



# ICG plc FY11 Results

1 June 2011

# Highlights



## ■ Operational Highlights

- Third party AUM up 9% to €9bn
- Strong performance across the investment portfolio
- 13 exits for 1.8x and an 18% IRR
- £1bn total of investments, £311m on behalf of ICG balance sheet

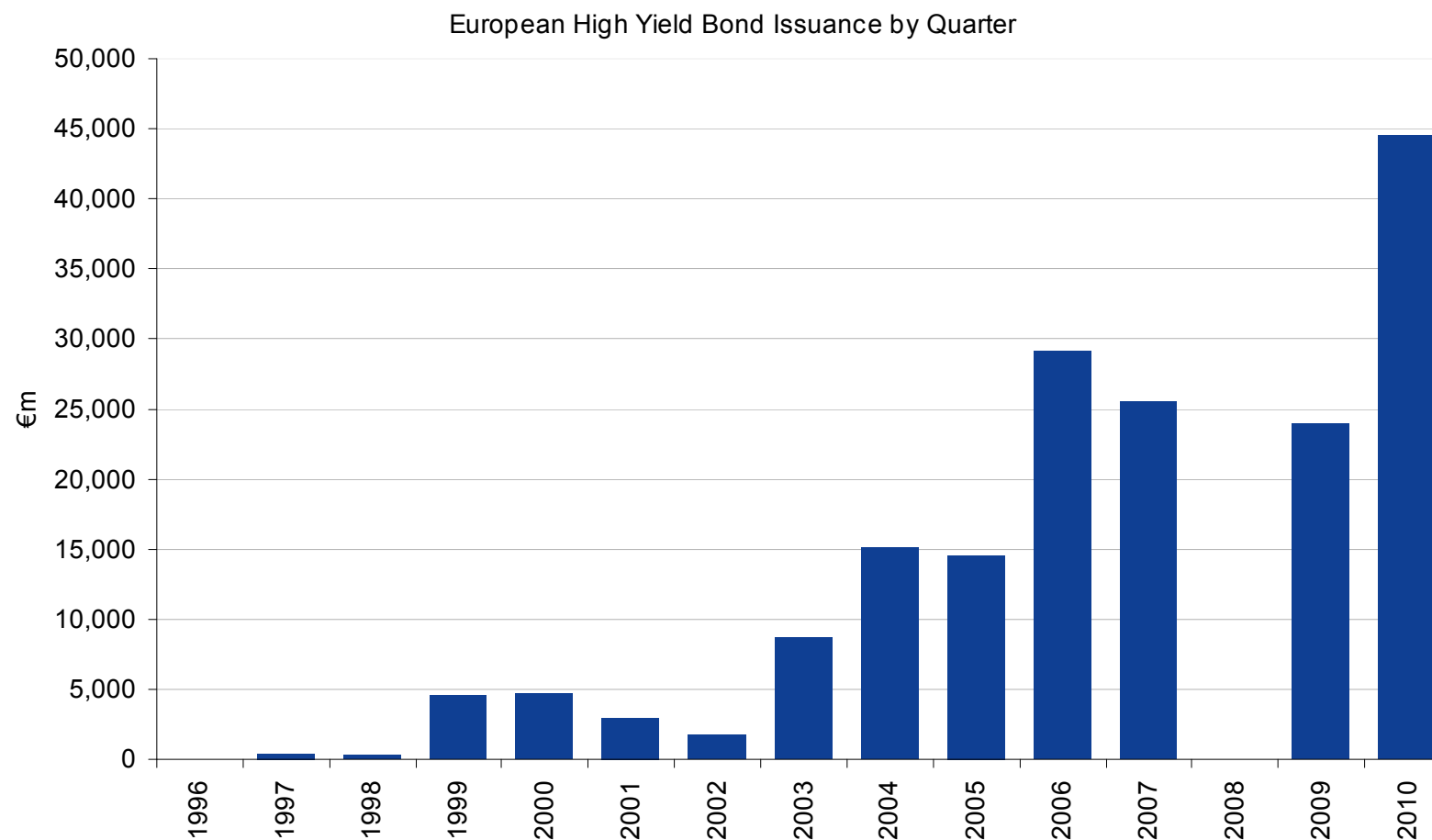
## ■ Financial Highlights

- FMC profits of £36m, up 15% adjusted for £6.9m release
- IC profits of £154m\*, up 126%, due to lower provisions and higher capital gains
- Profit-before tax of £190m\*, up 79%
- Proposed final dividend of 12p (18p for the full year)

