



# Results for the six months to 30 September 2022

10 November 2022



# Business review

**Simon Borrows**  
Chief Executive





## Group

Total return  
on equity

14%

NAV  
per share

1,477p

Gearing

8%

First FY2023  
dividend per share

23.25p

## Private Equity

Gross investment return

16%

Proprietary capital invested

£292m

Realisations<sup>1</sup>

£193m

## Infrastructure

Gross investment return

3%

Cash income

£48m

3iN dividend

£14m

<sup>1</sup> £669m including the proceeds from the sale of Havea, received in October 2022.



## Resilient performance across the portfolio

- **16%** gross investment return. Resilient performance across the portfolio, albeit some investments that rely on discretionary spending are facing more challenging conditions
- **91%**<sup>1</sup> of portfolio growing earnings in the 12 months to June 2022
- Valuations reflect current market volatility, with multiples reduced for eight companies

## Good level of investment activity; strong realisations evidence quality of the portfolio

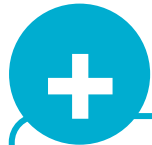
- **£292m** of proprietary capital deployed across new, bolt-on and further investments
- **£193m** of realisations in the period, with a further £476m of proceeds generated from the sale of Havea since the period end

## Portfolio well positioned in a challenging environment

- Exposed to long-term trends and strategically positioned to continue to drive attractive returns
- Prudently funded, with over 80% of debt due in 2025 and beyond, and two thirds of total term debt hedged against interest rate risk
- With proven resilience in a challenging environment

# Private Equity

Significant majority of portfolio companies mitigating impact of current challenges



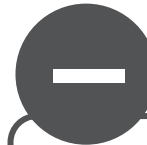
**Value-for-money and private label** Attractive in a context of reducing discretionary spending

**Healthcare** Continued strong growth in underlying end markets

**Business and Technology Services** Growth in outsourcing demand; long-term contracts

**Specialty Industrials** Resilient end-market exposures, mainly non-discretionary

**Travel** Good recovery in travel demand



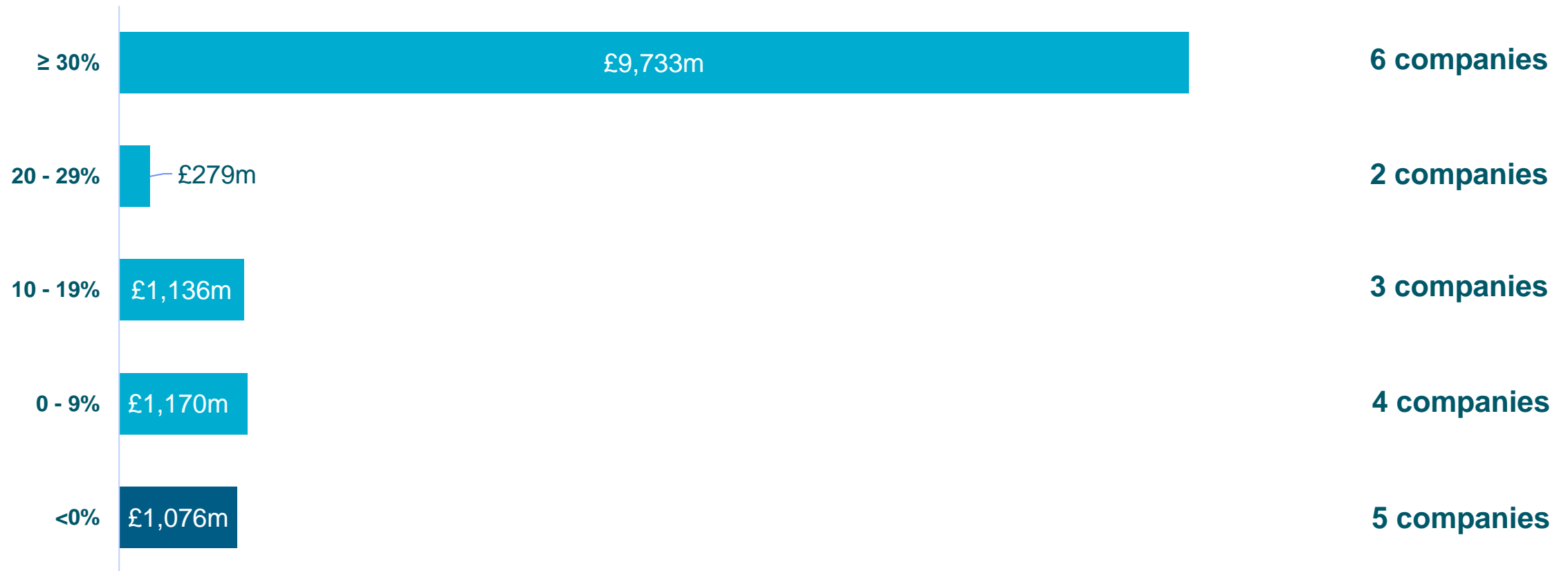
**Online retail** Normalisation vs pandemic demand peaks

**Discretionary consumer** Constrained consumer spending impacts demand and pricing power

**Good pricing power and operational efficiency have mitigated impact of current challenges, including persisting high inflation and strong US dollar**



### Portfolio earnings growth of top 20 PE investments<sup>1</sup>



<sup>1</sup> Includes top 20 Private Equity companies by value excluding Havea, which was valued on an imminent sale basis and Audley Travel, which was valued on a DCF basis. This represents 92% of the Private Equity portfolio by value. Last 12 months' adjusted earnings to 30 June 2022 and Action based on last 12 months run-rate earnings to the end of P9 2022. P9 runs to 2 October 2022.

# Private Equity

Good overall earnings performance offset by lower multiples for a number of assets



## Largest value increases (>£20m)

Portfolio company	Value growth (excl FX)	Value at 30 Sep 2022	Driver of value movement
Action	£1,156m	£8,612m	Performance
Havea <sup>1</sup>	£154m	£478m	Other
SaniSure	£90m	£422m	Performance
WilsonHCG <sup>2</sup>	£45m	£183m	Performance
nexeye	£43m	£401m	Performance
Tato	£29m	£437m	Performance
AES	£29m	£298m	Performance
Dynatect <sup>2</sup>	£20m	£141m	Performance

■ Performance
 ■ Multiple
 ■ Other

## Largest value declines (>£20m)

Portfolio company	Value decline (excl FX)	Value at 30 Sep 2022	Driver of value movement
Luqom	£(166)m	£341m	Multiple
YDEON <sup>3</sup>	£(103)m	£34m	Multiple
Basic-Fit <sup>1</sup>	£(31)m	£103m	Other
arrivia	£(23)m	£93m	Multiple
Mepal	£(22)m	£69m	Multiple
Formel D	£(20)m	£20m	Multiple

<sup>1</sup> Havea valued on an imminent sale basis and Basic-Fit on a mark-to-market basis.

<sup>2</sup> Net of a reduction in multiple.

