NewDay

Helping people move *forward with credit*

Interim update for the six months ended 30 June 2023

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 where its track record in the UK includes the acquisitions of International Financial Group Limited ('IFGL'), True Potential, Miller Insurance Services, Premium Credit, Partnership Assurance (now part of Just group) and Guardian Financial Services.

CVC Capital Partners is a leading private equity and investment advisory firm with a network of 25 offices throughout Europe, Asia, South America and the US, with approximately €140bn of assets under management. Since its founding in 1981, CVC has secured commitments in excess of circa €191bn from some of the world's leading institutional investors across its private equity and credit strategies. Funds managed or advised by CVC are invested in over 125 companies worldwide, which have combined annual sales of more than €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, 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 have been calculated in accordance with UK IFRS at the relevant time and may differ significantly from "Consolidated EBITDA" as defined in the legal documentation relating to the Senior Secured Notes issued by NewDay BondCo plc between January 2017 and December 2022 (the Senior Secured Debt) and the Super Senior Revolving Credit Facility entered into by the Company on 25 January 2017 (the Revolving Credit Facility). In addition, all ratios, baskets and calculations required under the terms of the (i) Senior Secured Debt issued in January 2017 and June 2021 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 which, amongst other things, disregard the impact of IFRS 9 'Financial Instruments' and IFRS 16 'Leases') and (ii) Senior Secured Debt issued in December 2022 or the Revolving Credit Facility are based on UK IFRS as in force as at 8 December 2022 (subject to certain adjustments permitted or required under the terms of the Senior Secured Debt or the Revolving Credit Facility). 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 2023 (or, in respect of periods ending prior to 30 June 2023, UK IFRS at the relevant time). As a result, such figures may 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.

We are a leading provider of *consumer credit in the UK*

A **scale** D2C and B2B2C[1] credit provider operating in the UK.

Responsible lender with proven **through-the-cycle** credit risk management expertise across a range of regulated products. In-house data capabilities that drive **underwriting and operational excellence**.

Highly scalable, brand-agnostic, **state-of-the-art** technology platform.

Purpose-led customer-centric focus, guided by our manifesto. We are one of the UK's most **inclusive lenders**, responsibly saying "yes" to a wider spectrum of people.

Predictable business model with embedded profitability and strong cash generation.

Established and **diversified funding programme** enabling growth with significant facility headroom.

1 Direct-to-consumer and business-to-business-to-consumer.

We help people
move forward with credit

"Our business remains resilient and continues to perform well despite persistent economic challenges. We have managed to control credit risk through advances in our underwriting models whilst continuing to support customers who are experiencing financial difficulty.

Investment in our technology platform is beginning to pay off. I am excited about launching our underwriting and platform partnership with Lloyds Banking Group in 2024."

John Hourican
Chief Executive Officer

Half-year highlights

£97m
underlying profit before tax
(HY 2022: £97m)

20%
growth in gross receivables to £4.2bn
(HY 2022: £3.5bn)

3
new client wins in our Platform Services business

Awarded an EcoVadis Gold Sustainability Rating

106%
growth in customer spend to £7.4bn
(HY 2022: £3.6bn)

7%
growth in net revenue to £424m
(HY 2022: £397m)

9.1%
impairment rate
(HY 2022: 11.0%)

32.0%
underlying cost-income ratio
(HY 2022: 28.9%)

£38m
free cash flow available for growth and debt service
(HY 2022: £78m)

£30m
repayment of Senior Secured Debt

Business developments

We continued our strategy to balance growth with profitability and cash generation. We welcomed 217k (HY 2022: 427k) new customer accounts by leveraging sophisticated underwriting models to confidently write new business against a backdrop of continuing uncertainty in the UK economic outlook. Gross receivables increased by 20% to a closing balance of £4.2bn (30 June 2022: £3.5bn) and spend more than doubled to £7.4bn (HY 2022: £3.6bn). Our Direct to Consumer business remains resilient in the current economic environment with growth in both balances and profitability. Our Merchant Offering business continues to transition with the growth of the John Lewis & Partners portfolio with the aim of establishing higher levels of interest-bearing balances, combined with reducing balances on closed partnerships including Amazon.

