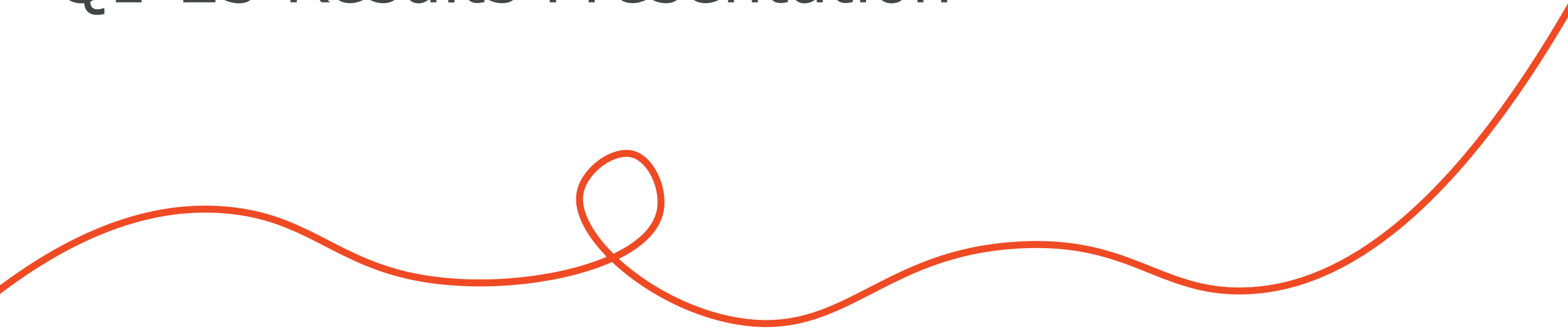




# Q1-23 Results Presentation



# Financial Highlights

**100%**

Collection performance vs Dec-22 static pool<sup>1</sup>

**£286m**

Pro Forma Liquidity<sup>2</sup>

**3.1x**

Pro Forma Leverage<sup>2</sup>

- ◆ Solid start to the year with collections performing in line with Dec-22 static pool
- ◆ Leverage step change reflects lower purchasing volumes, strong collection performance and 2023 balance sheet developments
- ◆ Continued improvement in returns on both a gross and net basis visible; Q1-23 priced 120m Group GMM of 1.8x
- ◆ Margin and efficiency improvement initiatives underway, expect tangible benefits to be visible in H2 helping to offset inflationary pressure on cost base
- ◆ Completion of the Group's second off-balance sheet ABS in May-23 with net proceeds of ~£55m

<sup>1</sup> Collection performance on assets owned as at Dec-22 for the 3 months to 31 March 2023. <sup>2</sup> Calculated as unrestricted cash on balance sheet plus amounts available to draw on RCF and UK Securitisations at 31 March 2023, Pro Forma for the ABS transaction completed in Q2-23

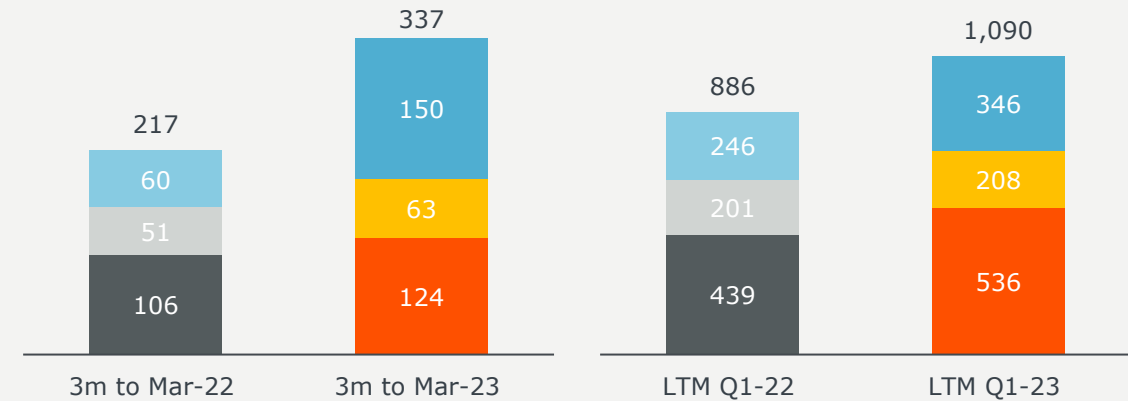
# Cash Income

**£1.1bn** LTM Cash Income

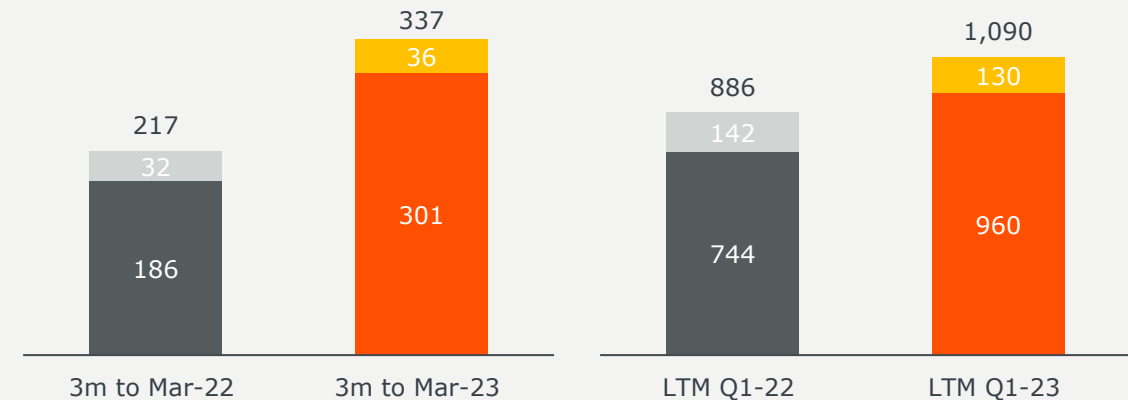
- ◆ Solid Q1-23 performance benefitting from continuing resilience in DP collections with performance at 100% of Dec-22 static pool forecast
- ◆ Strong growth from organic FY22 DP spend alongside contribution from Hoist and balance sheet velocity actions
- ◆ DACH post cyber recovery evident with QoQ and LTM growth
- ◆ Servicing growth in Q1-23 reflecting modest increase in placements and servicing activity. LTM remains slightly down on prior year given DACH cyber impact in Q2-22