<sup>3</sup> Formerly GartenHaus



# Private Equity

Action – strong trading to P9 and P10



- Sales to the end of P9<sup>1</sup> of **€6.1bn**, 27% ahead of the same period last year
- LFL sales growth of **15.7%** vs 12.9% last year
- P9 LTM EBITDA of **€1,036m**, 35% ahead of same period last year and ahead of >€1bn target for end of 2023
- Sales and LTM EBITDA to the end of P10<sup>2</sup> of **€6.8bn** and **€1,057m** respectively
- **182** new stores in the year to date, on track to open more than in 2021
- Cash balance at the end of P10 of approximately **€800m**

**Strong profitability to the end of P10 as a result of increased sales leverage and tight cost control**

<sup>1</sup> Nine months ending on 2 October 2022.

<sup>2</sup> Ten months ending on 30 October 2022.

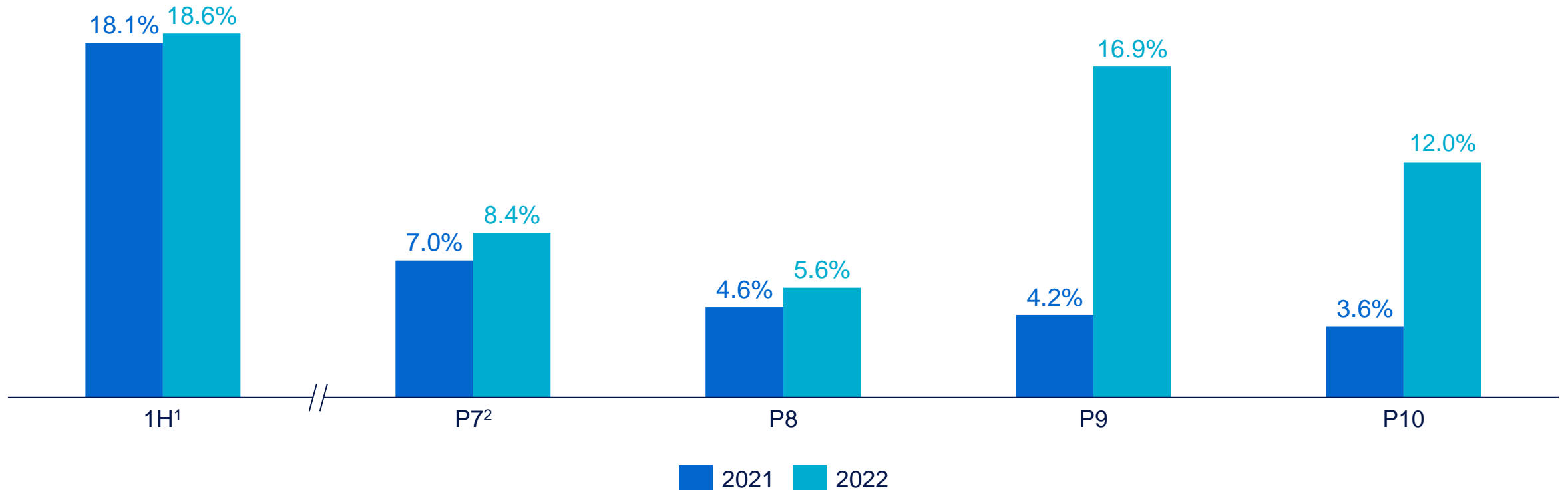


# Private Equity

Action – LfL sales have accelerated ahead of expectations since the summer



## LfL sales growth by period



Source: Action.

1. LfL sales growth in 1H based on the YTD P6 LfL sales growth in 2021 and 2022.

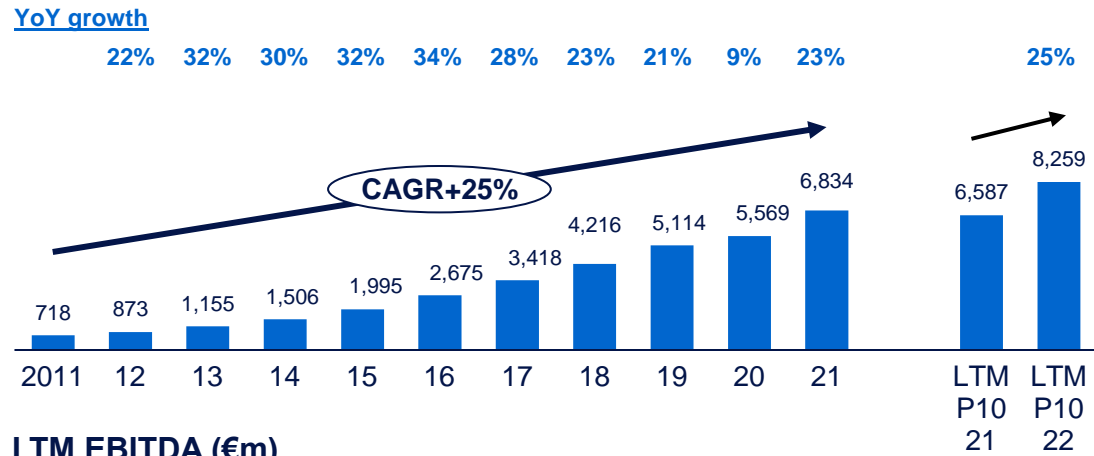
2. LfL sales growth in P7-P10 in 2020 averaged approximately 12%.

# Private Equity

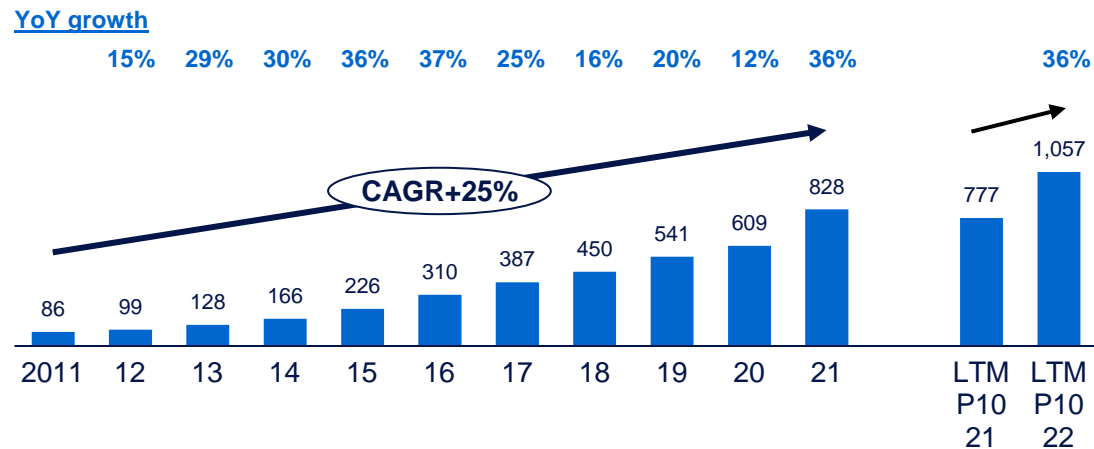
Action – results to P10 2022 indicate very strong year for Action with continued outperformance vs peers



