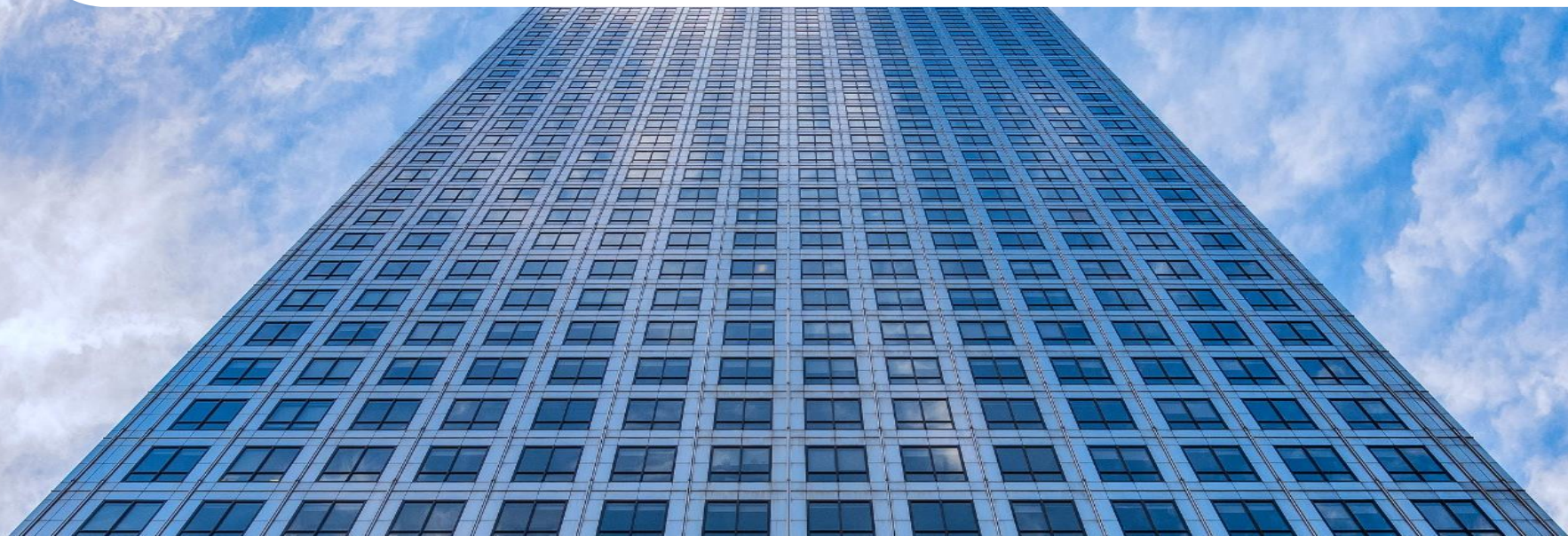




# Results for the six months to 30 September 2017

16 November 2017





# Business review

**Simon Borrows**  
Chief Executive

# Our strategy is clear and consistent



- 1 Grow investment portfolio earnings
- 2 Realise investments with good cash-to-cash returns
- 3 Maintain an operating cash profit
- 4 Use our strong balance sheet
- 5 Increase shareholder distributions

# Our post-restructuring track record continues to improve



	Six months to 30 Sep 2017 <sup>1</sup>	Year to 31 Mar 2017 <sup>1</sup>	Year to 31 Mar 2016	Year to 31 Mar 2015	Year to 31 Mar 2014	Year to 31 Mar 2013	Year to 31 Mar 2012
<b>Total return % over opening net asset value</b>	<b>£655m 11%</b>	<b>£1,592m 36%</b>	£824m 22%	<b>£659m 20%</b>	£478m 16%	£373m 14%	£(656)m (20)%
<b>Diluted NAV per share</b>	<b>652p</b>	<b>604p</b>	463p	396p	348p	311p	279p
<b>Gross investment return</b>	<b>£746m</b>	<b>£1,755m</b>	£1,069m	£805m	£665m	£598m	£(429)m
<b>3i portfolio value</b>	<b>£6,584m</b>	<b>£5,675m</b>	£4,497m	£3,877m	£3,565m	£3,295m	£3,204m
<b>Net cash/(debt)</b>	<b>£(48)m</b>	<b>£419m</b>	£165m	£49m	£(160)m	£(335)m	£(464)m

**Careful investment and active asset management generating strong returns**

<sup>1</sup> As reported. Prior year figures not restated to reflect the sale of Debt Management.

# A good start to the year

## Six months to 30 September 2017



Group		Private Equity	Infrastructure
Total return on equity	Interim dividend per share	Proprietary capital invested	Assets under management
11%	8p	£506m	£3.6bn
NAV per share	Net debt	Realisation proceeds	Operating cash income
652p	£48m	£350m	£34m

**Strong portfolio performance and investment activity in Private Equity**  
**Two new funds and new US initiative in Infrastructure**

# Private Equity

## Good portfolio performance and strong investment momentum



Good portfolio performance driving value growth

- **£715m** gross investment return, **15%** of opening book value
- **91%** of top 20 assets by value in the portfolio grew earnings in the period

Strong momentum in investment activity

- **£506m** proprietary capital invested

Sustained progress in realising legacy assets

- **£350m** realisation proceeds; **21%** uplift on opening book<sup>1</sup>

**Objective: generate an attractive investment return** ✓

# Private Equity

Good portfolio performance drove portfolio value growth of £517m in H12018



## Largest value increases (>£10m)

Portfolio company <sup>1</sup>	Value growth (excl FX)	Value at 30 Sep 2017	Key driver of value movement
Action	£247m	£2,009m	↑ Earnings
Q Holding	£36m	£243m	↑ Earnings ↑ Multiple
Basic-Fit	£28m	£218m	↑ Share price
AES	£21m	£134m	↑ Earnings ↑ Multiple
ATESTEO	£16m	£182m	↑ Earnings
Audley Travel	£15m	£208m	↑ Earnings ↑ Multiple
Hans Anders	£14m	£195m	↑ Multiple ↑ Earnings
Aspen Pumps	£12m	£104m	↑ Earnings
Etanco	£12m	£57m	↑ Earnings ↑ Multiple

## Largest value declines (>£10m)

Portfolio company	Value decline (excl FX)	Value at 30 Sep 2017	Key driver of value movement
Schlemmer	£(12)m	£152m	↓ Earnings

<sup>1</sup> One asset excluded for commercial reasons.

