

Review of FY2020



25 June 2020



Simon Thompson
Chairman



Today's agenda



Introductory remarks

– Simon Thompson

Review of the year

– Simon Borrows

Q&A

– Simon Thompson



Our priority is to support our employees and our portfolio companies, while continuing to deliver superior returns for our shareholders.

Resilient performance despite severe disruption from Covid-19

Year to 31 March 2020



Group		Private Equity	Infrastructure	Scandlines
Total return on equity	Total dividend per share	Proprietary capital invested	Cash income	Cash realisations
3%	35p	£1,062m ¹	£78m	£70m
NAV per share	Net cash	Realisation proceeds	3iN TSR	Dividend income
804p	£270m	£848m ¹	(7)%	£37m

¹ Gross of the divestment and re-investment in Action.

Total dividend set at 35 pence per share



Our dividend policy aims to maintain or grow the dividend year-on-year subject to:

- maintaining our conservative balance sheet strategy
- careful consideration of the outlook for investments and realisations and market conditions

Second FY2020 dividend of 17.5 pence per share brings total dividend for the year to 35 pence per share

All resolutions passed on a poll at the AGM held earlier today

Resolutions

Resolutions	For	Against	Abstain
1 To receive and consider the Company's Accounts for the year to 31 March 2020 and the Directors' and Auditor's reports.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2 To approve the Directors' remuneration report (other than the part containing the Directors' remuneration policy).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 To approve the Directors' remuneration policy.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 To declare a dividend.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 To reappoint Mr J P Asquith as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 To reappoint Mrs C J Banzsky as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 To reappoint Mr S A Borrows as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 To reappoint Mr S W Daintith as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 To reappoint Mr P Grosch as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 To reappoint Mr D A M Hutchison as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 To reappoint Ms C L McConville as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 To reappoint Ms A Schaapveld as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature(s)

Date

+

Resolutions

Resolutions	For	Against	Abstain
13 To reappoint Mr S R Thompson as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 To reappoint Mrs J S Wilson as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 To appoint KPMG LLP as Auditor.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 To authorise the Board to fix the Auditor's remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17 To renew the authority to incur political expenditure.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 To renew the authority to allot shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19 To approve the 3i Group Discretionary Share Plan and authorise Directors to adopt further plans.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20 To renew the section 561 authority.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21 To give additional authority under section 561.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22 To renew the authority to purchase own ordinary shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23 To adopt new Articles of Association.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24 To resolve that General Meetings (other than AGMs) may be called on not less than 14 clear days' notice.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

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Simon Borrows

Review of the year





People and operations

- Flexible remote working for all employees
- Business travel cancelled
- Extensive use of videoconferencing
- Mental health and wellbeing advice to employees

Balance sheet and liquidity

- Prudent balance sheet management
- Net cash of £270m at the end of March
- Renewed £400m RCF
- Capacity to support portfolio if necessary

Portfolio management

- Teams and resources focused on supporting existing portfolio
- Close management of operational, liquidity and supply chain issues
- Rigorous monitoring and frequent forecasting

Private Equity

Our investment approach provides some resilience to Covid-19



Private Equity

Action - EFV transaction closed in January 2020



- Transaction value of €10.25bn delivered a 31x money multiple and a 73% IRR

€10.25bn

- 3i re-invested proceeds and excess carry to increase its holding

£591m

- 3i's direct holding in Action increased to 52.6% gross and 46.2% net (before and after ongoing carry liability)

