CABOT CREDIT MANAGEMENT
Financial Results

For the six months ended 30 June 2018

9 August 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
- Financial review
- Outlook

DELIVERING ON OUR STRATEGY

The six months to June 2018 performance across key metrics has continued to show significant growth

DP Collections (YTD Jun '17: £195.2m)	+13%	**£220.1m**
Servicing revenues (YTD Jun '17: £14.2m)	+189%	**£41.1m**
Portfolio acquisitions (YTD Jun '17: £128.2m)	+25%	**£160.0m**
Adjusted EBITDA (YTD Jun '17: £139.0)	+16%	**£161.9m**
120-Month ERC (June 2017: £2.2bn)	+15%	**£2.5bn**
Leverage (June 2017: 4.1x)	+0.1x	**4.2x**

CABOT CREDIT MANAGEMENT

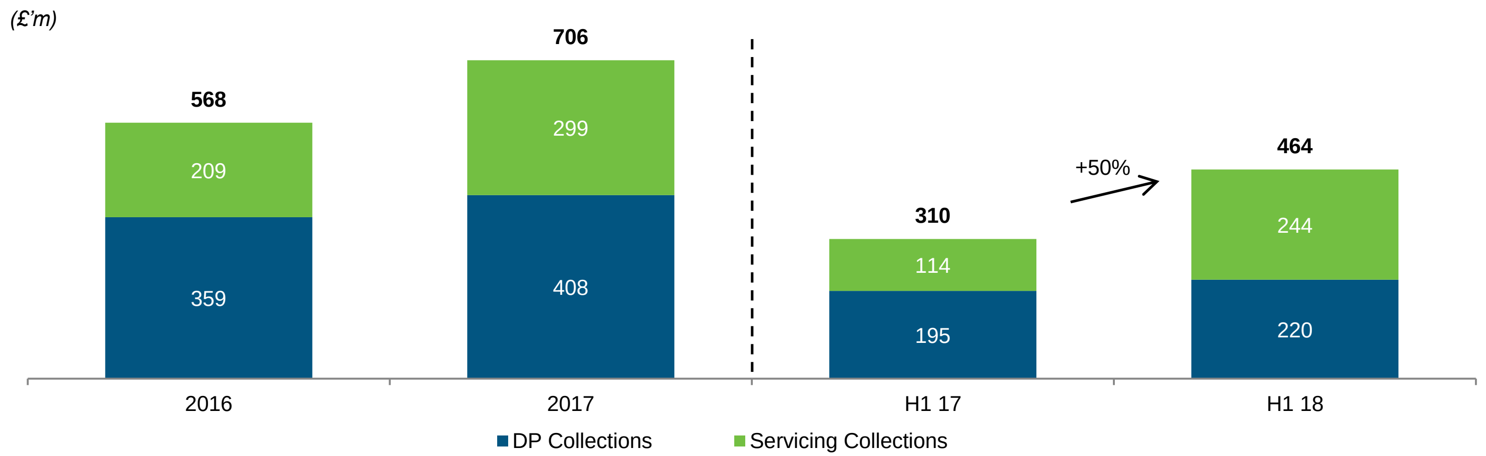
H1’18 – DELIVERING CONTINUED PROFITABLE GROWTH

- Capital deployment of £160m at consistent returns (1.9x 120 month MM), ERC ↑ 15%
- Continued robust UK back book performance (72% of payments from regular payers, average 868k regular payers each month, average monthly payment £25, 90 day break rates flat)
- Servicing revenue ↑ 189% vs H1’17, now 22% of total revenue
- Consistent underlying margins – overall Adjusted EBTIDA margin at 63%
- On track to delivery £6m annual synergies from UK servicing restructure – 2nd wave redundancies completed June ’18. Brackley site closure expected to be achieved by end Q3’18
- Maintaining balance sheet discipline – leverage stable at 4.2x with available liquidity at £153m
- Successfully executed bond exchange in July 2018, improving maturity profile and aligning covenants
- As a result of the strong trading and liquidity profile of the Company, Moody’s have upgraded the long term rating of Cabot from B2 to B1 and S&P put us on positive outlook
- Encore acquisition of remaining interest in Cabot completed 24 July 2018

