



# **Intermediate Capital Group PLC**

**Results for the 14 months ended 31 March 2006**

# Summary



- **A strong performance for the 14 months to 31 March**
- **Another record for both capital gains and core income**
- **Good growth in new lending during February/March**
- **Refinancing and repayment levels were high**
- **Reporting under IFRS for the first time**

# Highlights



- **Core income £106m up 22%\***
- **Gross capital gains more than double previous record at £145m**
- **Pre-tax profits increase by 72% to £190m**
- **Loan book growth of 28% to £1.5bn over the fourteen months**

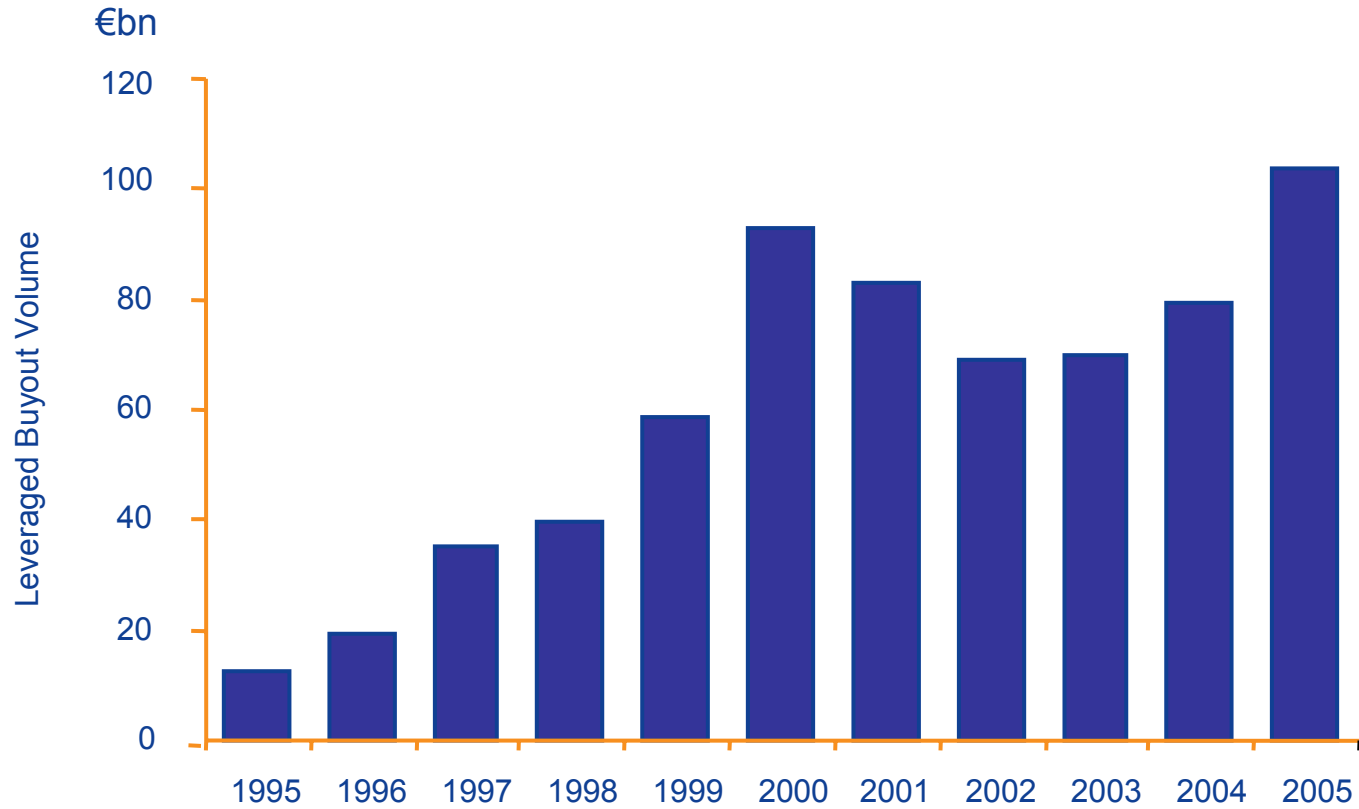
*\* Results prepared under IFRS for the first time and following a change of year end to 31 March are for the fourteen month period. In commenting on trends in performance we have calculated the annualised percentage increase to make comparison more meaningful*

# Market Background



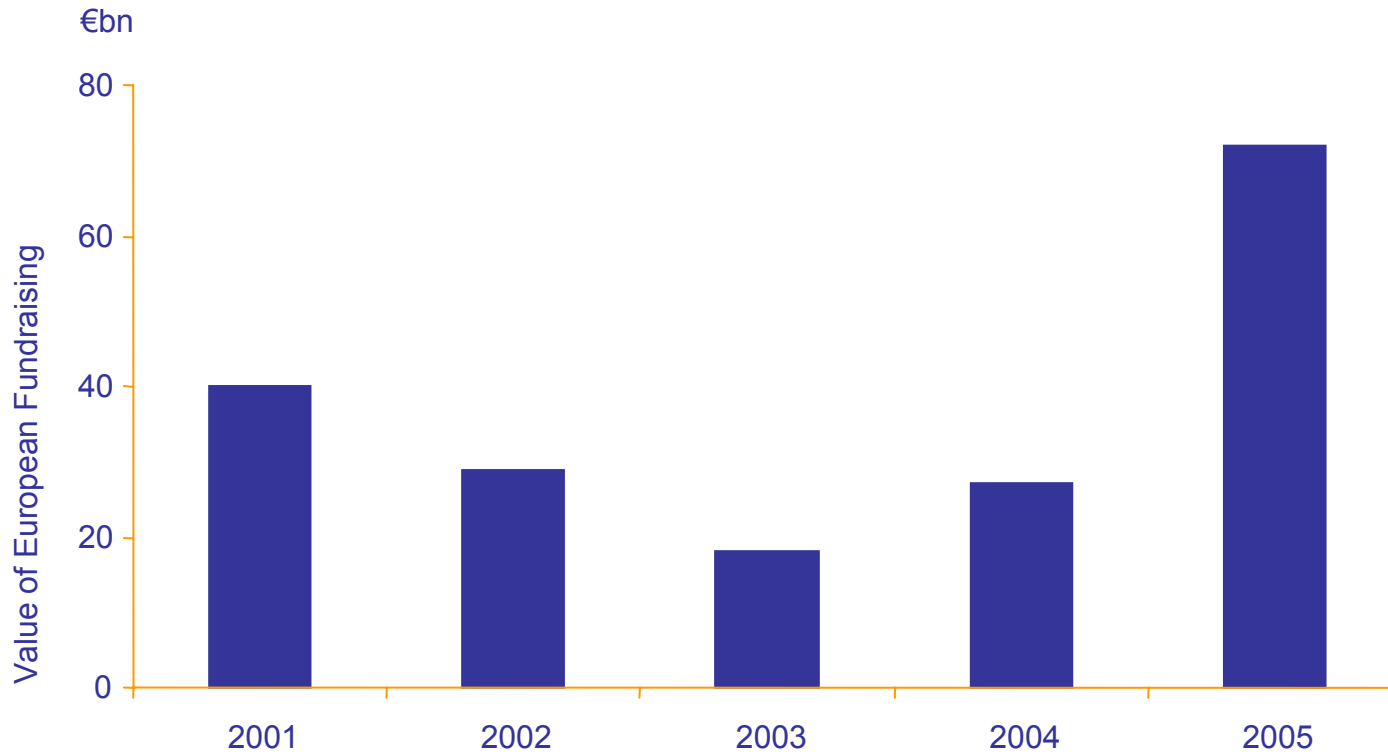
- **The European buyout market continues to be very active**
- **Fuelled by record levels of private equity fund raising**
- **Strong competition among financial buyers**
- **Higher LBO prices driven by increased availability of bank debt**

