CABOT CREDIT MANAGEMENT
Financial Results

For the year ended 31 December 2018

28 February 2019

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TODAY'S PRESENTERS

Ken Stannard
Chief Executive Officer

Craig Buick
Chief Financial 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**

- **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

2018 MARKET OVERVIEW

- Despite benign economic conditions the credit management services market continues to enjoy strong growth across Europe

- The credit management services market continues to benefit from combined tailwinds:

  - ✓ Accounting standards and ECB direction to Banks dictating increased provisioning of NPLs

  - ✓ Creditor organisations recognising Cabot and others' expertise (collections, customer conduct, GDPR)

- In the UK, potential for a significant rise in consumer default rates, driven by the rise in consumer indebtedness

- Volatility in capital markets is driving up cost of capital and return requirements. We are seeing early signs that this will lead to improvement in pricing conditions

DELIVERED STRONG 2018 FINANCIAL PERFORMANCE

+11%

DP Collections
(2017: £407.5m)

£453.5m

+104%

Servicing revenues
(2017: £40.2m)

£82.0m

+4%

Portfolio acquisitions
(2017: £321.5m)

£333.4m

+18%

Adjusted EBITDA
(2017: £295.2)

£349.8m

+13%

120-Month ERC
(2017: £2.4bn)

£2.7bn

-0.1x

Leverage
(2017: 4.2x)

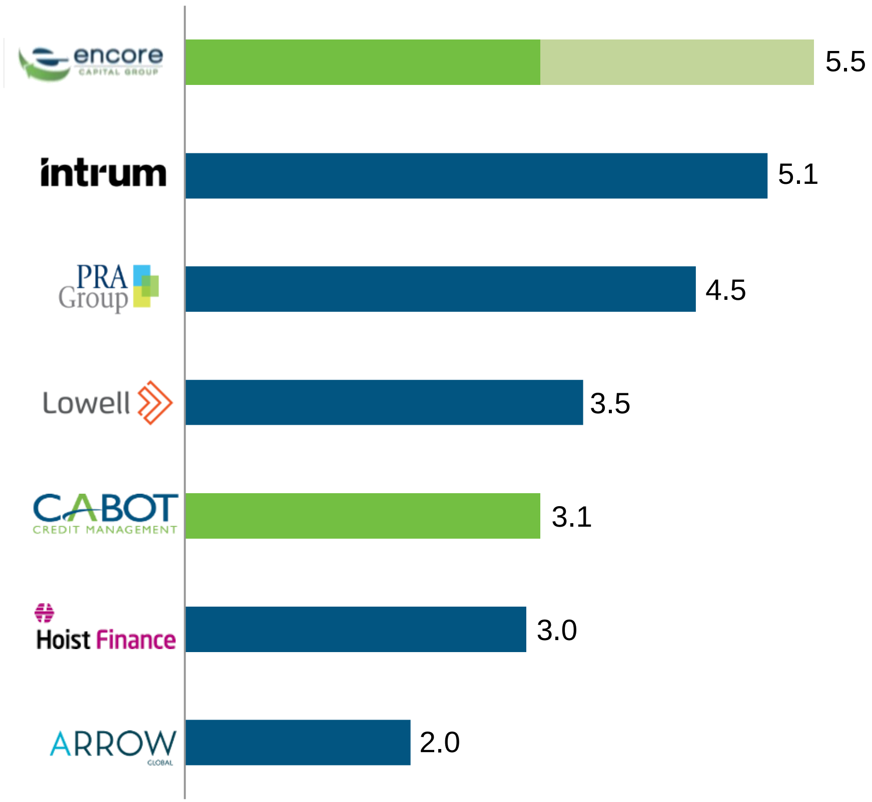
4.1x

CONTINUED FOCUS ON OPERATIONAL EXECUTION

- Maintained capital management discipline in a competitive market
  - ✓ Capital deployment at consistent MM (1.9x)
  - ✓ Leverage lower at 4.1x
  - ✓ Proactively managing our liquidity profile
- Delivered on key operational commitments
  - ✓ Collections remain in line with our ERC forecast
  - ✓ UK back book performance stable (average 880k regular payers, average monthly payment £25)
  - ✓ Executing on committed cost savings initiatives – completion of UK site rationalisation project
  - ✓ Adjusted EBTIDA grew by 18% at strong margin (63.5%)
  - ✓ Generated £70m of free cash flow after maintenance ERC
- 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
  - ✓ ISO 27001 re-certification validates continued investment in Information Security
  - ✓ Received Gold accreditation from Investors In People
  - ✓ Strong UK Customer Satisfaction Index rating (84)
  - ✓ Industry leading FOS uphold rates (15%), less than half UK Financial Services average
  - ✓ Successfully implemented changes needed to ensure compliance with GDPR

CABOT AND ENCORE COMBINATION CREATES AN UNPARALLELED PLATFORM

Largest Debt Purchaser Globally (ERC in £bn)

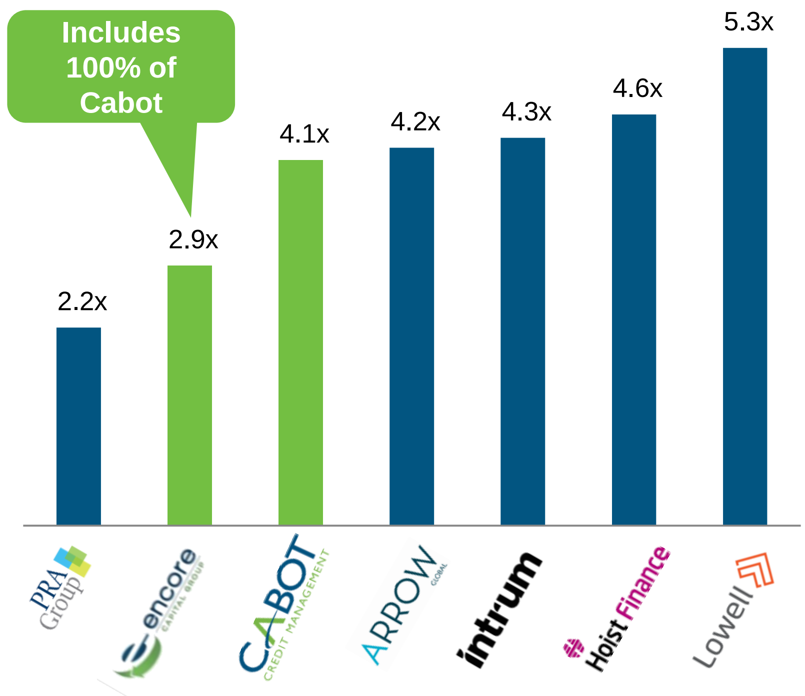


Deeply Embedded in Key Markets

Reach 1/5 consumers

Reach 1/8 consumers

Strong Balance Sheet (Total Net Debt / Adjusted EBITDA)



Source: Company filings.

