

# Investor day



23 June 2011

# Introduction and model for returns



**Michael Queen**





# Agenda



09:30	Introduction and model for returns	Michael Queen
09:45	Update on Private Equity strategy	Alan Giddins
10:00	Private Equity – case study (Hyva)	Alan Giddins
10:15	Private Equity – case study (SMT)	Alan Giddins
10:30	Private Equity – case study (Refresco)	Guy Zarzavatdjian
10:45	Break	
11:00	Debt Management – the business and opportunity	Jeremy Ghose
11:30	Infrastructure model and portfolio	Cressida Hogg
12:00	3i Asia and the Americas	Robert Stefanowski
12:30	Closing remarks	Michael Queen
	Lunch	

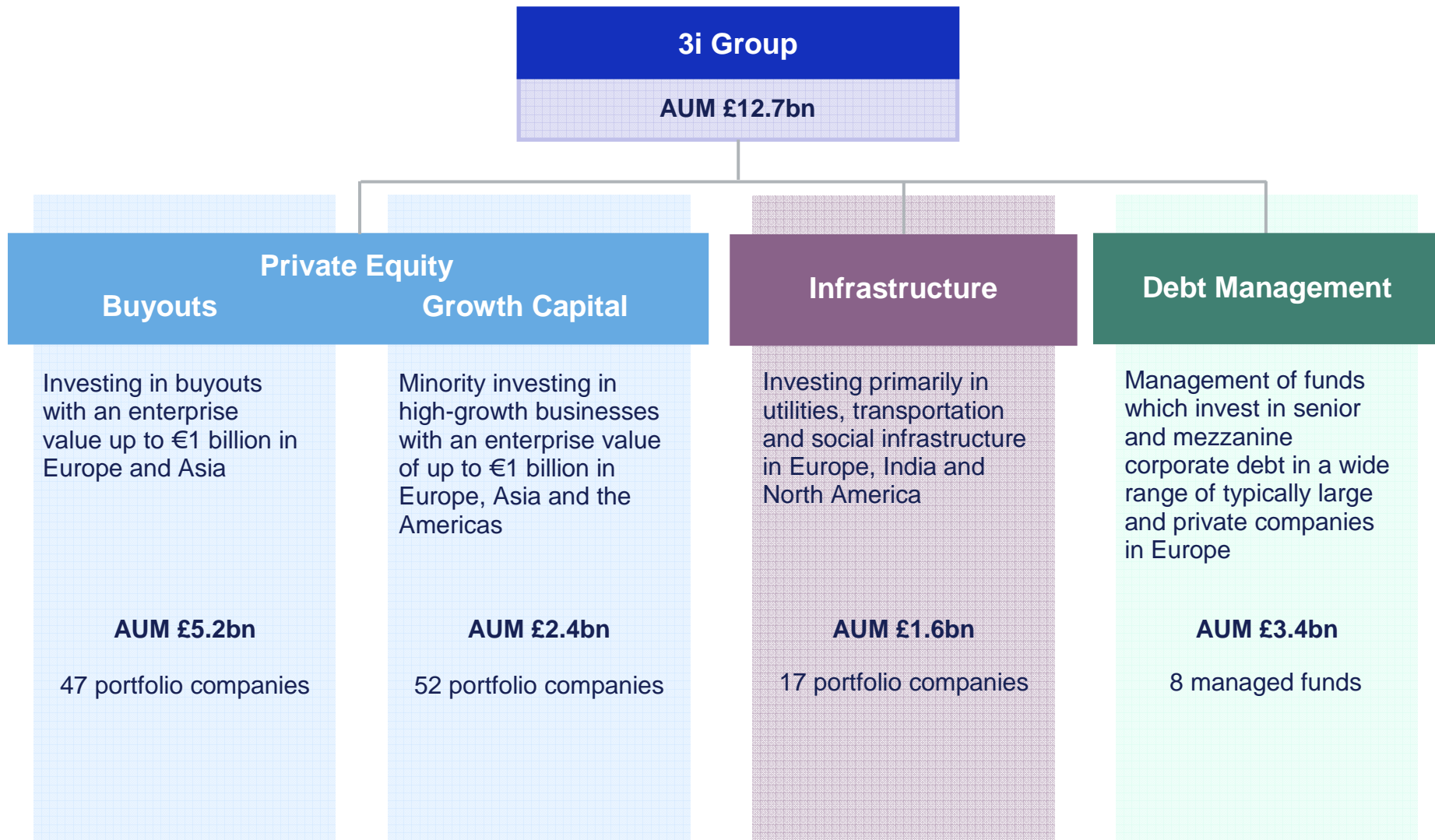


## Objectives for today



- Understand each business line in more detail
- How does 3i generate returns?
  - business model
  - case studies
- Examine the market dynamics
- The future prospects for 3i

3i is an active investor that creates value through its business model and operating style

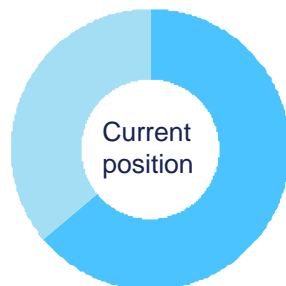




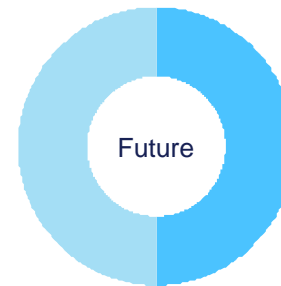
# AUM – by business



## Private equity

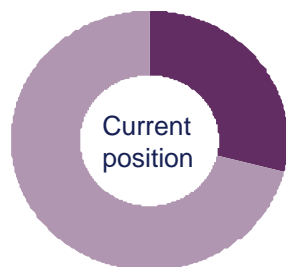


■ 3i ■ External funds

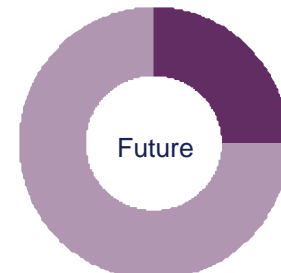


■ 3i ■ External funds

## Infrastructure

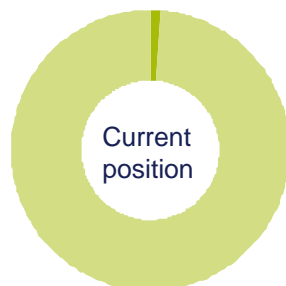


■ 3i ■ External funds

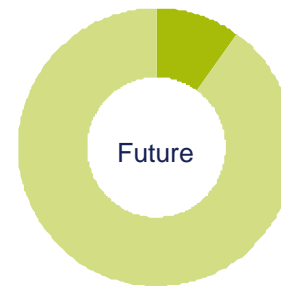


■ 3i ■ External funds

## Debt Management



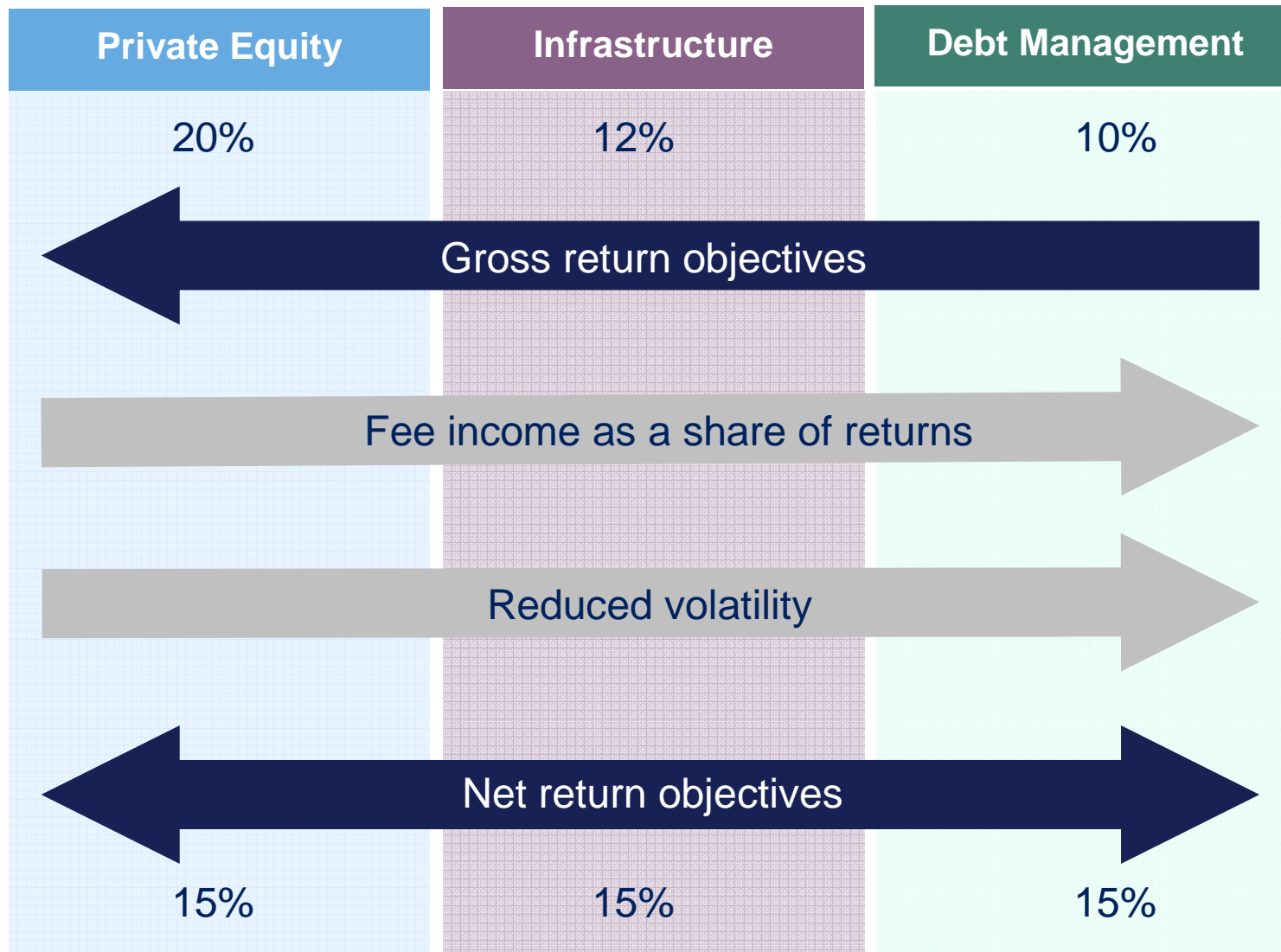
■ 3i ■ External funds



■ 3i ■ External funds



# Model for returns



# Update on Private Equity strategy



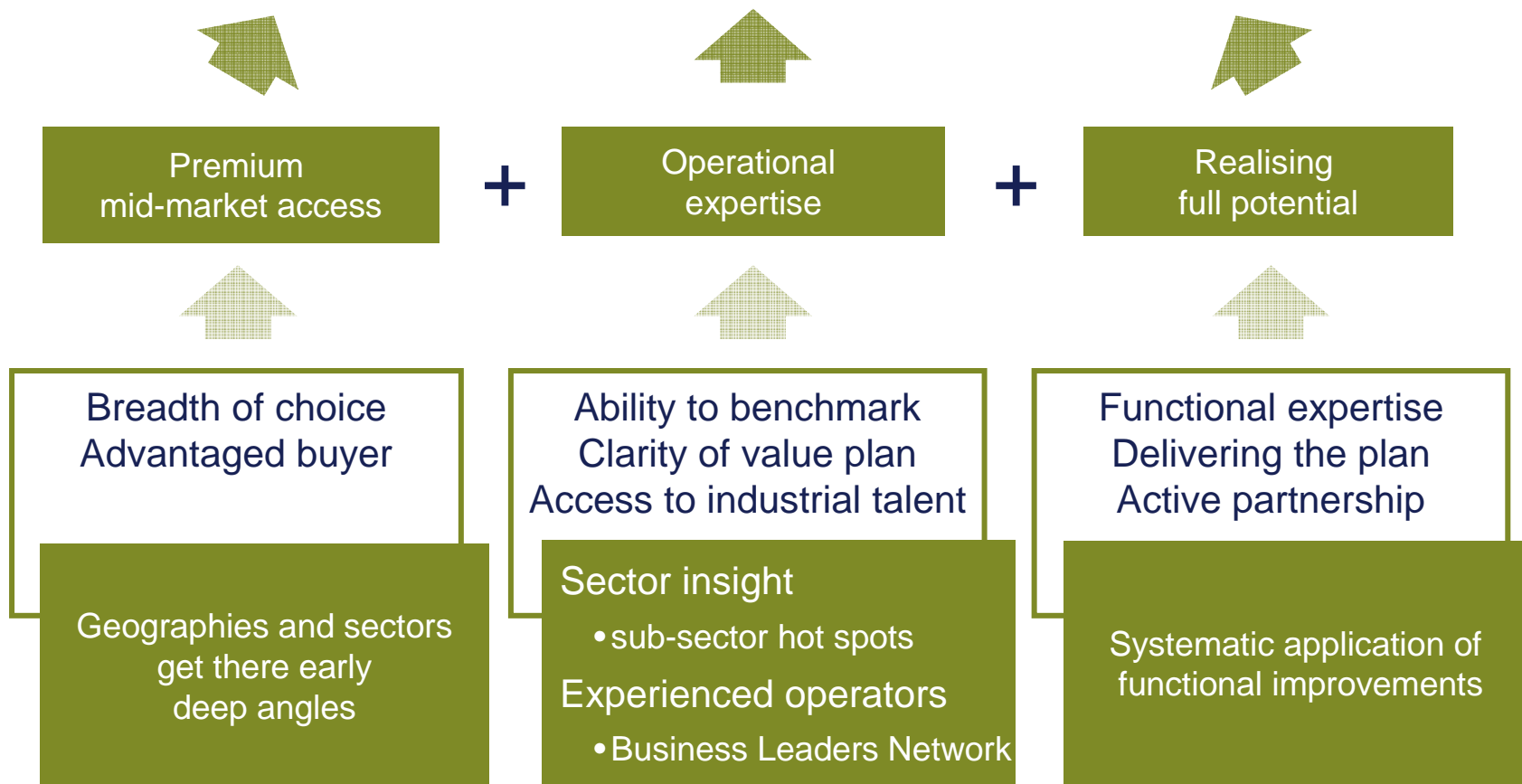
**Alan Giddins**










## Full potential investing





## How do we deliver this?



-  Focusing on our core deal criteria
-  Leveraging our key value differentiators
-  Being disciplined on price