■ UK 
 ■ DACH 
 ■ Nordics 
 ■ DP 
 ■ 3PC

**Cash Income by Geography (£m)**



**Cash Income by Service Line (£m)**



# Cash EBITDA and Margin

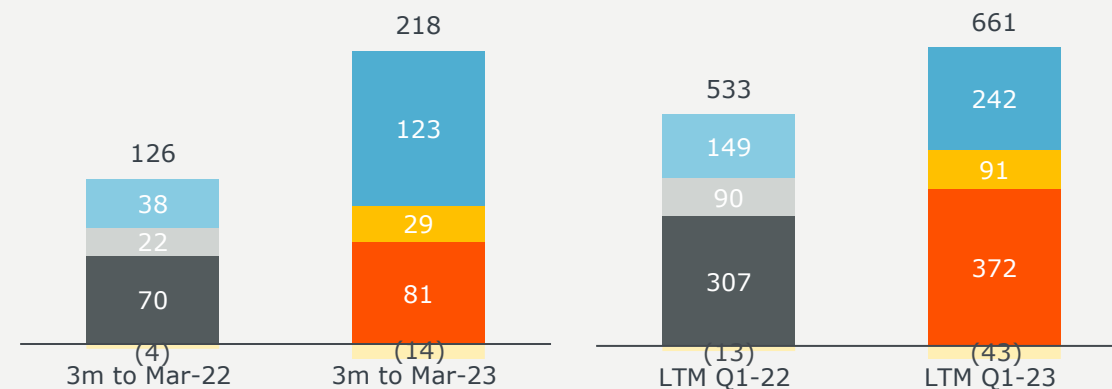
**£661<sub>m</sub>** LTM Cash EBITDA

- ◆ Positive Cash EBTIDA performance in Q1 reflecting;
  - Strong top line performance
  - Benefits from balance sheet velocity and turning assets quicker
  - Recovery and subsequent growth in DACH region
- ◆ Cost initiatives and efficiency improvements underway to deliver margin accretion guidance of +300bps, supported by;
  - Collection efficiency improvements, specifically in DACH region where there is potential for further platform and entity consolidation; and
  - Streamlining and leveraging of overhead base across the Group with expected costs to achieve of £15m from H2-23, to be delivering £25m run rate benefits from 2024

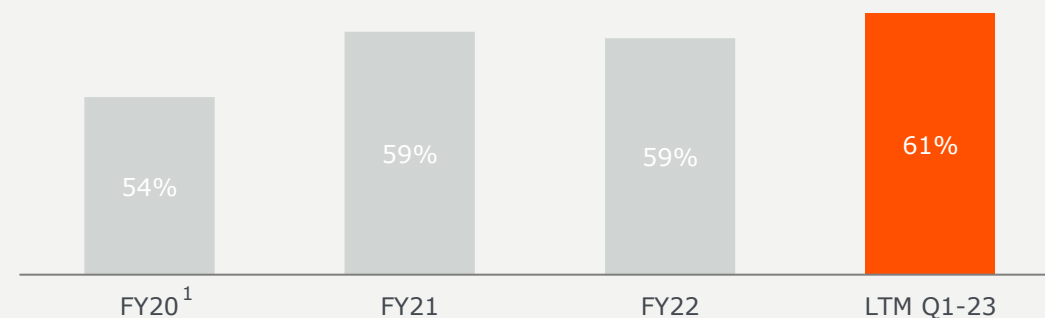
<sup>1</sup> Underlying FY20 Cash EBITDA margin of 54% when adjusting for ~1% benefit from reduced litigation volume

