



30 January 2020

3i Group plc FY2020 Q3 performance update

Solid underlying performance

- Increase in NAV per share to 877 pence (30 September 2019: 873 pence) despite the negative translation effect of sterling strengthening in the quarter (£314 million), and total return of 10.1% for the nine months to 31 December 2019.
- Very strong growth in the quarter from Action drove a solid result from the Private Equity portfolio.
- Private Equity generated cash proceeds of £189 million in the quarter, mainly from the partial divestment of Basic-Fit and the distributions from Audley Travel and Hans Anders.
- Signed the disposal of Aspen Pumps at an overall money multiple of 4.1x and a 34% IRR.
- Completed two new Private Equity investments in Evernex and a bioprocessing platform and four further bolt-on acquisitions for ICE, Formel D, WP and Q Holding.
- Another strong quarter from our Infrastructure team with the highly accretive sale of Wireless Infrastructure Group (“WIG”) out of 3i Infrastructure plc (“3iN”) and further rail investment in North America.
- Transaction to provide liquidity to Eurofund V (“EFV”) investors from the sale of their holding in Action, which successfully closed on 17 January 2020.

Simon Borrows, Chief Executive, commented:

“This was a very busy quarter for the 3i team. We executed two outstanding realisations in the sale of Aspen Pumps from our Private Equity portfolio and WIG from 3iN. New investment and bolt-on activity has continued across both portfolios, as has refinancing activity. And, importantly, we successfully provided liquidity to the EFV investors in Action while the company has continued to drive sector-leading sales and profit growth as it expands across Europe.”

Private Equity

Portfolio performance

The Private Equity portfolio generated good returns for the quarter. Action finished the year very strongly. In the twelve months to the end of December 2019, Action generated revenue growth of 21%, like-for-like (“LFL”) sales growth of 5.6% and opened 230 new stores, taking its total to 1,552 stores across seven countries.

At 31 December 2019, our valuation methodology for Action remained unchanged, using run-rate earnings to 31 December 2019, a post discount run-rate multiple of 18.0x (30 September 2019: 18.0x) and the capital structure at 31 December 2019.

The challenging conditions in the automotive sector continued to weigh on a few of our portfolio companies and in December Schlemmer filed for administration in Germany. Schlemmer had continued to suffer from operational challenges in its North American plants as well as a significant decline in volumes in its European plants in the second half of 2019. As a result, we have written down our investment to zero. This write down has resulted in an unrealised value loss of £67 million in the quarter and a cumulative loss of £170 million since investment in 2016.

In the quarter we recognised a significant uplift on our investment in Aspen Pumps following the announcement of the signed exit. We also signed an agreement to sell our investment in ACR at a value close to our September 2019 valuation. The significant majority of the proceeds, subject to regulatory clearance, are expected in the second half of 2020 with further proceeds, subject to various escrows, expected in 2021. The remaining portfolio showed resilient performance in a tightening macro environment with notable value growth increases from Basic-Fit, Tato, Royal Sanders and Cirtec. We have, however, seen value reductions in some companies including Q Holding (sale of Silicone Altimex to 3i's new bioprocessing platform and softer trading, particularly automotive) and WP (softer trading).

Action transaction

On 17 January 2020, we closed the transaction to provide liquidity to investors in Eurofund V from a sale of the Fund's entire investment in Action, funded by a combination of rolling LPs, new LPs and 3i. At the same time, Action completed its new €625 million Term Loan refinancing. Action used the proceeds of the Term Loan and some excess cash to pay a pre-closing dividend to its shareholders. 3i has reinvested its share of this dividend plus its proportion of the Eurofund V carried interest arising from the sale back into Action. The impact of this transaction will be reflected in the Group's valuation of Action at 31 March 2020 with the consequent changes to the Group's carried interest position being reported on the balance sheet. We expect 3i's interest in Action, net of its ongoing carried interest liability, to have increased to c.49% as at 31 March 2020.

We are delighted that GIC, AlInvest Partners, Collier Capital, HarbourVest Partners, J.P. Morgan Asset Management, Pantheon, as well as investment funds managed by each of Aberdeen Standard Investments, Goldman Sachs Asset Management and Neuberger Berman, amongst others, have decided to either roll their existing investment or make a significant new investment in the next chapter of Action's remarkable growth story.

Private Equity investments

Private Equity Investment	Type	Business description	Date	Investment £m
Evernex	New	International provider of third-party maintenance services for data centre infrastructure	October 2019	214
Bioprocessing platform	New	Single use bioprocessing platform serving the biopharmaceutical sector	November 2019	60
ICE	Further	ICE's acquisition of We Make People Happy Vacations ("WMPH"), a cruise travel agency	December 2019	7
Hans Anders	Return of overfunding	Value for money optical retailer	December 2019	(35)
Other	n/a			4
Total Q3 FY2020 investment				250
H1 FY2020 investment				221
Total investment as at 31 December 2019				471

In the quarter, we completed the £214 million investment in Evernex and £60 million investment in a bioprocessing platform, formed by the initial acquisition of Cellon and carve out acquisitions of TBL Performance Plastics (acquired by Q Holding in October 2019) and Silicone Altimex from our existing portfolio company Q Holding.

We have continued to grow portfolio value through our buy-and-build strategy with WP's bolt-on acquisition of Orange Poland, a manufacturer of deodorant packaging systems and Formel D's bolt-on acquisition of CPS Quality, a specialist in quality control activities with a focus on the automotive industry, with no additional investment from 3i. We also supported ICE's acquisition of WMPH, a cruise travel agency, for which we provided £7 million of further funding.

