

Garfunkelux Holdco 2 S.A.

Q1-19 Interim Results

May 23rd, 2019

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Housekeeping

- This presentation captures the consolidated trading results of Garfunkelux Holdco 2 S.A. ("GH2") – the results are based on our management accounts and where appropriate, prepared in accordance with IFRS.
- We present cash metrics within this presentation as we believe it may enhance an investor's understanding of the Group's cash-flow generation.

Acquisition of the Carve-out Business

- On 20 March 2018, GH2 acquired 100% of the Carve-out Business.
- With regards to the accompanying unaudited interim financial statements; the Consolidated Statement of Comprehensive Income and the Consolidated Statement of Cash Flows capture the trading of the Carve-out Business for the three month period ending 31 March 2019, whereas the prior year comparative captures the performance of the Extant Group only.
- As such, this presentation reports the year-on-year and quarter-on-quarter performance of the Group on a Pro Forma basis. This view has been captured to best enhance an investor's understanding of the increased scale of the Group going forward.

Agenda

- 1 | Q1 Summary
- 2 | Financial Performance
- 3 | Outlook
- 4 | Appendix

1. Q1 Summary

Q1 2019 Summary

Growing the Business in the Right Way

£m	LTM Q1-18	LTM Q1-19	Var%
Cash Income	818	892	+9%
Cash EBITDA	397	444	+12%
Acquisitions	441	404	(8)%
120m ERC	2.8bn	3.1bn	+11%

- Disciplined investment at attractive returns; £94 million deployed on portfolio acquisitions in Q1-19
- 2019 portfolio acquisitions expected to be in the region of ~£420 million
- Margin improvement year-on-year of ~100bps
- 3PC contribution to Cash Income remains at ~20% with greater than £12bn of assets under management
- Substantial liquidity of £361 million¹
- Leverage at 5.1x in line with expectations

¹ Calculated as Unrestricted cash on balance sheet plus amount available to draw on RCF as at Mar-19.

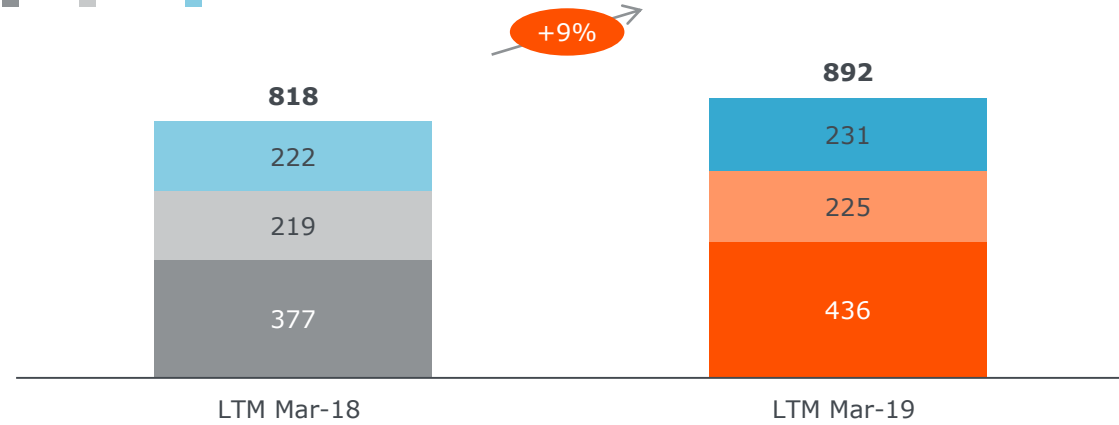
2. Financial Performance

(Pro Forma basis)

