



# Full year results presentation

22 May 2018



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# Operational highlights

## Fundraising and capital deployment at record levels

- Total AUM up 20% to €28.7bn, with €7.8bn of new money raised
- Fundraising driven by our Senior Debt Partners strategy raising €4.2bn and growing momentum across our European capital markets strategies
- Third party fee earning AUM up 12% in the year to €21.0bn
- Strong deployment across strategies, up 21% to €4.9bn. Continued focus on investment discipline in a competitive market
- Portfolios continue to perform well with all funds on course to meet or exceed applicable hurdle rates
- Excellent start to the new financial year. Europe Fund VII fundraising is well advanced, with €2.6bn raised to date. With a target size of €4bn we are scaling this strategy to reflect the level of investment opportunities

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# Financial highlights

## Fund management profits up 29%; driving dividend growth

- Fund Management Company profits up 29% to £95.3m (2017: £74.0m), with third party fee<sup>1</sup> income up 21%
- Investment Company profits<sup>1</sup> lower at £79.5m (2017: £163.5m), due to lower investment income
- Group profit before tax<sup>1</sup> of £174.8m (2017: £237.5m)
- Final ordinary dividend up 8% to 21.0 pence per share. Total ordinary dividends in the year up 11% to 30.0 pence per share
- Total ordinary dividends represent 110% of post tax FMC profits (2017: 128%); we are ahead of plan in covering ordinary dividends from FMC profits

<sup>1</sup>These are non IFRS GAAP alternative performance measures and represent internally reported numbers excluding the impact of fair value movements on derivatives (FY18: £6.5m; FY17: £1.3m). Internally reported numbers exclude the impact of the consolidation of 14 credit funds following the adoption of IFRS 10

# Strategic priorities

## FY10 – FY18 Strategic transition

- Enhanced brand and client base
- Developed new strategies to deliver gross fundraising target
- Developed a scalable infrastructure platform
- Established an in-house distribution platform
- Achieved greater capital efficiency
- Optimising co-investment ratio
- Increased FMC operating margin

## FY19 – FY23 Recognised as the leading European specialist asset manager

- Increased fundraising target of three year rolling average €6.0bn per annum
- FMC becomes dominant profit contributor
- FMC operating margin to exceed 43%
- Selectively expand number of strategies, and optimise profit from existing strategies
- Optimise balance sheet to drive growth in the fund manager
- Maintain an efficient capital base
- Dividends linked to FMC profit

# Financial Review



# Financial highlights

## FMC profits exceed those of the IC for the first time

£m		12 months to 31 March 2018	12 months to 31 March 2017	
<b>Fund Management Company</b>	Third party fee income	167.1	138.6	
	IC management fee	17.8	18.1	
	Other income	25.2	23.0	
	Operating costs	(114.8)	(105.7)	
	<b>FMC profit</b>	<b>95.3</b>	<b>74.0</b>	
<b>Investment Company</b>	Interest income	113.2	144.7	
	Other income	7.4	14.7	
	Net capital gains	144.7	201.4	
	Impairments	(25.2)	(48.0)	
		<b>Net investment returns</b>	<b>240.1</b>	<b>312.8</b>
	Interest expense	(56.6)	(53.9)	
	Operating costs	(86.2)	(77.3)	
	IC management fee	(17.8)	(18.1)	
	<b>IC profit</b>	<b>79.5</b>	<b>163.5</b>	
<b>Group</b>	<b>Profit before tax<sup>1</sup></b>	<b>174.8</b>	<b>237.5</b>	

- Accounting standard IFRS 10 requires 14 credit funds to be consolidated into statutory results. All numbers in the financial review shown excluding the impact of IFRS 10
- Assets and liabilities grossed up with minimal impact on shareholders' funds

<sup>1</sup>These are non IFRS GAAP alternative performance measures and represent internally reported numbers excluding the impact of fair value movements on derivatives (FY18: £6.5m; FY17: £1.3m). Internally reported numbers exclude the impact of the consolidation of 14 credit funds following the adoption of IFRS 10

# Balance sheet and capital strategy

## Balance sheet flexibility supports growth

£m		31 March 2018	31 March 2017
<b>Assets</b>	Loans and investments	1,899	1,712
	Assets for syndication	107	90
	Cash	248	490
	Other	273	209
	<b>Total assets</b>	<b>2,527</b>	<b>2,501</b>
<b>Liabilities</b>	Borrowings	1,021	1,119
	Other	188	209
	Shareholders funds	1,318	1,173
	<b>Total liabilities</b>	<b>2,527</b>	<b>2,501</b>
<b>Other metrics</b>	Gearing ratio	0.77x	0.95x
	Debt facilities	1,503	1,600
	Available headroom	730	971
	Cash flows from operating activities	(49)	710

- Balance sheet portfolio higher following strong investment activity
- Balance sheet gearing to return to within the range of 0.8-1.2x with investment in new strategies
- Diversified sources and maturities of financing, healthy debt headroom

# Fund Management Company

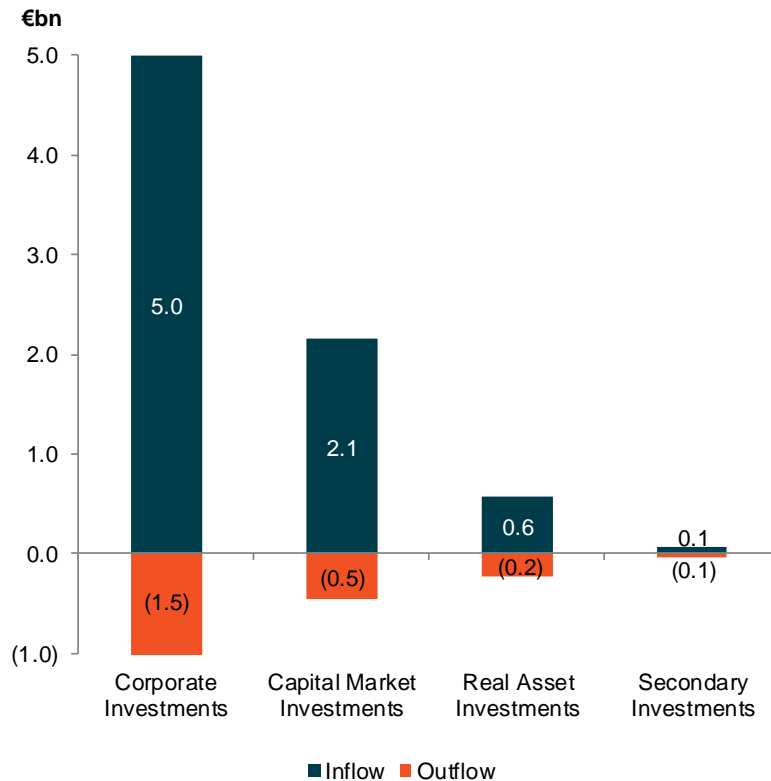




# Third party assets under management

## Record third party AUM of €26.5bn up 22% in the year

### FY18 AUM inflows/outflows by strategy



- Third party AUM up €4.7bn in the period; inflows €7.8bn; outflows €2.3bn and €0.8bn FX and other
- Realisations in Corporate Investments arising on the older European Mezzanine and Senior Debt Partners funds
- Fee earning AUM up 12%; will continue to grow as new money raised is invested
- FY19 fundraising focus on Corporate Investments successor funds and Capital Market strategies

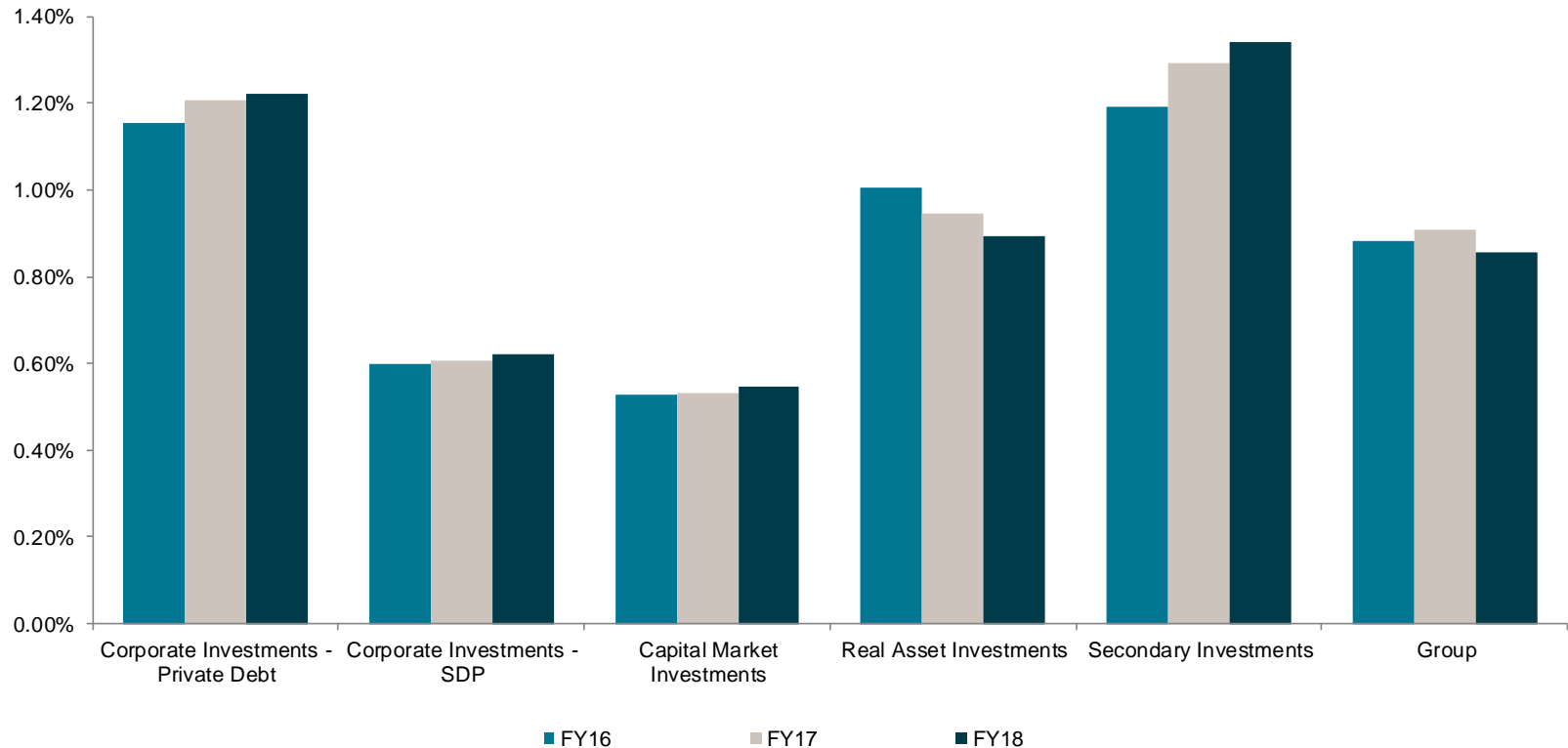
### AUM by Business Unit

€m	Fee earning AUM		AUM	
	31 March 2018	31 March 2017	31 March 2018	31 March 2017
Corporate Investments	9,227	8,516	13,873	10,805
Capital Market Investments	7,682	6,171	7,683	6,171
Real Asset Investments	2,766	2,667	3,509	3,290
Secondary Investments	1,297	1,388	1,469	1,551
	20,972	18,742	26,534	21,817

