



28 January 2016

3i Group plc FY2016 Q3 performance update

3i Group plc (“the Group” or “3i”) today issues its performance update relating to the third quarter from 1 October 2015 to 31 December 2015 (“the quarter”) of FY2016.

Another solid quarter with some important transactions and strong earnings growth

- NAV per share of **413 pence** and total return of **7.4%**
- Realised **£403 million** in the 9 months to 31 December 2015, excluding the c.£188 million due from the sale of Element Materials Technology
- Invested **£364 million** in Private Equity in the 9 months to 31 December 2015 with three new investments
- Launched two new CLOs in Debt Management in the quarter, one in Europe and one in the US
- The portfolio companies in Private Equity continue to perform well with a good increase in unrealised value supported by value weighted earnings growth, including acquisitions, of 18%

Simon Borrows, Chief Executive, commented:

“This was another steady quarter for 3i. We delivered a solid result, supported by good levels of investment and divestment activity, despite the challenging market backdrop. Our portfolio companies continue to perform well with strong unrealised value growth from a number of our key investments such as Action, 3i Infrastructure plc, Scandlines and GIF.

Investment activity was strong in the quarter, with the highly profitable sale of Element Materials Technology at 4.5x euro cost and the purchase of Audley Travel, a business with excellent growth potential. We have a good level of planned realisations and an interesting pipeline of potential new investments, but we remain disciplined on price given the broader macroeconomic and market uncertainties.

With earnings growth, including acquisitions, of 18% and average gearing under 3x EBITDA in Private Equity, we expect our investment portfolio to continue to demonstrate its resilience as we complete the important final quarter of our financial year.”

Private Equity

Investments

The team had a busy end to the 2015 calendar year. We completed a £159 million investment in Audley Travel, a market leader in tailor-made luxury travel based in the UK and with a growing presence in the United States. On completion of the transaction, 3i also underwrote an £87 million loan pending the refinancing of Audley Travel's debt facilities. This amount was repaid in full on 27 January 2016.

	Total investment	Proprietary Capital investment
Audley Travel ¹	£159m	£156m
H1 2016 investment	£247m	£208m
Total cash investment as at 31 December 2015¹	£406m	£364m

1 Cash invested in Private Equity excludes the £87 million (£85 million 3i Proprietary Capital) loan underwritten on behalf of Audley Travel which was repaid on 27 January 2016.

Realisations

We received total cash proceeds in the quarter of £43 million. This included proceeds of £17 million from the refinancing of Geka, as well as proceeds of £20 million from a partial sale of our quoted holding in Refresco Gerber and the full sale of Consultim.

On 17 December 2015, we announced the sale of our investment in Element Materials Technology ("Element"), with estimated proceeds of £188 million, representing a 12% uplift against the value at 30 September 2015 and a 30% uplift against the value at 31 March 2015. Inclusive of the proceeds from Element's refinancing completed in August 2014, the transaction will generate a 4.5x euro money multiple (3.9x in sterling) and is expected to complete before 31 March 2016. Element was valued on an imminent sale basis at 31 December 2015.

	3i realisation proceeds
Full realisations	
Consultim	£10m
Vijai	£4m
Other	£1m
Partial realisations	
Refresco Gerber	£10m
Refinancings	
Geka	£17m
Deferred consideration	
Other	£1m
Total Q3 2016 cash proceeds	£43m
H1 2016 cash proceeds	£307m
Total cash proceeds as at 31 December 2015	£350m
Element	£188m
Total Private Equity realisation proceeds including Element	£538m

Portfolio performance

The underlying Private Equity portfolio performed well in the quarter despite the challenging macroeconomic and market conditions. The portfolio has limited direct exposure to regions or sectors that have shown weakness over recent months, such as emerging markets or oil and gas or commodities. Value weighted earnings growth, including the effect of portfolio acquisitions, over the last twelve months was 18% (September 2015: 19%) and 12% excluding Action (September 2015: 14%).

Action, our largest investment, maintained its strong like for like revenue and EBITDA growth, excellent cash flow generation and good progress on store openings, resulting in strong unrealised value growth for this asset. Action's momentum in trading and store openings has continued through its final quarter. Together with the good levels of unrealised value generated from assets such as Scandlines and GIF, this more than offset the continued negative effect of weak macroeconomic and market conditions on the valuation of assets such as AES, Dynatect, Etanco and JMJ.

The value weighted average EBITDA multiple used to value the Private Equity portfolio decreased by 1% to 11.3x before liquidity discount and 10.7x after liquidity discount in the quarter. Excluding Action, the multiple before liquidity discount decreased by 3% to 9.8x (post discount: 9.2x).

Top 10 investments by value at 31 December 2015

	Valuation basis	Valuation currency	Valuation ¹ Sep-15 £m	Valuation ¹ Dec-15 £m	Activity in the quarter
Action	Earnings	Euro	712	797	
3i Infrastructure plc	Quoted	GBP	450	463	£10m interim 2016 dividend accrued within income
Scandlines	DCF	Euro	257	271	
Element	Imminent sale	USD	168	182	Sale signed in December 2015 and completion expected by March 2016
Amor / Christ	Earnings	Euro	174	174	
Audley Travel	Price of recent investment	GBP	-	156	The £85m loan, repaid on 27 January 2016, is accounted for as a current debtor
Weener Plastic	Earnings	Euro	149	151	
Basic-Fit	Earnings	Euro	119	123	
GIF	Earnings	Euro	106	120	
Q Holding	Earnings	USD	117	117	

1 Balance sheet values are stated after foreign exchange translation.

The top 10 investments in this table comprise 60% (30 September 2015: 57%) of the total Proprietary Capital portfolio by value. This table does not include one investment that has been excluded for commercial reasons.

Infrastructure

The European portfolio continued to perform well, and during the quarter the 3i Infrastructure plc ("3iN") share price increased by 3% to 172 pence at 31 December 2015, following a strong set of half-year results. This generated a value gain of £12 million for 3i during the quarter in addition to dividend income of £10 million. 3i received a £51 million special dividend in the first half which was included in realisation proceeds.

Debt Management

The Debt Management team closed Harvest XIV, a new European CLO, for €414 million and Jamestown VIII, a new US CLO, for US\$504 million, generating new assets under management of £636 million. 3i invested a total of £33 million into these CLOs.

Total return and NAV position

Value growth from the Private Equity portfolio and 3iN resulted in an increase in diluted NAV per share to 413 pence (30 September 2015: 401 pence). The foreign exchange impact was nil pence in the quarter despite significant intra-period volatility. Both the euro and US dollar have continued to strengthen since the quarter end. As at 31 December 2015, a 1% movement in the euro and US dollar would result in a total return movement of £21 million and £5 million respectively.

Balance sheet and dividend

The Group's balance sheet remains strong. Gross debt and liquidity at 31 December 2015 remained stable at £820 million and £950 million respectively. Net debt increased to £220 million, principally due to the investment in Audley Travel. Notable cash movements post quarter end include the 6p interim dividend paid to shareholders on 6 January 2016 and the £85 million refinancing of Audley Travel that completed on 27 January 2016. The sale of our investment in Element is expected to complete before the end of our 2016 financial year.

- 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 31 December 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 received in the year to date over the March 2015 opening value realised.
2. Money multiple over cost represents the cash proceeds (including income) over cash invested.