

**iCG**

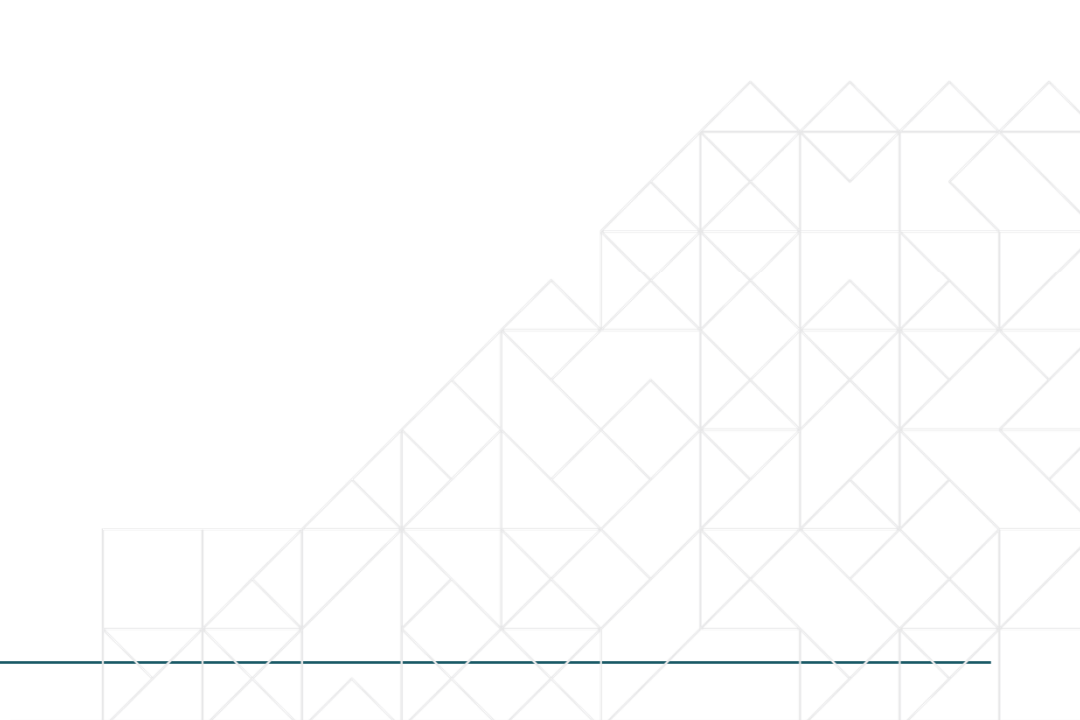
ENTERPRISE TRUST

# Annual results presentation

For the year ended 31 January 2017

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**iCG**



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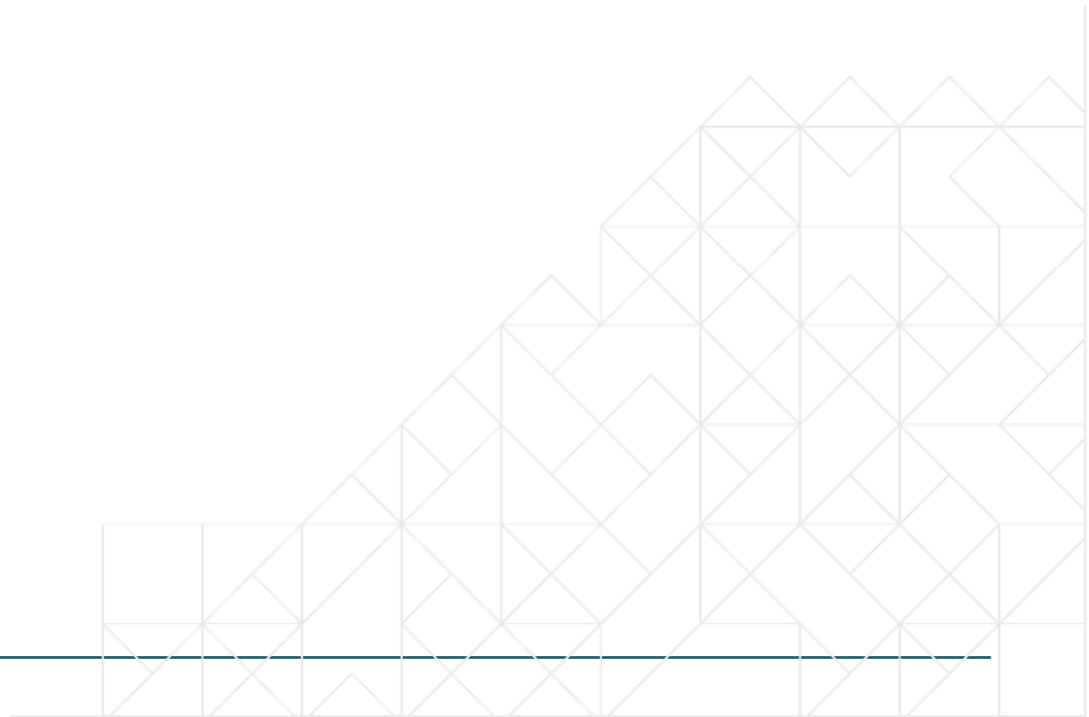
# Annual results presentation

## April 2017

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# Company Overview

**ICG**



# ICG is the Manager of ICG Enterprise Trust

A specialist asset manager in private debt, credit and equity

**28** YEAR TRACK RECORD

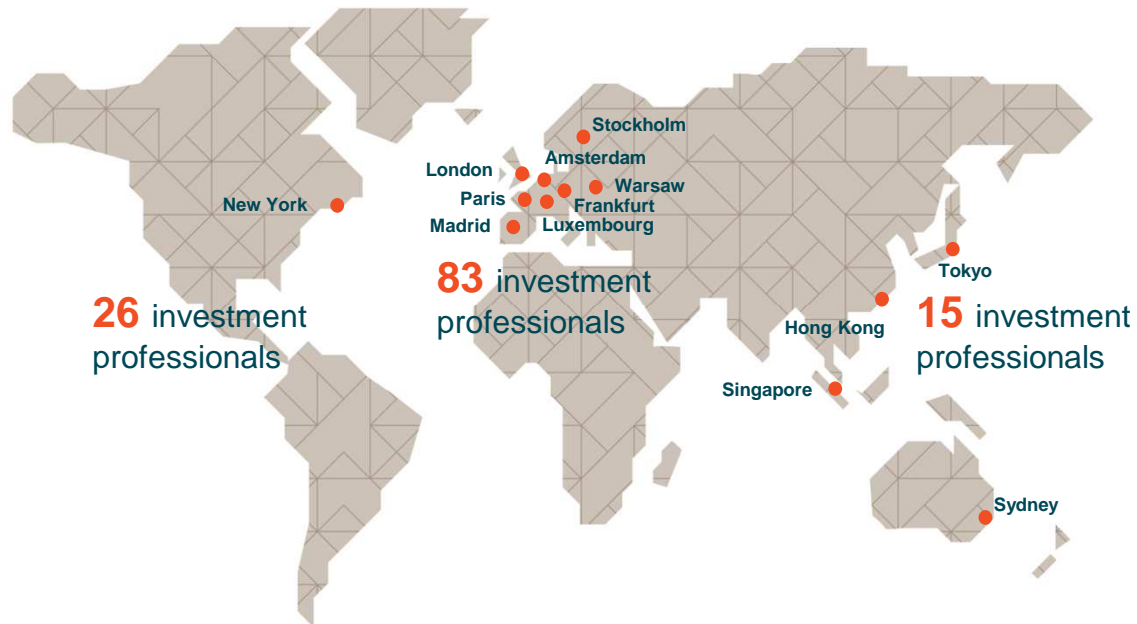
ASSETS UNDER MANAGEMENT  
**€22.6BN**

**274** EMPLOYEES

**14** OFFICES

**13** COUNTRIES

**INVESTING**  
ACROSS THE CAPITAL  
STRUCTURE



ICG has private equity manager relationships across the globe through investing directly in many hundreds of private companies

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# Company overview



## A PRIVATE EQUITY INVESTMENT COMPANY FOCUSED ON BUYOUTS IN DEVELOPED MARKETS

- > **Our aim is to generate consistently high returns while protecting the investment downside**
- > We seek to achieve this by investing in companies managed by ICG directly as well as by selected top-tier private equity managers
- > The local access and insights of ICG's direct investment teams give us a competitive edge in our market
- > We are confident our flexible approach will continue to outperform public markets over the long term

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# Investment strategy

## Highly selective approach balancing risks and returns

### Profitable companies

- Buyouts of profitable, cash generative companies with tangible performance and valuation metrics
- Not start-ups, development capital, turnaround, distressed or other higher risk PE strategies

### Developed markets

- Targeting geographies with established PE infrastructure: primarily Europe and US
- Not emerging markets

### Experienced managers

- Backing established PE managers with experience of investing and adding value through cycles
- Not emerging managers or first time funds which are higher risk

### Mid / large

- Targets tend to be more defensive with market leading positions and strong management
- Not small companies which tend to be less able to weather economic cycles

### High conviction

- Increase exposure to the most attractive companies through direct co-investments and secondaries
- Exposure to ICG directly managed companies not available elsewhere in listed PE sector

# Annual results

For the year to 31 January 2017

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# Highlights for the year ended 31 January 2017

## An excellent first year under ICG management

**+23.4%**

NAV  
Total Return

**+31.6%**

Share Price  
Total Return

**+21.8%**

Underlying  
Portfolio Return  
in local currencies

- NAV and Share Price total return outperformed the benchmark FTSE All-Share Index total return of +20.1%
- Faster than expected progress against key objectives set on the change in manager
  - Become more fully invested;
  - Increase the proportion of the portfolio managed directly by ICG; and
  - Increase US exposure

