



**Q2 2012 interim financial results  
presentation for the three month period  
ending 29 February**

17 May 2012

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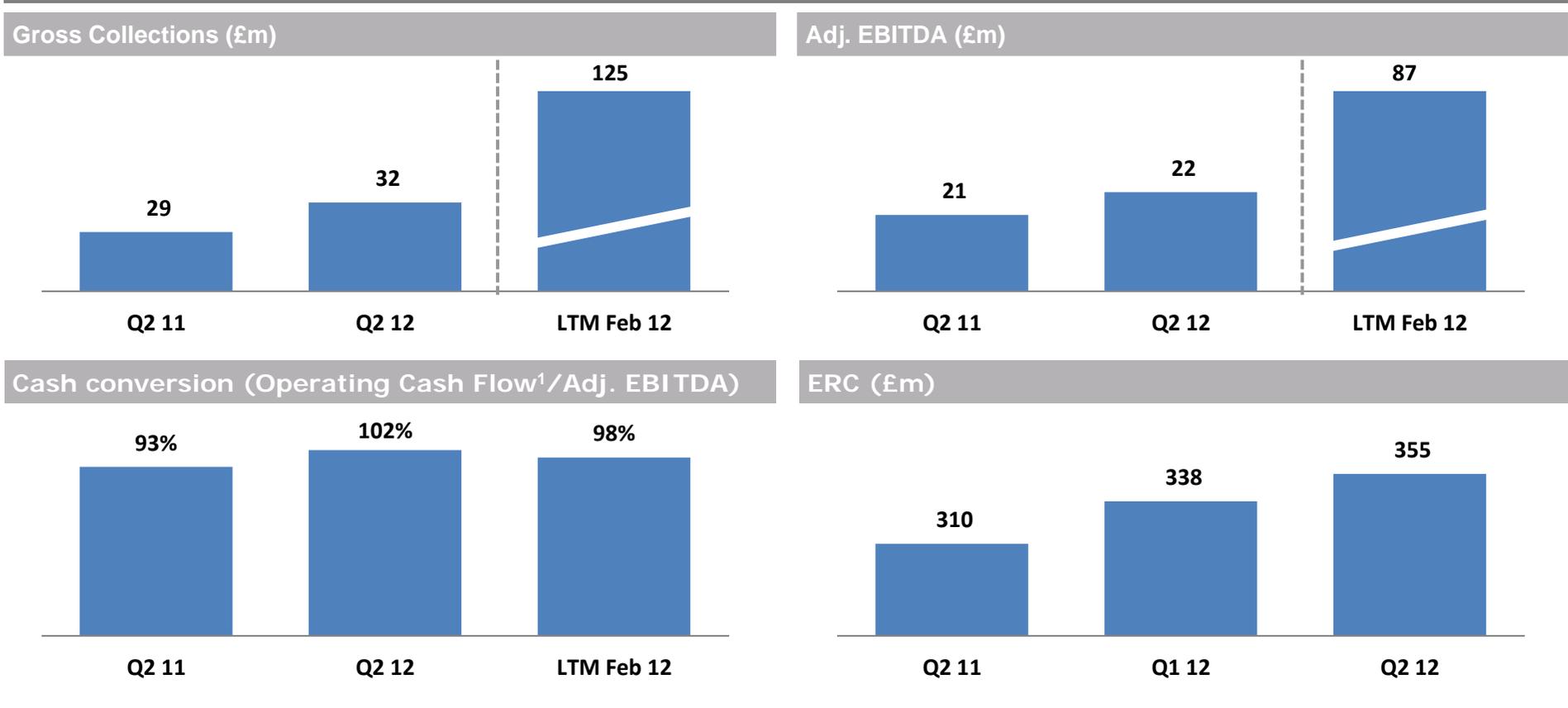
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# Financial performance

