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# Intermediate Capital Group PLC

## Full Year Results Presentation

2 June 2010

# Highlights



## ■ Operational highlights

- Final close on Recovery Fund at €843m
- Performance of portfolio companies showing early signs of improvement
- Repayments objective exceeded
- Investments resumed

## ■ Financial highlights

- Return to profitability; pre-tax profit of £105.8m\*
- Final dividend of 11p per share; 17p for full year
- Investment capacity of £2bn

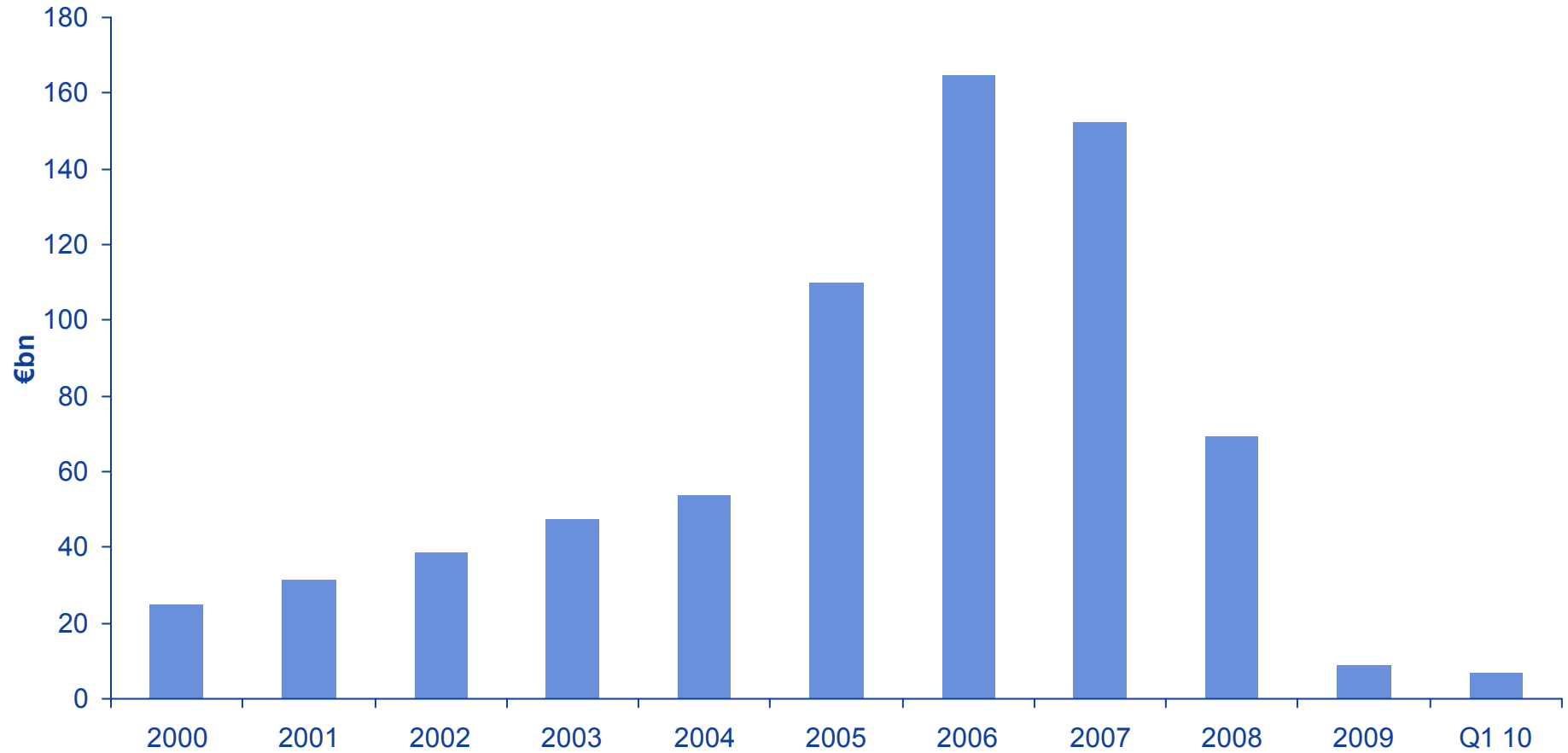
\*Including £0.1m positive impact of fair value movements on derivatives held for hedging purposes



# Market Update

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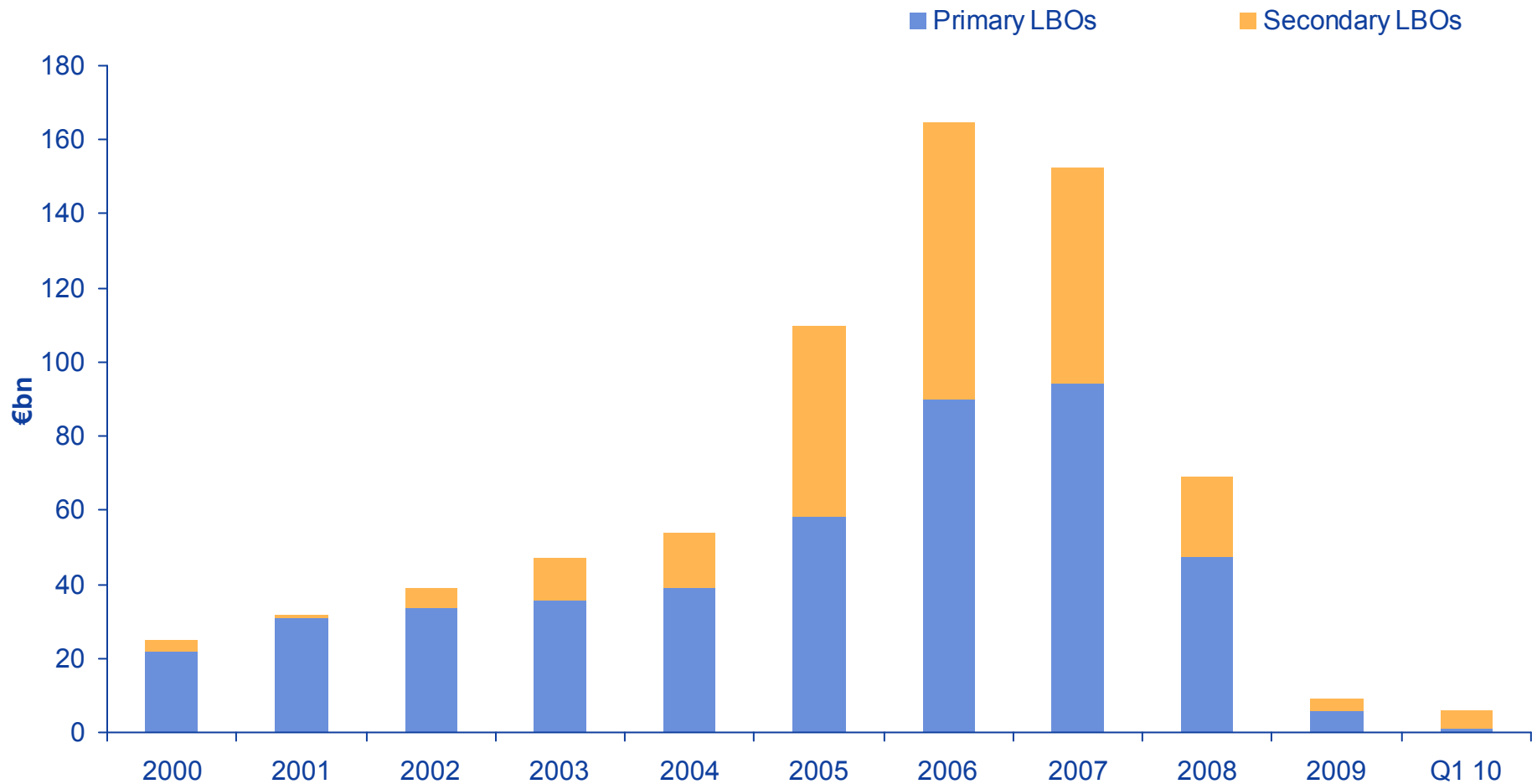
# European LBO Volume