# Fee income

## Fee rates maintained across asset classes

### Weighted average fee rate<sup>1</sup> by strategy – FY18

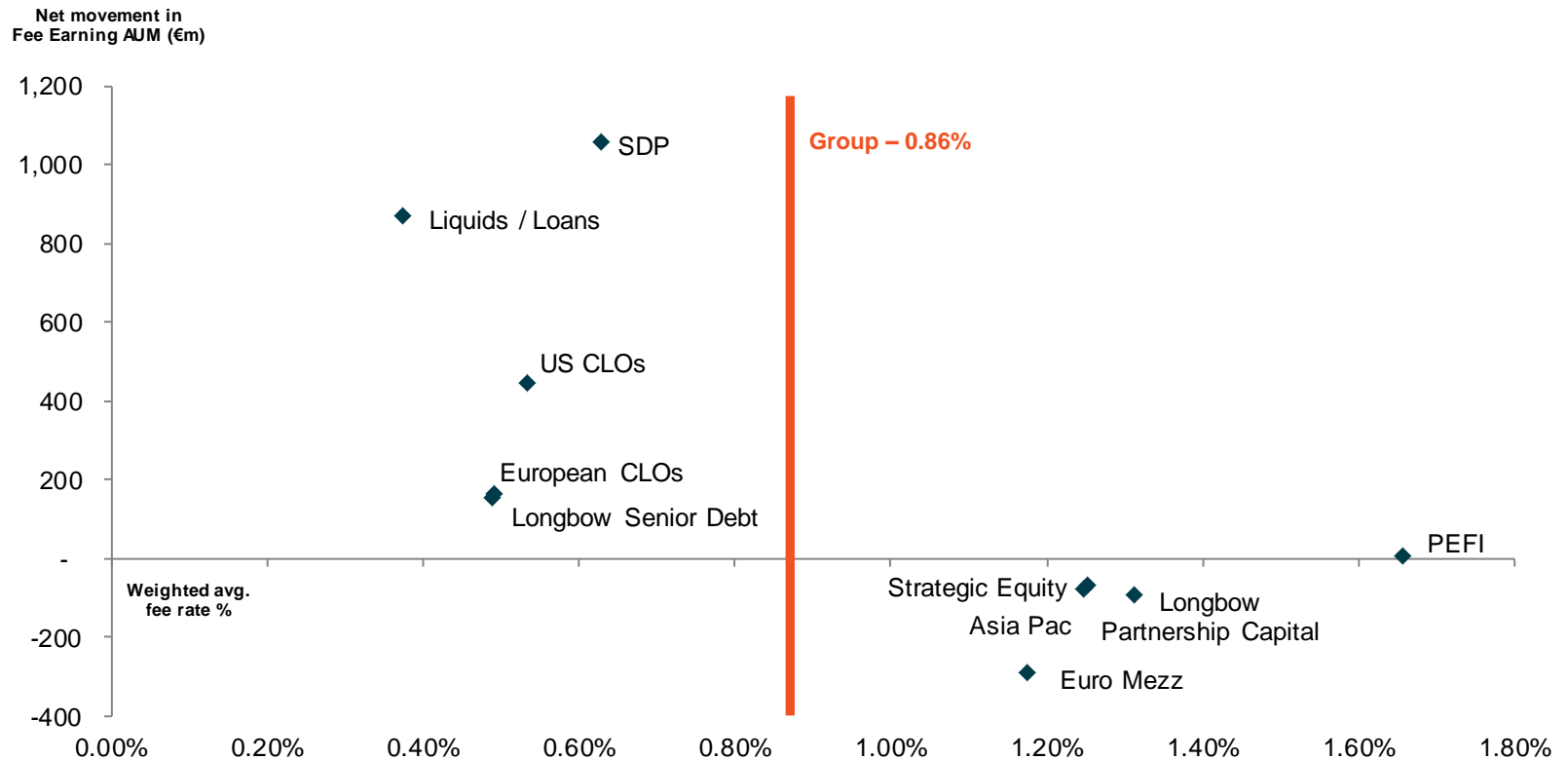


<sup>1</sup> Weighted average fee rates based on average fee earning AUM during the year and excludes any performance fees and catch-up fees

# Fee income

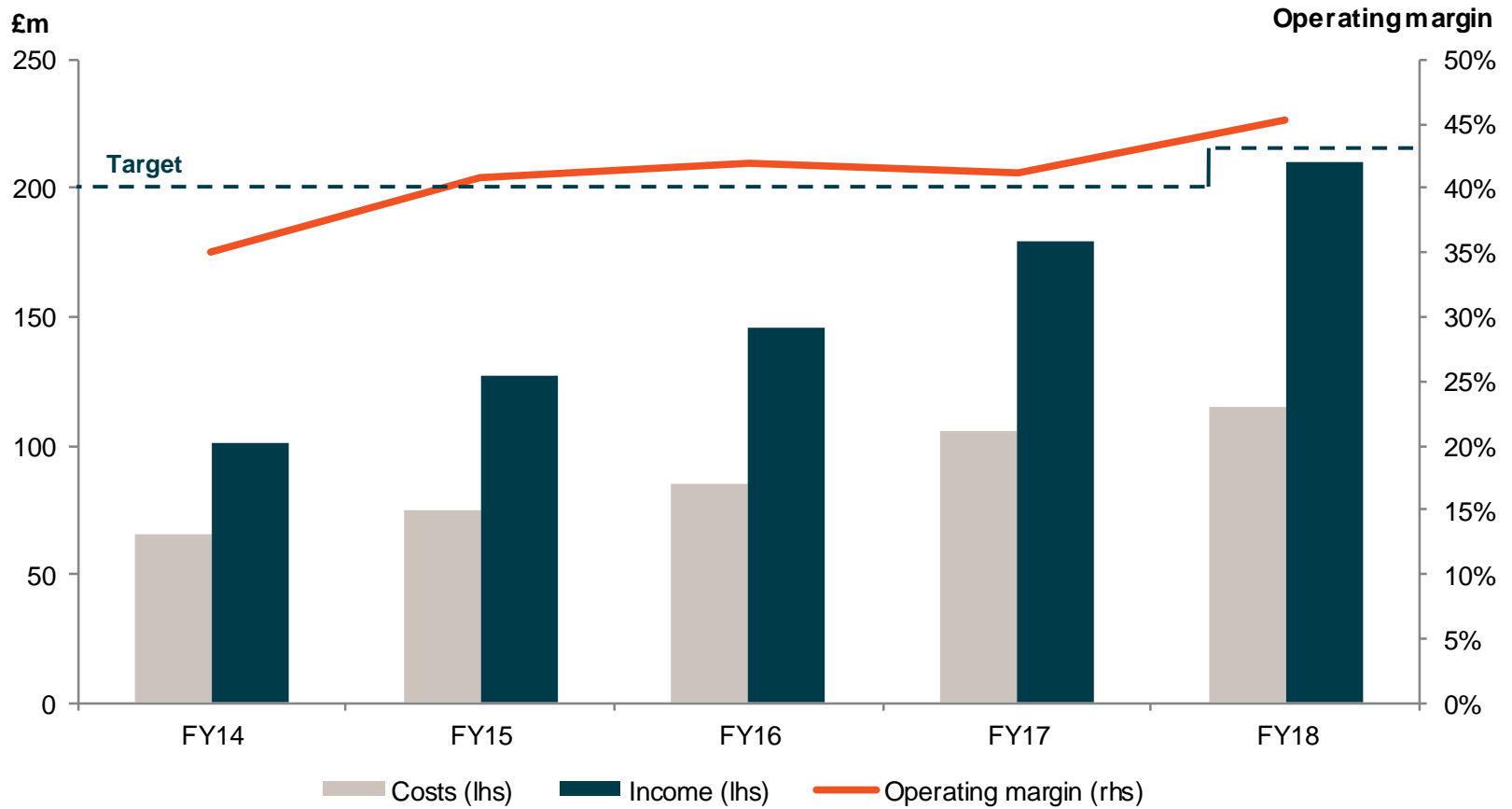
Evolution of product mix marginally reduces average fee rates