# Private Equity

## Action continues to perform strongly



- Continued sector-leading levels of growth
- Investing to build a €10bn turnover business
  - fourth and fifth distribution centres to open this year
  - targeting 230 new stores in 2017
- 3i stake now valued at over £2bn



# Private Equity

Focused and disciplined approach to origination and new investment



## Clear focus

- Consumer, Industrial, Business Services
- Northern Europe, North America



## Themes/megatrends

- Develop views on long-term trends that support earnings growth

**Core objective:**  
Generate >2x cost from investments



## Disciplined process

- Early stage commercial evaluation
- Less competitive or proprietary processes



## 3i network and BLN

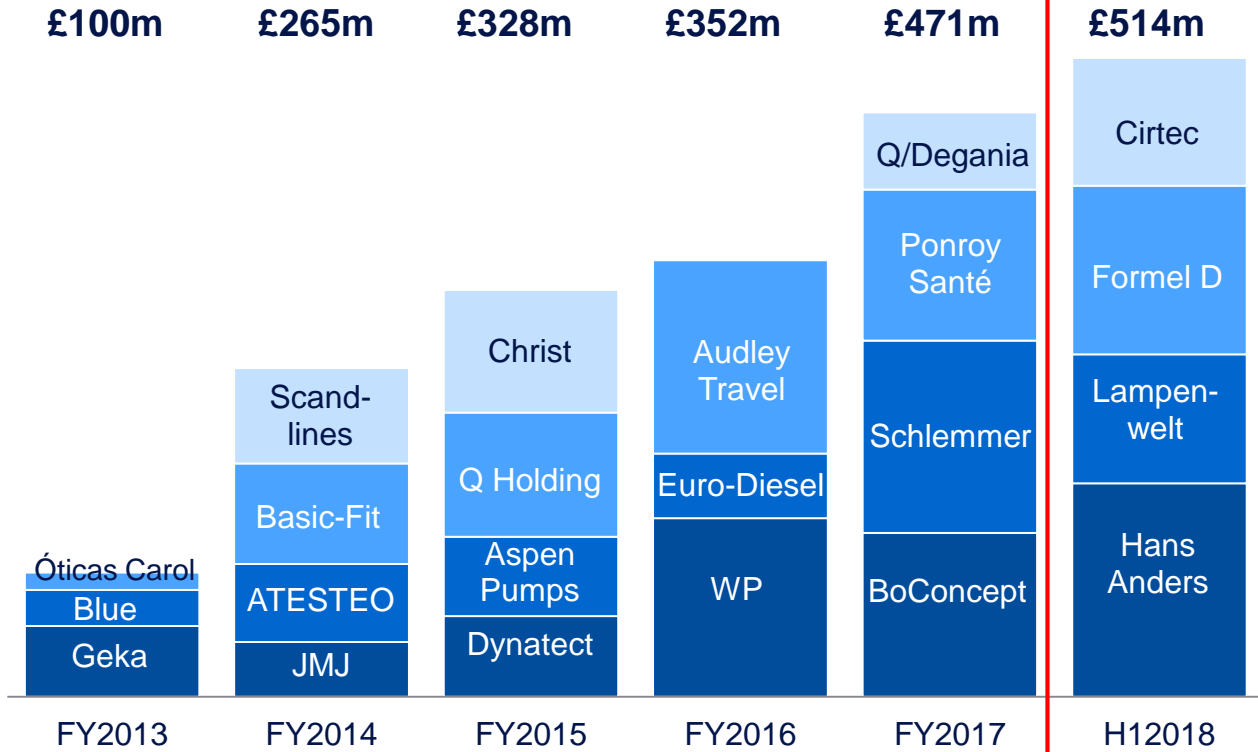
- Identification of and access to targets
- Assessment, due diligence and NXD involvement

# Private Equity

## Our approach is producing good results



Proprietary capital invested in each vintage



**c.£2bn** invested since FY2013

FY2013-FY2016  
MM of **1.9x<sup>1</sup>**

<sup>1</sup> Excludes new investments made in FY2017 but includes the further investment in Q/Degania. Sterling MM.

# Private Equity

New investment: Cirtec (£103m proprietary capital invested)



## Leading provider of outsourced medical device manufacturing



United States, Industrial



Outsourced manufacturing, growth in minimally invasive therapeutic technologies, favourable demographics



CEO was part of the 3i network since 2013  
Bolt-on opportunities identified pre-investment



Limited process  
Q Holding track record a competitive advantage

# Private Equity

New investment: Lampenwelt (£104m proprietary capital invested)



## Largest specialty online retailer of lighting products in Europe



Germany, Consumer



Disruptive retail, lifestyle



Jochen Wilms from BLN introduced opportunity, involved in diligence process and now chairman of the board



Entirely proprietary and un-intermediated process

# Private Equity

## Growing our portfolio through bolt-on acquisitions



 **ATESTEO**



**straesser**  
automotive testing

- Straesser is a leading player in road testing and vehicle test driving services
- Self-funded

**GROUPE  
PONROY  
SANTÉ**



**GROUPE  
ERSA**

- ERSA Group is a designer and distributor of premium pharmaceutical food supplements
- Acquisition strengthens Ponroy's presence in the premium pharmacy segment in France
- 3i will contribute £10m in further equity to help fund this acquisition

**ASPEN<sup>®</sup>**



 **JAVAC**



 **SALINA**

- Acquisition of pump manufacturer Javac broadens product offering
- Acquisition of French importer Salina allows control of route to market
- Both self-funded

# Private Equity

Continuing to realise legacy investments at good uplifts



Investment	Realised proceeds	Profit/(loss) in the period	Money multiple over cost <sup>1</sup>	IRR
<b>Full realisations</b>				
Mémora	£119m	£32m	1.4x	4%
MKM	£70m	£2m	5.9x	19%
Óticas Carol	£27m	£9m	1.9x	15%
Dphone	£26m	£6m	2.2x	7%
Foster and Partners	£33m	£(1)m	1.8x	9%
<b>Partial realisations</b>				
Refresco Gerber	£16m	£2m	2.0x	12%
Other	£5m	-	n/a	n/a
<b>Refinancings</b>				
Scandlines <sup>2</sup>	£50m	-	n/a	n/a
<b>Deferred consideration</b>				
Other	£4m	£3m	n/a	n/a
<b>Total</b>	<b>£350m</b>	<b>£53m</b>	<b>2.7x</b>	<b>n/a</b>

## H12018 realisations

**£350m** total proceeds

**2.7x** money multiple

<sup>1</sup> Cash proceeds over cash invested. For partial realisations, the valuation of any remaining investment is included in the multiple.

<sup>2</sup> Scandlines' money multiple and IRR excluded for commercial reasons.