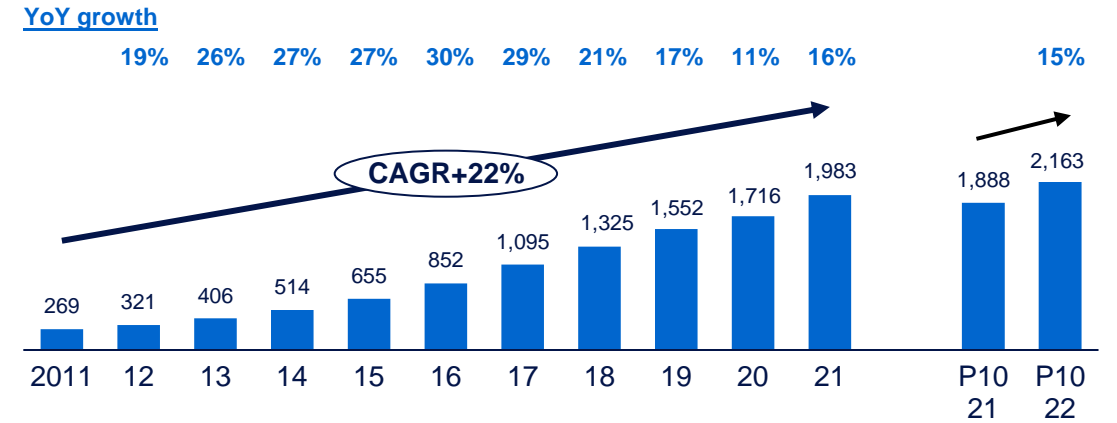
## Net sales (€m)



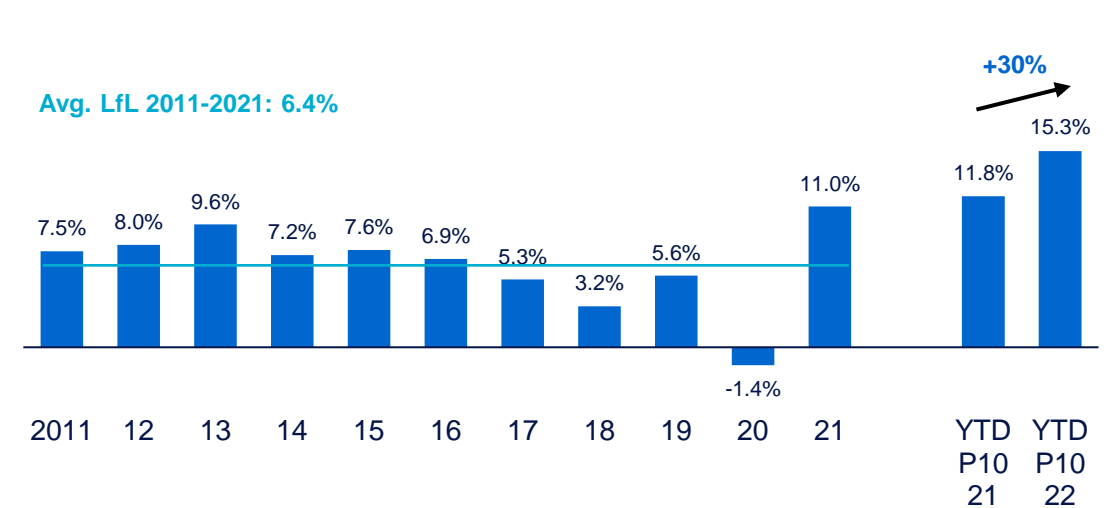
## LTM EBITDA (€m)



## Stores



## LfL Sales Growth (%)



Source: Company information.

# Private Equity

Made four new investments in the period...



Accounts payable process automation specialist  
focused on the SAP ecosystem

£100m proprietary capital investment



Premium brand offering apparel and accessories  
for babies and children

£60m proprietary capital investment



Online travel agency in the Benelux focused on  
affordable holidays

£37m proprietary capital investment



Provider of unique video compression  
technology

£20m proprietary capital investment

# Private Equity

...and continued to build existing platforms through targeted bolt-ons



**LUQOM** + **BRUMBERG**  
G R O U P

B2B manufacturer and distributor of luminaries  
and lighting products

£34m proprietary capital investment

**arrivia** + **RED WEEK**

Online timeshare marketplace

£23m proprietary capital investment

**ma't** + **Nittmann & Pekoll**

Austrian abas ERP partner

Self-funded

**evernex** + **XSi**

Specialist in IT lifecycle services  
and IT hardware support

Self-funded

**evernex** + **Integra**

Provider of IT maintenance  
and cloud services

Self-funded

# Private Equity

Realisation of Havea evidences quality of the portfolio



- Significant transformation achieved over a five-year holding period, doubling size
- Proceeds of £476m received in October 2022
- Signed in June 2022, with uplift to March 2022 valuation of 50%
- Sterling money multiple of 3.1x
- IRR of 24%



## Portfolios continue to perform well, but GIR impacted by 3iN's share price volatility

- **3%** gross investment return, impacted by a 12.4% decline in the share price of 3iN in the period
- 3iN generated **9.3%** total return in 1H (ahead of target), and is on track to deliver its dividend objective for FY2023
- Other funds and portfolios continue to perform in line with expectations

## Good contribution to operating cash profit

- **£48m** cash income from fee and portfolio income
- AUM at **£5.9bn** at 30 September 2022, vs £5.7bn at the end of March 2022

## Portfolios well positioned in the current environment

- Broadly counter-cyclical and exposed to defensive sectors
- Prudently funded
- Benefiting from positive correlation to inflation and power prices



# Infrastructure

3iN's first half results were ahead of target



3i Infrastructure plc



- Total return of 9.3% in the first half already outperforming medium term annual target
- £98m of income and non-income cash generated in the period, supporting dividend payments
- Strong portfolio performance
  - proven resilience
  - positive correlation to inflation and power prices