## Fee Earning AUM movement and fee rates by strategy



# FMC operating margin

## Operating margin above target



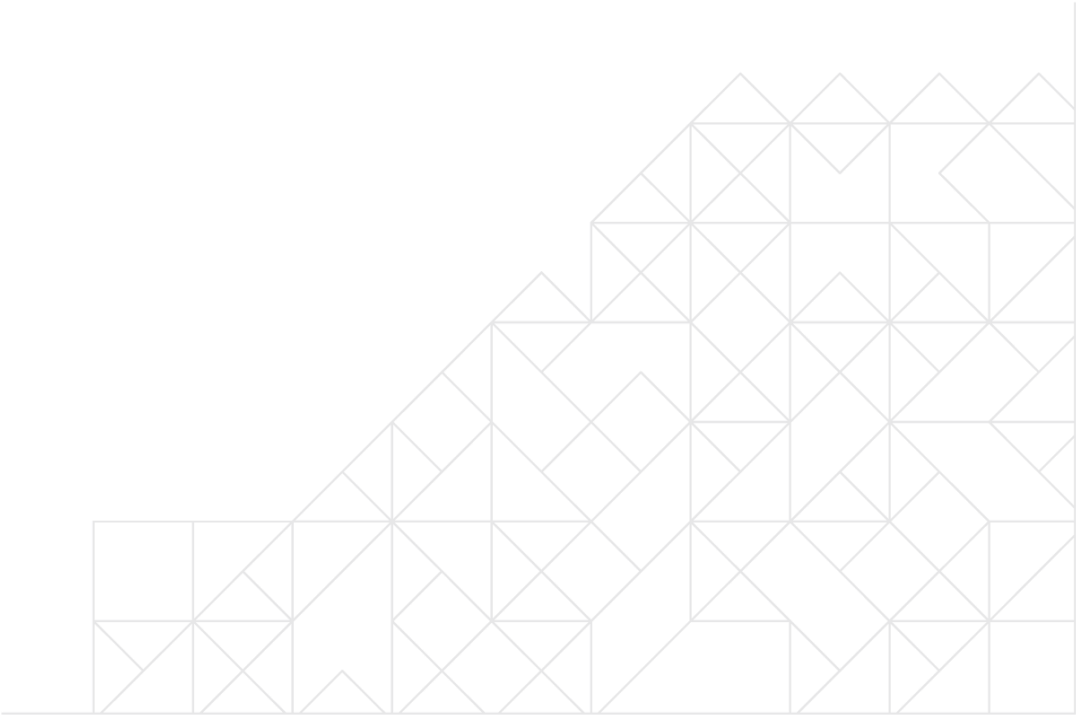
# FMC operating costs

## Costs in line with expectations

£m	12 months to 31 March 2018	% FMC revenue	12 months to 31 March 2017	% FMC revenue
Investment team staff costs	28.0	13%	25.7	14%
Marketing staff costs	5.2	3%	4.6	3%
Infrastructure staff costs	8.9	4%	8.7	5%
<b>Staff costs</b>	<b>42.1</b>	<b>20%</b>	<b>39.0</b>	<b>22%</b>
Cash incentives	24.7	12%	15.0	8%
Deferred awards	16.1	8%	18.8	10%
<b>Incentive schemes</b>	<b>40.8</b>	<b>20%</b>	<b>33.8</b>	<b>18%</b>
Other non staff costs	29.4	14%	29.9	17%
Placement fees	2.5	1%	3.0	2%
<b>Total</b>	<b>114.8</b>	<b>55%</b>	<b>105.7</b>	<b>59%</b>

- Increase in staff costs reflects investment in capital market and senior debt strategies
- New remuneration policy has increased the weighting to cash incentives for infrastructure and junior team members

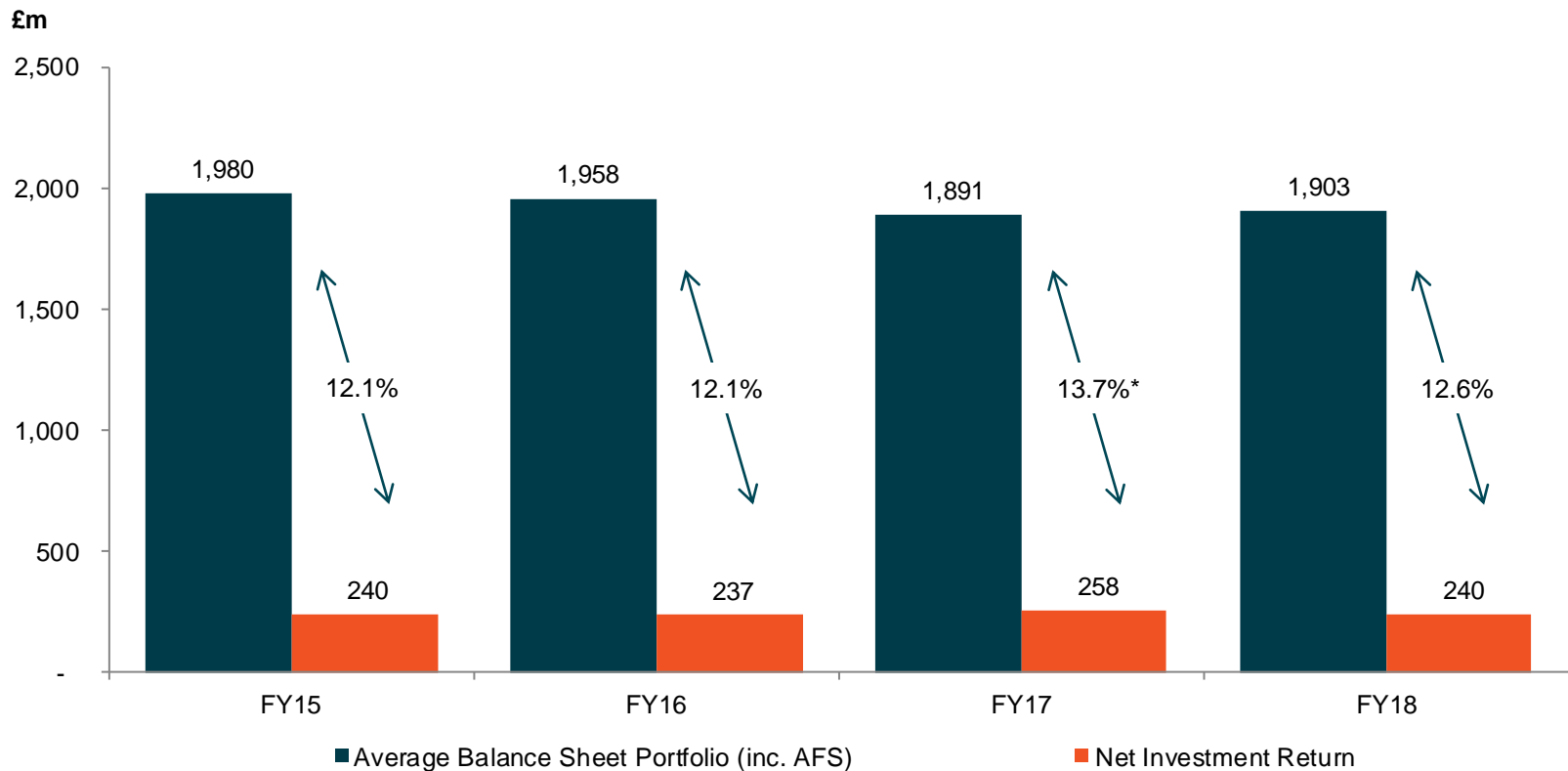
# Investment Company



# Net investment return

Returns in line with long term trends; guidance 11-12%

## Net investment return trend



\* Net Investment return in FY17 disclosed excluding realised gains recycled from AFS

# Net investment return

Balance sheet portfolio weighted to higher return strategies

## Net investment return by fund

£m	Net Investment Return	% of total NIR	FY 18 NIR %
Europe Fund VI	103.8	43 %	28 %
Europe Fund V	68.5	29 %	20 %
Strategic Secondaries II	22.8	9 %	36 %
ICAP III	13.2	6 %	13 %
North America Private Debt I	12.6	5 %	16 %
Other	19.2	8 %	N/A
<b>Total</b>	<b>240.1</b>	<b>100 %</b>	<b>N/A</b>

- Other includes investments in the lower returning capital market and real estate asset classes
- This includes where the Group invests in order to meet regulatory requirements



# Investment Company costs

## Costs in line with expectations

£m	12 months to 31 March 2018	*12 months to 31 March 2017
Staff costs	11.1	12.2
Cash incentives	24.7	26.0
Deferred awards	39.3	30.4
<b>Incentive schemes</b>	<b>64.0</b>	<b>56.4</b>
Amortisation	2.3	2.3
Other non staff costs	8.8	6.4
<b>Total</b>	<b>86.2</b>	<b>77.3</b>
Business development costs	5.6	4.4

- Increase in business development costs reflects exploration into Asia Pacific energy strategy
- Deferred awards increase in line with expectation following strong year of realisations in 2017
- Amortisation relates to the acquisition of the ICG Enterprise Trust management contract on 1 February 2016

\* NI payable on Balance Sheet Carry of £2.2m has been presented in this presentation within deferred awards, as opposed to staff costs. The prior year has been restated on a consistent basis

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# FY19 guidance

## Performance fee guidance upgraded

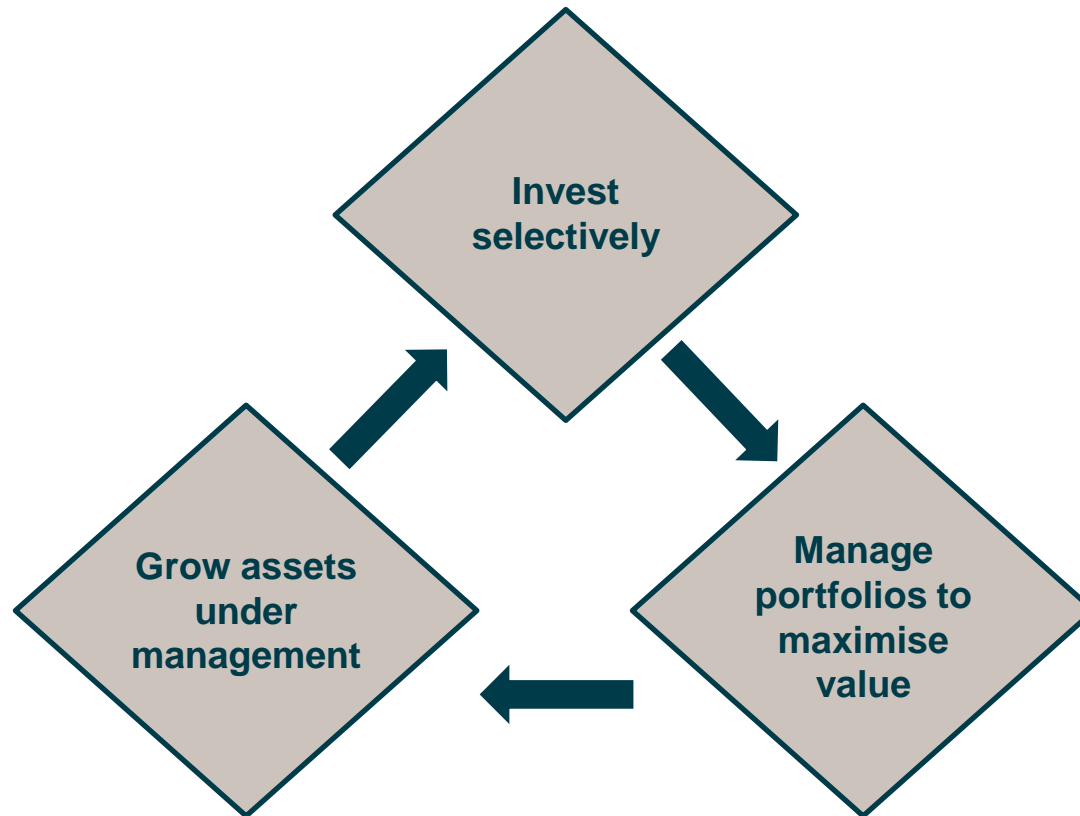
- Fundraising – average €6bn per annum over 3 year rolling period; FY19 expected to exceed this
- FMC operating margin – above 43%
- Performance fees to average £20-25m per annum
- Net investment return – averaging 11.5%
- Balance sheet portfolio – average c£2bn with co-investment ratio trending downwards
- Gearing to increase with investment in new strategies to within the range of 0.8-1.2x
- Tax rate – low single digit effective tax rate
- Ordinary dividend representing 80-100% of post tax FMC profit