# Private Equity

A portfolio weighted towards our better assets



	The buckets	Selected examples	% of value	
			H12018	FY2017
1	Longer-term hold; value creation	Action, Scandlines, Audley, ATESTEO	c.68%	c.64%
2	Strong performers; performing in line with investment case	WP, Hans Anders, BoConcept	c.19%	c.22%
3	Manage intensively; potential value upside	OneMed, Etanco, Christ, JMJ	c.8%	c.9%
4	Low or nil-valued assets	Indiareit, Navayuga	0.3%	0.4%
5	Quoted assets	Basic Fit, Refresco	c.4%	c.5%

37 portfolio companies and 2 quoted stakes at 30 September 2017

# Infrastructure

## Good performance and progress in fundraising activity



Contributing to capital and income returns	<ul style="list-style-type: none"><li>• <b>£32m</b> gross investment return, or <b>5%</b> of opening book value</li><li>• <b>£34m</b> operating cash income</li></ul>
3iN continues to perform strongly	<ul style="list-style-type: none"><li>• Total return of <b>7%</b> and TSR of <b>5%</b> in H12018</li><li>• Embedding new investments made in FY2017</li></ul>
Supporting growth in the franchise and in fee income	<ul style="list-style-type: none"><li>• Launch of 3i Managed Infrastructure Acquisitions Fund and 3i European Operational Projects Fund, adding a total of <b>£830m</b> in AUM</li><li>• First US investment in Smarte Carte announced in October</li></ul>

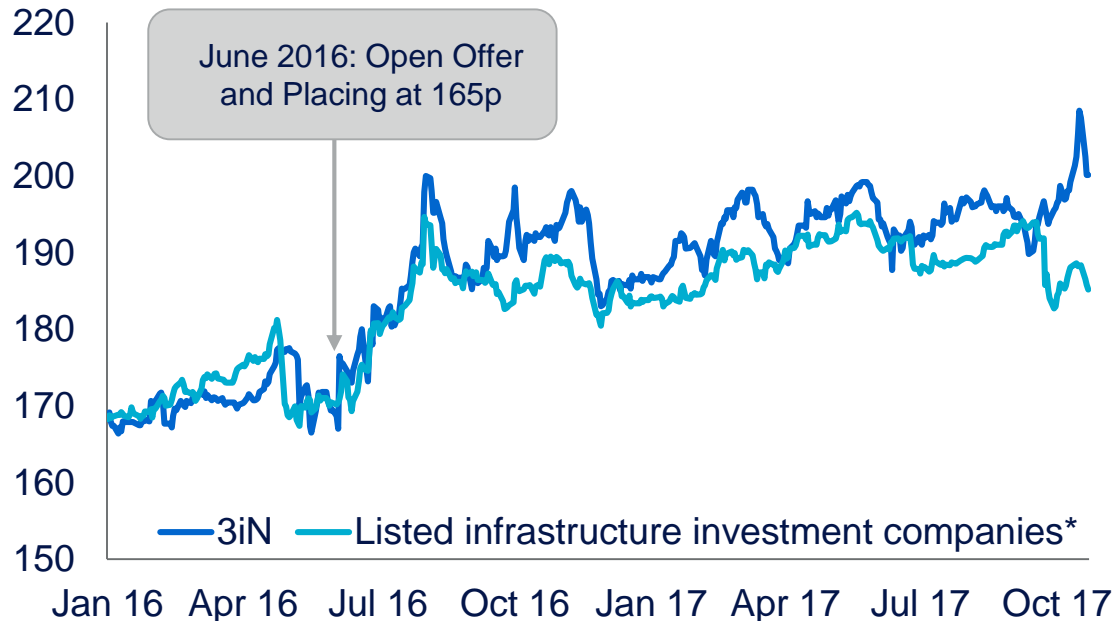
Objective: grow fee and portfolio income ✓





### 3iN relative share price performance since 1 January 2016

(rebased to 3iN, pence per share)



- NAV total return of 7% in H12018
- TSR of 5% in H12018
- TSR of 22% on 3i's £131m investment in June 2016 placing (to 30 September 2017)

\* Basket includes HICL, INPP, JLIF and BBGI

Source: Bloomberg

# Infrastructure

## Our first infrastructure investment in the US: Smarte Carte



- Leading concessionaire of essential infrastructure equipment
- 140,000 owned units consisting primarily of airport baggage carts and self-storage lockers
- Operates at over 2,500 locations in seven countries
- EV of \$385m
- To be funded with 3i's own balance sheet



# Financial review

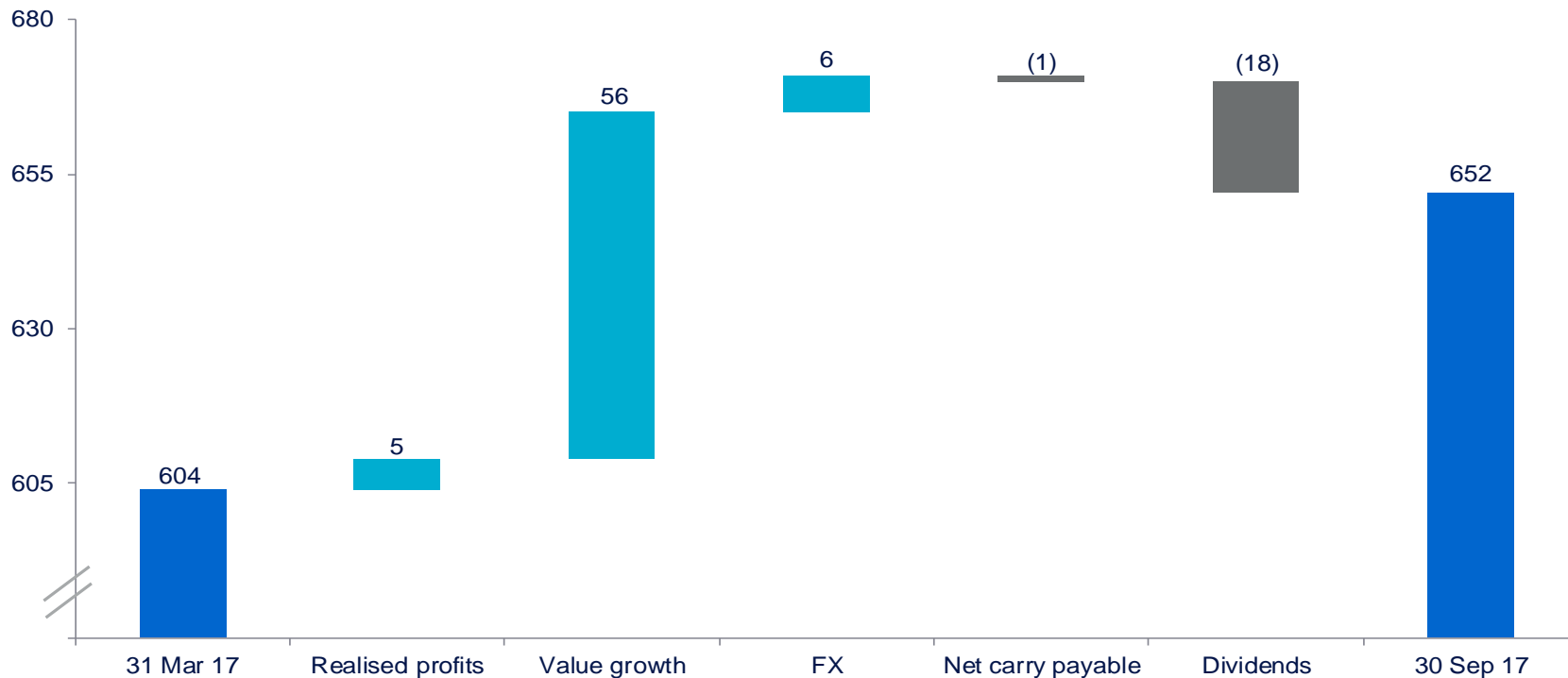
**Julia Wilson**

Group Finance Director

# NAV up 8% to 652 pence driven by strong portfolio performance



## NAV per share (pence)



# Private Equity

## Strong performance



Six months to 30 September £ million	2017	2016
<b>Gross investment return</b>	<b>715</b>	989
% of opening portfolio	15%	26%
<b>Realised profit</b>	<b>53</b>	52
Uplift over book value <sup>1</sup>	<b>21%</b>	9%
Money multiple	2.7x	2.3x
<b>Realisations</b>	<b>350</b>	654
<b>Cash Investment</b>	<b>506</b>	291
<b>Portfolio value</b>	<b>5,692</b>	4,351