**Diversified portfolio is structurally positioned to deliver growth in real terms over the cycle**



# Financial review

**James Hatchley**

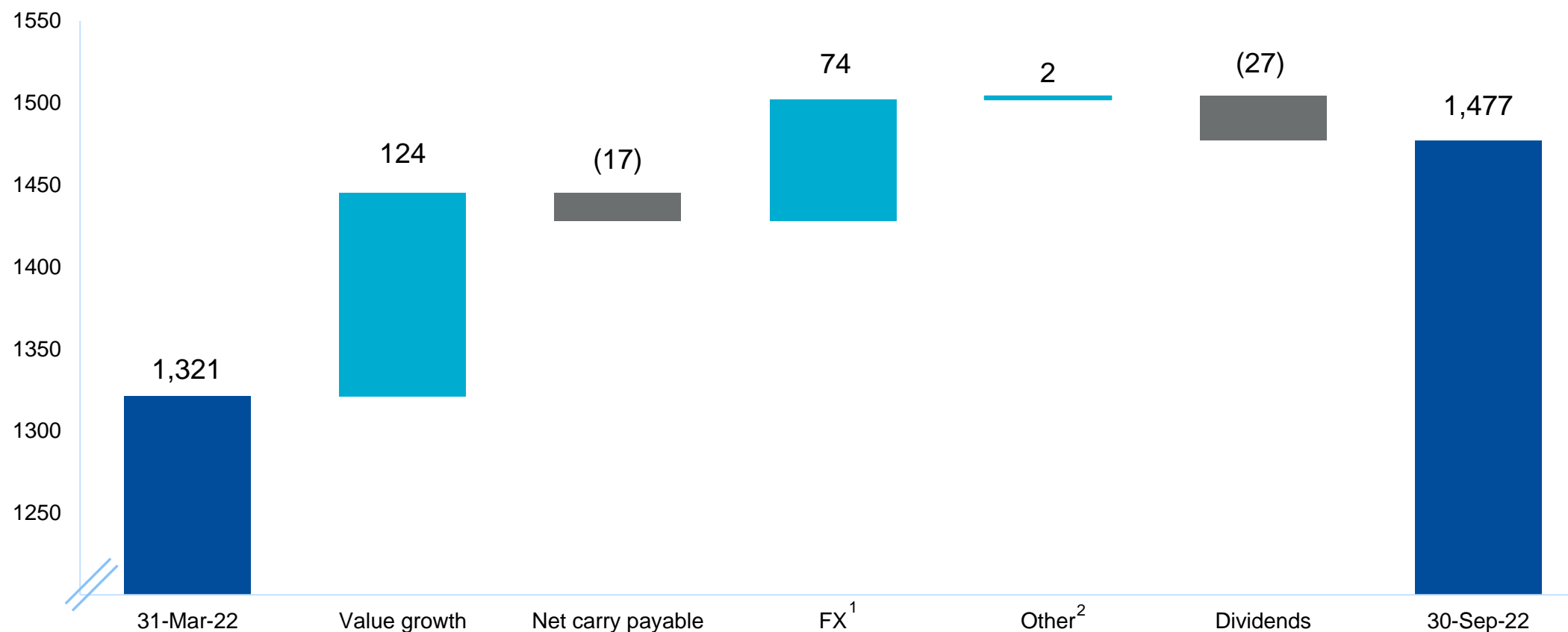
Group Finance Director



# Total return on equity of 14% in the first half of the financial year



## NAV per share (pence)



**NAV per share up 12% to 1,477 pence**

1 FX net of derivatives.

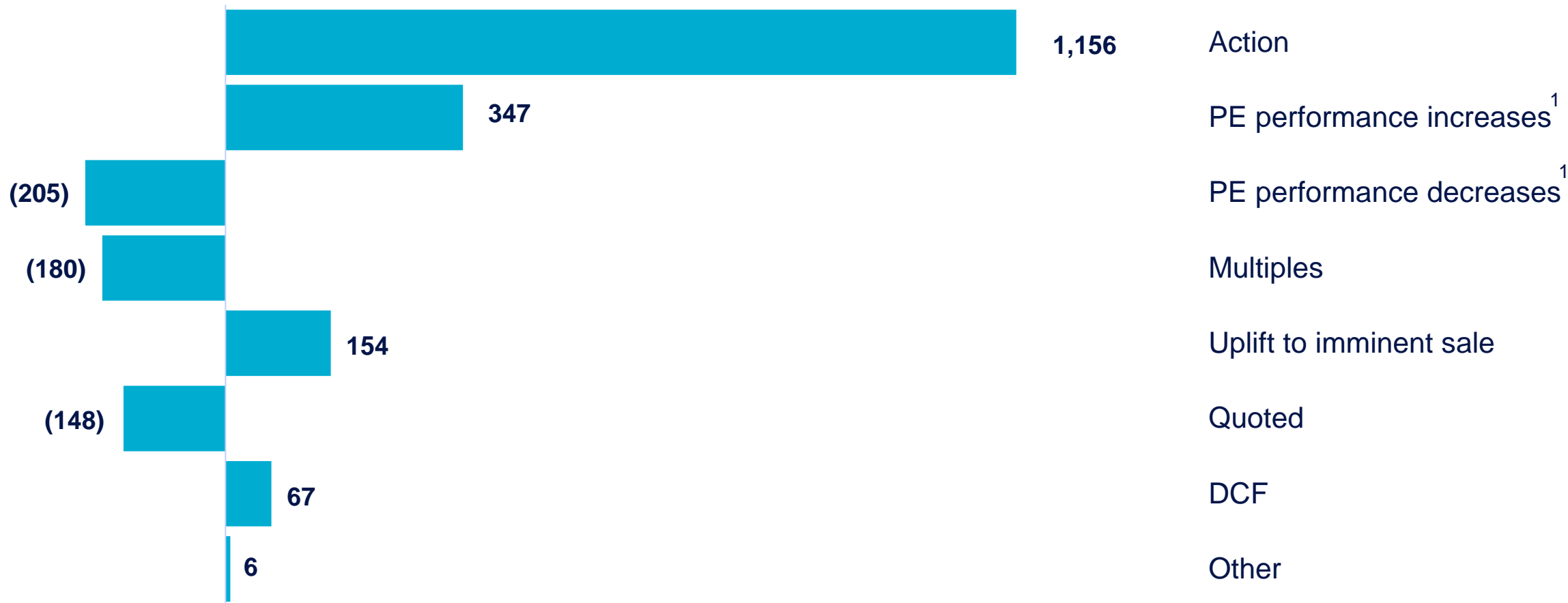
2 Other includes portfolio income, third-party fee income and operating costs.

# Good value growth despite market headwinds

£1.2bn value increase driven by earnings growth and cash generation



## Value movement by basis excluding FX (£ million)

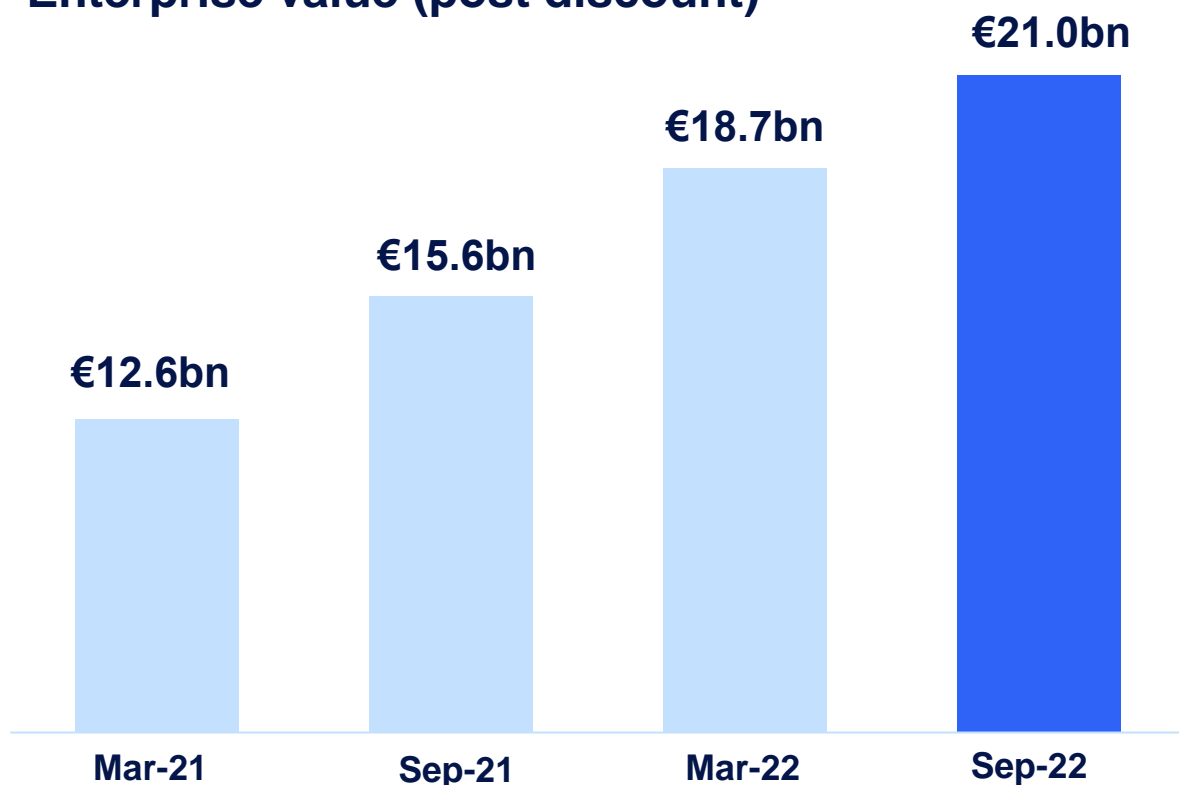


**Portfolio value of £16.4 billion**

<sup>1</sup> Performance includes value movements relating to earnings and net debt movements in the period.



