



# Results for the six months to 30 September 2018

15 November 2018



# Another good half for 3i

## Six months to 30 September 2018



### Group

Total return  
on equity

10%

NAV per share

776p

Interim dividend  
per share

15p

Net cash

£512m

### Private Equity

Proprietary capital  
invested

£254m

Realisation  
proceeds

£523m<sup>1</sup>

### Infrastructure

Cash fee and portfolio  
income

£42m

3i Infrastructure plc TSR

16%

**Good returns across the business and good progress on all our strategic objectives**

<sup>1</sup> Net of the £529m Group reinvestment in a 35% stake in Scandlines. Total Private Equity proceeds were £1,052 million.

# Private Equity

Disciplined approach and strong fundamentals driving performance



## Robust portfolio performance

11% gross investment return

Larger assets performing well

88% of top 20 assets by value grew earnings in the period

## Disciplined approach to new investment

£245m investment in Royal Sanders and ICE

Significant bolt-on acquisition activity in the portfolio

## Strong progress on realisations

£523m realisations proceeds net of Scandlines reinvestment

Strong money multiples achieved from recent vintages

Successful sales from legacy portfolio

# Private Equity

Good earnings performance drove value growth of £417m in HY2019



## Largest value increases (>£10m)

Portfolio company	Value growth (excl FX)	Value at 30 Sep 2018	Key driver of value movement
Action	£271m	£2,381m	↑ Earnings
Basic-Fit	£50m	£256m	↑ Share price
Cirtec	£35m	£239m	↑ Earnings ↑ Multiple
AES	£25m	£165m	↑ Earnings ↑ Multiple
Aspen Pumps	£19m	£131m	↑ Earnings ↑ Multiple
Formel D	£18m	£157m	↑ Earnings
ICE	£18m	£132m	↑ Earnings
Audley Travel	£16m	£258m	↑ Earnings
Ponroy Santé	£11m	£163m	↑ Earnings
WP	£10m	£259m	↑ Multiple

## Largest value declines (>£10m)

Portfolio company	Value decline (excl FX)	Value at 30 Sep 2018	Key driver of value movement
Schlemmer	£(53)m	£107m	↓ Earnings ↓ Multiple

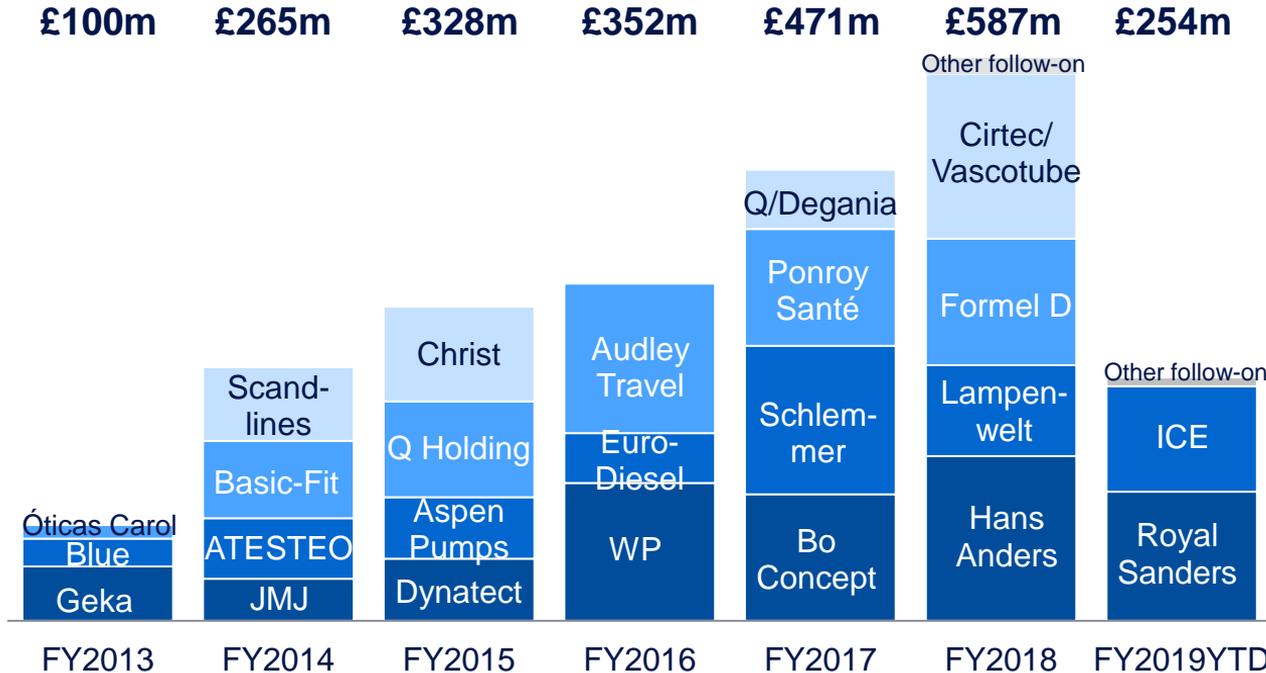
88% of top 20 assets by value grew earnings in the last 12 months

# Private Equity

We remain disciplined investors in competitive markets



Proprietary capital invested in each Private Equity vintage



**c.£2.4bn** invested in FY2013-FY2019YTD

FY2013-FY2016 vintage now at MM of **2.3x**

**FY2013-2016 vintage could deliver money multiples closer to 3x than 2x**

# Private Equity: investing for future growth

## Royal Sanders (£135m proprietary capital invested)



**Leading European private label and contract manufacturing producer of personal care products**



# Private Equity: investing for future growth

## ICE (£110m proprietary capital invested)



**Unique global travel and loyalty company that connects leading brands, travel suppliers and end consumers**



# Private Equity: investing for future growth

## Growing our platform assets through bolt-on acquisitions



**Bolt-on acquisitions for a total EV of c€375m announced in the 12 months to 30 September 2018**

1 Announced in July 2018 and expected to complete in Q3 FY2019

# Private Equity: strong realisations from recent vintages



## Full realisations (year invested, proceeds, money multiple)

### Scandlines

2007/2013  
£306m<sup>1</sup>; 7.7x

### SLR

2008  
£30m; 1.3x

### Etanco

2011  
£90m; 1.3x

## Partial realisations (year invested, proceeds, money multiple)

### Basic-Fit

2013  
£89m; 5.3x<sup>2</sup>,  
2.2x cash

## HY2019 realisations

**£523m** net proceeds<sup>1</sup>

Post-restructuring  
investments achieving  
high money multiples

Continuing to realise  
legacy portfolio

<sup>1</sup> Net of the £529m reinvestment in a 35% stake in Scandlines. Total Private Equity realisations proceeds from Scandlines were £835m.

<sup>2</sup> Includes value of residual 18% holding at 30 September 2018.

