CABOT CREDIT MANAGEMENT
an encore capital group company

CABOT CREDIT MANAGEMENT
Financial Results

For the six months ended 30 June 2019

8 August 2019

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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
- Q & A

Credit Excellence Awards 2018
in association with QUALCO
WINNER

2020 CREDIT AWARDS
experian
WINNER
Best Vulnerable Customer Strategy Provider

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

CCS AWARDS 2018
Best Legal Services Provider
Mortimer Clarke Solicitors part of the Cabot Credit Management Group

The Institute of Customer Service
UK Customer Satisfaction Awards 2019 WINNER

INVESTORS IN PEOPLE | Gold Until 2020

KEY HIGHLIGHTS

SUCCESSFULLY DELIVERING ON OUR CORE STRATEGY

- Continued execution of key initiatives
  - ✓ Strengthening front book returns (IRR ~200bps higher vs H1'18)
  - ✓ Improved LTM Adjusted EBITDA margin to 66%, up from 63% at Q2'18
  - ✓ Integration of Spanish businesses on track
- Reduced leverage from 4.1x at December 2018 to 3.8x at June 2019
  - ✓ Net debt flat whilst deploying £117m of capital in H1'19
  - ✓ LTM Adjusted EBITDA up 18% and 120 month ERC up £64m compared to December 2018
- Successfully issued new €400m Floating Rate Note in June 2019
  - ✓ Redeemed all existing 2021 maturities
  - ✓ No bond maturities within the next four years

CONTINUED STRONG FINANCIAL PERFORMANCE IN H1'19

+7%	**DP Collections** (YTD Jun '18: £220.1m)	**£236.5m**
+9%	**Servicing revenues** (YTD Jun '18: £41.1m)	**£44.9m**
-27%	**Portfolio acquisitions** (YTD Jun '18: £160.0m)	**£116.8m**
+15%	**Adjusted EBITDA** (YTD Jun '18: £163.4m)	**£187.1m**
+9%	**120-Month ERC** (June 2018: £2.5bn)	**£2.7bn**
-0.4x	**Leverage** (June 2018: 4.2x)	**3.8x**

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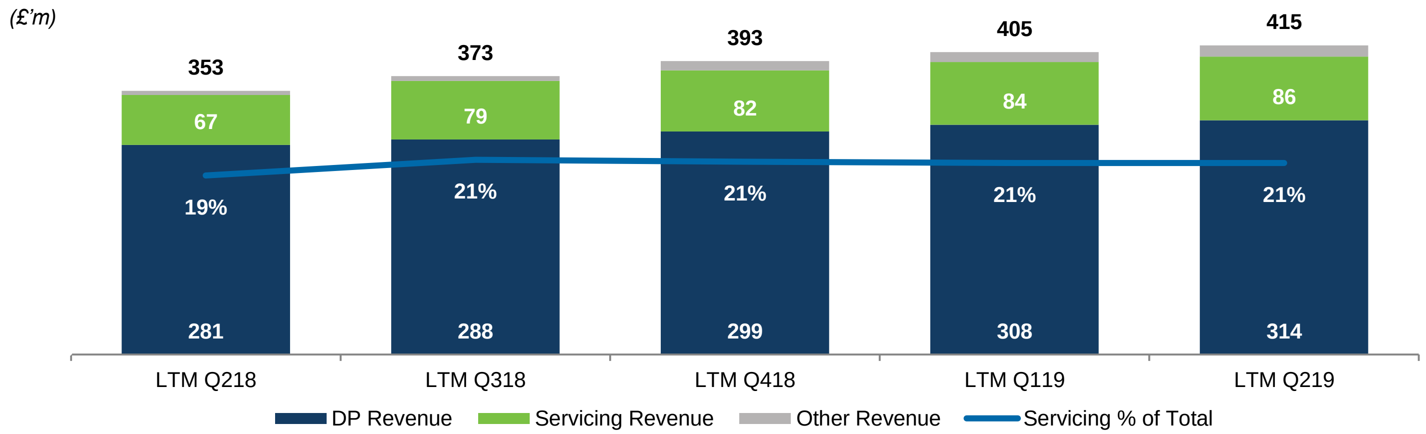
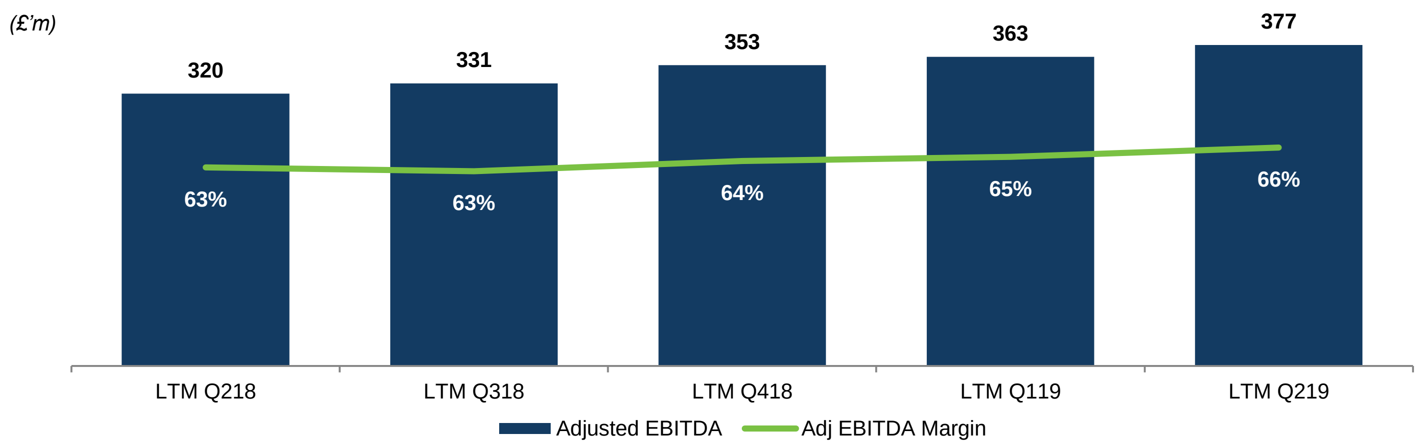
FINANCIAL REVIEW

