



# Introduction to ICG Enterprise Trust

Updated on: 19 October 2021



Note: All ICG Enterprise Trust data presented as at 31 July 2021 unless specified

# Private equity is an incredibly attractive asset class

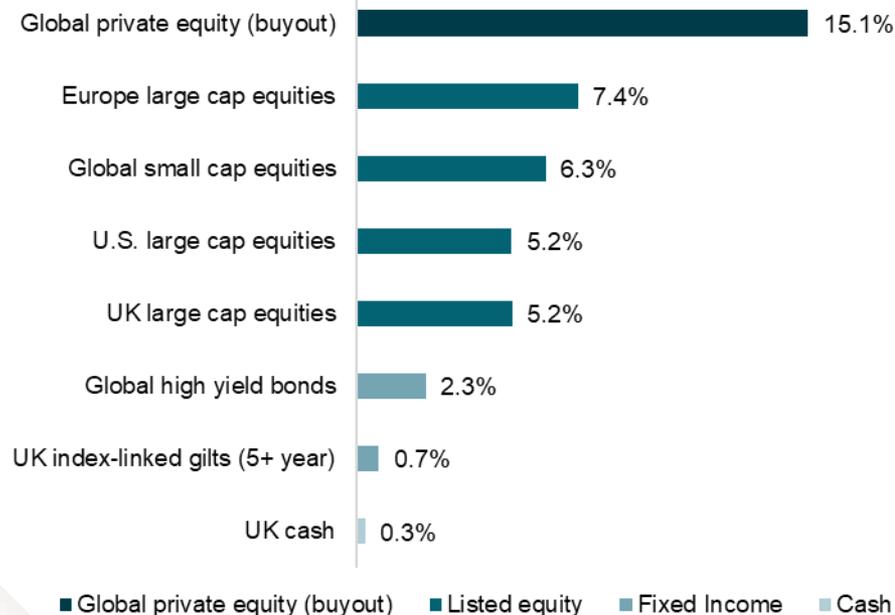
- ▶ Private equity is an important and growing part of the economy
- ▶ The sector has consistently outperformed public markets historically and that trend is expected to continue

\$6tn assets globally<sup>1</sup>

Attractive sector mix compared to public market indices

Outperforms public markets

## Historical outperformance expected to continue; 5 year time horizon<sup>2</sup>



# Private equity active ownership model drives outperformance

- ▶ Private equity managers acquire controlling stakes and create value by building better companies over the long term
- ▶ Investments generally made alongside company management teams, with strong alignment of interests



Active

- ▶ Drive strategic change, operational improvements and financial discipline
- ▶ Expertise and follow-on capital



Long-term

- ▶ Typical investment holding of four to seven years, never forced sellers (or buyers)
- ▶ Prioritise fundamental value creation over short term profit targets



Aligned interests

- ▶ Management remuneration closely tied to equity value creation
- ▶ Governance at the heart of private equity model



Extensive research

- ▶ Long lead time to investments (often years)
- ▶ Sector, country and company-specific expertise

# ICG Enterprise Trust: a FTSE250-listed investor in privately owned companies

- ▶ Founded in 1981, ICG Enterprise Trust is the longest active listed private equity investor on the London stock exchange
- ▶ We invest in private companies directly as well as through funds managed by ICG and other leading investors
- ▶ We aim to generate attractive risk-adjusted returns for long-term investors through capital appreciation and dividends

## Who we are

Founded in 1981

FTSE 250 constituent

Managed by ICG plc since 2016

£1,019m portfolio

## What we do

Provide access for shareholders of all sizes to the attractive long-term returns generated by investing in private companies

Invest in profitable, cash generative private companies in Europe and the US

Make these investments directly and through funds managed by ICG and third party managers

Aim to build a portfolio of companies with defensive growth characteristics that will generate consistently attractive returns over the long term

# Managed by an experienced team

- ▶ Our core team is focused purely on ICG Enterprise Trust, dedicated to investing our shareholders' funds
- ▶ They are supported by a broader team from our Manager, ICG plc, including ICG plc's CEO and CIO
- ▶ The Investment Committee has an average of over 20 years' experience investing in private companies

