11 April 2019

LOWELL FULL YEAR RESULTS 2018

A diversified platform for sustainable growth

Lowell, a pan-European leader in credit management services, has today announced strong results for its full year ended 31 December 2018.

2018 in Summary

- Acquisition of Carve-out Business from Intrum completed in March 2018.
- Leading positions in 9 attractive markets across both Debt Purchase and 3PC.
- Balanced growth strategy with disciplined balance sheet focus
  - Leverage guidance: 4.0-3.5x by 2021/2022.
- Capital-light 3PC Cash Income 20% of Group; generating £74m gross profit.
- Strong year of portfolio acquisitions, investing £408m at a blended 16% net IRR.
- Robust collections performance of 103% supporting £3.1bn Estimated Remaining Collections (ERC).

Pro Forma Financial Highlights: Lowell as at 31.12.18

	LTM Dec-17	LTM Dec-18	Change %
Cash Income	£809m	£874m	+8%
Cash EBITDA	£397m	£437m	+10%
Portfolio Acquisitions	£387m	£408m	+6%
120m Estimated Remaining Collections	£2.8bn	£3.1bn	+12%

LTM: Last Twelve Months

Colin Storrar, CFO Lowell, said:

"2018 has been a transformational year for the Group. We now stand as one of the largest and most successful credit management businesses in Europe, but our development is not over.

"Our Results for 2018 reflect our growing maturity as a truly pan-European business, our scale and diversification allow us to be flexible across our markets, products and sectors: adapting our business to shifting markets and for greatest returns.

"We are making significant progress with our digitalisation programme: launching new consumer websites and rolling out robotics for repetitive administration – freeing colleagues to invest time where it is needed most – helping our customers and clients with more complex matters. Elsewhere we are investing in data: maximising the effectiveness of analysis through machine learning and employing the best people in the field.

"Our focus remains on a flexible, diverse, values-led and value-driven business, and I am confident that we have a genuine platform for sustainable growth that we can accelerate from in 2019."

Investors wishing to join the FY18 Bond call at 10.00am BST today, can register on our investor website: www.lowell.com

Overview

This was another transformational year for Lowell, with focus on growth, diversification, innovation and our customers. The Group has seen strong growth across each of its key metrics including: Cash EBITDA up 10%, Portfolio Acquisitions of £408m and Estimated Remaining Collections growing 12% to £3.1bn.

Forecasting accuracy continues to underpin the Group's ability to deliver for customers, clients and investors, with collections at 103% of target. Collections targets have been achieved or beaten in each of the last 10 years, proving both Lowell's forecasting accuracy, and the resilience of its model in changing economic conditions. This accuracy follows through in to the Group's pricing strategy, where performance is consistently above that modelled in our underwriting.

Relationships with clients continue to deliver commercial benefits. Of the new portfolios acquired in the period, half (50%) came from existing client 'Forward Flow' arrangements. Capital-light Third Party servicing arrangements (3PC) also delivered £178m of Cash Income in 2018, with £13bn of client assets under management.

The year saw two major highlights in funding development: in Quarter 1, the Group's revolving credit facility (RCF) was successfully increased to €455 million, with the support of six additional banks, taking the bank group to thirteen, and in Quarter 3, £255 million of additional funding was successfully raised via a securitisation facility. This facility further diversifies the Group's funding sources and demonstrates the attractive stable cash flows Lowell creates from its owned portfolios.

An evolving business

Since its founding in 2004, Lowell has built a reputation for investment expertise and operational excellence, and grown from a UK-only presence to one of pan-European reach with significant acquisitions of businesses in the DACH and the Nordic regions.

In the last 5 years alone, the Group has seen Cash EBITDA grow by around three times; supported by deploying capital both on debt purchase portfolios and investing in leading Third Party servicing platforms. This has made Lowell the number two player in credit management services in Europe, with more than 4,400 colleagues, over £3.1bn of 120m ERC and £13bn assets under management across 9 markets: driving £874m of Cash Income in 2018.

