

Business review

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Private Equity

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

In the year to 31 March 2023, our Private Equity portfolio delivered a GIR of £4,966 million, or 40%, on the opening portfolio value (2022: £4,172 million or 47%) and the portfolio value increased to £16,425 million (31 March 2022: £12,420 million). This result was driven predominantly by Action's very strong performance in FY2023, as well as by a good contribution from a number of our other assets operating in the value-for-money and private label, healthcare, industrial technology, and business and technology services sectors that have responded well to, and so far largely mitigated, high inflation, increased energy prices and interest rates and weaker consumer sentiment. We recognised a material unrealised value decline in two of our discretionary consumer portfolio companies, as a result of weaker trading and of the derating of external peers.

In FY2023, we made four new investments and continued to implement our buy-and-build strategy, completing 11 bolt-on acquisitions, three of which required additional funding from 3i. We ended the year as net divestors, with significant proceeds achieved from realisations and portfolio income. Average leverage across the portfolio remains low at 2.5x, or 4.0x excluding Action and our Private Equity portfolio is funded with all senior debt structures, with long-dated maturity profiles. The recent banking disruption has had no impact on our portfolio to date.

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	2023 £m	2022 £m
Realised profits over value on the disposal of investments	169	228
Unrealised profits on the revaluation of investments	3,746	3,545
Dividends	345	331
Interest income from investment portfolio	77	73
Fees receivable	7	6
Foreign exchange on investments	493	(11)
Movement in fair value of derivatives	129	–
Gross investment return	4,966	4,172
Gross investment return as a % of opening portfolio value	40%	47%

At a glance

Gross investment return

**£4,966m
or 40%**

(2022: £4,172m or 47%)

Cash investment

£381m

(2022: £457m)

Realised proceeds

£857m

(2022: £684m)

Portfolio dividend income

£345m

(2022: £331m)

Portfolio growing earnings

90%¹

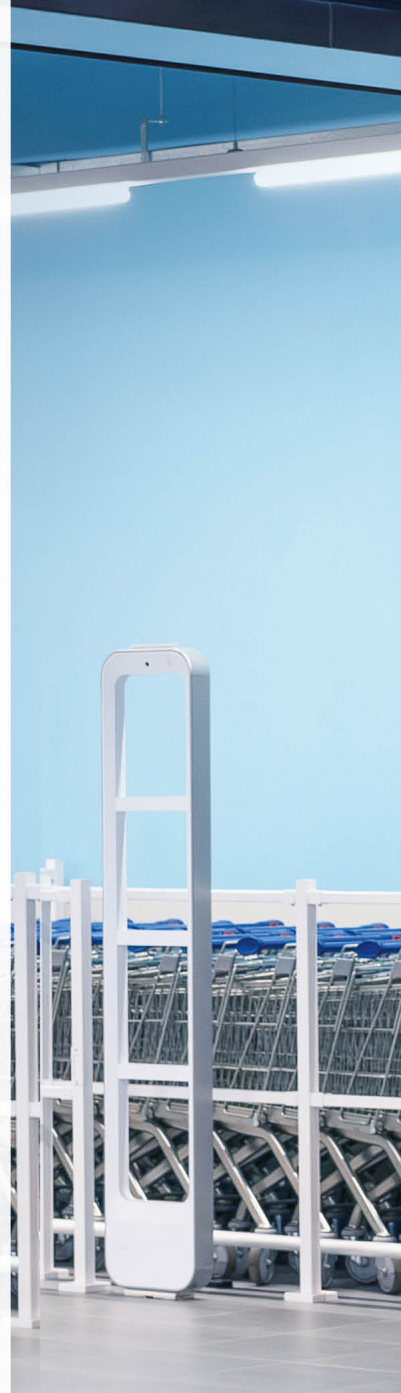
(2022: 93%)

Portfolio value

£16,425m

(2022: £12,420m)

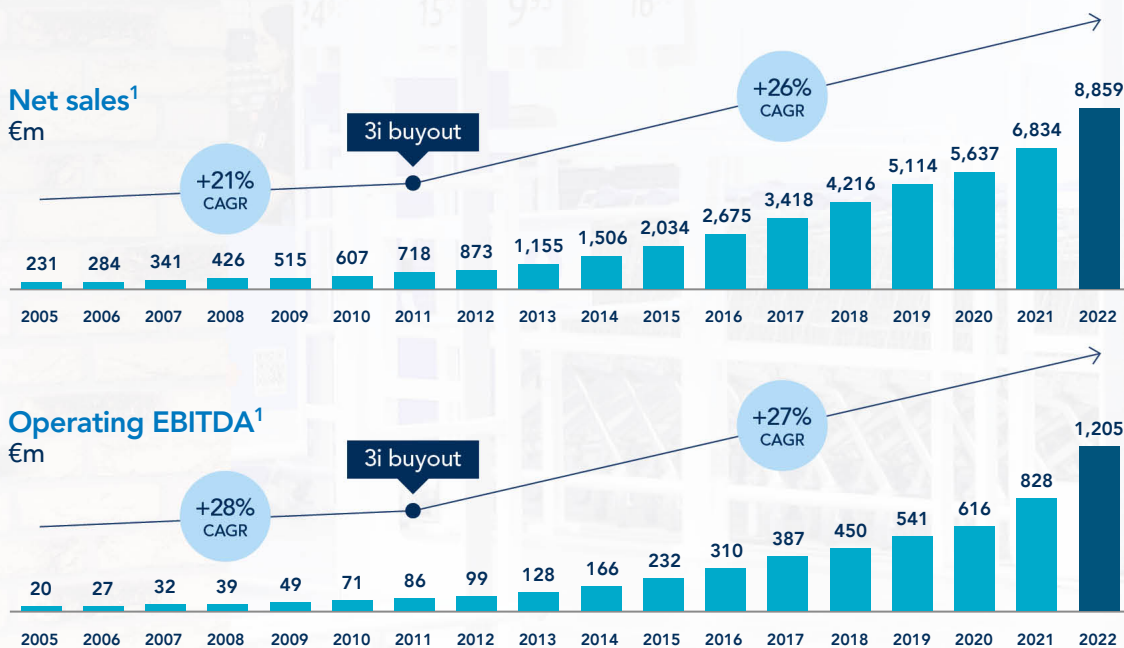
¹ LTM adjusted earnings to 31 December 2022. Includes 31 portfolio companies.



Action

Investing in good businesses to make them great

Action, our largest portfolio company, was founded 30 years ago with one store in the Netherlands and is now the fastest growing non-food discount retailer in Europe. Action's unique customer value proposition of quality products, surprise assortment and low prices attracted 15 million customers per week into its stores in 2022.



Source: Company information
¹ Including impact of 53rd week



Private Equity continued

Action has a simple, efficient and scalable operating model. It offers 6,000 products across 14 different categories with a focus on quality and low prices. Action’s surprising assortment consists of daily essentials, seasonal products, home and garden, and hobbies. Two-thirds of Action’s assortment changes frequently, as Action introduces 150 new articles every week. Selling at the lowest price is central to Action’s business model with an average price of €2.20 and over 1,700 products below €1.

