Lowell Third Quarter Results 2022

Continued Financial Delivery and Corporate Strategy Progress

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

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

"These results demonstrate the continued underlying delivery of our business. The Group is performing in line with our June reforecast and the DACH region continues to show pleasing progress in its recovery following the Cyber incident in Q1.

"The deconsolidation of the publicly rated ABS facility is a key milestone, providing a repeatable funding source which will allow the Group to recycle capital and crystalise returns earlier in the investment cycle

"Our run rate on purchases has peaked following a strong LTM period, and we expect purchases to be more closely aligned to our Replacement Rate as we move through into 2023."

Key Highlights

- Completion of the Hoist UK acquisition
- Deconsolidation of the publicly rated ABS following the sale of 51% of the Junior Notes
- LTM Cash EBITDA increasing to £583m (£504m)
- +530bps LTM Margin accretion to 61% (56%)
- £178m LTM free cash generated
- £577m of LTM Portfolio Acquisitions (£320m)
- Strong liquidity at the end of the quarter of £543m

(Note: comparable numbers for LTM Q3-21 in brackets)

Key Financial Highlights

As at 30 September 2022	LTM Q3-22	LTM Q3-21	Change
Cash Income	£954m	£904m	+6%
Cash EBITDA	£583m	£504m	+16%
Cash EBITDA Margin	61%	56%	+530bps
Portfolio Acquisitions	£577m	£320m	+80%

Outlook

The business has deployed a significant amount of capital across the last twelve months on unique and attractive opportunities which will support its long-term growth ambitions. The completion of the Hoist UK acquisition in Q4 further supplements this and the Group expects purchases to be more closely aligned to its Replacement Rate through 2023. These acquisitions, and ongoing collection initiatives, will be key drivers in ongoing growth and de-leveraging.

Group Financial Performance

Solid Performance Despite Wider Economic Environment

Cash EBTIDA growth of £79m YoY following acceleration of collections associated with the publicly rated ABS structure.

Underlying performance is broadly flat, with the Group benefiting from strong LTM margin performance despite known headwinds of DACH Cyber incident and UK collection softness. Margin progression reflects increased collection activity in the UK and some early signs of inflationary pressure on the cost base.

DACH recovery remains pleasing with September in-month backbook performance above 100%, strong levels of capital deployment in the region and the on-boarding of new servicing mandates in the quarter.

The Group continues to generate significant free cashflow after Replacement Rate, providing sustainable self-funding for growth and benefits from a strong liquidity position of £543m at Q3.

Leverage sits within the guided range of 4.0x – 3.5x at 3.7x, despite a continuing ~0.2x impact from the collection deferral in the DACH region. The Group expects to continue to operate comfortably within its leverage guidance.

UK Collections Performing in line with June Reforecast

The UK region continues to benefit from a significant proportion of payments from long term sustainable plans with its consumers. These payment plans continue to be resilient, however there is some marginal softness visible in the value from settlement payments.

Despite this, UK collections have performed in line with the June reforecast which accounted for the expected rephasing of collections and default rates have remained low at ~5%.

Completion of Hoist UK Acquisition and Funding Model Further Strengthened

The acquisition of Hoist UK completed in October 2022 following FCA approval. The deal will be part financed through the new £170m ABS facility as previously announced.

Lowell completed the sale of 51% of Junior Notes held in the publicly rated ABS structure for £10m in August, which has resulted in deconsolidation of the associated assets and liabilities from the Lowell balance sheet.

This process allows the Group to recycle capital from the back book of assets earlier in the investment period and clearly demonstrates Lowell’s ability in rehabilitating consumer accounts from non-paying in to reperforming cashflows.

Lowell continues to hold a minority stake in Junior Notes (49%) and will service the assets.

Conference Call and Webcast

Call and webcast live at 08:30am (GMT) Friday 18 November 2022

Registration details

- Webcast (listen only with digital question submission)
- https://ir.financialhearings.com/lowell-group-q3-2022/register
- Call (with interactive Q&A)
    - UK: +44 3333 0090 34
    - Further lines available here

Contacts

Investor Relations enquiries:
Shaun Sawyer
Group Head of Investor Relations and Corporate Finance
Email: investors@lowellgroup.co.uk

Media enquiries:
Woolf Thomson Jones
Communications Support UK
Telephone: +44 7376 392 693
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. 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.