



# Annual General Meeting

30 June 2016



**Simon Thompson**  
Chairman



# The Board of Directors and General Counsel





2016 has delivered another robust result which demonstrates the value of our clear, consistent strategy and disciplined approach to investment.

# FY2017: good progress against all KPIs



Group		Private Equity	Infrastructure	Debt Management
Total return on equity	Full year dividend per share	Private Equity realisation proceeds	Infrastructure realisation proceeds	Debt Management AUM raised
22%	22p	£743m	£51m	£1.5bn
NAV per share	Operating cash profit	Private Equity cash invested	Infrastructure operating cash income	Debt Management fee income
463p	£37m	£365m	£49m	£38m

# FY2016 total dividend of 22p per share



## 2012 policy track record

	2014	2015	2016
Base	8.1p	8.1p	8.1p
Additional	11.9p	11.9p	13.9p
	20.0p	20.0p	<b>22.0p</b>
% realised cash proceeds	21%	23%	<b>27%</b>

**Interim dividend of 6 pence. Final dividend of 16 pence**



- Base dividend increased from 8.1 pence to 16 pence per share
- Additional dividend dependent on net divestment and balance sheet, rather than formula, provided that
  - Gearing <20%
  - Gross debt <£1bn

**Confidence in future outlook underpins new dividend policy**



# Simon Borrows





# Progress reflected in materially stronger and stable financial performance



		Year to 31 Mar 2016	Year to 31 Mar 2015	Year to 31 Mar 2014	Year to 31 Mar 2013	Year to 31 Mar 2012
<b>Group</b>	Total return % over opening net asset value	<b>£824m</b> <b>21.7%</b>	£659m 19.9%	£478m 16.3%	£373m 14.2%	£(656)m (19.5)%
	Dividend per share (base/additional)	<b>8.1p/13.9p</b>	8.1p/11.9p	8.1/11.9p	8.1p	8.1p
	Diluted NAV per share	<b>463p</b>	396p	348p	311p	279p
	Operating expenses	<b>£134m</b>	£131m	£136m	£170m	£180m
<b>Proprietary Capital</b>	Realisation proceeds	<b>£796m</b>	£841m	£677m	£606m	£771m
	Uplift over opening book value <sup>1</sup>	<b>£70m/13%</b>	£145m/27%	£191m/45%	£195m/51%	£23m/3%
	Cash investment	<b>£453m</b>	£474m	£337m	£149m	£464m
	Gross investment return	<b>£1,069m</b>	£805m	£665m	£598m	£(429)m
	3i portfolio value	<b>£4,497m</b>	£3,877m	£3,565m	£3,295m	£3,204m
	Net cash/(debt)	<b>£165m</b>	£49m	£(160)m	£(335)m	£(464)m
<b>Fund Management</b>	Total AUM	<b>£13,999m</b>	£13,474m	£12,911m	£12,870m	£10,493m
	Third-party fee income	<b>£79m</b>	£80m	£76m	£71m	£89m

<sup>1</sup> Excludes refinancings



## Strong return for the year

- **£1,011m** gross investment return
- **32%** of opening book value

## Resilient portfolio performance

- **17%** weighted average earnings growth
- Limited direct exposure to oil & gas and commodities

## Good quality new investment

- **£365m** proprietary capital invested
- **Three** new investments

## Continuing to realise assets at good returns

- **£743m** gross realisation proceeds
- **12** full realisations

# Private Equity

A portfolio weighted towards our better assets



	The buckets	Selected examples	% of value	
			FY2016	FY2015
1	Longer-term hold and value creation	Action, Scandlines, Audley Travel	c.62%	c.60%
2	Strong performers; performing in line with investment case	Q Holding, Aspen Pumps, Euro-Diesel, Weener Plastic	c.22%	c.15%
3	Manage intensively; potential value upside	Mémora, Etanco, Lekolar, Hobbs	c.10%	c.15%
4	Low or nil-valued assets	Indiareit, Siro	0.3%	c.1%
5	Quoted assets	Quintiles, Refresco Gerber, Eltel	c.5%	c.9%

**47 portfolio companies and 5 quoted stakes at 31 March 2016, down from 61 portfolio companies and 4 quoted holdings at start of FY2016**

