Business review

What's in this section

Private Equity

We invest in mid-market businesses headquartered in Europe and North America. Once invested, we work closely with our portfolio companies to deliver ambitious growth plans, and to realise strong cash returns for 3i shareholders and other investors.

In the year to 31 March 2024, our Private Equity portfolio delivered a GIR of £4,059 million, or 25%, on the opening portfolio value (2023: £4,966 million or 40%), after a £341 million foreign exchange loss, including the impact of foreign exchange hedging.

Action delivered another year of very strong earnings growth and cash generation, and accounted for the majority of the Private Equity GIR in FY2024. In the year, we also received significant realised proceeds from Action and completed a further reinvestment in the business. Across the remaining portfolio, we saw strong growth from portfolio companies operating in the value-for-money and private label and healthcare sectors, more than offsetting softer performance from portfolio companies exposed to the discretionary consumer sector or operating in cyclically impacted end-markets. We designated Royal Sanders as a longer-term hold asset in the Private Equity portfolio, following its consistent performance since acquisition and due to its compounding growth characteristics.

Low levels of global private equity transaction activity persisted through FY2024. We remained very disciplined on price given the difficulties to match buyers' and vendors' expectations, prioritising reinvestment into some of our existing portfolio companies and continuing our buy-and-build momentum. We also generated proceeds from some of our existing portfolio from refinancing activities and portfolio income.

Overall, the Private Equity portfolio value increased to £19,629 million (31 March 2023: £16,425 million). The contribution of Action to the Private Equity performance is detailed in Note 1 of the financial statements.

Table 1: Gross investment return for the year to 31 March

Investment basis	2024 £m	2023 £m
Realised profits over value on the disposal of investments	–	169
Unrealised profits on the revaluation of investments	**3,874**	3,746
Dividends	**439**	345
Interest income from investment portfolio	**80**	77
Fees receivable	**7**	7
Foreign exchange on investments	**(437)**	493
Movement in fair value of derivatives	**96**	129
Gross investment return	**4,059**	4,966
Gross investment return as a % of opening portfolio value	**25%**	40%

At a glance

Gross investment return

£4,059m or 25%

(2023: £4,966m or 40%)

Cash investment

£556m

(2023: £381m)

Realised proceeds

£866m

(2023: £857m)

Portfolio dividend income

£439m

(2023: £345m)

Portfolio growing earnings

93%[1]

(2023: 90%)

Portfolio value

£19,629m

(2023: £16,425m)

1 LTM adjusted earnings to 31 December 2023. Includes 29 portfolio companies.

ACTION

For more information
www.action.com

Investing in good businesses to make them great

Action, the fastest growing non-food discount retailer in Europe and our largest portfolio company, now has stores in 12 countries, employs over 69,000 people and generated annual revenue in excess of €11 billion in 2023.

Customer focus

"Customers come first" is one of Action's core values. On average, over 15 million customers visit Action stores each week, driven by Action's unique proposition offering an assortment of essential and surprise good-quality products, at the lowest prices.

Its low price points are fundamental to its offering and, in 2023, it continued to invest in its strong customer proposition by reducing 2,500 prices across its product assortment. 67% of its products are priced under €2.

Action has a comprehensive process of ensuring its stores stay relevant for its customers, through store relocations, enlargements and refurbishments.

Good-quality products

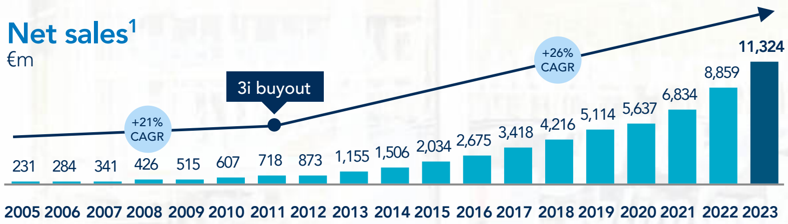
Action has a simple, efficient, and scalable operating model. It offers 6,000 products across 14 categories, with two-thirds of the assortment changing frequently.

Action is able to adapt in response to changing times and customer needs and, in 2023, it applied particular focus on daily essential products.

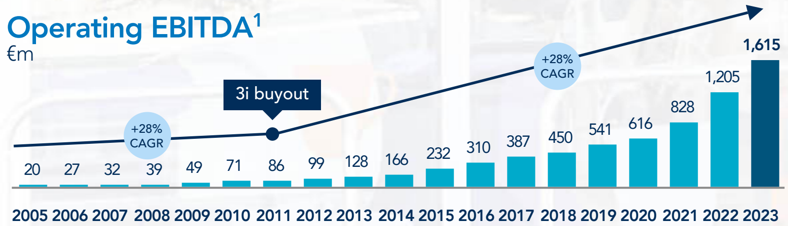
International store roll-out

In 2023, Action added 303 stores across its geographies, including its first 15 stores in Slovakia. In the first quarter of 2024, it opened its first three stores in Portugal, its twelfth country. At 31 December 2023, Action had a total of 2,566 stores, with significant further growth opportunities across both existing and new markets.

Net sales[1]
€m



Operating EBITDA[1]
€m

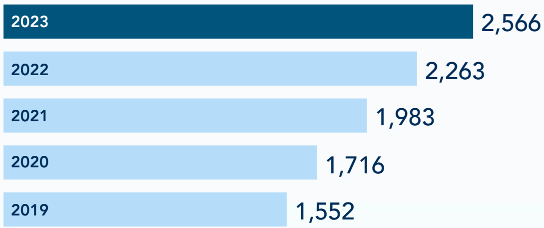


Source: Company information
1 Including impact of 53rd week.