# Summary Performance



**Consistently Strong Performance of Gross Collections, Adj. EBITDA and ERC**

<sup>1</sup> Represents Adjusted EBITDA less capital expenditures and working capital movement but excluding portfolio purchases

## Recent Developments

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- The bond process completed on 30<sup>th</sup> March 2012
- Business continues to perform in line with expectations in the month of March:
  - Another record level of monthly collections
  - ERC of £363 million at month end
- Appointment of new executive board member Sara de Tute in the newly created role of Legal and Compliance Director
  - Demonstration of Lowell's continued leading commitment to compliance
- The company has sight of a strong pipeline of portfolio opportunities over the next six months
- As of the end of March 2012 Lowell has now purchased from all major UK mobile vendors

## Key Financial and Operating Data

### Key Financial and Operating Data (£m)

	Q2 11	Q1 12	Q2 12	LTM Feb 12
<b>Cash generative asset backing:</b>				
ERC	310.0	337.7	355.4	355.4
Reported portfolio purchases	14.1	10.3	21.3	70.7
PF Net Debt	185.5	193.0	192.6	192.6
<b>Cash generation:</b>				
Collections/income on owned portfolios	29.5	31.5	31.7	125.5
Servicing costs	(8.7)	(10.0)	(9.3)	(38.4)
Adjusted EBITDA	20.8	21.5	22.5	87.1
Capital Expenditure	(0.5)	(0.5)	(0.4)	(2.1)
Working Capital Movement	(0.9)	(1.8)	0.9	0.6
Cash flow before debt and tax servicing	19.3	19.2	23.0	85.6
Conversion of Adjusted EBITDA to Cash Flow	93%	89%	102%	98%
<b>Return on capital:</b>				
Unlevered Net IRR of owned portfolios	24.3%	25.1%	25.1%	25.1%
<b>Operational efficiency:</b>				
Annual collections per collector FTE (£ thousands)	599	646	629	637
Payment plans per collector FTE(#)	2,253	2,636	2,804	2,694

- Strong cash collections of £31.7 million for this quarter, with highest ever collections month in February 2012 at £11.2 million
- Continued debt sale activity in the market providing strong opportunities for Lowell and a continued increase in ERC to £355.4 million. As at March 2012 ERC was £363.3 million.
- Highest portfolio purchases ever in December 2011 at £14.9 million
- Successful purchase of a utility portfolio in November 2011, evidencing Lowell's strategy of continued diversification and expansion into new growth sectors
- Continued high cash flow conversion of approx. 98% LTM and 96% year to date
- Net IRRs on owned portfolios at 25% - Portfolios acquired in H1 2012 are performing at 112% of collection forecast assumptions at pricing

Note: Net Debt is presented on a pro forma basis relating to the issuance included within the Offering memorandum

