CABOT CREDIT MANAGEMENT

CABOT CREDIT MANAGEMENT
Financial Results

For the twelve months ended 31 December 2017

22 February 2018

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TODAY'S PRESENTERS

Ken Stannard
Chief Executive Officer

- Joined Cabot Group in April 2012
- 20+ years' experience in Financial Services
- Previous roles:

LLOYDS BANK	Managing Director – Credit Cards
Capital One	Managing Director – UK and S.Africa
AMERICAN EXPRESS	Head of European Operations

Craig Buick
Chief Financial Officer

- Joined Cabot Group in January 2016
- 20+ years' Finance experience
- Previous roles:

GE Capital	Managing Director – Audit, Europe and Asia CFO – Italy Controller – UK Bank
pwc	PricewaterhouseCoopers

AGENDA

- Key highlights of 2017
- Financial review
- Outlook

CABOT DELIVERED RECORD FINANCIAL RESULTS IN 2017

Twelve months to December 2017 performance across key metrics has continued to show significant growth

+14%	DP Collections	(2016: £358.7m)	£407.5m
+56%	Servicing revenues	(2016: £25.8m)	£40.2m
+66%	Portfolio acquisitions	(2016: £194.0m)	£321.5m
+19%	Adjusted EBITDA[(1)]	(2016: £247.8m)	£295.2m
+14%	120-Month ERC	(2016: £2.1bn)	£2.4bn
Flat	Leverage[(2)]	(2016: 4.2x)	4.2x

[(1)] Adjusted EBITDA is calculated as Operating Profit adjusted to add back the effects of current value movements on owned loan portfolios, depreciation of property, plant and equipment, amortisation of intangibles and non-recurring operating expenses

[(2)] Leverage is calculated as (Net debt / LTM Adjusted EBITDA)

CABOT CREDIT MANAGEMENT

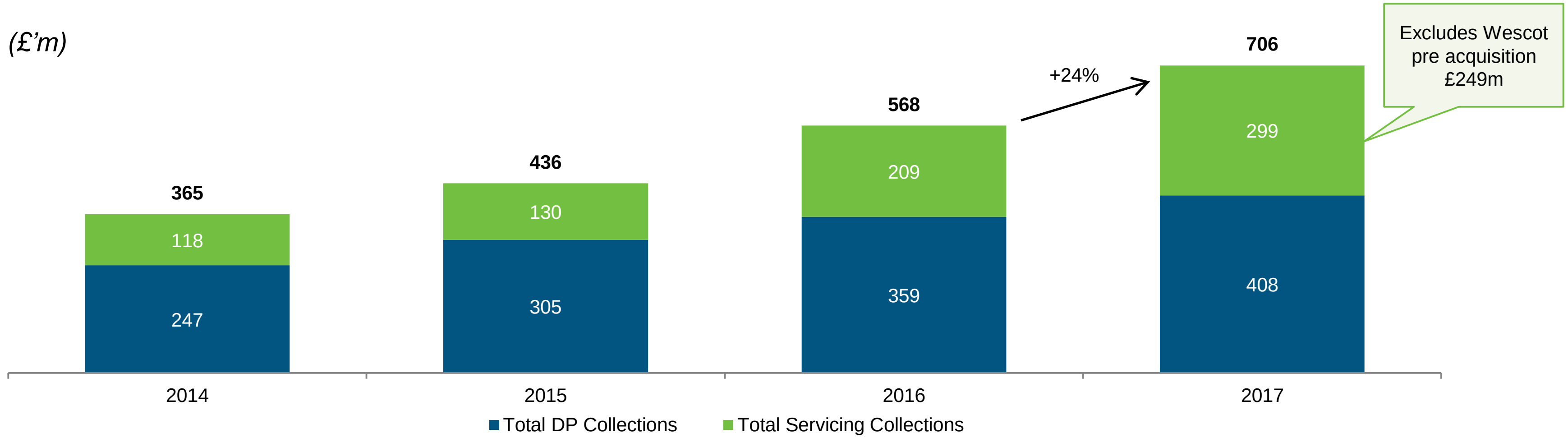
EXECUTED ON CORE STRATEGY TO DELIVER PROFITABLE GROWTH

- Record capital deployment at target return levels. £118m forward flows committed for 2018
- Strong debt purchase collections performance – 104% of ERC in 2017
- Growth in European business, now representing >20% of group revenue
- Delivered £295m of Adjusted EBITDA margin at 65.5% margin
- Reduced cost of debt by 170bs to 5.8% with industry leading asset backed funding structure
- Generated excess free cash of 20% of Adjusted EBITDA margin, post ERC replenishment
- Wescot acquisition closed Q4‘17. Trading ahead of expectations. Servicing revenue Q4’17 20% of total revenue
- Initiated restructure of UK Servicing / BPO businesses to deliver £6m cost synergies with 20 month cash payback
- Customer & client satisfaction remains high, reflecting our focus on customers & regulatory excellence