International store roll-out

2022 was another record year for store openings as Action added 280 new stores. In Action’s largest market, France, 73 new stores were added, with a further 81 stores in Poland, 46 stores in Germany, 23 stores in the Czech Republic, 15 stores in Austria, nine in Belgium and Luxembourg and seven in the Netherlands. In Italy and Spain, its newly entered markets, Action opened 21 and five stores respectively. Action entered its 11th market in March 2023, opening its first stores in Slovakia, and is planning its first store opening in Portugal in 2024.

Number of stores
at 31 December



Supply chain infrastructure

Action continued to enhance its supply chain infrastructure, opening a new hub in Le Havre, France in June 2022, enabling the business to further improve deliveries to its French DCs. Action plans to open a further two DCs in 2023 and one in 2024.

Scale economies shared

Action’s commitment to offer the best value proposition for its customers is fundamental to its business model and strategy. It is able to share scale economies with its customers because of its large-scale sourcing and procurement, its optimal storage and distribution and expansive store network.

» FOR MORE INFORMATION
www.action.com

Private Equity continued

People

Action employs c.60,000 people directly and c.20,000 indirectly, representing 136 different nationalities. Action's people are a key pillar to its overall strategy and the business continues to invest in the ongoing development of its employees, driving over 2,600 internal promotions in 2022.

Digital

Action's digital presence continues to grow and it now connects with its customers via its website, newsletters, social media, as well as the Action app. Its website receives 6.5 million visitors per week. Its app was visited weekly 650,000 times in 2022 and is available in the Netherlands, Spain, France and Belgium with plans to roll out across the remaining Action geographies. Action's webshop pilot is operating well. The webshop, currently available only in the Netherlands, sells a reduced assortment of over 150 higher priced items. The results have been encouraging and Action plans to roll out the initiative in Belgium in the current calendar year.



Partnership

In the last 12 months, Action donated €1 million to UNICEF and the Dutch Red Cross to support people affected by the earthquake in Turkey and Syria and held a charity event at its biggest distribution centre in Zwaagdijk, the Netherlands, where over €200,000 was raised for the Princess Máxima Center.

Sustainability

Action has an ambitious Sustainability Programme, with targets across a number of environmental and social indicators.

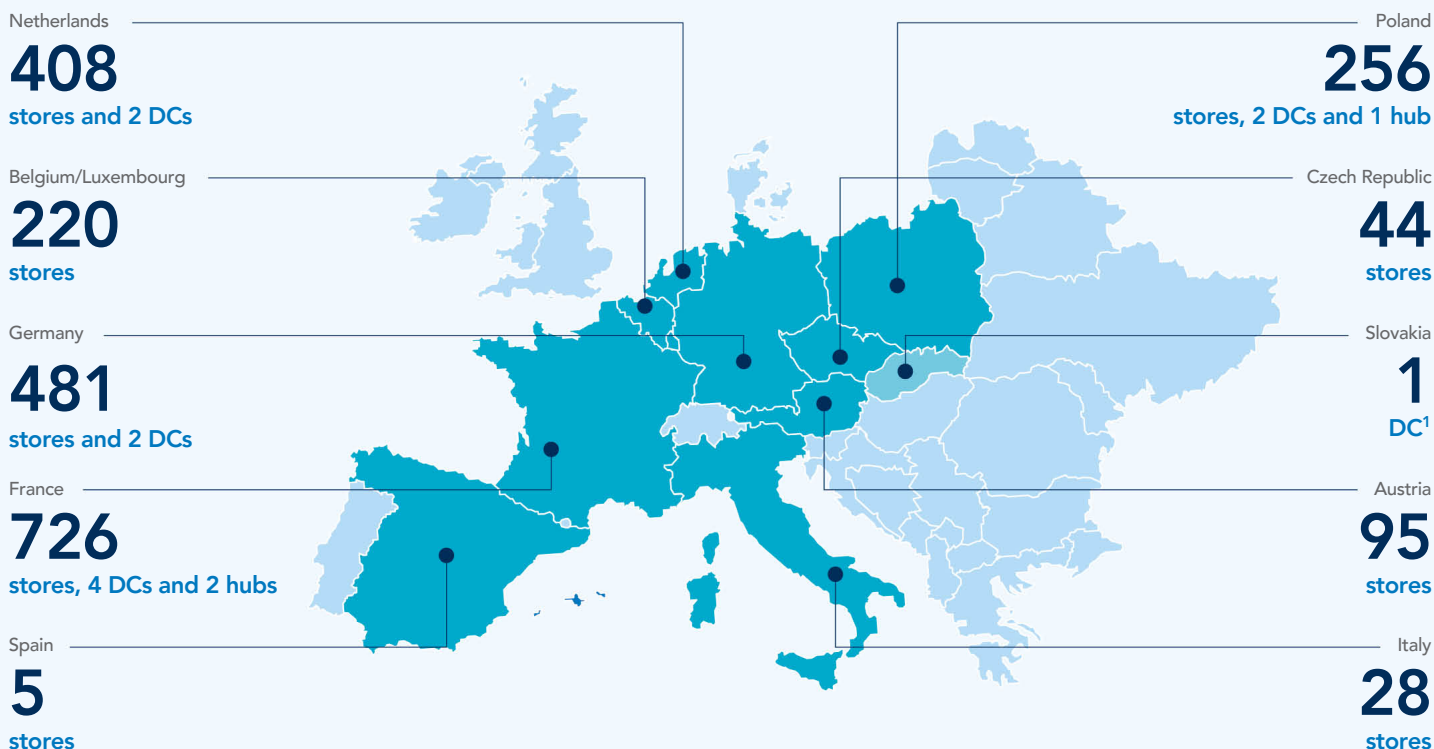
It achieved significant progress against a number of its targets in 2022. Notably, it achieved 100% supply chain transparency and 100% recyclable packaging in its private label products. It also achieved a 40% reduction in Scope 1 and 2 emissions in 2022 from its 2021 baseline and 85% of its stores are now disconnected from the gas grid.

We have set out further information on Action's ambitious sustainability agenda on pages 46 and 47 in the Sustainability section of this report.

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

Geographical spread of stores, DCs and hubs

at 31 December 2022



1 Action opened three stores in Slovakia in March 2023 and therefore has stores in 11 countries

Private Equity continued

Investment activity

Across the US and European markets, private equity investment activity trended downwards in 2022, having reached near record levels in 2021. The significant deceleration from the second half of the year was driven by persistent macroeconomic headwinds and less supportive debt markets with pricing expectations that were difficult to align. Against this backdrop, we remained selective and disciplined in deploying our capital, investing £221 million in four new portfolio companies. All four of these investments were completed in the first half of FY2023.

