



1 February 2018

## 3i Group plc FY2018 Q3 performance update

### A positive quarter and on track to deliver another year of strong growth

- NAV per share of **701 pence** and total return of **19.4%** for the nine months to 31 December 2017
- Private Equity cash realisations of **£389 million** in the nine months to 31 December 2017. In addition, announced the **c.€307 million** divestment of ATESTEO in December 2017
- Completed two add-on investments in Cirtec Medical and Ponroy Santé, taking year to date Private Equity cash investment to **£585 million**
- Strong performance from 3i Infrastructure plc (“3iN”) as its share price increased by 7% in the quarter following the announcement of its divestments of Elenia and Anglian Water Group
- Invested **£167 million** in our first US infrastructure investment, Smarte Carte, in November 2017 and disposed of our residual Debt Management investments, generating proceeds of **£127 million**

### Simon Borrows, Chief Executive, commented:

“This was another positive quarter for 3i. Action’s expansion continued with the opening of 244 new stores in 2017, including six pilot stores in Poland. We announced the realisation of one of our 2013-2016 investments, ATESTEO, at an excellent money multiple of 4.4x. In addition, we completed our first US Infrastructure investment and two important further investments in Private Equity, reinforcing our strategy of building platform investments. We enter the final quarter of our financial year confident that our investment portfolio will deliver another year of strong growth.”

### Private Equity

#### Portfolio performance

The Private Equity portfolio had a good quarter. Action performed strongly again in 2017, with sales up by 28% and 244 new store openings in the year. In 2017, Action also commenced a significant investment programme across stores, supply chain, distribution, IT and human resources in order to meet the scale and breadth of its expansion programme. Action opened two distribution centres in France and Germany during the year. In the second half, it also instigated further investment and a change in its logistics service provider at the Moissy distribution centre in order to overcome performance issues in store delivery in France. Action now has 1,100 stores and, in just five years, the French store network is generating more sales per week than the network in the Netherlands.

Action will be publishing its audited results for 2017 in March. Its Board has initiated a new refinancing and, subject to market conditions, plans to make another distribution to its shareholders before 31 March 2018.

The majority of the portfolio continued to perform well with notable value growth increases from Basic-Fit, Scandlines, Audley Travel and AES. Christ, our German jewellery business, suffered from weak footfall during the final quarter, in line with the rest of the German high street.

### Private Equity investments

In November 2017, we made a £69 million further investment in Cirtec Medical to support its transformative acquisition of Vascotube GmbH (“Vascotube”) a provider of nitinol tubing used in minimally invasive implantable medical devices. We also invested a further £10 million in Ponroy Santé to enable it to acquire ERSA Group (“Aragan”), a designer and distributor of premium pharmaceutical food supplements.

### Private Equity realisations

We generated total cash proceeds in the quarter of £39 million, principally from the £30 million received from ATESTEO’s refinancing in November 2017.

	Realisation proceeds £m
<b>Full realisations</b>	
Hobbs	7
<b>Partial realisations</b>	
Other	2
<b>Refinancings</b>	
ATESTEO	30
<b>Total Q3 2018 cash proceeds</b>	<b>39</b>
H1 2018 cash proceeds	350
<b>Total cash proceeds as at 31 December 2017</b>	<b>389</b>

In December 2017, we announced the realisation of ATESTEO for proceeds of €307 million, subject to completion adjustments. This transaction is expected to complete before 31 March 2018 and will generate a 4.4x euro money multiple. At 31 December 2017, ATESTEO was held on an imminent sales basis and valued at £277 million, an uplift of 52% compared to its value at 30 September 2017.

### Infrastructure

Our European Infrastructure team had a very successful quarter, including advising 3iN on its divestments of Elenia and Anglian Water Group, which will generate estimated proceeds on divestment of £725 million and £395 million respectively for 3iN. The team also advised 3iN on the buyout of Barings’ investment in Wireless Infrastructure Group, which completed in early January 2018. 3iN’s share price performed strongly in the quarter, closing up 7% at 208 pence, generating unrealised value growth of £47 million for 3i.

Our US Infrastructure team completed its \$226 million / £167 million investment in Smarte Carte and is working on an interesting pipeline of investment opportunities.

### Other assets

In the quarter, we completed the disposal of the residual Debt Management investments, generating proceeds of £127 million (30 September 2017 book value: £127 million).

### Total return and NAV position

We recognised a £31 million gain on foreign exchange in the quarter, as the euro strengthened against sterling. Based on the balance sheet at 31 December 2017, a 1% movement in the euro and US dollar would result in a total return movement of £43 million and £9 million respectively. The diluted NAV per share increased to 701 pence (30 September 2017: 652 pence) or 693 pence ex-dividend after deducting the 8p per share interim dividend.

## Balance sheet

### Top 10 investments by value at 31 December 2017\*

	Valuation basis	Valuation currency	Valuation Sep-17 £m	Valuation Dec-17 £m	Activity in the quarter
<b>Action</b>	Earnings	EUR	2,009	2,312	Valued using run-rate EBITDA to 31 December 2017
<b>3i Infrastructure plc</b>	Quoted	GBP	670	717	
<b>ATESTEO</b>	Imminent sales	EUR	182	277	Announced sale in the quarter
<b>Basic-Fit</b>	Quoted	EUR	218	236	
<b>Q Holding</b>	Earnings	USD	243	231	
<b>Weener Plastic</b>	Earnings	EUR	218	227	
<b>Audley Travel</b>	Earnings	GBP	208	222	
<b>Hans Anders</b>	Earnings	EUR	195	204	
<b>Cirtec Medical</b>	Earnings	USD	99	167	Further investment of £69 million
<b>Smarte Carte</b>	Price of recent investment	USD	-	167	New investment in the quarter

The 10 investments in this table comprise 66% (30 September 2017: 61%) of the total Proprietary Capital portfolio value of £7,184 million (30 September 2017: £6,584 million).

\* This table does not include one investment which has been excluded for commercial reasons.

### Liquidity

The Group's balance sheet remains well funded. Net debt increased to £137 million, following the investments in Smarte Carte and Cirtec Medical in the quarter, and gearing increased to 2%. Liquidity remained strong at £790 million. The 8 pence FY2018 interim dividend (£77 million) was paid on 10 January 2018. We anticipate strong cash inflows over the next few months.

**- ENDS -**

### Notes

1. Balance sheet values are stated net of foreign exchange translation. Where applicable, the GBP equivalents at 31 December 2017 in this update have been calculated at a currency exchange rate of €1.1248:£1 and \$1.3519:£1 respectively. At 31 December 2017, 64% of the Group's net assets were in euro and 12% were in US dollar.
2. At 31 December 2017, 3i had 969.8 million diluted shares.
3. Action was valued using a post discount run-rate EBITDA multiple of 16.0x based on its run-rate earnings to 31 December 2017, the closest period end to 3i's.

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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](http://www.3i.com).

All statements in this performance update relate to the three month period ended 31 December 2017, 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 2017 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.