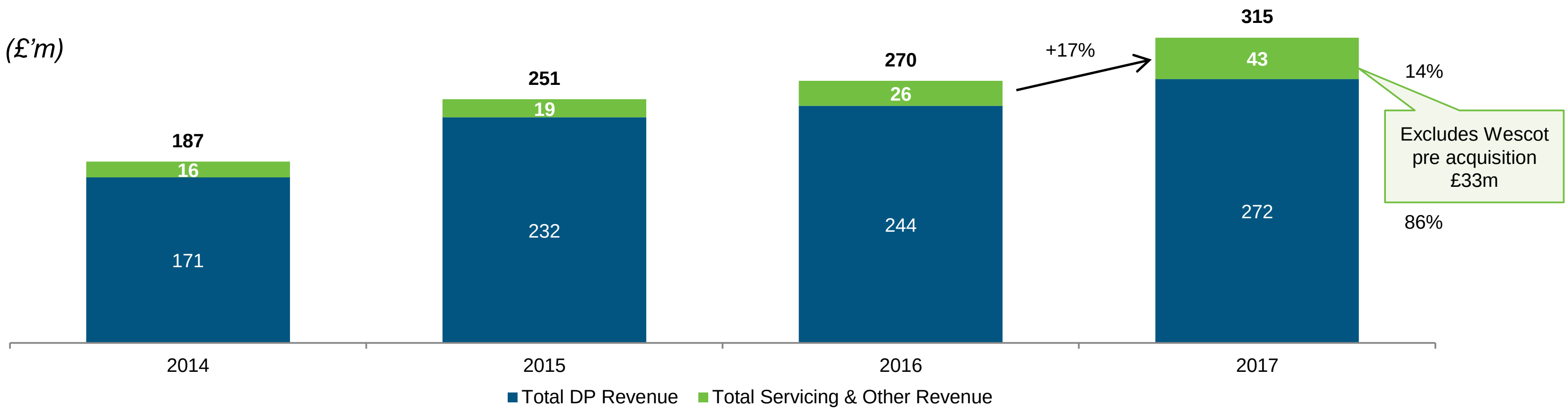
FINANCIAL REVIEW

CAPTURING MARKET OPPORTUNITIES TO DELIVER GROWTH

24% growth in total collections



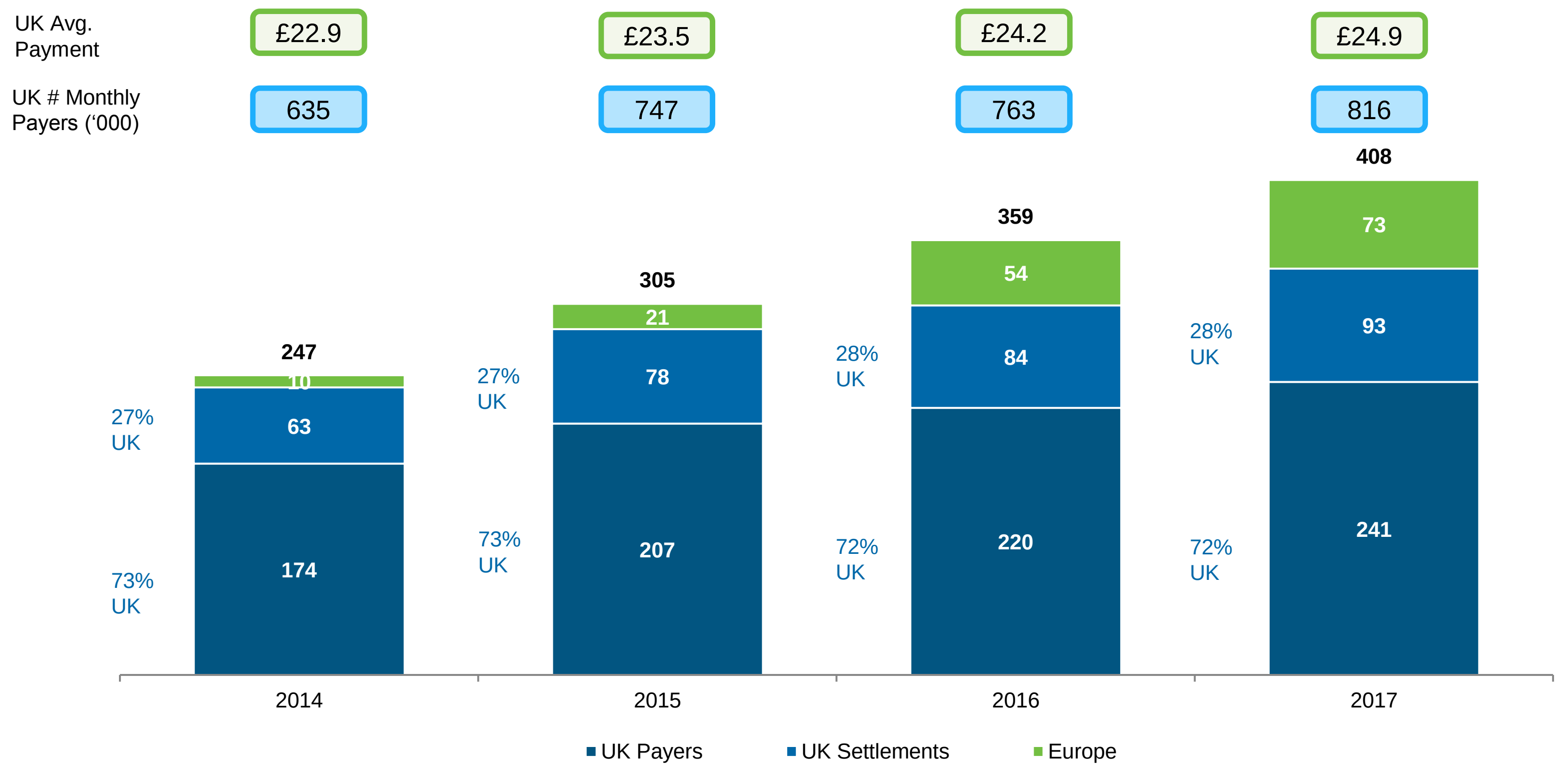
17% increase in revenue



CABOT CREDIT MANAGEMENT

LARGE, PREDICTABLE BACK BOOK UNDERPIN DP COLLECTIONS

DP collections by type (£m)

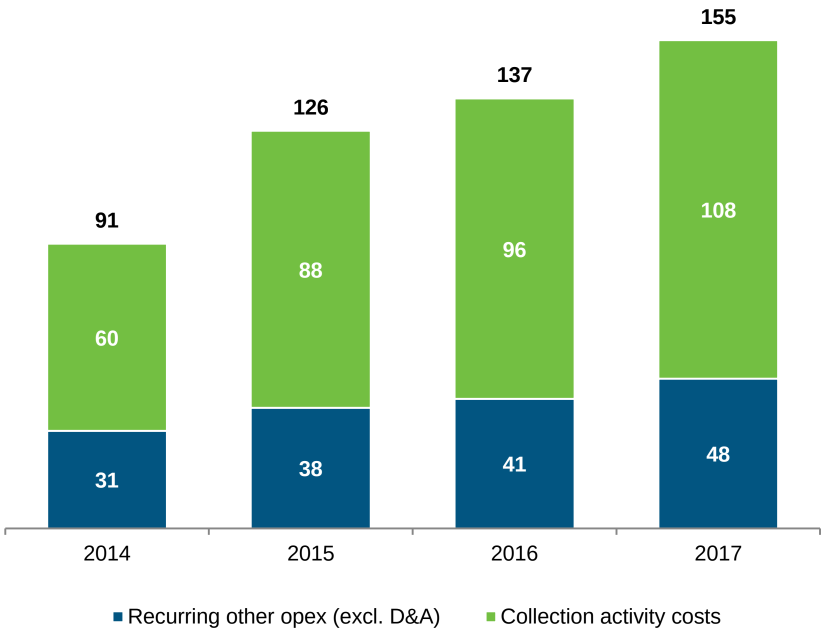


- Continued growth in number of UK payers and average payment size, whilst 90 breakage rates remain low (2.3%)
- 88% of UK DP collections relate to assets owned at the beginning of the year; 74% of UK DP collections relate to assets more than 3 years old
- Average balance of UK Payers ~£3,500

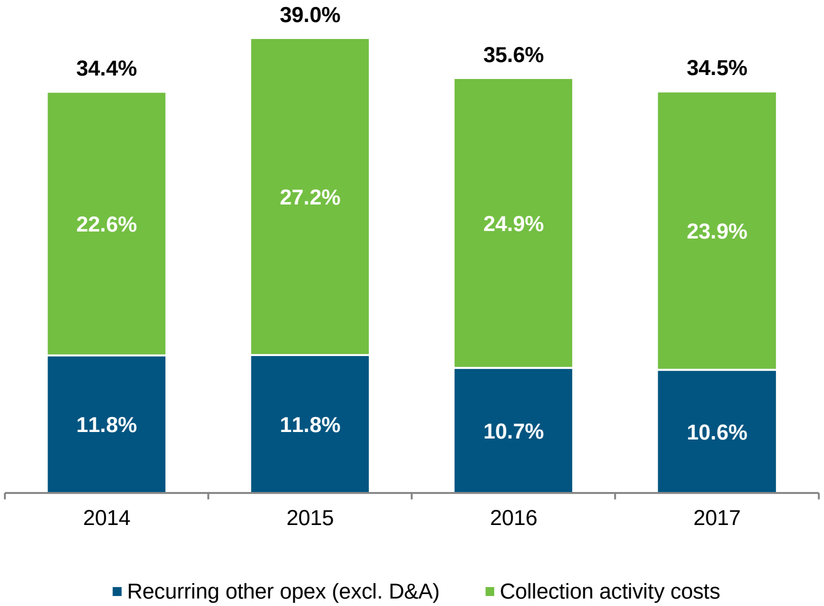
DRIVING OPERATIONAL AND SCALE EFFICIENCIES IN COST BASE

Evolution of cost base (£m) (1)