UK DACH Nordics Group

## Cash EBITDA (£m)



## LTM Cash EBITDA Margin (%)



# NPL Purchasing Volumes

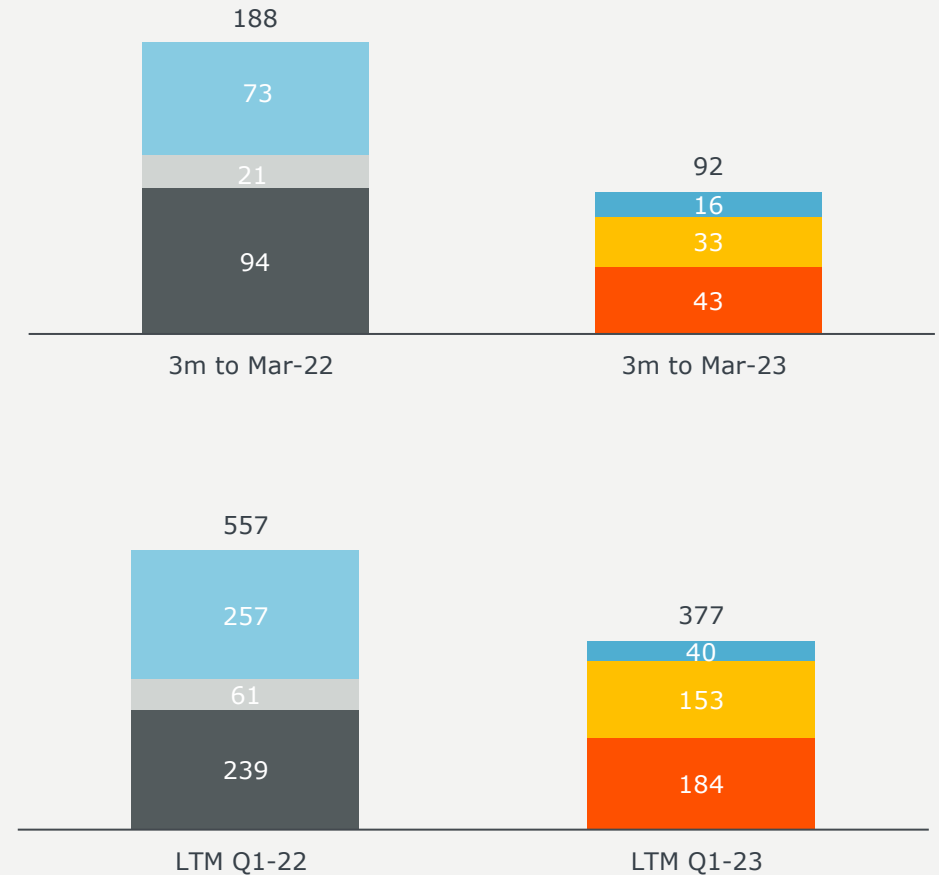
**£377**<sub>m</sub> LTM market purchases<sup>1</sup>

- ◆ FY23 purchases guided at ~£350m
- ◆ Strong pipeline allows optionality and ability to be selective with investments to maintain improved returns as communicated
- ◆ Encouraging improvements in market returns has continued into 2023

<sup>1</sup> Excludes Hoist UK Portfolio acquisition of £290m and ~£12m fair value portfolio acquisition, reflecting retained 49% Junior Note holding in publicly rated ABS structure which is shown in the Financial Statements

■ UK ■ DACH ■ Nordics

**Purchases (£m)**



# Balance Sheet and Cash Generation

**£4.2bn** 120m ERC

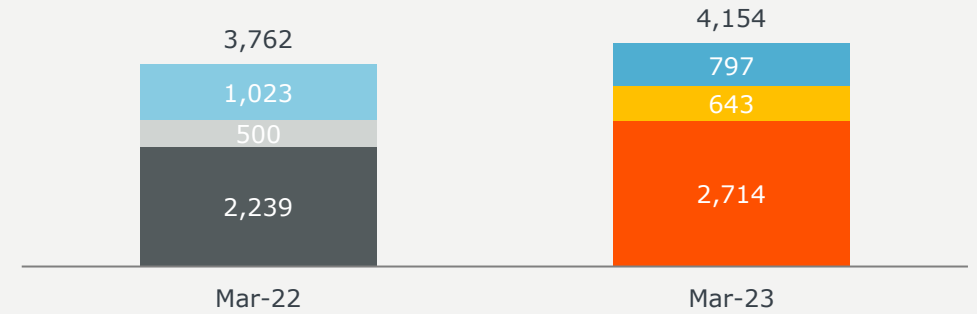
**£187m** Excess Cash Generated

- ◆ ERC growth reflects level of capital deployed across FY22
- ◆ Cashflow generation benefits from our ability to securitise paying assets, accelerating cashflows and enabling Lowell to take advantage of opportunities in a growing returns environment

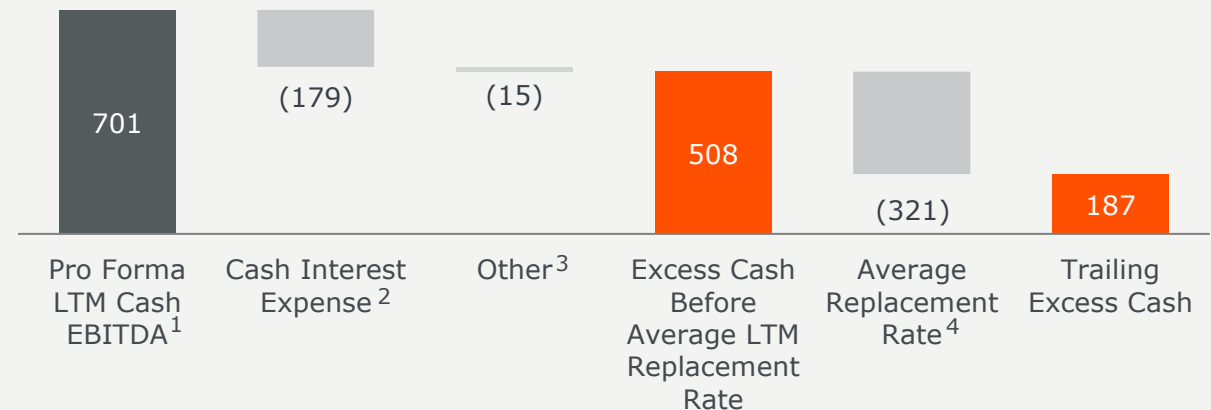
<sup>1</sup> Pro Forma Cash EBITDA includes £40m Cash EBITDA from Hoist UK acquisition. <sup>2</sup> Cash Interest calculated as next 12 months interest on debt instruments and drawings as of 31 March 2023. <sup>3</sup> Other represents Cash tax expenses paid LTM Mar-23 (£9m) and Management’s maintenance capex estimate (£6m). <sup>4</sup> Average Replacement Rate as calculated in Appendix.