# Private Equity

## FY13+ vintages are performing well



Investment	Financial year invested	Country	Sector	Total cost (£m)
Geka	FY13	Germany	Industrials	57
Scandlines (further)	FY13	Denmark/Germany	Transport	77
JMJ	FY14	US	Business Services	42
ATESTEO (GIF)	FY14	Germany	Business Services	77
Basic-Fit	FY14	Benelux	Consumer	81
Dynatect	FY15	US	Industrials	65
Aspen Pumps	FY15	UK	Industrials	64
Q Holding	FY15	US	Industrials	100
Christ	FY15	Germany	Consumer	99
Weener Plastic	FY16	Germany	Industrials	144
Euro-Diesel	FY16	Benelux	Industrials	52
Audley Travel	FY16	UK	Consumer	156
<b>Total</b>				<b>1,014</b>

**Aggregate  
MM of 1.3x  
compares well  
with 2013  
vintage  
European  
PE funds\***

\* Source: Preqin

# Private Equity

## Key value drivers: Action



- Strong results to December 2015
  - sales up 32% year-on-year to €2bn
  - LFL sales growth of 7.6%
  - operating EBITDA up 36% year-on-year to €226m
  - Similar growth trajectory expected for 2016
- Due to expected growth and third-party interest in the business, value of 3i's direct investment in Action increased to £1,464m after liquidity discount at 30 June 2016, implying
  - post-discount EBITDA multiple of 18.2x applied to run-rate earnings as at 31 March 2016
  - post-discount EBITDA multiple of <15x earnings as at 31 December 2016 assuming current growth trajectory





Contributing to capital and income returns

- £47m gross investment return, or 8% of opening book
- £49m cash income
- £51m proceeds from 3iN special dividend

Good momentum in investment activity in 3iN

- advised 3iN on four new investments or commitments, totalling £193m
- c.£233m committed since the year end to investments in WIG, TCR and Hart van Zuid

Using our balance sheet to grow 3iN further

- 3iN raised £385m in new equity
- 3i contributed *pro rata* to its shareholding



Continued growth in AUM despite difficult markets

- Four new CLOs issued in the US and Europe
- £1.3bn new CLO AUM raised
- Total AUM of £8.1bn

Leveraging strong balance sheet to diversify product offering

- Seeded \$75m to the Global Income Fund, which reached AUM of \$188m
- US Senior Loan fund AUM now at \$178m

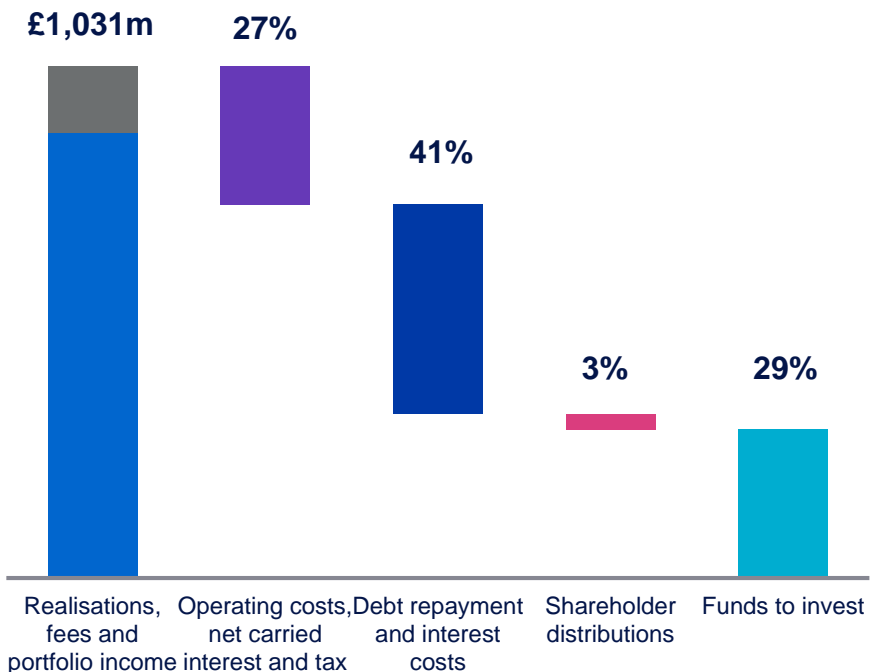
Good contribution to operating cash profit

- £38m fee income
- £35m portfolio income, underlying portfolio performance remains sound