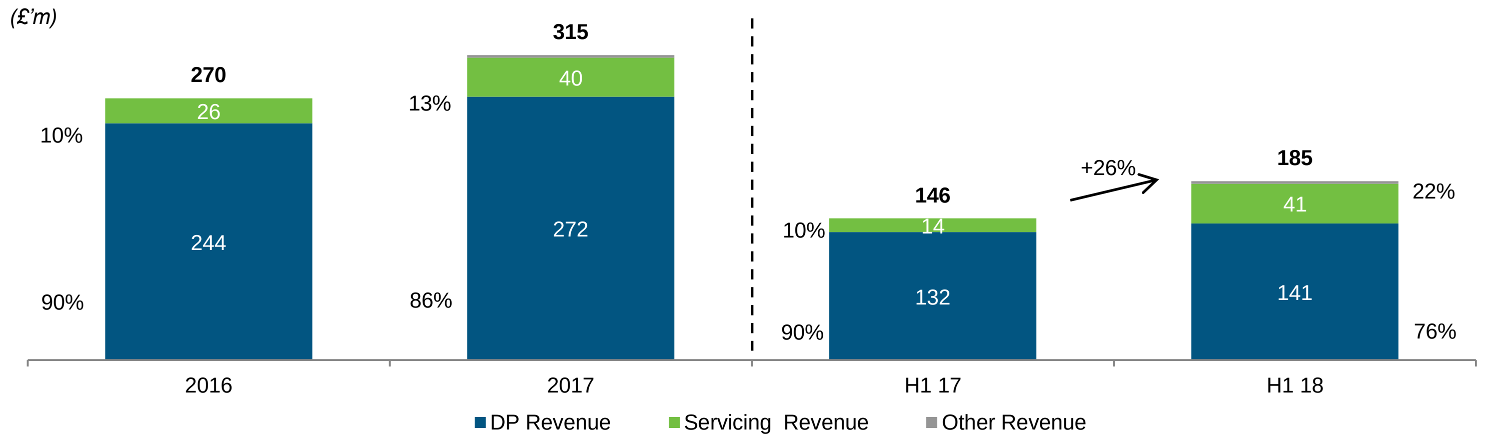
FINANCIAL REVIEW

REVENUE GROWTH SUPPORTED BY SECTOR TAILWINDS

50% growth in total collections



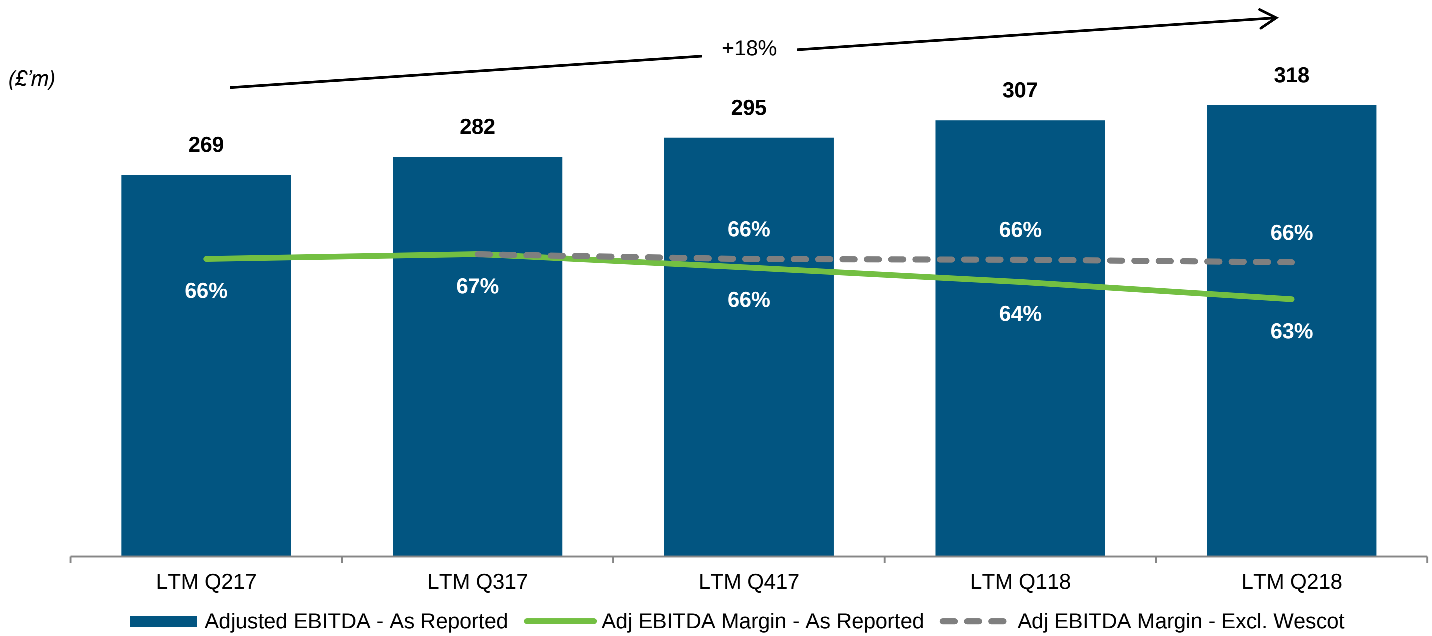
26% increase in revenue



CABOT CREDIT MANAGEMENT

STRONG UNDERLYING MARGINS GENERATING PROFITABLE GROWTH

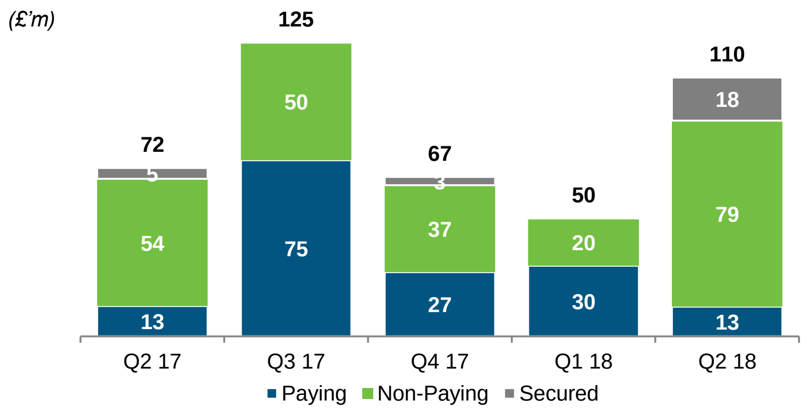
LTM Adjusted EBITDA



