ICG

Half year results presentation

14 November 2017

Operational highlights
Record fundraising and strong capital deployment

- Total AUM up 14% to €27.2bn, with €5.7bn of new money raised
- Fundraising driven by our Senior Debt Partners strategy raising €4.2bn in the period and growing momentum across our European capital markets strategies
- Fee earning AUM €18.5bn; the impact of new monies raised on fee earning AUM to be felt as it is invested
- Strong fund investment for our larger strategies. Investment discipline in a competitive market being maintained
- Fundraising pipeline strong with a number of our larger strategies expected to begin raising successor funds in the next 12 months
- Portfolios continue to perform well

Financial highlights
Strong financial performance driven by FMC

- Fund Management Company profits up 30% to £44.3m (H1 2017: £34.0m), with third party fee[1] income up 24%
- Investment Company profit[1] is lower at £36.7m (H1 2017: £99.0m), due to lower investment income
- Group profit before tax[1] was £81.0m (H1 2017: £133.0m)
- Earnings per share[1] of 28.3p (H1 2017: 39.8p); Fund Management Company 15.5p (H1 2017: 10.2p) and Investment Company 12.8p (H1 2017: 29.6p)
- Interim ordinary dividend up 20.0% to 9.0 pence per share

[1]These are non IFRS GAAP alternative performance measures and represent internally reported numbers excluding the impact of fair value movements on derivatives (H1 18: £0.3m; H1 17: £7.6m; FY17: £1.3m). Internally reported numbers exclude the impact of the consolidation of 12 credit funds following the adoption of IFRS 10

Strategic priorities

FY10 - FY15

- Manage pre global financial crisis portfolio
- Develop a scalable infrastructure platform
- Establish an in-house distribution capability
- Develop new products
- Build a global franchise

FY16 - FY19

- Deliver gross fundraising target
- Enhance brand and client base
- Selective acquisitions and team hires to expand product range
- FMC operating margin to increase
- Optimise co-investment ratio
- Greater capital efficiency

By FY20

- Recognised as a diversified specialist asset manager
- Increased fundraising targets
- Continue to invest in growth whilst maintaining FMC margins
- FMC largest profit contributor
- Enhanced brand recognition
- Maintain efficient capital base

Financial Review

Financial highlights

Fund Management Company profit up 30% on prior period

£m		6 months to 30 September 2017	12 months to 31 March 2017	6 months to 30 September 2016
Fund Management Company	Third party fee income	77.8	138.6	62.9
	IC management fee	8.3	18.1	9.2
	Other income	12.3	23.0	11.4
	Operating costs	(54.1)	(105.7)	(49.5)
	FMC profit	44.3	74.0	34.0
Investment Company	Interest income	51.8	144.7	60.0
	Other income	3.4	14.7	4.6
	Net capital gains	70.8	201.4	125.5
	Impairments	(10.0)	(48.0)	(23.8)
	Net investment returns	**116.0**	**312.8**	**166.3**
	Interest expense	(28.3)	(53.9)	(24.4)
	Operating costs	(42.7)	(77.3)	(33.7)
	IC management fee	(8.3)	(18.1)	(9.2)
	IC profit	36.7	163.5	99.0
Group	**Profit before tax[1]**	81.0	237.5	133.0

- Accounting standard IFRS 10 requires 12 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

[1]These are non IFRS GAAP alternative performance measures and represent internally reported numbers excluding the impact of fair value movements on derivatives (H1 18: £0.3m; H1 17: £7.6m; FY17: £1.3m). Internally reported numbers exclude the impact of the consolidation of 12 credit funds following the adoption of IFRS 10

Balance sheet and capital strategy

Balance sheet efficiency maintained

£m		30 September 2017	31 March 2017	31 March 2016
Assets	Loans and investments	1,668	1,712	1,798
	Assets for syndication	294	90	183
	Cash	145	490	113
	Other	403	209	236
	Total assets	**2,510**	**2,501**	**2,330**
Liabilities	Borrowings	1,090	1,119	866
	Other	232	209	223
	Shareholders funds	1,188	1,173	1,241
	Total liabilities	**2,510**	**2,501**	**2,330**
Balance sheet metrics	Gearing ratio	0.92x	0.95x	0.70x
	Debt facilities	1,572	1,600	1,535
	Available headroom	627	971	781

- Assets for syndication higher following strong investment activity
- Maintain balance sheet gearing well within the range of 0.8-1.2x
- Diversified sources and maturities of financing, healthy debt headroom

Cash flow

Strong investment pace results in net cash outflow

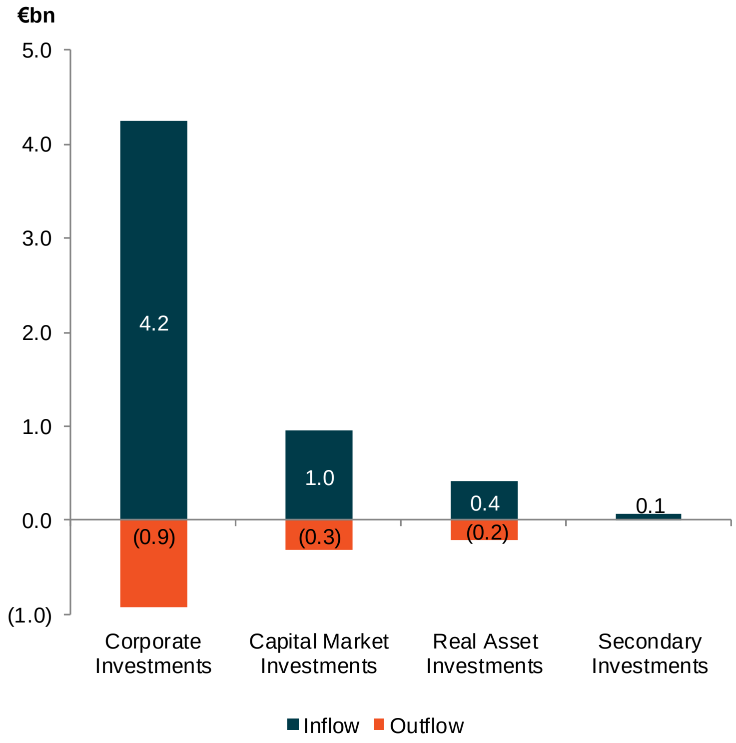
£m	6 months to 30 September 2017	12 months to 31 March 2017	6 months to 30 September 2016
Cash in from realisations and recoveries	227.5	716.5	302.9
Cash paid to purchase loans and investments	(261.9)	(366.0)	(178.2)
Cash movement in current assets held in warehouse for syndication	(204.9)	153.7	99.6
Cash in from fees	70.2	148.9	70.1
Cash in from dividends and interest	48.0	172.2	64.9
Cash interest paid	(26.6)	(53.0)	(20.8)
Operating expenses paid	(102.3)	(115.0)	(65.8)
Total cash flows from operating activities	**(250.0)**	**657.3**	**272.7**

