



Intermediate Capital Group PLC

Full Year Results Presentation

2 June 2010

Highlights



■ Operational highlights

- Final close on Recovery Fund at €843m
- Performance of portfolio companies showing early signs of improvement
- Repayments objective exceeded
- Investments resumed

■ Financial highlights

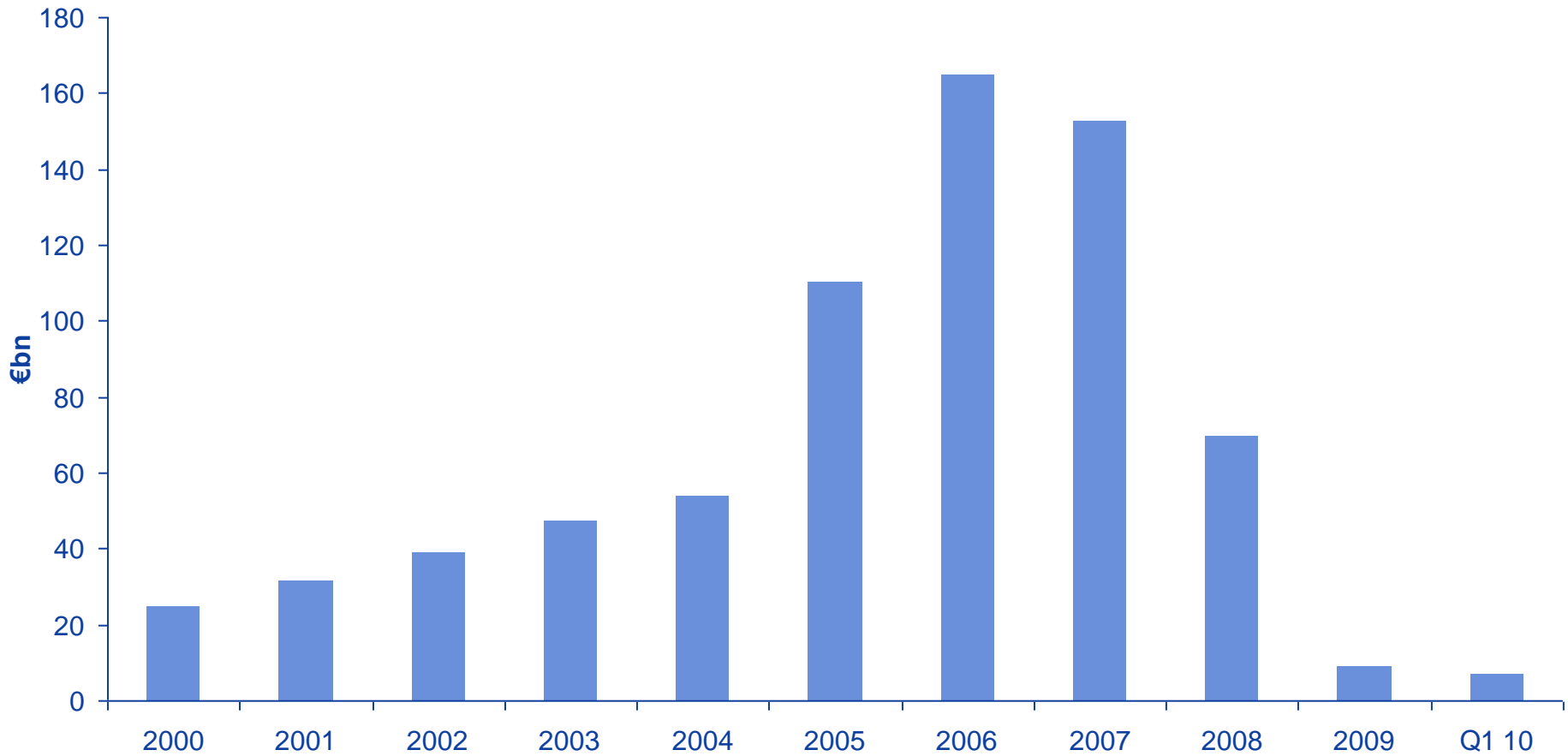
- Return to profitability; pre-tax profit of £105.8m*
- Final dividend of 11p per share; 17p for full year
- Investment capacity of £2bn

*Including £0.1m positive impact of fair value movements on derivatives held for hedging purposes