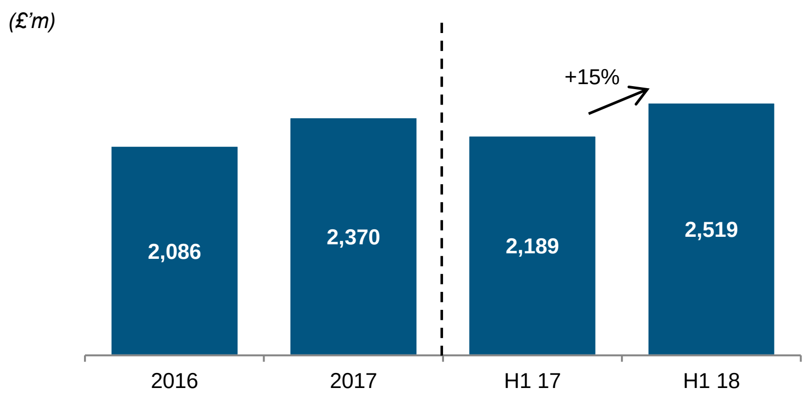
- Continued generation of strong underlying cash margins driven by disciplined capital deployment and operational efficiencies
- Delivered 18% YOY growth in Adjusted EBITDA whilst maintaining leverage broadly flat YOY
- Adjusted EBITDA margin evolving in line with expectations following Wescot acquisition in Q4'17