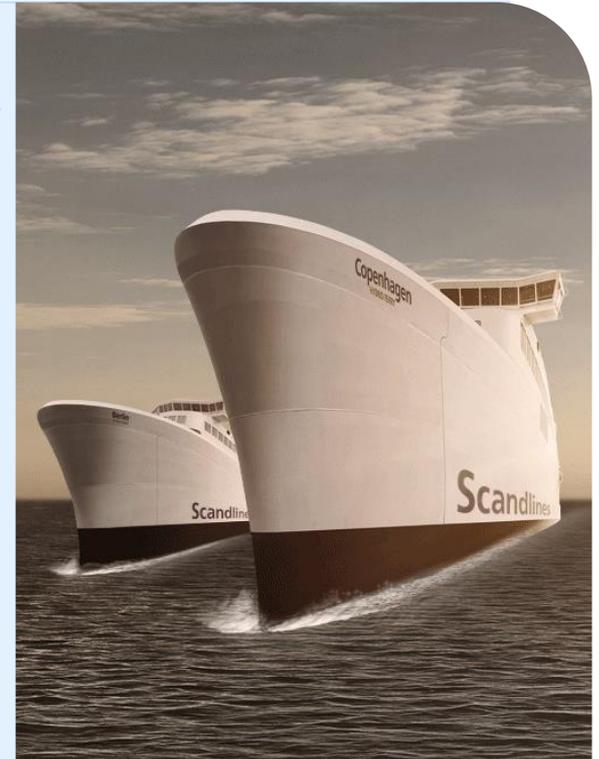


### Sale of 3i + Eurofund V holding to First State and Hermes

- 3i reinvested £529m in a 35% stake (from 55%)
- Net proceeds of £306m<sup>1</sup>, total MM of 7.7x

### Compelling rationale for re-investment

- Strong market position
- Stable cash flows



<sup>1</sup> Net of the £529m reinvestment in a 35% stake in Scandlines. Total Private Equity realisations proceeds from Scandlines were £835m.

# Private Equity: managing growth in the portfolio

## Action – strengthening the foundations for future growth



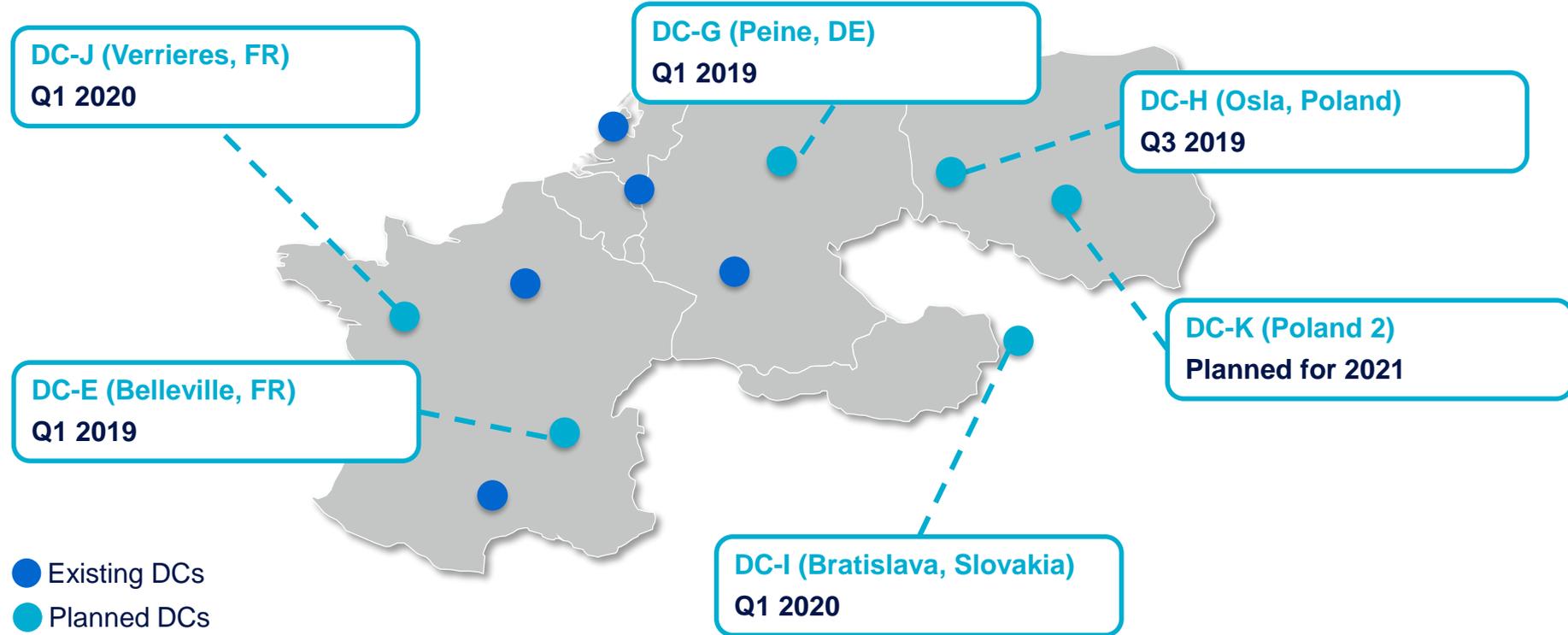
**Supply chain infrastructure and planning**

**Buying organisation**

**Digital, marketing, HR**

# Private Equity: managing growth in the portfolio

Action – building a Distribution Centre footprint to support our store opening plans



# Private Equity: managing growth in the portfolio

## Action – the popularity of the stores is undiminished



**New store opening, South of France**  
September 2018



**New store opening, North of France**  
September 2018

# Infrastructure

Building a differentiated product offering



3iN

**£1,977m**  
AUM

3i MIA

**£727m**  
AUM

PPP funds

**£602m**  
AUM

North America/  
Smarte Carte

**£180m**  
AUM

Other

**£206m**  
AUM

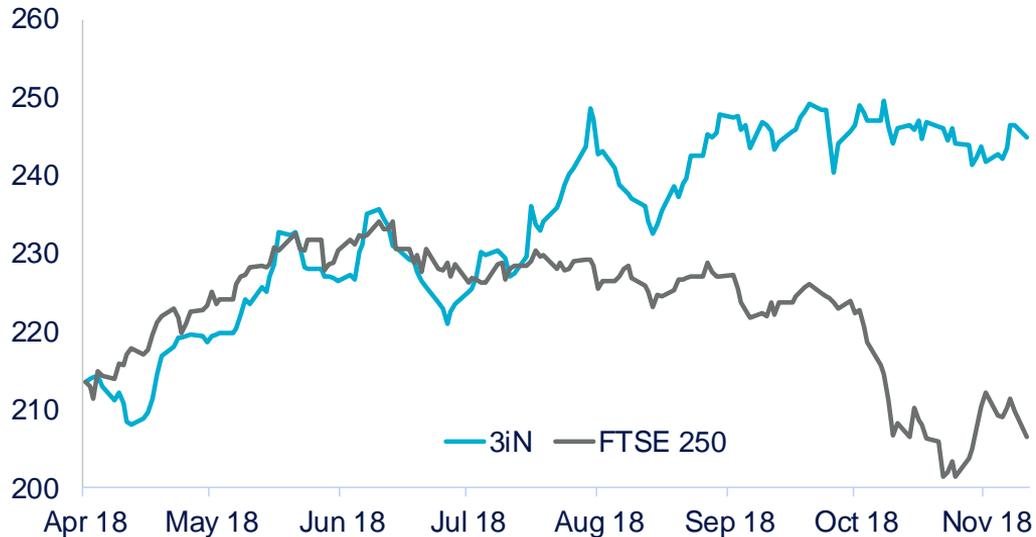
Scalable platform

AUM of £3.7bn. Fee income of £23m in the six months to 30 September 2018



### 3iN relative share price performance – HY2019

(rebased to 3iN, pence per share)



