

CABOT CREDIT MANAGEMENT

Financial Results

For the three months ended 31 March 2019

DISCLAIMER

This presentation has been prepared by Cabot Credit Management (“the Company”) solely for informational purposes. For the purposes of this disclaimer, the presentation that follows shall mean and include the slides that follow, the oral presentation of the slides by the Company or any person on their behalf, any question-and-answer session that follows the oral presentation, hard copies of this document and any materials distributed in connection with the presentation. By attending the meeting at which the presentation is made, dialling into the teleconference during which the presentation is made or reading the presentation, you will be deemed to have agreed to all of the restrictions that apply with regard to the presentation and acknowledged that you understand the legal and regulatory sanctions attached to the misuse, disclosure or improper circulation of the presentation.

The Company has included non-IFRS financial measures in this presentation. These measurements may not be comparable to those of other companies. Reference to these non-IFRS financial measures should be considered in addition to IFRS financial measures, but should not be considered a substitute for results that are presented in accordance with IFRS.

The information contained in this presentation has not been subject to any independent audit or review. A significant portion of the information contained in this document, including all market data and trend information, is based on estimates or expectations of the Company, and there can be no assurance that these estimates or expectations are or will prove to be accurate. Our internal estimates have not been verified by an external expert, and we cannot guarantee that a third party using different methods to assemble, analyze or compute market information and data would obtain or generate the same results. We have not verified the accuracy of such information, data or predictions contained in this report that were taken or derived from industry publications, public documents of our competitors or other external sources. Further, our competitors may define our and their markets differently than we do. In addition, past performance of the Company is not indicative of future performance. The future performance of the Company will depend on numerous factors which are subject to uncertainty.

Certain statements contained in this document that are not statements of historical fact, including, without limitation, any statements preceded by, followed by or including the words “targets,” “believes,” “expects,” “aims,” “intends,” “may,” “anticipates,” “would,” “could” or similar expressions or the negative thereof, constitute forward-looking statements, notwithstanding that such statements are not specifically identified. In addition, certain statements may be contained in press releases, and in oral and written statements made by or with the approval of the Company that are not statements of historical fact and constitute forward-looking statements. Examples of forward-looking statements include, but are not limited to: (i) statements about future financial and operating results; (ii) statements of strategic objectives, business prospects, future financial condition, budgets, potential synergies to be derived from acquisitions, projected levels of production, projected costs and projected levels of revenues and profits of the Company or its management or board of directors; (iii) statements of future economic performance; and (iv) statements of assumptions underlying such statements.

Forward-looking statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions which are difficult to predict and outside of the control of the management of the Company. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. We have based these assumptions on information currently available to us, if any one or more of these assumptions turn out to be incorrect, actual market results may differ from those predicted. While we do not know what impact any such differences may have on our business, if there are such differences, our future results of operations and financial condition, and the market price of the notes, could be materially adversely affected. You should not place undue reliance on these forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or any person acting on its behalf are expressly qualified in their entirety by the cautionary statements referenced above. Forward-looking statements speak only as of the date on which such statements are made. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events.

The presentation does not constitute or form part of, and should not be construed as, an offer to sell or issue, or the solicitation of an offer to purchase, subscribe to or acquire the Company or the Company’s securities, or an inducement to enter into investment activity. No part of this presentation, nor the fact of its distribution, should form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. This presentation is not for publication, release or distribution..