We invested £94 million in **xSuite**, an accounts payable invoice automation software provider, and £30 million in **Digital Barriers**, a provider of unique video compression technology. These investments offer 3i exposure to their unique technology and high-growth end markets and both are transitioning to a subscription-based model. We also completed the £37 million investment in **VakantieDiscounter**, a highly scalable, technology-driven travel business with a value-for-money offering that is benefiting from the recovery of the travel market, as well as the £60 million investment in **Konges Sløjde**, a premium baby and child apparel and accessories business with an established international footprint that has significant scalability potential in a highly fragmented market.

Our buy-and-build strategy remains an integral part of our approach to value creation and, in FY2023, our portfolio companies completed 11 bolt-on acquisitions. We invested £63 million to support three bolt-on acquisitions for **Luqom**, **arrivia** and **WilsonHCG**, whilst the remaining eight bolt-on acquisitions completed in the year were funded by the portfolio companies' own balance sheets.

Two of the bolt-on acquisitions involved carving out elements of **Q Holding**, an existing portfolio company, with **SaniSure** acquiring Q Holding's Twinsburg site and **Cirtec Medical** acquiring Q Holding's Precision Components. Further details of selected portfolio bolt-on acquisitions are set out on pages 32 and 33.

In addition, we continued to develop **ten23 health** with a further investment of £36 million and used our capital to support two portfolio companies through challenging trading conditions, with a further investment of £14 million in **YDEON** and of £11 million in **Formel D**.

In March 2023, we completed a transaction to provide liquidity for existing external investors in **Action** who are invested via our 3i 2020 Co-investment Programme. As part of this transaction, we invested £30 million to purchase an additional small stake in Action from this Programme at the December 2022 net asset value, increasing our equity stake from 52.7% to 52.9%. At the same time, we crystallised a portion of the outstanding carried interest liability in relation to Action. For further information, see page 70.

In total, in the year to 31 March 2023, our Private Equity team invested £381 million across new, bolt-on and further investments.

Digital Barriers

Digital Barriers, headquartered in the UK with offices across the US and Europe, is a leading provider of Internet of Video Things ("IoVT") and video compression technology.

Its unique video compression technology allows live streaming over low-bandwidth environments, including cellular body worn cameras, and an ever-growing set of commercial applications. Its cloud-based, video management platform is the only such platform that works as effectively on cellular networks as on fixed networks. It provides an end-to-end solution incorporating a wide range of AI-based operational, safety and business intelligence analytics.

The company has been a trusted partner to leading law enforcement, intelligence and defence agencies around the world for many years and continues to serve this market.

£30m
3i new investment
in FY2023



» FOR MORE INFORMATION
www.digitalbarriers.com

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Our thematic approach

Private Equity continued

	Portfolio company		Business description	Date	Proprietary capital investment £m
New investment	Digital Barriers		Provider of unique video compression technology	August and December 2022	30
	Konges Sløjd		Premium brand offering apparel and accessories for babies and children	August 2022	60
	VakantieDiscounter		Online travel agency in the Benelux focused on affordable holidays	August 2022	37
	xSuite		Accounts payable process automation specialist focused on the SAP ecosystem	August 2022	94
	Total new investment				221
Further investment to finance portfolio bolt-on acquisitions	Portfolio company	Name of acquisition	Business description of bolt-on investment	Date	Proprietary capital investment £m
	Luqom	Brumberg	B2B manufacturer and distributor of luminaries and lighting products	June 2022	34
	arrivia	RedWeek	Online timeshare marketplace	September 2022	23
	WilsonHCG	Personify	Provider of recruitment processing outsourcing services	January 2023	6
	Total further investment to finance portfolio bolt-on acquisitions				63
Further investment to support portfolio companies	Portfolio company		Business description	Date	Proprietary capital investment £m
	YDEON		Online retailer of garden buildings, sheds, saunas and related products	December 2022	14
	Formel D		Quality assurance provider for the automotive industry	November 2022	11
	Total further investment to support portfolio companies				25
Other investment	Portfolio company	Type	Business description	Date	Proprietary capital investment £m
	ten23 health	Further	Pharmaceutical product CDMO	Various	36
	Action	Further	General merchandise discount retailer	March 2023	30
	Luqom	Further	Online specialist lighting retailer	Various	5
	Other	Further	Various	Various	1
Total other investment				72	
Total FY2023 Private Equity gross investment					381

	Portfolio company	Name of acquisition	Business description of bolt-on investment	Date
Private Equity portfolio bolt-on acquisitions funded by the portfolio company balance sheets	MAIT	Nittmann & Pekoll	Austrian abas ERP partner	June 2022
	Evernex	XS International	Specialist in a suite of IT lifecycle services and IT hardware lifecycle support	September 2022
	Evernex	Integra	Provider of IT maintenance and cloud services	September 2022
	AES	Vibtech Analysis	Reliability service provider	October 2022
	SaniSure	Twinsburg	Silicone extrusion business	December 2022
	Cirtec Medical	Precision Components	Elastomeric solutions provider in the medical device outsourcing market	January 2023
	AES	DATUM RMS	Reliability and vibration monitoring service provider	January 2023
	Dutch Bakery	Trade Factory	Supplier of bapao buns	February 2023

Private Equity continued

Konges Sløjd

Konges Sløjd is a premium international lifestyle brand offering child products through both direct-to-consumer e-commerce and third-party distribution. Headquartered in Copenhagen, Denmark, it sells its products through its own webshop and in over 1,000 retailers globally.

Founded in 2015, Konges Sløjd designs, sources, and markets high-quality, branded children's clothing, accessories, home products and toys in more than 50 countries.

All products are created in-house, with handmade graphical elements and timeless designs.

Its products are recognised for being made with quality materials and designed to be durable, to be passed from one child to another, and it is Global Organic Textile Standard, OEKO-TEX and Forest Stewardship Council certified.

The company is growing well and has a highly-engaged consumer community with over 400,000 followers on Instagram. It is well placed at the convergence of the fast-growing premium and affordable luxury segments and will accelerate its development internationally in Europe, Asia and the US.

£60m

3i new investment in FY2023

» FOR MORE INFORMATION
www.kongessloejd.com

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Our thematic approach

Private Equity continued

VakantieDiscounter

VakantieDiscounter is a leading, technology-enabled online travel agency in the Benelux focused on affordable holidays.

Through its own pre-packaged holidays and third-party providers, VakantieDiscounter offers more than 1.3 billion holiday package combinations in over 50 countries with more than 17,000 accommodation options. Its broad package offering and value-for-money focus has created a winning proposition which has grown market share quickly and attracted a large, diverse customer base since its foundation in 2000.

VakantieDiscounter is a scalable, technology-driven business with a strong position in the market.

3i's investment will help ensure the company has the necessary resources to continue its long-term track record of growth.