# European Private Equity Market



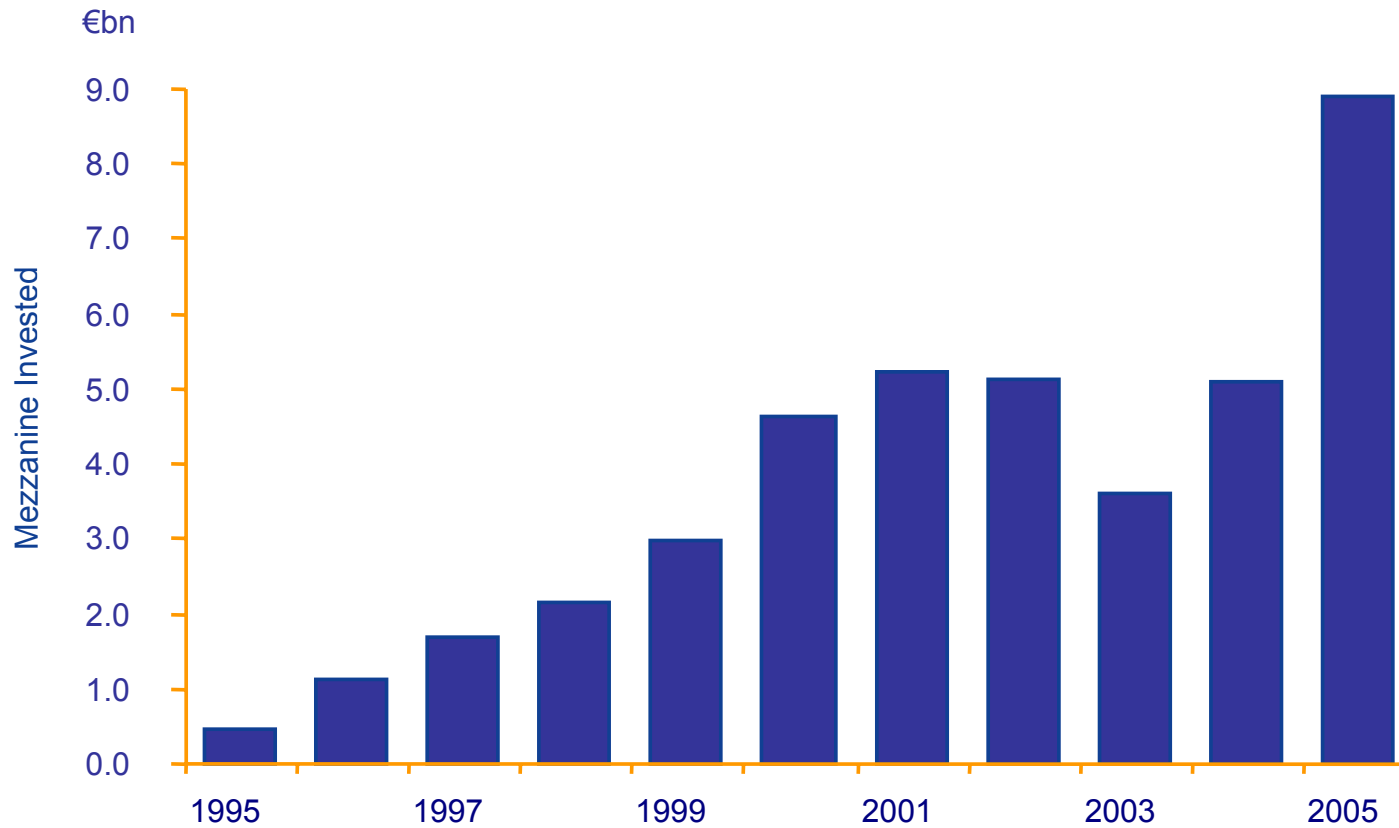
Source: Initiative Europe

# European Private Equity Funding



Source: Almeida Capital, Private Equity Intelligence

# European Mezzanine Market



Source: S&P and ICG analyses

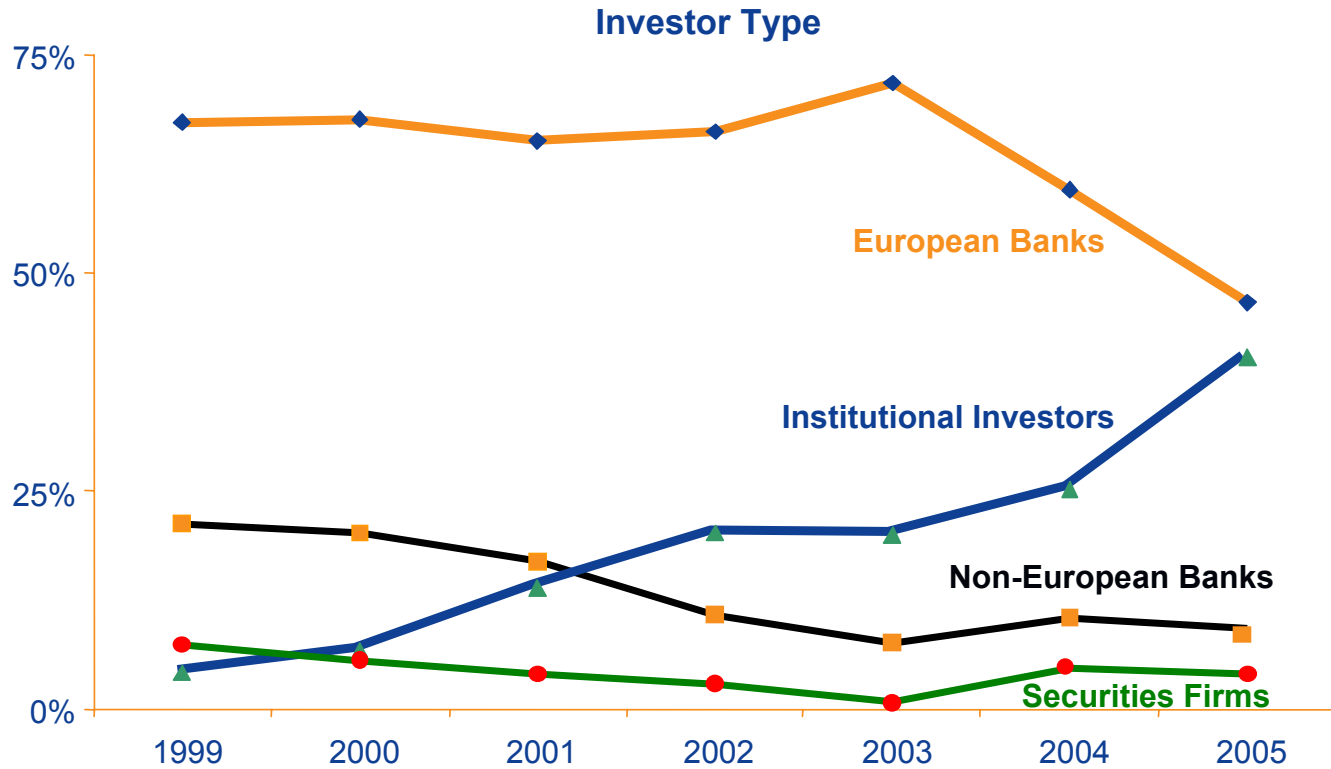
# European Mezzanine Market



- **Record levels of demand for mezzanine**
- **Second lien issuance growing substantially**
- **High yield market now open again for large transactions**
- **Competitive mezzanine market**
  - Banks
  - New mezzanine funds
  - CDO and hedge funds
- **ICG's competitive position remains strong**
  - The largest independent mezzanine investor in Europe
  - Excellent geographical coverage



# European Primary Leverage Loan Market



Source: S&P

# European Mezzanine Market

## Pricing and Structures

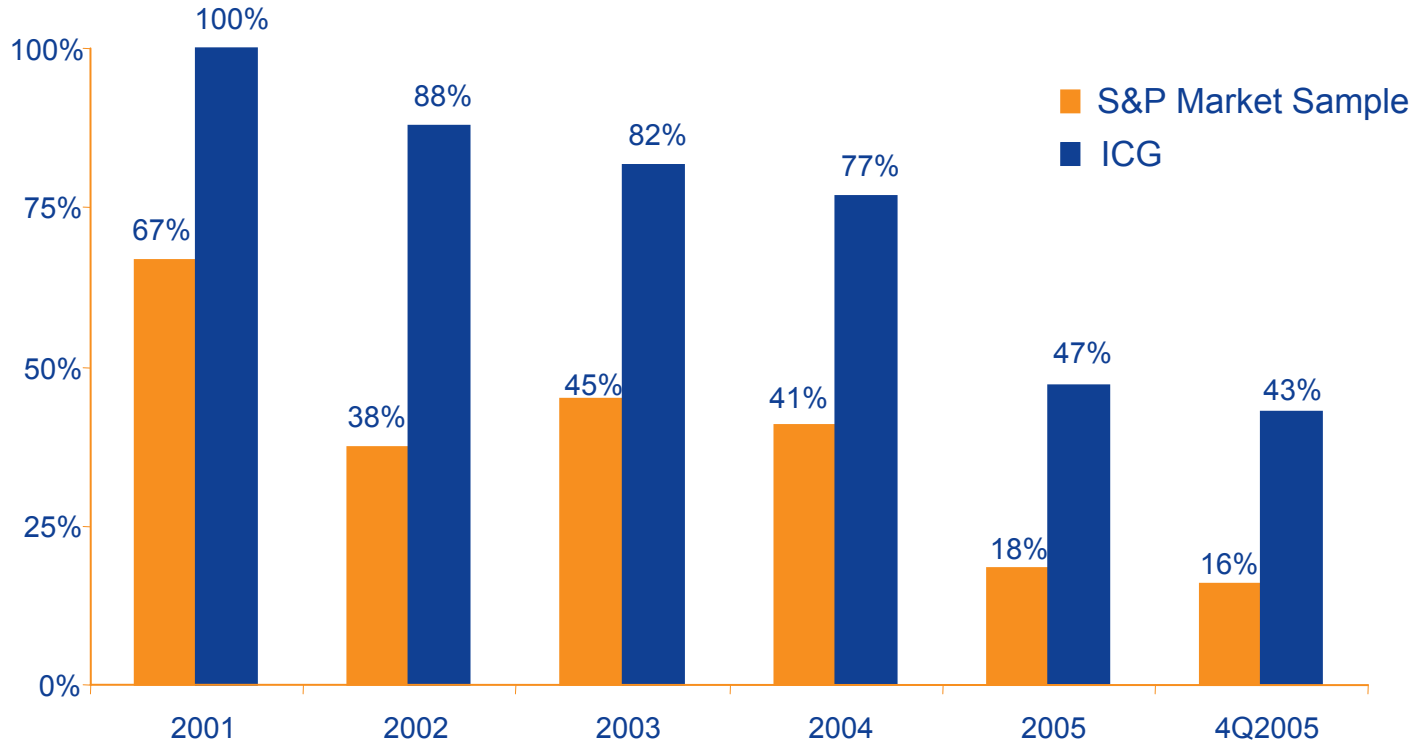


- Cash yield of LIBOR + 4%
- Overall projected returns - LIBOR + 10%
- Continued pressure on pricing
- Use of warrantless mezzanine commonplace
- Leverage levels rising, particularly for large deals