Fund Management Company

Third party assets under management

Record third party AUM of €25.3bn up 16% in the period

AUM H1 inflows/outflows by strategy



- Third party AUM up €3.5bn in the period; inflows €5.7bn; outflows €1.4bn and €0.8bn FX and other
- Realisations in corporate investments arising on the older European Mezzanine and Senior Debt Partners funds
- Fee earning AUM down 1%; but will grow as new money raised is invested
- H2 fundraising focus on North America Private Debt and Capital Market strategies

AUM by Business Unit

	Fee earning AUM		AUM	
€m	30 September 2017	31 March 2017	30 September 2017	31 March 2017
Corporate Investments	8,272	8,516	13,839	10,805
Capital Market Investments	6,267	6,171	6,558	6,171
Real Asset Investments	2,610	2,667	3,393	3,290
Secondary Investments	1,366	1,388	1,530	1,551
	18,515	18,742	25,320	21,817

Fee income

Long term, predictable and highly cash generative fee streams

Locked-in management fees from current AUM[1]

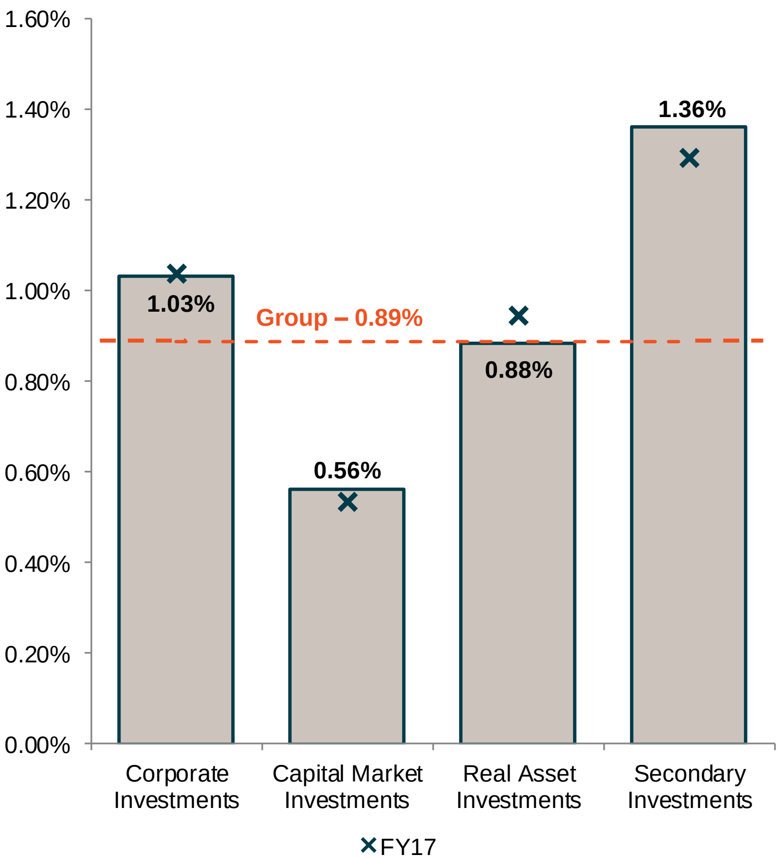
	Average Weighted Remaining Life (Years)	Average Weighted Fee Rate (bps)	Locked-in Management Fees (£m)
Corporate Investments	3.7	103	471
Capital Market Investments	4.7	56	115
Real Asset Investments	2.3	88	117
Secondary Investments	6.7	136	112
Total			**815**

- Longevity of management fees illustrated by over £800m[1] of locked-in fees from historic fundraising
- 96% of assets under management in closed end funds, providing stickiness of fees through economic cycles
- Portfolio performance in excess of fund hurdles will also result in performance fees, on top of management fees

[1] Calculations based on existing assets under management and fund standard fee profiles as illustrated in the data pack. Where funds have no fixed end date they have been excluded from the average weighted remaining life calculation but included in the locked-in management fees based on a ten year fee life

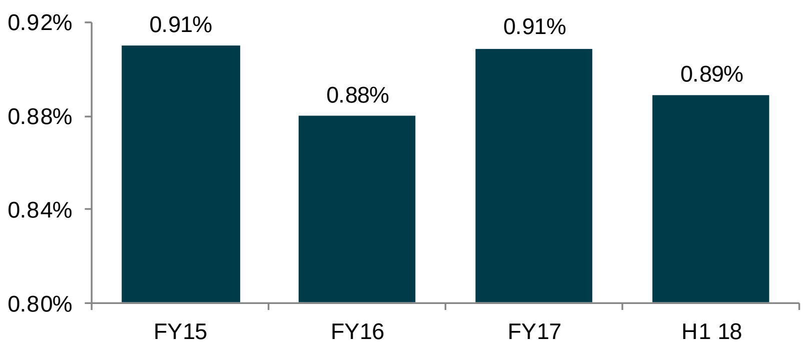
Fee income
Fee rates maintained across asset classes