52.6% gross
46.2% net

Private Equity

Action – continued strong growth in 2019



2019

Highlights

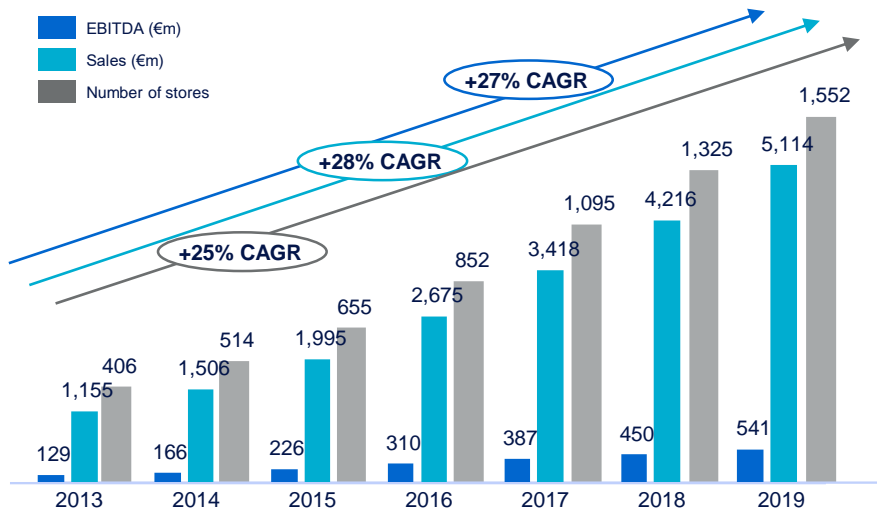
+21% revenue growth

+20% EBITDA growth

1,552 stores

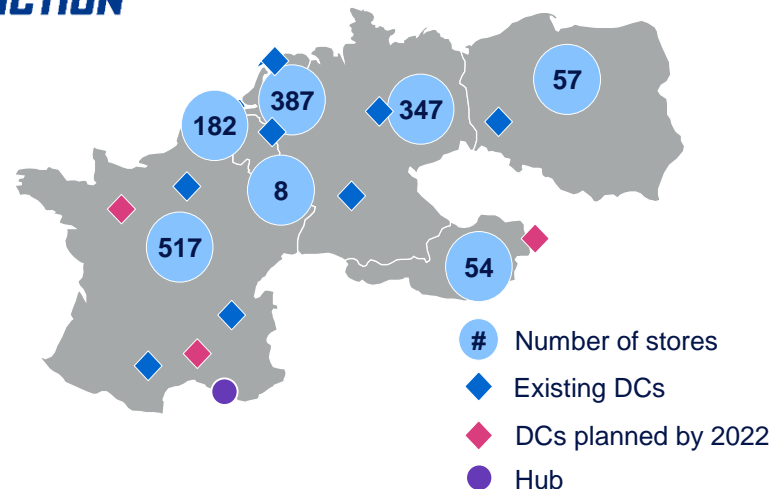
230 new stores

A continued high growth track record



A truly pan-European footprint

ACTION



Investing to become a €10bn turnover business and expand EBITDA margin

Private Equity

Action – consistently strong performance in the Netherlands



- Year-to-date LfL at end of week 11 was over 7%
- Dutch stores (open throughout crisis) continuing to perform well, with LfL currently running at over 8%
- Social distancing arrangements in place throughout store network
- Very high volumes of essentials range sold during lockdown period



Private Equity

Action – strong spring back post lockdown



- Q1 2020 finished ahead of prior year on sales and EBITDA
- P4 sales were 41% of last year
- Strong trading in May as stores re-open across all territories
- Restricted footfall compensated by much larger basket size
- Selected cost measures to minimise impact on 2020 EBITDA
- Current expectation for new openings in 2020 of 152 stores
- New country expansion to recommence in H2 2020
- Cash remains significant with target of €500m by end of July



Confidence in business model, plan, white space opportunity and competitive positioning remains as strong as ever

Private Equity

Action – a considered approach to valuation



EV/ run rate EBITDA (post discount)

18.2x

18.0x

c17x

Enterprise value (post discount)

€10.25bn

€10.80bn

€10.25bn

Valuation at March 2020 reduced to level consistent with EFV transaction, to reflect

- Covid-19 impact
- ongoing uncertainty
- independent fair value mark established by EFV transaction
- triangulation against peer group and DCF model

Sep-19
Transaction EV

Dec-19 EV

Mar-20 Actual



Good earnings momentum

- 93% of portfolio by value grew earnings to end December
- Strong contribution from bolt-on acquisitions
- Consumer and healthcare sectors performed particularly well

Limited areas of weakness

- Auto sector and some industrials

Private Equity

Covid-19 has impacted the portfolio asymmetrically



Stable to positive



Healthcare
Personal care
Essential ingredients



B2B services



Online retail

Likely temporary impact



Bricks and mortar
retail and leisure



Industrials and
automotive

Likely prolonged impact



Travel



No material change to valuation approach

Generally:

- No material change to multiple
- Companies that have continued to perform well through pandemic

Examples



Impact of Covid-19 reflected through earnings

Generally:

- No material change to multiple
- Impact of Covid-19 will be limited in time

Examples



Impact of Covid-19 reflected through multiple

Generally:

- Material reduction in multiple
- Impact of Covid-19 could endure beyond the duration of any lock-down

Examples



Private Equity

Good realisations in the year



Basic-Fit



Vintage year	2013
Proceeds	£76m
Money multiple	4.2x
IRR	37%

Opportunistic reduction of our holding in positive markets

Aspen Pumps



Vintage year	2015
Proceeds	£205m
Money multiple	4.1x
IRR	34%

Excellent realisation of a post-2012 investment

ACR



Vintage year	2006
Proceeds ¹	£105m
Money multiple	1.0x
IRR	-

Positive outcome for a challenged legacy investment

¹ Recognised realised proceeds at 31 March 2020; proceeds expected to be received in Q3 2020.

