Full Year Results Presentation

Presentation Transcript
21 May 2025

Christopher Hunt

Good morning. Thank you for joining ICG's results for the 12 months ending 31st of March, 2025. The slides are available on our website along with the accompanying results' announcement. And as a reminder, unless otherwise stated, all financial information discussed today is based on alternative performance measures which exclude the consolidation of some of our fund structures required under IFRS.

This morning I'm joined by our CEO and CIO, Benoît Durteste, and our CFO, David Bicarregui. They will give an overview of our performance during the period, and we will then take questions. You can submit these through the webcast messaging function or by telephone. More details are on the online portal. And with that, I will hand over to Benoît.

Benoît Durteste

Thank you, Chris. Good morning, everyone. This has been a milestone year for ICG. The financial results speak for themselves, including $24 billion of fundraising and a new high of £600m of management fees, up 19% on the year. But more important is what this means for ICG's positioning as a business. This was a critical year for us, and I'm very pleased to report that we have surpassed even our most ambitious targets, and have as a result already anchored fundraising for this four-year cycle. We have $32 billion of dry powder available today and we have underpinned our management fees in the medium term.

In terms of client offering, we have reinforced our market leading positions in GP-led secondaries globally, in European direct lending and in structured capital. We have also successfully raised three scaling strategies, including North America Credit Partners and European infrastructure equity that are now established and are positioned for further growth. Our funds have continued to perform well and our deployment and realisation activity has been strong despite a generally slow market, giving our clients exposure to attractive investments and anchoring fund returns, continuing our track record of consistently returning capital to our LPs as measured by strong DPI metrics.

We have been saying for some time that we want to have breadth at scale, which I believe is increasingly important as our industry evolves. As clients and the broader industry face a challenging environment for the fourth consecutive year, our performance has reinforced ICG as one of the few global alternative asset managers who are seeing their competitive position strengthened through this period. This year has seen ICG successfully continue to deliver on our strategy of scaling up and scaling out, building our franchise on excellent investment performance across strategies and geographies. We now manage $112 billion of capital and have fee-earning AUM of $75 billion, up 8% year on year. Our $32 billion of dry powder, $20 billion of which is not yet earning fees, gives us significant firepower to capitalise on the opportunities which inevitably arise in a more volatile market environment.

From a corporate perspective, we opened three offices and now operate from over 20 locations globally, and we continue to invest in our platform, including with a number of senior hires during the year in our client solutions team, that's marketing, as well as our investment teams. The financial outcomes of this are clear. Management fees up 19% year on year, increasing performance fees, a robust performance from our balance sheet, and at the profit level, fund management company PBT up 23% year on year. This is enabling us to pay a total dividend per share of 83 pence, up 5% on the year, while continuing to have an appropriately capitalised balance sheet. David will discuss this in more detail shortly.

Breadth at scale is hugely important for our business, our clients, and for shareholders. It has become a strategic necessity in our industry. On the back of our cycle defining fundraising campaign, I believe we have now reached a high level of market relevance across several uncorrelated strategies. Over the last decade, ICG has focused on moving to the top right quadrant of the graph you see on this slide, where I believe we now firmly sit. Of course, this does not spell the end of our growth ambitions. It does mean that we have the earnings power and the balance sheet to support and grow a now-established and complex operating platform and marketing team, and we have attained a global relevance with investors that we can further build on. This should see us continue to benefit from structural market trends of LPs concentrating their capital allocations on a narrowing set of managers.

On the right-hand side of the slide, there are some figures to illustrate that. Our AUM is now $112 billion, from $20 billion 10 years ago. And during the same period, our client base grew four times and our management fees almost nine times. ICG today is very different from what it was just a few years ago. We are now a relevant global player in several verticals or families of strategies with significant organic growth potential for at least the next 10 years. We enjoy a recognised leading position in structured capital in Europe, where we have an unrivalled track record and the largest fund of this type globally. We are now a major player in private equity secondaries, notably with a number one position worldwide in the GP-led segment. And we are, of course, a significant actor in private credit, notably as one of the largest providers of direct lending in Europe. Our real assets platform to the more recent area of focus is performing well and a source of significant growth potential as we look to build the same relevance and presence in this segment as in the others.

The charts underline how broad-based our growth has been over the last five years. Secondaries is clearly the standout, having grown over six times in the period, admittedly from a lower base. And structured capital, private debt, and real assets have all grown at high teens CAGRs. Having more scaled and scalable strategies, largely uncorrelated as we now do, diversifies our growth and fee streams, reinforces our market relevance, and gives us more organic growth drivers in the future. The result of this is that we are able to raise more capital from more clients into larger funds. And you see this in the last 12 months during which time we held final closes for four different strategies. To put this performance in perspective, 2024 was the third consecutive year of decline for global private markets' fundraising with 2024 numbers more than 50% down from the 2021 peak.

