CABOT CREDIT MANAGEMENT
Financial Results

For the nine months ended 30 September 2018

8 November 2018

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TODAY'S PRESENTERS

Ken Stannard
Chief Executive Officer

Craig Buick
Chief Financial Officer

Ken Stannard

- 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

- 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

CABOT CREDIT MANAGEMENT

AGENDA

- Key highlights
- Financial review
- Outlook

DELIVERING ON OUR STRATEGY

The nine months to September 2018 performance across key metrics has continued to show significant growth

+12%	**DP Collections** (YTD Sep '17: £298.0m)	**£332.9m**
+156%	**Servicing revenues** (YTD Sep '17: £24.7m)	**£63.3m**
-4%	**Portfolio acquisitions** (YTD Sep '17: £256.3m)	**£246.5m**
+16%	**Adjusted EBITDA** (YTD Sep '17: £214.3)	**£248.3m**
+12%	**120-Month ERC** (September 2017: £2.3bn)	**£2.6bn**
Flat	**Leverage** (September 2017: 4.2x)	**4.2x**

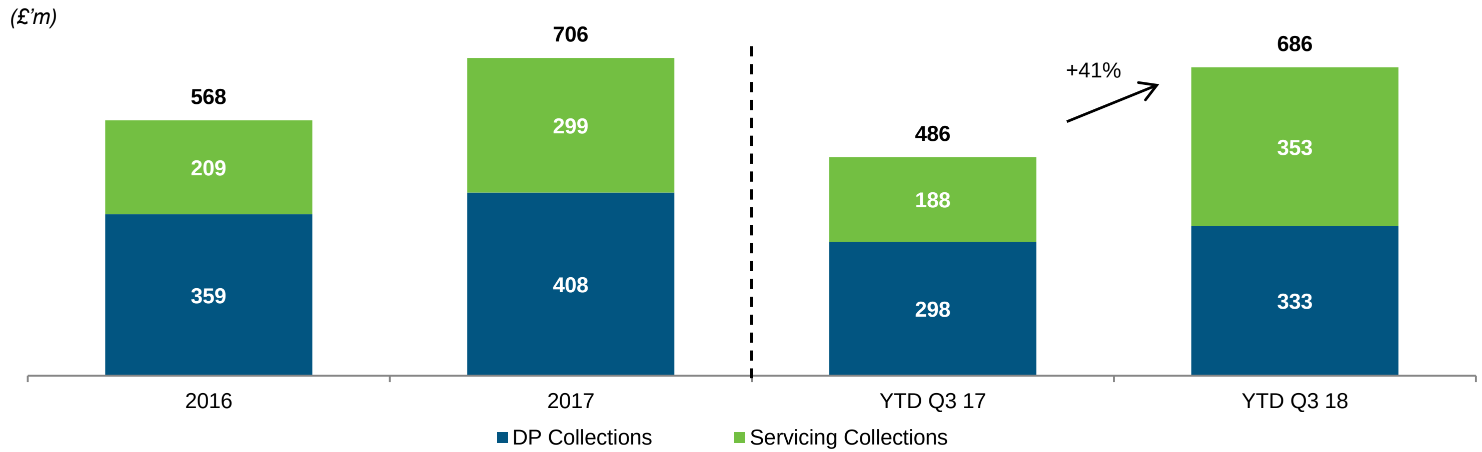
CONTINUED FOCUS ON OPERATIONAL EXECUTION

- Maintaining capital management discipline in a competitive market
  - ✓ Capital deployment at consistent MM (1.9x)
  - ✓ Leverage stable at 4.2x
  - ✓ Proactively managing our liquidity profile
- Delivering on key operational commitments
  - ✓ Collections remain in line with our ERC forecast
  - ✓ UK back book performance stable (72% of payments from regular payers, average 870k regular payers each month, average monthly payment £25, 90 day break rates remain flat)
  - ✓ Executing on committed cost savings initiatives – completion of UK site rationalisation project in October (Brackley site closure)
  - ✓ Underlying Adjusted EBTIDA margin stable at 66% (62% overall following Wescot acquisition)
- Recent investments are strengthening our competitive advantages
  - ✓ Digital channel providing enhanced reach ….. 93k customers engaging via this new channel
  - ✓ ISO 27001 re-certification validates continued investment in information security
- Continued external validation of our culture and market leading processes
  - ✓ Winner of Best Use of Technology and Best Law Firm at 2018 Credit Excellence awards
  - ✓ Received Gold accreditation from Investors In People
  - ✓ Strong UK Customer Satisfaction Index rating of 84 (Banks average 80)
  - ✓ Industry leading FOS uphold rates (15%), less than half UK Financial Services average