Total Gross Revenue: 263 | 324 | 384 | 450



Collections costs down to 23.9% of gross revenues (1)



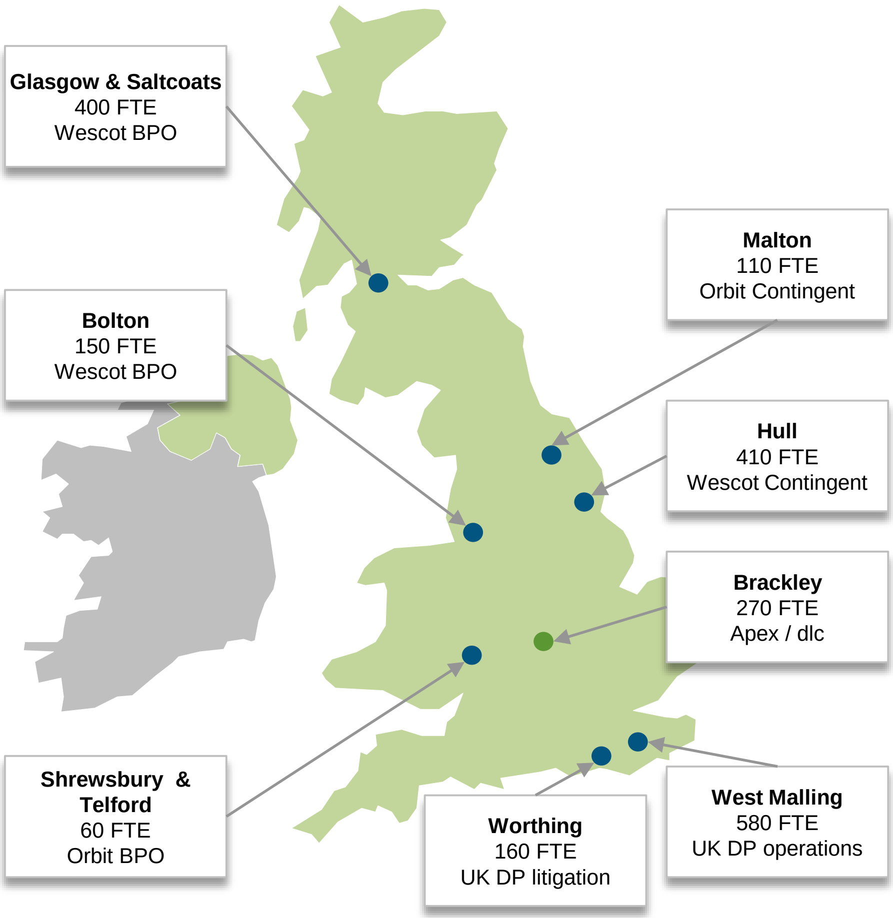
- Collection activity costs consists of staff salaries and benefit costs, servicing fees, communication costs (including the cost of collection letters sent to customers, such as printing and postage costs), credit bureau data costs and legal costs directly associated with collection activity.
- 2015 impacted by one-off increase in litigation activity related to the back book as well as the acquisition of dlc
- Delivery of integration synergies and operational efficiencies subsequently driving costs down as percentage of gross revenues

(1) Recurring costs, excluding non recurring items and depreciation and amortisation

CABOT CREDIT MANAGEMENT

RESTRUCTURING OF UK SERVICING / BPO BUSINESS

Current UK operational sites – Dec '17



£6m synergies with cash payback ~20 months

Overview of UK Servicing / BPO Business restructuring

Expected cash restructuring costs	£ 9.9m
Other non-cash restructuring costs	£ 3.8m
Restructuring costs	**£13.7m**
Expected annualised synergies	**~£6m pa**
Cash payback	**~20 months**

UK Servicing / BPO site rationalisation

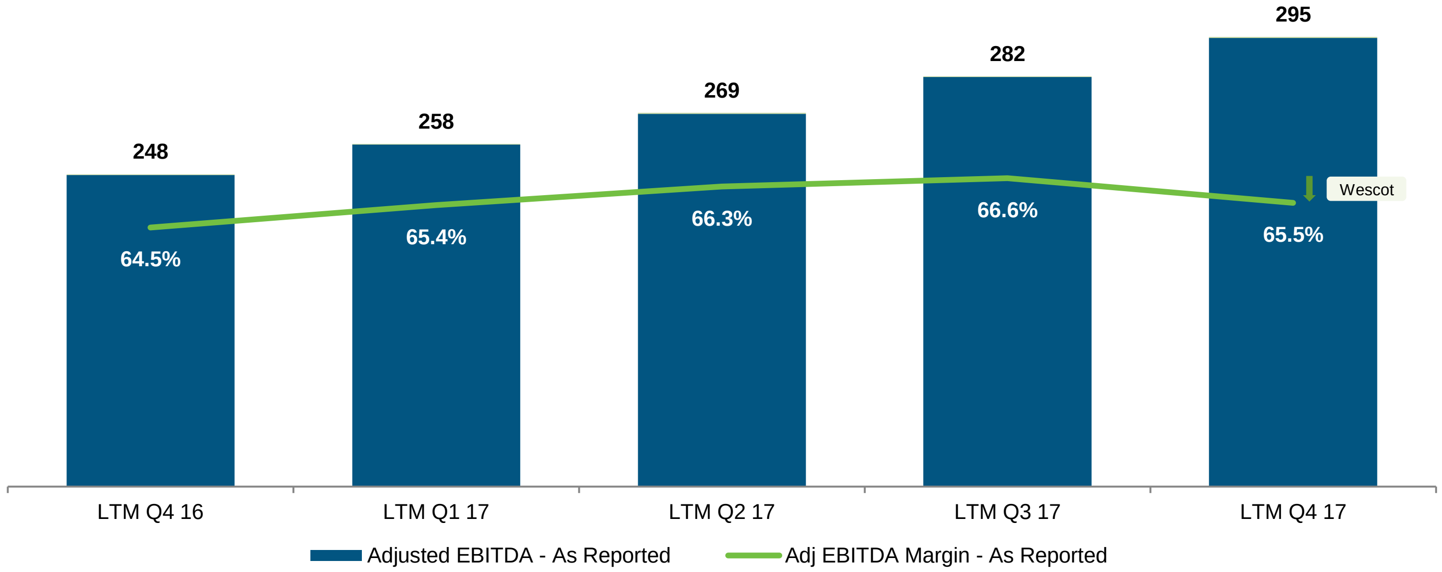
- Following the acquisition of Orbit and Wescot in 2017, the business has identified significant cost synergies opportunities across the UK Servicing / BPO businesses
- Following a detailed review, and consultation with impacted employees, it has been decided to close the existing site in Brackley and migrate existing operations into other UK locations
- Expected to generate annualised benefits to the Group of ~ £6m, of which approximately 40% is expected to be realised in 2018
- Cash restructuring costs of approximately £9.9m, and non cash balance sheet write-offs amounting to £3.8m recognised in 2017 as non recurring operating expense
- Positions Cabot to better meet client needs more efficiently

1. [Total restructuring costs reported of £14.1m includes other restructuring costs of £0.4m.]