## Enterprise value (post discount)

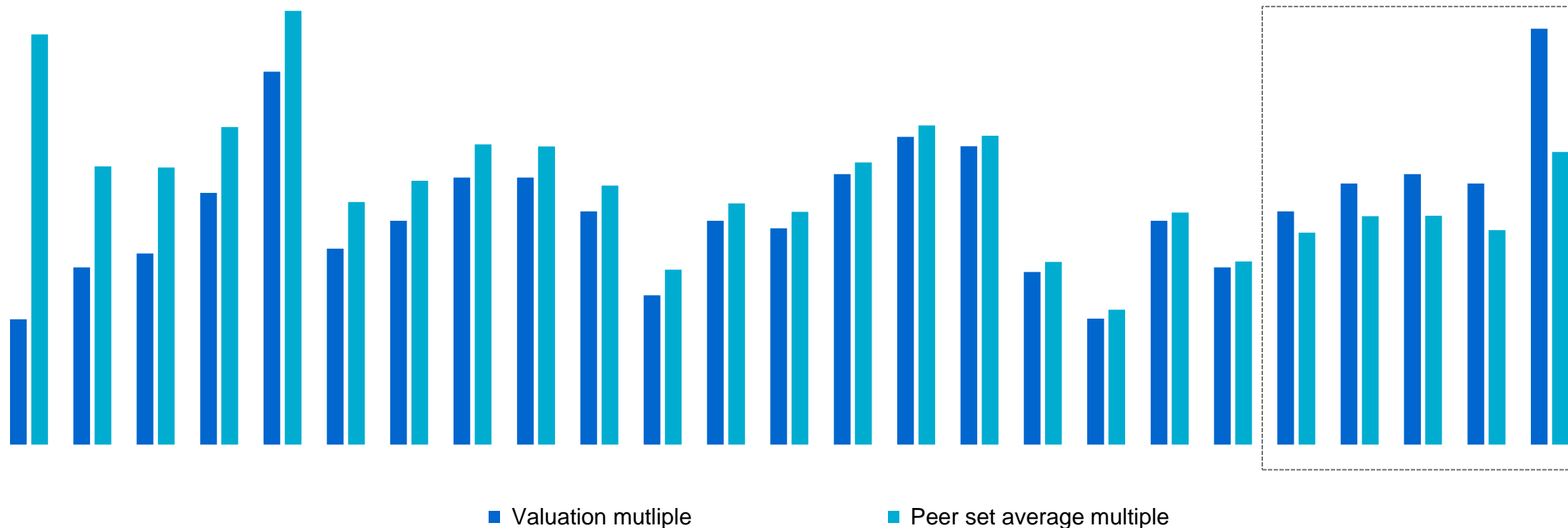


- LTM EBITDA to P9 2022 of €1,036m
- LTM run-rate EBITDA earnings of €1,135m
- Net debt of €2,226m at 30 September 2022
- 18.5x (Mar-22: 18.5x) multiple post discount
- Valuation at 30 September 2022 of £8,612m

**Outcome for September 2022 implied prospective multiple of 13.8x at September 2021**

# Private Equity

Valuation multiples continue to compare favourably to average multiples for peer sets<sup>1</sup>

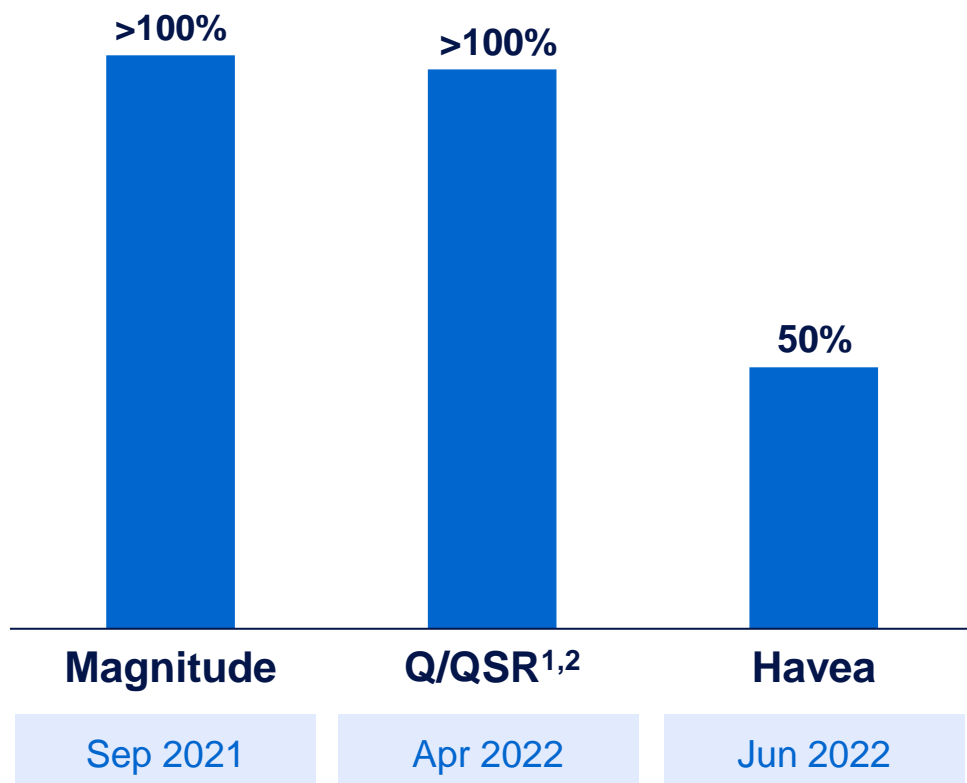


**20 out of 25 portfolio companies have valuation marks below peer set average**  
**All multiples are within peer set ranges**

<sup>1</sup> Valuation multiples used for 25 companies valued on an earning basis compared to a peer group that represents the average of the reference peer groups of 3i's portfolio assets.



### Realisation premium vs book value



- **2.5x** money multiple
- Proceeds of **£346m**



- **2.8x<sup>2</sup>** money multiple
- Proceeds of **£190m**



- **3.1x** money multiple
- Proceeds of **£476m**

Note: Portfolio realisations premium cover exits over the last two years.