# Operating Review



# Our strategy

To grow our specialist asset management activities



Generate strong shareholder returns to invest in growth and pay sustainable dividends

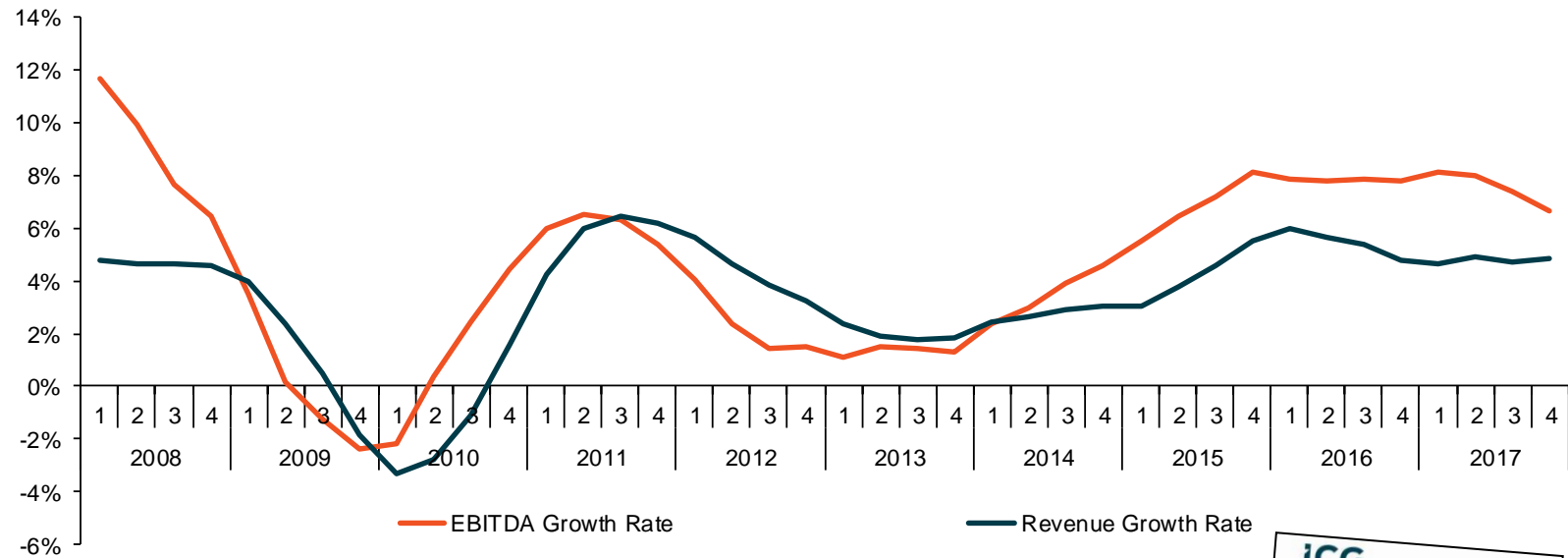
# Investing



# Investment markets

## European private companies are growing strongly

### Europe revenue and EBITDA growth



- ICG internal data is a competitive advantage, ICG index launched in April

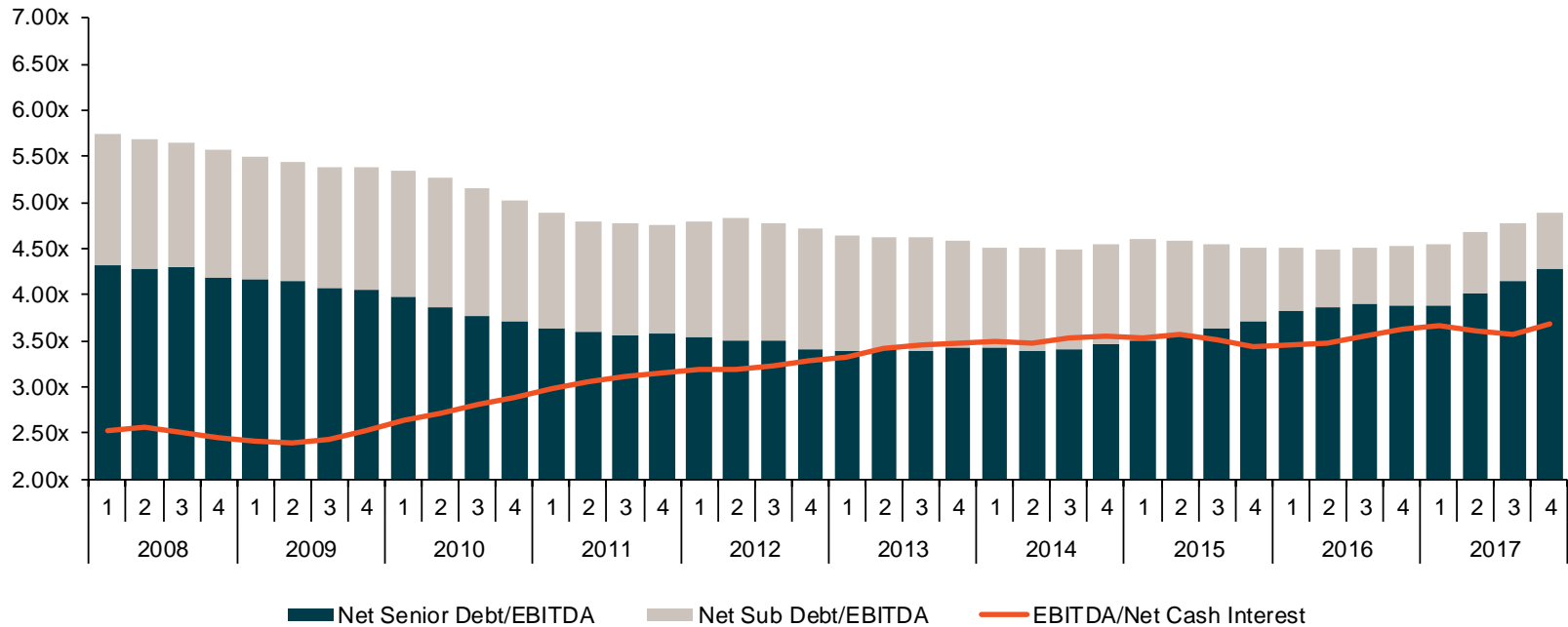


Source: ICG European Private Company Trends; April 2018

# Investment markets

## Credit fundamentals are on a strong footing

### Europe leverage and interest coverage

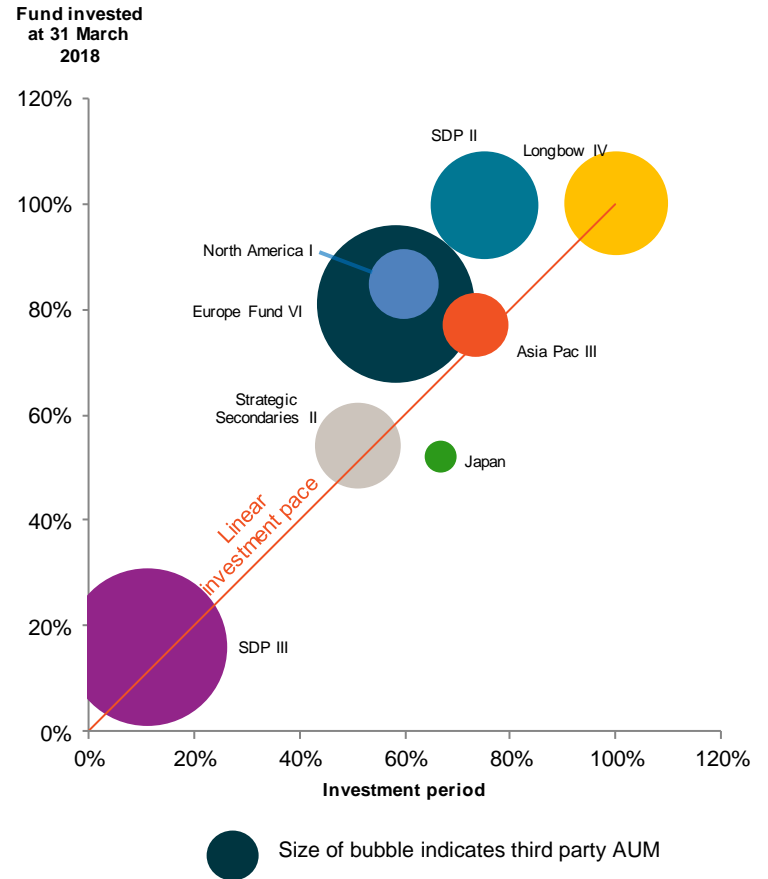
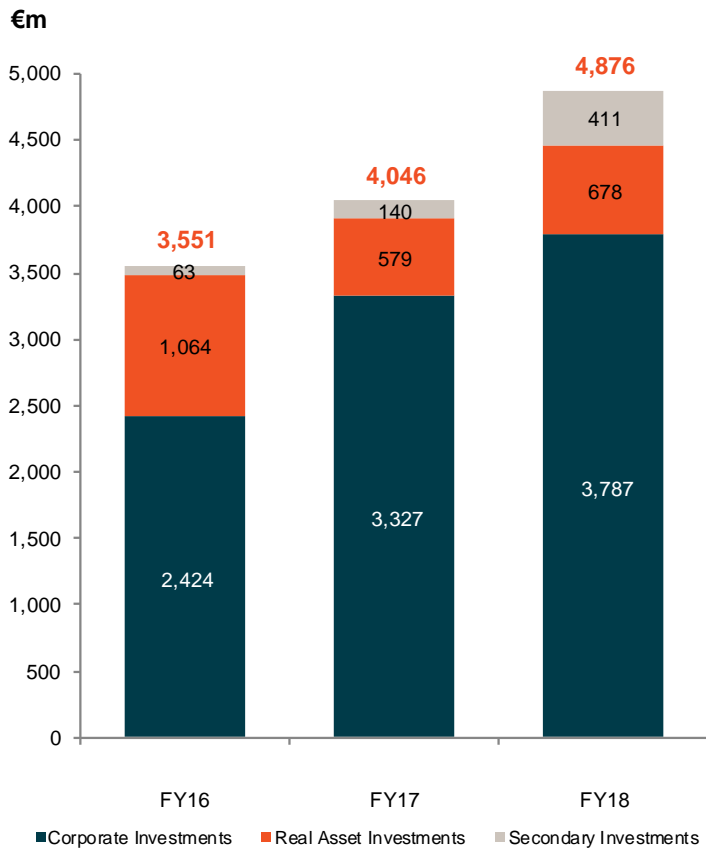


