

# Results for the six months to 30 September 2021

11 November 2021





# Business review

**Simon Borrows**  
Chief Executive



# A strong result exceeding our financial targets

Six months to 30 September 2021



Group		Private Equity	Infrastructure
Total return on equity	NAV per share	Gross investment return	Gross investment return
24%	1,153p	27%	5%
Gearing	First dividend per share	Proprietary capital invested <sup>1</sup>	Cash income
8%	19.25p	£120m	£39m

<sup>1</sup> Gross of return of funding for Wilson HCG and SaniSure.

# Private Equity

Strong performance and good momentum into the second half of the year



## Strong performance across the portfolio

- 27% gross investment return
- 96% of top 20 assets<sup>1</sup> by value grew earnings in the period

## Growing portfolio through new and bolt-on investments

- Two new investments in ten23 health and MAIT completed in the period. New investments in Dutch Bakery and insightsoftware completed since the period end
- Busy bolt-on pipeline with material add-ons completed for ten23, GartenHaus, Luqom, Havea, Evernex and Cirtec Medical in this financial year to date

## Good momentum into the second half of the year

- Portfolio exposed to structural growth trends, positioned to continue to drive attractive returns
- Sales of Magnitude Software and sell-down of Basic-Fit completed in November. Active refinancing and divestment schedule planned for the rest of the year

<sup>1</sup> Excludes Magnitude Software, which was valued on an imminent sale basis at 30 September 2021.

# Private Equity

## Strong earnings growth across the portfolio



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



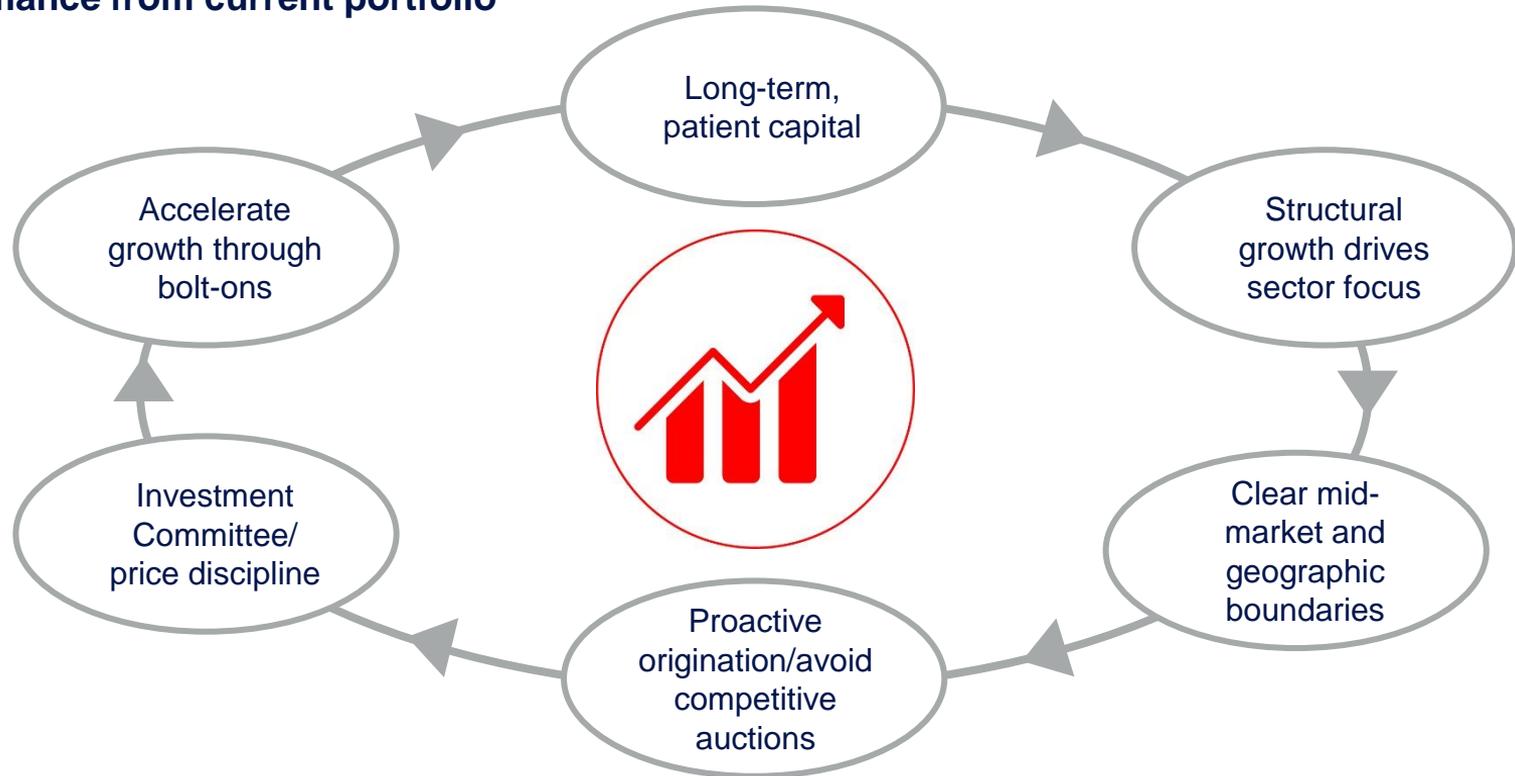
<sup>1</sup> Includes top 20 Private Equity companies by value excluding Magnitude Software valued on imminent sale basis. This represents 95% of the Private Equity portfolio by value (31 March 2021: 98%). LTM adjusted earnings to 30 June 2021 and Action based on LTM run-rate earnings to P9 2021. P9 2021 runs to 3 October 2021.

