



1 February 2024

3i Group plc

## FY2024 Q3 performance update

### A good result for the third quarter of FY2024

- Increase in NAV per share to 2,034 pence (30 September 2023: 1,886 pence) and total return of 18% for the nine months to 31 December 2023, after a negative foreign exchange translation impact of £151 million or 16 pence.
- Action produced another excellent result with very strong sales, EBITDA and cash generation in 2023. In the 12 months to 31 December 2023, net sales and operating EBITDA were 28% and 34% ahead of 2022.
- Action generated like-for-like (“LFL”) sales growth of 16.7% in the year (2022:18.1%) and 11.4% in Q4 2023 (Q4 2022: 23.4%).
- 3i received a dividend from Action of £189 million in December 2023. After this distribution, Action ended 2023 with a cash balance of €1,087 million, and its net debt to run-rate EBITDA ratio was less than 2x.
- The value-for-money, private label, healthcare and infrastructure investments continue to perform resiliently and represented 86% of our investment portfolio at 31 December 2023. Outside of these sectors, performance was more mixed.
- Successful refinancing completed for Royal Sanders, returning proceeds of £109 million to 3i, and amend and extend completed for WP.
- Investment activity across both business lines focused primarily on buy-and-build, with the completion of bolt-on acquisitions for MAIT and Regional Rail and agreement to add a further bolt-on acquisition for Evernex.
- 3i Infrastructure plc’s (“3iN”) underlying portfolio continues to perform ahead of the expectations set at the beginning of this financial year and we have seen a partial recovery in its share price, recognising a 6% increase in the period.
- Well-funded Group balance sheet at 31 December 2023, with gross cash of £666 million, an undrawn RCF of £900 million and gearing of 3%.

### Simon Borrows, Chief Executive, commented:

“Action has again produced an all-round, impressive set of results and has started 2024 with good momentum across all of its markets. Action’s mission is to help customers by offering great value products at low prices and selling an increasing range of essentials through its flexible format. Some 2,500 prices were reduced in the second half of 2023, which is driving strong LFL performance and further increasing the price gap between Action and other retailers.

Macroeconomic conditions and global uncertainty are likely to continue to have an impact on selected names within the portfolio but we feel our unrelenting focus on good capital allocation means that 3i is well set for a strong return for the Group for this financial year.”

## Private Equity

### Portfolio performance and valuation at 31 December 2023

In the 12 months to 31 December 2023, **Action** generated net sales growth of 28% and added 303 stores, taking its total store base to 2,566 stores across 11 countries. Provisional 2023 operating EBITDA, which is still subject to audit, was €1,615 million, 34% ahead of 2022. The €1,615 million operating EBITDA includes one-off expenses of €18.5 million, the majority of which relates to a specific net payment to each full-time Action employee in December 2023 to mark Action's 30 year trading anniversary.

Action generated LFL sales growth of 16.7% for the year (2022: 18.1%) and 11.4% in Q4 2023 against 23.4% in Q4 in the previous year. Transaction volumes accounted for 89% of the LFL increase over the year, and 106% in December, which is Action's largest trading month. Action reduced some 2,500 prices over the second half of the year to pass on lower buying prices. All geographies performed well with strong LFL performance across Action's newer and established markets. Over the three years to December 2023 Action's LFL growth totalled approximately 46%.

Cash generation remained strong and Action paid an interim dividend to shareholders in December 2023, resulting in a distribution of £189 million to 3i. Action finished the year with a cash balance of €1,087 million, resulting in a net debt to run-rate EBITDA ratio of 1.97x.

As announced in November 2023, Action successfully completed its debut US dollar term loan issuance in the US leveraged loan market in October 2023, raising \$1.5 billion, and a capital restructuring with a pro-rata redemption of shares. 3i used €524 million (£455 million) of the €877 million (£762 million) gross proceeds from the share redemption to acquire further shares in Action, increasing its gross equity stake from 52.9% to 54.8%.

Action is carefully monitoring the situation in the Red Sea and working with its freight partners to ensure disruption is minimised. Freight costs in the short term may be higher due to surcharges but, provided the situation does not escalate, the impact on profitability can be managed.

At 31 December 2023, Action was valued using LTM run-rate EBITDA to 31 December 2023 of €1,753 million, comprising adjusted LTM EBITDA of €1,634 million, including the add-back of one-off expenses of €18.5 million, the majority of which relates to the specific payment to all full-time staff, and our normal run-rate adjustment to reflect stores opened in the year. The multiple of 18.5x net of the liquidity discount remained unchanged, resulting in a valuation of £13,772 million for 3i's 54.8% equity stake (30 September 2023: £12,862 million for 3i's 52.9% equity stake).

