Half Year Results Presentation

Presentation Transcript
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Christopher Hunt

Good morning. Thank you for joining this webcast covering ICG's results for the six months ending on the 30th of September 2025 and the strategic partnership with Amundi we've announced this morning. The slides are available on our website along with both accompanying announcements. 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'll give an overview of our performance during the period, and we will then take questions. You can submit these through the webcast message function or by telephone, details of which are on the portal. And with that, I'll hand over to Benoît.

Benoît Durteste

Thank you, Chris, and good morning everyone. It's a pleasure to reflect today on the progress ICG has made during the first half, and this is an even more exciting than usual results announcement. We're not only reporting impressive H1 results, we're also announcing a major distribution agreement and strategic partnership with Amundi. From a group perspective, our growing breadth and scale is continuing to drive visible benefits for our clients and shareholders, and our deliberate tilt over the last decade towards higher-returning strategies is clearly bearing fruit.

Our track record and reputation for an unwavering focus on risk and investment performance are key factors in our recent success. Institutional clients are increasingly scrutinising performance, and in particular, realised performance or DPI in a market where a number of players' pursuit of AUM and volume is leading to some unreasonable risk-taking in our view, predominantly but not exclusively in credit and private debt.

Our clients recognise that we remain at heart investors squarely focused on consistency of performance through cycles, all of which means that we see substantial opportunity to grow our existing strategies and our institutional client base. This will drive significant organic growth in the coming years, and we are also well-positioned strategically and financially to continue to innovate new strategies and products where we see opportunities.

These strong growth prospects are further enhanced by the announcement today of our strategic partnership with Amundi, which is a meaningful step forward in the development of our wealth strategy and will help shape appropriate product offerings for that market. It's an incredibly exciting opportunity, potentially very additive to both parties, and I'll speak about it further later in this presentation.

I'll start with a few highlights on the last six months. Fundraising of $9 billion surpassed our expectations coming into the year, with Europe IX raising more quickly than we had anticipated and Infrastructure II having a very strong run into its final close, achieving hard cap at more than double the size of the previous vintage.

Our secondaries franchise continues to excite us in the area we have built entirely organically, and which is now our third-largest asset class by AUM. We are in the market with the subsequent vintage of LP secondaries, so vintage II. We are launching a European evergreen secondary vehicle and we are also launching a mid-market version of our strategic equity fund, which is our GP-led secondary strategy in order to further cement our global leadership position in that asset class. On the financial side, fee-earning AUM now stands at $84 billion, up 6% in the last six months on a constant currency basis, and we have substantial dry powder to continue our investment programmes.

Management fees for the six months were up 16% at £334 million, while expenses are being well managed and demonstrating operating leverage. At a group level, our operating cash flow was up meaningfully at £450 million. So in short, we're enjoying significant growth and cash flow generation.

Putting that into a longer-term perspective, you can see how our business has evolved rapidly over the last five years and the financial impact that's having. On the left-hand side of this chart, we set out our growth by asset class, which has been diversified, but really driven by higher return strategies in structured capital, secondaries and real assets equity.

Private debt in comparison has grown but at a slower pace and remains an area where we continue to be highly disciplined, prioritising long-term performance over aggressive deployment. We have attracted substantial capital into these higher returning strategies leading to almost doubling our fee-earning AUM over the past five years entirely organically, and we have grown our weighted average management fee rate from 85 bps at March 21 to just under 1% today. As a result, we are larger, more diversified, more resilient, and more profitable.

A key theme of our strategy has been scaling our higher return strategies, specifically private equity secondaries, structured capital, real assets equity. That's real estate equity and infrastructure equity. This takes time, but the successful execution of this is clearly visible in the middle of this page. In March '21, these strategies represented a third of our fee earning. Since then, they have grown by 3.2 times. That's compared to doubling of fee-earning AUM at the group level, and today they represent 57% of our fee-earning AUM.

