



27 July 2016

## 3i Group plc FY2017 Q1 performance update

### A solid start to the year with good levels of investment and portfolio activity

- NAV per share of **538 pence** and total return of **16.4%** at 30 June 2016
- Private Equity generated cash proceeds of **£438 million** in the quarter and will generate a further c.£143 million from the sales of Geka, Polyconcept and UFO Moviez in Q2
- Announced c.**£283 million** Private Equity investment in two new companies, Schlemmer and BoConcept
- Supported 3i Infrastructure plc's ("3iN") successful capital raising, investing £131 million to maintain our 34% shareholding
- Our well funded balance sheet and our portfolio of international companies position us well for the current environment
- Ex-dividend NAV per share of **522 pence** with the 16 pence final FY2016 dividend paid on 22 July 2016

### Simon Borrows, Chief Executive, commented:

"This was a busy quarter for 3i. To date we have announced some £580 million of realisations, as well as two new investments in Private Equity and a £131 million further investment in 3iN. As we announced on 30 June 2016, we have materially increased the valuation of Action to £1.5 billion.

We remain focused on executing our strategy and we will continue to drive the performance of our portfolio and seek attractive investment opportunities."

### Private Equity

#### Investments

The team started the year with a promising pipeline of opportunities. In May we announced a €181 million investment in Schlemmer, a global leader in cable management solutions for the automotive industry headquartered in Germany. The investment is subject to customary regulatory approvals. In early July we announced a c.£132 million investment in BoConcept, an urban interior design brand in the affordable luxury segment headquartered in Denmark.

## Realisations

We generated total cash proceeds in the quarter of £438 million. The strong realisations activity has continued in the second quarter and we agreed the sales of GEKA, Polyconcept and UFO Moviez in July 2016.

	Realisation proceeds £m
<b>Full realisations</b>	
Mayborn	136
Amor	88
Eltel	20
<b>Partial realisations</b>	
Basic-Fit	82
Quintiles*	34
Scandlines	16
Other	9
<b>Refinancings</b>	
ATESTEO	48
<b>Deferred consideration</b>	
Other	5
<b>Total Q1 2016 cash proceeds</b>	<b>438</b>
<b>Q2 full realisations to date</b>	
Geka	83
Polyconcept	44
UFO Moviez	16
<b>Total Private Equity realisations</b>	<b>581</b>

\* As at 30 June 2016, 3i held a c.1% stake in Quintiles.

## Portfolio performance

As announced previously, we have materially increased Action's valuation to £1,488 million<sup>1</sup> (31 March 2016: £902 million). This implies a post discount run-rate EBITDA multiple of 18.2x applied to the run-rate earnings as at 31 March 2016<sup>2</sup> and is equivalent to a post-discount multiple of less than 15x the expected run rate earnings at 31 December 2016.

The Private Equity portfolio continued to perform well in the quarter despite the challenging macroeconomic and market conditions. Overall, our decision to adjust multiples to reflect sector and multiple trends helped to mitigate the immediate impact of the market volatility caused by the result of the EU referendum. Our exposure to the sectors which have experienced the most obvious challenges over the last 12 months remains limited and, while we cannot be immune to what we expect will be a volatile and challenging period, we expect the portfolio to be generally resilient as the wider implications of Brexit unfold.

## Infrastructure

As part of 3iN's successful £385 million capital raising, 3i invested £131 million to maintain its 34% shareholding.

## Debt Management

The Debt Management team closed Harvest XV, a new European CLO, for €413 million in May 2016, raising new assets under management of £335 million. 3i invested £22 million into this CLO.

## Top 10 investments by value at 30 June 2016

	Valuation basis	Valuation currency	Valuation <sup>1</sup> Mar-16 £m	Valuation <sup>1</sup> Jun-16 £m	Activity in the quarter
Action	Earnings	EUR	902	1,488	Increase in valuation due to a number of third-party offers and continued strong financial and operational performance
3i Infrastructure plc	Quoted	GBP	464	617	Invested £131m to maintain our 34% interest
Scandlines	DCF	EUR	369	374	
Weener Plastic	Earnings	EUR	173	183	
Audley Travel	Earnings	GBP	158	163	
Basic-Fit	Quoted	EUR	208	152	Listed on Amsterdam Stock Exchange and proceeds of £82m repaid shareholder loans
Q Holding	Earnings	USD	120	127	
Christ	Earnings	EUR	117	114	
AES Engineering	Earnings	GBP	92	100	
ATESTEO	Earnings	EUR	130	96	Refinancing returned £48m of proceeds

The top 10 investments in this table comprise 68% (31 March 2016: 59%) of the total Proprietary Capital portfolio by value. This table does not include one investment that has been excluded for commercial reasons.

## Total return and NAV position

We continue to generate good levels of cash income whilst remaining disciplined over costs and operating cash profit was £14 million in the quarter.

The increase in Action's valuation resulted in a corresponding uplift in the amounts of carry receivable and payable. The net carry payable recognised in the quarter was £53 million. We expect that net carry payable will be accrued at the lower end of 10-15% of gross investment return for this financial year.

The positive foreign exchange impact was 20 pence in the quarter as the portfolio benefitted from the weakening of sterling following the result of the UK's EU referendum. Based on the balance sheet at 30 June 2016, a 1% movement in the euro and US dollar would result in a total return movement of £30 million and £7 million respectively.

These factors, together with the value growth from our investment portfolio resulted in an increase in diluted NAV per share to 538 pence (31 March 2016: 463 pence) and 522 pence ex-dividend.

## Balance sheet and dividend

The Group's balance sheet remains strong and well funded. Net cash increased to £437 million, principally due to good levels of realised proceeds in the quarter. The 16 pence final FY2016 dividend was paid on 22 July and amounts to £154 million.

## Notes

1. Balance sheet values are stated net of foreign exchange translation. Where applicable, the GBP equivalents at 30 June 2016 in this update have been calculated at a currency exchange rate of €1.1973:£1 and \$1.3298:£1 respectively. At 30 June 2016, 57% of the Group's net assets are in euro and 13% are in US dollar.
2. Action is valued using a multiple of its run-rate earnings for the 12 months to the quarter end preceding the reporting period. The valuation uplift to £1,488 million at 30 June 2016 is calculated using run-rate earnings to 31 March 2016.

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## About 3i Group

3i is a leading international investment manager focused on mid-market Private Equity, Infrastructure and Debt Management. Our core investment markets are northern Europe and North America. For further information, please visit: [www.3i.com](http://www.3i.com).

All statements in this performance update relate to the three month period ended 30 June 2016 unless otherwise stated. The financial information is unaudited and is presented on 3i's non-GAAP Investment basis in order to provide users with the most appropriate description of the drivers of 3i's performance. Net asset value ("NAV") and total return are the same on the Investment basis and on an IFRS basis. Details of the differences between 3i's consolidated financial statements prepared on an IFRS basis and under the Investment basis are provided in the 2016 Annual report and accounts. There have been no material changes to the financial position of 3i from the end of this quarter to the date of this announcement.

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