Note: ERC and Total Net Debt / Adjusted EBITDA translated as spot rate as of last date all parties reported which is either Q3 or Q4 2018 for every company as at 27 February 2019

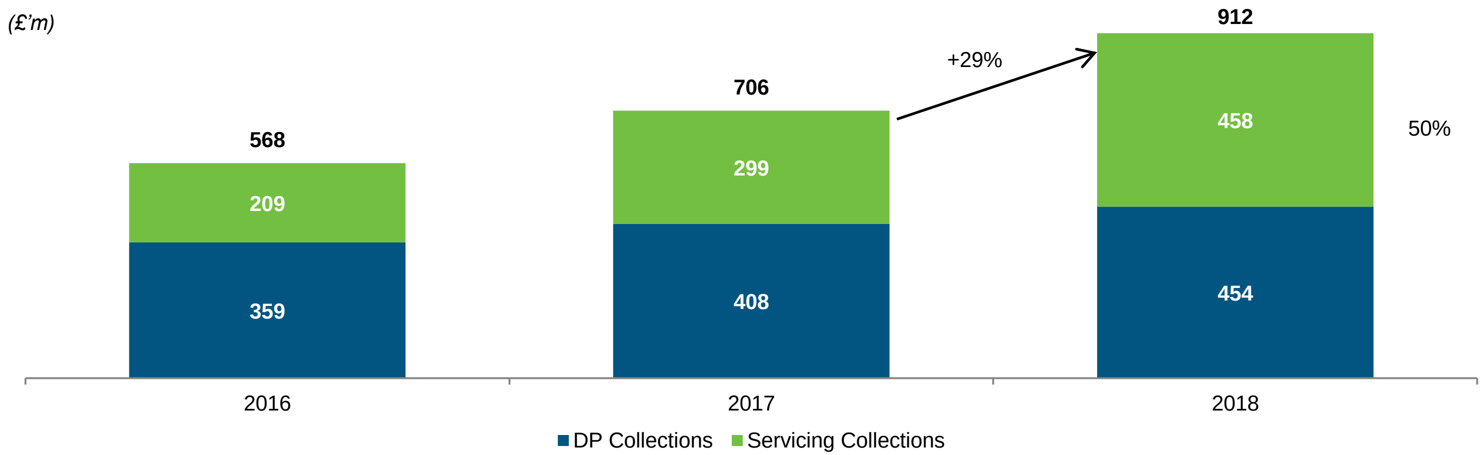
Note: Encore leverage calculated as Total Debt/(Adjusted EBITDA + Collections Applied to Principal Balance).