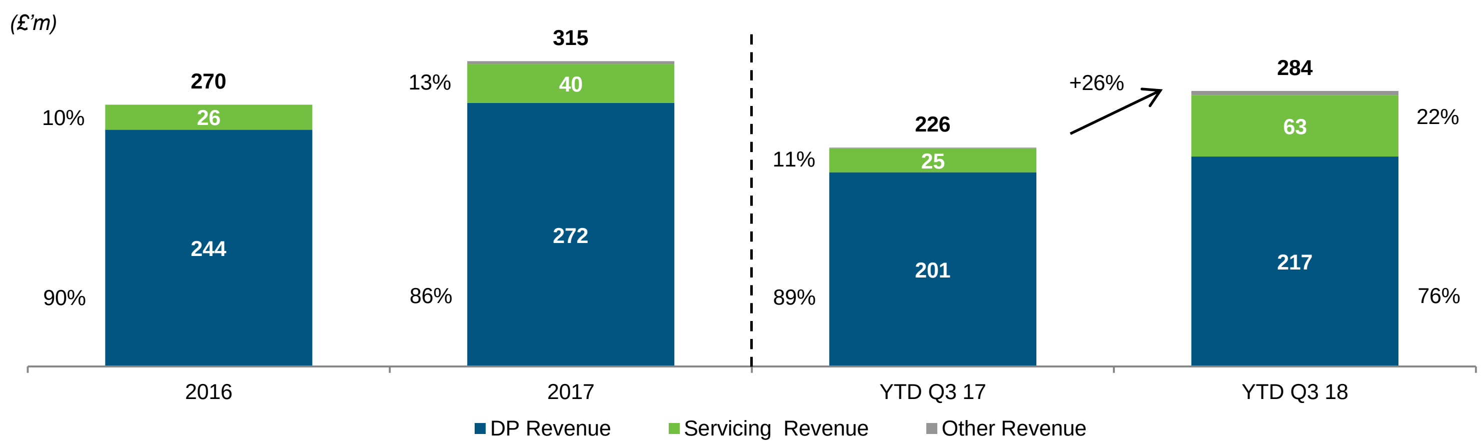
FINANCIAL REVIEW

CONTINUED REVENUE GROWTH SUPPORTED BY SECTOR TAILWINDS

41% growth in total collections

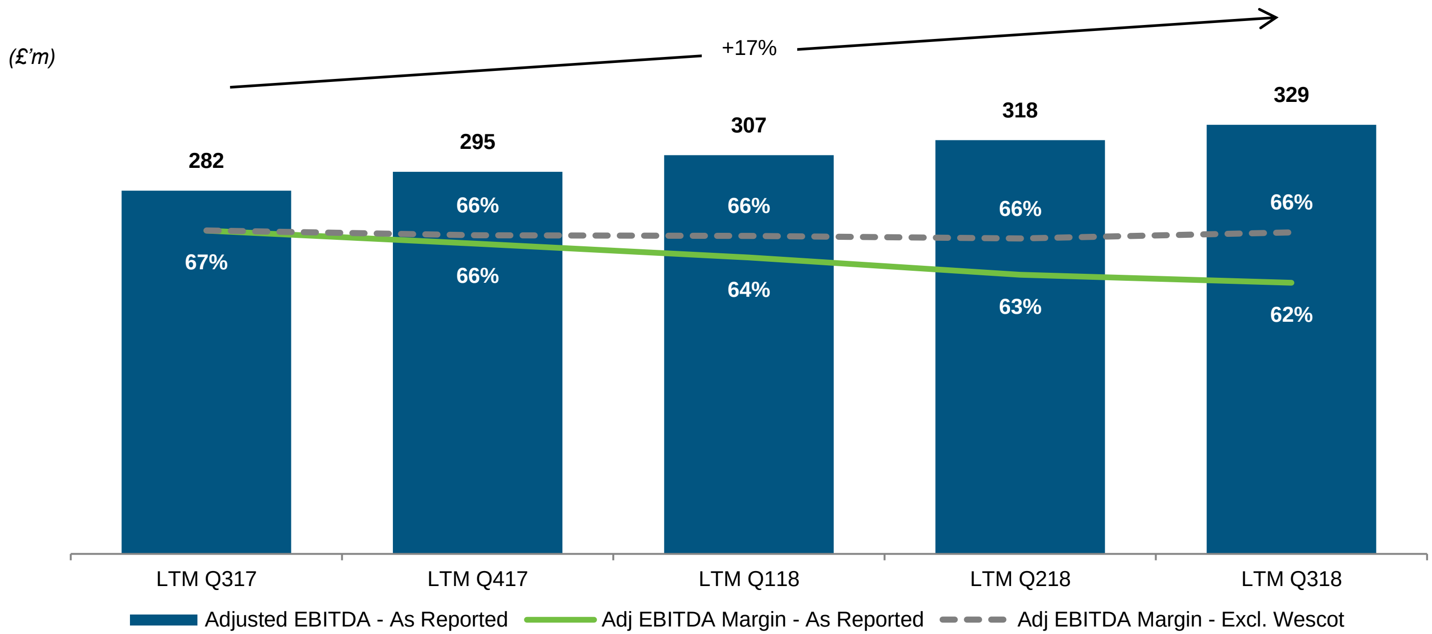


26% increase in revenue



STRONG UNDERLYING MARGINS GENERATING PROFITABLE GROWTH

LTM Adjusted EBITDA

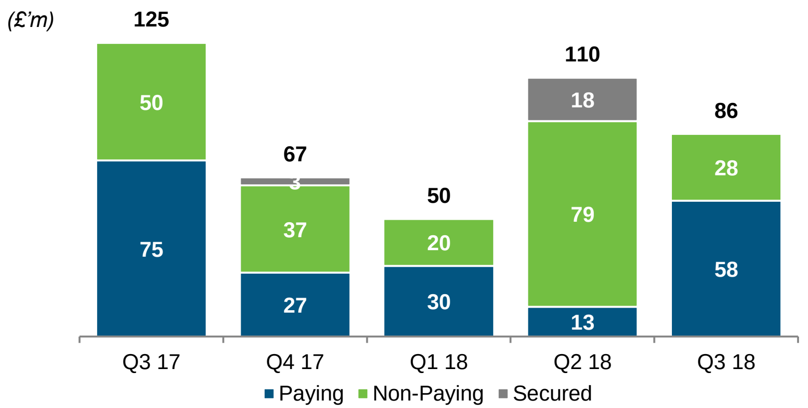


- Continued generation of strong underlying cash margins driven by disciplined capital deployment and operational efficiencies
- Delivered 17% year on year growth in Adjusted EBITDA whilst maintaining leverage flat at 4.2x
- Adjusted EBITDA margin evolving in line with expectations following Wescot acquisition in Q4'17