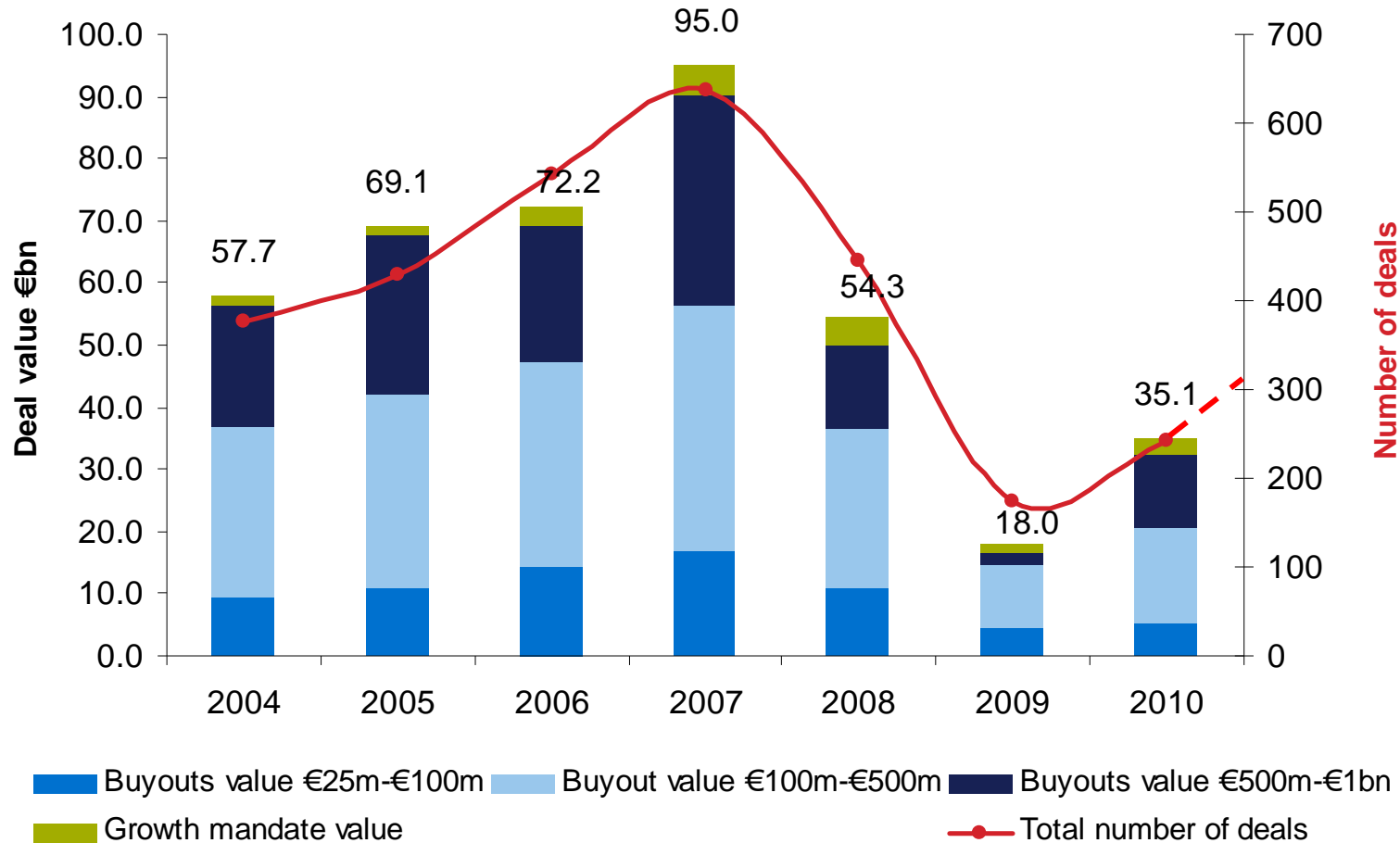


### Deals with an EV of €100m - €500m

- Sub-sectors structurally driven by growth themes
- Operational improvement opportunity
- Buy and Build platform
- International business or with potential to expand internationally
- Robust end market which will weather current uncertainties
- Key people differentiator



## Western Europe - mid-market PE - market size by calendar year



Source: Unquote/3i

## Continued recovery in volumes

Our target market:  
€100m - €500m Buyouts and European Growth Capital opportunities\*



\* Growth Capital opportunities with a target equity investment between €25m - €125m

Source: Unquote/3i

We see a future market of 150+ deals in our target space








# Sector/geographic focus



	Germany	France	Nordic	UK	Benelux	Italy	Spain
Business Services		 					
General Industrial		 			 		
TMT	 						
Healthcare		 					
Consumer	 			 			



-  Global network
-  Sector expertise
-  Active partnership
-  Business Leaders Network
-  Banking team

Key elements of value add



- Operations in 13 countries across Europe, Asia and the Americas
- Local teams in each market
- Unique ability to benchmark opportunities across sectors internationally
- Ability to help businesses grow internationally

Bringing global perspective and connections to local markets





General Industrial	Business Services	Healthcare
Point in the cycle	White collar	Services
<p>Automotive</p> <p>Specialist components</p> <p>Energy efficient</p>	<p>TIC</p> <p>Testing, Inspection, Certification</p> <p>Regulatory compliance</p>	<p>Care Services</p> <p>Delivery of Care Services</p> <p>Ambea, Vedici, LABCO Quality Diagnostics</p>
<p>HILITE INTERNATIONAL</p> <p>NORMA GROUP</p> <p>HYVA</p> <p>alö</p>	<p>STORK® Materials Technology</p> <p>ESG Environmental Scientifics Group</p> <p>Inspecta</p> <p>Trescal</p> <p>CARSO GROUP</p>	<p>Product</p> <p>MedTech</p> <p>Diagnostics Instruments</p> <p>Surgical Interventional Instruments</p> <p>LHI Technology, ONEMED</p>

Demonstrating the benefit of sub-sector insight



- Systematic approach to best-in-class capabilities
  - making companies the best that they can be
  - driving change and EBITDA improvement
  - focused on how a business delivers its core functions
- Various governance techniques
  - SteerCo
  - PMOs (light and full blown)
  - Change offices
- Examples





Chairman: Michel Bleitrach



NXD: Patrick L'Hostis



Chairman: Pete Regan, NXD: Ad Verkuyten



Chairman: Peter Linzbach, NXD: Anders Moberg



Chairman: Peter Chambre



Craig Stinson, Peter Grosch



Chairman: Colin Holmes

Key people differentiator



- Proactive interaction across the portfolio taking advantage of improving debt markets
  - **Labco (Jan 2010)/Refresco (May 2011):** capitalising on high yield bond markets. Achieved extended maturities, flexible covenants, reduced overall cost and created additional capacity for acquisitions
  - **Hobbs (April 2011):** refinancing of existing debt on quasi-corporate terms
  - **Xellia (May 2011):** achieved 4.5 year covenant reset
  - **Memora (May 2011):** refinanced senior and mezzanine debt with all senior and achieved debt funded acquisition of further stake in SFB
- Ensuring recent financings are on market leading terms
  - **Amor:** competitive pricing for a retail exposed business
  - **SMT:** competitive terms, eg EBITDA equity cures and acquisition flexibility
  - **OneMed:** all senior structure in upper quartiles for distribution-linked business
  - **Go Outdoors:** 3 year debt facility to support store roll-out plans



- ↗ Average entry multiple of 8.9x EBITDA
- ↗ Double digit earnings growth budgeted for 2011
- ↗ On average 5% plus outperformance YTD



International businesses  
Active partnership potential  
Robust markets  
Growth themes  
Buy and Build  
Knowledge and insight

+

Relationship with management  
Differential knowledge



## Private Equity case study – Hyva



**Alan Giddins**





### Return statistics:

- €300m proceeds
- MM: 10x
- IRR: 41%





## Hydraulic solutions for commercial vehicles

- Stable, cash generative European base with attractive growth in BRIC economies
- But: incomplete management team with founder/CEO retiring