Market Update

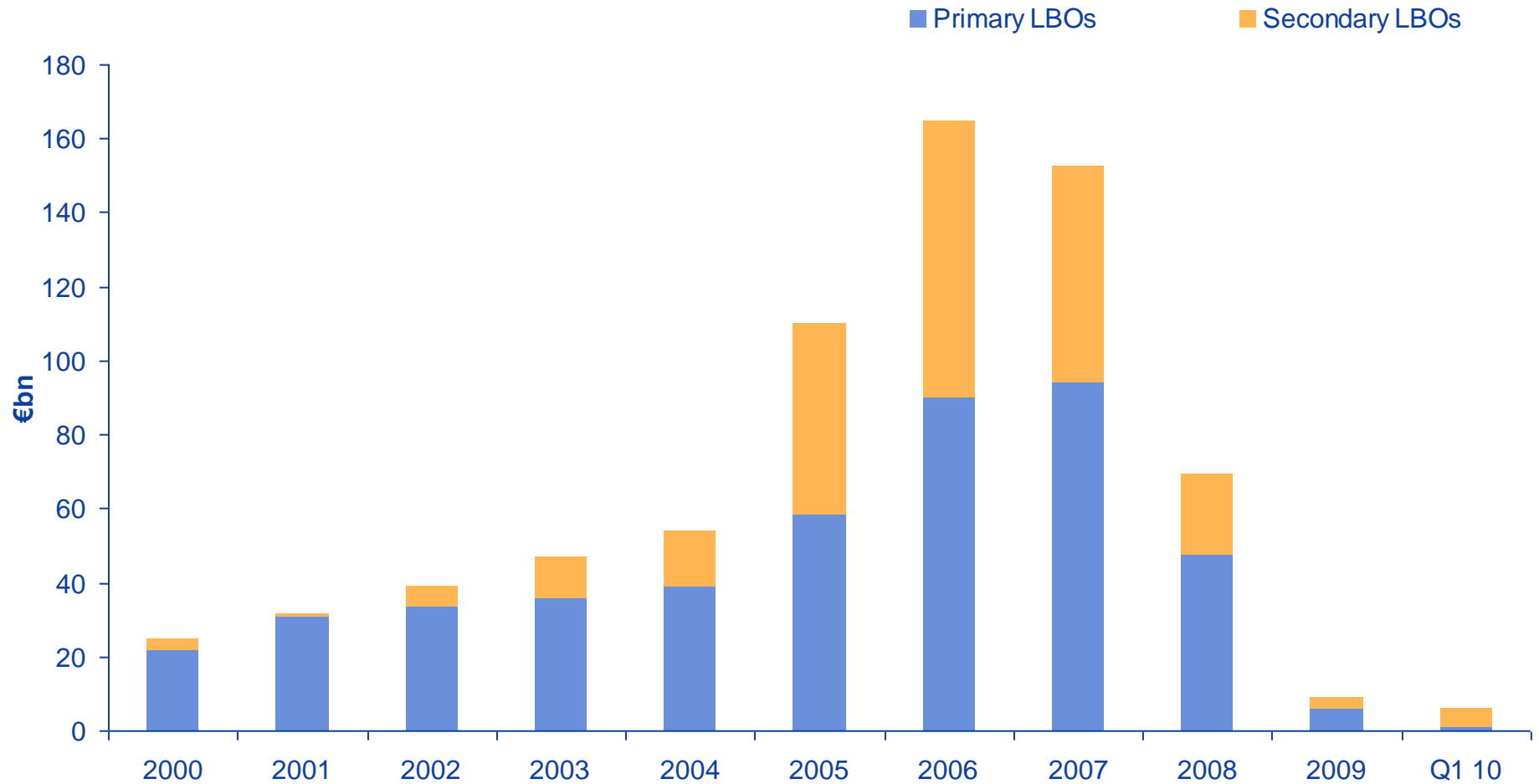
European LBO Volume



Source: S&P

European LBO Volume

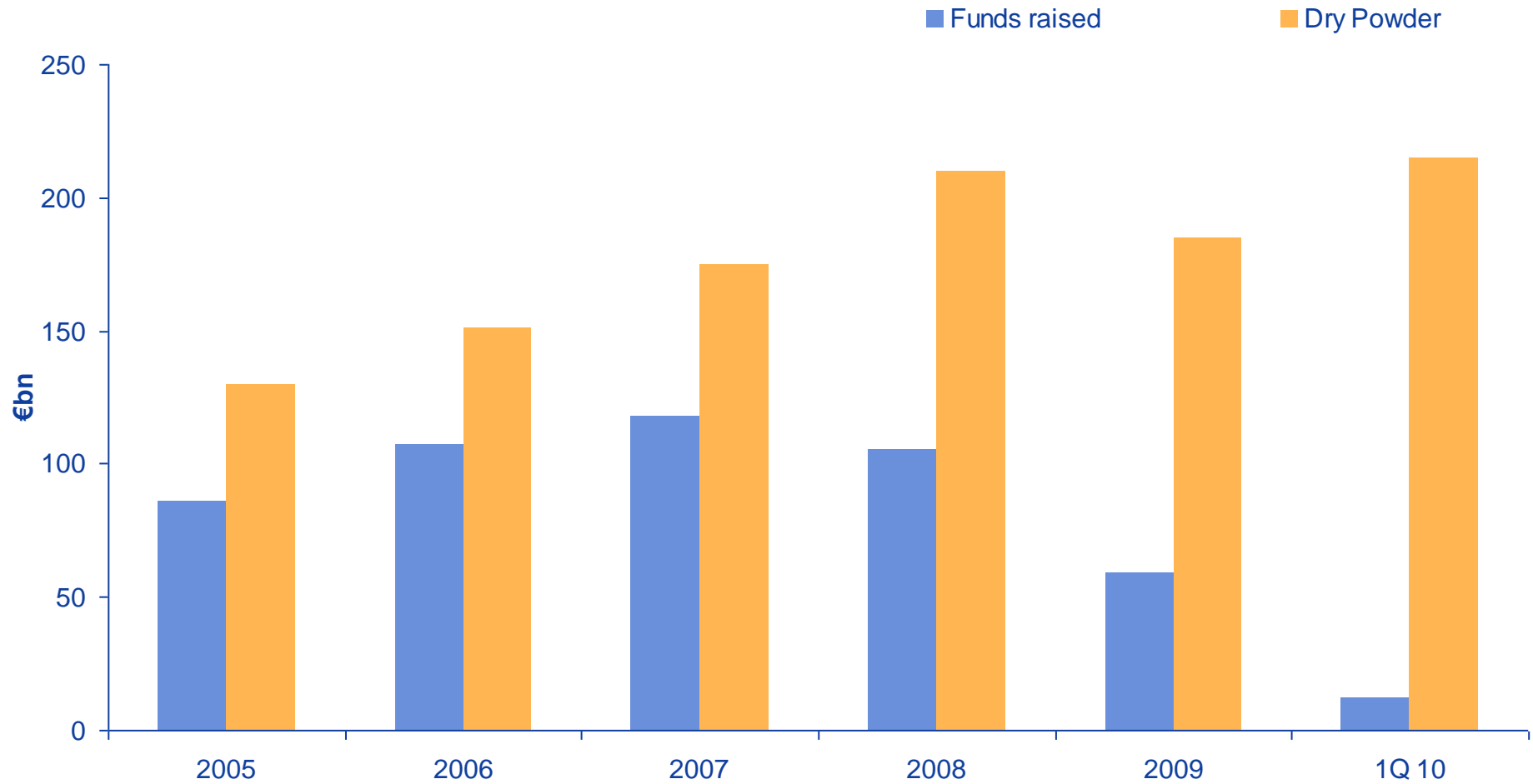
Primary vs Secondary



Source: S&P

European Private Equity

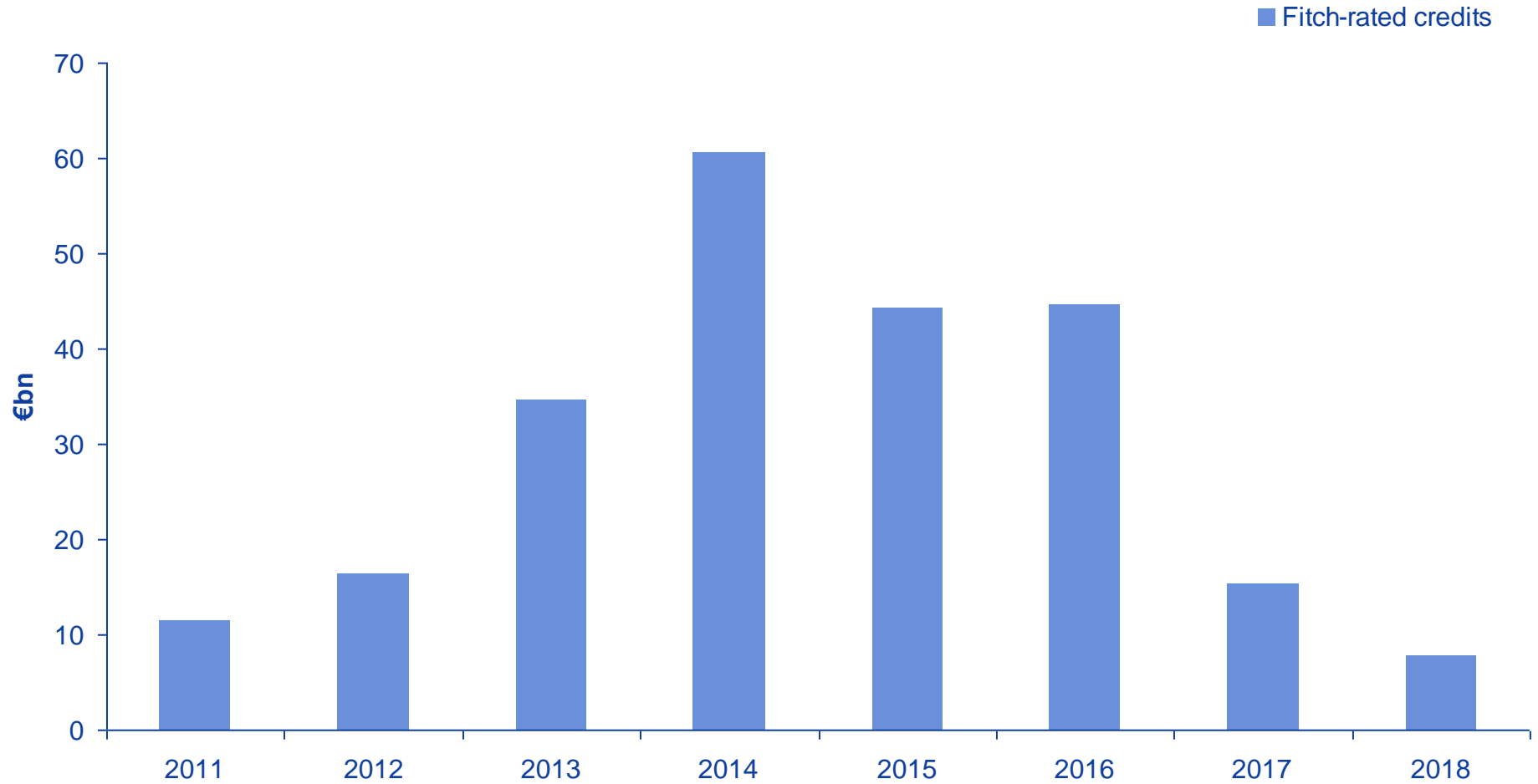
Commitments and Dry Powder



Source: Preqin

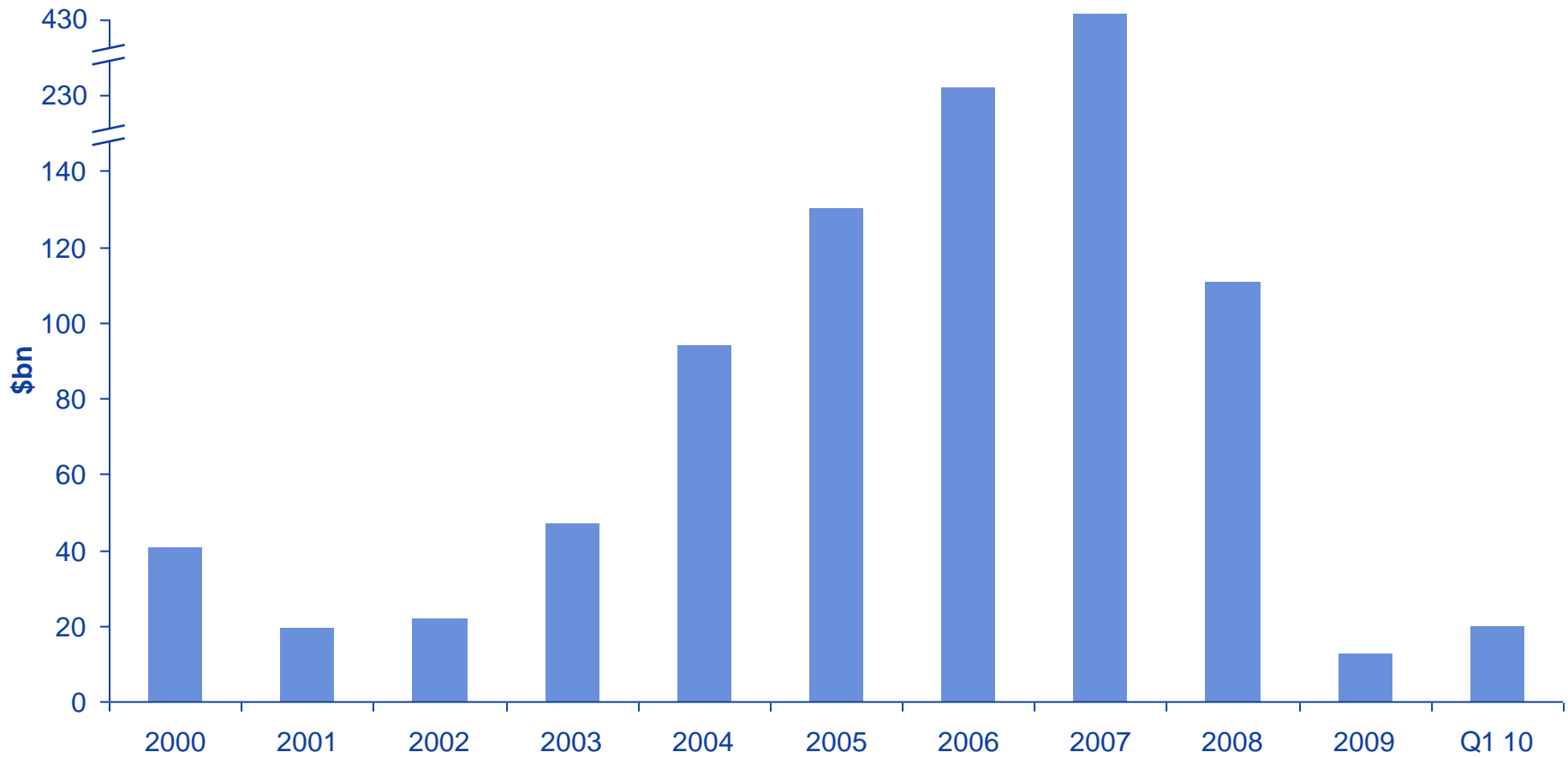
European LBO Senior Debt

Maturity Profile



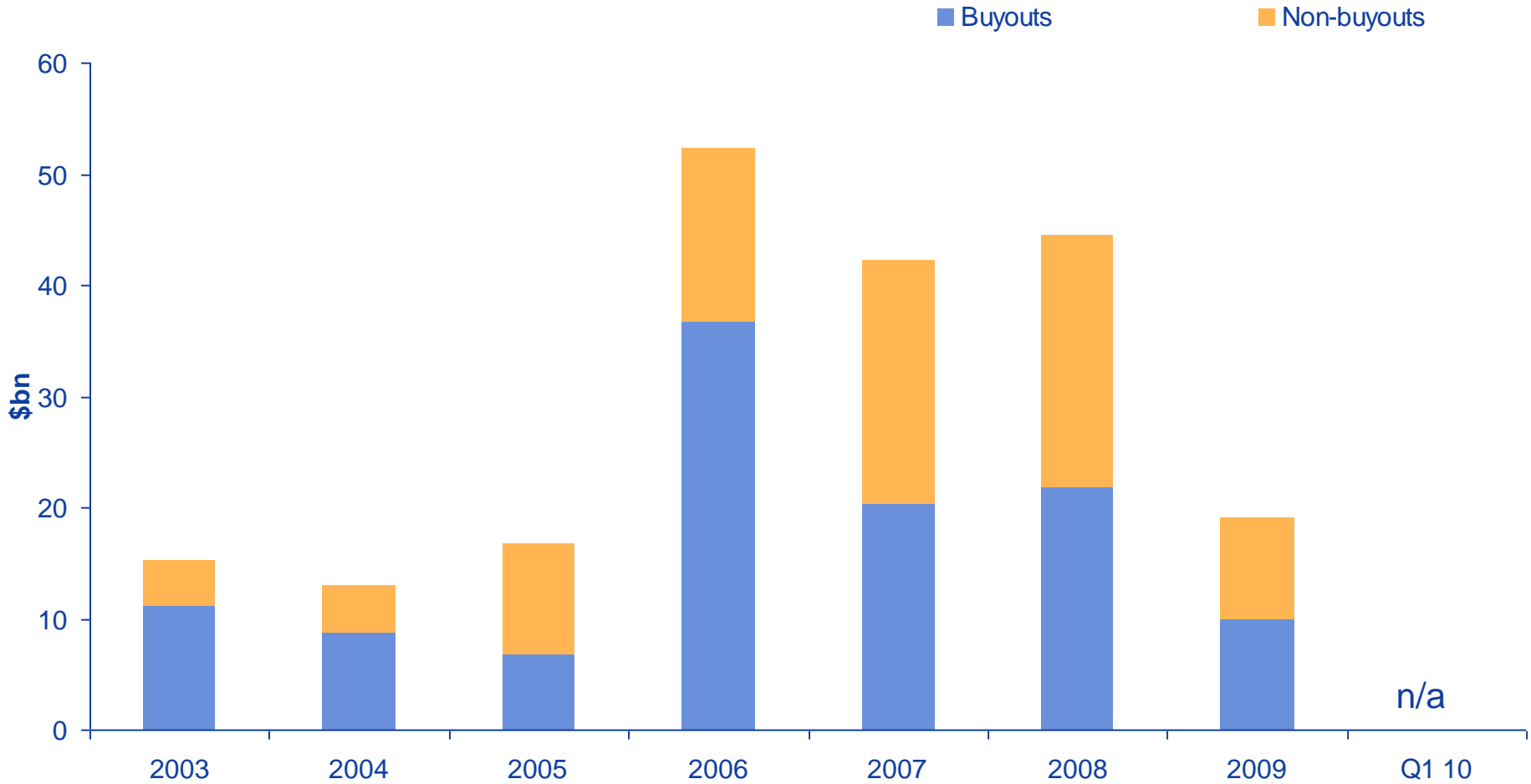
Source: Fitch

US LBO Volume



Source: S&P

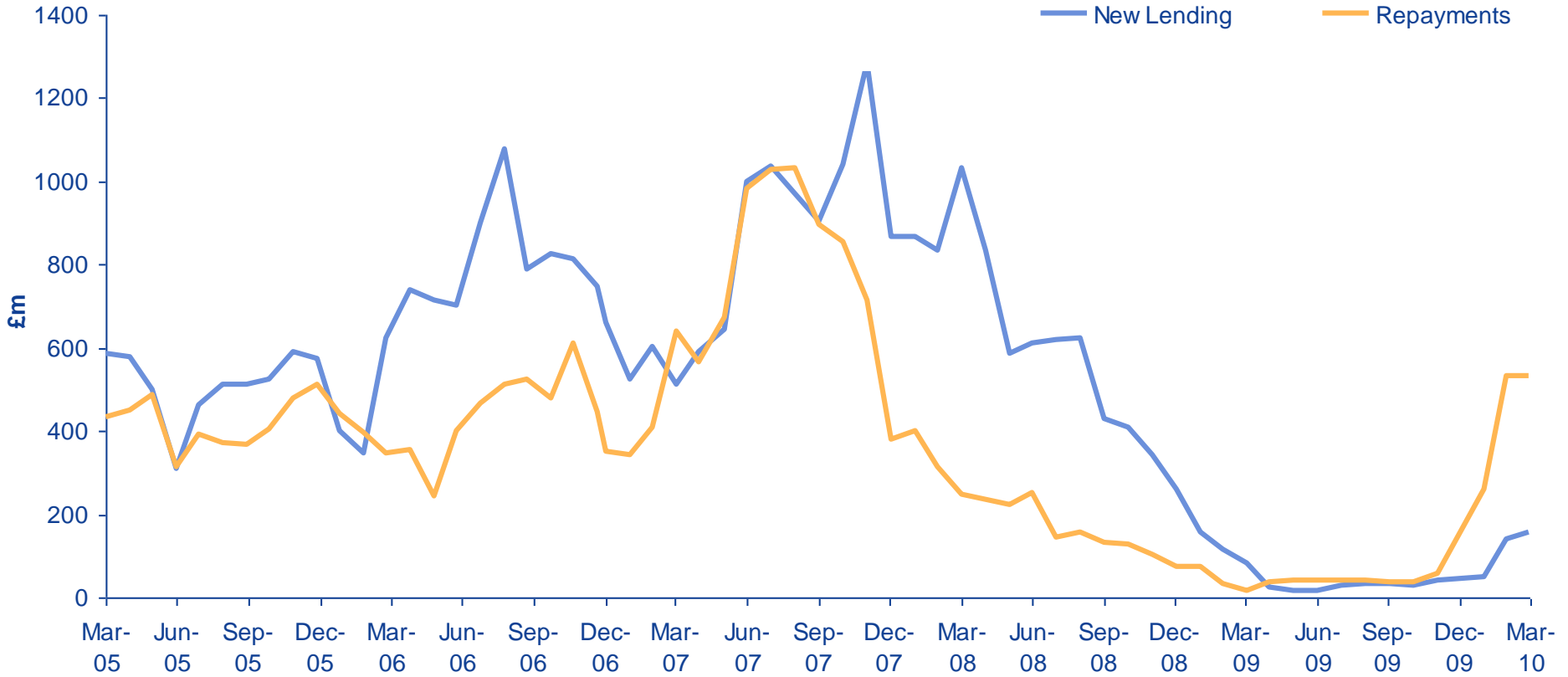
Asia Pacific Volume



Source: APER

- Price recovered to mid 90s (flow names); mid 80s (mid-market)
- Default rate peaked at 15.8% in December; Rating agencies now expect low default rate in 2010
- Liquidity limited to reinvestment of early repayments
- €6bn of new issuance in Q1 10, compared to €5bn in 2009
- New issues at lower leverage multiples, higher spread