Weighted average fee rate[1] by strategy – H1 18



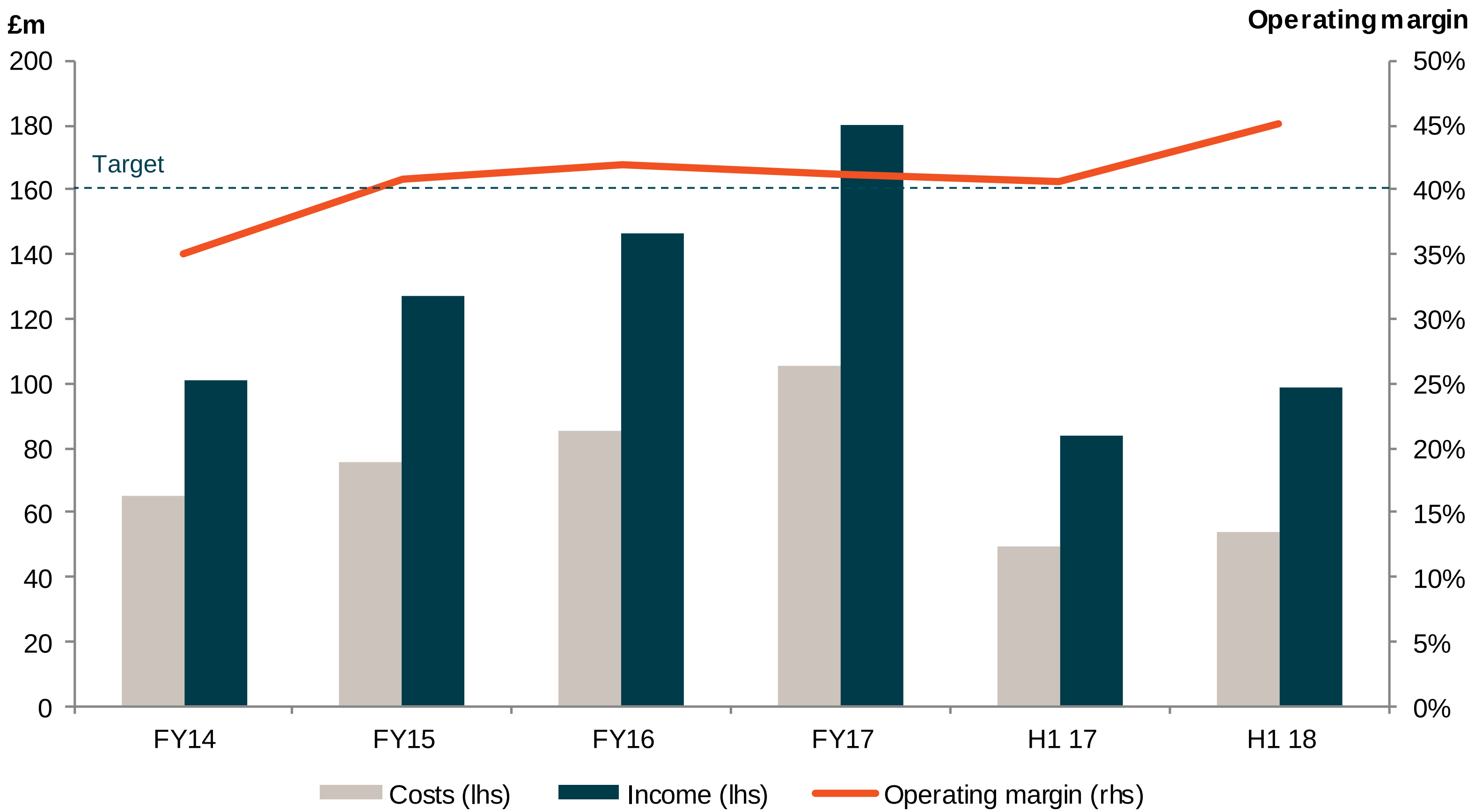
- Fee rates have remained broadly flat over the last four years
- Fee rates continue to be maintained with lower fee rates in capital markets strategies supported by higher fee rates from Secondaries
- Performance fees of £6.3m (H1 2017: £4.4m) are excluded from the weighted average fee calculations

Weighted average fee rates[1]



[1] Weighted average fee rates based on average fee earning AUM during the year and excludes any performance fees and catch-up fees

FMC operating margin
Operating margin above target



FMC operating costs
Costs in line with expectations

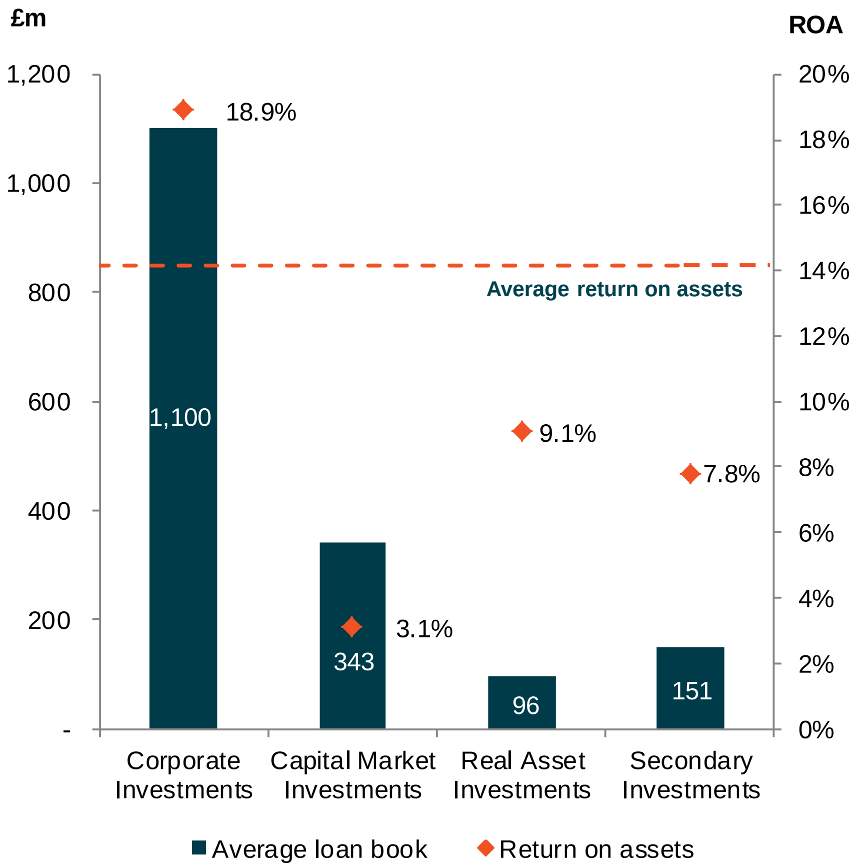
£m	6 months to 30 September 2017	6 months to 31 March 2017	6 months to 30 September 2016	12 months to 31 March 2017
Investment team staff costs	13.9	13.1	12.6	25.7
Marketing staff costs	2.6	2.1	2.5	4.6
Infrastructure staff costs	4.2	4.7	4.0	8.7
Staff costs	**20.7**	**19.9**	**19.1**	**39.0**
Cash incentives	9.7	10.0	5.0	15.0
Deferred aw ards	8.1	9.3	9.5	18.8
Incentive schemes	**17.8**	**19.3**	**14.5**	**33.8**
Other non staff costs	14.2	15.9	14.0	29.9
Placement fees	1.4	1.1	1.9	3.0
Total	**54.1**	**56.2**	**49.5**	**105.7**

- Increase in staff costs reflects investment in capital markets and senior debt strategies
- New remuneration policy increases weighting to cash incentives for infrastructure and junior team members
- Other costs reduced as the amortisation cost of historic placement fees reduces