CABOT CREDIT MANAGEMENT

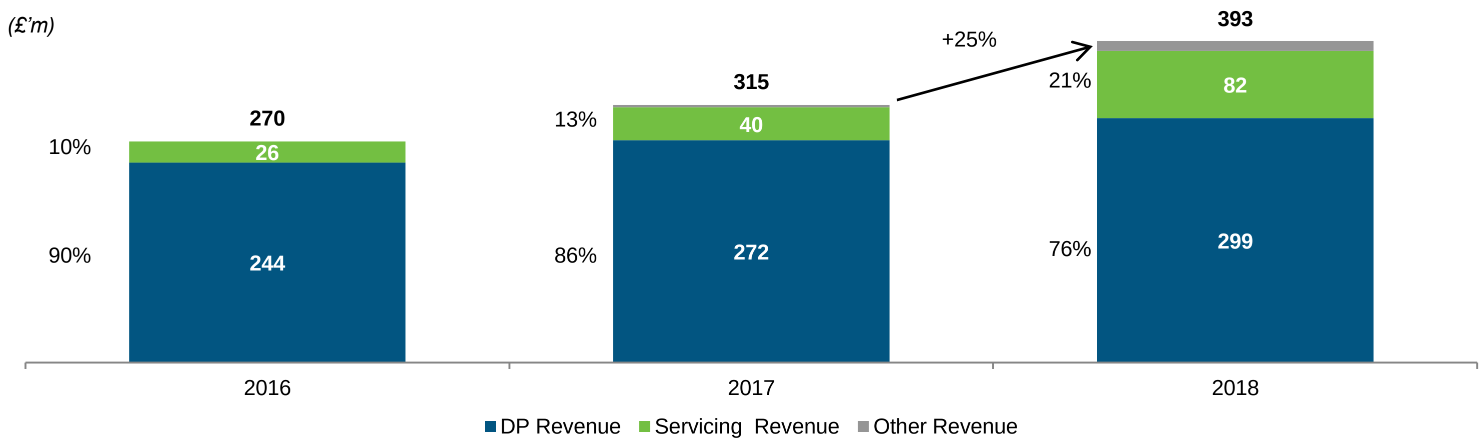
FINANCIAL REVIEW

CONTINUED REVENUE GROWTH SUPPORTED BY SECTOR TAILWINDS

29% growth in total collections



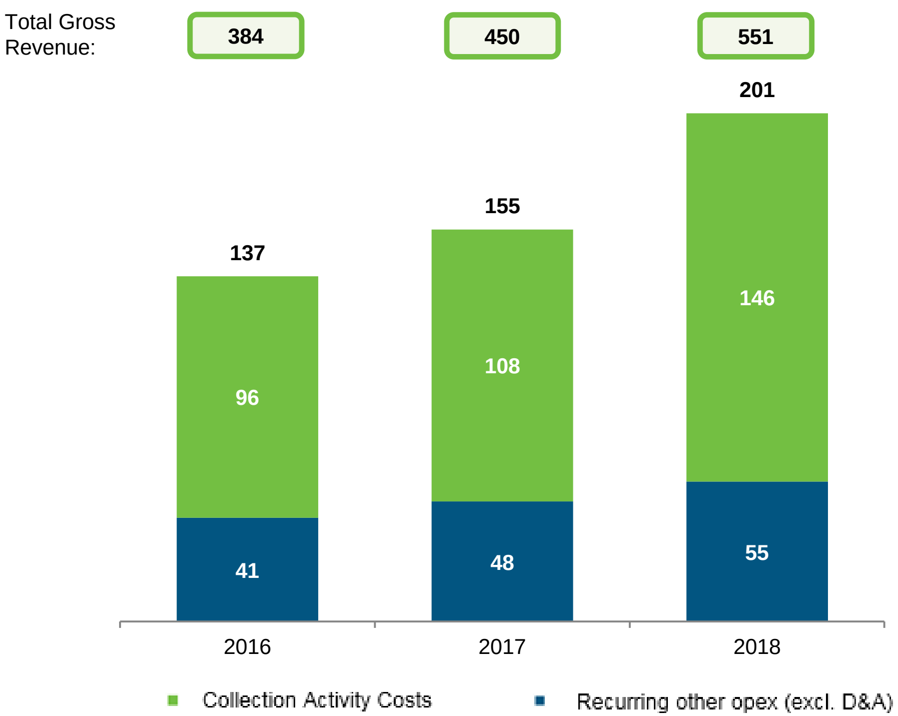
25% increase in revenue



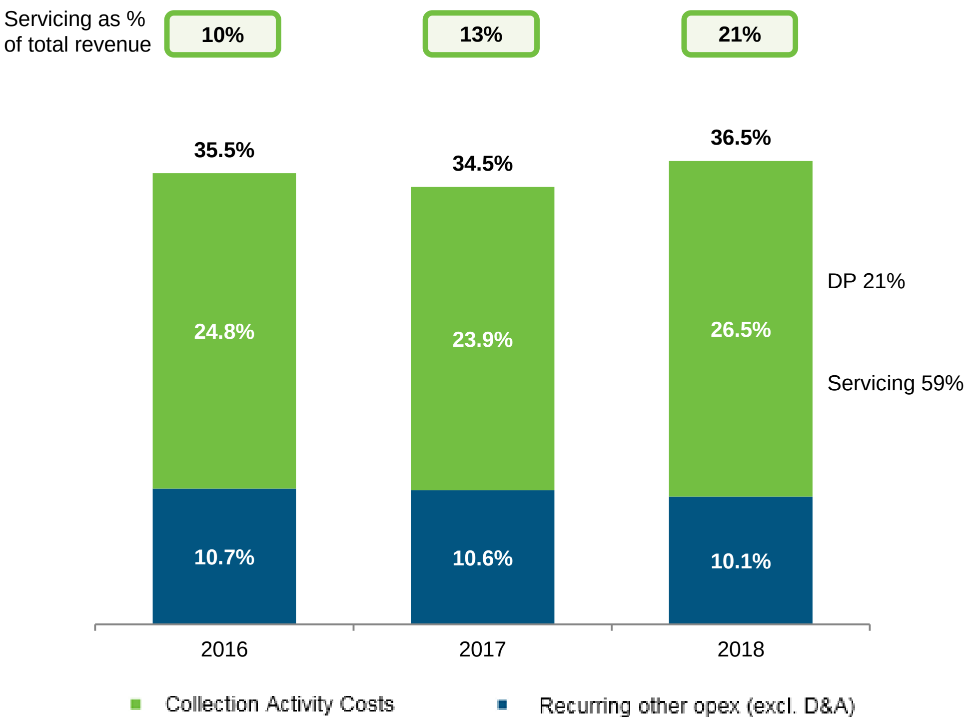
CABOT CREDIT MANAGEMENT

LEVERAGING SCALE AND LEADERSHIP POSITIONS TO MAINTAIN BEST IN CLASS COLLECTIONS RATIOS

Evolution of cost base[(1)] (£m)



Evolution of cost ratios (%)



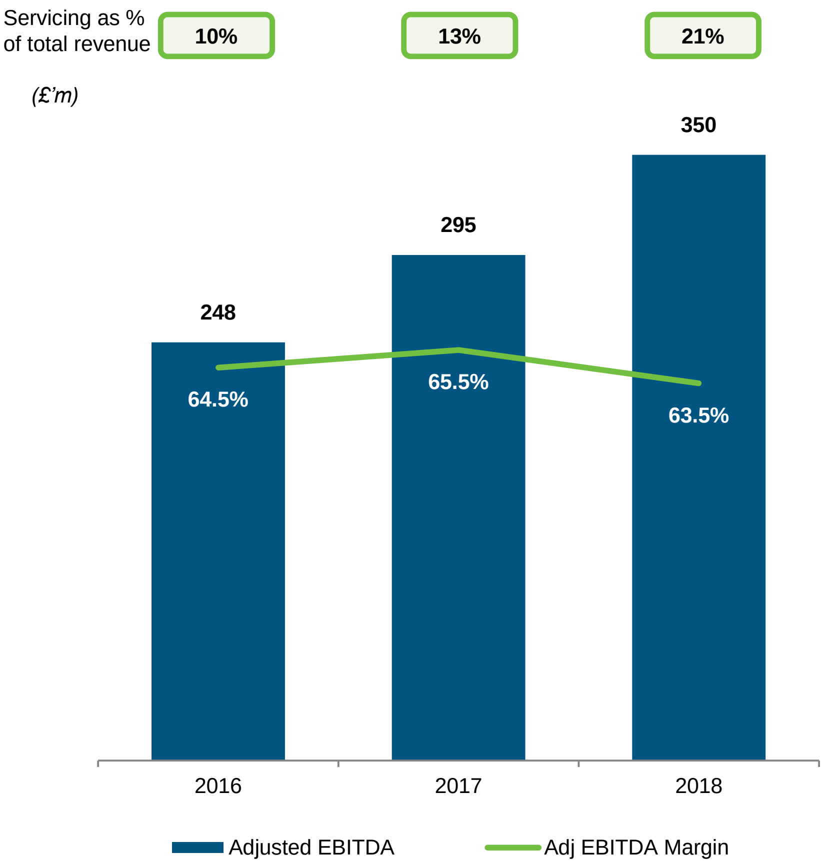
- Change in business mix following Wescot acquisition is influencing reported collections costs as a % of gross revenue
- Careful management of overheads to balance near term cost management with investments for the long term success of the business

(1) Recurring costs, adjusted to add back the effects of depreciation of property, plant and equipment, amortisation of intangibles, share based payments and net book value of assets sold

CABOT CREDIT MANAGEMENT

STRONG UNDERLYING MARGINS GENERATING PROFITABLE GROWTH

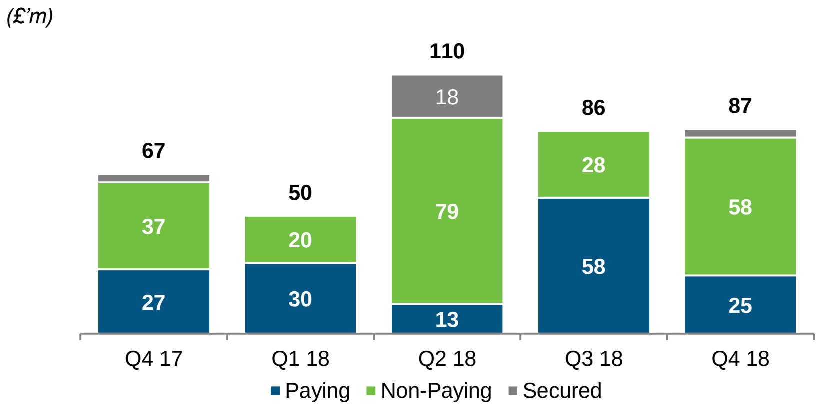
Adjusted EBITDA



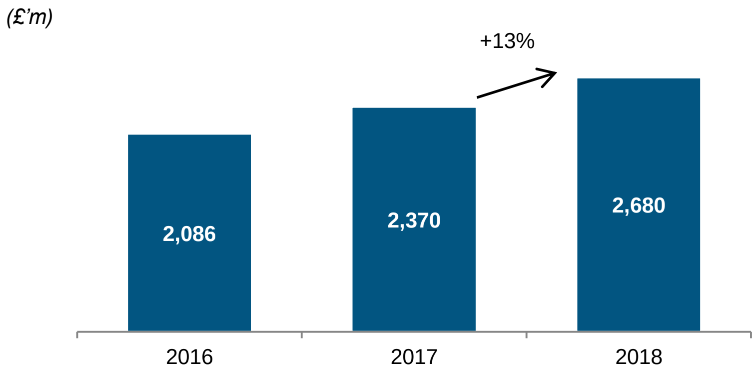
- Continued generation of strong underlying cash margins driven by disciplined capital deployment and operational efficiencies
- Delivered 18% year on year growth in Adjusted EBITDA whilst reducing leverage to 4.1x
- Adjusted EBITDA margin impacted by change in business mix following Wescot acquisition in Q4'17.
- Previously communicated ~4% reduction in expected margin from change in business mix – operational efficiency measures have reduced this impact by half