### Action financial metrics

|                         | Last 12 months to P12 2023<br>(31 December 2023) | Last 12 months to P12 2022<br>(1 January 2023) |
|-------------------------|--|--|
| Financial metrics       | €m   | €m   |
| Net sales               | 11,324   | 8,859  |
| LFL sales growth        | 16.7%  | 18.1%  |
| Operating EBITDA        | 1,615  | 1,205  |
| Operating EBITDA margin | 14.3%  | 13.6%  |
| Run-rate EBITDA         | 1,753  | 1,312  |
| Net new stores added    | 303  | 280  |

We continue to see good performance from a number of our portfolio companies operating in the resilient sectors of value-for-money, private label and healthcare. **Royal Sanders** delivered another strong period of growth and cash generation and **European Bakery Group** (“EBG”) continues to demonstrate momentum in its trading and in the integration of recent acquisitions. Across our healthcare portfolio, **Cirtec Medical** performed well in the period following further ramp up in new contracts, and the remaining business of **Q Holding** continues to see increased sales to key customers. **SaniSure** continues to operate through an industry-wide destocking of single-use consumables, resulting in a softer order book through to the end of 2023. Despite the continuing near-term uncertainty, the medium and long-term outlook for the industry is still positive and SaniSure remains well positioned to capitalise on the overall long-term growth opportunity. **Audley Travel** has had a positive year post pandemic and is seeing strong demand continue into 2024. Other notable contributions across the portfolio in the period include **MPM**, **AES**, and **Mepal**.

We continue to see softer performance from a number of our portfolio companies operating in sectors that have been disproportionately impacted by persistent macroeconomic headwinds or that are working through adverse phases of their market cycles. **BoConcept** saw softer trading performance in the period, while **Luqom** saw relatively stable trading. **Tato**’s markets remained subdued, but it is seeing a more favourable margin environment than that experienced in the first half of 2023 as inventory levels and demand normalise. **Wilson**’s performance continues to be impacted by a weaker labour market for white-collar workers, albeit management actions are partially offsetting the impact with a healthy new business pipeline for 2024. **arrivia** performed well in the period but the business is facing weakness with certain customers which we expect to negatively impact its short-term outlook. Trading at **Formel D** and **YDEON** remains challenging.

While the average of our quoted comparable multiples across the portfolio generally improved over the quarter, reflecting good equity market performance, we made no adjustments to portfolio company valuation multiples in the period.

The ratio of net debt to EBITDA across the Private Equity portfolio increased from 2.1x at 30 September 2023 to 2.6x at 31 December 2023, reflecting the additional US dollar debt issue and capital restructuring at Action. The average Private Equity portfolio leverage excluding Action increased from 3.8x to 4.0x.

## Private Equity investments and realisations

We remain cautious about the investment and realisation market, but continue to look for opportunities to deploy capital into this uncertainty. In the quarter we prioritised reinvestment into our existing portfolio either directly or through buy-and-build and refinancing opportunities. We are under no pressure to sell companies if the price or terms do not properly reflect the prospects of the business.

## Private Equity investments

| Portfolio company                                   | Type         | Business description  | Date     | £m         |
|---|--------------|---|----------|------------|
| Action  | Reinvestment | General merchandise discount retailer                                       | Nov 2023 | 455        |
| Royal Sanders                                       | Reinvestment | Private label and contract manufacturing producer of personal care products | Dec 2023 | 26         |
| ten23 health  | Further      | Biologics focused CDMO  | Various  | 11         |
| Other   | Further      | Various   | Various  | 3          |
| <b>Total Q3 cash investment</b>                     |              |   |          | <b>495</b> |
| <b>Total investment in H1 FY2024</b>                |              |   |          | <b>50</b>  |
| <b>Total cash investment as at 31 December 2023</b> |              |   |          | <b>545</b> |

In the quarter, we completed £495 million of total investment, of which £455 million was the reinvestment into **Action**. We also completed a purchase of a minority holding in **Royal Sanders**, investing £26 million, and we continued to develop **ten23 health** with a further investment of £11 million.

In October 2023, **MAIT** strengthened its position as a leading provider of product lifecycle management solutions in Switzerland, with the bolt-on acquisition of Quadrix, its seventh acquisition since our initial investment. In December 2023, **Evernex** agreed the bolt-on acquisition of a leading Brazilian provider of third-party maintenance services.

## Private Equity realisations

| Portfolio company                                     | Type        | Date     | £m         |
|---|-------------|----------|------------|
| Action  | Refinancing | Nov 2023 | 762        |
| Royal Sanders   | Refinancing | Dec 2023 | 61         |
| Other   | Various     | Various  | 2          |
| <b>Total Q3 FY2024 realised proceeds</b>              |             |          | <b>825</b> |
| <b>H1 FY2024 realised proceeds</b>                    |             |          | <b>1</b>   |
| <b>Total realised proceeds as at 31 December 2023</b> |             |          | <b>826</b> |

In the quarter, we recognised total realised proceeds of £825 million, £762 million of which were proceeds received from **Action**'s capital restructuring.

