



29 July 2015

3i Group plc – FY2016 Q1 performance update

3i Group plc (“the Group” or “3i”) today issues its performance update relating to the first quarter from 1 April 2015 to 30 June 2015 (“the quarter”) of FY2016.

3i makes a positive start to the year with good portfolio performance and realisations

- NAV per share of **400 pence** after a 9 pence deduction for foreign exchange translation
- Realised **£229 million** from Private Equity assets
- Announced two new investments in Private Equity
- Continued progress in new product development in Debt Management
- The portfolio continues to perform well with Action and 3i Infrastructure plc in particular supporting good unrealised value growth

Simon Borrows, Chief Executive, commented:

“This was a productive first quarter for 3i with good levels of activity across all three business lines. Our Private Equity portfolio continued to perform well and saw good earnings growth and realisations. Our Debt Management team made good progress on fundraising and new product development and Infrastructure continued to develop its investment pipeline.

While our portfolio valuations continue to be affected by the strength of sterling and we cannot be immune to wider political and economic conditions, the favourable transaction market enabled us to realise a number of smaller assets at attractive valuations and we leveraged our sector expertise to announce two new Private Equity investments at sensible prices.”

Private Equity

The Private Equity team had a busy quarter and we announced the investment of c.£225 million of proprietary capital in two new companies within the Northern European industrials sector. Both investments were brought at sensible prices and are expected to complete in the second quarter.

Market conditions continued to create opportunities to realise a number of smaller investments at attractive valuations and 3i generated total cash proceeds in the quarter of £229 million. This represents an uplift of 5% to the 31 March 2015 valuation and an average money multiple of 1.7x. Notable cash realisations in the quarter included the full divestment of Azelis, a return of capital from Scandlines following the sale of the route between Helsingor and Helsingborg and the IPO of UFO Moviez.

	3i realised proceeds
Full realisations	
Azelis	£62m
Touchtunes	£38m
Soyaconcept	£17m
Boomerang	£11m
Inspecta	£6m
Partial realisations	
Scandlines	£38m
Quintiles	£27m
UFO Moviez	£17m
Other	£13m
Total	£229m

The Private Equity portfolio continued to perform well and weighted average earnings growth remained stable at 19%. Excluding Action, this measure was 17% and it benefited from further portfolio acquisitions largely funded from the portfolio's own resources. The value weighted average multiple used to value the portfolio also increased slightly to 10.7x post discount (March 2015: 10.5x), despite the volatility seen in the financial markets, due to the contribution from our larger, more highly rated assets and the disposal of a number of smaller lower rated assets. Excluding Action the post discount value weighted average was 9.5x (March 2015: 9.3x).

The portfolio valuation continued to be impacted by the strength of sterling against the euro and US dollar which offset the value growth seen in the quarter.

Infrastructure

The 3i Infrastructure plc ("3iN") share price increased by 5% to 168 pence at 30 June 2015 following its strong set of full year 2015 results. The Infrastructure team continued to develop its pipeline of new investment opportunities, targeting investments in mid-market economic infrastructure, primary PPP and low-risk energy projects. In early July 2015 it was announced that 3iN would buy 50% of Esvagt for approximately £109 million.

Debt Management

Fee income remained strong in the quarter, with the majority of the funds continuing to pay both senior and subordinated fees and the FY2015 fund launches adding to total fee income.

The team announced the launch of its new Global Floating Rate Income Fund with US\$75 million of seed capital from 3i. The fund, an open ended senior debt fund that invests across the US and Europe, launched with a total of US\$150 million under management and marks a further step to diversify into complementary products. In addition 3i invested £45 million into two CLO warehouses both of which are expected to close in August 2015.

Top 10 investments by value at 30 June 2015

	Valuation basis	Valuation currency	Valuation ¹ Mar-15 £m	Valuation ¹ Jun-15 £m	Activity in the quarter
Action	Earnings	Euro	592	618	
3i Infrastructure plc	Quoted	GBP	481	503	
Scandlines	DCF	Euro	262	215	£47m proceeds and income, net of transaction fees, following the route sale
Amor / Christ	Earnings	Euro	165	166	
Element	Earnings	USD	145	154	
Mayborn	Earnings	GBP	133	135	
Quintiles	Quoted	USD	144	117	Sold 20% and generated proceeds of £27m
ACR	Other	USD	120	115	
Q Holdings	Earnings	USD	109	109	
Basic-Fit	Earnings	Euro	102	102	

¹Balance sheet values are stated after foreign exchange translation.

The top 10 investments comprise 59% (31 March 2015: 58%) of the total Proprietary Capital portfolio by value.

Total return and NAV position

Value growth from the Private Equity portfolio and 3iN resulted in an increase in diluted NAV per share to 400 pence (31 March 2015: 396 pence), after recording a foreign exchange translation loss of £84 million in the quarter due to sterling strengthening relative to both the euro and the US dollar. As at 30 June 2015, a 1% movement in the euro and US dollar would result in a total return movement of £17 million and £8 million respectively.

Balance sheet and dividend

The Group's balance sheet remains strong. The continued realisation activity means that the net cash position increased to £214 million at the quarter end before the payment of the FY2015 final dividend of 14 pence per share on 24 July 2015. Gross debt and liquidity are stable and were £812 million and £1,376 million respectively at 30 June 2015.

- Ends -

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About 3i Group

3i is a leading international investment manager focused on mid-market Private Equity, Infrastructure and Debt Management. 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 2015 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 2015 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.

Notes

1. Uplift on opening value represents the cash proceeds in the quarter over opening value realised.
2. Money multiple over cost represents the cash proceeds (including income) over cash invested. For partial divestments, the valuation of the remaining investment is included in the multiple.