



## We help people move forward with credit

Interim update for the six months ended 30 June 2021

## **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, 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 and require an equity investment of typically €200m or more. 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 Miller Insurance Services, Premium Credit, Partnership Assurance (now part of Just group) and Guardian Financial Services in the UK, as well as Compré 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 Capital Partners is a leading private equity and investment advisory firm. Founded in 1981, CVC today has a network of 24 offices throughout Europe, Asia, South America and the US. To date, CVC has secured commitments of over \$163bn from some of the world's leading institutional investors across its private equity and credit strategies. In total, CVC currently manages more than \$115bn of assets. Funds managed or advised by CVC are invested in over 90 companies worldwide, which have combined annual sales of approximately \$100bn and employ more than 450,000 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, Skril, 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 in respect of periods ended prior to 31 December 2020 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 EU IFRS at the relevant time. However, references to "adjusted EBITDA" throughout this Document in respect of periods ended 31 December 2020 (which have been calculated in accordance with EU IFRS) and 30 June 2021 (which have been calculated in accordance with UK IFRS) 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.

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.

# Our purpose is to help people move forward with credit

## At a glance



An established **revolving credit and point-of-sale finance** business with a **heritage** in full spectrum underwriting and partnerships



A digital, brand agnostic and scalable business that drives innovation to create **best-in-class customer journeys**



**Trusted partner** with some of the most exciting brands in the UK



Our **Customer Manifesto** guides us in helping people move forward with credit

## Who we are

We are an established and 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 we partner with some of the UK's most exciting brands, including Amazon and AO.com.

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 specialist capabilities in underwriting full spectrum credit across a range of products including our digital revolving credit product *Newpay*. Through our Own-brand business, we offer revolving credit to customers who may not have easy access to mainstream lenders. In our Co-brand business, we partner with retailers and e-tailers to offer credit to their customers together with loyalty and other reward programmes.

Our business is built on an advanced digital platform that allows us to innovate and respond rapidly to changing customer and retail partner needs. Our access to and understanding of data allows us to generate in-depth customer insights.

# NewDay in numbers

Our performance for the half-year  
ended 30 June 2021

## 401,000

**new customer accounts**  
(half-year ended 30 June 2020: 417,000<sup>1</sup>)

## £2.6bn

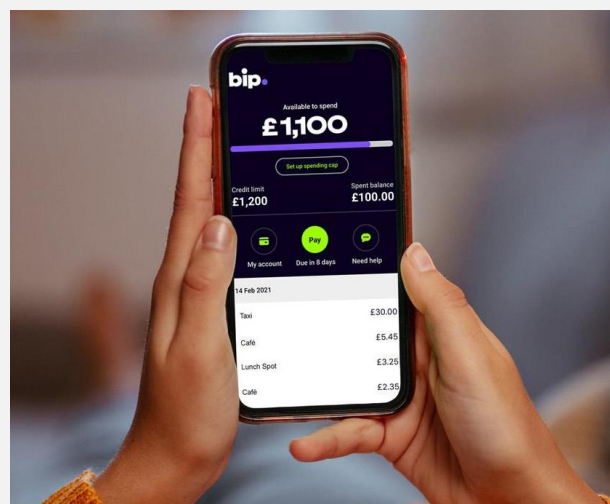
**customer spend  
through our products**  
(half-year ended 30 June 2020: £2.3bn)

## £2.9bn

**closing receivables**  
(30 June 2020: £2.7bn)

## £98m

**free cash flow available for growth  
and Senior Secured Debt interest**  
(half-year ended 30 June 2020: £27m)



## £81m

**adjusted EBITDA profit**  
(half-year ended 30 June 2020: £31m loss)

## 16%

**of UK credit cards were issued  
by NewDay in the half-year<sup>2</sup>**

## 89%

**of active accounts  
registered for e-servicing**  
(30 June 2020: 82%)

## +68

**transactional NPS**  
(average customer feedback score when rating  
their experience on an interaction with us)  
(30 June 2020: +69)

<sup>1</sup> In 2021, we sold the receivables in our UPL business and consequently the results of the UPL business are classified as a discontinued operation in our financial statements. Accordingly, the current and comparative period information excludes UPL unless stated otherwise.