CONTROLLED GROWTH IN REVENUE AND PROFITABILITY

17% year over year increase in LTM revenue

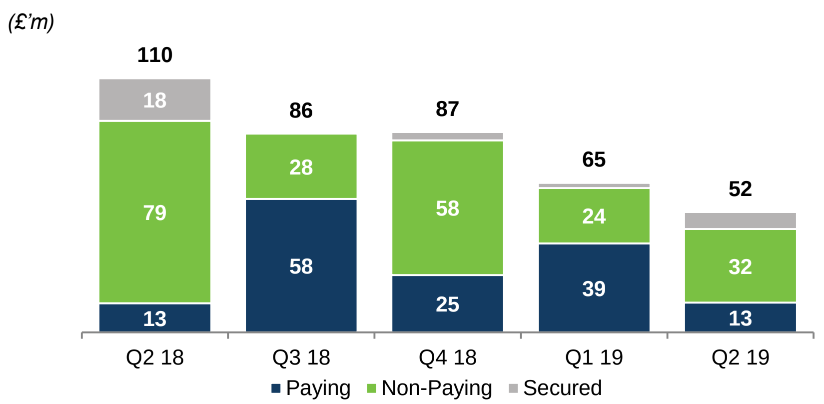


18% year over year increase in LTM Adjusted EBITDA

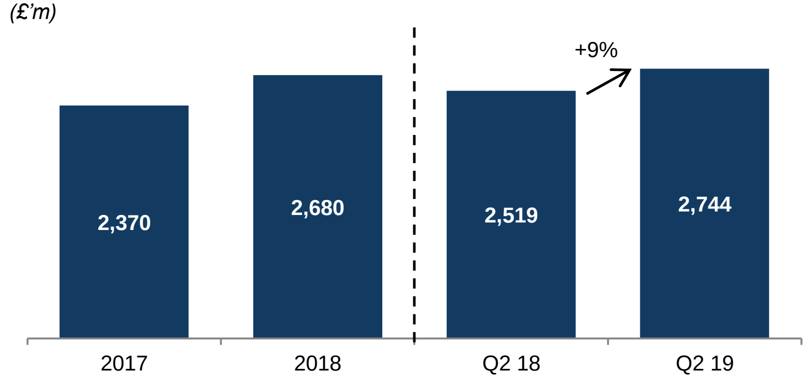


FOCUSED CAPITAL DEPLOYMENTS TO DELIVER DELEVERAGING AND ENHANCED RETURNS

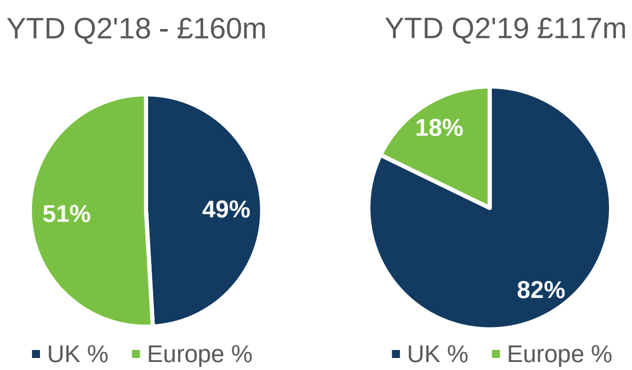
Capital deployed – LTM £290m



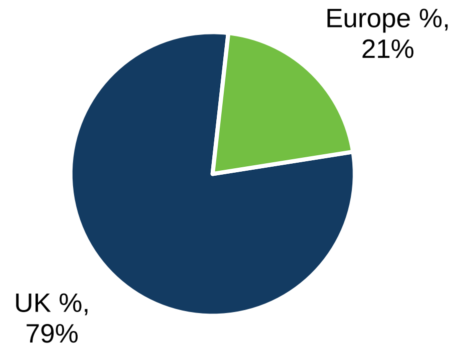
120 month ERC growth



Capital deployed by geography

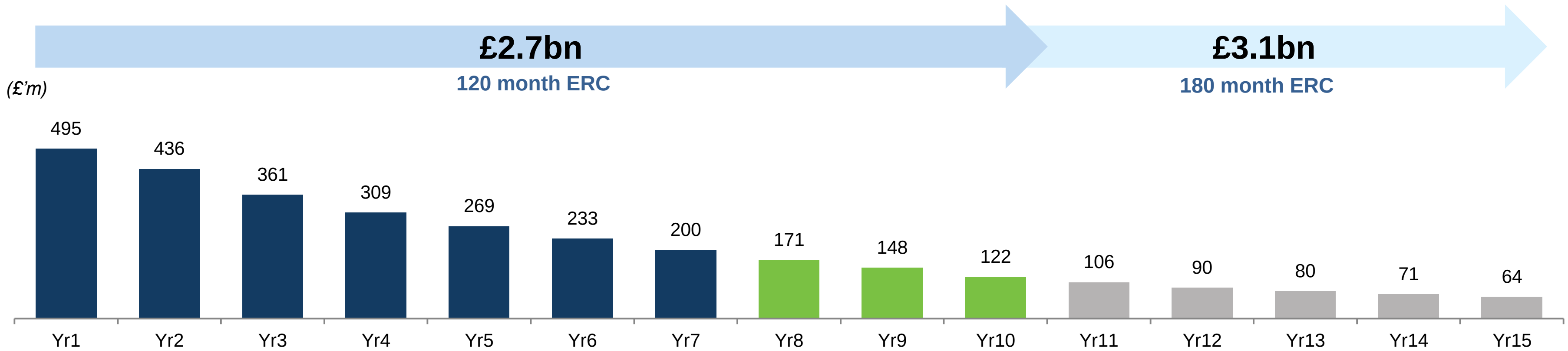


120m ERC by region

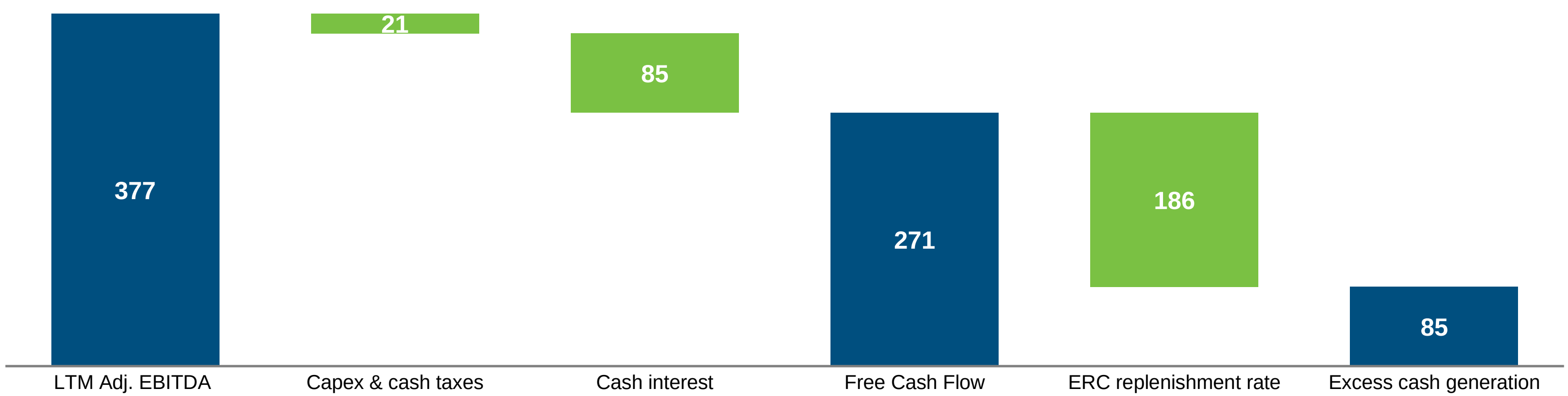


CONSISTENT, RELIABLE CASH FLOW GENERATION IN EXCESS OF ERC REPLENISHMENT NEEDS

Distribution of 180m Gross ERC by period as of 30-Jun-2019



Excess cash generation at 23% of LTM Adj EBITDA

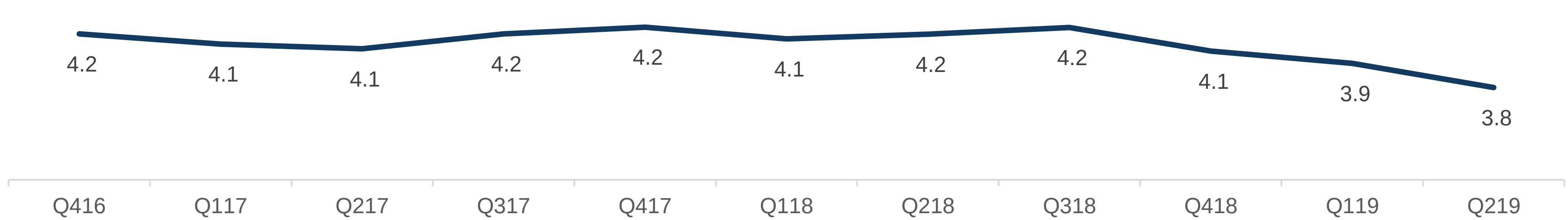


EXTENDED DEBT MATURITIES AND DELIVERING UPON DELEVERAGING COMMITMENT

Net debt as of 30-06-2019 (£m)	
Bonds	871
ABL	350
RCF and other loans	234
Cash available	(42)
Net Debt	**1,413**
84 months ERC	2,302
LTM Adjusted EBITDA	377
LTV	61%
FCCR	4.4x
Net Debt / Adjusted EBITDA	3.8x

- Successful refinancing of 2021 maturities following issuance of new €400m FRN – no bond maturities before 2023
- Improvement in all key credit metrics over past year
  - ✓ Reduced leverage to 3.8x vs. 4.2x in Q2'18
  - ✓ LTV: Lower to 61% vs. 64% in Q2'18
  - ✓ Strengthened FCCR to 4.4x vs. 4.1x in Q2'18
- Available liquidity: £197m
- 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 £229.5m plus cash available of £41.7m

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OUTLOOK

OUTLOOK

- Continue to 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

- Leverage Cabot’s leadership position in customer treatment and support clients in addressing FCA’s current areas of focus

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

- Be prepared for the impact of Brexit on our customers at an individual level, and the deployment and servicing opportunities that may arise