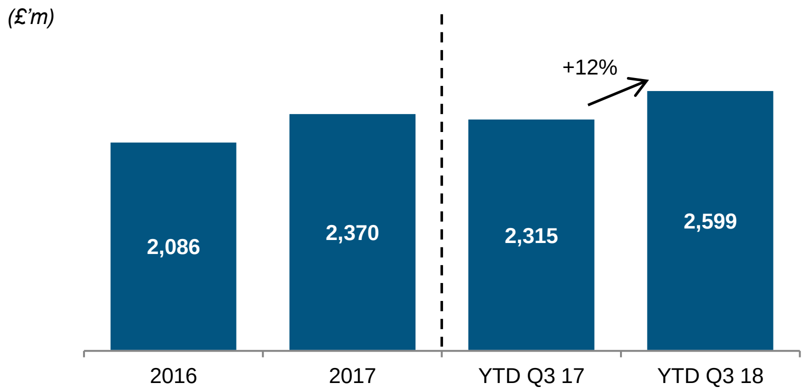
CABOT CREDIT MANAGEMENT

DISCIPLINED INVESTMENTS IN ATTRACTIVE PORTFOLIOS

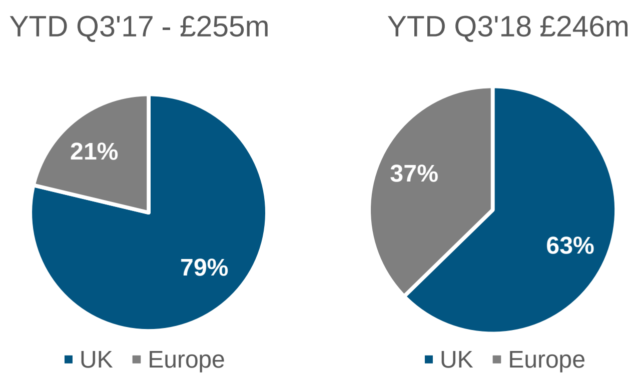
Capital deployed – LTM £313m



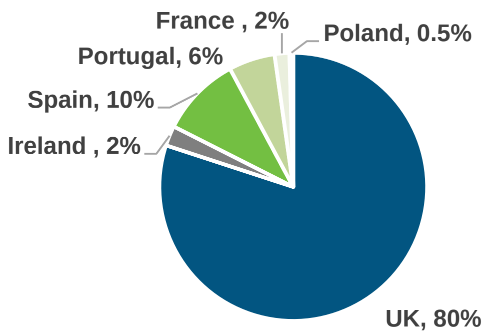
120 month ERC growth



Capital deployed by geography

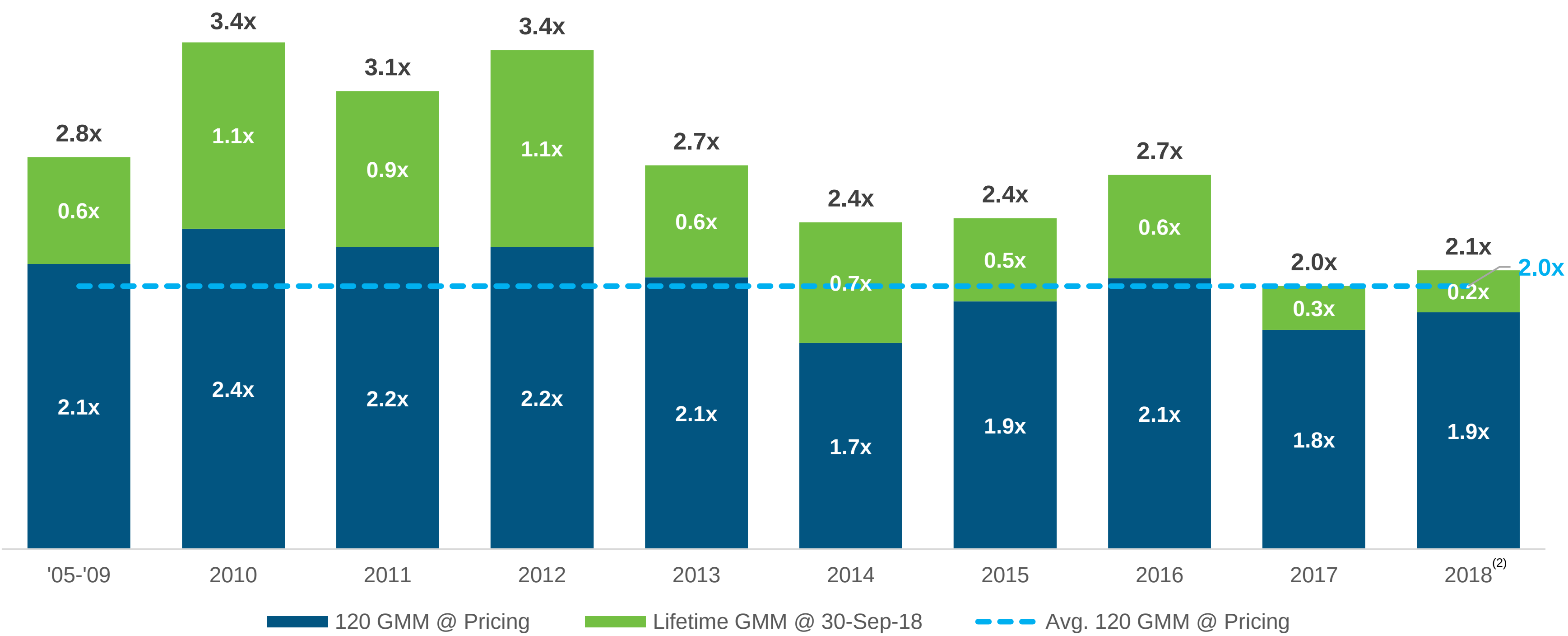


120m ERC by region



MAINTAINING CAPITAL DEPLOYMENT RIGOUR

Lifetime vs. Pricing 120 month gross money multiple by vintage (30-Sep-18) [1]



