

Chairman's statement

Driving sustainable growth in our portfolio companies

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We delivered a very strong return in FY2023, as we continue to benefit from our clear strategy, consistent execution and investment discipline.

While we are not immune from the impacts of the current macroeconomic uncertainty, the Group's financial strength and quality portfolio put us in a good position to continue to deliver attractive returns through the economic cycle. ”



David Hutchison
Chairman

Performance highlights

1,745p

NAV per share
(31 March 2022: 1,321p)

36%

Total return on equity
(2022: 44%)

53.0p

Dividend per share
(2022: 46.5p)

Chairman's statement continued

3i delivered a very strong result in FY2023, despite significant macroeconomic headwinds, as we continue to benefit from our clear strategy, consistent execution and investment discipline.

Performance

I am pleased to report that 3i delivered a very strong set of results in the financial year to 31 March 2023 ("FY2023"), with a total return of £4,585 million (2022: £4,014 million). Net asset value ("NAV") increased to 1,745 pence per share (31 March 2022: 1,321 pence) and our total return on opening shareholders' funds was 36% (2022: 44%). This result was driven predominantly by the strong performance of Action, our largest investment, as well as by good contributions from the majority of our remaining portfolio.

Market environment

FY2023 was dominated by the geopolitical and macroeconomic consequences of Russia's invasion of Ukraine and the gradual global recovery from the pandemic. Governments and central banks have had to deal with the consequences of high inflation and increasing energy prices, which resulted in significant increases in interest rates globally. The defensive characteristics of many of our portfolio companies have enabled them to continue to mitigate many of these macroeconomic headwinds, and in some cases make value accretive acquisitions. A small pocket of our portfolio exposed to discretionary consumer spending did, however, see significant underperformance in the year.

Investment activity across the buyout market slowed in 2022 and we continued to deploy capital selectively in businesses that operate in sectors that we know well and are supported by long-term growth trends. The Group invested £397 million in the year in new acquisitions and further investments in our existing businesses.

Dividend

Our dividend policy is to maintain or grow the dividend year-on-year, subject to the strength of our balance sheet and the outlook for investment and realisations. In FY2023, we generated significant cash inflow of over £1.3 billion from our portfolio companies, whilst remaining cautious and disciplined in our investment activity and supporting portfolio companies, where necessary. Following the repayment of the £200 million fixed-rate 2023 bond in March 2023, we reduced our fixed debt to £775 million, which contributed to a reduction in gearing to 2% at 31 March 2023 (31 March 2022: 6%). In line with the Group's policy and in recognition of the Group's financial performance, the Board recommends a second FY2023 dividend of 29.75 pence (2022: 27.25 pence), subject to shareholder approval, which will take the total dividend to 53.0 pence (2022: 46.5 pence).

Alternative Performance Measure ("APM")

3i prepares its statutory financial statements in accordance with UK-adopted international accounting standards. However, we also report a non-GAAP "Investment basis" which we believe aids users of our report to assess the Group's underlying operating performance.

The Investment basis is an APM and is described on page 73. Total return, which is defined as Total comprehensive income for the year and net assets are the same under the Investment basis and IFRS and we provide a reconciliation of our Investment basis financial statements to the IFRS statements from page 74.

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. These include: Gross investment return ("GIR") as a percentage of opening value, cash realisations, cash investment, operating cash profit, net (debt)/cash and gearing. These APMs are referred to throughout the report and their purpose, calculation and reconciliation to IFRS can be found on page 77.

Board and people

As announced in November 2021, Julia Wilson, formerly Group Finance Director, retired from the Board on 30 June 2022 after the 2022 AGM. James Hatchley joined the Board as Group Finance Director Designate on 12 May 2022 and became Group Finance Director upon Julia's retirement. Jasi Halai joined the Board as Chief Operating Officer on 12 May 2022. Both James and Jasi have settled very well into their respective roles.

After nine years' service as a non-executive Director, Caroline Banzsky will not be standing for re-election at the 2023 AGM and accordingly will retire from the Board at the end of that Meeting. I would like to thank her for her outstanding contribution to the Board's deliberations.

Environmental, Social, and Governance ("ESG")

I am pleased with the progress we have made across all areas of our ESG agenda and I am encouraged by the level of engagement across our portfolio of investments. Led by the Chief Executive's ESG Committee, the focus has been principally on improving our ability to identify and manage climate risk across the portfolio and take advantage of any transition opportunities that may arise. We have embedded dedicated resource in our investment teams, to engage with the portfolio and explore opportunities to improve the sustainability of our investments. We also continue to prepare the Group to comply with ESG regulatory reporting requirements.

Outlook

We start FY2024 with a portfolio of assets that we have carefully constructed around sectors and themes supported by long-term growth trends, with a clear strategy of delivering sustainable returns through underlying organic growth and effective implementation of value accretive buy-and-build acquisitions. Whilst the Group and portfolio are not immune to a further sustained period of macroeconomic and geopolitical uncertainty, we are confident that our financial strength and quality portfolio will provide the Group with the flexibility to navigate these and continue to deliver attractive returns through all stages of the economic cycle.



David Hutchison
Chairman

10 May 2023