<sup>2</sup> Estimated based on eBenchmarks data as at 30 June 2021 and includes accounts originated through our Newpay product.

# “We returned to strong levels of growth in the half-year and continued our relentless drive to deliver new and exciting digital capabilities to keep pace with a rapidly changing retail and consumer ecosystem”

**John Hourican**  
Chief Executive Officer

## Trading update

The explicit strengthening of our balance sheet in 2020 positioned our business well for a strong start to 2021. Although the COVID-19 pandemic continues to impact our customers the first half performance represents a return to strong growth and good underlying profitability. Our key highlights in the half-year were:

- adjusted EBITDA profit of £81m (half-year ended 30 June 2020: £31m loss);
- 7% growth in receivables to £2.9bn (30 June 2020: £2.7bn). Market share increased to 5.1%<sup>3</sup> (30 June 2020: 4.3%);
- 401,000 new customer accounts (half-year ended 30 June 2020: 417,000);
- customer spend increased by 11% to £2.6bn (half-year ended 30 June 2020: £2.3bn);
- continued delivery of enhanced digital capabilities with the launch of *Bip*, our digital credit product;
- launched *Newpay* '1 to many' through *Deko*, a sister company of the Group, to enable scale with smaller merchants and to widen our addressable market;
- continued investment in digital infrastructure with new data-powered credit models;
- 63% of accounts registered for e-statements (30 June 2020: 53%) and a 503,000, or 37%, reduction in call volumes;
- expected credit loss (ECL) allowance as a proportion of receivables was 19.1% as at 30 June 2021 (31 December 2020: 19.3%). Underlying collections performance remains strong and our charge-off rate improved to 9.2% (30 June 2020: 12.0%);
- continued focus on customer service with an average year-to-date Net Promoter Score of +68 (30 June 2020: +69) and an average year-to-date Net Easy Score of +73 (30 June 2020: +72);
- free cash flow available for growth and debt service of £98m (half-year ended 30 June 2020: £27m). Group cash excluding funding overlaps and restricted cash was £289m as at 30 June 2021 (30 June 2020: £218m);
- £63m increase in cash held outside of the securitisation structures to finish at £161m (30 June 2020: £98m);
- VFN headroom of £1.0bn as at 30 June 2021 to fund receivables growth (30 June 2020: £0.9bn); and
- sale of the Unsecured Personal Loans (UPL) receivables portfolio resulting in a net gain of £3m on disposal.

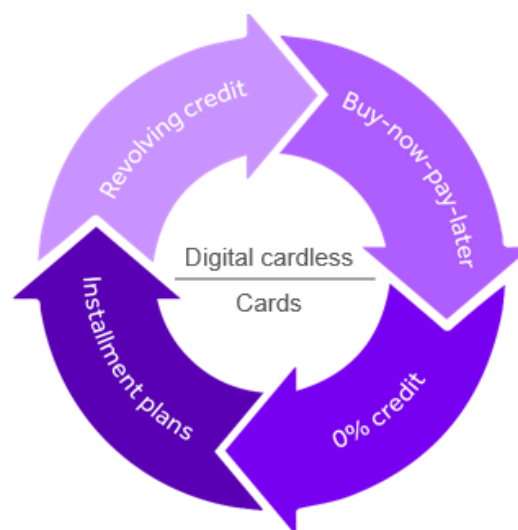
Additionally, in July 2021, we repaid £150m of floating rate Senior Secured Debt using £100m of cash and £50m raised from the issuance of additional fixed rate Senior Secured Debt. Including transactions completed in July, we have raised a total of £682m of asset-backed term debt in 2021.

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

### Digital capabilities

We continue to make significant investment 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. Our in-house capability enables 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 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. It also allows us to use new data sources and create value driving predictive models from our growing transactional data assets.



<sup>3</sup> Bank of England data as at 30 June 2021. Market share metrics calculated as total NewDay volumes as a proportion of Bank of England data credit card volumes.

### 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 year-on-year increases in receivables and returns from our established long-term customers.