## EV €118m buyout completed in 2004

- Sales €146m
- EBITDA margin of 11%
- Western Europe accounts for 78% of sales

## Products

Hydraulic cylinders



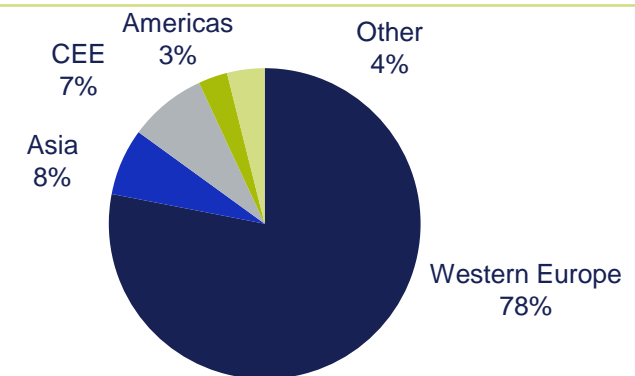
Hydraulic cranes



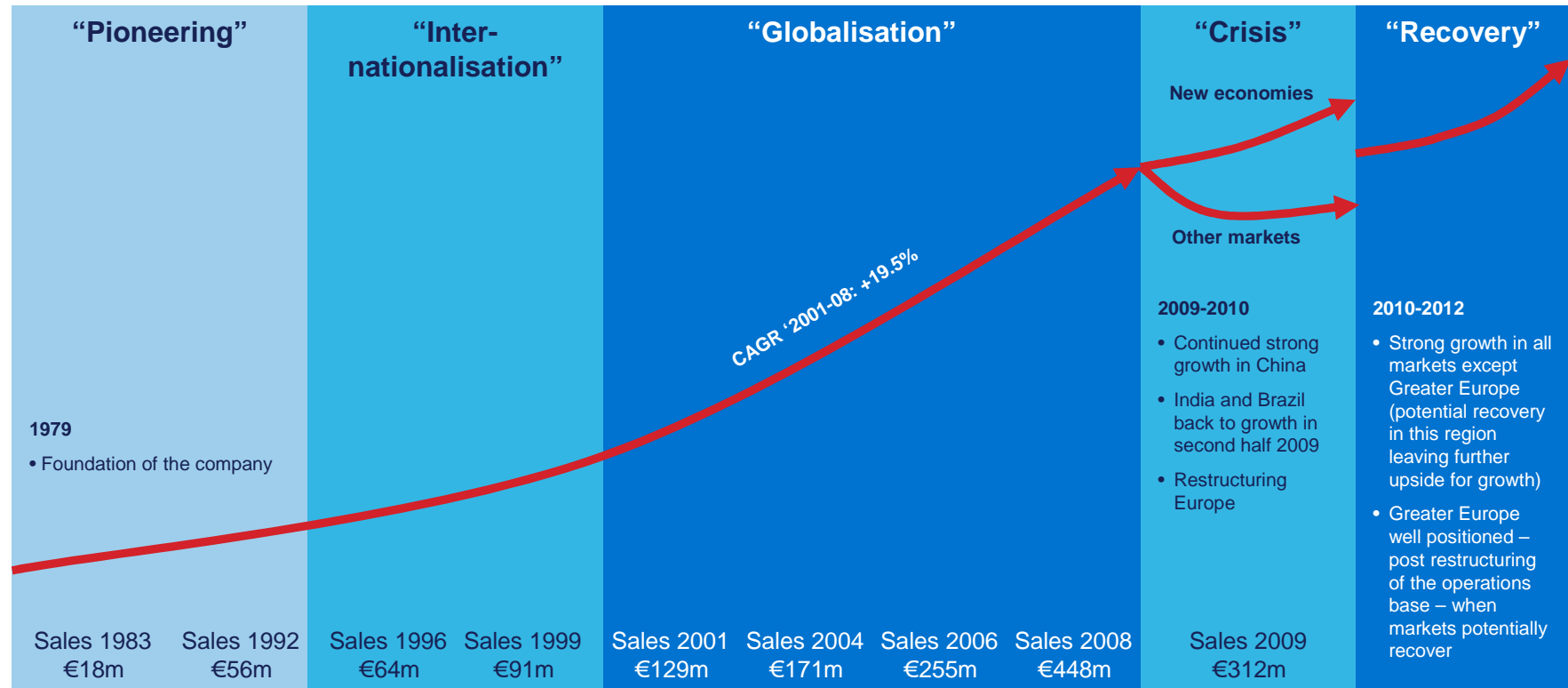
Other



## Geographic split



# Accelerated performance during 3i ownership

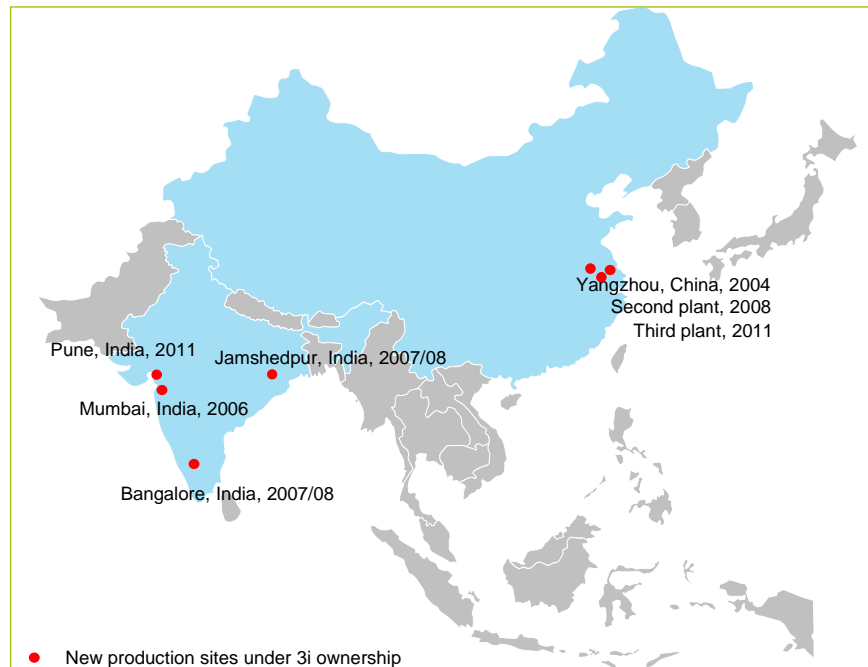


Hyva accelerated its development to a true global leader under 3i ownership

# Asia as key growth driver

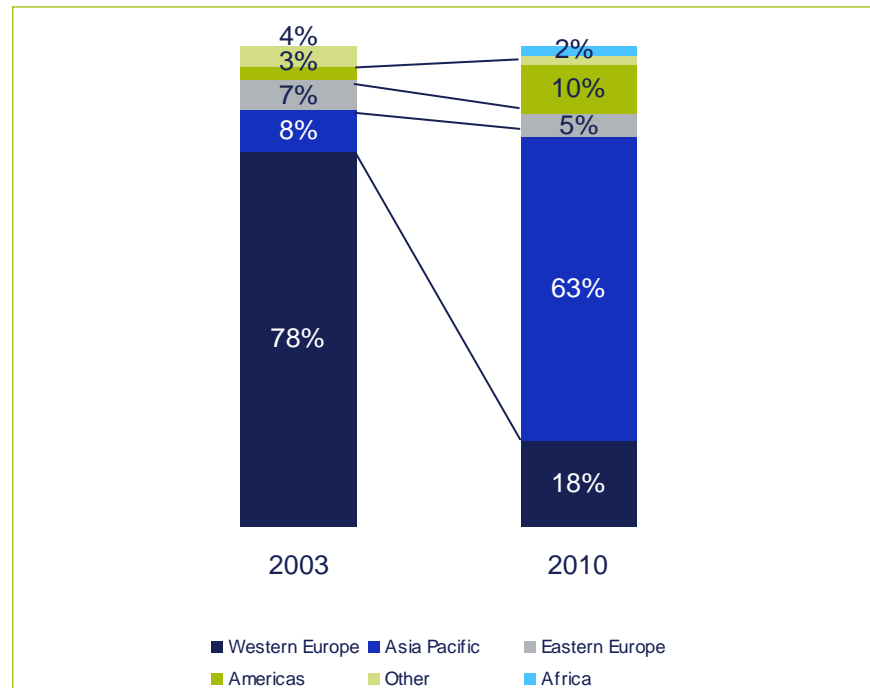


## Accelerated expansion into China and India



- Accelerated development into Asia with seven new production facilities across the region
- Clear market leader in front-end cylinders in China (42% market share) and India (90% market share)

## Making Asia the largest contributor to Hyva



- Asia now represents 63% of sales for Hyva
- Investments in emerging markets helped the company accelerate out of the recession



## Change management

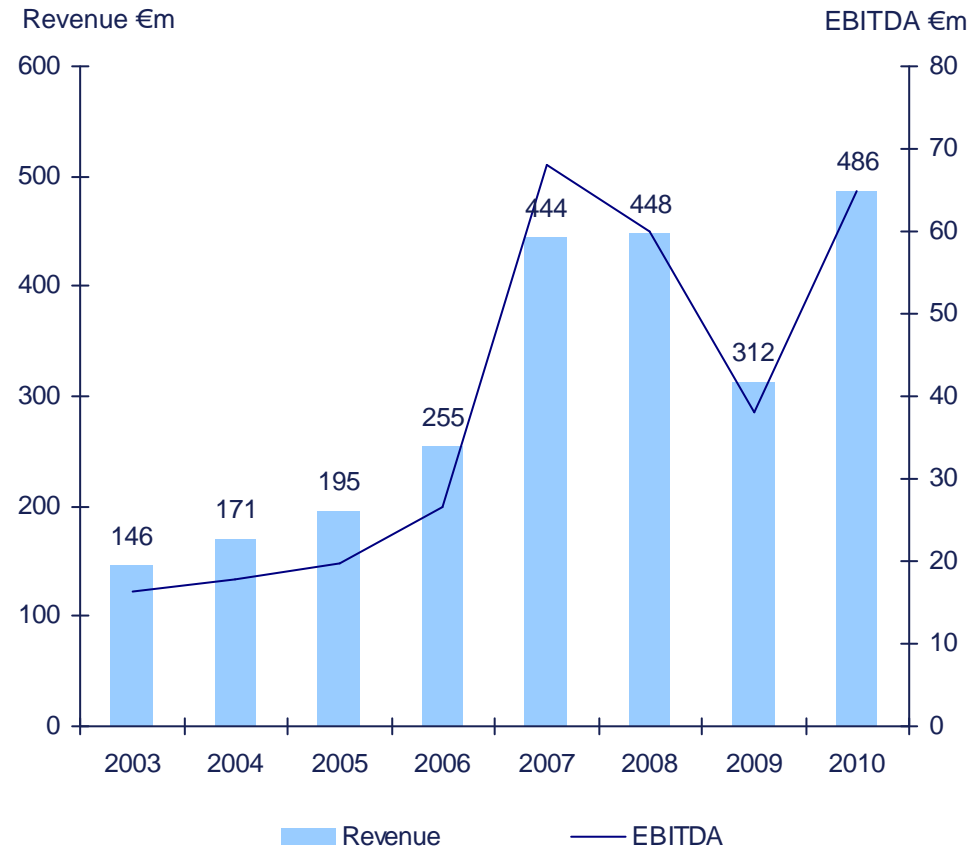
- New CEO, CFO and COO
- New NXC
- Upgraded second line management

## Organic and acquisitive growth

- 8 new factories in BRIC economies
- Acquisition of Amco Veba
- Acquisition of Tecnomet

## Active partnership

- Working capital project
- Cost out



Tripled sales and quadrupled EBITDA



**Topline: tripled**

**EBITDA: quadrupled**

**10x MM on initial investment**

## **Successful €525m exit**

- Exit to consortium led by Unitas Capital
- Delivering 10x return on our initial investment
- Sales €486m
- EBITDA of €65m



## Private Equity case study - SMT



**Alan Giddins**  
**Charles Noall, CEO**





- Identified in 2006 as core sub-sector within Business Services
  - regulation
  - globalisation
  - trend to outsourcing
  - health and safety
  - sector fragmentation
- Appointed Ad Verkuyten (ex-CEO, RTD) as a senior adviser in 2006



- Inspecta May 2007 (€240m)
- Inspicio February 2008 (£345m)  
£450m partial sale in February 2010
- Trescal September 2010 (€120m)
- SMT December 2010 (\$205m)

**Inspecta**

 Inspicio

Trescal

**STORK**<sup>®</sup>  
Materials Technology





## Why is SMT a 3i deal?



3i deal criteria	SMT
• Primary buyout	✓
• Targeted sub sector	✓
• Attractive end market verticals	✓
• Operational improvement potential	✓
• International business	✓
• Fragmented market place	✓



- Broad portfolio of destructive and non-destructive testing
- Differentiated through its focus on providing technically advanced, value-added testing
- Leading positions within highly accredited and attractive end markets
- Benefits from high barriers to entry
- Highly scalable, well invested network with ERP system implementation
- Operational excellence founded upon quality, delivery and client service



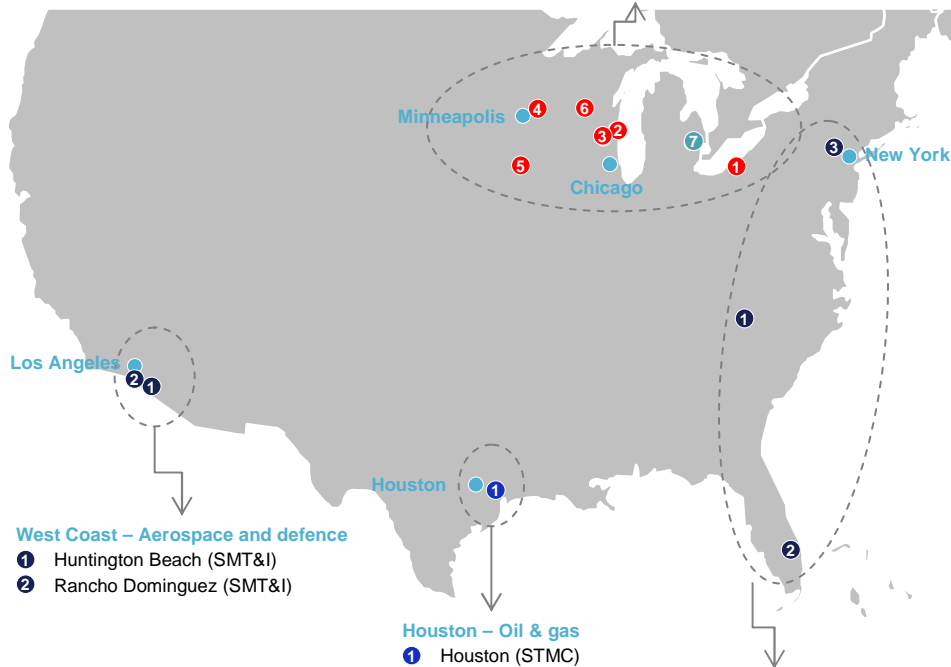


# Operational footprint



## Mid West – General Engineering/Automotive

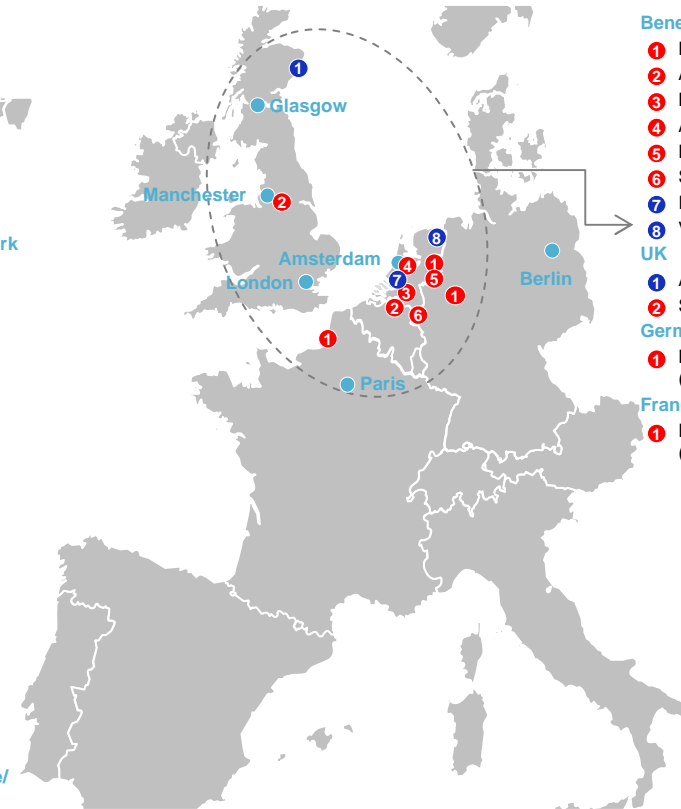
- 1 Cleveland (Herron)
- 2 Milwaukee (Cellramic)
- 3 New Berlin (Technimet)
- 4 St. Paul (STCT)
- 5 Des Moines (STCT)
- 6 Wausau (STCT)
- 7 Wixom (CRS)



- Primary end market exposure:
- Aerospace and Defence
  - Oil and Gas
  - General Engineering
  - Automotive

## Europe – General engineering/oil & gas

- Benelux**
- 1 Hengelo (Intermes BV)
  - 2 Antwerp (Intermes NV)
  - 3 Breda (Schielab)
  - 4 Amsterdam (FDO Inoteq)
  - 5 Hengelo (FDO Inoteq)
  - 6 Sittard (Schielab)
  - 7 Rotterdam (Schielab)
  - 8 Veendam (Schielab)
- UK**
- 1 Aberdeen (MEL)
  - 2 Sheffield (STL)
- Germany**
- 1 Herne (MTT Werkstofflabor)
- France**
- 1 Dunkerque (Intermes SAS)





<b>Test</b>	<b>Service offering</b>
<b>Destructive testing</b>	Testing of industrial materials (eg metals, polymers) for properties including tensile strength, fatigue, hardness, chemical composition, material composition, density and corrosiveness
<b>Non-destructive testing</b>	Laboratory and on site testing and inspection of material characteristics of cast, forged or welded products
<b>Product evaluation and qualification testing</b>	Qualification testing of products and systems against industry standards and OEM requirements (eg test performance and endurance in a variety of operating conditions and environments)
<b>Failure analysis and consulting</b>	Investigating root cause and failure mechanisms of industrial and commercial products failing during end use
<b>Calibration</b>	Verifying the accuracy of clients' instrumentation as well as providing measurement of physical quantities and related consultancy