From a purely financial perspective, this has been the key driver of the growth in our management fee rate I just spoke about, and of course our operating margin, but the broader rationale is arguably more important. These strategies are inherently more complex with higher barriers to entry, and this allows us to differentiate, generate outperformance for our clients, demonstrate our investment excellence, and in the process charge higher management fees on committed capital as well as generate over time more performance fees.

These strategies are also harder to commoditise, which will help protect management fee rates and is reinforcing ICG's brand equity with our clients. These are not volume vanilla products. And what is particularly exciting is that all of these funds or strategies have significant room to grow organically for years to come. As a result of the shift, the future value of our fee-earning AUM is materially higher than five years ago. It is earning higher fees and is more relevant to clients' wider markets portfolios.

Today, we are proud of our European heritage and of our global reach. We have presence in 18 countries, attract capital from clients around the world, and invest in all the largest geographies for private markets, including a quarter of our deployed capital being invested in the US.

From a product perspective, we have a number of leading positions in structured capital, GP-led secondaries, European direct lending, as well as an exciting array of earlier stage strategies including in real assets. And this has not been by chance, it is anchored in some very basic beliefs about what it takes to succeed in the long term, which is one, a focus on investment performance, always. Two, a waterfront of strategies that provides something different to clients. And three, a platform that is scalable to be relevant to the largest investors globally. I'm proud that today's results show how we are continuing to build that at ICG, how they help underline the success of that execution to date and how they help demonstrate the opportunity ahead of us.

Turning now to the current environment. Fundraising across the wider market remains challenging. Global private capital raised this year is likely to be lower for the fourth consecutive year. And to quote a recent Bain report, fundraising has never been so hard. The statistic that there's about $3 of demand for every dollar likely to be raised is remarkable. It has existential consequences for many managers, some of whom simply are not and will not be able to raise capital. We're already seeing some firms effectively going into a runoff or shrinking substantially, and I expect to see more of that. This will incidentally create some opportunities, at the very least for hiring new talent and we are already benefiting.

One of the consequences of this is that LPs are increasingly selective with many looking to diversify towards Europe and focusing both on certain strategies such as structured capital and real assets, as well as being very focused on investment performance and DPI in particular. For firms such as ICG who have a range of products and were able to raise capital, doing so is reinforcing our position with clients.

Stepping back, the real takeaway from this is that although the market has been challenging for a few years now, for firms such as ICG who have a range of products and are successfully raising capital, this is a very good time to differentiate, gain market share, and it is allowing us to set the firm up for even greater long-term success and growth.

I mentioned the strong focus of investors on realised performance or DPI, how quickly you return cash to clients, and here's a slide that I showed at our investor days in London, New York, and Tokyo this past September and October, and this slide really resonates with our clients. To have this number of strategies as top decile or at the very least top quartile from a DPI perspective is highly unusual. It's very impressive. It's a track record we're incredibly proud of, and a quantitative validation of how our focus on investment performance is delivering for clients.

Importantly, this is not by chance, right? It is not new to ICG. Our investors know this well. Those of you who have known us for some time will have heard me speak about it many times in the past. How discipline in realising assets, de-risking funds is key to consistency of performance over long periods. Discipline, a consistent focus on risk-return performance, not just return. This is what makes a real difference with investors today.

The result of all this is that we are continuing to see strong client demand, and that's reflected in our fundraising. We have raised $9 billion in the last six months, which is particularly noteworthy, not just because we have surpassed our expectations, but because as we have previously indicated, we are this year and next at a structurally lower point of our own fundraising cycle. So Europe IX continues to raise well with $2.8 billion raised in the period and the fund now standing at $7.5 billion. Well on the way to meeting or exceeding the previous vintage, which was just over €8 billion.

Infrastructure II held its final close in the period at €3.15 billion, so that's over two times larger than the prior vintage. It has been a standout success. We had a re-upgrade of 85% and attracted capital from a wide range of clients. A quarter of the capital came from North America, reinforcing the growing strength of our brand there and the appeal of high-performing European products for certain North American investors.