Source: S&P

# European LBO Volume

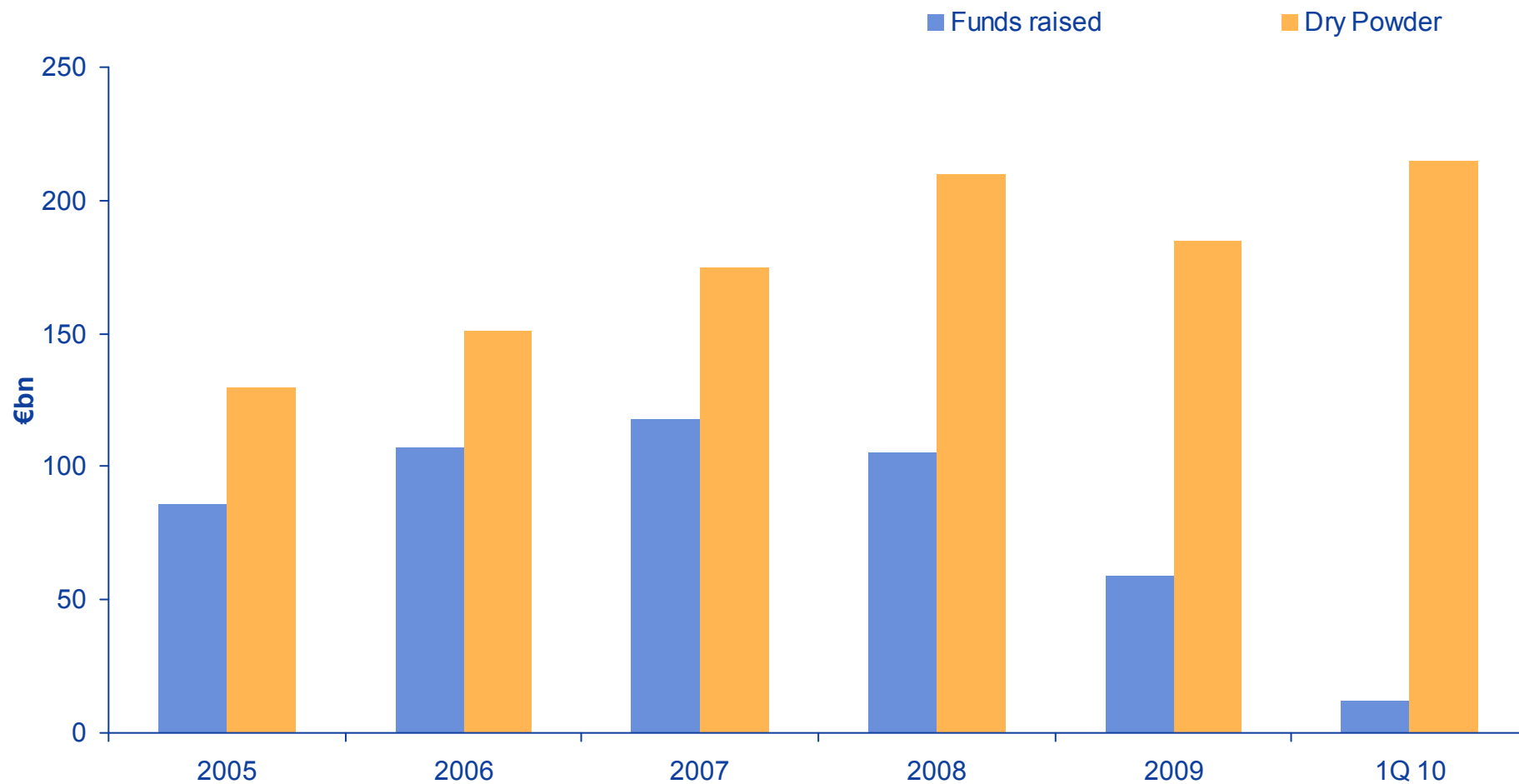
## Primary vs Secondary



Source: S&P

# European Private Equity

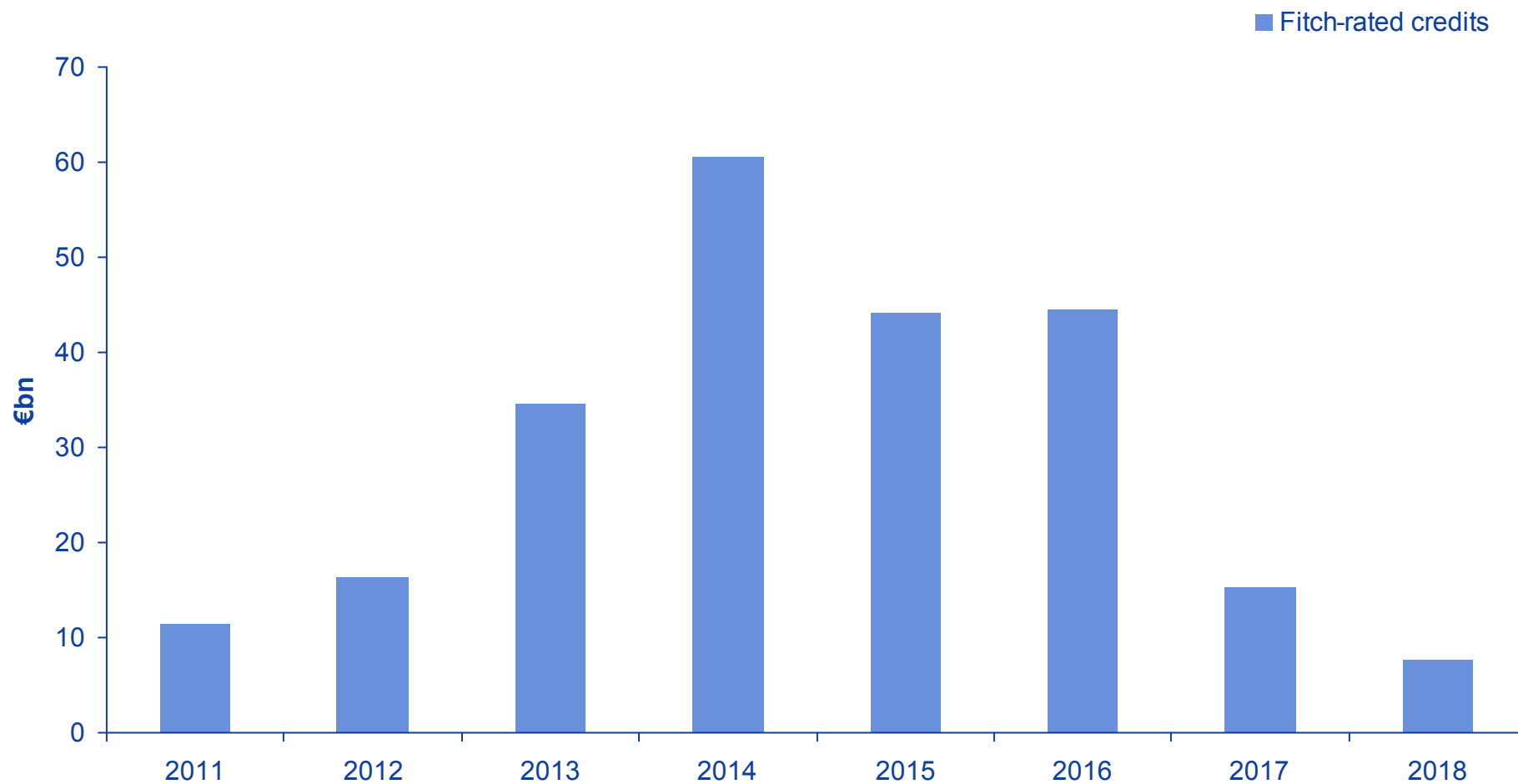
## Commitments and Dry Powder



Source: Preqin

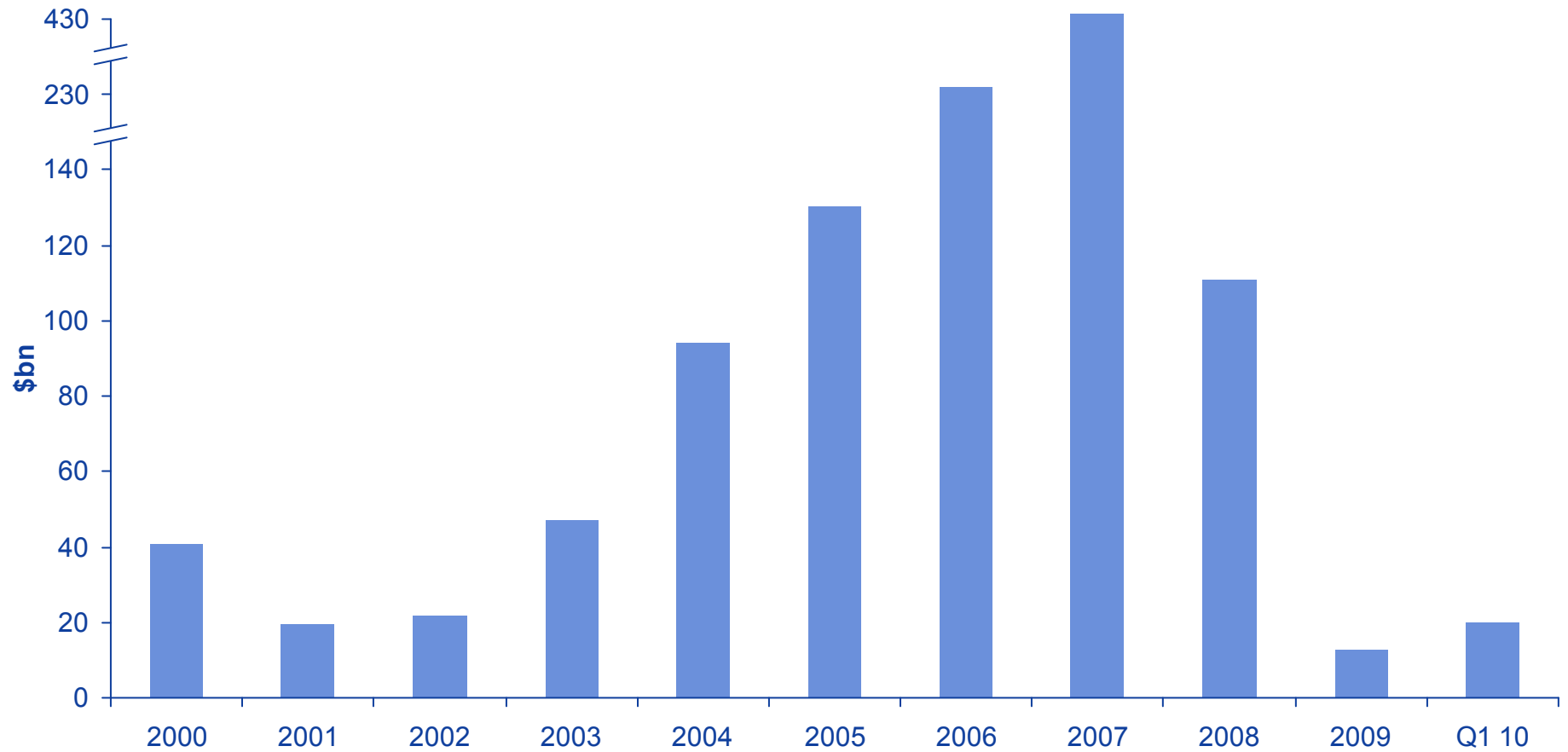
# European LBO Senior Debt

## Maturity Profile



Source: Fitch

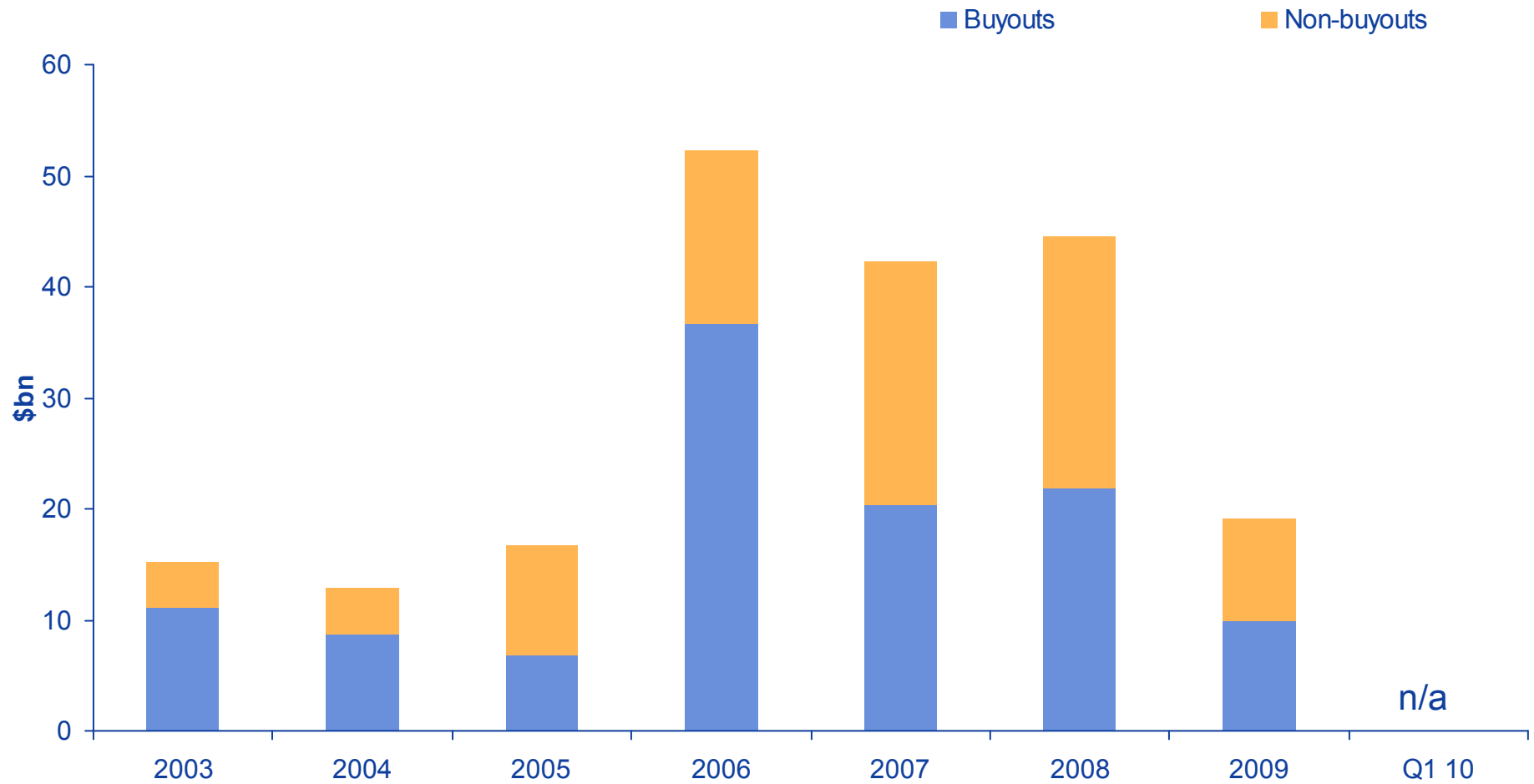
# US LBO Volume



Source: S&P



# Asia Pacific Volume



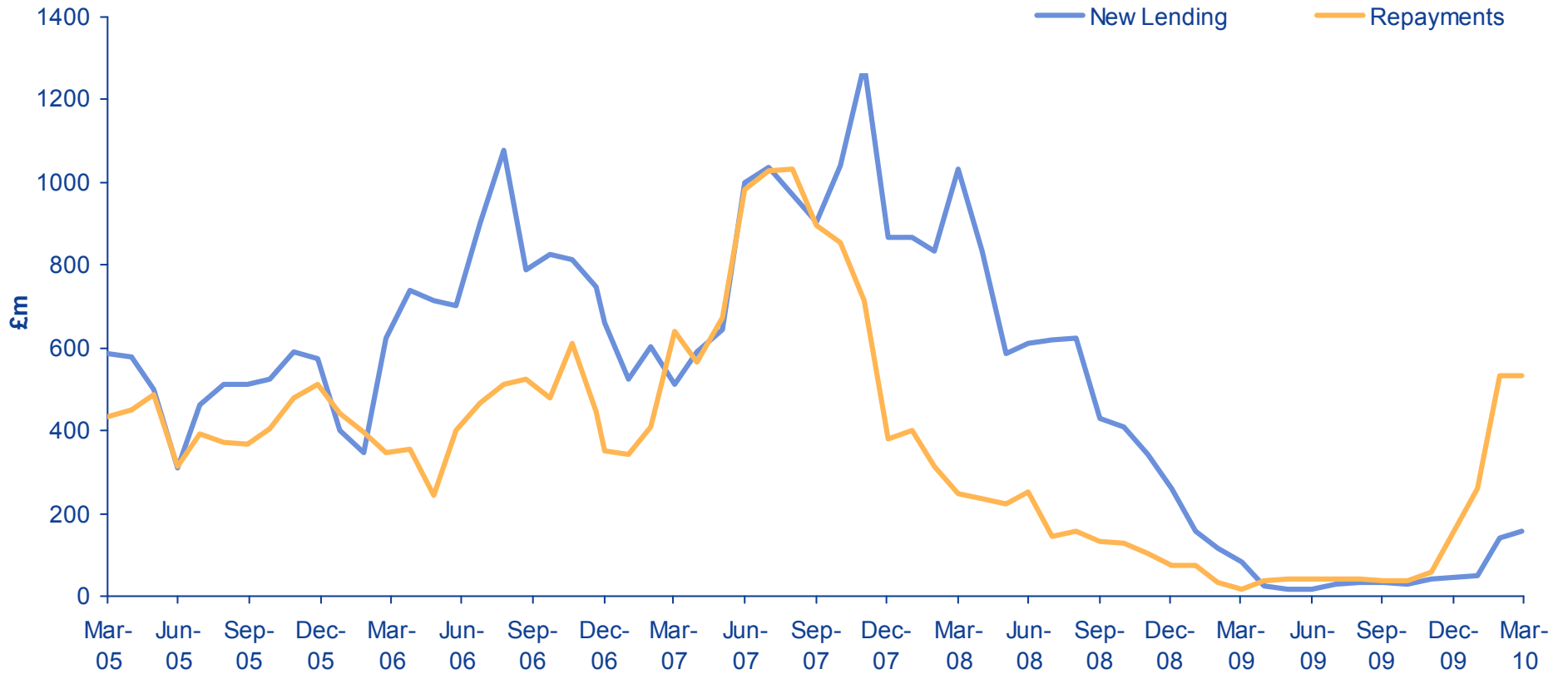
Source: APER

## Credit Markets



- Price recovered to mid 90s (flow names); mid 80s (mid-market)
- Default rate peaked at 15.8% in December; Rating agencies now expect low default rate in 2010
- Liquidity limited to reinvestment of early repayments
- €6bn of new issuance in Q1 10, compared to €5bn in 2009
- New issues at lower leverage multiples, higher spread

# New Lending vs Repayments\*



\*6 months moving average

# Exits



- **£224m of repayments\* and £99m of capital gains\*\***
  
- **Well above objective for the year**
  
- **5 Top 20**
  - Marken (Sponsor)
  - Medica (IPO)
  - Springer (Refinancing)
  - Sebia (Sponsor)
  - Gala (sold in open market)

\* Excluding Sebia

\*\* Excluding £24m of capital gains on Sebia ordinary shares

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# European Deal Pipeline



- **Increased momentum in pipeline**
  
- **Plain vanilla LBO unattractive at present**
  
- **Recovery**
  - Buy and build / bolt-ons
  - Restructure balance sheet
  
- **Primary Market**
  - Growth capital

## Transaction description

- Icopal is an international manufacturer of roofing and waterproofing products
- The business operates within a niche in the building materials sector that is largely driven by maintenance and repair, where spend is more resilient in an economic downturn than new construction spend
- The business has maintained broadly flat EBITDA over the period 2007-2009 despite the severe downturn in the construction sector
- ICG and funds have purchased senior debt with a face value of €83m at a discounted price
- The Investment is classified as a Recovery Asset and will be held by ICG, ICG European Fund 2006 and ICG Recovery Fund 2008

