Press Release
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Lowell reports full year 2021 results

A year of record delivery

Lowell, a European leader in credit management services, today announces its full-year results for the 12 months ended 31 December 2021.

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

"These results demonstrate a record year of delivery and sustainable growth underpinned by strong collection performance, delivery of margin expansion beyond our guidance and strengthened cash generation. We are also proud to release our inaugural Sustainability Report which highlights our transparent disclosure and demonstrates Lowell's value to all stakeholders."

Key Highlights

- 500bps underlying[1] margin expansion in Cash EBITDA, 200bps ahead of guidance
- Strong collection performance at 106% vs Dec-20 static pool
- £403m portfolio acquisitions, c£50m ahead of previous expectation
- Leverage continues at the lower end of our publicly guided range at 3.6x
- Strengthened cash flow with over £130 million excess cash generated to fund growth
- Well positioned to take advantage of market opportunities with £482 million available liquidity[2]
- Release of first Annual Sustainability Report
- Acquisition of Hoist Finance UK facilitates UK earnings growth and increased experience of banking assets
- Issuance of publicly rated ABS further diversifies sources of funding and strengthens liquidity

Key Financial Highlights

- Cash Income of £898m (£893m) – up 0%
- Cash EBITDA of £531m (£494m) – up 7%
- Adjusted EBITDA £251m (£168m) – up 49%
- Cash EBITDA Margin of 59% (54%[1]) – up 500bps YoY
- Portfolio Acquisitions of £403m (£281m) – up 43%

(Note: comparable numbers for FY20 in brackets)

Outlook

We are encouraged by the continued progress the business is demonstrating as a leading pan-European debt purchaser. Our focus in FY22 is on the successful completion and integration of the Hoist Finance UK acquisition and continuing our sustainable growth by investing above our replacement rate at attractive returns and driving efficiency. We are well positioned for the exciting opportunities that our growing purchasing pipeline will bring across the next 18-24 months. We expect to invest >£400m in portfolios during FY22 whilst maintaining our balance sheet discipline with leverage in our guided range of 4.0-3.5x and continuing to develop our funding structures.

[1] *Underlying FY20 Cash EBITDA margin of 54% when accounting for 1% benefit from reduced litigation volume.*
[2] *Calculated as unrestricted cash on balance sheet plus amounts available to draw on RCF and Securitisation facilities.*

Group Financial Performance

Collection Strength Continues

Collections have continued ahead of expectations across the Group with all regions performing ahead of forecast. Collection performance for the 12 months ended Dec-21 vs Dec-20 static pool is 106%.

Margin Guidance Exceeded

Focus on cost control has delivered a 500bps underlying[1] expansion of LTM Cash EBITDA margin to 59%, exceeding our 300bps guidance.

Cost initiatives continue to focus on accelerating digital customer engagement, automation and optimisation of common back-office functions and streamlining organisational design across functions. As a result of our delivery, Underlying Operating Expenses have reduced 19% (£88m) since Dec-19.

UK Region

The UK continues to be the Group's largest region accounting for 60% of Group Cash EBITDA, with £2.2bn 120-month ERC. Purchases were £169m in FY21, down 3% on FY20.

Collection performance in FY21 against the Dec-20 static pool has been strong at 106% of forecast expectations. This represents an encouraging rate of recovery of delayed collections as a result of the management actions taken in FY20. Cash Income has grown 7% year-on-year whilst Cash EBITDA has grown 18% year-on-year, resulting in further Cash EBITDA margin expansion to 70%. Strong cost control and early benefits from cost efficiency programmes have improved the UK margin by 700bps during 2021.

Nordic Region

The Nordic region accounts for approximately 25% of Group Cash EBITDA and has £1.0bn 120-month ERC. Purchases were £189m in FY21, a record year for the region, up 191% on FY20. We expect to see the benefits of these acquisitions from FY22.

Collection performance continued to be strong throughout FY21 with Dec-20 static pool performance of 104%.