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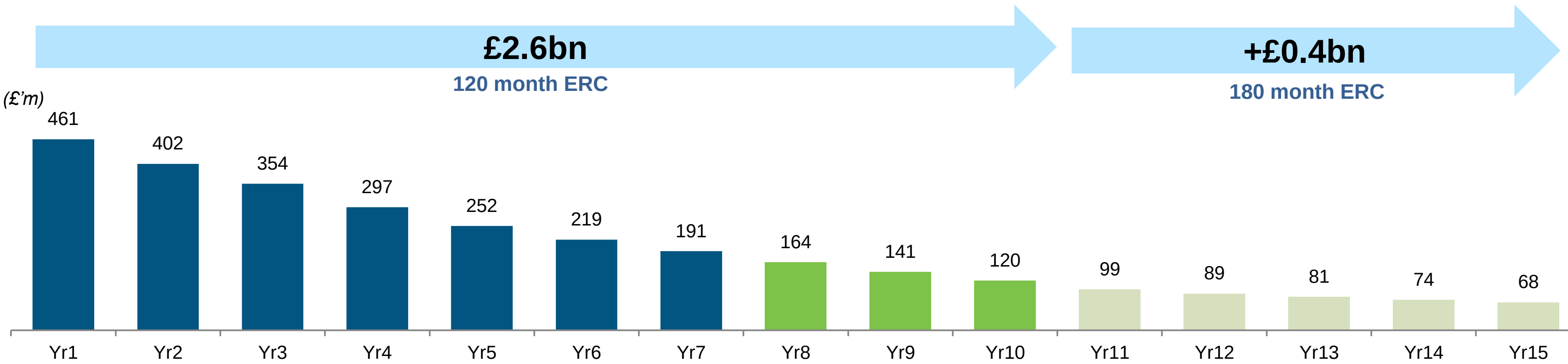
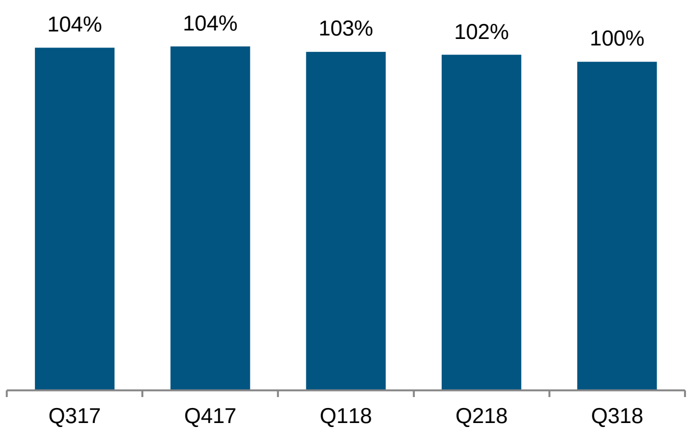
1. Reflects underlying portfolios from acquired businesses in the year in which they were originated by the acquired business
2. 2018 excludes secured purchases which reflect £18m spend. Blended MM including secured deployment in Q3 would be 1.83x

CONSISTENT, RELIABLE CASH FLOW GENERATION IN EXCESS OF ERC REPLENISHMENT NEEDS

Distribution of 180m Gross ERC by period as of 30-Sep-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

	Q3'17	Q3'18	Change	
Adj EBITDA (LTM)	282	330	48	
Annualised cash interest	(73)	(84)	(11)	36
Annualised capex and tax	(16)	(17)	(1)	
ERC replenishment rate	(149)	(177)	(28)	
Excess cash generation	**44**	**52**	**8**	

- £48m growth in cash margins over past 12 months based on EBTIDA growth (up 17%)
- Annualised cash interest expected to reduce following 2020 redemption
- Excess cash generation ~ 16% of cash profits