### HY2019 highlights

**9%** Total return

**16%** TSR

**4.325pps** Interim dividend

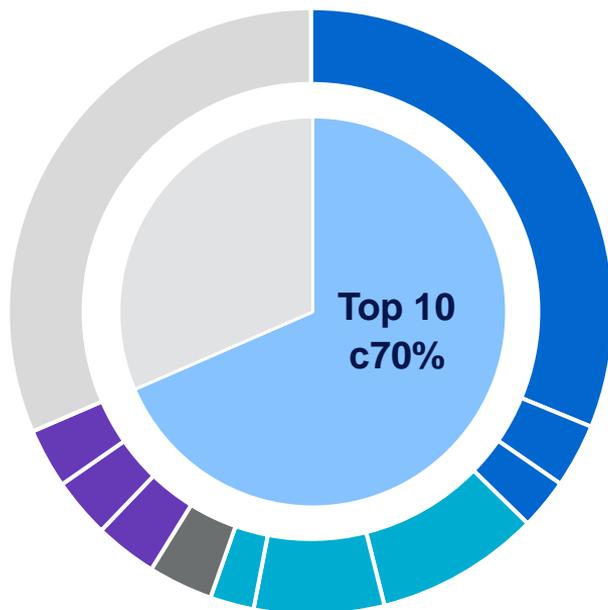
**£196m** Investment

# Capital allocation

## Our portfolio is well positioned



### NAV as at 30 September 2018



### Top 10 assets as at 30 September 2018

	Value at 30 Sep 2018 (£m)	% of NAV at 30 Sep 2018
<b>Value-for-money</b>		
Action	2,381	31.5%
Basic-Fit	256	3.4%
Hans Anders	203	2.7%
<b>Infrastructure / essential services</b>		
3iN	659	8.7%
Scandlines	521	6.9%
Smarte Carte	180	2.4%
<b>Consumer staple end markets</b>		
WP	259	3.4%
<b>Favourable demographics</b>		
Audley Travel	258	3.4%
Q Holding	239	3.2%
Cirtec Medical	239	3.2%
<b>Total</b>	<b>5,195</b>	<b>68.8%</b>

Post-restructuring portfolio underpinned by secular trends

# A resilient business

With a track record of returns consistently above our objectives



**A strong balance sheet  
and low annual costs**

- £512m of net cash at 30 September 2018

**A robust PE portfolio...**

- Average earnings growth in the mid teens
- Prudent leverage

**...defensively positioned...**

- Northern Europe and North America
- Underpinned by established secular trends

**...and a considered  
approach to valuations**

- 14 out of 22 assets valued on an earnings basis using multiples below their comparable set

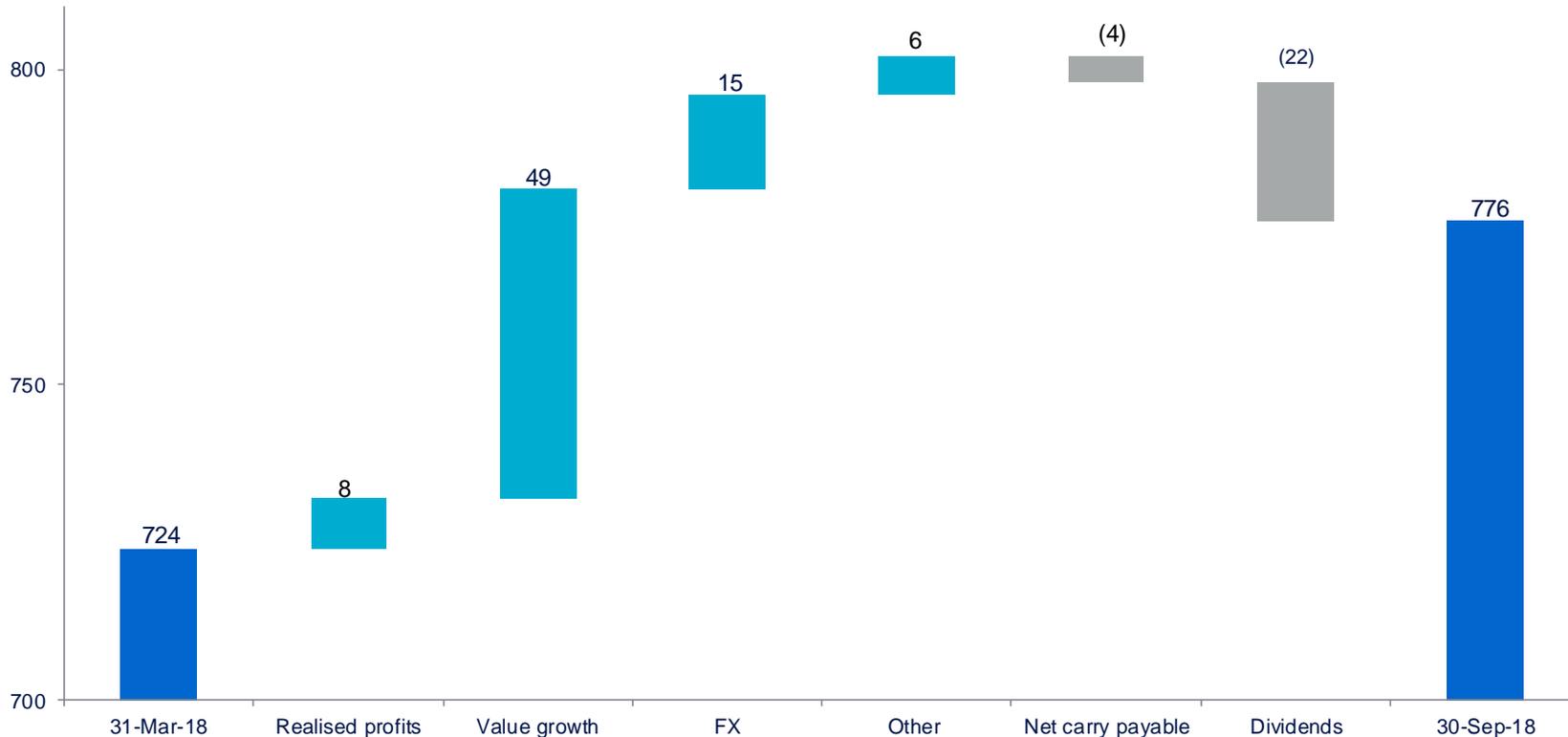
**A leading Infrastructure  
business**

- Market leading investment team
- Growing portfolio underpinned by strong cash flows

