



# New Day

## Credit Re-imagined

Interim update for the six months ended 30 June 2019



## NewDay's owners

We are indirectly owned by funds advised by Cinven and CVC Capital Partners (CVC).

Cinven is a leading international private equity firm with more than 80 investment professionals and more than 160 staff across offices in London, Paris, Madrid, Frankfurt, Luxembourg, Milan, Guernsey, Hong Kong and New York. With a track record spanning more than 30 years, Cinven's focus is on delivering attractive returns to their investors by driving value creation in the companies in which they invest. Cinven achieves this by identifying compelling opportunities and partnering with management to grow and transform good quality companies into domestic, regional or international leaders that are highly attractive to potential buyers. Cinven's fully integrated model, which draws on sector, regional, portfolio and capital markets expertise, ensures that their approach is consistent, creative and collaborative throughout the investment lifecycle.

Cinven has a long and differentiated track record of investment in the financial services sector including in highly regulated assets where its track record includes the acquisitions of Premium Credit, Partnership Assurance (now part of Just group) and Guardian Financial Services in the UK. In Ireland, it acquired Guardian the life insurance business and Avolon, the aircraft leasing business. In Germany it acquired Viridium (formerly Heidelberger Leben), with the business subsequently combined with Generali Leben; in Italy, Cinven formed the Eurovita group through the merger of ERGO Previdenza, Old Mutual Wealth Italy and Eurovita Assicurazioni.

CVC Capital Partners is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 24 offices and approximately 450 employees throughout Europe, Asia, South America and the US.

To date, CVC has secured commitments of over US\$116bn from some of the world's leading institutional investors across its private equity and credit strategies. In total, CVC currently manages over US\$75bn of assets. Today, funds managed or advised by CVC are invested in 72 companies worldwide, employing c.200,000 people in numerous countries. Together, these companies have combined annual sales of over US\$150bn.

CVC's financial services team has invested over €3bn of equity capital in the financial services sector since the team's inception in 2008, including its historic and current portfolio companies, Paysafe, Pension Insurance Corporation, Skrill, Domestic & General and Brit Insurance in the United Kingdom, Avolon in Ireland, Cunningham Lindsey in the United States, Cerved in Italy, Sun Hung Kai in China and Rizal Commercial Banking Corporation and SPi Global in the Philippines.

## Cautionary statement

This interim update (this "Document") is provided in accordance with Part V of the Guidelines for Disclosure and Transparency in Private Equity in relation to the NewDay group of companies (comprising NewDay Group (Jersey) Ltd (the "Company") together with its subsidiaries and subsidiary undertakings (the "Group")). The Group includes various UK portfolio companies including NewDay Cards Ltd and NewDay Ltd.

All financial information contained in this Document relates to the consolidated financial results of the Company. The financial information contained in this Document has not been audited or verified by any independent accounting firm. All non-financial information contained in this Document relates to the business, assets and operations of the Group.

The Board of Directors of NewDay Group UK Ltd is responsible for the oversight of the Group's activities and management of the Group's UK subsidiaries. The managers of NewDay Group Holdings S.à.r.l. remain responsible for matters relating to NewDay Group Holdings S.à.r.l. and the Directors of NewDay Group (Jersey) Ltd remain responsible for matters relating to NewDay Group (Jersey) Ltd. The governance and risk framework described in this report relates to the governance and risk framework established for the Group's UK subsidiaries. Except where expressly stated otherwise, references to the Board is to the Board of Directors of NewDay Group UK Ltd.

Certain financial data included in this Document consists of "non-IFRS financial measures". These non-IFRS (International Financial Reporting Standards) financial measures, as defined by the Company, may not be comparable to similarly titled measures as presented by other companies, nor should they be considered as an alternative to the historical financial results or other indicators of the Company's cash flow based on IFRS. Even though the non-IFRS financial measures are used by management to assess the Company's financial position, financial results and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of the Company's financial position or results of operations as reported under IFRS. The inclusion of such non-IFRS financial measures in this Document or any related presentation should not be regarded as a representation or warranty by the Company, any member of the Group, any of their respective affiliates, advisers or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations of the Company and should not be relied upon.

References to Adjusted EBITDA throughout this Document are references to 'Consolidated EBITDA' as defined in the legal documentation relating to the €425m Senior Secured Notes issued by NewDay BondCo plc on 25 January 2017 (the Senior Secured Debt) and the Super Senior Revolving Credit Facility entered into by the Company on 25 January 2017 (the Revolving Credit Facility) based on IFRS as in force as at 30 June 2019 (or, in respect of periods ending prior to 30 June 2019, IFRS at the relevant time). However, all ratios, baskets and calculations required under the terms of the Senior Secured Debt and Revolving Credit Facility are based on IFRS as in force as at 25 January 2017. As a result, such ratios, baskets and calculations may differ significantly from any ratios or figures which are contained in this Document. In particular, except where otherwise expressly stated to be the case, references to Senior Secured Debt to adjusted EBITDA and adjusted EBITDA to pro forma cash interest expense contained in this Document have been calculated (subject to certain adjustments) in accordance with IFRS as in force as at 30 June 2019 (or, in respect of periods ending prior to 30 June 2019, IFRS at the relevant time). As a result, such figures will differ significantly from the calculation of Consolidated Senior Secured Net Leverage Ratio and Fixed Charge Corporate Debt Coverage Ratio (as defined under the terms of the Senior Secured Debt and Revolving Credit Facility).