TODAY'S PRESENTERS



Ken Stannard
Chief Executive Officer

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

 **Managing Director – Credit Cards**

 **Managing Director – UK and S.Africa**

Head of European Operations



Craig Buick
Chief Financial Officer

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



Managing Director – Audit, Europe and Asia

CFO – Italy

Controller – UK Bank



PricewaterhouseCoopers

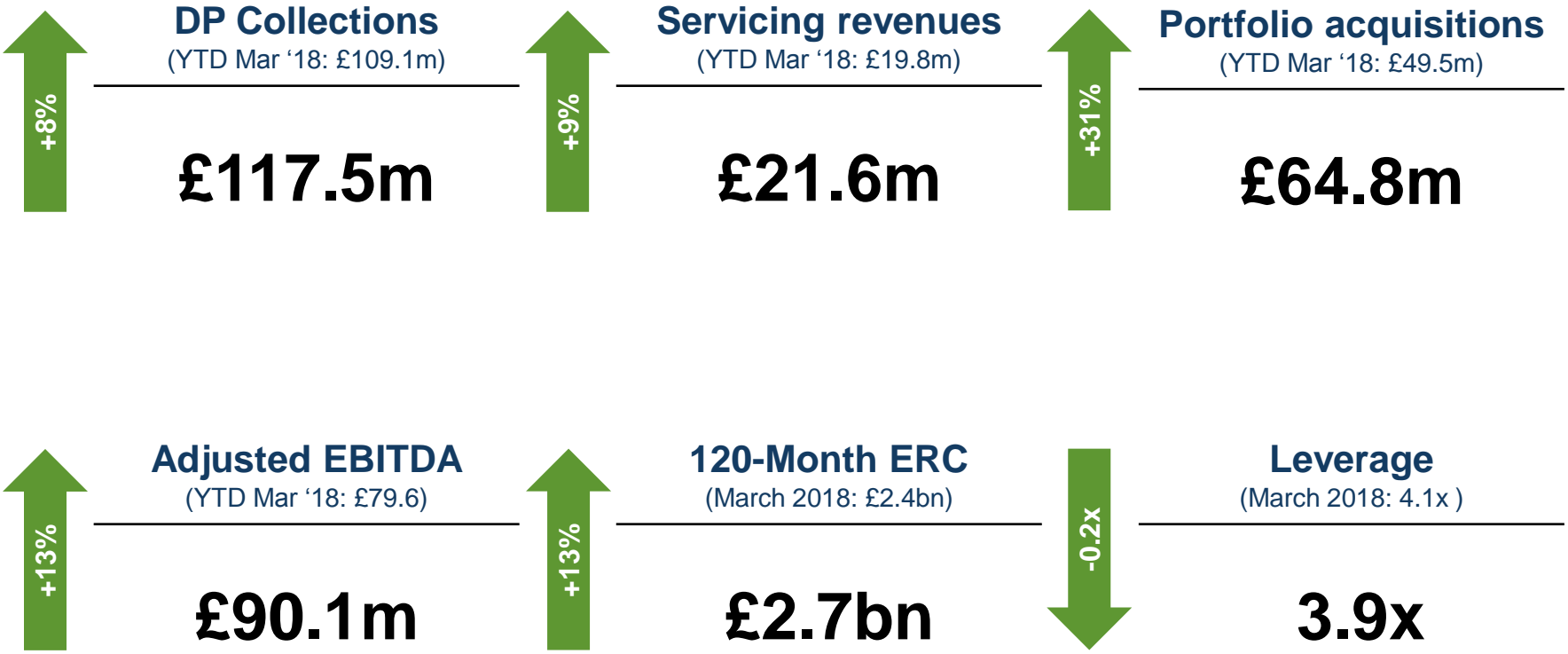
AGENDA

- Key highlights of Q1 2019
- Financial review
- Outlook
- Q & A



KEY HIGHLIGHTS OF Q1 2019

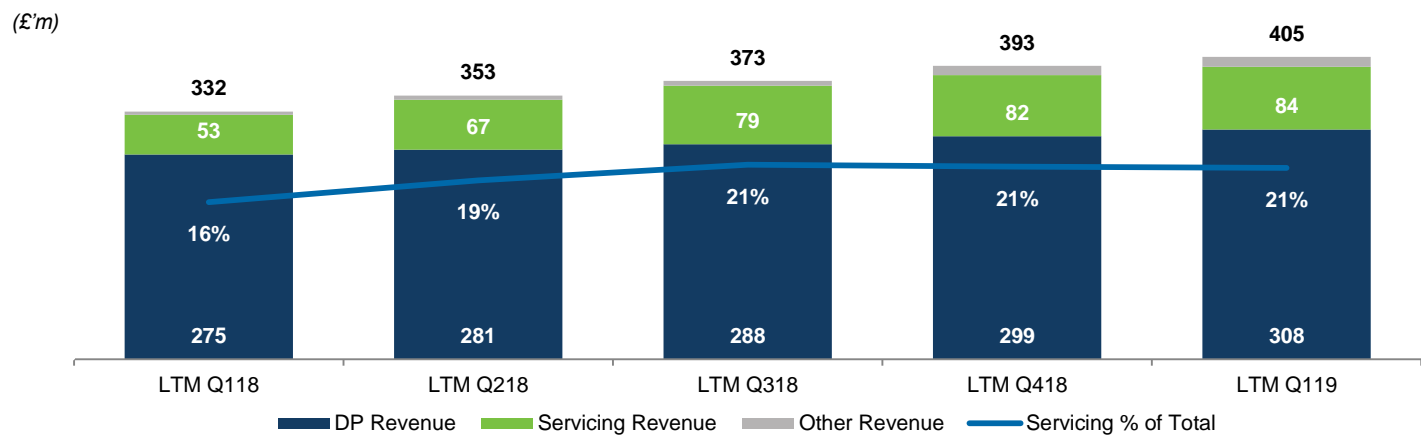
DELIVERED STRONG Q1 FINANCIAL PERFORMANCE