New Lending vs Repayments*



*6 months moving average

- **£224m of repayments* and £99m of capital gains****

- **Well above objective for the year**

- **5 Top 20**
 - Marken (Sponsor)
 - Medica (IPO)
 - Springer (Refinancing)
 - Sebia (Sponsor)
 - Gala (sold in open market)

* Excluding Sebia

** Excluding £24m of capital gains on Sebia ordinary shares

European Deal Pipeline



- **Increased momentum in pipeline**

- **Plain vanilla LBO unattractive at present**

- **Recovery**
 - Buy and build / bolt-ons
 - Restructure balance sheet

- **Primary Market**
 - Growth capital

Transaction description

- Icopal is an international manufacturer of roofing and waterproofing products

- The business operates within a niche in the building materials sector that is largely driven by maintenance and repair, where spend is more resilient in an economic downturn than new construction spend

- The business has maintained broadly flat EBITDA over the period 2007-2009 despite the severe downturn in the construction sector

- ICG and funds have purchased senior debt with a face value of €83m at a discounted price

- The Investment is classified as a Recovery Asset and will be held by ICG, ICG European Fund 2006 and ICG Recovery Fund 2008

Investment rationale

- Icopal is the leader in almost all its markets

- Icopal's markets are typically highly consolidated with stable market shares and good price discipline

- The segment is relatively resilient to the economic cycle due to the ongoing requirement to repair and maintain flat roofs

- Very good leadership team which has managed its cost base remarkably well through the economic downturn

- Strong relationship with the sponsor secured access to their due diligence, and the management team

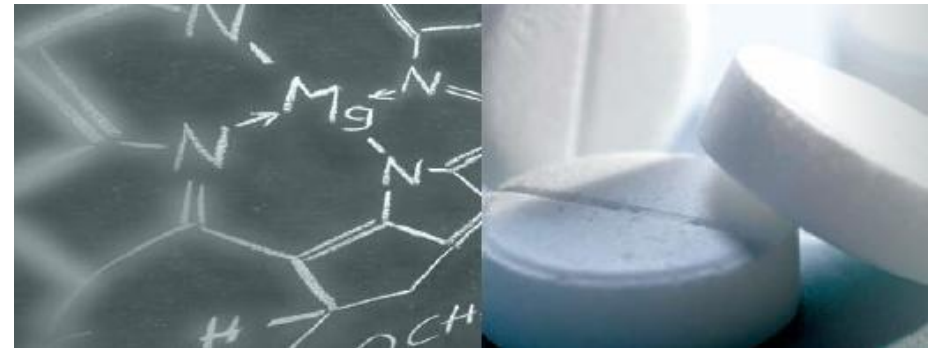


Transaction description

- CPA Global is a worldwide leader in IP renewals and in the fast growing market for Legal Services Outsourcing (LSO)
- The business was founded 40 years ago to allow founder patent attorneys to outsource renewal process
- Founders appointed professional management team
- First introduced to management by advisers in April 2008. A sale process began in May 2009
- ICG proposal enabled the founder shareholders to realise some significant cash proceeds and still retain a minority shareholding alongside ICG and management
- ICG invested in a combination of minority equity and mezzanine capital
- CPA Global is held by ICG, ICG European Fund 2006 and ICG Minority Partners 2008

Investment rationale

- Clear market leader in patent and trademark renewals, a market with long-term steady growth
- Proven renewal execution for long term customer relationships
- Early entrant in Legal Services Outsourcing (LSO) market
- Believe CPA Global is well positioned in this high-growth market





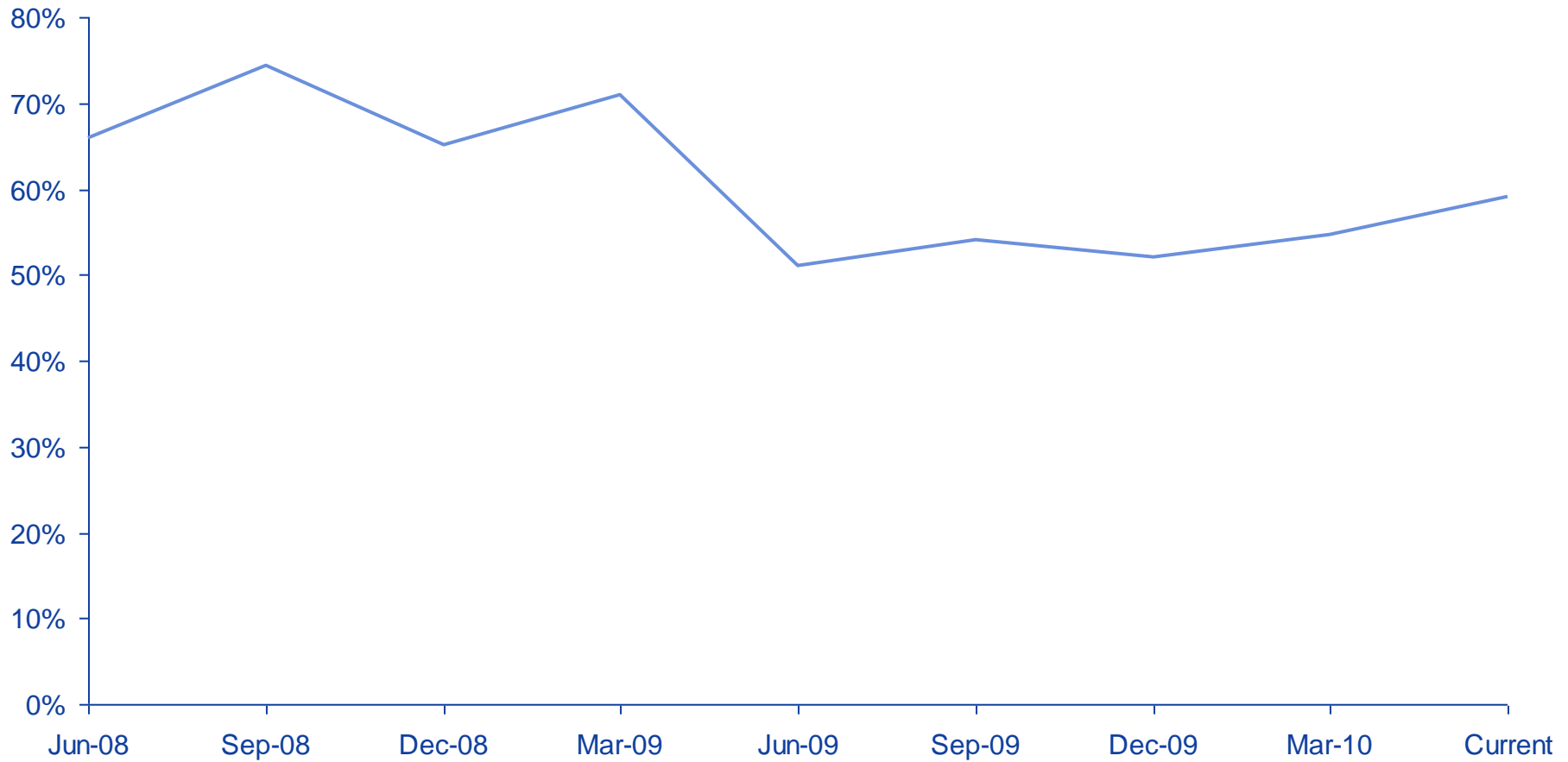
Portfolio Update

Investment Portfolio

Performance vs Prior Year



Percentage of assets performing at or above prior year



Top Twenty Assets

Business	Country	Vs Last Year
Private clinic manager	France	↓
Manufacturer of medical diagnosis equipment	France	↑
Electronic publisher of company information	Belgium	↑
Textile rental and cleaning	France	↑
Airport operator	UK	↑
Cable operator	Taiwan	↑
Inspection, certification and technological services	Spain	↓
Waste management solutions provider	UK	↓
Elderly care homes	Sweden	↑
Manufactures speciality chemicals for the construction industry	France	→
Tour operator	Spain	↓
Private clinical and routine laboratories	France	↓
Provider of correctional products and services	USA	↓
Business management software and outsourcing services	UK	↑
Credit Bureau	Australia	↑
Supplier of fire protection systems and services	Germany	↓
Patent & legal services	UK	→
Provider of services and technical solutions for utilities	Germany	↓
Drug development and manufacturer	France	↑
Auto centre operator	France	↑

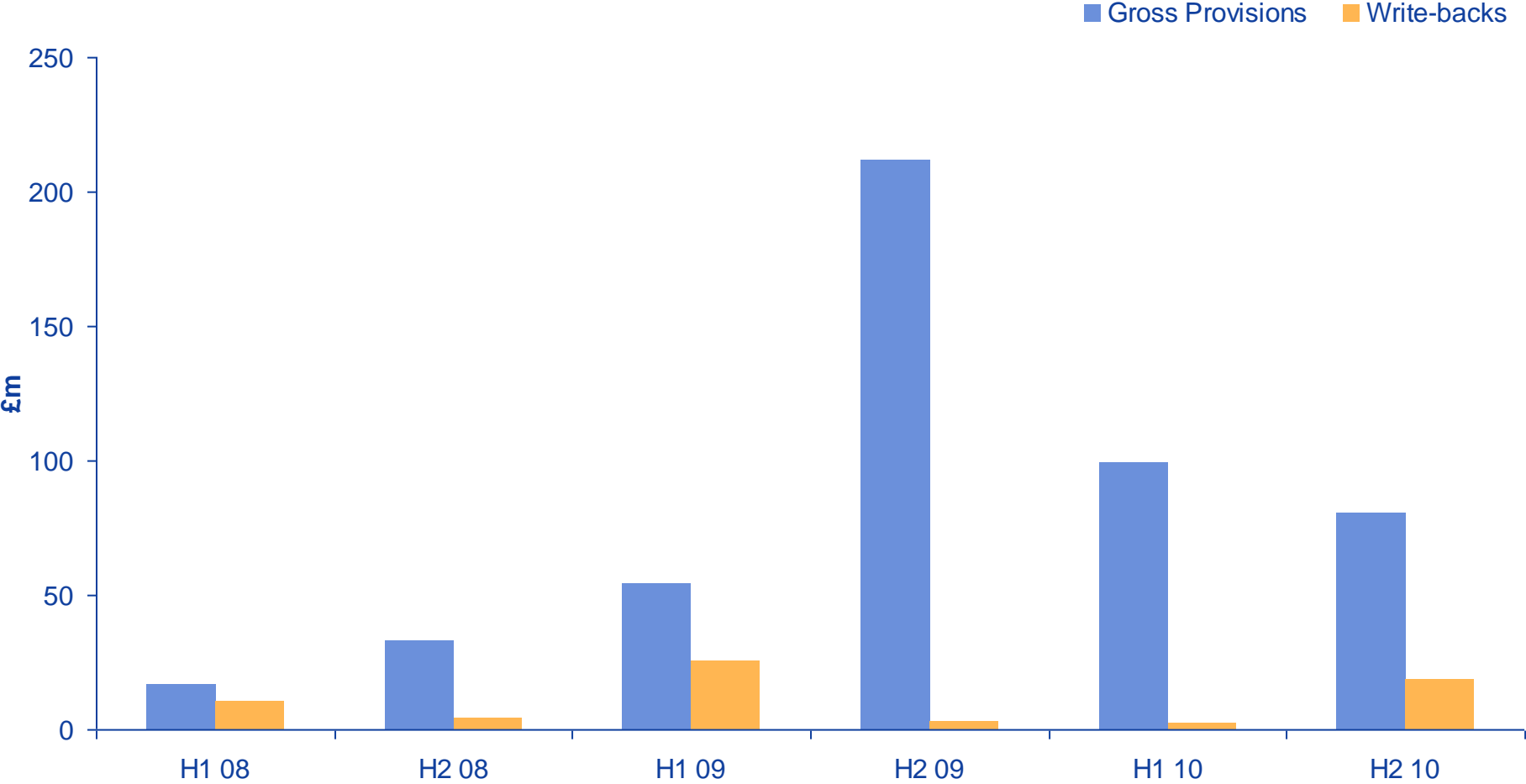
Top Ten Equity Assets

Business	Country	Vs Last Year
Manufacturer of medical diagnosis equipment	France	↑
Patent & legal services	UK	→
Fixed satellite services	USA	→
Cable operator	Taiwan	↑
Livestock identification systems	France	↑
Home delivery of frozen foods	Germany	↑
Inspection, certification and technological services	Spain	↓
Insurance and roadside assistance	UK	↑
Business management software and outsourcing services	UK	↑
Bread manufacturer	France	↓

Top Ten PIK Assets

Business	Country	Vs Last Year
Private clinic manager	France	↓
Manufacturer of medical diagnosis equipment	France	↑
Credit Bureau	Australia	↑
Business management software and outsourcing services	UK	↑
Share registry and fund administration services	Australia	↑
Share registry and corporate administration	USA	↑
Private clinical and routine laboratories	France	↓
Electronic publisher of company information	Belgium	↑
Security services	Italy	↑
Cinema owner and operator	Australia	↑