# Warranted Mezzanine

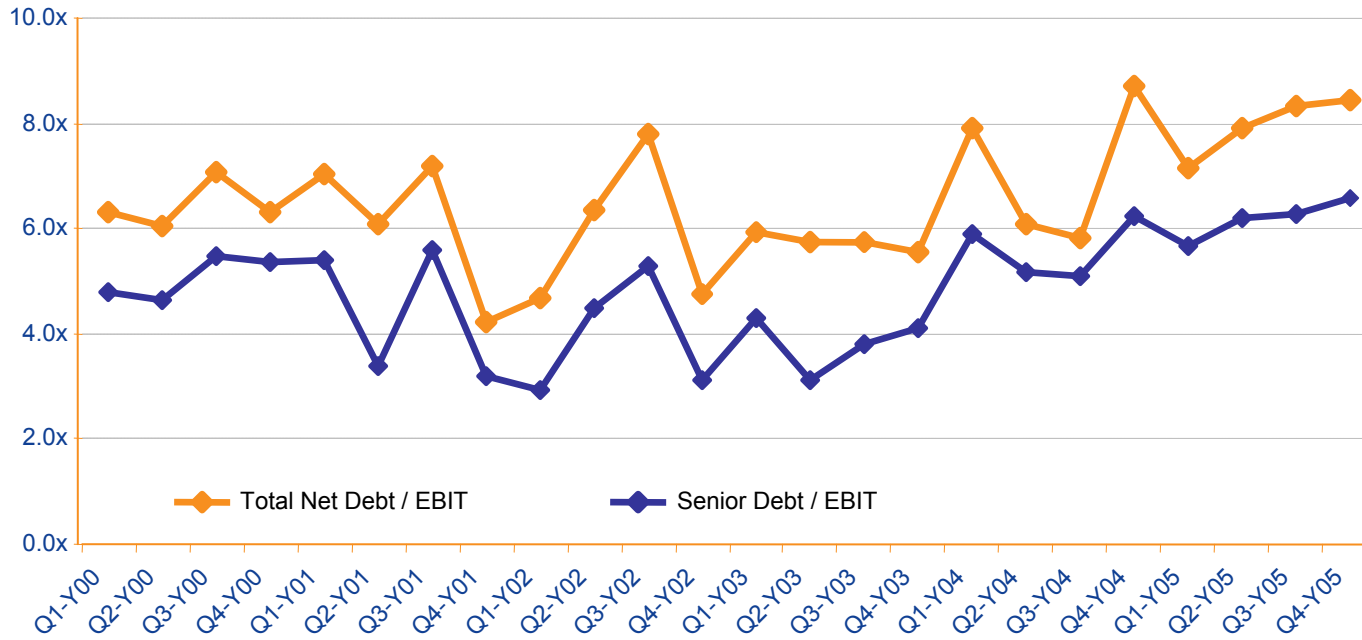


Percent of Mezzanine with Warrants



Equity Investments made on a selective basis

# Leverage at Funding



Source: ICG Estimates

# Investment Activity

## Net New Lending

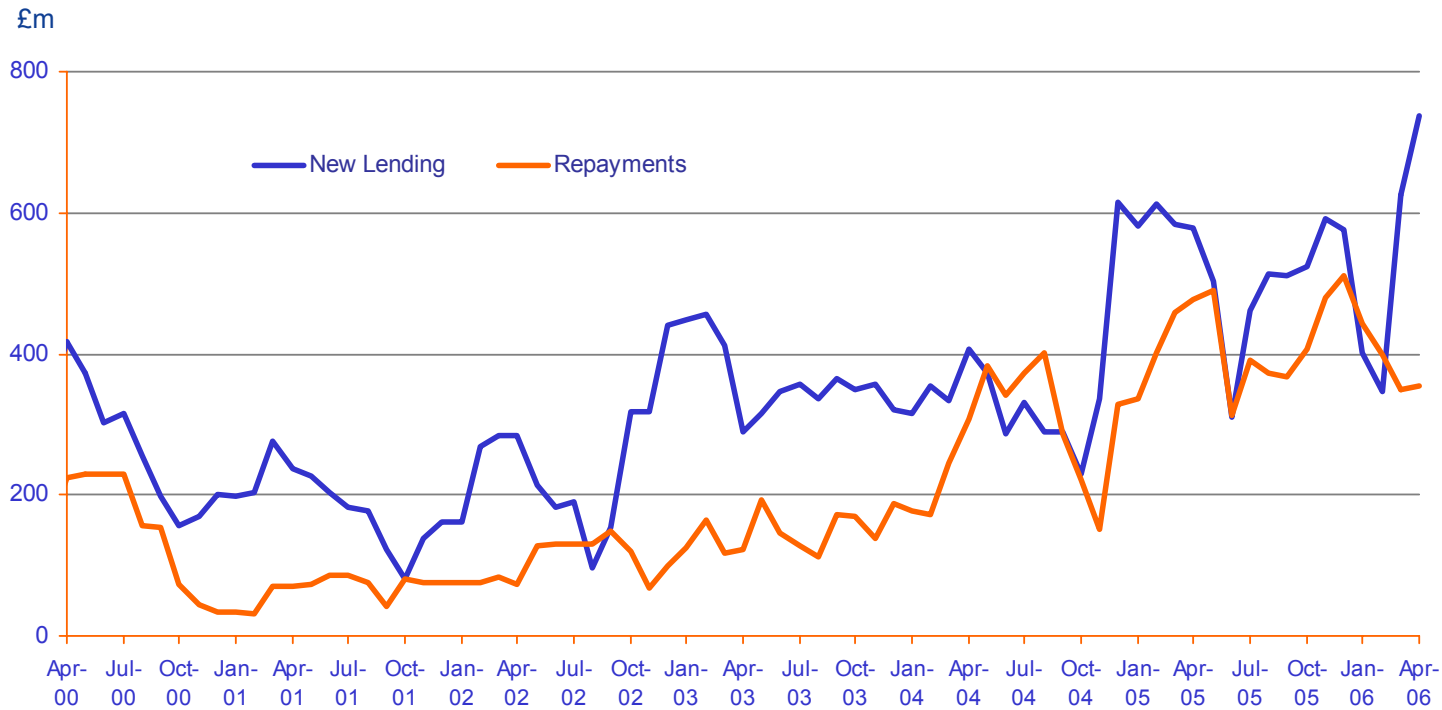


- **New lending growth strong for the period - March was a record**
- **High levels of repayments (27% of opening loan book); and**
- **Record refinancings (29% of opening loan book) due to heated debt markets**

# New Lending vs Repayments



( 6-month moving average )



# ICG's Portfolio



	£m
Portfolio at 31/01/05*	1,254
New Lending & Investments	550
Repayments	(335)
Provisions	(27)
FX movements	22
Increase in portfolio under IFRS	51
Portfolio at 31/03/06	<u>1,515</u>

\* restated under IFRS

# ICG's Lending Activity

## 14 months to 31 March 2006



<u>Name</u>	<u>Country</u>	<u>Type of Financing</u>	<u>Business</u>	<u>Currency</u>	<u>Amount of mezzanine arranged or provided by ICG</u>
Acteon	France	Secondary Buyout	Dental Equipment and Consumables	Euro	16
A-Katsastus	Finland	Buyout	Vehicle Inspections	Euro	22
Aster	Poland	Secondary Buyout	Telephone Service Provider	Euro	26
Aviapartner	Belgium	Buyout	Ground Handling	Euro	22
Aviagen	Germany	Acquisition	Poultry Breeder	USD	36
AVR	Netherlands	Buyout	Waste Management	Euro	149
Caradon	U.K.	Secondary Buyout	Boiler and Radiator Manufacturer	STG	15
Carema	Sweden	Buyout	Healthcare Provider	SEK	150
Courtepaille	France	Secondary Buyout	Restaurants	Euro	16
Dometic	Sweden	Secondary Buyout	Leisure products for recreational vehicles	USD	123
Famosa	Spain	Secondary Buyout	Toy Manufacturer	Euro	20
Fitness First	U.K.	Buyout	Health Club Operator	STG	18
Geoservice	France	Buyout	Service provider in upstream oil industry	Euro	30
Geoxia	France	Secondary Buyout	House Builder	Euro	16
Himart	South Korea	Buyout	Electronic Speciality Stores	KRW	80000
HMY	France	Secondary Buyout	Manufacture of Supermarket Equipment	Euro	20
Lariviere	France	Buyout	Distributor of Roofing Materials	Euro	27