This Document may contain forward-looking statements. All statements other than statements of historical fact included in this Document are forward-looking statements. Forward-looking statements express the Company's current expectations and projections relating to their financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "aim," "anticipate," "believe," "can have," "could," "estimate," "expect," "intend," "likely," "may," "plan," "project," "should," "target," "will," "would" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the Company's actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which it will operate in the future. You acknowledge that circumstances may change and the contents of this Document may become outdated as a result.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in any member of the Group, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto.

The information contained in this Document should be considered in the context of the circumstances prevailing at the time and will not be updated to reflect material developments that may occur after the date of this Document. The information and opinions in this Document are provided as at the date of this Document and are subject to change without notice. None of the Company, any member of the Group, any of their respective affiliates, advisers or representatives or any other person shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Document or its contents or otherwise arising in connection with this Document, or any action taken by you or any of your officers, employees, agents or associates on the basis of the information in this Document.

# Credit Re-imagined

We are a leading consumer credit company serving around five million customers across the UK through our diverse and growing business.

We are driven by our purpose to help people be better with credit and we put our customers at the heart of what we do, guided by the four principles of our Manifesto – Welcoming, Understanding, Knowing and Rewarding.

Our specialist capabilities are underpinned by a leading digital platform with an agile, innovative culture delivering value for our customers, colleagues and stakeholders.

Originally a credit card provider, our vision is now to become the UK's leading digitally enabled consumer finance provider, responsibly saying "yes" to more customers and developing innovative tools to help people stay in control of their finances and access credit seamlessly.

We continue to be one of the most inclusive lenders in the UK and we strive to help customers responsibly make the most of their credit products.

**Our purpose is to  
help people be better  
with credit.**

# At a glance

## Who we are

NewDay is one of the most inclusive lenders in the UK. With around five million customers, we cover a broad cross section of the UK credit market.

### We are an innovative digital business with a clear Manifesto.

We believe it is important to help people be better with credit by responsibly saying “yes” to customers who apply for credit, understanding the varying needs of our customers, building long-term relationships and rewarding customers for managing their credit well.

We have specialist capabilities in near-prime lending and co-brand credit solutions and offer a range of credit products. Through our Own-brand business, we offer near-prime **revolving credit** and **unsecured personal loans** to customers who may not have access to credit from mainstream lenders. Our Co-brand business offers credit to customers across prime and near-prime segments together with loyalty and other rewards. Our access to data and in-depth customer insights enable us to provide valued support to our retail partners and evolve our products around customers' changing needs.



An established **UK-focused** business with a **heritage** in credit and partnerships



A digital business that believes in innovation with **best-in-class** customer journeys



**Trusted partner** with some of the largest brands in the UK



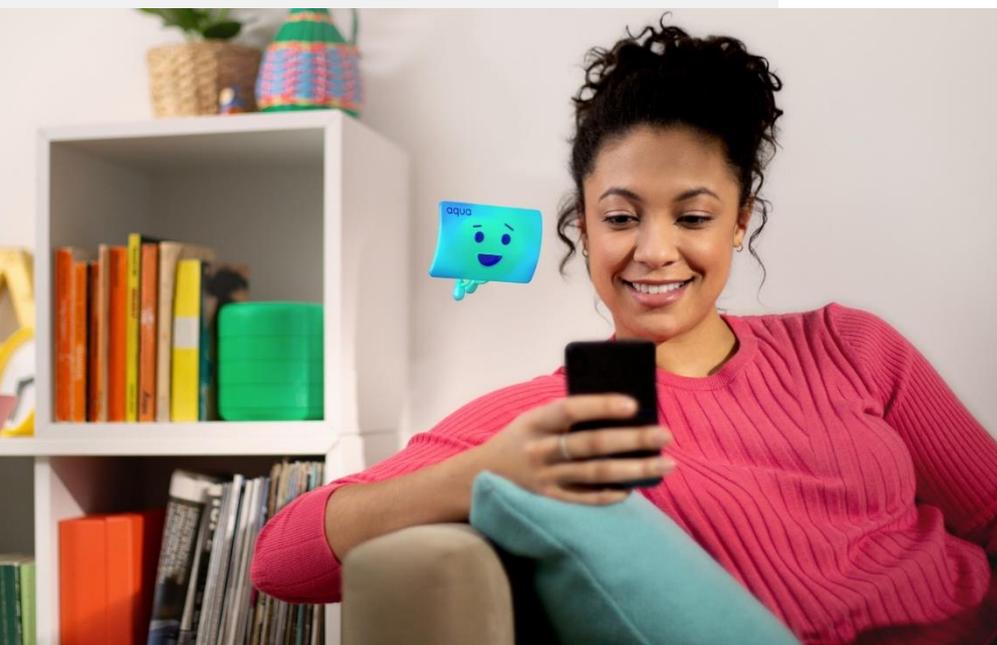
Our **clear customer Manifesto** is designed to deliver our purpose to **help people** be better with credit

