



30 July 2020

3i Group plc FY2021 Q1 performance update

Strong start to FY2021

- Increase in NAV per share to 858 pence (31 March 2020: 804 pence) and total return of 6.8% for the three months to 30 June 2020
- Resilient performance from the majority of the Private Equity portfolio in the first quarter of FY2021, despite the significant economic and social disruption caused by the Covid-19 pandemic
- Strong sales, EBITDA and cash generation at Action following the reopening of all stores across all geographies in mid May 2020
- Provided £37 million of capital to Basic-Fit and Hans Anders to support the businesses and completed significant bolt-on acquisitions for Evernex and our Bioprocessing platform investment in July 2020
- Good share price recovery from 3i Infrastructure plc (“3iN”)
- Issued a 20-year £400 million, 3.75% bond, further strengthening the balance sheet against a prolonged Covid-19 scenario

Simon Borrows, Chief Executive, commented:

“We delivered a robust result for the three months to 30 June despite the significant economic and social disruption caused by the Covid-19 pandemic. Our Private Equity and Infrastructure portfolios have been resilient and delivered strong earnings performance this quarter.

Action is rebounding impressively, and we have seen good share price recovery at 3i Infrastructure and Basic-Fit. Our investment teams remain busy and in July 2020, we completed two transformative Private Equity bolt-on acquisitions for Evernex in France and for our Bioprocessing platform in the US.”

Private Equity

Portfolio performance and valuation at 30 June 2020

The Private Equity portfolio demonstrated resilient performance in the first quarter of FY2021 despite the significant economic and social disruption caused by the Covid-19 pandemic.

Action is executing a very impressive recovery. Since all stores reopened in mid May 2020, sales, EBITDA and cash generation have been strong. P7 (July 2020) has continued this strong performance with Action’s cash balance closing at over €631 million, exceeding its target of reaching €500 million cash by the end of July 2020. LTM sales are now back above the FY 2019 sales total and LTM EBITDA to the end of P7 has recovered to €539 million, having dropped to €491 million at the end of P4 (April 2020). Action opened 48 new stores in the seven months to the end of July 2020 and is on track to meet its target to open 152 new stores in the year. As a result of this rapid recovery, we have reverted to our normal valuation approach for Action using its run-rate earnings to 30 June and a multiple of 18.0x net of the liquidity discount. This results in a very similar enterprise value to the valuation at March 2020, with the increase in value of our stake to £3,733 million (31 March 2020: £3,536 million) being attributable to the excellent development of Action’s cash position.

We continue to see good momentum in our portfolio companies exposed to medical technology (Cirtec Medical and our Bioprocessing platform), personal care products (Royal Sanders), e-commerce (Lampenwelt) and other speciality manufacturers (Tato), which are all experiencing strong demand and recorded good earnings and value growth in the quarter.

Conversely, global travel restrictions continued to weigh on Audley Travel, which, as expected, experienced a large decline in year-on-year bookings in April, May and June 2020, with all departures restricted during this period. We continue to support Audley Travel as we believe there will be significant value upside as travel restrictions are eased further and the business resumes full operations. ICE's performance in Q1 FY2021 was relatively resilient, largely due to a significant portion of its revenue being tied to membership products that have held up well since the start of the pandemic, whilst membership cancellations are effectively in line with 2019 levels. Q Holding continued to experience softer trading in its QSR business that has exposure to the automotive industry.

Private Equity investments

Private Equity investment	Type	Business description	Date	Investment £m
Hans Anders	Further	Value-for-money optical retailer	April 2020	20
Basic-Fit	Further	Discount gyms operator	June 2020	17
Total Q1 FY2021 investment				37

In April 2020, we completed the £20 million equity injection in Hans Anders. The company's stores have resumed trading with safety measures in place to protect employees and customers and recovery of sales has been ahead of expectations.

In June 2020, we invested £17 million in Basic-Fit to provide expansion capital. In the period, the majority of Basic-Fit's gyms reopened which was reflected in a strong rebound in the share price at 30 June 2020 to €23.35 per share (31 March 2020: €15.20) valuing our investment in the business at £163 million (31 March 2020: £93 million). As of the date of this announcement, all the gyms are open.

In June 2020, Evernex, in which we invested in October 2019, announced the acquisition of Technogroup, the leading third-party maintenance player in Germany, Austria and Switzerland. Subsequently in July 2020, the investment completed with 3i investing c.€45 million of additional capital to finance the transaction alongside Evernex's management team, who reinvested c.€3.5 million.

Also, in July 2020, our single-use Bioprocessing platform acquired Sani-Tech West, Inc. (Sani-Tech West and subsidiaries SaniSure® and SureTech), a leading US-based manufacturer, distributor and integrator of single-use bioprocessing systems and components. This acquisition will significantly expand the combined group's global footprint and market-leading product portfolio.