## Investment rationale

- Icopal is the leader in almost all its markets
- Icopal's markets are typically highly consolidated with stable market shares and good price discipline
- The segment is relatively resilient to the economic cycle due to the ongoing requirement to repair and maintain flat roofs
- Very good leadership team which has managed its cost base remarkably well through the economic downturn
- Strong relationship with the sponsor secured access to their due diligence, and the management team

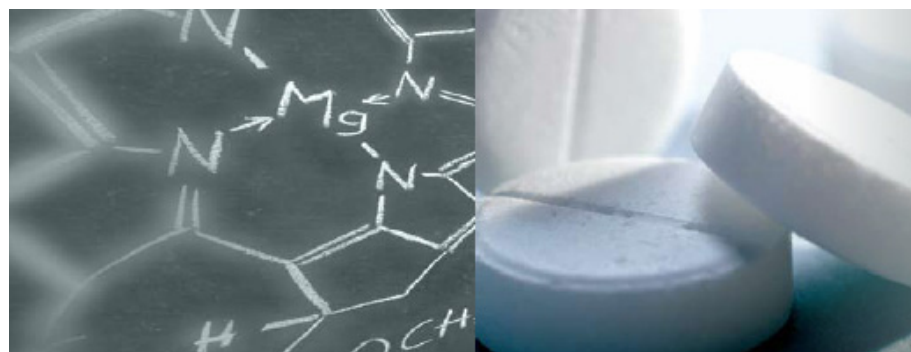


## Transaction description

- CPA Global is a worldwide leader in IP renewals and in the fast growing market for Legal Services Outsourcing (LSO)
- The business was founded 40 years ago to allow founder patent attorneys to outsource renewal process
- Founders appointed professional management team
- First introduced to management by advisers in April 2008. A sale process began in May 2009
- ICG proposal enabled the founder shareholders to realise some significant cash proceeds and still retain a minority shareholding alongside ICG and management
- ICG invested in a combination of minority equity and mezzanine capital
- CPA Global is held by ICG, ICG European Fund 2006 and ICG Minority Partners 2008

## Investment rationale

- Clear market leader in patent and trademark renewals, a market with long-term steady growth
- Proven renewal execution for long term customer relationships
- Early entrant in Legal Services Outsourcing (LSO) market
- Believe CPA Global is well positioned in this high-growth market





# Portfolio Update

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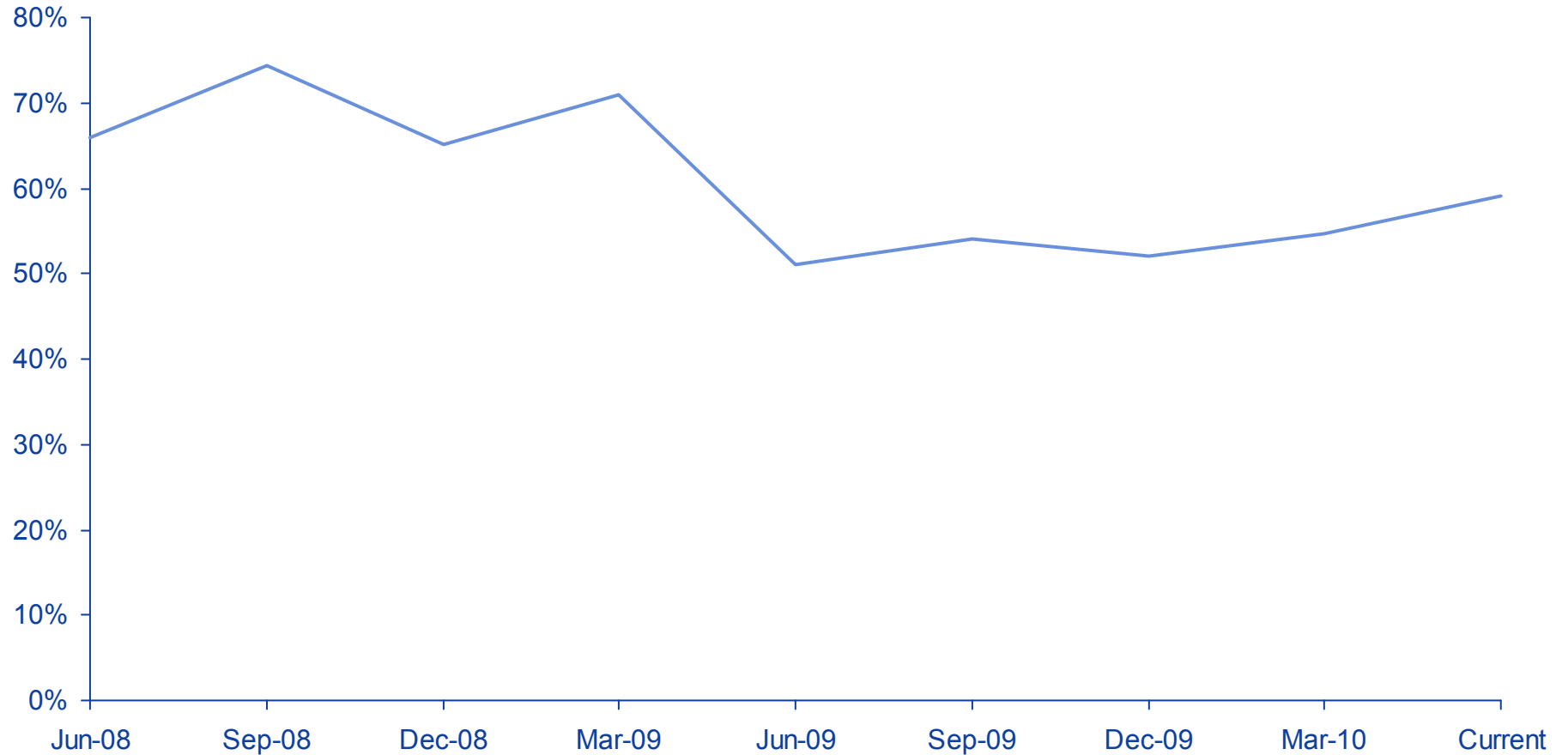


# Investment Portfolio

## Performance vs Prior Year



Percentage of assets performing at or above prior year



# Top Twenty Assets



Business	Country	Vs Last Year
Private clinic manager	France	↓
Manufacturer of medical diagnosis equipment	France	↑
Electronic publisher of company information	Belgium	↑
Textile rental and cleaning	France	↑
Airport operator	UK	↑
Cable operator	Taiwan	↑
Inspection, certification and technological services	Spain	↓
Waste management solutions provider	UK	↓
Elderly care homes	Sweden	↑
Manufactures speciality chemicals for the construction industry	France	→
Tour operator	Spain	↓
Private clinical and routine laboratories	France	↓
Provider of correctional products and services	USA	↓
Business management software and outsourcing services	UK	↑
Credit Bureau	Australia	↑
Supplier of fire protection systems and services	Germany	↓
Patent & legal services	UK	→
Provider of services and technical solutions for utilities	Germany	↓
Drug development and manufacturer	France	↑
Auto centre operator	France	↑

# Top Ten Equity Assets



Business	Country	Vs Last Year
Manufacturer of medical diagnosis equipment	France	↑
Patent & legal services	UK	→
Fixed satellite services	USA	→
Cable operator	Taiwan	↑
Livestock identification systems	France	↑
Home delivery of frozen foods	Germany	↑
Inspection, certification and technological services	Spain	↓
Insurance and roadside assistance	UK	↑
Business management software and outsourcing services	UK	↑
Bread manufacturer	France	↓

# Top Ten PIK Assets

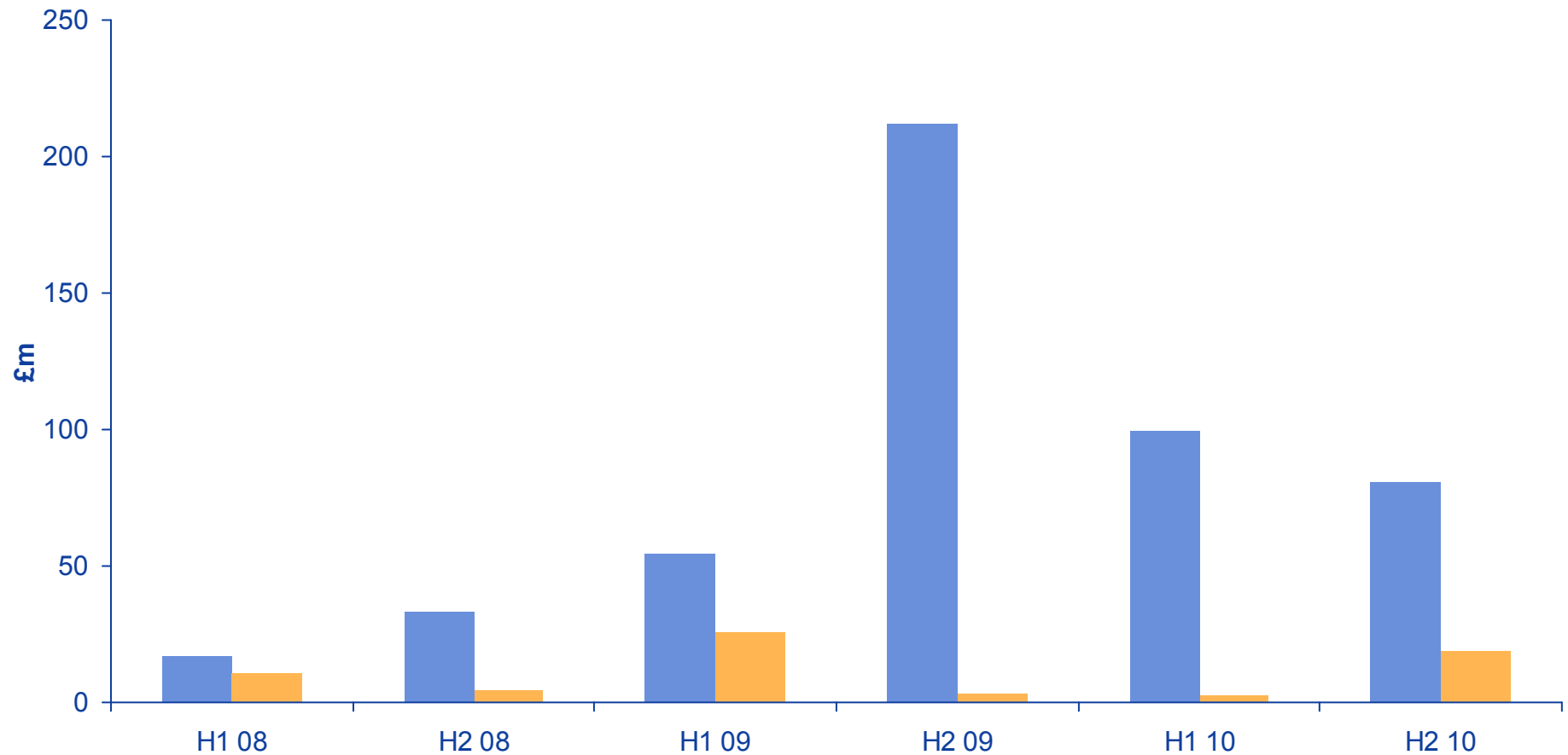


Business	Country	Vs Last Year
Private clinic manager	France	↓
Manufacturer of medical diagnosis equipment	France	↑
Credit Bureau	Australia	↑
Business management software and outsourcing services	UK	↑
Share registry and fund administration services	Australia	↑
Share registry and corporate administration	USA	↑
Private clinical and routine laboratories	France	↓
Electronic publisher of company information	Belgium	↑
Security services	Italy	↑
Cinema owner and operator	Australia	↑

# Trend in Provisions for Portfolio Companies



■ Gross Provisions   ■ Write-backs

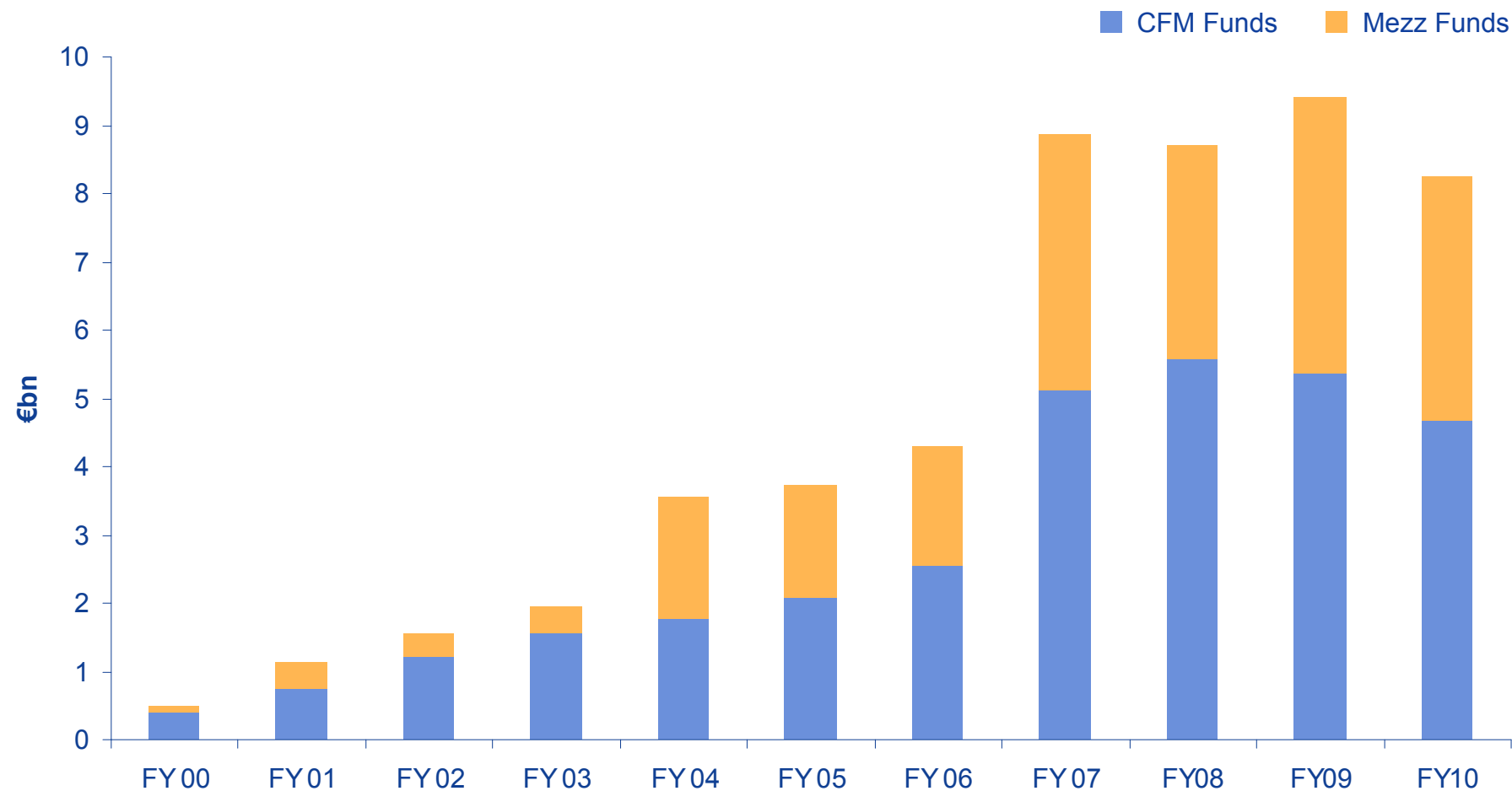




# Fund Management

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# Third Party Funds Under Management