# NAV up 7% to 776 pence driven by strong portfolio performance



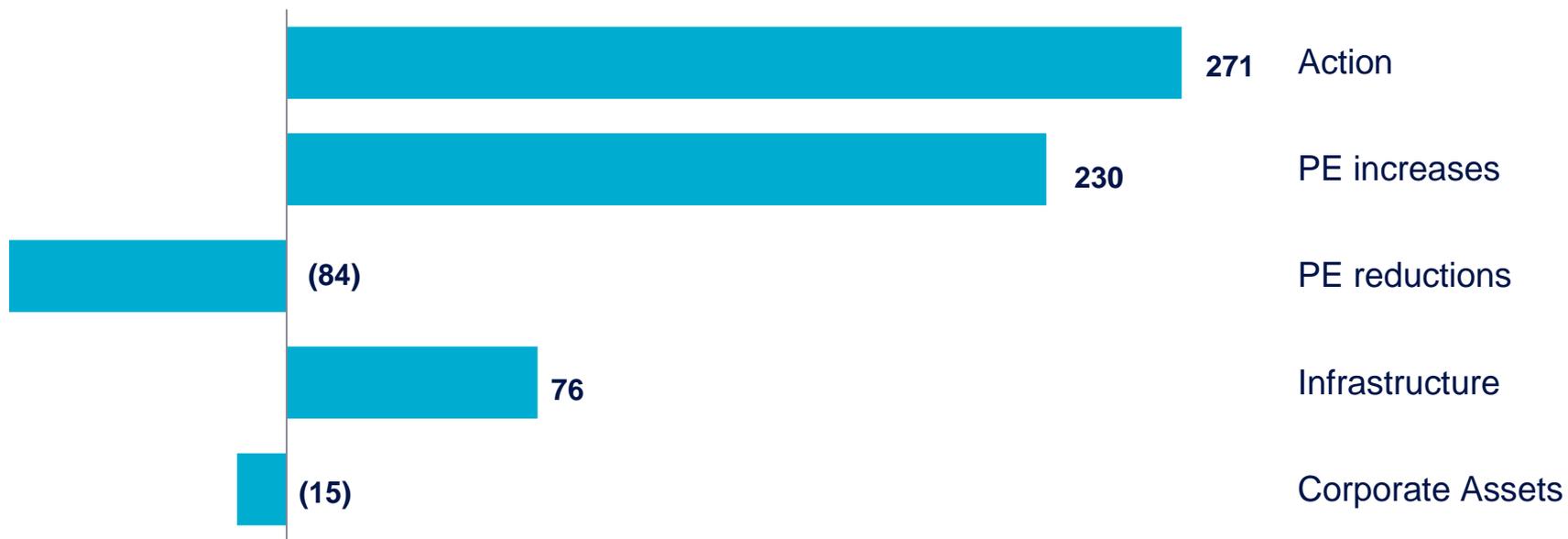
## NAV per share (pence)



# Group value growth of £478 million



## Value movement by basis (£ million)





Six months to 30 September £ million	2018
Valuation	521
Value movement	(15)
Dividend income	22

Group reinvested £529m on 21 June 2018 and holds a 35% stake of Scandlines

# Private Equity

## Strong performance



Six months to 30 September £ million	2018	2017
<b>Gross investment return</b>	<b>667</b>	715
% of opening portfolio	11%	15%
<b>Realised profit</b>	<b>75</b>	53
<b>Realisations</b>	<b>1,052<sup>1</sup></b>	350
<b>Cash investment</b>	<b>254</b>	506

4.8x money multiple for Private Equity on Scandlines, Etanco and SLR

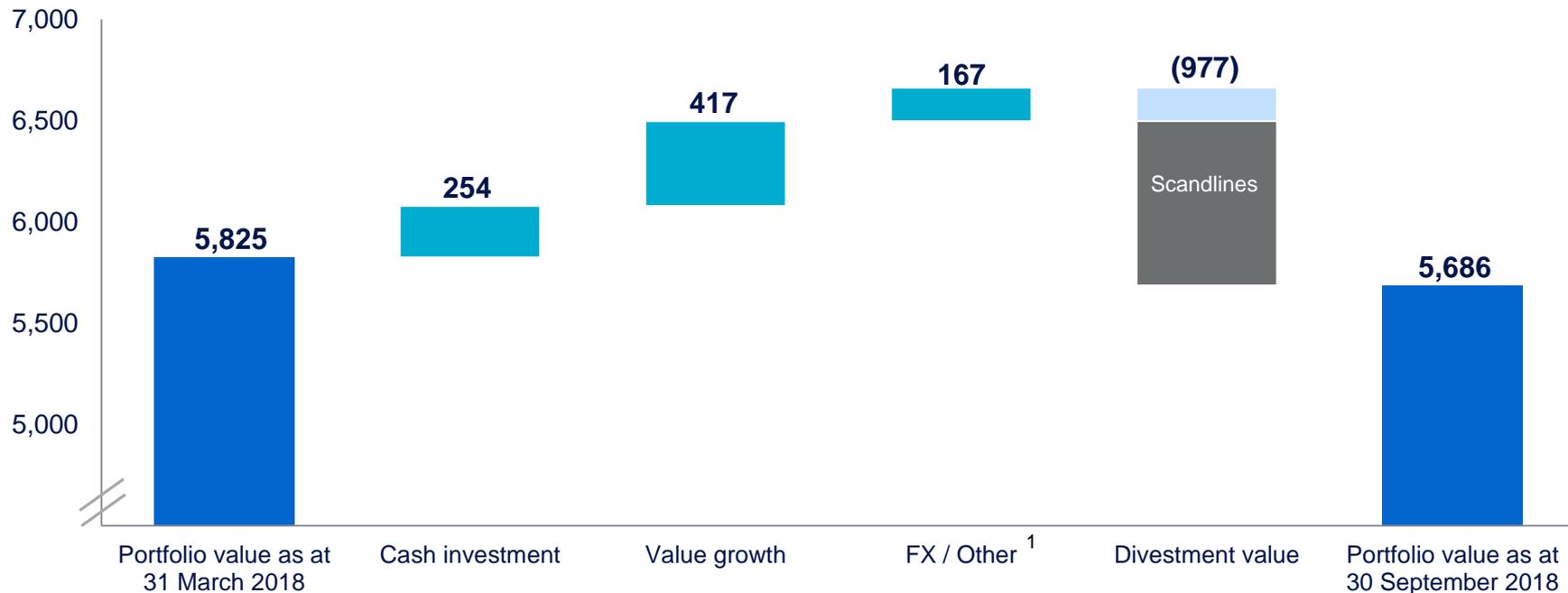
1. The realisations are gross of the Scandlines transaction. The £529 million reinvestment is included within Corporate Assets.