ACTION
grote
glimlach

Private Equity continued

Number of stores
at 31 December

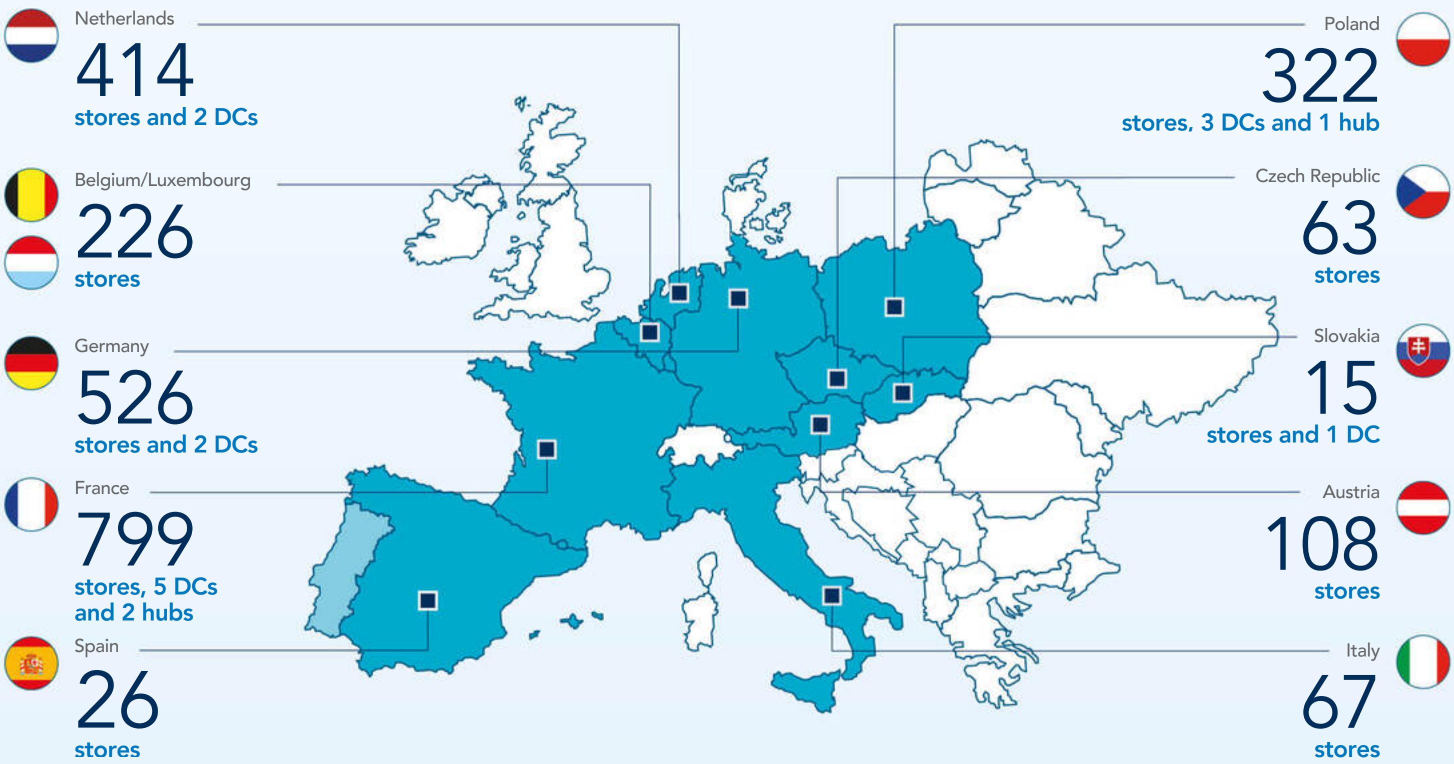


303
Stores added during 2023

People
During 2023, Action created over 8,900 new jobs, and now directly employs more than 69,000 people across its stores and distribution network. Action continues to invest in the ongoing development and engagement of its employees, with over 3,100 internal promotions and 65,000 employees undertaking training in 2023.

Supply chain infrastructure
Action continues to build its distribution network to support its international expansion, with new distribution centres opening in France and Poland in 2023. Action now has 13 distribution centres and three hubs across Europe, with three new distribution centres planned in 2024 and 2025. Action maintained a high level of product availability throughout 2023.

Geographical spread of stores, distribution centres and hubs
at 31 December 2023[1]



1 Action opened its first stores in Portugal in Q1 2024 and therefore has stores in 12 countries.

Private Equity continued

Digital

Action continued to develop its digital ecosystem in 2023. Its app is now available in eight countries and was downloaded 5.3 million times in 2023. On average, Action records 9.6 million visits to its website and its app per week, providing a multi-channel touchpoint for customers to conduct their research online and then continue their journey with in-store purchases. Action also continues to improve the technology to enable further efficiencies in the flow of goods from suppliers to stores.

Partnership

In 2023, Action's support for its charity partners and other donations totalled €4.3 million. Action supports charities such as SOS Children's Villages and the Johan Cruyff Foundation. Its scholarship fund, originally set up in 2017, is now available to employees in almost all of Action's countries.

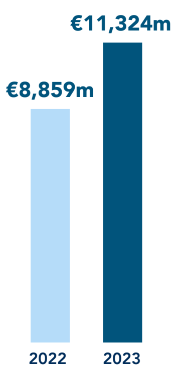
Sustainability

Action made further progress across its sustainability programme in 2023. Further information is available in the Sustainability section of this report on pages 46 and 47.