Underlying Cash EBITDA has grown 5%[3] year-on-year, whilst the Underlying Cash EBITDA margin has remained stable at 57% as a result of focussed cost control and early benefits from cost efficiency programmes offsetting the onboarding costs of record portfolio acquisitions during the year.

DACH Region

The DACH region accounts for approximately 15% of Group Cash EBITDA and has £0.5bn 120-month ERC. Purchases were £45m in FY21, up 4% on FY20.

Collection performance continued to be strong throughout FY21 with Dec-20 static pool performance of 106%.

Cash Income has reduced 12% year-on-year having been impacted by lower 3PC handovers from clients. The level of handovers has not yet recovered to pre Covid levels. Cash EBITDA has reduced

[1] *Underlying FY20 Cash EBITDA margin of 54% when accounting for 1% benefit from reduced litigation volume.*
[3] *Excluding asset sale in Q3-20.*

1% year-on-year, the Cash EBITDA margin benefitting from cost reduction initiatives which have delivered a 400bps margin expansion to 43% during the year.

In mid-March 2022, the DACH region was subject to a cyber-attack. While the evaluation of its impact to the business remains ongoing, management do not expect the cyber incident in DACH to significantly affect the Group's outlook and are optimistic that business has been deferred rather than lost.

Increasing Levels of Market Activity and Strong Market Outlook

Purchasing activity remained strong in the last quarter of 2021, with £184m deployed during Q4, resulting in £403m YTD purchases.

The purchasing environment remains attractive across our regions, and we believe that NPL volumes will continue to grow across the next 18-24 months as the longer-term impact of the global pandemic plays out across our three regions. We expect to invest >£400 million during FY22.

Strong Liquidity and Leverage Comfortably Within Guidance

Our cash flow continues to strengthen through strong collection performance and further margin expansion. On a steady state basis, after deducting £258m of replacement rate portfolio purchases, the level required to maintain our ERC constant, we generated £133m excess cash, a 21% year-on-year increase. We continue to have excellent visibility of future collections with some £1.3bn collections forecast to be received in the next 24 months.

As at December 31, 2021 we have available liquidity of £482m and leverage continues at the lower end of our public guidance at 3.6x.

Corporate Development

On 13 April 2022, we announced the acquisition of Hoist Finance UK. The transaction includes the operations of Hoist Finance UK and its entire unsecured non-performing loan portfolio, comprising of over 2 million consumer accounts, with approximately £585m 180 month Estimated Remaining Collections as at December 2021. The loan portfolio is almost exclusively in the credit card and personal loan sector.

The acquisition continues Lowell's growth trajectory as well as delivering targeted, strategic expansion into the UK financial services sector, specifically banking. Lowell will also benefit from improved data insight from the financial services market, materially speeding up pricing and analysis whilst reducing investment risk. Completion is subject to the approval of the Financial Conduct Authority and is expected Q3 2022. Lowell expects to maintain leverage within its guided range of 4.0-3.5x upon completion of the transaction.

On 13 April 2022, we also announced the issuance of £100m publicly rated ABS Senior Notes, via Wolf Receivables Financing Plc, comprising 357,000 reperforming customer accounts with c£180m 120m ERC. The Senior Notes are rated 'A' and with a coupon of S+325bps. Lowell will initially hold 100% of the Junior Notes and will continue to service the assets. Lowell's core strength is to work with consumers to generate affordable and sustainable payment arrangements. This new securitisation is a clear demonstration of Lowell's strength in rehabilitating consumer accounts from non-paying to generating stable reperforming cash flows which support investment grade ABS Senior Notes.

Conference Call and Webcast

Call and webcast live at 14:00 (BST) Wednesday 27 April 2022

Registration details

- Webcast (listen only with digital question submission)
- https://tv.streamfabriken.com/lowell-group-full-year-results-2021/register
- Call (with interactive Q&A)
  - UK: +44 3333 0092 63
  - Further lines available here

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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 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