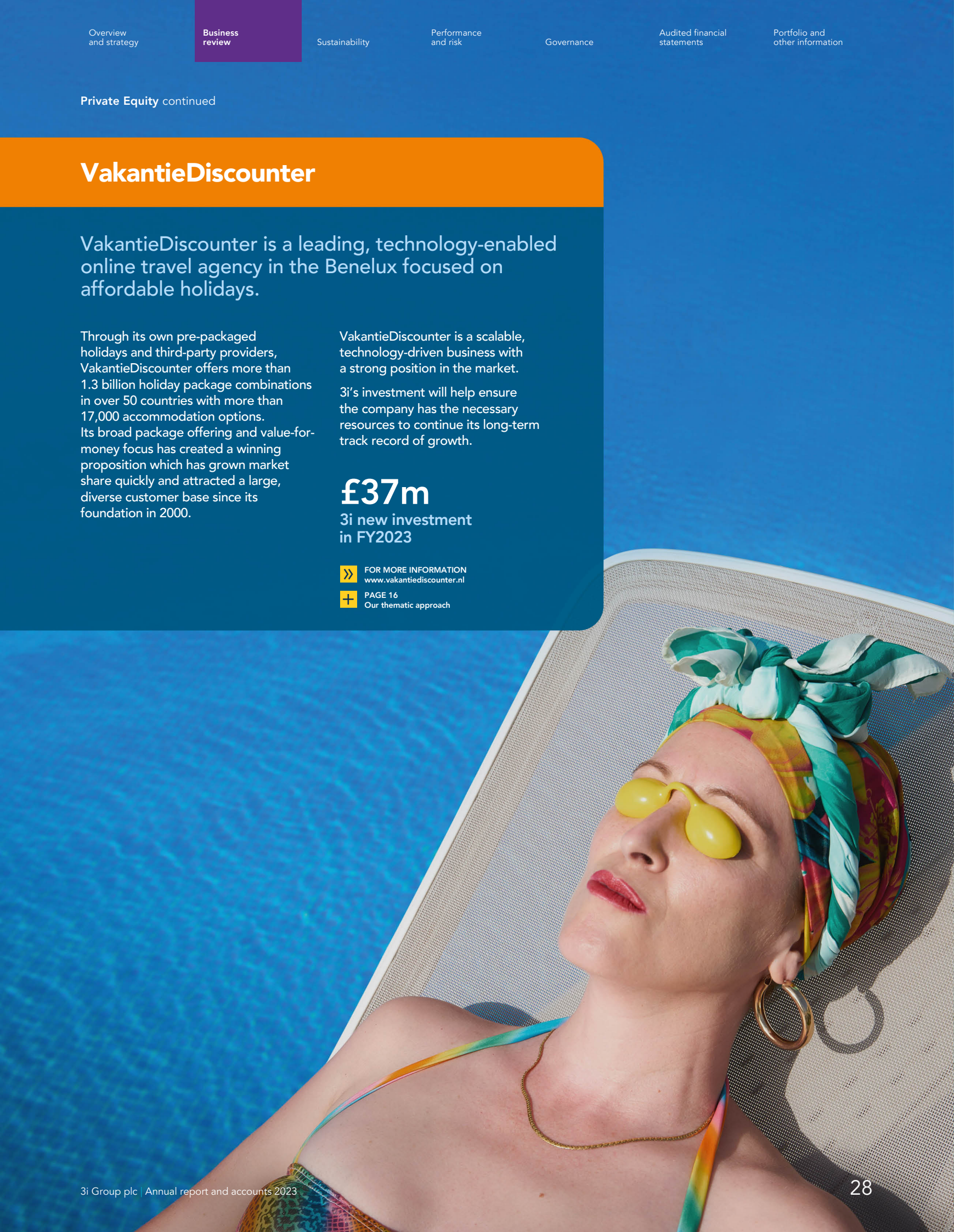
£37m

3i new investment
in FY2023

» FOR MORE INFORMATION
www.vakantiediscounter.nl

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Our thematic approach



Private Equity continued

xSuite

xSuite, headquartered in Ahrensburg, Germany and founded in 1994, is a leading accounts payable process automation specialist focused on the SAP ecosystem.

£94m

3i new investment in FY2023

It specialises in software applications for Accounts Payable Invoice Automation ("APIA"), enabling customers to digitalise, streamline and automate invoice processing.

It has over 230 employees in Germany, Denmark, the Netherlands, Singapore, Slovakia, Spain and the US, and over 1,200 clients in more than 60 countries with 220,000 users processing over 60 million invoices per year.

xSuite will focus on building its emerging presence in the US market, where it has several blue-chip clients, and will accelerate its transition to more subscription software revenues.

The APIA market is growing with forecasts expecting a CAGR of over 10%, driven by the digitisation of workflows and a focus on reducing labour costs. There is significant white space in Western Europe, North America and APAC due to substantial penetration of companies without APIA.

» FOR MORE INFORMATION
www.xsuite.com



Private Equity continued

Realisation activity

During the year we received total proceeds of £332 million from three partial disposals completed by **Q Holding**. These included the disposal of Q Holding's QSR business, completed in May 2022, and the disposals of its Twinsburg site and Precision Components business, which completed in December 2022 and January 2023 respectively. Q Holding's remaining business was valued at £117 million at 31 March 2023. Over the last two years, through a combination of realised proceeds and residual value, we have recognised an uplift of over 100% on the value of our investment in Q Holding at 31 March 2021, taking our money multiple, including realised proceeds to date and remaining value at 31 March 2023, to 2.8x.

In October 2022 we completed the sale of **Havea** after a five-year holding period, during which we partnered with the business to deliver a significant strategic transformation, completed five bolt-on acquisitions and generated double-digit organic growth. We received proceeds of £471 million from this divestment, representing a 50% uplift on the value of the investment at 31 March 2022, a sterling money multiple of 3.1x and an IRR of 24%.

In January 2023, we completed the disposal of **Christ**, our last investment in EFV, for realised proceeds of £47 million, at a 45% uplift on our 31 March 2022 opening value. When added to the proceeds generated by the sale of Amor (another German player in the jewellery space which we considered as part of the same investment thesis and sold in 2016 crystallising a money multiple of 2.3x), the multiple generated by this sale is 1.0x. Following the disposal of Christ our final gross fund multiple for EFV is 3.0x, a top quartile performance.

In total, we generated total Private Equity proceeds of £857 million (2022: £684 million) and realised profits of £169 million (2022: £228 million).

Action performance and valuation

As detailed in the Chief Executive's statement, Action continues to deliver excellent growth driven by higher footfall, a higher number of transactions and further international store openings. In the 12 months to the end of Action's P3 2023 (which ended on 2 April 2023), Action generated run-rate EBITDA growth of 42% and strong cash inflow.

At 31 March 2023, Action was valued using its LTM run-rate EBITDA to the end of P3 2023 of €1,439 million. These included our normal adjustment to reflect stores opened in the year. Action has consistently outperformed the peers that we currently reference across its most important KPIs, supporting our valuation multiple, which remained unchanged at 18.5x net of the liquidity discount (31 March 2022: 18.5x).

Action ended P3 2023 with cash of €365 million and a net debt to run-rate earnings ratio of 1.8x after paying two dividend distributions in FY2023, of which 3i received £325 million.