\* Excluding negative impact of fair value movements of derivatives of £4m

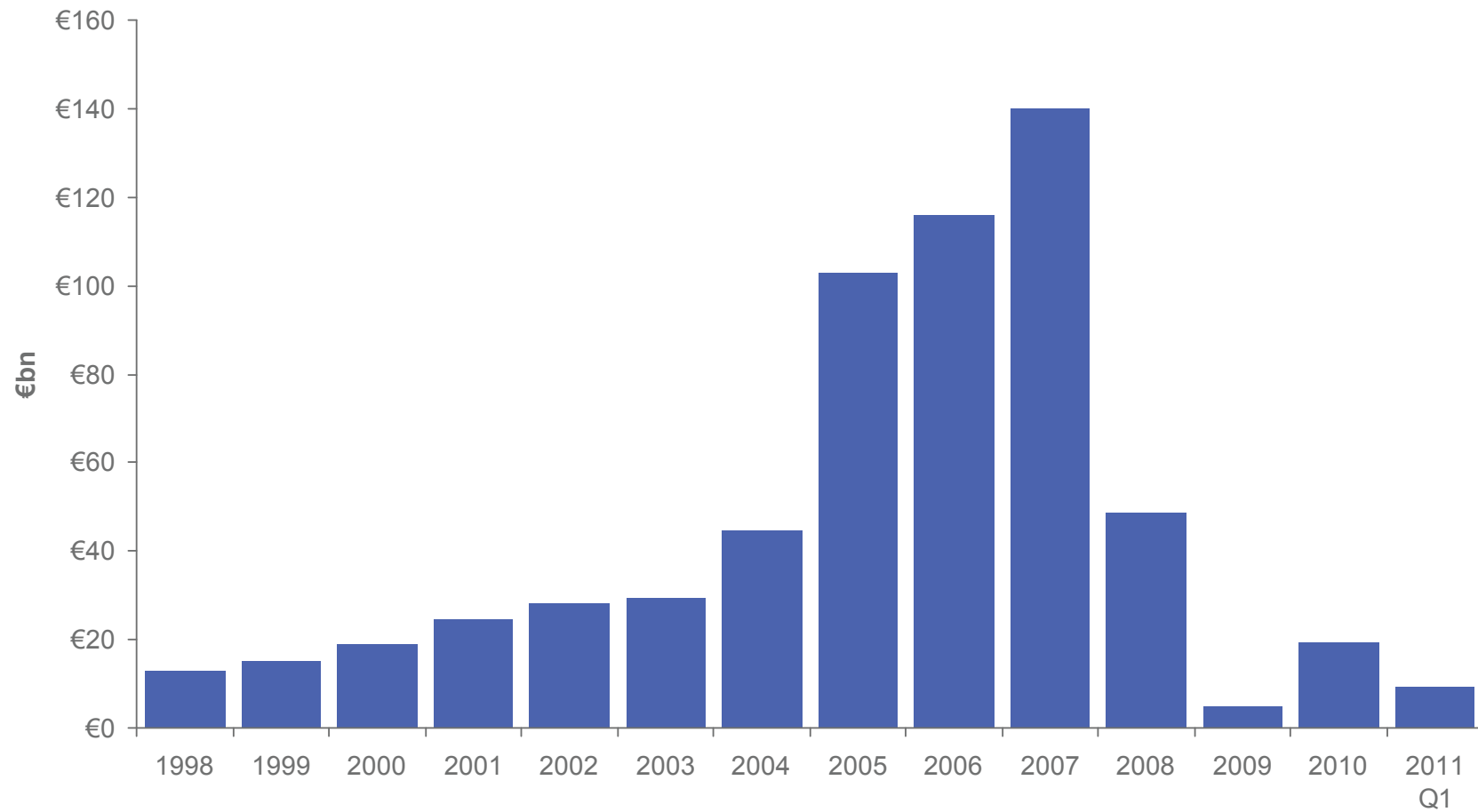
# Market Update

# Record High Yield issuance



Source: S&P

# Limited issuance of LBO senior debt

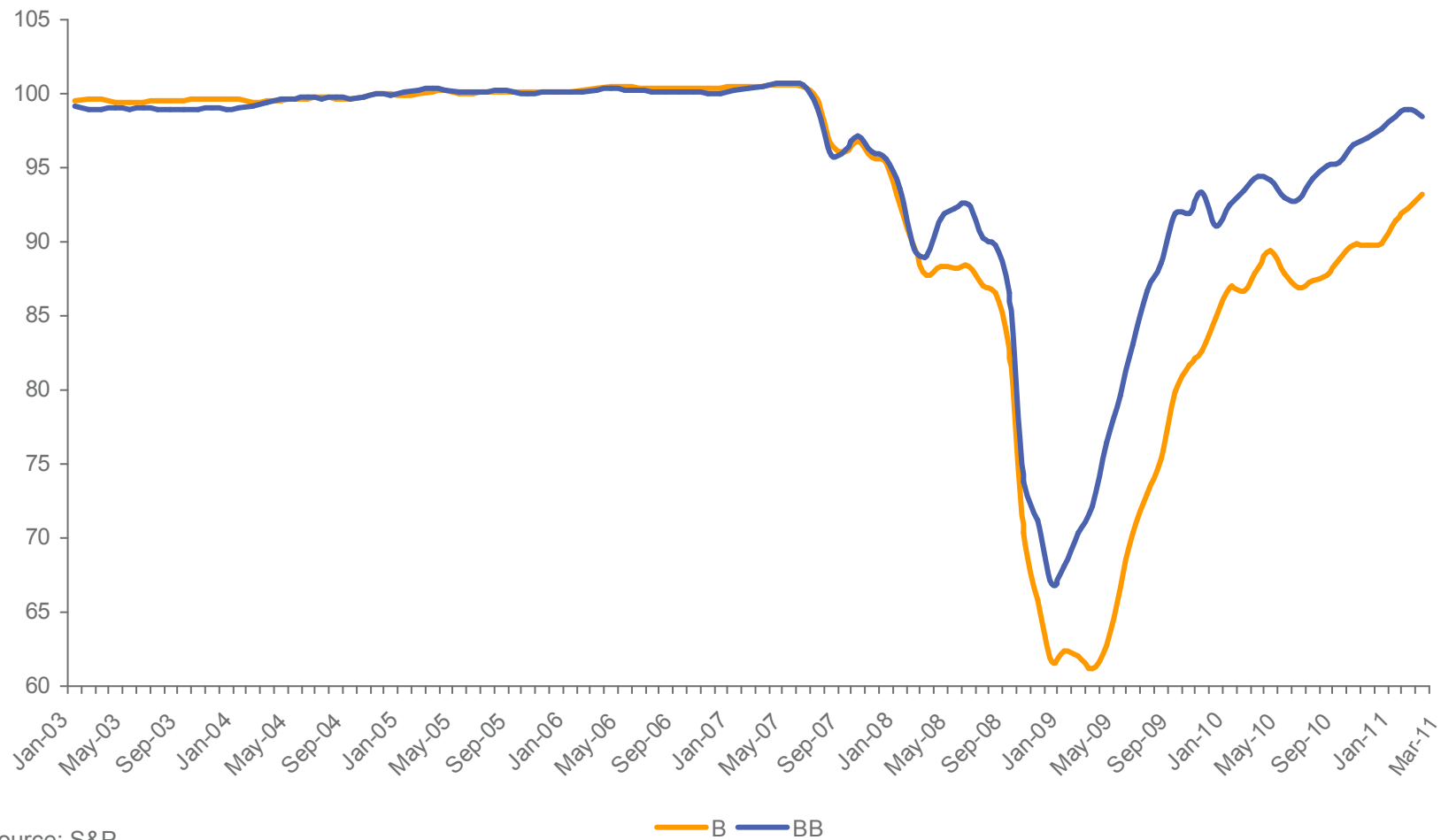


Source: S&P

# European loan market rally continues

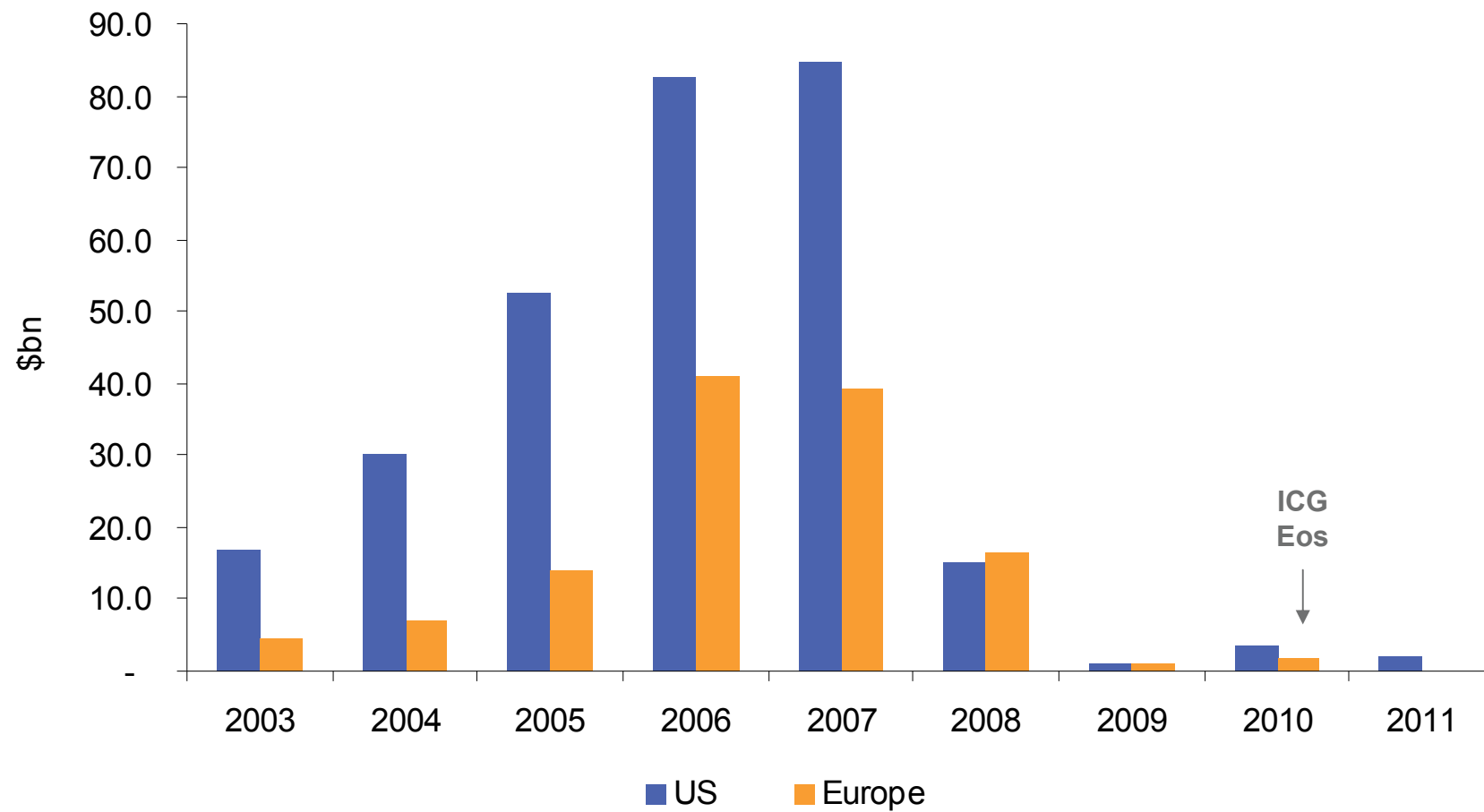


S&P Leverage Loan Index



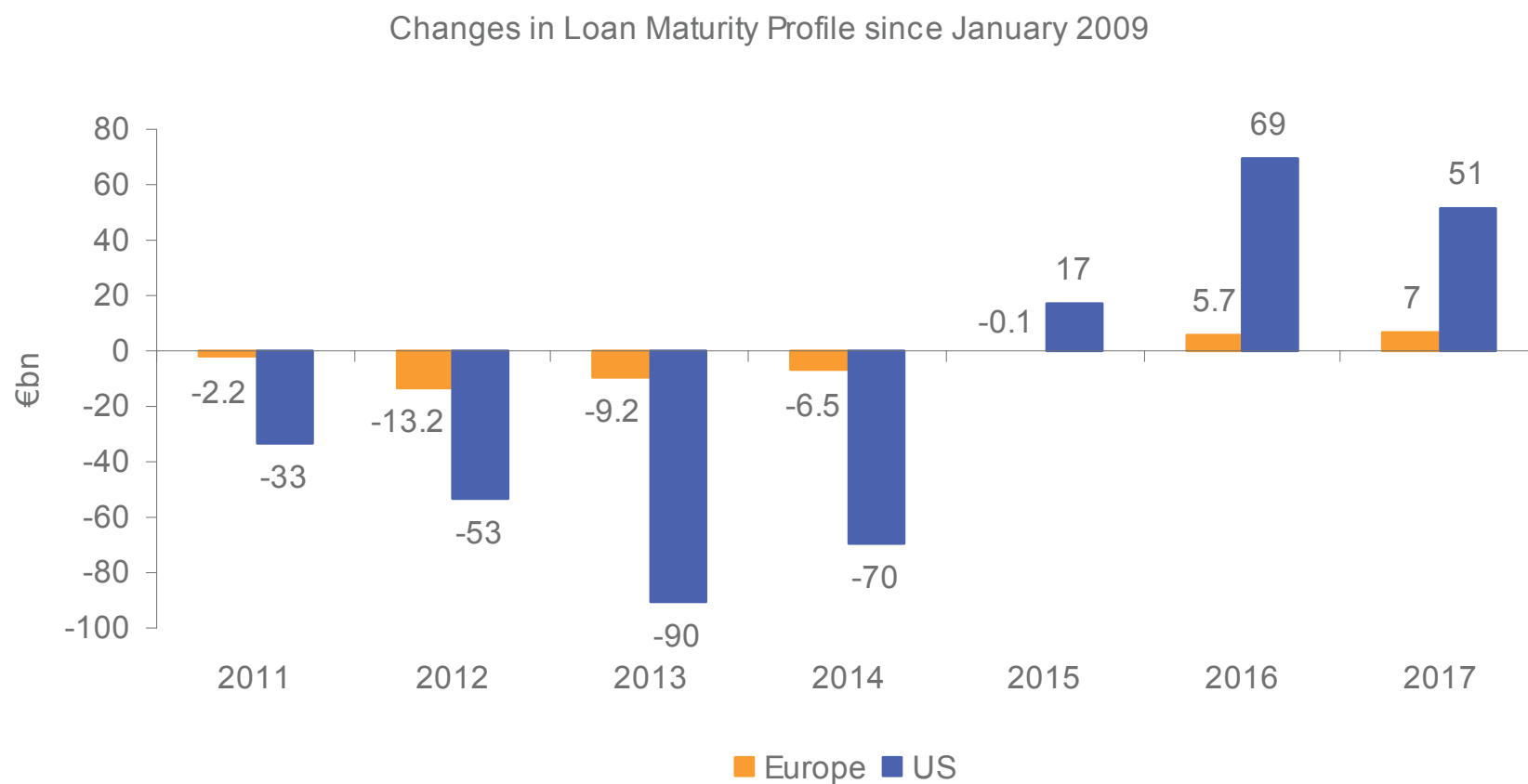
Source: S&P

# No new CLOs raised



Source: BAML

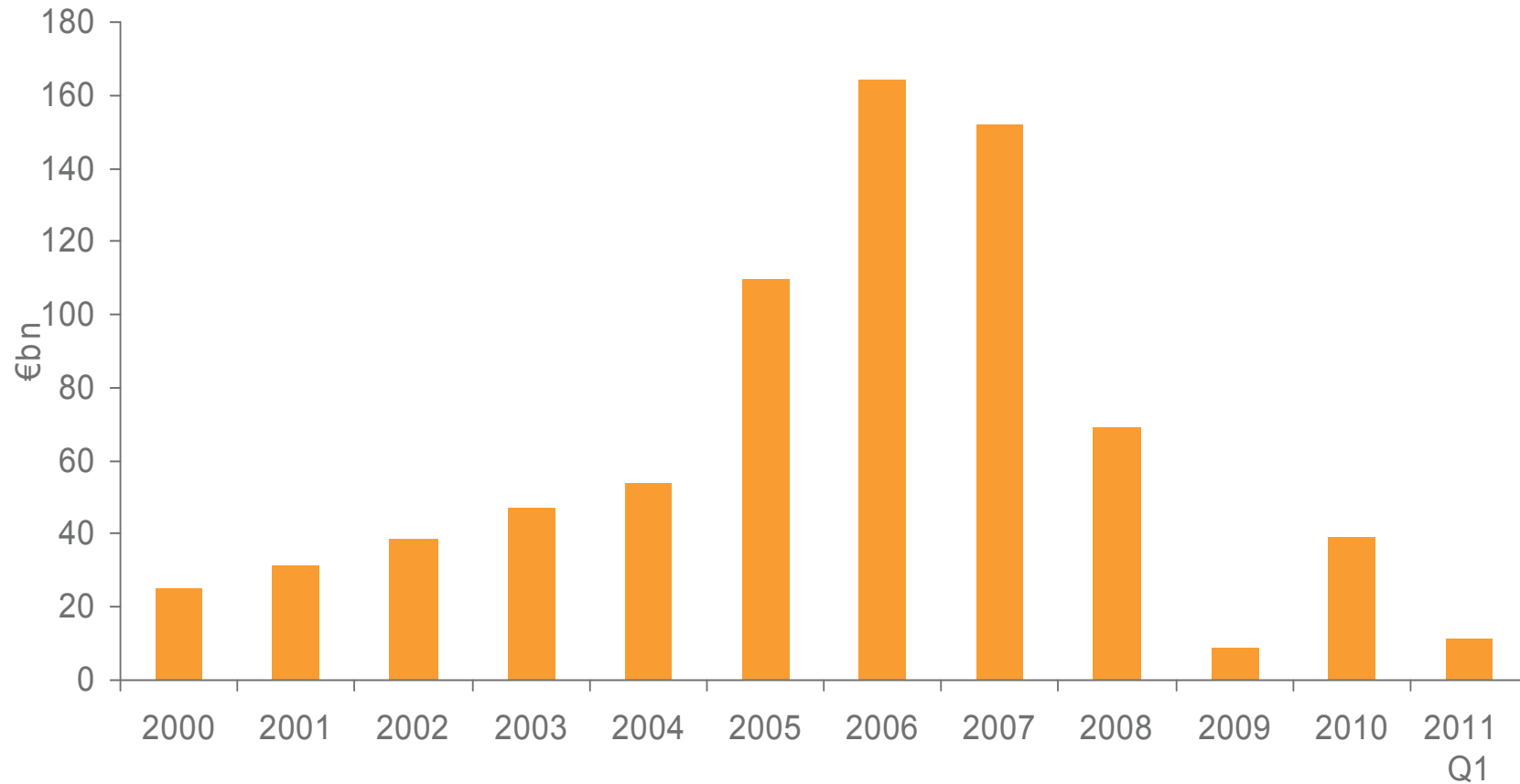
# US dealing with issues: Europe significantly lagging