DELIVERING CONTINUED MARGIN AND PROFITABILITY GROWTH

LTM Adjusted EBITDA[1]

(£'m)

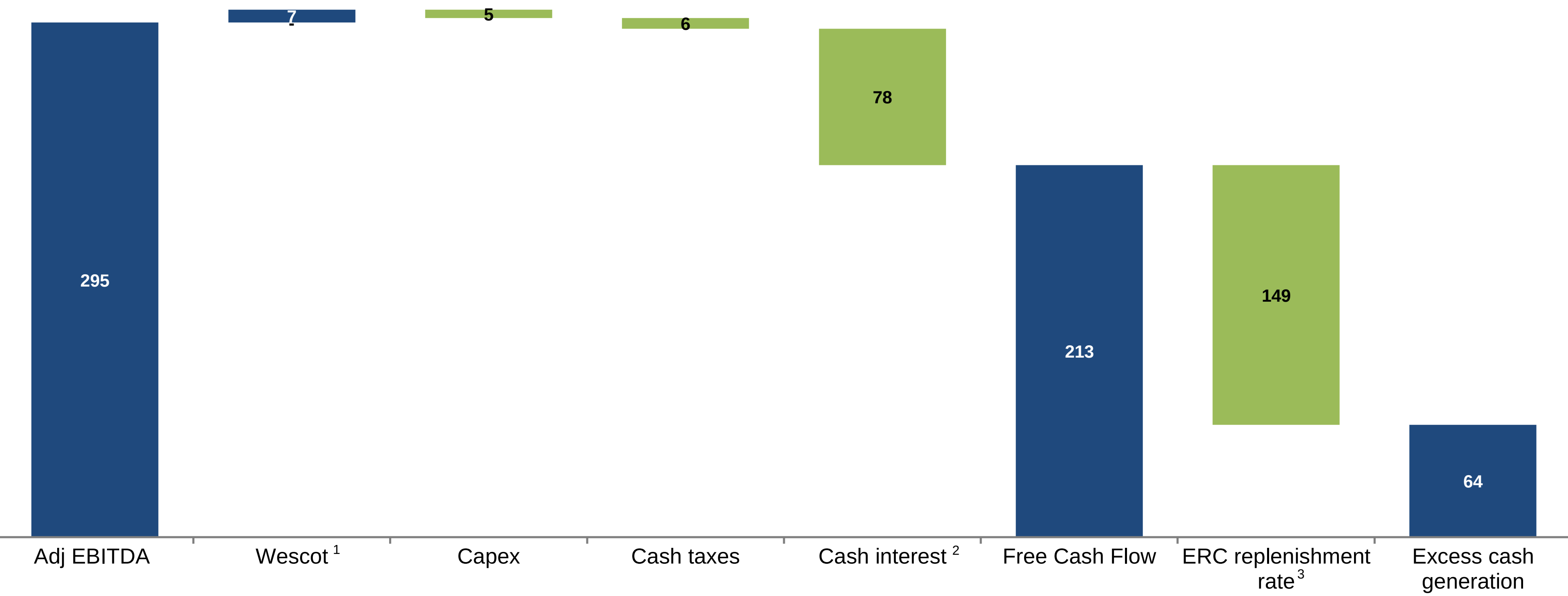


- Continued generation of strong underlying cash margins driven by disciplined capital deployment and operational efficiencies
- Delivered 19% YOY growth in Adjusted EBITDA, in excess of 17% revenue growth by leveraging benefits of scale
- Change of business mix following Wescot acquisition expected to reduce run rate Adjusted EBITDA margin by 3-4%

(1) Adjusted EBITDA is calculated as Operating Profit adjusted to add back the effects of current value movements on owned loan portfolios, depreciation of property, plant & equipment, amortisation of intangibles & non-recurring operating expenses

CABOT CREDIT MANAGEMENT

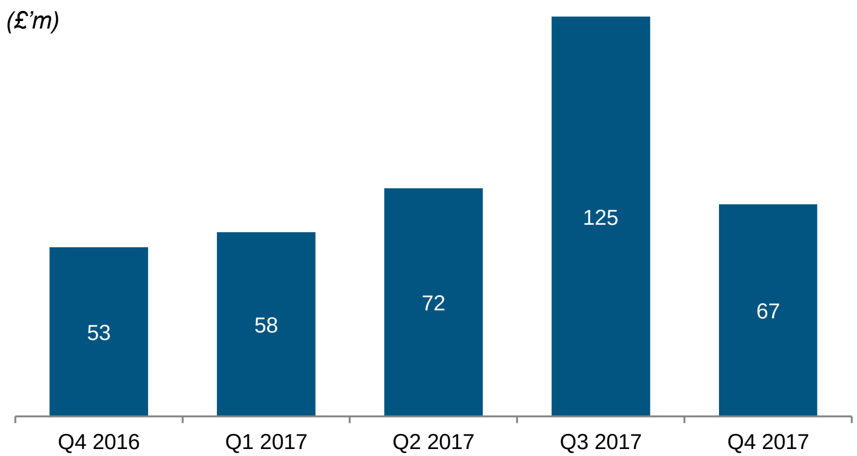
STRENGTH OF MARGINS DRIVES SIGNIFICANT CASH GENERATION



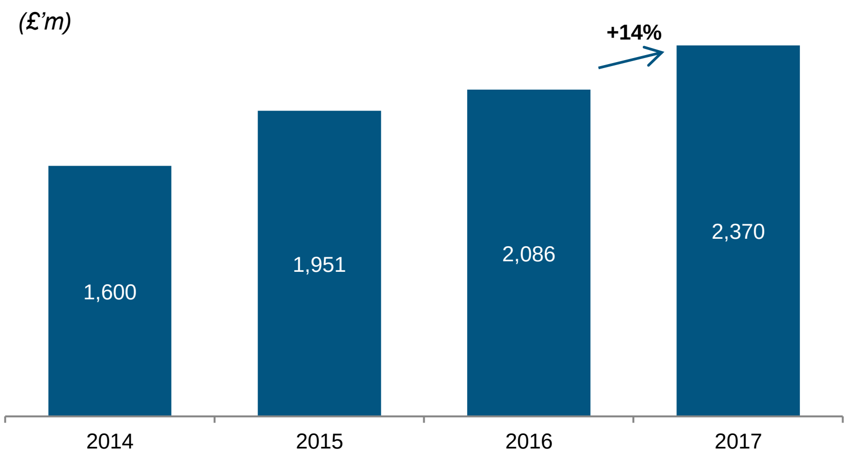
(1) Wescot 2017 pre acquisition Adj EBITDA of £7.4m
(2) Cash interest based year end weighted average cost of debt 5.8%.
(3) Average of December 2016 and December 2017. ERC replenishment rate calculated as Year 1 collections less Year 11 collections, divided by average 120 month Money Multiple (2.0x)

