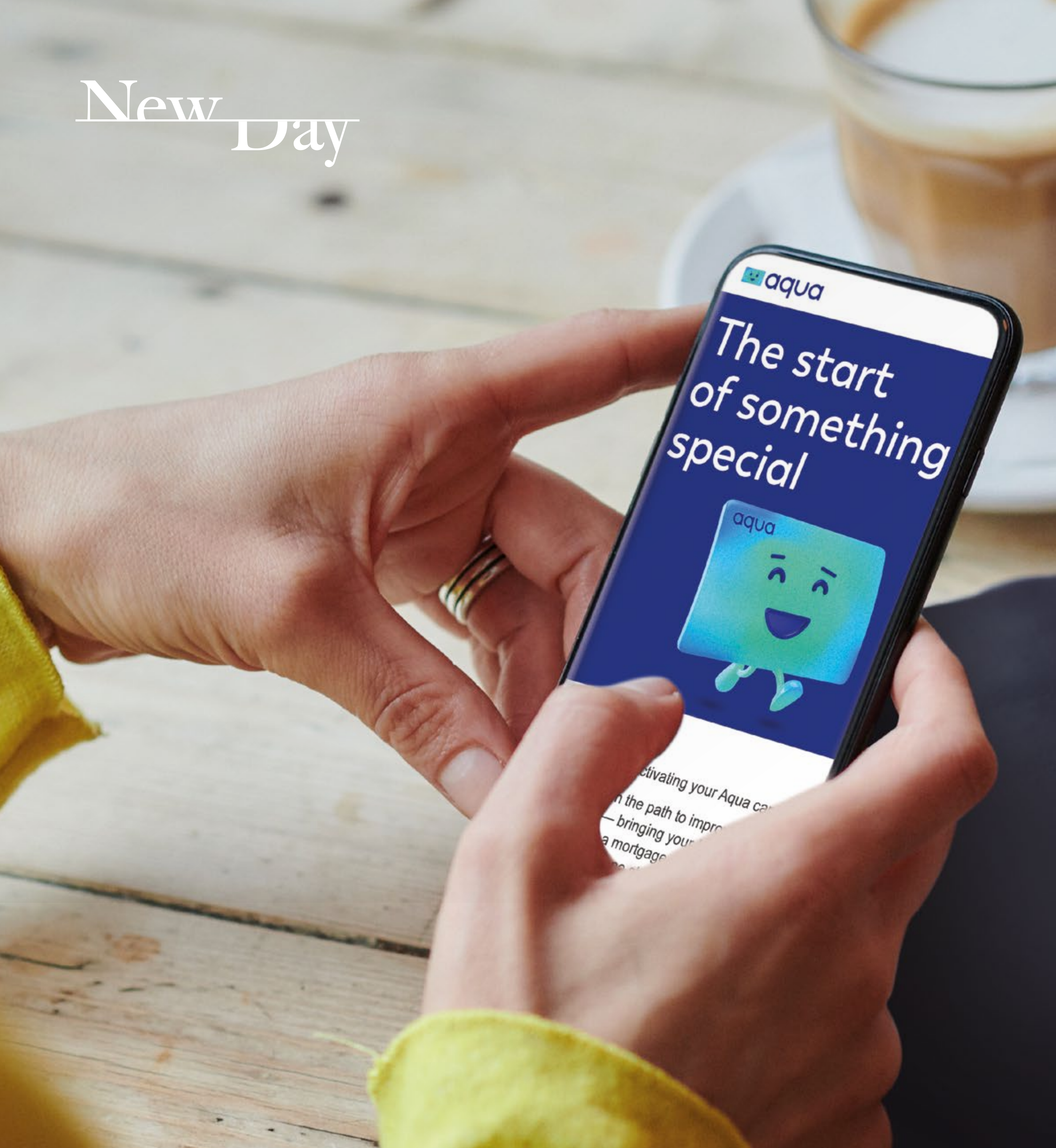
NewDay




# Helping people be better with credit

Interim update for the six months ended 30 June 2020

## 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 90 investment professionals and more than 180 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 Avolon, the aircraft leasing business. In Germany it acquired Viridium (formerly Heidelberger Leben), with the business subsequently combined with Generali Leben and in Italy, Cinven formed the Eurovita group through the merger of ERGO Previdenza, Old Mutual Wealth Italy, Eurovita Assicurazioni and Pramerica Life.