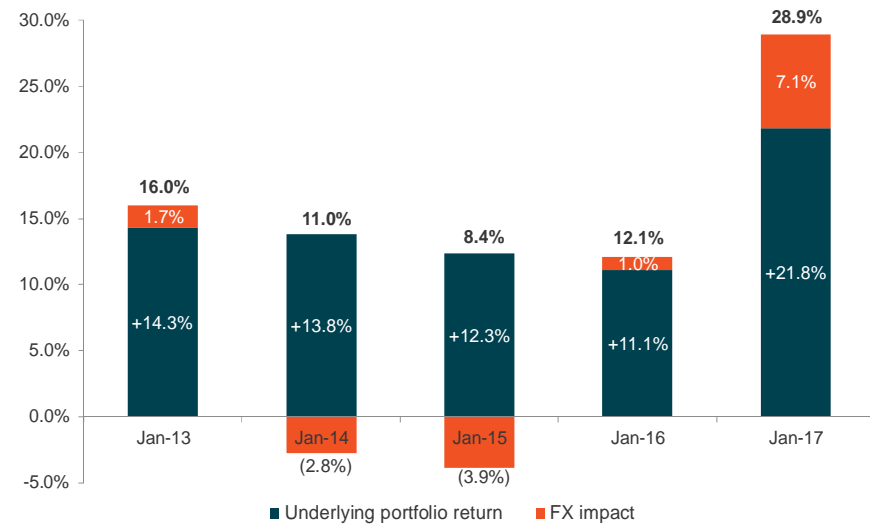


# Return attribution

## Consistently strong portfolio growth

Change in NAV (% of opening NAV)	Jan-17
Underlying portfolio return in local currencies	21.8%
Currency	7.1%
<b>Total portfolio valuation movement</b>	<b>28.9%</b>
Effect of cash drag	(4.3%)
Management fees and expenses*	(1.8%)
Incentive accrual	(1.9%)
Impact of share buy backs	2.5%
<b>Net asset value total return per share</b>	<b>23.4%</b>

- 5 year cagr portfolio growth 15.1%
  - 14.6% excluding currency impact



- Realisations accounted for approximately 25% of total portfolio growth<sup>^</sup>
- Unrealised valuation gains were primarily driven by earnings growth
  - Valuation multiples also increased slightly

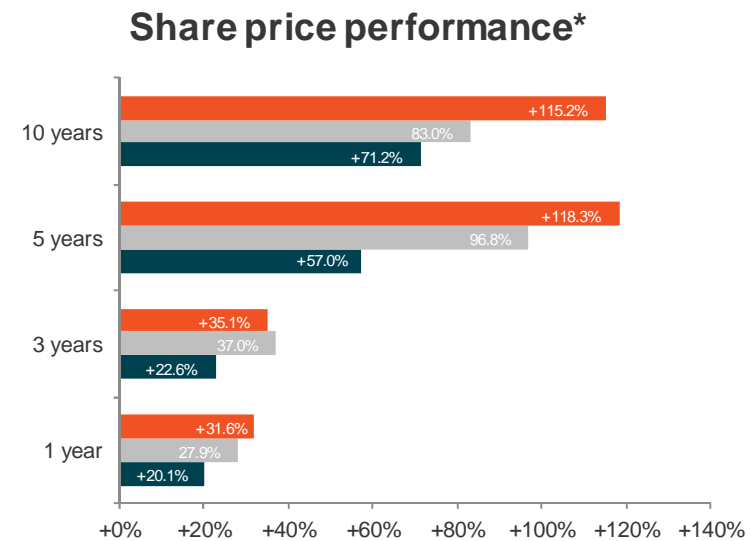
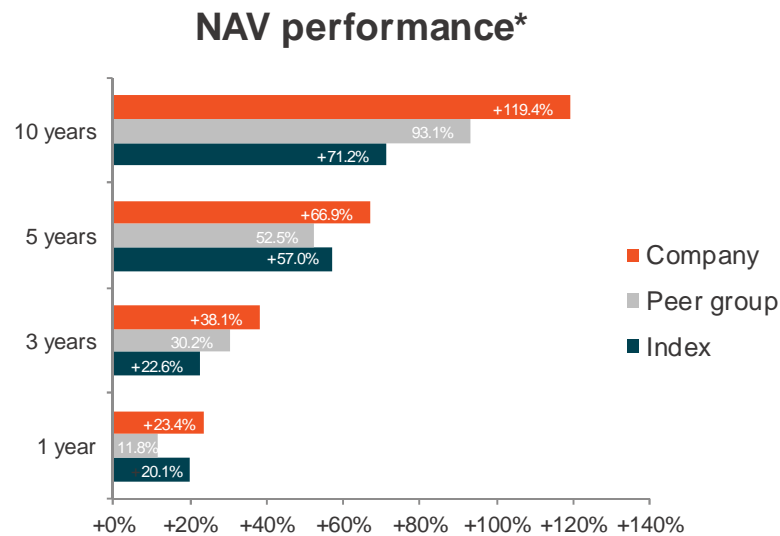
#### Notes

\* Management fee 1.2%

<sup>^</sup> Includes Micheldever sale announced Jan-17 completed Feb-17

# Relative performance

Outperforming over the short, medium and long term



- Share price has outperformed the FTSE All Share Index in **20/20** years cumulatively
  - NAV has outperformed in 19/20

Notes:

- Data: total return (Morningstar, the Company)

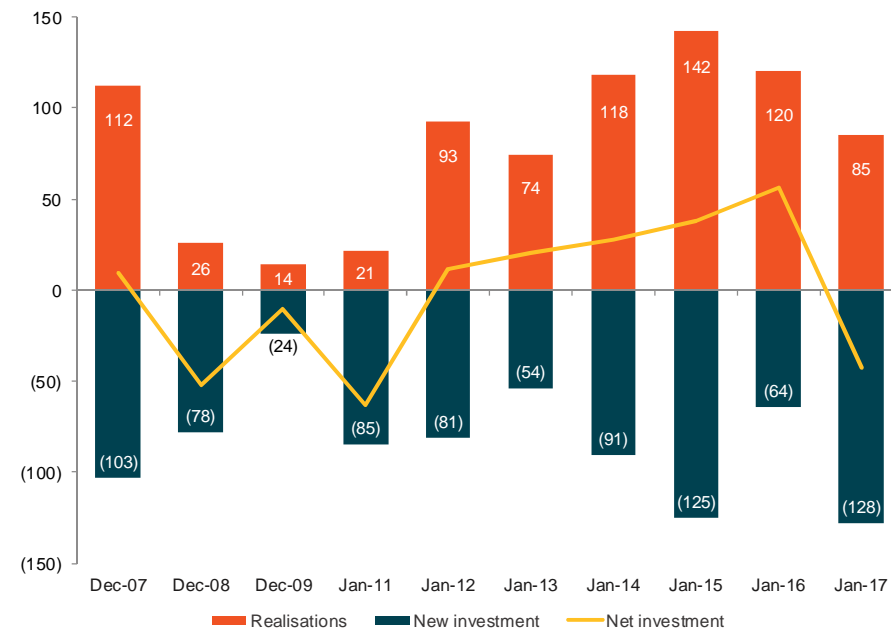
\*12, 36, 60 and 121 month periods to 31 Jan 20167

\*\*\*Peer group (funds-of-funds): Aberdeen, F&C PE, HarbourVest, JPM PE, Pantheon, SLEPET

Peer group (directs): Better Capital 2009 and 2012, Candover, Dunedin, Electra, HgCapital, NB Private Equity, Princess

# Investment activity

## Realisations continuing to generate strong valuation uplifts



- The first year of net investment for 6 years

Note  
\*Excluding Micheldever realised post year end

### Realisations

- Number of full exits stable at 40
- Continued strong uplifts on exit **+24%\***
- Return of original cost of 1.9x

### New investments

- Record amount of new investment
- **25%** directly managed by ICG
- 39% high conviction (ICG, direct co-investment & secondary)

# ICG Impact

## Delivering benefits in all areas of opportunity

Access	Insights	Support
<p>New in-house fund commitments</p> <ul style="list-style-type: none"><li>- ICG Strategic Secondaries II</li><li>- ICG Asia Pacific Mezzanine III</li></ul> <p>Secondaries in in-house funds</p> <ul style="list-style-type: none"><li>- ICG Europe V and VI</li><li>- Recovery Fund 2008 (post year end)</li></ul> <p>Investments alongside ICG funds</p> <ul style="list-style-type: none"><li>- Restructuring of VSS IV alongside ICG Strategic Secondaries II</li></ul> <p>Third party manager introductions</p> <ul style="list-style-type: none"><li>- e.g. Gridiron III</li></ul>	<p>ICG's knowledge of the PE landscape is informing</p> <ul style="list-style-type: none"><li>- manager selection</li><li>- due diligence on direct co-investments and secondaries</li></ul> <p>Senior ICG oversight at Investment Committee</p>	<p>A range of specialists are providing input into the management of the Company including:</p> <ul style="list-style-type: none"><li>- Finance</li><li>- Legal</li><li>- Compliance</li><li>- Treasury</li><li>- Investor relations</li></ul>
<p><b>Lower Costs</b></p> <ul style="list-style-type: none"><li>- Reduction in headline management fee</li><li>- Increasing ICG funds on which no management fee</li><li>- Pro forma fee saving at Jan-17 of 14%</li></ul>		