# Accreditations and client approvals



	Aerospace and defence	Oil & gas	Power generation	Automotive	General engineering
Industry accreditations	  International Organization for Standardization	 The American Association for Laboratory Accreditation "World Class Accreditation"  International Organization for Standardization	Nuclear Procurement Issues Committee  Nuclear Industry Assessment Committee  International Organization for Standardization	 The American Association for Laboratory Accreditation "World Class Accreditation"   AUTOMOTIVE MANUFACTURER'S EQUIPMENT COMPLIANCE AGENCY, INC.  International Organization for Standardization	  INTERNATIONAL Standards Worldwide   International Organization for Standardization
Client approvals	   	   	  	  	  



## Excellence in quality and delivery

- Investment in information systems (ERP, LIMS, StorkView)
  - manages order intake and workflows
  - processes test results and generates certificates
  - instant client feedback through StorkView portal
- Investment in EMPOWER re-engineering work processes and laboratory configuration to maximise throughput
- Quality and delivery performance metrics are evaluated with operational staff on a daily basis through daily SQDC and production meetings

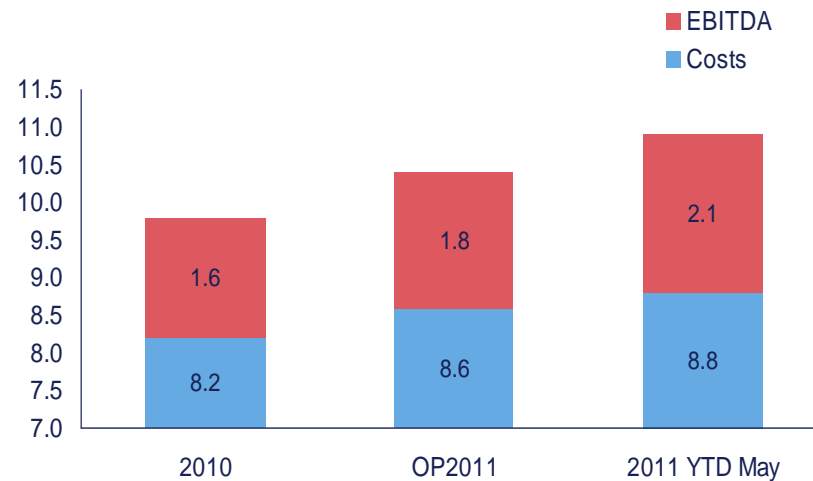
## Core KPIs

- On time delivery
- Right first time
- Lead times
- Late span



- Strong 2010 outturn – EBITDA 18% up on budget, reflecting market recovery in second half of the year
- Re-forecast undertaken in February 2011, resulting in a budget revised upward by 11% to \$24.0m EBITDA
- Strong YTD 2011 trading with several locations reaching all time record levels in revenue and EBITDA
- Strong operational cash flow

Monthly average split in EBITDA and costs





## Strategy: become the preferred global partner by 2014



- SMT's premium brand recognised as highest quality testing and metallurgical expertise
- Outstanding customer service and relationship management
- Focus on four core industries – Aerospace and Defence, Oil and Gas, Power Generation and Transport
- Position the company as the preferred partner for the top customers in each core industry
- Invest to strengthen its unique set of knowledge-based capabilities



## Private Equity case study - Refresco



**Guy Zarzavatdjian**





## • Company description

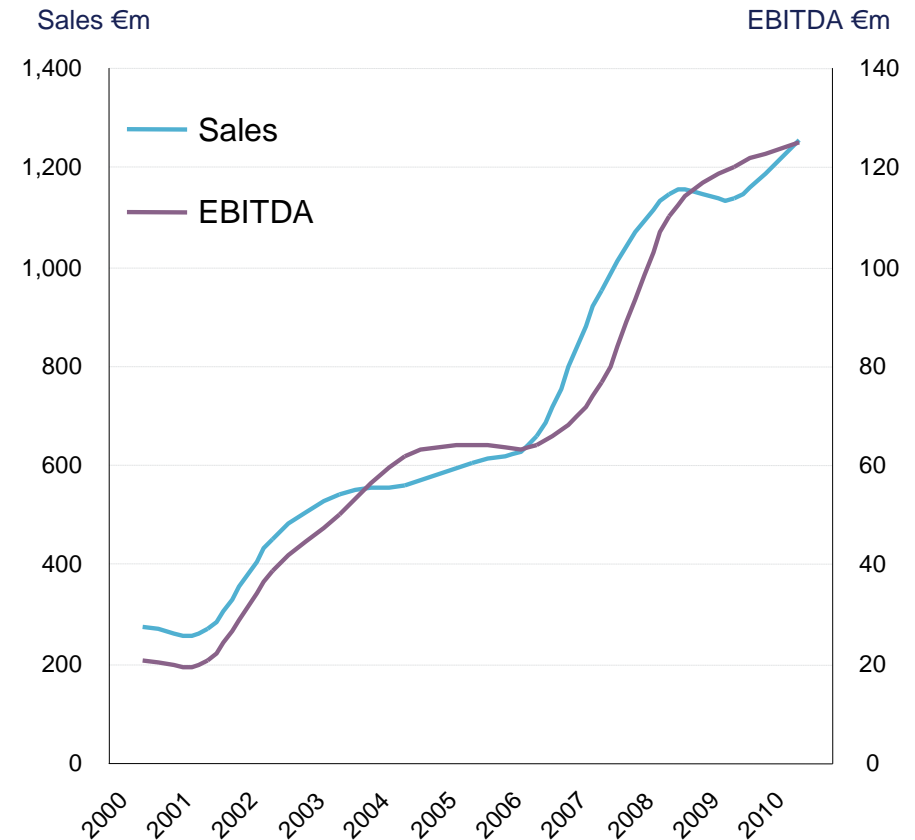
- Europe's leading private label ("PL") soft drinks manufacturer and contract manufacturer for A-Brand
- Products range from juices and waters to CSDs and iced/RTD tea
- Proven Buy & Build platform
- 26 plants in nine countries

## • Investment

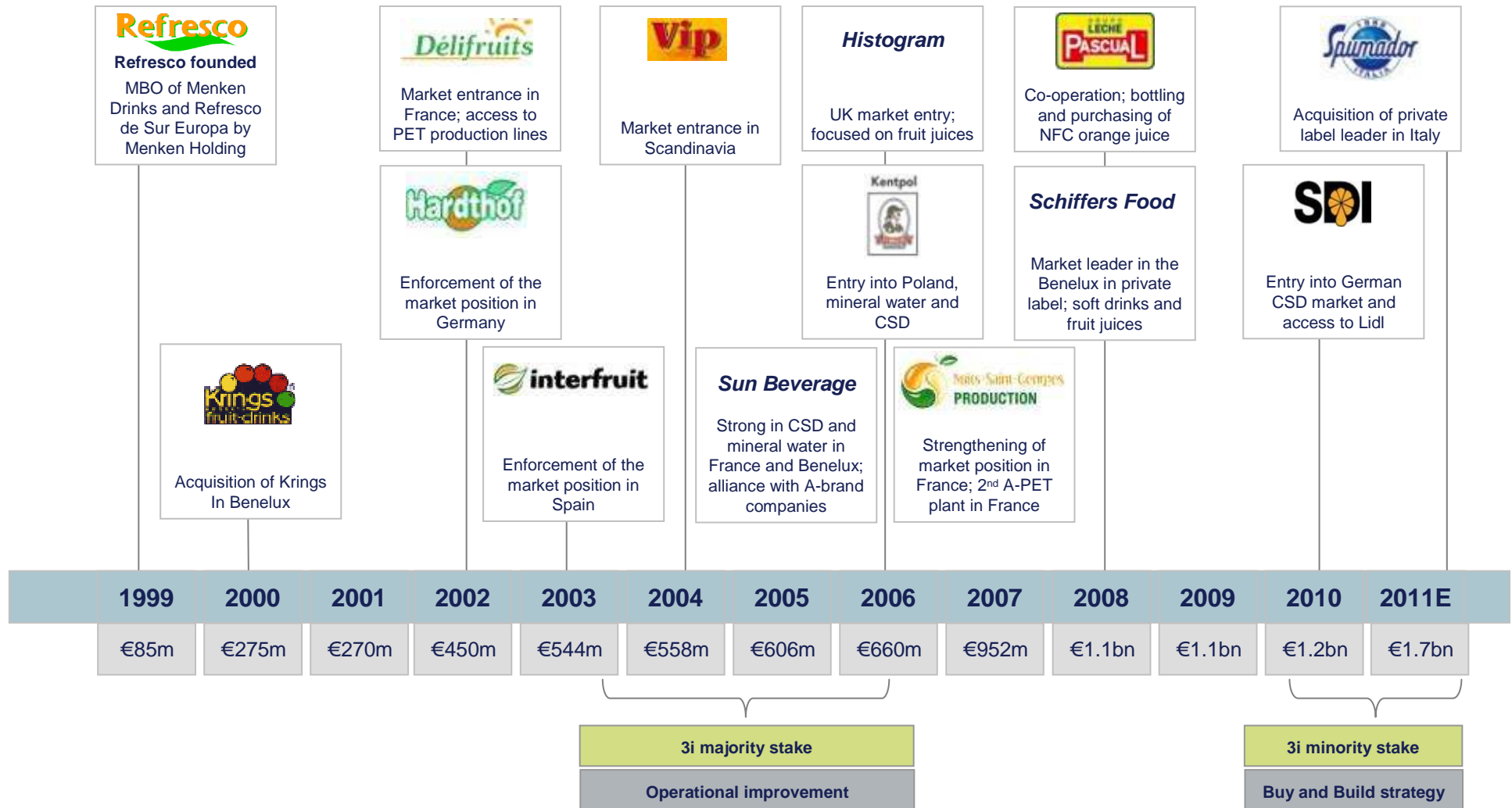
- Completed March 2010
- €84m investment, 20% stake
- Investment used to fund growth



## Strong financial performance (m)



# 3i had successfully invested in Refresco generating a 2.9x MM



During our two and a half year investment in Refresco, EBITDA increased by 42% (10% CAGR)



3i understanding the business

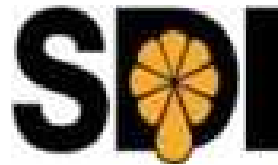
Scale and geographic footprint

Strong underlying industry drivers

Management

Operational improvement opportunities





Raised €120m financing

Acquired SDI (Germany) and Spumador (Italy)

Improved board performance

Initiated operational improvement

Refinanced business with €660m HYB

Increased sales from €1.2bn to €1.7bn



## Origination

- Maintained relationship with Refresco
- Demonstrated 3i sector knowledge
- 3i's Buy and Build track record
- 3i reputation

