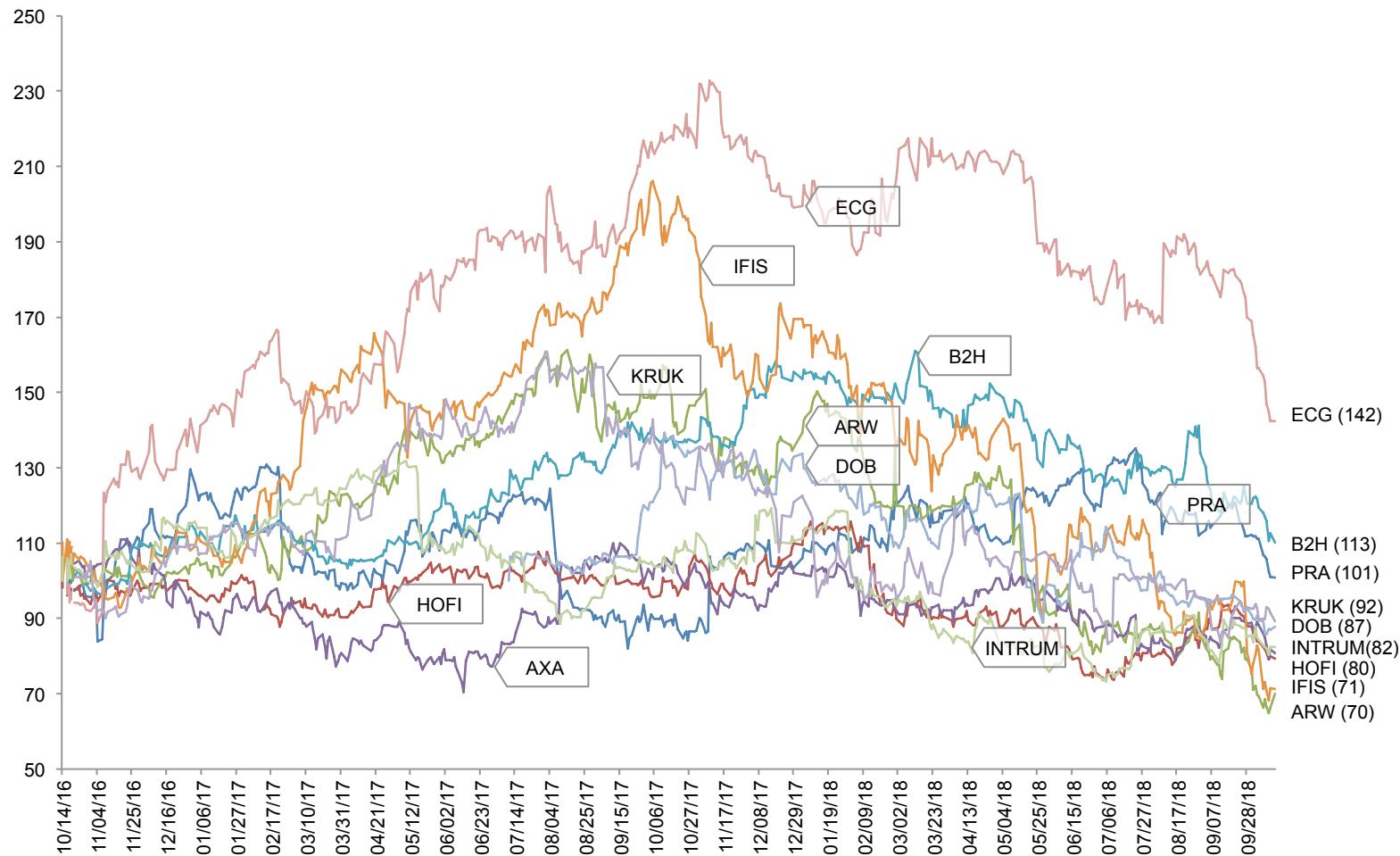
A wide-angle, nighttime satellite photograph of Earth from space. The curvature of the planet is visible against the dark void of space. City lights from numerous urban centers are scattered across the continents, appearing as glowing yellow and white dots. In the upper right quadrant, a bright green aurora borealis (Northern Lights) is visible, dancing across the upper atmosphere. The clouds are dark and textured, appearing as swirling patterns of black and grey.

Debtwire Week 2018 Discussion Notes

17 October 2018

Share Price Performance of Debt Managers

Most European players are below their share price levels from two years ago.