Cash Income Growth

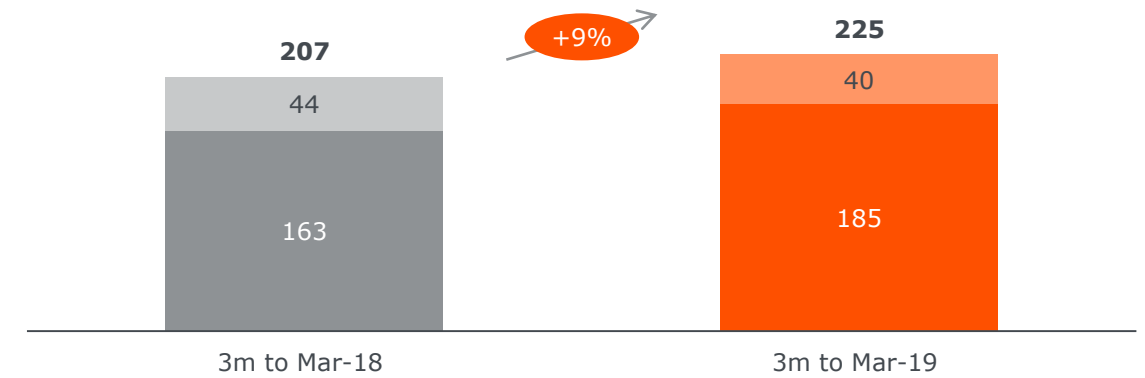
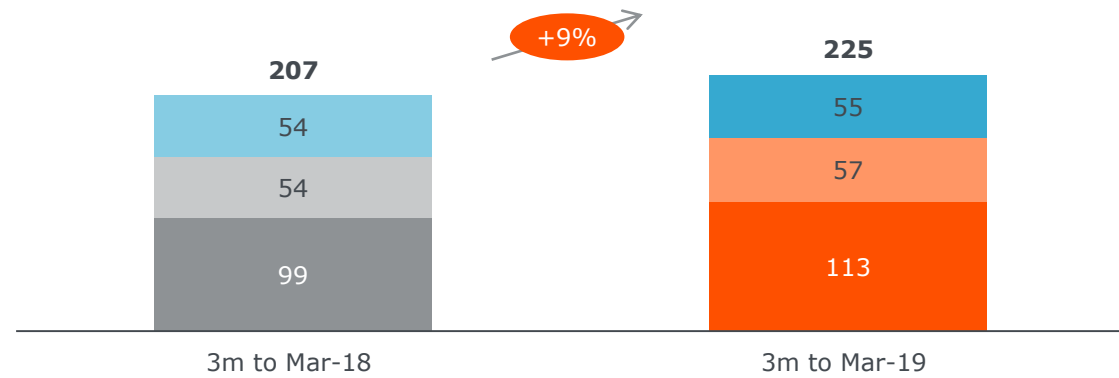
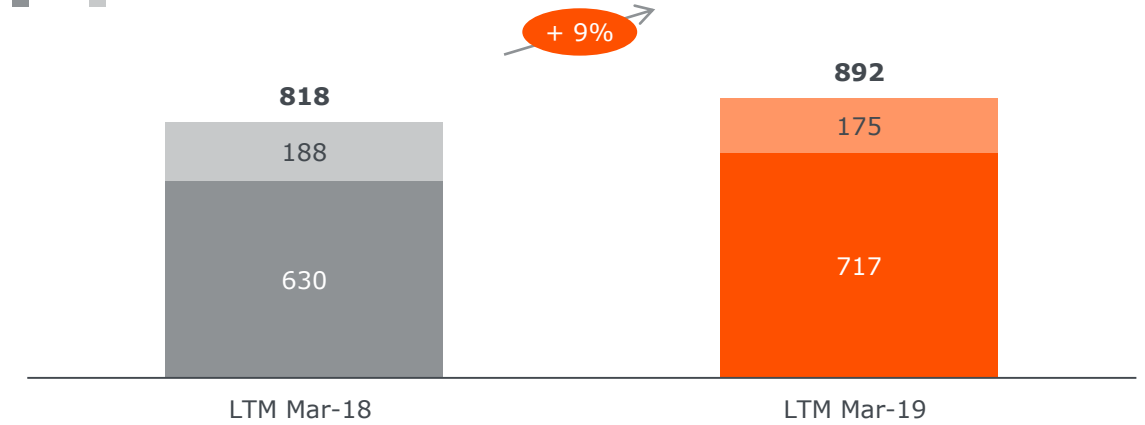
Pro Forma Cash Income by Geography (£m)

UK DACH Nordics



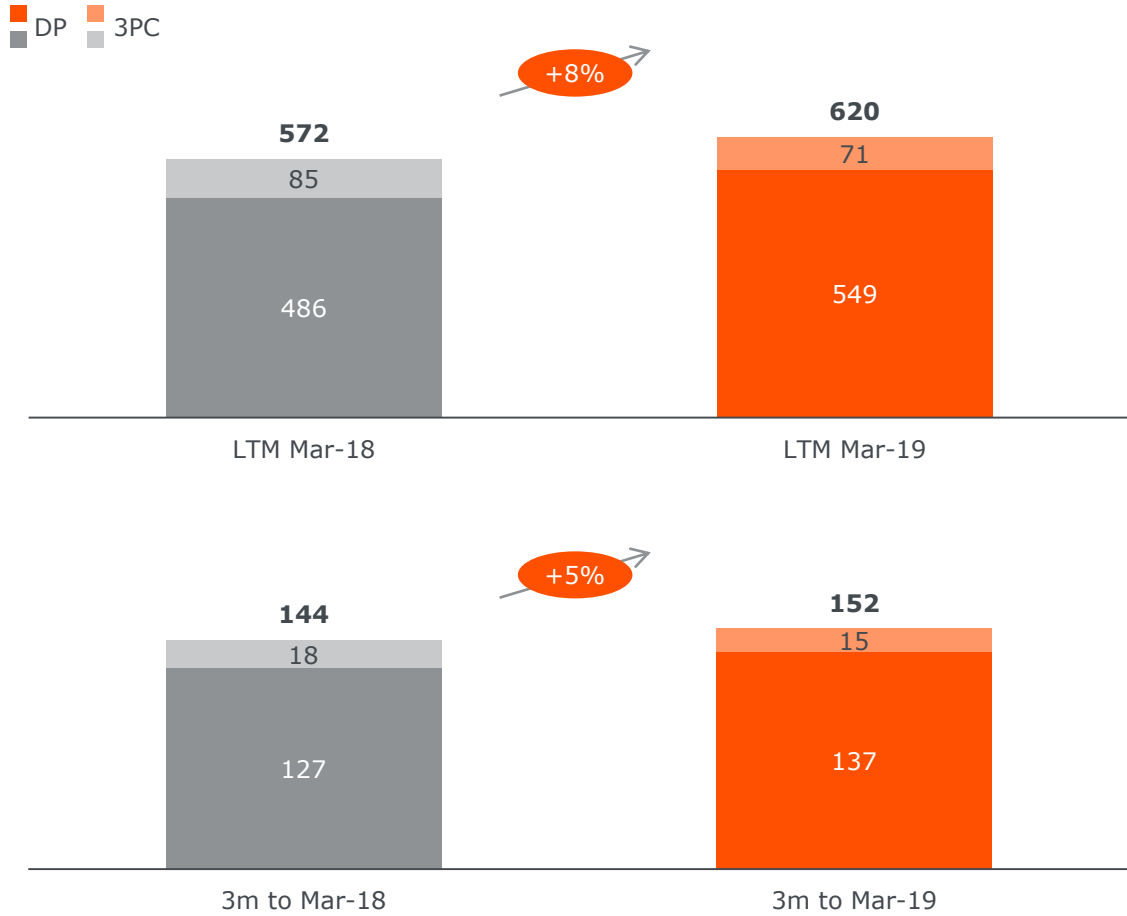
Pro Forma Cash Income by Service Line (£m)