CONTINUED INVESTMENTS IN ATTRACTIVE PORTFOLIOS

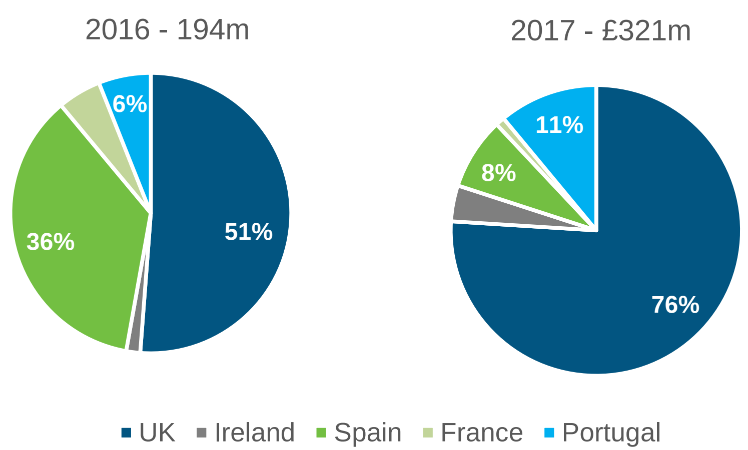
Quarterly capital deployed – 2017 £321m



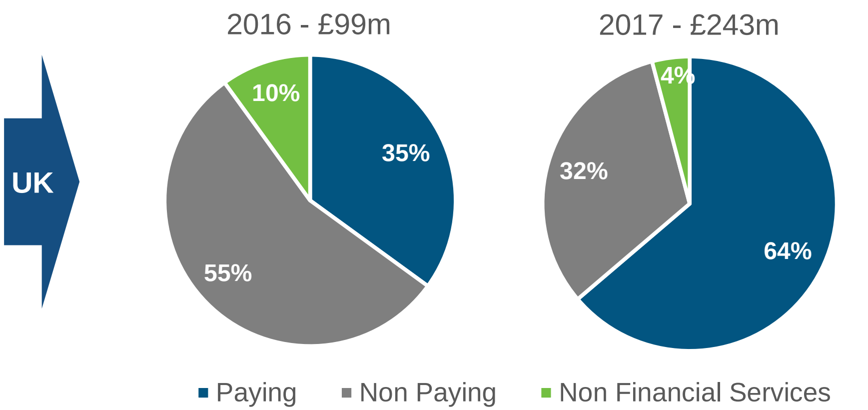
120 month ERC growth



Capital deployed by geography



UK capital deployed by portfolio type



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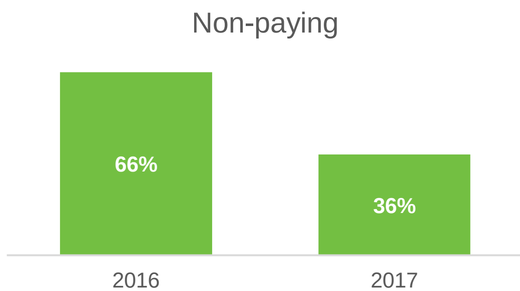
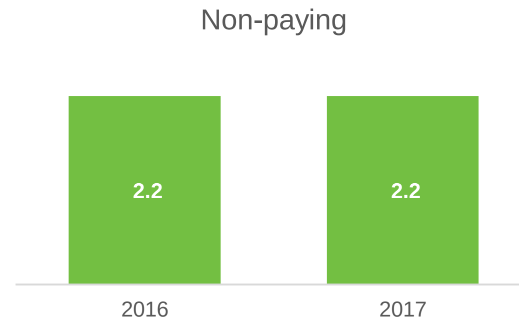
DELIVERING CONSISTENT STRONG RETURNS IN THE UK

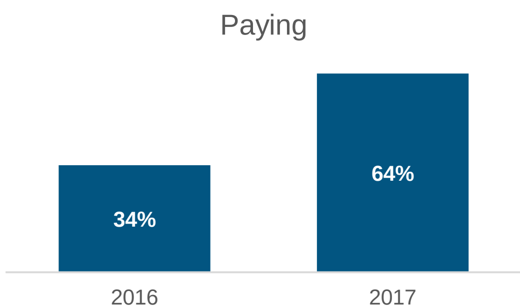
UK capital deployed by portfolio type | **UK 120 month gross money multiples**

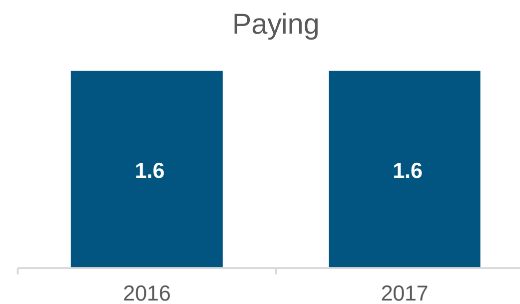
Non-Paying Portfolios (NPLs)[1]





Paying Portfolios (Re-performing Loans)





UK 120 Month Money Multiples: 2.01x 1.85x

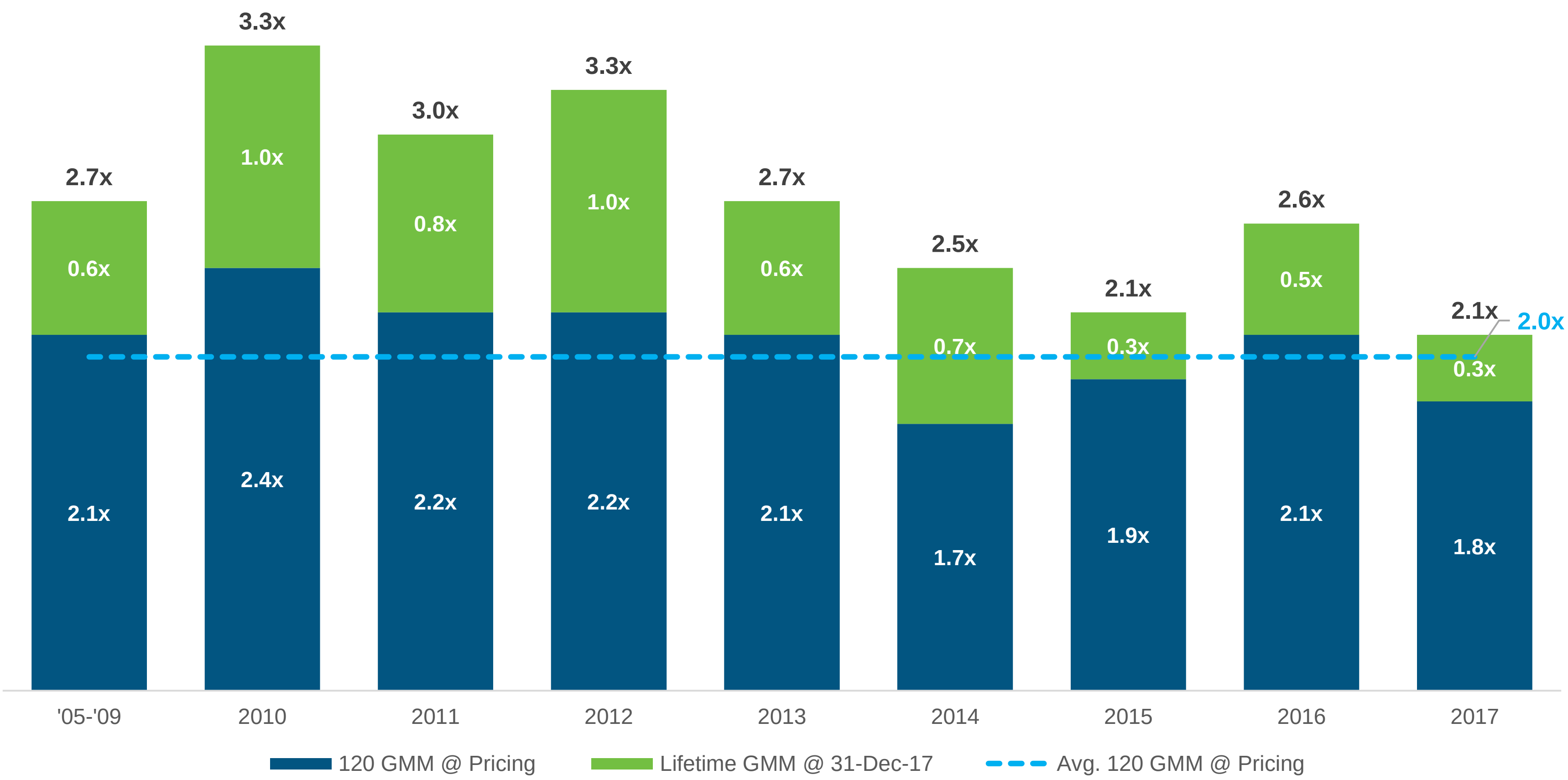
- Shift in mix of capital deployment towards paying portfolios in 2017 compared to prior year impacting blended money multiple
- Consistent pricing rigour – maintaining money multiple expectations for paying and non paying portfolios
- Lower cost to collect on paying portfolios (c. 10%) compared to non-paying portfolios (c. 20%)