DISCIPLINED INVESTMENTS IN ATTRACTIVE PORTFOLIOS

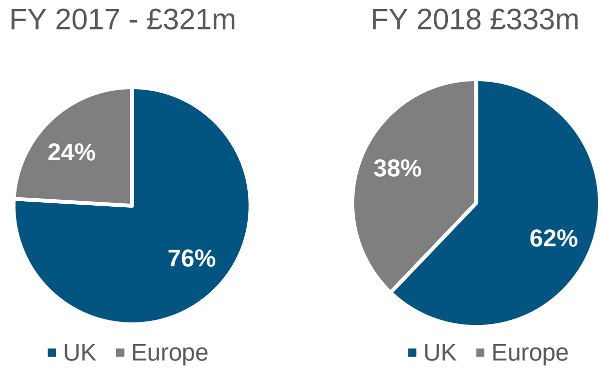
Capital deployed – LTM £333m



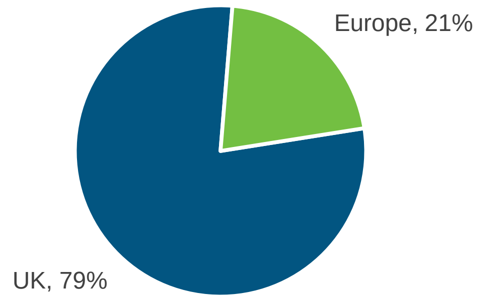
120 month ERC growth



Capital deployed by geography

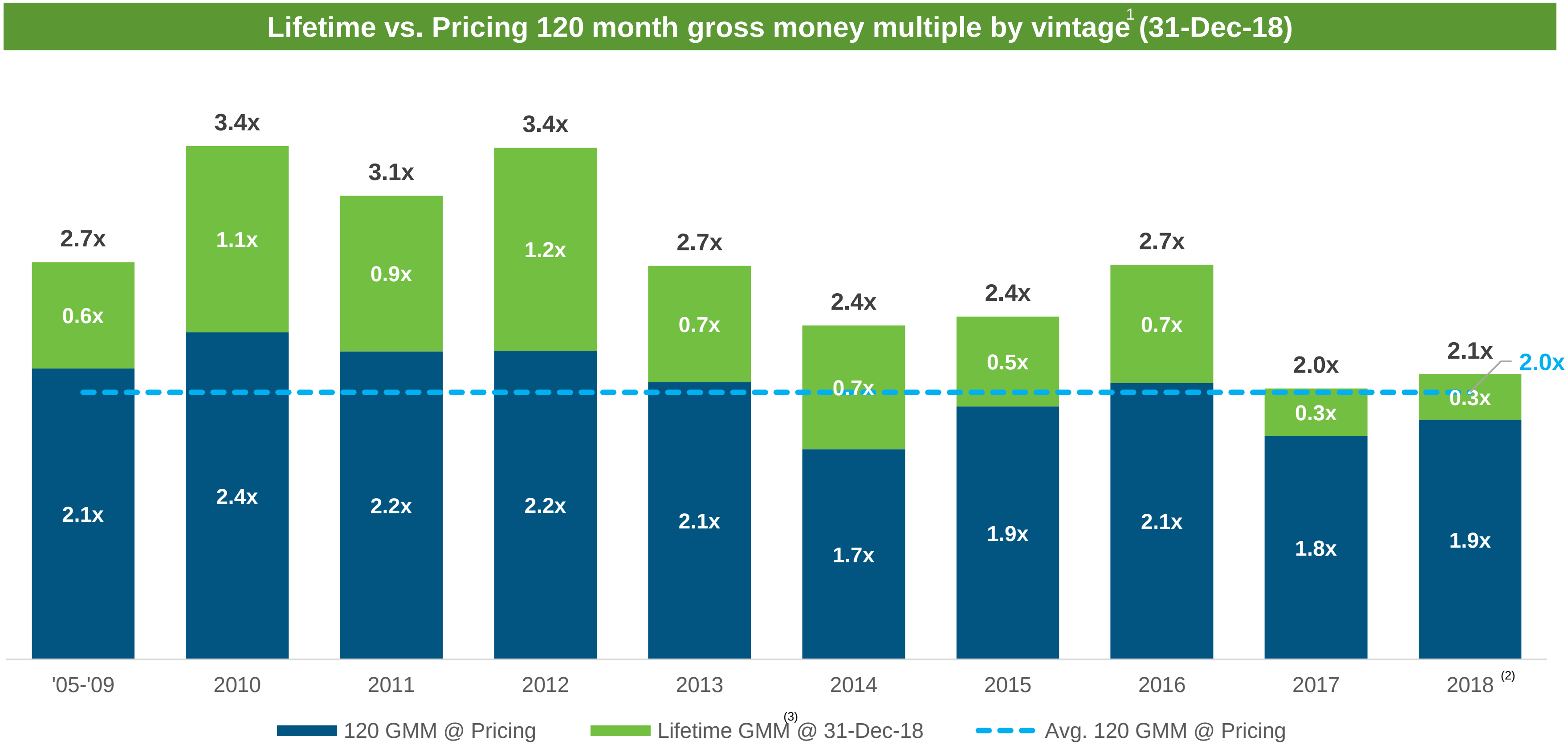


120m ERC by region



CABOT CREDIT MANAGEMENT

MAINTAINING CAPITAL DEPLOYMENT RIGOUR



(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 £22m spend. Blended MM including secured deployment in 2018 would be 1.83x
(3) Lifetime GMM reflects actual collections to date plus estimated collections over next 180 months.