At 31 March 2023, the valuation of our 52.9% stake in Action was £11,188 million (31 March 2022: 52.7%, £7,165 million) and we recognised unrealised profits from Action of £3,708 million (March 2022: £2,655 million) as shown in Table 3.

Table 2: Private Equity realisations in the year to 31 March 2023

Investment	Country	Calendar year invested	31 Mar 2022 value ¹ £m	3i realised proceeds £m	Profit in the year £m	Uplift on opening value ² %	Residual value £m	Money multiple ³	IRR
Full realisations									
Havea	France	2017	304	471	158	50 %	–	3.1 x	24 %
Christ	Germany	2014	31	47	14	45 %	–	0.4 x	– %
Total realisations			335	518	172	n/a	n/a	n/a	n/a
Partial realisations^{1,3}									
Q Holding	US	2014	332	332	–	–	117	2.8 x	15 %
Other	n/a	n/a	9	2	(8)	n/a	n/a	n/a	n/a
Deferred consideration									
Other	n/a	n/a	–	5	5	n/a	n/a	n/a	n/a
Total Private Equity realisations			676	857	169	n/a	n/a	n/a	n/a

1 For partial realisations, 31 March 2022 value represents value of stake sold.

2 Profit in the year over opening value.

3 Cash proceeds over cash invested. For partial realisations, valuations of any remaining investment are included in the multiple. Money multiples are quoted on a GBP basis.

Private Equity continued

Performance (excluding Action)

Excluding Action, the private equity portfolio generated £520 million (March 2022: £584 million) of value growth from performance increases driven by good contributions from a number of assets operating in the value-for-money and private label, healthcare, industrial technology and business and technology services sectors, as well as good recovery from our travel assets. This good performance has more than offset performance decreases of £310 million (March 2022: £101 million), predominantly driven by some of our discretionary consumer businesses, principally Luqom and YDEON, which have been disproportionately impacted by weaker consumer sentiment.

Over the last two years **SaniSure** has delivered significant outperformance due to strong demand and customers stockpiling in mitigation of external supply chain concerns. Whilst recent demand has normalised as customers work down inventory levels, SaniSure remains well positioned to capitalise on expected continued annual double-digit growth across the bioprocessing market. **Cirtec Medical** maintained top-line growth from its key customers in 2022, largely offsetting short-term operational headwinds that impacted margin performance. The integration of Precision Components, its recent acquisition, is already progressing well and the business has a good 2023 outlook, with significant new contracts coming online.

Royal Sanders generated strong growth in 2022 despite increases across all key input costs. The business increased volumes with its key customers, including its value-for-money retailers that have seen robust growth. It also continues to consolidate a highly fragmented market, completing its fifth bolt-on since our initial acquisition, with an investment in Lenhart in April 2023, strengthening its position in the DACH region. **Dutch Bakery** generated a good result in 2022 as recent bolt-on acquisitions are integrating well, with the potential to deliver new customer wins. The underlying business has effectively managed its own operations during a period of rising input and energy costs.

nexeye maintained good top-line growth in 2022 despite softer trading in Q3 2022, which was caused by lower store footfall due to consumer uncertainty. Throughout the year, the business has sustained healthy margin performance whilst retaining a very attractive value-for-money price point for its customers compared to its competitors. The business added 23 new stores in the year and further accelerated its digitalisation agenda with its online appointment system in Germany. Trading at the start of 2023 has recovered from softer performance in Q3 2022.

Audley Travel and **arrivia** are recovering well from the pandemic. Pent-up demand for travel has driven a significant increase in bookings and departure revenue in 2022 for Audley Travel, supporting a return to the good cash generation characteristics that the business demonstrated pre-pandemic. At 31 March 2023, Audley Travel was valued on an earnings basis, having been valued on a DCF basis since June 2020 (31 March 2022: DCF basis), reflecting this recovery in performance. **arrivia** recorded a good recovery in membership bookings throughout 2022, and saw a strong improvement in the performance of its cruise product category. Both Audley Travel and **arrivia** have started 2023 with good bookings momentum.

Luqom and **YDEON**, which have a discretionary product offering, experienced a significant decline in order intake in 2022 as a result of declining consumer confidence across their markets. **Luqom** somewhat offset weaker performance in its core markets with growth in more recently launched regions in southern and eastern Europe. The business is also undertaking a significant programme of operational and cost efficiencies. **YDEON** has responded to weaker trading with a number of sales, cost and cash initiatives including the introduction of products at a much lower price point for which volumes are easily scalable. Across both assets we recognised a combined unrealised value loss of £357 million, part of which is attributable to the soft trading performance and part is based on a multiple reductions (see page 34 for further details). **BoConcept** also saw pressure on store footfall due to the discretionary nature of its offering, but has to an extent mitigated lower footfall and order intake through its international diversification, franchise model and effective margin management.

WilsonHCG secured a significant number of new recruitment customers in 2022 and with new clients coming online in 2023 and the opportunity to accelerate its growth in the life sciences and healthcare end markets following its acquisition of Personify, the business is well positioned to navigate the recent slowdown in the North American hiring market.

Table 3: Unrealised profits on the revaluation of Private Equity investments¹ in the year to 31 March

	2023 £m	2022 £m
Earnings based valuations		
Action performance	3,708	2,655
Performance increases (excluding Action)	520	584
Performance decreases (excluding Action)	(310)	(101)
Multiple movements	(167)	241
Other bases		
Sum of the parts	–	132
Discounted cash flow	4	7
Other movements on unquoted investments	4	2
Quoted portfolio	(13)	25
Total	3,746	3,545

¹ Further information on our valuation methodology, including definitions and rationale, is included in the Portfolio valuation – an explanation section.

Private Equity continued

Bolt-on acquisitions

Building on existing platforms through targeted bolt-ons



WilsonHCG's acquisition of Personify

Personify was founded in 1978 as an executive search business and is headquartered in North Carolina, United States. The company is a provider of recruitment process outsourcing ("RPO") services to end markets such as life sciences, pharmaceuticals, biotechnology, and healthcare.

The company offers a turnkey talent solution that spans the entire talent acquisition life cycle, including services such as labour market analysis, candidate marketing, sourcing, interviewing, assessments, overall candidate management, and onboarding. It focuses on higher-end, more specialised roles, often for hard-to-fill or high-demand positions in its core end markets.

The acquisition provides WilsonHCG with further exposure to the attractive life sciences and healthcare markets, which represent key growth markets for both companies. Personify has consistently grown at rates that are above the broader RPO industry, capitalising on many of the same favourable tailwinds that have benefitted WilsonHCG, including increasing adoption of outsourced talent acquisition solutions.



Cirtec Medical's acquisition of Precision Components

Precision Components is a leading elastomeric solutions provider serving the medical device market with decades of experience in providing silicone, polyisoprene and other elastomers-based seals, valves, stoppers, and other solutions created to customer specifications. The business consists of centres of excellence in Sturtevant, Wisconsin and Rock Hill, South Carolina.