The Group's focus is to achieve balanced growth that builds on the scale we have built to date. This strategy is driven by the strength of our client relationships to optimise our returns on debt purchase portfolios; leveraging our leading 3PC platforms to drive this capital-light business, and continuing to be a trusted partner to debt originators. Underpinning our growth strategy is our long track record of pricing discipline; continuous refinement of data and analytics capabilities and innovating collections strategies and processes to drive better performance and customer outcomes. Our business is supported by the investment we have made in the skills and capabilities required of a pan-European financial services business.

Outlook: well-positioned for the future

Consumer credit continues to grow, with over £600bn expected to be issued in 2019 across our consumer unsecured credit markets. Structural default rates and increasing pressure on originators to manage their non-performing loans will lead to evermore significant opportunities for the Group.

With this in mind, we allocate capital for the most attractive returns. Our portfolio purchasing decisions continue to be rational - investing for growth where there is also sustainable value: confident in the strength of our data and underwriting capabilities, our pricing strategy and our excellent track record of collections performance.

Portfolio acquisition volumes are built on the substantial level of Forward Flow contracts; a key strength of our business. Forward Flows provide confidence for our underwriting, as the assets are well known. Strategically, our portfolio investments remain well-diversified across all the sectors we cover. Our investments continue to focus on consumer unsecured assets.

The business is well-funded, with around £442m available as at the end of 2018, providing substantial support for the Group's ambitions. The diversity of funding sources provides a good balance across bond investors, with both fixed and floating investors in a range of currencies, a strong bank group and an industry-leading securitisation facility. Such diversification provides funding resilience in uncertain times.

We are also very pleased to announce that we will add an option to the securitisation facility enabling the Group to reset the facility to £255m during the next 18 months - allowing the Group to further strengthen its liquidity.

Operationally there is significant progress with our digitisation programme with new consumer websites launched in 2019 and the implementation of robotics for repetitive tasks, freeing colleagues to invest time where it is needed most: helping our customers and clients with more complex matters. We continue to invest in data; maximising the effectiveness of analysis through machine learning and employing the best people in the field.

The foundation of all of this is the central balance sheet management that drives balanced growth - optimising capital allocation and ensuring a disciplined approach to leverage.

The combination of these factors and the Group's proven track records gives us confidence that we are well-positioned to continue to deliver our plans.

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Note to Editors

Lowell is one of Europe's largest credit management companies in Europe, operating across the UK, Germany, Austria, Switzerland, Denmark, Norway, Finland, Sweden and Estonia.

Lowell's unparalleled combination of data analytics 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 always looks for the most appropriate, sustainable and fair 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

Non-IFRS financial measures

We have included certain non-IFRS financial measures in this trading update, including Estimated Remaining Collections ("ERC") and Cash EBITDA.

We present ERC because it represents our expected gross cash proceeds of the purchased debt portfolios recorded on our balance sheet (the "Purchased Assets") over the 84-month, 120-month and 180-month periods. ERC is calculated as of a point in time assuming no additional purchases are made. ERC is a metric that is also often used by other companies in our industry. We present ERC because it represents our best estimate of the undiscounted cash value of our Purchased Assets at any point in time, which is an important supplemental measure for our board of directors and management to assess our performance, and underscores the cash generation capacity of the assets backing our business. In addition, the instruments governing our indebtedness use ERC to measure our compliance with certain covenants and, in certain circumstances, our ability to incur indebtedness. ERC is a projection, calculated by our proprietary analytical models, which utilise historical portfolio collection performance data and assumptions about future collection rates, and we cannot guarantee that we will achieve such collections. ERC, as computed by us, may not be comparable to similar metrics used by other companies in our industry.

We present Cash EBITDA because we believe it may enhance an investor's understanding of our profitability and the cash flow generation that could be used to service or pay down debt, pay income taxes, purchase new debt portfolios and for other uses, and because it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies generally. In addition to ERC, our board of directors and management also use Cash EBITDA to assess our performance. Cash EBITDA is not a measure calculated in accordance with IFRS and our use of the term Cash EBITDA may vary from others in our industry.

ERC and Cash EBITDA and all the other non-IFRS measures presented have important limitations as analytical tools and you should not consider them in isolation or as substitutes for analysis of our results as reported under IFRS.