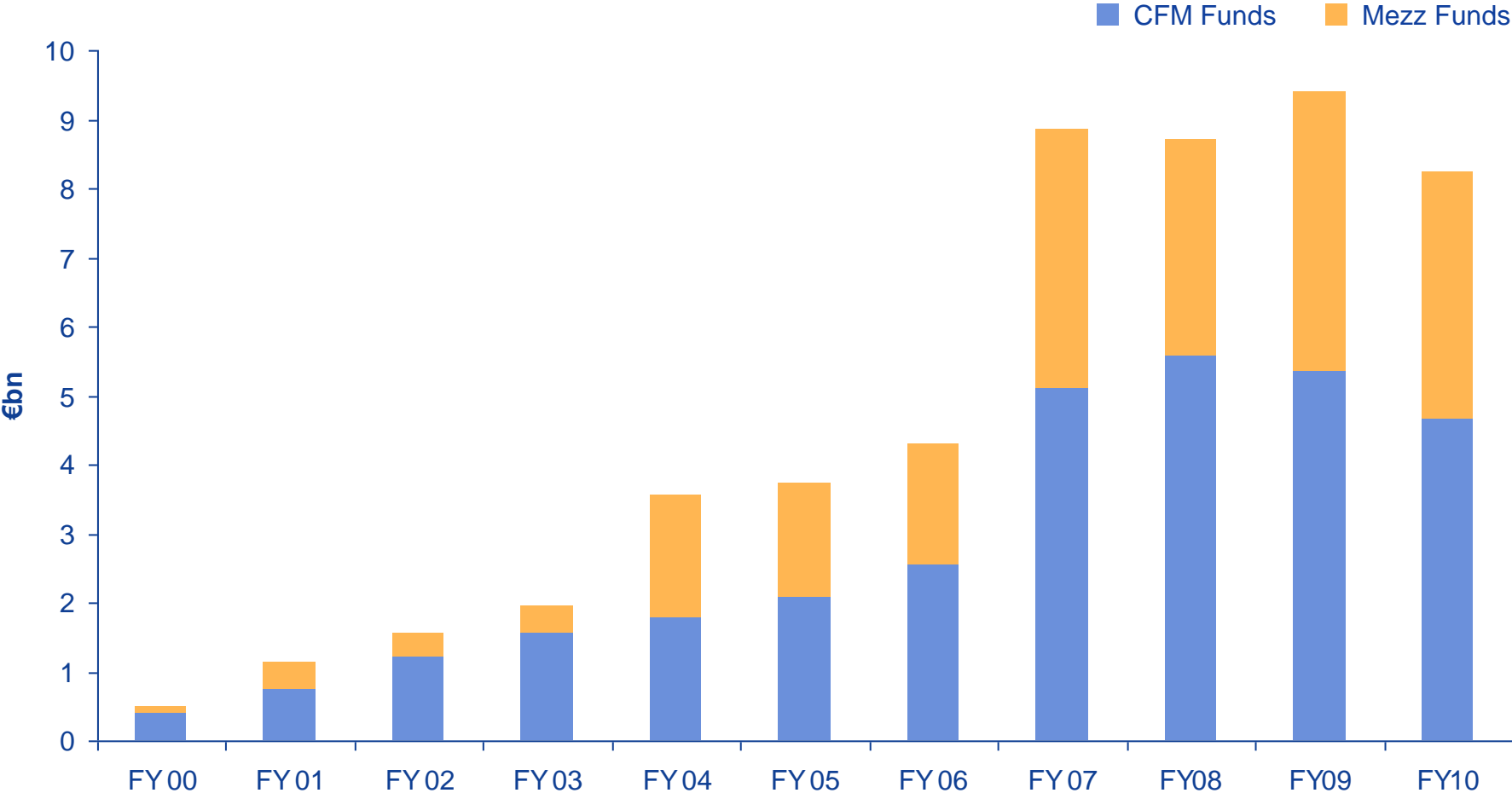
Trend in Provisions for Portfolio Companies