■ UK ■ DACH ■ Nordics

**120m ERC (£m)**



**Cash Generation (£m)**



## ABS Transaction - Wolf II

A repeatable funding source allowing the Group to recycle capital and crystallise returns earlier in the investment cycle

**£55<sub>m</sub>** Acceleration of DP cashflows

**£55<sub>m</sub>** Reduction in Net Debt

**~£90<sub>m</sub>** 120m ERC

- ◆ Second off-balance sheet securitisation, this time using re-performing assets in Denmark. Deal closed in May 2023
- ◆ Structure follows the previous transaction;
  - ◇ Sale of 100% Senior Notes
  - ◇ 51% of the Junior Notes have been sold resulting in deconsolidation
  - ◇ Sold at a gain to book value of assets
  - ◇ Cash backed process resulting in the acceleration of cash flows associated with underlying accounts
- ◆ Deconsolidation crystallises the associated ERC earlier in lifecycle
- ◆ The Group continues to service the accounts on profitable terms on behalf of the Note holders and retains a minority stake in the Junior Notes (49%) to benefit from future upside potential

# Leverage and Liquidity

**£286<sub>m</sub>** Pro Forma Liquidity<sup>1</sup>

**3.1<sub>x</sub>** Pro Forma Net Leverage<sup>1</sup>

- ◆ Group remains committed to de-leveraging whilst sustainably growing the business
- ◆ Significant improvement in leverage and liquidity apparent in 2023 following execution of balance sheet velocity initiatives
- ◆ The Group is committed to sustainably operating at a leverage of <3.0x within the next 15 months and expects that trajectory to position it at <3.5x at FY23

## Pro Forma Leverage Reconciliation

	<b>£m</b>
Reported Net Debt at Mar-23	2,436
Net cash received for Wolf II transaction	(55)
<b>Pro Forma Net Debt at Mar-23</b>	<b>2,381</b>
	<b>£m</b>
Reported Pro Forma LTM Mar-23 Cash EBITDA	701
Cash EBITDA impact of Wolf II transaction	55
<b>LTM Pro Forma Cash EBITDA</b>	<b>756</b>
<b>Pro Forma Leverage at Q1-23</b>	<b>3.1x</b>

<sup>1</sup> Calculated as unrestricted cash on balance sheet plus amounts available to draw on RCF and UK Securitisations at 31 March 2023, Pro Forma for the ABS transaction completed in Q2-23



# Delivering on our Leverage Guidance

Balance sheet velocity initiatives support lower leverage but underpinned by improvements in underlying business to drive organic de-leveraging

## Balance Sheet Management

- ◆ **Repeatability of balance sheet velocity actions;**
- ◆ Wolf II delivered in Q2-23
- ◆ Expectation that transactions are repeated at least annually, driven by size of backbook and ability to convert customers into re-performing cashflows

## Collections and Margin

- ◆ **Resilient collection performance to drive outperformance vs collection expectations**
- ◆ Regional led programmes to deliver increased value from backbook assets across 2023
- ◆ **Improved collections effectiveness and benefits of growing scale will deliver margin improvement of +300bps over the next 15 months**

## Purchases and Returns

- ◆ **Purchasing levels closer aligned to Replacement Rate and cash generated from operations**
- ◆ FY23 guidance of ~£350m
- ◆ Improving returns on a gross and net basis; FY22 vintage GMM expected to increase through the year towards ~2.0x

## Outlook and Guidance

**~£350<sub>m</sub>** FY23 Purchasing ambition

**+300<sub>bps</sub>** Margin expansion target within 15 months

**<3.0<sub>x</sub>** Net leverage target within 15 months

**<3.5<sub>x</sub>** Net leverage target at Dec-23

- ◆ Reduced purchasing levels expected in FY23 as business places greater emphasis on self-funded growth and deleveraging
- ◆ Further margin expansion expected over next 15 months through initiatives to reduce both direct and indirect costs
- ◆ Net leverage ambition of sub 3.0x in next 15 months