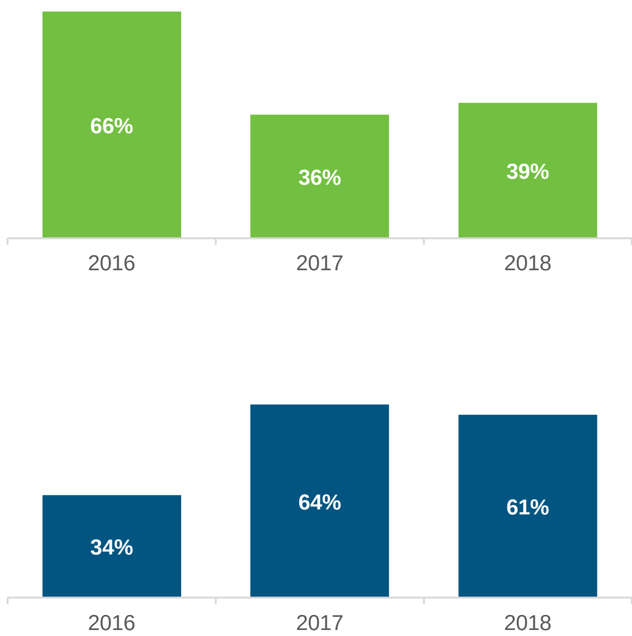
CABOT CREDIT MANAGEMENT

DELIVERING CONSISTENT STRONG RETURNS IN THE UK

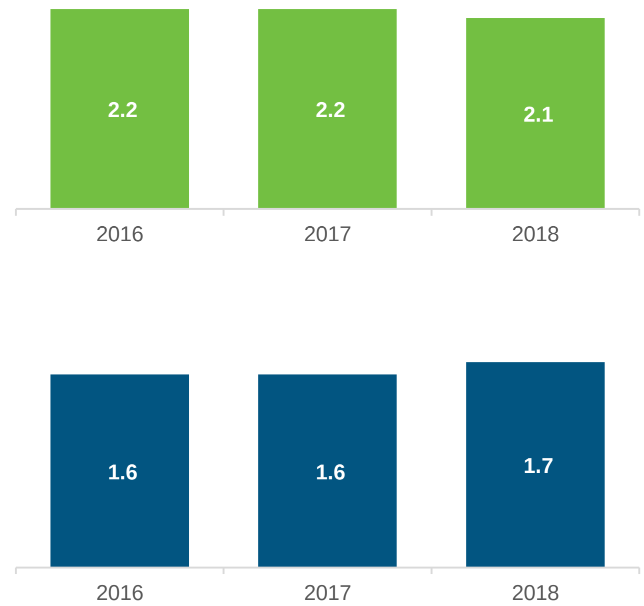
UK capital deployed by portfolio type

Non-Paying Portfolios

Paying Portfolios



UK 120 month gross money multiples

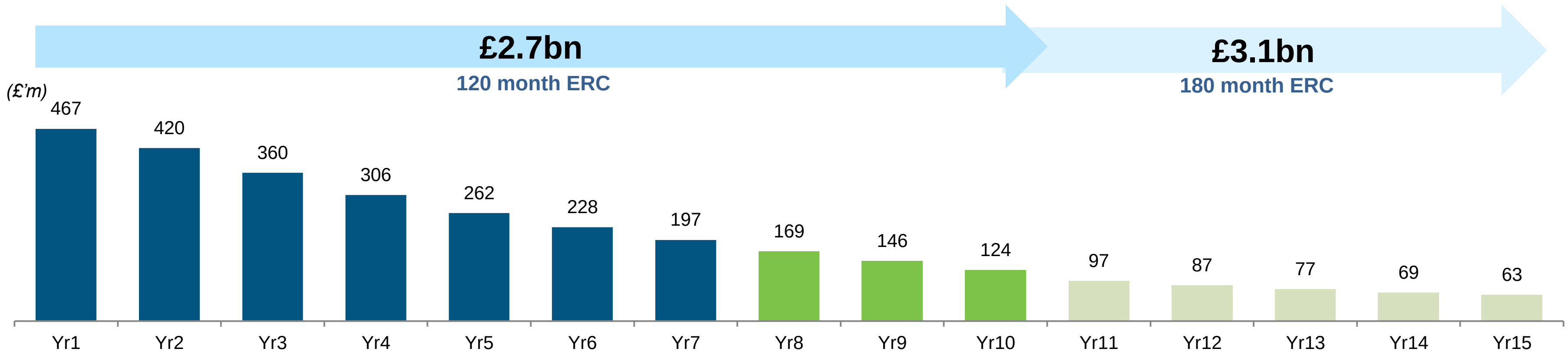


UK 120 Month Money Multiples: 2.01x 1.85x 1.84x

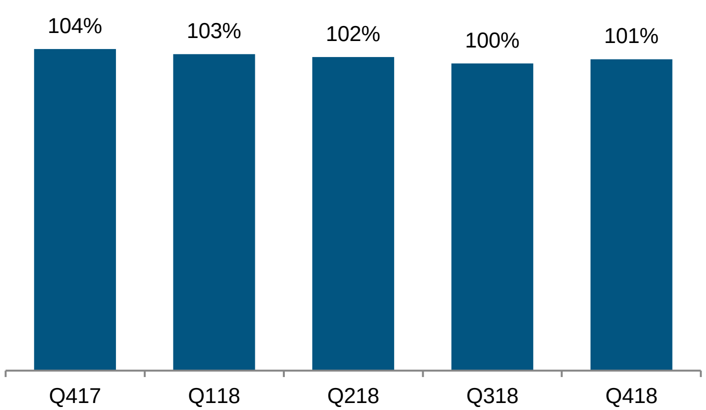
- Shift in capital deployment mix towards paying portfolios influencing blended money multiple
- Consistent pricing rigour – maintaining money multiple expectations for paying and non paying portfolios

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

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

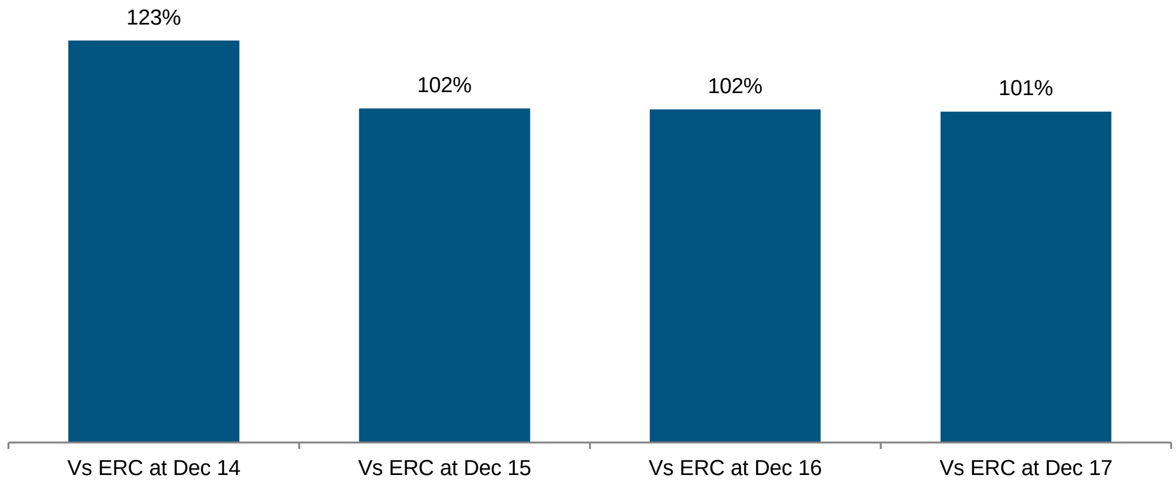
	2017	2018	Change	
Adj EBITDA	295	350	55	
Annualised cash interest	(77)	(81)	(4)	40
Annualised capex and tax	(11)	(21)	(10)	
ERC replenishment rate	(149)	(178)	(29)	
Excess cash generation	**58**	**70**	**12**	

- £56m growth in cash margins over past 12 months based on EBITDA growth (up 18%)
- Excess cash generation ~ 20% of cash profits