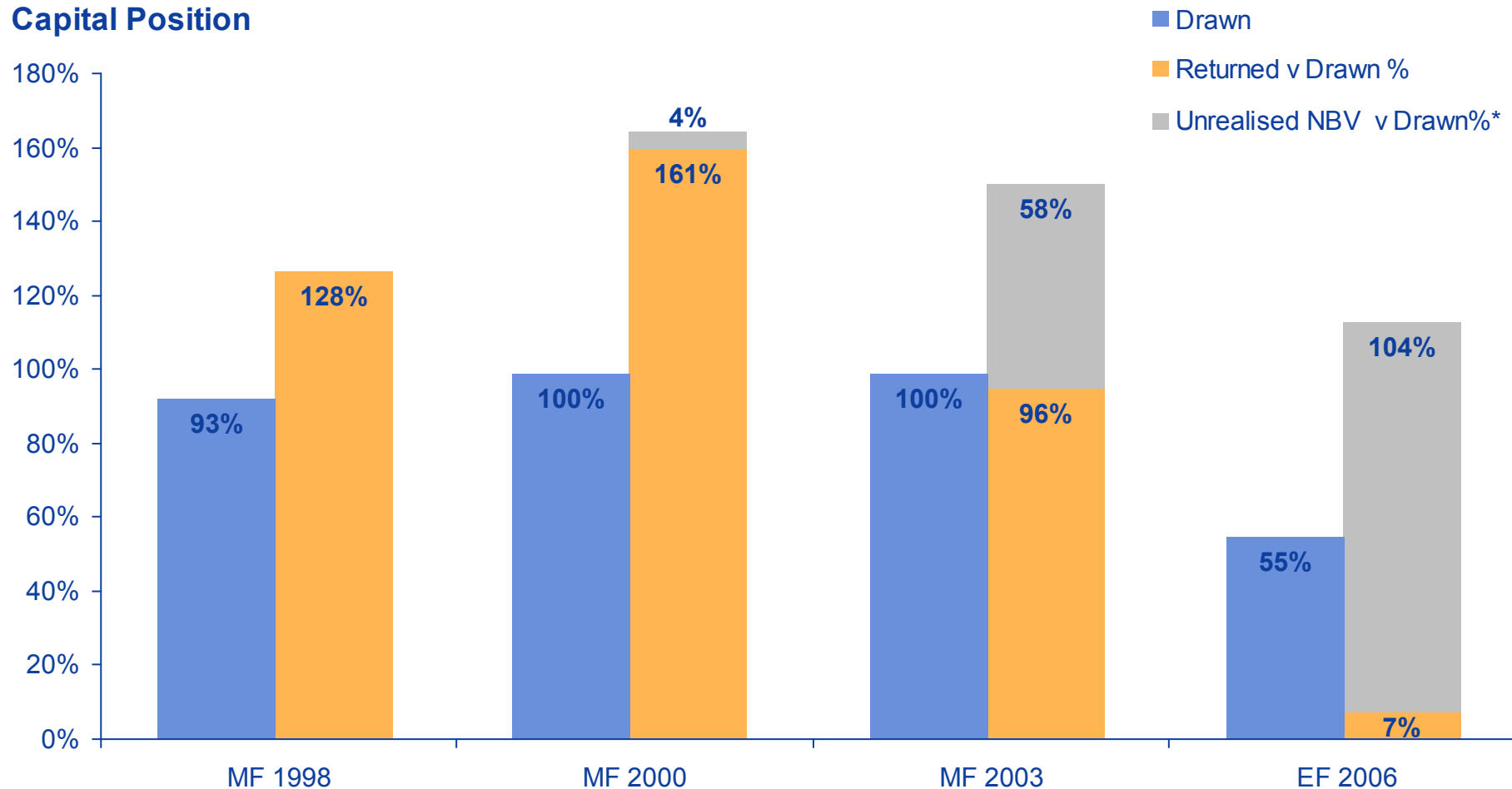


# ICG European Mezzanine Funds

## Track Record



### Capital Position

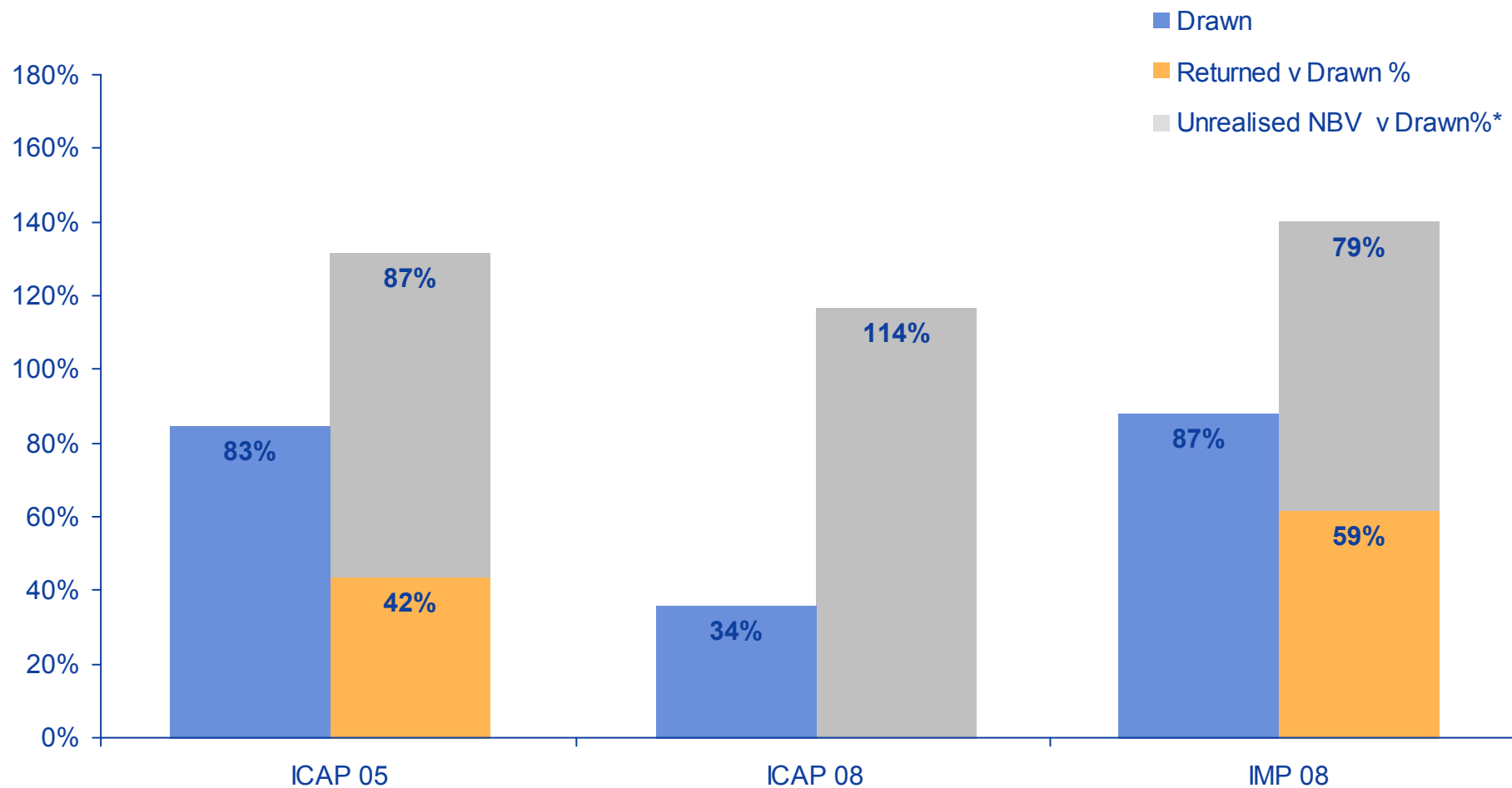


\* NBV is net of provisions but excludes equity or warrant valuation uplift



# ICG Asia Mezzanine Funds and Minority Partners

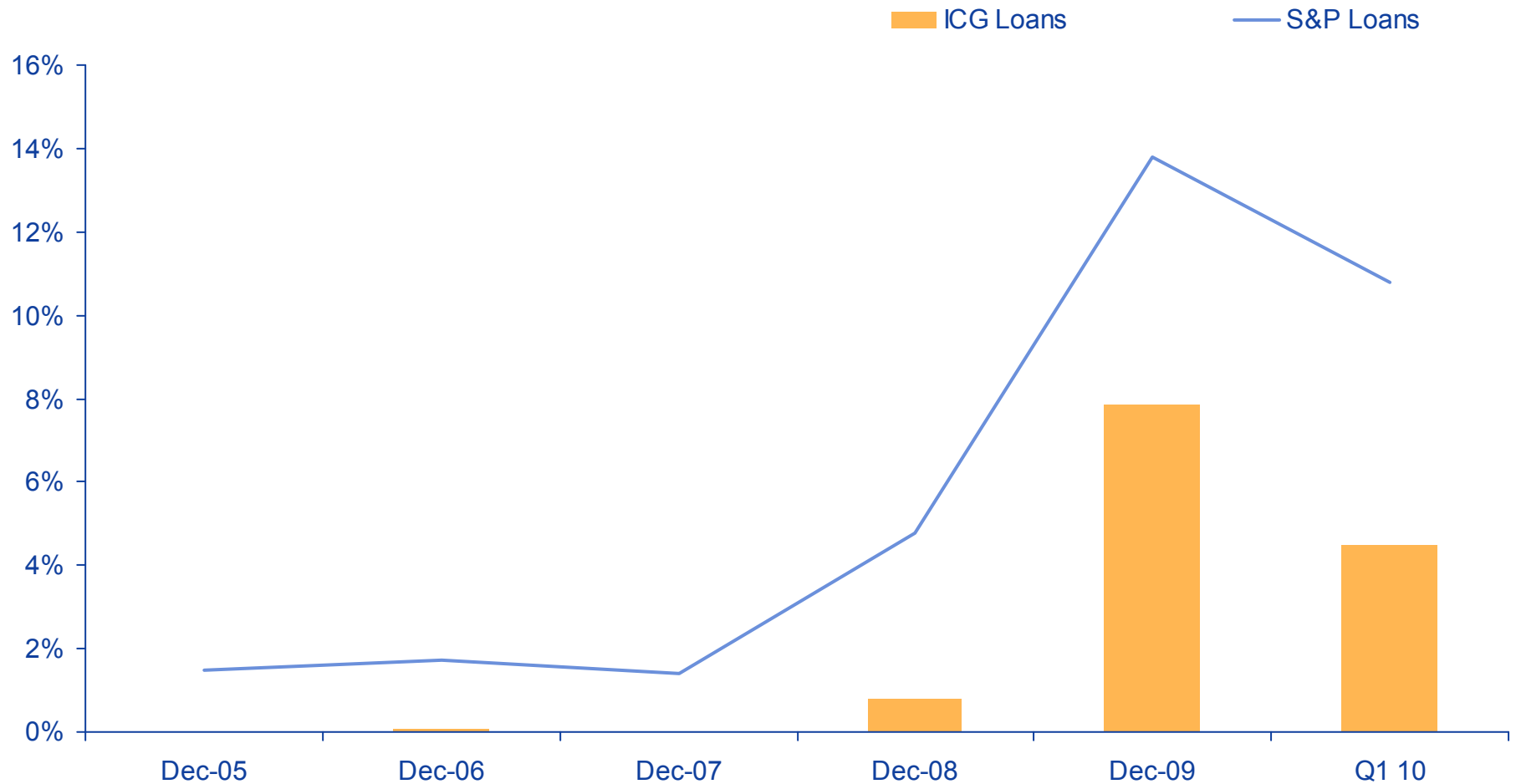
## Track Record



\* NBV is net of provisions but excludes equity or warrant valuation uplift

# ICG Credit Funds

## Default vs Market Rates



Source: ICG and S&P

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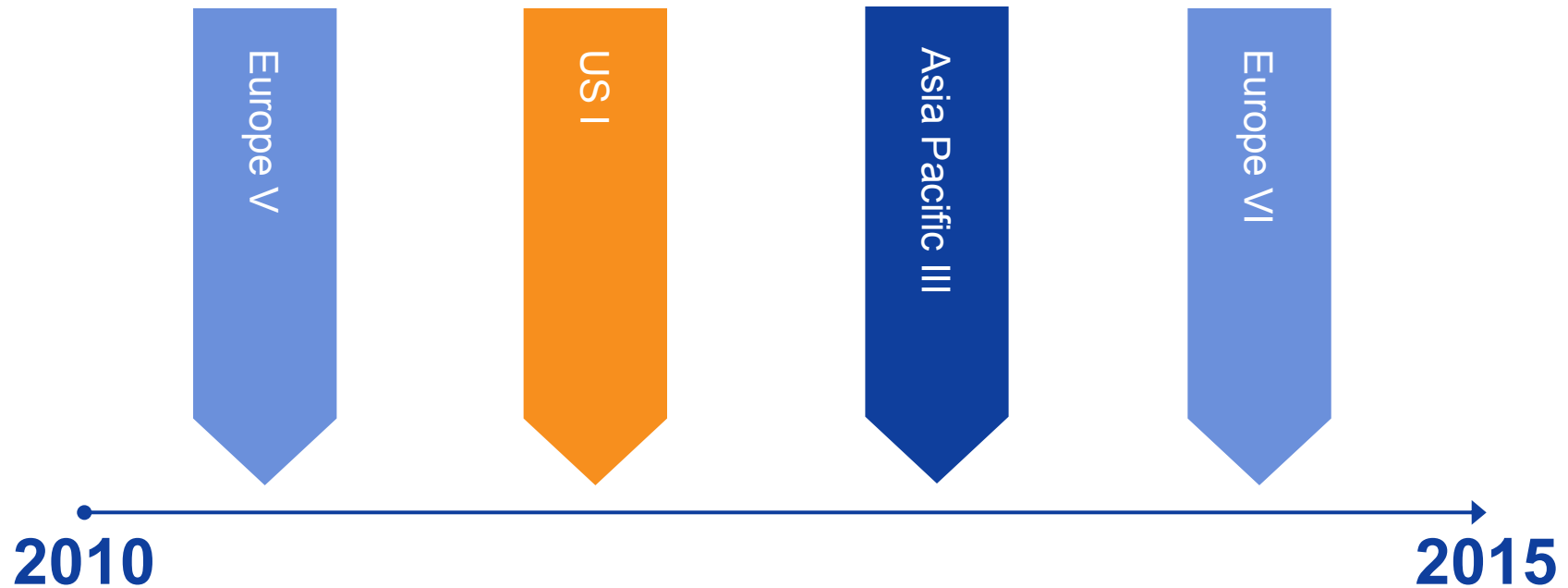
# Recovery Fund