The acquisition is a natural fit for Cirtec Medical and will enable it to provide additional high-value capabilities, such as silicone moulding, silicone extrusion and polyisoprene moulding, and gain exposure to complementary high-growth end markets including robotic surgery.

It will also enhance Cirtec Medical's ability to deliver vertically integrated capabilities, including engineering, tooling, and the manufacturing of critical components, sub-assemblies and fully-assembled complex devices.



Private Equity continued



arrivia's acquisition of RedWeek

RedWeek is the largest and most well-known online timeshare marketplace, that connects vacationers to specialty lodging options offered by timeshare owners. The company has a community of more than 2.9 million travellers and over 2,500 five-star reviews on Trustpilot.

arrivia's acquisition of RedWeek increases its exposure to the resilient timeshare rentals end market where it has strong customer relationships. RedWeek's members will be able to join the arrivia travel membership platform where they can enjoy extensive benefits, including access to arrivia's portfolio of travel discounts spanning air, cruise, hotel, car rental, experiences and resorts. The partnership comes at a time of sustained growth and interest in the timeshare and speciality lodging markets.

Luqom's acquisition of Brumberg

Brumberg is a well-known B2B manufacturer and distributor of luminaries and lighting products with a brand heritage of c.150 years. It is headquartered in Sundern, Germany, where it operates a logistics centre with a capacity of 2,000 pallet spaces.

Brumberg sells a wide range of high-quality technical lighting applications with more than 4,500 products and 58 product types, providing a complementary offering to Luqom's decorative interior and exterior lighting.



Private Equity continued

Since our initial investment in MAIT in September 2021, we have completed five bolt-on acquisitions, including one in June 2022. These acquisitions have been value accretive and have driven good growth in addition to that achieved by the underlying business. Evernex also completed two further bolt-on acquisitions in the US and Europe in the year but saw softer trading in the short-term as a result of lower renewals of third-party maintenance contracts, driven by a pick-up in investment in new IT equipment post the pandemic.

AES saw a significant increase in demand across its key global end markets in 2022 and continued to maintain intelligent cost control, resulting in strong earnings growth. The business continues to benefit from long-term investment improving the reliability and range of its product offering and also continued to pursue bolt-on acquisitions, completing the acquisitions of DATUM RMS and Vibtech Analysis in the year. Having traded strongly in the first half of 2022 with sustained demand for its core biocides products, Tato saw trading soften through the second half of 2022 with weaker end demand for paints and coatings from the DIY and construction markets and supply challenges for key input chemicals resulting in price inflation and margin pressure. Tato successfully leveraged its scale and global footprint to maintain good customer supply and margin performance has improved since the turn of the year. Both Tato and AES were cash generative in the year and distributed dividends to 3i of £17 million in total.

Overall, 90% of the portfolio by value grew LTM adjusted earnings in the year (2022: 93%). Chart 1 shows the earnings growth of our top 20 Private Equity investments.

Leverage

Our Private Equity portfolio is funded with all senior debt structures, with long-dated maturity profiles and c.40% repayable from 2026 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 with the interest rate element capped at a weighted average hedge rate below 2%. The average margin across the portfolio is under 4%, so the all-in debt cost across over 70% of the portfolio is capped below 6%. Average leverage across the portfolio was 2.5x (31 March 2022: 3.3x). Excluding Action, leverage across the portfolio was 4.0x (31 March 2022: 4.6x).

Following the successful amendment and extension of Action’s senior debt facilities post 31 March 2023, as detailed in the Chief Executive’s statement, the above long dated debt maturity profile for the Private Equity portfolio extends to 80% repayable from 2026 and beyond. The amend and extend transaction does not impact the interest rate hedging position at 31 March 2023.

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

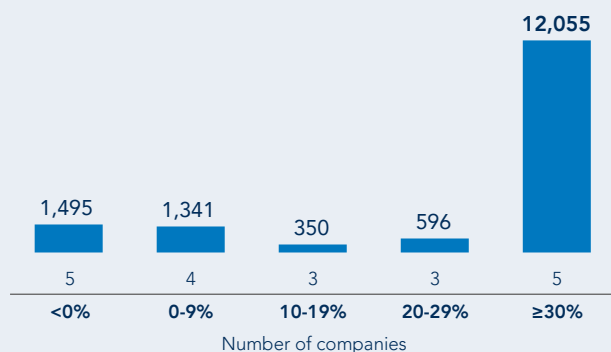
Multiple movements

We have continued our established approach of taking a long-term, through-the-cycle view on the multiples used to value our portfolio companies, consistent with how we drive value creation in our portfolio. When selecting multiples to value our portfolio companies we consider a number of factors including recent performance and outlook, comparable recent transactions and exit plans, and the performance of quoted comparable companies. FY2023 was characterised by significant volatility in the capital markets driven by Russia’s invasion of Ukraine, global fiscal and monetary interventions to mitigate inflation and the more recent disruption in the banking sector. The consistency of our approach to valuation multiples has enabled us largely to mitigate the impact of such market volatility and, since the turn of the year, we have seen a gradual increase in the average multiples of our comparable sets, increasing the difference to our valuation multiples, which in the vast majority of cases are lower than the peer group average.

However, we did adjust eight multiples downwards where we experienced significant declines in selected peers groups and in some cases weaker trading performance. This included the reduction of multiples for Luqom and YDEON, accounting for £107 million of the total net £167 million (March 2022: increase of £241 million) multiple decrease in the year. Towards the end of our financial year, we saw stronger equity markets and we increased multiples for three of our portfolio companies which have consistently outperformed over many periods.

Chart 1: Portfolio earnings growth of the top 20 Private Equity investments¹

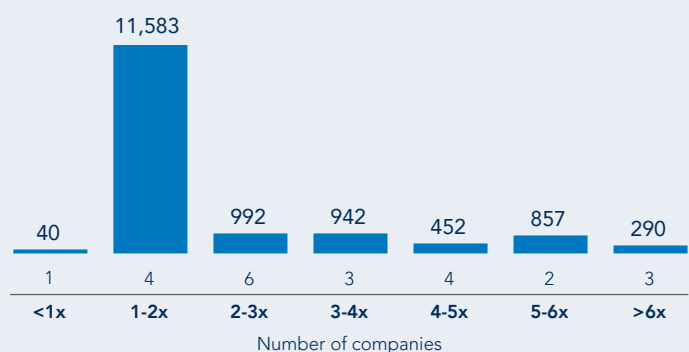
● 3i value at 31 March 2023 (£m)



¹ Includes top 20 Private Equity companies by value excluding ten23 health. This represents 96% of the Private Equity portfolio by value (31 March 2022: 96%). Last 12 months’ adjusted earnings to 31 December 2022 and Action based on LTM run-rate earnings to the end of P3 2023.