Our long-lasting relationships generated £123m adjusted EBITDA profit in the half-year ended 30 June 2021 (half-year ended 30 June 2020: £7m) whereas our investment in acquiring new customers resulted in a £42m adjusted EBITDA loss over the same period (half-year ended 30 June 2020: £38m loss).

### Promoting success and stakeholder engagement

We are committed to balancing the interests of our different stakeholders in order to maximise the long-term success and value 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 remains largely unchanged from the year end and is detailed on pages 40 and 41 of our 2020 Annual Report and Financial Statements.

## “We recognise the importance of ESG in decision-making and we continue to enhance ESG reporting to our Board”

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

We recognise the important role that our products play in society. Through our Customer Manifesto we strive to be a force for good in responsible lending. Treating customers fairly in good times and in times of difficulty is core to our purpose to help people move forward with credit.

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. Our ESG strategy ensures appropriate focus and accountability across the business.

Our approach and strategy regarding ESG matters is detailed on pages 42 to 43 of our 2020 Annual Report and Financial Statements and remains largely unchanged in the first six months of the year.

Additionally, in August 2021, we applied to become a signatory to the UN Global Compact and we support their Ten Principles on human rights, labour, environment and anti-corruption.

### Being a responsible lender

Our Customer Manifesto is at the heart of everything we do. We are committed to helping customers move forward with credit.

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, helping us to build long-term relationships.

We provide credit to a broad spectrum of customers and responsibly say “yes” to as many customers as we can, including those who cannot easily access credit from mainstream lenders, helping those who need access to the benefits and flexibility that responsible credit offers when they need it.

We understand that each and every customer is unique and that changes to personal circumstances can place stress on their finances when they least expect it. We are guided by our Customer Manifesto and we work with our customers to manage these ‘bumps in the road’.

We continue to lend responsibly through the deployment of our ‘low and grow’ strategy, offering our near-prime 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 includes ‘Aqua coach’ which is an integrated credit building aid built into the Aqua app. We are constantly challenging ourselves to build a better tomorrow to help enable our customers to move forward with credit and benefit from the products we offer.

Our collections toolkit is designed for those customers who need more tailored help. The toolkit 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 trained to identify potentially vulnerable customers and a specialist team is in place to provide those customers with the support they need. Our toolkit and payment freeze solution has remained key in supporting our customers to navigate the ongoing impact of the COVID-19 pandemic.

## “We have built a broad range of capabilities designed to deliver exciting customer and partner engagement”

### Being a responsible employer

We recognise the importance of creating a work environment where colleagues feel valued and respected. We encourage an environment where all our colleagues can develop and thrive. Our colleagues interact daily with our customers and partners and they are best placed to drive continuous improvement in our products and services.

We are focused on improving our engagement through developing our colleagues and making sure we have a diverse and inclusive culture.

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](https://www.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 2021, we employed over 1,200 colleagues across our London and Leeds sites.

**“We are guided by our purpose and powered by our people and technology”**

#### 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](https://www.newday.co.uk).

#### Supporting our communities

We believe that we have a responsibility to local communities and society in general. We know that our purpose extends beyond our products and services and that we have a role to play in supporting the communities we serve.

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, as well as other services aimed at helping people when they need it most.

Our colleagues are engaging with our community support and in the six months to 30 June 2021 we donated £350k to charity.

#### Regulatory developments

We are fully authorised by the Financial Conduct Authority (FCA) to carry out consumer credit activities in the UK. We continue to implement all required FCA guidance in relation to COVID-19 and there has been no significant change in the regulatory environment since communicated in our 2020 Annual Report and Financial Statements.

#### 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 our Board is to strike an appropriate balance between risk and reward, whilst ensuring positive customer outcomes.

In March 2021, Rebecca Abrey was appointed to the Board as an Investor Director from Cinven. There have been no other changes to the Board members in the six months to 30 June 2021. The biographies of each current member of the Board can be found on our website at [newday.co.uk](https://www.newday.co.uk).

**“Helping people move forward with credit is underpinned by positive customer outcomes. This is embedded throughout our governance structure and risk management framework”**

#### 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 management framework and principal risks overview are detailed on pages 49 to 56 of our 2020 Annual Report and Financial Statements. Our principal risks and uncertainties for the Group remain largely unchanged from those disclosed in the annual report.