Source: JPMorgan



# LBO volume at 2001-2004 levels

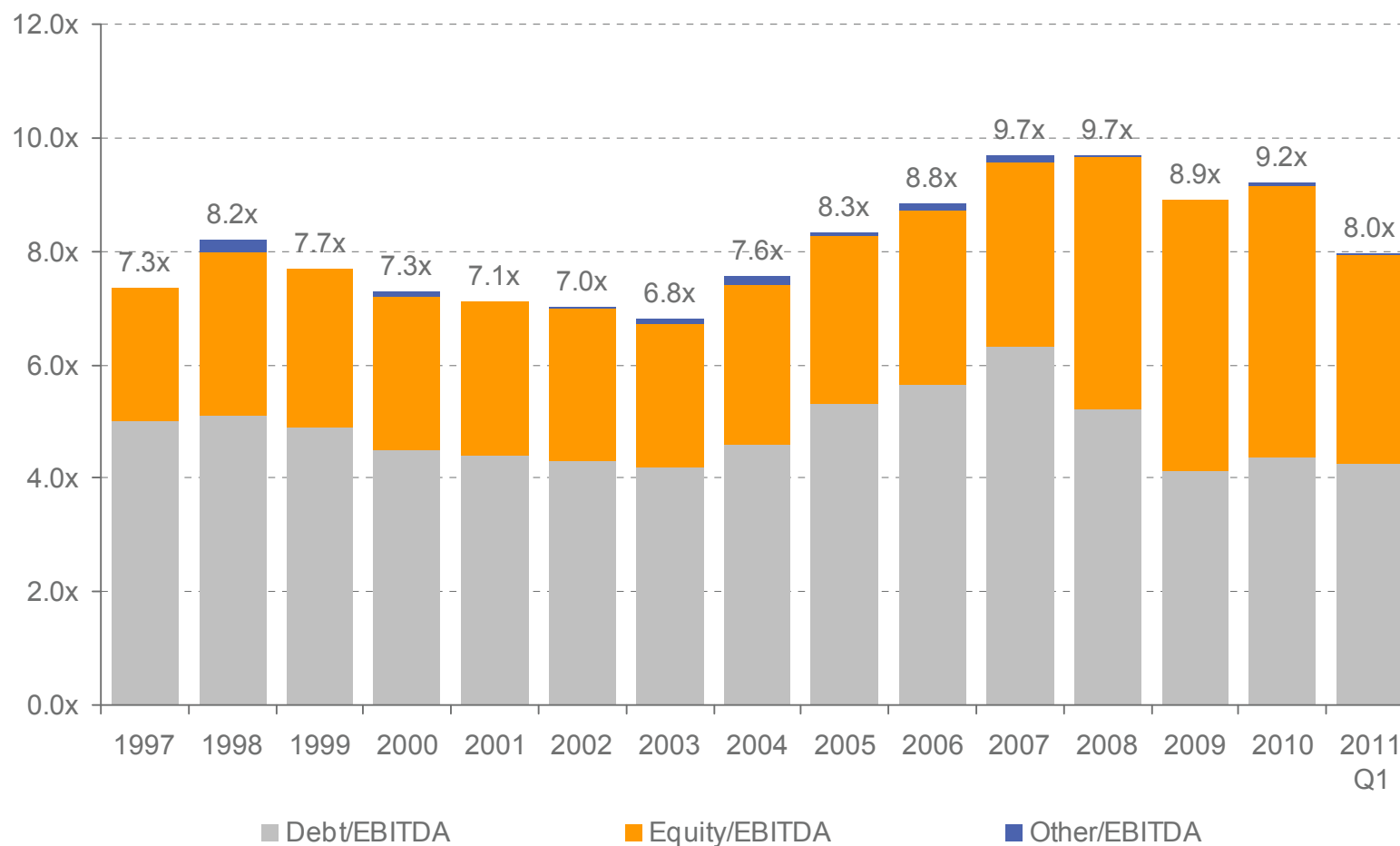


Source: S&P

# High prices - Lower credit risk

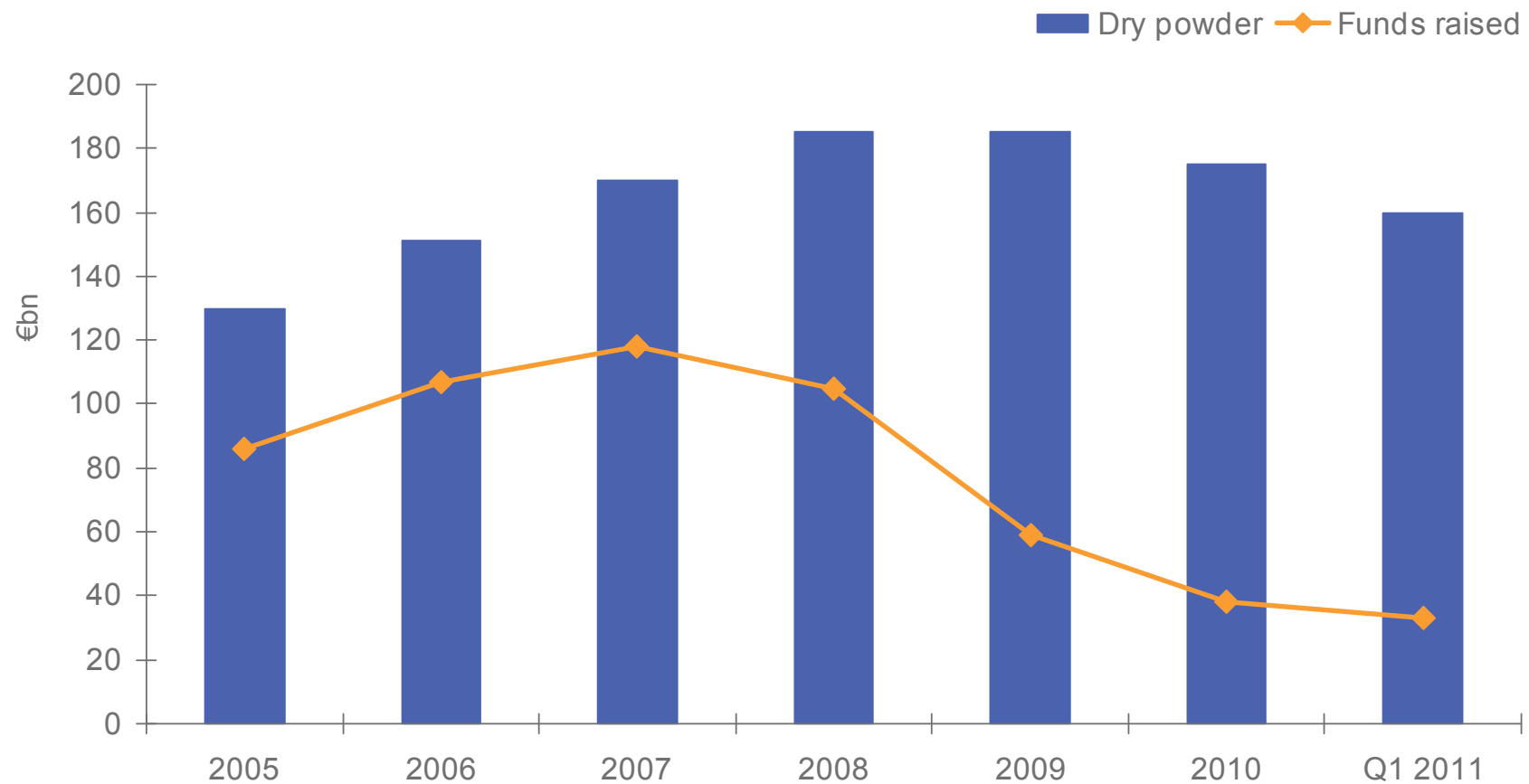


Multiple of EBITDA



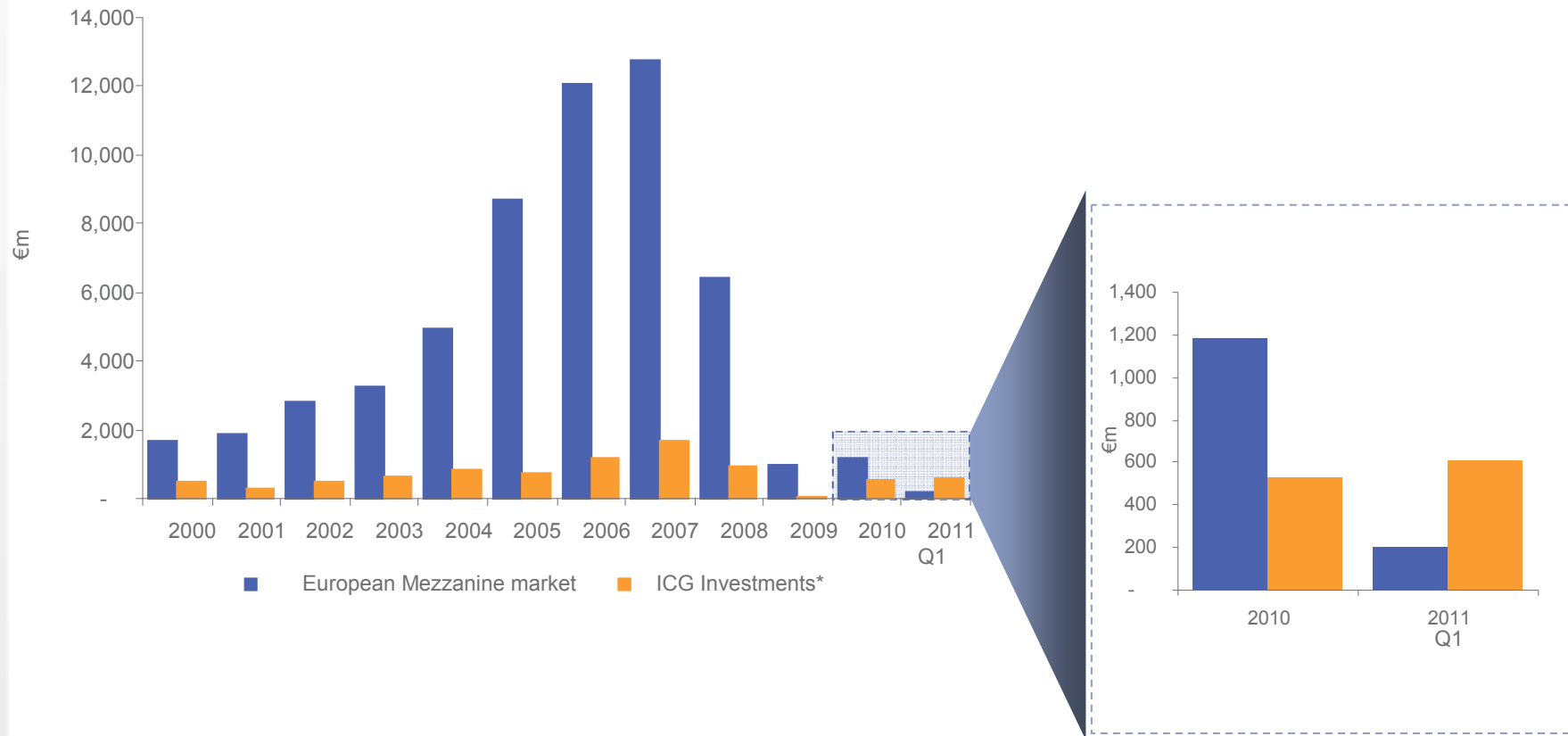
Source: S&P

# Significant Private Equity dry powder remains



Source: Preqin

# ICG creates unique investment opportunities



Source: ICG/S&P





\* Investment Company and Mezzanine Funds

# New Investments

# Unique investment opportunities



- ICG\* has invested c. £1bn in FY2011, with a target return of 1.9x

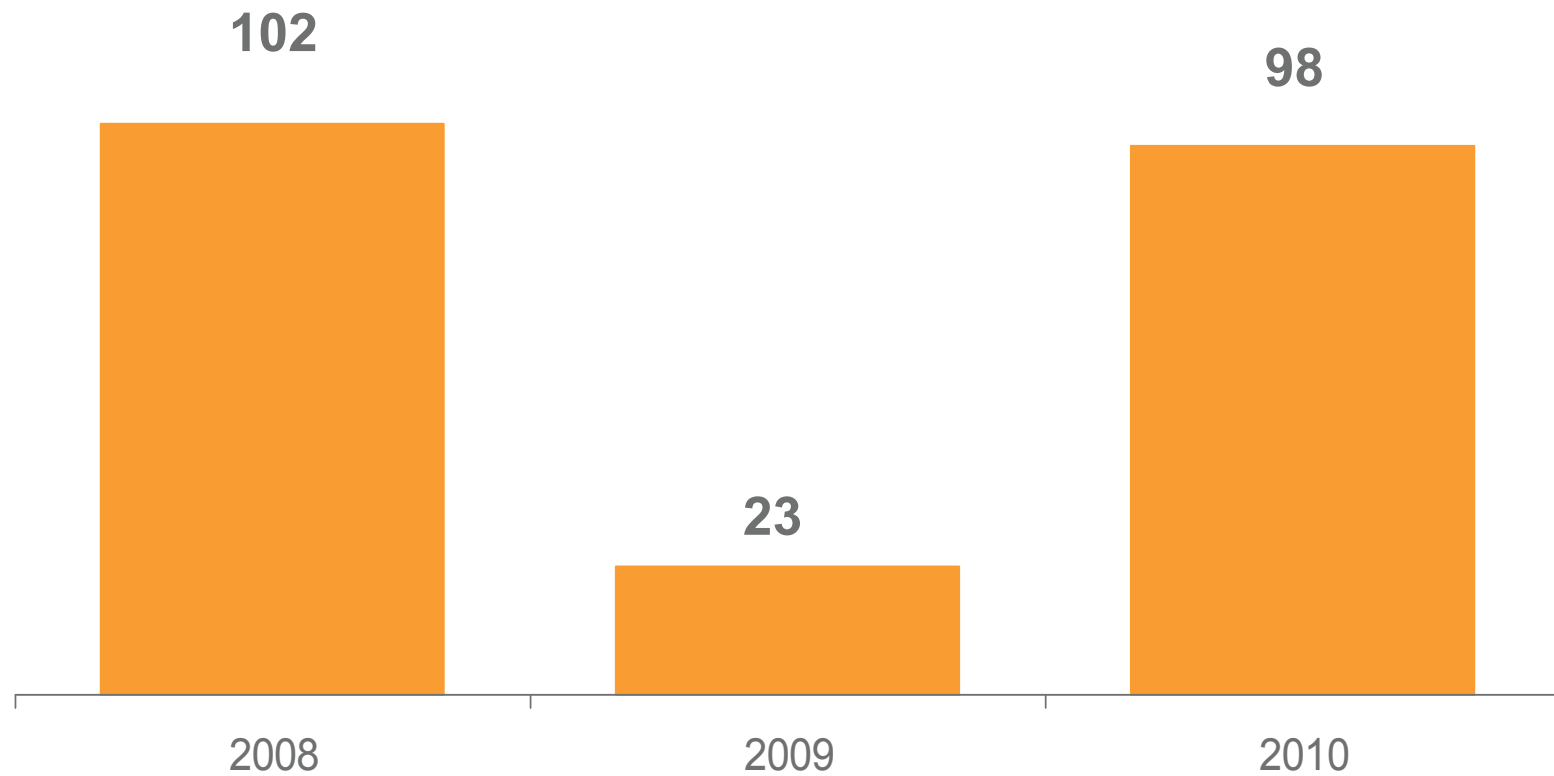
<u>Investment</u>	<u>Proprietary Sourced</u>	<u>Sourcing</u>	<u>Investment Size</u>
	√	PE	£110m
	√	ICG led	over £300m
	√	PE	£80m
	√	ICG led	£225m
	-	PE	£155m
	-	ICG led	£52m
 FORT DEARBORN COMPANY	-	PE	£35m

\* Investment Company and Mezzanine Funds

# Deal flow



■ New deal opportunities presented to Investment Committee



# Exits



# Strong exits



- 13 investments exited, £388m of repayments, £82m of PIK and £132m\* of capital gains

Vintage Year	Companies	IRR	Cash Multiple
2004	Picard, Eurofarad, TeamSystem	17%	1.9x
2005	Geoservices	29%	2.0x
2006	Medica, Visma, Loyalty Partners, Pasteur Cerba, Sebia, Gerflor	19%	1.8x
2007	TBC	16%	1.5x
2008	BI, Labco**	16%	1.4x
Blended Returns		18%	1.8x

\* Excludes £1m capital gains on Resource Europe CLO equity

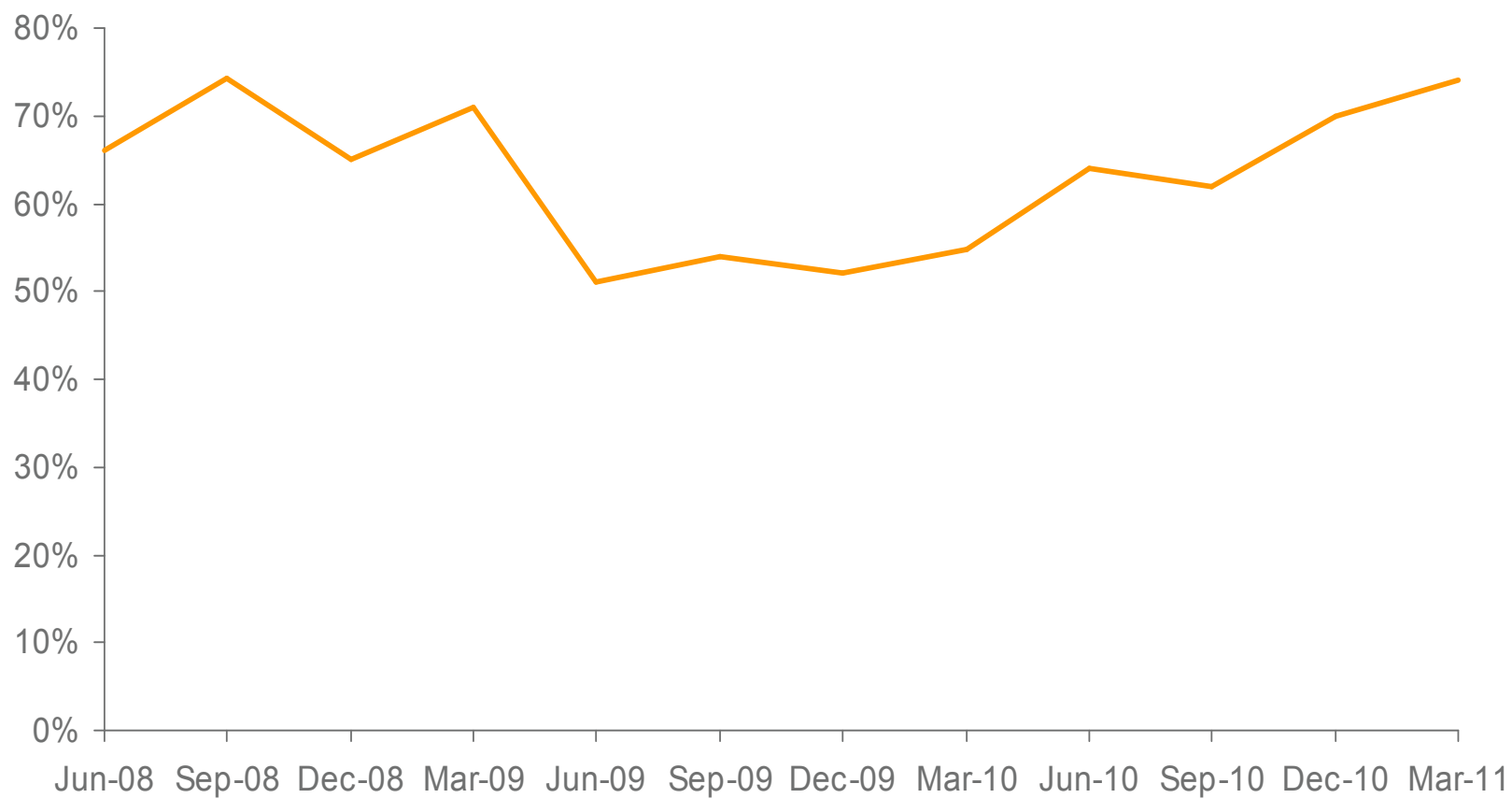
\*\* Partial exit

# Portfolio Update

# Investment portfolio Performance vs. prior year



Percentage of assets performing at or above prior year



# Top twenty assets



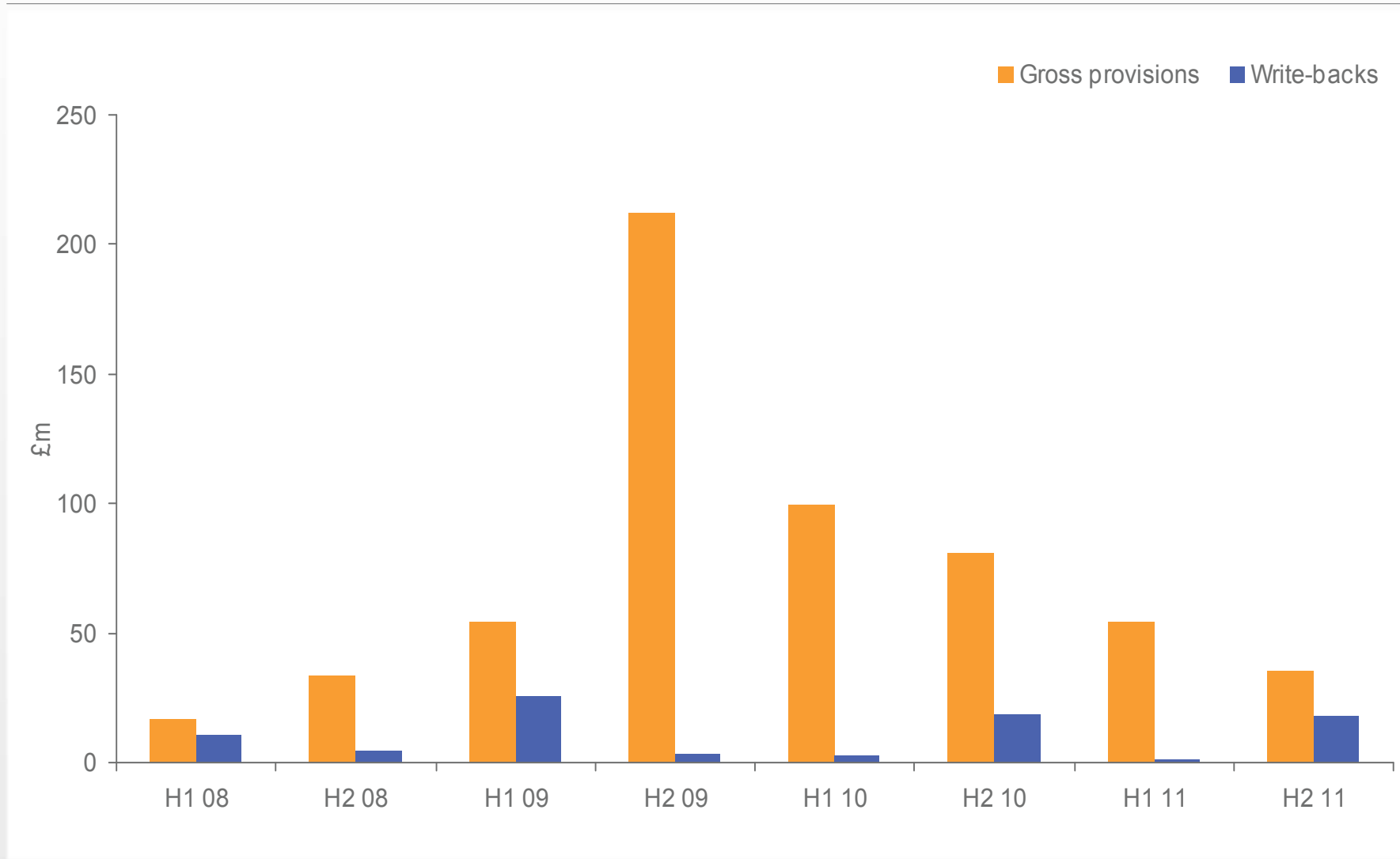
Business	Country	Vs Last Year
Private clinic manager	France	→
Electronic publisher of company information	Belgium	↑
Textile rental and cleaning	France	↑
Airport operator	UK	↑
Inspection, certification and technological services	Spain	↑
Waste management solutions provider	UK	↓
Elderly care homes	Sweden	↑
Speciality chemicals for the construction industry	France	↑
Credit Bureau	Australia	→
Patent & legal services	UK	↑
Share registry and fund administration services	Australia	↑
Supplier of fire protection systems and services	Germany	→
PVC Flooring	France	↑
Drug development and manufacturer	France	↑
Provider of services and technical solutions for utilities	Germany	↑
Diversified fund of senior loans	Europe	
Auto Equipment	France	→
Tour operator	Spain	↓
Home delivery of frozen foods	Germany	↑
Software solutions	Italy	↑

