Predictability in unpredictable markets

> ICG has performed strongly over the last twelve months on both a strategic and financial level.

Benoît Durteste
CEO and CIO

The last twelve months have been a busy and successful period for ICG. Our scale and breadth have enabled us to capture opportunities in a dynamic market environment. The investment landscape and client appetite have shifted towards our areas of particular expertise such as structured transactions, private debt and infrastructure. We have continued to execute successfully on our strategy of growing up and growing out, and have invested selectively across the organisation to augment our investment teams, marketing and client relations offering, and to enhance our operating platform. By investing today, we are positioning ourselves to benefit from what could be a rapid and significant rebound in private markets activity when conditions become less volatile, and when the market could continue to further concentrate around scaled, broad managers.

Over the last year we have developed opportunities that embed further long-term growth potential. The single largest contributor to fundraising this year was our direct lending strategy, Senior Debt Partners, which raised $3.3bn during the financial year ended 31 March 2023 (FY23) and which is continuing to fundraise – an already-successful strategy that became incrementally attractive both to clients and portfolio companies given its exposure to floating rate debt and its ability to provide debt financing when many other sources were not available. The year saw the final closes of three funds (all at or above their original hard-caps) which in aggregate account for $13.2bn of third-party AUM[1] at 31 March 2023, including Europe VIII closing with almost twice as much capital committed from clients as the previous vintage. We launched second vintages of Infrastructure, Europe Mid-Market and Sale and Leaseback; marketed a number of first-time funds; hired new teams for future strategies, including Infrastructure Asia and Real Estate Asia; and invested £214m of our balance sheet capital to seed a number of future strategies.

The financial results we are reporting today reflect this strong strategic performance. Third-party fee income for the year was £501.0m, up 12% compared to FY22 (with management fees up 23%), and record Fund Management Company (FMC) profit before tax was £310.7m, up 9% compared to FY22. Our diversified and robust balance sheet is performing in line with our expectations, generating NIR of 4% over the twelve months. At 31 March 2023 the balance sheet had net gearing of 0.50x and total available liquidity of £1.1bn. The Board has declared a final dividend of 52.2p per share, bringing total dividends for the year to 77.5p per share, an increase of 2% compared to FY22. Over the last five years, ordinary dividends per share have grown at an annualised rate of 21%, and the Board is reaffirming its commitment to a progressive dividend policy.

1. Europe VIII ($8.3bn), Asia Pacific IV ($0.9bn), Strategic Equity IV ($4.0bn)
2. Includes the impact of a policy change in FY23 which increased third-party AUM by $3.1bn and fee-earning AUM by $0.5bn

The nature of our business is that we generate growth and value over the long-term, and in recent years we have successfully scaled and broadened our product offering and client franchise. We have raised a total of $33bn so far in this fundraising cycle since the beginning of FY22, and are on track to meet our accelerated fundraising guidance of at least $40bn cumulatively from FY22 to FY24. We now manage $77bn of client capital, up 15%[2] in the year and 19%[2] on an annualised basis over the last five years. Over the same period our third-party fee income has grown at an annualised rate of 25% and our FMC profit before tax at 27%. Our balance sheet has delivered long-term value for our shareholders, generating a five-year average net investment return of 11.2% and a NAV per share annualised growth rate of 9.7% over the same period.

How we grow to $100bn AUM and beyond

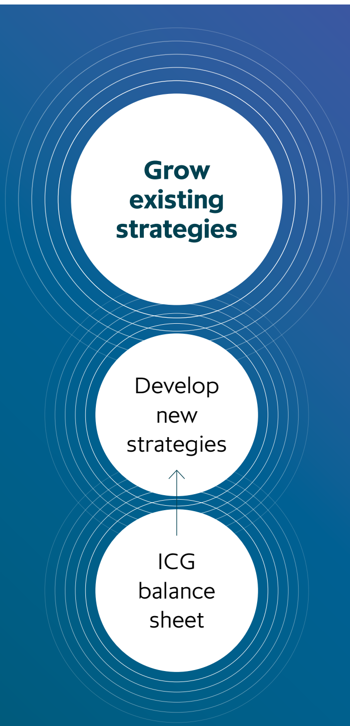
Our growth strategy is built on the breadth of our product offering, the strength of our investment track record, and our ability to retain and grow our client base.

We grow by raising larger successor vintages of existing strategies (growing up), and bringing new strategies to market (growing out), thereby building an attractive and increasingly broad waterfront of strategies.

Growing up is very asset-light with significant operational leverage.

Growing out broadens our product offering and revenue streams, increasing the size of the Group's addressable market and diversifying its future growth profile.

By managing these two routes of growth effectively and efficiently, we create significant long-term value.



ICG's business model today therefore provides a high degree of stability and visibility, which is particularly powerful during periods of volatility such as we have experienced over the last twelve months. At 31 March 2023 we had $62.8bn of fee-earning AUM, with an indicative annualised management fee generation potential of ~£459m, and a further $14.7bn of AUM that is not yet fee-earning which, when deployed, has the indicative potential to generate ~£116m of annualised management fees.