DISCIPLINED INVESTMENTS IN ATTRACTIVE PORTFOLIOS

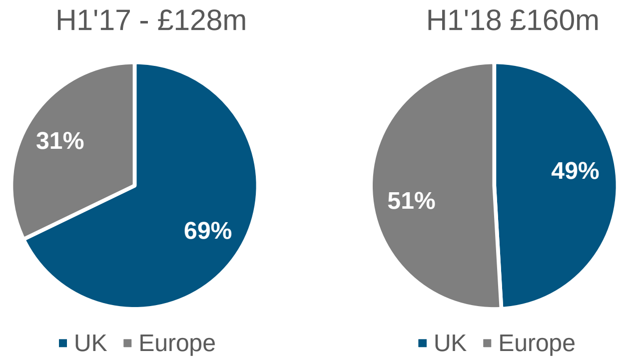
Capital deployed – LTM £352m



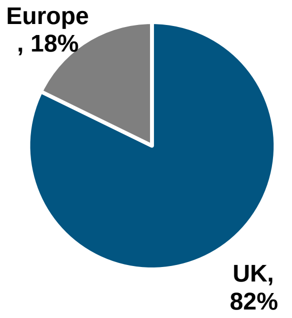
120 month ERC growth



Capital deployed by geography



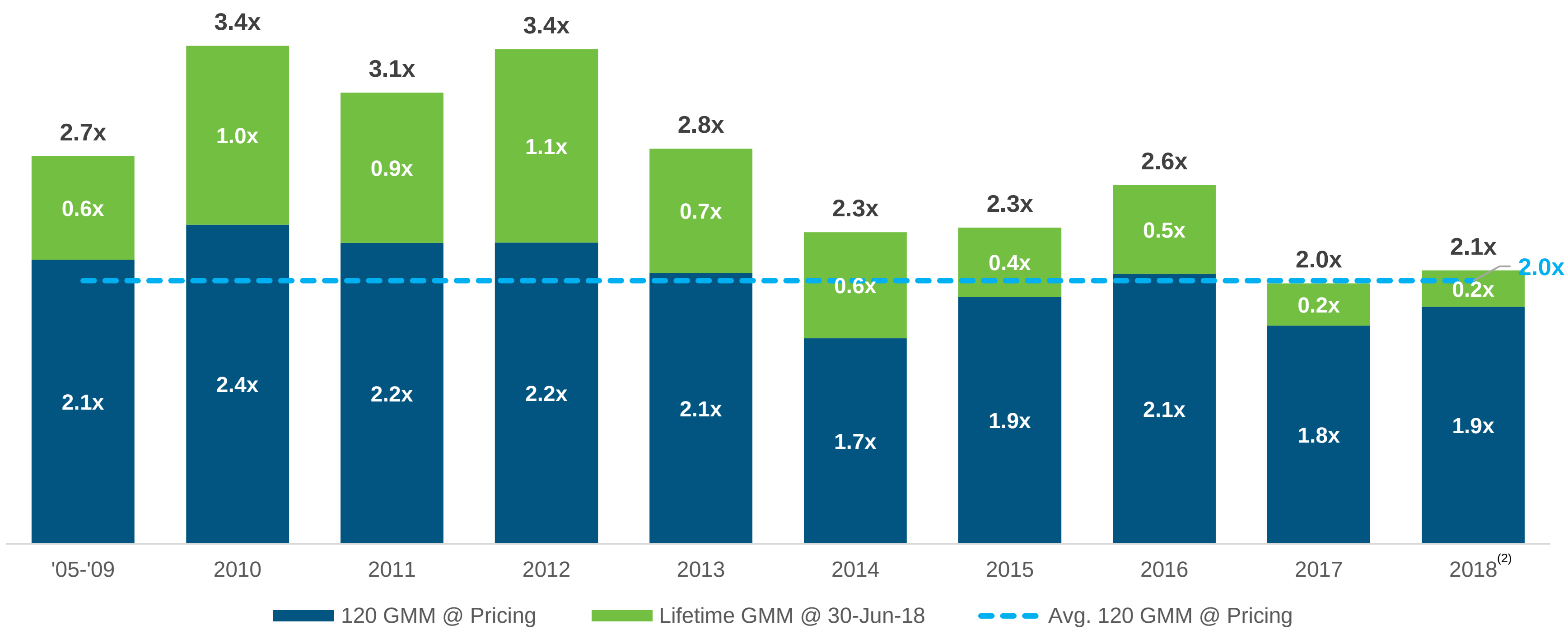
120m ERC by region



CABOT CREDIT MANAGEMENT

MAINTAINING CAPITAL DEPLOYMENT RIGOUR

Lifetime vs. Pricing 120 month gross money multiple by vintage (30-Jun-18)