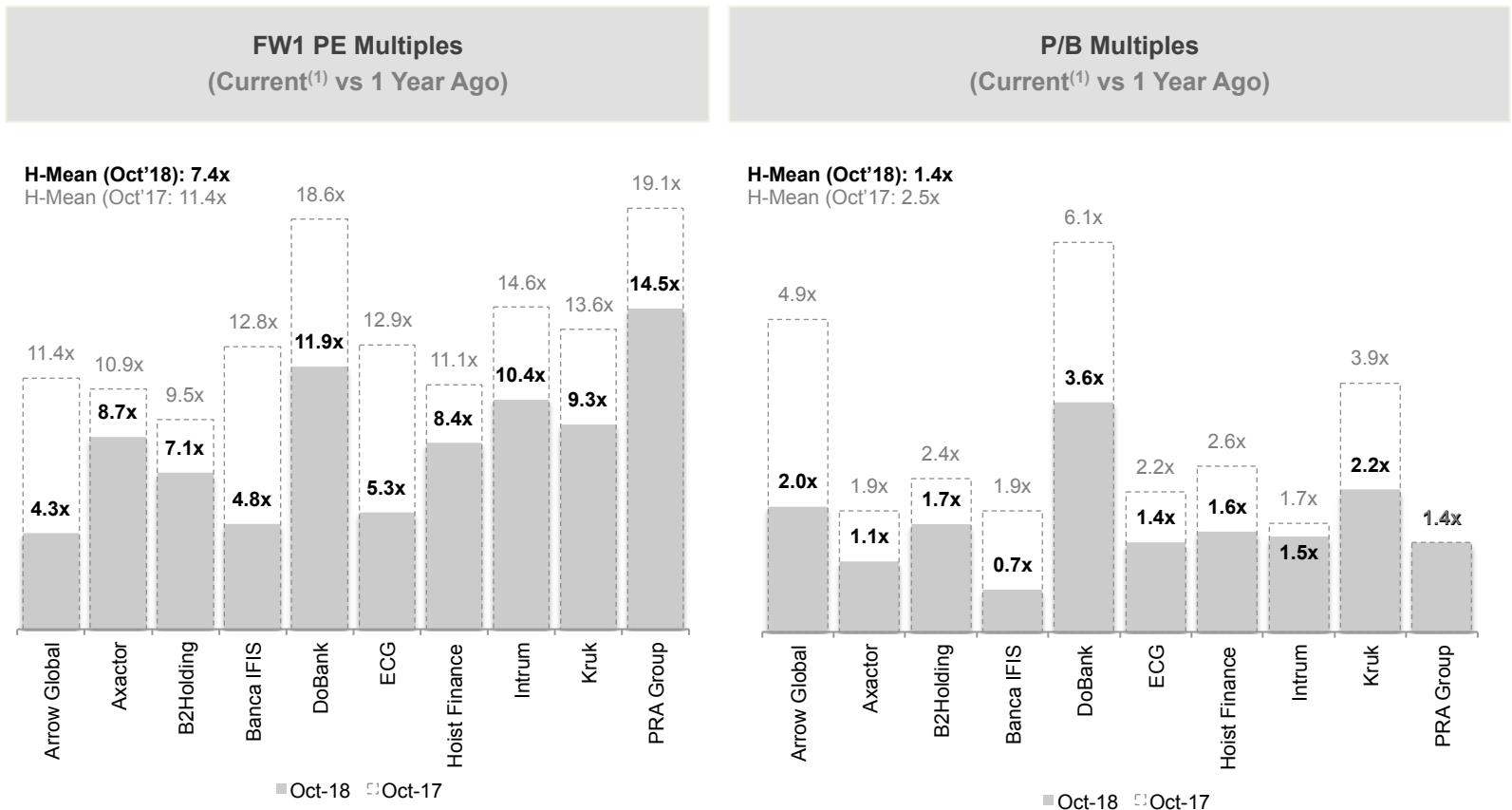


Source: Factset.

(1) Prices as of 15 October 2018.

Market Valuations of Listed Debt Managers

Multiple compression makes it not only difficult but also more dilutive to raise new equity just when ROEs are also coming under pressure.