# Top ten equity assets



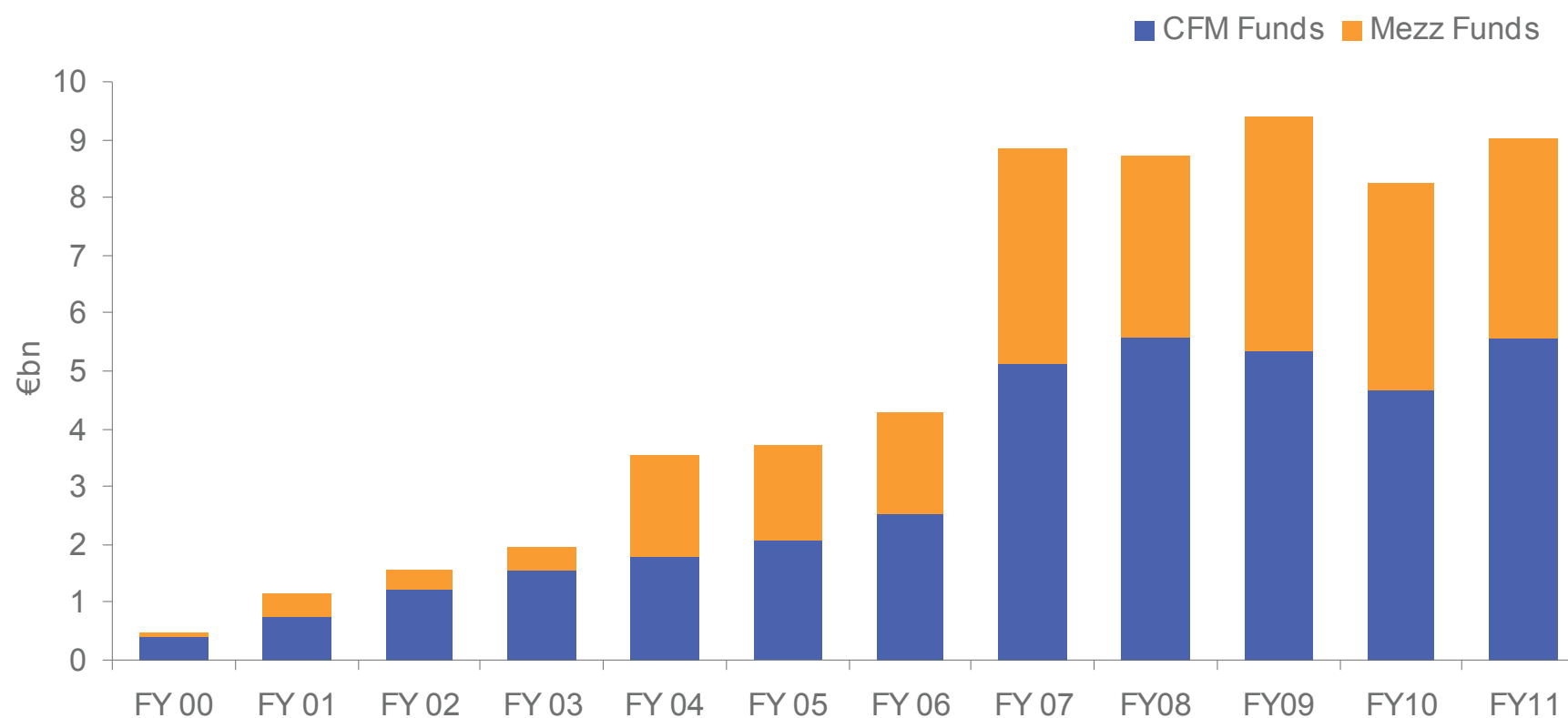
Business	Country	Vs Last Year
Patent & legal services	UK	↑
PVC Flooring	France	↑
Fixed satellite services	USA	↑
Home delivery of frozen foods	Germany	↑
Livestock identification systems	France	↑
Insurance and roadside assistance	UK	→
Software solutions	Italy	↑
Inspection, certification and technological services	Spain	↑
Food manufacturing	France	↓
Share registry and fund administration services	Australia	↑

# Trend in provisions for portfolio companies



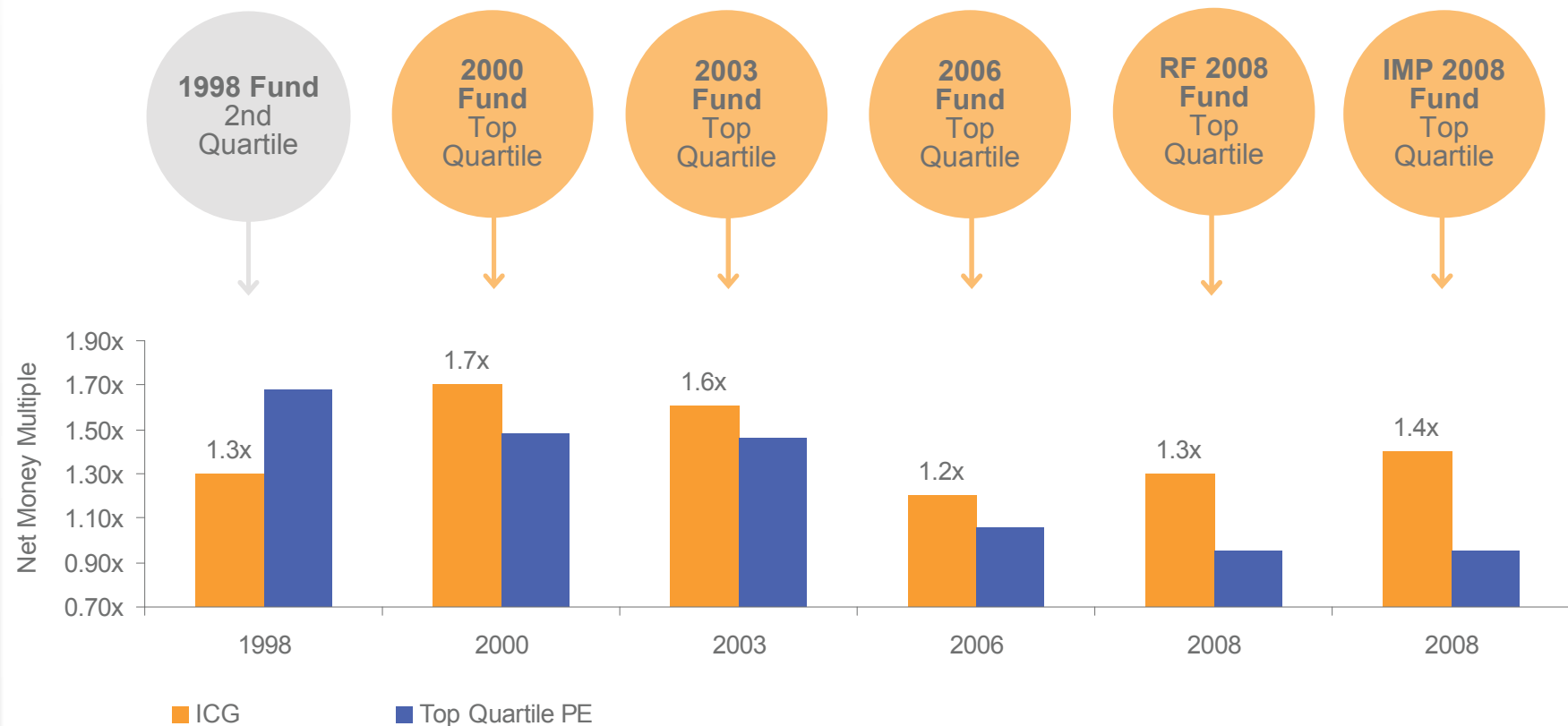
# AUM and Fund Performance

# Third party funds under management





# Top quartile Private Equity performance



Net Money Multiple

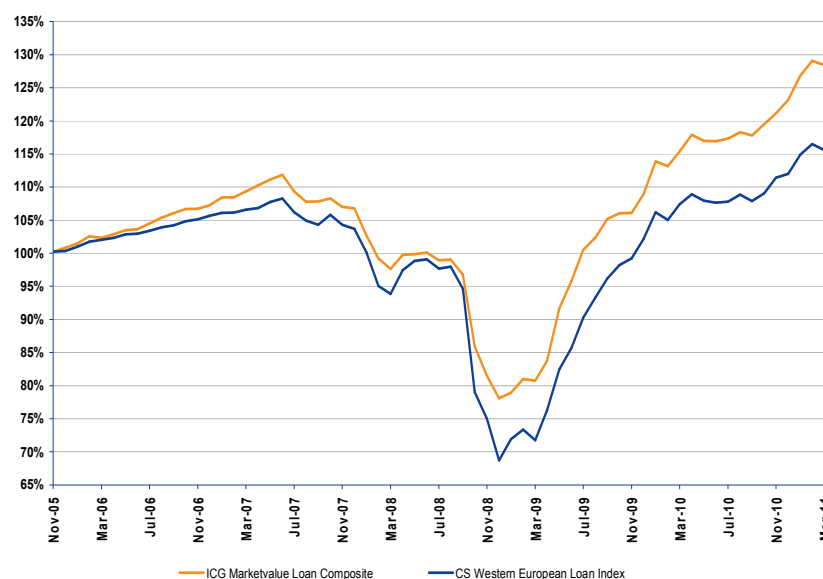
Source: ICG/Venture Economics/ThompsonOne as of 31 December 2010

# Credit Fund Management performance

## Leveraged loans

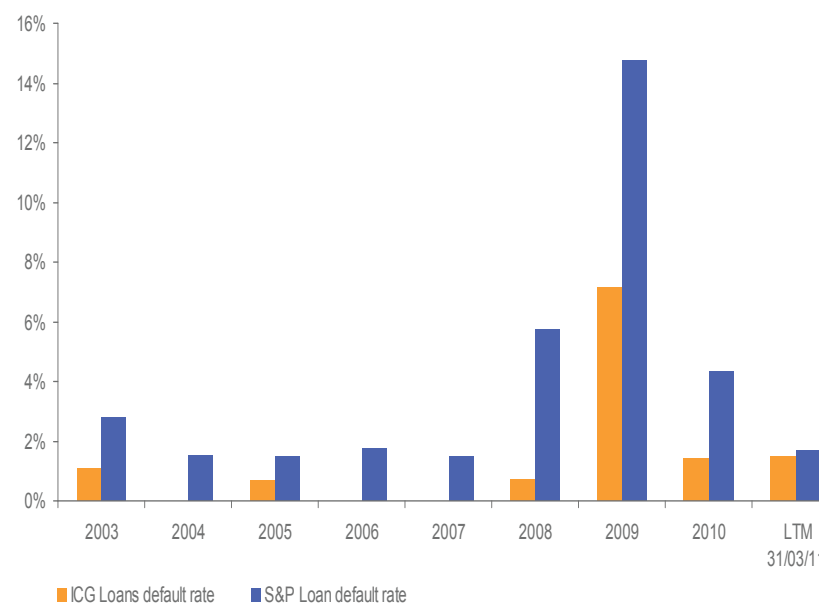


ICG Senior Secured Loan Performance\*  
vs.  
Credit Suisse Western European Loan Index



Source: ICG per 31 March 2011

ICG Loan Default Rate  
vs.  
S&P Speculative Grade\* Default Rate



Source: ICG, S&P, last update as at December 2010

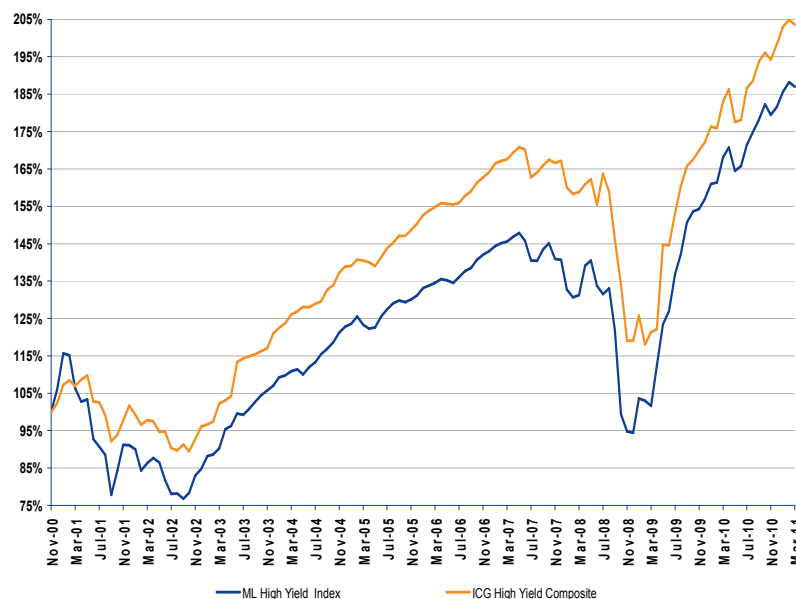
\* Composite of all discretionary market value funds managed by ICG

# Credit Fund Management performance

## High Yield



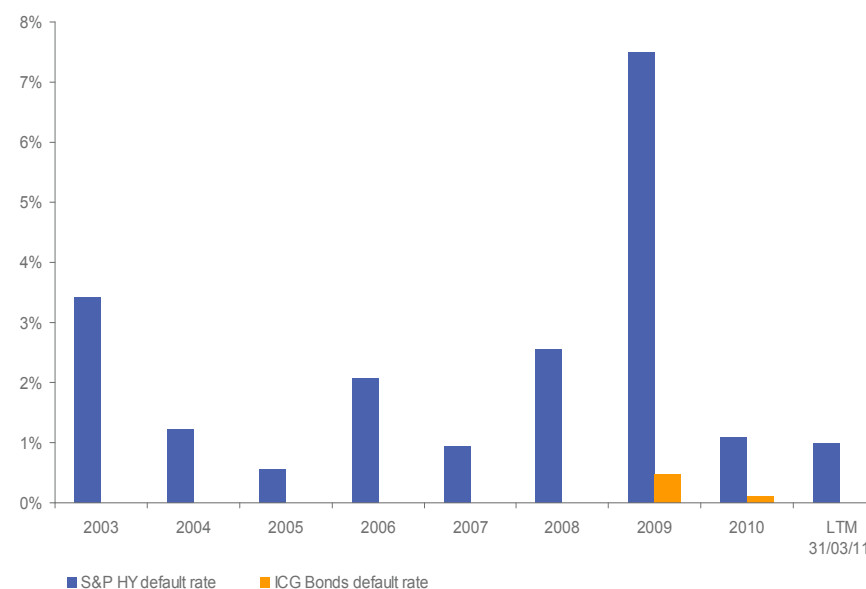
ICG High Yield Composite\*  
vs.  
Merrill Lynch High Yield Index (HEAG)



Source: ICG per 31 March 2011

\* Represents high yield assets managed across all relevant funds

ICG High Yield Default Rate  
vs.  
S&P High Yield Default Rate



Source: ICG, S&P

# Fund management priorities



- Sales team
- Grow core business
  - ICG Europe V
  - ICG High Yield Bond Fund and European Loan Fund
- Develop new opportunities
  - Longbow

# Financial Overview

# Segmental reporting



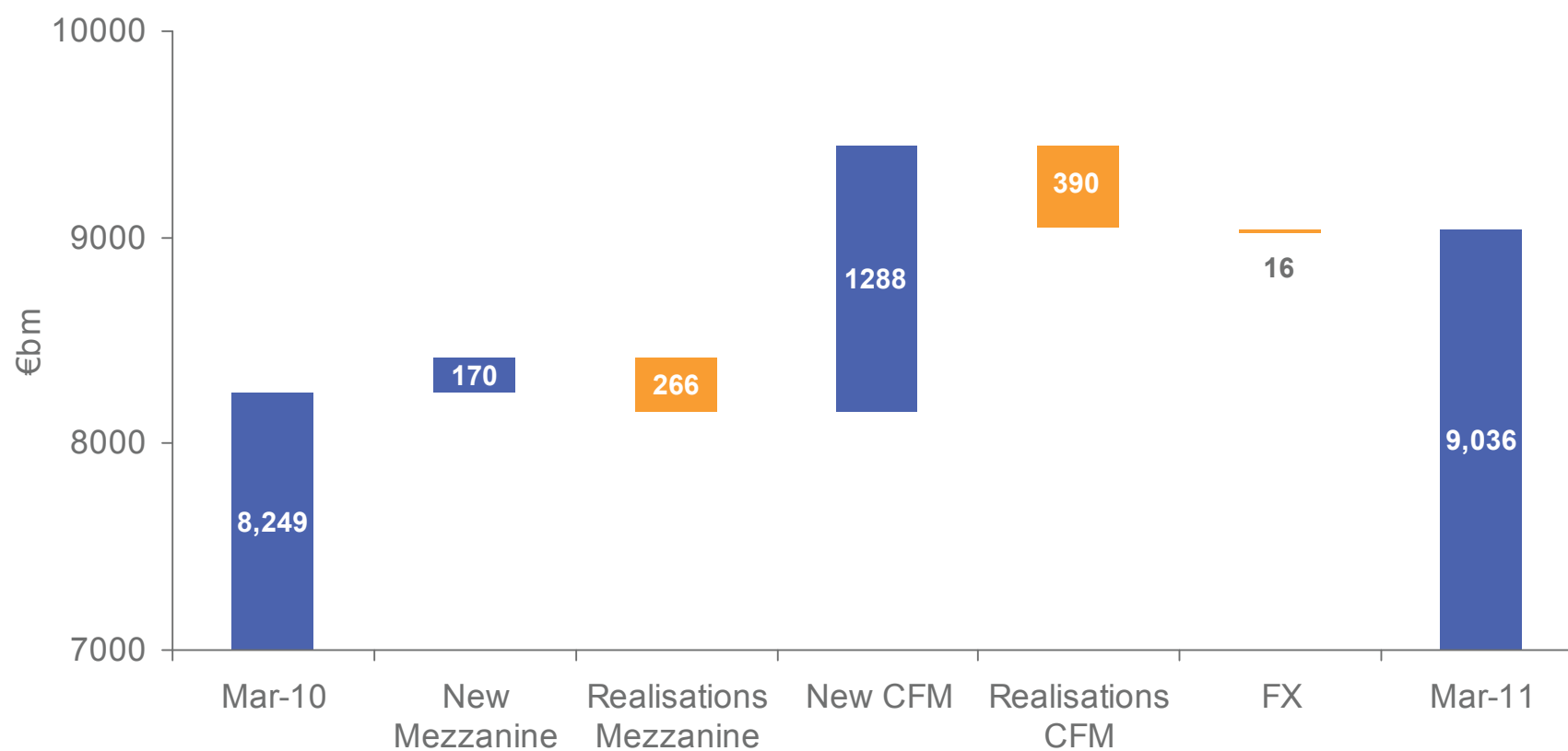
	£m	March 2011	March 2010	March 2009
Fund Management Company	Fee income	81.8	76.4	80.2
	Other income	4.1	1.9	6.0
	Admin expenses	(50.0)	(40.3)	(55.3)
	<b>FM Profit</b>	<b>35.9</b>	<b>38.0</b>	<b>30.9</b>
Investment Company	Net Interest Income	179.8	209.7	189.9
	Div & other income	11.0	3.4	10.0
	Admin expenses	(67.0)	(60.7)	(57.5)
	Impairments	(70.9)	(161.8)	(273.1)
	Net capital gains	101.3	77.1	24.8
	<b>IC Profit*</b>	<b>154.2</b>	<b>67.7</b>	<b>(105.9)</b>
	FVM derivatives	(3.8)	0.1	8.3
<b>Group</b>	<b>Profit before tax</b>	<b>186.3</b>	<b>105.8</b>	<b>(66.7)</b>