## NewDay in numbers

Our award-winning business is growing

# £2.7bn

(30 June 2018: £2.3bn)  
consumer spend



# £2.7bn

(30 June 2018: £2.3bn)  
closing receivables



# +67

(30 June 2018: +64)  
transactional  
Net Promoter Score  
(average customer feedback score  
when rating their experience on an  
interaction with us)

# £67.9m

(30 June 2018: £35.7m)  
adjusted EBITDA



# 1.8m

(30 June 2018: 0.9m)  
app downloads to date



# 57m

(30 June 2018: 48m)  
transactions processed

“Our goal is to become the leading digitally enabled consumer finance provider in the UK and our results for the first half of 2019 evidence continued progress on this journey”

**James Corcoran**  
Executive Director and Chief Executive Officer



#### Trading update

For the six months ended 30 June 2019, we continued on our growth trajectory and journey to becoming the leading digitally enabled consumer finance provider in the UK. The following key highlights were delivered:

- Continued controlled growth resulted in Group receivables increasing by 17% to £2.7bn (30 June 2018: £2.3bn);
- 18% increase in customer spend to £2.7bn (30 June 2018: £2.3bn) and 57m transactions processed (30 June 2018: 48m);
- 554,000 new accounts opened (30 June 2018: 556,000), of which 69% were generated online (30 June 2018: 62%). Online spend accounted for 39% of all credit card retail spend (30 June 2018: 38%);
- 1.8m app downloads to date (30 June 2018: 0.9m) with a 4.7 star average app store rating;
- Adjusted EBITDA for the half-year increasing by 90% to £67.9m (30 June 2018: £35.7m);
- In July 2019, the Own-brand portfolio successfully launched a re-brand of *Aqua*, embedding our Manifesto into the heart of the *Aqua* brand;
- We entered into partnership with two large UK retailers. We issued our first Argos Classic Mastercard in April and are on track to launch with AO.com, our second partner to use *NewPay*, our digital revolving credit product, in the near future. Additionally, we launched a Young Fashion proposition widening our offering in the Arcadia portfolio;
- Improved customer satisfaction with an average year-to-date net promoter score of +67 (30 June 2018: +64); and
- In Q2, we successfully refinanced part of our asset-backed term debt issued in connection with our Own-brand securitisation programme with the issuance of £285.0m of debt (of which £36.0m was retained internally within the Group).

#### Regulatory developments

We are fully authorised by the Financial Conduct Authority (FCA) to carry out consumer credit activities in the UK. There has been no significant change in the regulatory environment since communicated in our 2018 Annual Report.

#### Board of Directors

The Board is responsible for overseeing the Group's activities. The Directors are apprised of, debate and challenge operational performance metrics, risk matters, customer and conduct related matters and receive reports on current strategic initiatives. The aim of the Board is to strike an appropriate balance between risk and reward, whilst ensuring positive customer outcomes.

There have been no changes to the Board members in the six months ended 30 June 2019. The biographies of each current member of the Board can be found on our website at <https://www.newday.co.uk/about-us/leadership/board-of-directors/>.

In 2019, John Hourican was announced as successor to James Corcoran as Chief Executive Officer of the Group. John will take up the role in September 2019 and James will remain in the role until then to ensure an orderly transition. Following the handover, James will become a Non-Executive Director and remain on the Board. John brings a significant wealth of experience and expertise to the Board that we believe will help deliver our growth ambitions. John is currently the Chief Executive Officer of Bank of Cyprus, the largest banking and finance services group in Cyprus. During his tenure, John reshaped the business, re-established its deposit base, improved the quality of its loan book and strengthened its financial position. John was named Euromoney's Banker of the Year in 2015 and prior to joining Bank of Cyprus, John served as Chief Executive Officer of the RBS Group's Investment Bank (Markets & International Banking) from 2008 until 2013.

## Risk Management

Our Risk Management Framework is embedded within the corporate governance structure, with a strong emphasis on the effective management of risk on a day-to-day basis, coupled with strong oversight, challenge and assurance.