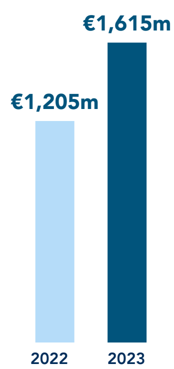
Further information is available on Action's website: www.action.com

Action financial metrics

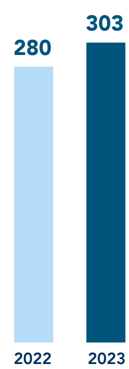
Last 12 months to P12 2023 (2022)



Net sales



Operating EBITDA

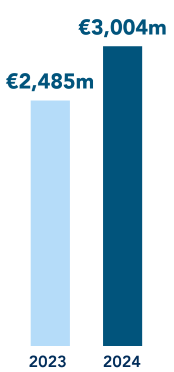


Net new stores added

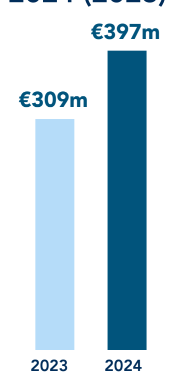
LFL sales growth

Operating EBITDA margin

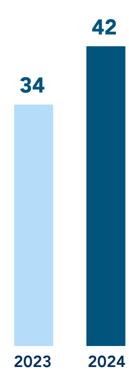
Last three months to P3 2024 (2023)



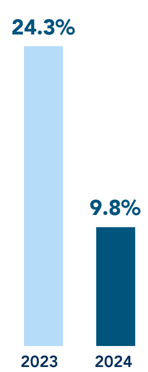
Net sales



Operating EBITDA



Net new stores added



LFL sales growth

Operating EBITDA margin

Investment and realisation activity

Transaction activity at Action was the main driver of Private Equity investment and realisations in FY2024. In October 2023, Action successfully completed its debut US dollar term loan issuance in the US leveraged loan market, raising $1.5 billion at very attractive pricing. In October 2023, Action also completed a capital restructuring with a pro-rata redemption of shares. We reinvested £455 million of the £762 million of proceeds from the share redemption to acquire further shares in Action, increasing our gross equity stake from 52.9% to 54.8%.

We typically refinance our most cash generative assets where appropriate for the business and where market conditions allow. In December 2023, Royal Sanders completed an all-senior debt refinancing, upsizing its debt facilities and returning £109 million to 3i, of which £48 million was recognised as income. We also completed a £29 million purchase of an incremental stake in the business.

Our buy-and-build strategy remains an integral part of our approach to value creation and in FY2024, our portfolio companies completed seven bolt-on acquisitions. This included Dutch Bakery's combination with coolback, a German bakery group specialised in bake-off bread, to create the European Bakery Group ("EBG"), a pan-European bakery platform. We supported this acquisition with a £38 million investment in July 2023. In August 2023, EBG completed the self-funded acquisition of Panelto, a manufacturer of bake-off artisan breads, establishing a UK and Ireland platform within the group. Further details of selected bolt-on acquisitions can be found on pages 28 to 29.

We continued to develop ten23 health with further investment totalling £25 million and provided £12 million of capital to support Luqom, YDEON and Digital Barriers through challenging trading conditions.

WP returned cash of £42 million to 3i in the year, of which £2 million was recognised as income, primarily from a successful amend and extend of its debt facilities.

In total, in the year to 31 March 2024, our Private Equity team invested £556 million (2023: £381 million) and generated total proceeds of £866 million (2023: £857 million).

In April 2024, we agreed the sale of nexeye, generating expected exit proceeds of c.€452 million. These exit proceeds, combined with distributions already received, result in a 2.0x money multiple. The transaction is expected to complete in H1 FY2025.

In May 2024, we agreed to invest c.€116 million in Constellation, an IT managed services provider specialised in hybrid cloud and cyber security. The transaction is expected to complete in H1 FY2025.

Private Equity continued

Investments

	Portfolio company	Business description	Date	Proprietary capital investment £m
Reinvestment	**Action**	General merchandise discount retailer	November 2023	455
	Royal Sanders	Private label and contract manufacturing producer of personal care products	Various	29
	Total reinvestment			**484**
Further investment to finance portfolio bolt-on acquisitions	**European Bakery Group**	coolback: German bakery group specialising in bake-off bread	July 2023	38
	Total further investment to finance portfolio bolt-on acquisitions			**38**
Further investment to support portfolio companies	**Luqom**	Online specialist lighting retailer	Various	6
	Digital Barriers	Video technology provider	January 2024	4
	YDEON	Online retailer of garden buildings, sheds, saunas and related products	January 2024	2
	Total further investment to support portfolio companies			**12**
Other further investment	**ten23 health**	Biologics focused CDMO	Various	25
	Other	Various	Various	2
	Total other further investment			**27**
FY2024 Private Equity gross investment				**561**
Return of investment	**Konges Sløjd**	Premium brand offering apparel and accessories for babies and children	September 2023	(5)
	Total return of investment			**(5)**
FY2024 Private Equity net investment				**556**

	Portfolio company	Name of acquisition	Business description of bolt-on investment	Date
Private Equity portfolio bolt-on acquisitions funded from the portfolio company balance sheets	**Royal Sanders**	Lenhart	Manufacturer of private label products for the personal care industry	April 2023
	MAIT	etagis	Provider of production planning software for ERP systems	June 2023
	AES	Triseal	Engineering company specialising in design, manufacture and application of mechanical seals and associated rotating equipment	June 2023
	European Bakery Group	Panelto	Manufacturer of bake-off artisan breads	August 2023
	MAIT	Quadrix	Product lifecycle management software provider	October 2023
	Evernex	Maminfo	Brazilian provider of third-party maintenance services	January 2024

Realisations

	Portfolio company	Type	Business description	Date	3i realised proceeds £m
Realisations	**Action**	Capital restructuring proceeds	General merchandise discount retailer	November 2023	762
	Royal Sanders	Refinancing	Private label and contract manufacturing producer of personal care products	December 2023	61
	WP	Refinancing & other	Global manufacturer of innovative plastic packaging solutions	March 2024	40
	Other	Various	Various	Various	3
FY2024 Private Equity realisations					**866**

Private Equity bolt-on acquisitions and further investments

Case study: Bolt-on acquisition

European Bakery Group's ("EBG") acquisitions of coolback and Panelto Foods

EBG completed the transformational acquisitions of coolback and Panelto Foods in 2023, establishing a high-quality pan-European platform in the fragmented European private label market for bake-off bread.

coolback is a German bakery group founded in 1999, based in the Berlin area. The company employs more than 600 full-time employees across three locations in the German municipality of Brandenburg, which together produce more than 1.2 billion baked goods per year. It produces and sells private label, frozen and ambient bake-off bread products to customers active in food retail and food service across Germany, the Nordics and Poland.