CABOT CREDIT MANAGEMENT

STRONG CAPITAL POSITION SUPPORTS LONG TERM STRATEGY

Net debt as of Sep 30 2018 (£m)	
Bonds	937
ABL	300
RCF and other loans	222
Cash available	(62)
Net Debt	**1,397**
84 months ERC	2,174
LTM Adjusted EBITDA[(2)]	330
LTV	64%
FCCR	3.9x
Net Debt / Adjusted EBITDA	4.2x

- Prudent leverage and strong liquidity to support the business
- Stable leverage at 4.2x vs. 4.2x in Q2 2017
- Significant LTV headroom: 64% actual vs 75% covenant
- Available liquidity: £139m[(1)] - pro forma £206m
- Weighted average cost of debt 5.9%
- Since the end of Q3, Cabot has completed the following:
  - RCF was increased to £385m (+£90m) and the maturity extended to 2022
  - ABL was increased to £350m (+£50m) and maturity extended to 2023
- In addition to this, the remaining 20s (£68m) will be redeemed in full immediately

(1) £295m RCF less drawn amount of £217.8m plus cash available of £61.7m
(2) Includes Jul-Oct Wescot Adj EBITDA of £0.8m

CABOT CREDIT MANAGEMENT

OUTLOOK

- Continued focus on “Being the Best at What We Do” and delivering on our mission of helping each and every customer to achieve their own financial recovery
- Maintain our historic capital deployment and balance sheet discipline, ensuring we appropriately reflect current cost of capital messaging from the market into our front book pricing
- Prioritise significant UK servicing and BPO opportunities in order to deliver long term profitable revenue streams, whilst further strengthening existing client relationships
- Monitor Brexit consequences on the UK economy and potential impact on our customers
- Seize the opportunities that being part of Encore - the world’s largest debt purchaser – brings. Leader across the two largest global markets – UK and US.

Q & A

- **Ken Stannard**
  Chief Executive Officer

- **Craig Buick**
  Chief Finance Officer

Credit Excellence Awards2018
in association with QUALCO
WINNER

U&T AWARDS 2018
Best Outsourced Call Centre Operation
Orbit Debt Collections

INVESTORS IN PEOPLE | Gold

The Institute of Customer Service
UK Customer Satisfaction Awards 2017 WINNER

CABOT CREDIT MANAGEMENT

APPENDIX 1: PROFIT AND LOSS

Reconciliation of Q3 2018 IFRS Reported Net Income

ECONOMIC P&L				
£m	**Total**	**Non-recurring ***	**Underlying**	**Guide**
Collections on Owned Loan Portfolios	332.9	-	332.9	(a)
Servicing Revenue	63.3	-	63.3	(b)
Other[(1)]	4.3	-	4.3	(c)
Gross revenue	**400.5**	**-**	**400.5**	**(d)**
Recurring opex (excl. D&A)	(152.2)	-	(152.2)	(e)
Adjusted EBITDA	**248.3**	**-**	**248.3**	**(f)**
Share-based payment	(3.9)	(2.9)	(1.0)	(g)
Non-recurring opex	(3.4)	3.4	-	(h)
Amortisation	(153.8)	-	(153.8)	(i)
Positive impairment of portfolio investments	37.6	-	37.6	(j)
D&A	(9.6)	3.8	(5.8)	(k)
Operating profit	**115.2**	**10.1**	**125.3**	**(l)**
Finance income	1.4	(1.0)	0.4	(m)
Finance costs	(77.4)	11.5	(65.9)	(n)
Profit before tax	**39.2**	**20.6**	**59.8**	**(o)**
Tax	(8.2)	(3.9)	(12.1)	(p)
Net income	**31.0**	**16.7**	**47.7**	**(q)**

IFRS P&L				
£m	**Total**	**Non-recurring ***	**Underlying**	**Guide**
Income on owned portfolios	179.1	-	179.1	(a) + (i)
Positive impairment of portfolio investments	37.6	-	37.6	(j)
Servicing revenue	63.3	-	63.3	(b)
Other[(1)]	4.3	-	4.3	(c)
Revenue	**284.3**	**-**	**284.3**	
Recurring opex (excl. D&A)	(152.2)	-	(152.2)	(e)
Share-based payment	(3.9)	(2.9)	(1.0)	(g)
Non-recurring opex	(3.4)	3.4	-	(h)
D&A	(9.6)	3.8	(5.8)	(k)
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Taxes	(8.2)	(3.9)	(12.1)	(p)
Net income	**31.0**	**16.7**	**47.7**	**(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

