



26 January 2017

3i Group plc FY2017 Q3 performance update

A robust performance from our portfolio companies and continued investment momentum

- NAV per share of **558** pence and total return of **24.1%** at 31 December 2016
- Cash realisations of **£917 million** in the nine months to 31 December 2016 from our Private Equity business
- Continued momentum in investment activity taking year to date Private Equity cash investment to **£356 million**
- Infrastructure announced the launch of a new **£700 million** fund, managed by 3i, to acquire a portfolio of European infrastructure assets

Simon Borrows, Chief Executive, commented:

“Q3 was an active quarter for our investment teams. We announced two significant Private Equity investments as well as the launch of a new fund managing a portfolio of infrastructure assets. Realisation activity continues apace and we received proceeds from Action’s recent refinancing and our shareholdings in Loxam and Go Outdoors.

Overall our portfolio remains well positioned, with our key assets continuing to deliver consistently robust performance. 3i is set for a strong close to the current financial year.”

Private Equity

Portfolio performance

The Private Equity portfolio continued to perform well in the quarter. In particular, Action delivered another excellent performance. Its rapid store expansion programme, strong earnings, like-for-like sales growth and cash generation allowed it to secure a €1.675 billion refinancing. As a result, 3i received £187 million of proceeds.

There was a mixed performance from other retailers in our portfolio with Hobbs trading well through Christmas but Agent Provocateur and our German investment, Christ, experienced more subdued December trading.

We continue to see good earnings growth across the portfolio more generally, with assets such as ATESTEO, Aspen Pumps and Euro-Diesel performing well and strong cash flow generation from Scandlines.

Private Equity investments

In December 2016, we made a £62 million further investment in Q Holding to support its transformative acquisition of Degania Silicone Ltd (“Degania”) to create one of the largest medical silicone and systems manufacturers globally. Our £122 million investment in Ponroy Santé, a manufacturer of natural healthcare and cosmetics products, completed on 24 January 2017.

Private Equity realisations

We generated total cash proceeds in the quarter to 31 December 2016 of £263 million, taking total cash proceeds received in the nine months to 31 December 2016 to £917 million. In addition, we announced the disposal of Lekolar in January 2017 for proceeds of c.£33 million.

	Realisation proceeds £m
Full realisations	
Go Outdoors	21
Loxam	40
Other	4
Partial realisations	
Refresco	11
Refinancings	
Action	187
Total Q3 2017 cash proceeds	263
H1 2017 cash proceeds	654
Total cash proceeds as at 31 December 2016	917

In October 2016, we announced an implementation agreement to sell ACR to two Shenzhen-government sponsored investment companies. The transaction is subject to a number of regulatory approvals including the National Development and Reform Commission (“NDRC”) authorisation to remit renminbi outside of China. The recent tightening of NDRC policy means that inevitably the approval process will take longer than previously anticipated. As a result, we have not valued the investment on an imminent sales basis at 31 December 2016.

Top 10 investments by value at 31 December 2016

	Valuation basis	Valuation currency	Valuation Sep-16 £m	Valuation Dec-16 £m	Activity in the quarter
Action	Earnings	EUR	1,549	1,369	Refinancing returned £187m of proceeds to 3i
3i Infrastructure plc	Quoted	GBP	673	648	
Scandlines	DCF	EUR	434	443	
Q Holding	Earnings	USD	134	209	Further investment of £62m to support Q Holding’s acquisition of Degania in December 2016
Weener Plastic	Earnings	EUR	187	189	
Basic-Fit	Quoted	EUR	195	182	
Audley Travel	Earnings	GBP	162	168	
Schlemmer	Earnings	EUR	157	156	
BoConcept	Earnings	DKK	133	138	
ATESTEO	Earnings	EUR	115	136	

The top 10 investments in this table comprise 74% (30 September 2016: 74%) of the total Proprietary Capital portfolio by value. This table does not include ACR, which has been excluded for commercial reasons.

Total return and NAV position

The foreign exchange impact was flat in the quarter despite intra-period volatility. Based on the balance sheet at 31 December 2016, a 1% movement in the euro and US dollar would result in a total return movement of £28 million and £8 million respectively.

Altogether the diluted NAV per share increased to 558 pence (30 September 2016: 551 pence) and 550 pence ex-dividend.

Balance sheet and dividend

The Group's balance sheet remains well funded. Net cash increased to £348 million, following good levels of realised proceeds in the quarter. Liquidity remained strong at £1,517 million. The 8 pence FY2017 interim dividend (£77 million) was paid on 4 January 2017 and our €310 million bond, due in March 2017, will be repaid out of cash resources.

- ENDS -

Notes

1. Balance sheet values are stated net of foreign exchange translation. Where applicable, the GBP equivalents at 31 December 2016 in this update have been calculated at a currency exchange rate of €1.1690:£1 and \$1.2338:£1 respectively. At 31 December 2016, 56% of the Group's net assets were in euro and 15% were in US dollar.
2. At 31 December 2016, 3i had 966.5 million diluted shares.
3. Valuations based on earnings use the 12 months to 30 September 2016 financials, unless forecast data provides a more reliable picture of maintainable earnings.
4. Action was valued using a post discount run-rate EBITDA multiple of 15.8x based on its 30 September 2016 run rate earnings.

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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 2016 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 2016 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.