In December 2019, following its acquisition of eyes + more which closed in January 2019, Hans Anders completed a refinancing, returning proceeds of £35 million to 3i. The proceeds from the refinancing have been treated as a reduction in the further investment made for eyes + more.

Private Equity realisations

Private Equity	Realisation proceeds £m
Basic-Fit	76
Audley Travel	47
BoConcept	12
Other	1
Total Q3 FY2020 realised proceeds	136
H1 FY2020 realised proceeds	1
Total realised proceeds as at 31 December 2019	137

In December 2019, we generated £76 million of proceeds from the partial divestment of 2.9 million shares in Basic-Fit, at a price of €31.25 per share. We retain a 12.7% stake (30 September 2019: 18.0%) in the business, valued at £198 million at 31 December 2019 (30 September 2019: 18.0% holding valued at: £249 million).

We generated £65 million of cash from the Audley Travel refinancing, £18 million of which was recognised as cash income and the remainder as realisation proceeds. We also received £12 million of proceeds from BoConcept following the repayment of a shareholder loan.

In December 2019, we announced the sale of Aspen Pumps, for proceeds of c.£208 million, and including the £52 million of proceeds already received, generated an overall money multiple of 4.1x and an IRR of 34%. At 31 December 2019, Aspen Pumps was held on an imminent sale basis and valued at £203 million, reflecting the 2.5% discount to exit value in line with our valuation policy, compared to its 30 September 2019 valuation of £134 million.

Infrastructure

The Infrastructure business had another busy quarter. In December 2019, 3iN announced the sale of its UK projects portfolio for proceeds of c.£194 million and the sale of its 93% stake in WIG for proceeds of c.£387 million. Following 3iN's successful placing of 81 million shares in October 2019 at a price of 275 pence per share, its share price closed at 294 pence at 31 December 2019 (30 September 2019: 295 pence) valuing 3i's 30% stake (30 September 2019: 33%) at £791 million (30 September 2019: £794 million). In addition, we also recognised dividend income of £12 million from 3iN in the quarter.

In October 2019, we announced a US Infrastructure investment in the significant bolt-on acquisition of Pinsky Railroad Company's Florida operations for Regional Rail. This investment of £76 million completed at the end of December 2019.

The 3i European Operational Projects Fund completed the €70 million acquisition of an 80% stake in Sociedad Concesionaria Autovía Gerediaga Elorrio, S.A. ("AGESA"), a Spanish motorway PPP. The Fund continued its investment momentum into January 2020 with the announced agreement to acquire a portfolio of eight operational projects in France from DIF Infrastructure III. On completion of this transaction, the Fund will have deployed c.60% of its total commitments.

Top 10 investments by value at 31 December 2019

	Valuation basis	Valuation currency	Valuation Sep-19 £m	Valuation Dec-19 £m	Activity in the quarter
Action	Earnings	EUR	3,243	3,461	
3iN	Quoted	GBP	794	791	Accrued a £12 million FY2020 interim dividend
Scandlines	DCF	EUR	485	464	Received a £10 million dividend
Cirtec Medical	Earnings	USD	262	256	
Hans Anders	Earnings	EUR	303	249	Received £35 million of refinancing proceeds reducing the initial investment in eyes + more
Q Holding	Earnings	USD	277	245	Sale of Silicone Altimex and TBL Performance Plastics (acquired by Q Holding in October 2019) to 3i's newly established Bioprocessing platform
WP	Earnings	EUR	253	237	
Audley Travel	Earnings	GBP	270	217	Received £65 million of refinancing proceeds
Evernex	Earnings	EUR	-	206	New investment completed
Aspen Pumps	Imminent sale	GBP	134	203	Announced signed exit

The 10 investments in this table comprise 72% (30 September 2019: 70%) of the total Proprietary Capital portfolio value of £8,814 million (30 September 2019: £8,551 million).

Total return and NAV position

We recognised a net £314 million loss on foreign exchange in the quarter, or 32 pence per share, as both the US dollar and euro weakened against sterling. Based on the balance sheet at 31 December 2019, a 1% movement in the euro and US dollar would result in a total return movement of £51 million and £13 million respectively, net of any hedging. The diluted NAV per share increased to 877 pence (30 September 2019: 873 pence) or 859.5 pence after deducting the 17.5 pence per share first FY2020 dividend, which was paid on 8 January 2020.

Balance sheet

At 31 December 2019 net debt was £145 million and gearing of 1.8%. The 17.5 pence first FY2020 dividend of £169 million was paid on 8 January 2020.

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Notes

- Balance sheet values are stated net of foreign exchange translation. Where applicable, the GBP equivalents at 31 December 2019 in this update have been calculated at a currency exchange rate of €1.1798:£1 and \$1.3247:£1 respectively. At 31 December 2019, 65% of the Group's net assets were in euro and 16% were in US dollar.
- At 31 December 2019 3i had 971 million diluted shares.
- Action was valued using a post discount run-rate EBITDA multiple of 18.0x based on its run-rate earnings to 31 December 2019.

For further information, please contact:

Silvia Santoro
Group Investor Relations Director
Tel: 020 7975 3258

Kathryn van der Kroft
Communications Director
Tel: 020 7975 3021

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 31 December 2019 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 2019 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.