Managing risk effectively is important to us and fundamental to the way we oversee our business to maximize shareholder returns in a responsible and sustainable manner. Our Risk Management Framework and principal risks overview are detailed on pages 46 to 55 of our 2018 Annual Report and Financial Statements. Our principal risks and uncertainties for the Group remain largely unchanged from those disclosed in the Annual Report.

## “Our purpose is to help people be better with credit”

### Being a responsible lender

Our Manifesto is at the heart of everything we do and it remains a strategic priority. We are committed to helping customers be better with credit through our foundations of being a Welcoming, Understanding, Knowing and Rewarding business. This focus ensures we continue to strive to provide excellent customer service and develop products and services that evolve in line with our customers’ changing needs in order to build long-term relationships. We continue to lend responsibly through the deployment of our ‘low and grow’ strategy, offering each customer a low initial credit limit until that customer demonstrates he or she can actively manage and afford further credit in a responsible and sustainable manner. This is supported by robust scorecards built on several years of experience and data analytics.

We aim to responsibly say “yes” to customers and partner with them through their credit journey. In the Own-brand portfolio, we provide online financial health check tools to customers to support them in developing a greater understanding of their financial situation so that they can become better with credit and benefit from the rewards offered through our products. Our contact centre colleagues are also trained to identify potentially vulnerable customers and a specialist team is in place to provide those customers with the support they need.

Our contact centre achieved Highly Commended in the Card and Payment awards in February for Best Achievement in Customer Service and we are finalists in two categories in the UK Customer Experience Awards 2019.



### Being a responsible employer

We recognise that engaged employees drive better outcomes for our customers and our business. We are focused on improving our engagement through developing our colleagues and making sure we have a diverse and inclusive culture with a focus on creating a healthy and safe environment for our people to work in. In doing this, we are committed to ensuring our working environment is one in which employees feel valued and respected. We operate an equal opportunities policy and oppose all forms of discrimination; we believe colleagues, prospective colleagues, partners, suppliers and customers should be treated fairly regardless of race, colour, nationality, gender, age, religion, marital status, sexual orientation, disability or any other personal characteristics.

We support the provision of a living wage and gender equality. Our gender pay gap report is available at <https://newday.co.uk/sustainability/gender-pay-gap-reporting/>.

We are committed to supporting colleagues to achieve their personal aspirations and we listen to colleagues to improve their, and ultimately our customers’, experiences. We also promote an environment that is rewarding and engaging for colleagues whilst balancing our entrepreneurial spirit with good judgement around risk appetite.

A bi-annual externally managed employee survey consistently demonstrates high levels of employee engagement.

As at 30 June 2019, we employed over 1,100 staff across our London and Leeds sites.

## “Understanding our customers is key to great customer service at NewDay”

### Human rights

We are fully committed to supporting human rights through maintaining compliance with all relevant laws and regulations.

Our modern slavery and human trafficking statement can be found on our website at <https://newday.co.uk/sustainability/modern-slavery-and-human-trafficking-statement/>.

# “Driving high standards for our customers, colleagues and community through our Manifesto”

## **Supporting our communities**

We know that we have a responsibility to local communities and society in general as well as our stakeholders including customers, colleagues and shareholders and we take this responsibility very seriously. Accordingly, we partnered with Family Action to support their aim of providing practical, emotional and financial support to those who are experiencing poverty, disadvantage and social isolation. Additionally, we regularly donate to charities providing debt advice and counselling in the UK, as well as providing matched funding on charity fundraising initiatives undertaken by our colleagues.

In the six months to 30 June 2019 we donated £0.3m to charity.

We won the gold prize for Charitable Contribution at the International Corporate Social Responsibility Excellence Awards, and have also achieved Green World Ambassador status.

## **Environmental, Social and Governance (ESG) matters**

We recognise the importance of minimising our impact on all aspects of the environment and communities in which we operate.

Our carbon footprint is considered to be low, owing to our robust ESG policies and encouraging train travel between our two sites. Our social impact is driven by our Manifesto which is focused on positive customer outcomes and helping people be better with credit. Additionally, to ensure appropriate engagement and motivation of our colleagues, we regularly monitor employee engagement through externally managed employee surveys.

Delivering long-term sustainability is a fundamental objective at Board level. We recognise the importance of minimising our impact on the environment and of being a responsible lender and employer and our ESG framework ensures appropriate focus and accountability across the business. Our ESG policy provides an assessment framework that considers the significant ESG issues across the business, the outcomes of which are used to identify risks and opportunities for improvement. The governance in place assigns roles and responsibilities for developing and overseeing ESG reporting processes and ensuring compliance with our ESG policy. Management processes have been developed to identify ESG risk areas and opportunities, with the Board taking responsibility for ESG and reviewing ESG performance at regular intervals.

