Press release
25 August 2022 / 07.00 BST

Lowell Second Quarter Results 2022

Funding transactions provide platform for continued future growth

Lowell, a European leader in credit management services, today announces its results for the 3 months ended 30 June 2022.

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

"These results demonstrate the resilience of our business against the backdrop of an increasingly complex environment. Our ability to maintain efficiency, continue to grow the business and announce transformative transactions like the Hoist UK acquisition position us well for the rest of the year."

Key Highlights

- Announcement of Hoist UK acquisition for £370m
- Issuance of the first European publicly rated ABS and the sale of £100m 'A' rated notes
- LTM Cash EBITDA flat at £511m (£510m)
- +280bps LTM Margin accretion to 59% (56%) reflecting strong cost control
- £80m LTM free cash generated
- £521m of LTM Portfolio Acquisitions (£325m) supported by record Q2 spend in DACH of £48m
- Strong liquidity[1] at the end of the quarter of £386m

(Note: comparable numbers for LTM Q2-21 in brackets)

Key Financial Highlights

As at 30 June 2022	LTM Q2-22	LTM Q2-21	Change
Cash Income	£869m	£910m	-5%
Cash EBITDA	£511m	£510m	+0%
Cash EBITDA Margin	59%	56%	+280bps
Portfolio Acquisitions	£521m	£325m	+61%

Outlook

The business continues to take a disciplined investment approach across all regions to drive profitable growth. We expect UK collections initiatives and DACH recovery following the Cyber incident will help drive H2 collections growth, together with the expected completion of the Hoist UK acquisition. Leverage is expected to improve across H2 as a result of increasing Cash EBITDA.

[1] Calculated as unrestricted cash on balance sheet plus amounts available to draw on RCF and UK Securitisations.

Group Financial Performance

Solid Performance Despite Wider Economic Environment

Cash EBTIDA has stayed flat despite the impact of deferred collections owing to the DACH Cyber incident and known operational challenges in the UK. Cash EBITDA Margin has also remained strong at 59%, benefiting from strong cost control and cost out programmes undertaken in prior years.

Inflationary pressure is expected to present a greater challenge in the UK, however, there are no signs of macro pressure in the Nordics and DACH to date.

DACH recovery efforts have been effective, and the region has deployed record levels of capital on a LTM and quarterly basis, positioning it well for further growth.

The Group continues to generate significant free cash flow after Replacement Rate, providing sustainable self-funding for growth and benefits from a strong liquidity position of £386m at Q2.

There has been a temporary increase in leverage to 4.2x as a result of the DACH collection deferral related to the Cyber incident, the quantum and timing of recent increased purchasing levels and an adverse FX movement vs Q1-22. When adjusted for the Cyber impact in DACH, net leverage is at 4.0x, within our guided range of 4.0x – 3.5x.

Strong Comparative Period for UK but with a Resilient Operating Model

Cash Income performance is behind the comparative period YoY due to exceptional catch up across H1-21 following the re-commencement of litigation post-Covid.

H1-22 has seen a deferral of collections in the UK business owing to reduced operational capacity, which has resulted in the prudent inclusion of a £15m provision to balance sheet value. The UK business has implemented mitigating actions that are already underway.

The UK continues to have a resilient operating model. More than 90% of plans set up across H1-22 were after the consumer had completed an affordability assessment. There has been no deterioration in set up values or default rates visible to date.

Strong Recovery Post-Cyber Incident and Well Positioned for Further Growth

The DACH Cyber incident impacted collections in Q2 but recovery efforts have been effective, supported by the strength of client relationships. DACH reported £80m LTM Cash EBITDA, up 2% YoY despite the impact of deferred collections across Q2.

Spend in DACH totalled £48m in Q2-22, Lowell’s largest quarterly spend in this region. This included a material transaction with one of Germany’s largest retail banks.

The business lost no clients, reflecting the strength of its long-standing client relationships and Lowell’s position as a leading partner of choice in the region.

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Announcement of Hoist UK Acquisition and Funding Further Strengthened

During Q2, Lowell announced its agreement to acquire Hoist's UK business at an enterprise value of £370m – Lowell's largest in-country acquisition to date. The transaction is subject to regulatory approval and is expected to close in H2.

Lowell also announced the issuance of the first European publicly rated ABS via Wolf Receivables Financing Plc with the sale of £100m 'A' rated ABS notes to Senior Investors. In August 2022 it also agreed the sale of 51% of Junior Notes held in the structure for £10m.

An additional funding facility has also been agreed to support the Hoist UK asset purchase, with a £170m securitisation commitment.

These actions further support Lowell's funding diversification and lower its weighted average cost of debt.

Conference Call and Webcast

Call and webcast live at 08:30am (BST) Thursday 25 August 2022

Registration details

- Webcast (listen only with digital question submission)
- https://tv.streamfabriken.com/lowell-group-q2-2022/register
- Call (with interactive Q&A)
    - UK: +44 3333 0092 61
    - Further lines available here

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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

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.