Lowell Group

# Q3 2014
# Investor Presentation

**29th August 2014**

a better way forward Lowell. GROUP

# Introduction To Today's Speakers

## James Cornell
CEO

- **16 years of relevant experience**
- Founder and CEO of Lowell since 2004
- Previous roles: Head of Risk at Caudwell Group; Commercial Director of the B2B Division at Equifax PLC

## Colin Storrar
CFO

- **20 years of relevant experience**
- Joined Lowell in early 2013
- Previous roles: CFO at HSBC First Direct and Head of HSBC Contact Centres; Senior finance roles at GE Capital Bank and GE Money after 10 years with Arthur Andersen

# Overview of Current Position

## Q3 FY14: Another strong quarter for portfolio purchases and financial growth

- Highly diversified origination strategy the key to another quarter of significant acquisition spend with £120m spend achieved as at Q3 and a committed spend of £150m being achieved as at the end of August

- Strong financials evident in:
  - **17% collections growth** LTM June 2014 v LTM June 2013
  - **Q3 adjusted EBITDA up 25%** versus same period in 2013
  - June 2014 84 month **ERC stands at £654m**, £141m (28%) up on June 2013

## Change in Ownership Structure

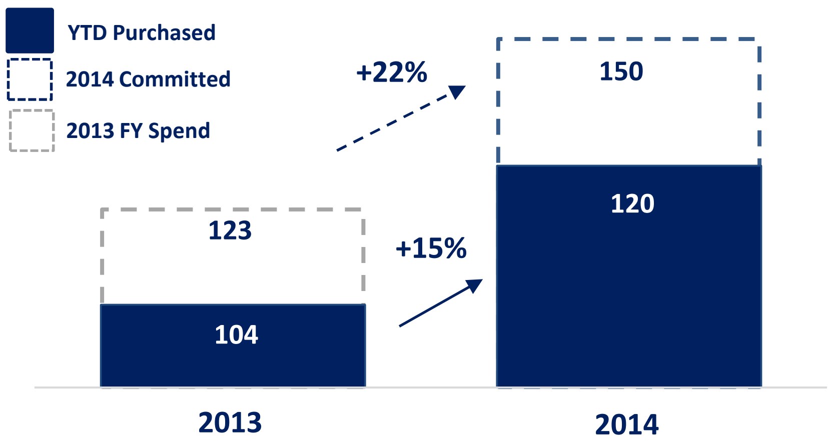
OTPP acquire significant minority interest in the business in August

- On August 11th 2014, Lowell announced that Teachers' Private Capital, an investment division of the Ontario Teachers' Pension Plan Board, has agreed to acquire a significant minority interest in Lowell Group
- Each of the current investors in Lowell will remain shareholders, each selling a proportionate amount of their current holding
- Strong endorsement of management's strategy and Lowell's strong positioning and prospects
- We are delighted to also have the continued support of TDR Capital, underlining their belief in the growth opportunities that lie ahead
- Agreement is subject to regulatory clearances and other consents
- *The Ontario Teachers' Pension Plan is the largest single-profession pension plan in Canada, with over $140 billion in net assets administering the pensions of 307,000 teachers. Teachers has been active in Europe since 1992 and has invested CAN $20bn in private equity globally*