Investment Company

Return on assets
Loan book a reflection of historic co-investment decisions

Average loan book and ROA by product type

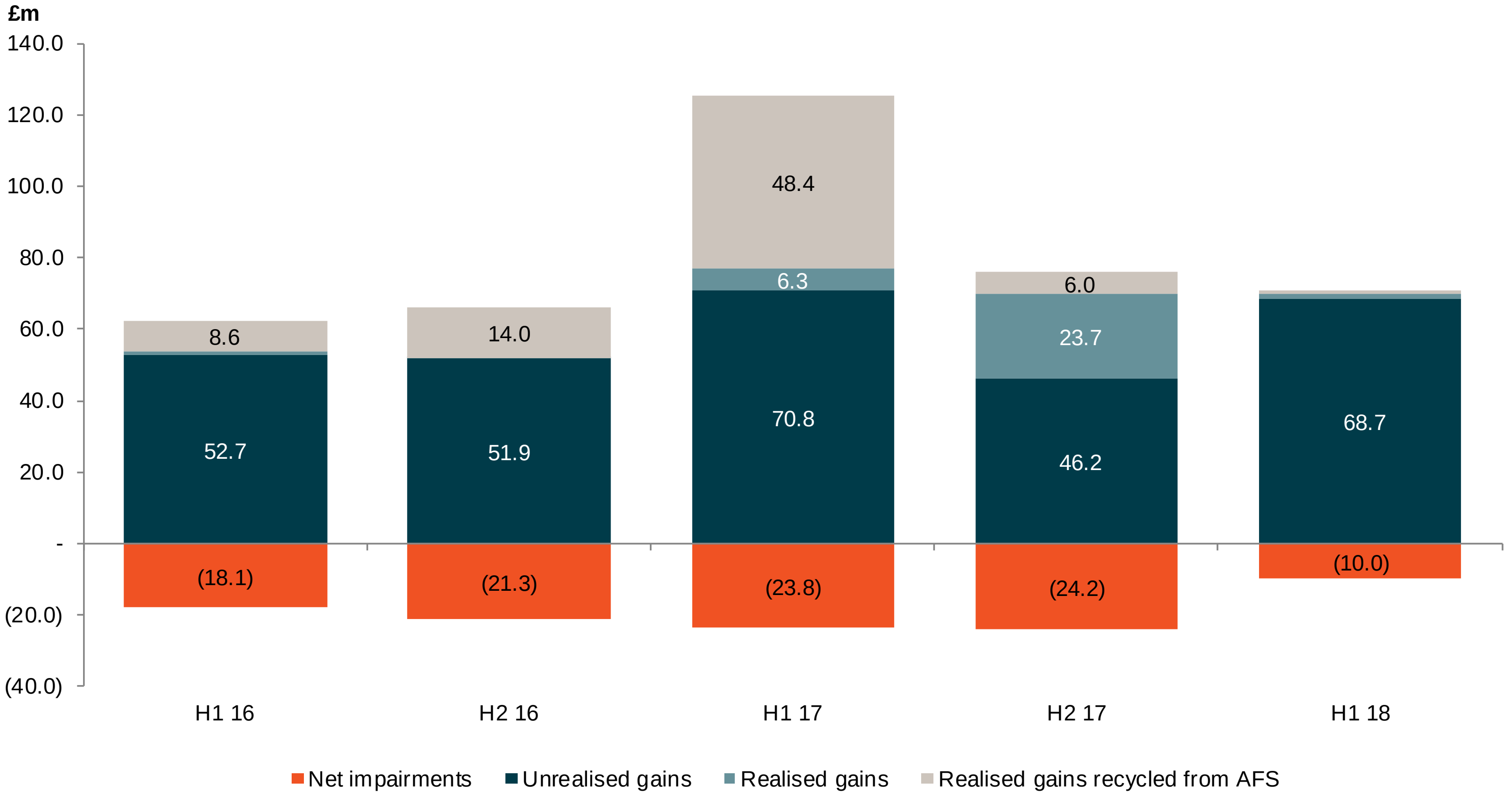


- Average ROA is 14%, down from 17% in FY17, due to the strong level of capital gains in the prior period
- Majority of investment book in the Corporate Investments asset class, with expected return of 15-20%
- Capital Markets asset class driven by regulatory requirement to invest in 5% of equity of new CLOs issued, giving access to fee income stream
- Secondary investment returns are in the form of capital gains which will be recognised over the asset lifecycle. Over the life of the asset expected return is 15-20%

Valuation returns

Portfolio performing well reflected in healthy unrealised gains

Capital gains by type & net impairments



Investment Company costs

Costs in line with expectations

£m	6 months to 30 September 2017	6 months to 31 March 2017	6 months to 30 September 2016	12 months to 31 March 2017
Staff costs	5.9	8.8	5.6	14.4
Cash incentives	14.8	15.9	10.1	26.0
Deferred awards	16.7	15.4	12.8	28.2
Incentive schemes	**31.5**	**31.3**	**22.9**	**54.2**
Amortisation	1.1	1.1	1.2	2.3
Other non staff costs	4.2	2.4	4.0	6.4
Total	**42.7**	**43.6**	**33.7**	**77.3**
Business development costs	3.0	2.3	2.1	4.4

- Increase in business development costs reflects desire to grow real asset offering
- New remuneration policy increases weighting to cash incentives for infrastructure and junior team members
- Amortisation relates to the acquisition of the ICG Enterprise Trust management contract on 1 February 2016

FY18 guidance

- Fundraising – average €4bn over fundraising cycle; FY18 to exceed this
- FMC operating margin – at least 40%
- Performance fees to average £15-20m per annum
- Net impairments – long term average of 2.5% of opening book
- Balance sheet portfolio – average c£2bn with co-investment ratio trending downwards
- Gearing well within the range of 0.8-1.2x; Return on equity – above 13%
- Tax rate updated – low single digit effective tax rate
- Ordinary dividend expected to increase by 6-8% per annum

Operating Review

ICG operating model

INVESTMENT IN NEW FUNDS

INVESTING

- Fund deployment
- Fund performance and track record
- Impairment target of less than 2.5% of opening book

FUNDRAISING

- Gross fundraising to average €4bn per annum
- Maintain fee level
- Selective product expansion

