NewDay

Helping people move *forward with credit*

Interim update for the six months ended 30 June 2022

Our owners

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

Cinven is a leading international private equity firm, founded in 1977. It has offices in London, Frankfurt, Guernsey, Luxembourg, Madrid, Milan, New York and Paris. Funds managed by Cinven acquire companies with a European focus that will benefit from Cinven's expertise of growing and building companies globally. 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. 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 True Potential, Miller Insurance Services, Premium Credit, Partnership Assurance (now part of Just group) and Guardian Financial Services in the UK, as well as Compre Group which has operations across the UK, Bermuda and continental Europe. 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 with a network of 25 offices throughout Europe, Asia, and the Americas, with approximately €125bn of assets under management. Since its founding in 1981, CVC has secured commitments in excess of €163bn from some of the world's leading blue chip institutional investors. Funds managed or advised by CVC are invested in over 110 companies worldwide, which have combined annual sales of approximately €100bn and employ more than 550,000 people. CVC's Financial Services team has invested over €6bn 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, Riverstone International, 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, Ethniki Insurance in Greece, 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 in respect of periods commencing on or after 1 January 2022 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 UK IFRS at the relevant time. However, references to "adjusted EBITDA" throughout this Document in respect of periods ended on or prior to 31 December 2021 (which have also been calculated in accordance with UK IFRS at the relevant time) are not the same as "Consolidated EBITDA" as defined in the legal documentation relating to the Senior Secured Debt and Revolving Credit Facility due to the fact that adjusted EBITDA for such periods excludes the performance of the Unsecured Personal Loans business. In addition, all ratios, baskets and calculations required under the terms of the Senior Secured Debt and Revolving Credit Facility are based on UK IFRS as in force as at 1 January 2021 (subject to certain adjustments permitted or required under the terms of the Senior Secured Debt and Revolving Credit Facility which, amongst other things, disregard the impact of IFRS 9 'Financial Instruments' and IFRS 16 'Leases'). 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 UK IFRS as in force as at 30 June 2022 (or, in respect of periods ending prior to 30 June 2022, UK 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 (including, but not limited to, the effects of the COVID-19 pandemic and uncertainties about its impact and duration) 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

A leading at scale **consumer finance provider** in the UK with proven through the credit risk cycle management

A digital, brand-agnostic and scalable business that drives innovation to create **best-in-class** customer journeys powered by state-of-the-art technology and data

A **leading digital full service** direct-to-consumer and direct-to-business-to-consumer credit platform in the UK. **Trusted partner** with some of the most exciting brands in the UK

An embedded customer **manifesto** guides our business in helping people move forward with credit

Who we are

We are a leading consumer credit company serving almost five million customers through our diverse and highly digital business. We are powered by state-of-the-art technology and data. We partner with some of the UK's most exciting brands.

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

By understanding the varying needs of our customers, building long-lasting relationships and rewarding those customers for responsibly managing their credit, we continue to be one of the most inclusive lenders in the UK. This enables us to fulfil our purpose to ***help people move forward with credit***.

What we do

We have proven through the credit risk cycle capabilities in full-spectrum[1] credit underwriting across a range of products including cards (both physical and digital), buy now pay later (BNPL), 0% promotional periods, instalment plans and revolving credit. Through our Direct to Consumer business, we offer revolving credit to a broad range of customers including those who may not have easy access to mainstream lenders. In our Merchant Offering business, we partner with retailers and online e-tailers, including smaller merchants through *Newpay*, to offer credit to their customers together with loyalty and other reward programmes to build customer loyalty, sales momentum and profitability.

Our business is built on an advanced front end digital platform that allows us to innovate and respond rapidly to changing customer and retail partner needs. Our access to and understanding of data enables us to generate in-depth customer insights. Our Platform Services business aims to generate a new revenue stream by providing a white-labelled digital platform solution for end-to-end servicing of third party credit products.

[1] Excluding sub-prime

NewDay in numbers

Record financial performance

£97M

underlying profit before tax
(HY 2021: £76m[1])

£3.5BN

gross receivables
(30 June 2021: £2.9bn)

£3.6BN

customer spend
(HY 2021: £2.6bn)

427K

new customer accounts
(HY 2021: 401k)

+73

transactional Net Promoter Score
(average customer feedback score when rating their experience on an interaction with us)
(HY 2021: +68)

1.7M

customers with improved credit scores over the last year
(HY 2021: 2.0m)

1-in-6

of all credit cards issued in the UK were by NewDay[2]

£78M

free cash flow available for growth and Senior Secured Debt interest
(HY 2021: £98m)

[1] From continuing operations.
[2] Estimated based on eBenchmarkers data and includes *Newpay* originations.