# ICG's Lending Activity (cont.)

## 14 months to 31 March 2006



<u>Name</u>	<u>Country</u>	<u>Type of Financing</u>	<u>Business</u>	<u>Currency</u>	<u>Amount of mezzanine arranged or provided by ICG</u>
LWB Refractories	Germany	High Yield Bond	Producer of speciality refractories	Euro	7
Mach	Denmark	Secondary Buyout	Mobile Telephony Clearing House	Euro	70
Marken	U.K.	Buyout	Clinical Trial Logistics	STG	Undisclosed
Medi- Partenaires	France	Buyout	Private Hospitals	Euro	57
Mennisez	France	Reorganisation	Bread producer	Euro	35
Meyn	Netherlands	Secondary Buyout	Manufacture of Poultry Processing Equipment	Euro	14
Molnycke	Sweden	Secondary Buyout	Medical Dressings and Surgical Products	Euro	18
N & W Vending	Italy	Buyout	Vending Machines	Euro	40
Nocibe	France	Secondary Buyout	Distributor of Perfumes and Cosmetics	Euro	44
PHS	U.K.	Public to Private	Washroom Cleaning/Maintenance Services	STG	35
Protection One	France	Secondary Buyout	Electronic Surveillance Services	Euro	13
Sia	France	Secondary Buyout	Decoration Accessories	Euro	20
Sogetrel	France	Secondary Buyout	Design and Installation of Communication Networks	Euro	10
Souriau	France	Secondary Buyout	Connector and Interconnection Solutions Manufacturer	Euro	24
Svenson	Spain	Buyout	Haircare Specialist	Euro	13
Terreal	France	Secondary Buyout	Roofing Tiles, Bricks and Wall Cladding	Euro	30
TSL	U.K.	Buyout	Educational Publishing	STG	16
Tunstall	U.K.	Secondary Buyout	Social Alarm Systems	STG	13

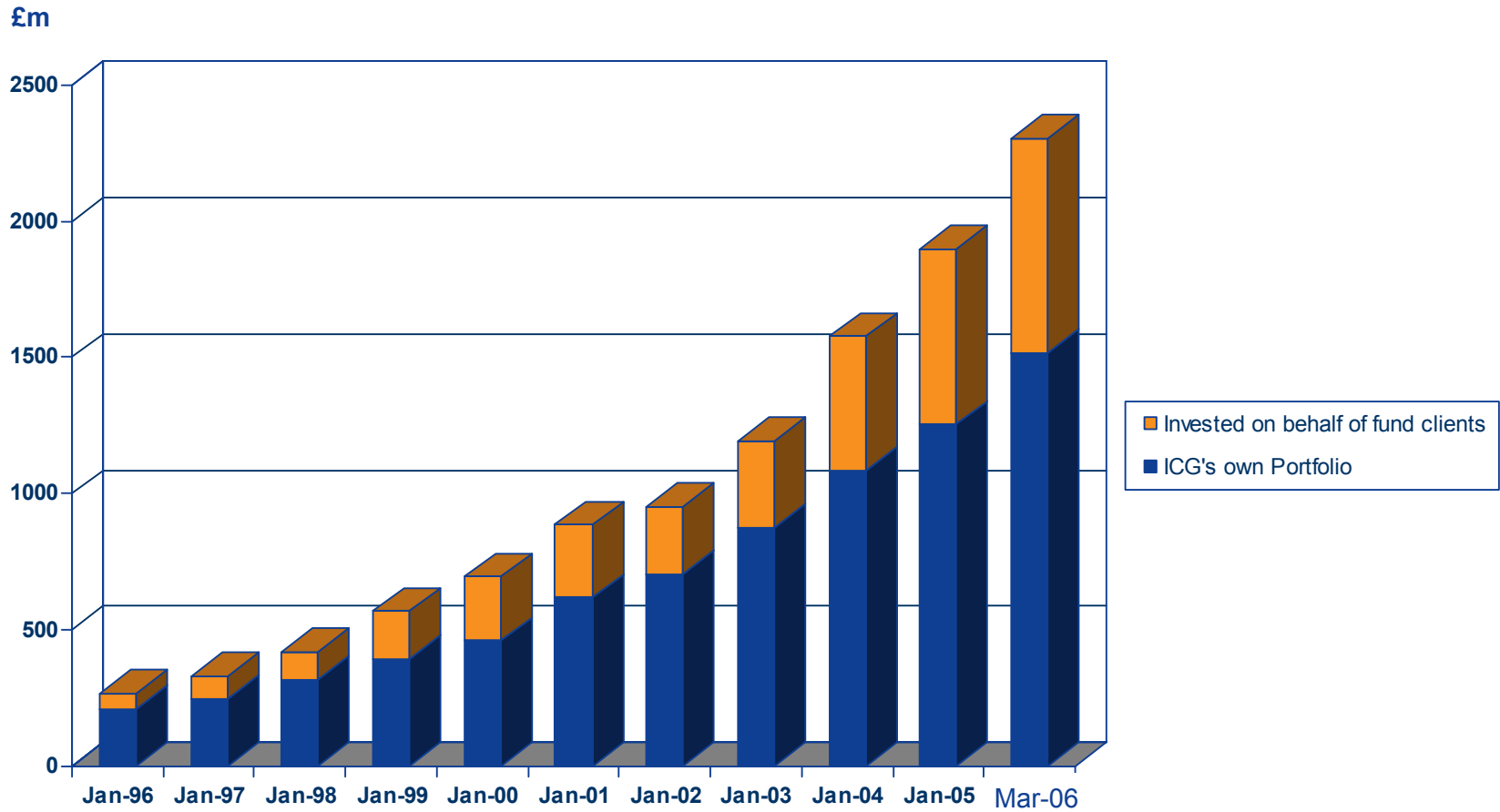
# ICG's Lending Activity (Refinancing)