# Private Equity

Our approach sets the foundations for value creation over the long term



**Careful portfolio construction and active management over the last decade underpin strong performance from current portfolio**





### Long-term structural growth trends continue to drive performance despite near-term disruption



Value-for-money



Demographic change



'Nesting'



Digitisation and online shift



Internationalisation



Covid-19 and post-vaccine bounce



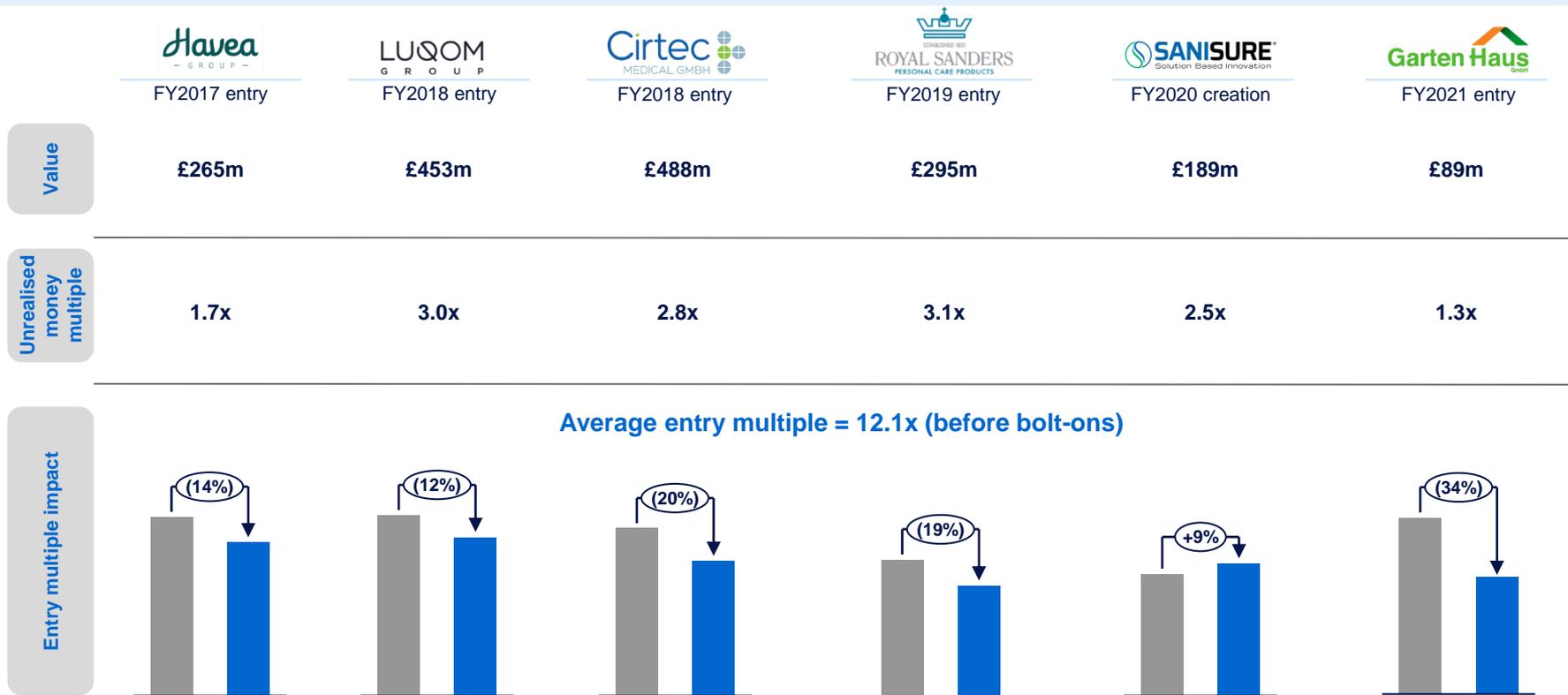
Inflationary pressures



Supply chain disruption

# Private Equity

## Value creation: bolt-on acquisitions average down entry multiples



1. Based on identified synergies at acquisition.

■ EV/LTM EBITDA at entry ■ Post M&A EV/LTM EBITDA incl. synergies<sup>1</sup>

# Private Equity

Performance drives portfolio value growth of £2.3bn



## Largest value increases (>£20m)<sup>1</sup>

Portfolio company	Value growth (excl FX)	Value at 30 Sep 2021	Key driver of value movement
Action	£1,491m	£6,100m	
Magnitude <sup>1</sup>	£174m	£343m	
BoConcept	£90m	£240m	
Luqom	£84m	£453m	
Q Holding	£62m	£254m	
Hans Anders	£59m	£323m	
SaniSure	£58m	£189m	
Basic-Fit <sup>1</sup>	£45m	£261m	
Tato	£44m	£412m	
AES	£42m	£254m	
Cirtec	£33m	£488m	
GartenHaus	£20m	£89m	

## Largest value declines (>£20m)<sup>1</sup>

Portfolio company	Value decline (excl FX)	Value at 30 Sep 2021	Key driver of value movement
Formel D	£24m	£38m	

<sup>1</sup> Magnitude and Basic-Fit were valued on an imminent sale and mark-to-market basis respectively.

# Private Equity

## Action – P9 and P10 2021 update



- Sales to the end of P9 of **€4.8bn**, 25% ahead of same period last year
- LFL sales growth of **12.9%**, vs (2.5)% last year
- P9 LTM EBITDA of **€765m**, 32% ahead of same period last year
- Sales to the end of P10 of **€5.4bn** and LTM EBITDA of **€777m**
- **181** stores opened in year to date
- Current cash balance of over **€1bn**



# Private Equity

## Action – current trading and outlook



- Business continues to trade well. All stores are open and trading with no restrictions
- Global supply chain disruption and inflationary pressures managed proactively to minimise impact on the business
- Roll-out in Italy accelerated following successful pilot. Roll-out in Czech Republic proceeding well
- Hajir Hajji appointed as CEO from 1 January 2022
- Pilot in Spain to start in 2022