- **Final Close of Recovery Fund at €843m (€643m of equity)**
- **Additional €368m of equity raised**
- **Testimony of strength of ICG brand**
- **Strong growth in new clients**

# Mezzanine and Growth Capital Funds

Expected fundraising timetable



# CFM Growth Strategy



## Credit Funds

Leveraged loan funds

Portfolio purchases

High yield bond funds

Managed accounts

Recovery Fund

Build a US platform

Future growth



# Financial Review

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## Financial Highlights

- **Pre-tax profit of £105.8m\* vs £(67)m in 09\*\***
- **New segmental reporting**
- **Fund Management profit of £38.0m vs £30.9m in 09**
- **Investment profit of £67.8m vs £(97.6)m in 09**
- **Cash Core Income of £115.1m vs £53.4m in 09**
- **Additional £67m of debt extended**

\*Including £0.1m positive impact of fair value movements on derivatives held for hedging purposes (\*\*09: £8.3m)

# Segmental Reporting Key Principles



- **Fund Management Co is operating unit**
  - Investment network (investment executives, local offices), fund marketing costs and support functions allocated to FM Co
- **Investment Co will be charged a management fee of 1%**
- **MDs' remuneration split 50/50**
- **Finance and Treasury functions as well as public company costs remain with Investment Co**
- **Matching of incentive schemes**

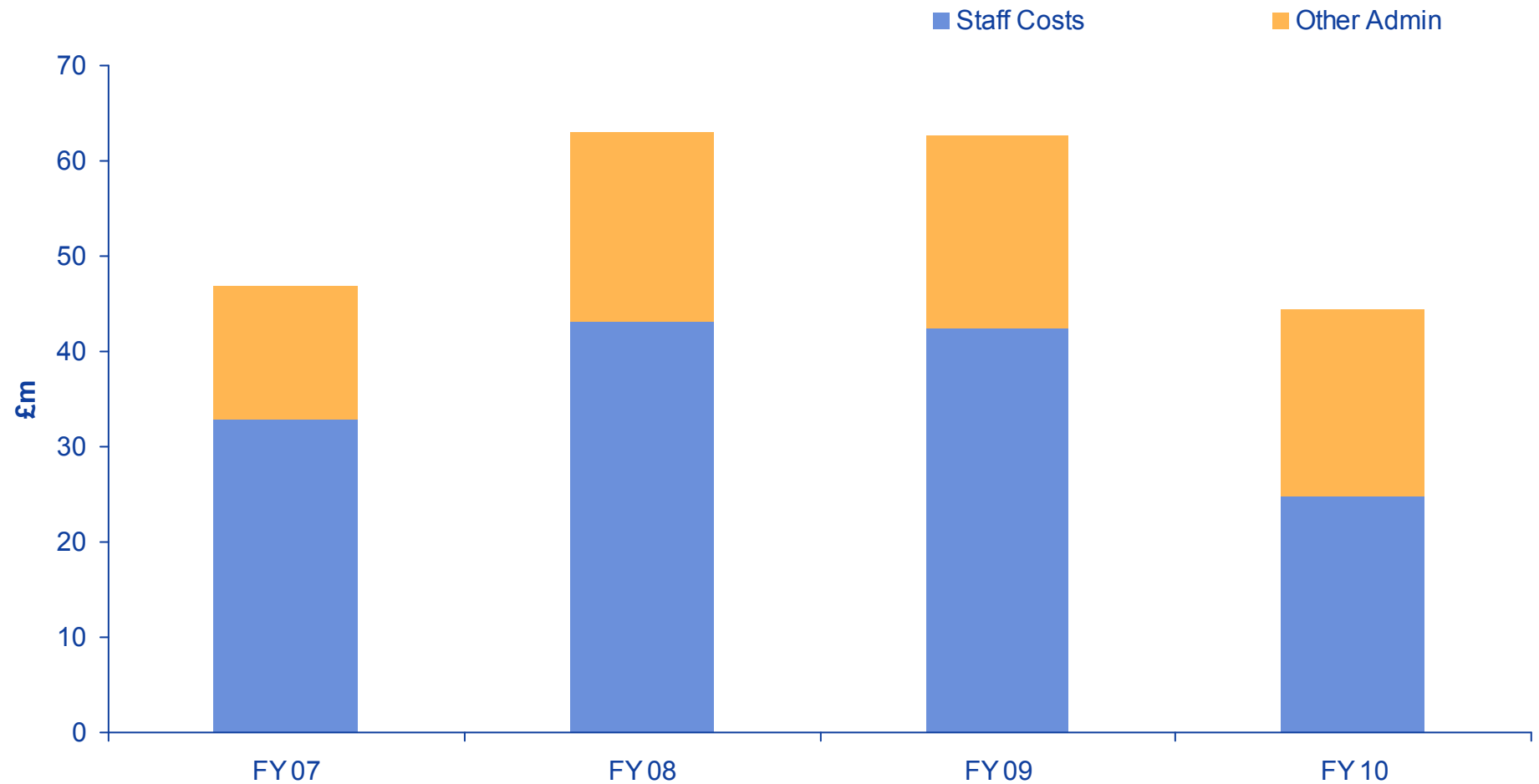


# Segmental Reporting



	March 2010	March 2009	March 2008	
<b>Fund Management Company</b>	Fee income	76.4	80.2	72.6
	Other income	1.9	6.0	5.9
	Admin expenses	(40.3)	(55.3)	(54.8)
	<b>FM Profit</b>	<b>38.0</b>	<b>30.9</b>	<b>23.7</b>
<b>Investment Company</b>	Net Interest Income	209.7	189.9	156.5
	Div & other income	3.4	10.0	7.5
	Admin expenses	(60.7)	(57.5)	(51.3)
	Impairments	(161.8)	(273.1)	(46.0)
	Net capital gains	77.1	24.8	102.9
	FVM derivatives	0.1	8.3	36.2
	<b>IC Profit</b>	<b>67.8</b>	<b>(97.6)</b>	<b>205.8</b>
<b>Group</b>	<b>Profit before tax</b>	<b>105.8</b>	<b>(66.7)</b>	<b>229.5</b>

# Operating Costs (Excluding MTIS)



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# Proposed Compensation Arrangements

## Key Principles Driving New Schemes

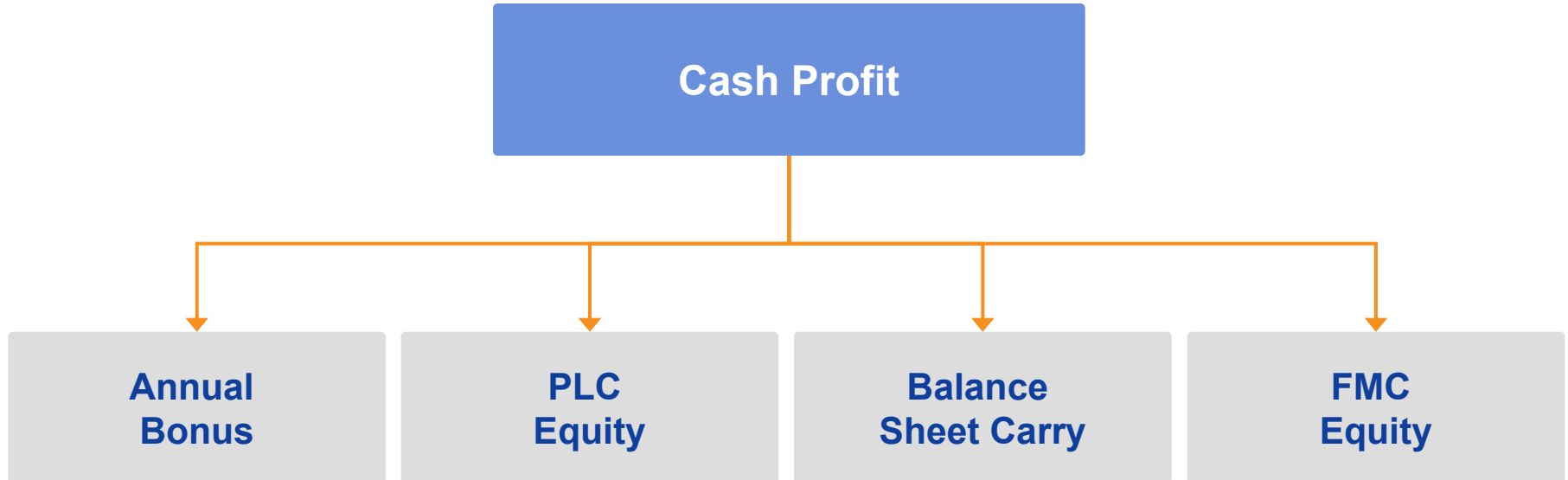


- **Quantum unchanged**
- **Better support long term business aims**
- **Improve alignment between staff and shareholders; promote staff ownership of the Company**
- **In line with FSA guidance**
- **Remain on “cash on cash” basis**

# Proposed Compensation Arrangements



- The total award pool will be a percentage of cash profit (pre-incentive operating profit including net provisions adjusted for unrealised gains, unrealised PIK and fair value movements on derivatives)



# Proposed Compensation Arrangements

## Transition & Segmental Impact



- **Subject to approval at AGM**
- **Transition in FY11 & FY12, after which MTIS terminates**
- **Transition towards a more balanced allocation between segments; long term split 50-60% FMC vs 40-60% IC**
- **On new schemes basis, FMC results overstated by £5m**
- **Old scheme in run off**
- **Fuller briefing after AGM**

# Fund Management



- Profit before tax up 23% to £38.0m, Flat adjusted for shadow share scheme release



# Mezzanine & Growth Capital Funds

## Third Party Fee Income



	2010		2009	
	Management Fee	Carried Interest	Management Fee	Carried Interest
Investing Europe	13.7	-	14.6	-
Investing Asia	5.7	-	7.0	-
Realisation Europe	10.2	2.7	9.0	1.2
Realisation Asia	2.3	-	-	-
<b>Total</b>	<b>31.9</b>	<b>2.7</b>	<b>30.6</b>	<b>1.2</b>

- **Mezzanine & Growth Capital Fee income up 9% to £34.6m (FY 09: £31.8m)**
  - Recovery Fund contribution offset by placement fees
  - Asia Pacific 08 and Europe 06, 25bps reduction in fee from end September in exchange for altered co-investment ratios
  - Positive currency impact

# Credit Funds

## Fee Income



- Fee income down 36% to £14.0m (F1 09: £21.7m) due to lower level of junior fees and the absence of performance fee
- Some signs of improvements – Might lead to recoveries of junior fees

	Fee Income in £m		Background	
	FY 10	FY 09	FY 10	FY 09
Senior fees	7.3	7.0	All except Opps	All Funds
Junior fees (CDOs only)	6.7	12.3	4 out of 10	10 out of 10
Performance fees	-	2.4	4 out of 10	10 out of 10
<b>Total</b>	<b>14.0</b>	<b>21.7</b>		