## ICG Enterprise Trust Investment Committee members



**Oliver Gardey**  
Head of Private Equity Investments  
*25+ years experience*



**Colm Walsh**  
Managing Director  
*15+ years experience*



**Benoît Durteste**  
ICG CIO and CEO  
*25+ years experience*



**Andrew Hawkins**  
Head of Private Equity Solutions  
*25+ years experience*

## ICG Enterprise Trust dedicated investment team



**Liza Lee Marchal**  
Principal  
*15 years experience*



**Kelly Tyne**  
Vice President  
*7 years experience*



**Lili Jones**  
Vice President  
*6 years experience*



**Craig Grant**  
Associate  
*4 years experience*

# A distinctive offering for long-term investors

- ▶ Our investment strategy and portfolio are distinctive offerings for investors seeking liquid exposure to private companies
- ▶ We aim to be the investment of choice for long-term investors seeking attractive risk-adjusted returns by investing in private companies

Sector and geographic exposure focused on generating defensive growth over the long term

41% US  
33% Europe  
18% UK

*Healthcare*  
*Technology*  
*Consumer services*

Distinctive and mature portfolio managed by some of the world's leading investors

*Carefully selected, mature portfolio of investments*  
*Investments managed by ICG and other leading managers*

Unique access to ICG's global platform

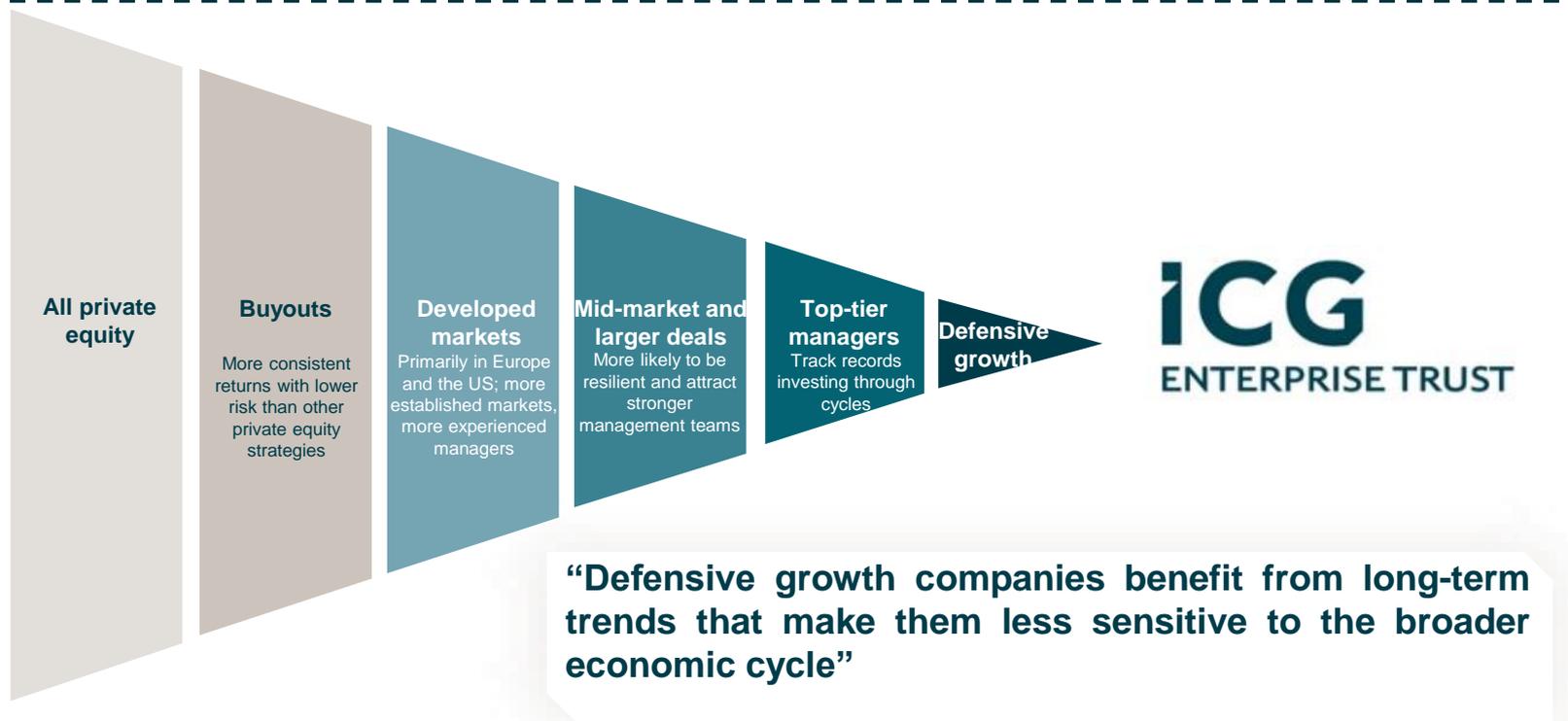
*Managed by ICG plc, a FTSE 100 alternative asset manager*  
*Unique access to ICG's funds and sourcing network*