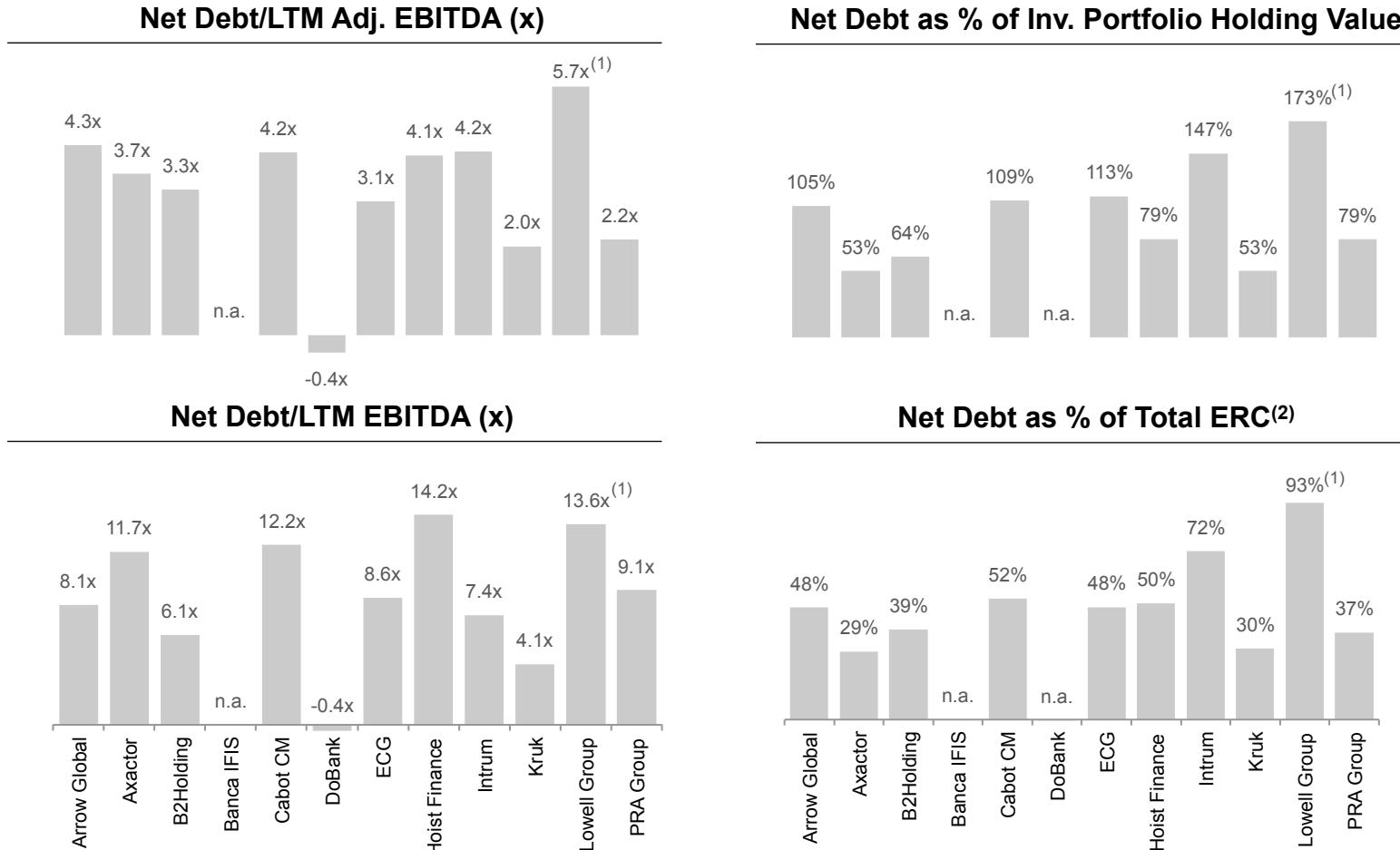


Source: Companies' reports, Factset. Book values as of 1H 2018.

(1) Prices as of 8 October 2018.

High Debt Levels Cause Investor Concern

Net Debt/Adjusted EBITDA multiples are not sufficient measures to analyse financial health.