Source: ICG European Private Company Trends; April 2018

# Investing our direct investment funds

## Capital deployment strong for all our larger strategies

### Direct investment funds<sup>1</sup>



<sup>1</sup> Amounts invested include third party and balance sheet capital

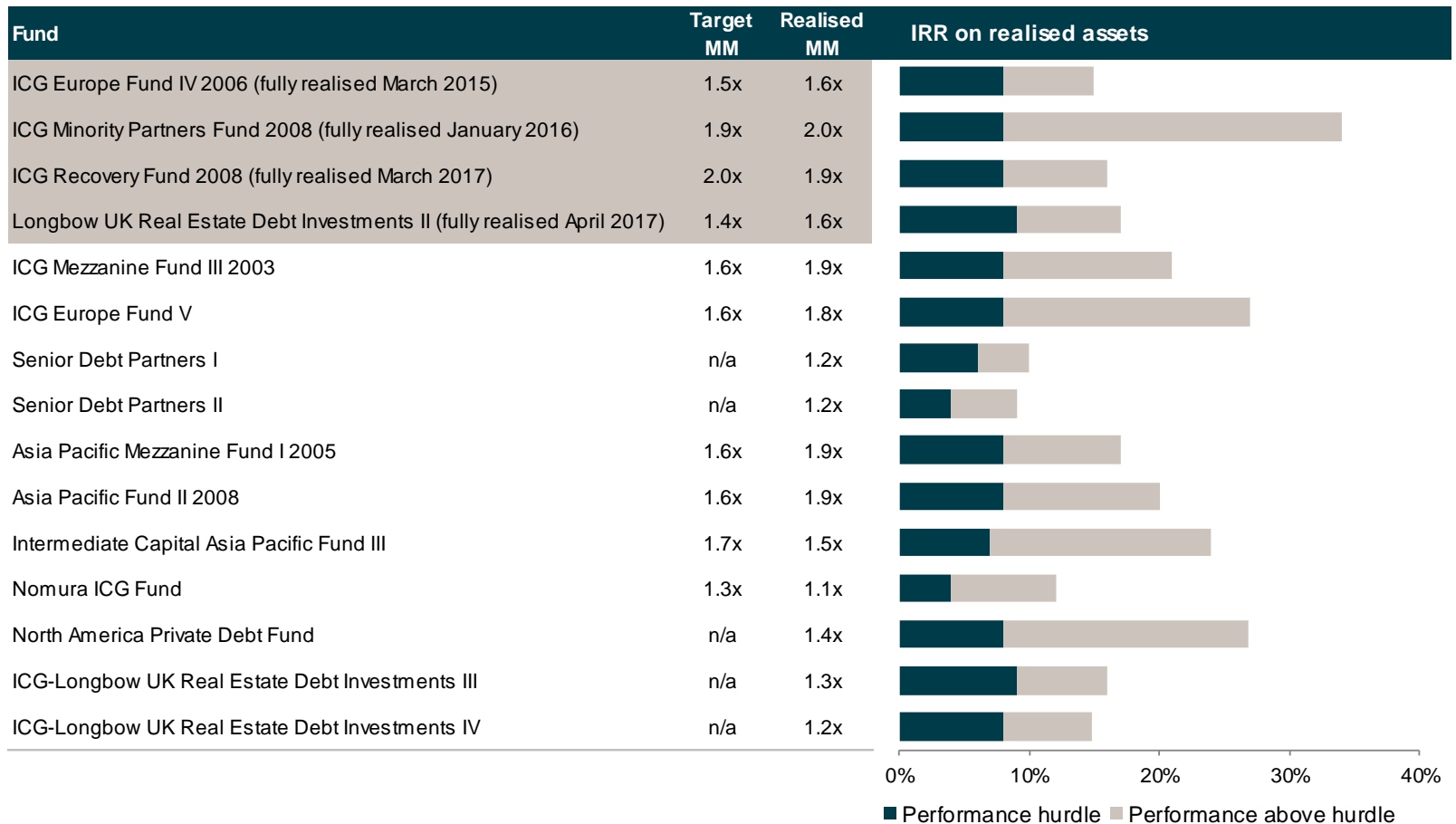


# Managing Investments



# Fund performance

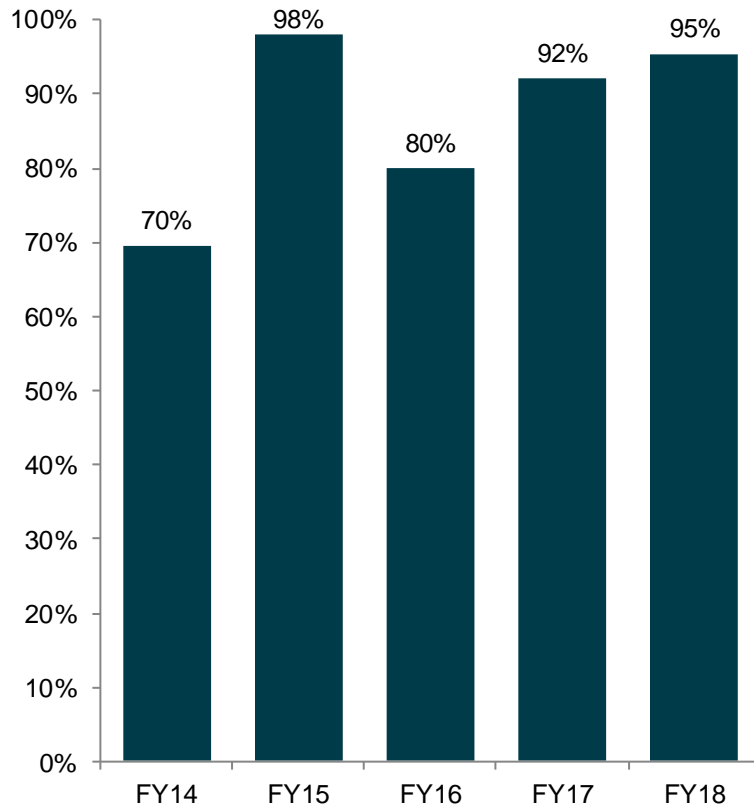
## Portfolio performance provides platform for future fundraising