\* Excluding FMV Derivatives

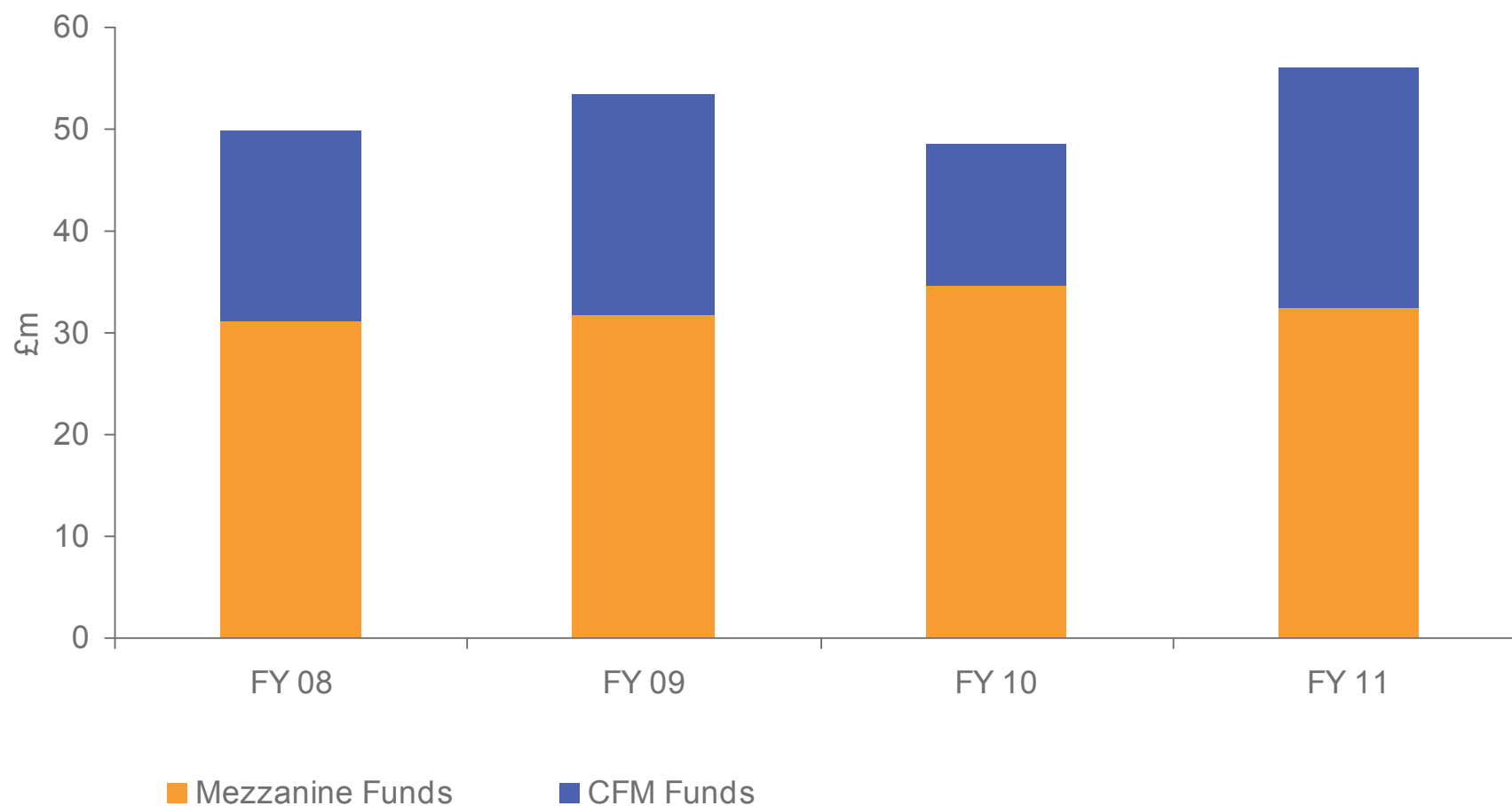
# Third party AUM



■ Third party AUM up due to CFM inflow (Eos Loan Fund 1)



# Third party fee income





# Mezzanine and Growth Capital Funds

## Third party fee income



- ICG European Fund 06 now in realisation phase

Mezzanine and minority equity fee income in £m				
	FY11		FY10	
	<i>Mgmt Fee</i>	<i>Carried Interest</i>	<i>Mgmt Fee</i>	<i>Carried Interest</i>
Investing Europe	4.5	0.0	13.7	0.0
Investing Asia	5.4	0.0	5.7	0.0
Realisation Europe	19.4	1.3	10.2	2.7
Realisation Asia	1.8	0.0	2.3	0.0
<b>Total</b>	<b>31.1</b>	<b>1.3</b>	<b>31.9</b>	<b>2.7</b>

# Credit funds

## Fee income

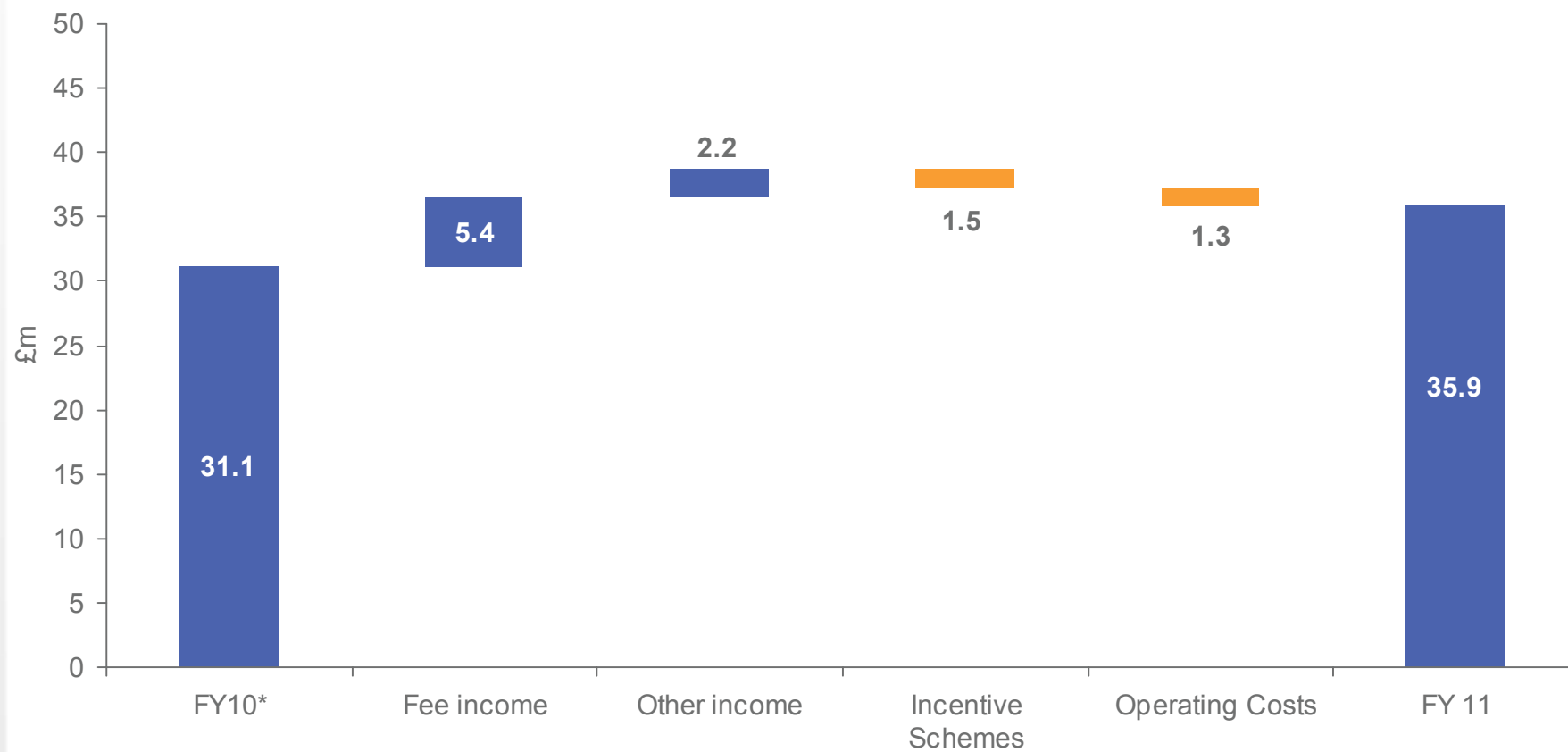


CFM Fee Income in £m		
	FY11	FY10
Management & senior fees	6.7	7.3
Junior fees relating to the year	12.8	6.7
Junior fees relating to prior periods	3.8	-
Other performance fees	0.4	-
<b>Total</b>	<b>23.7</b>	<b>14.0</b>

# Fund Management Company



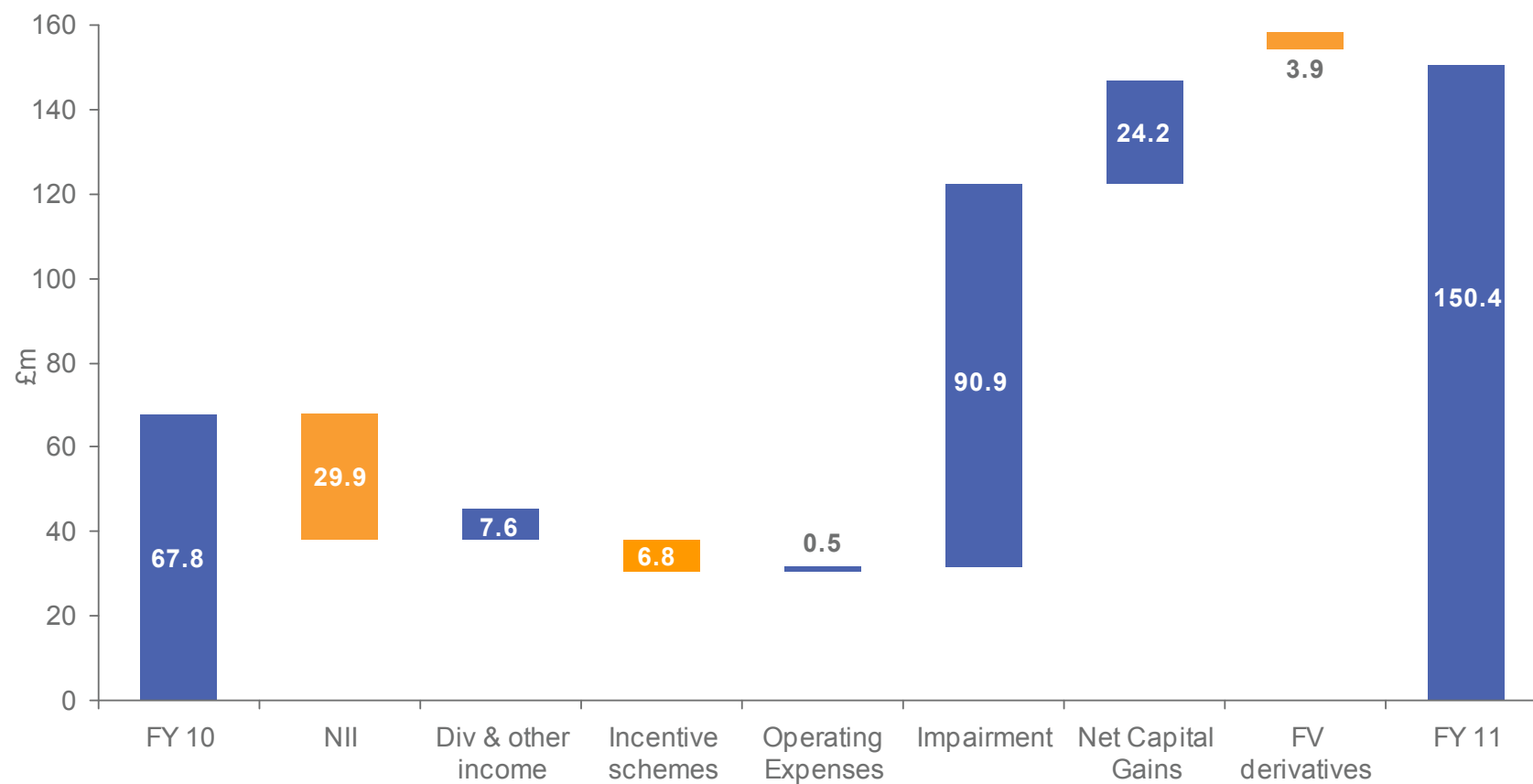
■ Profit before tax of £35.9m



# Investment Company



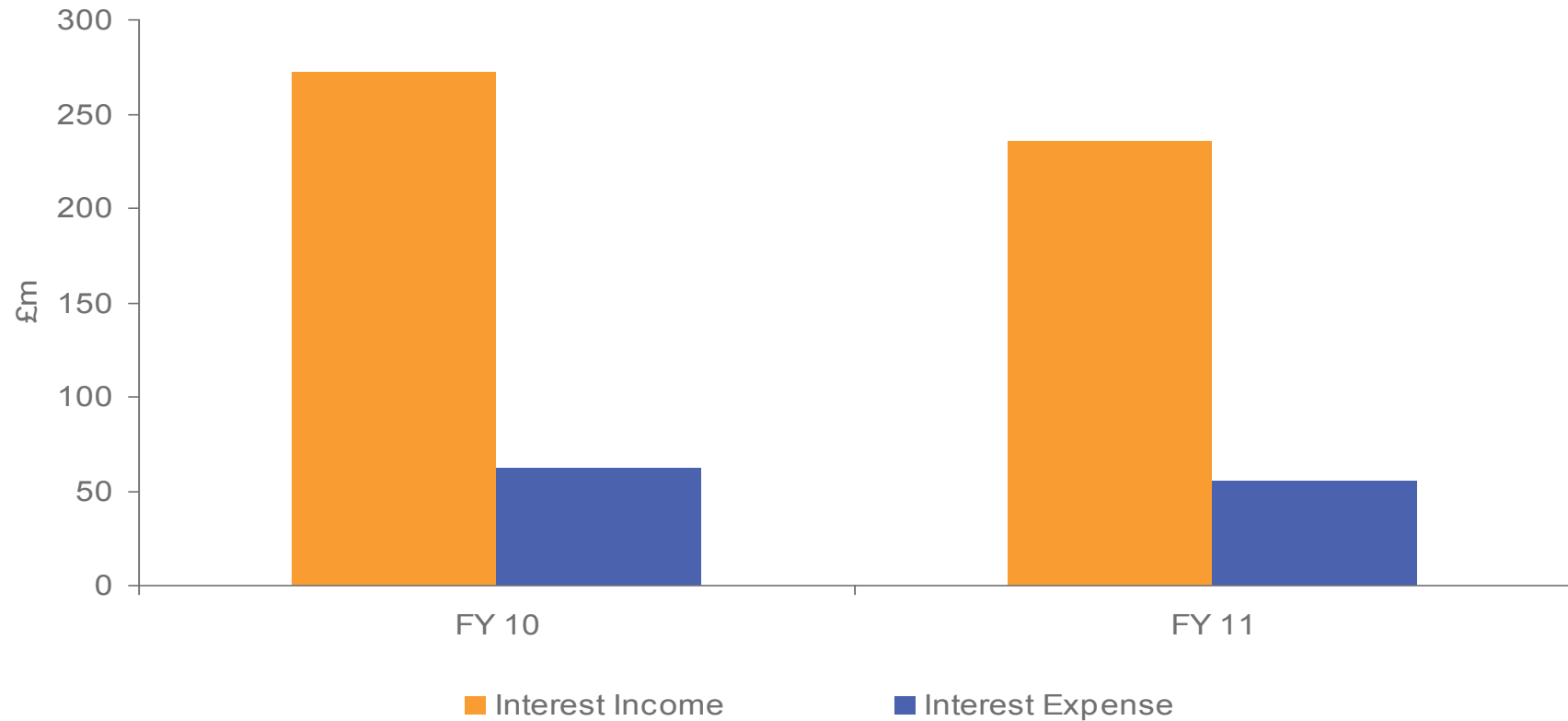
■ Profit before tax and fair value adjustments at £154.2m