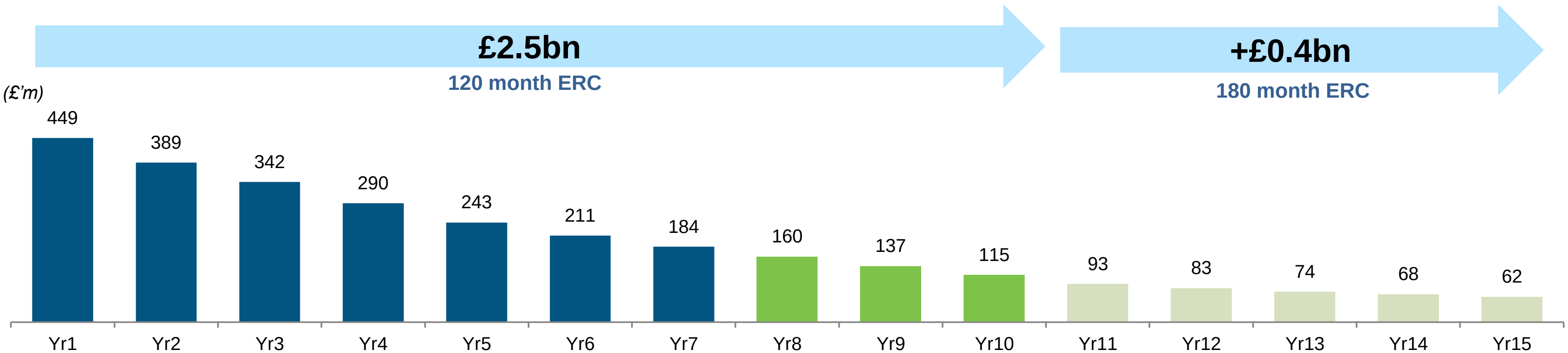


1. Reflects underlying portfolios from acquired businesses in the year in which they were originated by the acquired business
2. 2018 excludes secured purchases which reflect £18m secured R&D spend. Blended MM including secured deployment in Q2 would be 1.8x

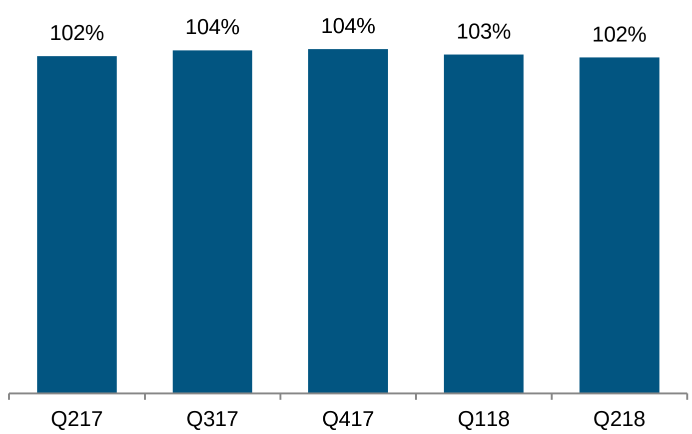
CABOT CREDIT MANAGEMENT

CONSISTENT, RELIABLE CASH FLOW GENERATION

Distribution of 180m Gross ERC by period as of 30-Jun-2018



Consistent collection outperformance vs. historic ERC forecasts



Performance against ERC forecast published 12 months prior to the date shown

Growth in cash margins exceeds growth in ERC replenishment rate

	Q2'17	Q2'18	Change	
Adj EBITDA (LTM)	269	318	49	
Annualised cash interest	(80)	(79)	1	45
Annualised capex and tax	(14)	(19)	(5)	
ERC replenishment rate	(138)	(166)	(28)	
Excess cash generation	**37**	**54**	**17**	

- £49m growth in cash margins over past 12 months based on EBTIDA growth and cash interest savings
- Excess cash generation ~ 19% of cash profits

CABOT CREDIT MANAGEMENT

STRONG CAPITAL POSITION SUPPORTS LONG TERM STRATEGY

Net debt as of Jun 30 2018 (£m)	
Bonds	900
ABL	290
RCF and other loans	188
Cash available	(33)
Net Debt	**1,345**
84 months ERC	2,108
LTM Adjusted EBITDA[(3)]	321
LTV	64%
FCCR	4.1x
Net Debt / Adjusted EBITDA	4.2x