Attractive net return profile

*12 consecutive years of double-digit portfolio growth*  
*16.1% annualised NAV per share total return over the last five years*

# Focused investment strategy targeting consistently strong risk-adjusted returns

- ▶ We aim to build a portfolio of companies that will generate consistently strong risk-adjusted returns over the long term
- ▶ We call this defensive growth, and it is where we focus our investment efforts
- ▶ Defensive growth characteristics come from a company's location, sector, size, business model and ESG profile



# Defensive growth themes prevalent throughout Portfolio

- ▶ Typical defensive growth characteristics include growth drivers that are not necessarily reliant on the economic environment, high recurring revenues, high margins, strong cash flow dynamics and low customer concentration
- ▶ There are a number of defensive growth 'themes' evident in our Portfolio, including the two examples below

## Technological advancements

- ▶ Businesses embedding technology into work processes to drive efficiencies
- ▶ Shift towards cloud-based applications and 'SaaS'



## Navigating regulatory complexity

- ▶ Rising burden of regulatory compliance in many sectors
- ▶ Greater focus on health and safety, safeguarding, environmental issues and financial services regulation



**MINIMAX**

# Responsible Investing considerations embedded throughout our investment process

- ▶ ESG is integrated through ICG Enterprise Trust's investment process, from deal screening through to ongoing monitoring