Helping people move *forward with credit*

Our half-year 2022 performance resulted in record profitability. We continue to grow balances and capitalise on the opportunities our leading digital platform affords us. We signed new partnerships, including with John Lewis & Partners, and continue to widen our product offering and digital capabilities to help people move forward with credit."

John Hourican
Chief Executive Officer

Half-year highlights

- Record underlying profit before tax of 97m (HY 2021: 76m).
- 21% growth in gross receivables to finish at £3.5bn (30 June 2021: £2.9bn).
- 38% growth in customer spend to £3.6bn (HY 2021: £2.6bn).
- 427k new customer accounts (HY 2021: 401k).
- 24% net revenue growth to £397m (HY 2021: £321m).
- Underlying cost-income ratio improved to 28.9% (HY 2021: 32.6%).
- New partnership agreements signed with John Lewis & Partners and a fast-growing online retailer.
- 126 merchants signed-up to *Newpay 1:Many* as at 30 June 2022.
- Signed up Antelope Loans to provide 'origination-as-a-service' unsecured personal loans. Launch expected in Q3.
- Average Net Promoter Score of +73 (HY 2021: +68) and an average Net Easy Score of +72 (HY 2021: +73).
- Free cash flow available for growth and debt service of £78m (HY 2021: £98m).
- Variable funding note headroom of £2.1bn as at 30 June 2022 to fund receivables growth (30 June 2021: £1.0bn).

Business developments

We continue to grow, posting record profitability with underlying profit before tax of £97m (HY 2021: £76m). Receivables increased by 21% to £3.5bn (30 June 2021: £2.9bn). This was powered by spend which increased by 38% to £3.6bn (HY 2021: £2.6bn) and 427k new customer accounts (HY 2021: 401k).

Our new business pipeline remains very active and we signed agreements with John Lewis & Partners and a fast-growing online retailer. Our partnership with John Lewis & Partners will provide a co-branded credit card programme which is expected to launch in August 2022.

Following the conclusion of extensive commercial discussions between both parties, we issued a notice of termination in relation to our co-branded credit card partnership with Amazon. Consequently, the partnership will conclude in January 2023. We retain the accounts associated with the partnership and new *Pulse*-branded cards will be issued to certain customers in due course. The cessation of the partnership is not expected to have a significant impact on our financial performance.

We continue to explore new business opportunities to monetise our leading digital platform. Through Deko, our sister company, we continue the development of our *Newpay* product through *Newpay 1:Many* to create a diverse portfolio of merchants. As at 30 June 2022, 126 merchants have signed-up to *Newpay 1:Many*. Furthermore, we signed an agreement with Antelope Loans to originate unsecured personal loans operating on an 'origination-as-a-service' basis that is expected to launch in Q3 2022.

We maintained strong momentum in the first half of 2022 and continued to deliver record profitability and sustainable growth

Economic outlook

We remain alert to macroeconomic pressures and closely monitor the impact of cost of living pressures on our customers. Our proactive risk management strategies well-position our business to manage emerging macroeconomic risks. Our affordability solutions allow us to monitor estimated disposable incomes and assess inflation impacts in real-time, amending our lending strategies accordingly. The APRs on the majority of our receivables are linked to the Bank of England base rate. For receivables where we do not have this facility, we have taken out hedge contracts to swap floating to fixed interest rates on our funding. Our cost base is well-controlled with our underlying cost-income ratio improving to 28.9%, offsetting inflationary pressures arising through our supply chain.

Digital capabilities

Our platforms are fully cloud-based, developed by an in-house engineering team and built on infrastructure provided by leading technology organisations, such as AWS, Microsoft and Fiserv. This enables the rapid launch of new products and partners while driving a significant reduction in operational costs.

Our digital platform is designed to support multiple brands, partners and products through a white-label approach where components can be customised to enable seamless and efficient integration. 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. The platform also creates value-driving predictive models through the use of new data sources which feed our growing transactional data assets.

We continue to enhance our platforms and technology to deliver market innovation and a leading digital customer experience. In 2022, amongst other things, we i) introduced personalised collections journeys for customers in need of financial assistance; ii) implemented improvements to persistent debt related journeys to offer enhanced payment options; and iii) built capability to launch an 'origination-as-a-service' product offering.