### New and bolt-on investments in the period

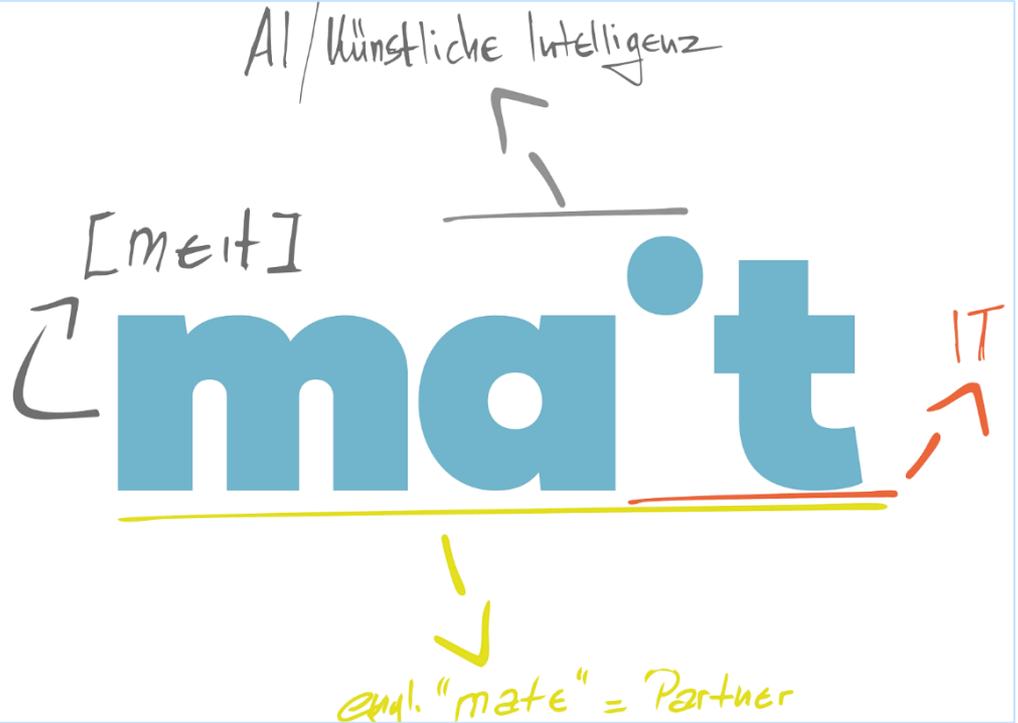


### New and bolt-on investments since the period end



- Provider of digital solutions to over 5,300 SME customers in DACH region
- €120m sales, 550 employees
- Market expected to grow by 8% annually in coming years driven by IoT and Industry 4.0
- £56m 3i investment

**Attractive growth opportunity in a fragmented market**



# Private Equity

## New and bolt-on investment: ten23 health and Swissfillon



- Established ten23 health as a pure-play biologics drug product CDMO
- First bolt-on acquisition of Swissfillon, which provides sterile fill & finish services, announced in October
- Total 3i funding of £69m to date

**‘Build-and-buy’ platform to serve growing biotech market**



| **US/Switzerland**

| **Healthcare**

# Private Equity

## New investment: Dutch Bakery



- Industrial bakery group specialised in home bake-off bread and snack products
- Growth market, driven by premiumisation, growth in e-commerce and increased time spent at home
- £46m 3i investment

**Opportunity to consolidate highly fragmented market**



**Netherlands**

**Consumer**

# Private Equity

## Bolt-on investment: acquisition of Outdoor Toys by GartenHaus



- Among largest online D2C retailers of garden toys in UK
- Vertically integrated value chain
- 70% growth p.a. since 2019
- Expands portfolio and geographic reach for GartenHaus
- £47m 3i investment



**Second acquisition for GartenHaus  
after one year of ownership**

**| Germany/UK**

**| Consumer**

# Private Equity

## Realisation: Magnitude Software



- Sale to insightsoftware completed in November
- Proceeds of £345m, 109% uplift to March 2021 value
- Sterling MM of 2.5x
- IRR of 44%

**Outstanding return after two and a half years of ownership**





### Good performance across portfolios

- 5% gross investment return
- Good contribution from 3iN, with 3% share price appreciation and £13m of dividend income
- US portfolio performing in line with expectations

### 3iN continues to perform well

- 3iN total return on opening NAV of 10.6% in the six-month period, vs annual target of 8-10% over the medium term
- Sale of Oystercatcher's European terminals drove uplift of c.69% to March 2021 value

### Strong contribution to operating cash income

- £39m of cash income through management fees and portfolio income
- AUM of £5.1bn, up from £4.9bn at the end of March 2021

# Scandlines

Performed well despite significant disruption to leisure traffic from Covid-19



- Gross investment return of £30m, or 7% of opening value
- Freight volumes ahead of 2019 levels
- Leisure travel levels have improved through the summer and now back at 2019 levels
- Cash generative; well positioned to resume distributions

# Good momentum into the second half of the year and beyond



- Strong return is the result of a decade of careful portfolio construction and active management
- High quality portfolio, strategically positioned to benefit from secular growth trends
- Resilient platform, prudent financial management and ESG focus at Group and portfolio company level



# Financial review

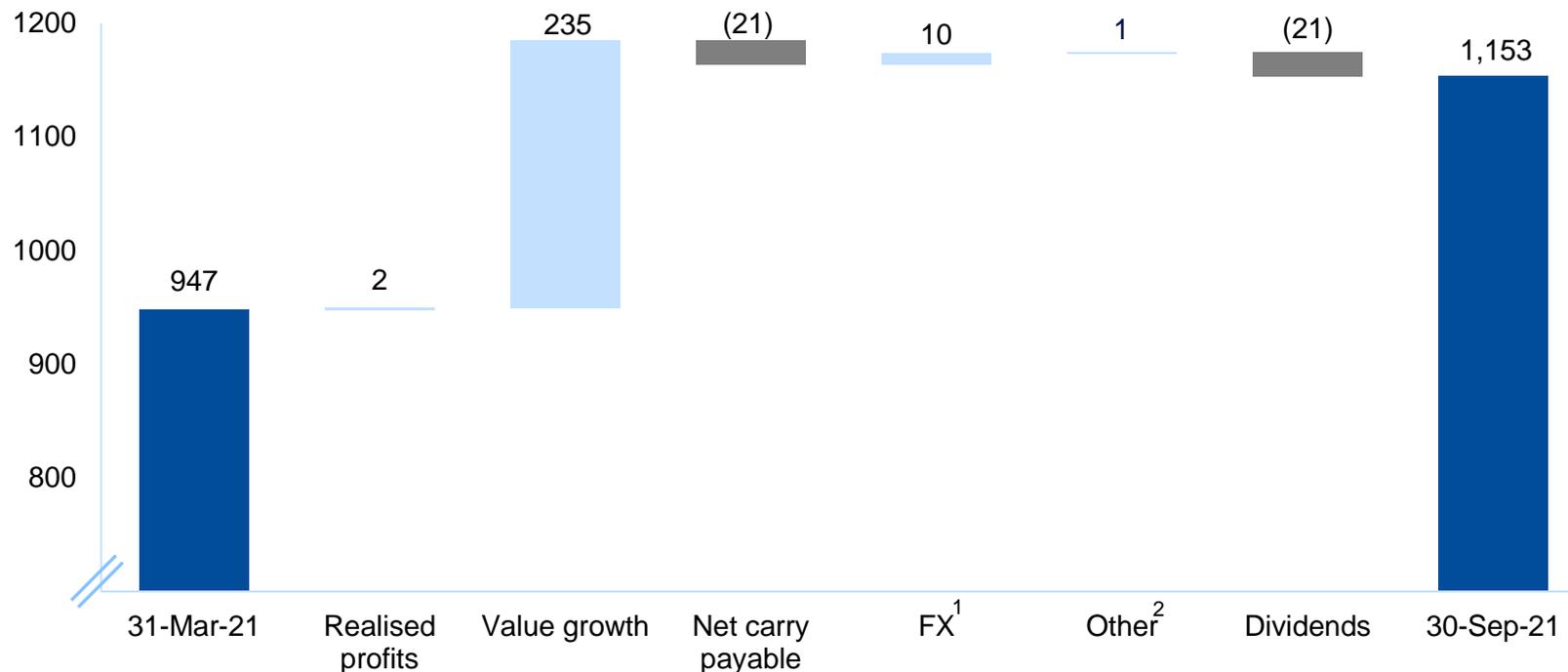
**Julia Wilson**  
**Group Finance Director**