# Appendix



# ERC Profile

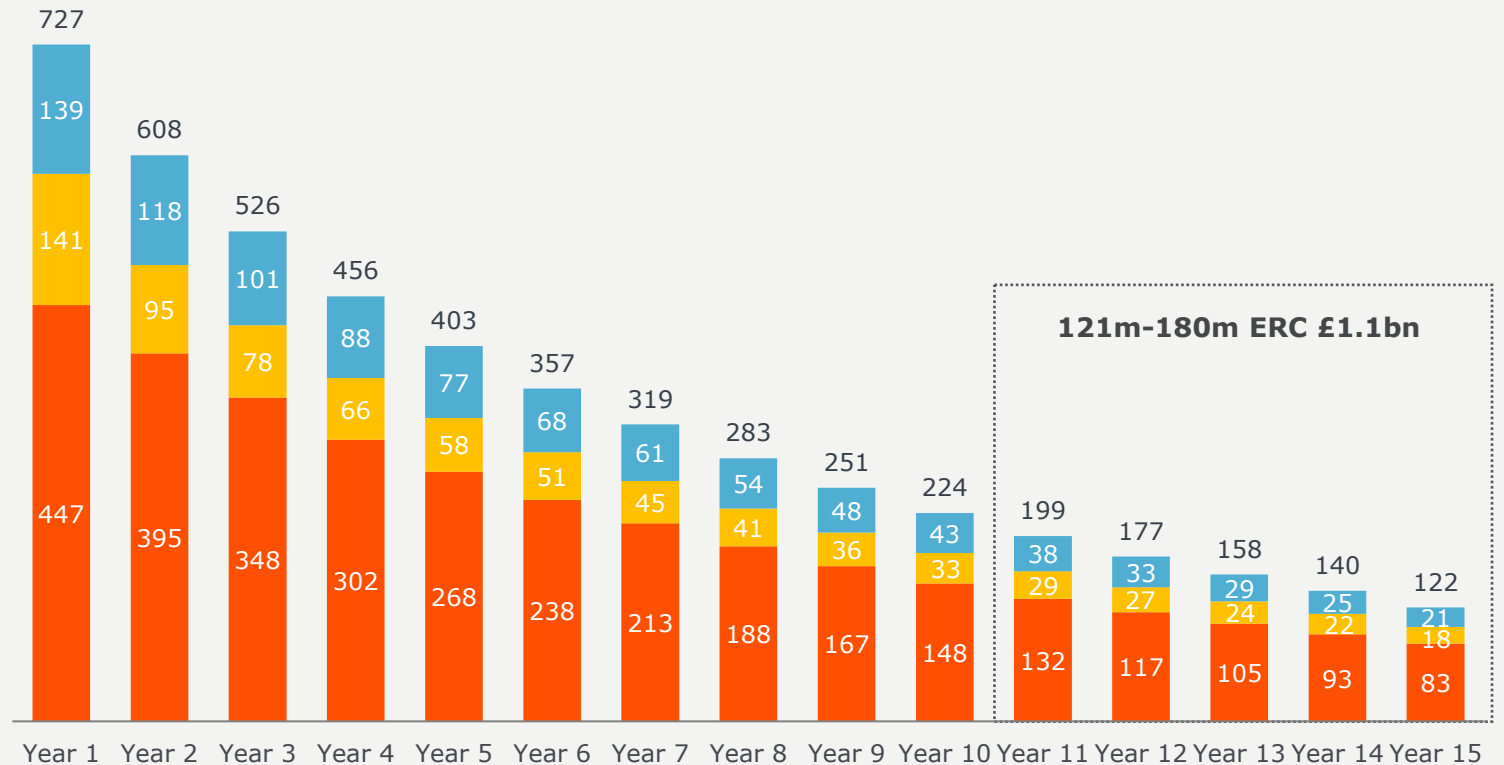
Diversified backbook formed of 20 vintages, ~4,500 portfolios and across a range of originating sectors

£4.2bn 120m ERC

£4.9bn 180m ERC

UK DACH Nordics

(£m)