DP 3PC

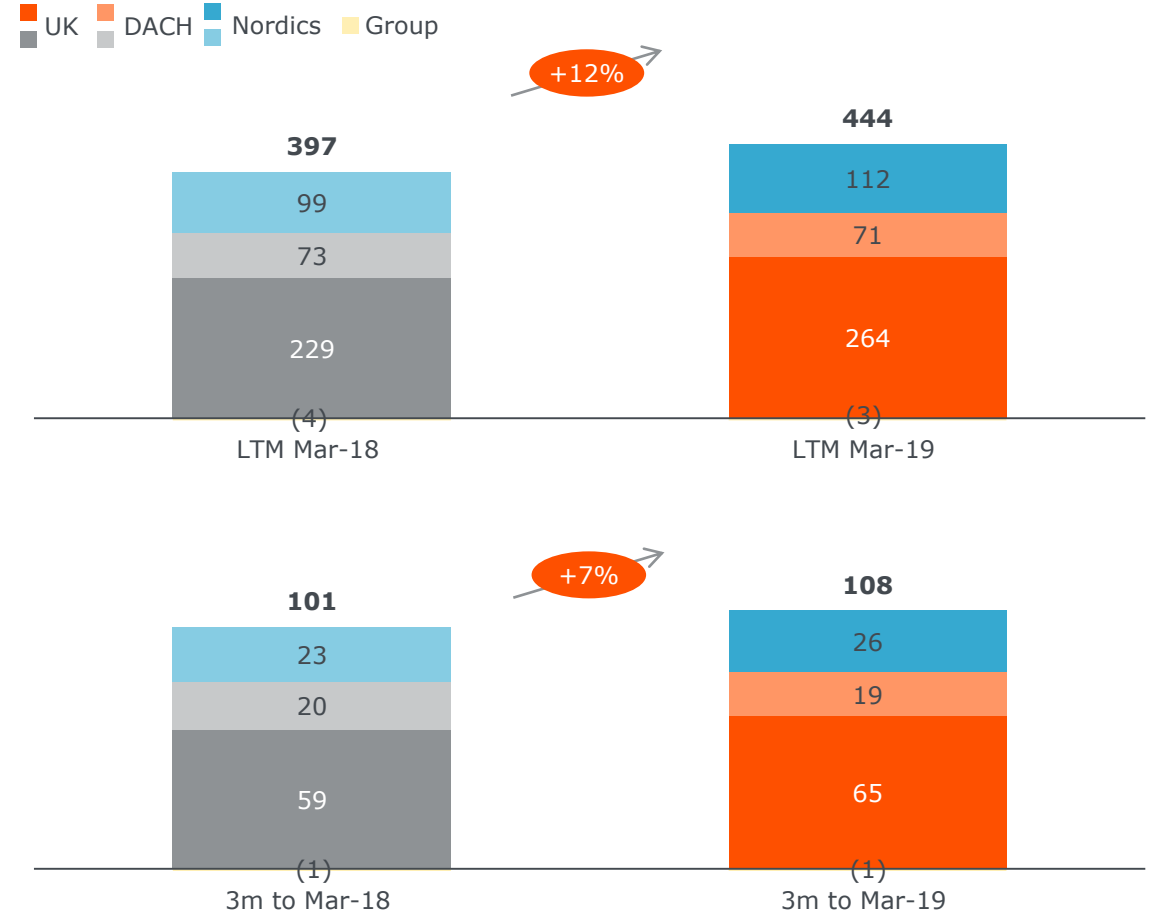


Continued Earnings Growth

Pro Forma Gross Profit (£m)



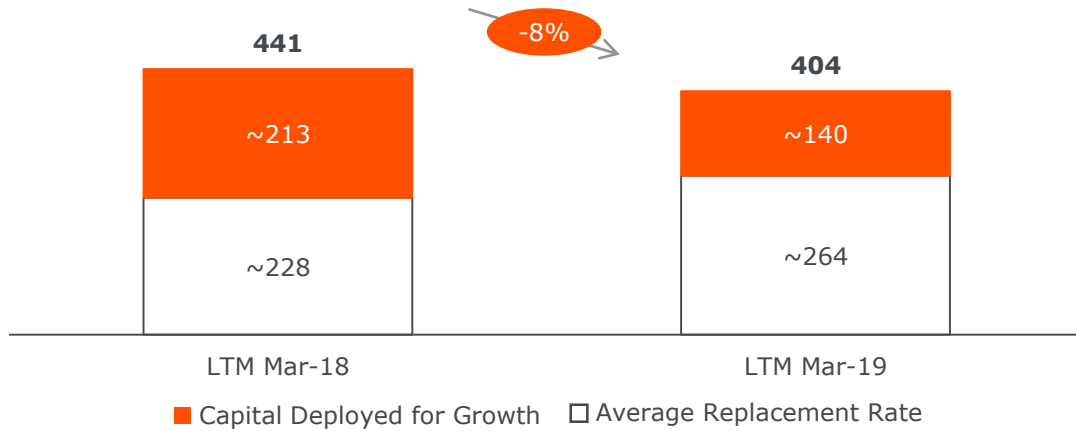
Pro Forma Cash EBITDA (£m)