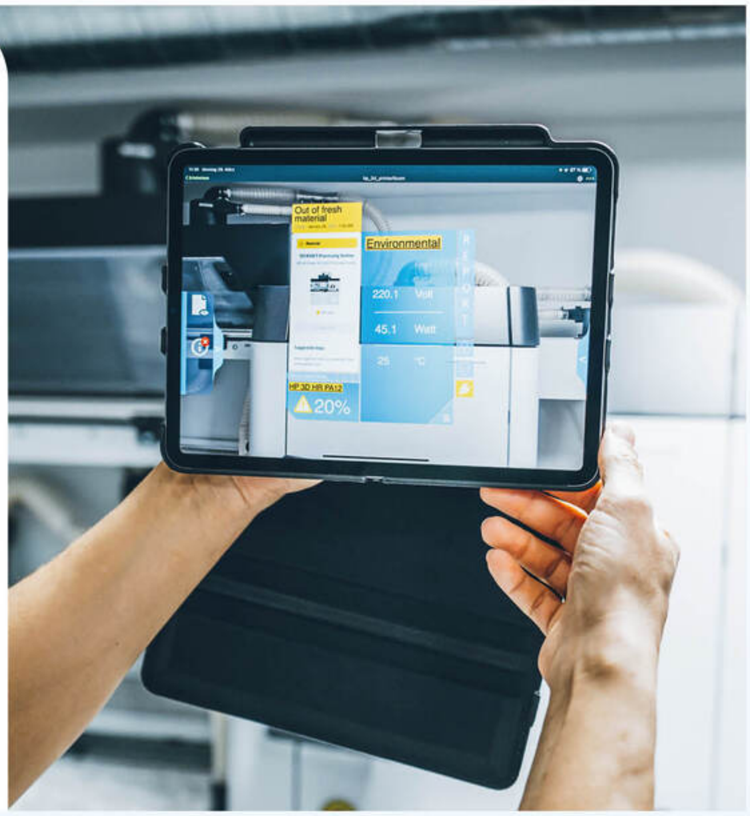
Panelto Foods was founded in 2004 and is headquartered in Ireland. It produces a range of high-quality frozen par-baked breads for major retailers' in-store bakeries across Ireland, the UK and Europe. The company employs around 300 employees across two state-of-the-art bakeries with three production lines, which produce more than 325 million baked goods annually.

For more information
www.europeanbakerygroup.com

Private Equity continued

Case study: Bolt-on acquisition

MAIT's acquisitions of etagis and Quadrix



Since our investment in 2021, MAIT has made seven bolt-on acquisitions, including two in FY2024, proving itself as an active consolidator in a fragmented market.

etagis, headquartered in Germany, is a provider of software solutions for production planning and control. The business was founded in 2005 and has built a network of around 460 customers. This acquisition expands the reach of MAIT's proprietary software.

Quadrix, founded in 1997 in Flawil, Switzerland, is a product lifecycle management software focused sales and implementation partner, with c.570 active clients. The acquisition has strengthened MAIT's position as a leading provider of product lifecycle management solutions in Switzerland.

For more information
www.mait-group.com

Case study: Further investment

ten23 health

ten23 health is a biologics-focused contract development and manufacturing organisation ("CDMO").

In 2021, we adopted an innovative approach in creating a new start up CDMO platform in ten23 health. Swissfillon AG, a drug product fill and finish CDMO located in Visp, was acquired by the platform later that year. The combined business's core service offering includes formulation and drug development, manufacturing for clinical and commercial applications, and testing services for sterile pharmaceutical products.

The business operates across two sites in Visp and Basel, Switzerland, both of which have seen progression across their operational initiatives and capability expansion activities in FY2024. The business is also pursuing a greenfield facility buildout in Visp ("Visp West") to further expand its fill and finish manufacturing and quality control offerings.

Momentum across the business remains strong after ten23 health secured a good pipeline of service and manufacturing programmes. The business is well positioned for another year of growth in 2024.

For more information
www.ten23.health

Private Equity continued

Action performance and valuation

As detailed in the Chief Executive's statement and in the Action case study, Action delivered another year of very strong performance in 2023, and we reflected this in our valuation of Action at 31 March 2024.

At 31 March 2024, Action was valued using its LTM run-rate EBITDA to the end of P3 2024 of €1,848 million, which includes the usual adjustment to reflect stores opened in the last 12 months and one-off expenses of €18.5 million, the majority of which related to a specific net payment to each full-time Action employee in December 2023 to mark Action's 30-year trading anniversary. Action continues to outperform the peers we use to benchmark its performance across its most important KPIs, supporting our valuation multiple of 18.5x net of the liquidity discount (31 March 2023: 18.5x).

Action ended P3 2024 with cash of €558 million and a net debt to run-rate earnings ratio of 2.2x after paying two dividend distributions in FY2024, of which 3i received £375 million.

At 31 March 2024, the valuation of our 54.8% stake in Action was £14,158 million (31 March 2023: 52.9%, £11,188 million) and we recognised unrealised profits from Action of £3,609 million (March 2023: £3,708 million) as shown in Table 2.

Performance (excluding Action)

Excluding Action, the Private Equity portfolio valued on an earnings basis generated £689 million (March 2023: £520 million) of value growth from performance increases, offsetting £368 million of performance decreases (March 2023: £310 million).