# Total return on equity of 24% in the first half of the year



## NAV per share (pence)



**NAV per share up 22% to 1,153 pence**

1 FX net of derivatives.

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

# Overall portfolio

## Strong value growth from high quality portfolio



### Value movement by basis (£ million)



**£2.3bn value increase driven by performance**

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



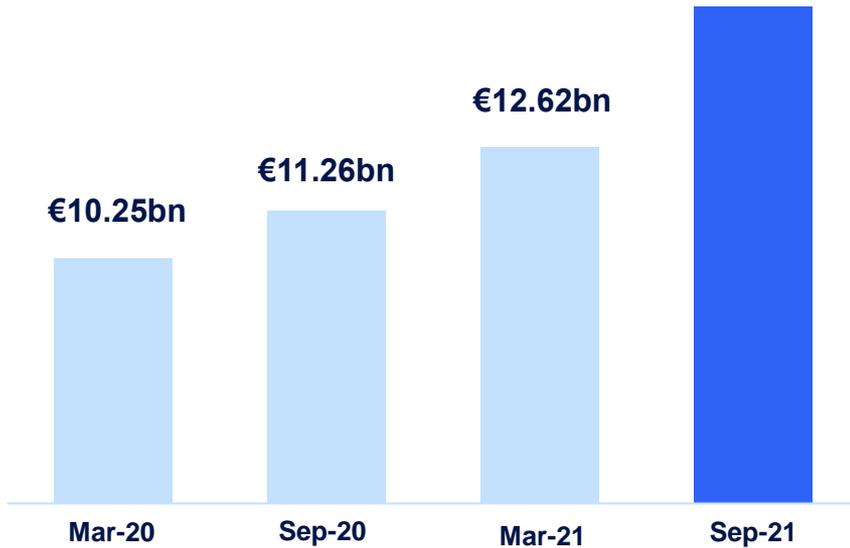
### Enterprise value (post discount)

€15.63bn

€12.62bn

€11.26bn

€10.25bn



- LTM EBITDA to P9 2021 of €765m
- LTM run-rate EBITDA earnings of €845m<sup>1</sup>
- 18.5x (Mar-21: 18.5x) multiple post discount

**Valuation at 30 September 2021 £6,100m**

<sup>1</sup> Including normalisations of €10 million for exceptional Covid-19 related costs incurred in Action's first quarter of 2021 and a €7 million adjustment for the 53<sup>rd</sup> week recognised in 2020.

# Private Equity

Very strong performance and good level of transaction activity



Six months to 30 September £ million	2021	2020
<b>Gross investment return</b>	<b>2,373</b>	1,245
% of opening portfolio	27%	19%
<b>Realisations</b>	<b>118</b>	82
<b>Cash investment</b>	<b>58</b>	231
Six months to 30 September £ million	2021	2020
New investment	63	64
Further investment	57	60
Return of investment	(62)	(8)
Bolt-on investment	-	115
<b>Total cash investment</b>	<b>58</b>	231

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

# Infrastructure

Good performance from the Infrastructure portfolio



Six months to 30 September £ million	2021	2020
3iN	20	113
Smarte Carte	2	(5)
Regional Rail	6	12
Other funds	2	7
<b>Portfolio revaluation</b>	<b>30</b>	<b>127</b>
<b>Gross investment return</b>	<b>5%</b>	<b>12%</b>
<b>Realisation proceeds</b>	<b>6</b>	<b>-</b>
<b>Cash income</b>	<b>39</b>	<b>33</b>

# Scandlines

## Scandlines performing well



Six months to 30 September £ million	2021	2020
Gross investment return	<b>30</b>	15
% of opening portfolio	<b>7%</b>	3%

£ million	30 September 2021	31 March 2021
Valuation	<b>469</b>	435

# Operating cash position



Six months to 30 September £ million	2021	2020
Private Equity	14	50
Infrastructure	39	33
Scandlines	–	–
<b>Cash income</b>	<b>53</b>	<b>83</b>
Operating cash expenses <sup>1</sup>	(72)	(69)
<b>Operating cash (loss) / profit</b>	<b>(19)</b>	<b>14</b>

**Temporary operating loss position expected to turn positive by end of financial year**

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

# Simple balance sheet and conservative capital management



**£12,784m**

- High quality, strong portfolio

**£44m**

- Gross cash held centrally with no material restrictions

**£975m**

- Gross debt made up of bonds expiring in 2023, 2032 and 2040

**£500m**

- Undrawn RCF as at 30 September 2021

**£544m liquidity at 30 September 2021**

# First FY2022 dividend of 19.25 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





# Additional information

# Our business model

## Delivering sustainable returns over the cycle



### What we offer

Expertise

Access to capital

BLN

Active partnership

Reputation

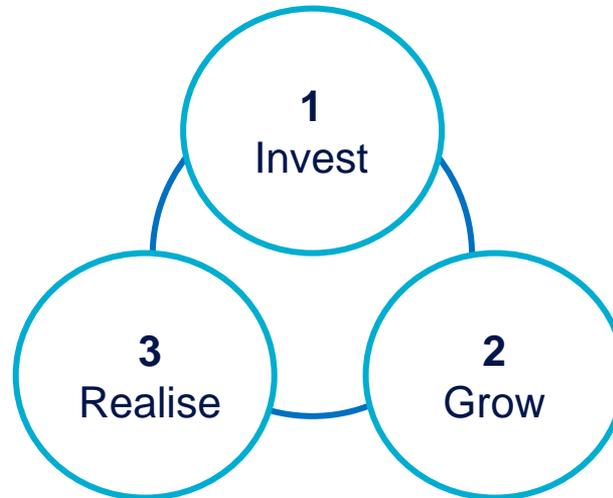
Institutional culture

Strong corporate governance

Responsible approach

### Value creation

- Conservative balance sheet management
- Tight grip on operating costs
- Operating cash profit