(1) Includes Non Paying Financial Services and Non Financial Services

CABOT CREDIT MANAGEMENT

MAINTAINING CAPITAL DEPLOYMENT RIGOUR; PORTFOLIO MIX OF IMPACTING HEADLINE MONEY MULTIPLES

Lifetime vs. Pricing 120 month gross money multiple by vintage (31-Dec-17)



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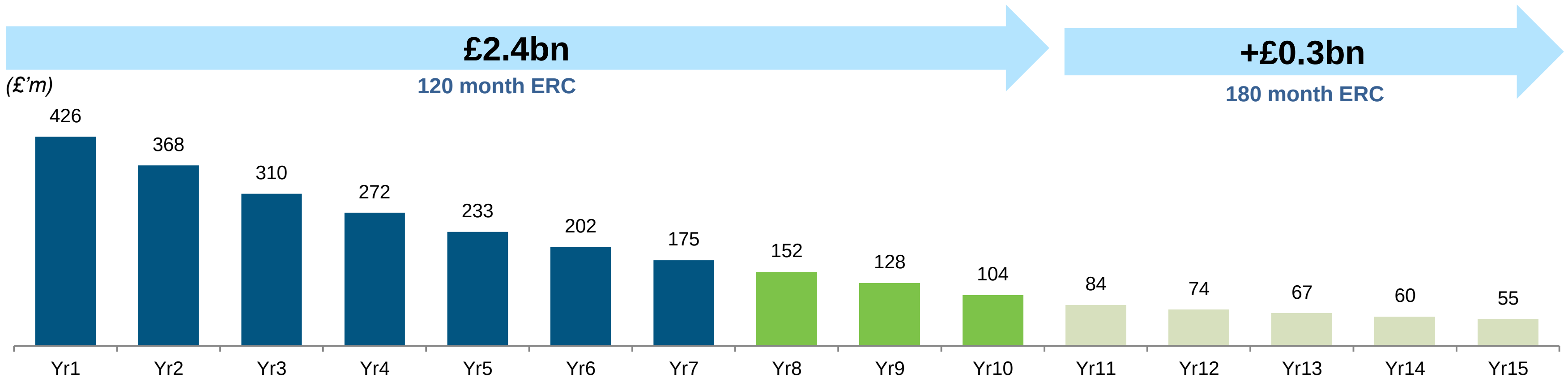
1. Reflects underlying portfolios from acquired businesses in the year in which they were originated by the acquired business

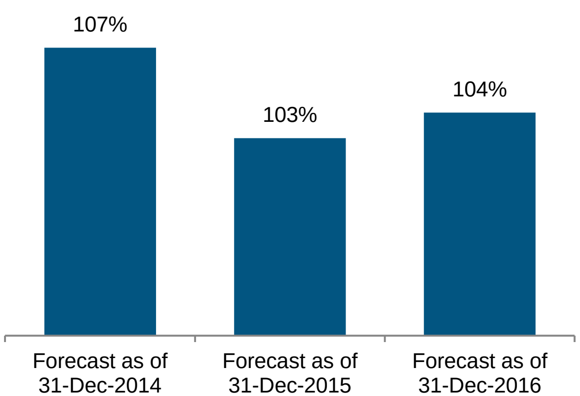
CABOT CREDIT MANAGEMENT

ROBUST COLLECTIONS FORECAST SUPPORTS NEAR TERM EARNINGS AND STRENGTH OF CASH FLOW TAIL

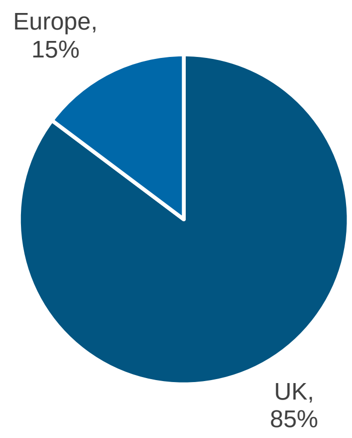
Distribution of 180m Gross ERC by period as of 31-Dec-2017



Consistent collection outperformance vs. historic ERC forecasts[1]



120m ERC by region as of 31-Dec-17



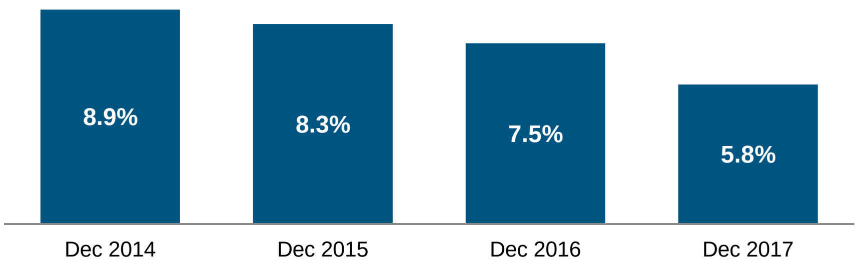
1. Performance YTD to 31 December 2017 vs respective ERC forecast as at dates noted

CABOT CREDIT MANAGEMENT

STRONG CAPITAL POSITION, SIGNIFICANT AVAILABLE LIQUIDITY

Net debt as of Dec 31 2017 (£m)	
Bonds	900.4
ABL	290.0
RCF and other loans	135.0
Cash available	(40.5)
Net Debt	**1,285.0**
84 months ERC	1,985.2
LTM Adjusted EBITDA(2)	302.6
LTV(3)	64.7%
FCCR(4)	3.4x
Net Debt / Adjusted EBITDA	4.2x

Evolution of weighted average cost of debt



- Increased RCF from £250m to £295m and extended maturity to 2021
- Exercised the accordion on the ABL. Final size of the facility is now £300m, of which £290m are drawn
- Flat leverage in 2017 despite having invested over £400m during the year in portfolio and acquisitions
  - LTV increased to 64.7% driven by Wescot acquisition (vs 60.8% in Q4 2016)
  - Leverage flat at 4.2x (vs. 4.2x in Q4 2016)
- Available liquidity: £213m(1)
- Significant LTV headroom: 64.7% actual vs 75% covenant
- Average maturity 4.4 years
- Weighted average cost of debt 5.8%

(1) £295m RCF less drawn amount of £132.5m plus £10m undrawn ABL plus cash available of £40.5m
(2) Includes Jan-Oct Wescot Adj EBITDA of £7.4m
(3) LTV ratio calculated as Net Debt/ 84 ERC
(4) FCCR calculated as LTM Adjusted EBITDA/ Net Interest Expense