We reported a 6.3%[1] (30 June 2022: 5.7%) share of UK credit card receivables as at 30 June 2023 and in the period we had a 5.8%[1] (HY 2022: 3.1%) share of UK credit card spend. Retail spend growth rates have reduced across the industry[2] however NewDay outperformed them due to the onboarding of John Lewis & Partners. In the last twelve months, approximately one in six credit cards issued in the UK were issued by NewDay[3].

Credit quality remains well controlled whilst supporting our customers through challenging times. Collection performance has normalised to levels generally better than pre-pandemic. We understand that customers need our support in the face of continuing cost-of-living pressures. We have responded by extending more payment holidays (and similar temporary support) during the period which has proven to be an effective way for customers to manage short-term financial difficulties.

In 2023, we delivered three new client wins:
- a significant embedded finance partnership with Lloyds Banking Group due to launch in 2024 covering both underwriting and technology;
- providing data transformation, credit data modelling and reporting suite capabilities to a large international bank through a strategic reseller partnership; and
- global retailer, Boohoo, to utilise our end-to-end technology proposition to underpin a brand new digital financial product due to launch in 2024.

In April, we repaid £30m of Senior Secured Debt in cash. £31m of such debt remains outstanding with a maturity within the next 12 months. We plan to repay this on or before maturity. We also have one asset-backed term debt deal maturing in November 2023. In July 2023, we issued £350m of asset-backed term debt (of which £19m was retained internally) and intend to use part of these funds to settle the maturing deal.

Digital capabilities

Our platform is 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.

The platform is designed to easily 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 built on serverless technology, giving scale and cost advantage, and includes tokenisation capability to protect highly sensitive customer and card data.

We continue to enhance our platform and technology to deliver market innovation and a leading digital customer experience. This investment is continuing to pay off with the delivery of three new client wins in 2023, each using our platform and technology.

Credit as a force for good

NewDay exists to help people move forward with credit. We are a purpose-led business and believe in credit as a force for good. Acting responsibly and sustainably means we can look after our customers, minimise our impact on the environment, and help support the communities we serve.

1 Bank of England data. Gross receivables and spend share metrics calculated as total NewDay volumes (including *Newpay*) as a proportion of Bank of England data credit card volumes.

2 Industry data sourced from UK Finance Card Spending Update (July 2023).

3 Estimated based on eBenchmarkers data and includes accounts originated through the Group's *Newpay* product.

Credit as a force for good continued

We are committed to balancing the interests of different stakeholders in order to maximise our long-term success. Environmental, Social and Governance (ESG) metrics are regularly monitored by the Board. Our strategy and outcomes regarding ESG matters are detailed further in our Sustainability Report which can be found on our website at newday.co.uk.

In 2023, we were awarded an EcoVadis Gold Sustainability Rating, placing NewDay in the top 5% of all Financial Services companies rated (excluding insurance and pension funding). Additionally, we partnered with Stemettes, a charity that helps young women move forward into rewarding science, technology, engineering, arts and maths careers. NewDay will help young women to develop tech skills for tomorrow.

Acquiring new customers that create long-lasting relationships

We are investing today to grow our balance sheet and deliver long-term profitability. The continuous investment in acquiring new customers aims to deliver sustainable year-on-year increases in gross receivables and returns for our business.

Our long-lasting relationships generated £160m (HY 2022: £150m) underlying profit in the half-year ended 30 June 2023 whereas our investment in acquiring new customers resulted in a £61m (HY 2022: £52m) underlying loss over the same period.

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 36 and 37 of our 2022 Annual Report and Financial Statements, found on our website at newday.co.uk.

Regulatory developments

Relevant entities within the Group 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 2023, the Group implemented the changes necessary to meet the FCA's new Consumer Duty. There has been no other significant change in the regulatory environment since our 2022 Annual Report and Financial Statements. However, several regulatory developments have occurred in the first half of the year. These include HM Treasury's proposals to reform the Consumer Credit Act and bring unregulated Buy Now Pay Later products within the FCA's regulatory perimeter. We continue to closely monitor these developments. Additionally, we responded to the FCA's Credit Information Market Study Interim Report, for which a Final Report, to include a settled policy, is expected in the second half of the year.

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 44 to 56 of our 2022 Annual Report and Financial Statements, found on our website at newday.co.uk, and remain largely unchanged in the period.