## Execution

- GC/BO/Banking
- Team from Benelux, France, Spain
- Speed of delivery

## Asset management

- Two executives on the board
- 3i is driving the agenda





# Debt Management – the business and opportunity



**Jeremy Ghose**

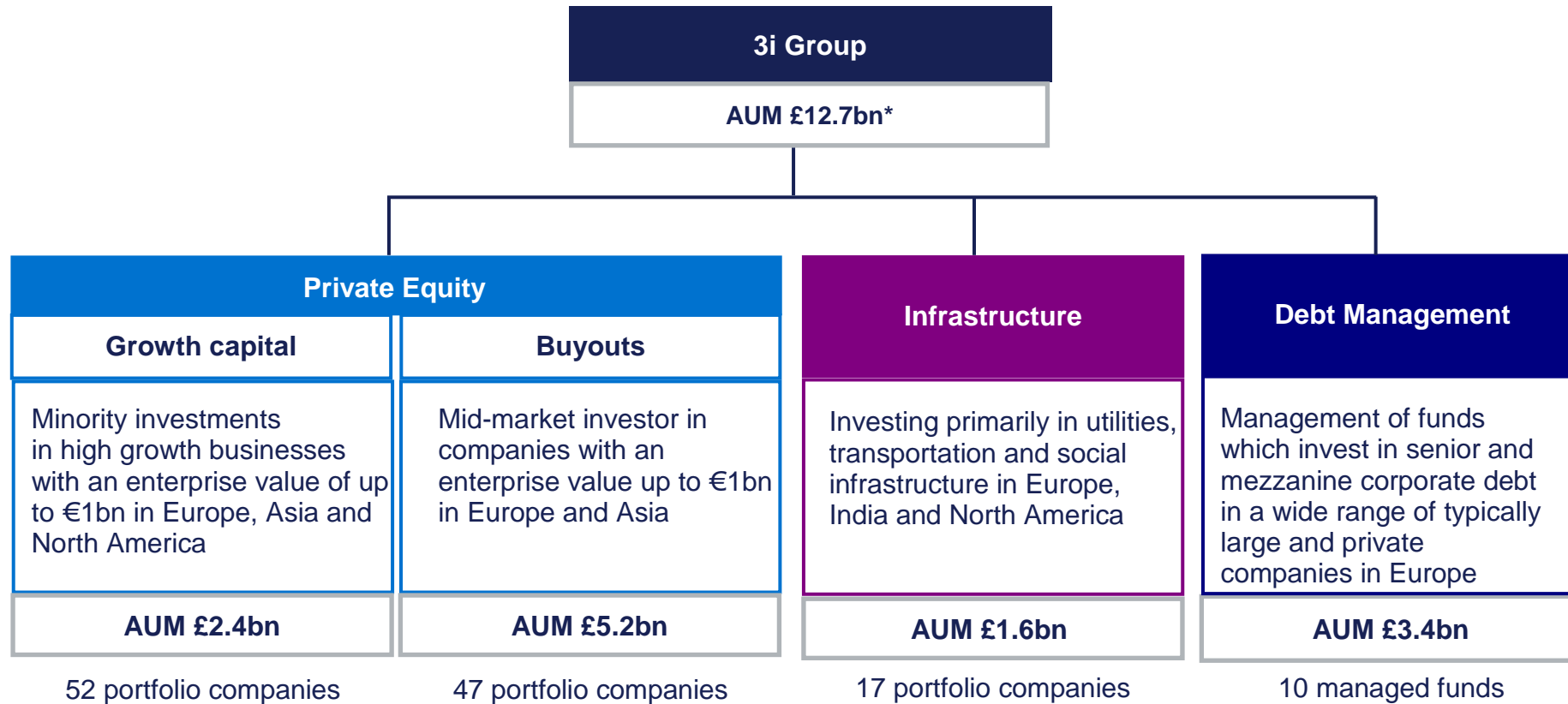




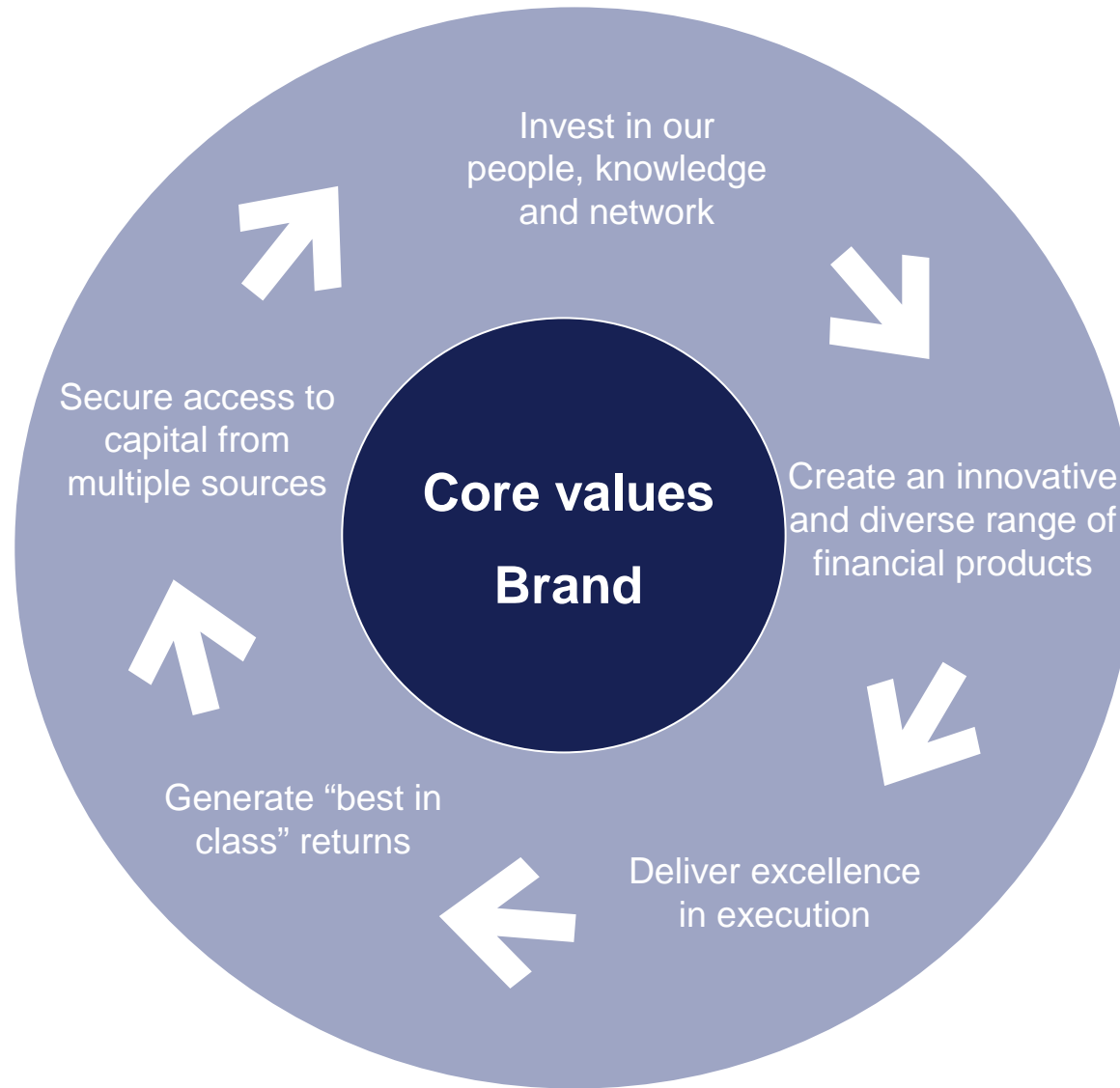


Build a leading global debt management business with a reputation for integrity, professionalism and experience, delivering innovation and expertise and targeting an NPR of 15%.





\* AUM as at 31 March 2011 (AUM does not include residual non-core portfolio)





## Invest

- Place value and trust in our people
- Strive to deepen our knowledge
- Broaden our networks

## Grow our business

- Grow organically and by strategic acquisitions/partnerships
- Targeted expansion into new regions
- Provide innovative solutions to meet investor requirements

## Build on our reputation

- Build a strong relationship with our investors and partners
- Reputation as a respected and responsible asset manager
- Continual improvement of both our product offering and returns

## One 3i

- Demonstrate a commitment to excellence in all our activities
- A consistent approach to the way we do business
- Build on 3i's established network and global market presence

**3iDM strategy**



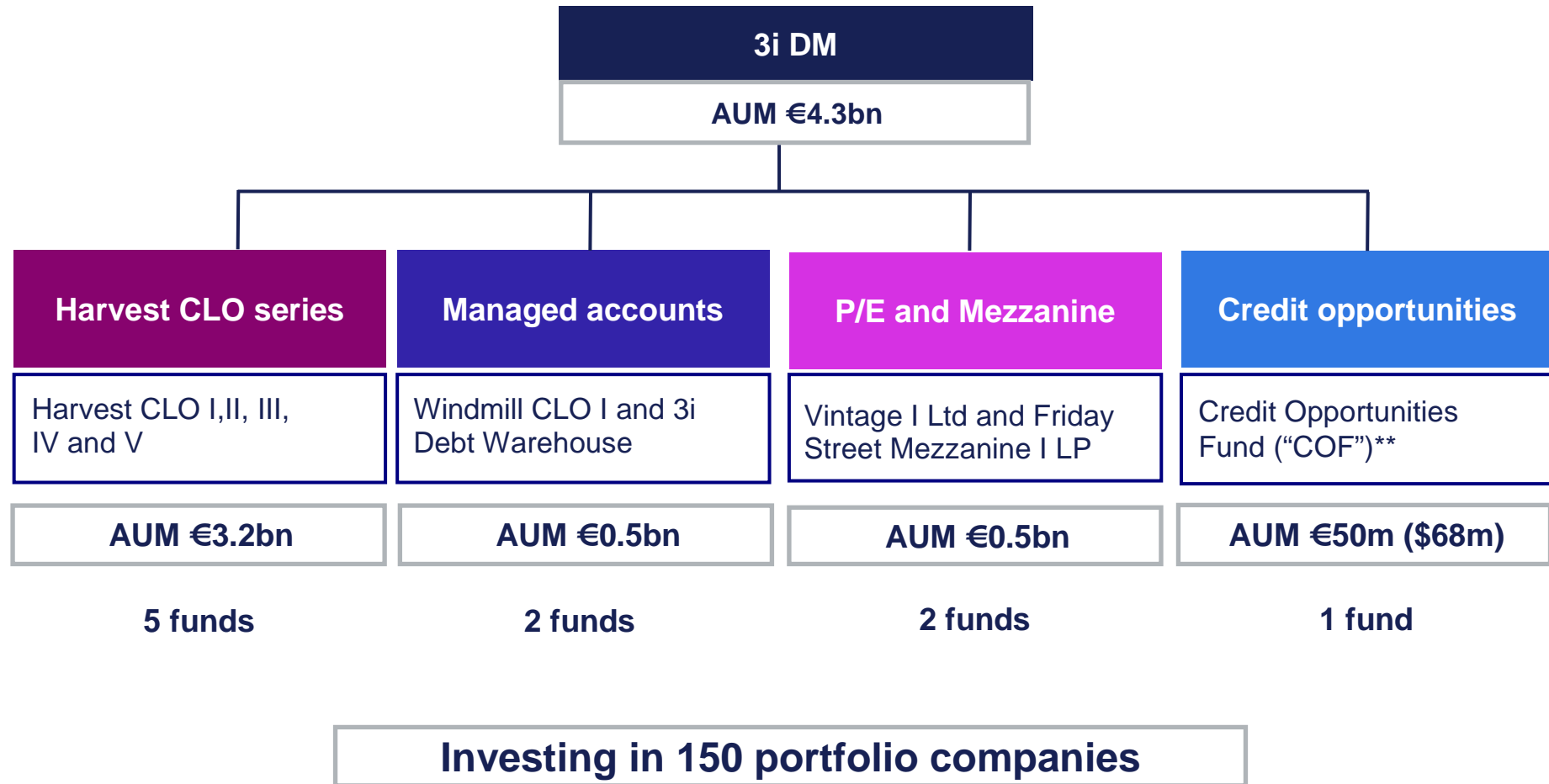
## 3i Debt Warehouse

- Established October 2007 to focus lending on sub-investment grade space in non 3i investments
- 3i Debt Warehouse has delivered 13.6% IRR

## 3i Debt Management

## Mizuho Investment Management

- Established 2006 to manage Mizuho Corporate Banks' sub-investment grade fund management activities
- Diversified product offering
- At 31 December 2010, MIM was 6<sup>th</sup> largest debt fund management platform in Europe
- Generated an average cash yield of 11% across its funds to 31 December 2010



\* As at 31 March 2011

\*\* €50m allocated to "COF" year commencing 1 April 2011



- Demonstrated strong performance track record
- Second amongst Top 10 European CLO managers\* in terms of equity returned
- Private Equity Fund of Funds' current performance is 4.3x
- 3i Debt Warehouse - 13.6% IRR, 1.4x MM

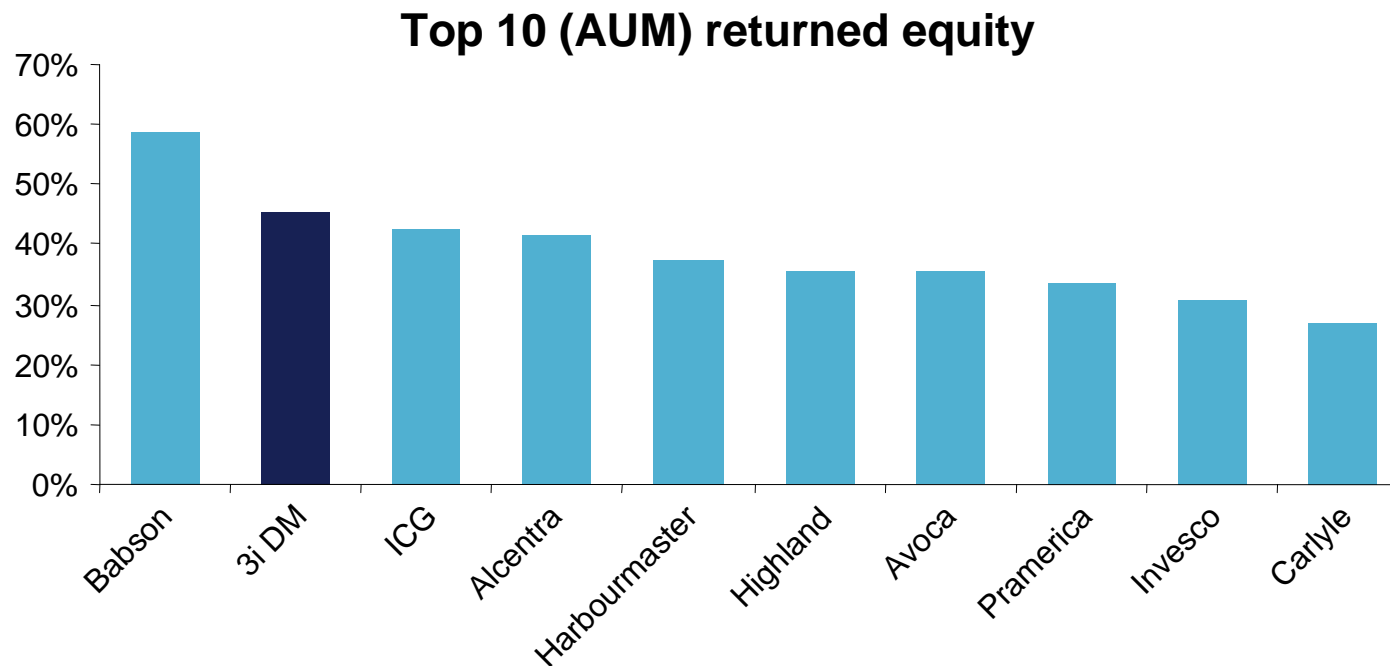
\* Based on total assets under management and average equity returns to 31 December 2010



# Cash returned to equity investors



3i DM ranks second on equity returned to investors among the Top 10 European CLO Managers by AUM\*