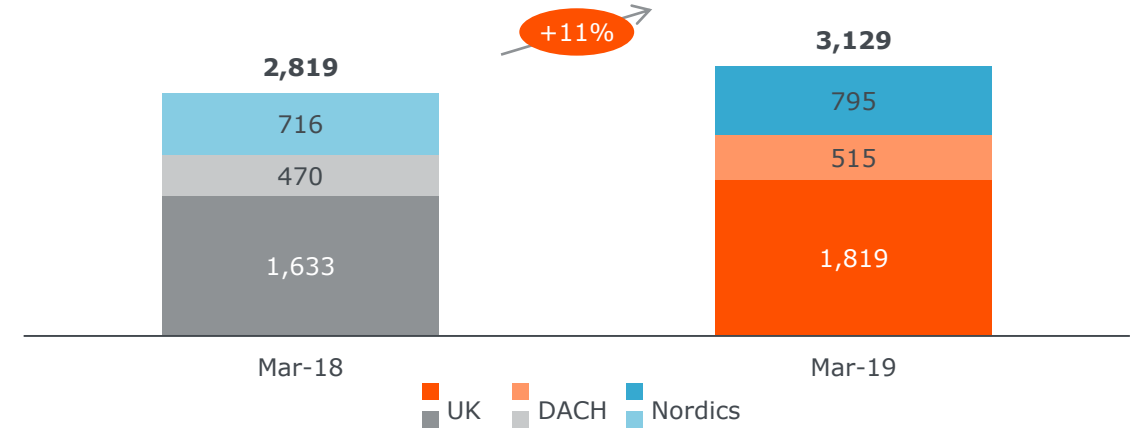
Note: Gross Profit calculated as Cash Income less Collection Activity Costs excluding Lawyer Service activity, less the amounts captured within Collection Activity Costs related to Non-recurring Costs / Exceptional Items (net of exceptional income)

Growing Our Asset Base Whilst Mindful of Leverage

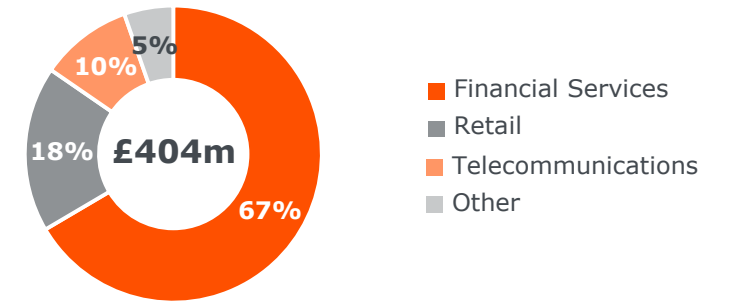
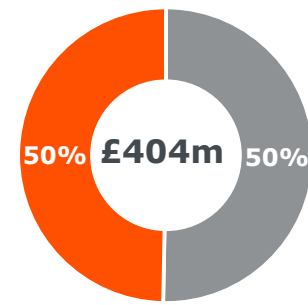
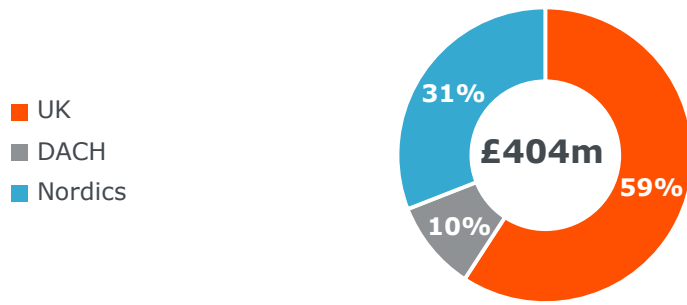
LTM Pro Forma Portfolio Acquisitions (£m)



Pro Forma 120m ERC (£m)



LTM Pro Forma Acquisition Mix (£m)



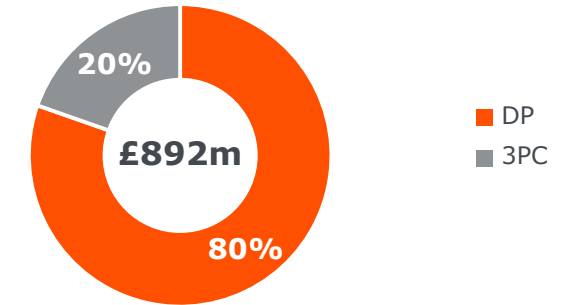
Regional Performance

Our Regional Performance

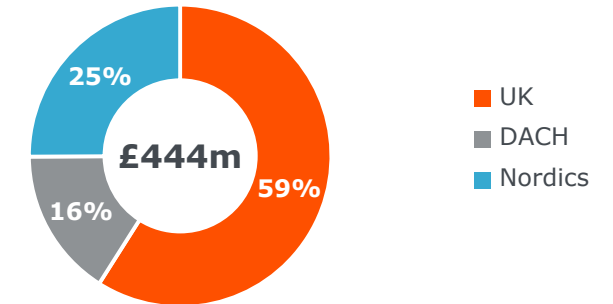
Geographies	£m	LTM Mar-18	LTM Mar-19	Var%
UK	Acquisitions	234	239	+2%
	Cash Income	377	436	+16%
	Cash EBITDA	229	264	+15%
	120m ERC	1,633	1,819	+11%
DACH	Acquisitions	59	40	(32)%
	Cash Income	219	225	+3%
	Cash EBITDA	73	71	(3)%
	120m ERC	470	515	+9%
Nordics	Acquisitions	148	125	(15)%
	Cash Income	222	231	+4%
	Cash EBITDA	99	112	+14%
	120m ERC	716	795	+11%

Our Diversified Business

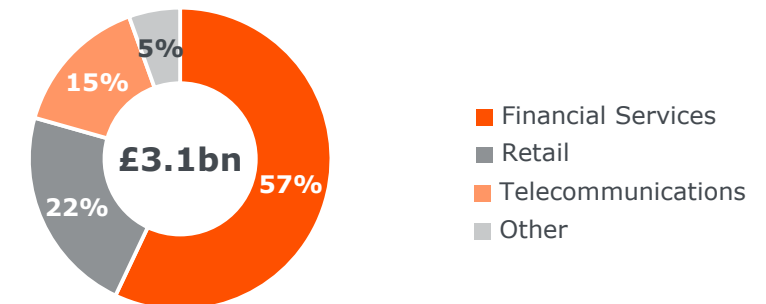
Cash Income



Cash EBITDA



120m ERC



Leverage and Liquidity

£m	Mar-19
Leverage	
Net Debt ¹	2,283
LTM Cash EBITDA²	449
Net Debt / LTM Cash EBITDA	5.1x
Leverage Guidance by 2021 – 2022	4.0x – 3.5x
Liquidity	
RCF capacity ³	378
Amounts drawn	(90)
Cash ⁴	74
Available Liquidity	361