# Private Equity

## Cash investment and value growth offset by Scandlines realisation



£ million



£417 million of value growth

1. Includes capitalised interest and other non-cash investment.

# Private Equity

## Good growth in the top 20 assets



### 3i carrying value at 30 September 2018

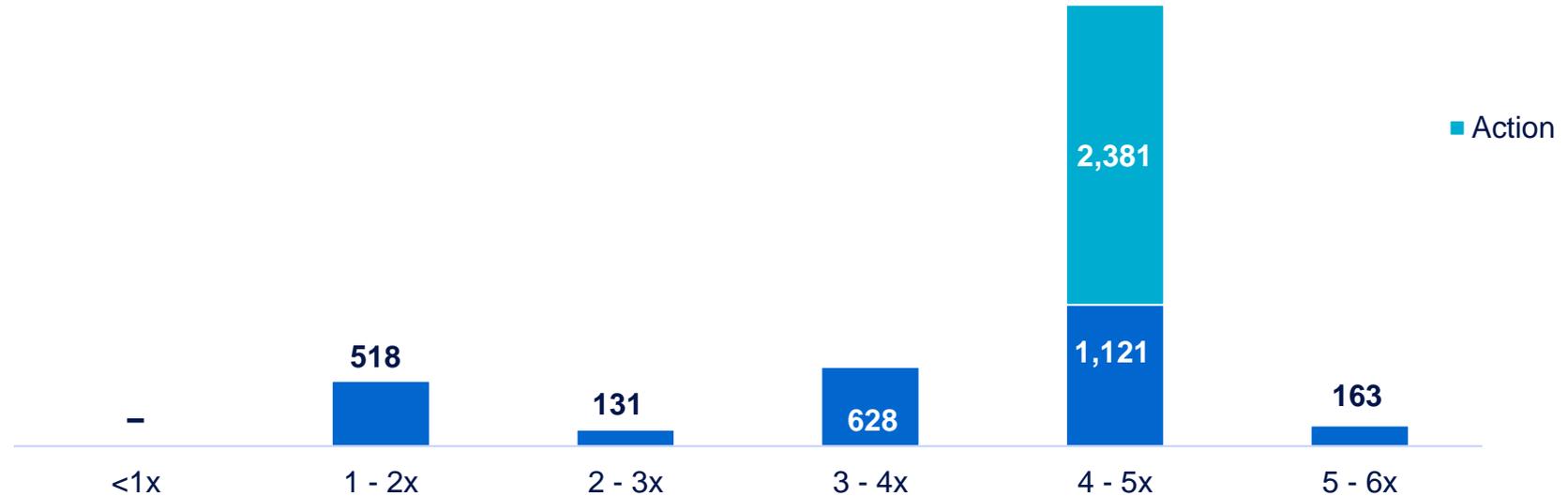
(£ million)



1. Calculated based on valuation earnings growth in the top 20 investments: 17 used EBITDA, 2 used EBITA and 1 used run-rate EBITDA earnings. ACR is excluded because earnings are not its relevant measure.



## Ratio of total net debt to earnings by 3i carrying value at 30 September 2018<sup>1</sup> (£ million)



3.6x portfolio leverage excluding Action

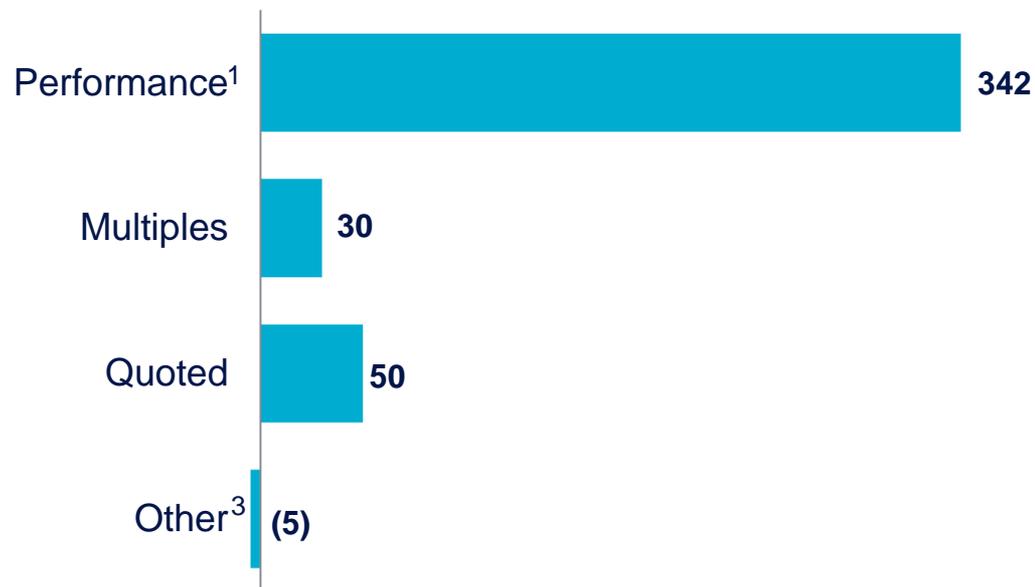
1. This represents 87% of the Private Equity portfolio by value. Quoted holdings, deferred consideration and companies with net cash are excluded from the calculation.

# Private Equity

## £417 million value growth



### Value movement by basis (£ million)



Multiples <sup>2</sup>	Sept 2018	March 2018
Action	<b>16.5x</b>	16.5x
3i ex. Action	<b>11.1x</b>	11.0x

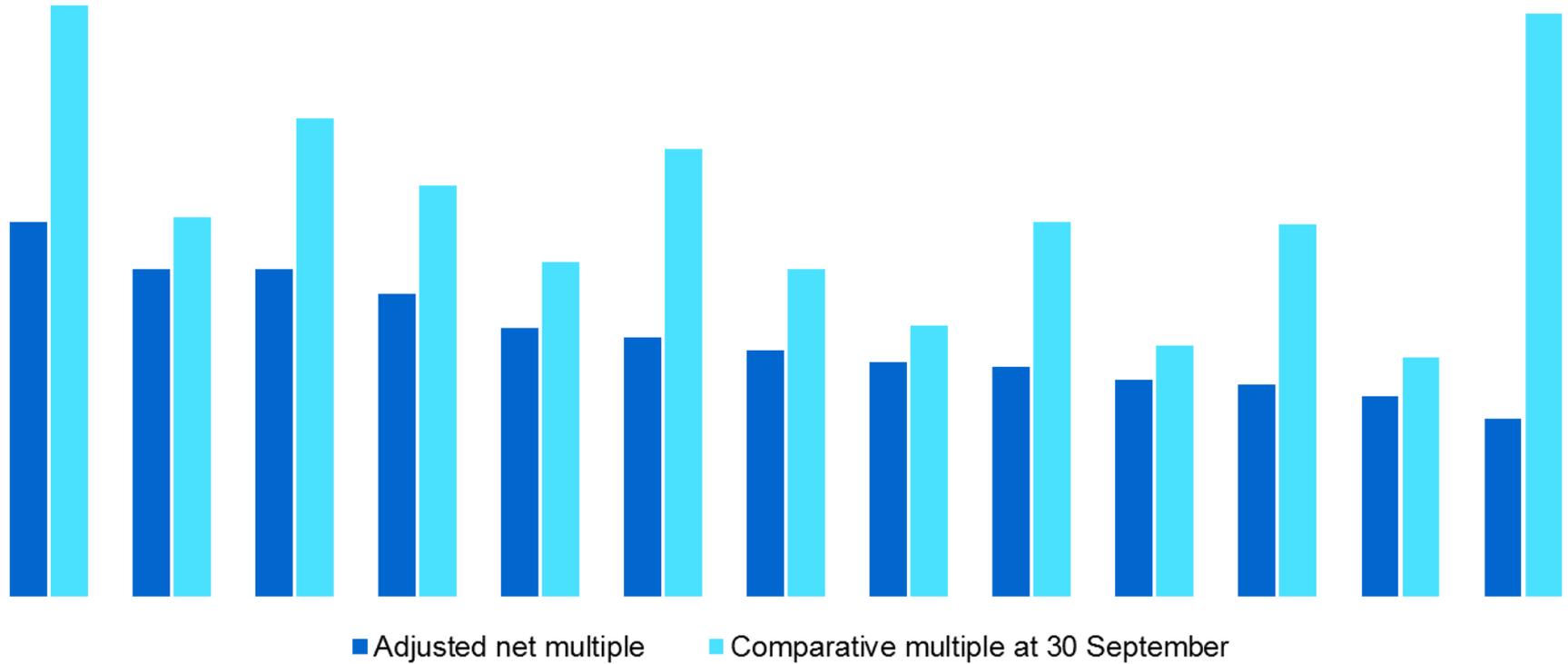
1. Performance includes value movements relating to earnings and net debt movements in the period.