Infrastructure

3iN's share price rebounded well in the three months to 30 June 2020 closing at 292 pence (31 March 2020: 247 pence), valuing 3i's 30% stake at £786 million (31 March 2020: £665 million) and generating value growth of £121 million. We also recognised dividend income of £12 million from 3iN in the quarter. The Infrastructure portfolio overall is performing as expected. In the period, Infinis completed and funded the acquisition of the development rights for a 6MW solar PV project at the Ling Hall landfill from REG Holdings Limited.

We have established a new 3i-managed vehicle that will co-invest alongside 3i Infrastructure plc in certain transactions, with a commitment of €400 million from Industriens Pension of Denmark.

In the period, our 3i European Operational Projects Fund completed the acquisition of a portfolio of eight operational projects in France from DIF Infrastructure III. The Fund has now deployed c.60% of its total commitments.

Scandlines

Scandlines demonstrated resilient performance in the quarter, supported by stable freight volumes. On 15 June 2020, the Danish-German border opened, albeit with some restrictions still in place. As a result, car volumes have increased considerably. Since the middle of July 2020, residents of Sweden are no longer required to quarantine on arrival in Germany and are now able to transit to Germany via Denmark. Our core DCF valuation assumptions remain consistent with the March 2020 valuation.

Top 10 investments by value at 30 June 2020

	Valuation basis	Valuation currency	Valuation Mar-20 £m	Valuation Jun-20 £m	Activity in the quarter
Action	Earnings	EUR	3,536	3,733	
3iN	Quoted	GBP	665	786	Accrued £12 million FY2020 final dividend
Scandlines	DCF	EUR	429	452	
Cirtec Medical	Earnings	USD	302	349	
WP	Earnings	EUR	244	248	
Tato	Earnings	GBP	196	239	
Royal Sanders	Earnings	EUR	198	234	
Evernex	Earnings	EUR	217	231	Announced acquisition of Technogroup in June 2020, subsequently completed in July 2020
Hans Anders	Earnings	EUR	196	222	Completed £20 million investment to support the business
Havea	Earnings	EUR	182	213	

The 10 investments in this table comprise 77% (31 March 2020: 76%) of the total Proprietary Capital portfolio value of £8,735 million (31 March 2020: £8,098 million).

Total return and NAV position

We recognised a net £144 million gain on foreign exchange in the quarter, as both the euro and US dollar strengthened against sterling. Based on the balance sheet at 30 June 2020, 64% of the Group's net assets were in euro and 15% were in US dollar and a 1% movement in the euro and US dollar would result in a total return movement of £52 million and £12 million respectively, net of any hedging. The diluted NAV per share increased to 858 pence (31 March 2020: 804 pence) or 840.5 pence after deducting the 17.5 pence per share second FY2020 dividend, which was paid on 17 July 2020.

Balance sheet

On 5 June 2020, we successfully issued a 20-year £400 million bond at a coupon of 3.75%, further strengthening the balance sheet against a prolonged Covid-19 scenario. At 30 June 2020, gross debt was £975 million (31 March 2020: £575 million), net debt was £146 million and gearing 1.8%.

At the start of July 2020, we received the proceeds from the sale of Kinolt and the first and most significant tranche of proceeds from the sale of ACR, which totaled c.£159 million. The 17.5 pence second FY2020 dividend of £168 million was paid on 17 July 2020.

During the period, the 3i Group Pension Plan Trustees completed a £650 million buy-in transaction with Legal & General. This transaction was completed without additional contributions from 3i Group. The 3i Group Pension Plan benefits are now fully insured through buy-in policies which are held as assets of the Plan. At 30 June, the IAS 19 surplus was £148 million and we expect to reflect the accounting impact of this excellent outcome for Plan members at 30 September 2020, following the actuarial revaluation of the Plan.

Covid-19 update

We have continued to work remotely very effectively throughout the Covid-19 lockdowns across Northern Europe, Asia and the US. Our offices are now at different phases of a cautious re-opening as local conditions permit and in line with local regulations and guidance.

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Notes

1. Balance sheet values are stated net of foreign exchange translation. Where applicable, the GBP equivalents at 30 June 2020 in this update have been calculated at a currency exchange rate of €1.1008: £1 and \$1.2358: £1 respectively.
2. At 30 June 2020 3i had 967 million diluted shares.
3. Action was valued using a post discount run-rate EBITDA multiple of 18.0x based on its run-rate earnings to 30 June 2020.

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About 3i Group

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

All statements in this performance update relate to the three month period ended 30 June 2020 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 2020 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.