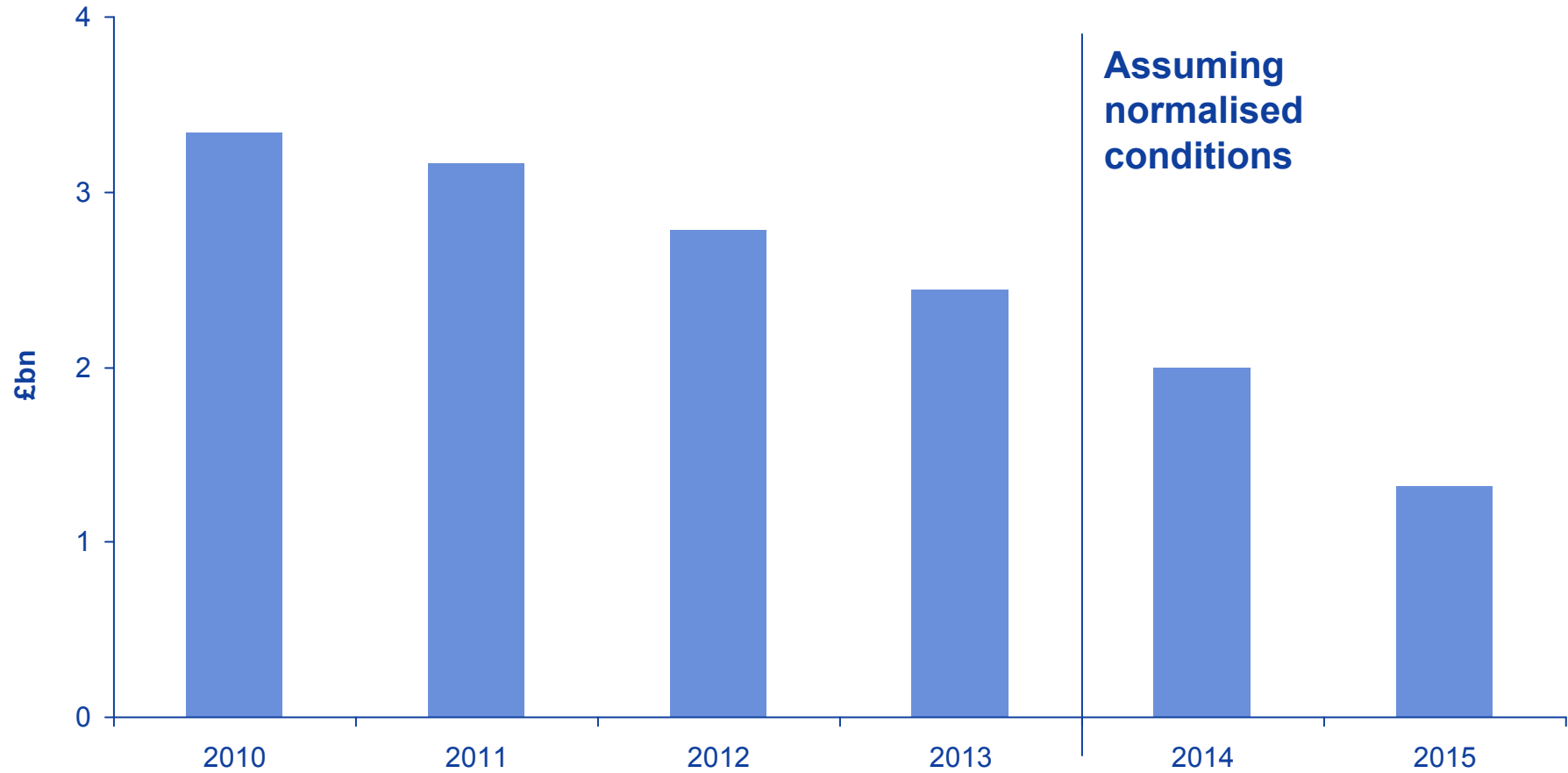


# Credit Funds

## Existing CDOs Run Off Profile



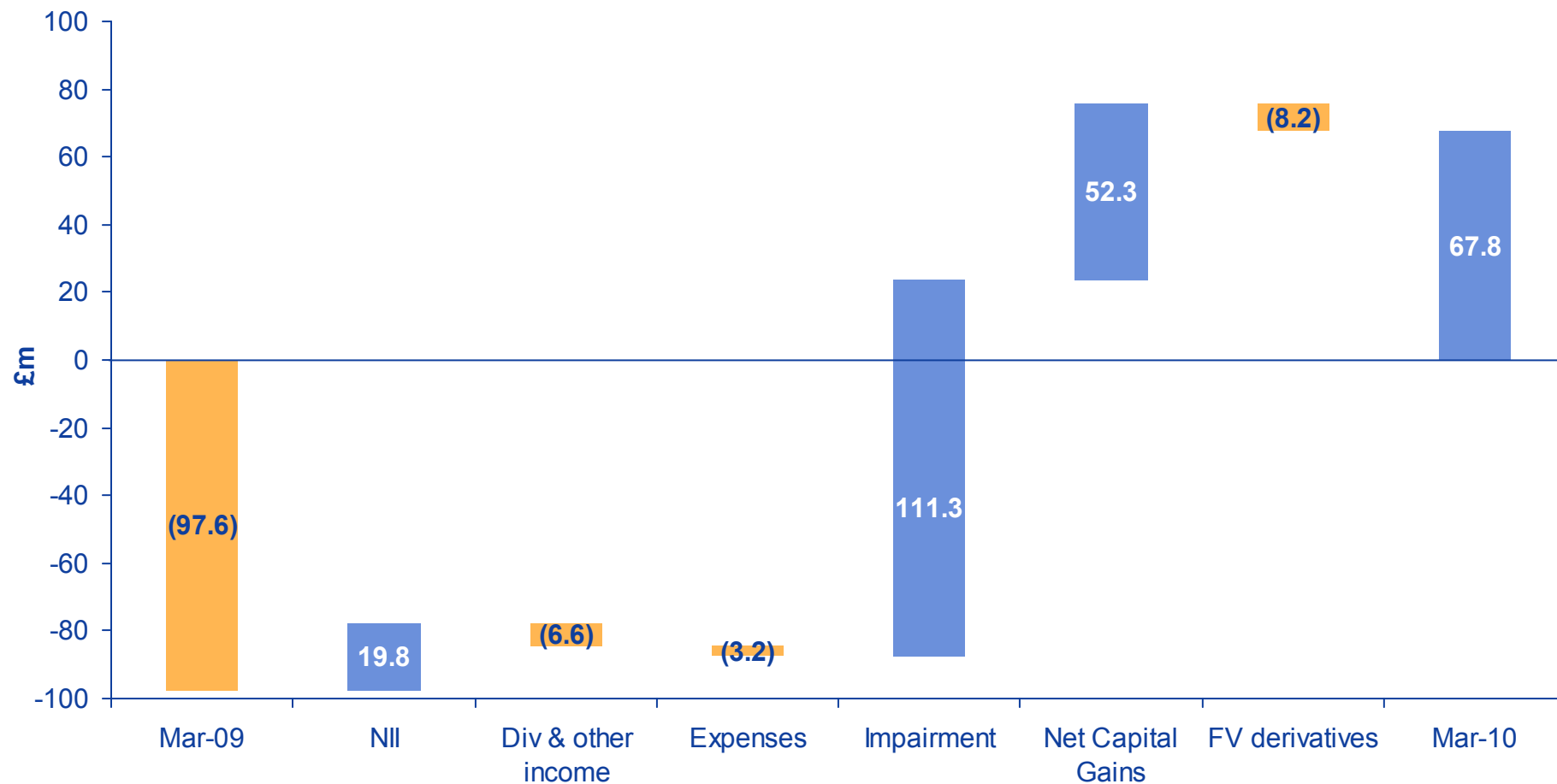
■ Projected CDO Portfolio Principal Balance



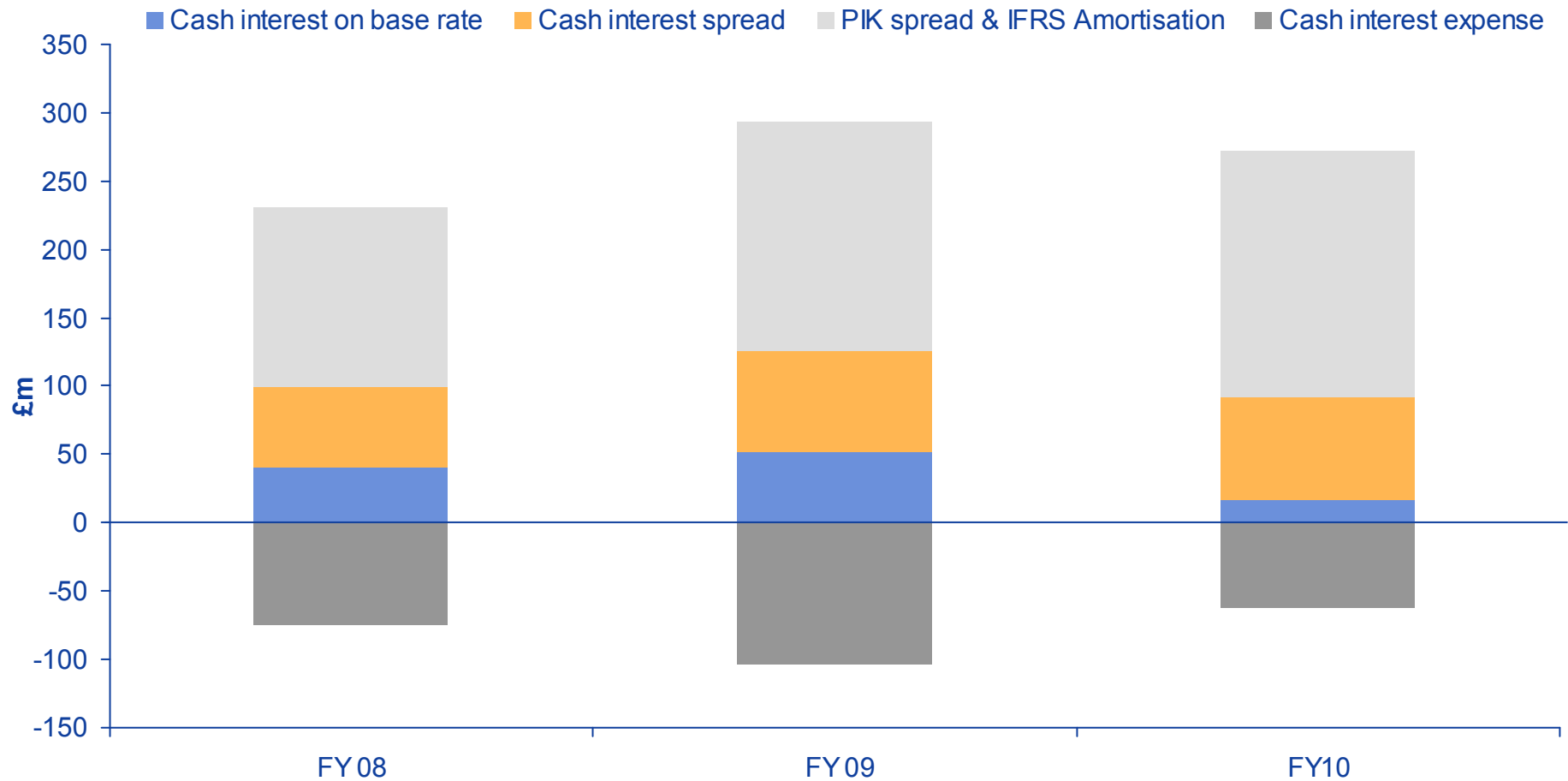
# Investment Company



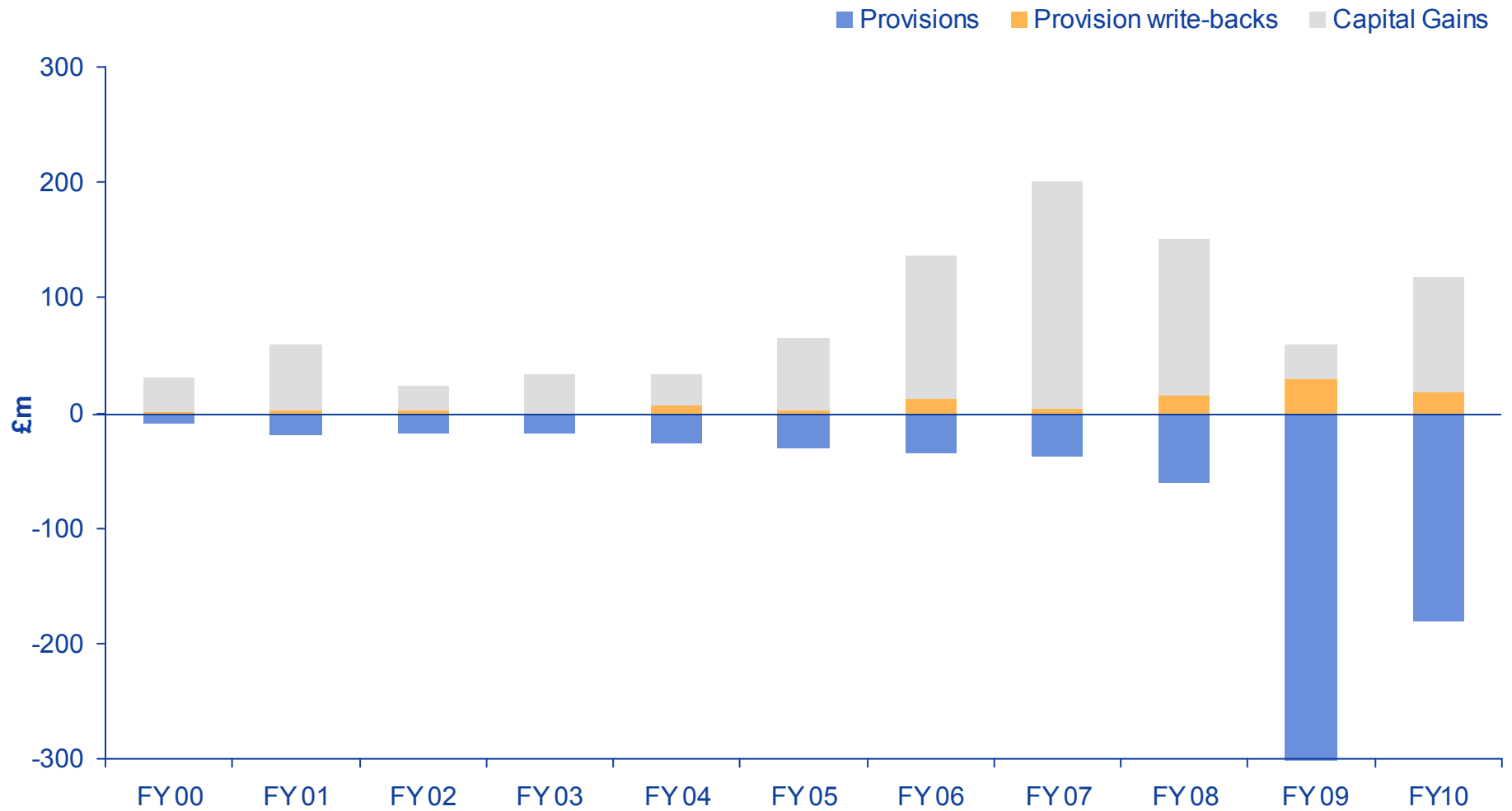
## Return to profitability, Profit before tax at £67.8m