	9 Months to September 2018 (Unaudited) £m	9 Months to September 2017 (Unaudited) £m
Profit after tax	**31.0**	**35.5**
Add back: Non-recurring operating expenses		
Restructuring costs	-	0.6
Company acquisition costs	-	2.8
Other non-recurring operating expenses	6.3	7.1
Total Non-recurring operating expenses	**6.3**	**10.5**
Release of unamortised fair value adjustment	-	(11.3)
Early redemption fees	-	7.9
Facility fees	-	0.6
Refinancing	11.5	-
Total Non-recurring finance costs	**11.5**	**(2.8)**
Net loss/(gain) on derivative instrument	(0.4)	(2.1)
Foreign exchange gains	(0.6)	(0.2)
Amortisation on acquired intangibles	3.8	1.3
Total Non-recurring items	**20.6**	**6.7**
Tax effect of above	(3.9)	(1.3)
Underlying profit after tax	**47.7**	**40.9**

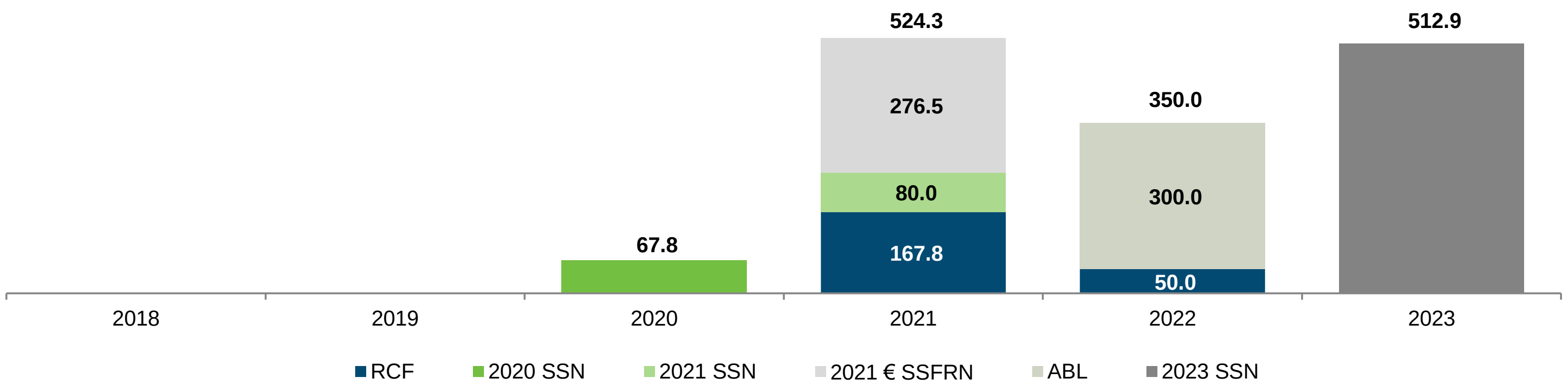
APPENDIX 3: OUTLINE OF 2018 DEBT STRUCTURE

Debt Structure as at Sep-18

	Instrument	Face Value	Interest Rate	Maturity Date	Current Redemption Price	Next Call Date	Next Redemption Price
Bonds	2020 Senior Secured Note	£67.8m	8.375%	01-Aug-20	102.094%	01-Aug-19	100.000%
	2021 Senior Secured Note	£80.0m	6.500%	01-Apr-21	101.625%	01-Apr-19	100.000%
	2021 € Senior Secured Floating Rate Note	£276.5m	E+5.875%	15-Nov-21	--	15-Nov-18	101.000%
	2023 Senior Secured Note	£512.9m	7.500%	05-Oct-23	--	01-Oct-19	103.750%
Bank Debt	Revolving credit facility	£217.8m	L+3.250%	24-Sep-21 / 31-Mar-22	--	--	--
Loans	Asset backed lending facility	£300.0m	L+2.850%	03-Sep-22	--	--	--