## Our approach to ESG integration



## Managers we made commitments to in FY21:

100%

Operate an ESG policy

100%

Have an ESG portfolio monitoring process

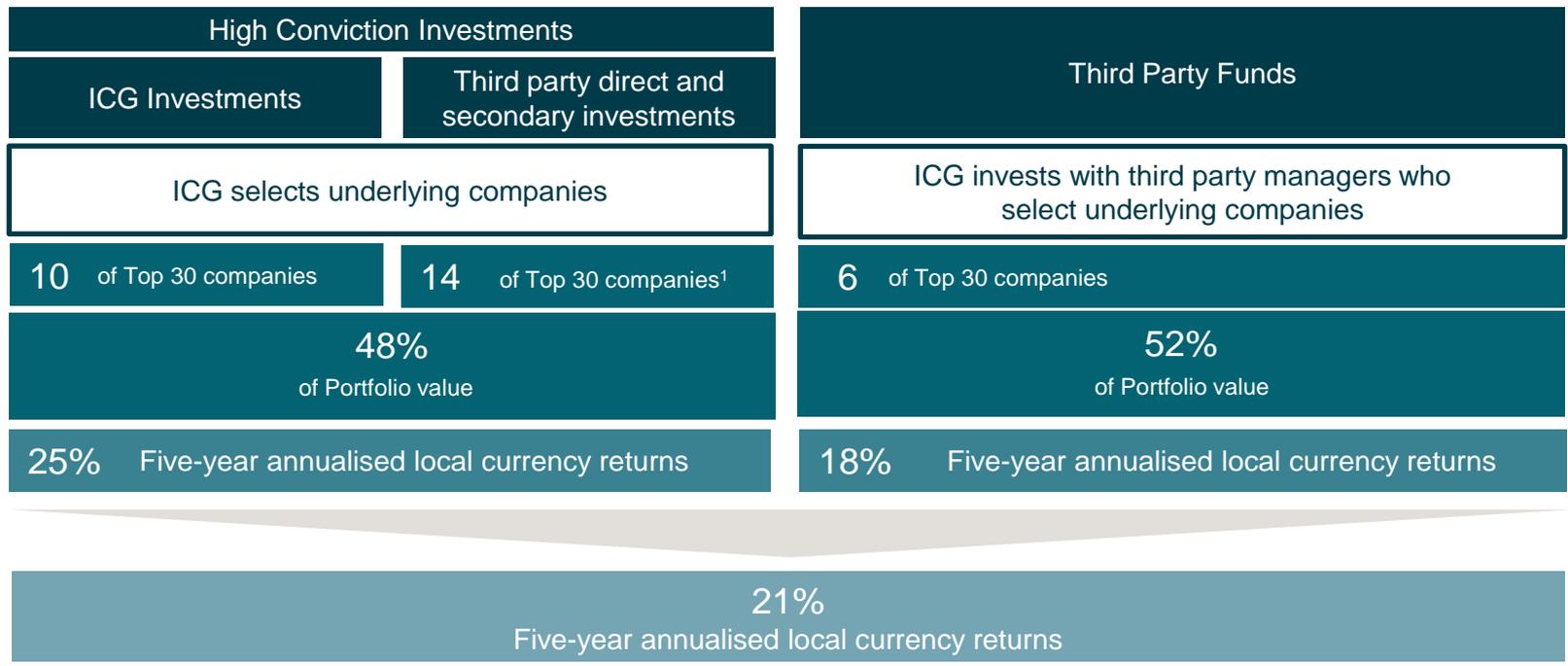
60%

Signatories of the UN's Principles for Responsible Investment

- ▶ Within ICG Enterprise Trust, ESG considerations are integrated across all stages of our tailored investment process
  - For High Conviction Investments we consider specific risks associated with the company's sector and geography, along with environmental (including climate change), social, corporate governance and ethical concerns
  - For Third Party Funds, seek to partner with high quality managers who share a similar approach to ESG
- ▶ ESG due diligence findings are presented to our Investment Committee and used to underpin the investment case
- ▶ Post-investment, we maintain active engagement with managers to identify and mitigate any potential ESG risks

# Investments in companies selected by ICG enhance returns from Third Party Funds

- ▶ Investments in companies selected by ICG have performed very strongly and are more prominent in our Top 30
- ▶ Third Party Fund investments serve to create a more diversified portfolio and provide opportunities for direct investments
- ▶ The result is an attractive and broad-based historical return profile



<sup>1</sup> All or part of investment held as a third party direct investment or acquired as part of third party secondary investment

# Third Party Funds are a strategic benefit, providing deal flow to direct investments

- ▶ Combination of Third Party Funds and direct investments is a powerful tool to create a well diversified Portfolio
- ▶ As well as being attractive investments on a standalone basis, Third Party Funds generate direct investment opportunities
- ▶ We are then able to select our favourite ideas from the direct investment opportunities we gain access to