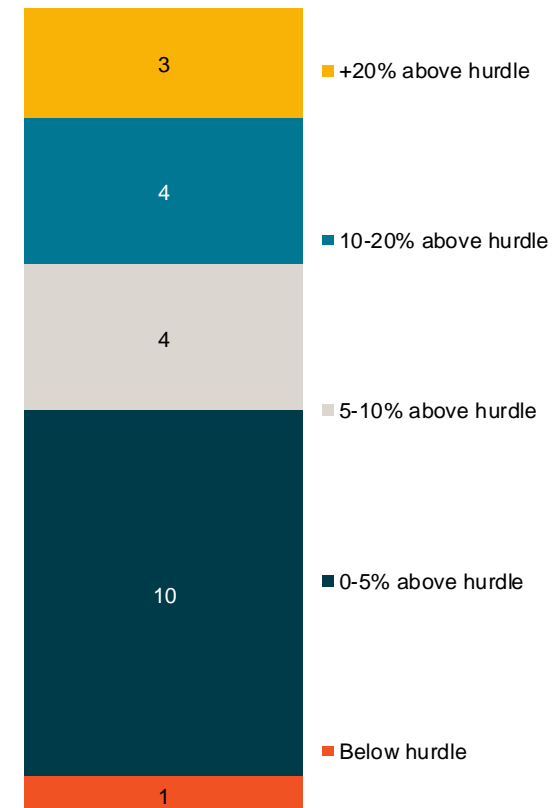
# Fund performance

## Realising assets locks in investment returns and track record

Percentage of realised assets exceeding hurdle rate



FY18 realised assets; performance against hurdle

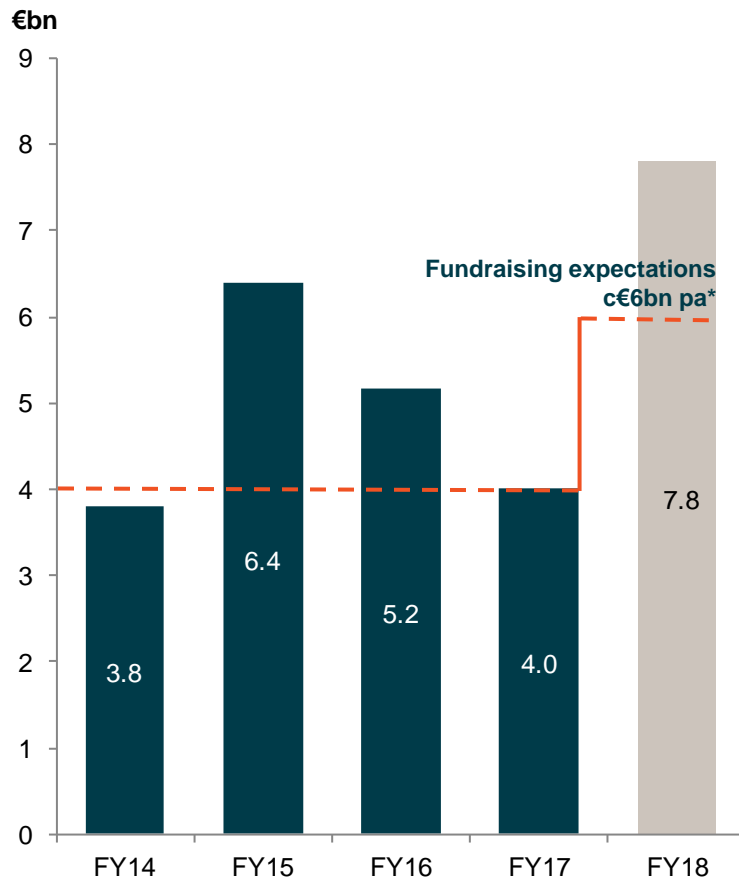


# Fundraising



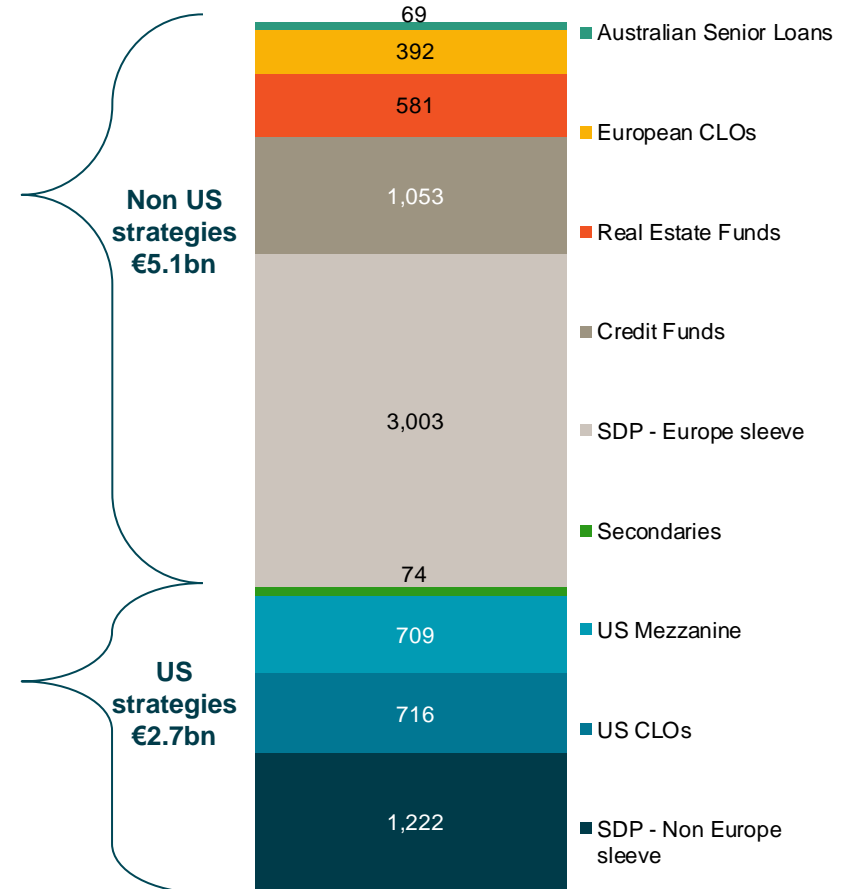
# Fundraising

## Record fundraising year driven by Senior Debt Partners



\* Average on a three year rolling basis

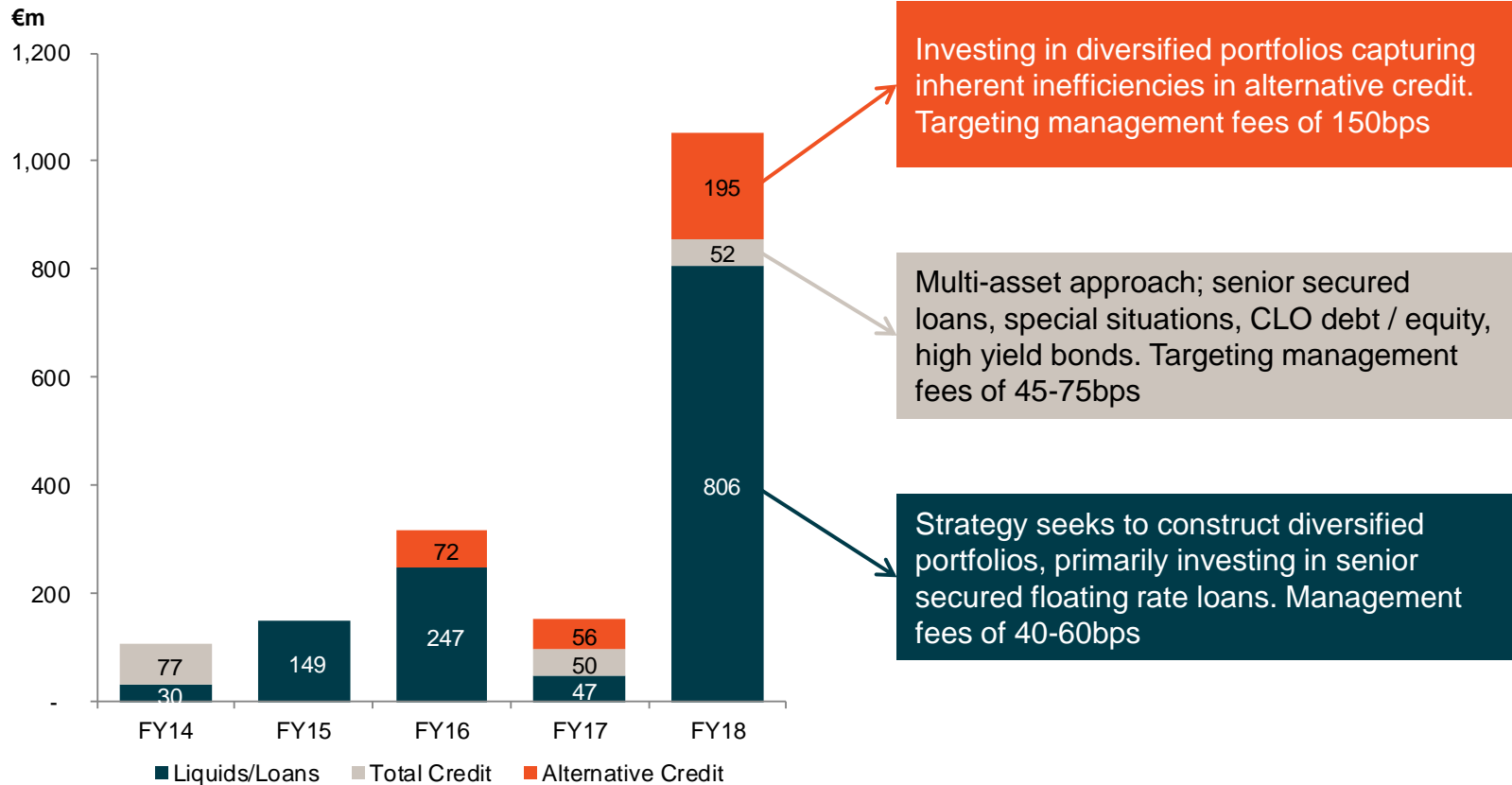
### Funds raised in FY18 by strategy (€m)



# Fundraising – Capital Markets

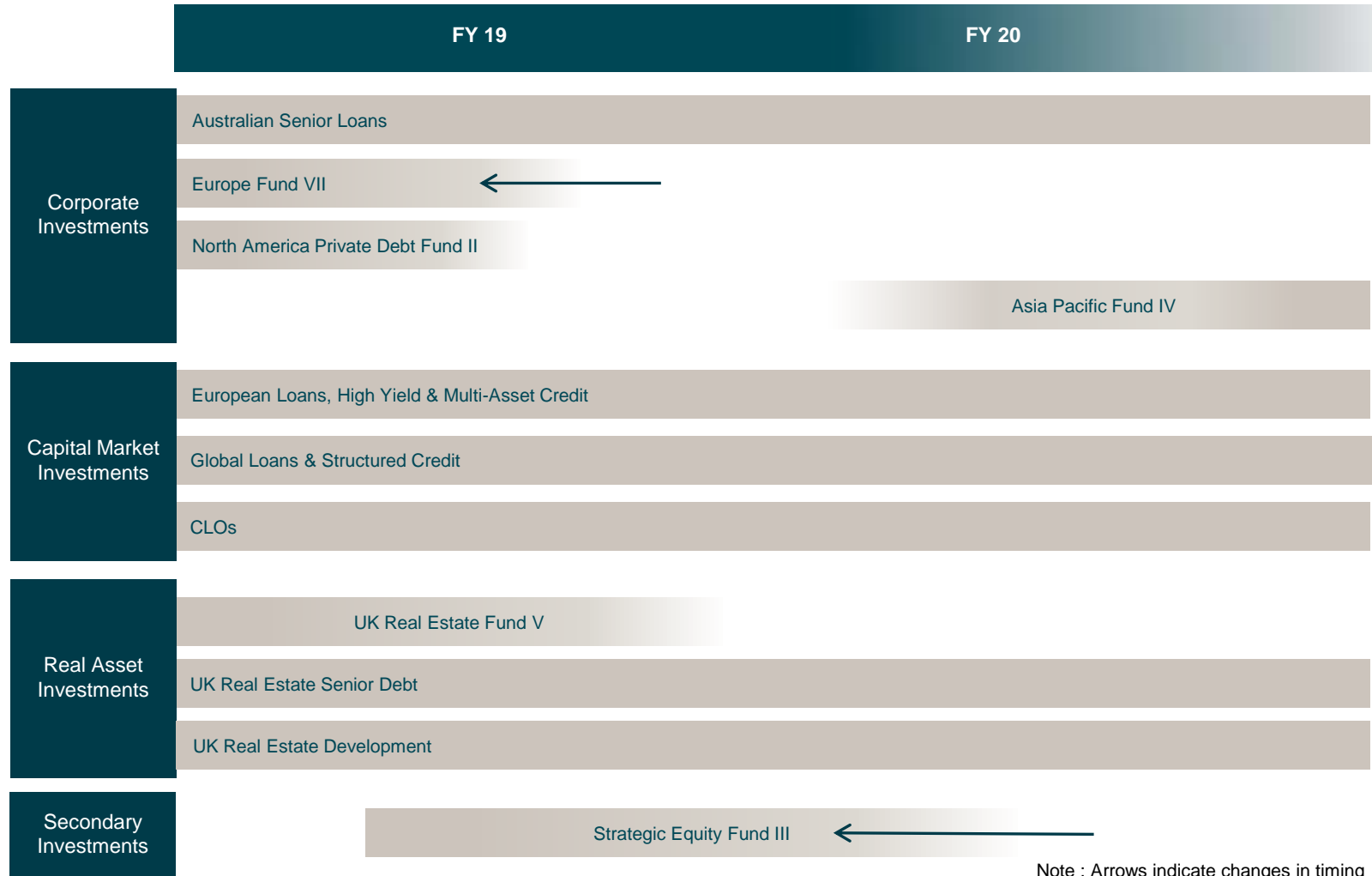
## Fundraising gathering pace reflecting recent investment