£m	LTM Mar-19
Excess Cash before Average Replacement Rate	291
Average Replacement Rate ¹	(264)
Excess Cash	27

- Leverage in line with expectations; guidance of 4.0x – 3.5x in 2021 – 2022
- Additional liquidity available from option to reset securitisation facility to £255 million
- Positive free cash flow in a 'steady state' scenario

¹ As calculated in Appendix. ² Pro Forma LTM Cash EBITDA includes Pro Forma cost adjustments. ³ Calculated as €200m, plus 7.9% of the Group's 84m ERC. ⁴ Unrestricted cash on balance sheet as at Mar-19.

3. Outlook

Incoming CEO focus

Compelling Credit Highlights Today...



And A Focus Upon Excellence Tomorrow...

- Financial foundations
- Client proposition and process
- Collections effectiveness and efficiency
- Operational foundations

Lowell 

“Continuing to make credit work better for all”

Outlook

Growing the Business in the Right Way

Business Outlook

- **Strong momentum carried through to 2019;**
 - Backbook continues to perform ahead of forecast
 - Significant pipeline provides confidence over 2019 vintage returns and diversification
- **Balance sheet discipline central to growth, leverage in line with guidance**
- **Continued delivery of leverage guidance, focussing on;**
 - Expected purchases in the region of ~£420 million in 2019
 - Growth of capital light 3PC business
 - Realising margin accretion through cost innovation and economies of scale