### Who benefits

Shareholders

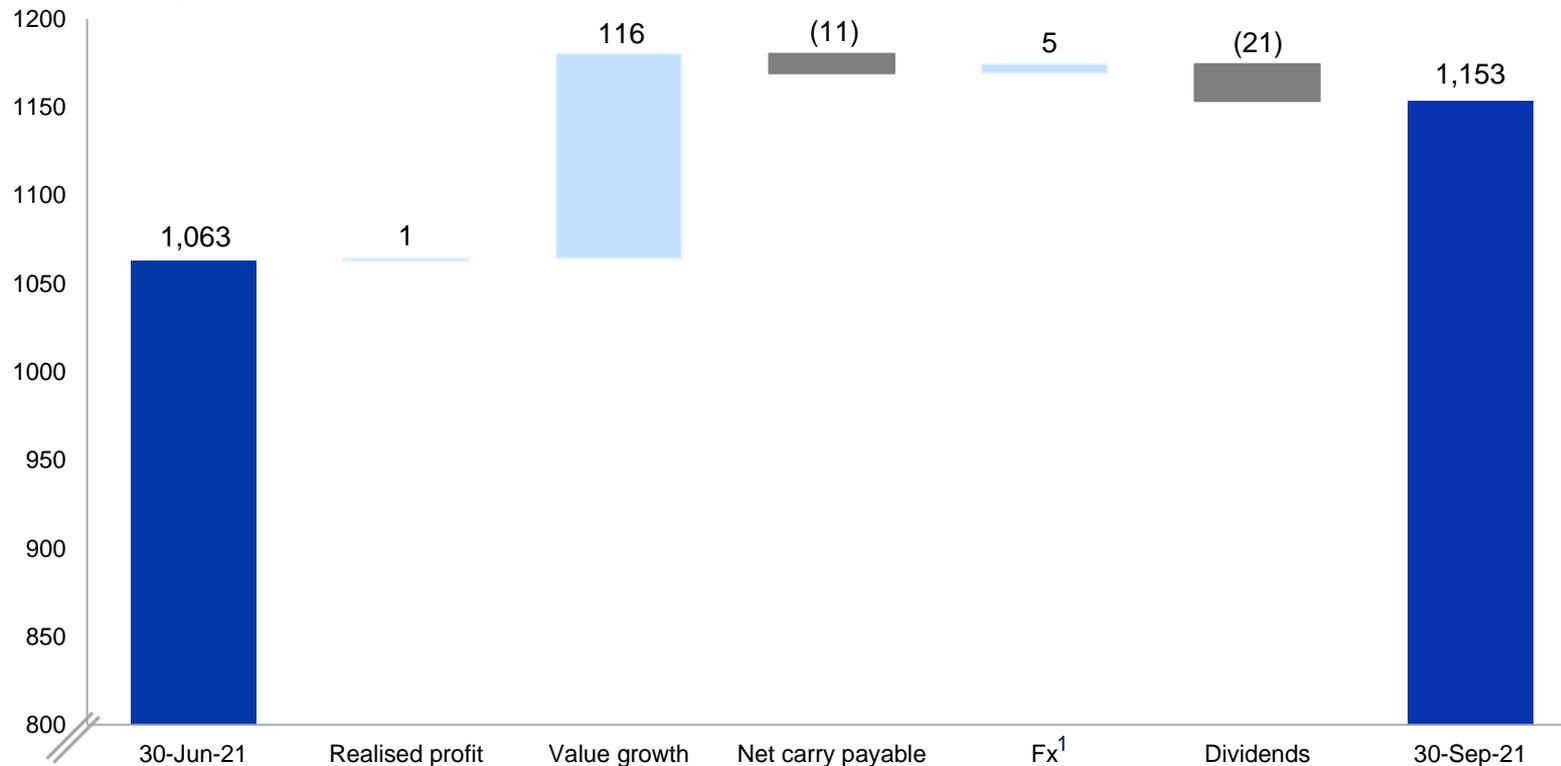
Portfolio companies

Employees

# Q2 NAV increased from 1,063 pence to 1,153 pence



## NAV per share (pence)



1. FX net of derivatives.

# 3i Group

## 20 large investments

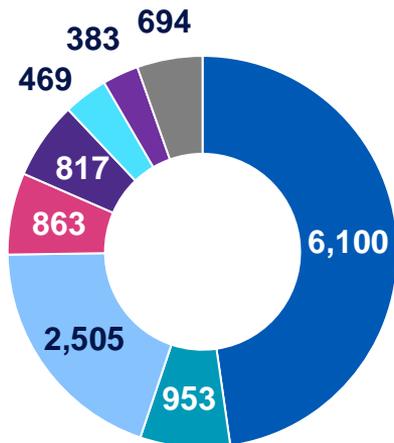


Investment	Business description	Valuation Sep 21 (£m)	Valuation Mar 21 (£m)
<b>Action</b>	General merchandise discount retailer	<b>6,100</b>	4,566
<b>3i Infrastructure plc</b>	Quoted investment company, investing in infrastructure	<b>817</b>	797
<b>Cirtec Medical</b>	Outsourced medical device manufacturing	<b>488</b>	444
<b>Scandlines</b>	Ferry operator between Denmark and Germany	<b>469</b>	435
<b>Luqom</b>	Online lighting specialist retailer	<b>453</b>	307
<b>Tato</b>	Manufacturer and seller of speciality chemicals	<b>412</b>	368
<b>Magnitude Software</b>	Provider of unified application data management solutions	<b>343</b>	165
<b>Hans Anders</b>	Value-for-money optical retailer	<b>323</b>	262
<b>Royal Sanders</b>	Private label and contract manufacturing producer of personal care products	<b>295</b>	364
<b>Evernex</b>	Provider of third-party maintenance services for data centre infrastructure	<b>283</b>	281
<b>WP</b>	Supplier of plastic packaging solutions	<b>265</b>	259
<b>Havea</b>	Manufacturer of natural healthcare and cosmetics products	<b>265</b>	242
<b>Basic-Fit</b>	Discount gyms operator	<b>261</b>	214
<b>Q Holding</b>	Manufacturer of precision engineered elastomeric components	<b>254</b>	187
<b>AES Engineering</b>	Manufacturer of mechanical seals and support systems	<b>254</b>	212
<b>BoConcept</b>	Urban living designer	<b>240</b>	161
<b>SaniSure</b>	Manufacturer, distributor and integrator of single-use bioprocessing systems and components	<b>189</b>	183
<b>Smarte Carte</b>	Provider of self-serve vended luggage carts, electronic lockers and concession carts	<b>170</b>	160
<b>MPM</b>	An international branded, premium and natural pet food company	<b>149</b>	124
<b>Regional Rail</b>	Owns and operates short-line freight railroads and rail-related businesses	<b>140</b>	131