### Funds raised over the last 5 years by strategy (€m)



# Fundraising outlook

## Excellent start to FY19 and strong fundraising pipeline

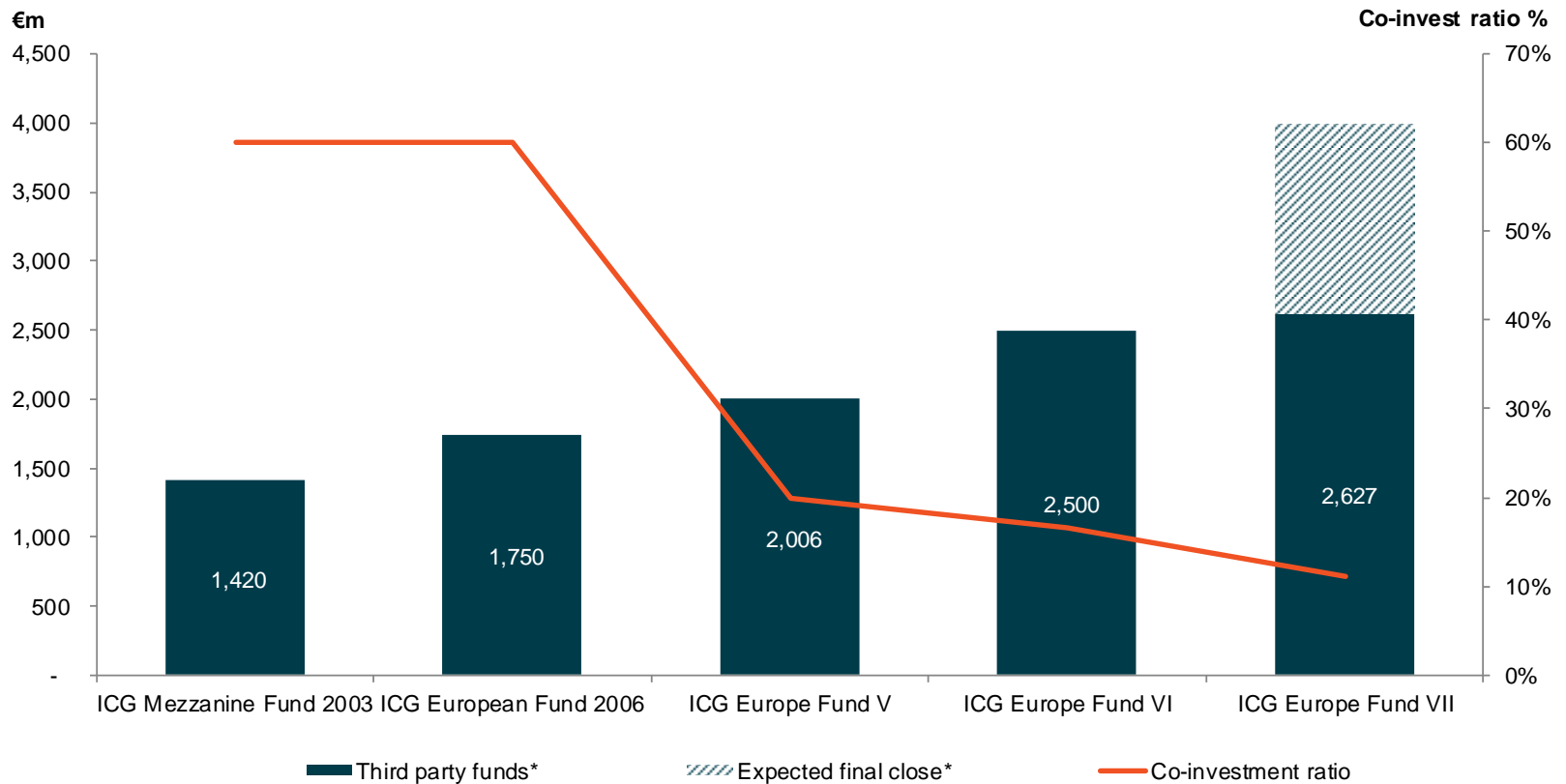


Note : Arrows indicate changes in timing

# Fundraising – Europe Fund VII

Market leading strategy upsized to meet investment demand

## Fundraising history



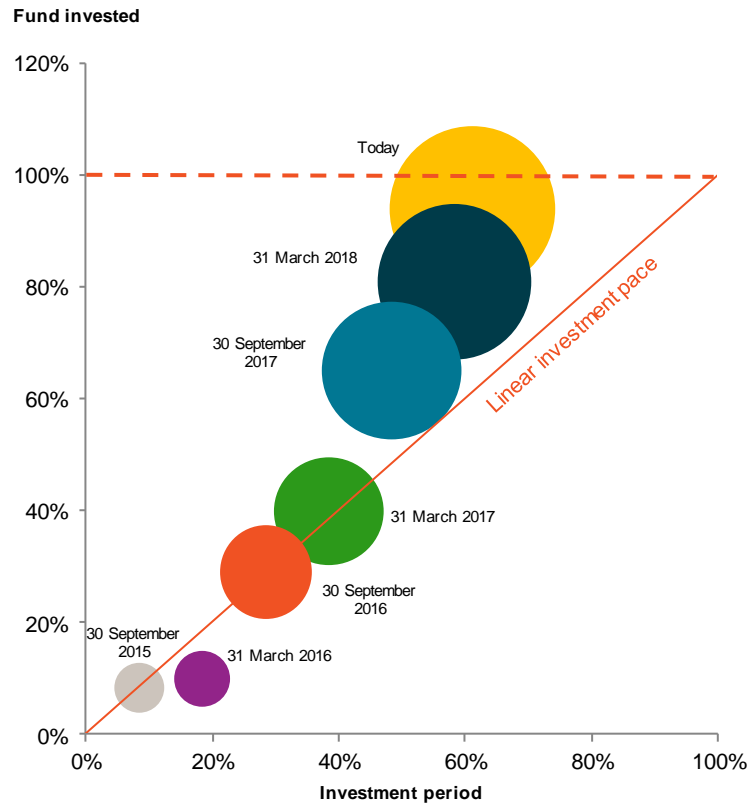
\* Third party funds raised for Europe Fund VII as at the date of announcement. Target size of €4bn



# Fundraising – Europe Fund VII

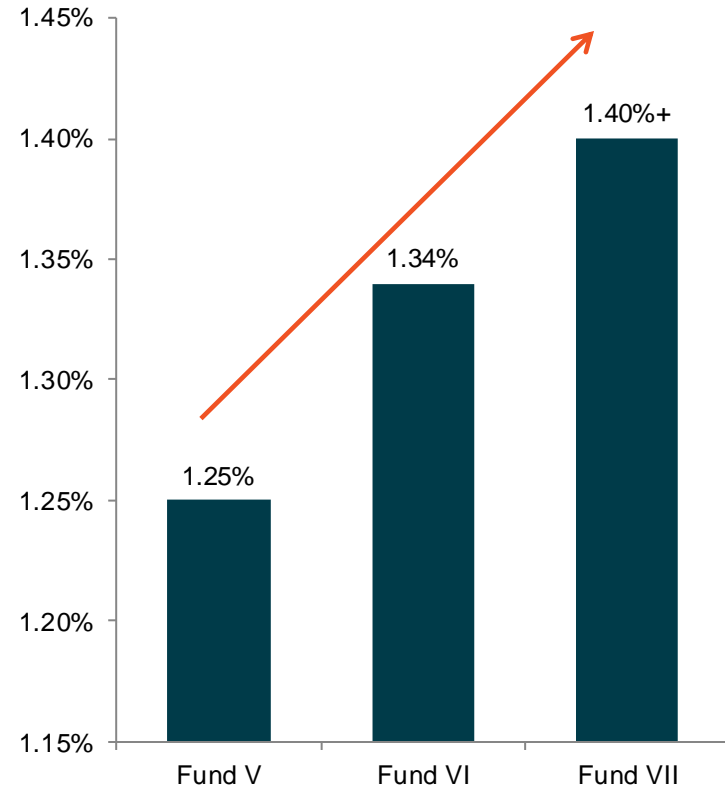
## Reduction in discounts increasing fee rates fund on fund