Fund Management

Third Party Funds Under Management

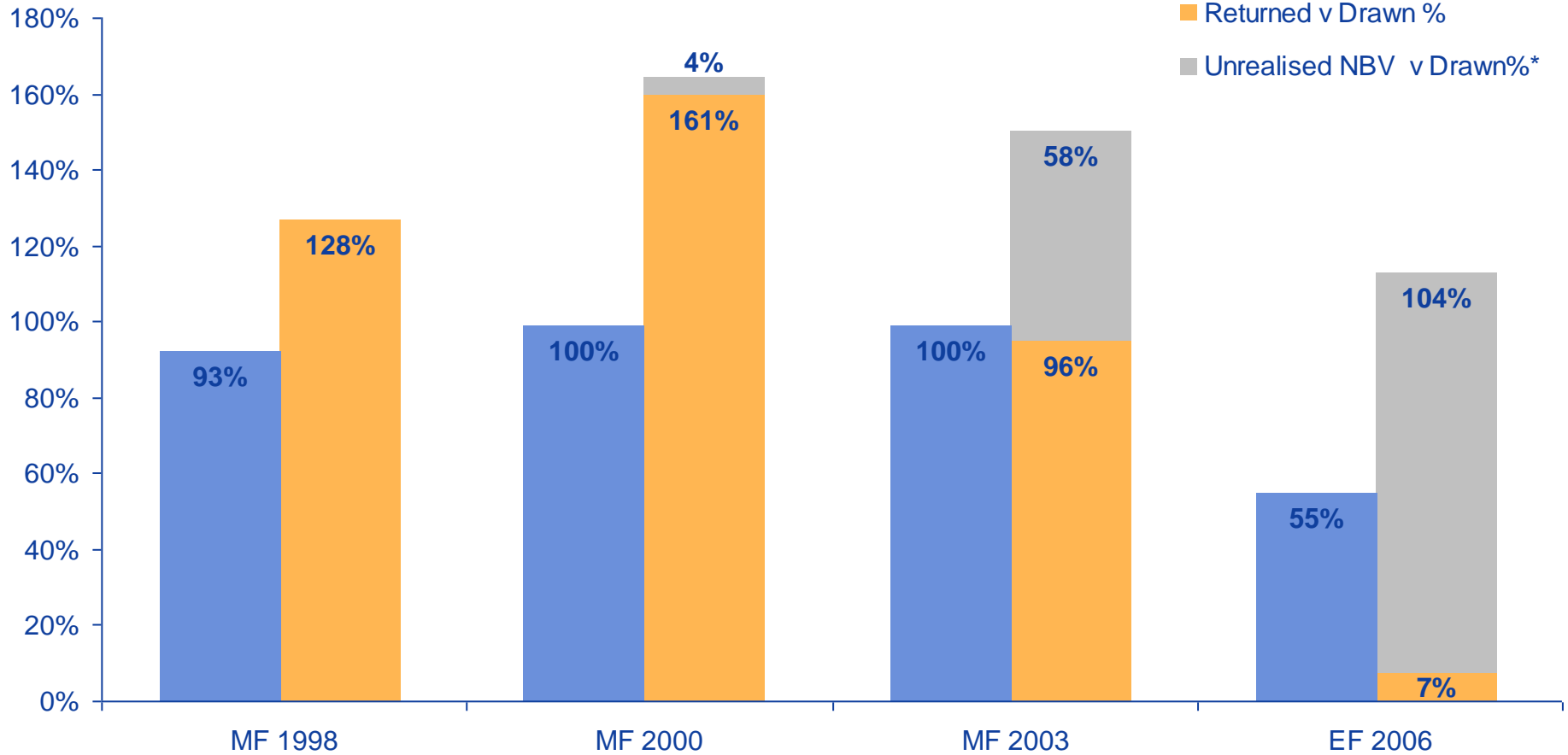


ICG European Mezzanine Funds

Track Record



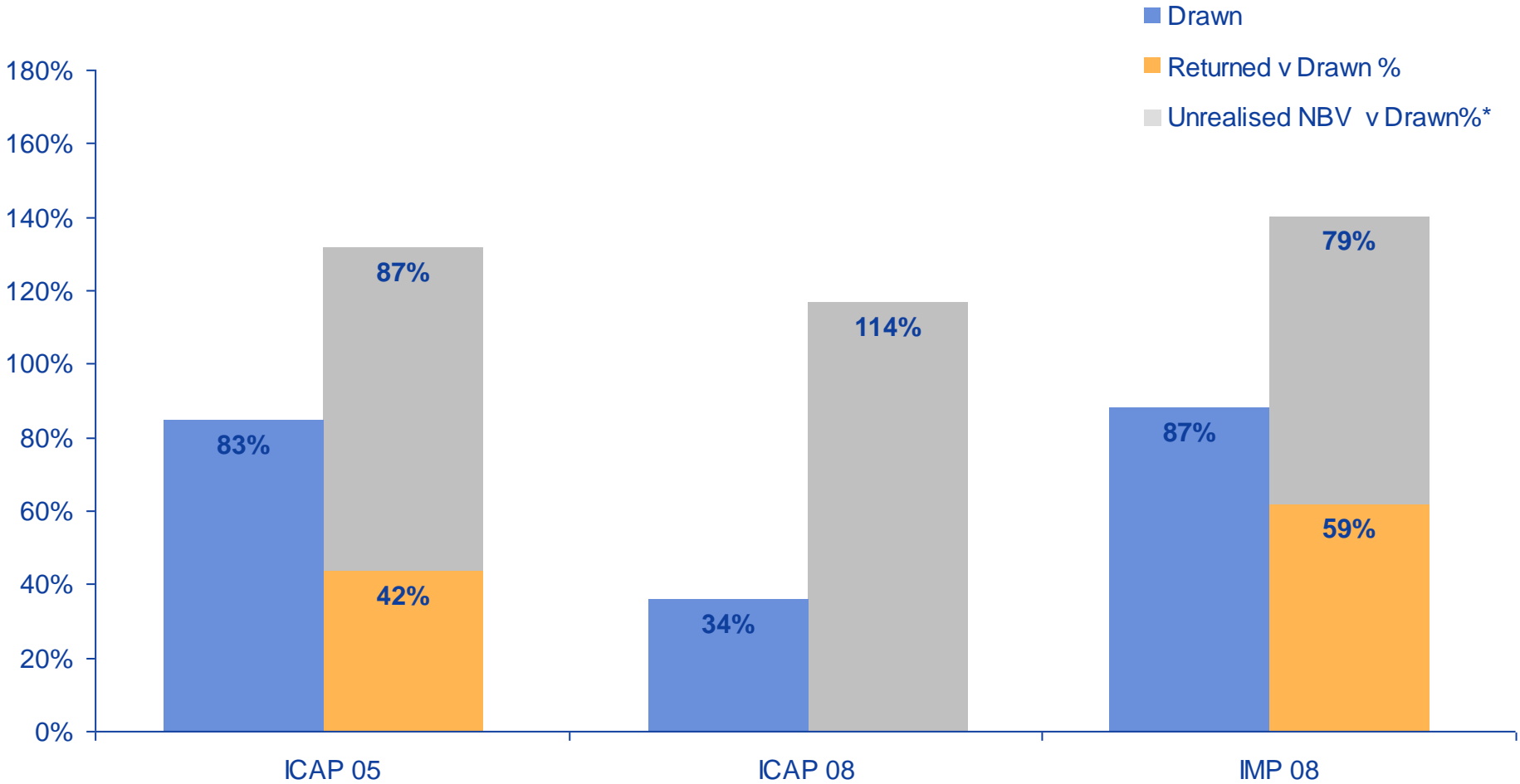
Capital Position



* NBV is net of provisions but excludes equity or warrant valuation uplift

ICG Asia Mezzanine Funds and Minority Partners

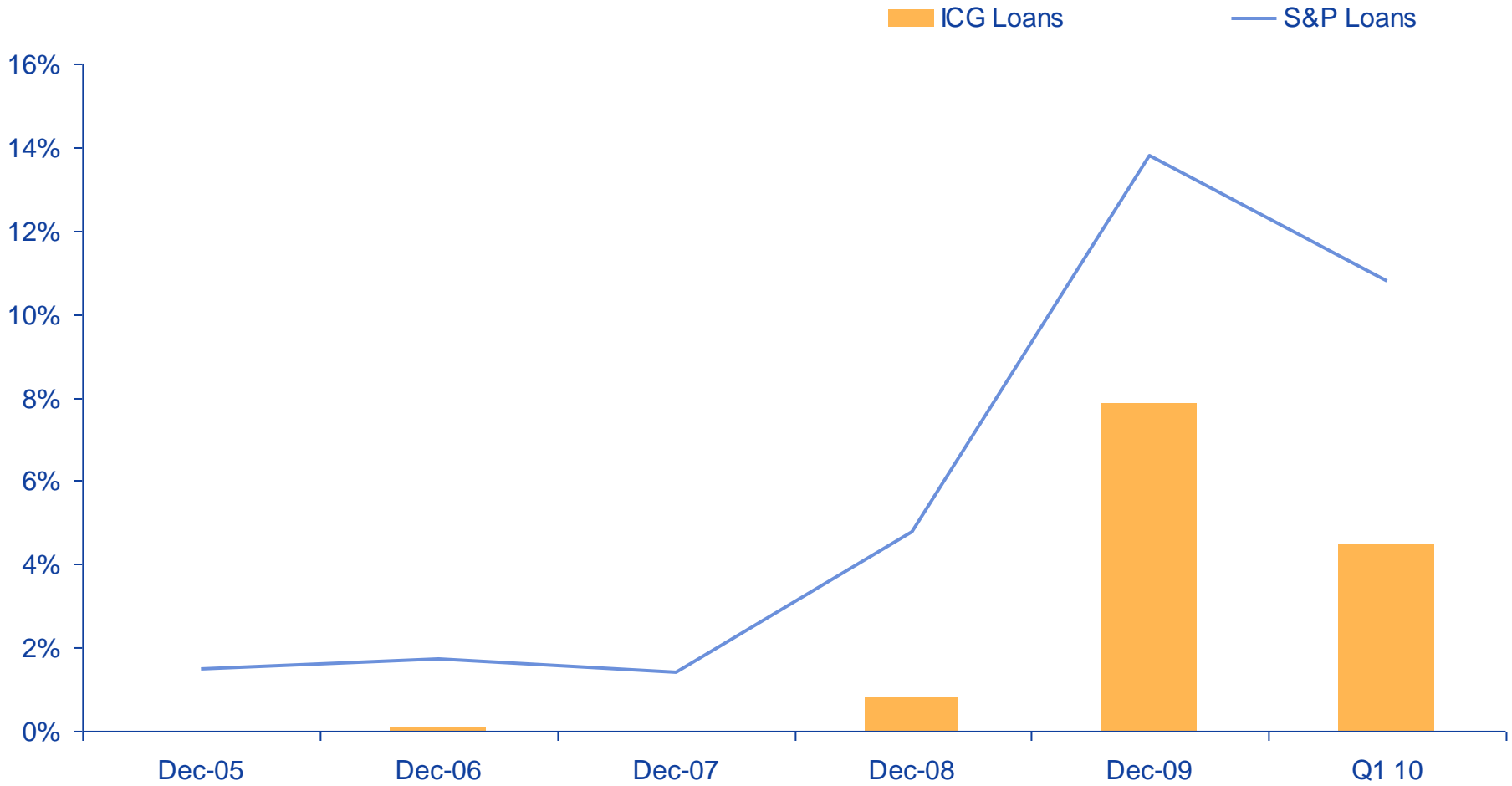
Track Record



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ICG Credit Funds

Default vs Market Rates



Source: ICG and S&P

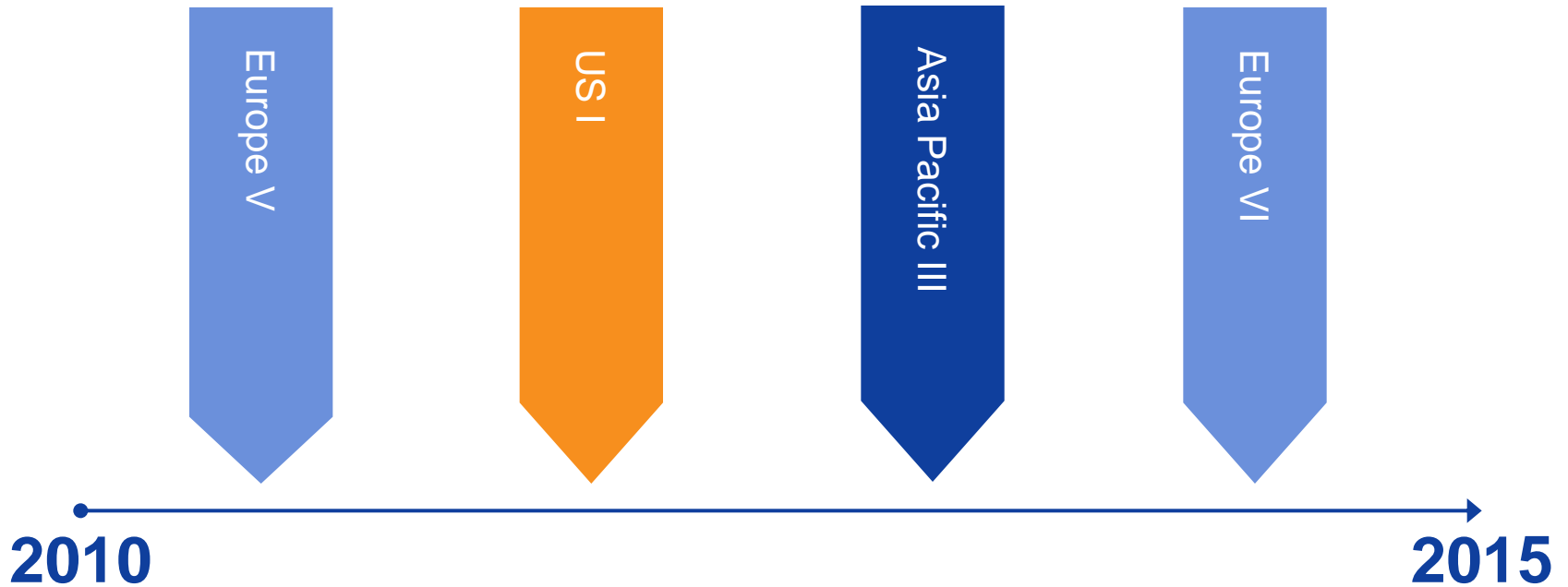
Recovery Fund



- **Final Close of Recovery Fund at €843m (€643m of equity)**
- **Additional €368m of equity raised**
- **Testimony of strength of ICG brand**
- **Strong growth in new clients**

Mezzanine and Growth Capital Funds

Expected fundraising timetable



Credit Funds

Leveraged loan funds

High yield bond funds

Recovery Fund

Portfolio purchases

Managed accounts

Build a US platform

Future growth



Financial Review

Financial Highlights



- **Pre-tax profit of £105.8m* vs £(67)m in 09****
- **New segmental reporting**
- **Fund Management profit of £38.0m vs £30.9m in 09**
- **Investment profit of £67.8m vs £(97.6)m in 09**
- **Cash Core Income of £115.1m vs £53.4m in 09**
- **Additional £67m of debt extended**

*Including £0.1m positive impact of fair value movements on derivatives held for hedging purposes (**09: £8.3m)

Segmental Reporting Key Principles



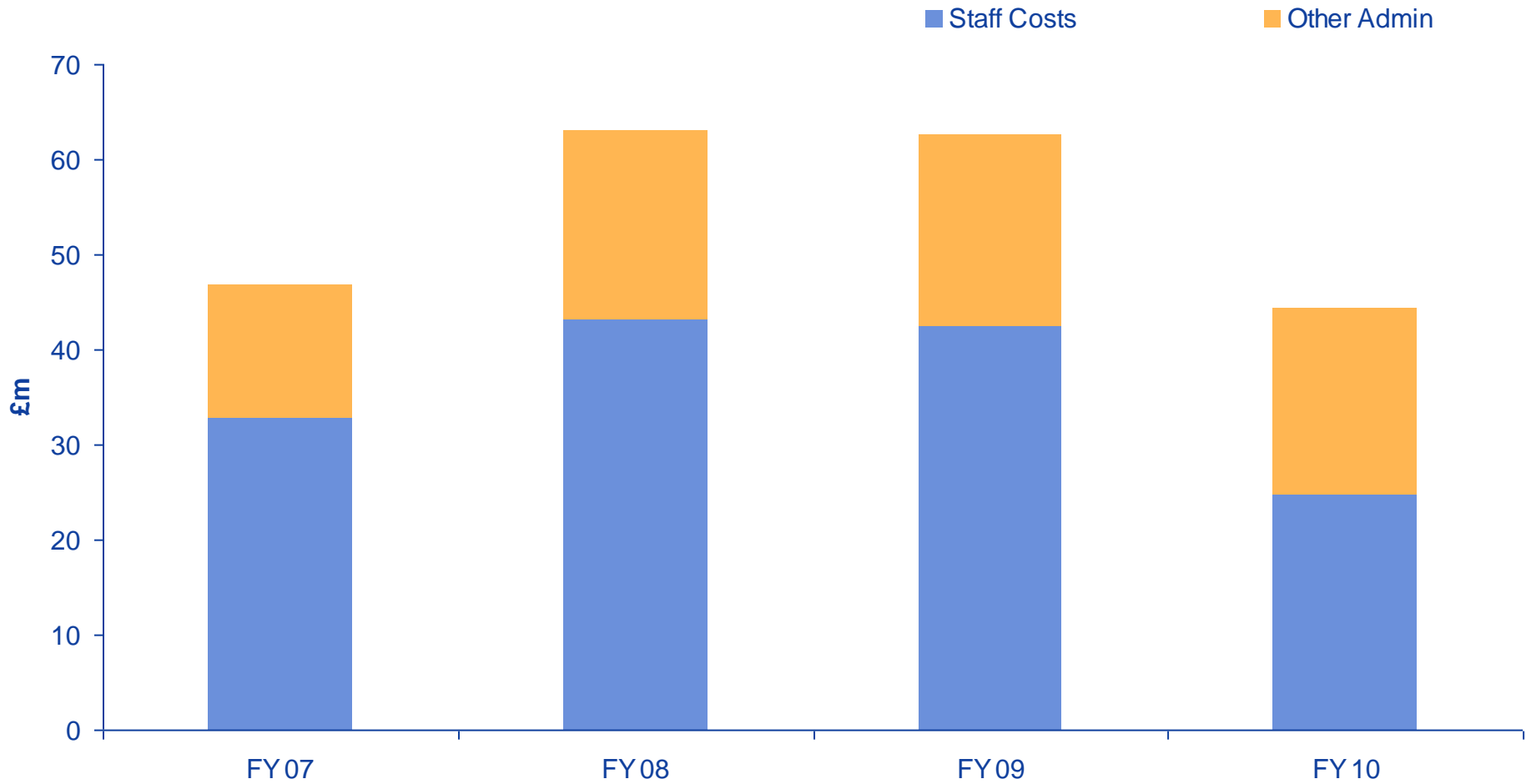
- **Fund Management Co is operating unit**
 - Investment network (investment executives, local offices), fund marketing costs and support functions allocated to FM Co
- **Investment Co will be charged a management fee of 1%**
- **MDs' remuneration split 50/50**
- **Finance and Treasury functions as well as public company costs remain with Investment Co**
- **Matching of incentive schemes**

Segmental Reporting



	March 2010	March 2009	March 2008	
Fund Management Company	Fee income	76.4	80.2	72.6
	Other income	1.9	6.0	5.9
	Admin expenses	(40.3)	(55.3)	(54.8)
	FM Profit	38.0	30.9	23.7
Investment Company	Net Interest Income	209.7	189.9	156.5
	Div & other income	3.4	10.0	7.5
	Admin expenses	(60.7)	(57.5)	(51.3)
	Impairments	(161.8)	(273.1)	(46.0)
	Net capital gains	77.1	24.8	102.9
	FVM derivatives	0.1	8.3	36.2
	IC Profit	67.8	(97.6)	205.8
Group	Profit before tax	105.8	(66.7)	229.5

Operating Costs (Excluding MTIS)



Proposed Compensation Arrangements

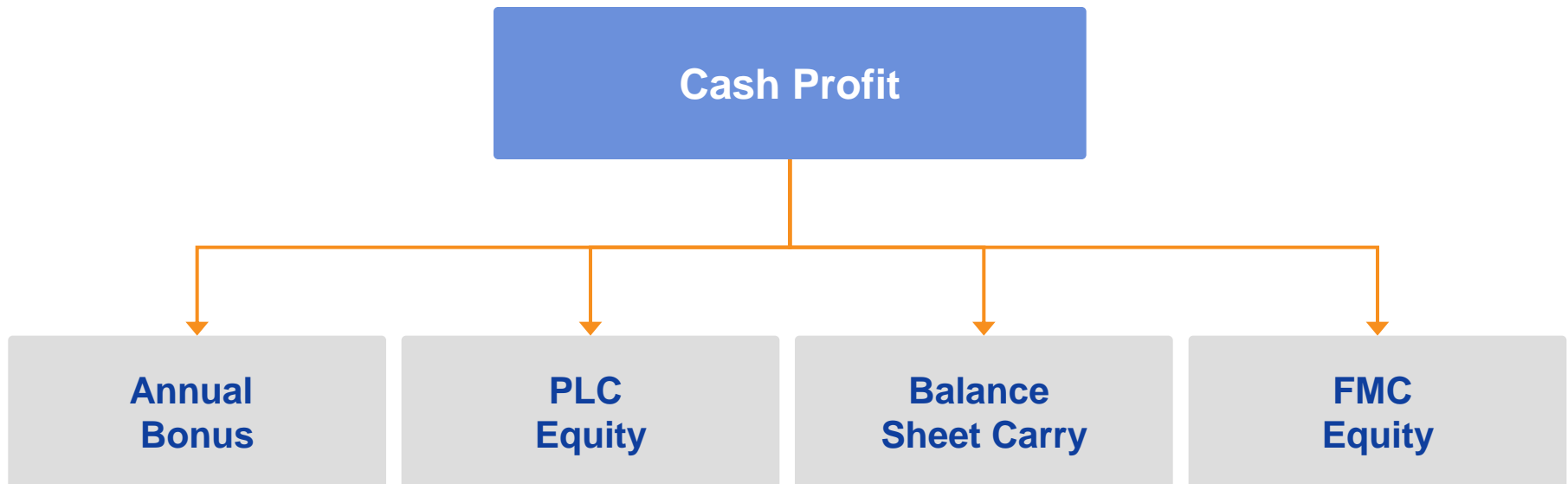
Key Principles Driving New Schemes



- **Quantum unchanged**
- **Better support long term business aims**
- **Improve alignment between staff and shareholders; promote staff ownership of the Company**
- **In line with FSA guidance**
- **Remain on “cash on cash” basis**

Proposed Compensation Arrangements

- The total award pool will be a percentage of cash profit (pre-incentive operating profit including net provisions adjusted for unrealised gains, unrealised PIK and fair value movements on derivatives)



Proposed Compensation Arrangements

Transition & Segmental Impact



- **Subject to approval at AGM**
- **Transition in FY11 & FY12, after which MTIS terminates**
- **Transition towards a more balanced allocation between segments; long term split 50-60% FMC vs 40-60% IC**
- **On new schemes basis, FMC results overstated by £5m**
- **Old scheme in run off**
- **Fuller briefing after AGM**