- Prudent leverage and strong liquidity to support the business
- Stable leverage at 4.2x vs. 4.1x in Q2 2017
- Significant LTV headroom: 64% actual vs 75% covenant
- Available liquidity: £153m[(1)] - pro forma £179m[(2)] post exchange offer
- Weighted average cost of debt 5.7%
- Moody's upgraded long term rating from B2 to B1
- In July, Cabot completed a successful exchange offer achieving the following:
  - Improved maturity profile: aggregated £127m of 20s and 21s rolled into new 23s
  - Incremental capital: New 23s notes issued (face value £35m)
  - Increased flexibility: Covenants of remaining 20s and 21s are now aligned with existing 23s

(1) £295m RCF less drawn amount of £184.7m plus £10m undrawn ABL plus cash available of £32.6m
(2) Includes £26.3m of net new money raised as disclosed on page 106 of the Final Offering Memorandum
(3) Includes Jul-Oct Wescot Adj EBITDA of £3.2m

OUTLOOK

- Maintain our historic capital deployment and balance sheet discipline during period of increasing opportunities within a competitive landscape

- Capture share of evolving service pipeline to deliver long term profitable revenue streams, whilst further strengthening existing client relationships

- Continue to drive the customer agenda across all markets building on Cabot's reputation for leadership in this critical area

- Carefully manage the integration of Encore's existing European businesses into Cabot to build scale and growth capabilities

- Increase best practice sharing with Encore and leverage enlarged scale

Q & A

- **Ken Stannard**
  Chief Executive Officer

- **Craig Buick**
  Chief Finance Officer

The Institute of Customer Service
UK Customer Satisfaction Awards 2017 WINNER

CABOT CREDIT MANAGEMENT

APPENDIX 1: PROFIT AND LOSS

Reconciliation of Q2 2018 IFRS Reported Net Income

ECONOMIC P&L				
£m	**Total**	**Non-recurring ***	**Underlying**	**Guide**
Collections on Owned Loan Portfolios	220.1	-	220.1	(a)
Servicing Revenue	41.1	-	41.1	(b)
Other(1)	2.6	-	2.6	(c)
Gross revenue	**263.8**	**-**	**263.8**	**(d)**
Recurring opex (excl. D&A)	(101.9)	-	(101.9)	(e)
Adj EBITDA	**161.9**	**-**	**161.9**	**(f)**
Amortisation	(102.8)	-	(102.8)	(g)
Positive impairment of portfolio investments	23.7	-	23.7	**(h)**
EBITDA	**82.8**	**-**	**82.8**	(i)
D&A	(6.5)	2.5	(4.0)	(j)
Non-recurring opex	(2.7)	2.7	-	**(k)**
Op. Profit	**73.6**	**5.2**	**78.8**	(l)
Finance income	0.3	(0.2)	0.1	(m)
Finance costs	(42.7)	(0.3)	(43.0)	**(n)**
PBT	**31.2**	**4.7**	**35.9**	(o)
Tax	(6.3)	(0.6)	(6.9)	**(p)**
Net income	**24.9**	**4.1**	**29.0**	**(q)**

IFRS P&L				
£m	**Total**	**Non-recurring ***	**Underlying**	**Guide**
Income on owned portfolios	117.3	-	117.3	(a) + (g)
Positive impairment of portfolio investments	23.7	-	23.7	(h)
Servicing revenue	41.1	-	41.1	(b)
Other(1)	2.6	-	2.6	(c)
Revenue	**184.7**	**-**	**184.7**	
Recurring opex (excl. D&A)	(101.9)	-	(101.9)	(e)
EBITDA	**82.8**	**-**	**82.8**	(i)
D&A	(6.5)	2.5	(4.0)	(j)
Non-recurring opex	(2.7)	2.7	-	**(k)**
Op. Profit	**73.6**	**5.2**	**78.8**	(l)
Finance income	0.3	(0.2)	0.1	(m)
Finance costs	(42.7)	(0.3)	(43.0)	**(n)**
PBT	**31.2**	**4.7**	**35.9**	(o)
Taxes	(6.3)	(0.6)	(6.9)	**(p)**
Net income	**24.9**	**4.1**	**29.0**	**(q)**