CVC is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 23 offices and more than 300 investors throughout Europe, Asia, South America and the US.

To date, CVC has secured commitments of over US$135bn from some of the world's leading institutional investors across its private equity and credit strategies. In total, CVC currently manages over US$80bn of assets. Today, funds managed or advised by CVC are invested in over 70 companies worldwide, employing circa 200,000 people in numerous countries.

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, April in France, Republic Finance and Cunningham Lindsey in the United States, Fidelis in Bermuda, 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 2020 (or, in respect of periods ending prior to 30 June 2020, 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 2020 (or, in respect of periods ending prior to 30 June 2020, 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, 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.

# At a glance

## Who we are

We are a leading consumer credit company serving over four million customers in the UK through our diverse and growing business.

We want to be the UK's leading digitally enabled consumer finance provider, responsibly saying "yes" to more people and developing innovative tools to help people stay in control of their finances and access credit seamlessly.

By understanding the varying needs of our customers, building long-term relationships and rewarding customers for appropriately managing their credit we continue to be one of the most inclusive lenders in the UK and are able to fulfil our purpose to help people be better with credit.

## What we do

We have proven specialist capabilities in underwriting credit cards including our digital revolving credit product *NewPay*. Through our Own-brand business, we offer near-prime revolving credit to customers who may not have easy access to mainstream lenders. In our Co-brand business we partner with retailers and online e-tailers to offer credit to their customers together with loyalty and other reward programmes.

Our access to and understanding of data allows us to generate in-depth customer insights. This enables us to provide valued support to our retail partners and evolve our products to meet our customers' rapidly changing needs.

Our business is underpinned by an advanced digital platform that allows us to innovate and respond rapidly to changing needs, whilst creating value for our customers, colleagues and shareholders.

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

A digital business that invests in innovation to create **best-in-class** customer journeys

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

Our **Customer Manifesto** underpins our purpose to help people be better with credit

# NewDay in numbers

Our business is more digital and growing

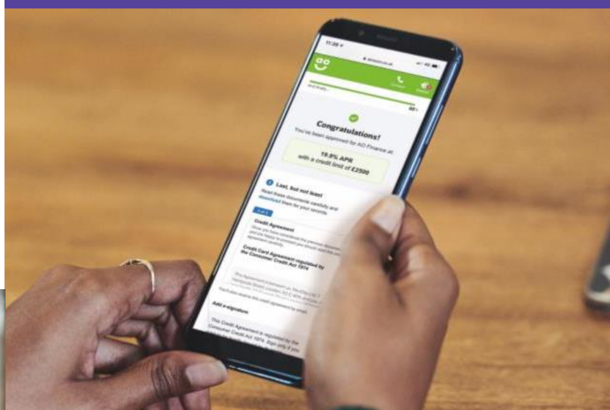
## £2.4bn
(30 June 2019: £2.7bn)
customer spend

## £2.8bn
(30 June 2019: £2.7bn)
closing receivables

## £35m
(30 June 2019: £68m profit)
adjusted EBITDA loss

## 67%
(30 June 2019: 56%)
of customers registered for e-servicing

## 52m
(30 June 2019: 57m)
transactions processed



## +69
(30 June 2019: +67)
transactional Net Promoter Score
(average customer feedback score when rating their experience on an interaction with us)

## 30.4%
(30 June 2019: 34.1%)
underlying cost-income ratio

“I’m proud of our response to the COVID-19 pandemic. We have safeguarded our colleagues and listened to the needs of customers to support them through this period of uncertainty”

John Hourican
Chief Executive Officer

**Trading update**

Our underlying performance for the six months ended 30 June 2020 has been strong however this is overshadowed by the impact of the COVID-19 pandemic. We successfully transitioned all contact centre colleagues and support functions to working fully remotely and extended support to our customers to help them through this period of uncertainty. In the half-year we reported:

- modest receivables growth of 2% to £2,791m (30 June 2019: £2,724m) reflecting a tightening of credit underwriting and lower customer spend during COVID-19. Receivables contracted 8% from 31 December 2019. New account volumes were 422,000 (30 June 2019: 554,000) and we closed our Unsecured Personal Loans (UPL) portfolio to new lending;
- customer spend of £2.4bn (30 June 2019: £2.7bn) and 52m transactions processed (30 June 2019: 57m) reflecting the slowdown in spend since March 2020;
- continued investment in building digital capabilities. In the half-year, our account acquisition platform was brought in-house from third parties and is now fully digital. 67% of all customers are registered for e-servicing (30 June 2019: 56%) contributing to an improvement in the average year-to-date Net Promoter Score to +69 (30 June 2019: +67);
- a £35m adjusted EBITDA loss (30 June 2019: £68m profit). This was primarily driven by higher accounting impairment, itself driven by a deteriorating UK economic outlook;
- an expected credit loss provision as a proportion of receivables increase from 14.0% as at 31 December 2019 to 18.4% as at 30 June 2020, representing an increase of 4.4 percentage points, being an increase of £90m from 31 December 2019. As at 30 June 2020, the Group’s expected credit loss (ECL) provision was £514m;
- free cash flow available for growth and debt service of £26m (30 June 2019: £26m) and raised £300m of VFN capacity. In July 2020, we repaid £228m of maturing debt and raised £23m from the sale of asset-backed term debt. We also delivered a reset notice (effective from 17 August 2020) on a $93m bond to reset its maturity by one year to August 2021. As at 30 June 2020, we had borrowing headroom of £1.0bn to fund growth;
- an underlying cost-income ratio improvement of 3.7 percentage points to 30.4% (30 June 2019: 34.1%); and
- FCA approval of the acquisition of Pay4Later Limited (which trades as Deko) by the immediate parent company of the Group (Nemean MidCo Limited).

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

**COVID-19 pandemic response**

Following the outbreak of COVID-19 in the UK and the government response to the pandemic, we were quick to implement a number of changes to our business to ensure our colleagues remained safe, our customers continued to be well served and our business was able to meet the challenges of the pandemic and its subsequent impact on the UK economy.

The safety of our colleagues is of paramount importance to us and we quickly transitioned all contact centre and support function colleagues to remote working.

To support our customers during these uncertain times, we focussed our efforts to ensure our contact centres were at maximum operational capability to assist with queries and where appropriate, extended short-term concessions to customers by way of payment holidays and payment freezes.

The pandemic and subsequent lockdown has impacted spend levels and new customer volumes following the closure of much of the high street. We have, however, seen strong performance from our online e-tailers which has, to some extent, limited the impact of the lockdown measures. Whilst new account volumes in our Own-brand portfolio are at reduced levels, demand in the market remains strong and this has enabled us to continue to accept new accounts with tighter credit policies. Following a strategic review, we have decided to cease writing new UPL business and collect-out the remaining receivables. Accordingly, we have seen only modest growth in receivables of 2% year-on-year.

To help those customers that needed it, and in line with FCA guidance, we have suspended the need for them to make payments (by way of payment holidays or payment freezes) for up to three months. As at 30 June 2020, circa 13% of our total credit card receivables were on either a payment holiday or payment freeze. The collections performance of our remaining receivables remained strong. The outlook for the UK economy of higher unemployment has been reflected into our provisioning within our macroeconomic assumptions. In order to protect our business from further potential adverse movements in the economy we have taken action to tighten credit by amending eligibility criteria for credit limit increases, reducing initial credit limits and tighten new customer scorecard cut-offs.

From a funding perspective, following the outbreak of the pandemic we took additional measures to secure further funding to ensure we could continue to finance our growth strategy through this period of uncertainty. Since the outbreak of the pandemic we have: i) secured additional funding of £300m VFN capacity for our Own-brand and Co-brand portfolios; ii) utilised our Revolving Credit Facility of £30m; iii) raised £23m of publicly listed asset-backed term debt; iv) repaid £228m of maturing asset-backed term debt; and v) delivered a reset notice (effective from 17 August 2020) on a $93m bond to reset its maturity by one year to August 2021. Excluding debt refinanced in July 2020, in the second half of the year we have £168m (including £46m drawn from VFNs) of debt reaching maturity and we will look to refinance this funding.

We have not required lending assistance from any Government scheme.

### Digital capabilities

Over the past three years we have invested significantly to build leading in-house digital and data platforms, creating differentiation from our competitors and driving higher levels of customer satisfaction. These platforms are fully cloud-based and developed by our in-house engineering team, enabling the rapid launch of new products and partners while driving a significant reduction in operational costs.