I won't go through every statistic on this chart, but it's worth noting that Europe Mid-Market II was ICG's largest ever vintage-to-vintage upsize, three times larger than the predecessor vintage. Strategic Equity V is, by some margin, the world's largest GP-led secondaries programme focused on single-asset continuation vehicles. And SDP V was the largest ever direct lending fundraise in Europe at time of closing. In addition, Infrastructure II is already larger than its predecessor fund, and it is still in the market and we expect to hold a final close during the calendar 2025. This is really quite an achievement for a second vintage that has been raising through a very challenging period for fundraising generally and for real assets especially. Of course, each individual fundraise is a success in its own right, contributing to our scale and earnings capacity, but more broadly and in particular the success of our scaling strategies, this shows that ICG is benefiting from LPs looking to do more with fewer managers.

Turning to fundraising in the year. As I mentioned earlier, this was a critical year for us given the number of strategies we were marketing concurrently. It's fair to say that we made a few strategic calls which help explain the positive outcome for the year. Since we could see that our efforts were successful and our positioning and strategies resonated with investors, we decided to keep Strategic Equity V open longer to maximise demand, which in turn put us in a position to increase the hard-cap, with LP consent, of course. We also brought forward the first close of Europe IX to lock in client capital. Clients from the Americas, and that's mostly the US, were the largest contributors of capital in the year. This is not surprising as this is by far the largest source of capital, but it does highlight our growing presence and recognition in North America. Overall, we attracted 122 new LPs, which is quite an achievement in this environment, and we saw good cross-selling in particular into Europe Mid-Market II. As a result, and as I said before, we have materially underpinned fundraising for this cycle.

Looking ahead in full year '26 and likely full year '27, the only major strategy we are raising for is the ninth vintage of European Corporate. So, in the context of our four-year fundraising guidance, we're off to an extremely strong start, but it is likely to be barbelled with a low couple of years in the middle. On Europe IX specifically, early indications for that fundraise are very good, and we have already had a first close at four and a half billion euros. This is the largest first close in ICG's history. The strategy's focus on structured transactions, its track record, and its focus on Europe are all likely to be appealing to investors globally in this environment.

Moving to our transaction activity, which was impressively strong, somewhat bucking the market trend. On the deployment side, we saw good levels of activity in European Corporate and in secondaries. Strategic Equity V is already roughly 40% deployed, and LPS I, that's LP Secondaries, which only closed in March last year, is 90% deployed. Real assets had a record year for deployment in absolute terms, reasonably equally spread between real estate equity, real estate debt, and infrastructure equity. It is more challenging in direct lending, which is dependent on the level of buyout transaction activity, which has been depressed and remains so. The bid-ask spread on valuations remaining the main issue there. In the segment, direct lending, we do, however, benefit from the additional financing requirements of our existing portfolio, and so we've been able to maintain deployment even year on year.

The contributions were slightly different within realisations, which were largely driven by direct lending and structured capital. We closed some very successful exits for infra equity as well and for structured capital, both Mid-Market Fund and European Corporate. And this anchored top-decile DPI performance for all three funds, which no doubt played a significant part in our fundraising success. Importantly, as we look forward, our portfolios are still performing very well, with still meaningful average EBITDA growth across the board and relatively modest, by historical standards certainly, levels of leverage. So, a very good year strategically and financially across all metrics, which positions ICG well for the future.

Looking ahead, we want to continue to offer our clients an attractive waterfront of private markets investment strategies with a differentiated and attractive risk return profile. As such, investment performance is our top focus, always. We are known and recognised for this in the market. We are convinced that across cycles that will remain and enhance our brand and reputation amongst our growing client base of institutional investors and high net worth individuals. We will continue to add new strategies that fit with that ethos and to develop new products to enable our clients to invest their capital with us efficiently.

Finally, while our client base is now large, it still has significant room to grow, which we will do, as well as ensuring our operating platform delivers excellent experience to those clients. The last few years certainly have not been easy in private markets and I believe this will remain the case for some time. This is making ICG stronger. In future years, when we look back on today's environment, I'm confident we will be able to say that ICG emerged with its reputation enhanced, its client franchise strengthened, and its competitive positioning reinforced.

And with that, I will pass to David to talk in more detail about our financial results.

David Bicarregui

Thank you, Benoît, and thank you all for joining us today. I'm pleased to report that we have published strong results this morning with growth across key financial metrics. Fee-earning AUM up 8% in the period, at $75 billion. Fee income of 690 million pounds, up 19%. Group operating cashflow of over half a billion pounds. And FMC profit before tax of 461 million pounds, up 23% year on year.

Despite the ongoing macro uncertainty and wide range of potential outcomes, as Benoît said, our performance over the last 12 months anchors our fundraising for this cycle, and underpins our medium-term financial outcomes. As a result, we are confident in reiterating our medium-term financial guidance. On fundraising specifically, I'd reiterate Benoit's point about it likely being very barbelled, with FY26 and likely FY27 quite low, irrespective of the market conditions, given our fundraising cycle. In a sense, our fundraising cycle has insulated us from being too buffeted by the current levels of volatility, so we remain confident in the short, medium, and long-term outlook for ICG.