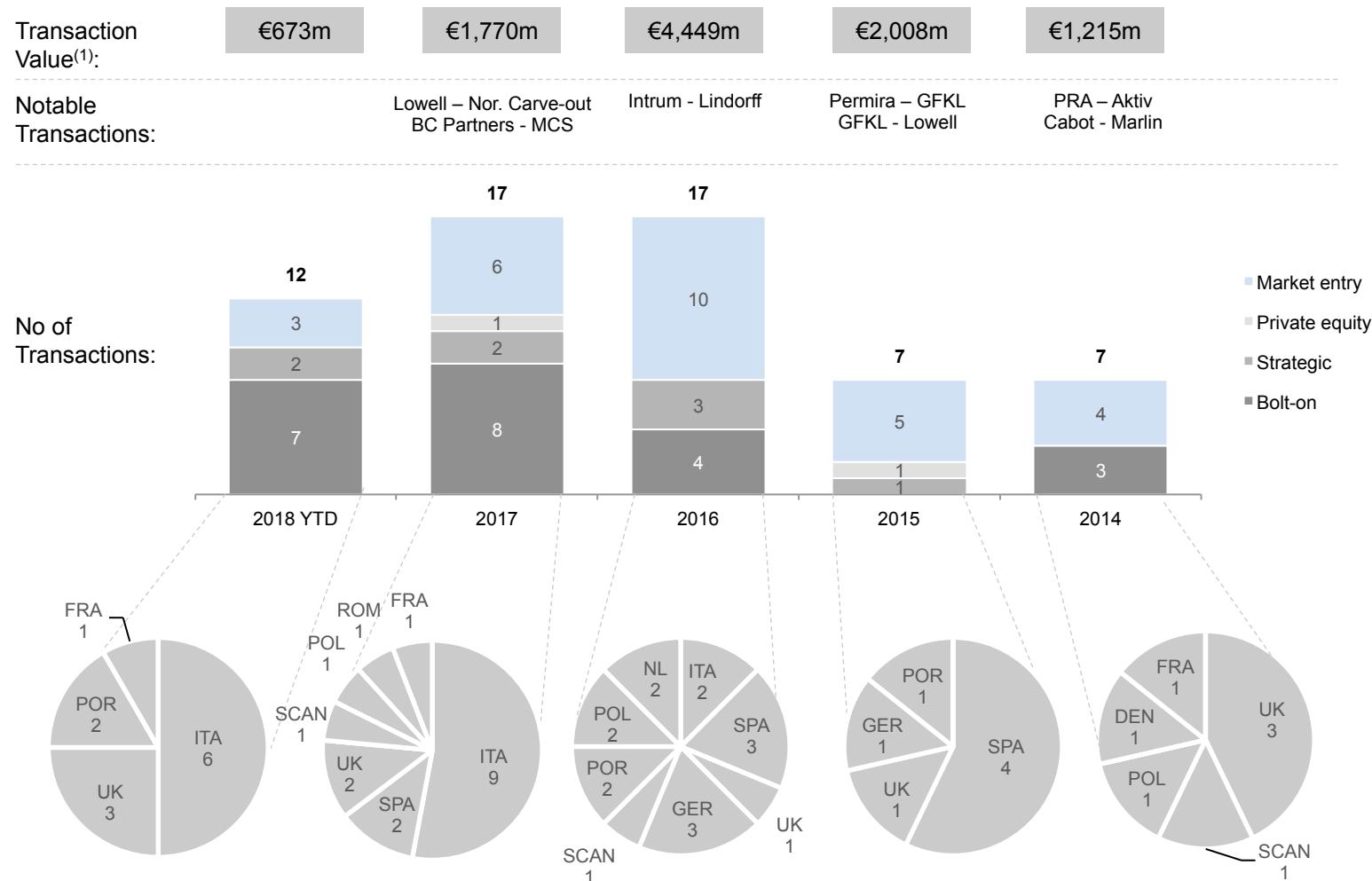
Source: Companies' reports, Factset.

(1) Lowell acquired Intrum's Nordic Carve-out business with an investment portfolio of €400m for €730m and completed the transaction in March 2018. The merger and relevant funding requirements distorted the capital structure for the period.

(2) Arrow Global and Hoist Finance Total ERC figures estimated by adding 15% to 120m ERC. Lowell 180m ERC assumed equal to total ERC.

Recent M&A Trends

A large part of M&A activity over the last three years was concentrated around market entry acquisitions and bolt-on transactions in servicing.



Source: Factset, transaction reports, acquirer announcements, public news.

(1) Disclosed values only.