1 Refers to unrealised value growth for Q Holding (including QSR) over March 2021 value.

2 Includes the residual value of Q Holding.



Six months to 30 September £ million	2022	2021
<b>Gross investment return</b>	<b>1,970</b>	<b>2,373</b>
of which foreign exchange	<b>685</b>	<b>97</b>
GIR % of opening portfolio	<b>16%</b>	<b>27%</b>
<b>Realisations</b>	<b>193</b>	<b>118</b>
<b>Cash investment</b>	<b>292</b>	<b>58</b>

£ million	30 September 2022	31 March 2022
Portfolio value	<b>14,483</b>	<b>12,420</b>

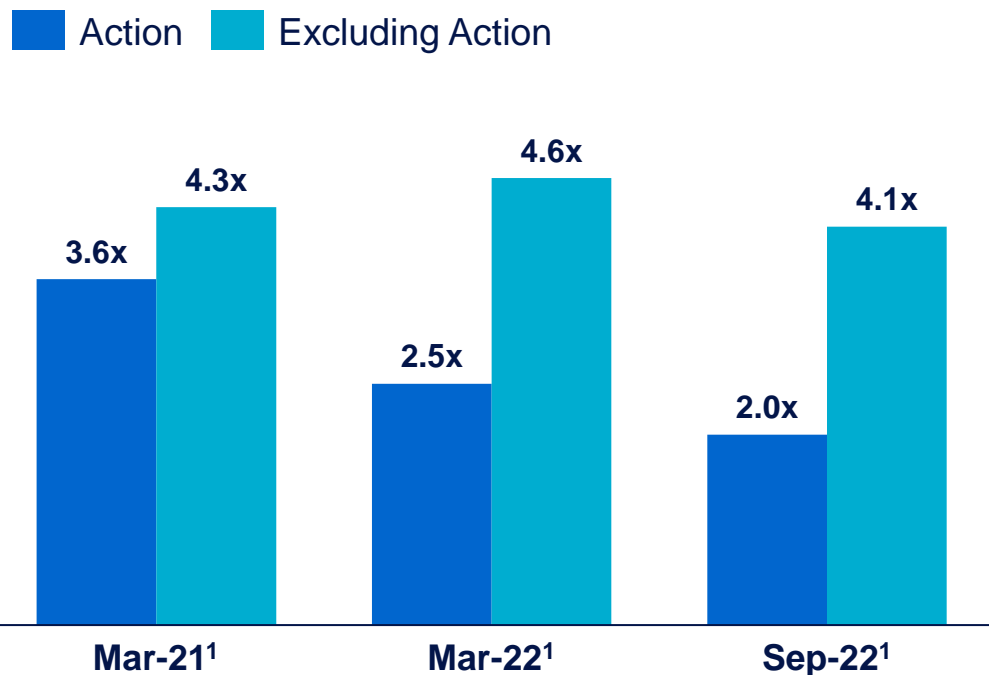
Note: Investment and realisations may differ to the cashflow due to the timing of cash movements.

# Private Equity

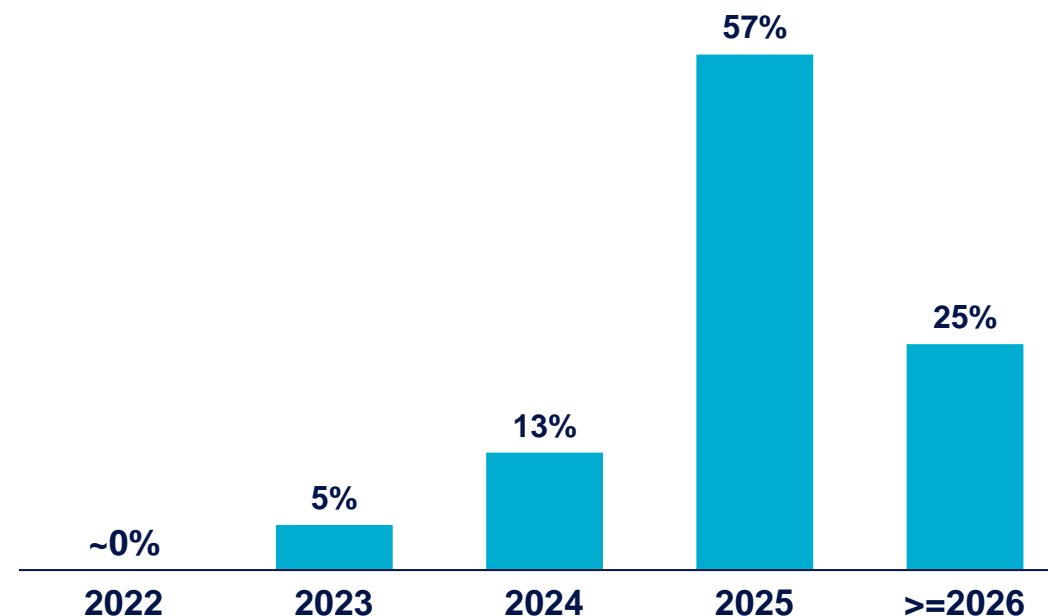
Portfolio leverage is moderate



## Ratio of total net debt to earnings



## Debt maturity (% of fair value)



**Over two thirds of PE portfolio term debt hedged against interest rate risk**

<sup>1</sup> This represents 87% (Mar-22 92%, Mar-21: 88%) of the Private Equity portfolio by value. Quoted holdings, deferred consideration and companies with net cash are excluded from the calculation. Net debt and adjusted earnings as of 30 June 2022 (Mar-22: 31-Dec-21, Mar-21: 31-Dec-20) and Action based on net debt and last 12 months run-rate earnings to the end of P9 2022 (Mar-22: P3 2022, Mar-21: run-rate earnings to 31-Mar-21 covering the period 1-May-20 to 31-Mar-21).

# Infrastructure and Scandlines

## Solid performance in the period



Six months to 30 September £ million	2022	2021
<b>Infrastructure gross investment return</b>	<b>35</b>	60
Realised profits over value	-	3
Unrealised (losses)/profit on revaluations <sup>1</sup>	<b>(47)</b>	30
Dividend and interest income from the portfolio	<b>24</b>	20
Foreign exchange	<b>58</b>	7
GIR % of opening portfolio	<b>3%</b>	5%

£ million	30 September 2022	31 March 2022
<b>Infrastructure portfolio value</b>	<b>1,380</b>	1,352

£ million	30 September 2022	31 March 2022
<b>Scandlines value</b>	<b>554</b>	533

1. The unrealised value loss of £47 million (2021: profit of £30 million) includes a £117 million unrealised value loss from 3iN (2021: £20 million value gain) offset by a value gain of £70 million from US Infrastructure and other funds (2021: £10 million).

# Operating cash position

Operating loss position expected to turn positive by end of financial year



Six months to 30 September £ million	2022	2021
Private Equity	7	14
Infrastructure	48	39
Scandlines	12	–
<b>Cash income</b>	<b>67</b>	<b>53</b>
Operating cash expenses <sup>1</sup>	<b>(84)</b>	<b>(72)</b>
<b>Operating cash loss</b>	<b>(17)</b>	<b>(19)</b>

<sup>1</sup> Operating cash expenses includes leases paid.