Appendix

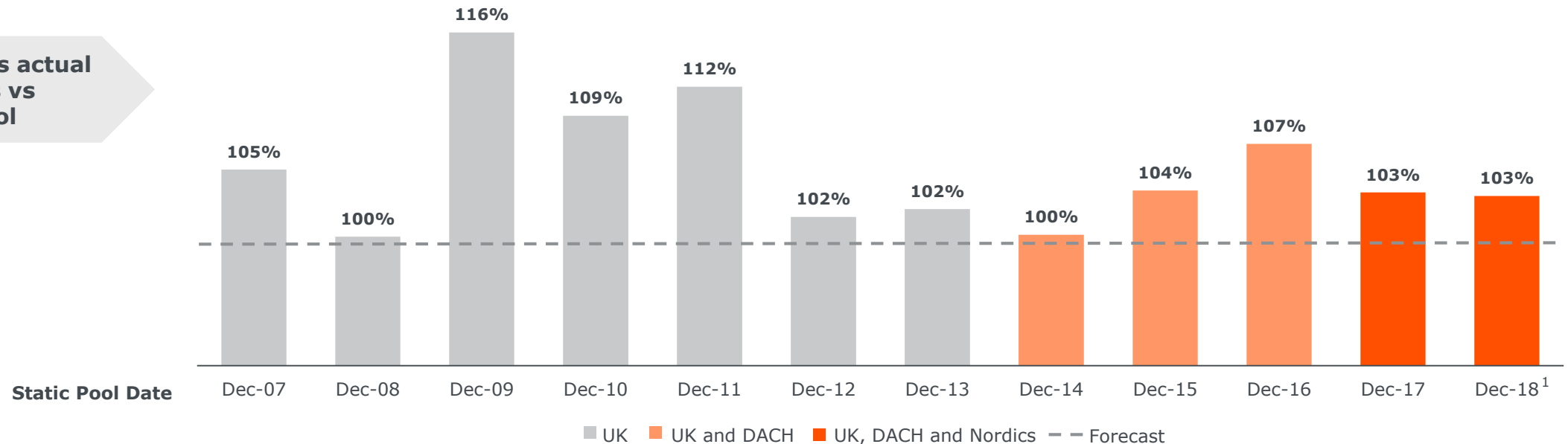
Outperformance of Dynamic ERC Forecasts

Forecasting Accuracy to Dynamic Forecasts

Cumulative collection performance to Mar-19 vs static pool



Next 12 months actual collections vs static pool

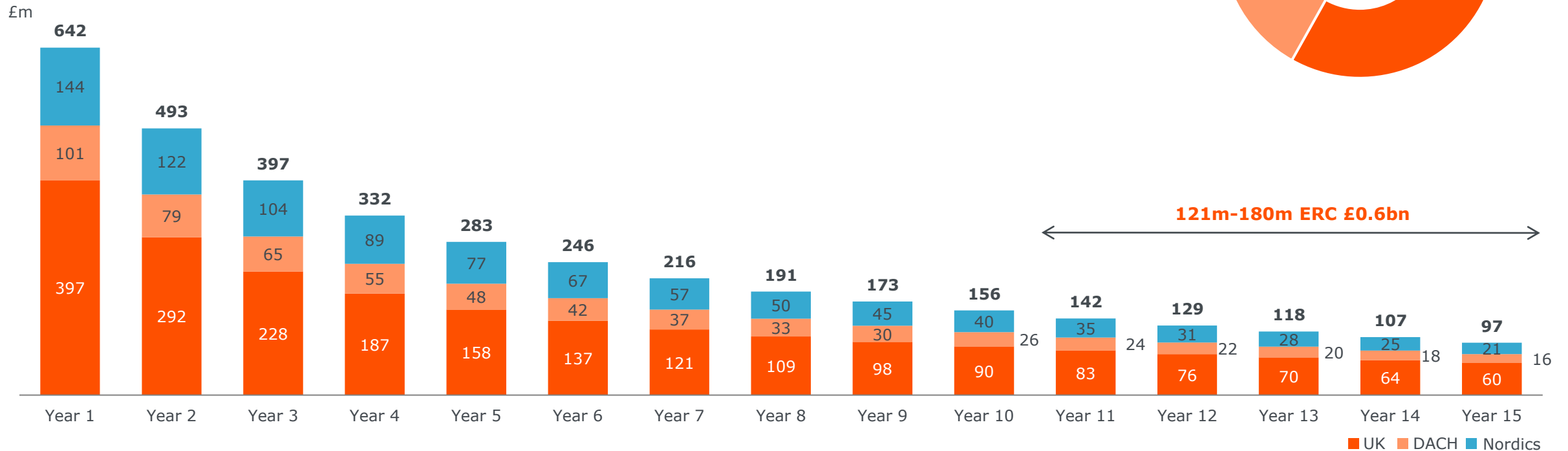
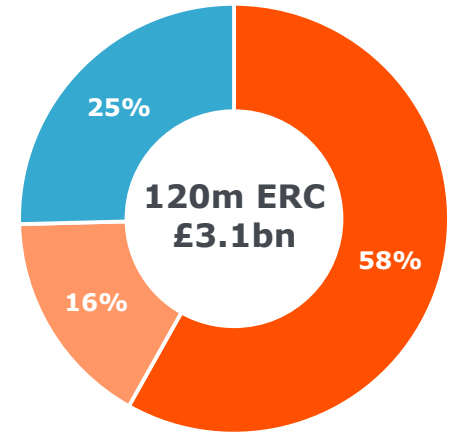


¹Actual collections for the three month period only to Mar-19.

Backbook - ERC Profile

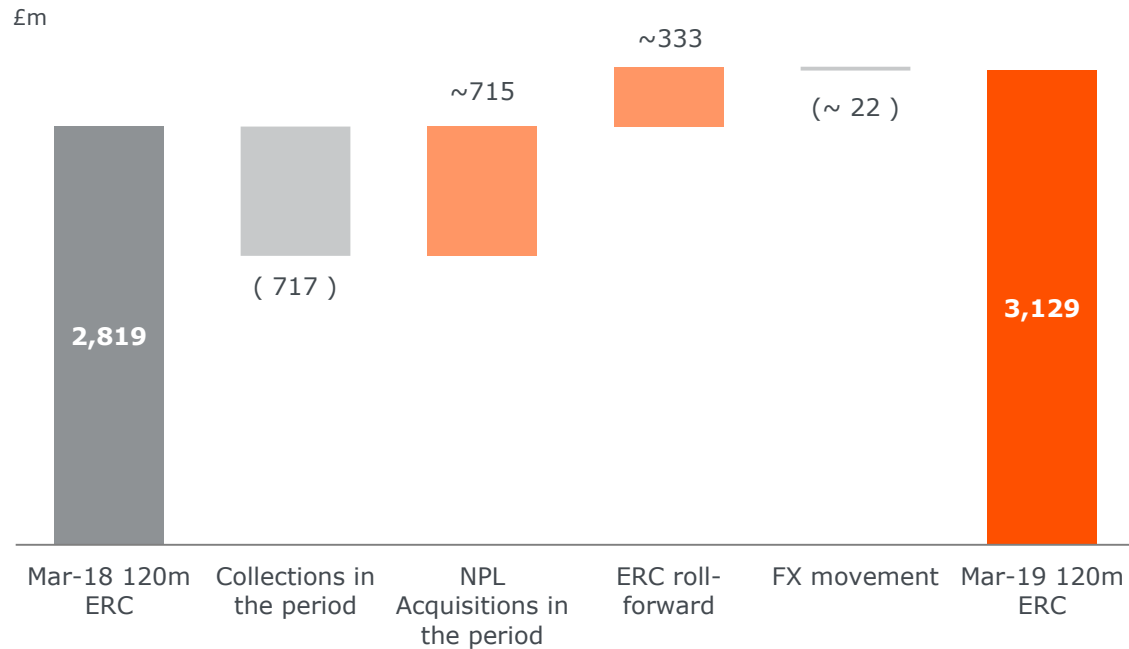
Over £1.1bn collections forecast over next 24 months