**Portfolio now 37 assets and 2 quoted stakes**

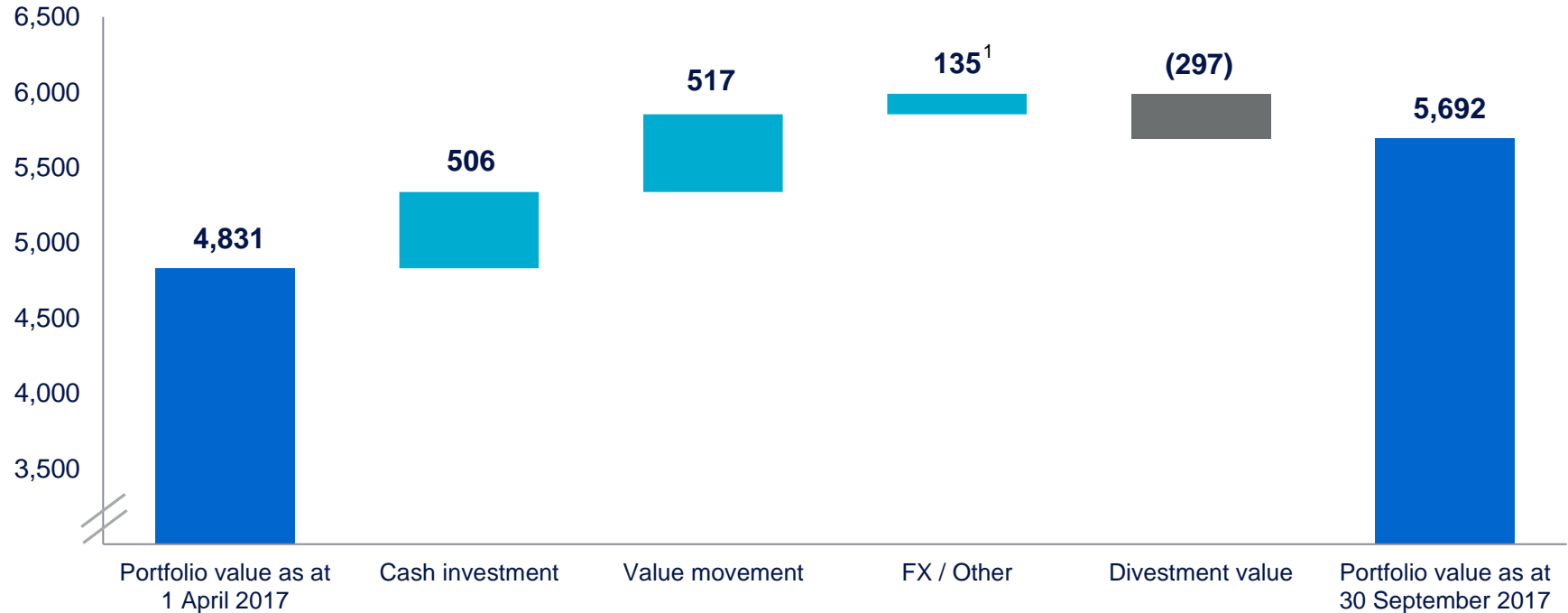
<sup>1</sup> Excludes refinancings.

# Private Equity

More focus on origination results in higher investment levels



£ million



£861 million / 18% increase in portfolio value in six months

<sup>1</sup> Includes capitalised interest and other non-cash investment.

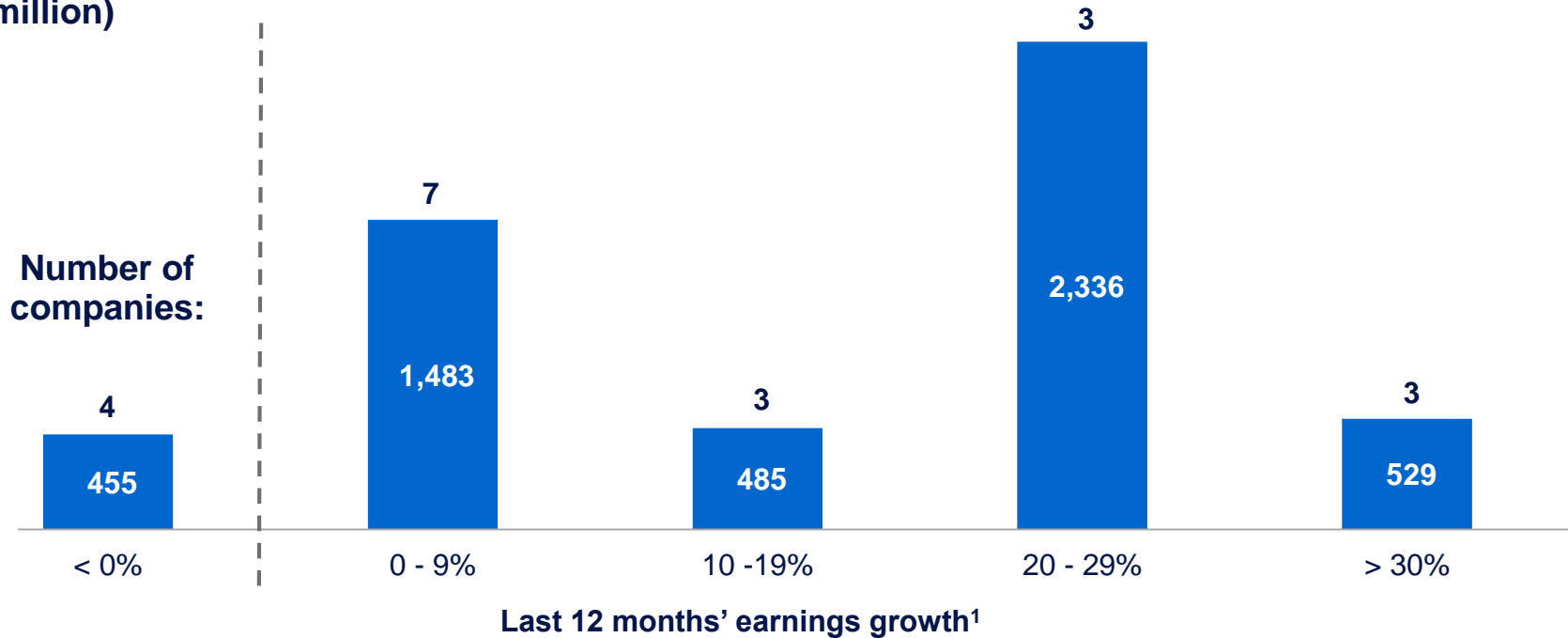
# Private Equity

## Good growth in the top 20 assets



### 3i carrying value at 30 September 2017

(£ million)