Our digital platform is designed to effortlessly support multiple brands and partners through a white-label approach where components can be customised quickly per brand. The platform is PCI compliant and is built on serverless technology, giving scale and cost advantage and includes tokenisation capability to protect highly-sensitive customer and card data. It also allows us to use new data sources and create value driving predictive models from our growing transactional data assets.

In 2020, we completed the migration of account acquisition to our in-house platform so that 100% of customer acquisitions are now digital, including the roll-out of an engaging tablet-based in-store application. Our digital e-servicing and mobile application platforms have proven to be very successful and popular with customers, with 98% of servicing and 84% of collections transactions now being through these channels. In the half-year, we have significantly extended digital self-servicing to include more complex and useful functions such as collections payment arrangements, transaction disputes, payment holiday support and new direct debit options for customers considered to be in persistent debt.

We recently launched digital loyalty functionality which allows customers in our Co-brand portfolio to earn, manage and spend loyalty points digitally through our mobile applications.

“We are powered by leading edge technology and an embedded Customer Manifesto”

### Regulatory developments

We are fully authorised by the Financial Conduct Authority (FCA) to carry out consumer credit activities in the UK. Following the COVID-19 pandemic, the FCA has published guidance for firms when dealing with customers whose financial situation is impacted by the pandemic. We have embraced this guidance aimed at helping customers who are experiencing short-term difficulties and implemented 'payment freezes' in line with the requirements.

### Board of Directors

Our 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 March 2020, Sir Malcolm Williamson resigned from the Board with effect from 31 March 2020. Sir Malcolm was the Chairman of the Group (and its predecessor group) from 2010 to 2018 and, since stepping down as Chairman, has continued to serve as a Non-Executive Director. NewDay is deeply grateful to Sir Malcolm for his highly valued leadership and guidance over the past 10 years and wish him well in his retirement.

There have been no other changes to the Board members in the six months to 30 June 2020. The biographies of each current member of the Board can be found on our website at newday.co.uk.

### Risk management

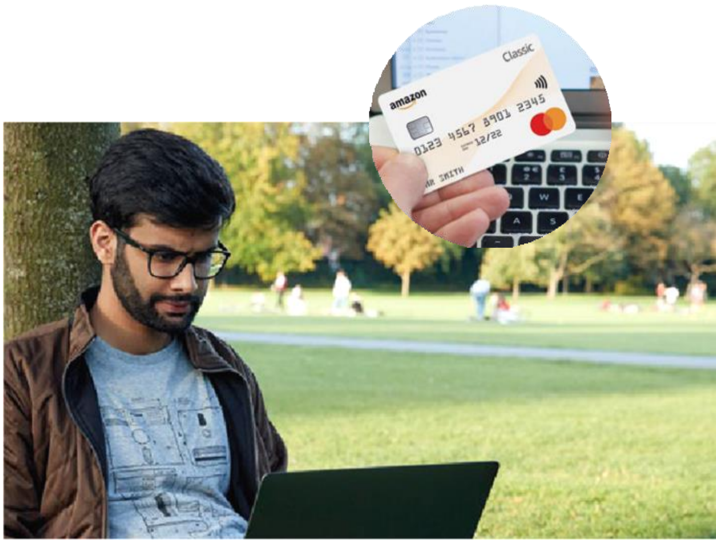
Our Risk Management Framework is embedded within the corporate governance structure, with a strong emphasis on the effective management of risk on a day-to-day basis, coupled with strong oversight, challenge and assurance.

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 48 to 56 of our 2019 Annual Report and Financial Statements. Our principal risks and uncertainties for the Group remain largely unchanged from those disclosed in the Annual Report except for the impact of the COVID-19 pandemic (including in relation to macroeconomic conditions, retail partner insolvency and funding). The impacts on our business arising from the pandemic and our responses to them are detailed on page 5. In our Co-brand business, trading conditions remain challenging on the high street (including as a result of the COVID-19 pandemic) and we continue to take steps to diversify the portfolio away from the high street. In the first half of the year:

- on 23 March 2020, Laura Ashley entered administration and subsequently ceased trading. As at 23 March 2020, the Laura Ashley portfolio represented approximately 2% of our receivables and consequently the administration is not expected to have a significant impact on the performance of our Group; and
- on 9 April 2020, Debenhams entered administration. Debenhams entered administration to protect itself from the threat of legal action that could have the effect of pushing the business into liquidation while its stores remain closed as a result of the COVID-19 pandemic. Debenhams continues to trade and the card programme continues to operate as normal. We will monitor the trading performance of Debenhams in light of this and continue to support Debenhams during this period.

