

Cabot Credit Management expands its UK and European operations and delivers record results with continued profitable growth

Financial results for twelve months ending December 2017

Cabot Credit Management (Cabot), a market leader in European credit management services, today announced the financial results for the twelve months ending December 2017.

Key Financials	12 Months to December 2017	12 Months to December 2016	% Change
Adjusted EBITDA	£295m	£247m	+19%
120 month ERC*	£2.4bn	£2.1bn	+14%
Debt Purchase Collections	£407m	£358m	+14%
Servicing Revenue	£40m	£25m	+56%

*Estimated Remaining Collections

Highlights

- Focus on long term profitable growth with record £321 million capital deployment at target return levels. £118m forward flows committed for 2018
- Strong debt purchase collections performance – 104% of ERC
- Growth in European business, now representing more than 20% of group revenues
- Delivered £295m of Adjusted EBITDA at 66% margin
- Reduced cost of debt by 1.7% 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 remain high, reflecting our focus on customers & regulatory excellence

- Operational initiatives and acquisitions driving growth in number of UK payers and average payment amounts, and delivering a 17% increase in revenue vs 2016
- 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%
- 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%)
- Continuing to assess options in relation to a potential IPO and ensuring readiness in that regard

Ken Stannard, Chief Executive Officer, Cabot Credit Management, said:

“Cabot Credit Management has had a record year with continued growth in our collections and revenues. As a result of our ongoing programme of operational initiatives, disciplined capital deployment, and the successful acquisitions of Orbit and Wescot, we have generated £295m of Adjusted EBITDA at a 66% margin.

“We continue to lead the sector with our customer centric approach, which has seen continuous improvements in collection rates, breakage rates and customer satisfaction. As we grow larger our scale can be leveraged to continue driving operational efficiencies and to maintain our sector leading regulatory and compliance excellence. This focus on customer outcomes ensures we remain an attractive partner to the banks and drives the growth in our debt servicing business.

“Our disciplined capital deployment has ensured that Cabot continues to deliver value sustainably and for the long-run. In 2017 we enjoyed record capital deployment resulting in a 14% increase in ERC versus December 2016. As we look to 2018, continued financial discipline, operational improvement, and the inclusion of Wescot within the group, means we are well positioned to continue delivering an excellent rate of growth.

“We have achieved this growth without increasing our leverage which remains at a robust 4.2x. This was possible as a result of continued growth in our Adjusted EBITDA margin (66%), delivering Adjusted EBITDA of £295m. Our profitability also benefited from a decrease in the cost of our debt by 1.7% to 5.8% as a result of a new asset backed funding structure.

“Provision of a full range of credit management services to address our clients’ credit management challenges is a key element of Cabot’s strategy. Our servicing business continues to perform strongly, and helped by the acquisition of Wescot, represented 20% of total revenues for the group in Q4 2017.

“Cabot enjoys a leading position in a fast growing sector which is seeing significant consolidation. Whilst our core business is in the UK, our European operations grew by 35% last year and are now more than 20% of the overall business with more opportunities for further expansion. We are exceptionally well positioned to take advantage of these trends,

and management remains focused on driving superior returns for the benefit of all its stakeholders.”

Ends

14:00 hours (GMT) on 22 February 2018, Cabot Credit Management will hold an audio conference presentation on the company’s performance. For further details, please visit the Cabot investor website at www.cabotcm.com/investors.

For further information, please contact:

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Note to editors

Cabot Credit Management (www.cabotcm.com) is one of the largest credit management services providers in Europe and the market leader in the UK and Ireland (based on expected future gross cash collections on purchased loan portfolios over a 120 month period as of 30 June 2017). Cabot provides a range of credit management services across a broad client base that includes some of the largest credit providers in Europe. These services include debt servicing offerings such as early stage collections, business process outsourcing, contingent collections, trace services and litigation activities. Cabot has credit management experience across a range of both credit providers (including consumer finance, telecommunications companies, retailers, utilities companies and government agencies) and asset classes (including secured consumer debt, small and medium-sized enterprise debt, and high-value accounts).

Between Cabot’s inception in 1998 to 31 December 2017, it has invested a combined total of c£2 billion in the acquisition of over £24 billion in face value of purchased loan portfolios and has received £2.7 billion in cumulative collections from purchased loan portfolios. As at 31 December 2017, Cabot’s 120-month estimated remaining collections was £2.4 billion, and Cabot’s 180-month estimated remaining collections was £2.7 billion.

With 20 years of debt purchase and debt servicing experience, Cabot was one of the first companies to engage in the credit management services market in the United Kingdom. In March 2016, Cabot became the first large credit management service company in the United Kingdom to be authorised by the FCA, and in May 2017 Cabot became the first credit management service company in Ireland to be authorised by the Central Bank of Ireland.

Customer service and regulatory compliance are at the core of Cabot's business and culture and are implemented through its collections strategy. Cabot seeks to treat its customers fairly and offer affordable payment solutions, often through long-term payment plans. Cabot has customer satisfaction scores in excess of all UK banking and building society benchmarks and many leading high street banks, and Cabot believes that it has one of the lowest rates of complaints in the debt collection industry referred to the UK Financial Ombudsman Service. Cabot has won numerous industry accolades, including a 2017 UK Customer Satisfaction Award from the Institute of Customer Service, the CCR Credit Excellence Awards 2016 for Compliance and the Credit Today Award 2016 for Treating Customers Fairly.