Royal Sanders, which operates in the private label and contract manufacturing market for personal care products, was the largest contributor to our Private Equity performance increases (excluding Action) in FY2024. A combination of continued growth of key customers and the benefits of its previous bolt-on acquisitions beginning to manifest resulted in the business delivering strong top-line and earnings growth and cash generation in the year, underscoring its good track record since we invested in 2018. As a result, we have now designated Royal Sanders as a longer-term hold asset, as we continue to support the compounding growth potential of the business. Also operating in the private label space, EBG was another standout performer in FY2024. Following the formation of the combined EBG platform earlier in the year (as shown in investments and realisations activity on page 26), the business is benefitting from an expanded footprint in new geographies and product categories.

MPM saw good top-line growth in 2023, driven primarily by increased volumes across its key markets. The US, now its largest market, continues to see encouraging sales development and there is significant headroom to scale it further, including through the online channel. Audley Travel's reputable brand and customer loyalty continues to support its strong recovery post the pandemic.

Low consumer confidence impacted the home and living category in Luqom's core DACH and Nordic regions in 2023, resulting in financial underperformance. In response, the business has focused on an operational transformation to ensure it is well positioned for improved market conditions. Encouragingly, it has started 2024 with more positive trading. YDEON faced a sustained deterioration of consumer confidence in its markets in 2023, particularly in its core German market. There are some signs of improving performance for YDEON at the start of 2024, albeit the wider market environment remains challenging. Whilst largely outperforming the general furniture market, BoConcept saw softer order intake across most of its regions in 2023. This was partially offset by stabilising input and shipping costs.

Private Equity continued

Across our healthcare portfolio, Cirtec Medical saw strong commercial traction with new wins in 2023, including both production and product development programmes, and has a strong pipeline moving into 2024 that is expected to support continued growth.

Since our initial investment in 2021, we have invested our capital in developing the infrastructure, commercial activities and team expertise of ten23 health. In 2023, the business continued to develop the production and development services capabilities of its Basel and Visp sites, and grew a good pipeline of customer programmes.

Q Medical Devices (Q Holding) performed well in 2023, with strong demand from most of its customers across its business units, and also benefitted from a number of operational initiatives.

Demand for single-use bioprocessing products remained muted across the industry in 2023, as destocking persisted for longer than expected, impacting SaniSure as a participant in this market. Over this period, SaniSure has focused on driving further improvements in its business and processes to position itself for a recovery in demand. Whilst it is difficult to predict when ordering patterns may normalise, we have seen positive momentum in its order book in the first quarter of 2024. SaniSure is well positioned to be an outsized beneficiary of the return to normalised market growth.

AES delivered another year of strong performance in 2023, driven by order volume growth across its global end-markets. The business continued to progress reliability, automation and capacity and completed the bolt-on acquisition of Triseal, an Australian sealing technology provider.

A combination of good demand in personal care products and new customers drove good volume growth in WP in 2023. Weak end-market demand across the consumer DIY and construction markets resulted in soft trading performance for Tato in 2023. The business has, however, benefitted from selling down highly-priced inventory over the year and is now delivering improved margin performance. Tato remains highly cash generative and returned £7 million of dividend income to 3i in the year.

Evernex saw good financial performance in 2023, driven primarily by third-party maintenance sales growth, particularly in southern Europe, North America, the Middle East, Africa and Brazil. The business also secured a significant contract in the US as part of its North American expansion strategy. In January 2024, Evernex completed the bolt-on acquisition of Maminfo in Brazil, enabling the business to deliver its capabilities across all Brazilian states. Also operating in the IT services market, MAIT continues to grow its revenues through a combination of organic growth and M&A. The business completed the acquisitions of etagis and Quadrix in the year, achieving further progress in its buy-and-build strategy.

WilsonHCG continues to operate in a challenging white collar recruitment market, resulting in softer performance across the majority of its end-markets. The business has carefully optimised its resources ensuring that it can service new customer wins in the year, and is ready to scale quickly when market demand returns. arrivia's encouraging post-pandemic recovery and performance in 2023, was somewhat offset by the loss of a significant client at the end of the year. This is expected to impact bookings going forward.

Overall, 93% of the portfolio by value grew LTM adjusted earnings in the year (31 March 2023: 90%). Chart 1 on page 32 shows the earnings growth of our top 20 Private Equity investments.

Table 2: Unrealised profits on the revaluation of Private Equity investments[1] in the year to 31 March

	2024 £m	2023 £m
Earnings based valuations		
Action performance	**3,609**	3,708
Performance increases (excluding Action)	**689**	520
Performance decreases (excluding Action)	**(368)**	(310)
Multiple increases	**68**	38
Multiple decreases	**(107)**	(205)
Other bases		
Sum of the parts	**60**	–
Discounted cash flow	**(13)**	4
Other movements on unquoted investments[2]	**(14)**	4
Quoted portfolio	**(50)**	(13)
Total	**3,874**	3,746

1 Further information on our valuation methodology, including definitions and rationale, is included in the Portfolio valuation – an explanation section.
2 FY2024 includes nexeye valued on an imminent sale basis.

Private Equity continued

Leverage

Our Private Equity portfolio is funded with all-senior debt structures, with long-dated maturity profiles. As at 31 March 2024, 85% of portfolio company debt was repayable from 2027 and beyond.

Across our Private Equity portfolio, term debt is well protected against interest rate rises, with over 70% of total term debt hedged at a weighted average tenor of more than three years. The average all-in debt cost on the total hedged term debt is less than 6.5%.

Average leverage across the portfolio was 2.7x (31 March 2023: 2.5x). Excluding Action, leverage across the portfolio was 3.9x (31 March 2023: 4.0x).

Chart 2 shows the ratio of net debt to adjusted earnings by portfolio value.