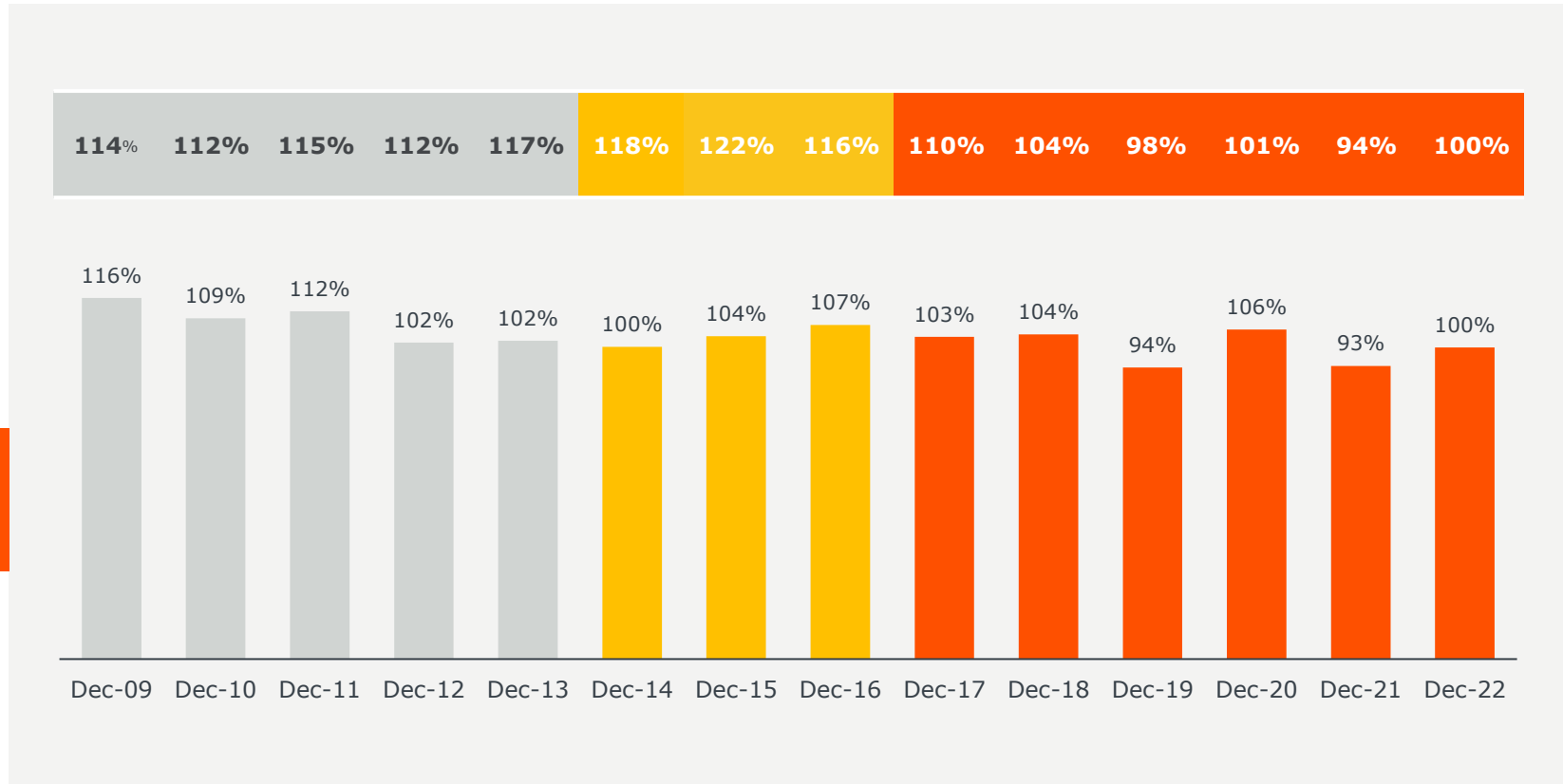
# Historic Collection Performance

■ UK ■ UK and DACH ■ UK, DACH and Nordics - - Forecast

Cumulative collection performance to Dec-22 vs static pool

Next 12 months actual collections vs static pool

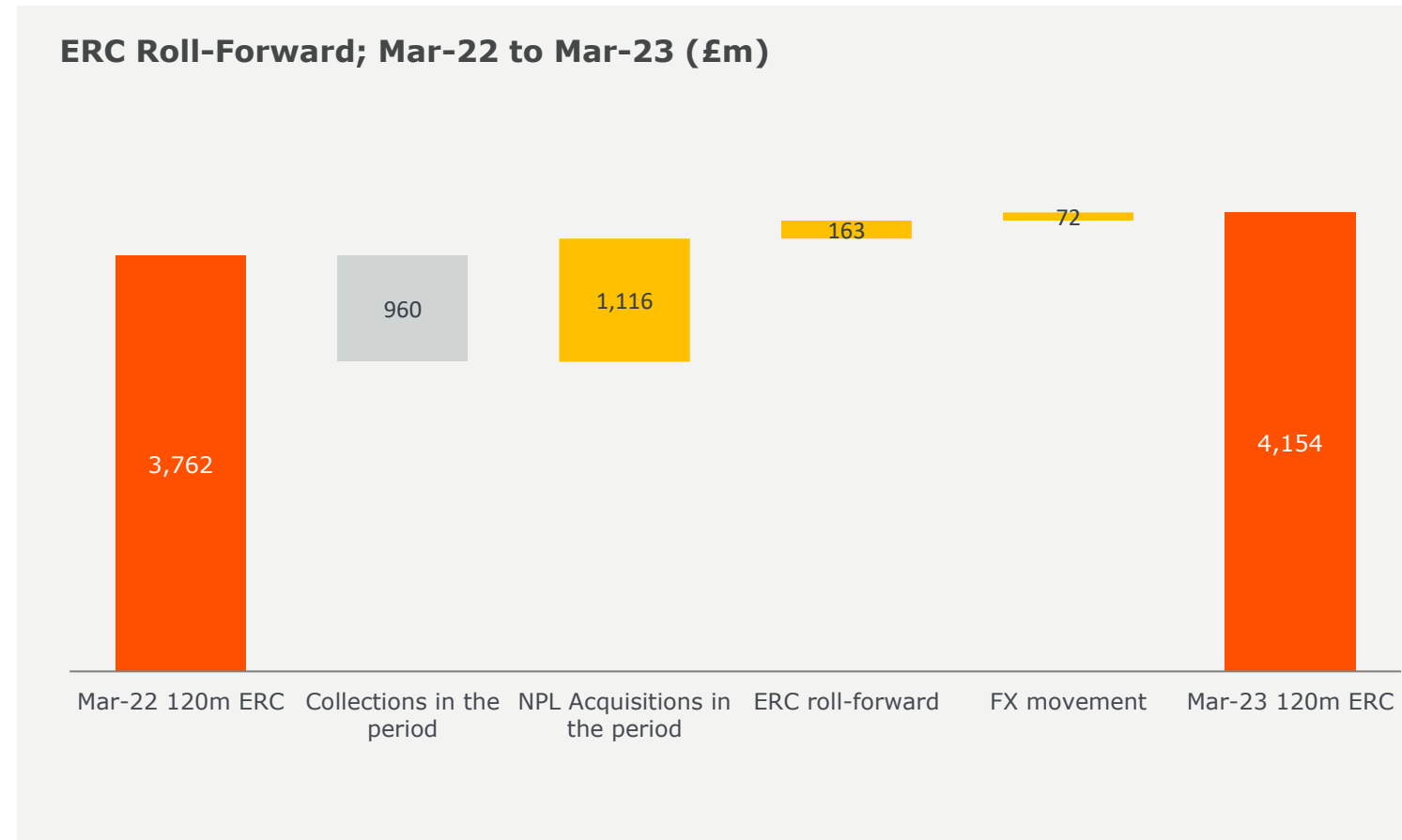
**100%** Cumulative Collection Performance vs Dec-22 Static Pool



Note: Collection Performance metrics exclude asset sales where applicable.

# 120m ERC Roll-Forward

- ◆ NPL Acquisitions in the period: purchases in the period grossed up to 120m ERC based on respective priced 120m GMMs
- ◆ ERC roll-forward takes into account:
  - ◇ Mechanical nature of revaluation (roll-in of value present in the tail)
  - ◇ Change in collections expectations leading to an uplift or reduction in estimated cash-flows



# Pro Forma Cash EBITDA Reconciliation

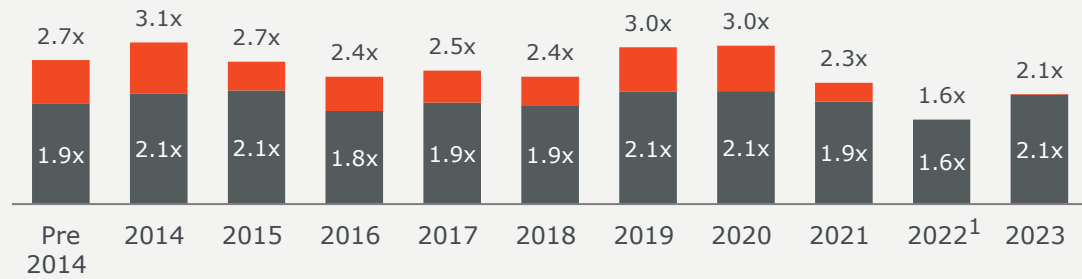
## Cash EBITDA (£m)