### Promoting success and stakeholder engagement

We are committed to balancing the interests of our different stakeholders in order to maximise the long-term success of our business. By understanding the differing needs and concerns of our stakeholders through proactive engagement, we can then ensure careful consideration of the potential impact of our decision-making on each stakeholder group. Our main stakeholders and how we engage with them remain largely unchanged from the year end and are detailed on pages 46 and 47 of our 2019 Annual Report and Financial Statements.

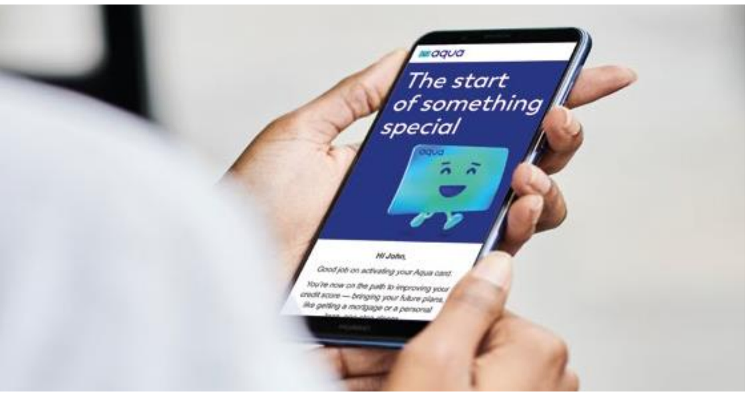


### Being a responsible lender

Our Customer 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 aim to responsibly say "yes" to customers and partner with them through their credit journey. We continue to lend responsibly through the deployment of our 'low and grow' strategy, offering our Own-brand customers a low initial credit limit until they demonstrate that they can actively manage and afford further credit in a responsible and sustainable manner. We also provide digital financial health check tools to support our customers in developing a greater understanding of their financial situation. This enables them to become better with credit and benefit from the rewards we offer.

Our collections toolkit is designed for those customers who need more tailored help and has a wide range of options that allow us to work with them if their situation changes and they need support if they fall into arrears. 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.




### Being a responsible employer

We want our colleagues to thrive at NewDay. Our people strategy drives our colleague experience and we are proud that our bi-annual engagement scores show they feel part of something exciting.

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. We know that employing people with multiple perspectives and from different backgrounds makes a better business; it also means that we better represent and serve our diverse customer groups.

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 on our website at newday.co.uk.

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.

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

As at 30 June 2020, we employed over 1,270 staff across our London and Leeds sites.

> "We value our differences and know that employing people with different backgrounds makes a better business"

### 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 newday.co.uk.

### Supporting our communities

Our purpose goes beyond our products and services. We demonstrate our responsibility to the communities we serve through key partnerships. Our charity partner is Family Action who provide practical, emotional and financial support to those who are experiencing poverty, disadvantage and social isolation. Our support helps fund Family Action's national grant scheme which helps families regain independence following a crisis. We previously also helped fund the launch of FamilyLine, a seven-day-a-week helpline for families and carers provided through telephone calls, email, web chat and text message. This service has experienced high demand resulting from the COVID-19 pandemic.

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 seriously. We also recognise that our purpose runs beyond our products and services and has a role to play in how we support the communities we serve.

Our colleagues are engaging with our community support and in the six months to 30 June 2019 we donated £0.2m to charity.

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

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 strategy 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. Management processes have been developed to identify ESG issues and opportunities, with the Board taking responsibility for ESG and reviewing ESG performance at regular intervals. By following a formalised and structured approach, we have developed, and continued to refine, our ESG strategy and reporting processes. Formal reporting is completed through quarterly KPIs that are reviewed by the Operational Risk Committee and the Board for insights and best practice sharing. External benchmark data has been used to define triggers and benchmarks across all our reported ESG measures and our quarterly Board reporting assesses current performance against these triggers.