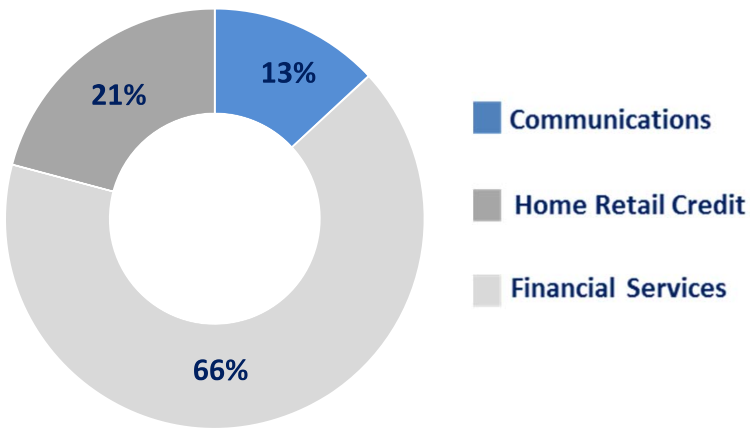
# Balance Sheet

## Another quarter of impressive growth

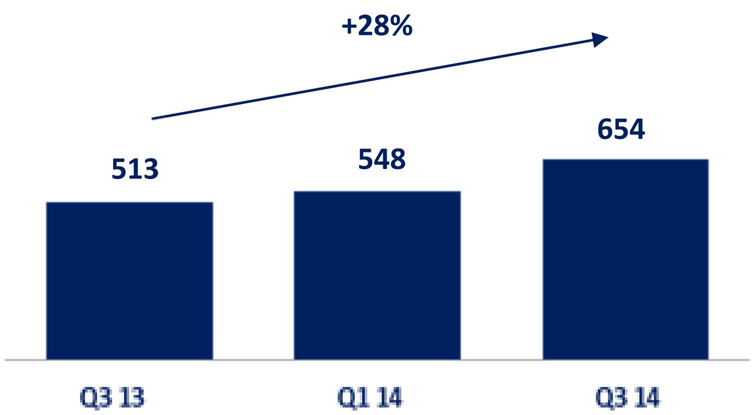
**Portfolio Purchases (£m)**



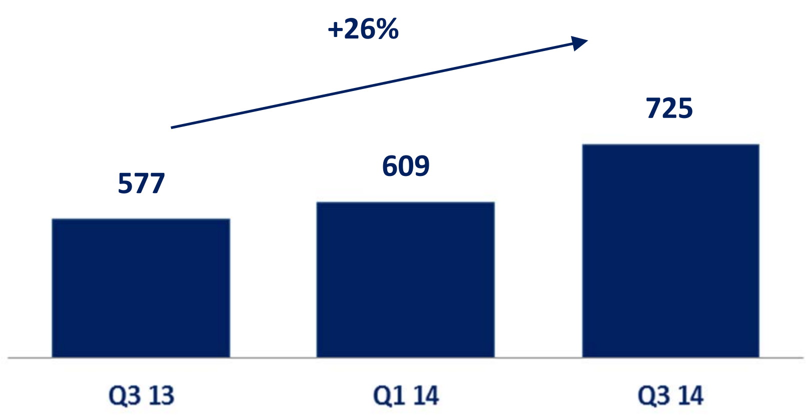

**Diversified Purchases in the Quarter of £36m**




**84M Gross ERC (£m)**



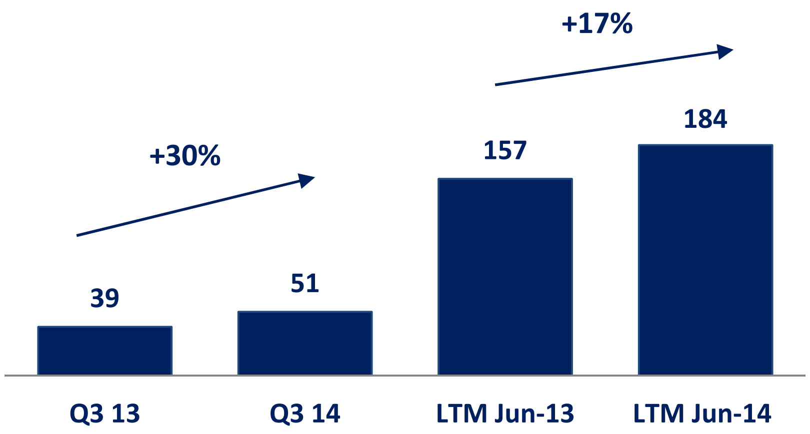

**120M Gross ERC (£m)**



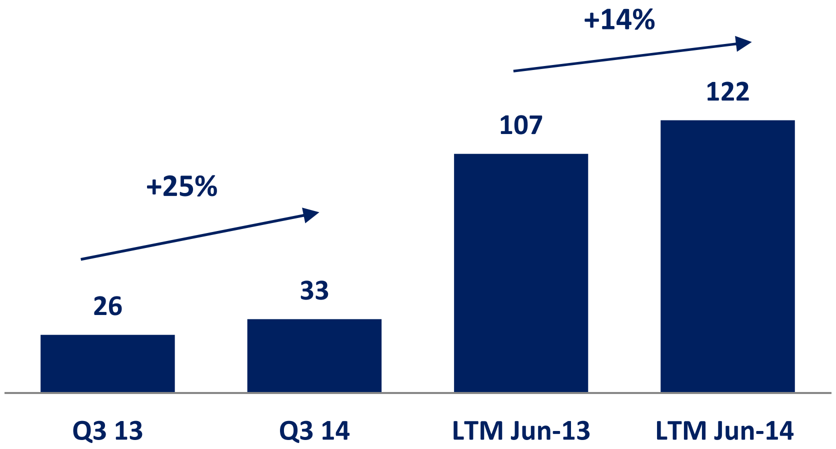