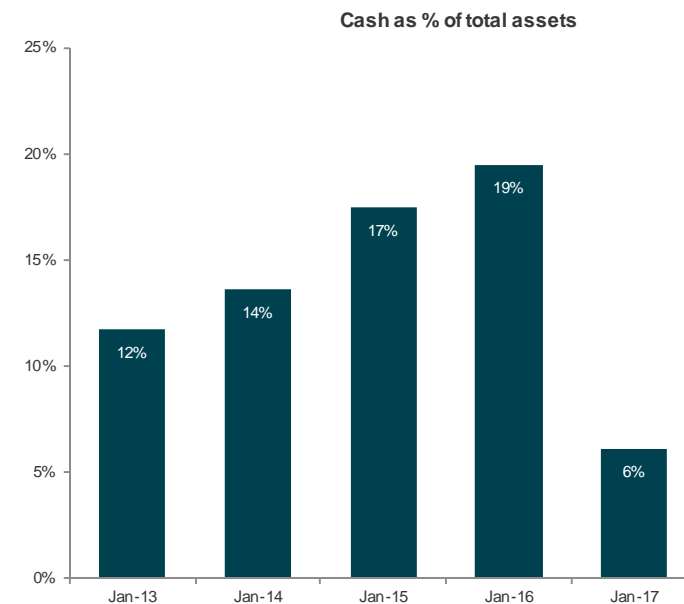
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# Balance sheet

## Investment level increased from 80% to 94%

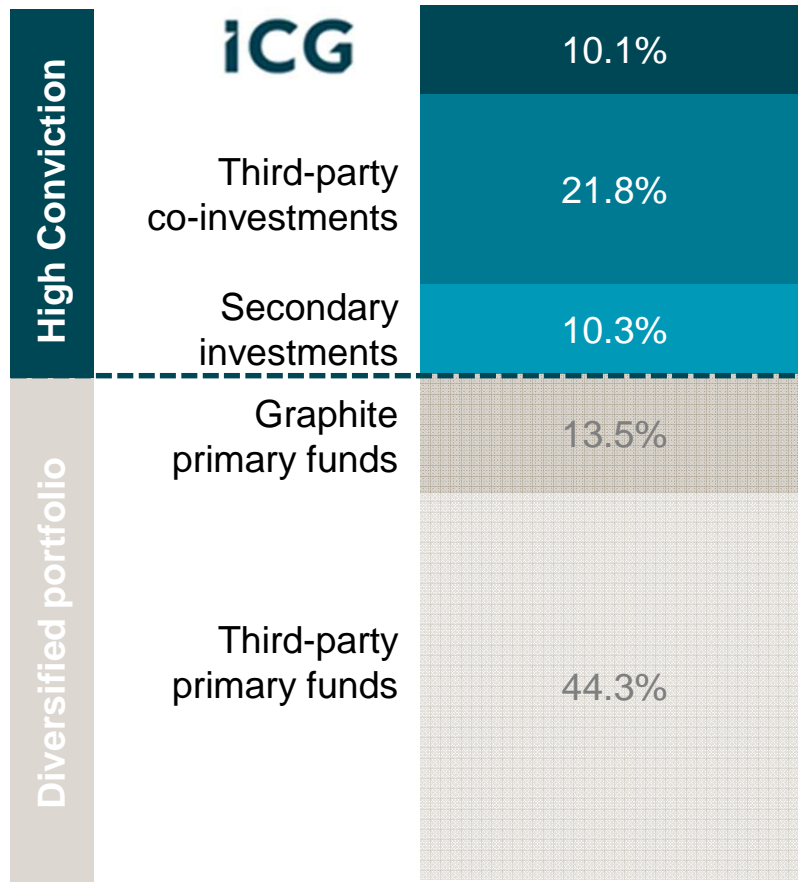
- Cash has been a significant drag on portfolio performance for many years
  - An average of 2.2% per annum over the last 5 years
- We are aiming to be fully invested, but not geared (other than for short term working capital)

£m	Jan-16	Jan-17
<b>Investments</b>	<b>428</b>	<b>594</b>
% invested	80%	94%
<b>Cash</b>	<b>104</b>	<b>39</b>
Other net assets/liabilities	(11)	(20)
<b>Net assets</b>	<b>521</b>	<b>613</b>
<b>Outstanding commitments</b>	<b>254</b>	<b>300</b>
Undrawn bank facility	97	103
Total liquidity	201	142
Overcommitment%	10%	26%



# Portfolio overview

## Balancing high conviction and diversification



**42%** High conviction portfolio enhances returns

Diversified portfolio mitigates risk

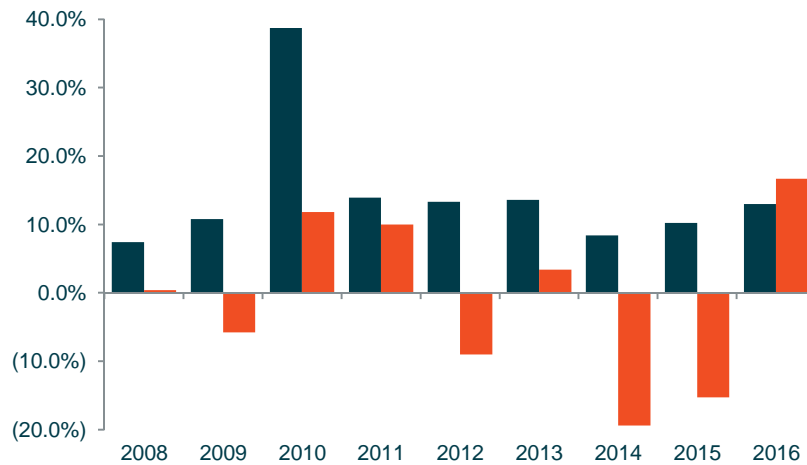


35 managers and over 400 portfolio companies

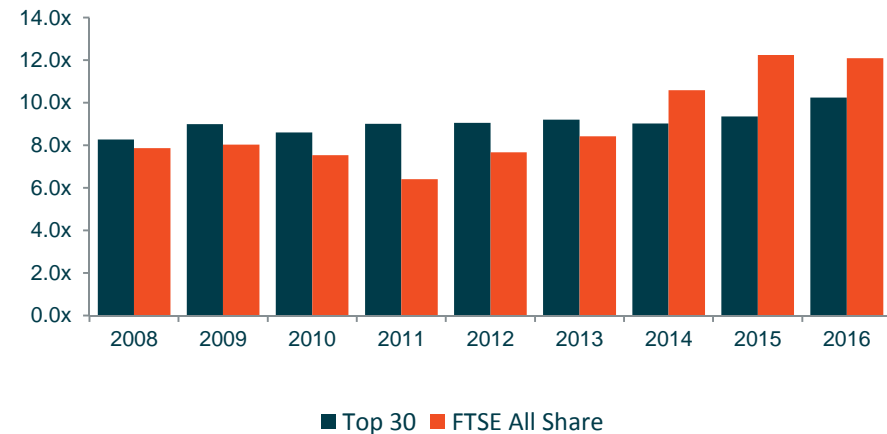
# Top 30 underlying companies

Consistently strong growth for a lower valuation than the Index

EBITDA growth **+14%**



Valued at **9.7x** EBITDA



The Top 30 represents 46% of the portfolio

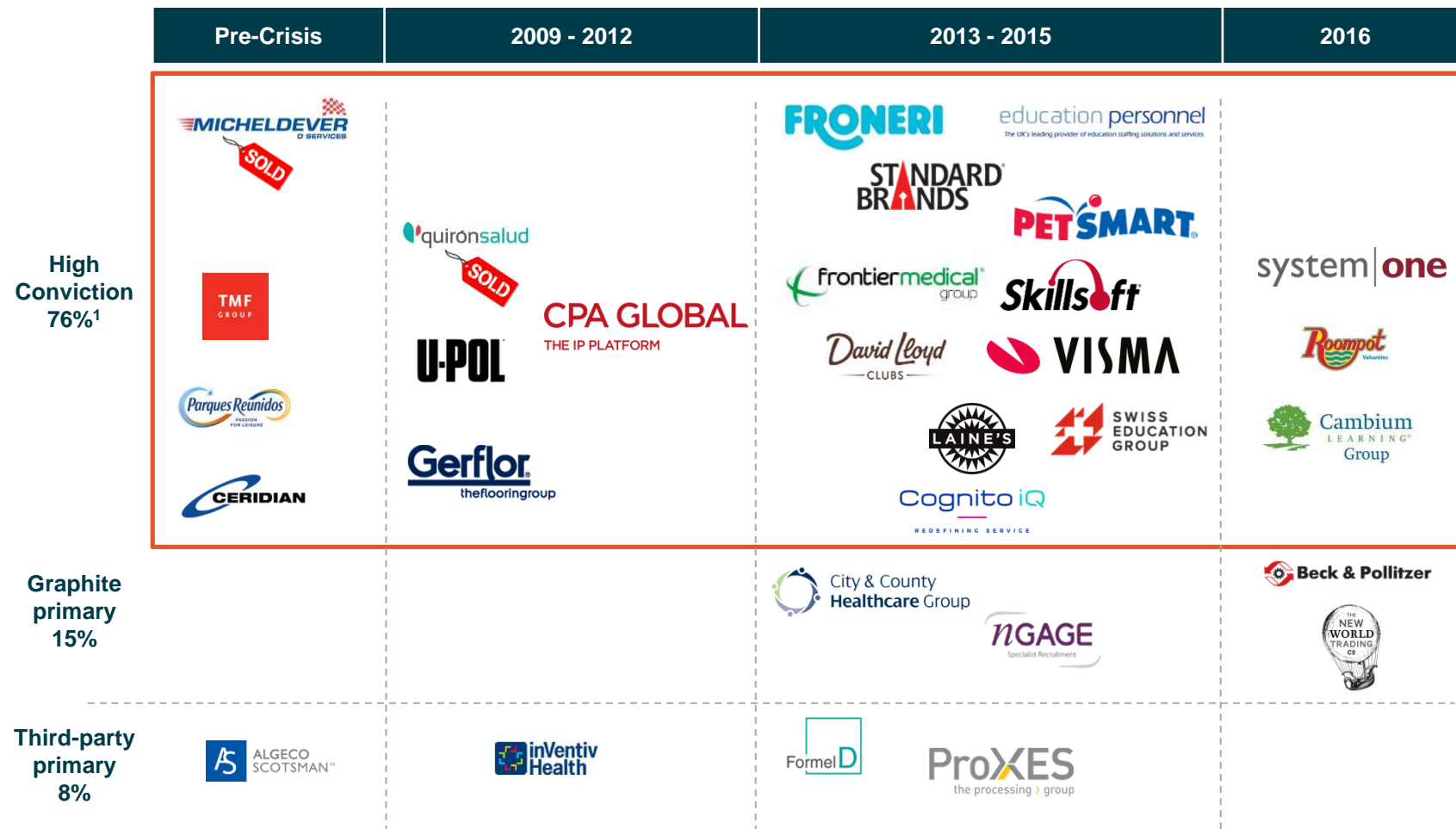
- Revenue growth 8%
- EBITDA margin 18%
- Net debt 3.6x