# Net interest income analysis



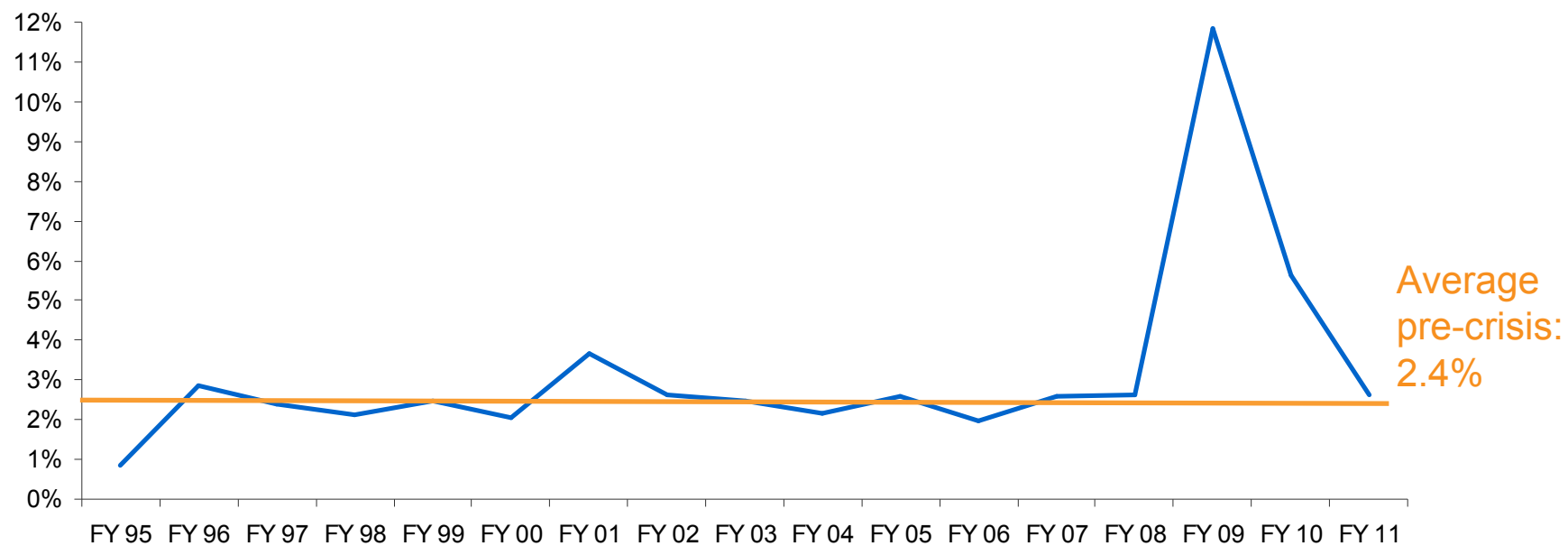
- NII at £180m, 14% lower driven by lower average investment portfolio (£2.6bn vs £2.8bn), last year's provisions and the exits of large PIK assets (Marken, Medica, Sebia, Visma, TBC)



# Long terms provisions



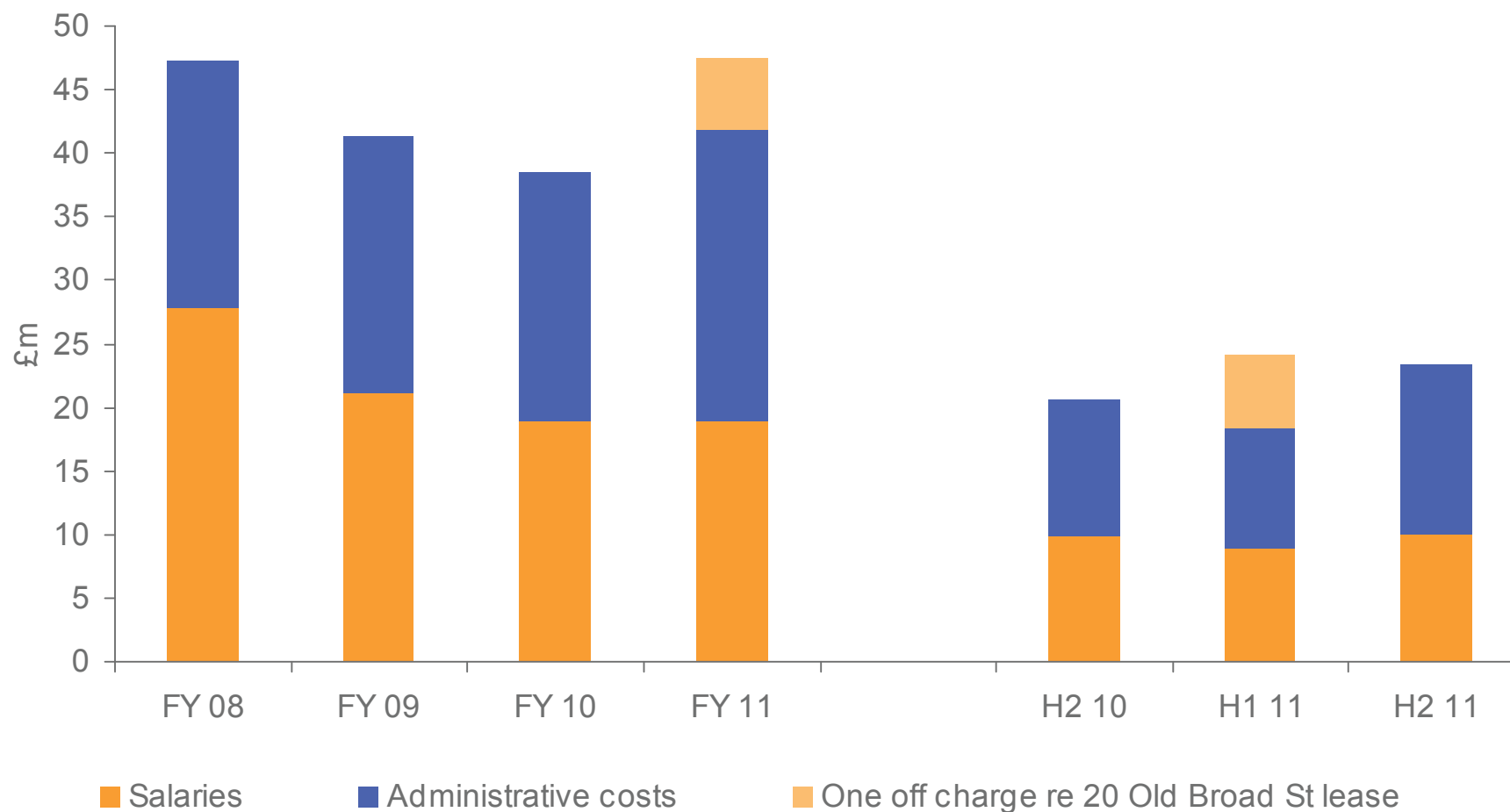
■ Net provisions (as a % of opening book) back to historical levels



# Operating costs (Excluding incentive schemes)



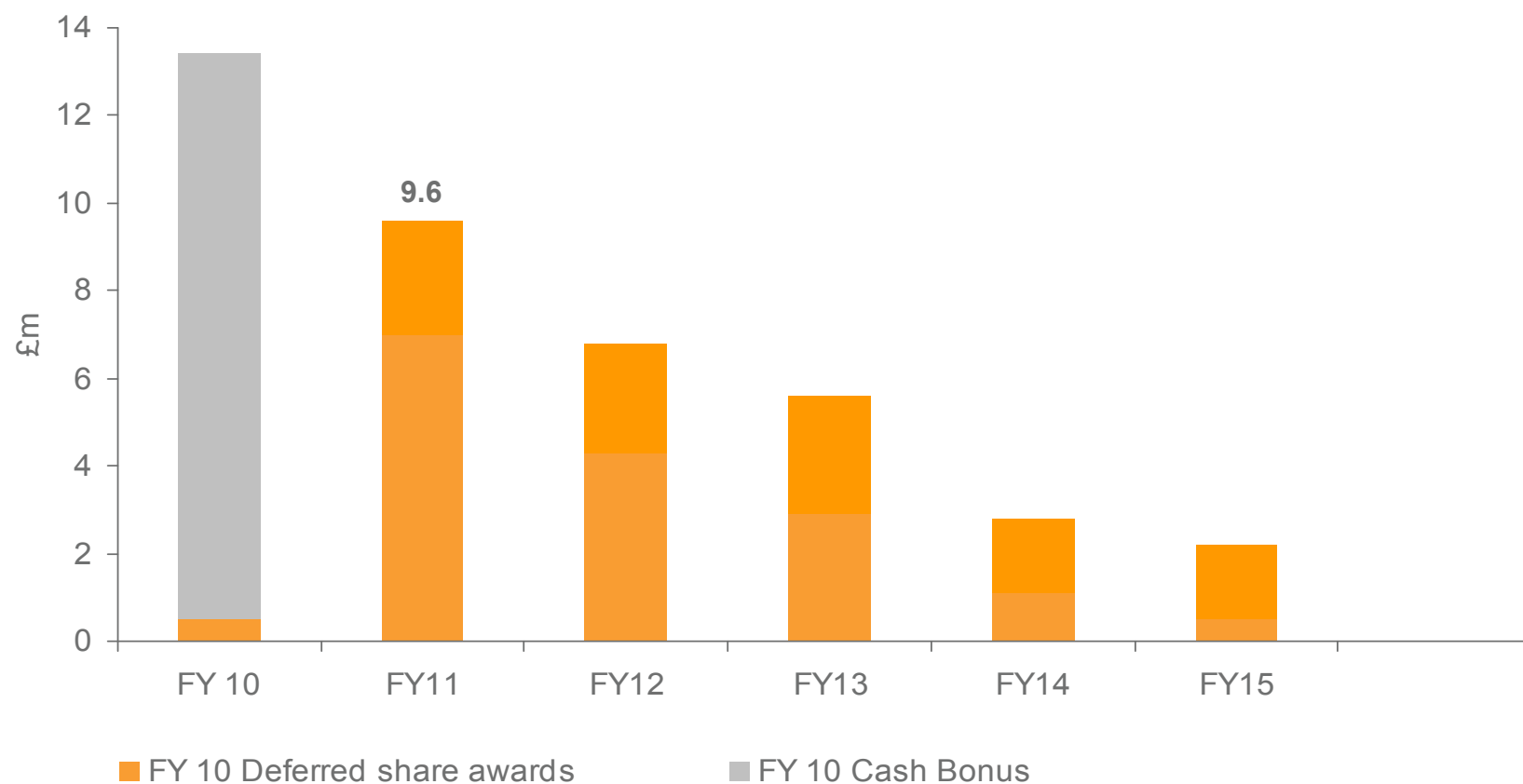
■ Operating costs impacted by one off impact of 20 Old Broad St lease



# P&L impact of FY10 awards



- One year's awards expensed over number of years
- Aggregate charge is 30% of cash profit





# Incentive schemes excluding MTIS on capital gains



	Group	Segmental	
£m	FY 11	FM Co	Inv Co
FY10 Awards	9.6	5.9	3.7
FY11 Awards	10.9	8.7	2.2
<b>Total</b>	<b>20.5</b>	<b>14.6</b>	<b>5.9</b>
	FY 11	FM Co	Inv Co
<b>Old Schemes*</b>	<b>23.3</b>	<b>-</b>	<b>23.3</b>

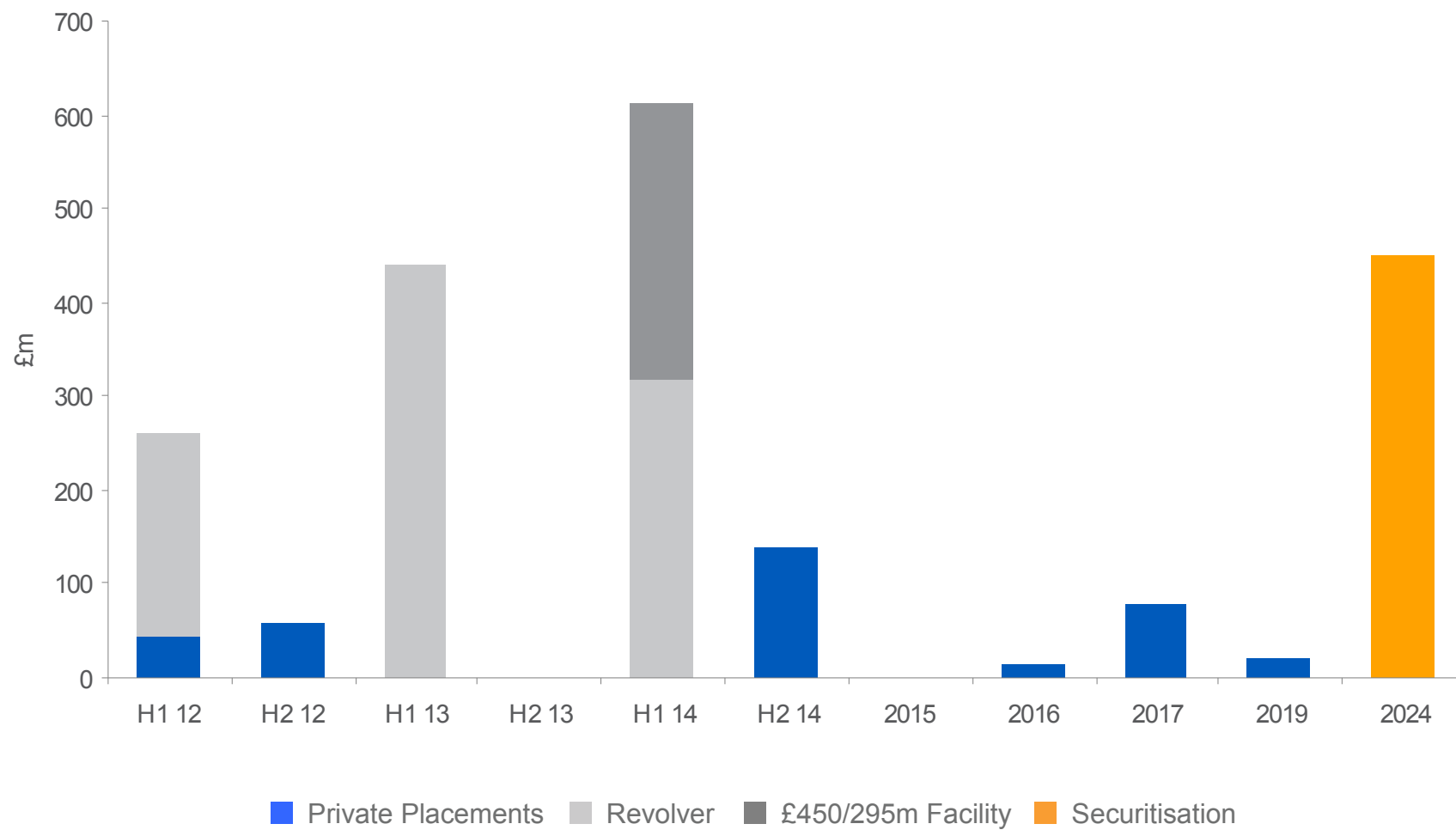
\* MTIS on rolled interest and shares options