* 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

CABOT CREDIT MANAGEMENT

APPENDIX 2: UNDERLYING PROFIT

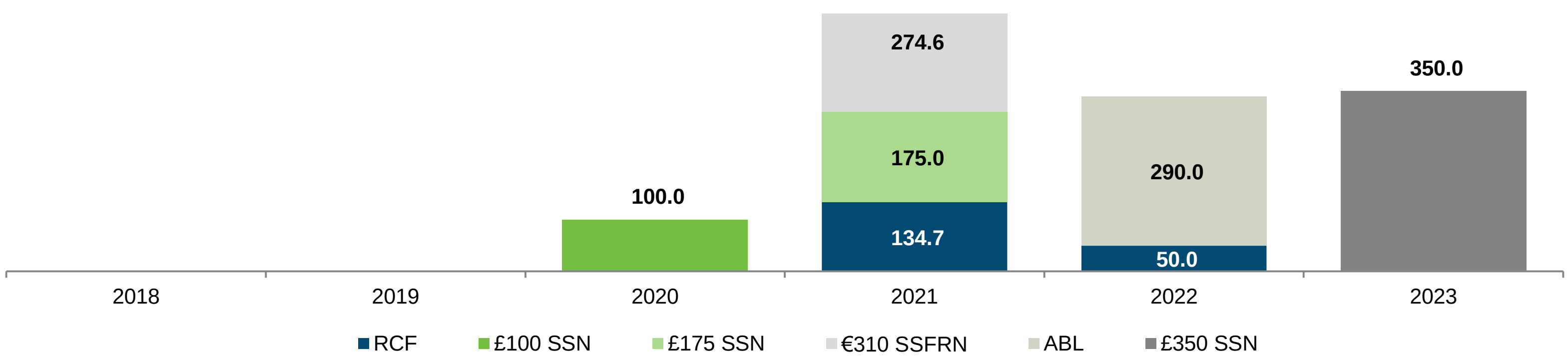
	H1 2018 £m	H1 2017 £m
Profit after tax	**24.9**	**19.1**
Add back: Non-recurring operating expenses		
Restructuring costs	-	0.5
Company acquisition costs	-	2.3
Other non-recurring operating expenses	2.7	3.4
Total Non-recurring operating expenses	**2.7**	**6.2**
Facility fees	-	0.5
Total Non-recurring finance costs	**-**	**0.5**
Net loss/(gain) on derivative instrument	0.1	(2.0)
Foreign exchange gains	(0.6)	0.2
Amortisation on acquired intangibles	2.5	0.6
Total Non-recurring items	**4.7**	**5.5**
Tax effect of above	(0.6)	(0.5)
Underlying profit after tax	**29.0**	**24.1**

APPENDIX 3: OUTLINE OF 2018 DEBT STRUCTURE

Debt Structure as at Jun-18

	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	101.625%	01-Apr-19	100.000%
	€310m Senior Secured Floating Rate Note	£274.6m	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	£184.7m	L+3.250%	24-Sep-21 / 31-Mar-22	--	--	--
Loans	Asset backed lending facility	£290.0m	L+2.850%	03-Sep-22	--	--	--
			5.7%	**Weighted average cost of debt**			

Debt Maturity Profile as at Jun-18 (£m)



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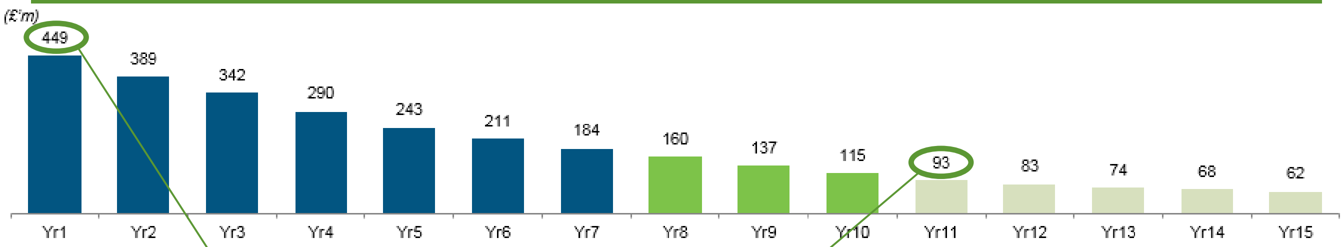
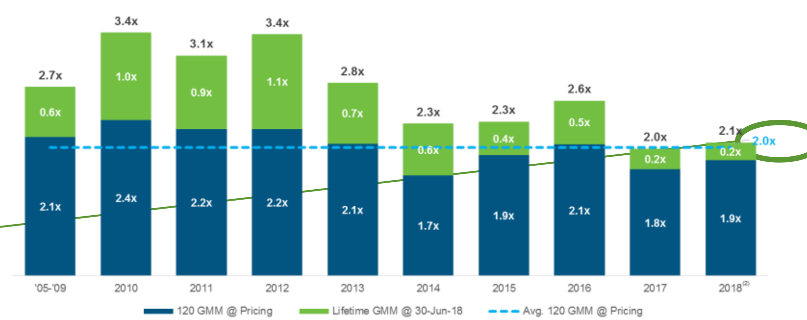
APPENDIX 4: ERC REPLENISHMENT RATE CALCULATION