From a shareholder perspective, we reduced the balance sheet commitment from €200 million in fund one to €150 million in fund two. So, moving from 13% of total fund size in the first vintage to under 5% in fund two. More broadly, over the past 15 months, we have had five funds close at or above their hard cap, and not just flagship scaling strategies as well. In any environment, that would be remarkable. But in this environment with fundraising under such pressure as we discussed earlier, that's a real achievement, all of which comes from and supports our client growth.

We have continued to attract new institutional clients during the period. Since we announced our fundraising guidance in May 2024, 43% of new LPs came from North America and 9% from the Middle East. And looking ahead, we will continue to broaden our reach through innovating new products and diversifying our sources of capital, always with an absolute focus on developing products that are appropriate to those channels, where we can deliver attractive investment returns. Today as part of that continued broadening of our client base, we're excited to announce a long-term strategic partnership with Amundi.

This partnership significantly accelerates our ambitions in the private wealth space and combines ICG's investment expertise and track record of product innovation with Amundi's global distribution capabilities and structuring know-how. We have historically taken a much more cautious approach to the Wealth channel than most of our peers. While there is obviously an enormous potential for capital raising, we have also seen how it can shift investment priorities of GPs towards a more volume-driven approach to the detriment of performance, which is precisely at the opposite end of the spectrum of what ICG is about and what we want to be uncompromisingly focused on: investment, quality, risk, and performance.

And this is where the partnership with Amundi is incredibly exciting. We have found that we have a like-minded approach to investment to delivering the best results for end clients. We share key values and this is essential for the success of our collaboration. Our common goal is to be an important force in shaping access for individuals to private markets investments, while maintaining an unflinching focus on generating attractive risk-adjusted investment performance. We see a significant long-term opportunity to develop a range of products appropriate to the wealth market and believe that together we have the right complementary capabilities to execute on that.

I'm convinced that by working together in this way, we can create significant value for our clients and respective shareholders, as you're well aware, you know Amundi is the largest European traditional asset manager, one of the largest globally with some €2.3 trillion of assets under management and access through its distribution network to over 200 million individual clients. It is the ideal partner for ICG in this transaction, bringing scale, access, and expertise that are highly complementary to our own existing capabilities.

Looking at the two components of the partnership in a bit more detail, the commercial agreement, which covers distribution and product structuring, will have an initial term of ten years. Our immediate focus will be on developing and launching two evergreen funds, one for LP secondaries and one for private credit. Globally, outside of the US and Australia and New Zealand, Amundi will be the exclusive distributor in the wealth channel for ICG's evergreen and certain other products, with ICG being Amundi's exclusive provider for those products to Amundi's distribution business. Over time, we will seek to develop more products and strategies that are well-suited to the wealth market.

And this is a very exciting long-term prospect of this partnership. We see a real opportunity to shape the market to ensure that products are appropriate and deliver what investors are looking for, structured in ways that enable returns to be generated over the long-term. To align our interest and reinforce the long-term nature of this partnership, Amundi will acquire a 9.9% economic interest in ICG in a way that is non-dilutive to our current shareholders. The structure is set up in brief here and in more detail in the appendix and in the RNS, we released this morning on this partnership.

As part of this, Amundi will be entitled to nominate one non-executive director to our board, and I look forward to working with that individual and the wider Amundi team to make a success of what I consider to be a meaningful alignment of two leading European-based firms to help shape the wealth market for private investments in the years to come. So, looking ahead, our future growth has a number of encouraging tailwinds. Our waterfront of strategies is significantly exposed to some of the fastest-growing asset classes in private markets, providing a constructive backdrop for our strategies.

I'm very positive on the long-term opportunity ahead of us and our ability to execute on that, a trajectory that is reinforced by the results we are reporting today and the partnership with Amundi. And with that, I'll pass over to David

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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 grew 6% on a constant currency basis ending at $84 billion. It has grown every year in the last five years in dollar terms, and over that period has increased at an annualised rate of 14%. In the past six months, we have raised $5 billion for strategies that charge fees on committed capital and deployed $6 billion in strategies that charge fees on invested capital.