2. Multiples are stated post liquidity discount and are based on EBITDA or run-rate EBITDA consistent with the valuation.

3. Other includes investments valued on a DCF basis and net asset value.

# Private Equity

## Illustration of multiple adjustments



# Private Equity

Carried interest receivable and payable a function of good performance



£ million	September 2018	September 2017
<b>Income statement</b>		
Carried interest receivable	53	64
Carried interest payable	(79)	(81)
<b>Net total return charge</b>	<b>(26)</b>	<b>(17)</b>
£ million	September 2018	March 2018
<b>Balance sheet</b>		
Carried interest receivable	556	505
Carried interest payable	(885)	(839)
<b>Net total payable</b>	<b>(329)</b>	<b>(334)</b>

£37 million of carried interest cash paid to participants in the first half

# Infrastructure

Good performance from 3iN



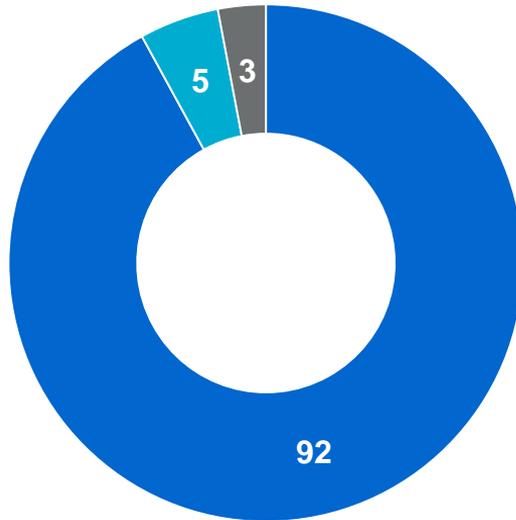
Six months to 30 September £ million	2018	2017
<b>Gross investment return</b>	<b>107</b>	32
<i>% of opening portfolio</i>	<b>13%</b>	5%
<b>Cash income</b>	<b>42</b>	34
- Of which from 3iN	<b>28</b>	26

# Infrastructure

Proprietary capital of £912 million and AUM of £3.7 billion at 30 September 2018

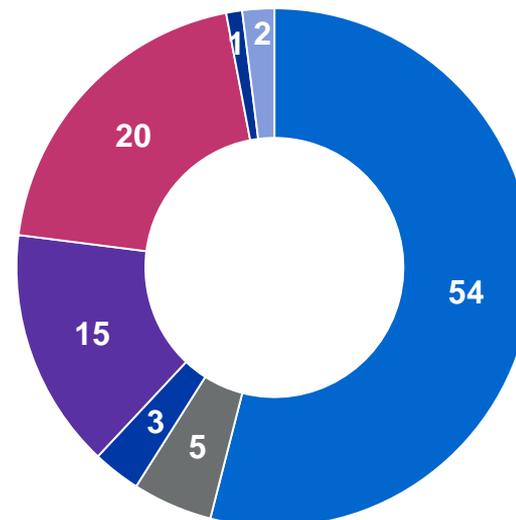


### AUM by region (%)



- Europe
- North America
- Other

### AUM by fund (%)



- 3iN
- US Infrastructure
- 3i India Infrastructure Fund
- BIIF Fund
- 3i Managed Infrastructure Acquisitions LP
- 3i European Operational Projects Fund
- Managed accounts

# Operating cash profit



Year to 30 September 2018 £ million	2018	2017
Private Equity	9	14
Infrastructure	42	34
Corporate Assets	22	-
Other	-	7
<b>Cash income</b>	<b>73</b>	<b>55</b>
Operating cash expenses	(69)	(71)
<b>Operating cash profit</b>	<b>4</b>	<b>(16)</b>

# Balance sheet remains well funded



£ million	30 September 2018	31 March 2018
Investments, net of Scandlines <sup>1</sup>	<b>(250)</b>	(827)
Realisations, net of Scandlines <sup>2</sup>	<b>528</b>	1,323
Net divestment	<b>278</b>	496
Net cash	<b>512</b>	479
Net assets	<b>7,548</b>	7,024
Liquidity	<b>1,437</b>	1,404

1. Gross investment is £779 million.

2. Gross realisations are £1,057 million.

## Interim dividend set at 50% of the prior year's total dividend



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

- maintaining our conservative balance sheet strategy, which excludes structural gearing at the Group level
- careful consideration of the outlook for investments and realisations and market conditions

Confirmed today that we will pay an interim dividend of **15.0 pence** in January 2019



# Additional information

# Private Equity: investing for future growth

## Royal Sanders (£135m proprietary capital invested)



### Leading European private label and contract manufacturing producer of personal care products



Geography / Sector

Netherlands  
Consumer

Megatrends

Value-for-money, growth in private labels and contract manufacturing, consolidation potential

Business Leaders Network

Early involvement in the assessment of the opportunity and subsequently as NXD

Process

Experience with Refresco (private label, buy-and-build) and Action/Ponroy (end market) a competitive advantage. Followed company for years and built relationship with management