## Examples of Third Party Funds and current direct investments<sup>1</sup>

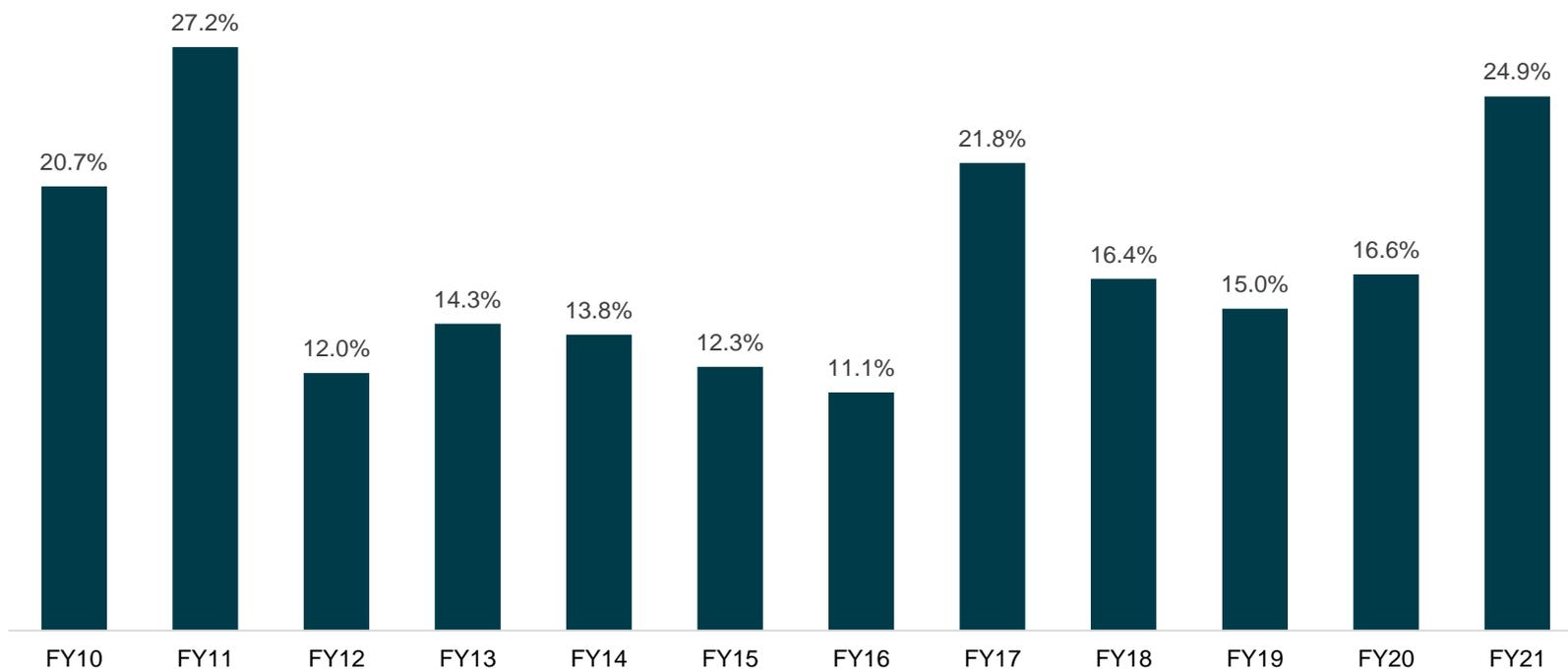


Investment made in FY21

- ▶ Commitments to Third Party Funds give us access to direct investment deal flow where we can increase exposure to the most attractive opportunities
- ▶ Opportunity for direct investments incorporated into initial decision to commit to Third Party Funds
- ▶ Given the life of Third Party Funds, we take a long-term relationship-driven view on potential direct deal flow

# 12 consecutive years of double-digit Portfolio growth<sup>1</sup>

▶ This focused investment strategy has led to 12 consecutive years of double-digit Portfolio growth<sup>1</sup>