\* As at 31 December 2010

Sources: Various and confidential





- Market has reopened
- US market new issuance
- Recent European transactions include
  - balance sheet trades
  - refinancing of existing deals
  - bespoke credit opportunities funds



- Attractive competitive environment as banks reduce balance sheet exposure
- Wall of refinancings from €225bn of debt supporting 2006-07 European LBOs
- Performing secondary loans available below par
- More conservatively structured new vintage LBOs
- Attractive returns available to investors for senior secured debt risk
- Outlook (supply vs demand) across the medium term is positive
- \$500bn of committed PE capital available to invest over the coming five years
- Lender friendly documentation with improved covenant protection

Returns available on senior secured loans: 12-15% geared, 6-7% ungeared





**Manager consolidation**

**New fund launches**

**Diversify product offering**



**Opportunity**

**Target regions**

# Infrastructure model and portfolio



**Cressida Hogg**

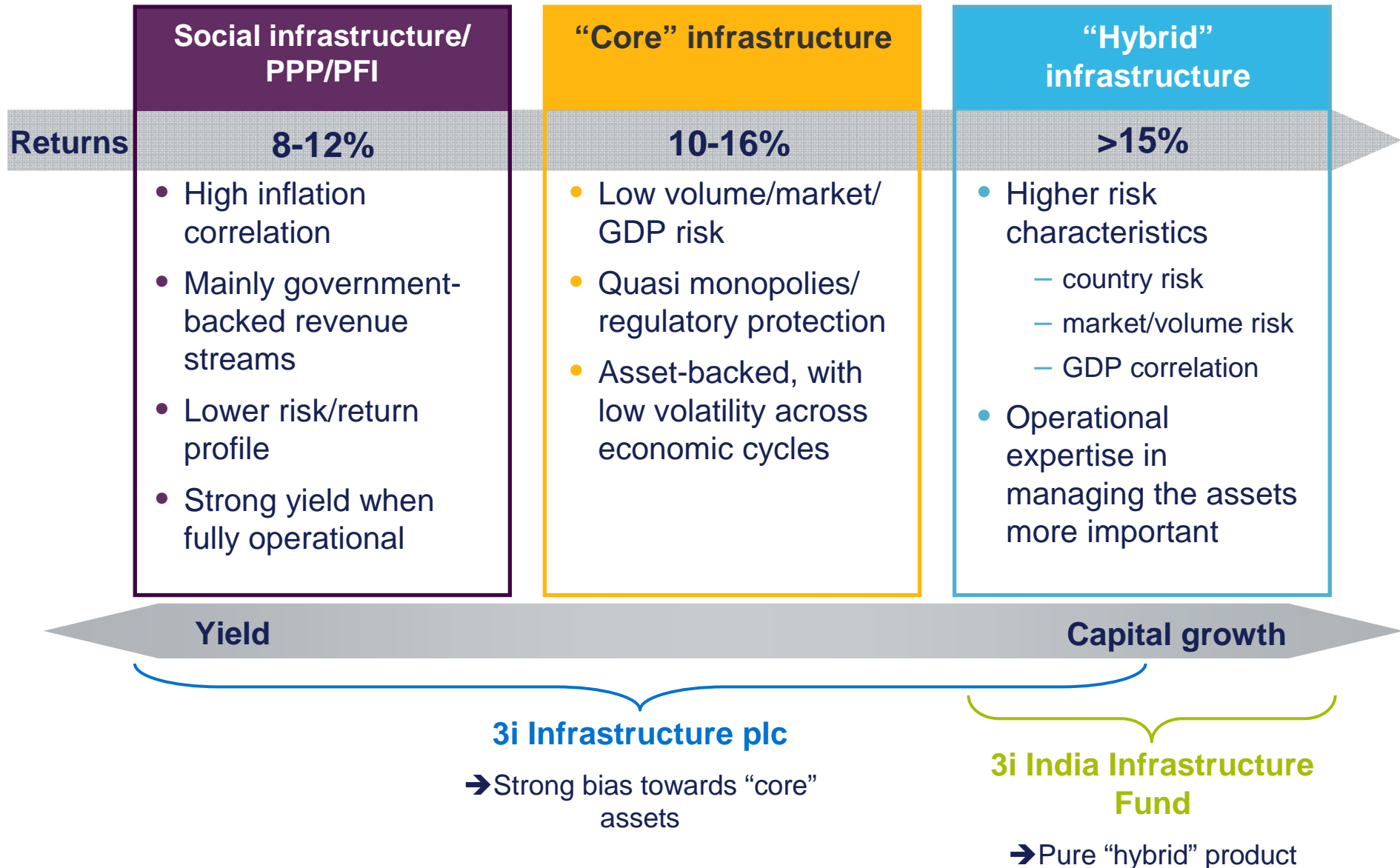




- Strong market positions
- Capital-intensive businesses
- Some degree of inflation linkage
- Low cyclical volatility
- Predictable, income-oriented returns when operational
- Potential for capital growth

Strong market position; monopolies/regulated market/  
strong contracts underpinning revenues

# Types of infrastructure assets





# Infrastructure at 3i – two investment vehicles



➔ Investment activity conducted through two investment vehicles

## 3i Infrastructure plc 35.3% direct holding

<b>12%</b>	Total return objective, <b>net</b>
<b>5%</b>	Yield objective
<b>£996m</b>	Net asset value
<b>£175m</b>	Cash remaining
<b>9.9%</b>	Annualised return to shareholders since inception
<b>£822m</b>	Portfolio value
<b>17</b>	Assets held directly and indirectly

- Sector focus on Social Infrastructure, Utilities and Transportation – **bias towards “core” infrastructure assets**, in line with return objectives
- Geographical focus on Europe, plus \$250m commitment to 3i India Infrastructure Fund

## 3i India Infrastructure Fund \$250m commitment

<b>18%</b>	Return objective, <b>net</b>
<b>\$1.2bn</b>	In commitments
<b>\$1.0bn</b>	Net asset value
<b>70%</b>	Committed
<b>15%</b>	Gross IRR since inception
<b>1.3x</b>	Gross money multiple since inception
<b>6</b>	Assets held directly

- Sector focus on ports, airports, road and power sectors
- Exclusive geographical focus on India

As at 31 March 2011



# Why being part of 3i makes a difference



Brand



Network



Active partnership



Business Leaders' Network



Advisers and intermediaries



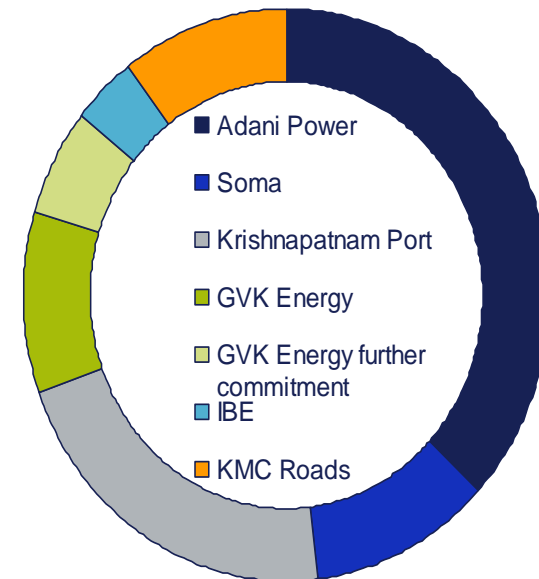
Corporate relationships

A platform for successful future development



# Portfolio assets

<p>ADANI</p>	<ul style="list-style-type: none"> <li>• New-build power generation holding company</li> <li>• Fund value: \$406m, invested September 2007</li> </ul>
	<ul style="list-style-type: none"> <li>• Engineering and construction company</li> <li>• Fund value: \$122m, invested November 2007</li> </ul>
	<ul style="list-style-type: none"> <li>• Natural deep water port handling a mix of cargo</li> <li>• Fund value: \$237m, invested February 2009</li> </ul>
	<ul style="list-style-type: none"> <li>• Majority gas-fired power generation holding company</li> <li>• Fund value: \$112m*, invested December 2010</li> </ul>
	<ul style="list-style-type: none"> <li>• Ind-Barath Energy (“IBE”): Standalone coal-fired power plant</li> <li>• Fund value: \$45m, invested March 2011</li> </ul>
	<ul style="list-style-type: none"> <li>• Holding company for portfolio of BOT** road projects</li> <li>• Fund value: \$112m, invested March 2011</li> </ul>



As at 31 March 2011

\* Further commitment of \$67m  
 \*\* Build Operate Transfer

Diversified portfolio: six investments in three sectors  
 Gross money multiple to 31 March 2011 of 1.34x

# Investment approach

## 1

### Rigorous approach to investment

- Targeted focus on early stage projects in the power, roads, ports and airport sectors
- Local team with strong track record of investing in infrastructure and operational understanding of target assets
- Partnership with local entrepreneurs with a strong track record of delivery
- Rigorous due diligence

**Consistent investment strategy**

## 2

### Best-in-class portfolio management

- Most investments are early-stage
- Active involvement with portfolio companies to monitor implementation of construction phase
- Board representation in each investment
- Ongoing financial support if appropriate

**Value from bridging the construction gap**

## 3

### Realise assets when objectives are met

- Limited life LP fund
- Public markets provide viable exit strategy for most assets

**Crystallise value through realisations**

# Rigorous approach to investment

**1**

Rigorous approach to investment

**2**

Best-in-class portfolio management

## Krishnapatnam Port Company



- \$161m investment in February 2009 in one of the largest and most profitable private sector ports in India
- Natural deep water port, operated under a “landlord port” model, under a 30-year concession (extendable to 50 years)
- Asset has progressed significantly since investment
  - developed eight berths capable of handling ten ships simultaneously
  - cargo volumes almost doubled to 16.0mtpa in 2010/2011
  - operations streamlined since investment, reducing turnaround times
- 3iIF continued to support management in building out the asset - \$191m capital expenditure in 2010/2011 includes railway, storage facilities and dredging projects

# Investing for long-term value creation

## 2

Best-in-class portfolio management

## 3

Realise assets when objectives are met

## Adani Power



- \$228m initial investment and \$15m follow-up investment (2007/2009) in the leading Indian private power developer
- Partnership with an ambitious local entrepreneur with an established track record of delivery
- Key developments since investment:
  - 3i team worked with management to increase planned capacity from 2,640MW at the time of investment to 16,500MW currently
  - first five units successfully delivered, taking operational capacity to 1,980MW
  - landmark IPO in August 2009, at \$4bn market cap and \$600m raised to fund first phase of development



17 assets

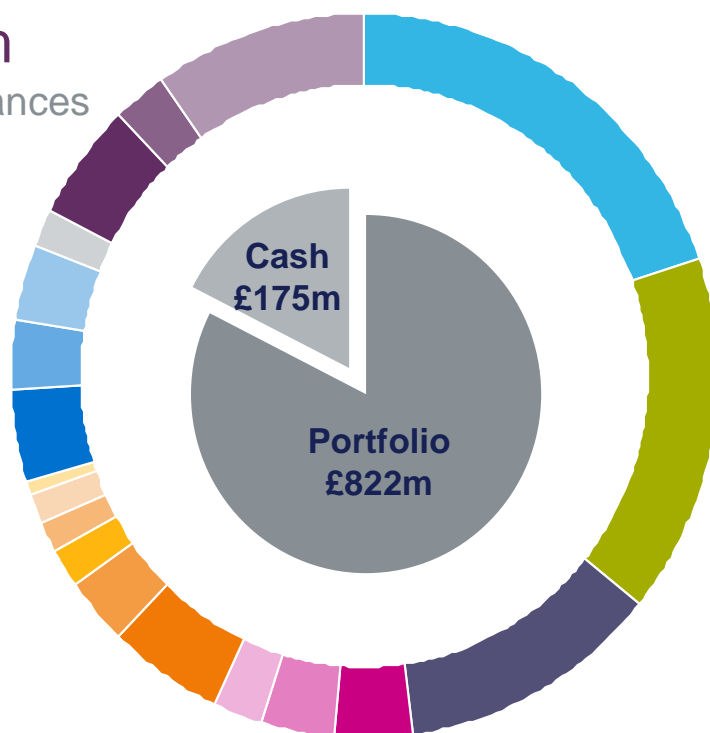
invested

£822m

portfolio value

£175m

cash balances



	Value at 31 March 2011 (£m)	Value at 31 March 2010 (£m)
<b>AWG</b>	196	194
<b>Eversholt</b>	161	-
<b>Oystercatcher</b>	119	119
<b>Junior debt portfolio</b>		
TDF	37	33
NGW Arqiva	32	30
Thames Water	21	17
Viridian <sup>(1)</sup>	-	43
<b>3i India Infrastructure Fund</b>		
Adani Power	53	58
Krishnapatnam Port	31	27
Soma Enterprise	16	13
KMC Roads	15	-
GVK Energy	14	-
Ind-Barath Utkal	6	-
<b>PFI portfolio</b>		
Elgin (16 projects)	40	39
I <sup>2</sup> Loan notes	32	30
Octagon	31	29
Alpha Schools (11 schools)	18	16
<b>T2C</b>	nil	nil
<b>Total portfolio asset value</b>	<b>822</b>	<b>648</b>
<b>Cash</b>		
Cash committed to India	54	95
Cash committed to final dividend	23	27
Free cash	98	192
<b>Total cash</b>	<b>175</b>	<b>314</b>