5 year EBITDA cagr:

- Company +12%
- FTSE All-Share -4%

# Top 30 underlying companies

Value is concentrated in our high conviction investments





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# Strategic priorities

## Evolution of strategy under ICG management

Reduce cash drag	Increase high conviction investments	Broaden geographic exposure
<ul style="list-style-type: none"><li>▪ The Company has been under-invested for many years</li><li>▪ Average cash over 10 years of 20%</li><li>▪ Aiming to be fully invested but not geared</li></ul>	<ul style="list-style-type: none"><li>▪ Direct co-investments and secondaries have significantly outperformed funds</li><li>▪ ICG managed investments have added benefit of no management fee</li><li>▪ Aiming to increase to 50-60%</li></ul>	<ul style="list-style-type: none"><li>▪ Low exposure to US which has outperformed Europe for several years</li><li>▪ Historically overweight UK as managed by Graphite</li><li>▪ Aiming to increase US investments to 30-40%</li></ul>
<b>Investment level up from 80% to 94%</b>	<b>ICG: up from 6% to 10%</b> <b>Total high conviction 42%</b>	<b>USA: up from 14% to 21%</b> <b>UK: down from 45% to 40%</b>

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# Dividends and buybacks

## Continuing to return capital to shareholders

### Dividends

- The Board intends to pay a minimum dividend each year of **20.0p** per share
- Increase of 81% on last year's 11.0p dividend
- Interim dividend of 10.0p was paid in October
- Final of 10.0p will be paid in June if approved at the AGM
- Implied yield on the year end share price of 2.9%

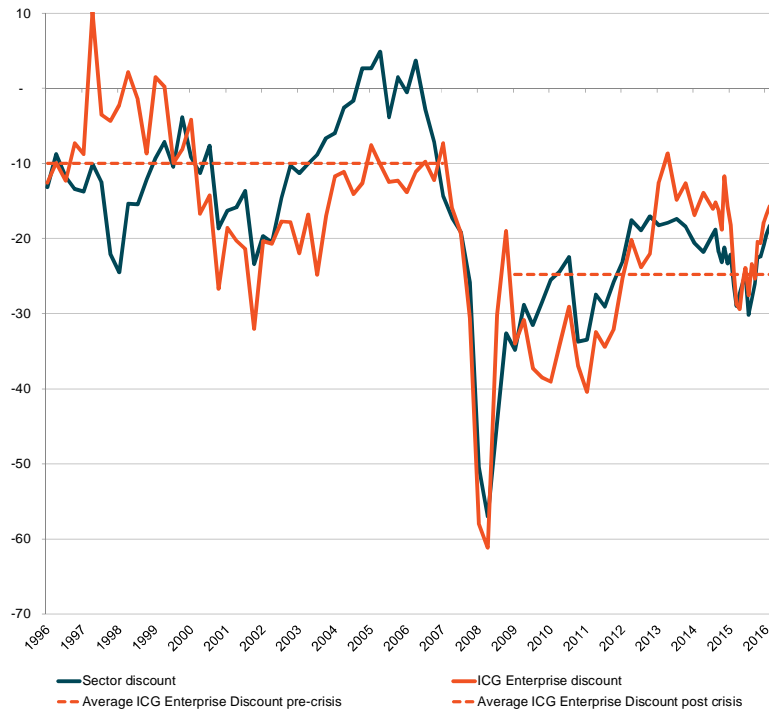
### Share buybacks

- **£6.2m** share buy backs in FY17
  - 982,345 shares at an average price of 627.0p
  - Estimated average discount of 20.8%
  - Improved NAV per share by 2.5%
- Will continue to repurchase shares on an opportunistic basis

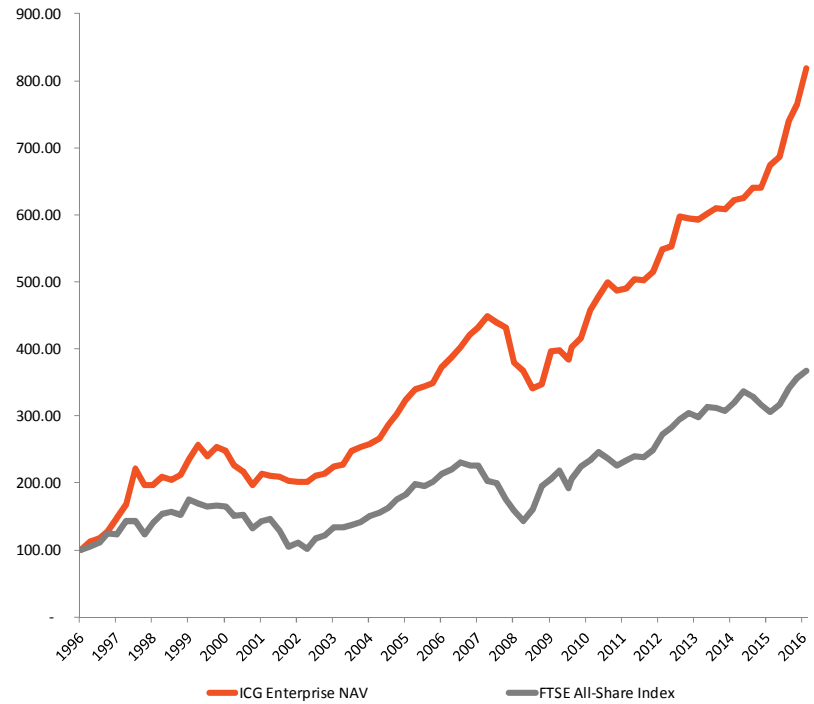
# Discount

## Sector discount does not reflect the long term performance

Company vs sector long term discount



Company NAV vs FTSE All Share



Note

\*Sector comprises: Aberdeen, Apax Global, Better Capital 2009 and 2012, Candover, Dunedin, Electra, F&C Private Equity, Harbourvest, HgCapital, JPM PE, NB Private Equity, Pantheon, Princess, SLEPET, SVG