Q&A

APPENDICES

APPENDIX 1: PROFIT AND LOSS

Reconciliation of H1 2019 IFRS Reported Net Income

ECONOMIC P&L				
£m	**Total**	**Non-recurring ***	**Underlying**	**Guide**
Collections on owned loan portfolios	236.5	-	236.5	(a)
Servicing revenue	44.9	-	44.9	(b)
Other income	5.1	-	5.1	(c)
Gross revenue	**286.5**	**-**	**286.5**	**(d)**
Recurring opex (excl. D&A)	(99.4)	-	(99.4)	(e)
Adj EBITDA	**187.1**	**-**	**187.1**	**(f)**
Share-based payment	(0.8)	-	(0.8)	(g)
Book value of portfolio assets sold	-	-	-	(h)
Book value of REO assets sold	(2.6)	-	(2.6)	(i)
Non-recurring opex	(0.6)	(0.6)	-	(j)
Amortisation	(107.4)	-	(107.4)	(k)
Positive impairment of portfolio investments	26.9	-	26.9	(l)
D&A	(8.2)	(2.5)	(5.7)	(m)
Operating Profit	**94.4**	**(3.1)**	**97.5**	**(n)**
Finance income	0.1	-	0.1	(o)
Finance costs	(53.2)	(8.4)	(44.8)	(p)
PBT	**41.3**	**(11.5)**	**52.8**	**(q)**
Tax	(7.9)	2.1	(10.0)	(r)
Net income	**33.4**	**(9.4)**	**42.8**	**(s)**

IFRS P&L				
£m	**Reported**	**Non-recurring ***	**Underlying**	**Guide**
Income on owned portfolios	129.1	-	129.1	(a) + (k)
Positive impairment of portfolio investments	26.9	-	26.9	(l)
Servicing revenue	44.9	-	44.9	(b)
Other income	5.1	-	5.1	(c) + (h)
Revenue	**206.0**	**-**	**206.0**	
Recurring opex (excl. D&A)	(99.4)	-	(99.4)	(e)
Share-based payment	(0.8)	-	(0.8)	(g)
Book value of REO assets sold	(2.6)	-	(2.6)	(i)
D&A	(8.2)	(2.5)	(8.2)	(m)
Non-recurring opex	(0.6)	(0.6)	-	(j)
Operating Profit	**94.4**	**(3.1)**	**97.5**	**(n)**
Finance income	0.1	-	0.1	(o)
Finance costs	(53.2)	(8.4)	(44.8)	(p)
PBT	**41.3**	**(11.5)**	**52.8**	**(q)**
Tax	(7.9)	2.1	(10.0)	(r)
Net income	**33.4**	**(9.4)**	**42.8**	**(s)**

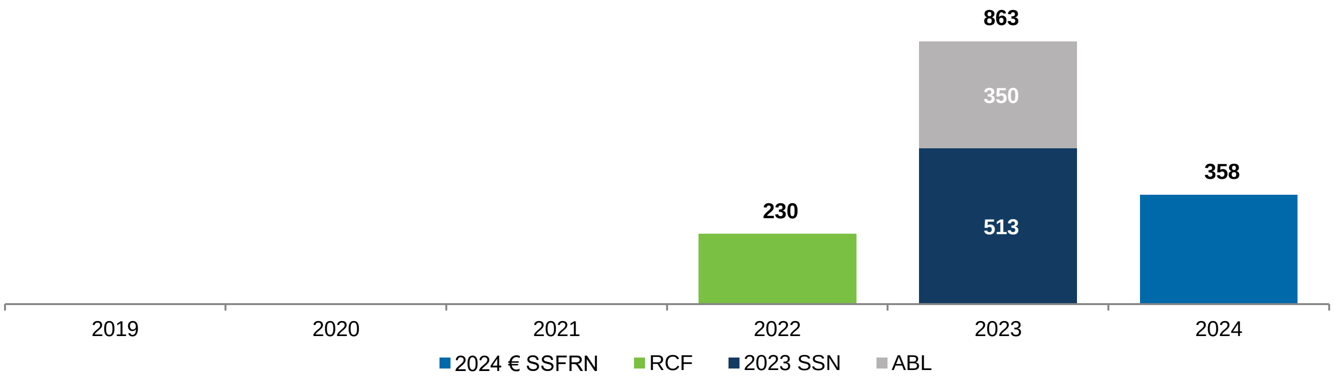
* Non-recurring items are those items or income or cost that that by virtue of either their size or nature, are not considered part of the underlying performance of the business.