As at 31 March 2011

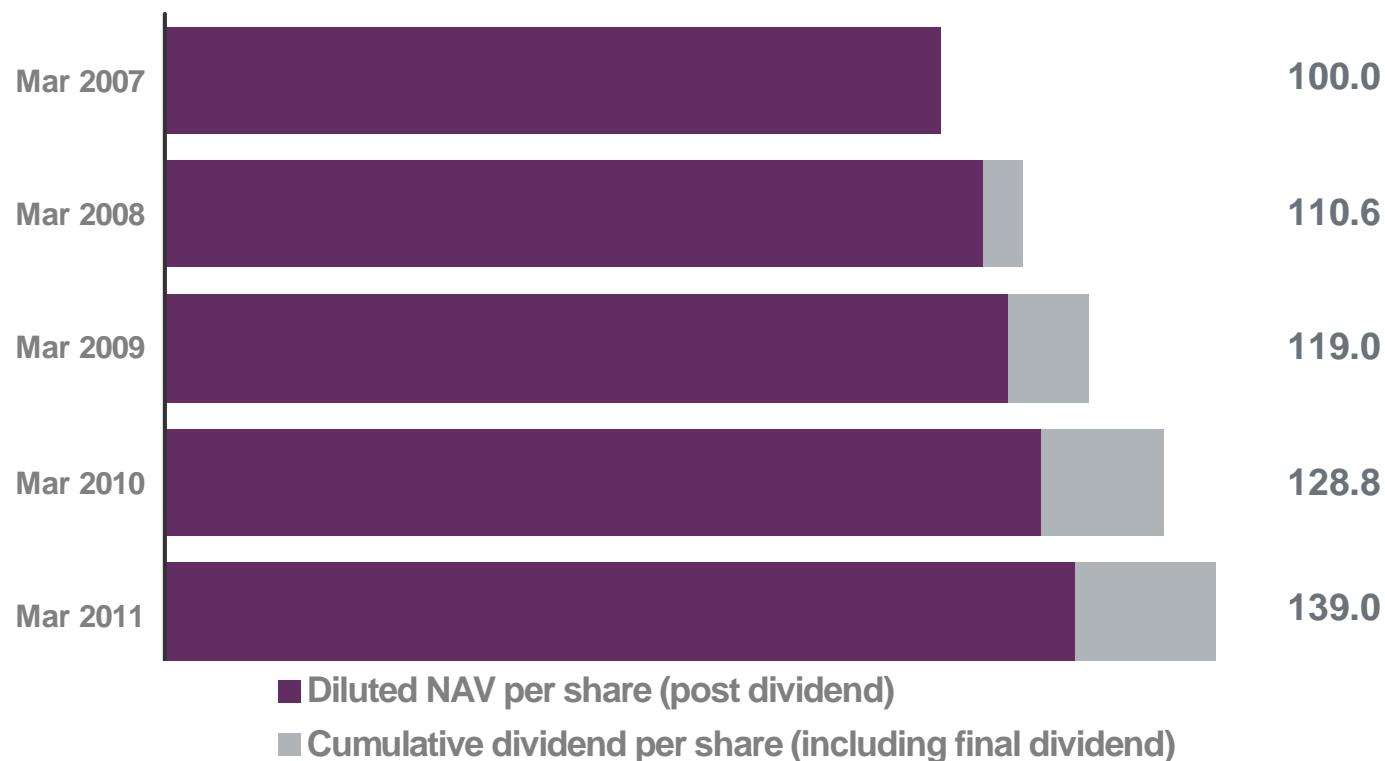
(1) Sold in October 2010

Portfolio value and cash balances of £997m



# Performance against objectives

## Growth in shareholder returns (pence per share)



# 9.9%

annualised return  
to shareholders

# 5%

dividend objective  
achieved in each year  
since inception





# Investment approach

## 1

### Rigorous approach to investment

- Proprietary knowledge and networks in target sectors/geographies
- Operational understanding of target assets
- Execution skills (structuring, financing, consortium building)
- Rigorous due diligence

**Consistent investment strategy**

## 2

### Best-in-class portfolio management

- Active involvement with portfolio companies to deliver improvements in operational performance
- Board representation
- Selective approach to realisations

**Drive income generation from portfolio companies**

## 3

### Investing for long-term value creation

- Active involvement with portfolio companies to encourage capital investment for long-term value accretion
- In-depth understanding of market and sector dynamics and of long-term value drivers

**Drive capital growth from value accretive projects**

# Consistent investment strategy

## 1

Rigorous approach to investment

## 2

Best-in-class portfolio management

## Eversholt



- £151m investment in one of the three leading rolling stock companies in the UK, owns c. 29% of the British rail fleet
- Consistent with strategy of building a portfolio weighted towards “core” infrastructure
- Market access and execution skills key to success of the deal:
  - early exclusivity/strong partners
  - understanding of asset and value drivers
  - financing skills
- Comprehensive 100-day post acquisition programme:
  - new chairman
  - most of the acquisition debt refinanced through three public bonds (£1.1bn), long dated and priced on attractive terms, reducing refinancing risk and interest costs

“Core” asset. Significant origination and execution skills required



## 3

Investing for long-term  
value creation

## Oystercatcher

- Since 3iN first invested, the three terminals increased total capacity by 12% and throughput by 25%
- Projects include:
  - Singapore – 160,000 m<sup>3</sup> expansion project to accommodate demand from adjacent refineries and petrochemical industry approved in 2008
  - Amsterdam – 42,000 m<sup>3</sup> expansion project to provide dedicated storage for biodiesel products for a new production facility approved in 2009
  - Malta – investment in a new 13,000 m<sup>3</sup> tank recently approved
- 3iN/investment adviser actively involved in assessing of capital expenditure project proposals

Encouraging portfolio companies to deploy capital in projects that deliver long-term value accretion



- Differentiated product offering

- two investing vehicles with distinct mandates
- fee stream for 3i – blended return
- aligned incentives

- Establishing a strong track record

- solid track record of asset returns in both vehicles
- on track to achieving return objectives

- Well integrated in 3i

- sharing knowledge and best practice
- using the network as a platform for further expansion
- capitalising on the 3i brand

Well positioned for growth

## 3i Asia and the Americas

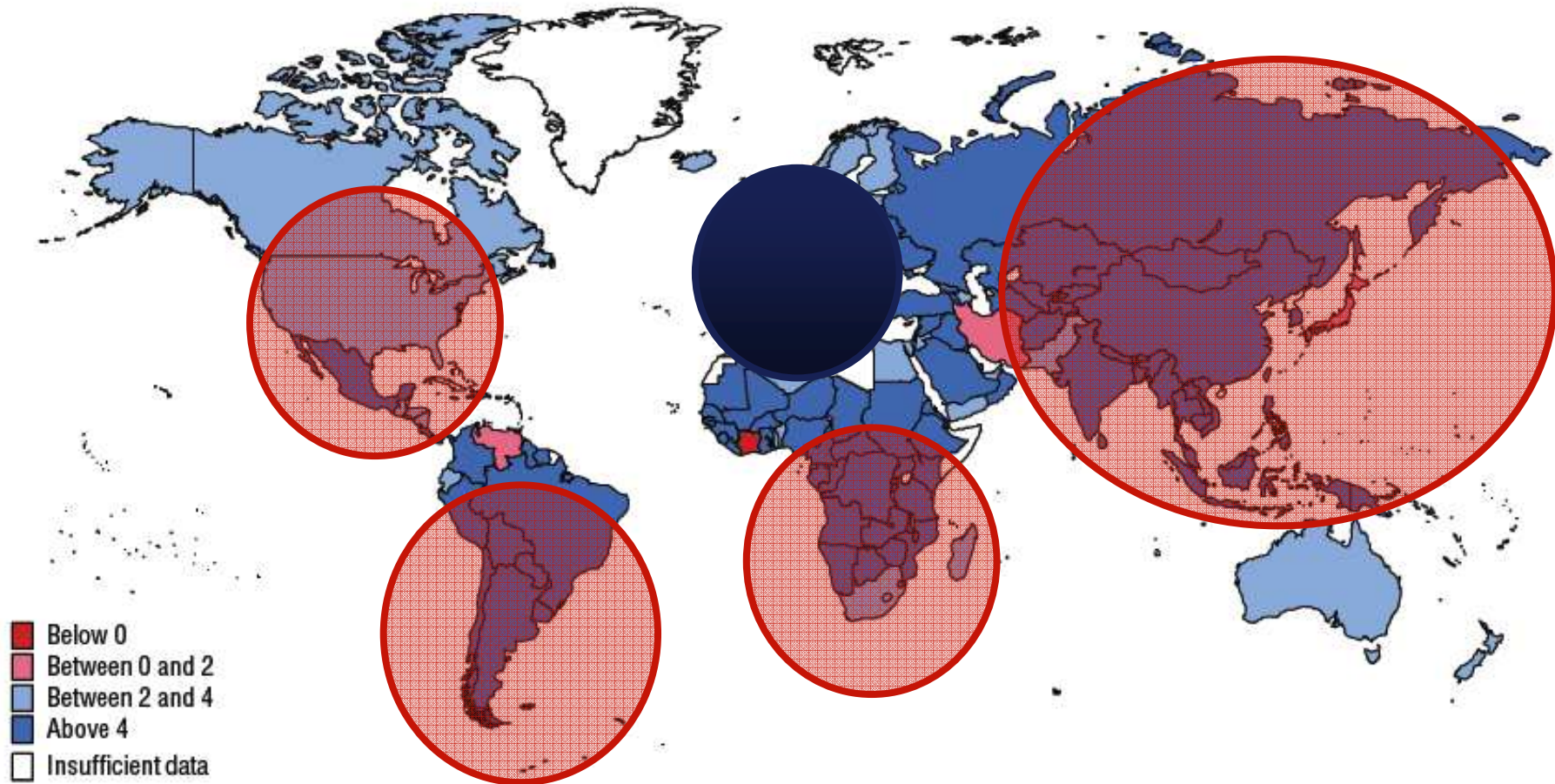


**Robert Stefanowski**





- Global markets need global players
- How we access global markets
- The opportunities
- Progress to date
- Quintiles case study
- Questions



Source: IMF staff estimates.

Note: Projections are not provided for Libya due to the uncertain political situation.



# Rapid change creating opportunities



	1990	USD trn	2000	USD trn	2010	USD trn	2020	USD trn	2030	USD trn
1	US	5.8	US	10.0	US	14.7	China	25.8	China	77.0
2	Japan	3.0	Japan	4.7	China	6.0	US	24.0	US	39.3
3	Germany	1.5	Germany	1.9	Japan	5.7	India	10.3	India	32.5
4	France	1.2	UK	1.5	Germany	3.3	Japan	6.1	Brazil	12.2
5	Italy	1.1	France	1.3	France	2.6	Brazil	5.1	Indonesia	9.3
6	UK	1.0	China	1.2	UK	2.3	Germany	5.0	Japan	8.4
7	Canada	0.6	Italy	1.1	Italy	2.0	France	3.9	Germany	8.2
8	Spain	0.5	Canada	0.7	Brazil	2.0	Russia	3.5	Mexico	6.6
9	Brazil	0.5	Brazil	0.6	Canada	1.6	UK	3.4	France	6.4
10	China	0.4	Mexico	0.6	Russia	1.5	Indonesia	3.2	UK	5.6



# Why be global?



## To raise capital



### Opportunities

- Vast pools of capital
- Local teams and results
- 3i 60 year heritage appeals to international investors

### Challenges

- Need to build long term relationships

## To deploy capital



### Opportunities

- Faster growing economies
- Companies need to be international
- Consumer led demand

### Challenges

- Risk adjusted returns
- Need to be disciplined

## To grow companies



### Opportunities

- 3i sector expertise
- The right product
- International network

### Challenges

- Legal/Compliance/CSR
- Management stretch

## To maximise value in companies



### Opportunities

- More cross border transactions
- “Being internationally local”

### Challenges

- Alignment of interests
- Hold versus sell



# 3i has a presence in key markets



# How do we select a market?



- 7.5% GDP growth
- Stable government
- Resource rich



- 20% overlap
- Great team
- 3i best practices



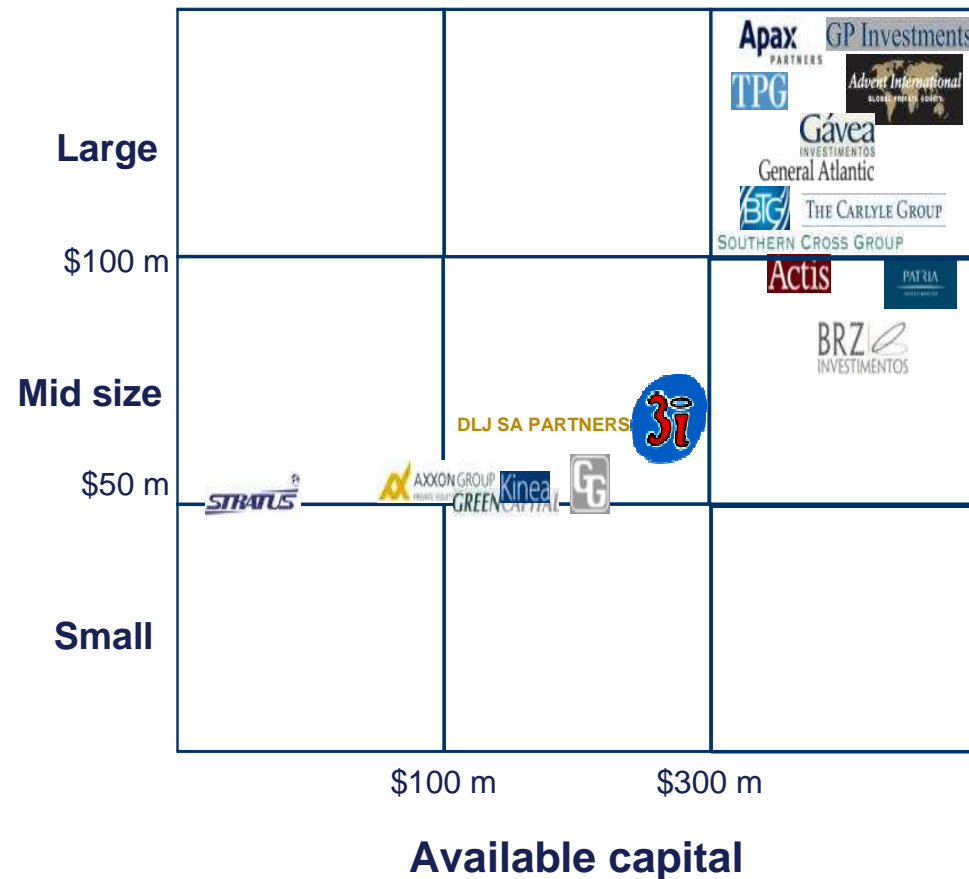
## Opportunity

- Four member team recruited from Standard Bank
- Marcelo Di Lorenzo – 14 years' experience with Merrill/Morgan Stanley
- Managed \$300m, in 11 investments over time
- Excellent track record