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## Outlook

### ICG Enterprise Trust is well positioned for future growth

#### Change of manager

- The move to ICG is delivering results

#### High conviction strategy

- Focused and flexible strategy, balancing risks and returns

#### Strong profit growth

- LTM EBITDA growth +14%

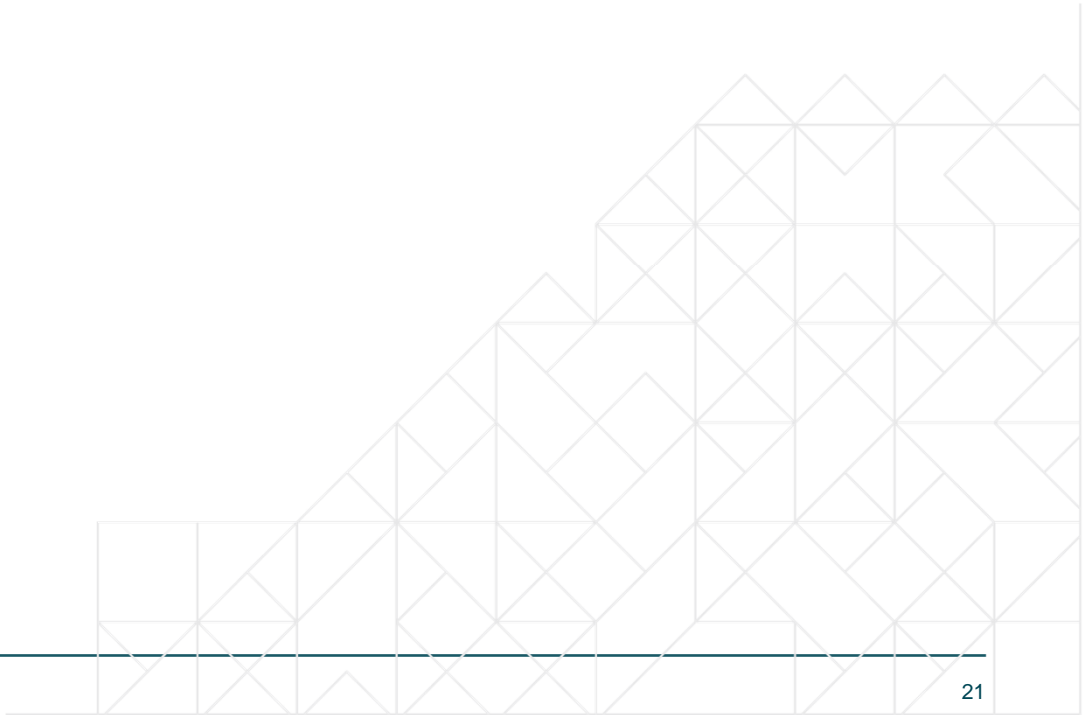
#### Sensible valuations

- LTM EBITDA multiple 9.7x

#### Compelling value

- 13 April 2017 share price implies 21.5% discount / 8.3x EBITDA

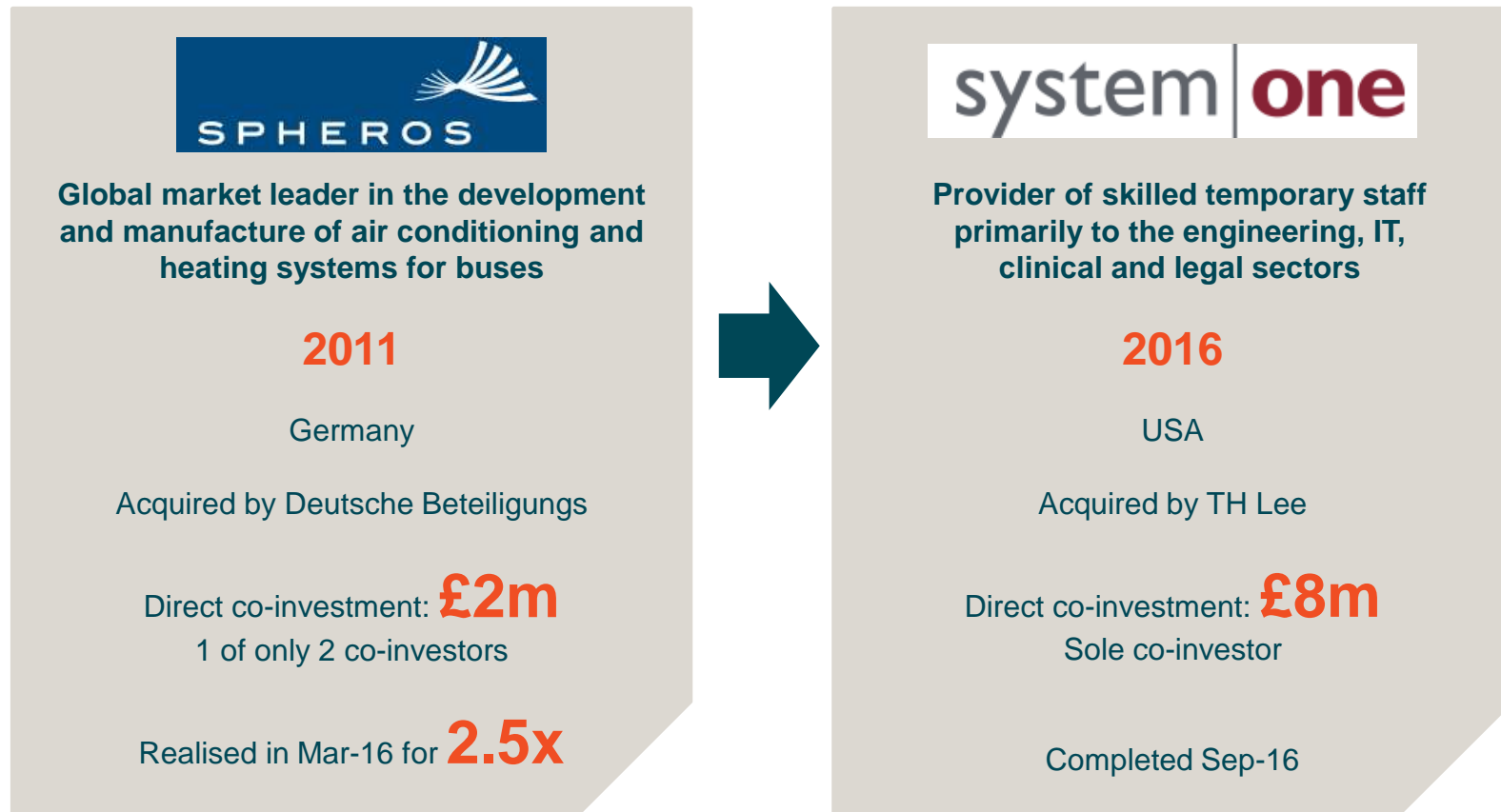
# Case Studies



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## Direct co-investment: System One (TH Lee)

Increasing conviction in our direct co-investment decisions



# Direct co-investment: Roompot (PAI Partners)

## Long term relationships facilitate co-investment opportunities



- First investment in a PAI fund
- Co-invested in KwikFit (3.6x realised)

- Committed to PAI Fund V

- £3m direct co-investment in Froneri
- At Jan -17 the 3<sup>rd</sup> largest underlying investment