We built a leading-edge, cloud-based, scalable front end digital acquisition and servicing platform

Funding

We proactively monitor our funding requirements to ensure we remain appropriately financed. We have the right to extend the maturity date of all our asset-backed debt by one year (excluding the Senior Secured Debt and Revolving Credit Facility) and, in the half-year, we completed the following funding transactions:

- a financing deal which raised £300m of asset-backed securities (of which £26m was retained within the Group) from the Direct to Consumer securitisation programme and included $100m raised from US capital markets. This debt was used to refinance debt which matured in the period;
- a £650m VFN deal signed from the Merchant Offering securitisation programme which will be used to fund the John Lewis & Partners credit card partnership;
- two £150m VFN expansions in the Direct to Consumer securitisation programme; and
- hedges to swap variable for fixed interest rates on £400m of asset-backed debt to reduce our exposure to increases in the Bank of England base rate not mitigated by the ability to pass on to customers.

In July 2022, we completed a further asset-backed securities deal that will be used to repay drawn VFN balances. We have two remaining deals maturing later in 2022 and it is currently anticipated that these deals will be refinanced through existing VFN facilities.

Acquiring new customers that create long-lasting relationships

We continue to invest today to grow our receivables and deliver long term profitability. This continuous investment in acquiring new customers aims to deliver sustainable increases in receivables and returns from established long-term customers.

Our long-lasting relationships generated £149m underlying profit in the half-year ended 30 June 2022 (HY 2021: £119m) whereas our investment in acquiring new customers resulted in a £52m underlying loss over the same period (HY 2021: £44m loss).

Environmental, Social and Governance (ESG) matters

Our ESG strategy is aligned with our purpose to help people move forward with credit. Responsible and accessible credit expands possibilities, it powers up life and business. We focus on being a responsible lender – understanding our customers' needs and providing them with tools to help stay in control of their finances, providing a level of care and service that is appropriate to each individual customer, treating them fairly, protecting people's data, acting ethically and reporting openly.

Our social responsibility goes beyond our customer agenda. We aim to create an exceptional experience for our colleagues by creating a fair, inclusive and diverse workplace with opportunities for growth and development. We support the communities we serve and we take our charity partnership with Family Action very seriously.

We plan to achieve Net Zero Greenhouse Gas emissions by 2040

We are also committed to reducing our impact on the environment with a focus on decarbonisation, water use reduction and waste management. Notably, we plan to achieve Net Zero Greenhouse Gas emissions by 2040.

All of this is built on the foundations of a well-established governance framework comprising robust controls and compliance procedures, and which fosters a culture of ethical and responsible business practices. We aim to ensure growth is delivered in a controlled and compliant manner whilst protecting the interests of our stakeholders.

In 2022, we progressed our ESG journey by issuing our first ever Sustainability Report which can be found on our website at newday.co.uk. Additionally, in July 2022, relevant entities within the Group successfully achieved ISO 27001 information security certification. Cyber security is of high importance to our customers, Board and stakeholders and this certification shows that we are committed to managing information safely and securely as a trusted partner.

Stakeholder engagement

We are committed to building long-term relationships and balancing the interests of our different stakeholders in order to maximise the success of our business.

By understanding the differing needs and concerns of our stakeholders through proactive engagement, the Board can then ensure careful consideration of the potential impact of their 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 38 and 39 of our 2021 Annual Report and Financial Statements.

Regulatory developments

We are fully authorised by the Financial Conduct Authority (FCA) to carry out consumer credit activities in the UK and we continue to scan the horizon to stay alert to regulatory developments. In the first six months of 2022, there has been no significant change in the regulatory environment since communicated in our 2021 Annual Report and Financial Statements. However, a number of regulatory initiatives have developed during the first half of the year. These include HM Treasury's proposals to bring unregulated BNPL products within the FCA's regulatory perimeter and the introduction of a new Statutory Debt Repayment Plan (standardising arrears protection for all consumers). In addition, the FCA has consulted further on its new Consumer Duty, for which a Policy Statement confirming the new rules and guidance is expected imminently. We remain prepared to implement all upcoming regulatory change.

Board of Directors

Our Board has significant skills and a breadth of experience to make informed decisions on key issues facing the business. Its aim is to strike an appropriate balance between risk and reward, whilst ensuring positive customer and stakeholder outcomes.

On 25 February 2022, Dr Javed Khan OBE was appointed to the Group's Board as a Non-Executive Director. Javed has significant experience in executive leadership roles, has served on a wide range of boards in a non-executive capacity and has worked on high profile appointments for the UK government. We will benefit from his considerable leadership expertise and his background in the UK public and voluntary sectors will also help drive forward our ESG agenda in the years ahead.

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 our 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 governance structure and principal risks overview are detailed on pages 47 to 56 of our 2021 Annual Report and Financial Statements and remain largely unchanged in the period.