Multiple movements

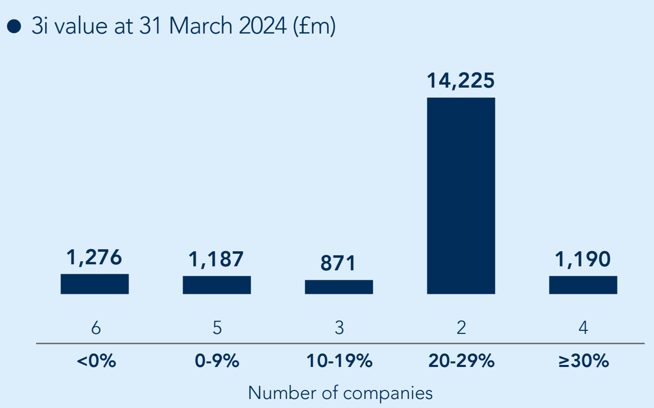
When selecting multiples to value our portfolio companies we take a long-term, through-the-cycle approach and consider a number of factors including recent performance, outlook and bolt-on activity, comparable recent market transactions and exit plans, and the performance of quoted comparable companies. At each reporting date our valuation multiples are considered as part of a robust valuation process, which includes independent challenge throughout, including from our External auditor, culminating in the quarterly Valuations Committee of the Board.

Whilst public equity markets generally recovered in the year to the end of March 2024, we have remained cautious in reflecting this recovery in the valuation multiples we use for our portfolio companies, given the persisting dislocation between quoted equity market multiples and the valuations of private market transactions.

We increased the multiples for three of our portfolio companies in the year to reflect their performance against their respective investment cases and the scaling or professionalising of these businesses, and we adjusted four multiples downwards to reflect private market transaction dynamics, and in some instances, soft performance. In total, we recognised a net £39 million unrealised value reduction from multiple movements in the year (March 2023: £167 million).

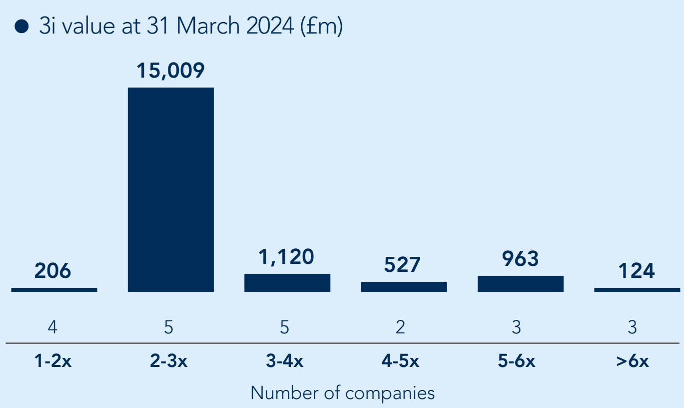
We have made no changes to our approach for the valuation of Action. Action's performance and KPIs continue to compare very favourably in relation to its peer group, which consists of North American and European value-for-money retailers. This supports our post-discount valuation multiple of 18.5x, which is unchanged from the prior year. We take comfort from the fact that Action's continued growth meant that its valuation at 31 March 2023 translated to only 14.4x the run-rate EBITDA achieved one year later. Based on the valuation at 31 March 2024, a 1.0x movement in Action's post discount multiple would increase or decrease the valuation of 3i's investment by £866 million.

Chart 1: Portfolio earnings growth of the top 20 Private Equity[1] investments



1 Includes top 20 Private Equity companies by value excluding ten23 health and nexeye. This represents 96% of the Private Equity portfolio by value (31 March 2023: 96%). Last 12 months' adjusted earnings to 31 December 2023 and Action based on LTM run-rate earnings to the end of P3 2024.

Chart 2: Ratio of net debt to adjusted earnings[1]



1 This represents 91% of the Private Equity portfolio by value (31 March 2023: 92%). Quoted holdings, nexeye, ten23 health and companies with net cash are excluded from the calculation. Net debt and adjusted earnings at 31 December 2023 and Action based on LTM run-rate earnings to the end of P3 2024.

Private Equity continued

Quoted portfolio

Basic-Fit is the only quoted investment in our Private Equity portfolio. In 2023, the business saw 13% growth in its membership numbers and added 202 clubs to its network.

In the 12 months to 31 March 2024, its share price decreased by 43.1% to €20.68 (31 March 2023: €36.32). This price values our 5.7% shareholding in Basic-Fit at £67 million (31 March 2023: £121 million).

Imminent sale

Given the advanced stage of the sale process, we valued nexeye on an imminent sale basis at 31 March 2024, and we agreed the sale of the portfolio company in April 2024.

Sum of the parts

At 31 March 2024, ten23 health was valued on a sum of the parts basis, mainly using a discounted cash flow ("DCF") methodology.

Assets under management

The assets under management of the Private Equity portfolio, including third-party capital, increased to £27.5 billion (31 March 2023: £22.9 billion), primarily due to unrealised value movements in the year.

Private Equity 3i proprietary capital by vintage

The performance of our vintages (Table 4) is driven by our portfolio companies. Action, the only remaining asset in the Buyouts 10-12 Vintage and the primary driver of the Other category, continues to perform very strongly. In the year, we designated Royal Sanders as a longer-term hold Private Equity asset, crystallising the return from Royal Sanders to date within its previous 2016-19 vintage, at a 5.3x sterling money multiple. Royal Sanders now sits in the Other category.

