

Lowell Third Quarter Results 2023

Operational Delivery and Impressive Collections Performance

Lowell, a European leader in credit management services, today announces its results for the 3 months ended 30 September 2023.

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

“The business continues to demonstrate its operational excellence and underwriting expertise. These results reflect another strong quarter of delivery and provide great momentum as we near the end of 2023. I am encouraged by the progress made across our cost reduction and collections efficiency programmes and expect the benefits of these to be fully visible as we enter 2024 to support our leverage and margin ambitions”.

Key Highlights

- Collections performing at 100% vs Dec-22 static pool
- LTM Cash EBITDA increasing to £646m (£583m)
- 200bps LTM margin decrease to 59% (61%)
- £171m LTM free cash generated after estimated ERC Replacement Rate
- £238m capital deployed YTD, guidance of <£350m at 20% blended net IRR for 2023 vintage
- Strong liquidity at the end of the quarter of £215m
- Reported Net leverage of 3.7x (3.7x)

(Note: comparable numbers for LTM Q3-22 in brackets)

Key Financial Highlights

As at 30 September 2023	LTM Q3-23	LTM Q3-22	Change
Cash Income	£1,101m	£954m	+15%
Cash EBITDA	£646m	£583m	+11%
Cash EBITDA Margin	59%	61%	(200)bps
Portfolio Acquisitions	£319m	£577m	(41)%

Outlook

The business has continued to deploy capital at a run-rate broadly in line with its ERC Replacement Rate as it continues to focus on balance sheet management and the self-funding of growth whilst capturing increasing returns.

As it approaches the end of 2023 the Group remains committed to its leverage guidance of sub 3.0x at H2-23. This will be supported using its Balance Sheet Velocity programme, together with the announced margin accretion initiatives which will offset the inflation headwinds faced across the cost base.

Group Financial Performance

Impressive Collections Performance

Collection performance continues to be strong and resilient both across the Group's large backlog of assets and also new purchases, with performance at 100% vs the Dec-22 balance sheet expectation at Q3 and the FY23 vintage performing at 102% vs priced expectation YTD.

Performance in the UK continues to underpin this delivery given the Group's greater exposure to this market. Payment plans in this region continue to support ~80% of monthly collections with a modest default rate of ~5%.

Strong Cashflow Generation from Backbook Assets

The Group continues to report strong cash generation, with ~£171m of excess trailing cash generated after considering the ERC Replacement Rate. This is expected to improve as the Group deploys capital at growing return levels and benefits from the margin accretion activity which is underway to deliver current guidance.

Sustainability Upgrade

EcoVadis, a leading independent business sustainability assessor, upgraded Lowell's rating from Bronze to Silver with a 13 point increase following its review in October 2023. This upgrade reflects the significant progress made by the Group on its sustainability reporting across the last 18-24 months with the increased transparency helping third parties to fully appreciate the sustainability credentials and positive impacts of the Group.

Leverage Guidance

The Group remains focussed on delivering its leverage guidance of <3.0x over the next 9 months through a combination of its Balance Sheet Velocity programme alongside organic deleveraging driven by improvements to the underlying business.

Conference Call and Webcast

Call and webcast live at 08:30am Thursday 30 November 2023

Registration details

- Webcast (listen only with digital question submission)
 - [Lowell Group Q3-23 Results \(financialhearings.com\)](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

Media enquiries:

James Olley
+44 7974 982302
Email: lowell@montfort.london

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.

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

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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.