Chart 2: Ratio of net debt to adjusted earnings¹

● 3i value at 31 March 2023 (£m)



¹ This represents 92% of the Private Equity portfolio by value (31 March 2022: 92%). Quoted holdings, deferred consideration and companies with net cash are excluded from the calculation. Net debt and adjusted earnings at 31 December 2022 and Action based on LTM run-rate earnings to the end of P3 2023.

Private Equity continued

Our approach to valuing Action, our largest investment, is no different to the remainder of our portfolio in that we take a long-term, through-the-cycle view on the LTM run-rate EBITDA post-discount multiple of 18.5x used to value Action at 31 March 2023. We take comfort from the fact that Action's continued excellent growth meant that its valuation at 31 March 2022 translated to only 13.0x the run-rate EBITDA achieved one year later. In addition, its most important operating KPIs compare very favourably to those of its peer group, consisting of North American and European value-for-money retailers. Based on the valuation at 31 March 2023, a 1.0x movement in Action's post discount multiple would increase or decrease the valuation of 3i's investment by £669 million.

Quoted portfolio

Basic-Fit is the only quoted investment in our Private Equity portfolio. The business performed well in 2022, recovering strongly following the temporary Covid-19 related closures in 2021. Memberships increased by 51% in the year and the business expanded its club base by 185 clubs.

At 31 March 2023, our residual 5.7% shareholding in Basic-Fit was valued at £121 million reflecting a 10% year-on-year decrease in its share price to €36.32 (31 March 2022: 5.7% shareholding valued at £129 million based on a share price of €40.42).

Assets under management

The value of the Private Equity portfolio, including third-party capital, increased to £22.9 billion (31 March 2022: £16.7 billion), primarily due to unrealised value movements in the year.

Table 4: Private Equity assets by geography as at 31 March 2023

3i office location	Number of companies	3i carrying value 2023 £m
Netherlands	10	12,520
France	1	305
Germany	7	777
UK	9	1,144
US	9	1,652
Other	3	27
Total	39	16,425

Table 5: Private Equity assets by sector as at 31 March 2023

Sector	Number of companies	3i carrying value 2023 £m
Action (Consumer)	1	11,188
Consumer	13	1,983
Industrial Technology	7	1,168
Business & Technology Services	13	917
Healthcare	5	1,169
Total	39	16,425

Table 6: Private Equity 3i proprietary capital as at 31 March

Vintages	3i proprietary capital value ³ 2023 £m	Vintage money multiple ⁴ 2023	3i proprietary capital value ³ 2022 £m	Vintage money multiple ⁴ 2022
Buyouts 2010–2012 ¹	2,968	15.1x	2,462	12.3x
Growth 2010–2012 ¹	23	2.1x	18	2.1x
2013–2016 ¹	814	2.5x	1,022	2.3x
2016–2019 ¹	1,872	1.8x	2,210	1.8x
2019–2022 ¹	1,524	1.5x	1,319	1.3x
2022–2025 ¹	228	1.0x	–	n/a
Others ²	8,996	n/a	5,389	n/a
Total	16,425		12,420	

¹ Assets included in these vintages are disclosed in the Glossary.

² Includes value of £8,220 million (31 March 2022: £ 4,703 million) held in Action through the 2020 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 returns on our proprietary capital. The team has been active in its deployment of capital across the portfolio and in new investments.

Our Infrastructure portfolio generated a GIR of £86 million or 6% on the opening portfolio value (2022: £241 million, 21%) primarily driven by portfolio income and good value growth contribution across our US assets, offset by a decrease in the share price of our quoted stake in 3iN, despite its strong NAV return in the year. We completed two new investments and three further investments in 3iN and three bolt-on acquisitions for our North American Infrastructure platform. We also completed the disposal of 3iN's operational projects portfolio to the 3i European Operational Projects Fund ("3i EOPF").

At a glance

Gross investment return

**£86m
or 6%**

(2022: £241m or 21%)

AUM

£6.4bn

(2022: £5.7bn)

Cash income

£107m

(2022: £91m)

Table 7: Gross investment return for the year to 31 March

Investment basis	2023 £m	2022 £m
Realised profits over value on the disposal of investments	–	10
Unrealised profits on the revaluation of investments	23	178
Dividends	33	31
Interest income from investment portfolio	14	12
Fees payable	–	(3)
Foreign exchange on investments	16	13
Movement in fair value of derivatives	–	–
Gross investment return	86	241
Gross investment return as a % of opening portfolio value	6%	21%

Infrastructure continued

Global Cloud Xchange ("GCX")

GCX is a leading global data communications service provider that owns one of the world's largest private subsea fibre optic networks.

GCX offers network services which power digital transformation for enterprises, new media providers and telecoms carriers. Its 66,000 km of cables span over 46 countries from North America to Asia, with a particularly strong position on the Europe-Asia and Intra-Asia routes.

Global data traffic is growing rapidly, with data usage forecast to grow in excess of 25% per annum. Technological advances, the digitalisation of the economy and regulatory developments are causing a proliferation of data generation and usage across all industries.

This data is increasingly being stored and shared via the cloud and relies on data carrier infrastructure, including GCX's extensive network, to flow between hubs across the world.

In September 2022, 3iN completed its \$377 million investment to acquire a 100% stake in GCX. Additional acquisition debt raised in March 2022 reduced the previously announced equity commitment of \$512 million.

£318m
Investment funded
by 3iN

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www.globalcloudxchange.com

+

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Our thematic approach

Infrastructure continued

Future Biogas

Future Biogas is one of the largest Anaerobic Digestion (“AD”) plant developers and producers of biomethane in the UK. Established in 2010, it operates 11 AD plants on behalf of institutional investors under long term contracts, converting a wide range of feedstocks into biogas.

Biogas can be used to generate green electricity, or upgraded into biomethane and injected into the UK’s national gas network. There is growing demand for domestically-produced biomethane which, as a direct substitute for fossil natural gas, has an essential role to play in decarbonising some of the UK’s gas dependent sectors such as heat, transport and manufacturing.

It also allows the existing gas infrastructure to help meet the UK Government’s net zero and energy security targets without any change to the existing system.

Future Biogas will develop a new generation of AD plants and sell the resulting biomethane under long-term offtake agreements to corporate buyers. In the longer term, it intends to enter the nascent but high-potential voluntary carbon offset market through carbon capture and storage.

Future Biogas has a highly experienced management team with a strong track record in the sector and links with a number of key trade associations in the industry.

£28m

Investment funded by 3iN



FOR MORE INFORMATION
www.futurebiogas.com

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Our thematic approach

Infrastructure continued

Fund management

3iN

3iN's total return on opening NAV of 14.7% for the year to 31 March 2023 was materially ahead of its total return target of 8% to 10% per annum. 3iN also delivered its dividend target of 11.15 pence per share, a 6.7% increase on last year.

Underpinning this strong return was the excellent performance of 3iN's investment portfolio, which was driven by exposure to long-term growth trends. We have seen particularly strong trading from assets operating in the utilities sector exposed to energy transition (such as **Infinis** and **Attero**), the communication sector (such as **Tampnet**) and the transport and logistics sector (such as **TCR**).