### Europe Fund VI investment trajectory



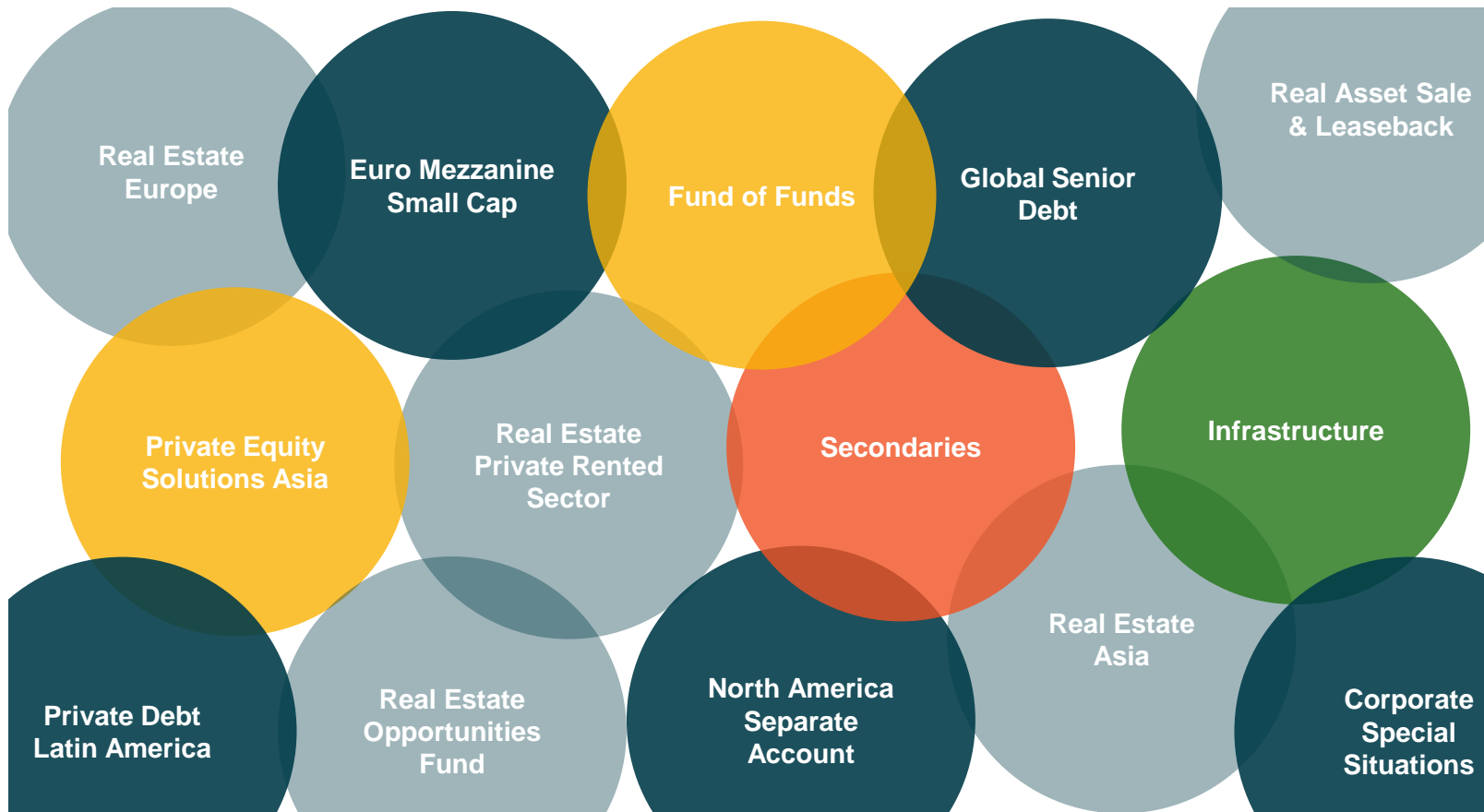
● Size of bubble indicates invested capital

### Fee rate progression



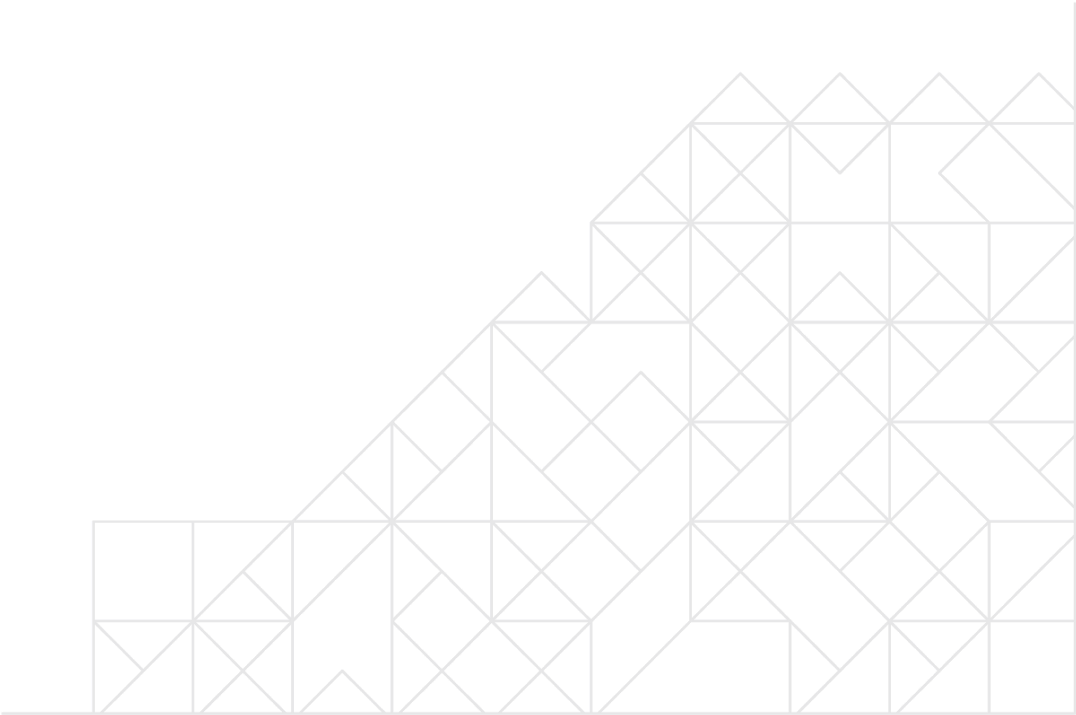
# Potential new strategies

Substantial opportunity to expand in private markets



Note: Strategies are indicative of potential growth opportunities only

# Wrap Up



# Wrap up

## Well positioned for further growth

### Grow assets under management

- Record fundraising year, with €7.8bn raised
- Excellent start to new fundraising year with Europe Fund VII targeting record raise

### Invest selectively

- Larger strategies investing strongly
- Maintaining investment discipline in a competitive market

### Manage portfolios to maximise value

- Portfolios performing well
- Healthy environment for realisations, locking in investment returns and track record

### Capital allocation

- Balance sheet flexibility supports growth
- Total ordinary dividends increased 11% to 30.0p per share

# Q&A

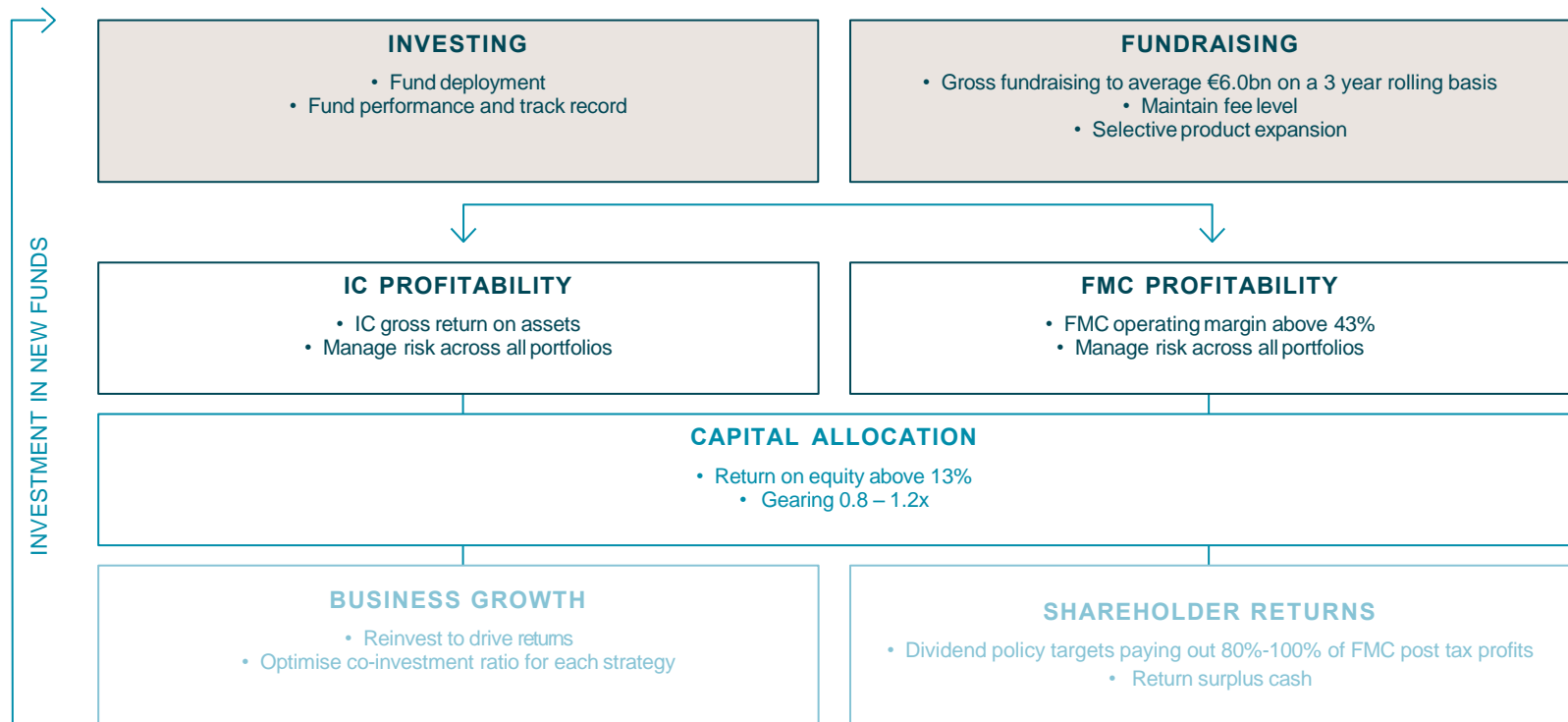
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# Appendix



# ICG operating model



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