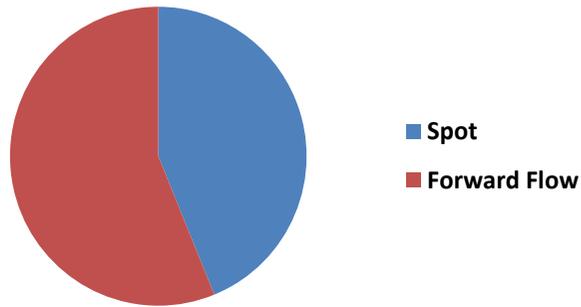
## Current Market Context

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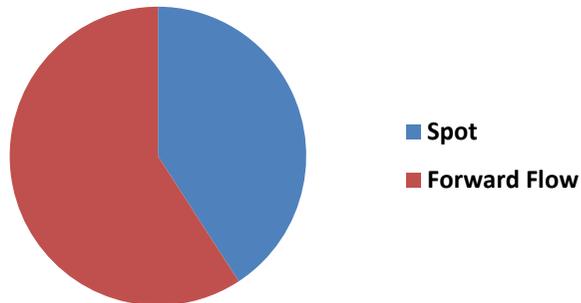
- Continued increase in activity within the debt purchase market, with particularly strong momentum in financial services where UK clearing banks are undertaking large portfolio disposal programmes to clear their accumulated backlog of debt
- Market continues to be competitive and is centered around experienced market participants which are well funded and show rational behavior
- Despite competitive market dynamics Lowell continues to be very disciplined in its purchasing decisions focusing on high yielding portfolios and leveraging its competitive advantages:
  - Focus on diversified portfolios
  - Cost advantage from data intelligence and technology
  - Trusted and established relationships
  - Strict adherence to compliance
- New segments are emerging: Utilities and government debt vendors are showing increasing activity levels
  - Both segments are ideally suited to Lowell's competitive position in the marketplace

## Portfolio Purchases

### Portfolios purchased in Q2 2012



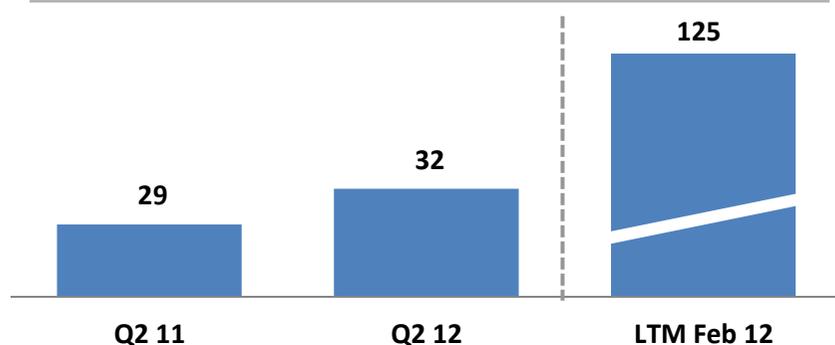
### Portfolios purchased year to date



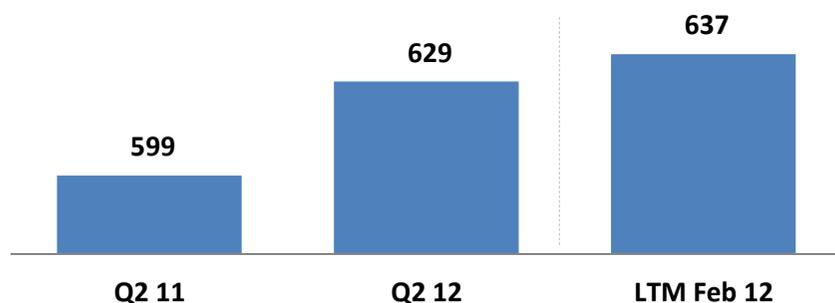
- £21.3 million of purchases for the quarter
- Record portfolio purchases in December 2011 at £14.9 million
- Forward flow agreements continue to provide a steady and predictable flow of account purchases, demonstrating the importance of Lowell's close relationships with vendors
- Financial services portfolios represented two thirds of the portfolios purchased in the quarter, highlighting strong growth in this sector
- Continued high market shares in both communications and home retail credit sectors
- Successful purchase of a utility portfolio
  - Strategy of actively penetrating new market segments
  - Gradual and conservative purchases starting with small sizes for new vendors to learn characteristics

# Collections

Gross Cash Collections (£m)