Private Equity

Disciplined approach to new investment



Magnitude Software



£139m new investment

- Provider of unified application data management solutions

Evernex



£214m new investment

- Provider of third-party maintenance of critical IT infrastructure

Bioprocessing Platform



£60m new investment

- Single-use bioprocessing product platform

Private Equity

Strong progress on buy-and-build assets with 13 bolt-on acquisitions



CHRIST + VALMANO

Havea + PHC
- GROUP - PASQUALI HEALTHCARE

lampenwelt + QLF
BRANDS

ASPEN® PUMPS + TNC Clips

DYNATECT™ + thodacon®
DYNAMIC EQUIPMENT PROTECTION Thodacon Werkzeugmaschinenchutz GmbH

BASIC-FIT + FITLAND
REAL FITNESS. REAL RESULTS.

WPW innovative packaging + ORANGE

Q HOLDING COMPANY + TBL®
when precision matters Performance Plastics

evernex + STOREX
Our Partnership. Your Advantage.

ICE. Powered by Innovation + WMPH Vacations
We Make People Happy :-)

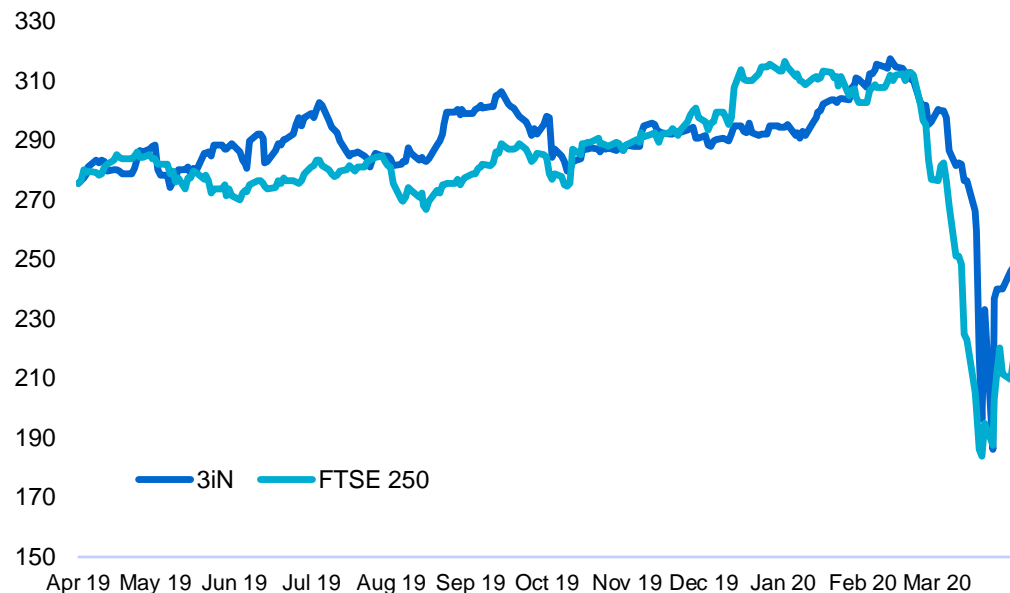
AESSEAL + GEFLEN
EXPERIENCE THE EXCEPTIONAL Allround Machine Support

Formel D + CPS QUALITY
MEMBER OF THE Formel D Group
dynamics
MEMBER OF THE FORMEL D GROUP



3iN relative share price performance – FY2020

(rebased to 3iN, pence per share)



Source: Bloomberg

FY2020 highlights

Total dividend per share **9.2p**

Investments and commitments **£376m**

Realisations **£581m**

Total return **11.4%**

Share price on 31 March **247.5p**

Share price on 23 June **290.0p**



- Good performance and solid results for 2019
- Proceeds of £70m and dividend income of £21m from investment grade refinancing
- Additional dividend income of £16m in the year
- Major short-term Covid-19 impact on car volumes as a result of border restrictions; freight traffic continues to flow
- Value decline reflects temporary impact of Covid-19 on leisure travel and elevated levels of uncertainty
- Pandemic highlights Scandlines' strategic importance to supply chains across region

26% of reinvestment already returned since reinvestment in FY19

Simple balance sheet and conservative capital management



31 March 2020

£8,098m

- High quality, defensive portfolio

£845m

- Gross cash held centrally with no material restrictions

£575m

- 2023 and 2032 bonds with no financial covenants

£400m

- Undrawn five-year revolving credit facility refinanced in March 2020

£400m

- New £400m 20-year bond raised in June 2020 further improves our financial flexibility, locking in low-cost, long-term funding



Focus on managing existing portfolio

Investment and realisations lower than in previous years

Prudent management of balance sheet and liquidity

Benefit from proprietary capital model

No change in return objectives and dividend policy



Simon Thompson
Chairman





Questions