# Net Interest Income



# Capital Account

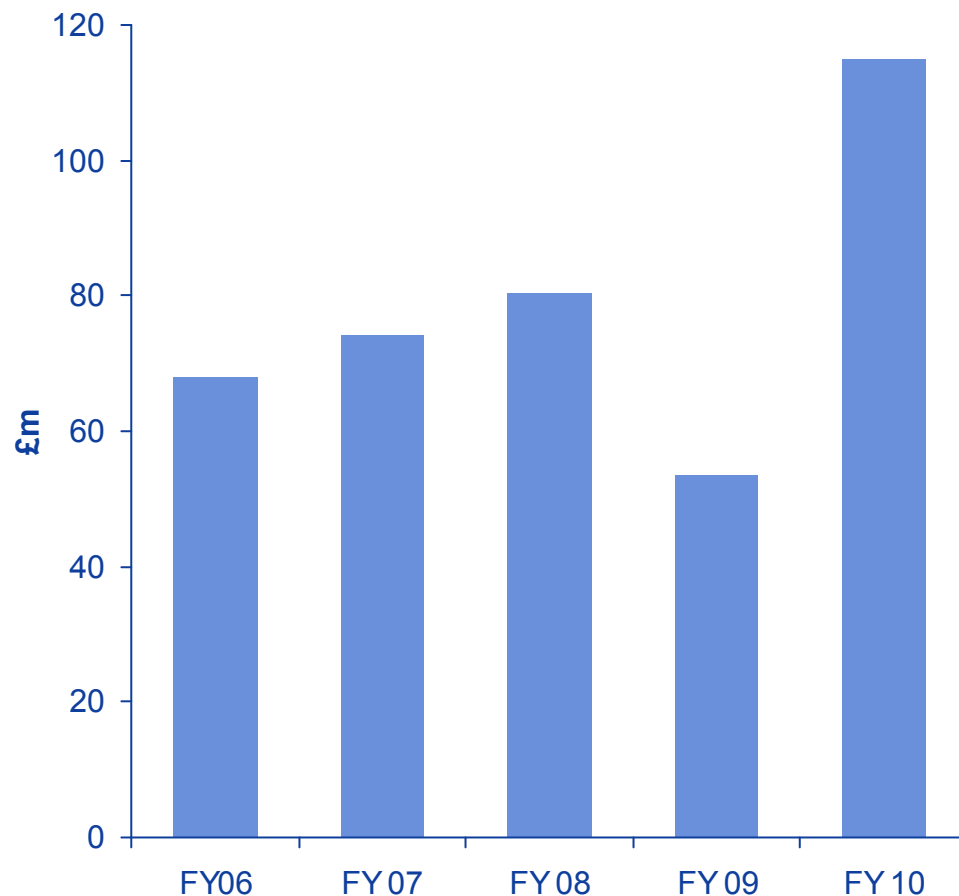


# Balance Sheet



	FY10 £m	FY09 £m	FY09 %
Loans & Investments	2,718	2,923	-7%
Net current liabilities	(30)	(52)	42%
	<b>2,688</b>	<b>2,871</b>	
Shareholders' Funds	1,184	776	53%
Borrowings	1,504	2,095	-28%
	<b>2,688</b>	<b>2,871</b>	
ROE	10.8%	-8.0%	-
Gearing Ratio	127%	270%	
Debt Facilities	2,223	2,403	-7%
Headroom	729	307	137%

# Cash Core Income



## Cash Core Income Calculation:

<b>Pre tax profit*</b>	<b>£105.7m</b>
Less Capital Gains**	£(77.1)m
Plus provisions	£161.8m
Less Accrued PIK**	£(127.9)m
Plus PIK realised**	£52.6m
<b>Cash Core Income</b>	<b>£115.1m</b>

\*\* adjusted for FV movements of derivatives held for hedging

\*\* Net of MTIS

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# Financial Outlook



- **Expect lower FMC profit in FY11 due to higher proportion of incentive scheme allocated to segment, stable fee income**
- **Expect lower NII, lower provisions and further capital gains, but limited visibility on economic outlook**
- **Strong and liquid balance sheet**



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## Conclusion

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## Conclusion

- Well positioned to grow fund management franchise over the next 5 years
- Investment portfolio showing early signs of improvement
- Realisations and Investments resumed
- But we remain cautious in a fragile economic environment

**“ We aim to be a leading alternative asset manager, specialising in mezzanine capital, buyout debt and related asset classes ”**



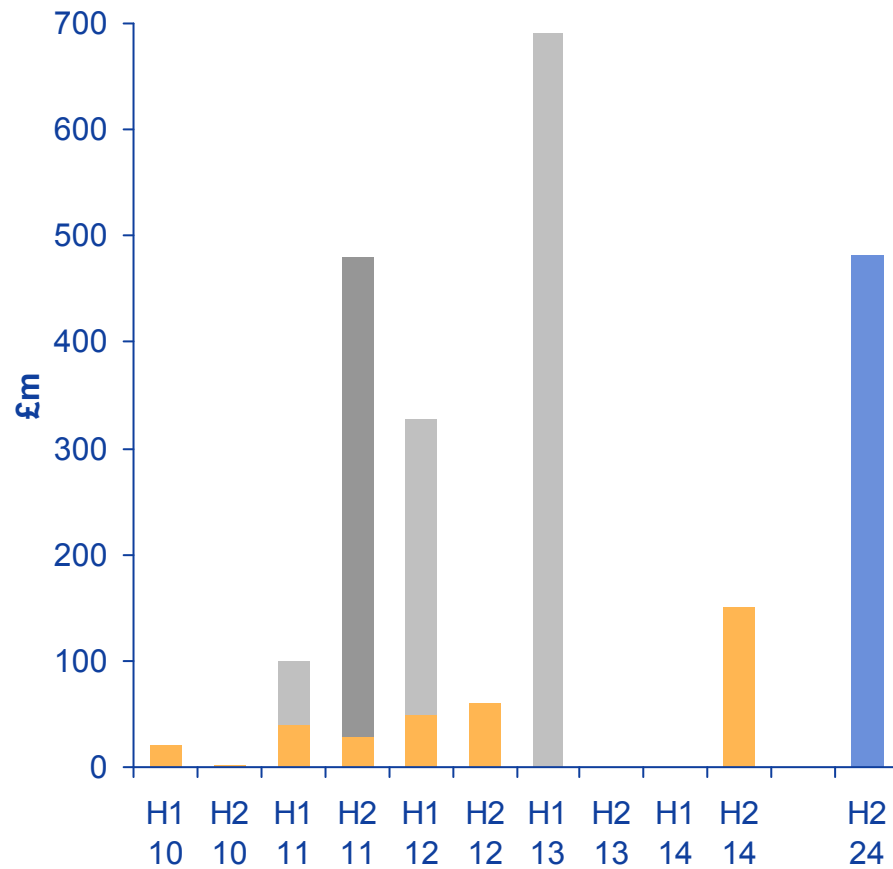
# Appendix

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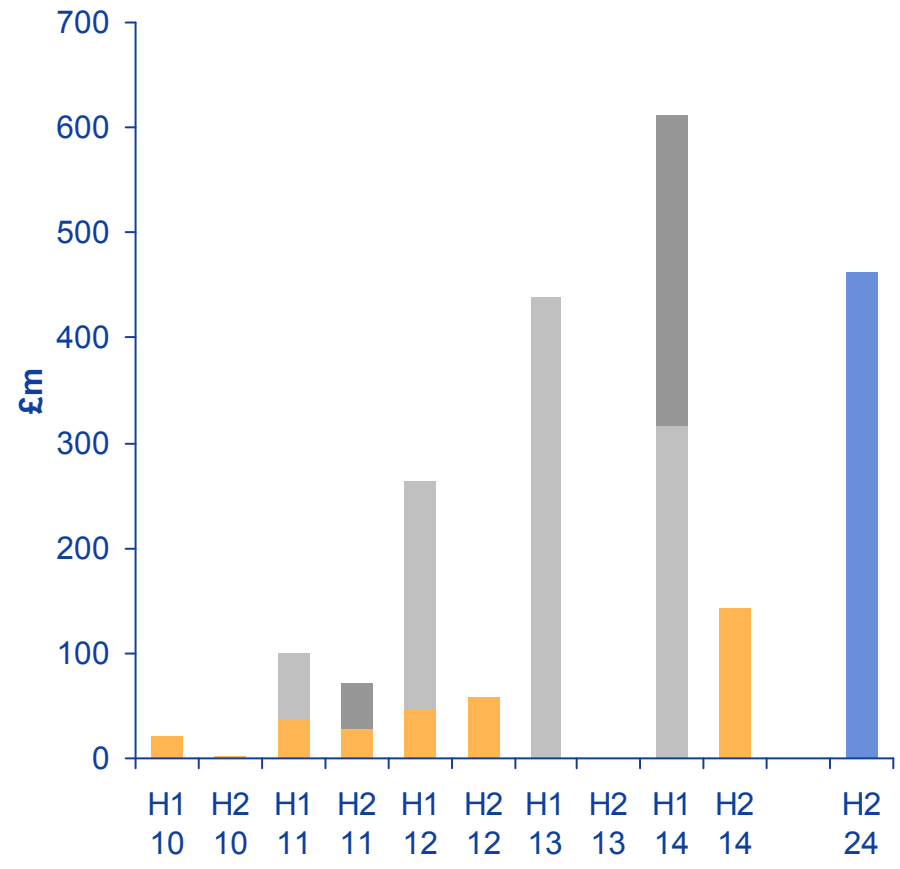
# Extended Debt Repayment Schedule



Initial Maturity Schedule - Pre Extensions



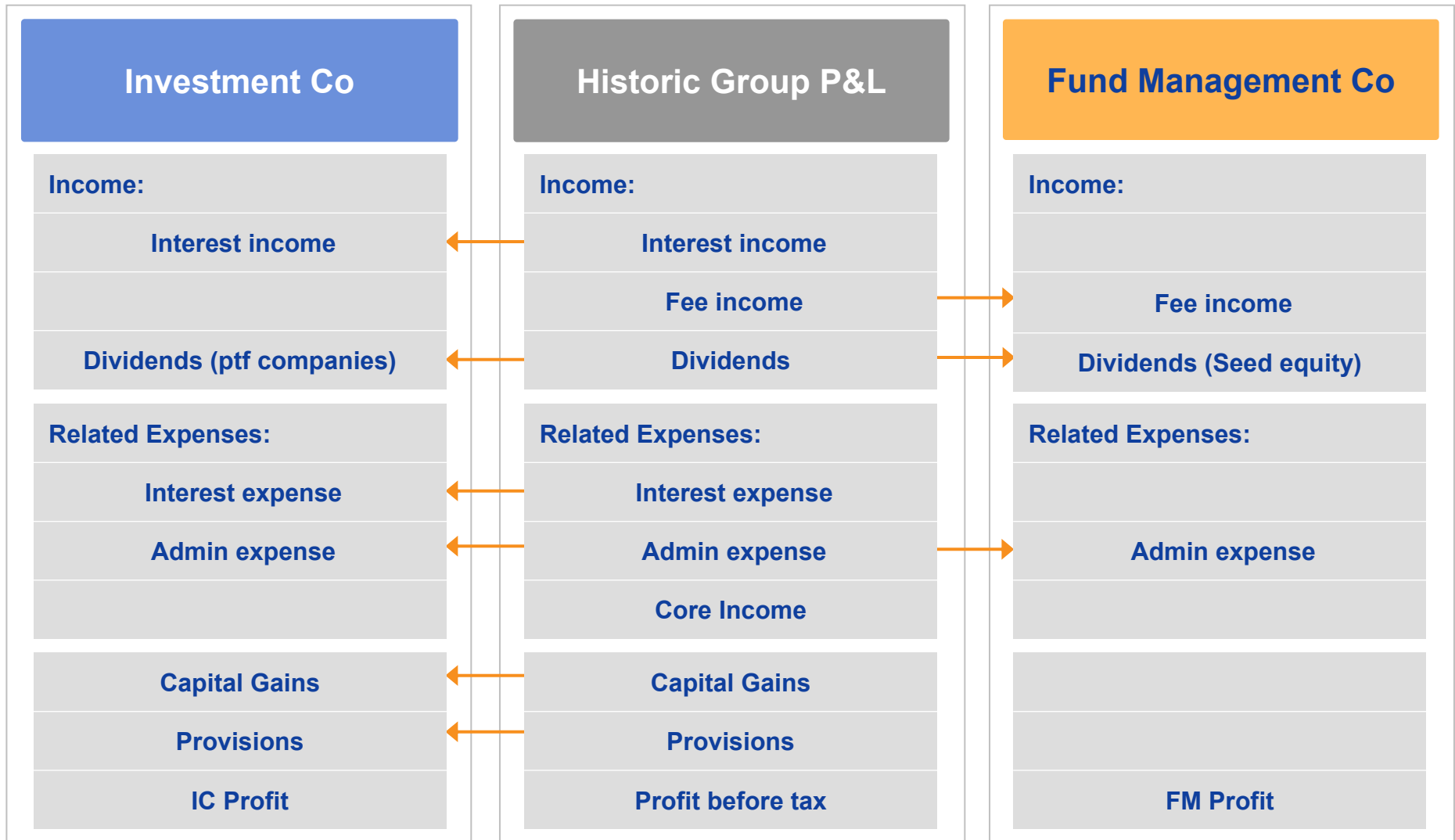
Extended Maturity Schedule



■ Securitisation ■ Private Placements ■ Revolver ■ £450/338m Facility

# P&L Split

## New Segment Reporting



# Cost Allocation



	Group	Segmental		
Year ended 31 March 2010 (£m)		FM Co	Inv Co	
<b>Staff Costs</b>	Salaries & ST bonuses	24.7	22.4	2.3
	MTIS (PIK)	28.9	-	28.9
	MTIS (Capital gains)	21.7	-	21.7
	<b>Total</b>	<b>75.3</b>	<b>22.4</b>	<b>52.9</b>
	Other Admin Costs	19.6	17.9	1.7
	<b>Total</b>	<b>94.9</b>	<b>40.3</b>	<b>54.6</b>