Our ability to deliver attractive returns for our clients underpins our future success. Our portfolio companies are generally continuing to show strong operational performance, with those in our European Corporate strategy for example showing LTM EBITDA growth of 13% and those in direct lending (SDP) showing LTM EBITDA growth of 20%. We are reporting increases in fund valuations across many of our strategies for the period; very low loss ratios with historically high returns in debt strategies; and attractive life-to-date IRRs, MOICs and DPIs in strategies with equity exposure. During the year we realised $6.9bn of third-party fee-earning AUM at a realised annualised return of 18.7%[3], further anchoring the performance of our funds. The track records we are developing today are important components of marketing future vintages, and we continue to pay very close attention to portfolio management to reinforce our track record.

Successful execution of our strategies around Sustainability and Diversity, Equity and Inclusion (DEI) are important components of our ability to generate value for our clients and portfolio companies. In January we published our latest Sustainability and People Report, detailing our achievements over the last twelve months and our areas of future focus. I was delighted to welcome a new Global Head of Sustainability and ESG in an enhanced role during FY23, and we are rapidly building on an already-strong position. At the first anniversary of ICG's commitment to be net zero by 2040, nine portfolio companies have set science-based greenhouse gas (GHG) emissions reduction targets: 15% of relevant investments in our first year alone. Furthermore, many other portfolio companies have advanced their target-setting plans, placing us on track to achieve our interim target of 50% of relevant investments having such targets by 2026. Our achievements in the areas of Sustainability and ESG are recognised in our public ESG ratings, and for the first time ICG became a member of Dow Jones Sustainability Indices (DJSI) Europe as a result of our assessment by Standard and Poor's (S&P) Global CSA. In the related area of DE&I, we were delighted to be top-ranked for Private Equity globally in the Honordex, measuring DE&I efforts and outcomes. This sits alongside extensive work around enhancing DE&I not just for ICG but across our industry, including through a comprehensive charity framework designed to increase career access to our industry for underprivileged groups.

3. Return achieved on full realisations, weighted on original invested cost

2023 performance summary

We have made strong progress during the year against our strategic objectives

Grow AUM

$10.2bn

Record third-party AUM raised, bringing total AUM to $80.2bn

Invest

$10.5bn

Record third-party AUM deployed from our direct investment funds

Manage and realise

$5.3bn

Continued value creation within our portfolio, realisations of $5.3bn of third-party fee-earning AUM within direct investment funds

- Total AUM of £80.2bn with record fundraising of $10.2bn
- Sustained investment activity across our business
- Third-party fee income: £501m during the period, an increase of 12% compared to FY22
- Fund Management Company profit before tax of £310.7m an increase of 9% compared to FY22
- Total dividends for FY23 of 77.5p per share, an increase of 2% compared to FY22 and the thirteenth consecutive annual increase in ordinary dividend per share

Looking to FY24 and beyond, I remain excited by our prospects. We reiterate our fundraising target of at least $40bn cumulatively from FY22 to FY24, and we will be marketing a number of first-time and follow-on vintages in the coming year. We will invest for the future, across our product offering, client franchise and operating platform.

We are well placed to deploy capital in dynamic market conditions, with $20.9bn of dry powder at 31 March 2023 and local origination teams with exceptional market access, supported by a disciplined investment process. We have hundreds of companies across our portfolio, giving us access to a large number of datapoints on the performance of businesses across geographies and sectors, enabling us to spot trends early and understand more holistically how investment opportunities might perform. In the near-term, transaction volumes might remain slower in the broader market. ICG is well positioned to execute on opportunities that are particularly attractive today, including in structured transactions, private debt and real assets.

Longer-term, I expect the structural demand for private markets to remain intact, and it was good to welcome many of you to our shareholder seminar in January on fundraising and client strategy. For portfolio companies, the attractions of private capital are largely unimpacted by the broader macroeconomic context: bilateral bespoke agreements; being capitalised by investors with substantial dry powder to support future growth; and an ability to focus on longer-term value creation. For clients, lower volatility, higher returns, longer duration, and investments in parts of the economy that cannot be accessed through public markets continue to make allocations to private markets an important component of a long-term asset allocation strategy. Our strategy of "growing up" and "growing out" has enabled us to capture a growing breadth of the market and has generated significant value for shareholders, accelerated by our strong balance sheet. I see ample runway for many years of profitable growth by continuing to execute successfully on our strategy.

I believe there will be substantial rewards for the winners emerging from this era of higher interest rates, inflation and macro uncertainty. To be amongst that group, private markets managers will need sufficient scale to be relevant, a broad product offering, a differentiated origination capability, a track record of managing portfolios to generate value through cycles, and a sophisticated client strategy and operating platform.

ICG possesses all of those qualities. Today we are larger, broader, more financially resilient, and the FMC more profitable than at any point in our history, and I believe we are well positioned to navigate the future for the benefit of our clients, portfolio companies and shareholders.

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CEO and CIO