# Private Equity: investing for future growth

## ICE (£110m proprietary capital invested)



**Unique global travel and loyalty company that connects leading brands, travel suppliers and end consumers**



Geography /  
Sector

United States  
Business and Technology Services / Consumer

Megatrends

Favourable demographics, value-for-money

Business Leaders  
Network

Early BLN involvement in due diligence and as  
NXDs post investment

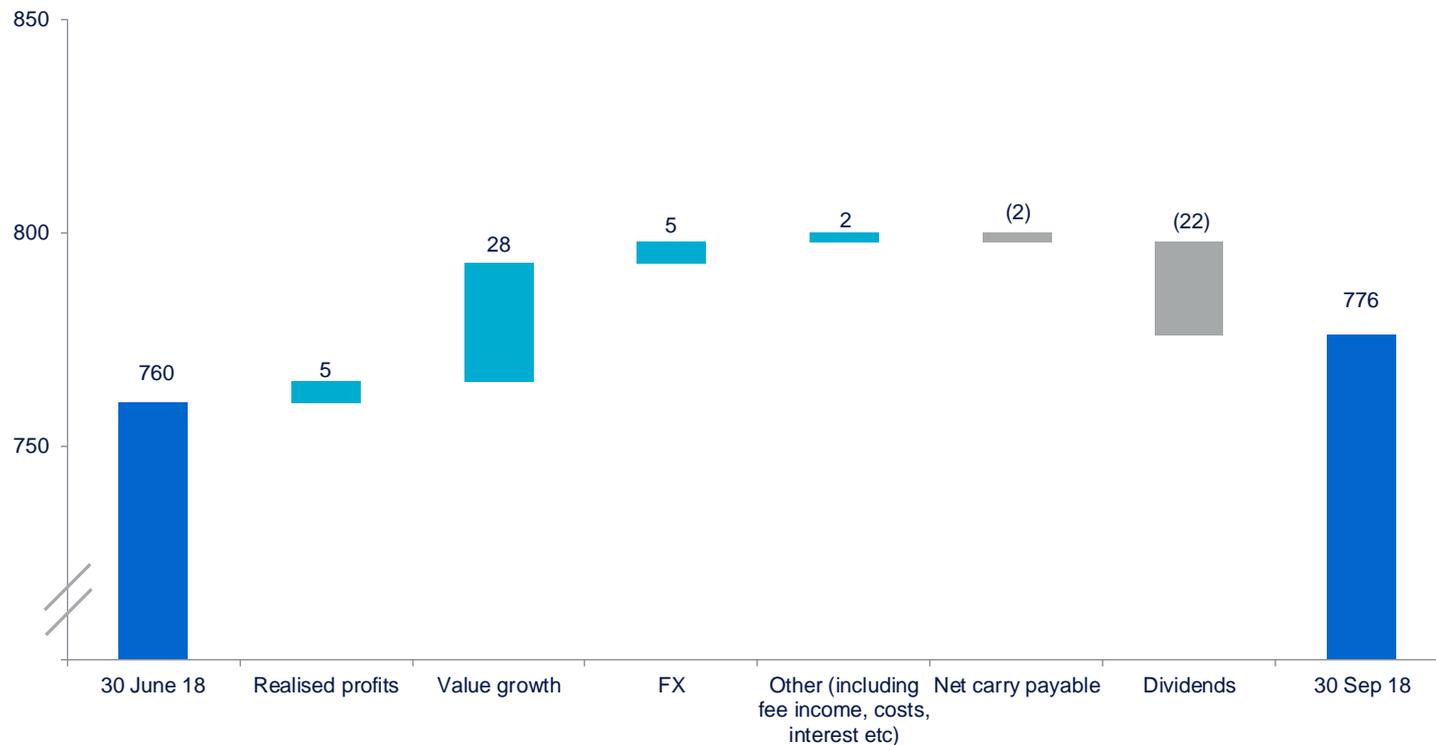
Process

Founder-owned business and complexity of  
business model led to limited process (only  
parties with knowledge of travel business)

# Q2 NAV up from 760 pence to 776 pence



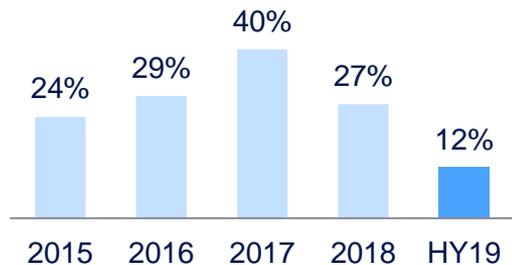
## NAV per share (pence)



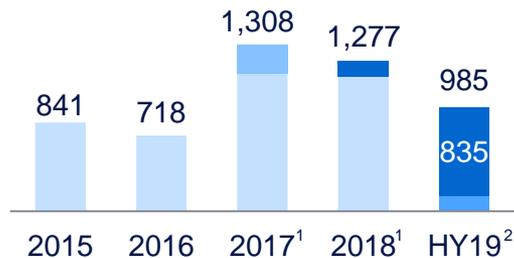
# Strong progress across all KPIs



## Gross investment return (%)



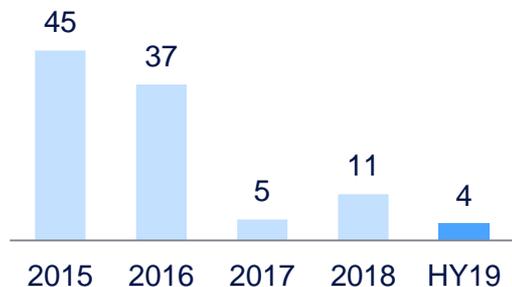
## Cash realisations (£m)



## Cash investment (£m)



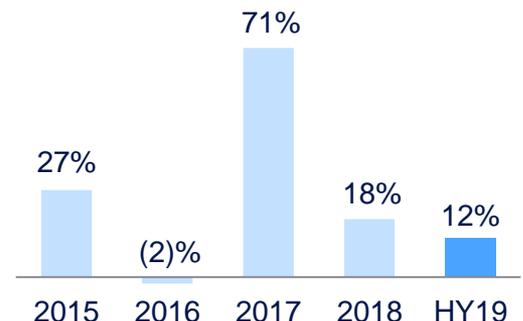
## Operating cash profit (£m)<sup>3</sup>



## NAV per share (pence)



## Total shareholder return (%)



1. 2017 includes proceeds from the sale of Debt Management of £270m and 2018 includes the £152m from the sale of the residual Debt Management assets.

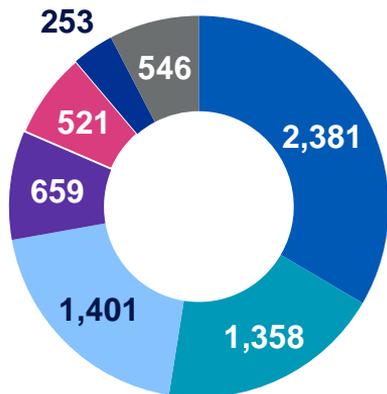
2. Cash realisations of £985m include £835m received from the sale of Scandlines and cash investment of £779m includes the £529m reinvested in Scandlines.

3. Balances up to 2016 include the contribution of the Debt Management business sold to Investcorp.

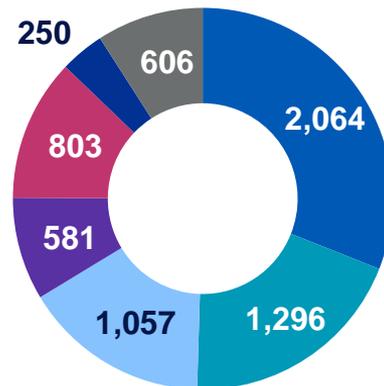
# Group investment portfolio



Portfolio value at 30 September 2018 (£m)



Portfolio value at 31 March 2018 (£m)

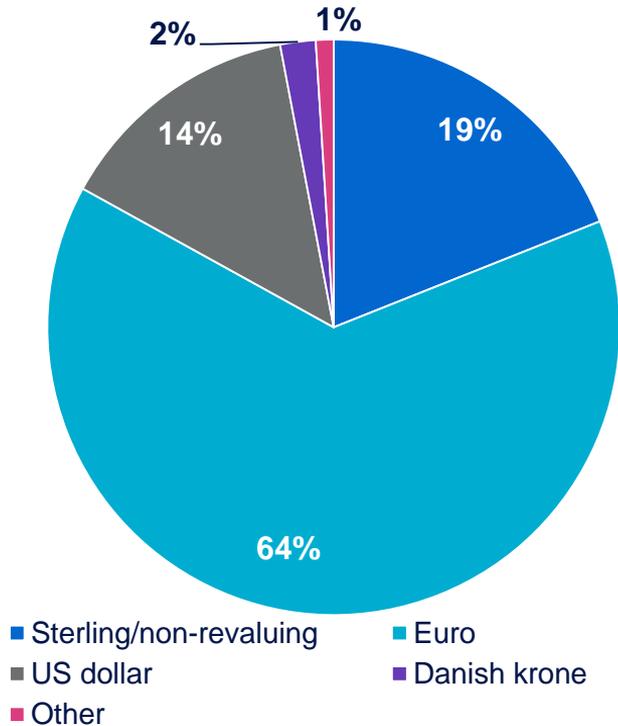


- Action
- 2013-2016 Private Equity
- 2016-2019 Private Equity
- 3iN
- Scandlines
- Other infrastructure
- Other

Note: Scandlines as stated at 31 March 2018. The 2013 Scandlines investment is not allocated to the 2013-2016 vintage for the purposes of this analysis.