Fund Management

- Profit before tax up 23% to £38.0m, Flat adjusted for shadow share scheme release



Mezzanine & Growth Capital Funds

Third Party Fee Income



	2010		2009	
	Management Fee	Carried Interest	Management Fee	Carried Interest
Investing Europe	13.7	-	14.6	-
Investing Asia	5.7	-	7.0	-
Realisation Europe	10.2	2.7	9.0	1.2
Realisation Asia	2.3	-	-	-
Total	31.9	2.7	30.6	1.2

- **Mezzanine & Growth Capital Fee income up 9% to £34.6m (FY 09: £31.8m)**
 - Recovery Fund contribution offset by placement fees
 - Asia Pacific 08 and Europe 06, 25bps reduction in fee from end September in exchange for altered co-investment ratios
 - Positive currency impact

Credit Funds

Fee Income

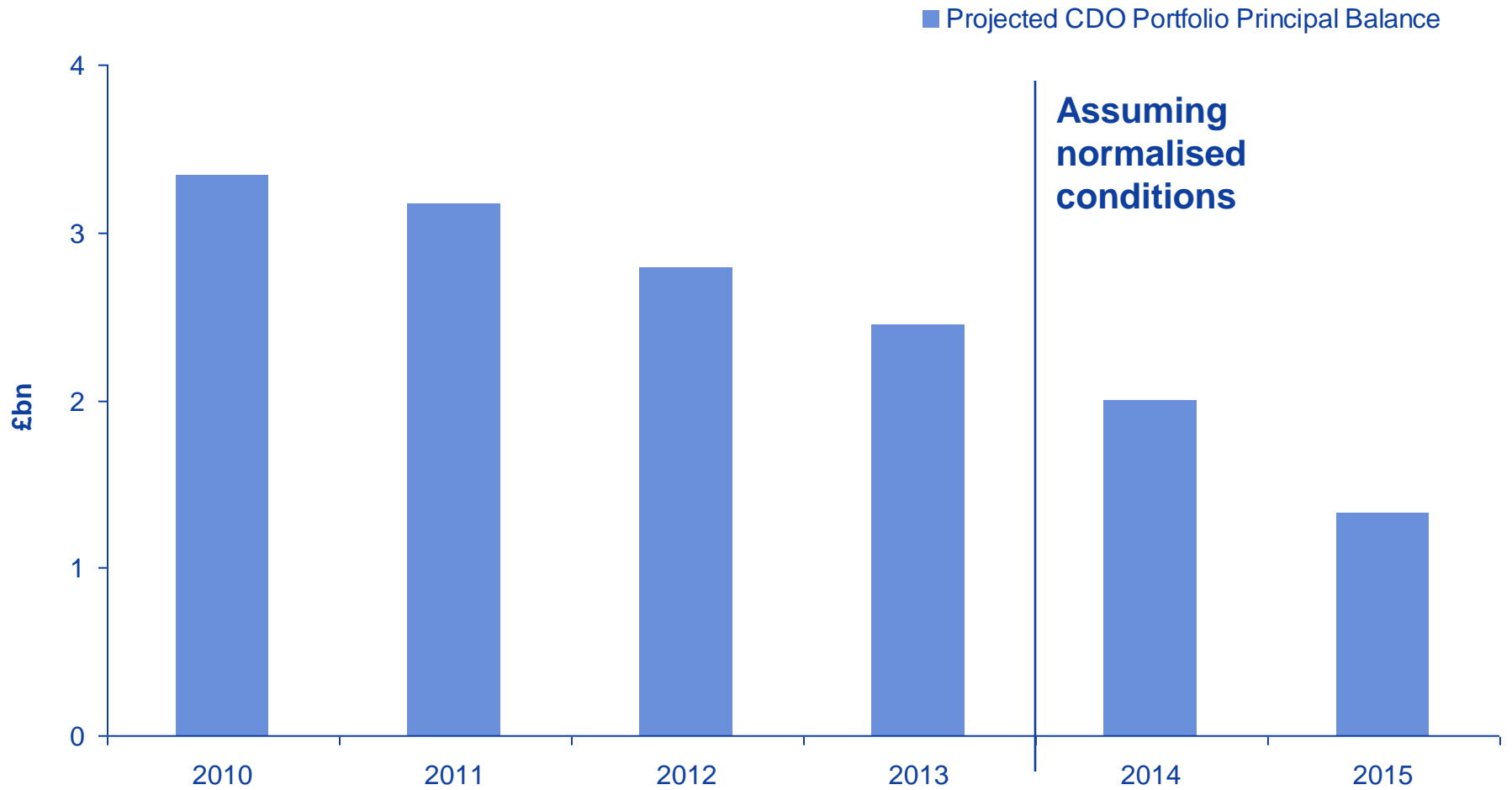


- Fee income down 36% to £14.0m (FY 09: £21.7m) due to lower level of junior fees and the absence of performance fee
- Some signs of improvements – Might lead to recoveries of junior fees

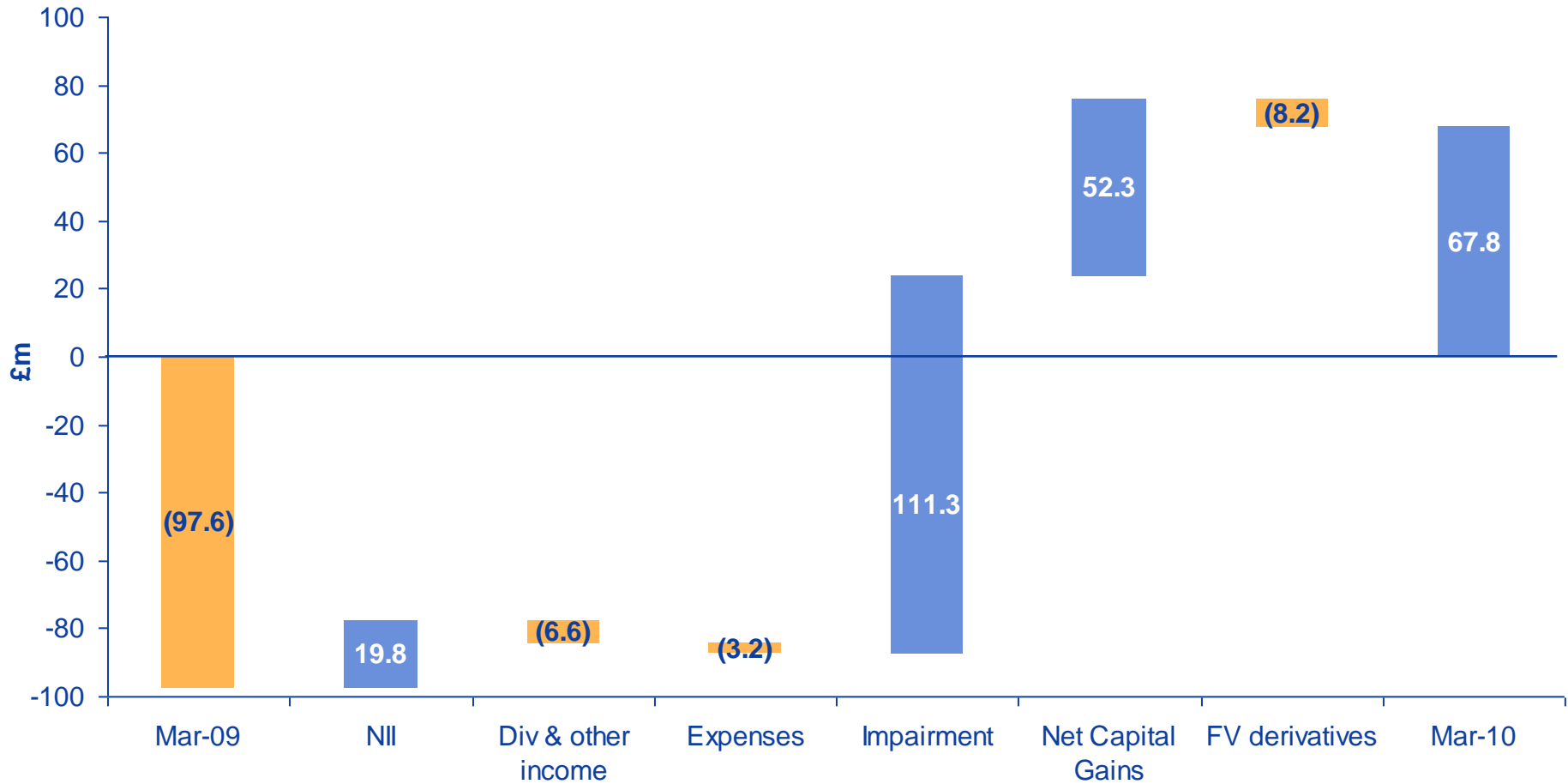
	Fee Income in £m		Background	
	FY 10	FY 09	FY 10	FY 09
Senior fees	7.3	7.0	All except Opps	All Funds
Junior fees (CDOs only)	6.7	12.3	4 out of 10	10 out of 10
Performance fees	-	2.4	4 out of 10	10 out of 10
Total	14.0	21.7		