## 14 months to 31 March 2006



<u>Name</u>	<u>Country</u>	<u>Business</u>	<u>Currency</u>	<u>Existing Deal</u>	<u>New Deal</u>	<u>Net +/-</u>	<u>Equity</u>
				<u>GBP</u>	<u>GBP</u>	<u>GBP</u>	<u>Sponsor</u>
Leisure Link	U.K.	Gaming Machines	STG	19	19	0.0	Henderson
Gala	U.K.	Bingo and Casino Operator	STG	30	45	15.3	Cinven/Candover
Edscha	Germany	Automotive Products Supplier	Euro	18	16	(1.8)	Carlyle
Codere	Spain	Gaming Company	Euro	24	10	(13.5)	n/a
Springer	U.K.	Scientific Academic Publishers	Euro	29	36	7.0	Candover/Cinven
Allflex	France	Cattle Tagging	Euro	9	17	8.0	Electra
Medica	France	Nursing Homes/Elderly Care	Euro	14	14	0.0	Bridgepoint
Gerflor	France	PVC Flooring	Euro	18	14	(3.9)	Industri Partenaires
Elis	France	Textile rental and hygiene and well-being services	Euro	47	43	(3.7)	PAI
Gala	U.K.	Bingo and Casino Operator	STG	45	39	(6.0)	Cinven/Candover
SRT/FLS	Switzerland	Aircraft Maintenance	USD	22	33	11.0	3i
Gala	U.K.	Bingo and Casino Operator	STG	39	44	5.0	Cinven/Candover/Permira
A.A.	U.K.	Roadside Assistance & Financial Services	STG	44	40	(4.9)	