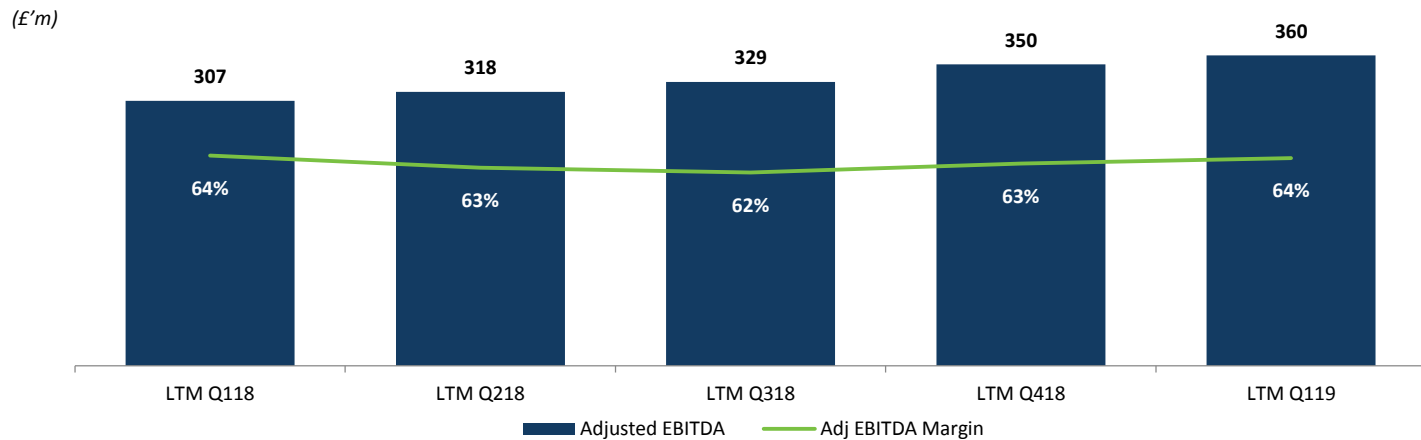
FINANCIAL REVIEW

CONTROLLED GROWTH IN REVENUE AND PROFITABILITY

22% year over year increase in LTM revenue

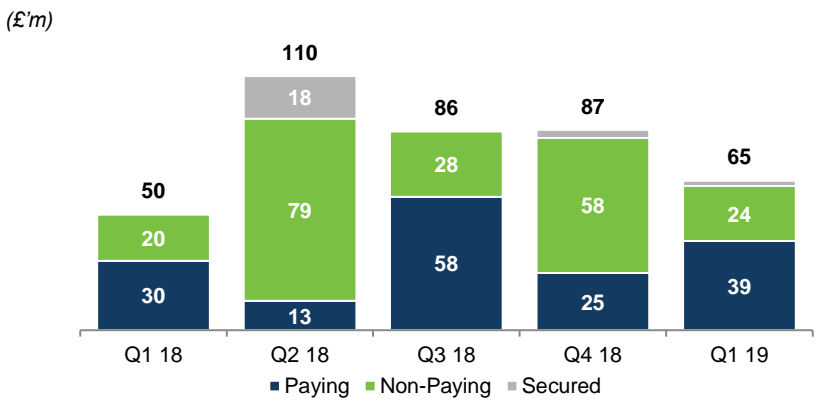


17% year over year increase in LTM Adjusted EBITDA

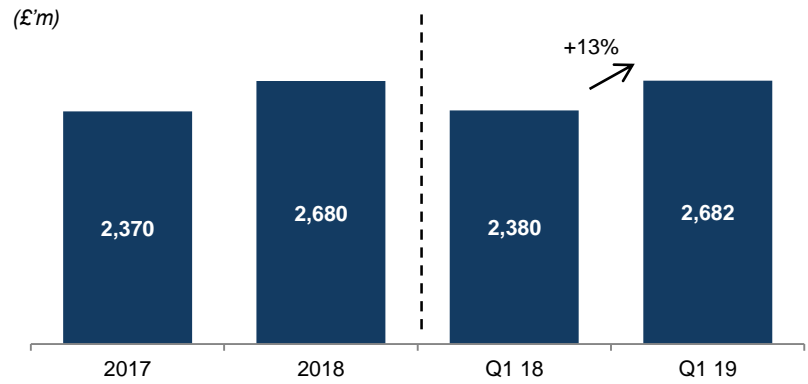


ERC GROWTH DRIVEN BY RECORD 2018 CAPITAL DEPLOYMENTS

Capital deployed – LTM £349m

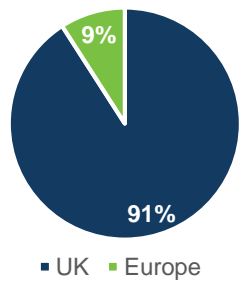


120 month ERC growth

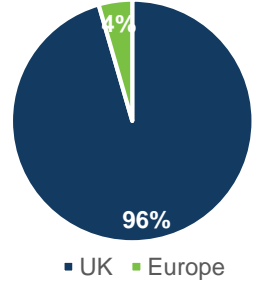


Capital deployed by geography

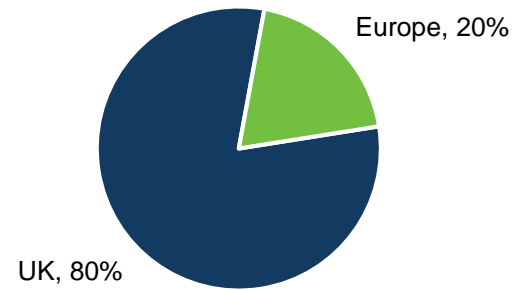
YTD Q1'18 - £50m



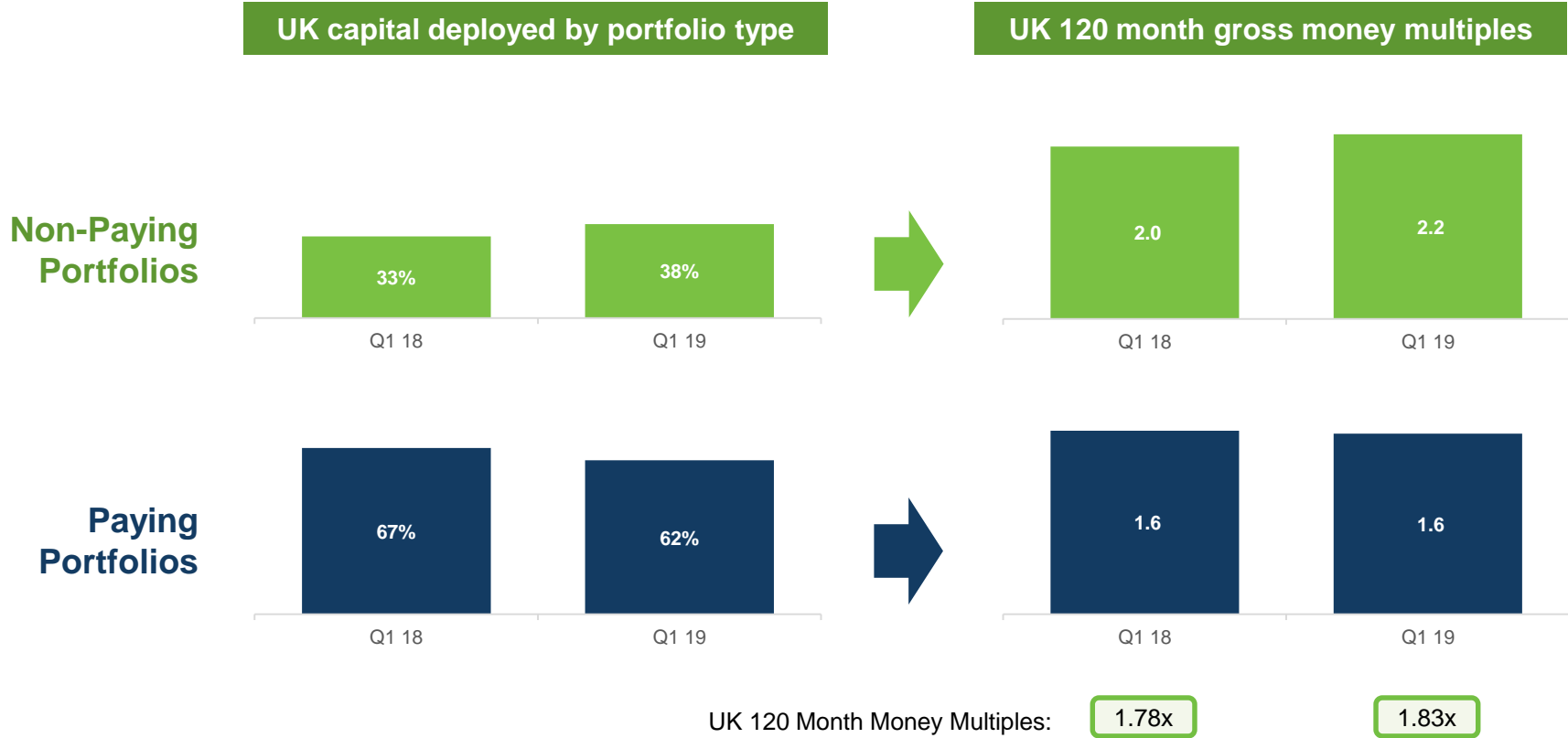
YTD Q1'19 £65m



120m ERC by region



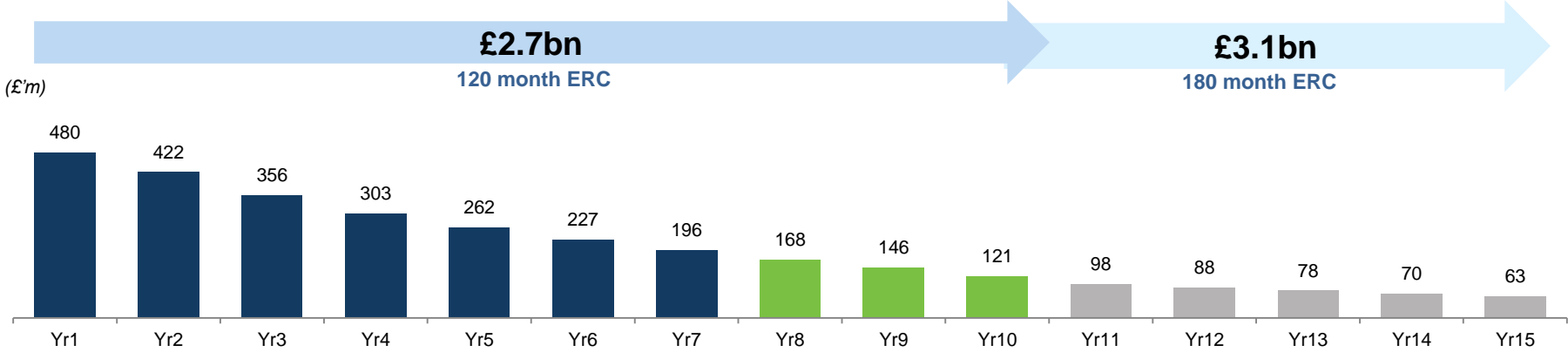
EARLY SIGNS OF TENTATIVE IMPROVEMENT IN RETURNS IN UK MARKET



- Focused on deploying capital to deliver optimal long term risk adjusted returns