## Challenges

- Depreciation of real/inflation
- Increasing capital flows
- Very complex tax/legal code
- Corporate social responsibility

## Competitive landscape





# How can we compete in the US?



## 1. We target international deals where we have unique reach and a relevant network

- A clear and **most valuable** differentiator for 3i
- Not many mid market PE firms have it

## 2. We are a committed mid-market investor

- Equity investments of \$50m to \$250m
- An area of 3i core competency
- International is key differentiator in this segment

## 3. We are a growth-oriented investor

- Focus on growth industries
- We are builders of businesses not financial engineers

## 4. Sectors where we can add the most value

- Business Services, Healthcare and General Industrial
- We can leverage 3i's proven track record and strong network
- These sectors also match up well with our international growth orientation

## US sector map

	Cons	FS	HC	BS	GI
International					
Growing					
Mid-market					
3i US sector expertise					



## Our approach

- Make new investments
  - 7% of the existing portfolio
  - Gross proceeds >\$1.0bn expected
- Internationalise portfolio companies
- Access to capital
  - Permanent fund raising capability
  - 40% of fund investors based in US
- Potential acquirers
  - Caterpillar acquisition of MWM

## Global connectivity is a differentiator

	UK Benelux Germany US	<ul style="list-style-type: none"> <li>• Due diligence</li> <li>• US acquisition support</li> <li>• US board representation</li> </ul>
	Germany	<ul style="list-style-type: none"> <li>• Buy and Build</li> <li>• US acquisition of Breeze International</li> </ul>
	UK	<ul style="list-style-type: none"> <li>• Build out of US offices</li> <li>• Canadian acquisition of SEACOR Environmental</li> </ul>
	Spain	<ul style="list-style-type: none"> <li>• US investor presence critical to fulfilling US radio licence requirements</li> </ul>



- **Make new investments**
  - 7.5% of the existing portfolio
- **Match the product to the market**
  - Growth Capital with local partners
  - India Infrastructure
- **Internationalise portfolio companies**
  - Expansion of MWM into Asia
  - Mold Masters, Quintiles, John Hardy
- **Provide access to capital**
  - China Sovereign fund cornerstone investor in the Growth Capital Fund
  - GIC is a multiple investor across 3i funds (and is a top 20 shareholder)
- **Source global buyers**
  - Unitas Capital acquisition of Hyva





## Key themes and drivers

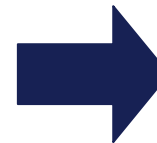
- Growing middle class and disposable income
- Government efforts to boost consumption, particularly in rural areas
- Defensive consumer staples
- Infrastructure investment
- Manufacturing upgrade
- Cyclical sectors to recover after reaching bottom
- Maturing economy to migrate to more service-focused
- Medical reform and growing demand for healthcare
- Urbanisation and GDP growth to drive energy demand
- Low per capita energy consumption
- Increasing awareness of environment protection
- Undeveloped industry thus huge potential to grow
- High regulatory barrier reduces competition and protects profitability

## Target sectors

Consumer and Retail

General Industrial

Business and Financial Services







## 3i's strong history in China .....

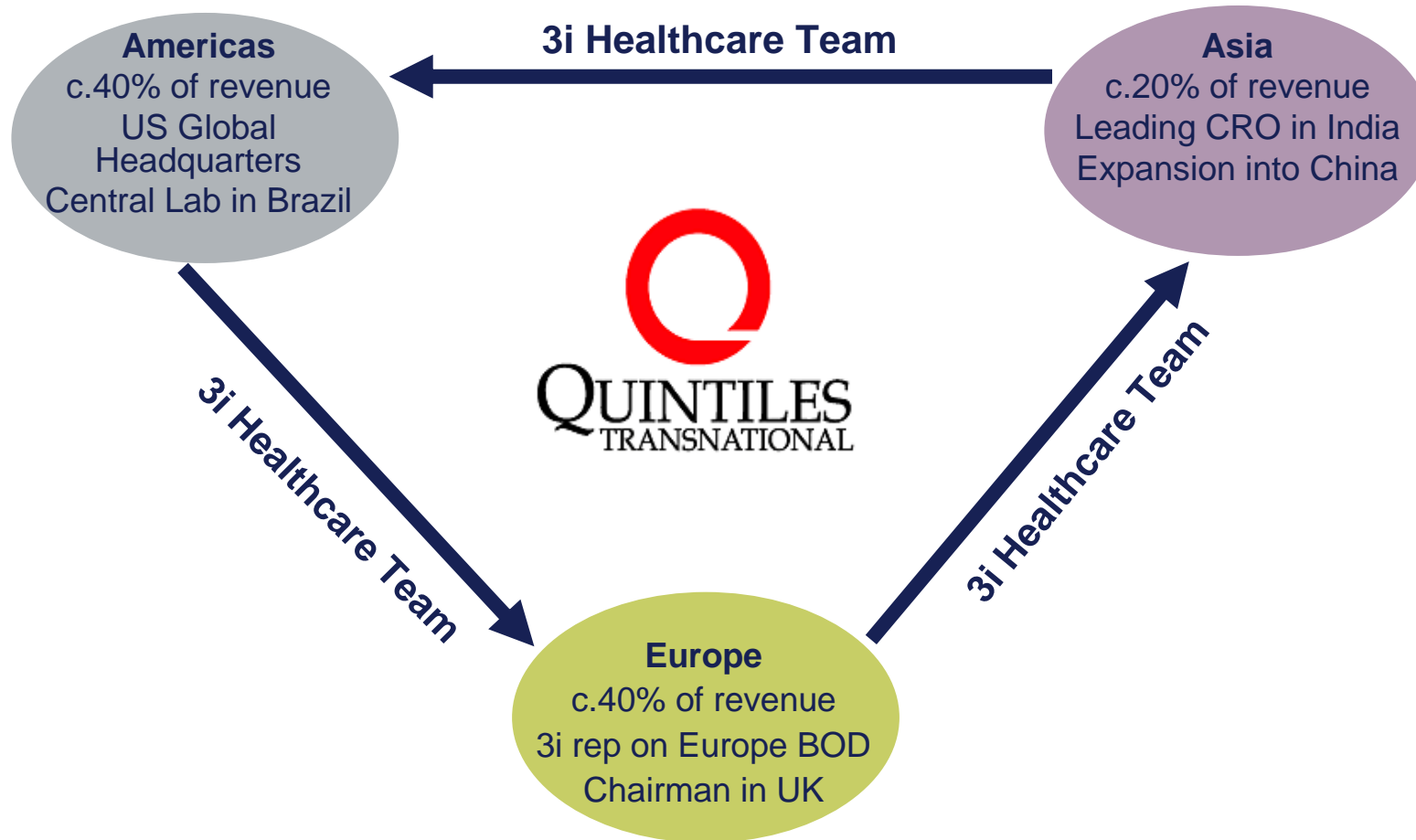
- 10 year on the ground presence
- 3i China has invested \$266m in 11 deals
- \$346m cash returned, generating 2.4x and 36.5% IRR for realised portfolio



..... **Drives the ability to better compete**

**Shanghai Government**  
**\$100mm RMB Fund Allocation**  
**May 2011**

1. Blackstone Group
2. TPG
3. Carlyle
4. Hony Capital
5. 3i Group





- 3i has a strong international brand and reputation
- Being global does matter! It allows you to:
  - access capital
  - deploy capital
  - grow portfolio companies
  - realise maximum value on sale
- Most importantly, 3i's global network is already delivering across our business and portfolio

## Closing remarks



**Michael Queen**





## Private Equity

- Europe
  - fully invest Eurofund V and the Growth Fund
  - raise combined Growth and Buyout Fund
- Asia
  - RMB denominated fund to invest competitively in China
  - Southern Asia fund to take advantage of opportunities in India and beyond
  - Emerging Titans
- The Americas
  - make first investments in Brazil, paving the way for a Brazilian fund
  - invest in Growth and Buyout transactions



## Infrastructure

- Europe
  - build on 3i Infrastructure's consistently strong performance
  - raise additional capital for 3i Infrastructure
  - consider other expansion options in Europe
- Asia
  - invest the Indian Infrastructure Fund and maximise value of investments
  - raise second Indian Infrastructure Fund
- The Americas
  - options to expand in the US

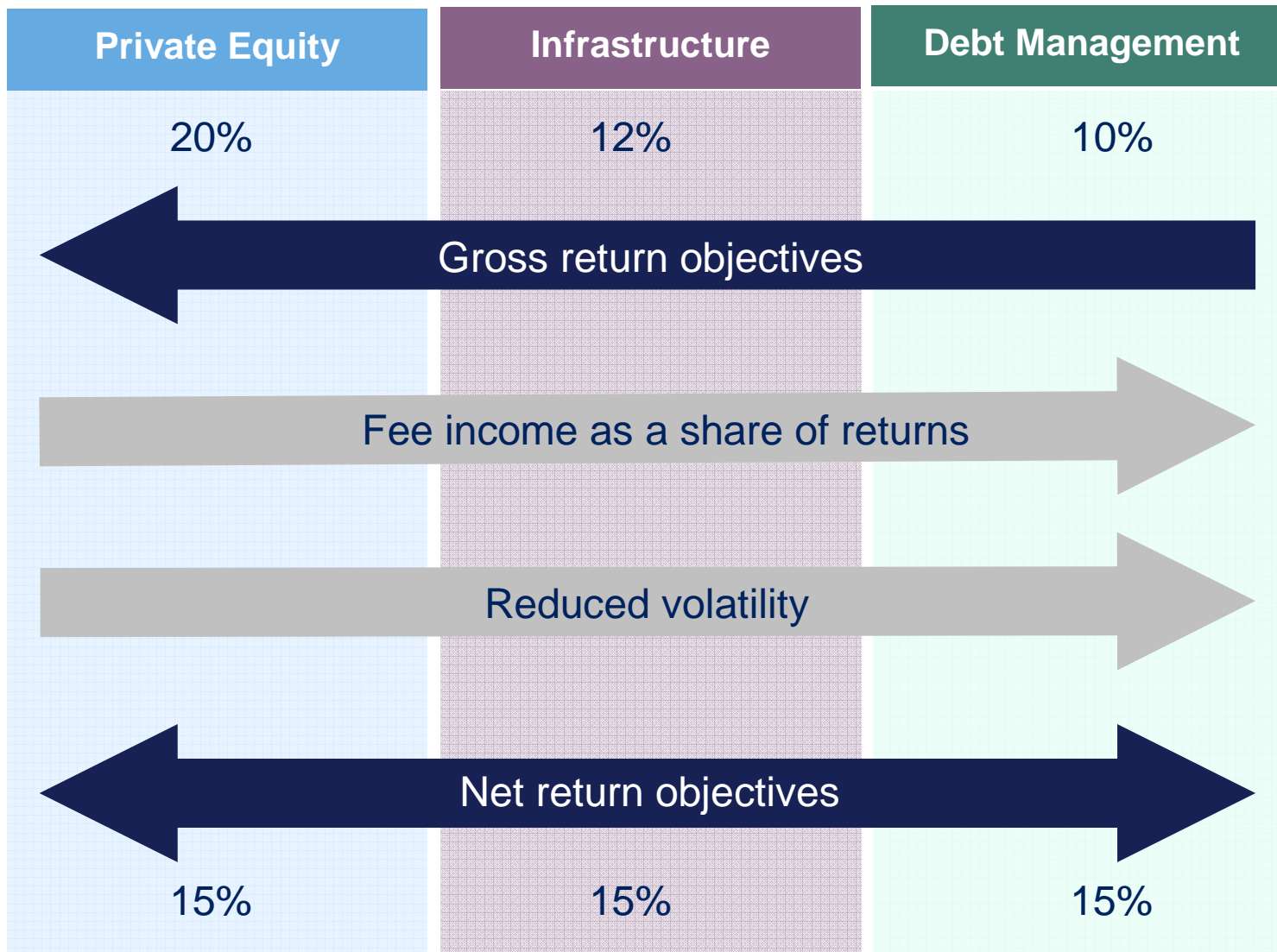


## Debt Management

- Europe
  - bolt-on acquisitions to complement current platform
  - raise new funds
  - develop fund of fund capabilities
- Asia
  - acquisitions to expand geographic reach
  - raise new funds
- The Americas
  - acquisitions to expand geographic reach
  - raise new funds



# Priorities for 3i Group







- The business is performing well and is positioned for growth
- Each business has a clear strategy for delivering value
- Committed to delivering the model for returns consistently





## Our international views on 3i

**June 2011**