# Balance Sheet

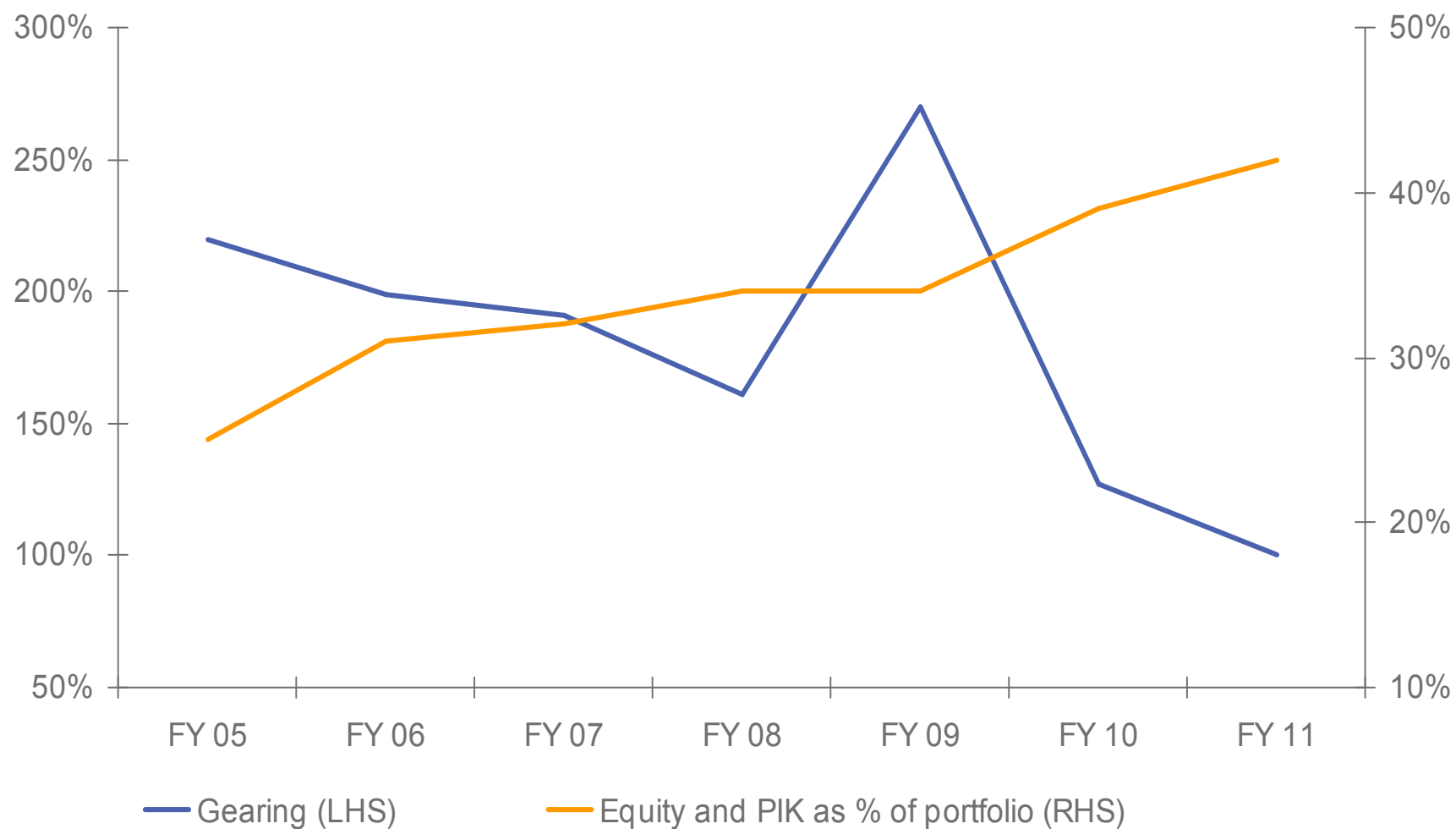


	31 March 2011 £m	31 March 2010 £m
Loans & Investments	2,575	2,718
Net current liabilities	(76)	(30)
	2,499	2,678
Shareholders' Funds	1,251	1,184
Borrowings	1,248	1,494
	2,499	2,678
ROE	10.8%	7.2%
Gearing Ratio	100%	127%
Debt Facilities	2,033	2,223
Headroom at year end	785	729
Headroom at 30/04/11	506	

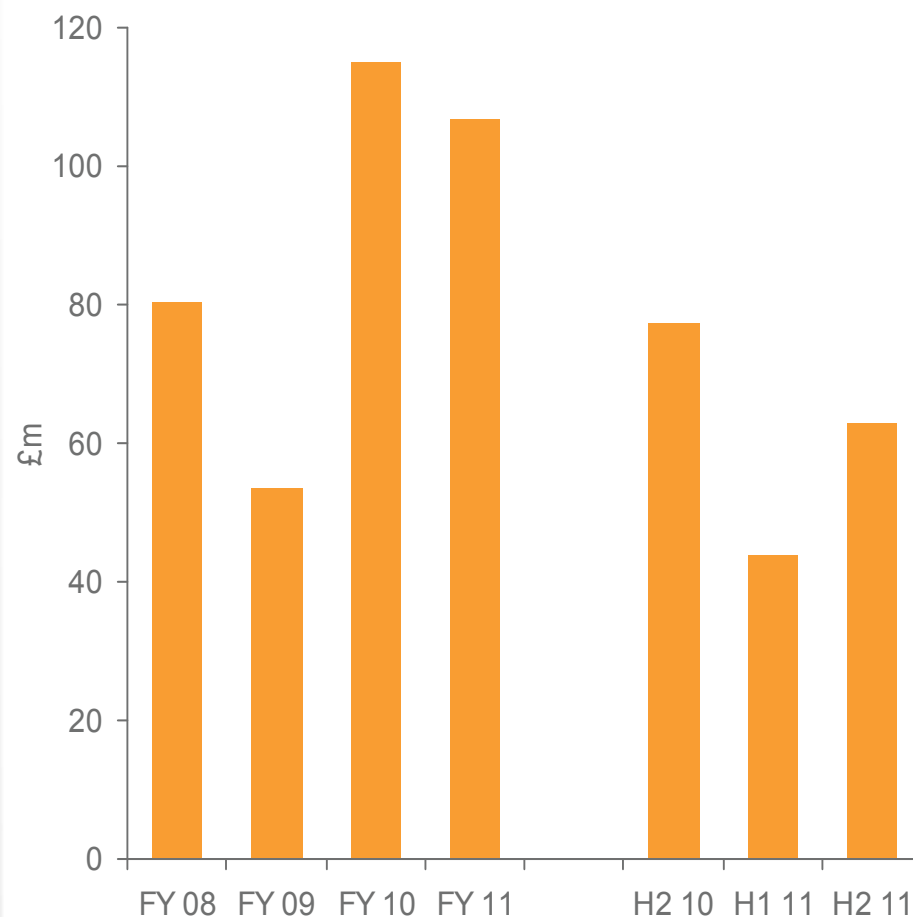
# Debt maturity profile



# Gearing vs. Equity and PIK as a % of portfolio



# Cash core income



## Cash Core Income Calculation:

Pre tax profit*	£195.3m
Less Capital Gains**	£(101.3)m
Plus provisions	£70.9m
Less Accrued PIK**	£(126.9)m
Plus PIK realised**	£68.2m
<b>Cash Core Income</b>	<b>£106.7m</b>

\* adjusted for FV movements of derivatives held for hedging and £5.7m negative impact of Old Broad Street lease

\*\* Net of MTIS

# Financial outlook



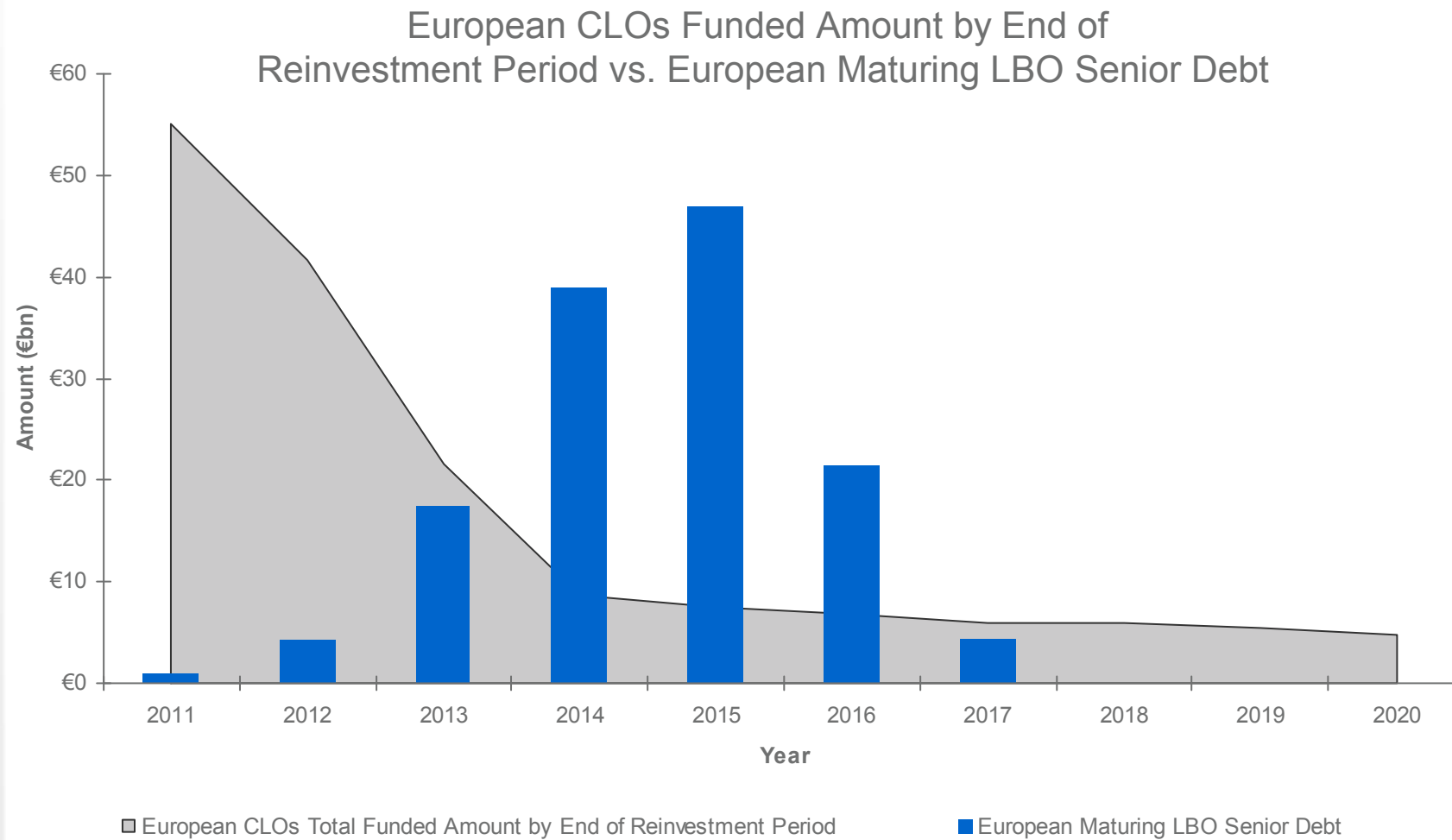
- Stable fee income
  - New funds will compensate for one-off catch up on junior fees in FY11
- Further realisations
  - Capital Gains
  - Realisation of PIK
  - Reduction in NII as book contracts slightly and price of debt increases
- Additional new investments but remain unpredictable
- Provisions expected to trend down further on a year on year basis

# Conclusion

# Appendix



# Refinancing problem lies ahead



Source: JPMorgan Structured Finance Research, INTEx, S&P European Leveraged Loan Index (ELLI), 30 September 2010

# Top ten PIK assets



Business	Country	Vs Last Year
Airport operator	UK	↑
Private clinic manager	France	→
Credit Bureau	Australia	→
Share registry and fund administration services	Australia	↑
Security services	Italy	↑
Electronic publisher of company information	Belgium	↑
Cinema owner and operator	Australia	↑
Catering Services	UK	↑
Drug development and manufacturer	France	↑
Elderly care homes	Sweden	↑

# Gains on investments



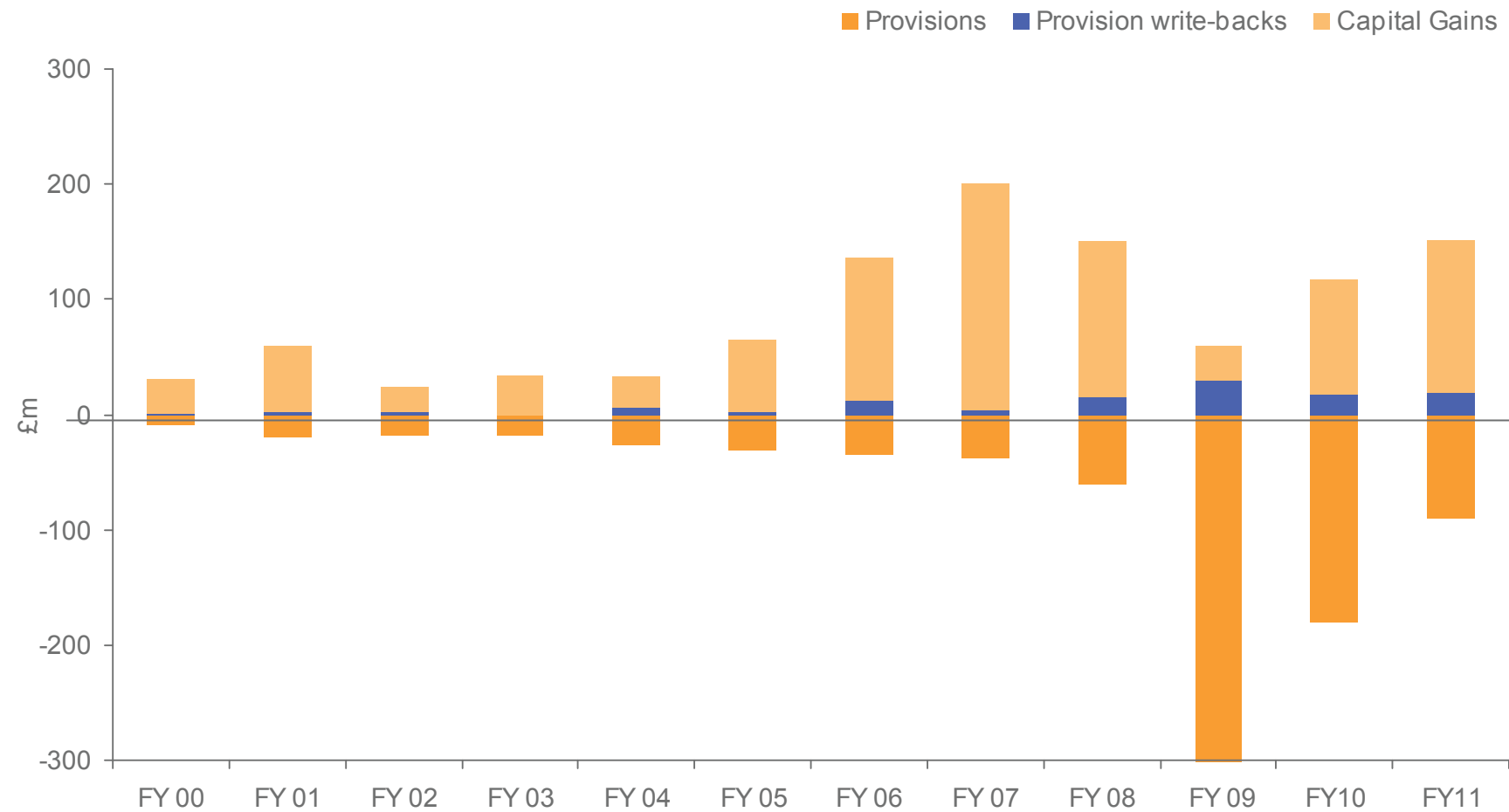
£m	FY 11	FY 10
Realised gains	127.2	78.0
Unrealised gains	6.2	20.0
<b>Total gains</b>	<b>133.4</b>	<b>98.0</b>
MTIS	(31.0)	(21.7)
<b>Net gains</b>	<b>102.4</b>	<b>73.6</b>

