

Chair's statement

Driving resilient growth in our portfolio companies

“ Our strong result in FY2024 reflects another year of thoughtful and careful allocation of capital and active asset management of our portfolio companies.



David Hutchison
Chair

Performance highlights

2,085p

NAV per share
(31 March 2023: 1,745p)

23%

Total return on equity
(2023: 36%)

61.0p

Dividend per share
(2023: 53.0p)

Chair's statement continued

3i delivered a strong result in FY2024, underpinned by another year of excellent performance from Action and overall resilient performance from the wider portfolio, which continues to operate well through a challenging macro-economic environment and geopolitical uncertainty.

Performance

I am pleased to report that 3i delivered a strong set of results in the financial year to 31 March 2024 ("FY2024"), with a total return of £3,839 million (2023: £4,585 million). Net asset value ("NAV") increased to 2,085 pence per share (31 March 2023: 1,745 pence per share) and our total return on opening shareholders' funds was 23% (2023: 36%). Action delivered another year of strong performance and was the major driver of the Group's FY2024 result. The remaining portfolio saw bifurcated performance, with a number of our portfolio companies delivering a strong contribution, more than offsetting those that saw weaker performance.

Market environment

The global economy saw a very modest recovery in 2023, as the macro-economic environment and geopolitical landscape remained fragile. Whilst inflation has started to moderate, consumer sentiment remains quite strained, with a continued focus on affordability. These trends have supported growth from our value-for-money and private label portfolio companies in the year. Action's remarkable growth story continued in 2023, as the business once again generated sector-leading results across its key performance indicators and increased its store presence across Europe. We increased our exposure to these returns, through the allocation of further 3i capital into Action in FY2024.

We have also seen an encouraging recovery in the healthcare market and our Infrastructure portfolio continued to trade robustly overall, generating strong recurring yields. Our discretionary consumer businesses remained under pressure and some of our more cyclical businesses continued to experience weaker end-markets.

The global M&A market was subdued in 2023, impacted by unfavourable financing conditions and pricing misalignment between vendors and buyers. Against this backdrop, we have continued to assess new investments and explore potential exits but have remained disciplined in deploying or realising capital where we believe valuations are not reflective of intrinsic business value. As a result, our activity in the year focused primarily on reinvesting our capital into some of our existing portfolio companies, and refinancing some of our existing portfolio companies at attractive terms. We also continued to accelerate growth in some of our portfolio companies by acquisition.

Dividend

Our dividend policy is to maintain or grow the dividend year on year, subject to the strength of our balance sheet and the outlook for investments and realisations. Cash generation remains strong and in FY2024, we generated cash inflows of £1.4 billion from our portfolio companies. During the year, we successfully issued a six-year €500 million bond at a coupon of 4.875%, further strengthening our liquidity profile.

In line with the Group's policy and in recognition of the Group's financial performance, the Board recommends a second FY2024 dividend of 34.5 pence (2023: 29.75 pence), subject to shareholder approval, which will take the total dividend to 61.0 pence (2023: 53.0 pence). Based on this recommended dividend and expected payment in July 2024, we will have returned £3.8 billion to shareholders in dividends since our restructuring was announced in June 2012, growing our total dividend by an average compound annual growth rate of 18% over this period.

Board and people

As announced last year, Caroline Banszky retired from our Board after our 2023 Annual General Meeting ("AGM") and was succeeded by Stephen Daintith as Audit and Compliance Committee Chair. Stephen, who is CFO of Ocado Group plc, has a wealth of financial and operating experience, and knowledge that he brings to the role.

Environmental, Social, and Governance ("ESG")

We made good progress across our ESG agenda in FY2024, and particularly on our climate change approach and strategy. We are reporting for the first time in alignment with the Task Force for Climate-related Financial Disclosures ("TCFD") recommendations, in compliance with FCA requirements, including aggregate portfolio emissions. We are also pleased to announce that our near-term science-based emissions reduction targets ("science-based targets") were approved by the Science Based Targets initiative ("SBTi") in March 2024 and our teams have now started to work to meet these targets over the coming years.

Outlook

In the near term, we expect our investment and realisation activity to reflect our cautious view on the M&A market and wider macro-economic environment. We will only deploy capital and realise assets when we feel we are achieving optimal value for our shareholders.

Trading momentum at the start of FY2025 remains strong at Action, whilst a number of our other assets are well positioned to continue to grow despite the uncertain macro-economic outlook.



David Hutchison
Chair

8 May 2024

Alternative Performance Measure ("APM")

3i prepares its statutory financial statements in accordance with UK-adopted international accounting standards. However, we also report a non-GAAP "Investment basis" which we believe aids users of our report to assess the Group's underlying operating performance.

The Investment basis is an APM and is described on page 75. Total return, which is defined as Total comprehensive income for the year and net assets are the same under the Investment basis and IFRS and we provide a reconciliation of our Investment basis financial statements to the IFRS statements from page 76.

We assess our performance using a variety of measures that are not specifically defined under IFRS and are therefore termed APMs. These include: Gross investment return ("GIR") as a percentage of opening value, cash realisations, cash investment, operating cash profit, net (debt)/cash and gearing. These APMs are referred to throughout the report and their purpose, calculation and reconciliation to IFRS can be found on page 79.