5.9% **Weighted average cost of debt**

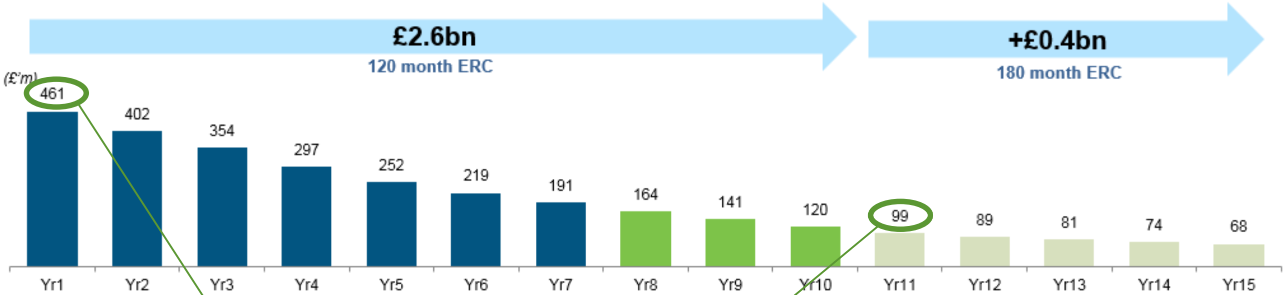
Debt Maturity Profile as at Sep-18 (£m)



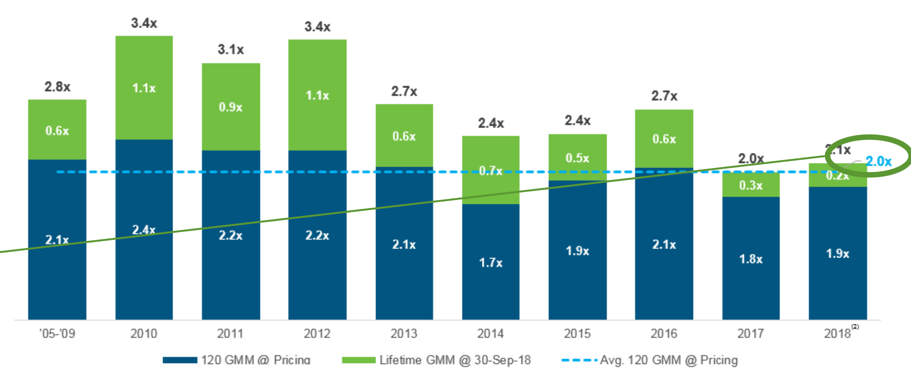
CABOT CREDIT MANAGEMENT

APPENDIX 4: ERC REPLENISHMENT RATE CALCULATION

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

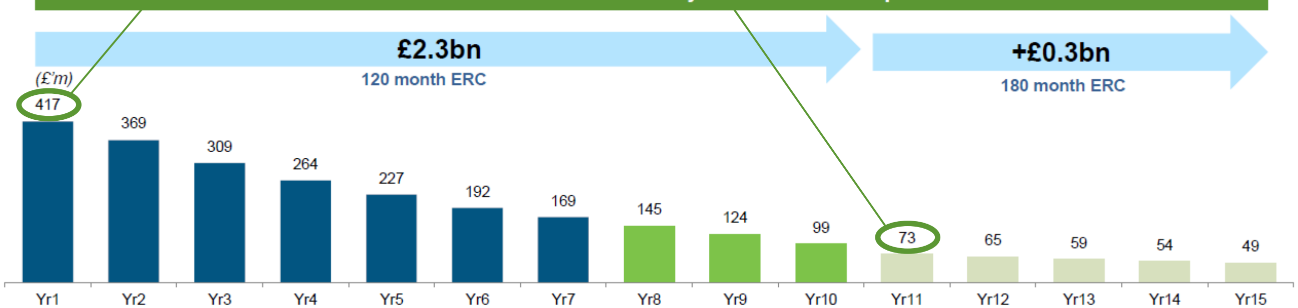


Lifetime vs. Pricing 120 month gross money multiple by vintage (30-Sep-18) [1]



	(a) Year 1 Collections	(b) Year 11 Collections	(c) = (a) - (b) Net ERC decrease	
30-Sep-18	461	99	362	
30-Sep-17	417	73	344	
Average net ERC decrease			353	(d)
Avg 120 month MM			2.0x	e
ERC replenishment rate			177	(d) / e

Distribution of 180m Gross ERC by Period as of 30-Sep-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)