CABOT CREDIT MANAGEMENT

2017 SUMMARY

- Focus on long term profitable growth through continued disciplined capital deployment (£321m) at consistent returns resulting in ERC ↑ 14% vs December 2016

- Leverage maintained at 4.2x despite record capital deployment and ~£100m of business acquisitions as a result of continued growth in our Adjusted EBITDA margin (66%), delivering Adjusted EBITDA of £295m (up 19% vs 2016)

- Growth and ongoing focus on liquidation initiatives delivering 17% increase in revenue vs 2016, with number of UK payers and average payments continuing to increase

- Leveraging benefits of scale and cost efficiency measures to deliver operational efficiencies with collections costs down 100bps vs prior year from 24.9% to 23.9%

- Cost of debt reduced to 5.8% as a result of the execution of £290m asset backed funding structure in H2'17

OUTLOOK

OUTLOOK

- Take advantage of strong pipeline of new Debt Purchase business across our five markets
- Maintain Wescot leadership and prioritise backlog of demand for our servicing businesses
- Continue our leadership of the regulatory and customer agenda, in the UK and increasingly Europe
- Further innovate in data capabilities to maintain leadership in UK and build across new markets
- Continuing to assess options in relation to a potential IPO and ensuring readiness in that regard

Q & A

- **Ken Stannard**
  Chief Executive Officer

- **Craig Buick**
  Chief Finance Officer

The Institute of Customer Service
UK Customer Satisfaction Awards 2017 WINNER

APPENDIX 1: PROFIT AND LOSS

Reconciliation of 2017 IFRS Reported Net Income

ECONOMIC P&L				
£m	Total	Non-recurring *	Underlying	Guide
Collections on Owned Loan Portfolios	407.5	-	407.5	(a)
Servicing Revenue	40.2	-	40.2	(b)
Other[(1)]	2.7	-	2.7	(c)
Gross revenue	**450.4**	**-**	**450.4**	**(d)**
Recurring opex (excl. D&A)	(155.2)	-	(155.2)	(e)
Adj EBITDA	**295.2**	**-**	**295.2**	**(f)**
Amortisation	(135.5)	-	(135.5)	(g)
EBITDA	**159.7**	**-**	**159.7**	**(h)**
D&A	(9.4)	1.9	(7.5)	(i)
Non-recurring opex	(28.7)	28.7	-	(j)
Op. Profit	**121.6**	**30.6**	**152.2**	**(k)**
Finance income	4.7	(1.5)	3.2	(l)
Finance costs	(85.7)	(1.1)	(86.8)	(m)
PBT	**40.6**	**27.9**	**68.5**	**(n)**
Tax	(5.3)	(5.4)	(10.7)	(o)
Net income	**35.3**	**22.5**	**57.8**	**(p)**

IFRS P&L				
£m	Total	Non-recurring *	Underlying	Guide
Income on owned portfolios	272.0	-	272.0	(a) + (g)
Servicing revenue	40.2	-	40.2	(b)
Other[(1)]	2.7	-	27.7	(c)
Revenue	**314.9**	**-**	**314.9**	
Recurring opex (excl. D&A)	(155.2)	-	(155.2)	(e)
EBITDA	**159.7**	**-**	**159.7**	**(h)**
D&A	(9.4)	1.9	(7.5)	(i)
Non-recurring opex	(28.7)	28.7	-	(j)
Op. Profit	**121.6**	**30.6**	**152.2**	**(k)**
Finance income	4.7	(1.5)	3.2	(l)
Finance costs	(85.7)	(1.2)	(86.8)	(m)
PBT	**40.6**	**27.9**	**68.5**	**(n)**
Taxes	(5.3)	(5.4)	(10.7)	(o)
Net income	**35.3**	**22.5**	**57.8**	**(p)**

* Non-recurring items are those items or income or cost that that by virtue of either their size or nature, are not considered part of the underlying performance of the business. This includes restructuring costs, acquisition costs, IPO costs, costs associated with refinancing, foreign exchange gains or losses, the gain or loss on hedge instruments and amortisation of acquired intangibles

(1) Property sales income

APPENDIX 2: ADJUSTED EBITDA BUILD-UP

Reconciliation from Collections to Adjusted EBITDA

Collections to Adjusted EBITDA Bridge (£m)

(£m)	2015	2016	2017	CAGR '15-'17
Collections on owned loan portfolios	305.4	358.7	407.5	15.5%
Servicing revenue	18.7	25.8	40.2	46.6%
Property sales income			2.7	-
Gross revenue	**324.1**	**384.5**	**450.4**	**17.9%**
Total Costs	**(127.3)**	**(136.7)**	**(155.2)**	**10.4%**
Adjusted EBITDA	**196.8**	**247.8**	**295.2**	**22.5%**
Adjusted EBITDA margin[1]	***60.7%***	***64.5%***	***65.5%***	***+4.8pp***

1. Adjusted EBITDA divided by revenue adjusted to add back the effects of current value movements on owned loan portfolios.

CABOT CREDIT MANAGEMENT

APPENDIX 3: DP COLLECTIONS

DP Collections by Type (£m)	2014	2015	2016	2017
UK Avg. Payments (£)	22.9	23.5	24.2	24.9
UK # Monthly Payers ('000)	635	747	763	816
DP Collections	**247**	**305**	**359**	**408**
UK Payers	174	207	220	241
UK Settlements	63	78	84	93
Europe	10	21	54	73

Source: Company information

APPENDIX 4: UNDERLYING PROFIT

	2017 £m	2016 £m
Profit after tax	**35.3**	**23.1**
Add back: Non-recurring operating expenses		
Restructuring costs	14.1	1.6
Company acquisition costs	2.9	0.1
IPO costs	10.6	-
Other Non-recurring expenses	1.1	-
Total Non-recurring operating expenses	**28.7**	**1.7**
Non recurring finance costs		
Early redemption fees	7.9	13.7
Write off capitalised fees	-	6.0
Release of unamortised fair value adjustment	(11.3)	-
Facility fees	0.8	-
Total Non-recurring finance (income)/costs	**(2.6)**	**19.7**
Derivative instrument gain	(1.5)	(9.7)
Foreign exchange losses	1.4	0.5
Amortisation on acquired intangibles	1.9	1.3
Total Non-recurring items	**27.9**	**13.5**
Tax effect of above	(5.4)	(2.7)
Underlying profit after tax	**57.8**	**33.9**