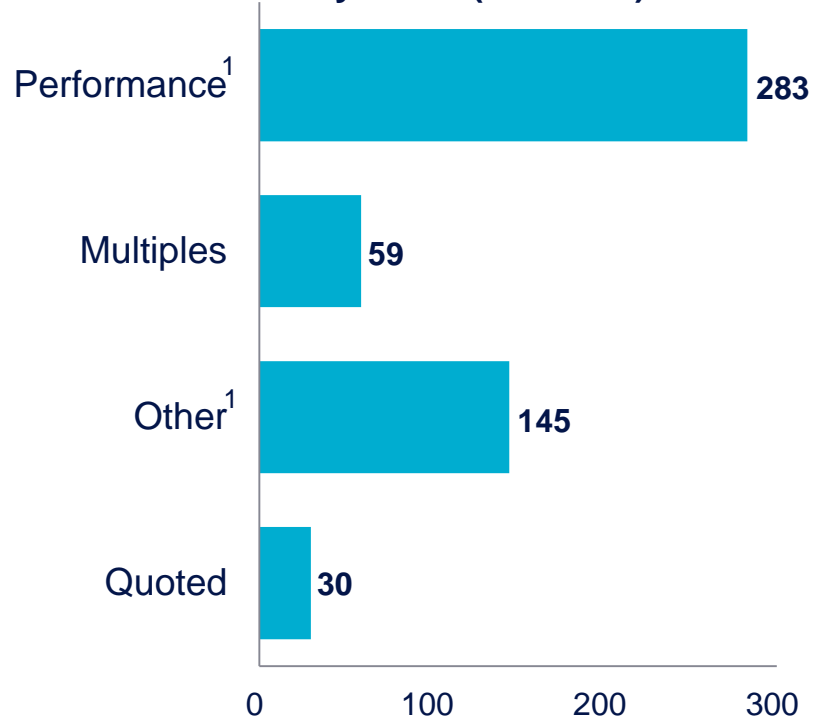
<sup>1</sup> Earnings growth in the top 20 investments, 15 using EBITDA, 4 using EBITA and 1 using run-rate earnings. Excludes ACR where earnings are not the relevant measure.

# Private Equity

## £517 million value growth



### Value movement by basis (£ million)



Use of earnings	September 2017	March 2017
% valued on an earnings basis	81%	78%
Forecast indicates negative outlook (no.)	3	1

Multiples <sup>2</sup>	September 2017	March 2017
Action	16.0x	16.0x
3i ex. Action	10.8x	9.9x

<sup>1</sup> Performance includes value movements relating to earnings and net debt movements in the period. Other includes investments valued on a DCF basis and net asset value.

<sup>2</sup> Multiples are stated post liquidity discount and are based on EBITDA or run-rate consistent with the valuation.

Details on valuation methodology can be found in the Annual Report and Accounts 2017 on pages 158 to 159.



# Infrastructure

## Steady gross investment return

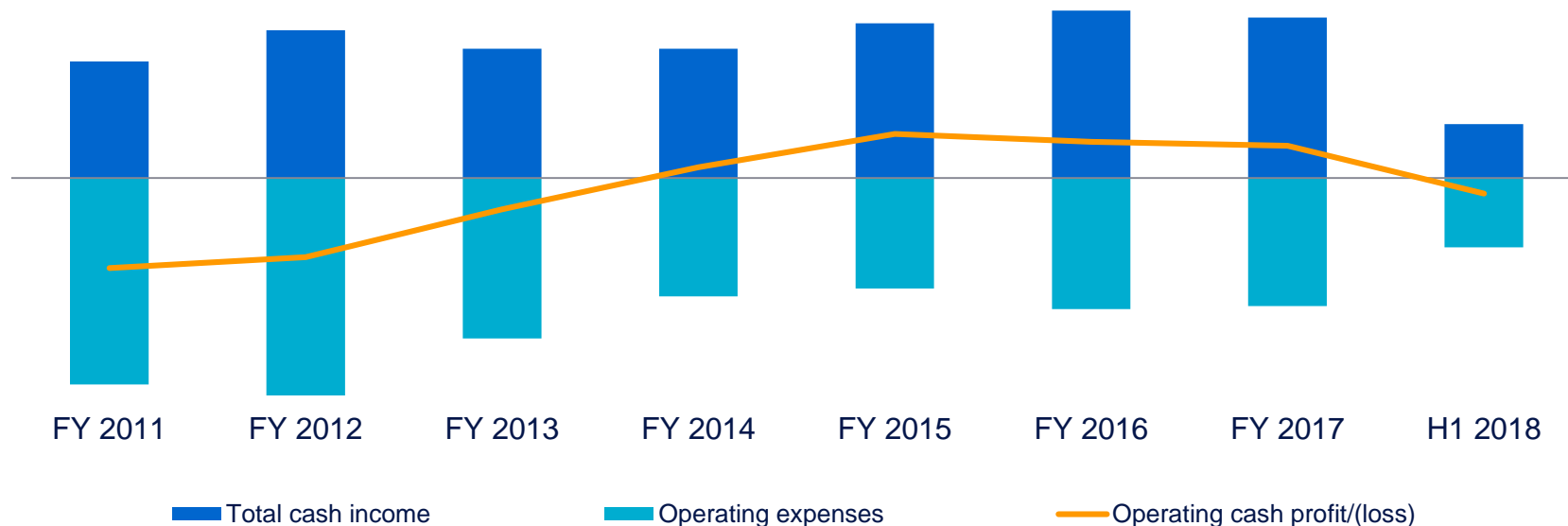


Six months to 30 September £ million	2017	2016
<b>Gross investment return</b>	<b>32</b>	90
<i>% of opening portfolio</i>	<b>5%</b>	17%
Fee income	<b>21</b>	18
Cash income	<b>34</b>	28
Cash investment	<b>43</b>	131
<b>Portfolio value</b>	<b>765</b>	722
<b>Assets under management</b>	<b>3,615</b>	2,948

# Operating cash profit



£ million



Infrastructure initiatives will improve measure in due course

# Strong balance sheet supported step up in investment



£ million	30 September 2017	31 March 2017
Investments	<b>(572)</b>	(689)
Realisations	<b>374</b>	1,275
Net (investment)/divestment	<b>(198)</b>	586
Net (debt)/cash	<b>(48)</b>	419
Net assets	<b>6,320</b>	5,836
Liquidity	<b>877</b>	1,323