- Forward flows represented 56% of Q1'19 purchases. Forward flow commitments reduced from £116m at Q1'8 to £16m at Q1'19 in order to be able to deploy capital more effectively if recent pricing developments continue
- Q1'19 spot sales at marginally better returns than historic forward flow levels

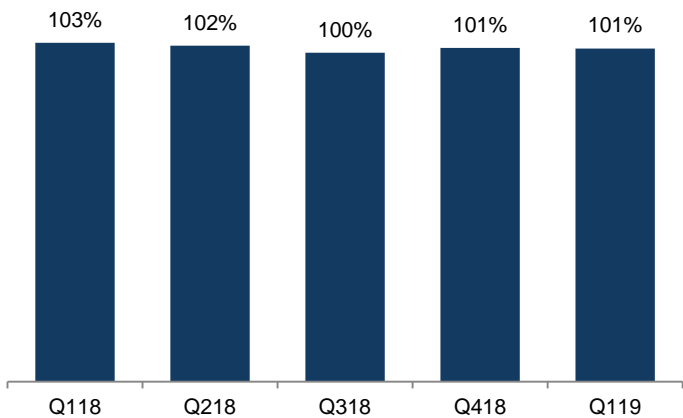
CONSISTENT, RELIABLE CASH FLOW GENERATION IN EXCESS OF ERC REPLENISHMENT NEEDS

Distribution of 180m Gross ERC by period as of 31-Mar-2019



Consistent collection outperformance vs. historic ERC forecasts

Growth in cash margins exceeds growth in ERC replenishment rate



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

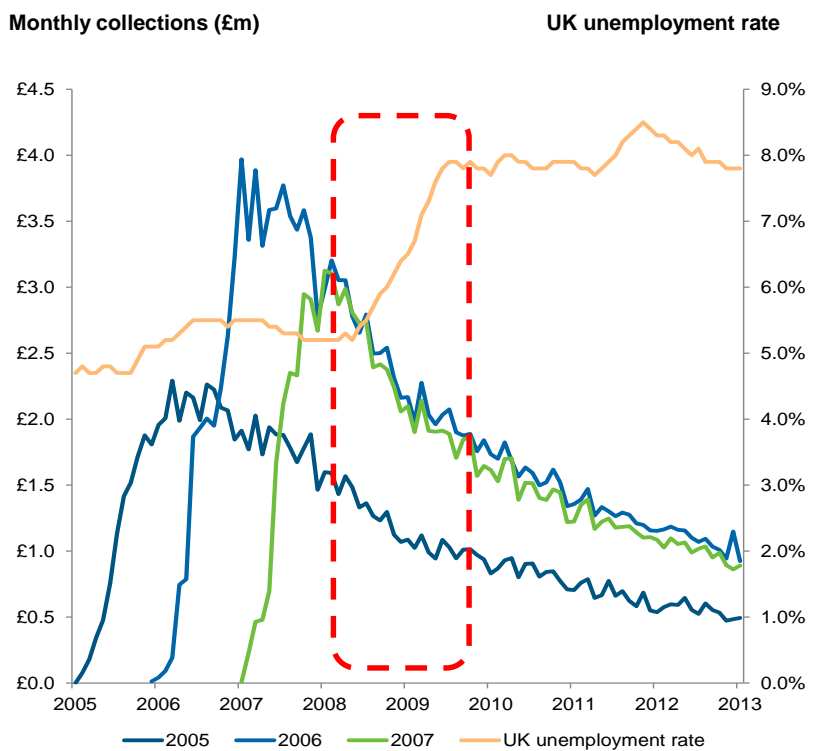
	Q1'18	Q1'19	Change
LTM reported Adj EBITDA	307	360	53
Annualised cash interest	(78)	(82)	(4)
Annualised capex and tax	(15)	(21)	(6)
ERC replenishment rate	(150)	(180)	(30)
Excess cash generation	64	77	13