Table 3: Private Equity assets by sector as at 31 March 2024

Sector	Number of companies[1]	3i carrying value 2024 £m
Action (Consumer)	**1**	**14,158**
Consumer	**13**	**2,292**
Healthcare	**4**	**1,262**
Industrial Technology	**6**	**1,107**
Services	**9**	**644**
Software	**3**	**166**
Total	**36**	**19,629**

1 The case count excludes legacy insolvent assets.

Table 4: Private Equity 3i proprietary capital as at 31 March

Vintages	3i proprietary capital value[3] 2024 £m	Vintage money multiple[4] 2024	3i proprietary capital value[3] 2023 £m	Vintage money multiple[4] 2023
Buyouts 2010–2012[1]	**1,389**	**16.0x**	2,968	15.1x
Growth 2010–2012[1]	**22**	**2.1x**	23	2.1x
2013–2016[1]	**788**	**2.5x**	814	2.5x
2016–2019[1]	**1,363**	**1.8x**	1,872	1.8x
2019–2022[1]	**1,743**	**1.6x**	1,524	1.5x
2022-2025[1]	**224**	**1.0x**	228	1.0x
Other[2]	**14,100**	**n/a**	8,996	n/a
Total	**19,629**		16,425	

1 Assets included in these vintages are disclosed in the Glossary.
2 Includes value of £12,769 million (31 March 2023: £8,220 million) held in Action through the 2020 and 2023 Co-investment vehicles and 3i.
3 3i proprietary capital is the unrealised value for the remaining investments in each vintage.
4 Vintage money multiple (GBP) includes realised value and unrealised value as at the reporting date.

Infrastructure

We manage a range of funds investing principally in mid-market economic infrastructure and operational projects in Europe and North America. Infrastructure is a defensive asset class that provides a good source of income and fund management fees for the Group, enhancing the returns on our proprietary capital.

Our Infrastructure portfolio generated a GIR of £99 million or 7% on the opening portfolio value (2023: £86 million, 6%), driven primarily by an increase in the share price of our quoted stake in 3iN, good value growth from our US infrastructure portfolio and dividend income. 3iN's underlying portfolio continues to perform strongly, and it completed follow-on investments in three portfolio companies, two self-funded bolt-on acquisitions and disposed of one asset in the year.

We completed the final close of our North American Infrastructure Fund, and the Fund made one new investment and three bolt-on acquisitions for its existing portfolio companies in the year.

At a glance

Gross investment return

£99m or 7%

(2023: £86m or 6%)

AUM

£6.7bn

(2023: £6.4bn)

Cash income

£113m

(2023: £107m)

Table 5: Gross investment return for the year to 31 March

Investment basis	2024 £m	2023 £m
Realised losses over value on the disposal of investments	**(4)**	–
Unrealised profits on the revaluation of investments	**72**	23
Dividends	**35**	33
Interest income from investment portfolio	**11**	14
Fees payable	**(6)**	–
Foreign exchange on investments	**(9)**	16
Gross investment return	**99**	86
Gross investment return as a % of opening portfolio value	**7%**	6%

Infrastructure continued

Infrastructure acquisitions

New investment: North American Infrastructure Fund

Amwaste

Amwaste, founded in 2010, is a provider of non-hazardous solid waste disposal services in the southeastern US with operations in Alabama, Georgia and Louisiana. It operates eight landfill sites, eight transfer stations and one materials recovery facility.

The company's service offering includes residential and commercial waste collection, landfill and post-collection operations. It serves over 300,000 customers per week including individual homeowners and some of the highest profile industrial, commercial and municipal customers in the southeastern US.

The North American waste and recycling industry generates c.$75 billion in annual revenue with c.456 million tonnes of waste produced per annum in the US alone. Amwaste's vertically integrated platform enables it to efficiently capture and internalise waste volumes, driving margin enhancement and providing a launch pad for future expansion. It has a strong track record of organic growth and significant white space opportunity.

3i invested £32 million in Amwaste in FY2024, as it continues to develop its North American Infrastructure Fund.

For more information
www.amwaste.net

Infrastructure continued

Fund management

3iN

3iN generated a total return on opening NAV of 11.4% for the year to 31 March 2024, exceeding its total return target of 8% to 10% per annum, and delivered its dividend target of 11.9 pence per share, a 6.7% increase on last year.

This result was underpinned by the strong performance of 3iN's portfolio companies, as they continued to benefit from long-term sustainable growth trends. TCR outperformed our expectations for the year due to a number of contract wins, further increasing its global presence and strong utilisation rates of its fleet as air traffic levels continue to grow post the pandemic. Tampnet traded well in the year, driven by the outperformance of its fixed and mobile units and by the delivery of new installations across the North Sea and the Gulf of Mexico. Valorem saw revenues from electricity generation ahead of expectations driven by favourable wind conditions. Other notable contributors include Infinis, Joulz, ESVAGT and Global Cloud Xchange. DNS:NET continues to face challenges with its fibre network roll out in Germany resulting in weaker performance in the year.

During the year, 3iN completed the realisation of Attero for proceeds of €214 million, a 31% uplift on opening value. 3iN also completed follow on investments in Future Biogas, DNS:NET and Ionisos and a bolt-on acquisition for both TCR and Tampnet, both of which required no further investment.

As investment manager to 3iN, in FY2024, we recognised a management and support services fee of £51 million (2023: £49 million) and a NAV-based performance fee of £41 million (2023: £35 million). This performance fee comprised a third of the potential performance fee for each of FY2024, FY2023 and FY2022, after the performance hurdle was met in each year. In addition, we received a performance fee of £21 million on the realisation of Attero from managed funds that invested alongside 3iN.

North American Infrastructure Fund

Our North American Infrastructure Fund completed its final close in December 2023, with final commitments of $739 million. As part of this process, we received further external commitments during the year, which resulted in a pro-rata rebalancing of existing fund holdings, resulting in proceeds to 3i of £22 million.