## 8 pence interim dividend confirmed today

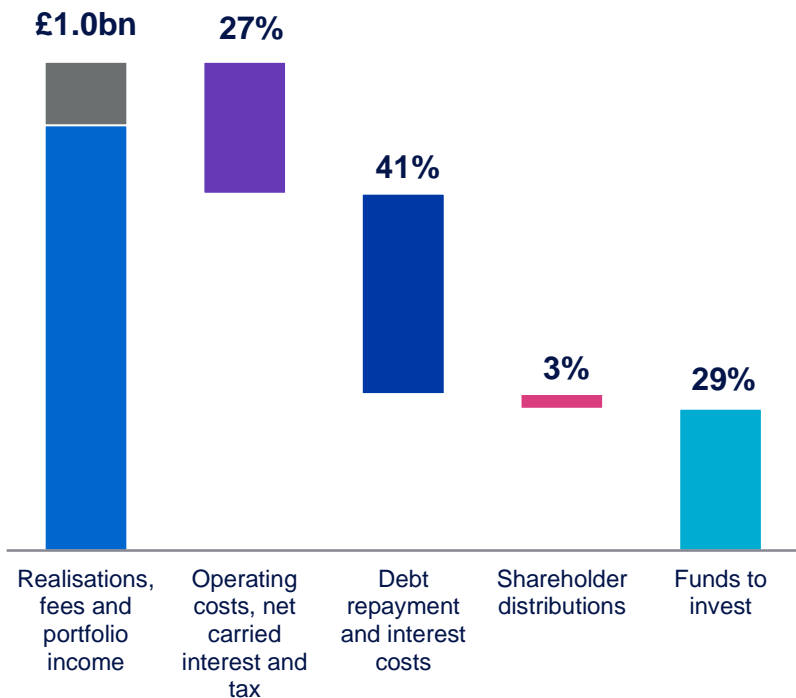


- Policy to pay **8.0p** interim dividend and **8.0p** year end dividend plus additional final year dividend, provided:
  - gearing <20% ✓
  - gross debt on target to be <£1bn ✓
- Final year dividend dependent on cash realisations, investment pipeline and balance sheet at year end

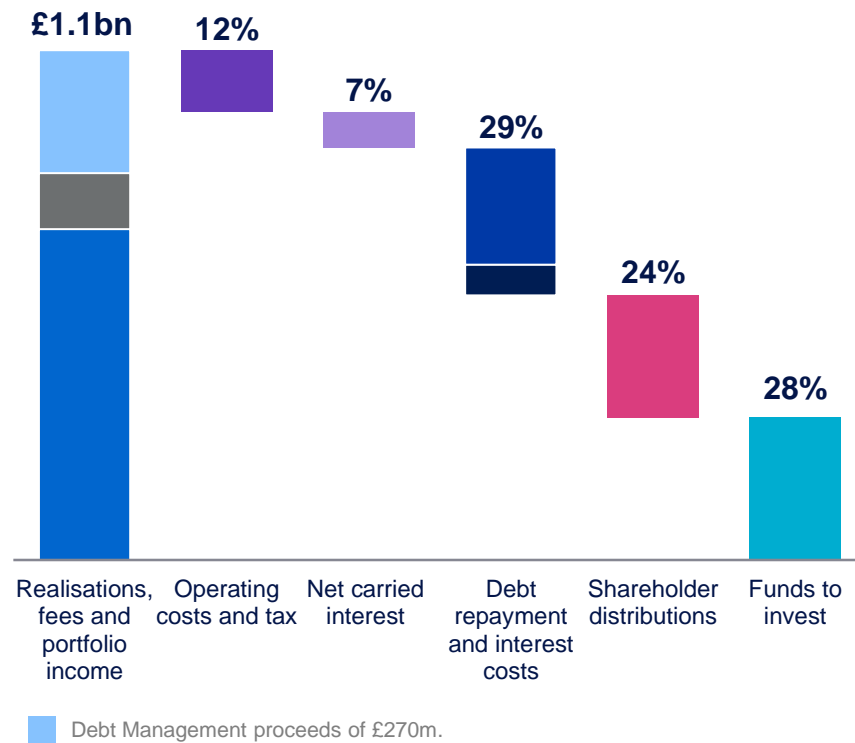
# Continuing to improve capital efficiency and allocation