# Collections & Returns

## Continued growth with strong profitability

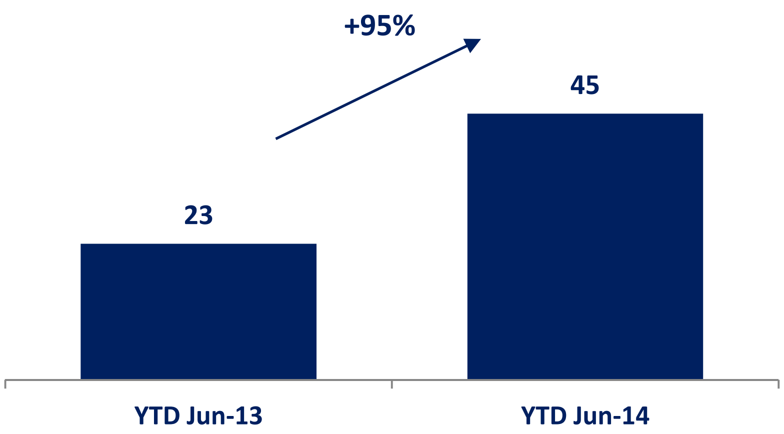
**Gross Cash Collections (£m)**




**Adjusted EBITDA**




**YTD Operating Profit (Underlying)* £m**




**Figures exclude exceptional items*

**Double Digit Growth Continues Across Key Metrics**

- 30% growth in qtr-on-qtr cash collections
- Adjusted EBITDA growth of 25% qtr-on-qtr
- 95% growth in YTD Operating Profit versus prior year