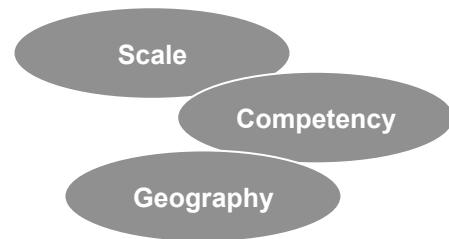
Drivers of Further M&A Among European Debt Managers

Pro-active search for the correct business calibration, pre-emptive defense and private equity exits are likely to be the key M&A drivers over the medium term.

1

Pro-active

What additional elements are needed to further improve competitive position?



2

Pre-emptive

Which combinations in the market could transform the competitive landscape?

Lowell  B2HOLDING

ARROW  CABOT
CREDIT MANAGEMENT

Hoist  Finance

doBank  ak
AKTIV KAPITAL

BANCA  IFIS

3

Reactive

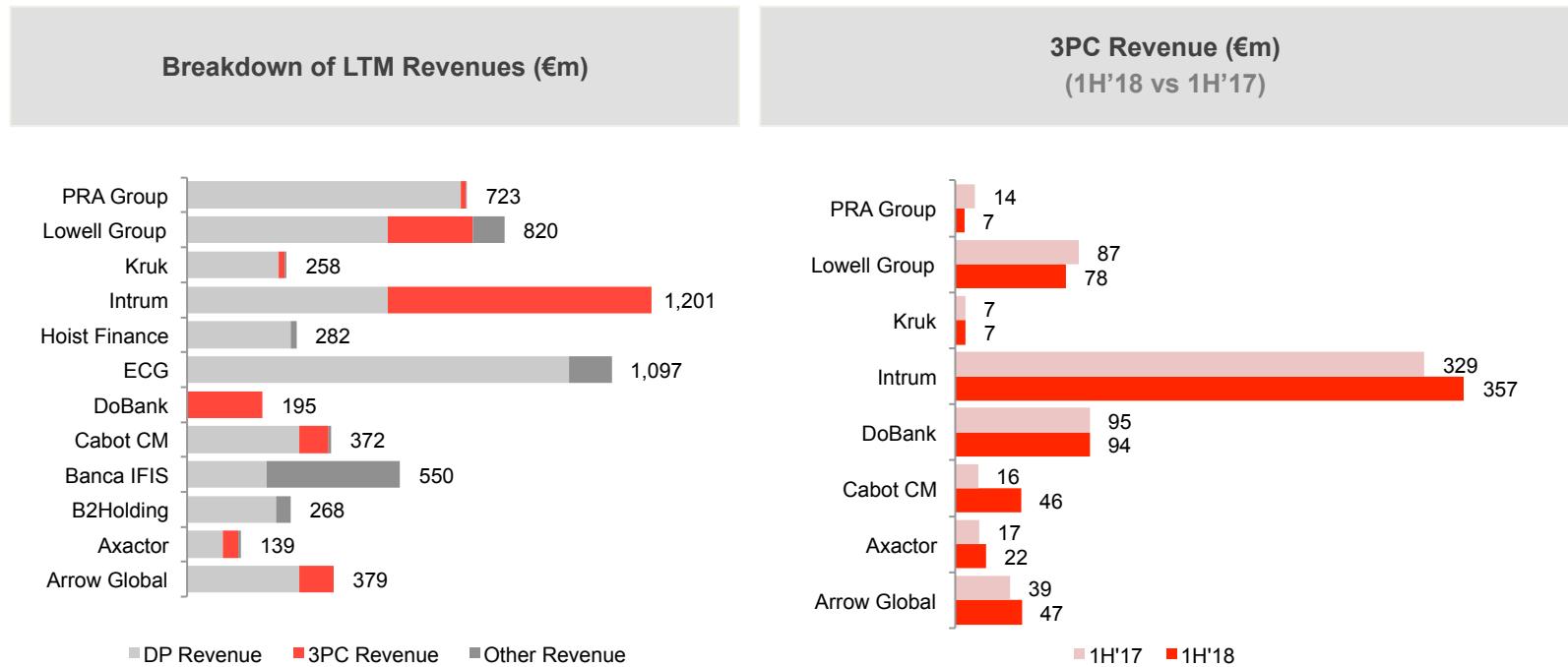
Which businesses may be driven to a sale or merger over the next 2-3 years?

PERMIRA  Lowell 

BC Partners  MCS
GROUPS

3PC Trends

Some of the players significantly beefed up servicing capacity with bolt-on acquisitions and are emphasising 3PC revenue in their investor discussions.



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