APPENDIX 2: OUTLINE OF 2019 DEBT STRUCTURE

Debt Structure as at Jun-19

	Instrument	Face Value	Interest Rate	Maturity Date	Current Redemption Price	Next Call Date	Next Redemption Price
Bonds	2023 Senior Secured Note	£512.9m	7.500%	05-Oct-23	--	01-Oct-19	103.750%
	2024 € Senior Secured Floating Rate Note	£358.1m	E+6.375%	14-Jun-24	--	14-Jun-20	101.000%
Bank Debt	Revolving credit facility	£229.5m	L+3.000%	31-Sep-22	--	--	--
Loans	Asset backed lending facility	£350.0m	L+3.000%	03-Sep-23	--	--	--
			5.7%	**Weighted average cost of debt**			

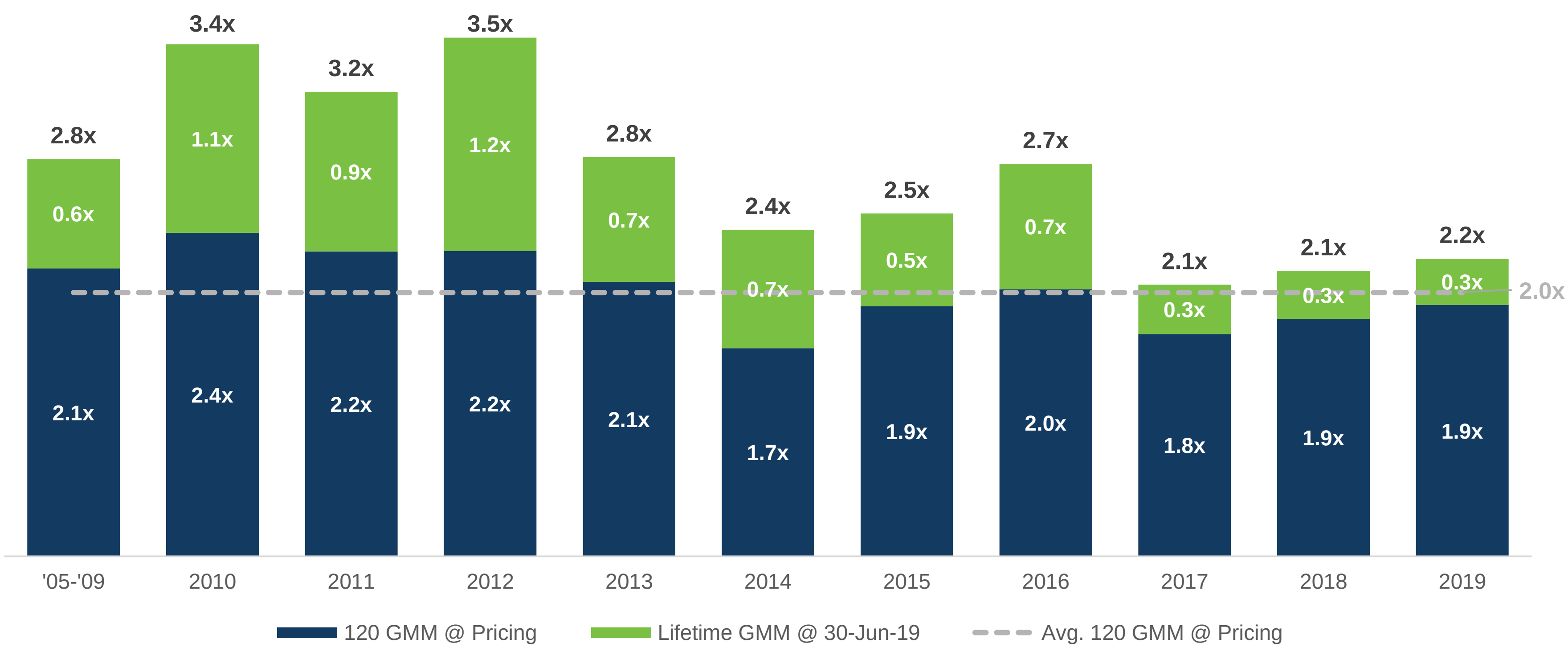
Debt Maturity Profile as at Jun-19 (£m)