# Group investment portfolio

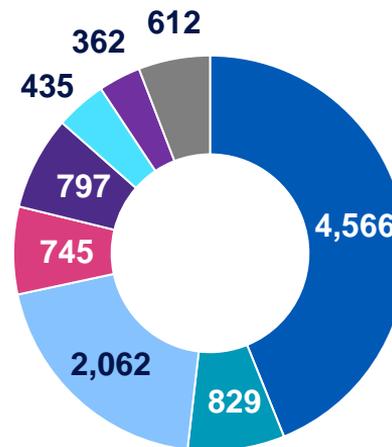


## Portfolio value at 30 September 2021 (£m)



- Action
- 2016-2019 Private Equity
- 2019-2022 Private Equity
- 3iN
- Other Infrastructure
- 2013-2016 Private Equity
- Scandlines
- Other

## Portfolio value at 31 March 2021 (£m)



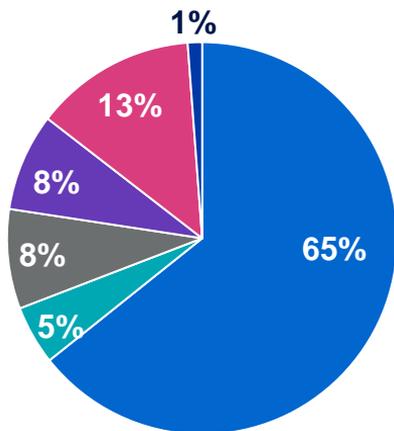
- Action
- 2016-2019 Private Equity
- 2019-2022 Private Equity
- 3iN
- Other Infrastructure
- 2013-2016 Private Equity
- Scandlines
- Other

Note: The 2013 further Scandlines investment is not allocated to the 2013-2016 vintage for the purposes of this analysis.

# Private Equity portfolio by value

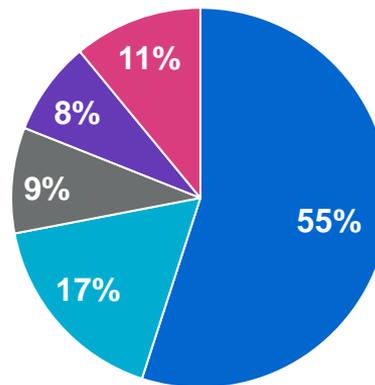


## By office location (%)



- Netherlands
- Germany
- US
- France
- UK
- Others

## By sector (%)



- Action (Consumer)
- Industrials
- Healthcare
- Consumer
- B&TS\*

**Portfolio of 34 investments (31 March 2021: 33)**

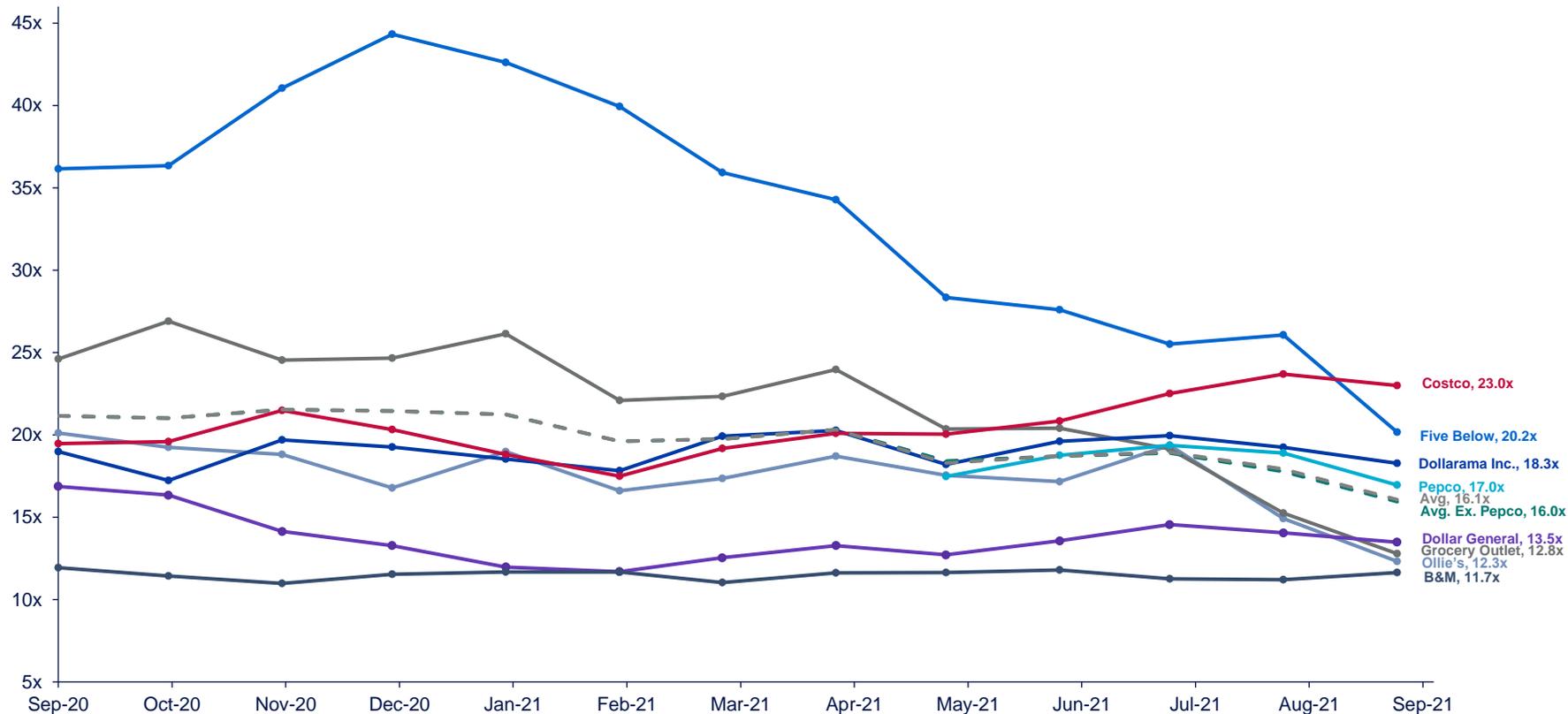
\* Business and Technology Services.