We also have $19 billion of AUM not yet earning fees, largely in private debt, which has the potential to generate approximately £130 million in additional management fees. Our visible recurring management fees remain the key driver of revenue growth. As of the 30th of September, management fees reached £334 million for the last six months, an increase of 16% year-on-year. As we discussed in October, performance fees are becoming an important contributor to our revenue mix, reflecting the growth of higher-return strategies that Benoît described earlier in the period. We recognised total performance fee revenue of £98 million, including the one-off impact of £72 million due to the change in recognition method.

We received £62 million of cash from performance fees, up from £40 million in H1 of last year. Our total balance sheet returns for the period were £112 million, up 57% compared to the previous year. And pre-empting the inevitable question on First Brands, the impact was minimal, less than £5 million, and the assumptions on our CLO valuations provided by third-party valuation agents are broadly unchanged compared to March. Stepping back, the revenue profile in the period underlines the trajectory that Benoît spoke about earlier. These results reinforce our continued successful long-term execution.

Over 60% of our revenue in the last six months is from management fees, which have grown at an annualised rate of 19% over the last five years, and over 80% of our revenue was fee-based. As we continue to scale up and scale out our investment strategies, I expect this trajectory to continue with the balance sheet remaining an important asset to enable this growth while becoming less meaningful to our revenue mix. Group operating expenses have grown 1% year-on-year. Over the medium term, we would still expect these to grow at mid to high single-digit percentage.

We are clearly seeing operating leverage come through as our funds get bigger and we raise subsequent vintages, benefiting from the compounding fees on fees profile. This is a theme we've spoken about a lot in recent years, and it's very visible when you compare the 11% annualised growth rate of OPEX over the last five years to the 19% annualised growth of our management fees. The combination of management fee centricity and operating leverage is even clearer if we look at it on an FRE or fee-related earnings basis. This metric takes our management fees and deducts all of our group cash costs. The precise methodology is in the appendix.

There's no entirely consistent market approach, and the team can certainly talk you through this offline. But over the last five years, our FRE has grown at an annualised rate of 26%. What this serves to highlight is the visible growing earnings power of our management fees. The operating leverage we achieve as management fees grow and given its cash is a highly valuable earning stream for shareholders. Over time, FRE growth is an important indicator of how successfully we are executing our strategy of scaling up and scaling out.

The Amundi partnership we announced this morning is a great example of scaling up our credit and LP secondaries platforms. Management fees generated as a result of this partnership should have strong flow through to FRE given our high embedded operating leverage. And over the long term, our combined ability to develop new products that are suitable for the wealth market will help to further diversify and grow our management fee base, which again, should be visible in our FRE growth, all of which underlines why we think this might be an interesting metric to look at. And of course, we'd welcome feedback.

As well as our higher earnings, our growing fee income is generating increased amounts of cash, and our balance sheet is structurally cash flow positive. In the last six months, we generated operating cash flow of £450 million, up 143% year-on-year, driven by higher management fees, realised performance fees, and total balance sheet returns. We ended the period with total available liquidity of £1.3 billion, net debt of £401 million, and net gearing of 0.15X. During the period, Fitch upgraded our credit outlook to triple B plus stable, and we are now rated triple B plus stable from both agencies. NAV per share as of the 30th of September was £9.

We have ample liquidity and financial resources, which we can use through market cycles to pursue our strategic ambitions of reinforcing our relevance to clients by scaling new strategies and new products. The current market backdrop is a great opportunity to reinforce our position as a global leader, and we're doing just that. So, drawing this all together, our ability to deliver breadth at scale is having clear benefits which are visible in our financial results. Since September 2020, ICG has generated over £2.3 billion of cumulative earnings with nearly half returned to shareholders via dividends.

We have a clear and disciplined approach to capital allocation focused on generating recurring and sustainable growth for shareholders. And I look forward to discussing these results and our outlook with many of you in the coming weeks.