



31 July 2019

3i Group plc FY2020 Q1 performance update

A good start to the year

- Increase in NAV per share to **864 pence** (31 March 2019: 815 pence) and total return of **6.2%** for the three months to 30 June 2019
- Completed £139 million Private Equity investment in Magnitude Software Inc and signed the US Infrastructure investment in Regional Rail, LLC, which completed in early July
- Strong share price performance from 3i Infrastructure plc ("3iN"), which completed its investment in Joulz and announced a bolt-on investment for Valorem

Simon Borrows, Chief Executive, commented:

"This was another good quarter for 3i. Our Private Equity portfolio performed well with Action again generating good growth, as well as 3iN delivering another strong share price performance. Both our Private Equity and Infrastructure teams had a busy quarter on origination and investment. Our balance sheet is well-funded but we remain cautious about the pricing of private investments in the current environment and have continued to focus on platform and bolt-on acquisitions."

Private Equity

Portfolio performance

The Private Equity portfolio generated good returns for the quarter. Action has performed strongly since the end of 2018, trading ahead of its budget for the first six months of 2019, with good cash generation and a further improvement in year to date like-for-like sales growth, which is now at 5%. The two new distribution centres which opened in early 2019 are operating well, with much improved stock availability as a result. Action opened 86 new stores in the six months to 30 June 2019, resulting in a total store count of 1,409.

We continue to see challenging macro-economic headwinds in Europe and in China specifically in the automotive sector, which is affecting some of our European headquartered industrial companies. However, there is little overall change to the momentum of our Private Equity portfolio.

Private Equity investments

In May 2019, we completed our £139 million investment in Magnitude Software Inc, a leading provider of unified application data management solutions. We have continued to grow portfolio value through our buy-and-build strategy, with Havea Group (formerly Ponroy Santé) completing its acquisition of Pasquali Healthcare and Christ acquiring Valmano, an online retailer of jewellery and watches in Germany. These acquisitions were funded directly by the portfolio companies and did not require any further investment from 3i. In July, Formel D agreed to acquire CPS, a provider of quality assurance services to the automotive industry headquartered in France, and Lampenwelt agreed to acquire QLF Group, one of the leading online lighting players in the Benelux. There is a good pipeline of further acquisition opportunities for a number of companies in the portfolio.

During the period, we took the opportunity to purchase three additional LP stakes in EFV, with 3i's investment totalling £61 million. These purchases increased 3i's holding in Action to 45.3% (31 March 2019: 44.3%).

Since the quarter end, we have announced our investment in Evernex, a leading international provider of third-party maintenance services for data centre infrastructure. The investment is expected to complete by the end of 2019.

Infrastructure

The Infrastructure business had another busy quarter. 3iN completed its investment in Joulz in April 2019 and in July agreed to invest c.€220 million in Ionisos, a leading owner and operator of cold sterilisation facilities headquartered in France. In addition, 3iN's portfolio company Valorem agreed to acquire a 51% stake in Force Hydraulique Antillaise SAS. 3iN's share price performed strongly, generating unrealised value growth of £58 million for 3i, in addition to dividend income of £12 million.

In April 2019 we announced that the 3i European Operational Projects Fund had agreed to invest over €100 million in four projects across Europe, taking total investment to c.40% of the fund. We also announced the US Infrastructure team's agreement to invest in Regional Rail, LLC and this investment completed in early July. The infrastructure market remains very active and our Infrastructure team is working on a pipeline of interesting investment opportunities in Europe and North America.

Top 10 investments by value at 30 June 2019

	Valuation basis	Valuation currency	Valuation Mar-19 £m	Valuation Jun-19 £m	Activity in the quarter
Action	Earnings	EUR	2,731	3,076	
3iN	Quoted	GBP	744	799	Accrued a £12 million FY2019 final dividend
Scandlines	DCF	EUR	529	555	Received a £6 million dividend
Hans Anders	Earnings	EUR	246	306	
Basic-Fit	Quoted	EUR	254	271	
Audley Travel	Earnings	GBP	270	270	
WP	Earnings	EUR	241	253	
Cirtec Medical	Earnings	USD	248	253	
Q Holding	Earnings	USD	241	247	
Havea	Earnings	EUR	174	190	

The 10 investments in this table comprise 75% (31 March 2019: 75%) of the total Proprietary Capital portfolio value of £8,295 million (31 March 2019: £7,553 million).

Total return and NAV position

We recognised a net £212 million gain on foreign exchange in the quarter, as both the US dollar and euro strengthened against sterling. Based on the balance sheet at 30 June 2019, a 1% movement in the euro and US dollar would result in a total return movement of £48 million and £12 million respectively, net of any hedging. The diluted NAV per share increased to 864 pence (31 March 2019: 815 pence) or 844 pence after deducting the 20 pence per share second FY2019 dividend, which was paid on 19 July 2019.

Balance sheet

At 30 June 2019 net cash was £307 million. The 20 pence second FY2019 dividend of £194 million was paid on 19 July 2019.

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Notes

1. Balance sheet values are stated net of foreign exchange translation. Where applicable, the GBP equivalents at 30 June 2019 in this update have been calculated at a currency exchange rate of €1.1173:£1 and \$1.2718:£1 respectively. At 30 June 2019, 63% of the Group's net assets were in euro and 16% were in US dollar.
2. At 30 June 2019 3i had 973 million diluted shares.
3. Action was valued using a post discount run-rate EBITDA multiple of 18.0x based on its run-rate earnings to 30 June 2019.

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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 30 June 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.