



20 July 2023

3i Group plc

FY2024 Q1 performance update

A good start to FY2024

- Increase in NAV per share to 1,814 pence (31 March 2023: 1,745 pence) and total return of 4.1% for the three months to 30 June 2023, after the negative translation effect of sterling strengthening in the quarter (£331 million or 34 pence)
- Very strong performance from Action in the quarter (P4-P6 2023), with net sales and operating EBITDA of €2,701 million and €374 million (P4-P6 2022: €2,061 million and €263 million)
- In the six months to the end of Action's P6 (ending 2 July 2023), like-for-like ("LFL") sales growth was 21.8% primarily driven by high customer footfall, and Action's LTM operating EBITDA to the end of P6 was €1,439 million (LTM operating EBITDA to the end of P6 2022: €991 million), 45% ahead of the same period last year
- Resilient performance from the majority of the remaining Private Equity portfolio, with notable contributions from Royal Sanders, AES, European Bakery Group and MAIT, offsetting softer performance in Tato, Luqom and Mepal
- Investment activity focused on bolt-on transactions in the period including transformational transactions for the European Bakery Group
- Successfully issued a €500 million euro bond, ending the quarter with gross cash of £660 million and gearing of 3%

Simon Borrows, Chief Executive, commented:

"3i has made a good start to its new financial year with the Private Equity and Infrastructure portfolios trading resiliently. Action has achieved significant growth in its first half and generated impressive LFL sales growth with strong footfall and sales across all countries.

The macroeconomic environment is challenging at present and we remain cautious about the economic outlook. We will maintain our focus on active management of our portfolios and selective investment and realisation activity."

Private Equity

Portfolio performance and valuation at 30 June 2023

Action continues to outperform our expectations. In the six months ending 2 July 2023, Action generated net sales of €5,186 million (2022: €3,885 million) and operating EBITDA of €683 million (2022: €449 million), 33% and 52% ahead of the same period last year. Over the same period, LFL sales growth was 21.8%, primarily driven by high customer footfall. The significant outperformance of sales in the first half of 2023 has resulted in a higher than budgeted EBITDA margin for the same period. Action added 90 net new stores in the six months to 2 July 2023 (P6 2022: 77 stores), and remains on track to add c.300 new stores in 2023. The business continues to be highly cash generative, ending the period with a cash balance of €681 million. Action is set for another good year, even if LFL performance comparisons will be more challenging in the second half than the first.

At 30 June 2023, Action was valued using the LTM run-rate earnings to 2 July 2023 of €1,556 million and an unchanged multiple of 18.5x net of the liquidity discount, resulting in a valuation of £11,953 million (31 March 2023: £11,188 million) for 3i's 52.9% equity stake.

The majority of the remaining portfolio continues to demonstrate its resilience against challenging trading conditions, with strong performance in the period from Royal Sanders, AES, European Bakery Group and MAIT. Our travel assets continue to demonstrate good booking momentum.

Weak end-market demand and price inflation for key inputs have resulted in continued pressure on Tato's margins in the period, and we also continue to see softer performance for several of our discretionary consumer assets including Luqom and Mepal. As a result, we recorded a combined unrealised value loss for the three assets of £84 million in the period.

The ratio of net debt to EBITDA across the Private Equity portfolio reduced from 2.5x at 31 March 2023 to 2.3x at 30 June 2023. The Private Equity portfolio leverage excluding Action decreased from 4.0x to 3.9x.

Private Equity investments

We continue to grow portfolio value through our buy-and-build strategy. Royal Sanders completed the acquisition of Lenhart, a manufacturer of private label products for the personal care industry in April 2023. In the period, Dutch Bakery agreed to combine with coolback, a German bakery group specialised in bake-off bread, to create the European Bakery Group, a pan-European bakery platform. Panelto, a manufacturer of bake-off artisan breads, subsequently agreed to join the European Bakery Group, establishing the UK and Ireland platform within the group. These transformational acquisitions, the third and fourth since our initial investment, will further expand European Bakery Group's product assortment and customer base across Europe. In July 2023, the bolt-on acquisition of coolback completed with 3i contributing £38 million to the acquisition. The completion of Panelto is expected in Q2 FY2024.

Infrastructure

3i Infrastructure plc's ("3iN") share price closed flat in the quarter to 30 June 2023 at a share price of 313 pence (31 March 2023: 313 pence), valuing 3i's 29% stake at £841 million (31 March 2023: £841 million). We also recognised dividend income of £15 million from 3iN in the quarter.

Smarte Carte continued to deliver strong performance across all business lines, with both revenue and earnings outperforming our most recent expectations.

Scandlines

Scandlines continues to see good leisure performance entering into the summer peak period, whilst freight volumes are slightly down compared to last year, driven by the current macroeconomic backdrop.

Top 10 investments by value¹ at 30 June 2023

	Valuation basis	Valuation currency	Valuation Mar-23 £m	Valuation Jun-23 £m	Activity in the quarter
Action	Earnings	EUR	11,188	11,953	
3iN	Quoted	GBP	841	841	Recognised £15 million of dividend income
Scandlines	DCF	EUR	554	541	Recognised £10 million of dividend income
Cirtec Medical	Earnings	USD	552	530	
Royal Sanders	Earnings	EUR	369	405	Completed the bolt-on acquisition of Lenhart
nexeye	Earnings	EUR	393	383	
AES Engineering	Earnings	GBP	351	382	
SaniSure	Earnings	USD	389	379	
Tato	Earnings	GBP	411	364	
Smarte Carte	DCF	USD	300	316	

1. The valuations are translated at the spot rate of the balance sheet date. Sterling strengthened by 2.4% against the euro and by 2.9% against the US dollar in the quarter to 30 June 2023. Individual valuations exclude the benefit of the foreign exchange hedges.

The 10 investments in the table above comprised 84% (31 March 2023: 83%) of the total investment portfolio value of £19,116 million (31 March 2023: £18,388 million).

Total return and NAV position

We recorded a total foreign exchange translation loss of £331 million including a gain on foreign exchange hedging in the period. Movements in interest rates had a negative impact on the mark-to-market valuation of the hedges in the period.

Based on the net assets at 30 June 2023 and including the impact of hedging, a 1% movement in the euro and US dollar would result in a net total return movement of £113 million and £12 million respectively. The diluted NAV per share increased to 1,814 pence (31 March 2023: 1,745 pence) or 1,784.25 pence after deducting the 29.75 pence per share (£286 million) second FY2023 dividend, which will be paid on 28 July 2023.

Balance sheet

On 14 June 2023, we successfully issued a six-year €500 million euro bond at a coupon of 4.875%, further strengthening our liquidity profile. At 30 June 2023, gross debt was £1,204 million (31 March 2023: £775 million), net debt was £544 million and gearing was 3% (31 March 2023: £363 million and 2%). At 30 June 2023, cash was £660 million (31 March 2023: £412 million), and, including our undrawn £900 million revolving credit facility, liquidity was £1,560 million (31 March 2023: £1,312 million).

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Notes

1. Balance sheet values are stated net of foreign exchange translation. Where applicable, the GBP equivalents at 30 June 2023 in this update have been calculated at a currency exchange rate of €1.1652: £1 and \$1.2715: £1 respectively.
2. At 30 June 2023 3i had 967 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 July 2023 of €1,556 million. The LTM run-rate earnings used include our normal adjustment to reflect stores opened in the year.
4. As at 30 June 2023, the notional amount of the forward foreign exchange contracts held by the Group was €2.6 billion (including €600 million associated with Scandlines) and \$1.2 billion.

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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 2023 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 2023 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.