Credit Funds

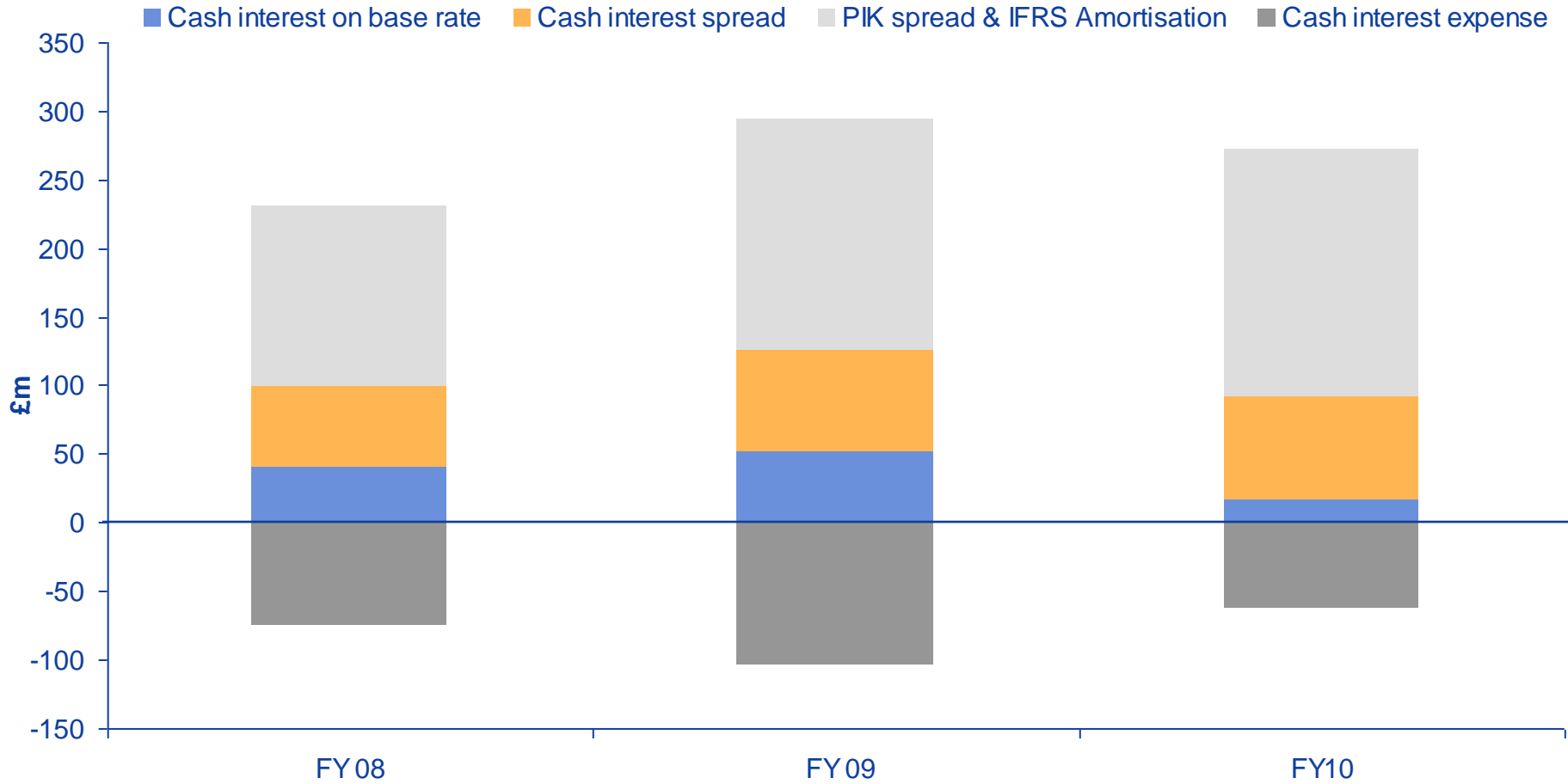
Existing CDOs Run Off Profile



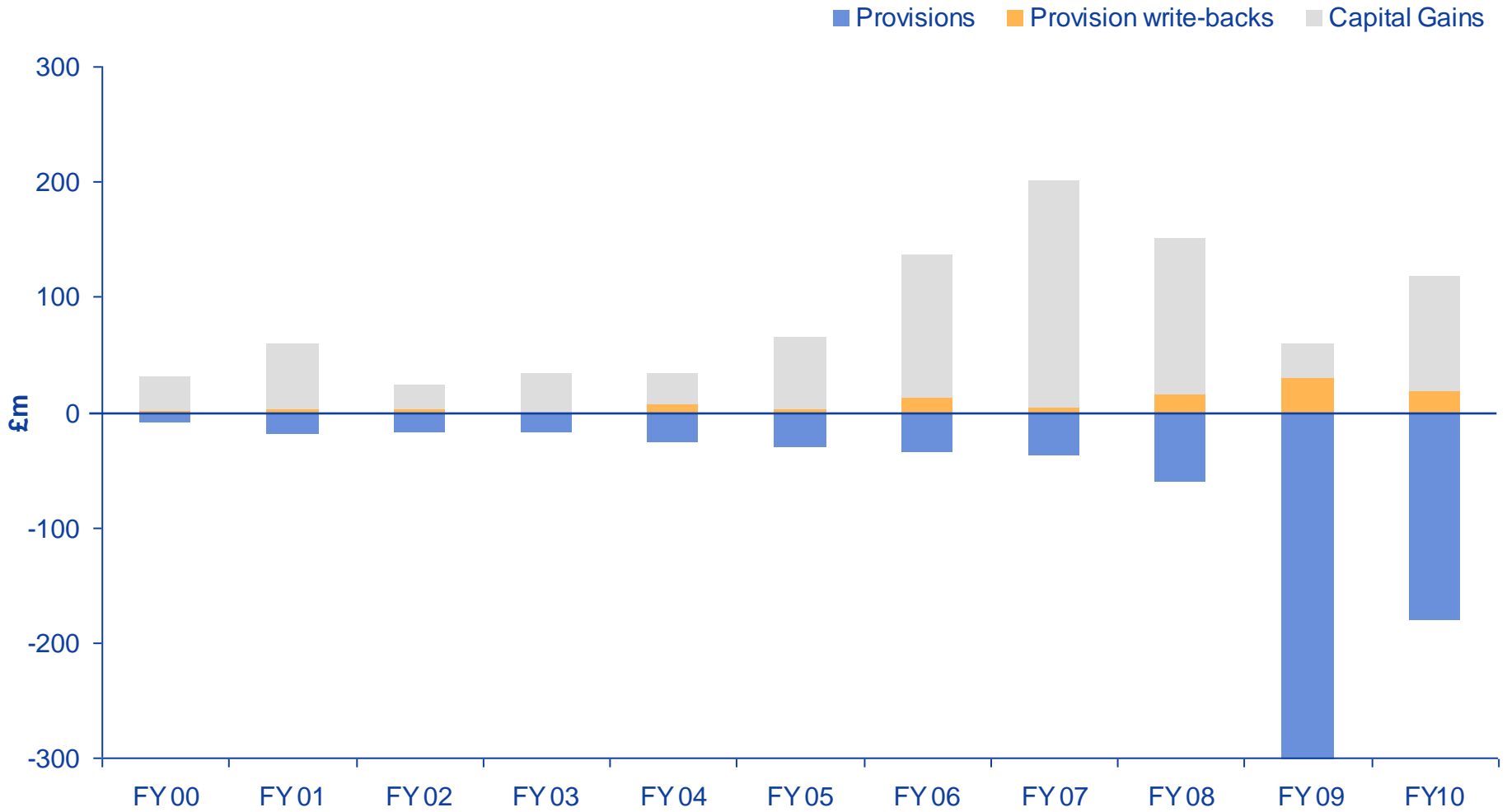
Return to profitability, Profit before tax at £67.8m



Net Interest Income



Capital Account

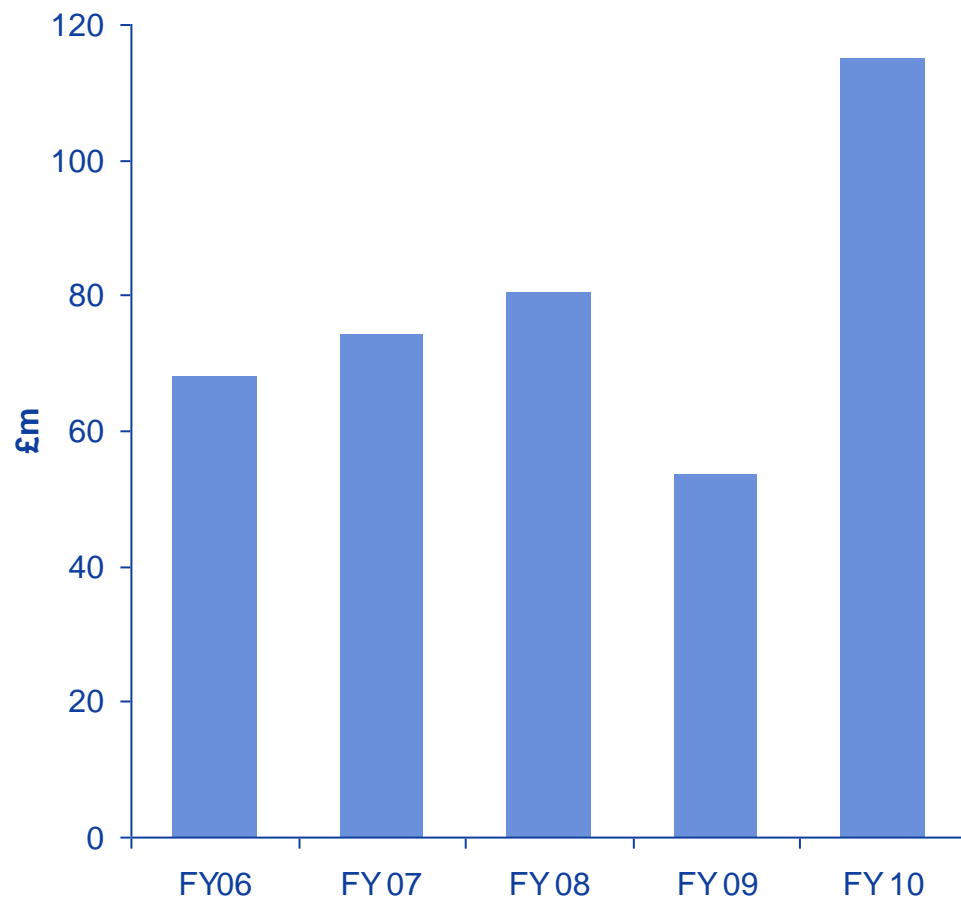


Balance Sheet



	FY10 £m	FY09 £m	FY09 %
Loans & Investments	2,718	2,923	-7%
Net current liabilities	(30)	(52)	42%
	2,688	2,871	
Shareholders' Funds	1,184	776	53%
Borrowings	1,504	2,095	-28%
	2,688	2,871	
ROE	10.8%	-8.0%	-
Gearing Ratio	127%	270%	
Debt Facilities	2,223	2,403	-7%
Headroom	729	307	137%

Cash Core Income



Cash Core Income Calculation:

Pre tax profit*	£105.7m
Less Capital Gains**	£(77.1)m
Plus provisions	£161.8m
Less Accrued PIK**	£(127.9)m
Plus PIK realised**	£52.6m
Cash Core Income	£115.1m

** adjusted for FV movements of derivatives held for hedging

** Net of MTIS

Financial Outlook



- **Expect lower FMC profit in FY11 due to higher proportion of incentive scheme allocated to segment, stable fee income**
- **Expect lower NII, lower provisions and further capital gains, but limited visibility on economic outlook**
- **Strong and liquid balance sheet**



Conclusion

Conclusion



- Well positioned to grow fund management franchise over the next 5 years
- Investment portfolio showing early signs of improvement
- Realisations and Investments resumed
- But we remain cautious in a fragile economic environment

“ We aim to be a leading alternative asset manager, specialising in mezzanine capital, buyout debt and related asset classes ”