CABOT CREDIT MANAGEMENT

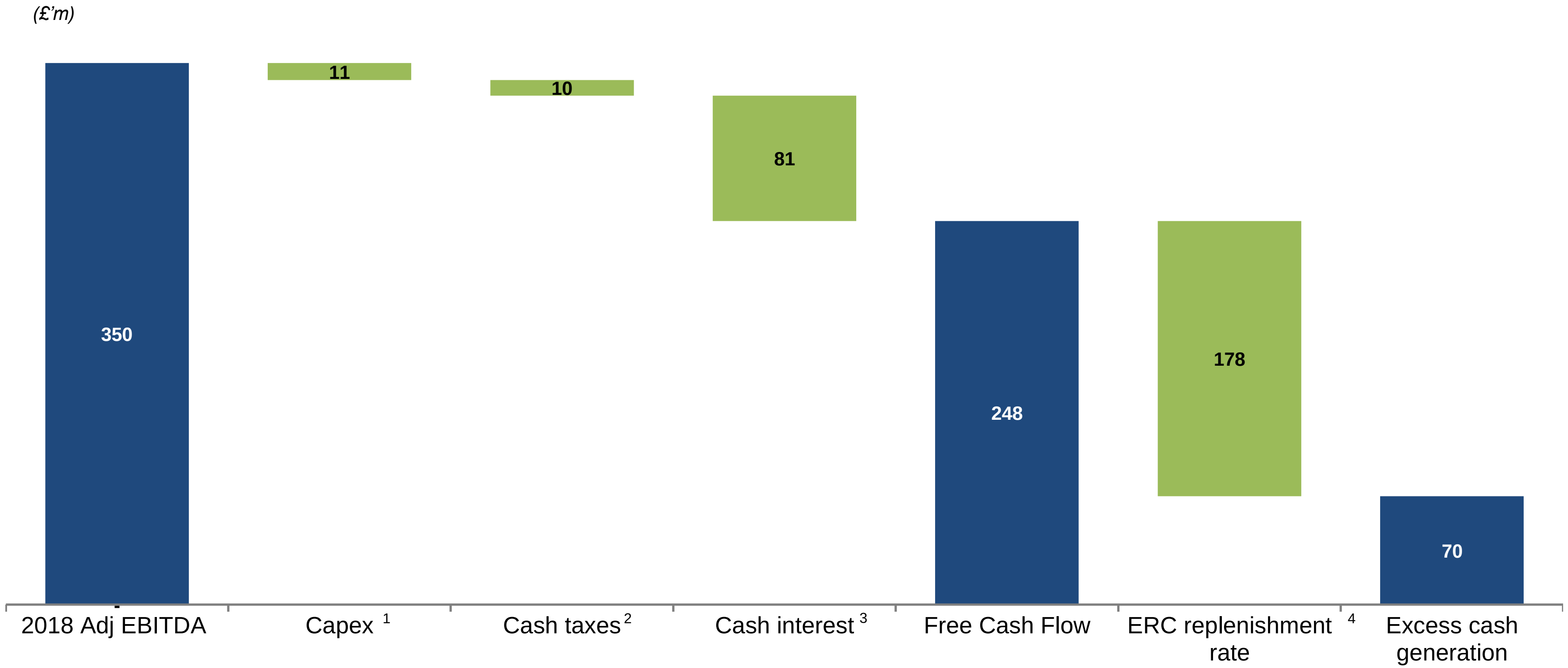
PROVEN ABILITY TO REGULARLY COLLECT IN EXCESS OF ERC FORECASTS

Cumulative collections performance (to the end of 2018) against historic ERC forecasts



- ERC regularly updated to reflect most recent operational performance levels
- Backbook litigation activity in 2014 & 2015 following the Marlin acquisition resulted in significant outperformance of 2014 ERC projections
- Recent performance indicates continued operational improvements generating upside to ERC forecasts

STRENGTH OF MARGINS DRIVES SIGNIFICANT CASH GENERATION



Cash flow waterfall is not a GAAP measure, but it can be sense checked against GAAP disclosures:

- Free cash flow of £248m broadly aligns to audited cash flow statement disclosures
- Excess cash generation £70m broadly aligns to reported 2018 net income of £76m

(1) Per cash flow statement
(2) Per note 27 of financial statements
(3) Cash interest based year end weighted average cost of debt 5.7% applied against period end net debt £1,417m
(4) Average of December 2017 and December 2018. ERC replenishment rate calculated as Year 1 collections less Year 11 collections, divided by average 120 month Money Multiple (2.0x) see page 14

STRONG CAPITAL POSITION SUPPORTS LONG TERM STRATEGY

Net debt as of Dec 31 2018 (£m)	
Bonds	872
ABL	350
RCF and other loans	239
Cash available	(44)
Net Debt	**1,417**
84 months ERC	2,241
LTM Adjusted EBITDA	350
LTV	63%
FCCR	4.2x
Net Debt / Adjusted EBITDA	4.1x

- Prudent leverage and strong liquidity to support the business
- Improvement in all key credit metrics over past year
  - ✓ Reduced leverage to 4.1x vs. 4.2x in Q4 2017
  - ✓ Lowering LTV: 63% vs. 65% in Q4 2017
  - ✓ Strengthened FCCR to 4.2x vs. 3.4x in Q4 2017
- Available liquidity: £195m[1]
- Weighted average cost of debt 5.7%
- Leverage target of 3.0x – 3.5x by the end of 2021
- Expect leverage in 3.5x – 4.0x range by end of 2019

(1) £385m RCF less drawn amount of £233.9m plus cash available of £44.3m

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

- 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. Leverage this scale and expertise to maintain our competitive advantage, drive customer and compliance leadership, & maximise our financial strength

- Prioritise significant UK servicing and BPO opportunities in order to deliver long term profitable revenue streams, whilst further strengthening existing client relationships

- Focus to deliver on deleveraging commitment of 3.0x – 3.5x by the end of 2021

- Monitor Brexit consequences on the UK economy and potential impact on our customers

Q & A

- **Ken Stannard**
  Chief Executive Officer

- **Craig Buick**
  Chief Finance Officer

APPENDIX 1: PROFIT AND LOSS

Reconciliation of 2018 IFRS Reported Net Income

ECONOMIC P&L				
£m	Total	Non-recurring *	Underlying	Guide
Collections on owned loan portfolios	453.5	-	453.5	(a)
Servicing revenue	82.0	-	82.0	(b)
Other income	15.5	-	15.5	(c)
Gross revenue	**551.0**	**-**	**551.0**	**(d)**
Recurring opex (excl. D&A)	(201.2)	-	(201.2)	(e)
Adj EBITDA	**349.8**	**-**	**349.8**	**(f)**
Share-based payment	(3.6)	(1.8)	(1.8)	(g)
Book value of portfolio assets sold	(3.1)	-	(3.1)	(h)
Book value of REO assets sold	(4.8)	-	(4.8)	(i)
Non-recurring opex	1.4	1.4	-	(j)
Amortisation	(210.7)	-	(210.7)	(k)
Positive impairment of portfolio investments	56.2	-	56.2	(l)
D&A	(12.9)	(5.0)	(7.9)	(m)
Operating Profit	**172.3**	**(5.4)**	**177.7**	**(n)**
Finance income	1.5	(0.6)	2.1	(o)
Finance costs	(103.2)	(14.1)	(89.1)	(p)
PBT	**70.6**	**(20.1)**	**90.7**	**(q)**
Tax	(11.7)	3.3	(15.0)	(r)
Net income	**58.9**	**(16.8)**	**75.7**	**(s)**