IC PROFITABILITY

- IC gross return on assets
- Manage risk across all portfolios

FMC PROFITABILITY

- FMC operating margin
- Manage risk across all portfolios

CAPITAL ALLOCATION

- Return on equity above 13%
- Gearing 0.8 – 1.2x

BUSINESS GROWTH

- Reinvest to drive ROE
- Optimise co-investment ratio for each strategy

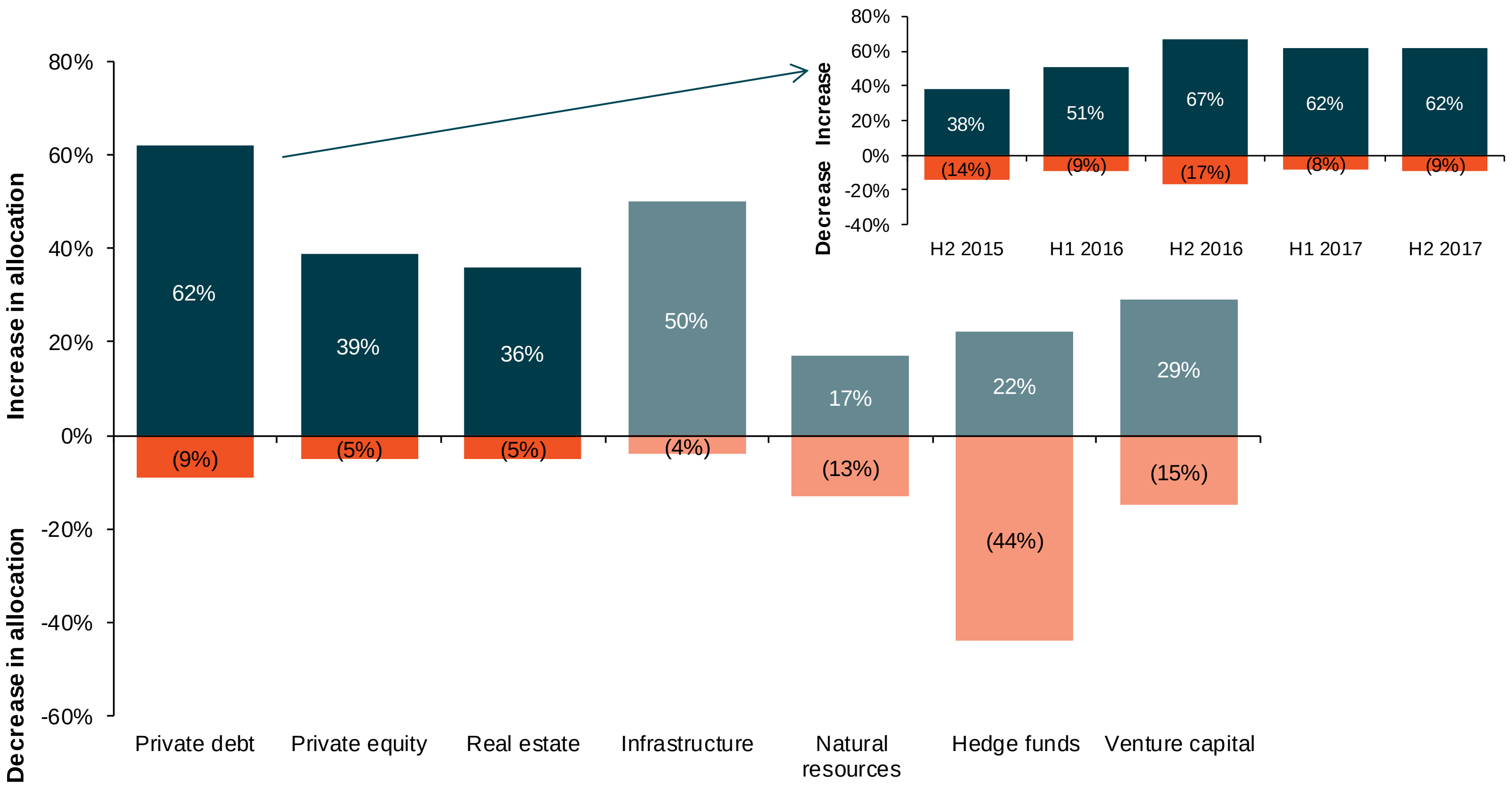
SHAREHOLDER RETURNS

- Dividend + Return surplus cash

Fundraising

Fundraising market
ICG to capitalise on current investor appetite

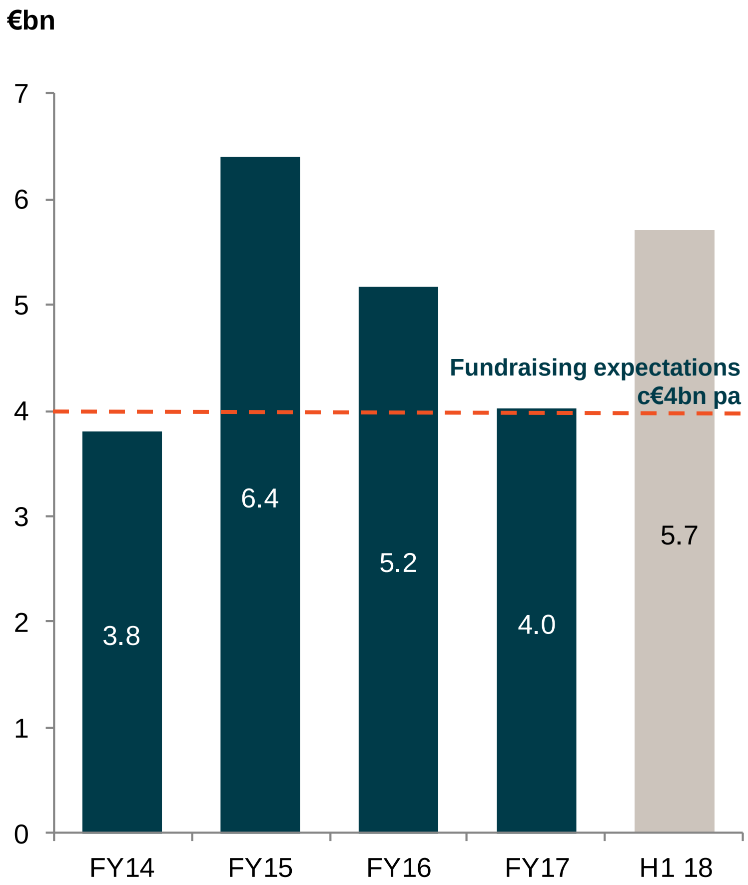
Institutional investors' long term allocation plans