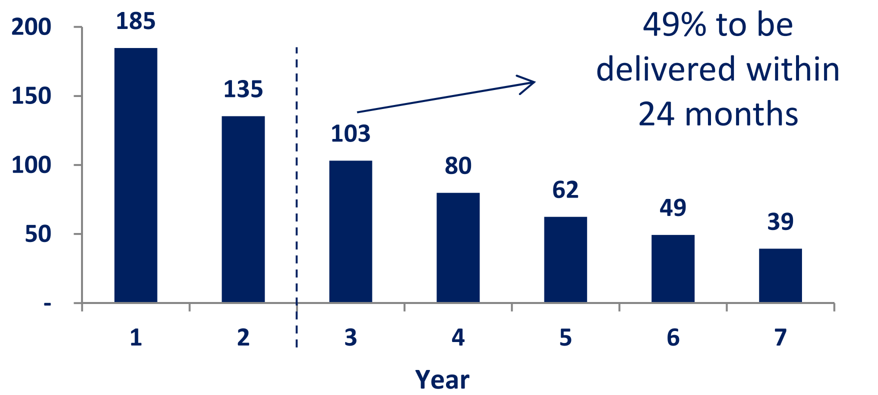
# Liquidity

## Strong underlying cashflow

**Cashflow (£m)**

| | Q3 13 | Q3 14 | LTM June-14 |
|---|---|---|---|
| ERC | 512.7 | 654.2 | 654.2 |
| Reported portfolio purchases | 41.3 | 36.3 | 138.8 |
| Net debt | 264.7 | 337.7 | 337.7 |
| Cash generation: | | | |
| Collections/income on owned portfolios | 39.2 | 51.1 | 184.5 |
| Other income | 0.1 | 0.0 | 0.3 |
| Servicing costs | 13.0 | 18.4 | 62.2 |
| Adjusted EBITDA | 26.2 | 32.7 | 122.2 |
| Capital expenditure | (0.4) | (1.1) | (4.8) |
| Subsidiary Acquisition | (29.0) | | |
| Movement in working capital | (1.7) | (3.7) | (19.0) |
| Cash flow before debt and tax servicing | 24.1 | 28.0 | 98.4 |
| Cash asset return * | | | 21.5% |

**84M ERC Profile (£m)**




**Cash asset return definition: LTM adjusted EBITDA/ average LTM Gross ERC*

**Strong Liquidity and Cash Visibility Continues**

- Cash asset return of 21.5% represents a significant and rapid conversion of ERC into cashflow, thereby reducing risk and providing substantial liquidity for new purchases
- Working capital movement in LTM June 2014 driven by:
  - Upfront cash outlay, deferred to the balance sheet relating to litigation on the back book
  - Fees associated with £115m secured notes issued in March 2014
  - Upfront payments made on invoices, including contracts with credit bureau agencies and licensing the IT estate

# Net Debt & Leverage

## Covenants well within requirements

**Key Coverage Measures**

| | Q3 13 | Q2 14 | Q3 14 |
|---|---|---|---|
| **Key Financial Metrics** | | | |
| ERC | 512.7 | 623.1 | 654.2 |
| Gross debt | 275 | 405 | 390 |
| Cash | 10.3 | 88.4 | 52.3 |
| Net debt | 264.7 | 316.6 | 337.7 |
| Annual interest payable | 32.4 | 40.4 | 40.5 |
| Adjusted EBITDA (LTM) | 107.2 | 117.5 | 122.2 |
| **Leverage & Coverage Ratios** | | | |
| LTV ratio | 51.6% | 50.8% | 51.6% |
| Net debt/adjusted EBITDA | 2.5 | 2.7 | 2.8 |
| EBITDA/total interest payable | 3.3 | 2.9 | 3.0 |

Notes:

The numbers for all 3 quarters for gross debt, net debt, cash, annual interest payable and the resulting ratios are on a pro forma basis

Leverage & Coverage ratios calculated on same basis as presented in the Offering Memorandum "Summary Consolidated Financial Data"

Gross Debt, Cash and Net Debt are presented on a pro forma basis relating to the issuance included within the Offering Memorandum

The Group continues to explore financing options including M&A and IPO

- Portfolios forecast to generate £654 million in cash collections (ERC) in the next 84 months, a 28% YoY increase:
  - 49% of cash collections expected to be generated within the next 24 months
  - 77% of cash collections expected to be generated within the next 48 months
- 120 Month ERC = £725m
- Key ratios remain well within covenants

# Conclusion

## Strong performance continues in a growing marketplace

- Strong financials – business remains on track to achieve growth, high returns, and predictable earnings
- Well positioned to grow purchase volume and take advantage of a buoyant marketplace
- Ongoing focus on compliance and maintaining a strong, customer-centric relationship with the FCA
- Investment by OTPP, one of the largest pension funds in the world, demonstrating institutionalisation of the sector and a significant endorsement of Lowell's positioning and prospects

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