IFRS P&L				
£m	Reported	Non-recurring *	Underlying	Guide
Income on owned portfolios	242.8	-	242.8	(a) + (k)
Positive impairment of portfolio investments	56.2	-	56.2	(l)
Servicing revenue	82.0	-	82.0	(b)
Other income	12.4	-	12.4	(c) + (h)
Revenue	**393.4**	**-**	**393.4**	
Recurring opex (excl. D&A)	(201.2)	-	(201.2)	(e)
Share-based payment	(3.6)	(1.8)	(1.8)	(g)
Book value of REO assets sold	(4.8)	-	(4.8)	(i)
D&A	(12.9)	(5.0)	(7.9)	(m)
Non-recurring opex	1.4	1.4	-	(j)
Operating Profit	**172.3**	**(5.4)**	**177.7**	**(n)**
Finance income	1.5	(0.6)	2.1	(o)
Finance costs	(103.2)	(14.1)	(89.1)	(p)
PBT	**70.6**	**(20.1)**	**90.7**	**(q)**
Taxes	(11.7)	3.3	(15.0)	(r)
Net income	**58.9**	**(16.8)**	**75.7**	**(s)**

* 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. Refer appendix 2 for more details

CABOT CREDIT MANAGEMENT

APPENDIX 2: UNDERLYING PROFIT

	FY 2018 (Unaudited) £m	FY 2017 (Unaudited) £m
Profit after tax	**58.9**	**35.3**
Add back:		
Restructuring costs	(6.3)	14.1
Settlement of legal dispute	-	-
Company acquisition costs	-	2.9
Other non-recurring operating expenses	6.7	11.7
Total Non-recurring operating expenses	**0.4**	**28.7**
Release of unamortised fair value adjustment	-	(11.3)
Refinancing	14.1	8.7
Total Non-recurring finance costs	**14.1**	**(2.6)**
Net loss/(gain) on derivative instrument	0.1	(1.5)
Foreign exchange gains	0.5	1.4
Amortisation on acquired intangibles	5.0	1.9
Total Non-recurring items	**20.1**	**27.9**
Tax effect of above	(3.3)	(5.4)
Underlying profit after tax	**75.7**	**57.8**

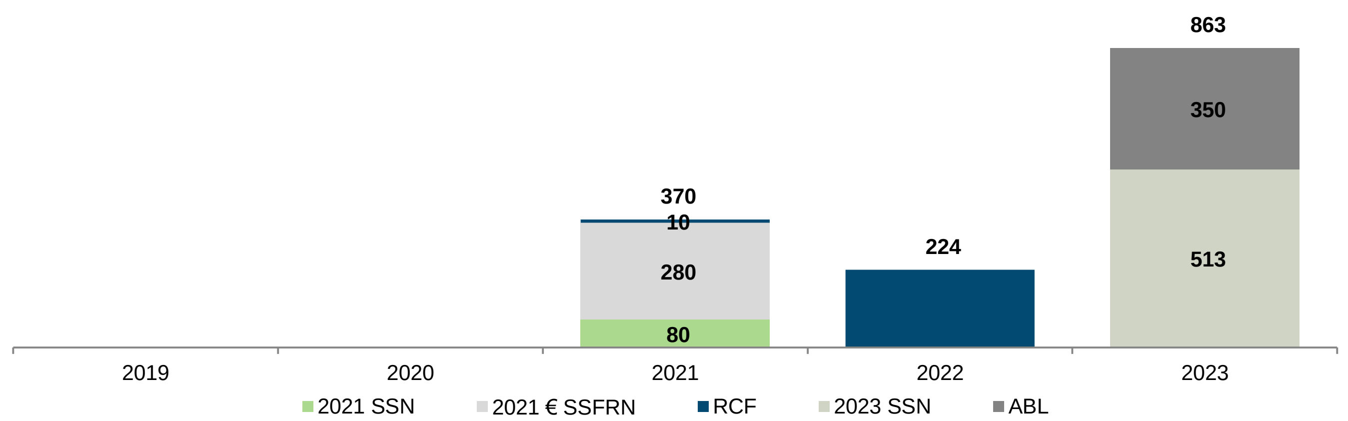
APPENDIX 3: OUTLINE OF 2018 DEBT STRUCTURE

Debt Structure as at Dec-18

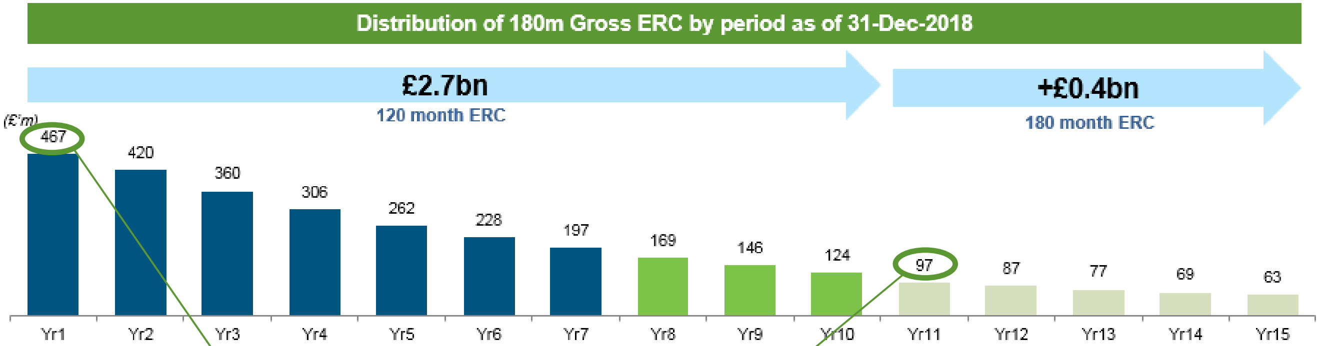
	Instrument	Face Value	Interest Rate	Maturity Date	Current Redemption Price	Next Call Date	Next Redemption Price
Bonds	2021 Senior Secured Note	£80.0m	6.50%	01-Apr-21	101.625%	01-Apr-19	100.000%
	2021 € Senior Secured Floating Rate Note	£279.5m	E+5.875%	15-Nov-21	101.000%	15-Nov-19	100.000%
	2023 Senior Secured Note	£512.9m	7.50%	05-Oct-23	--	01-Oct-19	103.750%
Bank Debt	Revolving credit facility	£233.9m	L+3.00%	24-Sep-21 / 31-Mar-22	--	--	--
Loans	Asset backed lending facility	£350.0m	L+3.00%	03-Sep-23	--	--	--