43

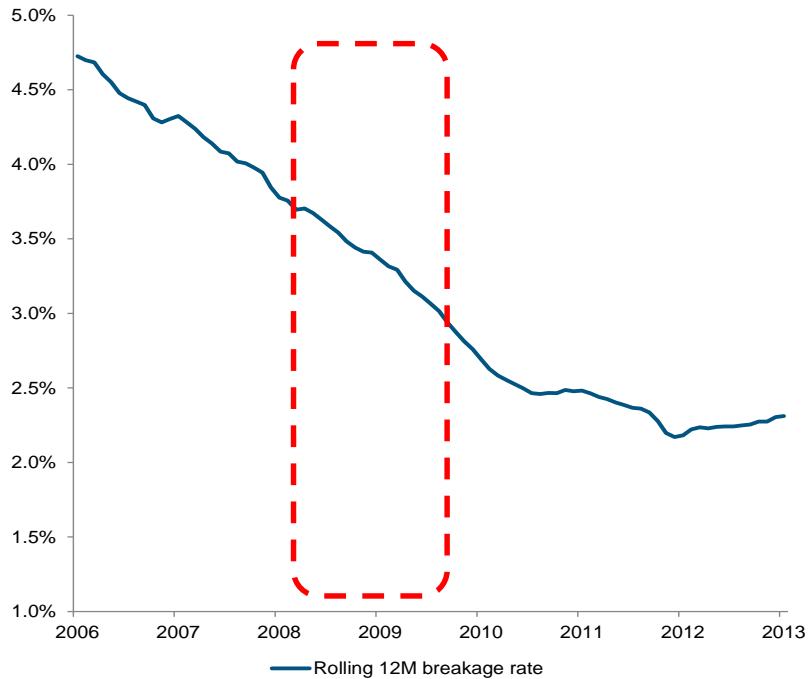
- £53m growth in reported Adjusted EBITDA over last 12 months
- Excess cash generation ~ 21% of cash profits

ROBUST PERFORMANCE OF UK BACK BOOK DURING THE FINANCIAL CRISIS

Monthly Historical Collections for Pre-crisis Vintages¹




Rolling 12M Breakage Rates Evolution¹



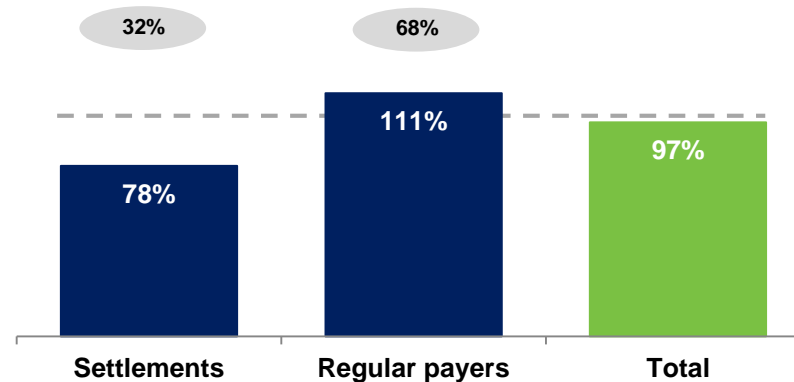
Source: Company information. Office of National Statistics

1. UK Only

 Period of rising unemployment

DIFFERENTIAL PERFORMANCE OF PRE CRISIS VINTAGE AGAINST PRICING EXPECTATIONS – SETTLEMENTS VS REGULAR PAYERS

Cumulative performance of 2005 vintage against pricing expectations



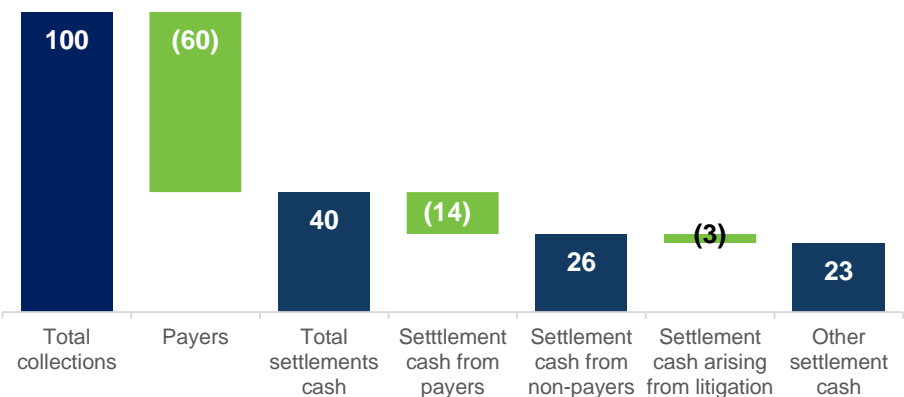
- Overall cumulative performance at 97% of pricing expectations as at Q1'19, with incremental future collections expected
- Cash flow tail continues to generate incremental value today – £2.3m collected against this vintage in past 12 months (4.6% of original investment value)
- Resilience of regular payers demonstrated during financial crisis
- Profile of recent collections indicates materially lower impact expected from today's back book in the event of a future stress event

xx% % of actual lifetime cash collections

Cabot + Marlin UK portfolios originated in 2005

CURRENT COLLECTIONS PROFILE INDICATES LOWER EXPECTED EXPOSURE TO ECONOMIC STRESS THAN BEFORE FINANCIAL CRISIS

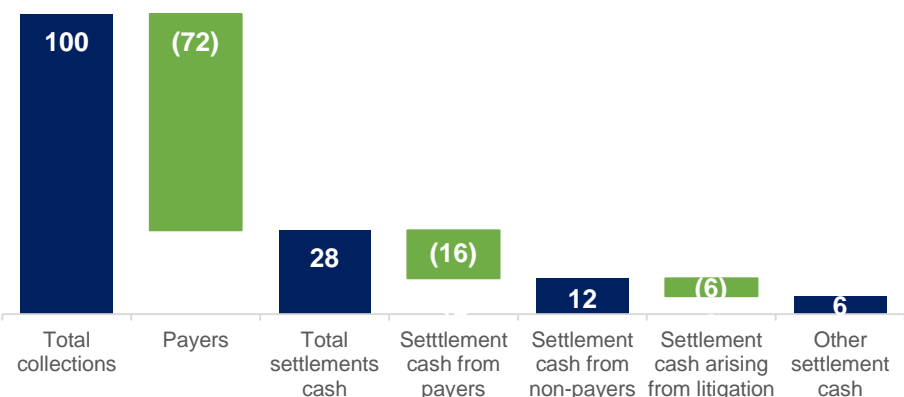
Analysis of 2006 UK cash collections ¹



Characteristics of cash collected in 2018 is significantly different to pre financial crisis experience:

1. Payers represent a higher proportion of overall cash collections in 2018 (72%, vs 60% in 2006)
2. Settlement cash (28%) in 2018 is a significantly lower proportion of total collections compared to 2006 (40%)
3. Settlements from payers considered a timing matter whereby total lifetime cash collections expectation from payers remains whether via regular payments or settlements.
4. Settlement cash arising from litigation activity considered to be uncorrelated to macro stress events
5. Other settlement cash which may be impacted by macro stress events is materially lower now than in 2006 (6% of overall UK collections vs 23%)

Analysis of 2018 UK cash collections ¹



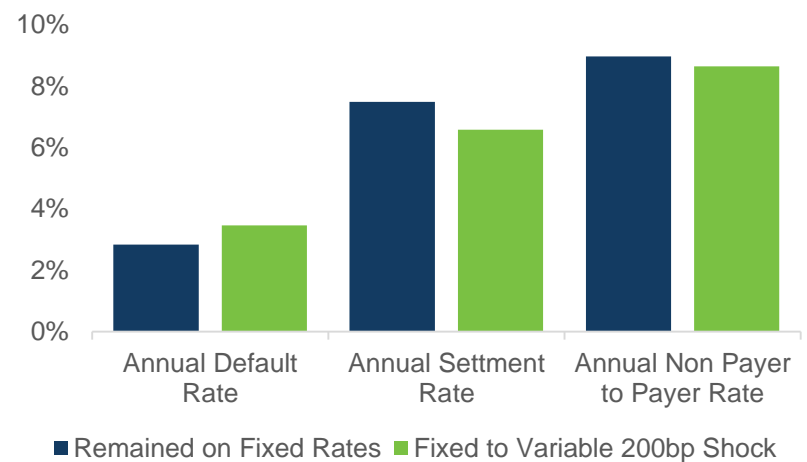
(1) Total collections rebased to 100

HISTORIC DATA INDICATES LIMITED IMPACT OF INTEREST RATE STRESS ON PORTFOLIO PERFORMANCE

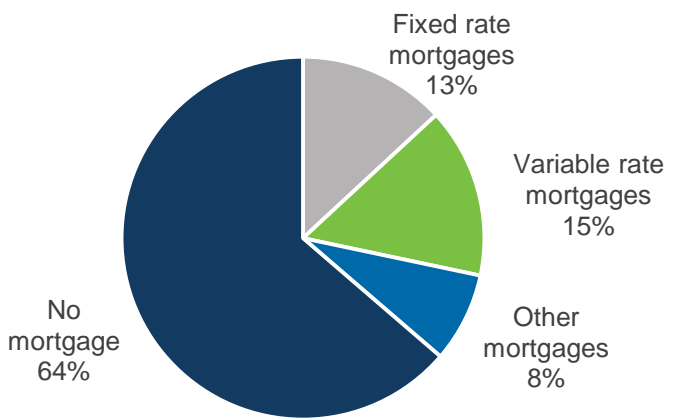
Background

- Cabot identified ~7,300 in Q3'16 who rolled from fixed rate to variable rate mortgage product
- Average monthly instalments increased from avg £910 per month to £1,030 – equivalent to 200bps interest rate shock
- Payment behaviour of this pool of customers over subsequent year compared to existing pool of fixed rate mortgage holders

Comparison of key payment behaviours



Portfolio Stratification – Paying Accounts



Projected impact on ERC

Applying these amended customer payment behaviours from a sudden 200bps interest rate shock to the entire population of mortgage holders within the portfolio indicates a potential reduction in 84 month ERC of approx. 1.4%

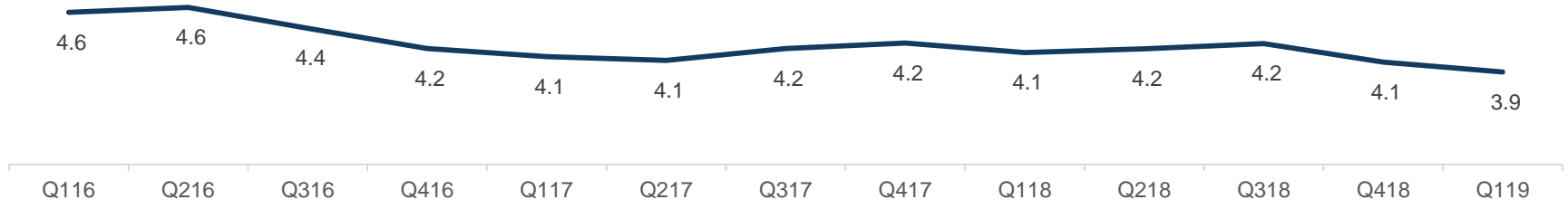
DELIVERING UPON DELEVERAGING COMMITMENT

Net debt as of 31-Mar-2019 (£m)

Bonds	860
ABL	350
RCF and other loans	250
Cash available	(37)
Net Debt	1,423
84 months ERC	2,247
LTM Adjusted EBITDA	360.3
<hr/>	
LTV	63%
FCCR	4.4x
Net Debt / Adjusted EBITDA	3.9x

- Prudent leverage and strong liquidity to support the business
- Improvement in all key credit metrics over past year
 - ✓ Reduced leverage to 3.9x vs. 4.1x in Q4 2018
 - ✓ LTV: Consistent at 63%
 - ✓ Strengthened FCCR to 4.4x vs. 4.2x in Q4 2018
- Available liquidity: £176m¹
- 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

Leverage Trend



(1) £385m RCF less drawn amount of £245.3m plus cash available of £36.7m

OUTLOOK

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 – following the acquisition of Cabot, the world’s largest debt purchaser – brings. Leverage this scale and expertise to maintain our competitive advantage, drive customer and compliance leadership, & maximise our financial strength
- Capture 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