# Growth in Mezzanine Portfolio

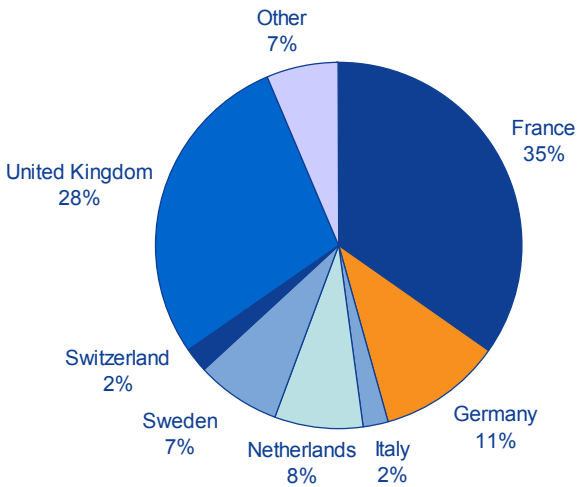


# Analysis of Mezzanine Portfolio

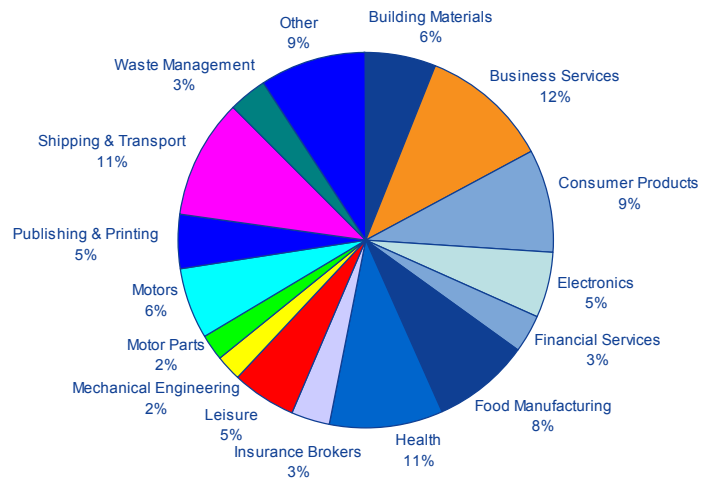
## At 31 March 2006



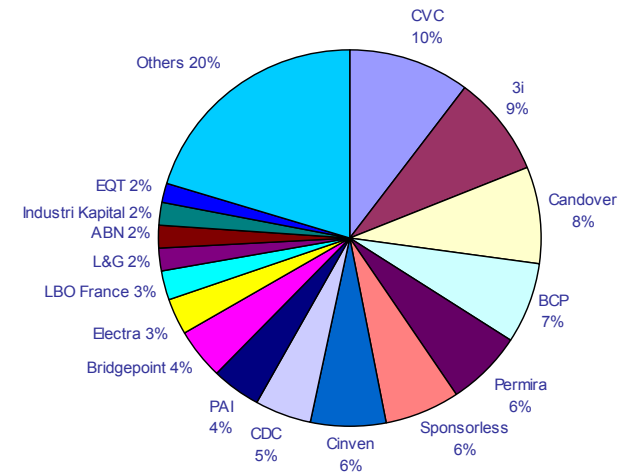
Portfolio by Geography



Portfolio by Sector



Diversification by Equity Sponsor



# Fund Management

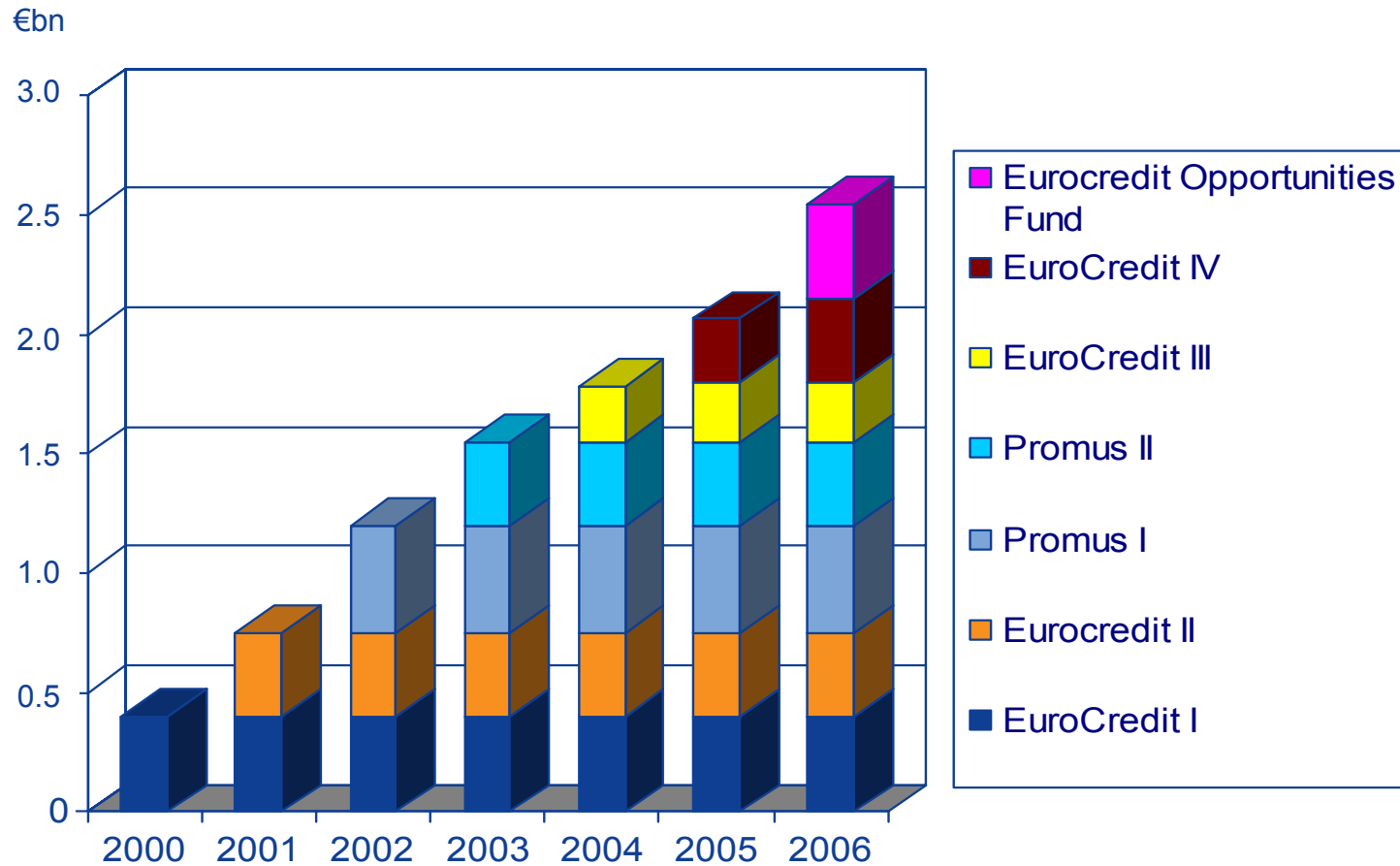
## Mezzanine Fund Management



- **Mezzanine Fund 2003**
  - Fund is fully geared and over 70% of €1.5bn invested
  - The fund is performing well
- **Successfully closed US\$500m Asia Pacific Fund (including US\$200m co-investment from ICG)**
- **Old mezzanine funds decreased from £209m to £81m following repayments**
- **Mezzanine fund management fee income of £12.7m (2005: £10.6m) including £2.3m (2005: £2.2m) carried interest**

# Fund Management

## Non-mezzanine Fund Management



# Fund Management

## Non-mezzanine Fund Management



- **CDO funds**
  - Performing satisfactorily
  - Mixed high yield bond market
- **Fee income of £9.9m (2005: £6.7m)**