- Invested in PAI Fund VI
- Acquired a secondary interest in PAI Fund V



**Leading operator and developer of holiday parks in the Netherlands**

Over 30 sites in Netherlands, Germany, Belgium and France

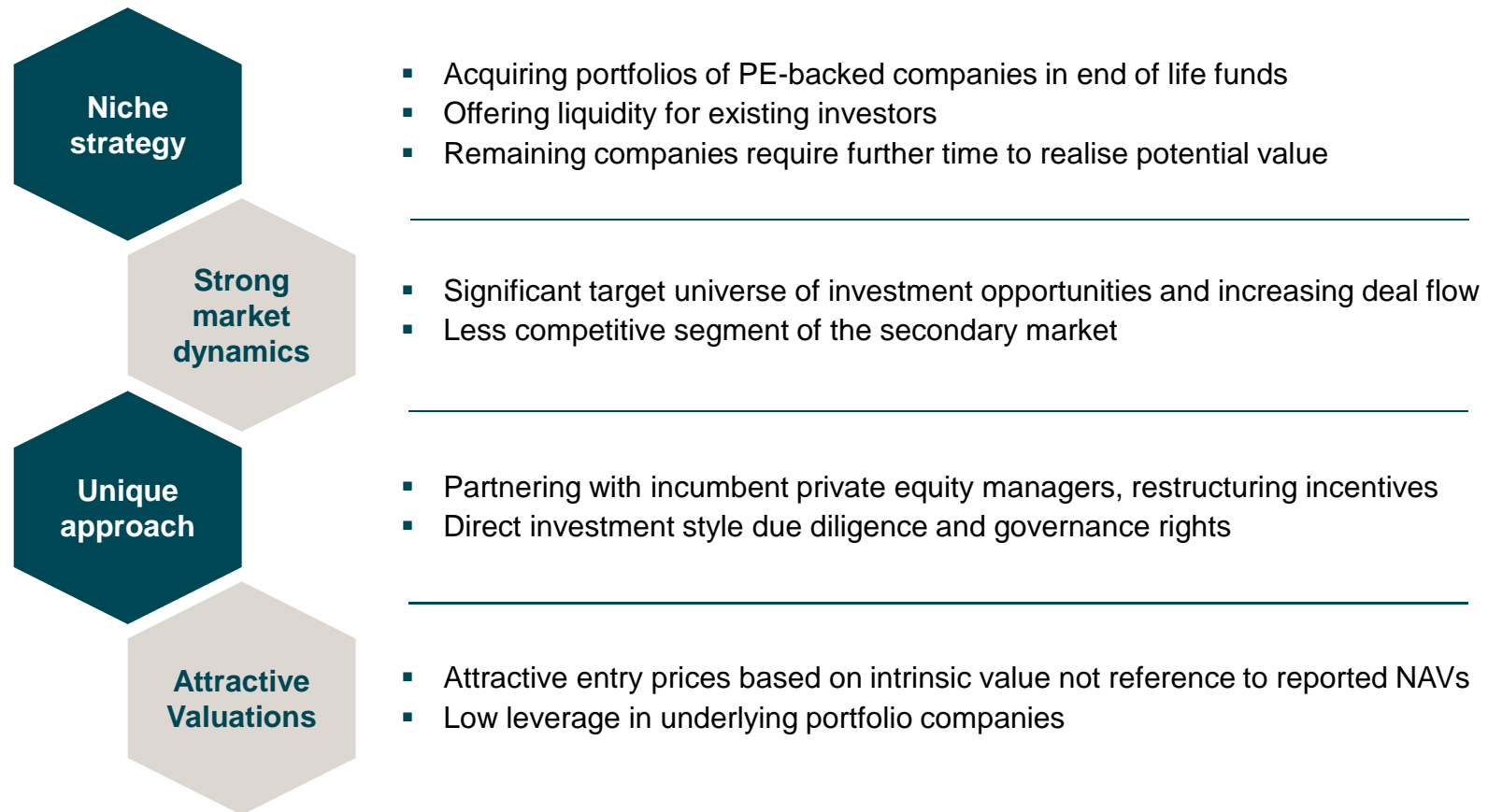
Direct co-investment **£9m**

Completed Nov-16



# ICG Strategic Secondaries

## Highly differentiated approach in a growing market segment

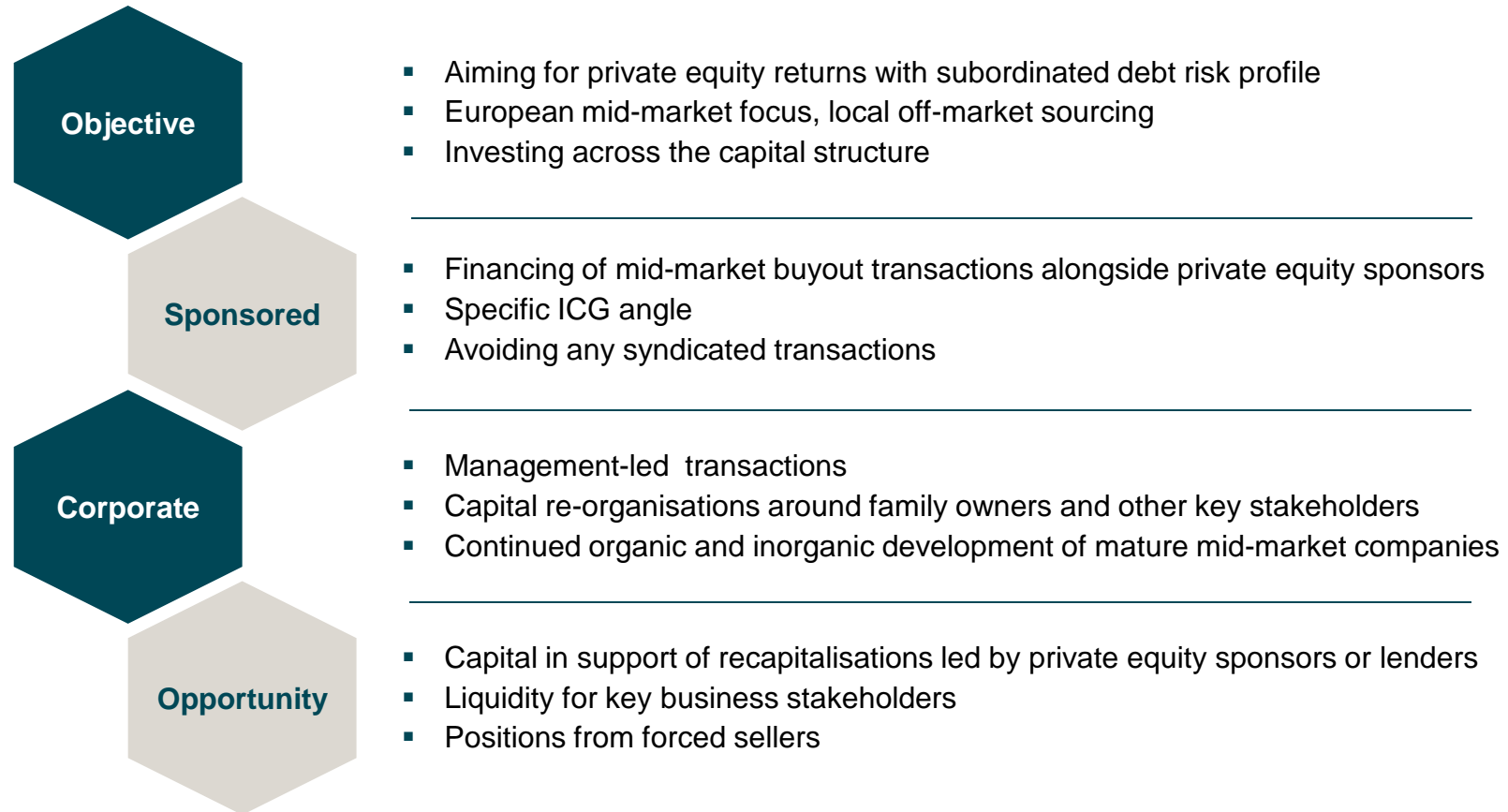


**The Company committed \$35m to this fund (\$1 billion target)<sup>1</sup>  
Invested \$15m alongside the fund in VSS IV restructuring**



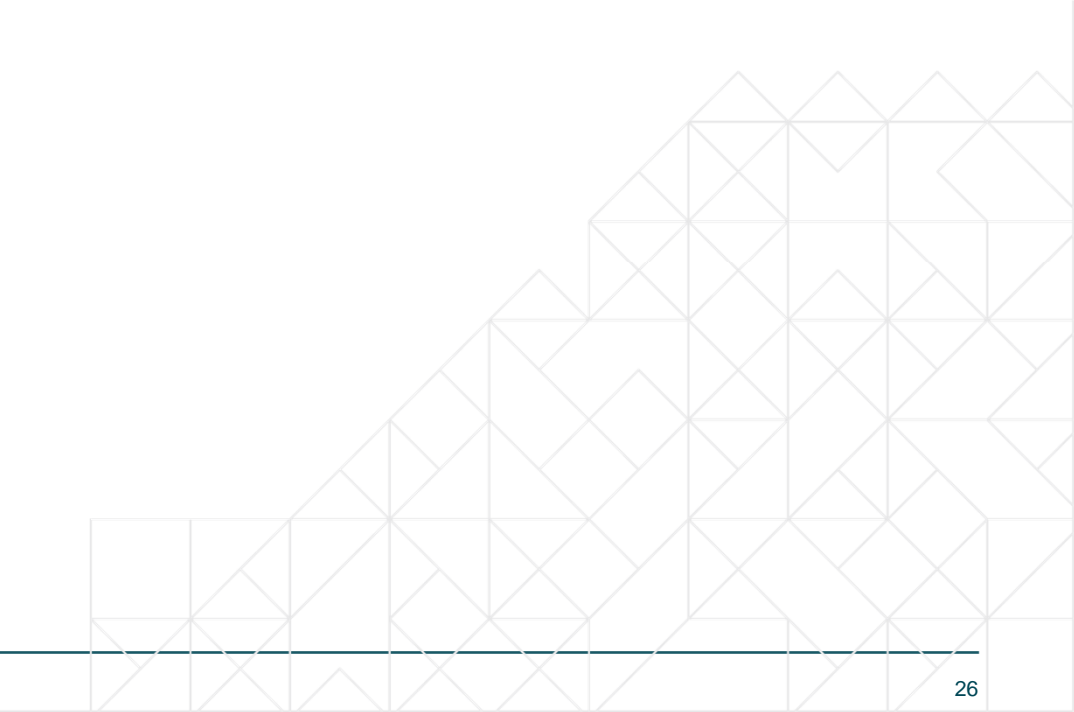
# ICG European Mezzanine and Equity

Flexible strategy aiming for PE returns with low downside risk











The Company has invested in this strategy since 1989  
Jan-17 exposure (NAV + undrawn): ICG Europe V (2012) £12m, ICG Europe VI (2016) £22m  
Education Personnel direct co-investment £13m

# Appendices



# Team biographies

Unique combination of direct and fund investment experience

<p>IC member</p>  <p><b>Benoit Durteste</b> Head of European Investments</p>	<p>IC member</p>  <p><b>Andrew Hawkins</b> Head of Secondaries</p>	<p>IC member</p>  <p><b>Emma Osborne</b> Head of Private Equity Fund Investments</p>	<p>IC member</p>  <p><b>Kane Bayliss</b> Managing Director</p>	 <p><b>Fiona Bell</b> Principal</p>	 <p><b>Colm Walsh</b> Principal</p>	 <p><b>Kelly Tyne</b> Associate</p>	 <p><b>Amalia Formoso</b> Associate</p>
<p><b>Over 23 years experience</b></p> <ul style="list-style-type: none"> <li>Member of the ICG global Executive Committee and Head of ICG Mezzanine funds globally</li> <li>PE team at GE Capital and Founder/CFO of telecom services company</li> <li>Graduate of the Ecole Supérieure de Commerce de Paris</li> </ul>	<p><b>Over 26 years experience</b></p> <ul style="list-style-type: none"> <li>Founder and CEO of NewGlobe</li> <li>Managing Partner/Member of Investment Committee at Vision Capital and original partner at Palamon Capital Partners</li> <li>LLB in law from Bristol University and qualified Chartered Accountant</li> </ul>	<p><b>22 years of PE experience</b></p> <ul style="list-style-type: none"> <li>Graphite Capital (funds and co-investments)</li> <li>Merrill Lynch (funds and co-investments)</li> <li>Morgan Grenfell PE (direct buyout)</li> <li>RBS (mezzanine)</li> <li>Coopers &amp; Lybrand (PE advisory and audit)</li> </ul>	<p><b>16 years of PE experience</b></p> <ul style="list-style-type: none"> <li>Graphite Capital (direct buyout, funds and co-investments)</li> <li>Terra Firma (direct buyout)</li> <li>Merrill Lynch (M&amp;A)</li> <li>Allens Linklaters (law)</li> </ul>	<p><b>10 years of PE experience</b></p> <ul style="list-style-type: none"> <li>Graphite Capital (funds and co-investments)</li> <li>KPMG private equity group (audit and transaction services)</li> <li>JP Morgan Cazenove (corporate broking)</li> </ul>	<p><b>10 years of PE experience</b></p> <ul style="list-style-type: none"> <li>Graphite Capital (funds, co-investments and finance)</li> <li>Terra Firma Capital (finance)</li> <li>Deloitte (audit)</li> </ul>	<p><b>3 years of PE experience</b></p> <ul style="list-style-type: none"> <li>Graphite Capital (funds)</li> <li>First NZ Capital/Credit Suisse (equity research)</li> <li>PWC (advisory)</li> </ul>	<p><b>3 years of PE experience</b></p> <ul style="list-style-type: none"> <li>ICG (marketing and client relations)</li> <li>HSBC (M&amp;A)</li> <li>Arcano Coporate (M&amp;A)</li> </ul>