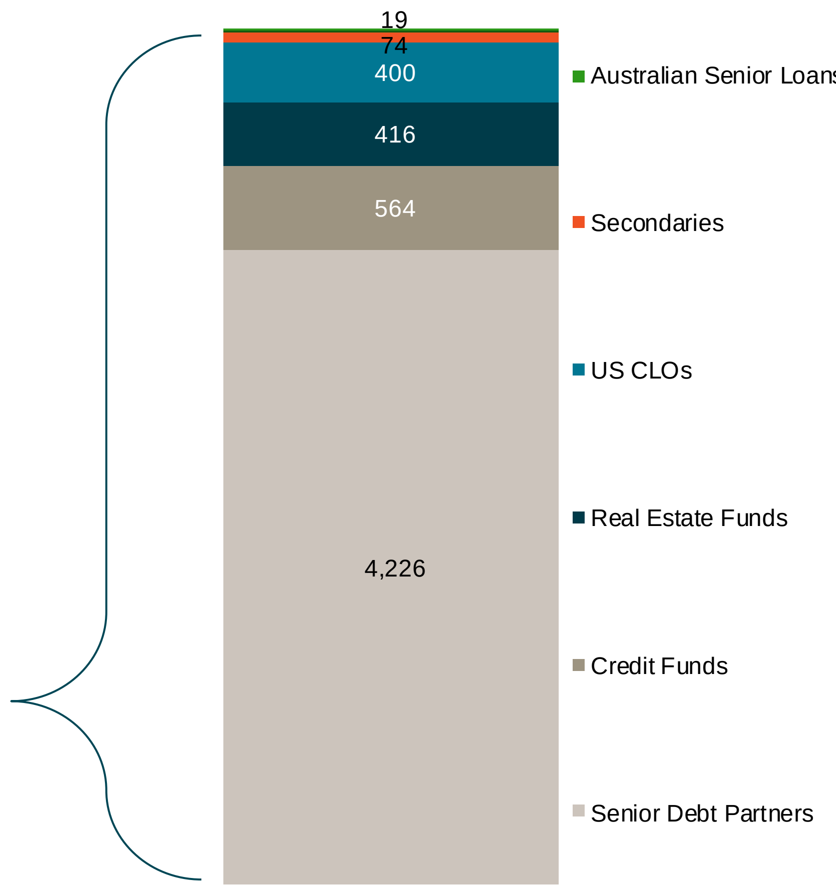
Trend in private debt allocations

Source: Preqin investor outlook: Alternative assets H2 2015 – H2 2017

Fundraising momentum
On track for a record fundraising year

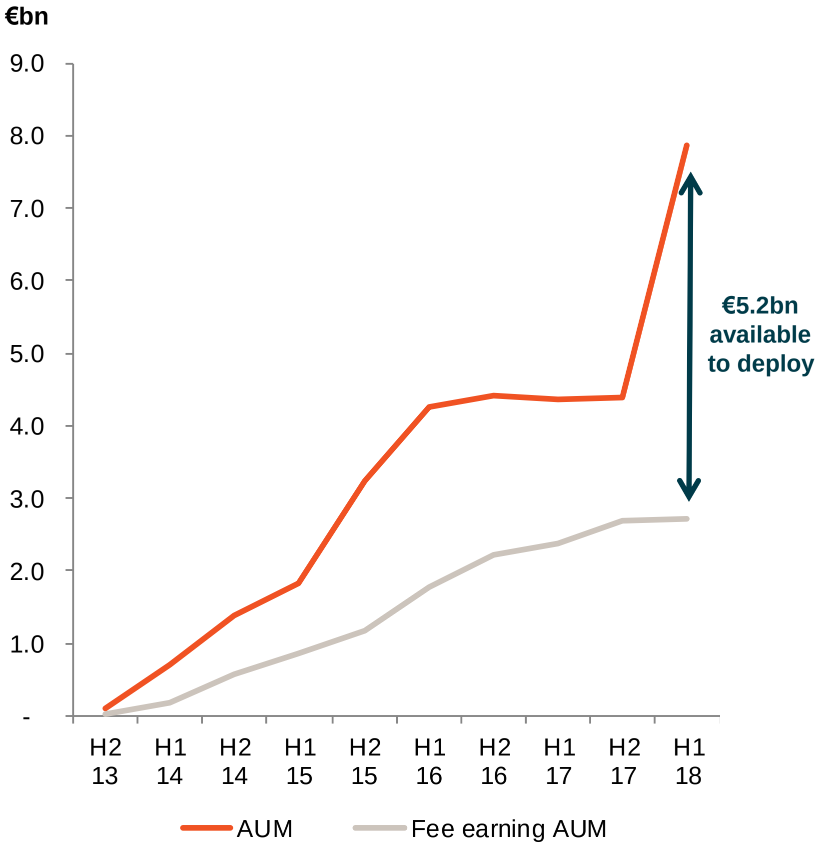


Funds raised in H1 18 by strategy (€m)

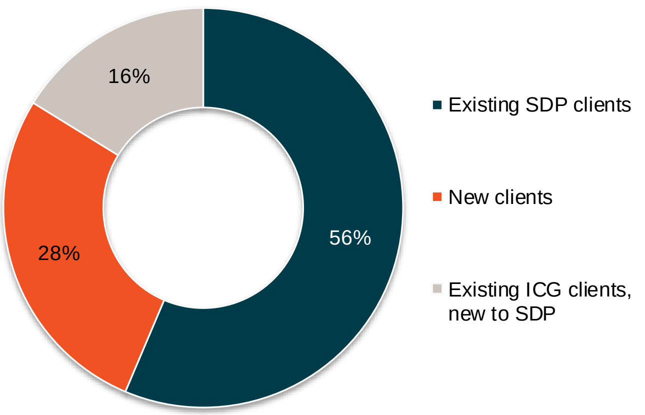


Fundraising case study – SDP
Successful fundraise takes total strategy AUM to €7.9bn