## Average over FY10-FY12



## Year to 30 September 2017



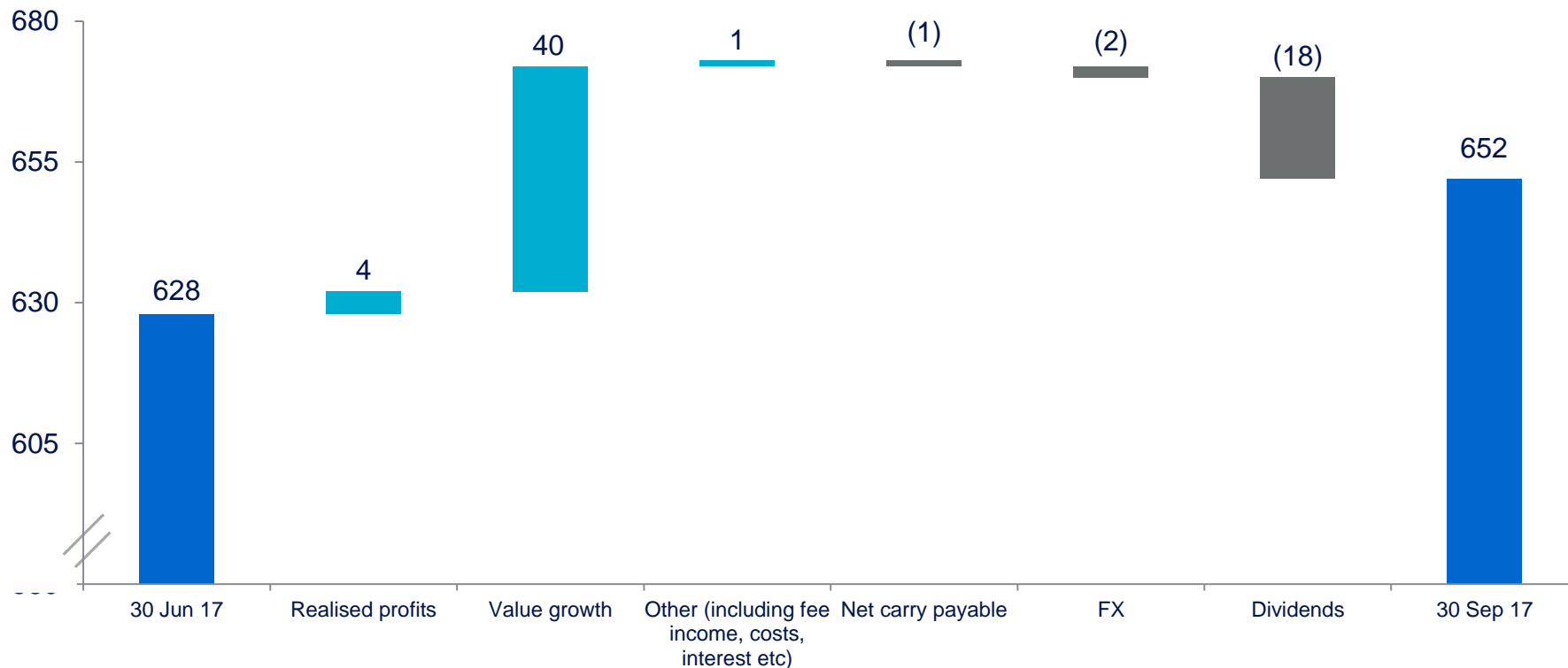


# Additional information

# Q2 NAV up from 628 pence to 652 pence

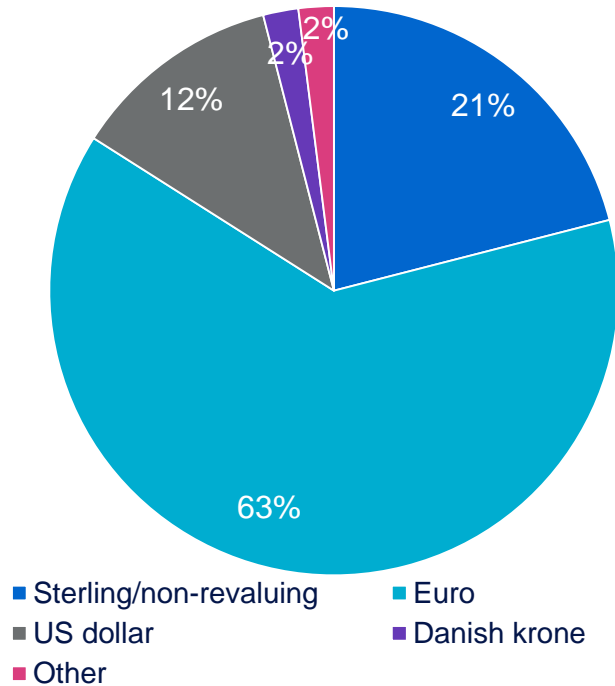


NAV per share (pence)





# Net asset exposure by currency



Currency	Net assets	Change YTD	Impact
Sterling	£1,326m	n/a	n/a
Euro	£3,968m	(3.2)%	105
US dollar	£778m	6.6%	(51)
Danish krone	£145m	(3.1)%	4
Other <sup>1</sup>	£103m	n/a	(6)
<b>Total</b>	<b>£6,320m</b>		<b>52</b>

**1% movement in euro = £39 million, 1% in US dollar = £8 million**

<sup>1</sup> Other mainly includes Indian rupee, Brazilian real and Swedish krona.



# Private Equity

## 20 large investments



Investment <sup>1</sup>	Business description	Valuation Sep 17 £m	Valuation Mar 17 £m
<b>Action</b>	Non-food discount retailer	2,009	1,708
<b>Q Holding</b>	Manufacturer of engineered precision elastomeric components	243	222
<b>WP</b>	Supplier of plastic packaging solutions	218	200
<b>Basic-Fit</b>	Discount gym operator	218	184
<b>Audley Travel</b>	Provider of experiential tailor made travel	208	185
<b>Hans Anders</b>	Value-for-money optical retailer	195	n/a
<b>ATESTEO</b>	International transmission testing specialist	182	160
<b>Schlemmer</b>	Provider of cable management solutions for the automotive industry	152	154
<b>BoConcept</b>	Urban living brand	145	146
<b>Formel D</b>	Quality assurance provider for the automotive industry	135	n/a
<b>AES Engineering</b>	Manufacturer of mechanical seals and support systems	134	113
<b>Ponroy Santé</b>	Manufacturer of natural healthcare and cosmetics products	133	122
<b>ACR</b>	Pan-Asian non life reinsurance	130	135
<b>Tato</b>	Manufacturer and seller of speciality chemicals	112	112
<b>Lampenwelt</b>	Online lighting specialist retailer	109	n/a
<b>Aspen Pumps</b>	Manufacturer of pumps and accessories for the air conditioning, heating and refrigeration industry	104	88
<b>Christ</b>	Distributor and retailer of jewellery	100	98
<b>Cirtec Medical</b>	Outsourced medical device manufacturing	99	n/a
<b>Euro-Diesel</b>	Manufacturer of uninterruptible power supply systems	91	95
<b>OneMed</b>	Distributor of consumable medical products, devices and technology	59	59

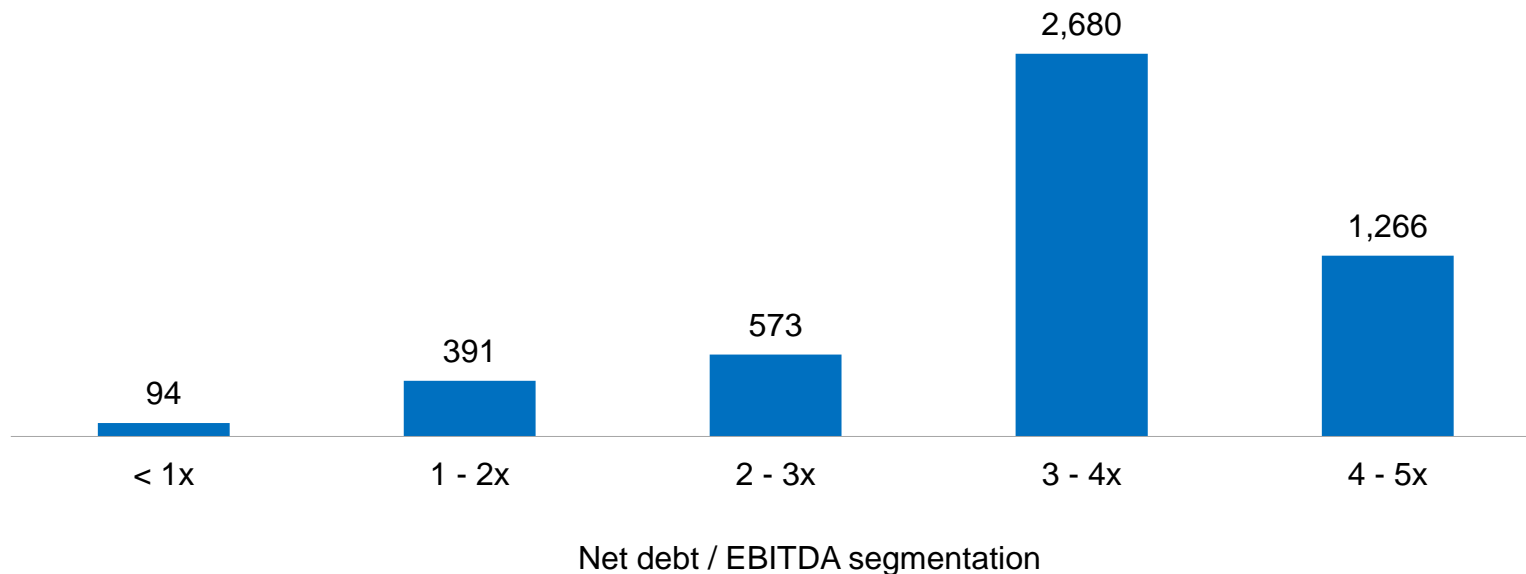
<sup>1</sup> One investment excluded for commercial reasons.