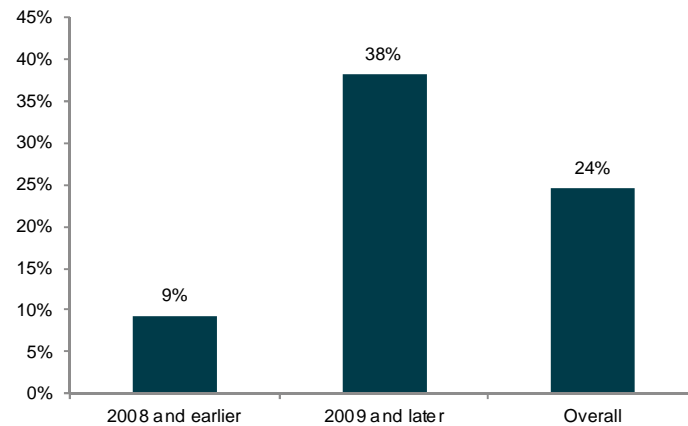
- Team moved to ICG in a spin-out from Graphite Capital in Feb-16
- The MDs and Principals have worked together for an average of 9 years
- ICG oversight at investment committee

# Realisations

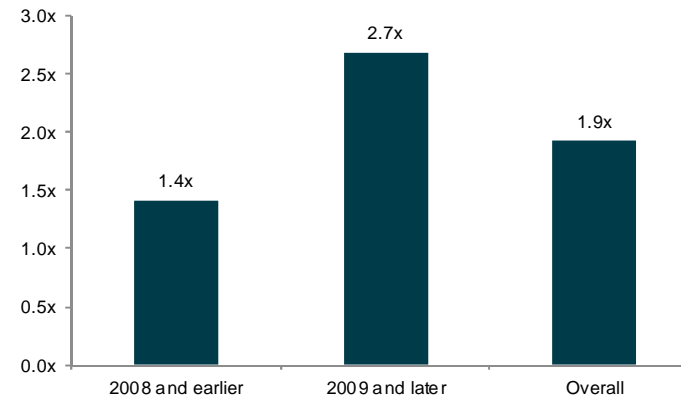
## Realisation uplifts and returns

### In the year ended January 2017

#### Valuation uplift on realisation



#### Return multiple of original cost



### 5 year history

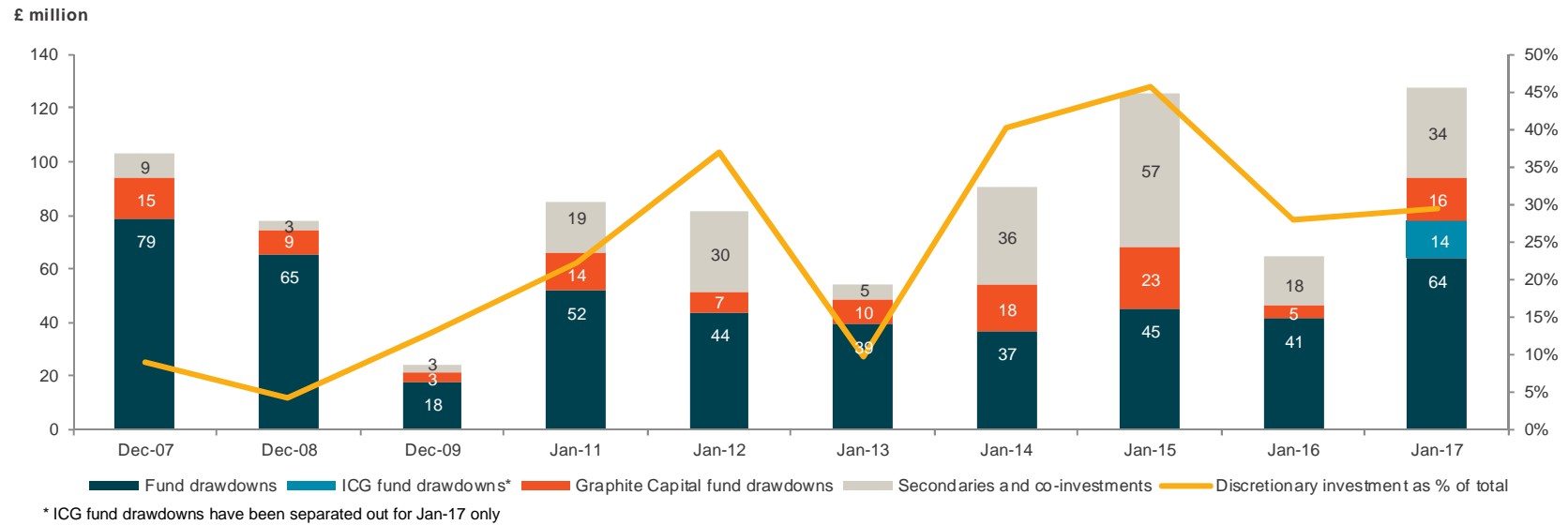
	Year ended Jan-13	Year ended Jan-14	Year ended Jan-15	Year ended Jan-16	Year ended Jan-17
Valuation uplift <sup>1</sup>	49%	36%	35%	22%	24%
Number of full realisations	14	33	39	41	40
Multiple of original cost	2.7x	2.1x	2.1x	1.9x	1.9x

#### Note

1. From underlying manager's most recent valuation prior to any uplift related to the disposal. Will differ from uplift in current period in some instances.