APPENDICES

APPENDIX 1: PROFIT AND LOSS

Reconciliation of Q1 2019 IFRS Reported Net Income

ECONOMIC P&L				
£m	Total	Non-recurring *	Underlying	Guide
Collections on owned loan portfolios	117.5	-	117.5	(a)
Servicing revenue	21.6	-	21.6	(b)
Other income	2.1	-	2.1	(c)
Gross revenue	141.2	-	141.2	(d)
Recurring opex (excl. D&A)	(51.1)	-	(51.1)	(e)
Adj EBITDA	90.1	-	90.1	(f)
Share-based payment	0.2	-	0.2	(g)
Book value of portfolio assets sold	-	-	-	(h)
Book value of REO assets sold	(1.1)	-	(1.1)	(i)
Non-recurring opex	(0.3)	(0.3)	-	(j)
Amortisation	(52.5)	-	(52.5)	(k)
Positive impairment of portfolio investments	11.6	-	11.6	(l)
D&A	(4.1)	(1.2)	(2.9)	(m)
Operating Profit	43.9	(1.5)	45.4	(n)
Finance income	-	-	-	(o)
Finance costs	(23.7)	(1.4)	(22.3)	(p)
PBT	20.2	(2.9)	23.1	(q)
Tax	(3.9)	0.6	(4.5)	(r)
Net income	16.3	(2.3)	18.6	(s)

IFRS P&L				
£m	Reported	Non-recurring *	Underlying	Guide
Income on owned portfolios	64.4	-	64.4	(a) + (k)
Positive impairment of portfolio investments	12.2	-	12.2	(l)
Servicing revenue	21.6	-	21.6	(b)
Other income	2.1	-	2.1	(c) + (h)
Revenue	100.3	-	100.3	
Recurring opex (excl. D&A)	(51.1)	-	(51.1)	(e)
Share-based payment	0.2	-	0.2	(g)
Book value of REO assets sold	(1.1)	-	(1.1)	(i)
D&A	(4.1)	(1.2)	(2.9)	(m)
Non-recurring opex	(0.3)	(0.3)	-	(j)
Operating Profit	43.9	(1.5)	45.4	(n)
Finance income	-	-	-	(o)
Finance costs	(23.7)	(1.4)	(22.3)	(p)
PBT	20.2	(2.9)	23.1	(q)
Tax	(3.9)	0.6	(4.5)	(r)
Net income	16.3	(2.3)	18.6	(s)

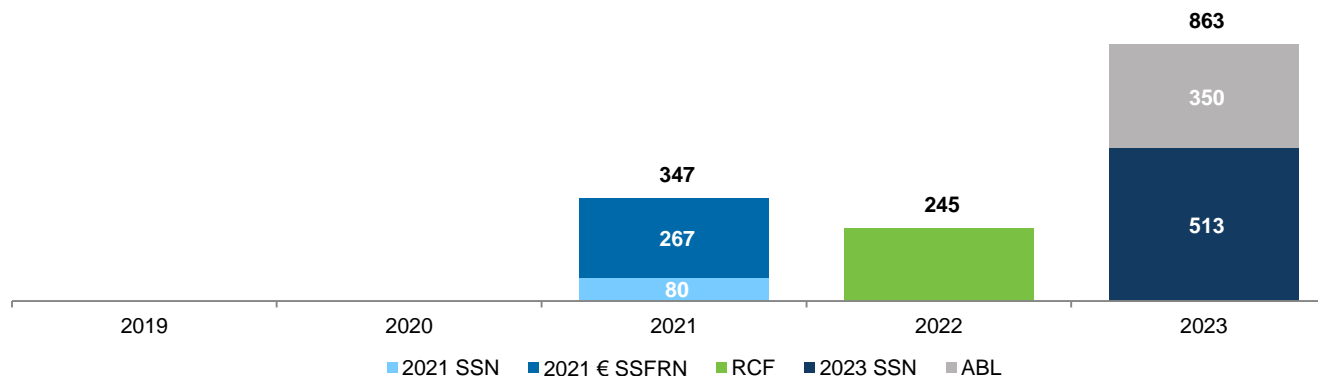
* Non-recurring items are those items or income or cost that that by virtue of either their size or nature, are not considered part of the underlying performance of the business. Refer appendix 2 for more details

APPENDIX 2: OUTLINE OF 2019 DEBT STRUCTURE

Debt Structure as at Mar-19

	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	100.000%	--	--
	2021 € Senior Secured Floating Rate Note	£266.8m	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	£245.3m	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			

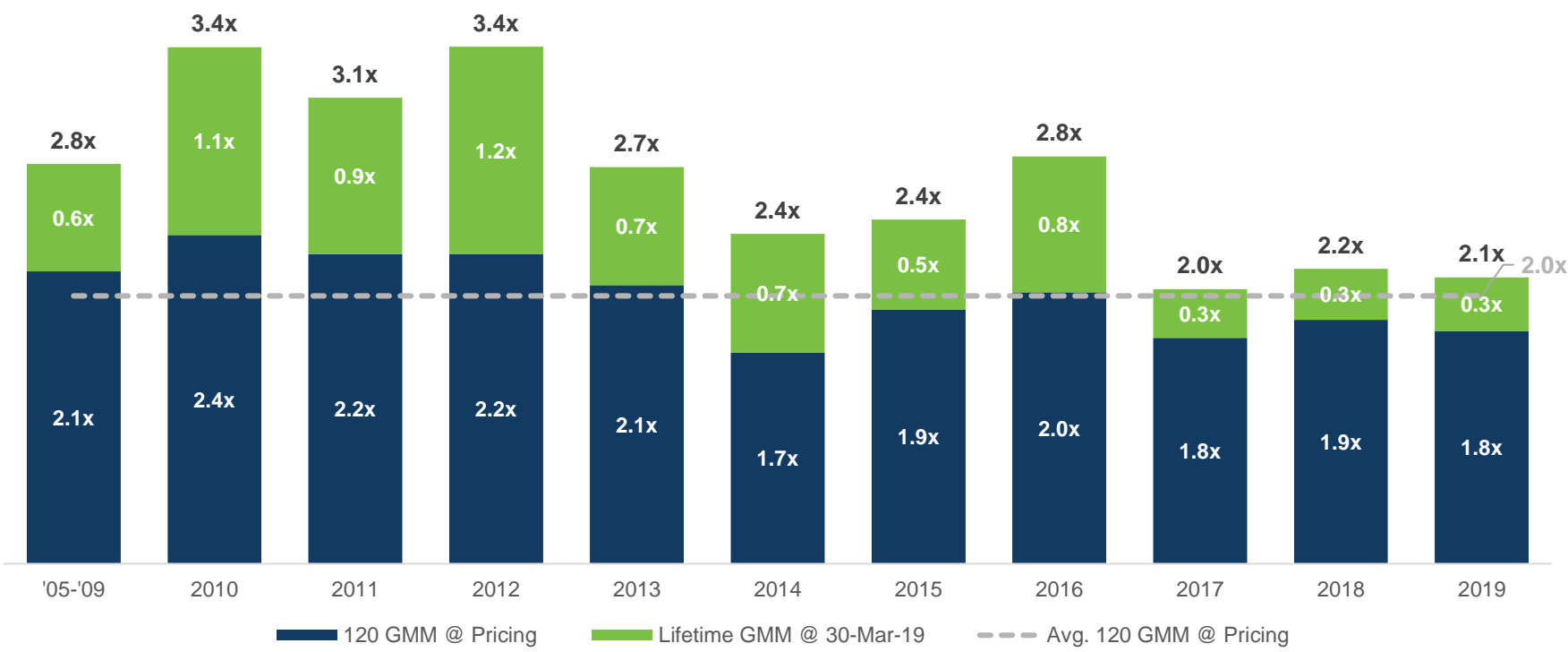
Debt Maturity Profile as at Mar-19 (£m)