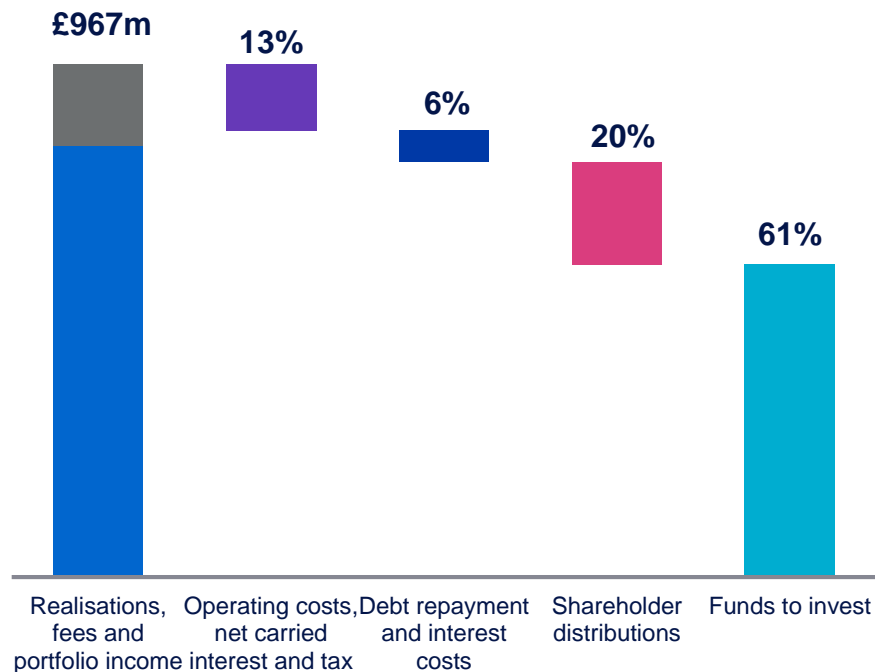
# Continuing to improve capital efficiency and allocation



Average over FY10-FY12



Year to 31 March 2016





# Our strategic objectives



1 Grow investment portfolio earnings

2 Realise investments with good cash-to-cash returns

3 Maintain an operating cash profit

4 Use our strong balance sheet

5 Increase shareholder distributions



# The Resolutions





- 18 resolutions
- Normal annual business

## AGM poll card

The Board recommends you vote FOR resolutions 1 to 18

Resolutions	For	Against	Abstain
1 To receive and consider the Company's Accounts for the year to 31 March 2016 and the Directors' and Auditor's reports.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 To approve the Directors' remuneration report for the year to 31 March 2016.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 To declare a dividend.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 To reappoint Mr J P Asquith as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 To reappoint Mrs C J Banszky as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 To reappoint Mr S A Borrows as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 To reappoint Mr P Grosch as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 To reappoint Mr D A M Hutchison as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 To reappoint Mr S R Thompson as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 To reappoint Ms M G Verluyten as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 To reappoint Mrs J S Wilson as a Director of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 To reappoint Ernst & Young LLP as Auditor of the Company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolutions	For	Against	Abstain
13 To authorise the Board to fix the Auditor's remuneration.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 To renew the authority to incur political expenditure.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 To renew the authority to allot shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16 To renew the section 561 authority.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17 To renew the authority to purchase own ordinary shares.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18 To resolve that General Meetings (other than AGMs) may be called on not less than 14 clear days' notice.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Signature



1. “That the Company’s Accounts for the year to 31 March 2016, the Directors’ report and the Auditors’ report on those Accounts, on the Directors’ report and on the auditable part of the Directors’ remuneration report be and they are hereby received and considered”
2. “That the Directors’ remuneration report in the form set out in the Company’s Annual report and accounts for the year to 31 March 2016 be and is hereby approved”
3. “That a final dividend of 16p per ordinary share be and it is hereby declared, payable to those shareholders whose names appear on the Register of Members at close of business on 17 June 2016”



4. “That Mr J P Asquith be and he is hereby reappointed as a Director of the Company”
  
5. “That Mrs C J Banzky be and she is hereby reappointed as a Director of the Company”
  
6. “That Mr S A Borrows be and he is hereby reappointed as a Director of the Company”
  
7. “That Mr P Grosch be and he is hereby reappointed as a Director of the Company”



8. “That Mr D A M Hutchison be and he is hereby reappointed as a Director of the Company”
9. “That Mr S R Thompson be and he is hereby reappointed as a Director of the Company”
10. “That Ms M G Verluyten be and she is hereby reappointed as a Director of the Company”
11. “That Mrs J S Wilson be and she is hereby reappointed as a Director of the Company”

## Resolutions 12 - 15



12. “That Ernst & Young LLP be and they are hereby reappointed as Auditors of the Company to hold office until the conclusion of the next General meeting at which Accounts are laid before the members”
13. “That the Board be and it is hereby authorised to fix the Auditors’ remuneration”
14. To renew the authority to incur political expenditure
15. To renew the Directors’ authority to allot shares





16. To renew the Directors' authority to allot shares for cash
17. To renew the Company's authority to purchase its own ordinary shares
18. "That a General Meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice"