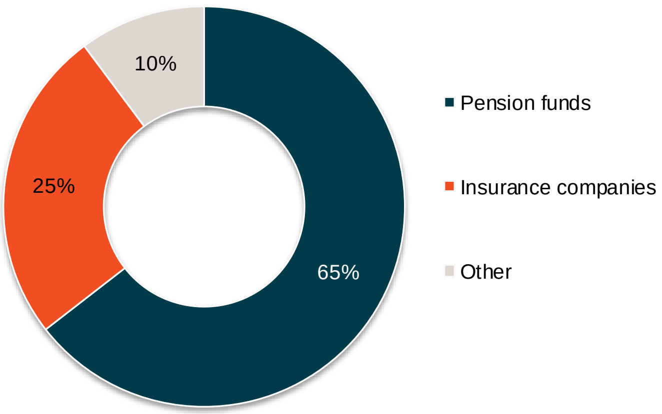
SDP AUM progression



SDP III Investors

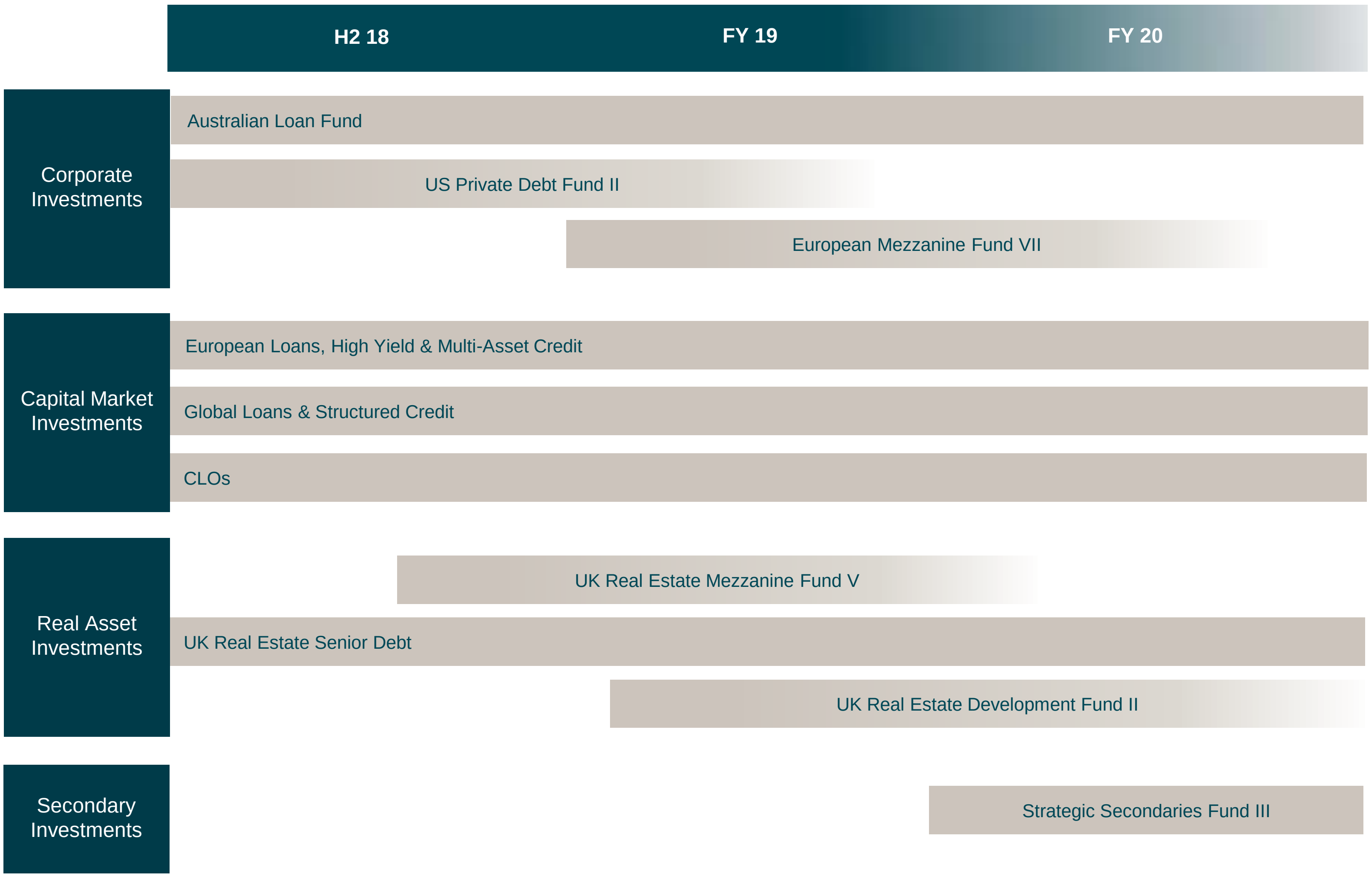


SDP Investors by Sector



Fundraising outlook

Strong fundraising pipeline driven by larger strategies



Investing

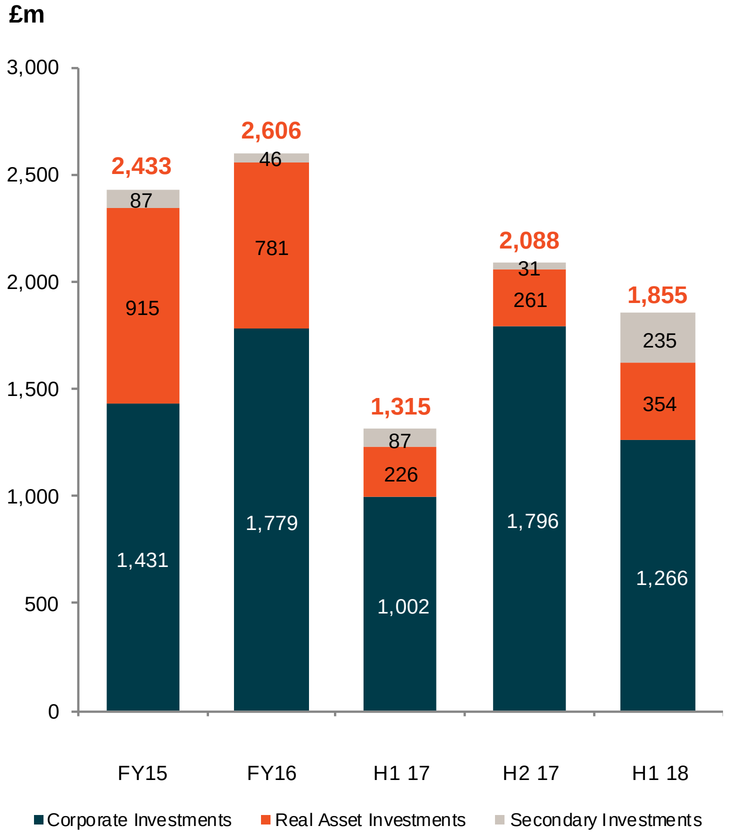
Investment markets

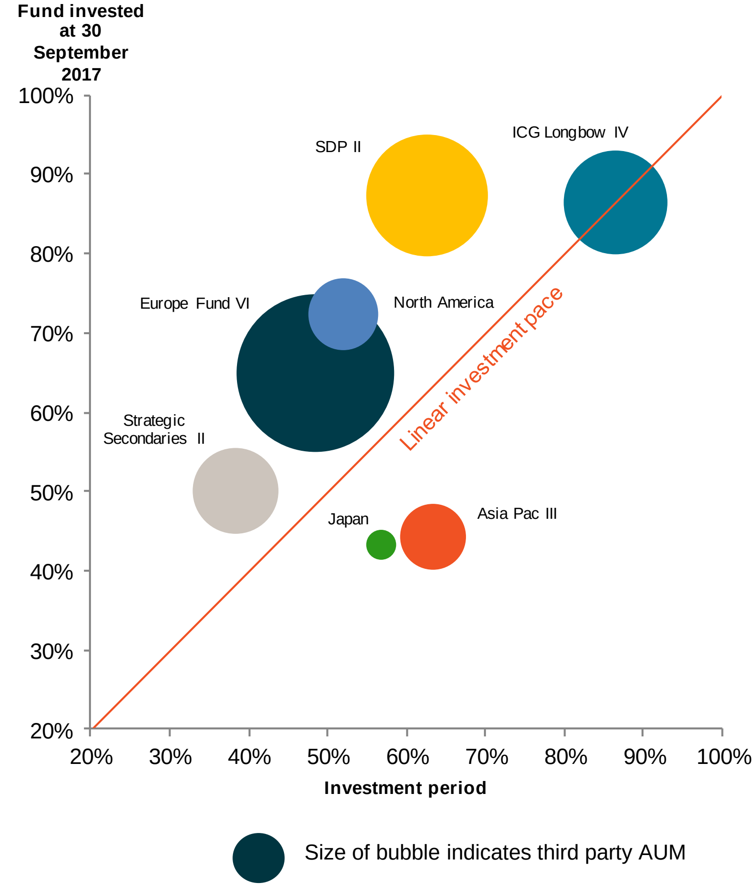
Differentiation in approach and strong origination model

Corporate Investments	Capital Market Investments	Real Asset Investments	Secondary Investments
Buyout markets are up on last year Financing market supported by investor appetite for direct lending funds Scale, flexible capital and deal complexity are key differentiators for us Focus on investing in private mid-market companies through sponsored LBOs, sponsorless transactions and capital restructuring US private markets benefitting from increased demand for private debt capital solutions	Leverage loan and high yield markets in the US and Europe are strong CLO issuance has increased as investors increase their search for yield Ability to meet the capital requirements directive differentiates us Increased focus on open ended funds and separate mandates	UK commercial real estate markets remain resilient, particularly outside central London Attractive returns can be found in the mid-market, with increasing focus on development funding Increasingly diversified offering across the capital structure Our entrepreneurial approach and ability to underwrite and execute complex transactions differentiates us	Strong transaction volumes driven by the robust global economic environment, availability of liquidity and low interest rates Historically high market valuations and buyer appetite drives high level of realisations We have become a market leader in secondary and fund restructuring transactions which have increased due to the expiration of pre-crisis vintage buyout funds

Investing our direct investment funds
Capital deployment strong for our larger strategies

Direct investment funds[1]