Now, turning to the outcomes of the year in more detail, and starting with fee-earning AUM. This grew 8% during the period to end at $75 billion, and over the last five years, has grown at an annualised rate of 14%. In the past 12 months, we have raised $11 billion for strategies that charge fees on committed capital, and deployed $9 billion in strategies that charge fees on invested capital. In addition, we have $20 billion of AUM, not yet earning fees, largely in private debt, which has management fee generation potential of approximately 140 million pounds.

I mentioned fee income of 690 million pounds at the beginning. And as you can see from this chart, our revenue is clearly management fee-centric Management fees reached a record 604 million pounds this year, up 19 %, year-on-year, or 8% excluding catch-up fees. As you know, this revenue stream is long duration, visible and recurring. Our effective management fees increased by five basis points in the last 12 months and now stands at 0.97%, driven by mix effects and in line with our expectations.

The performance fees were 86 million pounds, largely due to additional revenue for Europe VII, as we get more confidence on that fund's hurdle date. This represents 12% of total fee income, in line with the five-year average and our medium term guidance. As a reminder, these are almost all European waterfalls, so this is a durable and valuable income stream that turns to cash, as you can see with the black dots on the chart that show realised performance during the year. And the final component, our total balance sheet return, which is defined as NIR plus CLO dividends, was 241 million pounds, all of which comes together as a solid year for revenue as a whole, with continued management fee growth very much the highlight.

Now, turning to group-wide operating expenses, which were up 4% year-on-year, with the low growth primarily due to lower incentive costs compared with FY24. Over the last five years, group OPEX has grown as an annualised rate of 12%, materially lower than the management fee growth of 19% during the same period. Over 75% of our cost space is people, and we now have 686 permanent employees. I've spoken before about operating leverage, as you can see on the right-hand side how the rate of growth in our headcount is shallowing. We've continued to invest in our investment teams and our client solutions group, and in our firm-wide operating platform, CBS. These investments position ICG for continued efficient growth.

So strong revenue and limited cost growth have translated directly into higher profits and operating margin. We are reporting fund management company profit before tax of 461 million pounds, up 23% year-on-year, and growing at an annualised rate of 20% over the last five years, along with fund management company operating margin of 60%. At a group level, our profits are increasingly driven by the fund management company, reflecting the fee-centric nature of our growth.

As well as higher earnings, our growing fee income is generating increased amounts of cash, and our balance sheet is structurally cash-flow positive. As a result of this, we are reporting operating cash flow of just over half a billion pounds for the year, up 44% on FY24. We repaid 241 million pounds of debt over the year, and if we look back five years, that number sums up to 1 billion pounds. We ended this year with total available liquidity of 1.1 billion pounds, net debt of 629 million pounds, and net gearing of 0.25x. During the period, S&P upgraded our credit outlook to BBB+ stable, which sits alongside our BBB positive rating from Fitch. Our balance sheet remains a strategic asset for us and a powerful resource to grow fee income. In that context, I'm pleased to be able to say that it's stronger than it ever has been.

Now, we are very focused on being efficient in the use of our balance sheet. We have recently seeded new strategies, such as LP secondaries and Asia infrastructure, as well as new products such as core private equity. Our ability to ramp new products and seed new strategies is very powerful, as we continue to innovate and allow our clients to access our investment strategies in different ways. And once strategies or products are launched, we seek to reduce our co-investments through vintages. As you can see on the right-hand side of this page, we have successfully done this for a number of funds during the year, lowering our absolute pound million commitment, despite raising more blank capital. As a result of this deliberate approach, our balance sheet now represents less than 3% of our total AUM.

To conclude, the financial consequences of our growing breadth at scale is that we have significantly more liquidity and capital today than we did even five years ago. Since March 2020,, ICG has generated over 2.2 billion pounds of cumulative earnings, almost half of which has been returned to shareholders through dividends which have increased by 48% over the period to 83 pence per share for FY25. Looking ahead, I believe this trajectory will continue, and we have a clear toolkit for how we think about allocating that, with the aim of generating recurring and durable growth for shareholders.

The starting points are the need to maintain a robust appropriately capitalised balance sheet and our progressive dividend policy. Beyond that, we're in a fortunate position of having a number of options available, including seeding new strategies, and accelerating the growth of current seeding and scaling strategies by putting more capital behind them. Delivering on our ambition of breadth at scale has meaningful and positive strategic consequences for ICG. It gives us increasing confidence in the future trajectory of the company. It also has very positive financial outcomes, which are clearly visible today, and which I look forward to discussing with many of you in the coming weeks. So with that, I'll turn back to Chris for any questions.