

New Day

An aerial photograph of London, England, taken during sunrise. The sun is low on the horizon, casting a warm, golden glow over the city. The River Thames winds through the center of the city. The Shard, a prominent skyscraper, stands on the left side of the image. The city is densely packed with buildings of various heights and styles. The sky is a clear, bright blue, transitioning to a hazy orange near the horizon.

Interim update for the six months
ended 30 June 2018

NewDay's owners

The Group is indirectly owned by funds advised by Cinven and CVC Capital Partners (CVC).

Cinven is a leading international private equity firm, founded in 1977, with offices in London, Frankfurt, Guernsey, Hong Kong, Luxembourg, Madrid, Milan, New York and Paris. Today Cinven manages capital on behalf of more than 500 investors globally. Funds managed by Cinven acquire companies with a European focus that will benefit from Cinven's expertise of growing and building companies globally and require an equity investment of €200 million or more. Cinven can also invest selectively in businesses in North America. Cinven's Portfolio team helps its portfolio companies take advantage of international best practices and growth in global markets, including those in Asia and the Americas. Cinven uses a matrix of sector and country experience to invest in companies where it can strategically drive revenue growth. Cinven focuses on six sectors: Business Services, Consumer, Financial Services, Healthcare, Industrials, and Technology, Media and Telecommunications and has invested in companies in 15 countries.

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. It acquired Ark Life, as an add-on acquisition for Guardian, and Avolon, the aircraft leasing business, in Ireland; in Germany, Viridium (formerly Heidelberger Leben) with Skandia Germany and Protektor as add-on acquisitions; in Italy, Cinven formed the Eurovita group through the merger of ERGO Previdenza, Old Mutual Wealth Italy and Eurovita Assicurazioni.

CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 23 offices and over 450 employees throughout Europe, Asia, South America and the US.

To date, CVC has secured commitments of over US\$110 billion from some of the world's leading institutional investors across its private equity and credit strategies. In total, CVC currently manages over US\$70 billion of assets. Today, funds managed or advised by CVC are invested in over 60 companies worldwide, employing c.275,000 people in numerous countries. Together, these companies have combined annual sales of over US\$55 billion.

CVC's financial services team have advised on investments of over €4 billion 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, advisors 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 when making an investment decision.

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, advisors 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.

“The Group reported receivables growth of 23% in the first half of 2018, broadened its product offering in the near-prime sector with the launch of *Fluid* and delivered key milestones of its Value Creation Plan with the implementation of new e-servicing and mobile application platforms.”

James Corcoran, Chief Executive Officer

Business model

NewDay is a leading UK consumer finance provider, operating within the near-prime and Co-brand sectors of the UK credit card market as well as the unsecured personal loan market. The Group's deep understanding of its customer segments allow it to lend responsibly and deliver innovative customer-focused products. As at 30 June 2018, the Group had over 4.4m open customer accounts in the UK, with receivables of £2.3bn. The Group's business is underpinned by its Manifesto to help people be better with credit which embodies four core principles:



Welcoming

The Group aims to responsibly say "yes" to as many people as possible who apply for credit. Customers are assessed to ensure affordability criteria are met and that they are provided with the right service at an appropriate rate.

The Group strives to provide customers with a great experience by offering products and services that are simple, intuitive and useful.



Understanding

The Group aims to build lifelong relationships with customers and recognises that customers may want to change products as their circumstances change and therefore offers a range of solutions.

If things are not going quite to plan, the Group offers customer support, agreeing appropriate actions for moving forward.



Knowing

The Group understands the varying needs of its customers and provides a range of products and services to suit these different needs. These aim to help all customers be better with credit.

The Group utilises its analytical expertise, combined with partner insight, to the benefit of customers and provides tools that help people manage credit more easily and allows them to access the benefits it provides.



Rewarding

The Group rewards customers for managing their credit well. This can mean providing benefits as a result of them paying on time and sticking to the commitments they have made or providing rewards for customers' loyalty.

Ultimately, the Group's success is based on helping customers be better with credit.

Trading update

The Group continued on its growth trajectory for the six months ended 30 June 2018, with the following key highlights:

- Continued controlled growth resulted in Group receivables increasing by 23% to £2.3bn (30 June 2017: £1.9bn);
- Adjusted EBITDA for the half-year of £35.7m (30 June 2017: £54.3m). The reduction year-on-year is driven by additional impairment requirements of IFRS 9 'Financial Instruments' which the Group adopted on 1 January 2018. Adjusted EBITDA after adding back movements in the impairment provision increased by 23% to £74.3m (30 June 2017: £60.6m);
- Broadened the Group's product offering in the near-prime sector with the launch of *Fluid* which is targeted to the balance transfer market;
- Enhanced the digital capabilities of the Group with the launch of a new e-servicing and mobile application platform, pursuant to the Group's Value Creation Plan;
- In July 2018, the Group completed a successful refinance within the Own-brand asset-backed securitisation programme with the issuance of £340m asset-backed term debt (£56m was retained by Group entities), of which US\$93m was raised in US capital markets – a first for the Group; and
- Sir Michael Rake appointed as the Group's Chairman to leverage his broad experience and expertise to continue to drive the Group forward.