# Impairments

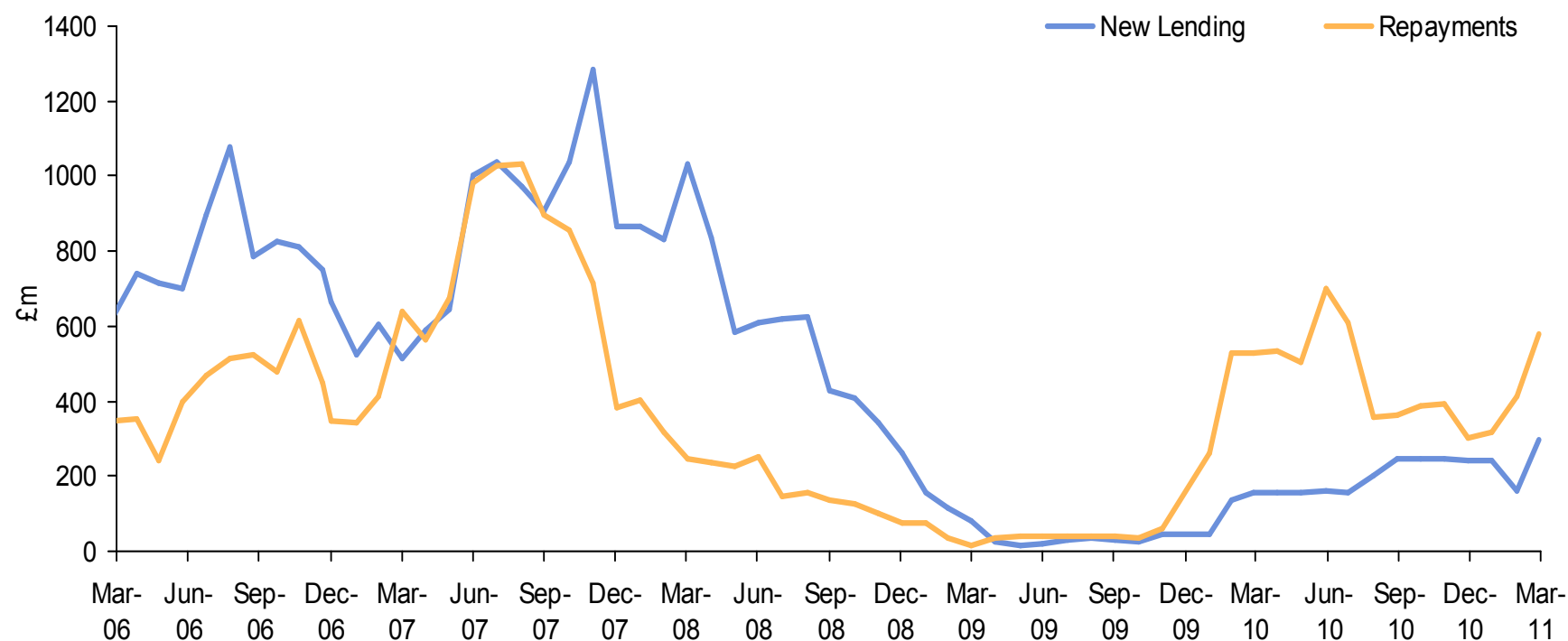


£m	FY 11	FY 10
Mezzanine and equity investment		
Gross impairment	89.8	180.4
Recoveries	(18.9)	(18.5)
<b>Net impairment</b>	<b>70.9</b>	<b>161.9</b>

# Capital account



# New lending vs. repayments\*



\*6 months moving average

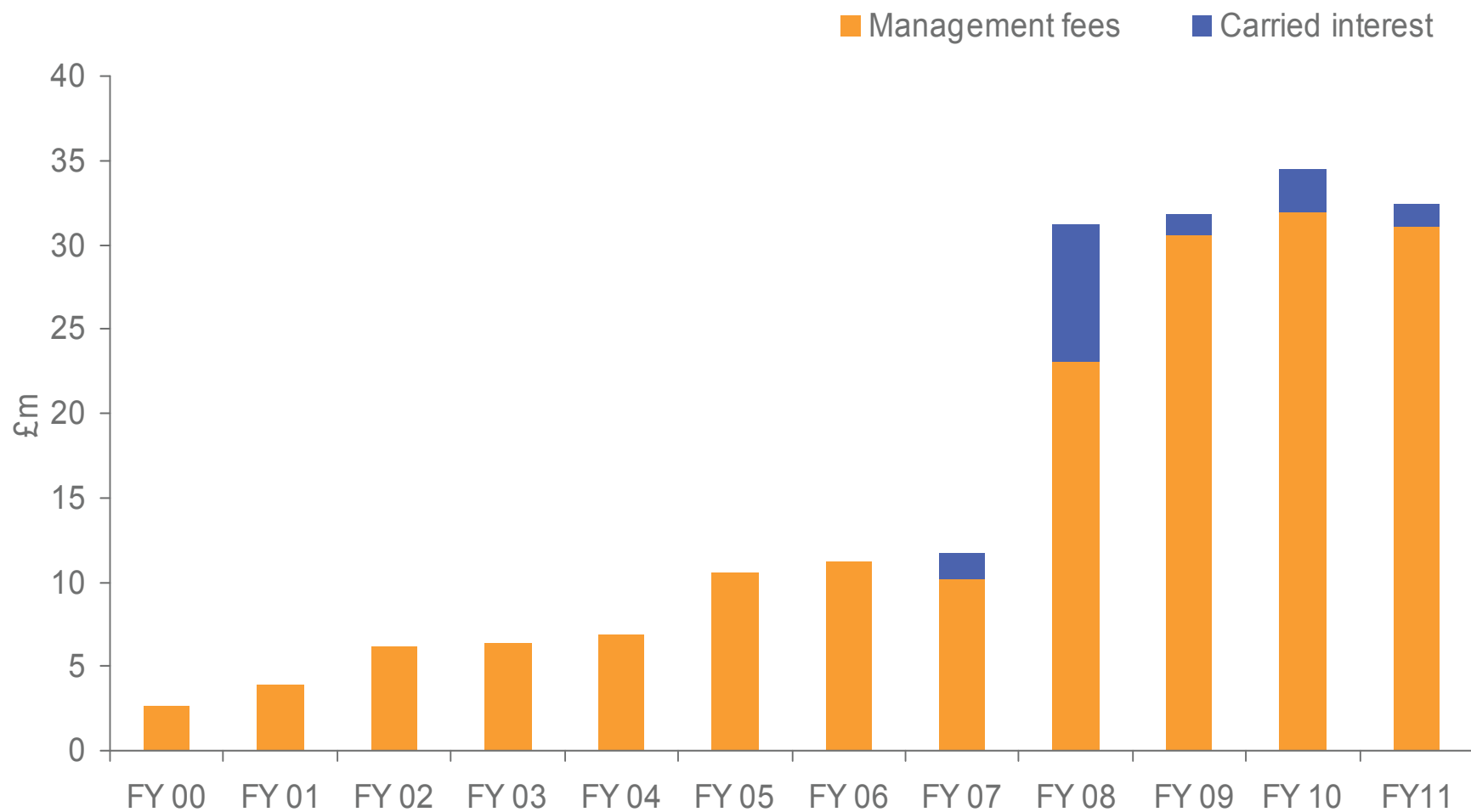
# Fee income



£m	FY11	FY 10
Mezzanine Fund Management fee income	32.4	34.6
Credit Fund Management fee income	23.7	14.0
<b>Third Party Funds fee income</b>	<b>56.1</b>	<b>48.6</b>
Investment Company fee income	25.7	27.8
<b>Total fee income</b>	<b>81.8</b>	<b>76.4</b>

# Mezzanine and Minority Equity Funds

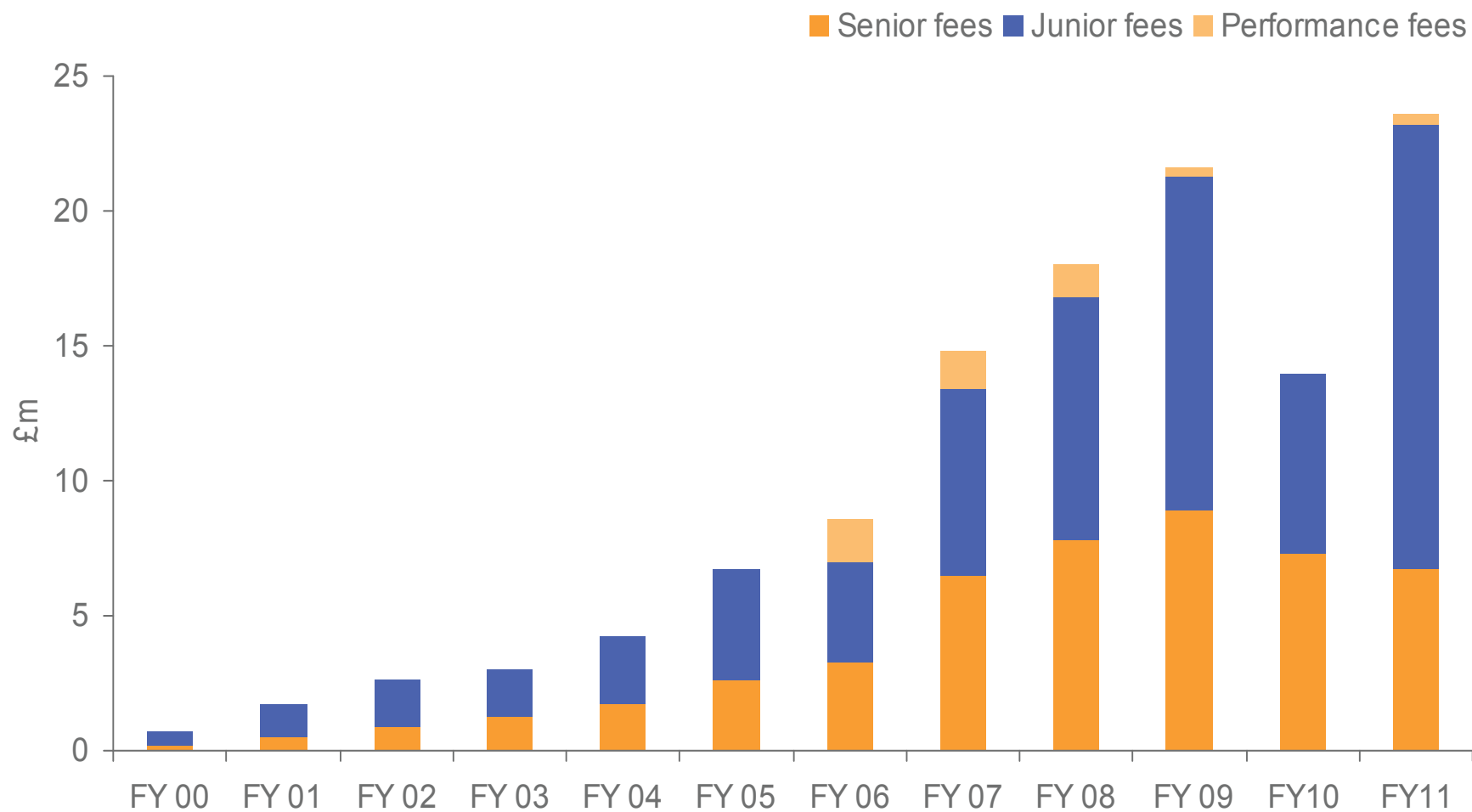
## Fee income





# Credit Funds

## Fee income analysis

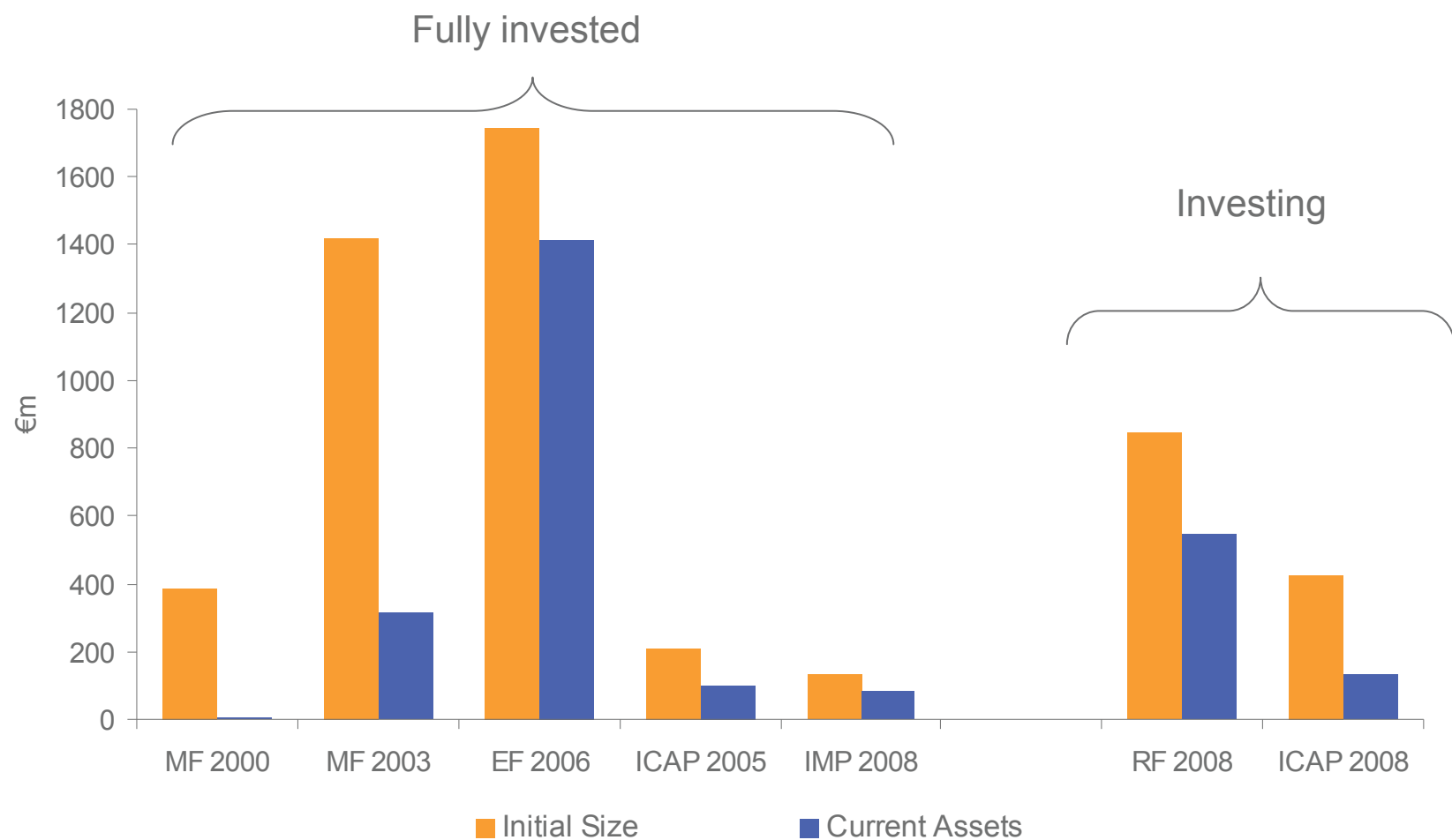


# Pre-tax profits, earnings per share & dividends



	FY 11	FY 10
Pre tax profit excluding FV	£190.1m	£105.7m
Pre tax profit	£186.3m	£105.8m
Net profit	£128.1m	£81.7m
EPS	32.6p	25.0p
DPS	18.0p	17.0p

# Capacity of mezzanine funds



Note: RF 2008 and EF2006 excludes Eos debt

# Mezzanine and Growth Capital Funds

## Fee structure



### Funds in investment period

Fund	Size	Equity	End of investment period	% Invested	Main fee
ICAP 08	\$0.6bn	\$0.6bn	April-2013	26%	1.5% on committed equity
RF08	€0.84bn	€0.64bn	Oct-2011	75%	1.5% on invested

### Funds in realisation

Fund	Size	Equity	End of investment period	% Invested	Main fee	Carry
EF06	€1.75bn	€1.25bn	Nov-2011	92%	1.25% on invested	20 % of 20 over 8
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

# Segmental reporting



	£m	H2 11	H1 11	H2 10
<b>Fund Management Company</b>	Fee income	42.7	39.1	34.9
	Other income	3.0	1.1	0.8
	Admin expenses	(26.7)	(23.3)	(20.5)
	<b>FM Profit</b>	<b>19.0</b>	<b>16.9</b>	<b>15.2</b>
<b>Investment Company</b>	Net Interest Income	84.8	95.0	107.2
	Div & other income	9.7	1.4	2.6
	Admin expenses	(34.0)	(33.0)	(28.7)
	Impairments	(17.8)	(53.1)	(64.7)
	Net capital gains	31.9	69.4	73.6
	<b>IC Profit*</b>	<b>74.6</b>	<b>79.7</b>	<b>90.0</b>
	FVM derivatives	(12.3)	8.5	(7.5)
<b>Group</b>	<b>Profit before tax</b>	<b>81.2</b>	<b>105.1</b>	<b>97.7</b>

\* Excluding FMV Derivatives

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