Source: Company information

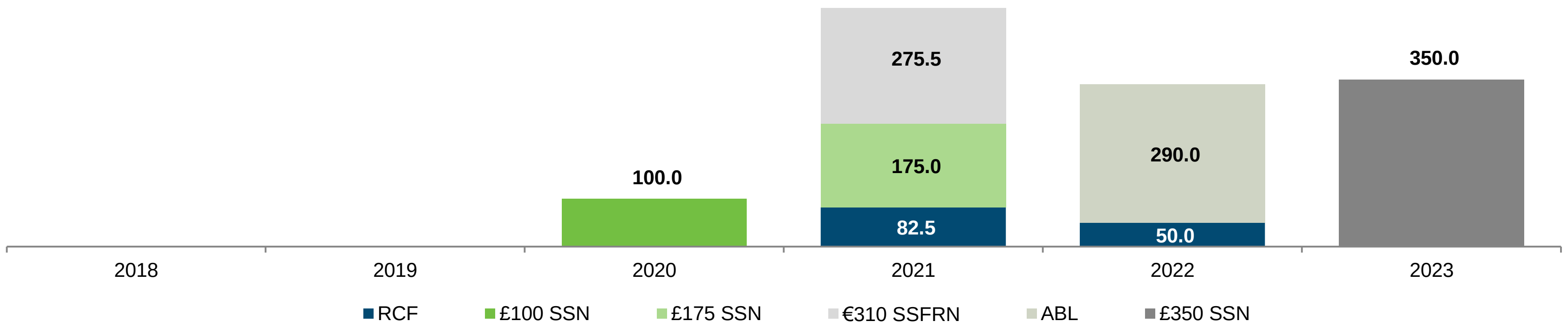
APPENDIX 5: OUTLINE OF 2017 DEBT STRUCTURE

Debt Structure as at Dec-17[1]

	Instrument	Face Value	Interest Rate	Maturity Date	Current Redemption Price	Next Call Date	Next Redemption Price
Bonds	£100m Senior Secured Note	£100.0m	8.375%	01-Aug-20	104.188%	01-Aug-18	102.094%
	£175m Senior Secured Note	£175.0m	6.500%	01-Apr-21	103.250%	01-Apr-18	101.625%
	€310m Senior Secured Floating Rate Note	£275.5m	E+5.875%	15-Nov-21	--	15-Nov-18	101.000%
	£350m Senior Secured Note	£350.0m	7.500%	05-Oct-23	--	01-Oct-19	103.750%
Bank Debt	Revolving credit facility	£132.5m	L+3.250%	24-Sep-21 / 31-Mar-22	--	--	--
Loans	Asset backed lending facility	£290.0m	L+2.850%	03-Sep-22	--	--	--

5.8% **Weighted average cost of debt**

Debt Maturity Profile as at Dec-17 (£m)



1. Excludes other loans of £2.5m

CABOT CREDIT MANAGEMENT

APPENDIX 6: WESCOT UPDATE

Overview of Wescot

- A leading UK debt servicing and BPO services business
- One of the largest debt servicing providers for the UK retail banking sector
- Substantial pipeline of new BPO contracts that have already been secured and are in the course of being implemented
- c.800 employees
- Authorised and regulated by the FCA

Wescot key financials[2]

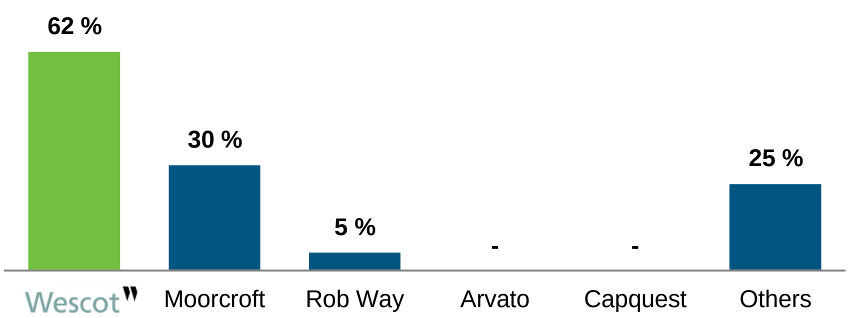
£m	**Year ended 31 Dec 16**	Pre acquisition 2017	Post acquisition 2017	**Year ended 31 Dec 17**
Collections[1]	178	249	48	297
Revenue	32.1	33.0	7.4	40.4
EBITDA	4.5	7.4	1.7	9.1

Transaction highlights

- ✓ Deal closed 10 November 2017
- ✓ Consistent with strategy to maintain market leadership in the UK financial services sector
- ✓ Significantly enhances access to debt purchase opportunities
- ✓ Increases servicing revenue contribution, notably from banks, our core clients
- ✓ Attractive asset with positive growth outlook from differentiated service offering

Ranking 1st by clients twice as often as peers

DCA Rankings Based on Client Assessment of Performance[3]



Source: Company information.

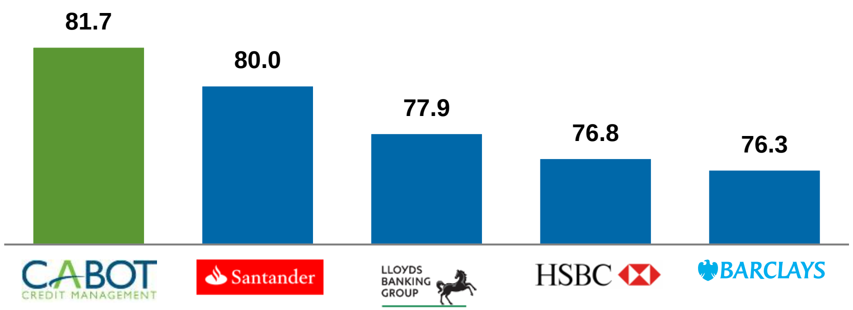
1. Related to DCA only. 2. EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional costs. The underlying financial information used in compiling data as used in this presentation has been extracted from Wescot's management accounts, which have been prepared on a substantially consistent basis with Wescot's UK GAAP statutory accounts and calculated in accordance with Cabot's corresponding EBITDA presentation. 3. Client information sourced from the last available MI provision, and range between june'16 and september'16.

CABOT CREDIT MANAGEMENT

APPENDIX 7: COMPLIANCE AND CUSTOMER FOCUS

UK Customer Satisfaction Index[1]

Comparison with Selected Banks



Leading track record of regulatory approval

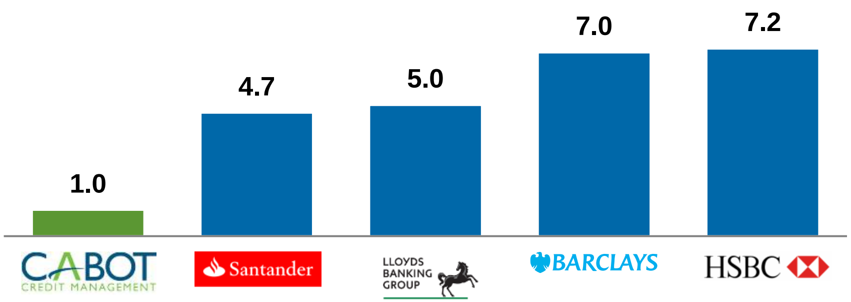
- First large UK CMS company to receive full FCA authorisation
- First CMS company to receive full Central Bank of Ireland authorisation recently received

FCA

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Self-reported complaints (Jan-Jun-17)

# of Complaints Received per 1,000 Accounts



Tech & Digital

CallMiner
LISTEN TO YOUR CUSTOMERS. IMPROVE YOUR BUSINESS.

my Cabot FINANCIAL

Awards

The Institute of Customer Service
UK Customer Satisfaction Awards 2017 WINNER

CreditToday AWARDS2015
Cabot Credit Management
Treating Customers Fairly – Collections, third party
WINNER

Credit AWARDS2016
Treating Customers Fairly Award Collections & Debt Management
Winner
Cabot Credit Management

Source: Company information

1. Customer satisfaction survey run by the Institute of Customer Service. Respondents are asked to rate their experience of individual organisations they have dealt with in the previous three months, using a scale of 1 – 10. These scores are then multiplied by ten so that the index scores are expressed as a number out of 100.