# Private Equity leverage



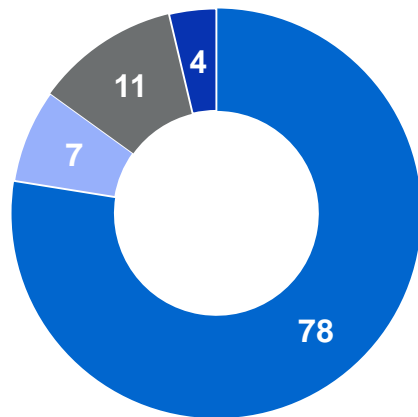
## Ratio of total net debt to EBITDA by 3i carrying value at 30 September 2017

(£ million)



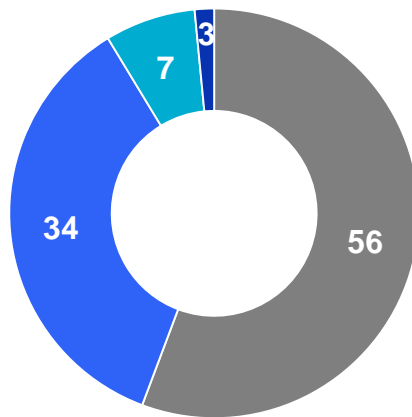
Note: The above table includes assets not valued on an EBITDA basis. This represents 88% of the Private Equity portfolio by value.

## By region (%)



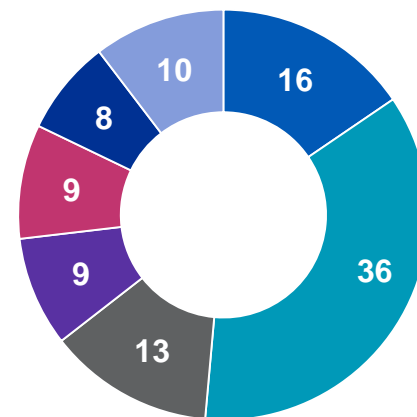
- Northern Europe
- North America
- UK
- Other

## By sector (%)



- Consumer
- Industrial
- Business and Technology
- Other

## By vintage (%)



- Pre 2012
- 2012
- 2014
- 2015
- 2016
- 2017
- 2018

**Portfolio of 39 investments, down from 40 at 31 March 2017**

# Assets under management

## Private Equity



	Close date	Fund size	3i commitment/share	Remaining 3i commitment <sup>1</sup> at September 2017	% invested at September 2017	Gross money multiple <sup>2</sup> at September 2017	AUM <sup>3</sup>	Fee income received in the period
3i Growth Capital Fund	Mar 10	€1,192m	€800m	€346m	53%	2.0x	£43m	–
3i Eurofund V	Nov 06	€5,000m	€2,780m	€105m	94%	2.3x	£2,166m	£2m
3i Eurofund IV	Jun 04	€3,067m	€1,941m	€82m	95%	2.3x	£3m	–
Other (third party)	various	various	various	n/a	n/a	n/a	£157m	£1m
3i proprietary capital	n/a	n/a	n/a	n/a	n/a	n/a	£5,692m	n/a
<b>Total Private Equity AUM</b>							<b>£8,061m</b>	<b>£3m</b>

1 All funds are beyond their investment period.

2 Gross money multiple is the cash returned to the fund plus value as at 30 September 2017, as a multiple of cash invested.

3 AUM is calculated on NAV.

# Assets under management

## Infrastructure



	Close date	Fund size	3i commitment/share	Remaining 3i commitment at September 2017	% invested at September 2017	Gross money multiple <sup>1</sup> at September 2017	AUM <sup>2</sup>	Fee income received in the period
3iN	Mar 07	n/a	£670m	n/a	n/a	n/a	£1,995m	£13m
3i Managed Infrastructure Acquisitions Fund	Jun 17	£698m	£35m	£5m	64%	1.2x	£662m	£2m
3i European Operational Projects Fund <sup>3</sup>	Apr 17	€155m	€40m <sup>4</sup>	n/a	38%	1.0x	£52m	–
India fund	Mar 08	US\$1,195m	US\$250m	US\$35m	73%	0.5x	£145m	£2m
BIIF	May 08	£680m	n/a	n/a	90%	n/a	£542m	£2m
BEIF II	Jul 06	£280m	n/a	n/a	97%	1.1x	£13m	–
Other (third party)	various	various	Various	n/a	n/a	n/a	£206m	£2m
<b>Total Infrastructure AUM</b>							<b>£3,615m</b>	<b>£21m</b>

1 Gross money multiple is the cash returned to the fund plus value as at 30 September 2017, as a multiple of cash invested.

2 3iN AUM is based on share price at 30 September 2017. In all other cases, AUM is based on NAV.

3 Numbers based on the first close of the fund.

4 3i commitment up to €40m depending on the size of the final fund.

# Debt Management

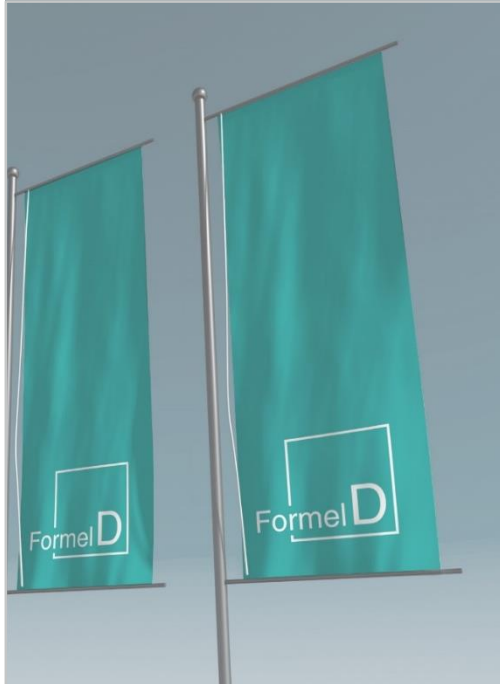
## Residual investments



Six months to 30 September £ million	2017 <sup>1</sup>	2016
Unrealised profits on revaluation	–	12
Cash income	7	8
Foreign exchange on investments	(8)	10
Gross investment return / total return	(1)	30
£ million	30 September 2017	31 March 2017
Residual CLO investments	46	50
Global Income Fund	73	79
Senior Loan Fund	8	8
Warehouse	-	1
<b>Total value</b>	<b>127</b>	<b>138</b>

<sup>1</sup> Numbers presented on a continuing operations basis.

### Global quality assurance and process optimisation service provider to the automotive and component supply industry



Germany, Business Services



Outsourced services, electrification and automation



Bernd Gottschalk and Ad Verkuyten from BLN involved in assessment. Ad Verkuyten now NXD  
CITIC co-investor to facilitate China expansion



Strong TIC and automotive track record an advantage

# Private Equity

New investment: Hans Anders (£172m proprietary capital invested)



**Market leading value-for-money optical and hearing aid retailer in the Benelux with a presence in Sweden and France**



 **HANS ANDERS**



Netherlands, Consumer



Value for money, demographics/ageing population



Ronald van der Vis (ex CEO of Grandvision) involved in investment assessment and is now chairman



Limited process

Competitive advantage from value-for-money track record