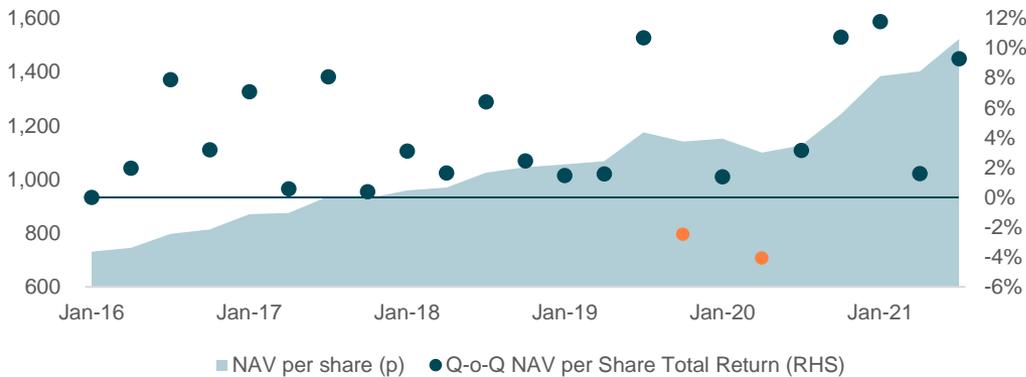


<sup>1</sup> Portfolio returns on a local currency basis

# Creating value for our shareholders

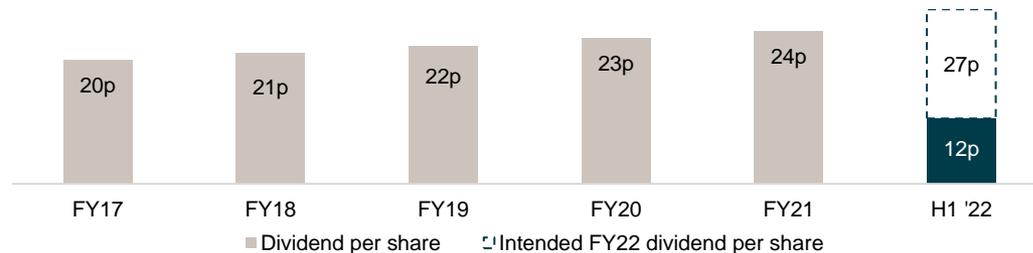
- ▶ We deliver value for our shareholders through the growth in our Portfolio value generating increases to our NAV
- ▶ Our historical NAV per share total return over the last five years is 16.1%, with only two quarters of negative returns
- ▶ We aim to create value for shareholders through a combination of capital appreciation and a progressive dividend policy

## Historical NAV growth



**+16.1%**  
Five-year annualised NAV per share total return

## Alongside progressive dividend policy<sup>1</sup>

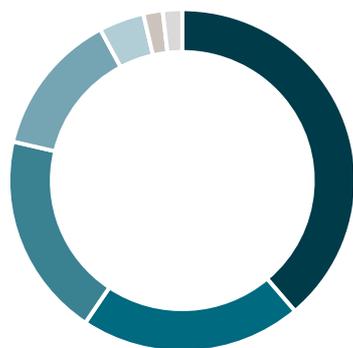


<sup>1</sup> In the absence of any unforeseen circumstances, it is the Board's current intention to declare total dividends of at least 27p per share for the financial year ending 31 January 2022. Cumulative dividends announced to date amount to 12p per share

# Portfolio positioned for continued defensive growth

- ▶ Focus on developed private equity markets and resilient sectors leaves Portfolio well positioned for continued growth
- ▶ Our Top 30 companies constitute 43% of the Portfolio and have shown strong revenue and profit growth historically, demonstrating the benefit of investing in companies with defensive growth characteristics