- **Eurocredit Opportunities Fund launched in September at €400m and tap issue to increase size to €675m**
- **Strong interest from new institutional clients**

# Financial Results

## Net Interest Income



	31 Jan 2005 £m	31 Mar 2006 £m	Increase (Annualised)
Interest Income	101.6	170.7	
Interest Expense	(26.5)	(46.2)*	
Net Interest Income	<u>75.1</u>	<u>124.5</u>	42%

\* Net of derivatives of £6.5m shown separately



## Fee Income



	31 Jan 2005 £m	31 Mar 2006 £m	Decrease (Annualised)
Arrangement/underwriting fees	9.0	4.8	
Agency/monitoring fees	1.1	0.4	
Fund management fees	17.3	22.6	12%
	<hr/> 27.4 <hr/>	<hr/> 27.8 <hr/>	<hr/> (13%) <hr/>

Agency fees of £1.3m and underwriting fees of £3.5m are included in EIR calculation under IFRS and form part of interest income

# Operating Expenses

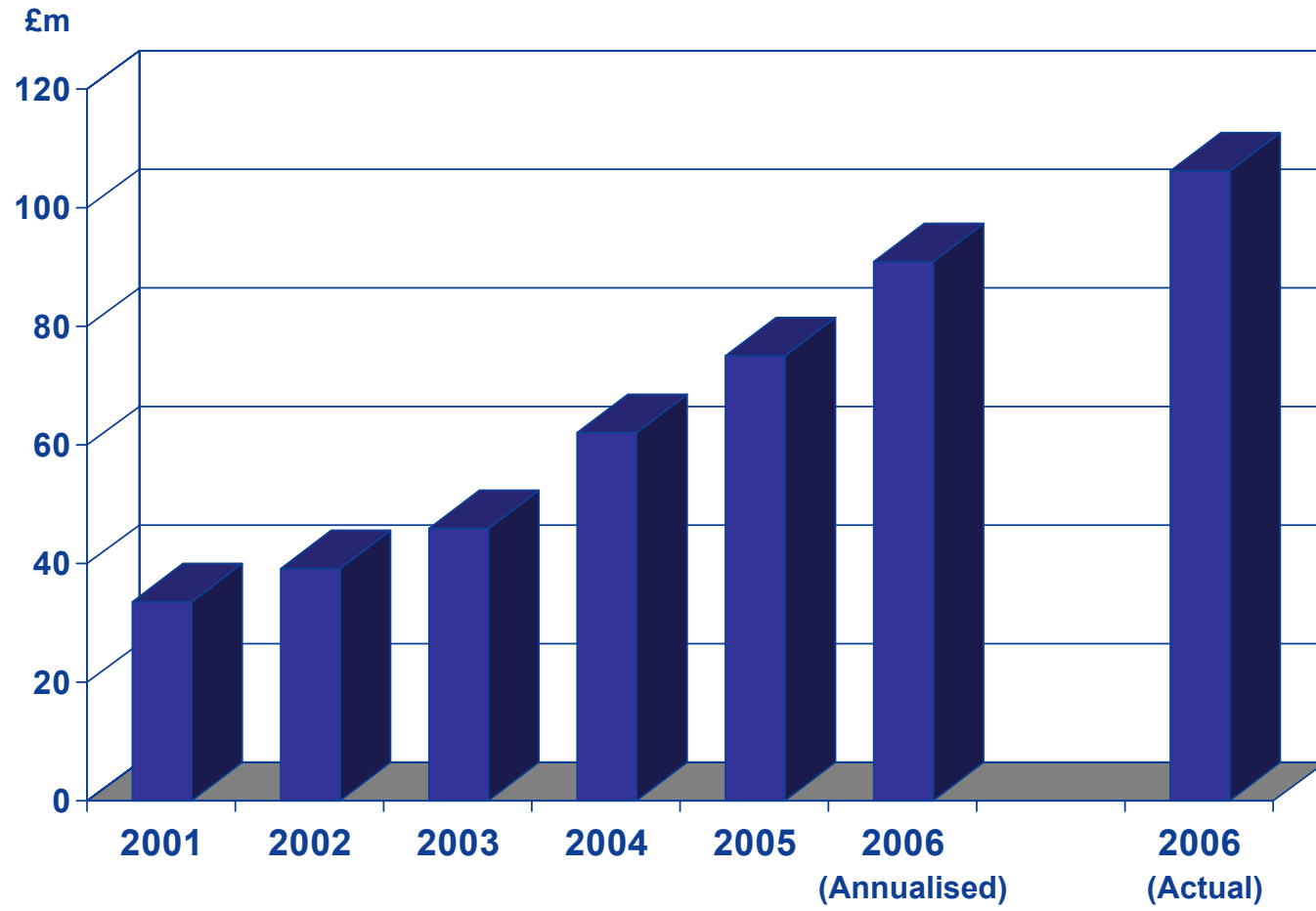


	31 Jan 2005 £m	31 Mar 2006 £m	Increase (Annualised)
Staff Costs	13.3*	19.8	
Other admin costs	8.3	13.0	
	<u>21.6</u>	<u>32.8</u>	30%
Medium Term Incentive scheme**	6.3	13.2	
Operating Expenses	<u>27.9</u>	<u>46.0</u>	