120m ERC £3.1bn

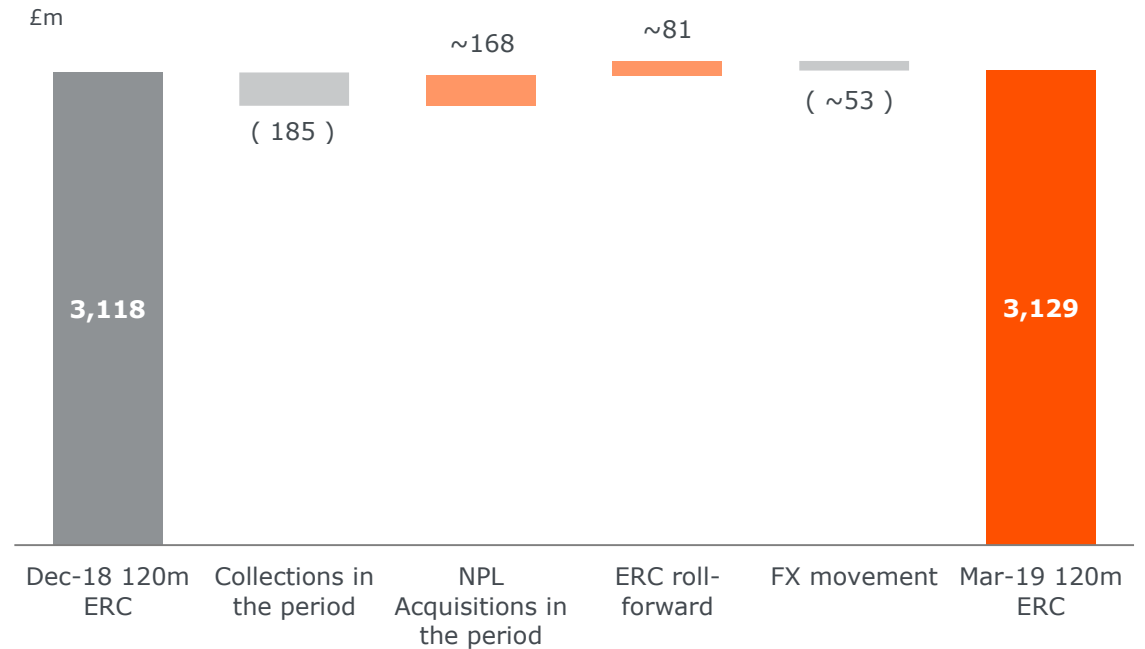


Pro Forma 120m ERC Roll-Forward

ERC Roll-Forward; Mar-18 to Mar-19



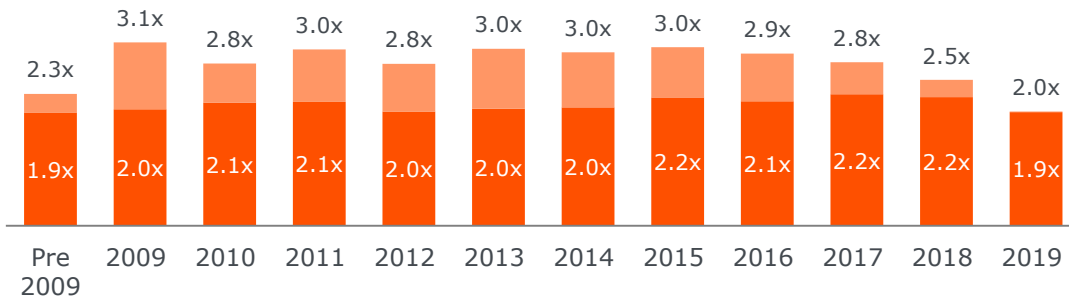
ERC Roll-Forward; Dec-18 to Mar-19



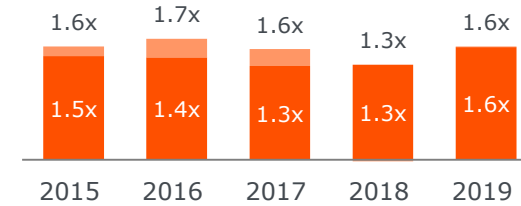
- NPL Acquisitions in the period: purchases in the period grossed up to 120m ERC based on respective priced 120m GMMs
- ERC roll-forward takes into account:
 - Mechanical nature of revaluation (roll-in of value present in the tail)
 - Over- or under-performance versus collections expectations leading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

GMM Per Vintage – Pricing vs Current

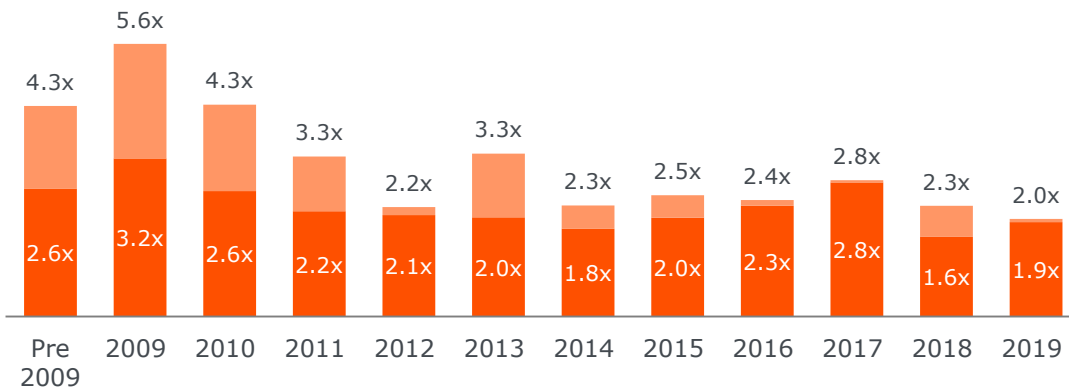
UK Non-Paying¹



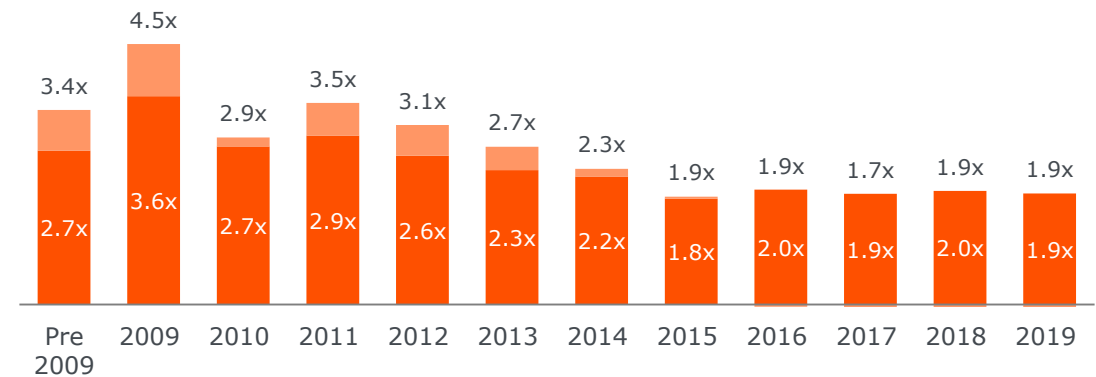
UK Paying¹



DACH²



Nordics²



■ Priced GMM ■ Current GMM

¹ UK based on 120m ERC. GMM at pricing based on initial 120m only priced collection expectation. UK Paying: These portfolios are determined at the point of acquisition based on the proportion of accounts within that portfolio which are set up on a payment plan ² Based on 180m ERC. GMM at pricing based on initial 180m only priced collection expectation. Current GMM is calculated using actual collections to Mar-19, plus ERC across the next 120m (UK) and 180m (DACH and Nordics).