Value Creation Plan

The Group's Value Creation Plan is intended to drive benefits in 2018 and beyond. It is built on four key foundations: protecting the business; enhancing credit and collections strategies; transforming digital capabilities; and generating further operational efficiencies.

The Group remains fully committed to the Value Creation Plan and has delivered on several key milestones in 2018. In the half-year, the Group implemented a new, customer-focused, e-servicing and mobile application platform fundamentally transforming the digital capabilities of the customer's journey with NewDay.

Regulatory developments

NewDay is fully authorised by the Financial Conduct Authority (FCA) to carry out consumer credit activities in the UK.

During the half-year the Group implemented and embedded operational changes arising as a result of the General Data Protection Regulation (GDPR) and The Second Payment Services Directive (PSD2).

The Group continues to implement its strategy in response to the FCA's Credit Card Market Study (CCMS). In particular, new customer communications, payment options and processes are being embedded across the business to assist customers considered to be in persistent debt and to assist the wider customer base in avoiding persistent debt in the future. All changes will be in place prior to the FCA implementation date of 1 September 2018. In addition, the Group is considering the FCA's recent consultation paper on High Cost Credit which proposes, amongst other things, that the regulation being introduced as part of the CCMS be extended to store cards and other forms of revolving retail credit. It is anticipated that the FCA will publish a policy statement providing final rules and guidance in Q4 2018. The Group welcomes this development and hopes it will ensure a level playing field across the market. In any event, if carried forward the Group expects the proposals will impact a small proportion of its overall portfolio.

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.

In May 2018, Sir Michael Rake was appointed as Chairman of the Board. Sir Michael has extensive experience spanning financial services and customer-focused industries including roles at Barclays, KPMG, Worldpay, easyJet and BT. He replaced Sir Malcolm Williamson who remains on the Board as an Independent Non-Executive Director. Additionally in May 2018, Johan Petterson was appointed to replace Rory Neeson as a Cinven Investor Director.

The biographies of each current member of the Board can be found on the Group's website at <https://www.newday.co.uk/investor-relations/corporate-governance/board-of-directors/>.

Risk Management

The Group's 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 the Group and fundamental to the way NewDay oversees its business to maximize shareholder returns in a responsible and sustainable manner. The Group's Risk Management Framework and principal risks overview are detailed on pages 29 to 43 of the Group's 2017 Annual Report and Financial Statements. The principal risks and uncertainties facing the Group remain largely unchanged from those disclosed in the Annual Report.

Responsible lending

The Group's Manifesto is focused on helping customers be better with credit. NewDay continues to lend responsibly through the deployment of its '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 16 years of experience and data analytics.

Additionally, Own-brand customers are provided with online financial health check tools 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 by the Group. The Group's 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.

Supporting colleagues

The Group's aim is to attract, engage, motivate and retain the highest performing colleagues to fulfil its growth ambitions. In doing this, the Group is committed to ensuring its working environment is one in which employees feel valued and respected. NewDay operates an equal opportunities policy and oppose all forms of discrimination; the Group believes employees, prospective employees, partners, suppliers and customers should be treated fairly regardless of race, sexual orientation, disability, or any personal characteristics.

The Group supports the provision of a living wage and gender equality. The Group's gender pay gap report is available at <https://www.newday.co.uk/sustainability/gender-pay-gap-reporting/>.

The Group is committed to supporting colleagues to achieve their personal aspirations and listens to colleagues to improve their, and ultimately the Group's customers', experiences. NewDay also promotes an environment that is rewarding and engaging for colleagues whilst balancing its 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 2018, the Group employs 1,100 staff across its London and Leeds sites.

Human rights

The Group is fully committed to supporting human rights through maintaining compliance with all relevant laws and regulations.

NewDay's modern slavery and human trafficking statement can be found on its website at

<https://www.newday.co.uk/sustainability/modern-slavery-and-human-trafficking-statement/>.

Supporting the community

The Group recognises local communities and the wider society in general as a key stakeholder with their combined welfare being pivotal to NewDay's success. Accordingly, NewDay partners with Family Action to support its aim of providing practical, emotional and financial support to those who are experiencing poverty, disadvantage and social isolation. Additionally, the Group regularly donates to charities providing debt advice and counselling in the UK, as well as providing matched funding on charity fundraising initiatives undertaken by its colleagues.

Environmental, Social and Governance (ESG)

The Group recognises the importance of minimising its impact on all aspects of the environment and communities in which it operates.

The Group's carbon footprint is considered to be low, owing to the Group's ESG policies and encouraging train travel between its two sites.

The Group's social impact is driven by its Manifesto which is focused on positive customer outcomes and helping people be better with credit. Additionally, to ensure appropriate engagement and motivation of its colleagues, NewDay regularly monitors employee engagement through externally managed employee surveys.

The Group applies an ESG framework to ensure appropriate focus and accountability. The framework considers the significant ESG issues across the business including those related to health and safety, anti-bribery and corruption, and data security breaches. 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 the Group's ESG policy. The Board takes responsibility for ESG and reviewing ESG performance at regular intervals.