\* Amended to comply with IFRS transitional adjustments

\*\* Charge relates to accrual of rolled up interest

# Core Income Growth



# Core Income



	31 Jan 2005 £m	31 Mar 2006 £m	Increase (Annualised)
Core Income*	£74.6m	£106.3m	22%
Core earnings per share*	69.9p	100.6p	23%

\*Amended to comply with IFRS transitional adjustments

# Gains on Investments



	31 Jan 2005 £m	31 Mar 2006 £m
Realised gains on investments *	62.9	138.1
Net movement in unrealised gains on investments	-	6.8
Total gains on investments	62.9	144.9
Cost of medium term incentive scheme	(14.3)	(27.3)
Net gains on investments	48.6	117.6

\* Capital gains arose from 1 IPO, 23 sales, 5 sales of quoted shares

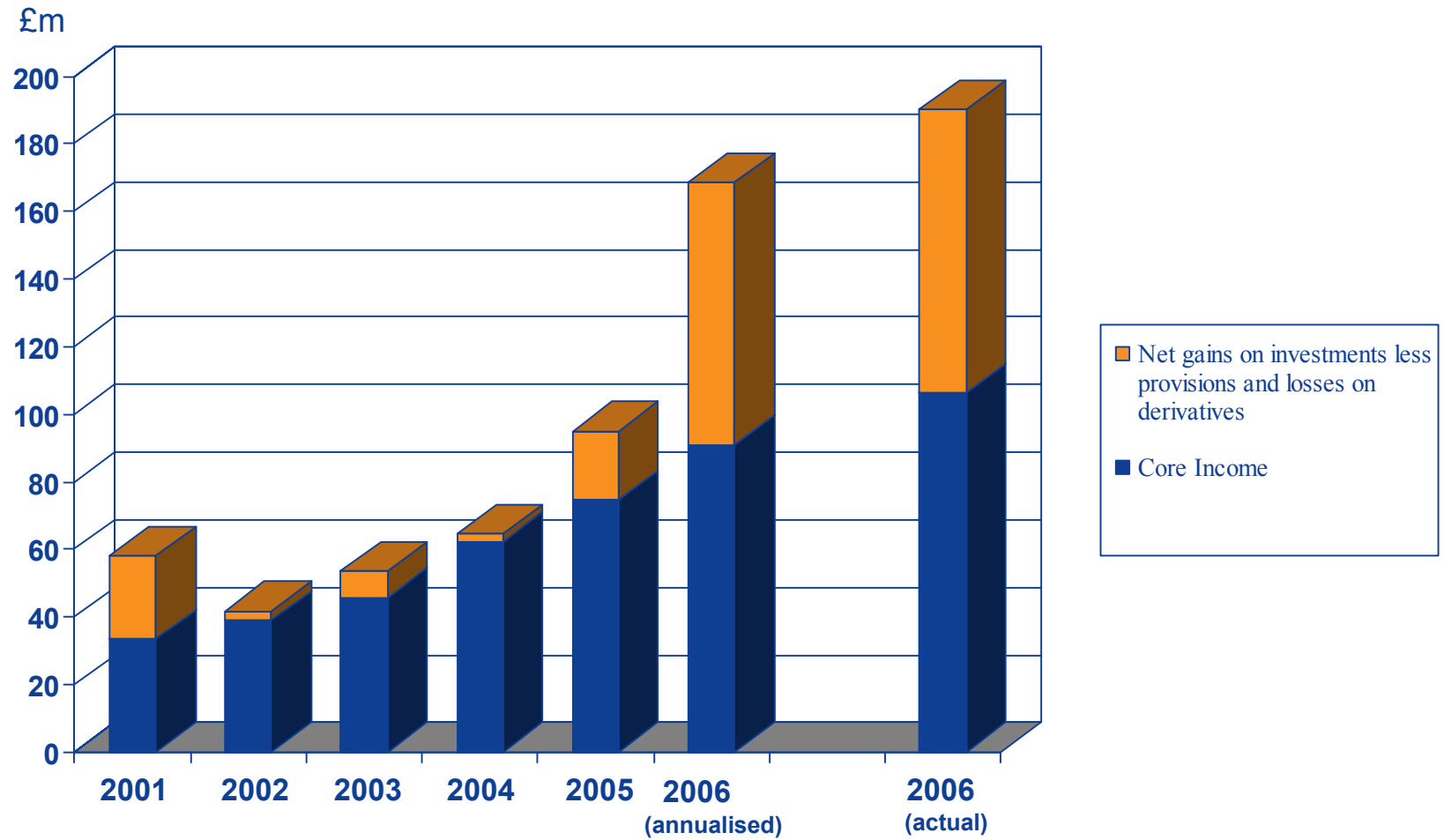
# Provisions



	31 Jan 2005 £m	31 Mar 2006 £m
Gross provisions	30.0	35.3
Write backs	(1.8)	(8.0)
Net provisions	<u>28.2</u>	<u>27.3</u>

This year's provisions relate primarily to two new seriously underperforming loans and further small provisions on 8 loans and investments against which partial provisions had already been made

# Pre-tax profits



# Pre-tax Profits, Earnings per share & Dividends



	31 Jan 2005 £m	31 Mar 2006 £m	Increase (Annualised)
Pre-tax profits	£95.0m*	£190.1m	72%
Earnings per share	88.6p*	179.3p	73%
Dividend per share	40.0p	56.0p	20%

\*Amended to comply with IFRS transitional adjustments



# Balance Sheet



	31 Jan 2005 £m	31 Mar 2006 £m
Loans and investments	1,183	1,514
Net current assets/liabilities	45	(39)
	<hr/>	<hr/>
	1,228	1,475
	<hr/>	<hr/>
Shareholders' funds	380*	493
Borrowings	848	982
	<hr/>	<hr/>
	1,228	1,475
	<hr/>	<hr/>
Gearing ratios	2.23	1.99
Debt facilities	1,003	1,451

\* Amended to comply with IFRS transitional adjustments

# Prospects



- **Strong growth in LBO markets leading to good lending opportunities in European mid-market and Asia**
- **Increased liquidity and competition affecting leverage, pricing and repayment levels**
- **Another healthy period for net interest income and core income. Decent capital gains in prospect but less than 2005/06**
- **Portfolio remains sound while average leverage has increased.**
- **Prospect of further growth in fund management activities**