	LTM Mar-23	LTM Mar-22
UK	372	307
DACH	91	90
Nordics	242	149
Group Costs <sup>1</sup>	(43)	(13)
<b>Group Cash EBITDA</b>	<b>661</b>	<b>533</b>
Pro Forma Cost Adjustments <sup>2</sup>	-	2
Pro Forma Hoist UK contribution <sup>3</sup>	40	-
<b>Pro Forma Cash EBITDA</b>	<b>701</b>	<b>535</b>

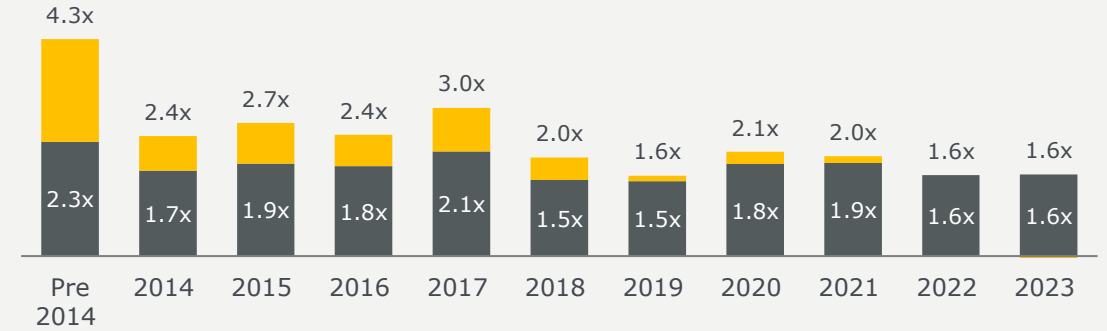
<sup>1</sup> Group cost increase reflects reclassification of costs from the regions as part of continued move to increase efficiency and transparency of true underlying regional performance. <sup>2</sup> Pro Forma cost adjustments represent adjustments made to reflect the full run rate benefits of changes enacted. <sup>3</sup> Hoist UK Cash EBITDA for the 7 months prior to completion

# 120m GMMs Per Vintage

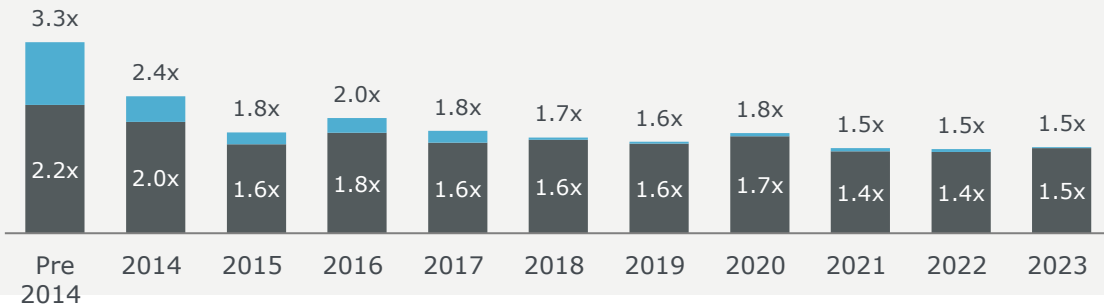
## UK



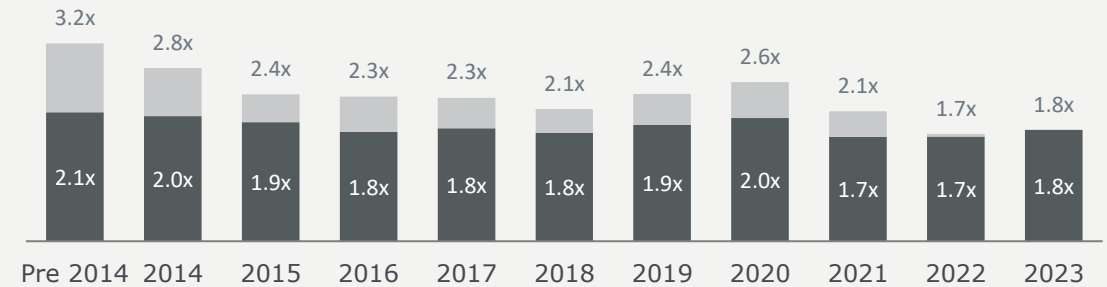
## DACH



## Nordics



## Combined Group<sup>2</sup>



Note: Current GMM is calculated using actual collections to Mar-23 plus ERC across the next 120m for all regions. Priced GMM is calculated using the priced collection expectation over the initial 120m for all regions.  
<sup>1</sup> Includes Hoist UK acquisition. <sup>2</sup> Indicative combined Group GMMs shown on a 120m basis and all translated at Mar-23 closing FX rate which may result in differences across reporting periods as FX rates change



# Calculation of Group 120m ERC Replacement Rate

£m	Mar-23
120m ERC	
Year 1 Collections	727
Roll-forward (Year 11 Collections)	199
Collections to replace	528
2022 vintage GMM	1.6x
2023 vintage GMM	1.8x
Blended GMM <sup>1</sup>	1.7x
Replacement Rate as calculated at Mar-23	313
Replacement Rate as calculated at Mar-22	331
<b>Average LTM Replacement Rate<sup>2</sup></b>	<b>322</b>

## GMM Weighted Average Calculation (£m)

2022 Vintage	UK	DACH	Nordics	Total
Purchases (£m)	526	141	96	763
% of total purchases	69%	19%	13%	100%
Actual 120m GMM	1.6x	1.6x	1.5x	
<b>Weighted Average</b>				<b>1.6x</b>
2023 Vintage	UK	DACH	Nordics	Total
Purchases (£m)	43	33	16	92
% of total purchases	47%	36%	17%	100%
Actual 120m GMM	2.1x	1.6x	1.5x	
<b>Weighted Average</b>				<b>1.8x</b>
<b>Blended GMM</b>				<b>1.7x</b>

<sup>1</sup> Blended GMM represents the average 120m GMM for 2022 and 2023 vintages, across the UK, DACH and Nordics as at Mar-23.