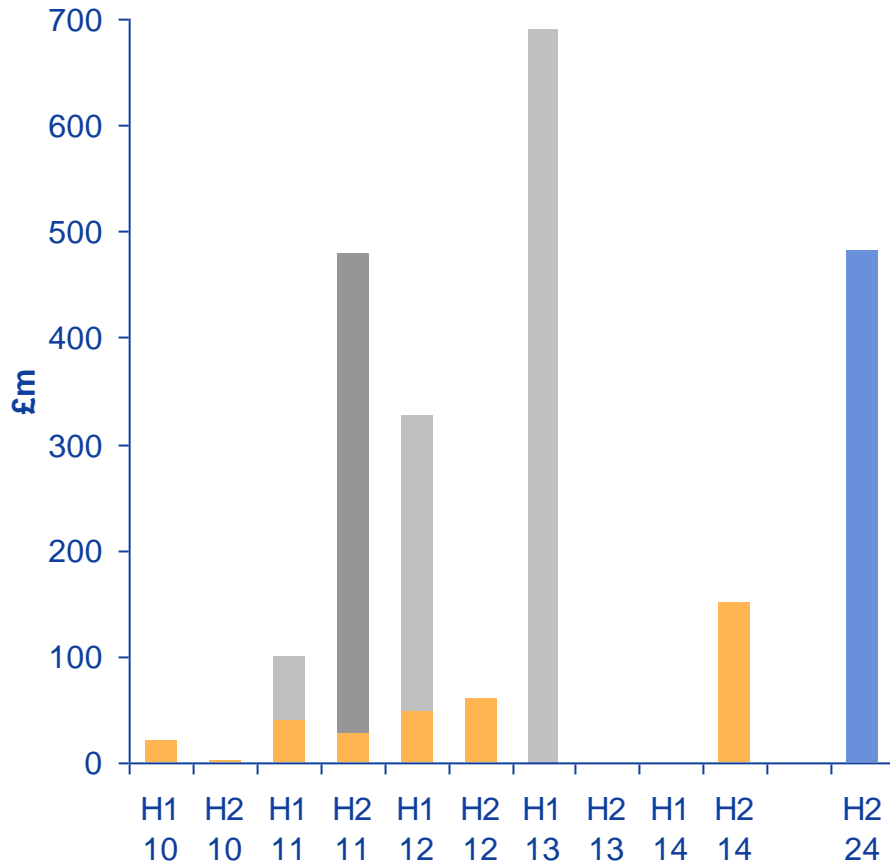


Appendix

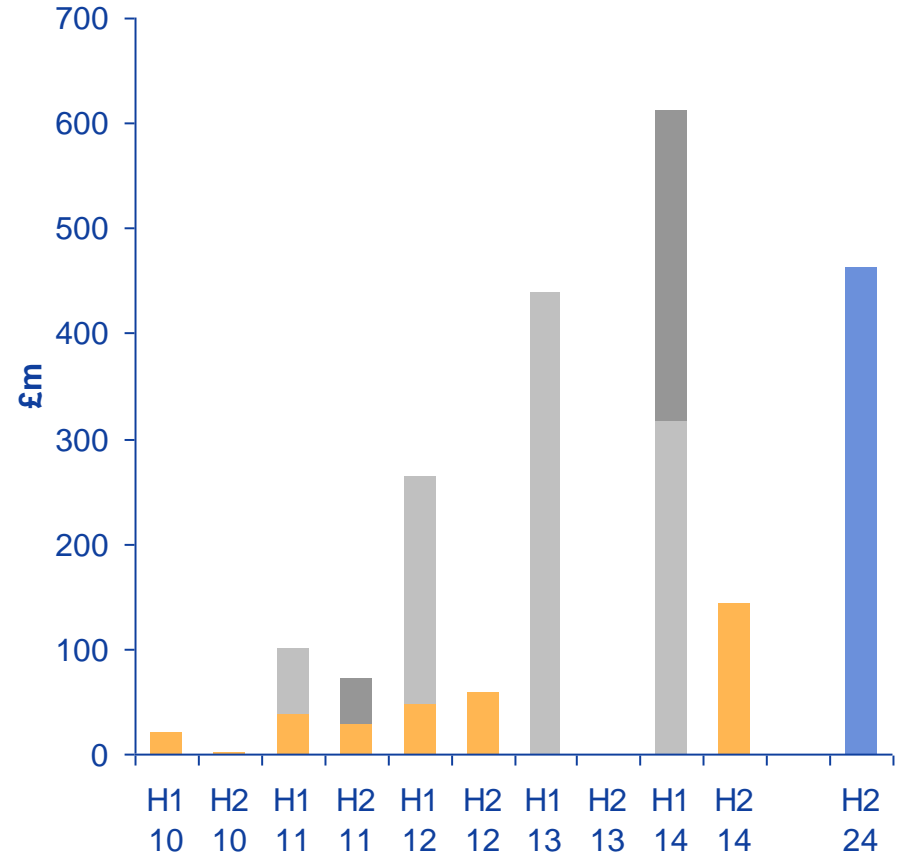
Extended Debt Repayment Schedule



Initial Maturity Schedule - Pre Extensions



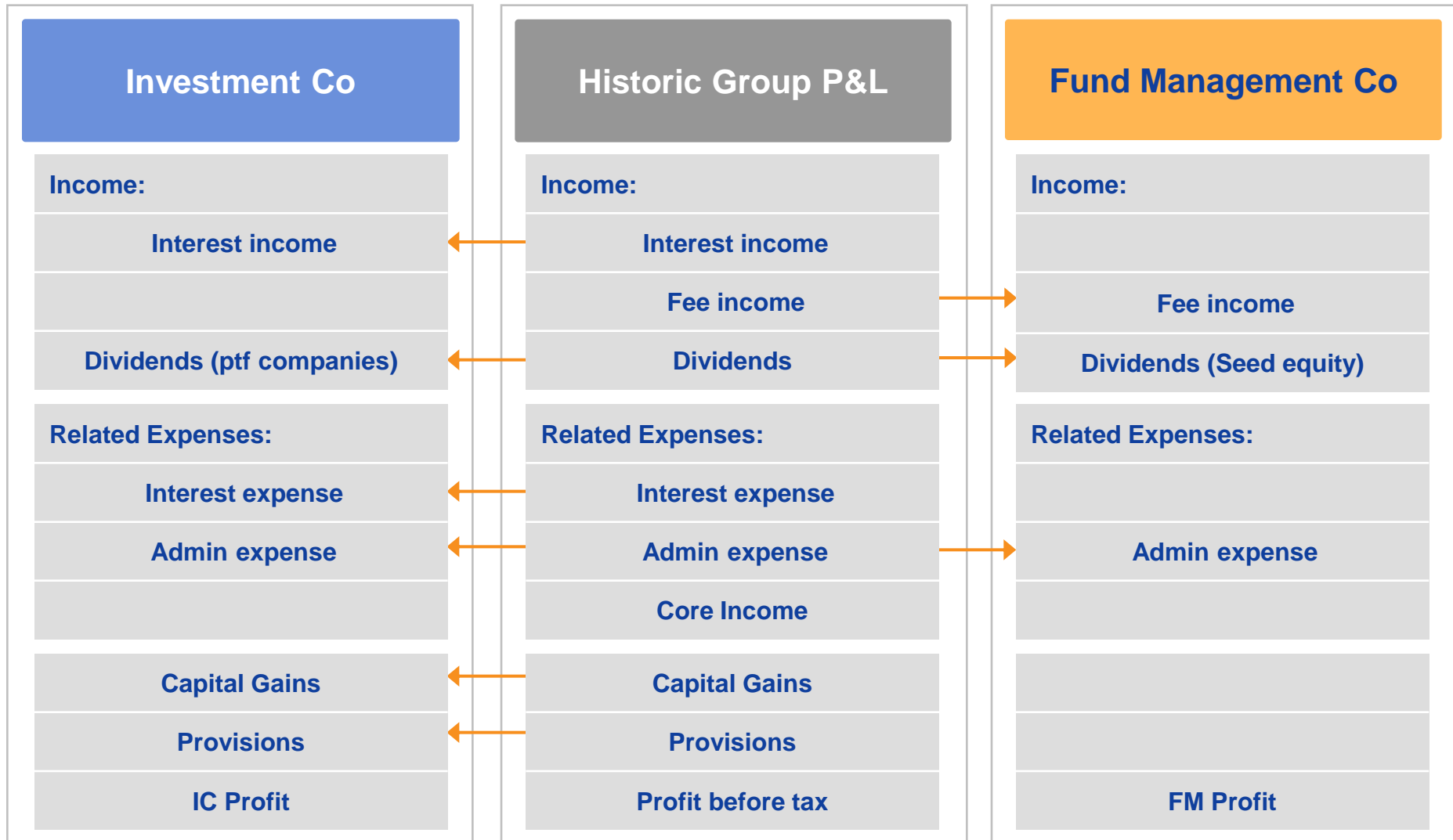
Extended Maturity Schedule



■ Securitisation
 ■ Private Placements
 ■ Revolver
 ■ £450/338m Facility

P&L Split

New Segment Reporting



Cost Allocation



	Group	Segmental		
	Year ended 31 March 2010 (£m)			
		FM Co	Inv Co	
Staff Costs	Salaries & ST bonuses	24.7	22.4	2.3
	MTIS (PIK)	28.9	-	28.9
	MTIS (Capital gains)	21.7	-	21.7
	Total	75.3	22.4	52.9
	Other Admin Costs	19.6	17.9	1.7
	Total	94.9	40.3	54.6

Fee Income



	FY 10	FY 09	10/09
Mezzanine Fund Management fee income	34.6	31.8	9%
Credit Fund Management fee income	14.0	21.7	(36%)
Third Party Funds fee income	48.6	53.5	9%
Investment Company fee income	27.8	26.7	4%
Total fee income	76.4	80.2	(5)%

Mezzanine & Growth Capital Funds

Fee structure



Funds in investment period

Fund	Size	Equity	End of investment period	% Invested	Main fee
EF06	€1.75bn	€1.25bn	Nov-2011	68%	1.25% on committed equity 0.15% on debt
ICAP 08	\$0.6bn	\$0.6bn	April-2013	26%	1.5% on committed equity
RF08	€0.84bn	€0.64bn	Oct-2011	26%	1.5% on invested

Funds in realisation

Fund	Size	Equity	End of investment period	% Invested	Main fee	Carry
IMP08	€0.13bn	€0.13bn	Feb-2010	84%	1.5% on invested	20 % of 20 over 8
EF03	€1.42bn	€0.67bn	Sep-2006	100%	1.5% on invested	28% of 20 over 8
EF00	€0.39bn	€0.31bn	Sep-2003	100%	1.5% on invested	40 % of 20 over 8
ICAP 05	\$0.3bn	\$0.3bn	Apr-2008	83%	2.0% on invested	25 % of 20 over 8

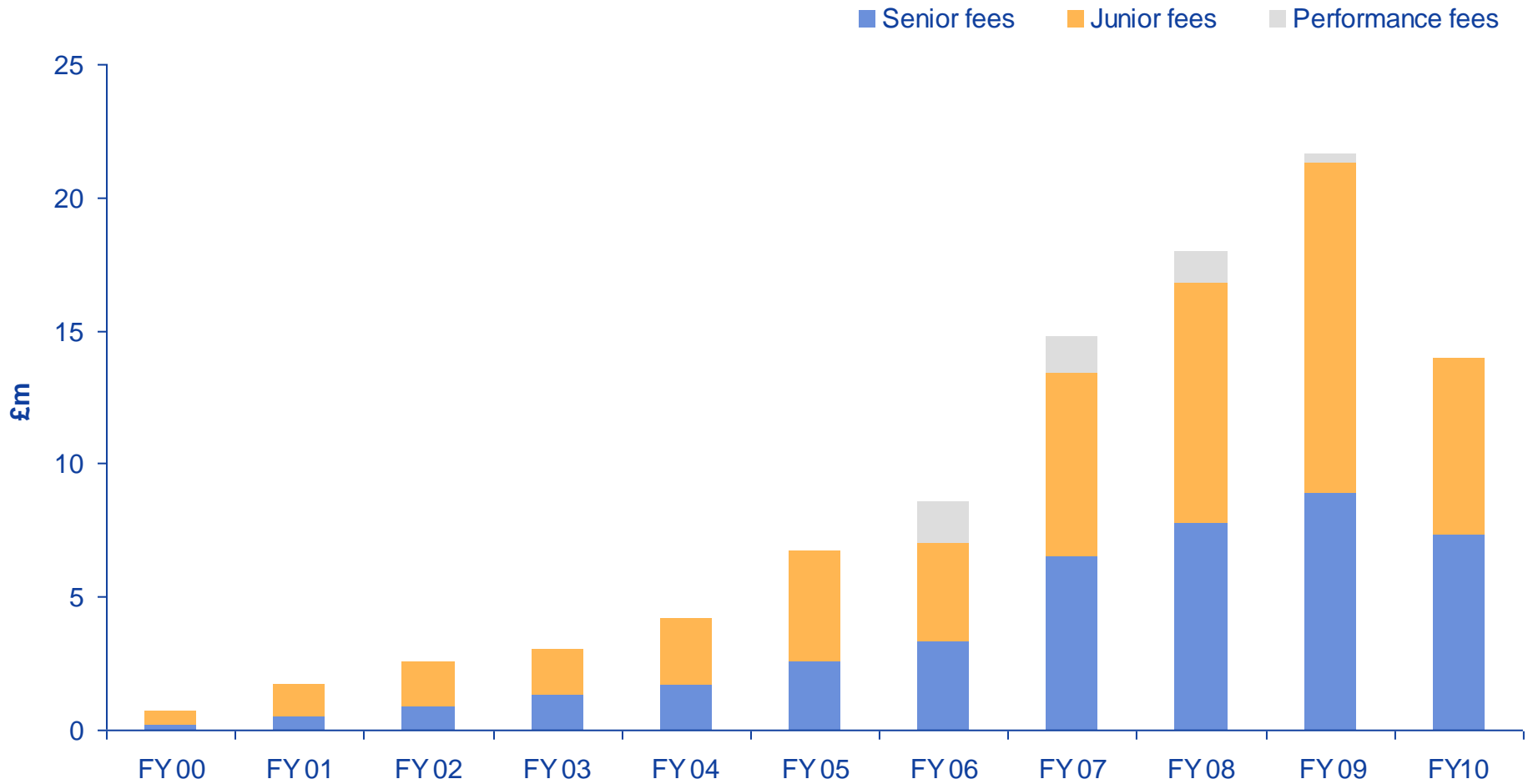
Mezzanine & Growth Capital Funds

Management Fee and Carried Interest Contribution to Fee Income



Credit Funds

Fee Income Analysis



Gains on Investments



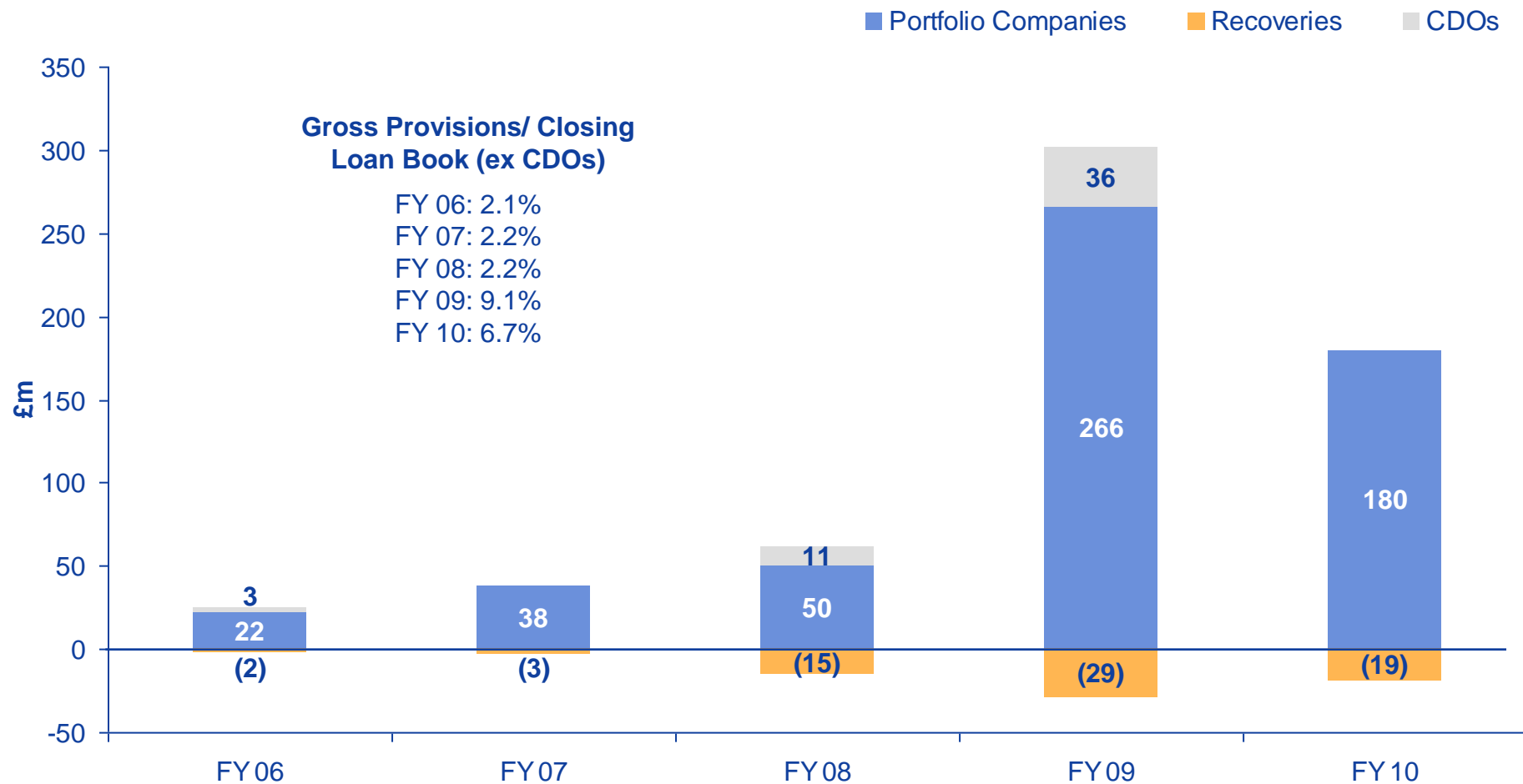
	Year ended 31 March 2010	Year ended 31 March 2009
	£m	£m
Realised gains on investments	78.8	30.9
Unrealised gains on investments	20.0	-
Cost of medium term incentive scheme	(21.7)	(6.1)
Net gains on investments	77.1	24.8

Impairments



	Year ended 31 March 2010	Year ended 31 March 2009
	£m	£m
Mezzanine and equity investment		
Gross Impairment	180.3	266.2
Recoveries	(18.5)	(28.7)
Equity in ICG – managed CDO's		
Gross Impairment	-	35.6
Recoveries	-	-
Impairment of net write backs	161.8	273.1

Breakdown of Provisions



Pre-tax Profits, Earnings Per Share & Dividends



	Year ended 31 March 2010	Year ended 31 March 2009
	£m	£m
Pre-tax profit*	105.7	(75.0)
Pre-tax profit	105.8	(66.7)
Earning per share**	25.0p	(35.1)p
Dividend per share**	17p	17p

*Excluding fair value movements in derivatives held for accounting purposes ** 2009:L adjusted for July 2009 rights issue

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