# Private Equity

## Action performing strongly compared to peers



EV/LTM EBITDA



Source: CapIQ as of 30 September 2021; company disclosure.

# Private Equity

Carried interest payable a result of strong value growth in the period



Six months to 30 September £ million	2021	2020
<b>Income statement</b>		
Carried interest receivable	2	(2)
Carried interest payable	(194)	(61)
<b>Net total expense</b>	<b>(192)</b>	<b>(63)</b>

£ million	30 September 2021	31 March 2021
<b>Balance sheet</b>		
Carried interest receivable	10	8
Carried interest payable	(727)	(533)
<b>Net total payable</b>	<b>(717)</b>	<b>(525)</b>

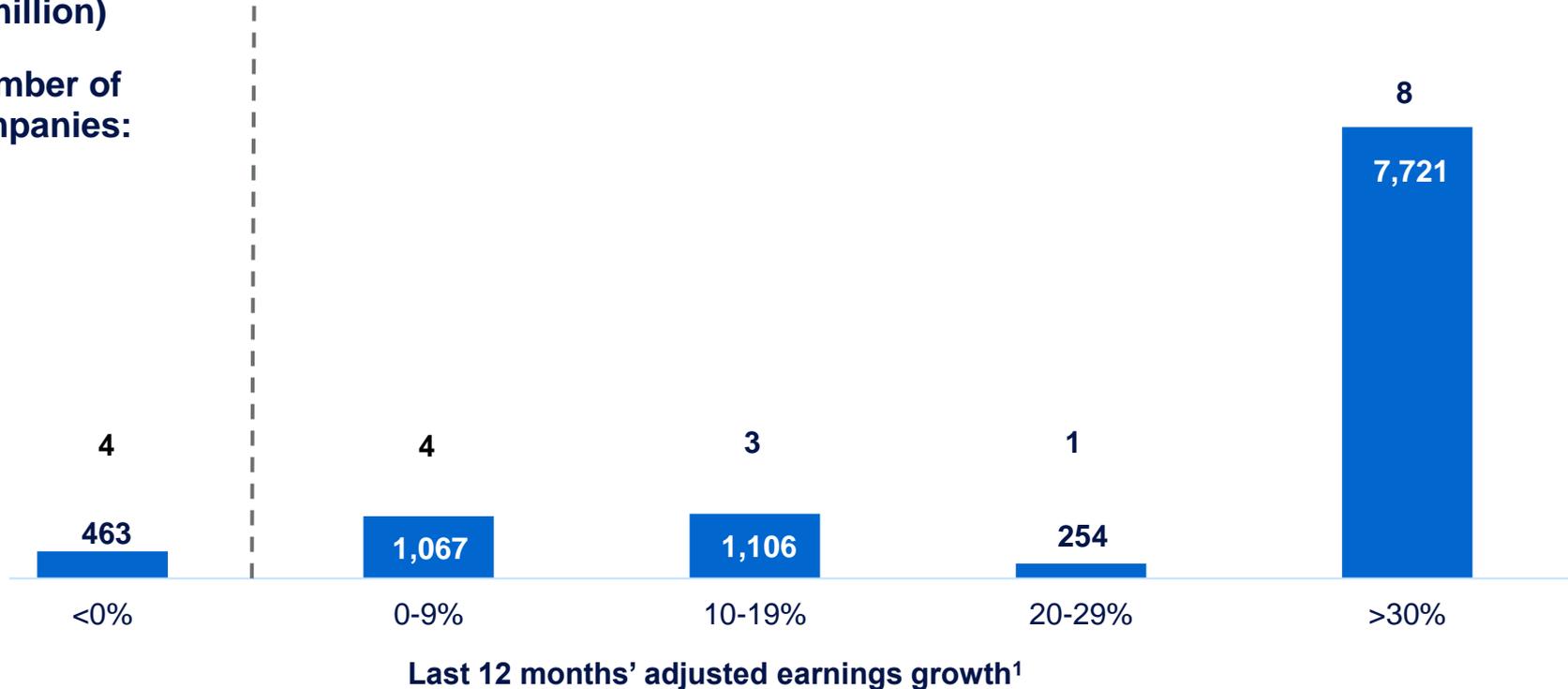
# Private Equity

## Top 20 assets continue to show good earnings growth



### 3i carrying value at 30 September 2021 (£ million)

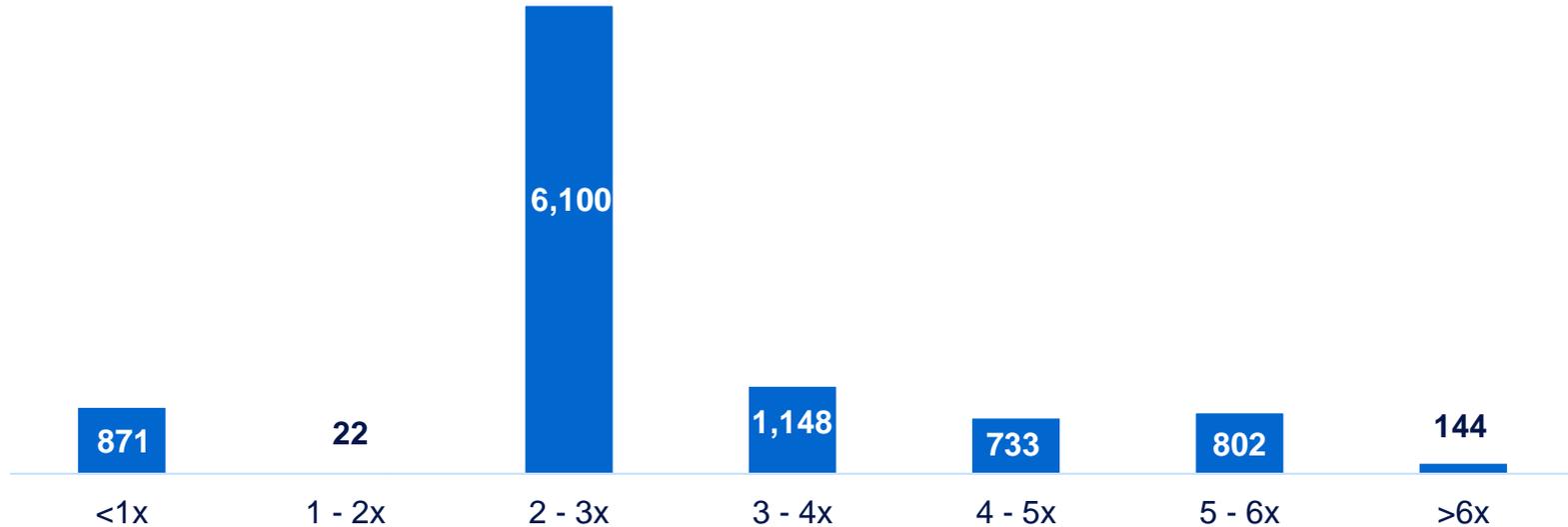
Number of  
companies:



<sup>1</sup> Includes top 20 Private Equity companies by value excluding Magnitude Software valued on imminent sale basis. This represents 95% of the Private Equity portfolio by value (31 March 2021: LTM adjusted earnings to 30 June 2021 and Action based on LTM run-rate earnings to P9 2021. P9 2021 runs to 3 October 2021.