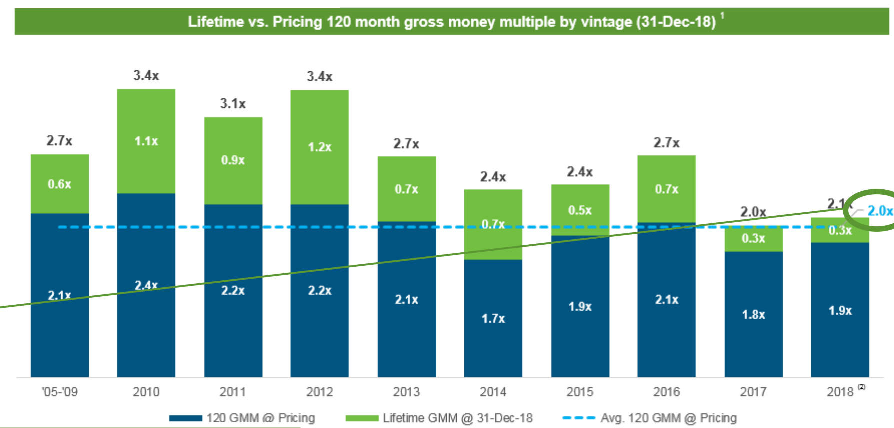
5.7% **Weighted average cost of debt**

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

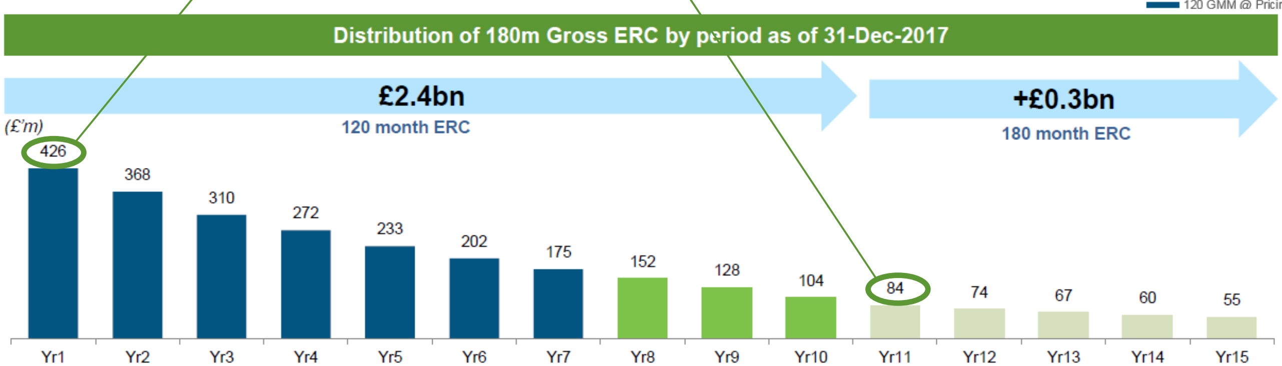


APPENDIX 4: ERC REPLENISHMENT RATE CALCULATION





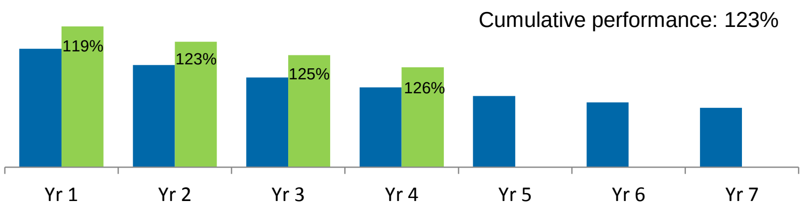
	(a)	(b)	(c) = (a) - (b)	
	Year 1 Collections	**Year 11 Collections**	**Net ERC decrease**	
31-Dec-18	467	97	370	
31-Dec-17	426	84	342	
Average net ERC decrease			356	(d)
Avg 120 month MM			2.0x	e
ERC replenishment rate			178	(d) / e



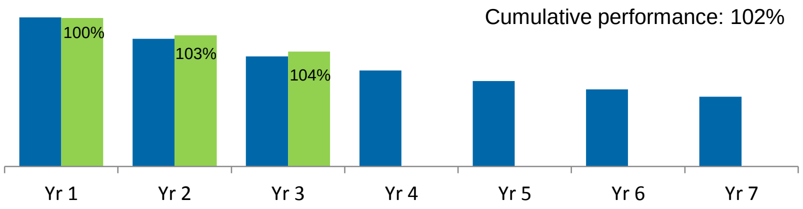
CABOT CREDIT MANAGEMENT

APPENDIX 5: HISTORIC ERC FORECASTS VS ACTUAL COLLECTIONS

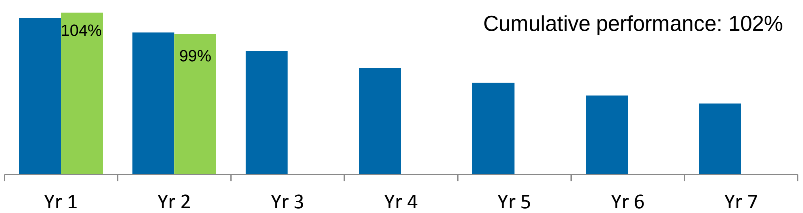
Dec 2014 ERC forecast vs actuals



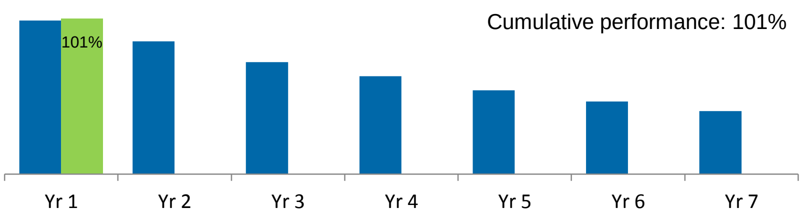
Dec 2015 ERC forecast vs actuals



Dec 2016 ERC forecast vs actuals



Dec 2017 ERC forecast vs actuals



ERC forecast collections as at date shown — Actual collections against static pool

(In £'m)			Expected to be collected in ->									
	84 Month ERC	To end 2018	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
ERC @ Dec 14	1,300	866	263	227	199	177	158	144	132			
Actual collections - £'m		1,063	313	279	249	222						
Performance (%)		123%	119%	123%	125%	126%						
ERC @ Dec 15	1,584	857		330	283	244	213	189	171	155		
Actual collections - £'m		874		329	291	255						
Performance (%)		102%		100%	103%	104%						
ERC @ Dec 16	1,708	662			348	315	274	236	204	175	157	
Actual collections - £'m		674			363	311						
Performance (%)		102%			104%	99%						
ERC @ Dec 17	1,985	426				426	368	310	272	233	202	175
Actual collections - £'m		431				431						
Performance (%)		101%				101%						

CABOT
CREDIT MANAGEMENT

APPENDIX 6: HISTORIC PERFORMANCE THROUGH FINANCIAL CRISIS

Monthly Historical Collections for Pre-crisis Vintages[1]

Source: Company information. Office of National Statistics.
1. UK Only.

APPENDIX 7: GLOSSARY

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
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, share based payments, net book value of assets sold and non-recurring operating expenses
Adjusted EBITDA margin	Adjusted EBITDA divided by gross revenue
CAGR	Compound annual growth rate
Capital deployed	'Portfolio acquisitions'
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'
DP collections	Amounts collected, including by agents on behalf of the Group, from customers on purchased loan portfolios
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
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)
FCCR	Fixed Charge Coverage Ratio 'FCCR' is calculated as LTM Adjusted EBITDA/ Net Interest Expense
Gross revenue	'DP collections' plus 'Servicing revenues' plus 'Other income' adjusted to add back the effect of net book value of assets sold
Leverage	Leverage is Net debt / LTM Adjusted EBITDA
LTM	Last twelve months
LTV	Loan to Value 'LTV' ratio is calculated as Net Debt/ 84 ERC
Money multiples	Money multiples are total expected gross cash collections divided by portfolio acquisition price
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
Net revenue	Revenue as reported in statutory accounts. Gross revenue less portfolio amortisation
Portfolio acquisitions	Portfolios purchased by the Group
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