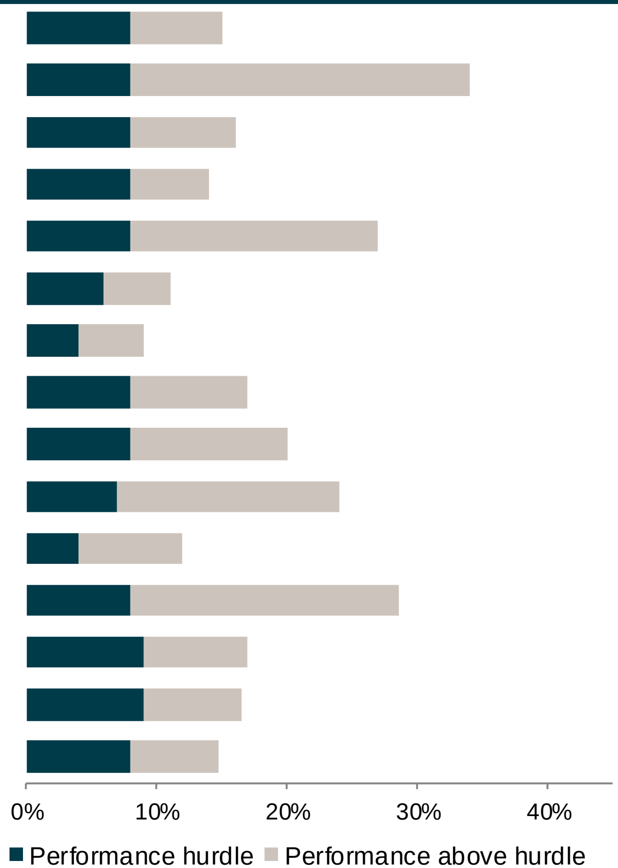
[1] Amounts invested include third party and balance sheet capital

Managing Investments

Fund performance
Portfolio performance provides platform for future fundraising

Fund	Target MM	Realised MM
ICG Europe Fund IV 2006 (fully realised March 2015)	1.5x	1.6x
ICG Minority Partners Fund 2008 (fully realised January 2016)	1.9x	2.0x
ICG Recovery Fund 2008 (fully realised March 2017)	2.0x	1.9x
ICG Mezzanine Fund III 2003	1.6x	1.9x
ICG Europe Fund V	1.6x	1.8x
Senior Debt Partners I	n/a	1.2x
Senior Debt Partners II	n/a	1.2x
Asia Pacific Mezzanine Fund I 2005	1.6x	1.9x
Asia Pacific Fund II 2008	1.6x	1.9x
Intermediate Capital Asia Pacific Fund III	1.7x	1.5x
Nomura ICG Fund	1.3x	1.1x
North America Private Debt Fund	n/a	1.3x
Longbow UK Real Estate Debt Investments II	1.4x	1.6x
ICG-Longbow UK Real Estate Debt Investments III	n/a	1.2x
ICG-Longbow UK Real Estate Debt Investments IV	n/a	1.2x

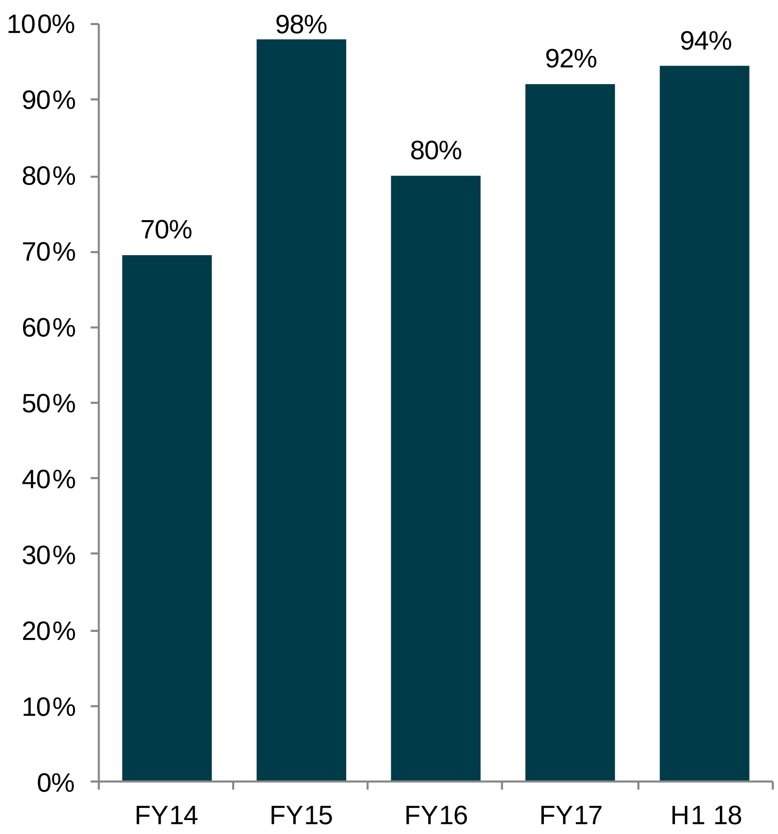
IRR on realised assets



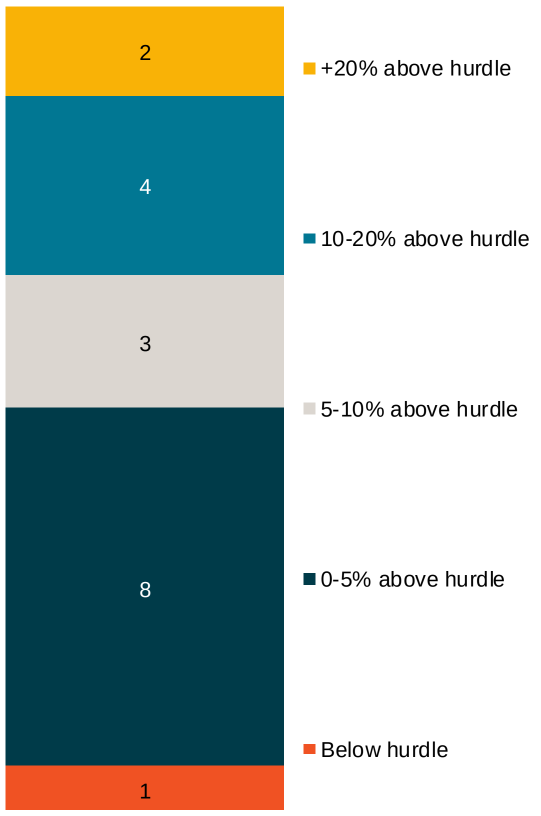
Fund performance

Realising assets locks in investment returns and track record

Percentage of realised assets exceeding hurdle rate[1]



H1 18 realised assets; performance against hurdle



[1] Percentage of realised assets in each year for which the Gross IRR attained exceeds the Net IRR performance fee hurdle set for the fund

Wrap Up

Wrap Up
Well positioned for future growth

Grow assets under management	▪ On track for record fundraising year, with €5.7bn raised in first half ▪ Strong fundraising pipeline as larger strategies return to market
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 efficiency maintained ▪ Interim dividend increased 20% to 9p per share

Q&A

ICG

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