Lowell

Press Release
31 August 2023 / 7.00am BST

Lowell Second Quarter Results 2023

Collections resilience, increasing margins and reduced leverage

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

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

"The business continues to consistently evidence its resilience, especially in the UK market despite the heightened focus on consumer affordability. These results yet again demonstrate that our approach to collections and consumer focus continues to deliver. Our collections success is further supported by key balance sheet initiatives we have completed on across H1, and we will further benefit from the margin enhancement actions that are underway to meet our guidance across the next 12 months"

Key Highlights

- Collections performing at 100% vs Dec-22 static pool, UK at 102% YTD
- LTM Cash EBITDA increasing to £724m (£511m)
- +300bps LTM Margin accretion to 62% (59%)
- £223m LTM free cash generated after estimated Replacement Rate
- £173m capital deployed YTD, on track to deploy ~£350m at 20% blended net IRR for 2023
- Off-balance sheet securitisation of Danish reperforming assets completed
- Strong liquidity at the end of the quarter of £209m
- Reported Net leverage of 3.2x (4.2x)
- £17m of Bonds repurchased in market

(Note: comparable numbers for LTM Q2-22 in brackets)

Key Financial Highlights

As at 30 June 2023	LTM Q2-23	LTM Q2-22	Change
Cash Income	£1,177m	£869m	+35%
Cash EBITDA	£724m	£511m	+42%
Cash EBITDA Margin	62%	59%	+300bps
Portfolio Acquisitions	£364m	£521m	(30)%

Outlook

The business has continued to deploy capital at a run-rate reflecting its full year 2023 guidance of ~£350m, with H1-23 purchases totalling £173m. This represents the Group's conscious decision to reduce the level of deployment compared to the elevated level last year, bringing spend closer to ERC Replacement Rate as it focusses on balance sheet management and the self-funding of growth.

The Group remains committed to its leverage and margin guidance which will be achieved through both topline growth and cost control. Actions are underway to deliver collections efficiency improvements and a reduction in overheads with benefits expected to be visible across H2-23.

Group Financial Performance

Resilient Collections Performance

Collection performance across H1-23 is in line with the Dec-22 static pool forecast. Within this, the UK continues to collect more than forecast, at 102% YTD of expectation. This strong performance in the UK has been achieved despite tough macroeconomic condition and has been helped by 80% of monthly collections coming from payment plans which continue to show resilient and stable cashflows with low default rates. This owes much to our customer engagement, understanding of circumstances and ability to structure affordable monthly payments.

Regional performance remains strong with the Nordic collections performing in line with static pool expectations and operational activity in DACH continuing to recover collections which were deferred during last year's cyber incident, improving static pool performance month on month.

Completion of Second Off-Balance Sheet ABS

In May-23, the Group completed its second off-balance sheet securitisation of reperforming receivables demonstrating the repeatability of this funding source and the continuation of our balance sheet velocity actions.

This transaction resulted in £58m of DP collections, accelerating value and cashflows earlier in the lifecycle of these accounts and monetising Lowell's work in turning these assets into re-performing and investment grade rated assets.

The Group has guided to repeating these structures on an annual basis in the region of £100m-£150m.

Leverage Guidance and Bond Repurchase

The Group remains focussed on delivering its leverage guidance of <3.0x over the next 12 months through a combination of balance sheet velocity initiatives alongside organic deleveraging driven by improvements to the underlying business.

Given the ongoing focus on managing the Balance Sheet, the Group used some of its liquidity to repurchase Bonds with a face value of £17m in the market at a cost of £13m.

Conference Call and Webcast

Call and webcast live at 08:30am (BST) Wednesday 31 August 2023

Registration details

- Webcast (listen only with digital question submission)
  - Lowell Group Q2-23 Results (financialhearings.com)
- Teleconference Lines (with interactive Q&A)
  - Call Registration and Access (financialhearings.com)

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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.

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

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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.