The Fund completed a £32 million new investment in Amwaste, a provider of non-hazardous solid waste disposal services in the southeastern region of the US. Regional Rail continued its growth via new customer additions and bolt-on activity, with the acquisitions of Indiana Eastern Railroad, Ohio South Central Railroad and Clinton Terminal Railroad, adding over 100 miles of freight rail to the platform. Freight load traffic across Regional Rail's existing railroads continued to grow. EC Waste saw good performance from its landfill and transfer stations and, the business completed the acquisition of a further landfill site in Puerto Rico in the year.

Assets under management

Infrastructure AUM increased to £6.7 billion (2023: £6.4 billion), principally due to an increase in the share price of 3iN and good performance across our US infrastructure portfolio and 3i Managed Infrastructure Acquisitions Fund ("3i MIA").

During the year, we agreed to sell our operational projects infrastructure fund capability, comprising the management of the BIIF and 3i EOPF funds, to certain members of the 3i Infrastructure team, with the aim of simplifying 3i's Infrastructure business and facilitating its focus on core-plus infrastructure. At 31 March 2024, this represented total AUM of £796 million. The sale is expected to complete shortly. There is no material impact to 3i Group's net assets or return from this transaction.

Table 6: Assets under management as at 31 March 2024

Fund/strategy	Close date	Fund size	3i commitment/ share	Remaining 3i commitment	% invested[3] at 31 March 2024	AUM £m	Fee income earned in 2024 £m
3iN[1]	Mar-07	n/a	£879m	n/a	**n/a**	**3,011**	**51**
3i Managed Infrastructure Acquisitions LP	Jun-17	£698m	£35m	£5m	**87%**	**1,399**	**4**
3i managed accounts	various	n/a	n/a	n/a	**n/a**	**689**	**4**
BIIF[4]	May-08	£680m	n/a	n/a	**91%**	**437**	**3**
3i North American Infrastructure Fund	Dec-23[2]	US$739m	US$300m	US$85m	**75%**	**541**	**3**
3i European Operational Projects Fund[4]	Apr-18	€456m	€40m	€4m	**87%**	**359**	**3**
US Infrastructure	Nov-17	n/a	n/a	n/a	**n/a**	**306**	**–**
3i India Infrastructure Fund	Mar-08	US$1,195m	US$250m	n/a	**73%**	**–**	**–**
Total						**6,742**	**68**

1 AUM based on the share price at 31 March 2024.
2 First close completed in March 2022. Final close completed in December 2023.
3 % invested is the capital deployed into investments against the total Fund commitment.
4 Fee income earned is non-recurring.

Infrastructure continued

3i's proprietary capital infrastructure portfolio

The Group's proprietary capital infrastructure portfolio consists of its 29% quoted stake in 3iN, its investment in Smarte Carte and direct stakes in other managed funds.

Quoted stake in 3iN

Our 29% stake in 3iN (31 March 2023: 29%) was valued at £879 million (31 March 2023: £841 million) at 31 March 2024, as its share price increased by 4% year-on-year to 327 pence (31 March 2023: 313 pence). As a result, we recognised an unrealised gain of £38 million (2023: unrealised loss of £93 million) and £31 million of dividend income (2023: £29 million).

North American Infrastructure proprietary capital

Smarte Carte traded well in 2023 across most of its business lines, supported by favourable economics and new contract wins. The business continues to grow its international presence, recently signing a new carts contract at London Heathrow Airport, one of the largest cart operations in the world with over 14,000 trolleys. At 31 March 2024, Smarte Carte was valued at £306 million on a DCF basis (31 March 2023: £300 million).

Table 7: Infrastructure portfolio movement for the year to 31 March 2024

Investment	Valuation	Opening value at 1 April 2023 £m	Investment £m	Disposals at opening book value £m	Unrealised profit £m	Other movements[1] £m	**Closing value at 31 March 2024 £m**
3iN	Quoted	841	–	–	38	–	**879**
Smarte Carte	DCF	300	–	–	7	(1)	**306**
North American Infrastructure Fund[2]	DCF	171	36	(26)	20	(2)	**199**
3i MIA	Fund	65	–	–	6	–	**71**
3i EOPF	Fund	32	–	–	1	–	**33**
Total		1,409	36	(26)	72	(3)	**1,488**

1 Other movements include foreign exchange.
2 Includes Regional Rail, EC Waste and Amwaste.

Scandlines

Scandlines is held for its ability to deliver long-term capital returns, whilst generating cash dividends.

Performance

Scandlines' performance was stable in the year, and it generated a GIR of £10 million, or 2% of opening portfolio value (2023: £52 million, 10%).

Leisure volumes continued to grow, following a strong peak over the summer. Freight volumes were softer compared to record levels in 2022, as a result of normalising demand, and a weaker macro-economic environment particularly in Scandinavia and Germany. The business remained cash generative in the year, resulting in the receipt of £25 million of dividend income in FY2024 (2023: £38 million).

Scandlines continues to invest in upgrading its fleet and reducing its emissions. A new freight ferry for the Rødby-Puttgarden route, which will be capable of sailing without direct emissions when fully operating on electricity, is in the later stages of construction.

We continue to value Scandlines on a DCF basis and, at 31 March 2024, its value of £519 million (31 March 2023: £554 million) reflected the dividends received in the year and a degree of caution on the outlook.

Foreign exchange

We hedge the balance sheet value of our investment in Scandlines. We recognised a £15 million loss on foreign exchange translation (March 2023: gain of £21 million) offset by a £20 million fair value gain (March 2023: loss of £7 million) from derivatives in our hedging programme.

Table 8: Gross investment return for the year to 31 March

Investment basis	2024 £m	2023 £m
Unrealised losses on the revaluation of investments	(20)	–
Dividends	25	38
Foreign exchange on investments	(15)	21
Movement in fair value of derivatives	20	(7)
Gross investment return	**10**	52
Gross investment return as a % of opening portfolio value	**2%**	10%

At a glance

Gross investment return

£10m or 2%

(2023: £52m or 10%)

Dividend income

£25m

(2023: £38m)