<sup>2</sup> Average Replacement Rate is an average of the Replacement Rate as calculated at Mar-23 and the Replacement Rate as calculated at Mar-22.

# Leverage and Liquidity

**£231<sub>m</sub>**

Reported Liquidity<sup>1</sup> at Mar-23

**£286<sub>m</sub>**

Pro Forma Liquidity<sup>2</sup>

£m	Mar-23
RCF Capacity	401
Amounts Drawn	(288)
Securitisation Availability <sup>3</sup>	49
Cash	69
<b>Available Liquidity</b>	<b>231</b>

£m	Mar-23
Net Debt	2,436
Pro Forma LTM Cash EBITDA	701
<b>Net Debt / Pro Forma LTM Cash EBITDA</b>	<b>3.5x</b>
Senior Secured Net Debt / Pro Forma LTM Cash EBITDA	2.7x

**3.5x** Net Leverage<sup>4</sup>

**3.1x** Pro Forma Net Leverage<sup>2</sup>

<sup>1</sup> Calculated as unrestricted cash on balance sheet plus amounts available to draw on RCF and UK Securitisations at Mar-23. <sup>2</sup> Pro Forma for the ABS transaction completed in Q2-23. <sup>3</sup> Amounts available across ABS Facility 1, Facility 2 and Facility 3 as at Mar-23. <sup>4</sup> Calculated as Net Debt to LTM Pro Forma Cash EBITDA.

# Net Debt and Borrowings at 31 March 2023

## Net Debt

Bond Principal	£m
£440m Senior Secured Notes 7.75%	440
€795m Senior Secured Notes 6.75%	701
€630m Senior Secured Notes EURIBOR +6.25%	555
RCF Drawings and Other	
GBP Drawn RCF	87
EUR Drawn RCF	201
ABS – Facility 1	165
ABS – Facility 2	225
ABS – Facility 3	131
Cash	
Cash	69
<b>Senior Secured Net Debt</b>	<b>1,915</b>
<b>Net Debt</b>	<b>2,436</b>
<b>Gross Debt</b>	<b>2,505</b>

## Bonds

Currency	Issue	Security	Maturity	Coupon
GBP m	440	Senior secured notes	Nov-25	7.75%
EUR m	795	Senior secured notes	Nov-25	6.75%
EUR m	630	Senior secured notes	May-26	EURIBOR +6.25%

## Revolving Credit Facility (RCF) and Securitisation Facilities

Currency	Committed Amount	Security	Maturity	Interest	Margin
EUR m	455	Super Senior Secured RCF	Aug-25	SONIA / EURIBOR	3.00%
GBP m	175	Asset Backed Loan – Facility 1	Jul-25	SONIA	3.35%
GBP m	225	Asset Backed Loan – Facility 2	Jan-27	SONIA	3.50%
GBP m	170	Asset Backed Loan – Facility 3	Oct-27	SONIA	3.90%

# Glossary

<b>3PC</b>	-	Third Party Collection	
<b>ABS</b>	-	Asset backed securitisation	
<b>Acquisitions</b>	-	The purchases of NPLs	
<b>Cash EBITDA</b>	-	Defined as collections on owned portfolios plus other turnover, less collection activity costs and other expenses (which together equals servicing costs) and before exceptional items, depreciation and amortisation	
<b>Cash Income</b>	-	Total income for the period adding back portfolio amortisation and portfolio fair value release and deducting net portfolio write-up, lawyer service revenue, other revenue (less payment services income) and other income	
<b>DACH</b>	-	Germany, Austria and Switzerland	
<b>DP</b>	-	Debt Purchase	
<b>EBITDA</b>	-	Defined as operating profit plus depreciation and amortisation, non-recurring costs and exceptional items (net of exceptional income) and portfolio fair value adjustment (where applicable)	
<b>ERC</b>	-	Estimated Remaining Collections over 84, 120 or 180 months	
<b>EURIBOR</b>	-	Euro Interbank Offer Rate	
<b>GMM</b>	-	'Gross money multiple', being the expected collections on a portfolio or particular vintage, divided by its respective purchase price. Reported on either a 'static' or 'current' basis	
<b>Gross Profit</b>	-	Gross Profit calculated as Cash Income less Collection Activity Costs excluding Lawyer Service activity, less the amounts captured within Collection Activity Costs related to Non-recurring Costs / Exceptional Items (net of exceptional income)	
<b>IFRS</b>	-	International Financial Reporting Standards	
<b>Net Debt</b>	-	Senior Secured Notes bond principal plus Senior Notes bond principal plus RCF drawn amounts plus securitisation drawn amounts less cash	
<b>Nordics</b>	-	For the purpose of the presentation include Sweden, Denmark, Norway and Finland	
<b>NPL</b>	-	Non Performing Loans	
<b>RCF</b>	-	Revolving Credit Facility	
<b>Replacement Rate</b>	-	The estimated amount of purchases to maintain current Group ERC	
<b>SASB</b>	-	Sustainability Accounting Standards Board	
<b>SONIA</b>	-	Sterling overnight index average	

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# Upcoming Events

- ◇ **Q2-23 Results** – August 2023
- ◇ **Q3-23 Results** – November 2023

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