# Fee Income



	FY 10	FY 09	10/09
Mezzanine Fund Management fee income	34.6	31.8	9%
Credit Fund Management fee income	14.0	21.7	(36%)
<b>Third Party Funds fee income</b>	<b>48.6</b>	<b>53.5</b>	<b>9%</b>
Investment Company fee income	27.8	26.7	4%
<b>Total fee income</b>	<b>76.4</b>	<b>80.2</b>	<b>(5)%</b>

# Mezzanine & Growth Capital Funds

## Fee structure



### Funds in investment period

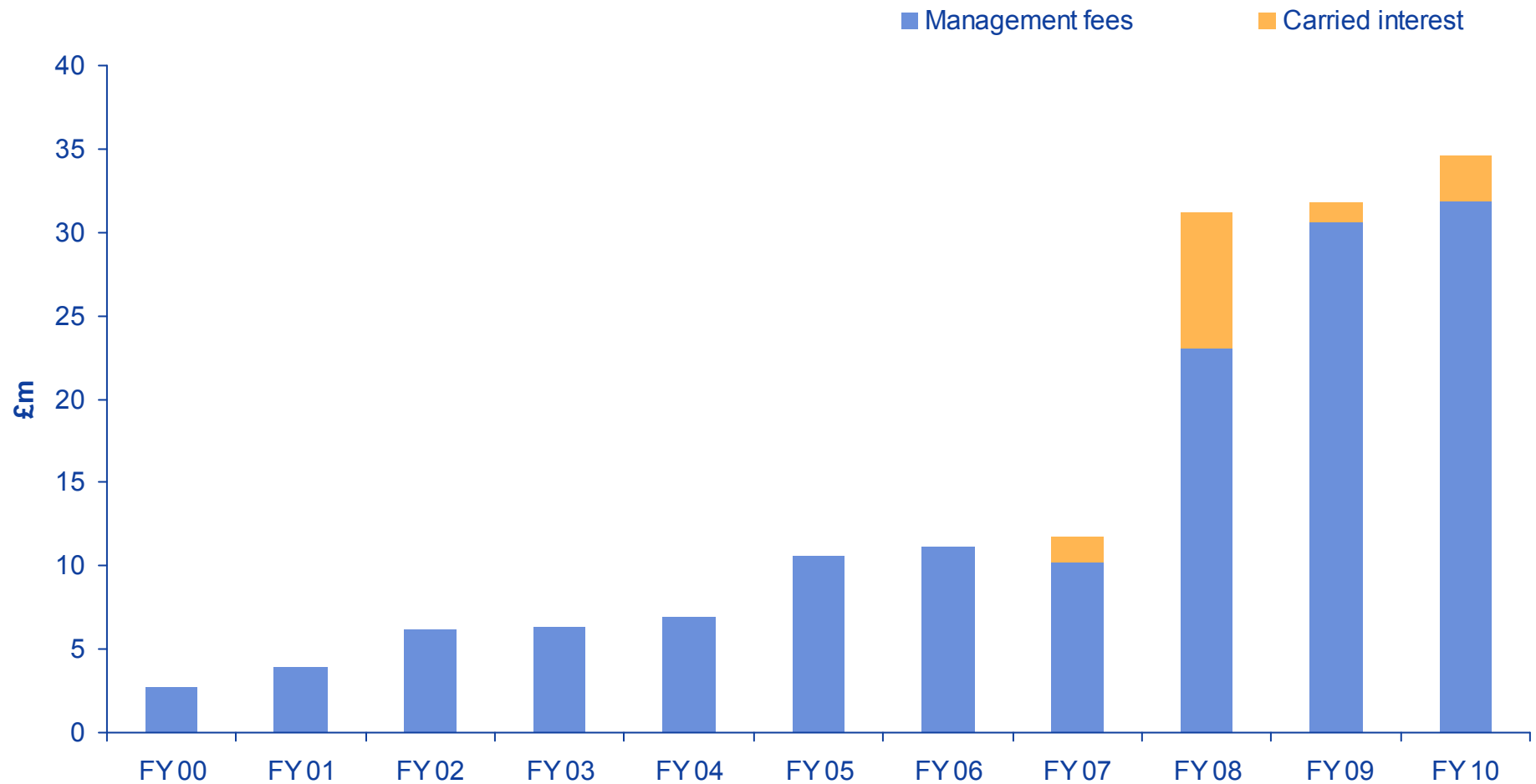
Fund	Size	Equity	End of investment period	% Invested	Main fee
EF06	€1.75bn	€1.25bn	Nov-2011	68%	1.25% on committed equity 0.15% on debt
ICAP 08	\$0.6bn	\$0.6bn	April-2013	26%	1.5% on committed equity
RF08	€0.84bn	€0.64bn	Oct-2011	26%	1.5% on invested

### Funds in realisation

Fund	Size	Equity	End of investment period	% Invested	Main fee	Carry
IMP08	€0.13bn	€0.13bn	Feb-2010	84%	1.5% on invested	20 % of 20 over 8
EF03	€1.42bn	€0.67bn	Sep-2006	100%	1.5% on invested	28% of 20 over 8
EF00	€0.39bn	€0.31bn	Sep-2003	100%	1.5% on invested	40 % of 20 over 8
ICAP 05	\$0.3bn	\$0.3bn	Apr-2008	83%	2.0% on invested	25 % of 20 over 8

# Mezzanine & Growth Capital Funds

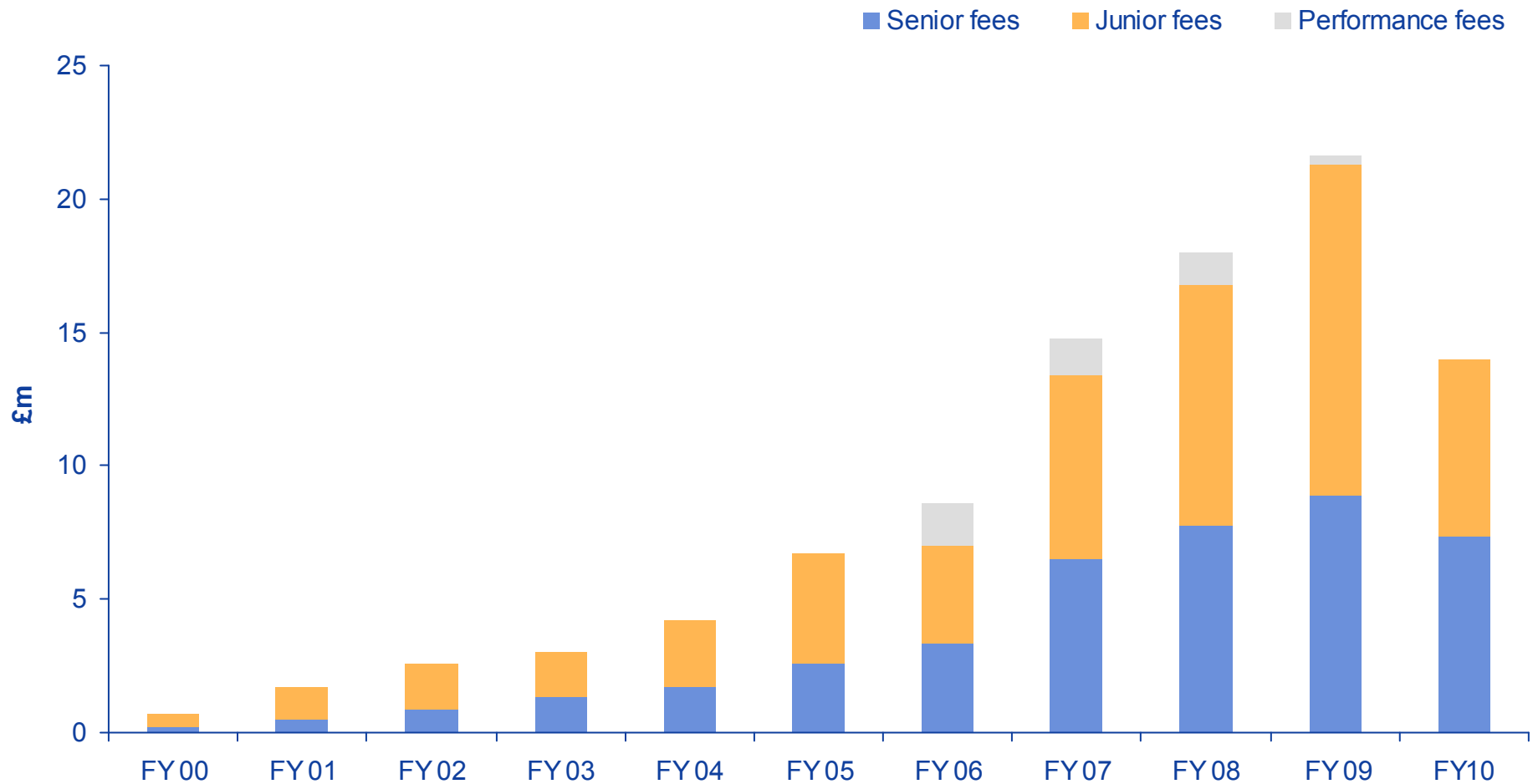
## Management Fee and Carried Interest Contribution to Fee Income





# Credit Funds

## Fee Income Analysis



# Gains on Investments



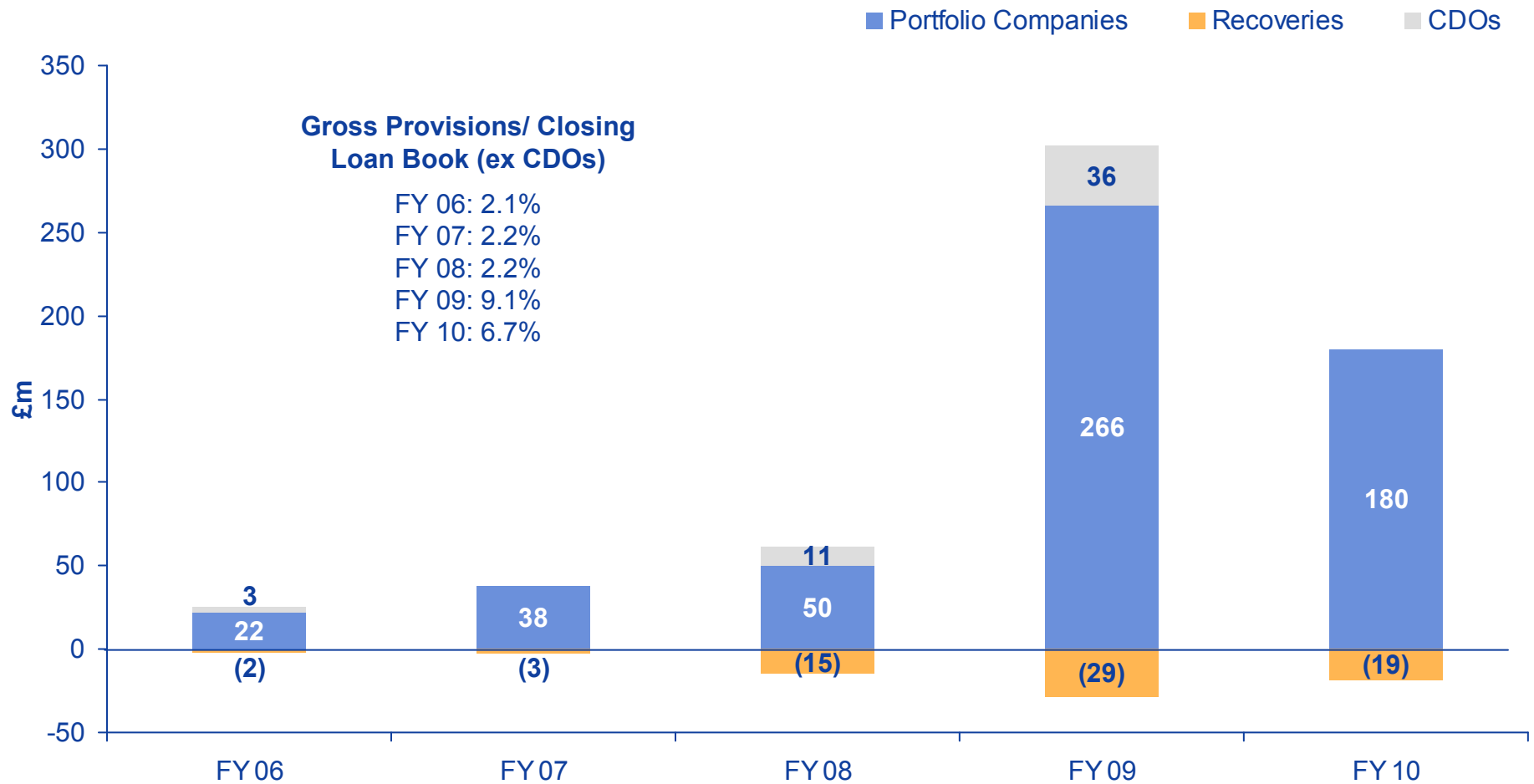
	Year ended 31 March 2010	Year ended 31 March 2009
	£m	£m
Realised gains on investments	78.8	30.9
Unrealised gains on investments	20.0	-
Cost of medium term incentive scheme	(21.7)	(6.1)
<b>Net gains on investments</b>	<b>77.1</b>	<b>24.8</b>

# Impairments



	Year ended 31 March 2010	Year ended 31 March 2009
	£m	£m
<b>Mezzanine and equity investment</b>		
Gross Impairment	180.3	266.2
Recoveries	(18.5)	(28.7)
<b>Equity in ICG – managed CDO's</b>		
Gross Impairment	-	35.6
Recoveries	-	-
<b>Impairment of net write backs</b>	<b>161.8</b>	<b>273.1</b>

# Breakdown of Provisions



# Pre-tax Profits, Earnings Per Share & Dividends



	Year ended 31 March 2010	Year ended 31 March 2009
	£m	£m
Pre-tax profit*	105.7	(75.0)
Pre-tax profit	105.8	(66.7)
Earning per share**	25.0p	(35.1)p
Dividend per share**	17p	17p

\*Excluding fair value movements in derivatives held for accounting purposes \*\* 2009:L adjusted for July 2009 rights issue

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