# New investments

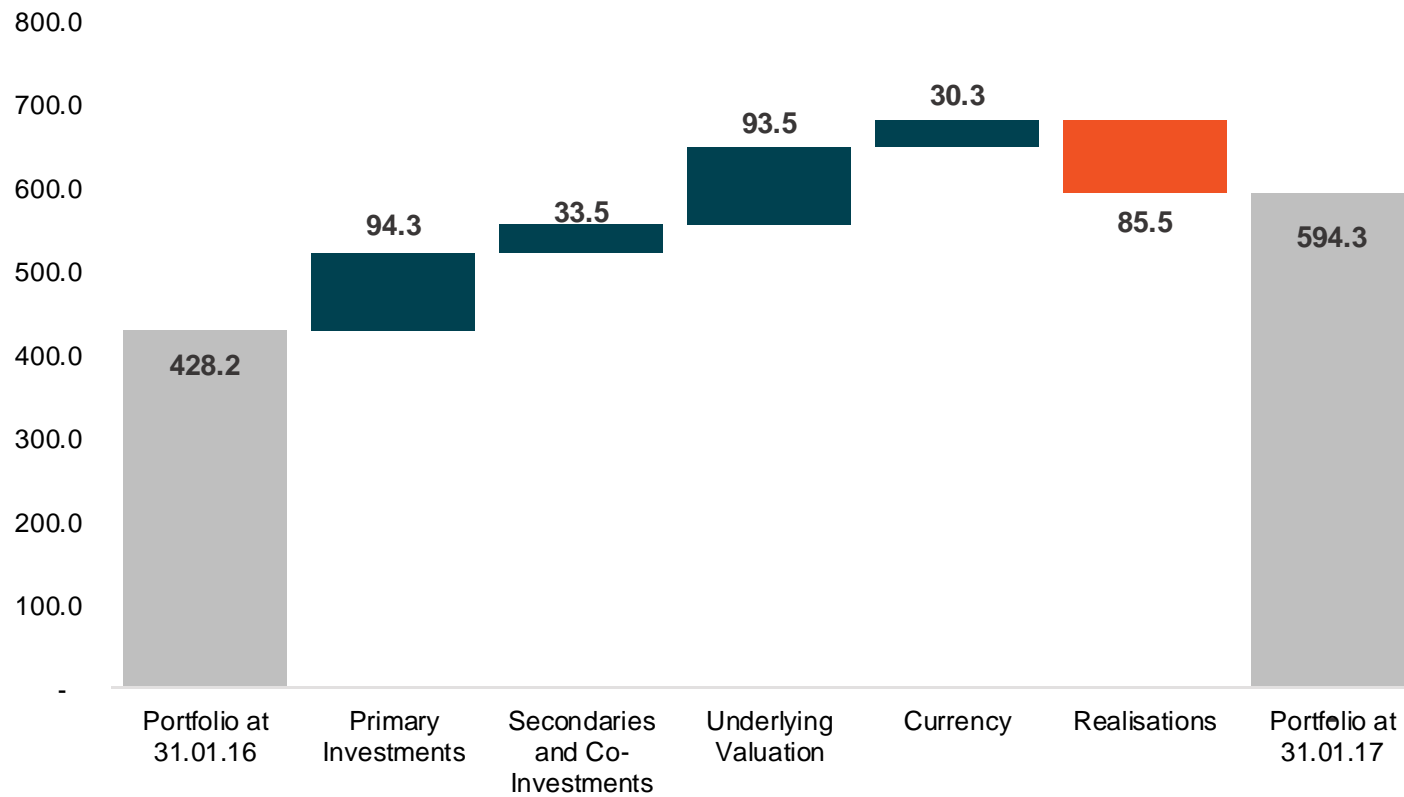
## New investment history



# Portfolio

Portfolio bridge

Portfolio Bridge 2016 /2017



# Portfolio

## Top 15 investments

Company	Manager	Year of investment	Country	Value as a % of Portfolio
<b>1 Micheldever</b> <sup>+</sup> <sup>^^</sup> Distributor and retailer of tyres	Graphite Capital	2006	UK	6.30%
<b>2 City &amp; County Healthcare Group</b> Provider of home care services	Graphite Capital	2013	UK	2.70%
<b>3 Froneri</b> <sup>+</sup> Manufacturer and distributor of ice cream products	PAI Partners	2013	UK	2.10%
<b>4 Education Personnel</b> <sup>+</sup> <sup>^^</sup> Provider of temporary staff for the education sector	ICG	2014	UK	2.10%
<b>5 nGAGE</b> Provider of recruitment services	Graphite Capital	2014	UK	2.10%
<b>6 PetSmart</b> <sup>+</sup> Retailer of pet products and services	BC Partners	2015	USA	2.00%
<b>7 Standard Brands</b> <sup>+</sup> Manufacturer of fire lighting products	Graphite Capital	2001	UK	2.00%
<b>8 Skillsoft</b> <sup>+</sup> Provider of off-the-shelf e-learning content	Charterhouse	2014	USA	1.70%
<b>9 Frontier Medical</b> <sup>+</sup> Manufacturer of medical devices	Kester Capital	2013	UK	1.60%
<b>10 David Lloyd Leisure</b> <sup>+</sup> Operator of premium health and fitness clubs	TDR Capital	2013	UK	1.60%
<b>11 Visma</b> Provider of business services	Cinven	2014	Norway	1.40%
<b>12 TMF</b> <sup>^</sup> Provider of management and accounting outsourcing services	Doughty Hanson	2008	Netherlands	1.40%
<b>13 The Laine Pub Company</b> <sup>+</sup> Operator of pubs and bars	Graphite Capital	2014	UK	1.30%
<b>14 System One</b> <sup>+</sup> Provider of temporary staff and other associated services	Thomas H. Lee Partners	2016	USA	1.30%
<b>15 Roompot</b> <sup>+</sup> Operator and developer of holiday parks	PAI Partners	2016	Netherlands	1.30%

**Top 15 investments as a % of total portfolio** 30.90%

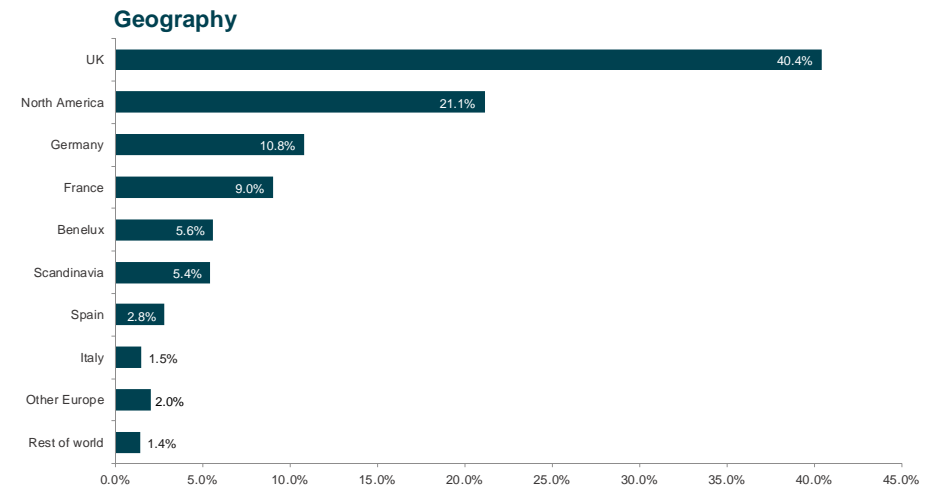
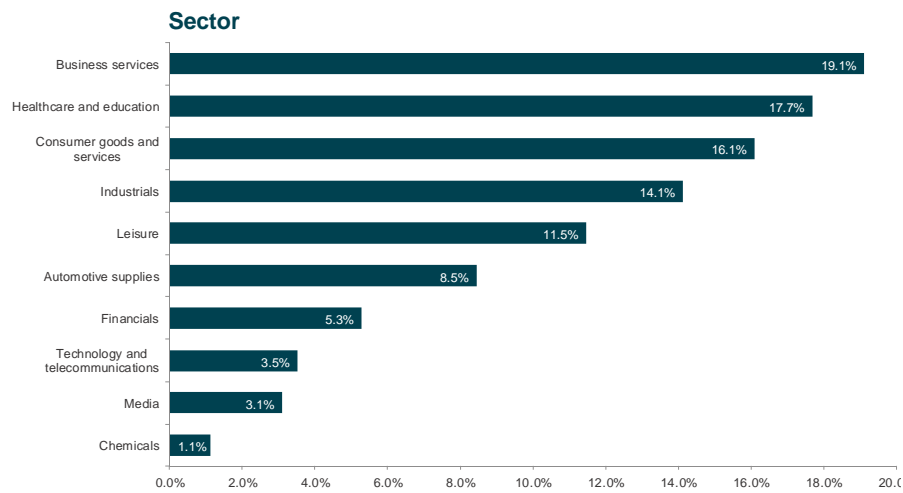
<sup>+</sup> All or part of this investment is held directly as a co-investment or other direct investment.

<sup>^</sup> All or part of this investment was acquired as part of a secondary purchase.

<sup>^^</sup> The Company received proceeds of £35.9m from the sale of this investment in February 2017.

# Portfolio

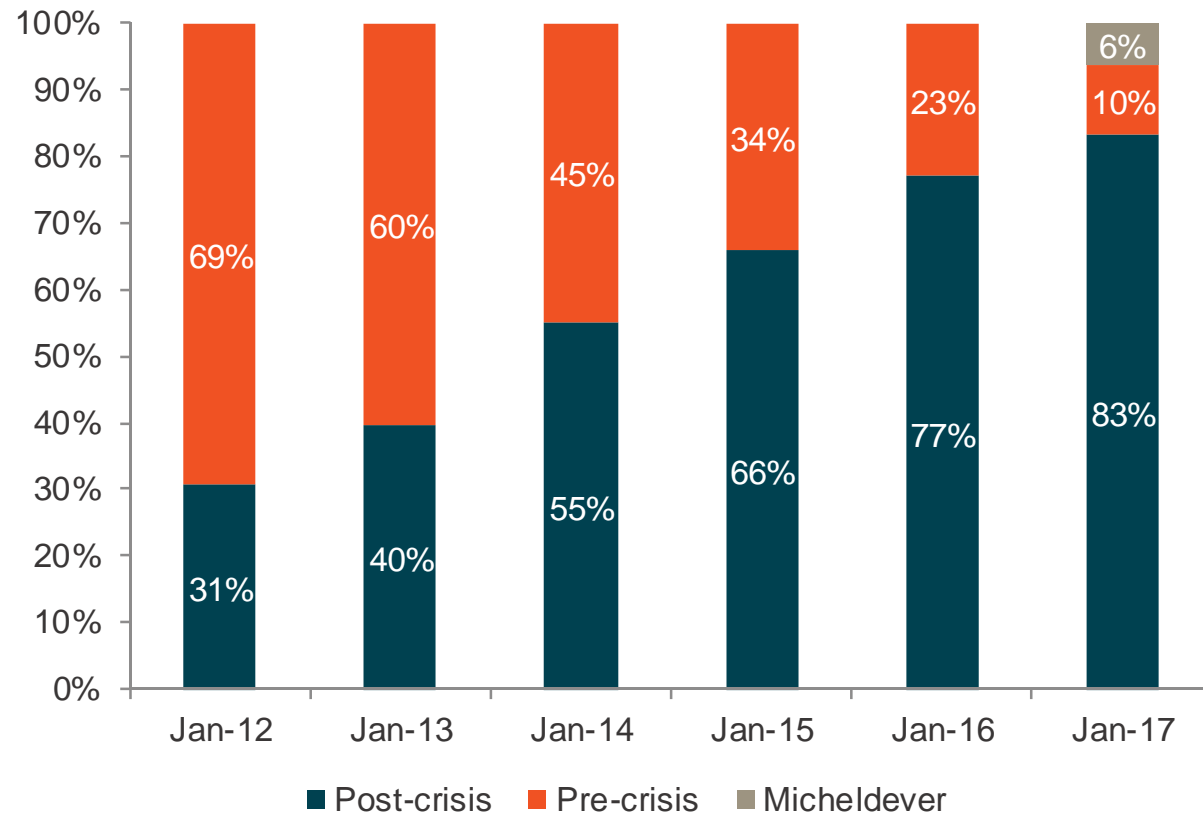
## Portfolio diversification





# Portfolio

## Portfolio split by vintage



Pre-crisis investments make up 16% of the January portfolio of which 6% relates to Micheldever

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## Useful information

**Structure:** Company registered in England and Wales

Investment trust tax status

Registered company number: 01571089

**Ticker:** ICGT.LON

**ISIN:** GB0003292009

**SEDOL:** 0329200

**Listing:** Premium London listing

**Website:** [www.icg-enterprise.co.uk](http://www.icg-enterprise.co.uk)

**Broker:** Numis Securities Limited

James Glass (Sales): + 44 (0) 20 7260 1369

**Manager:** ICG Alternative Investment Limited

Authorised and regulated by the Financial Conduct Authority under the Alternative Investment Fund Manager Directive

**Contacts:** Emma Osborne

+44 (0) 20 3201 1302

[Emma.Osborne@icgam.com](mailto:Emma.Osborne@icgam.com)

Kane Bayliss

+44 (0) 20 3201 1305

[Kane.Bayliss@icgam.com](mailto:Kane.Bayliss@icgam.com)

Mark Crowther

+44 (0) 20 3201 7842

[Mark.Crowther@icgplc.com](mailto:Mark.Crowther@icgplc.com)

Anthony McKay

+44 (0) 20 3201 7700

[Anthony.McKay@icgam.com](mailto:Anthony.McKay@icgam.com)

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