**£16,417m** • High quality, well constructed portfolio

**£900m** • RCF, of which £154m drawn at 30 September 2022, fully repaid in October

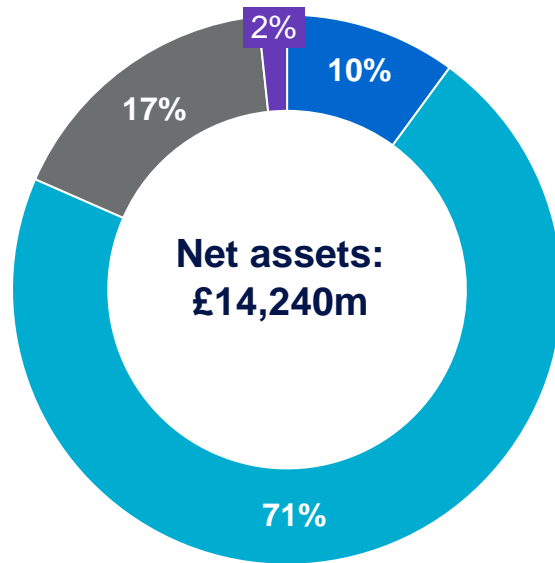
**£55m** • Gross cash held centrally with no material restrictions

**£975m** • Gross fixed term debt made up of bonds expiring in 2023, 2032 and 2040

**Liquidity of £801m at 30 September 2022, increased to c. £1.3bn at 31 October 2022**



**Net assets by currency**  
30 September 2022



■ Sterling/non-revaluing ■ Euro ■ US dollar ■ Danish krone

**88% of net assets denominated in euro or US\$<sup>1</sup>**

- Medium-term foreign exchange hedging programme executed post 30 September
  - partial reduction of FX sensitivity
  - locks rate for future sterling outflows
- €2.6bn (incl. Scandlines) of euro and \$1.2bn of US dollar exposure now hedged
- Majority of net asset exposure to euro and US dollar remains
- Hedging programme not currently expected to be extended beyond these amounts

**Including the hedging programme:**

**1% movement in EUR = £83m, 1% movement in US dollar = £13m**

<sup>1</sup> At 30 September 2022 the only hedged position was Scandlines (notional amount €600m).

## First FY2023 dividend of 23.25 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



# Closing remarks

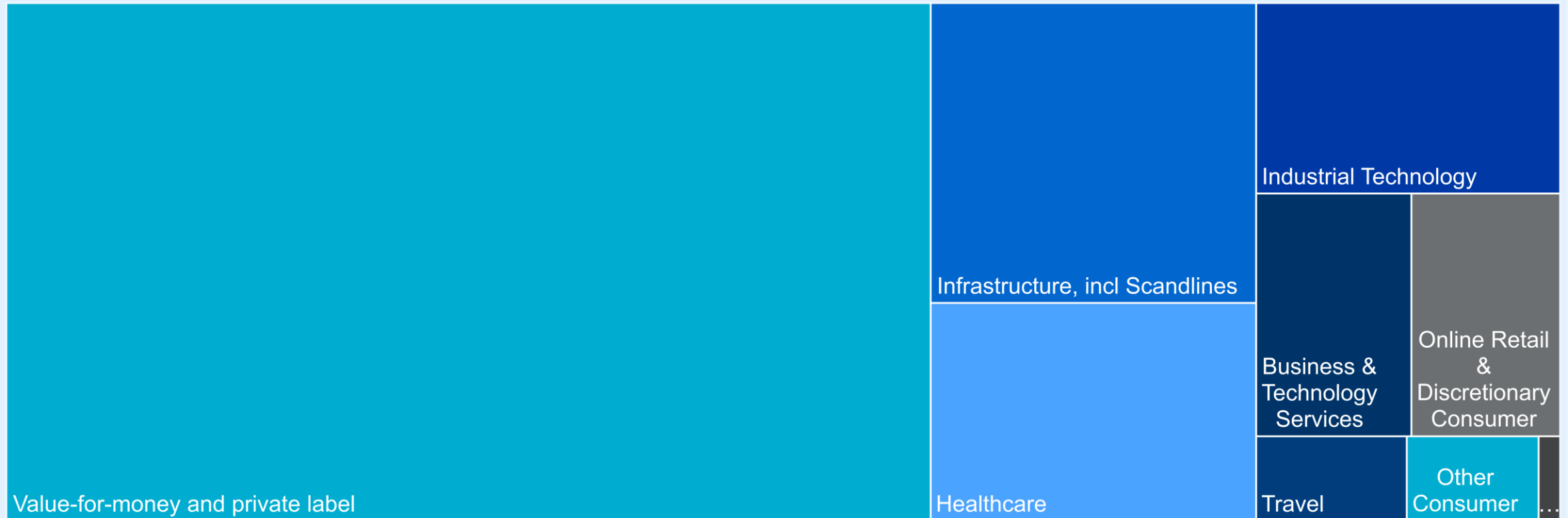
**Simon Borrows**  
Chief Executive



The portfolio is positioned to continue to perform resiliently in challenging markets



### Portfolio at 30 September 2022<sup>1</sup>



**Value, Infrastructure and Healthcare >80% of portfolio**

<sup>1</sup> Excludes Havea.

## 3i has significant long-term potential



Permanent capital. Long-term, sustainable approach

Proven model, underpinned by robust processes, patience and price discipline

Thematic approach to investment, with exposure to long-term secular growth trends

Resilient and prudently funded portfolio, positioned to withstand current macro challenges