## Ratio of total net debt to earnings<sup>1</sup> by 3i carrying value at 30 September 2021 (£ million)

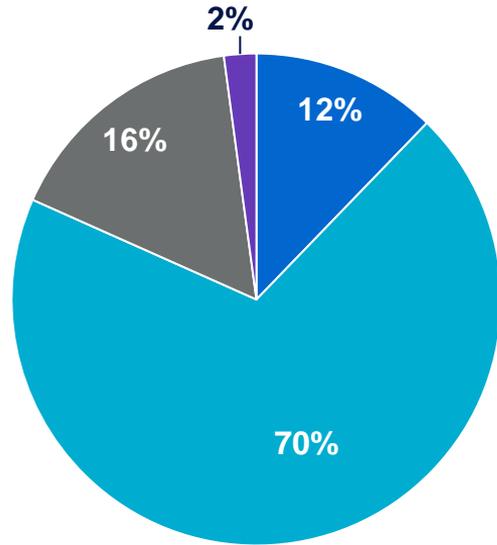


**3.3x leverage across the whole portfolio**

<sup>1</sup> This represents 88% of the Private Equity portfolio by value (31 March 2021: 88%). Quoted holdings, assets valued on an imminent sale basis, deferred consideration and companies with net cash are excluded from the calculation. Net debt and adjusted earnings as at 30 June 2021. Action based on net debt at P9 2021 and LTM run-rate earnings to P9 2021.



# Net asset exposure by currency



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

Currency	Fx rate	Net assets £m	Change YTD	Impact £m
Sterling	n/a	1,269	n/a	-
Euro <sup>1</sup>	1.1633	7,813	(0.9)%	60
US dollar	1.3481	1,827	(2.3)%	36
Danish krone	8.6500	240	(0.9)%	2
Other	n/a	24	n/a	-
<b>Total</b>		<b>11,173</b>		<b>98</b>

**1% movement in euro = £77 million, 1% in US dollar = £18 million**

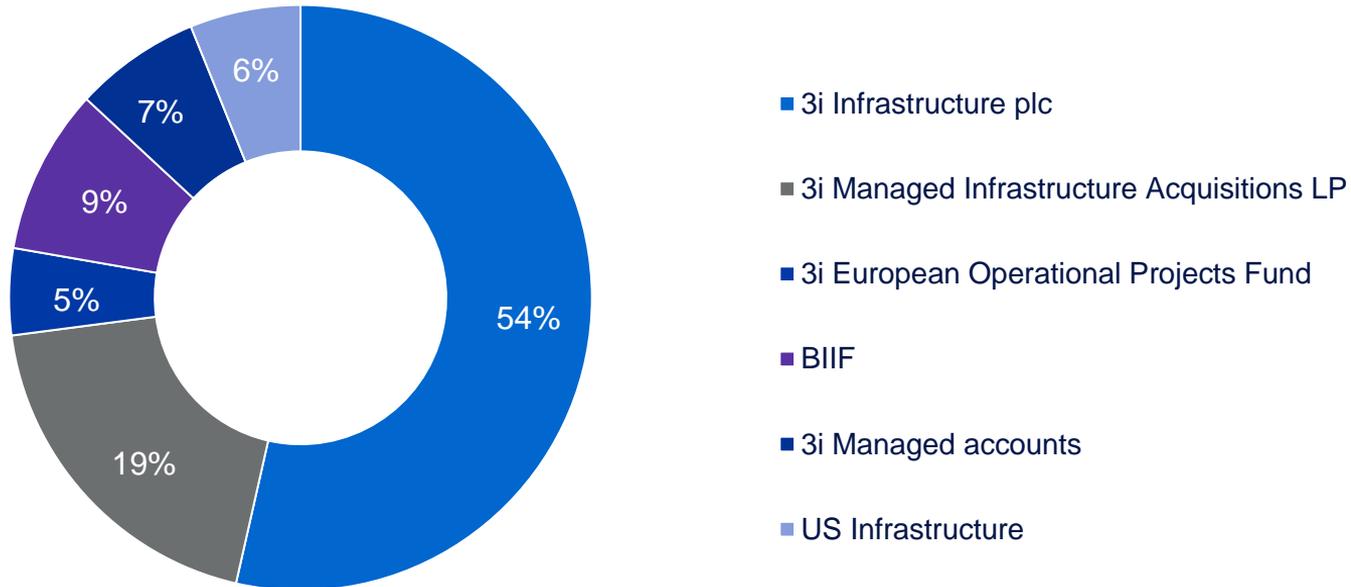
<sup>1</sup> Sensitivity impact is net of derivatives.

# Infrastructure

AUM of £5.1 billion at 30 September 2021



## AUM by fund or strategy



**AUM increased by £107m in the first half**