We continue to explore possible synergies with respect to Encore, including in connection with potential debt refinancing options.

APPENDIX 3: CAPITAL DEPLOYED AT CONSISTENT RETURNS TO RECENT YEARS

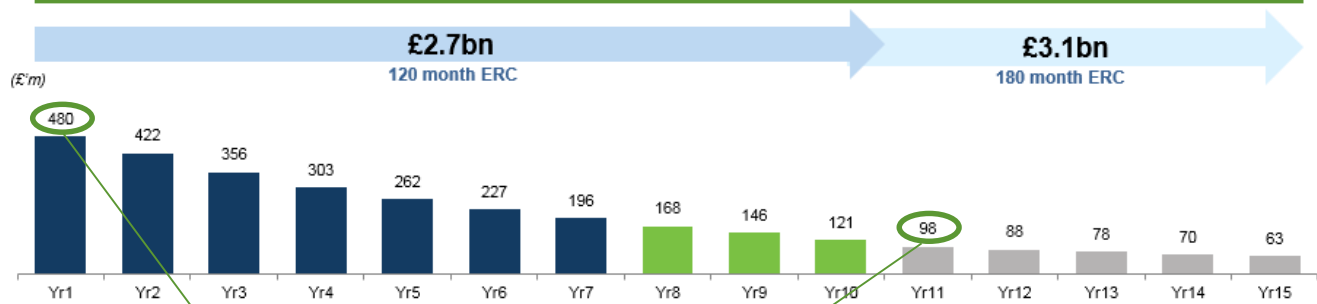
Lifetime vs. Pricing 120 month gross money multiple by vintage (31-Mar-19)



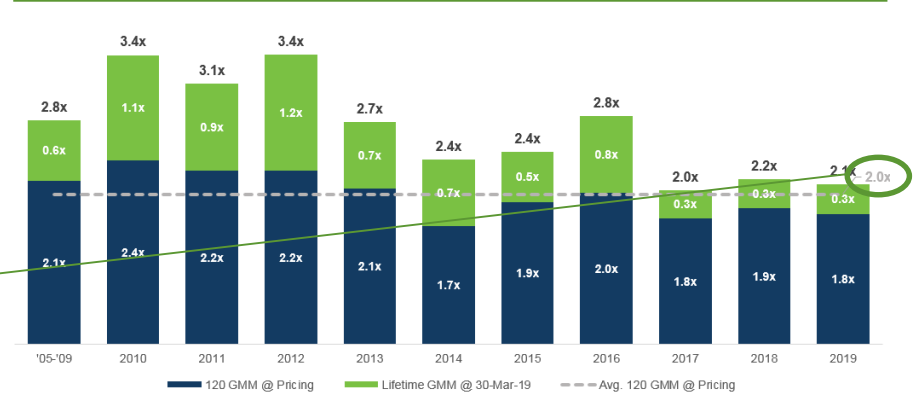
(1) Reflects underlying portfolios from acquired businesses in the year in which they were originated by the acquired business
 (2) Lifetime GMM reflects actual collections to date plus estimated collections over next 180 months.

APPENDIX 4: ERC REPLENISHMENT RATE CALCULATION

Distribution of 180m Gross ERC by period as of 31-Mar-2019

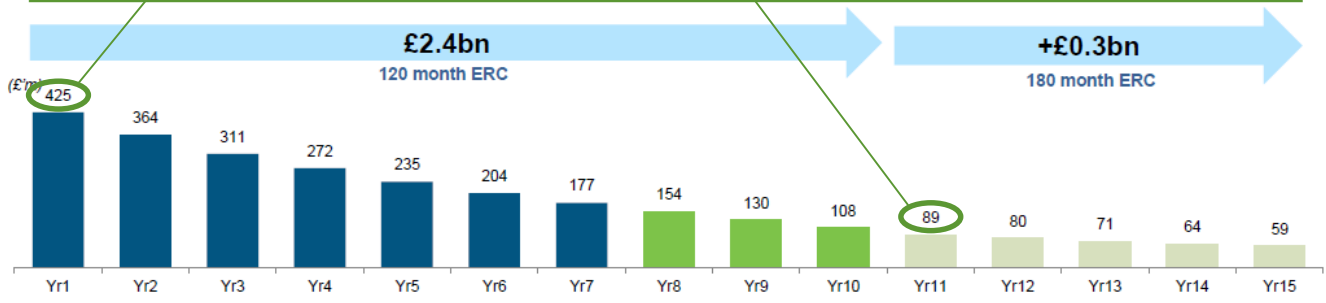


Lifetime vs. Pricing 120 month gross money multiple by vintage (31-Mar-19)



	(a) Year 1 Collections	(b) Year 11 Collections	(c) = (a) - (b) Net ERC decrease	(d) Avg 120 month MM ERC replenishment rate
31-Mar-18	480	98	382	180
31-Mar-19	425	89	336	
Average net ERC decrease			359	
Avg 120 month MM ERC replenishment rate			2.0x	(d) / e

Distribution of 180m Gross ERC by period as of 31-Mar-2018



APPENDIX 5: 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