Significant growth platforms in Action and other consumer and healthcare assets



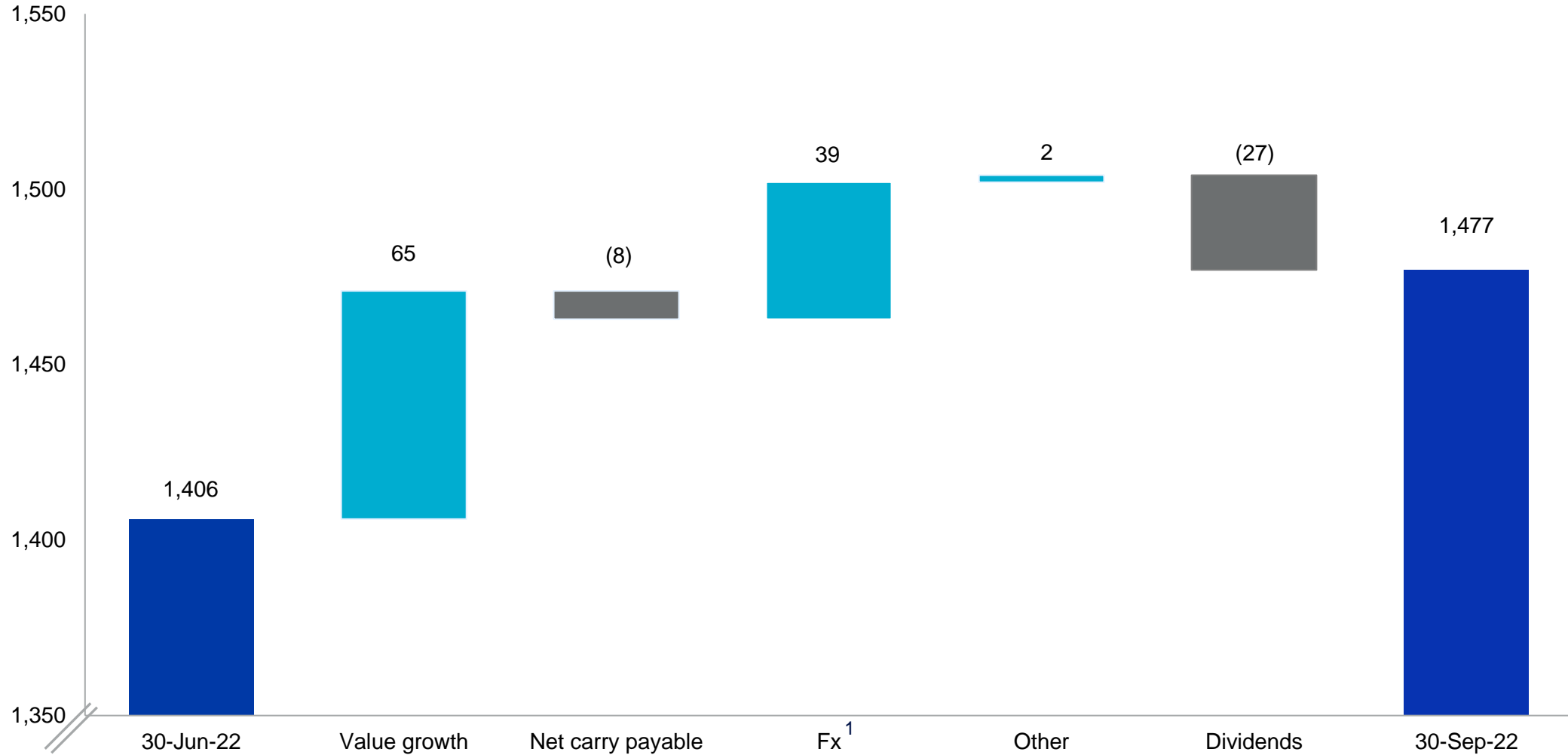
# Additional information



# Q2 NAV increased from 1,406 pence to 1,477 pence



## NAV per share (pence)



<sup>1</sup> FX net of derivatives.

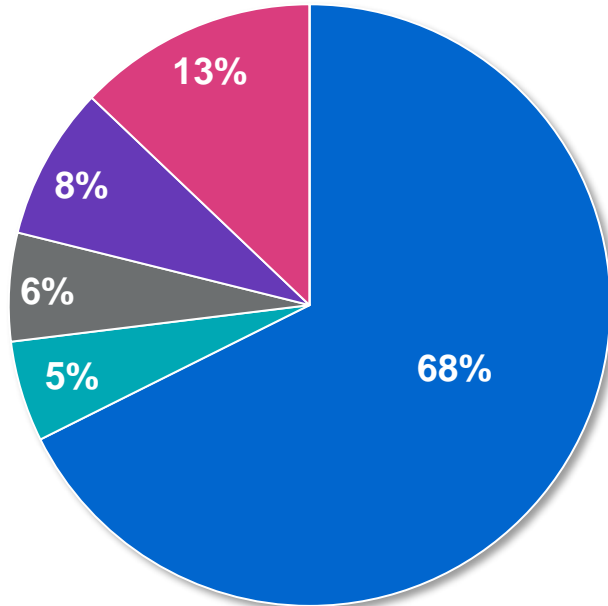
# 3i Group

## 20 large investments



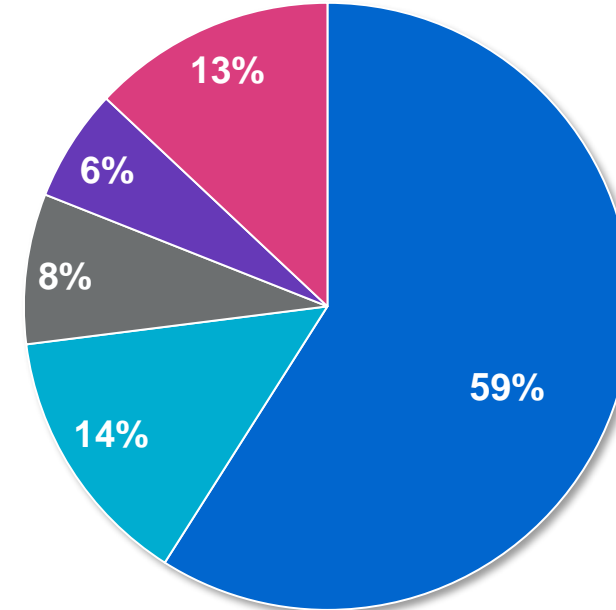
Investment	Business description	Valuation Sep 22 (£m)	Valuation Mar 22 (£m)
<b>Action</b>	General merchandise discount retailer	<b>8,612</b>	7,165
<b>3i Infrastructure plc</b>	Quoted investment company, investing in infrastructure	<b>817</b>	934
<b>Cirtec Medical</b>	Outsourced medical device manufacturing	<b>613</b>	513
<b>Scandlines</b>	Ferry operator between Denmark and Germany	<b>554</b>	533
<b>Havea</b>	Manufacturer of natural healthcare and cosmetics products	<b>478</b>	304
<b>Tato</b>	Manufacturer and seller of specialty chemicals	<b>437</b>	407
<b>SaniSure</b>	Manufacturer, distributor and integrator of single-use bioprocessing systems and components	<b>422</b>	277
<b>nexeye</b>	Value-for-money optical retailer	<b>401</b>	345
<b>Luqom</b>	Online lighting specialist retailer	<b>341</b>	448
<b>Royal Sanders</b>	Private label and contract manufacturing producer of personal care products	<b>322</b>	297
<b>Evernex</b>	Provider of third-party maintenance services for data centre infrastructure	<b>314</b>	291
<b>Smarte Carte</b>	Provider of self-serve vended luggage carts, electronic lockers and concession carts	<b>304</b>	207
<b>AES Engineering</b>	Manufacturer of mechanical seals and support systems	<b>298</b>	269
<b>Q Holding</b>	Manufacturer of precision engineered elastomeric components	<b>272</b>	398
<b>WP</b>	Global manufacturer of innovative plastic packaging systems	<b>251</b>	234
<b>WilsonHCG</b>	Global provider of recruitment process outsourcing and other talent solutions	<b>183</b>	115
<b>BoConcept</b>	Urban living designer	<b>177</b>	184
<b>MPM</b>	An international branded, premium and natural pet food company	<b>175</b>	162
<b>Dynatect</b>	Manufacturer of engineered, mission critical components that protect equipment	<b>141</b>	102
<b>Audley Travel</b>	Provider of experiential tailor-made travel	<b>121</b>	117

## By office location (%)



■ Netherlands ■ France ■ Germany ■ UK ■ US

## By sector (%)



■ Action (Consumer) ■ Consumer ■ Industrial Technology  
■ B&TS\* ■ Healthcare

**Portfolio of 41 investments (31 March 2022: 37)**

\* Business and Technology Services.

# Private Equity

Carried interest payable a result of value growth in the period



Six months to 30 September £ million	2022	2021
<b>Income statement</b>		
Carried interest receivable	2	2
Carried interest payable	(157)	(194)
<b>Net total expense</b>	<b>(155)</b>	<b>(192)</b>
£ million	30 September 2022	31 March 2022
<b>Balance sheet</b>		
Carried interest receivable	10	8
Carried interest payable	(1,106)	(926)
<b>Net total payable</b>	<b>(1,096)</b>	<b>(918)</b>

# Action peers

## EV/LTM EBITDA, pre-IFRS 16