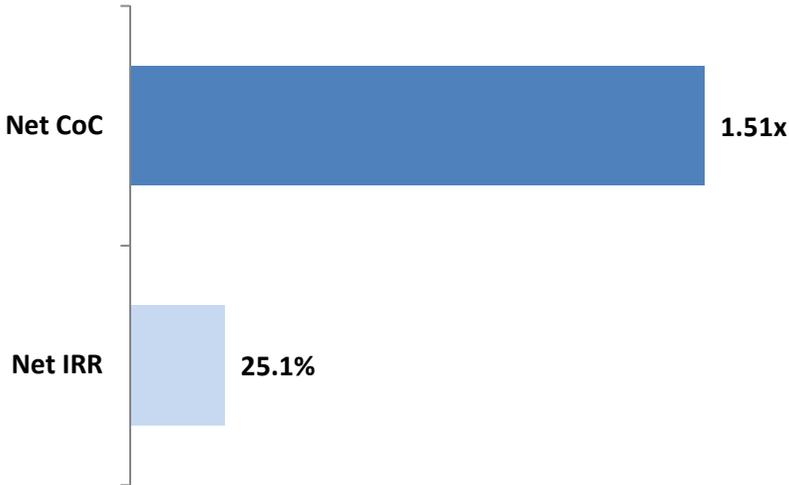
Annualized collections per collector FTE (£'000)



- Achieved record collections of £31.7 million for this quarter
  - February collections at £11.2 million were record monthly collections for the business
  - Year on year saw a 5% increase in the level of Annualized collections per collector FTE
- Strong collections performance based on continued operational and technological excellence and investment in:
  - Technology, analytics and efficient operational processes
  - Talent pool
  - Culture of continued innovation and improvement
- For the three months to February 2012 the default rate among our customers was 20.5%, compared to 21.8% for the same period last year.
- The business continues to demonstrate a strong cash flow conversion of Adjusted EBITDA into cash flow before debt and tax services at 100% in the last twelve months

# Portfolio Returns

**Unlevered returns of existing book (Feb '12)**



- Achieved a 25.1% unlevered net IRR on Lowell’s aggregate portfolios
  - Continued track record of generating strong and consistent unlevered returns
- Collections in the year to date on portfolios owned as of August 31, 2011 were 101% of the ERC projections from August 31, 2011
- Performance on portfolios purchased in the first six month of 2012 running at 112% of collections forecast assumptions at pricing

Note: Returns calculated based on actual performance since portfolio acquisitions and balance sheet valuation as of February 2012;

# Asset Coverage

## Key B/S and coverage ratios as of Feb '12

	Q1 12	Q2 12
<b>Key Financial Metrics</b>		
ERC	337.7	355.4
PF Gross Debt	200.0	200.0
PF Cash	(7.0)	(7.4)
PF Net Debt	193.0	192.6
PF Interest payable	22.1	22.1
Adjusted EBITDA (12 months to quarter end)	85.4	87.1
<b>Leverage and Coverage Ratios</b>		
PF loan to value ratio	57.1%	54.2%
PF Net debt / Adjusted EBITDA	2.3	2.2
PF EBITDA / total interest payable	3.9	3.9

- Lowell's portfolios are forecast to generate £355.4 million in cash collections (ERC) in the next 84 months, offering significant and predictable cash collateralization
  - 50% of cash collections are expected to be generated in the next 24 months
  - 78% of cash collections are expected to be generated in the next 48 months
- Solid leverage and coverage metrics
  - Loan to value ratio of 54%
  - Net debt / EBITDA of 2.2x

Note: Leverage and Coverage ratios calculated on same basis as presented in the Offering Memorandum "Summary Consolidate Financial Data"  
Gross Debt, Cash and Net Debt are presented on a pro forma basis relating to the issuance included within the Offering memorandum

## Debt Purchase Market

- Pipeline:
  - Continued momentum in the financial services sector, with large debt sales expected from all UK clearing banks
  - Communications and home retail sectors expected to maintain regular portfolio sales
  - New sectors expected to offer increasing opportunities medium to long-term
- Certain segments of the market (e.g. fresher debt) proving competitive – Lowell focused on pricing discipline and areas where it has a clear competitive advantage

## Operations

- Continued programme of operating initiatives to keep cost and technological superiority
  - Projects include optimisation of letter/email and marketing activities, investment in IT infrastructure, further investment in compliance
- Focus on strong collections performance against balance sheet and pricing collection curves

## Other

- Strong number of opportunities in our Preston operation increasing diversification of both sector and new clients

# Q&A



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