



27 January 2022

3i Group plc FY2022 Q3 performance update

Continued good performance across the Group

- Increase in NAV per share to 1,235 pence (30 September 2021:1,153 pence) despite the negative translation effect of sterling strengthening in the quarter (21 pence)
- Total return of 32.6% for the nine months to 31 December 2021, with continued good performance across both investment portfolios
- Strong sales, EBITDA and cash generation from Action notwithstanding significant Covid-19 and supply chain disruption
- Private Equity business completed £310 million of investment in the quarter including new investments in Dutch Bakery and Mepal, a co-investment in insightsoftware and two transformational bolt-on acquisitions for GartenHaus and ten23 health. In addition, five bolt-on acquisitions were completed across the portfolio, with no additional funding from 3i and a further two bolt-on acquisitions were signed
- Strong cash generation from the Private Equity portfolio with combined realised proceeds of £491 million from the divestment of Magnitude Software and partial divestment of Basic-Fit

Simon Borrows, Chief Executive, commented:

“We saw continued, resilient performance from both our investment portfolios as well as a good level of cash realisations. There was also further bolt-on activity and several new investments in the quarter. Action continues to perform very well and delivered impressive results given the Covid-19 related challenges in 2021. 3i is well set for a strong close to our financial year end in March.”

Private Equity

Portfolio performance and valuation at 31 December 2021

In the 12 months to 2 January 2022, Action generated net sales growth of 23% (52 week comparison) and added 267 stores, taking its total to 1,983 stores across nine countries. Provisional 2021 EBITDA, which is still subject to audit, was €828 million, 36% ahead of 2020 (52 week comparison). Net sales (€6,834 million) and EBITDA were 34% and 53% ahead of 2019. Covid-19 restrictions and store closures affected the group in six out of twelve months in 2021 with Action experiencing significant closures and restrictions in the Netherlands, Austria and Germany in the first quarter of 2021 and in December 2021. Action paid an interim dividend of €325 million in December 2021, and finished the year with a cash balance of €759 million. Action opened its 2,000th store in Prague last week and all stores are currently open with trading well ahead of the same period last year.

The broader Private Equity portfolio traded resiliently notwithstanding ongoing Covid-19 related restrictions, supply chain challenges and increasing cost inflation. In the quarter we saw good performance from SaniSure, which is capitalising on a robust bioprocessing market, WilsonHCG which delivered good performance driven by continued strength of the US labour market and BoConcept, which continues to see strong demand despite restrictions remaining in some of its key markets. Other notable contributions to our return include WP and AES. We continue to carefully manage and support our travel companies and following very recent Omicron developments we are becoming more optimistic about their prospects in 2022.

Private Equity investments

Private Equity investment	Type	Business description	Date	Investment £m
ten23 health	Further	Pharmaceutical product CDMO	October 2021	61
GartenHaus	Further	Digital platform for garden and house projects across Europe	October 2021	45
Dutch Bakery	New	Industrial bakery group specialised in home bake-off bread and snack products	October 2021	46
Audley Travel	Further	Provider of experiential tailor-made travel	October 2021	25
insightsoftware	New co-investment	Provider of financial reporting and enterprise performance management software for the Office of the CFO	November 2021	37
Christ	Further	German retailer of jewellery and watches	November 2021	12
Mepal	New	Dutch lifestyle consumer brand known for storing and serving food and drinks	December 2021	87
Total Q3 FY2022 new and further investment				313
MAIT	Return of funding	Provider of digital solutions in the DACH region	October 2021	(3)
Total Q3 FY2022 return of funding				(3)
Total Q3 FY2022 investment				310
H1 FY2022 investment				58
Total investment as at 31 December 2021				368

In the period, we completed new investments in Mepal (£87 million) and Dutch Bakery (£46 million). We also completed transformational bolt-on acquisitions for ten23 health, investing £61 million of our proprietary capital to support growth initiatives including the scale up and expansion of the Basel formulation and drug development operations, as well as and the acquisition of Swissfillon, a drug product fill and finish CDMO, and £45 million in GartenHaus to support the acquisition of Outdoor Toys, a UK-based online retailer of outdoor garden toys. After the period end, we invested in Yanga Sports Water to support its international growth and expansion into North America.

Several of our portfolio companies completed bolt-on acquisitions in the quarter funded by the portfolio company's balance sheet. Evernex completed its acquisition of Emcon-IT, a US leading player in the third-party hardware maintenance industry, and Dutch Bakery acquired GoodLife Foods Deurne in an asset transaction, representing a strategic acquisition for Dutch Bakery in the Benelux market. AES acquired JAtech Services, a Canada-based asset condition monitoring specialist, Hans Anders acquired the Belgian franchisee for eyes+more and SaniSure acquired GL Engineering, a manufacturer of single-use filling needles for use in the fill & finish stage of production. Also in the quarter, Royal Sanders agreed to acquire Otto Cosmetics, a leading German manufacturer of private label and contract manufacturing products for the personal care industry and MAIT agreed to acquire Infolutions, a Swiss-based managed services provider with a focus on infrastructure monitoring.