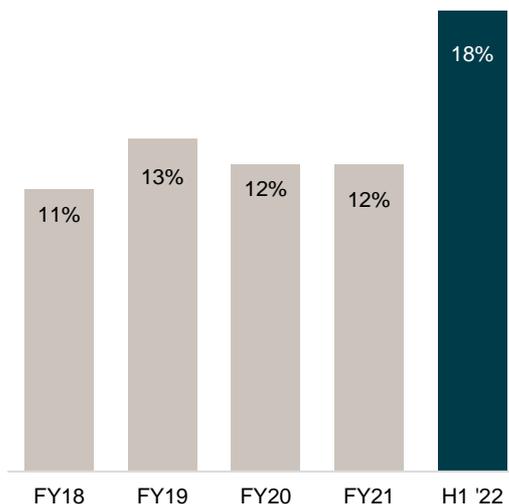
## Resilient sector exposure



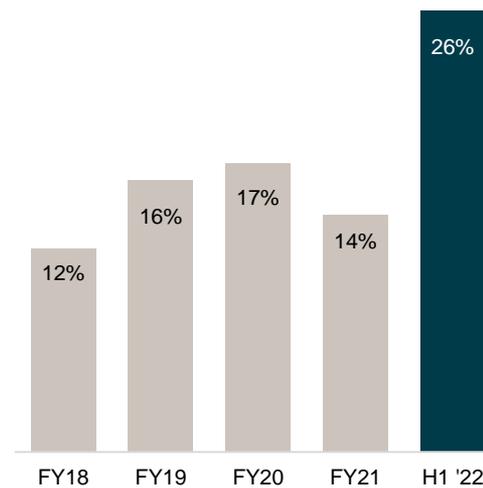
- Consumer goods and services
- Healthcare and education
- TMT
- Business services
- Industrials
- Financials
- Leisure

## Consistent growth in revenue and profitability for Top 30 companies<sup>1,2</sup>

Revenue growth



EBITDA growth



<sup>1</sup> PetSmart/Chewy, Allegro and Ivanti were excluded from this analysis for H1 '22 as EBITDA growth is not a relevant metric for these companies in the period

<sup>2</sup> Parameters of Top 30 companies not consistent over the time period presented

# We believe there is substantial 'hidden value' within our Portfolio

- ▶ Our Portfolio has a track record of seeing realisations delivered at a premium to carrying value
- ▶ We believe this is a structural feature of private equity valuations
- ▶ If this is correct, our Portfolio has substantial value embedded, not reflected if our shares trade at a discount to NAV

## Track record of realisations at an uplift to carrying value (%)<sup>1</sup>



## Structural feature of private equity valuations?

- ▶ Dynamics within private equity managers result in a desire to show uplifts to NAV at exit rather than realising a loss to carrying value
- ▶ Our Managers are not forced sellers: if market conditions are not favourable, or a business needs further time to grow into a successful exit, it is likely to be held for longer
- ▶ The diversity of our Portfolio means that any individual losses can be absorbed by a broad base of successful realisations

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# Links for further information



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	ICG Enterprise Trust website	<a href="https://www.icg-enterprise.co.uk">ICG Enterprise Trust - a leading listed private equity investor (icg-enterprise.co.uk)</a>
	Oliver Gardey and Colm Walsh discuss our investment strategy	<a href="https://www.icg-enterprise.co.uk">ICG Enterprise Trust Investment Strategy video - Insights - News and Insights - ICG Enterprise Trust (icg-enterprise.co.uk)</a>
	FY21 Annual Report	<a href="https://www.icg-enterprise.co.uk">icg-ar2021-web-screen.pdf (icg-enterprise.co.uk)</a>
ICG Enterprise Trust	H1 FY22 results announcement	<a href="https://www.icg-enterprise.co.uk">ICGT Half year results to 31 July 2021 (icg-enterprise.co.uk)</a>
	H1 FY22 results presentation	<a href="https://www.icg-enterprise.co.uk">ICGT Half year results to 31 July 2021 Presentation (icg-enterprise.co.uk)</a>
	Latest Factsheet	<a href="https://www.icg-enterprise.co.uk/media/1601/icg-2022-q2-factsheet_final.pdf">https://www.icg-enterprise.co.uk/media/1601/icg-2022-q2-factsheet_final.pdf</a>
	ESG and Responsible Investing	<a href="https://www.icg-enterprise.co.uk">ESG - About us - ICG Enterprise Trust (icg-enterprise.co.uk)</a>
ICG plc (ICG Enterprise Trust's Manager)	ICG plc website	<a href="https://www.icgam.com">Intermediate Capital Group plc (icgam.com)</a>
	ICG plc's Responsible Investing Policy	<a href="https://www.icgam.com">Responsible Investing Policy 2021 (icgam.com)</a>
Other	The AIC – Exploring Private Equity	<a href="https://www.aic.com">Exploring the Private Equity sector   The AIC</a>
	The AIC's overview of ICG Enterprise Trust	<a href="https://www.aic.com">ICG Enterprise   The AIC</a>

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