Calculation Of Group ERC Replacement Rate Using Static GMM

A prudent calculation on the basis of static GMMs and the use of our most recent vintages being most representative of the current purchasing environment

Group (£m)		
		Mar-19
	Group ERC ¹	3,369
	Year 1 Collections	642
	Roll-forward (<i>UK – YR11, DACH and Nordics – YR16</i>)	116
A	Collections to replace	526
	2018 vintage Static GMM	2.0x
	2019 vintage Static GMM	1.9x
B	Blended Static GMM ²	2.0x
A/B	Mar-19 Replacement Rate	270
	Mar-18 Replacement Rate	258
	Average LTM Replacement Rate ³	264

GMM Weighted Average Calculation				
2018 Vintage	UK	DACH	Nordics	Total
Purchases (£m)	233	57	118	408
% of total purchases	57%	14%	29%	100%
Actual Static GMM	2.0x	2.2x	1.9x	
Weighted Average				2.0x
2019 Vintage	UK	DACH	Nordics	Total
Purchases (£m)	55	7	32	94
% of total purchases	59%	7%	34%	100%
Actual Static GMM	1.9x	2.0x	1.9x	
Weighted Average				1.9x
Blended Static GMM				2.0x

¹ Group ERC represents 120m for UK, 180m for DACH and Nordics where applicable. ² Blended GMM represents the weighted average static GMM for 2018 and 2019 vintages, across the UK, DACH and Nordics as at Mar-19.

³ Average Replacement Rate is an average of the Replacement Rate as calculated at Mar-19 and the Replacement Rate as calculated at Mar-18.

Net Debt and Borrowings as at 31 March 2019

Net Debt (£m)

Bond Principal

£565m Senior Secured Notes 8.5%	565
€365m Senior Secured Notes 7.5%	313
€415m Senior Secured Notes EURIBOR +3.5%	356
€530m Senior Secured Notes EURIBOR +4.5%	455
SEK1,280m Senior Secured Notes STIBOR +4.75%	106
£230m Senior Notes 11%	230

RCF Drawings and Other

GBP Drawn RCF	36
EUR Drawn RCF	54
UK Securitisation	231
EUR Other ¹	11

Cash²

Cash	74
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Senior Secured Net Debt	1,811
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Net Debt	2,283
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Gross Debt	2,357
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Bonds

Currency	Issue	Security	Maturity	Coupon	Issuer
GBP m	565	Senior secured notes	Nov-22	8.50%	GH3
EUR m	365	Senior secured notes	Aug-22	7.50%	GH3
EUR m	415	Senior secured notes	Sep-23	EURIBOR +3.50%	GH3
EUR m	530	Senior secured notes	Sep-23	EURIBOR +4.50%	GH3
SEK m	1,280	Senior secured notes	Sep-23	STIBOR +4.75%	GH3
GBP m	230	Senior notes	Nov-23	11.00%	GH2

Revolving Credit Facility (RCF) and Other

Currency	Committed Amount	Security	Maturity	Interest	Margin
EUR m	455	Super Senior Secured RCF	31-Dec-21	LIBOR / EURIBOR	3.50%
GBP m	255	Asset Backed Loan	Nov-22	LIBOR	2.75%

¹ Includes £11m drawn under DACH securitisation facility. ² Excludes restricted cash.

Glossary

3PC	-	Third Party Collection	FRN	-	Floating Rate Notes
Acquisitions	-	The purchases of NPLs	FTE	-	Full-time equivalent employees
Cash EBITDA	-	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 and impairment of non-performing loans	GMM	-	'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
Cash Income	-	Total revenue for the period adding back portfolio amortisation and portfolio fair value release and deducting portfolio write-up, lawyer service revenue and other revenue	IFRS	-	International Financial Reporting Standards
CMS	-	Credit Management Services	LIBOR	-	London Interbank Offer Rate
DACH	-	Germany, Austria, Switzerland and Croatia	Net Debt	-	Senior Secured Notes bond principal plus Senior Notes bond principal plus RCF drawn amounts plus securitisation drawn amounts less cash
DP	-	Debt Purchase	Nordics	-	For the purpose of the presentation include Sweden, Denmark, Norway, Finland and Estonia
EBITDA	-	Defined as operating profit plus depreciation & amortisation, non-recurring costs and exceptional items (net of exceptional income) and portfolio fair value adjustment (where applicable)	NPL	-	Non Performing Loans
ERC	-	Estimated Remaining Collections over 84, 120 or 180 months	Pro Forma Group	-	The combined group following the acquisition of the Carve-out Business from Intrum
EURIBOR	-	Euro Interbank Offer Rate	Replacement Rate	-	The estimated amount of purchases to maintain current Group ERC
Extant Group	-	The underlying group prior to completion of the acquisition of the Carve-out Business from Intrum	RCF	-	Revolving Credit Facility
			STIBOR	-	Stockholm Interbank Offered Rate
			WACD	-	Weighted average cost of debt

Upcoming Events

Results

- Q2-19 Results – August 2019
- Q3-19 Results – November 2019

Investor Relation Activity

- Deutsche Bank – 23rd Annual European Leveraged Finance Conference – 6 June 2019

Investor Relations Contacts:

Dan Hartley, Group Director Tax, Treasury & Investor Relations

Shaun Sawyer, Commercial Finance Manager

Email: investors@lowellgroup.co.uk