# Net asset exposure by currency



Currency	Net assets	Change YTD	Impact
Sterling	£1,450m	n/a	n/a
Euro	£4,813m	(1.6)%	£75m
US dollar	£1,048m	(7.6)%	£67m
Danish krone	£146m	(1.6)%	£1m
Other <sup>1</sup>	£91m	n/a	£2m
<b>Total</b>	<b>£7,548m</b>		<b>£145m</b>

1% movement in euro = £47 million, 1% in US dollar = £10 million

1. Other mainly includes Indian rupee and Swedish krona.

# Private Equity

## 20 large investments

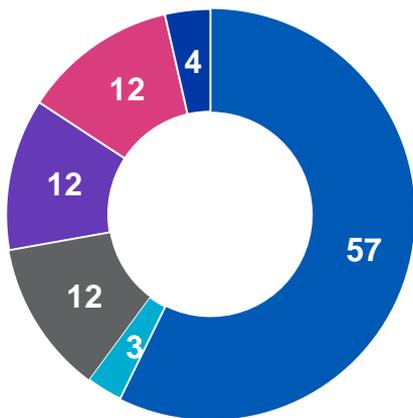


Investment	Business description	Valuation Sep 18 £m	Valuation Mar 18 £m
<b>Action</b>	Non-food discount retailer	2,381	2,064
<b>WP</b>	Supplier of plastic packaging solutions	259	244
<b>Audley Travel</b>	Provider of experiential tailor-made travel	258	233
<b>Basic-Fit</b>	Discount gyms operator	256	270
<b>Cirtec Medical</b>	Outsourced medical device manufacturing	239	190
<b>Q Holding</b>	Manufacturer of precision engineered elastomeric components	239	229
<b>Hans Anders</b>	Value-for-money optical retailer	203	189
<b>AES Engineering</b>	Manufacturer of mechanical seals and support systems	165	139
<b>Ponroy Santé</b>	Manufacturer of natural healthcare and cosmetics products	163	145
<b>Formel D</b>	Quality assurance provider for the automotive industry	157	133
<b>BoConcept</b>	Urban living designer	146	137
<b>Royal Sanders</b>	Private label and contract manufacturing producer of personal care products	142	n/a
<b>ACR</b>	Pan-Asian non life reinsurance	135	129
<b>ICE</b>	Global travel and loyalty company that connects leading brands, travel suppliers and end consumers	132	n/a
<b>Aspen Pumps</b>	Manufacturer of pumps and accessories for the air conditioning, heating and refrigeration industry	131	108
<b>Tato</b>	Manufacturer and seller of speciality chemicals	118	114
<b>Lampenwelt</b>	Online lighting specialist retailer	111	111
<b>Schlemmer</b>	Provider of cable management solutions for the automotive industry	107	152
<b>Euro-Diesel</b>	Manufacturer of uninterruptible power supply systems	77	82
<b>Dynatect</b>	Manufacturer of engineered, mission critical protective equipment	58	50

# Private Equity portfolio

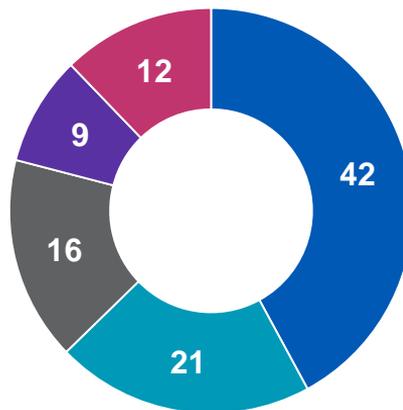


## By 3i office location (%)



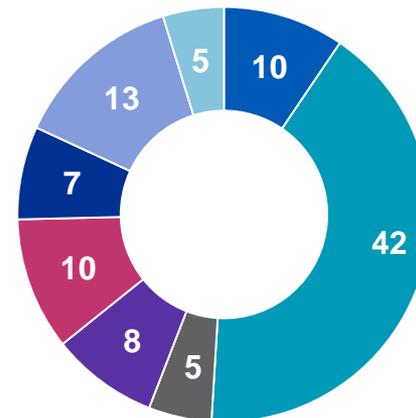
- Benelux
- Germany
- US
- France
- UK
- Other

## By sector (%)



- Action (Consumer)
- Consumer
- Industrials
- Business & Technology Services
- Healthcare

## By vintage (%)



- Pre 2012
- 2014
- 2016
- 2018
- 2012
- 2015
- 2017
- 2019

Portfolio of 34 investments, down from 36 at 31 March 2018

# Private Equity

## Proprietary capital and external funds



Vintage <sup>1</sup>	Proprietary capital value at 30 Sep 2018	Multiple at 30 Sep 2018
Buyouts 2010-2012	£2,390m	7.7x
Growth 2010-2012	£30m	2.2x
2013-2016	£1,358m	2.3x
2016-2019	£1,401m	1.1x
Other	£507m	n/a
<b>Total proprietary capital value</b>	<b>£5,686m</b>	

External fund	Close date	Original fund size	Original 3i commitment	Remaining 3i commitment at Sep 2018	% invested at Sep 2018	Gross money multiple at Sep 2018 <sup>2</sup>	External funds value	Fee income received in the year
3i Eurofund V	Nov 06	€5,000m	€2,780m	€94m	95%	2.6x	£1,872m	£2m
3i Growth Capital Fund	Mar 10	€1,192m	€800m	€346m	53%	1.9x	£18m	-
Other	various	various	various	n/a	n/a	n/a	£181m	£1m
<b>Total external value</b>							<b>£2,071m</b>	<b>£3m</b>

1. Assets in these vintages are disclosed on pages 42 and 43 of the Half Year results release.

2. The money multiple is calculated as the cumulative distributions plus any residual value divided by paid-in capital.

# Infrastructure

## Assets under management and advisory agreement



	Close date	Fund size	3i commitment/ share	Remaining 3i commitment at September 2018	% invested at September 2018	AUM <sup>1</sup>	Fee income received in the period
3iN <sup>1</sup>	Mar 07	n/a	£659m	n/a	n/a	£1,977m	£15m
3i Managed Infrastructure Acquisitions LP	Jun 17	£698m	£35m	£5m	85%	£727m	£3m
3i European Operational Projects Fund	Apr 18	€456m	€40m	€34m	15%	£67m	–
3i India Infrastructure Fund	Mar 08	US\$1,195m	US\$250m	US\$35m	73%	£112m	£2m
BIIF	May 08	£680m	n/a	n/a	90%	£535m	£2m
Managed accounts	Various	Various	Various	n/a	n/a	£94m	£1m
Other	Various	Various	Various	n/a	n/a	£180m	–
<b>Total Infrastructure AUM</b>						<b>£3,692m</b>	<b>£23m</b>

1. 3iN AUM is based on share price at 30 September 2018. In all other cases, AUM is based on NAV.