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

APPENDIX 3: EMERGING SIGNS OF IMPROVING RETURNS IN RECENT VINTAGES

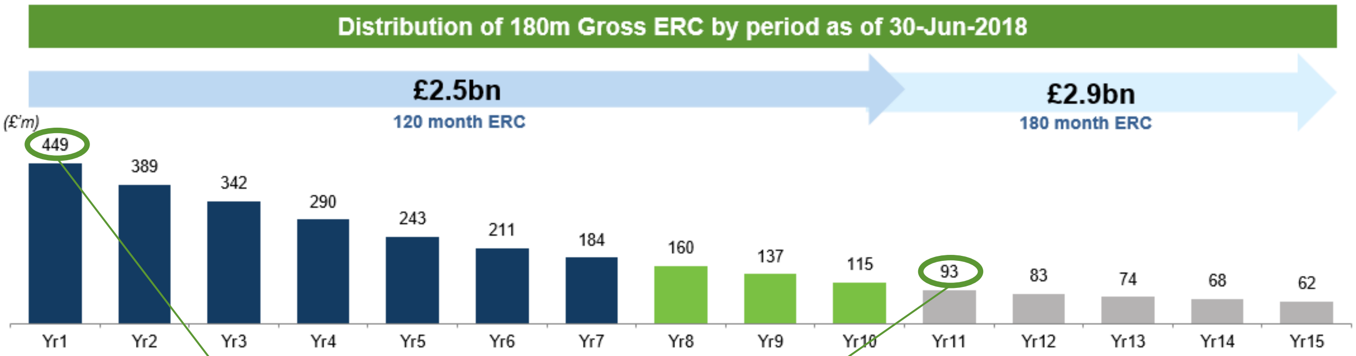
Lifetime vs. Pricing 120 month gross money multiple by vintage (30-Jun-19)

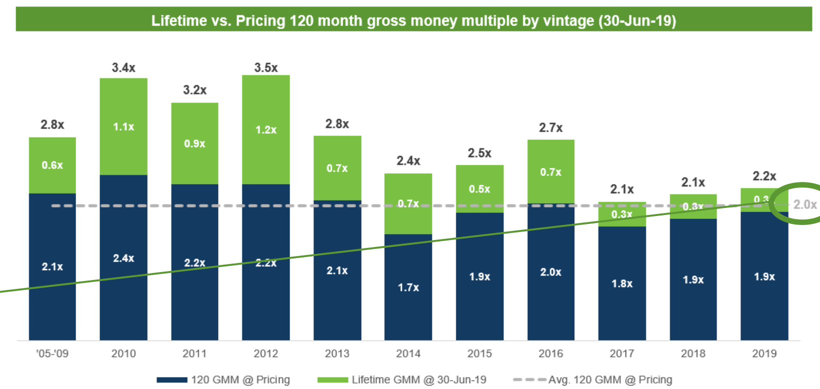


(1) Reflects underlying portfolios from acquired businesses in the year in which they were originated by the acquired business

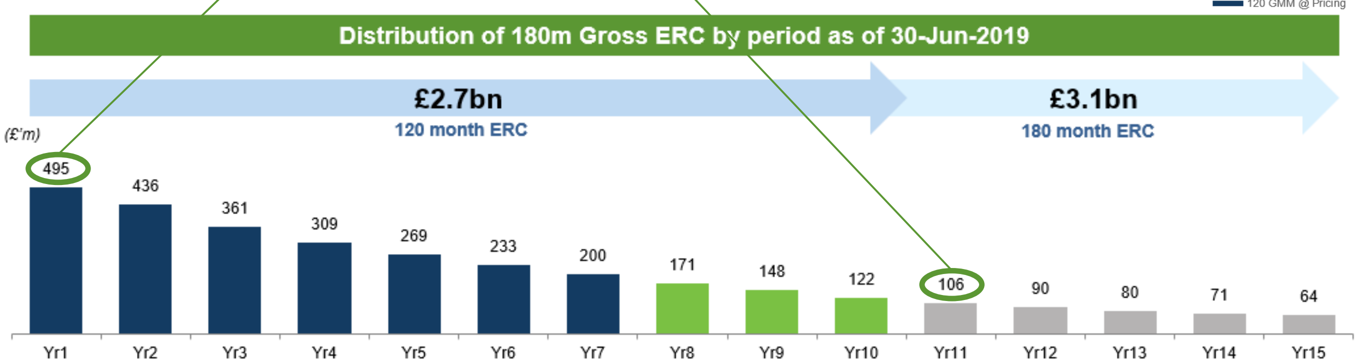
(2) Lifetime GMM reflects actual collections to date plus estimated collections over next 180 months.

APPENDIX 4: ERC REPLENISHMENT RATE CALCULATION





	(a)	(b)	(c) = (a) - (b)	
	Year 1 Collections	**Year 11 Collections**	**Net ERC decrease**	
30-Jun-18	449	93	356	
30-Jun-19	495	106	389	
Average net ERC decrease			373	(d)
Avg 120 month MM			2.0x	e
ERC replenishment rate			186	(d) / e



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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