Distribution of 180m Gross ERC by period as of 30-Jun-2018

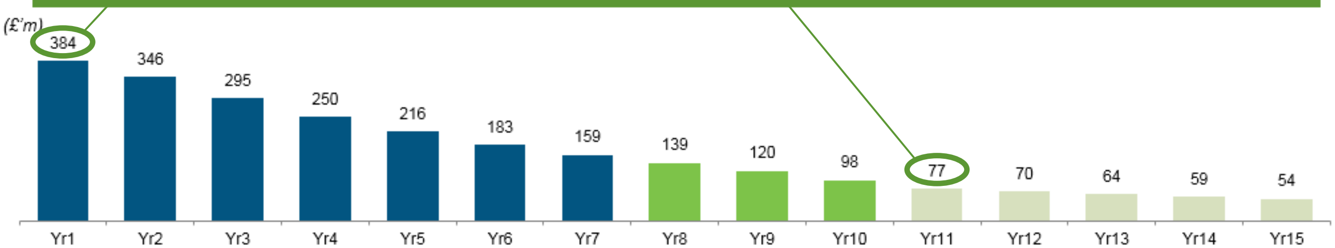


	(a) Year 1 Collections	(b) Year 11 Collections	(c) = (a) - (b) Net ERC decrease	
30-Jun-18	449	93	356	
30-Jun-17	384	77	307	
Average net ERC decrease			332	(d)
Avg 120 month MM			2.0x	e
ERC replenishment rate			166	(d) / e

Lifetime vs. Pricing 120 month gross money multiple by vintage (30-Jun-18)



Distribution of 180m Gross ERC by Period as of 30-Jun-2017



CABOT CREDIT MANAGEMENT

APPENDIX 5: GLOSSARY

DP Collections	Amounts collected, including by agents on behalf of the Group, from customers on purchased loan portfolios
Servicing revenues	Fees receivable and commissions from the servicing of loan portfolios on behalf of third parties, as recognised in the profit and loss account with respect to paying commissions accrued, inclusive of fees for other credit management services such as consultancy services, training, business process outsourcing and hosted IT systems provision
Portfolio acquisitions	Portfolios purchased by the Group
ERC	ERC means the Group's estimated remaining collections on purchased loan portfolios over a defined period, which represents the expected future gross cash collections on the Group's purchased loan portfolios over a defined monthly or annualised period
120-Month ERC	120-Month ERC means the Group's estimated remaining collections on purchased loan portfolios over a 120-month period, which represents the expected future gross cash collections on the Group's purchased loan portfolios over a 120-month period
Leverage	Leverage is Net debt / LTM Adjusted EBITDA
Adjusted EBITDA	Adjusted EBITDA is 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
Adjusted EBITDA Margin	Adjusted EBITDA divided by gross revenue
Collection activity costs	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.
Cost to collect ratio	Ratio of collection activity costs as a percentage of 'Gross Revenue'
Gross Revenue	'DP Collections' plus 'Servicing revenues' plus Property sales income
Net Revenue	Revenue as reported in statutory accounts. Gross revenue less portfolio amortisation
LTM	Last twelve months
Capital deployed	'Portfolio acquisitions'
Non-recurring items	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
CAGR	Compound annual growth rate
LTV	Loan to Value 'LTV' ratio is calculated as Net Debt/ 84 ERC
FCCR	Fixed Charge Coverage Ratio 'FCCR' is calculated as LTM Adjusted EBITDA/ Net Interest Expense
Money multiples	Money multiples are total expected gross cash collections divided by portfolio acquisition price
ERC replenishment rate	Average of two ERC forecasts. ERC replenishment rate calculated as Year 1 collections less Year 11 collections, divided by average 120 month Money Multiple (2.0x)