drive sustainable and continued de-leveraging of the balance sheet. The Group is updating its leverage guidance to be sub 3.0x within the next 18 months.

## Conference Call and Webcast

Call and webcast live at 11:00 (BST) Wednesday 26 April 2023

Registration details

- Webcast (listen only with digital question submission)
  - [Lowell Group Full Year Results 2022 \(financialhearings.com\)](https://financialhearings.com)
- Teleconference Lines (with interactive Q&A)
  - [Call Registration and Access \(financialhearings.com\)](https://financialhearings.com)

## Contacts

### Investor Relations enquiries:

Shaun Sawyer  
Group Head of Investor Relations and Corporate Finance  
Email: [investors@lowellgroup.co.uk](mailto:investors@lowellgroup.co.uk)

### Media enquiries:

James Olley / Woolf Thomson Jones  
Communications Support UK  
Telephone: +44 7974 982 302  
Email: [lowell@montfort.london](mailto:lowell@montfort.london)

## Legal Disclaimer

*This press release includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, all statements other than statements of historical facts contained in this press release, including, without limitation, those regarding the Group's or any of its affiliate's future financial position and results of operations, their strategy, plans, objectives, goals and targets, future developments in the markets in which they participate or are seeking to participate or anticipated regulatory changes in the markets in which they operate or intend to operate. In some cases, these forward-looking statements can be identified by terminology such as "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "plan," "potential," "predict," "projected," "should," or "will" or the negative of such terms or other comparable terminology.*

*By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Readers are cautioned that forward-looking statements are not guarantees of future performance and are based on numerous assumptions and that the Group's or any of its affiliate's actual results of operations, financial condition and liquidity, and the development of the industries in which they operate, may differ materially from (and be more negative than) those made in, or suggested by, the forward-looking statements contained in this press release. In addition, even if the Group's or any of its affiliate's results of operations, financial condition and liquidity, and the development of the industries in which they operate, are consistent with the forward-looking statements contained in this press release, those results or developments may not be indicative of results or developments in subsequent periods.*

## **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 around 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](http://www.lowell.com)