In December 2023, **Royal Sanders** successfully completed an all-senior debt refinancing, upsizing its debt facilities at attractive pricing in the current market. Proceeds from this transaction and some surplus cash on the company balance sheet were distributed to shareholders, with 3i receiving £109 million, of which £48 million was recognised as income. Also in December 2023, **WP** completed a successful amend and extend of its debt facilities.

## Infrastructure

**3iN**'s share price increased by 6% in the quarter to 31 December 2023, closing at 322 pence (30 September 2023: 304 pence), valuing 3i's 29% stake at £866 million (30 September 2023: £818 million). We also recognised dividend income of £16 million from 3iN in the quarter. In the period, 3iN completed the sale of its c.25% stake in Attero for net proceeds of €214 million, a c.31% uplift on opening value.

Bolt-on activity within the North America Infrastructure platform continued with **Regional Rail** acquiring Indiana Eastern Railroad and Ohio South Central Railroad in the period, adding 107 miles of freight rail to the platform.

**Scandlines** saw stable performance in the period given the weaker macroeconomic backdrop. Following continued good cash generation, we received a dividend of £14 million in the period.

## Top 10 investments by value<sup>1</sup> at 31 December 2023

|                              | Valuation basis | Valuation currency | Valuation Sep-23<br>£m | Valuation Dec-23<br>£m | Activity in the quarter  |
|------------------------------|-----------------|--------------------|------------------------|------------------------|--|
| <b>Action</b>                | Earnings        | EUR                | 12,862                 | 13,772                 | Received capital restructuring proceeds of £762 million and £189 million dividend proceeds. Completed further investment of £455 million |
| <b>3i Infrastructure plc</b> | Quoted          | GBP                | 818                    | 866                    | £16 million dividend recognised  |
| <b>Cirtec Medical</b>        | Earnings        | USD                | 579                    | 579                    |  |
| <b>Scandlines</b>            | DCF             | EUR                | 547                    | 536                    | £14 million dividend received  |
| <b>Royal Sanders</b>         | Earnings        | EUR                | 486                    | 489                    | £109 million refinancing proceeds received   |
| <b>AES Engineering</b>       | Earnings        | GBP                | 396                    | 406                    |  |
| <b>SaniSure</b>              | Earnings        | USD                | 375                    | 331                    |  |
| <b>Evernex</b>               | Earnings        | EUR                | 315                    | 323                    |  |
| <b>Tato</b>                  | Earnings        | GBP                | 330                    | 320                    | £7 million dividend received   |
| <b>Smarte Carte</b>          | DCF             | USD                | 316                    | 303                    |  |

1. We have excluded one asset from the Top 10 investments by value due to commercial sensitivity. The valuations are translated at the spot rate of the balance sheet date. Sterling strengthened by 0.1% against the euro and by 4.4% against the US dollar in the quarter to 31 December 2023. Individual valuations exclude the benefit of the foreign exchange hedges.

The 10 investments in the table above comprised 85% (30 September 2023: 84%) of the total investment portfolio value of £21,109 million (30 September 2023: £20,255 million).

## Total return and NAV position

The Group recorded a total foreign exchange translation loss of £44 million, including the impact of foreign exchange hedging in the quarter, as a result of sterling strengthening by 0.1% against the euro and by 4.4% against the US dollar.

Based on the net assets at 31 December 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 £134 million and £11 million respectively. The diluted NAV per share increased to 2,034 pence (30 September 2023: 1,886 pence) or 2,007.5 pence after deducting the 26.5 pence per share first FY2024 dividend, which was paid on 12 January 2024.

## Balance sheet

At 31 December 2023, cash was £666 million (30 September 2023: £55 million), and, including our undrawn £900 million revolving credit facility, liquidity was £1,566 million (30 September 2023: £900 million and £955 million respectively). Net debt was £542 million and gearing was 3% (30 September 2023: £1,153 million and 6%).

The first FY2024 dividend of 26.5 pence (£255 million), was paid on 12 January 2024.

**- ENDS -**

## Notes

1. Balance sheet values are stated net of foreign exchange translation. Where applicable, the GBP equivalents at 31 December 2023 in this update have been calculated at a currency exchange rate of €1.1537: £1 and \$1.2745: £1 respectively.
2. At 31 December 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 31 December 2023 of €1,753 million.
4. As at 31 December 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](http://www.3i.com).

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