In the period, we completed a £37 million co-investment in insightsoftware, the company that acquired Magnitude Software, invested a further £25 million in Audley Travel to support its recovery from the pandemic, and £12 million in Christ as part of its debt refinancing and extension of facilities.

Private Equity realisations

Private Equity Realisations	Realisation proceeds £m
Magnitude Software	345
Basic-Fit	146
Total Q3 FY2022 realised proceeds	491
H1 FY2022 realised proceeds	118
Total realised proceeds as at 31 December 2021	609

In the period, we recognised total realised proceeds of £491 million. We received £345 million from the full divestment of Magnitude Software, achieving a sterling money multiple of 2.5x and an IRR of 44%. We also received £146 million from a partial sale of Basic-Fit shares. We retain a 5.7% holding in the business valued at £133 million at 31 December 2021.

Infrastructure

3iN's underlying portfolio continues to perform well, generating a good level of portfolio income, and 3iN's share price performed strongly in the quarter, closing up 16% at 354 pence at 31 December 2021 (30 September 2021: 304 pence), valuing 3i's 30% stake at £953 million (30 September 2021: £817 million). We also recognised £14 million of dividend income from 3iN in the period.

In the period, our US infrastructure team completed a £146 million investment in EC Waste, the largest vertically integrated provider of federally compliant solid waste services in Puerto Rico, representing the third platform investment for our US infrastructure portfolio and, including portfolio company bolt-ons, our seventh US infrastructure investment.

Scandlines

Scandlines performed well in the period, with strong freight volumes ahead of 2019 levels. Leisure has also continued to recover however volumes were impacted by the emergence of the Omicron variant and so remained below 2019 levels in the period. As a result of good cash management throughout the pandemic, Scandlines was able to resume its cash distributions in December 2021, and 3i recognised £13 million of dividend income in the quarter.

Top 10 investments by value at 31 December 2021

	Valuation basis	Valuation currency	Valuation Sep-21 £m	Valuation Dec-21 £m	Activity in the quarter
Action	Earnings	EUR	6,100	6,542	Received a cash dividend of £144 million in December 2021
3iN	Quoted	GBP	817	953	Recognised a dividend of £14 million in November 2021
Cirtec Medical	Earnings	USD	488	489	
Scandlines	DCF	EUR	469	471	Received a cash dividend of £13 million in December 2021
Luqom	Earnings	EUR	453	440	
Tato	Earnings	GBP	412	406	Received a cash dividend of £4 million in October 2021
Hans Anders	Earnings	EUR	323	316	
Royal Sanders	Earnings	EUR	295	289	
Evernex	Earnings	EUR	283	287	
WP	Earnings	EUR	265	281	

The 10 investments in the table above comprise 78% (30 September 2021: 78%) of the total Proprietary Capital portfolio value of £13,413 million (30 September 2021: £12,784 million).

Total return and NAV position

We recognised a £201 million loss on foreign exchange, net of hedging, in the quarter, as sterling strengthened against the euro and US dollar. As at 31 December 2021, 71% of the Group's net assets were in euro and 15% were in US dollar. Based on that, a 1% movement in the euro and US dollar would result in a net total return movement of £84 million and £18 million respectively. The diluted NAV per share increased to 1,235 pence (30 September 2021: 1,153 pence) or 1,215.75 pence after deducting the 19.25 pence per share first FY2022 dividend, which was paid on 12 January 2022.

Balance sheet

At 31 December 2021, gross debt was £975 million (30 September 2021: £975 million), net debt was £709 million and gearing 5.9%. The first FY2022 dividend of £186 million (or 19.25 pence per share) was paid on 12 January 2022. Liquidity, including our undrawn RCF, was £766 million at 31 December 2021.

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Notes

1. Balance sheet values are stated net of foreign exchange translation. Where applicable, the GBP equivalents at 31 December 2021 in this update have been calculated at a currency exchange rate of €1.1913: £1 and \$1.3546: £1 respectively.
2. At 31 December 2021 3i had 969 million diluted shares.
3. Action was valued using a post discount run-rate EBITDA multiple of 18.5x based on its LTM run-rate earnings to 2 January 2022 of €921 million. The LTM run-rate earnings used include our normal adjustment to reflect stores opened in the year, as well as the add back of €10 million of exceptional Covid-19 related costs incurred in Action's first quarter of 2021.

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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.

All statements in this performance update relate to the three-month period ended 31 December 2021 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 2021 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.