As investment manager to 3iN, in FY2023 we received a management and support services fee of £49 million (2022: £44 million) and a NAV-based performance fee of £35 million (2022: £26 million). This performance fee comprised a third of the potential performance fee for each of FY2023, FY2022 and FY2021 after the performance hurdle was met in each year.

The market for infrastructure investments remains competitive, with strong demand for quality infrastructure assets. Against this backdrop, 3iN was active in the year whilst remaining disciplined on price, completing a £318 million new investment in **Global Cloud Xchange**, a global data communications service provider and a £28 million new investment in **Future Biogas**, a producer of biomethane in the UK. 3iN also completed a £338 million further investment in **TCR**, acquiring an additional 48% stake from a co-investor, a £15 million further investment in **DNS:NET** to support its continued fibre roll-out programme and a £30 million further investment in **Infinis** to fund the development of its solar roll-out programme.

We continue to utilise our relationship with external co-investors to manage our underlying risk exposure across certain assets, demonstrated in the year with two syndications. We syndicated 28% of 3iN's stake in **TCR** for proceeds of £190 million and a 17% stake in **ESVAGT** for proceeds of £87 million.

In June 2022, 3iN completed the sale of its European projects portfolio to the 3i EOPF for £106 million.

North American Infrastructure platform

The investments in our North American Infrastructure platform generated good organic and acquisitive growth in FY2023. **Regional Rail** expanded its footprint through two bolt-on acquisitions and one new rail services contract, including three short-line railroads in the Midwest region of the US and several short-line railroads in Canada. Its existing freight lines delivered good volumes offsetting the impact of cost inflation. **EC Waste** completed the self-funded bolt-on acquisition of A&A Waste Management, a business that provides non-hazardous solid waste collections in Puerto Rico. This acquisition, combined with an increase in landfill volumes, contributed to the top-line growth of the business in the year.

Table 8: Assets under management as at 31 March 2023

Fund/strategy	Close date	Fund size	3i commitment/share	Remaining 3i commitment	% invested ³ at 31 March 2023	AUM £m	Fee income earned in 2023 £m
3iN ¹	Mar-07	n/a	£841m	n/a	n/a	2,882	49
3i Managed Infrastructure Acquisitions LP	Jun-17	£698m	£35m	£5m	87%	1,280	4
3i managed accounts	various	n/a	n/a	n/a	n/a	744	5
BIIF	May-08	£680m	n/a	n/a	91%	457	4
3i North American Infrastructure platform	Mar-22 ²	US\$495m	US\$300m	US\$108m	64%	389	2
3i European Operational Projects Fund	Apr-18	€456m	€40m	€5m	86%	359	2
US Infrastructure	Nov-17	n/a	n/a	n/a	n/a	300	–
3i India Infrastructure Fund	Mar-08	US\$1,195m	US\$250m	n/a	73%	–	–
Total						6,411	66

1 AUM based on the share price at 31 March 2023.

2 First close completed in March 2022.

3 % invested is the capital deployed into investments against the total Fund commitment.

Infrastructure continued

Other funds

3i EOPF and 3i Managed Infrastructure Acquisitions Fund ("3i MIA") performed well in the year. 3i EOPF purchased the European projects portfolio from 3iN for £106 million. Following this acquisition, 3i EOPF has now deployed 86% of its total commitments.

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

In February 2023, 3iN successfully completed a share placing of £100 million. The funds were used to part pay drawings on their RCF and partly used to fund the acquisition of Future Biogas. 3i did not participate in this placing and its holding in 3iN was therefore diluted from 30% to 29%. At 31 March 2023, our 29% stake in 3iN (31 March 2022: 30%) was valued at £841 million (31 March 2022: £934 million) as a result of a 10% year-on-year decline in its share price to 313 pence (31 March 2022: 347 pence), which was caused by broader market volatility. As a result we recognised an unrealised loss of £93 million (2022: unrealised gain of £137 million), partially offset by £29 million of dividend income (2022: £27 million).

North America Infrastructure proprietary capital

Smarte Carte traded strongly in 2022 driven by robust US travel and retail demand across each of its lines of business, coupled with a steady recovery in international volumes. The business continues to leverage its existing footprint to expand into financially attractive ancillary services such as porter services and bag storage at its airports and other locations and recently completed a refinancing at attractive terms. At 31 March 2023, Smarte Carte was valued at £300 million on a DCF basis (31 March 2022: £207 million).

Assets under management

Infrastructure AUM increased to £6.4 billion (2022: £5.7 billion), principally due to an increase in 3i managed accounts and good performance across 3i MIA and our US infrastructure portfolio, offset by a decline in the share price of 3iN.

Table 9: Unrealised profits/(losses) on the revaluation of Infrastructure investments in the year to 31 March

	2023 £m	2022 £m
Quoted	(93)	137
Discounted cash flow ("DCF")	103	36
Fund/other	13	5
Total	23	178

Further information on our valuation methodology, including definitions and rationale, is included in the portfolio valuation – an explanation section.

Table 10: Infrastructure portfolio movement for the year to 31 March 2023

Investment	Valuation	Opening value at 1 April 2022 £m	Investment £m	Disposals at opening book value £m	Unrealised profit/(loss) £m	Other movements ¹ £m	Closing value at 31 March 2023 £m
3iN	Quoted	934	–	–	(93)	–	841
Smarte Carte	DCF	207	–	–	83	10	300
Regional Rail	DCF	48	7	–	13	2	70
EC Waste	DCF	86	–	–	7	5	98
3i MIA	Fund	53	–	–	12	–	65
3i EOPF	Fund	24	6	–	1	1	32
Other	Other	–	3	–	–	–	3
Total		1,352	16	–	23	18	1,409

¹ Other movements include foreign exchange.

Scandlines

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

Performance

Scandlines performed well in the year, generating a GIR of £52 million, or 10% of opening portfolio value (2022: £112 million, 26%). The business delivered a second consecutive year of record growth in freight volumes in 2022, reaffirming Scandlines' position as a critical part of the Scandinavian trade infrastructure. Covid-19 impacted leisure volumes at the start of 2022, but a strong summer peak season resulted in overall 2022 leisure volumes marginally ahead of pre-pandemic levels. The business continues to benefit from the operational efficiencies implemented throughout the pandemic. As a result of good cash flow generation, the business returned total dividends to 3i of £38 million in FY2023 (2022: £13 million).

Scandlines continues to progress its zero-emission fleet ambition with the construction of its new electric freight ferry, which is expected to be operational in 2024. Further details can be found on page 51.

We continue to value Scandlines on a DCF basis and at 31 March 2023 its value of £554 million (31 March 2022: £533 million) reflects 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. In September 2022, we increased the size of this hedging programme from €500 million to €600 million to cover the higher underlying valuation of our investment.

We recognised a £21 million gain on foreign exchange translation (March 2022: loss of £4 million) offset by a £7 million fair value loss (March 2022: gain of £2 million) from derivatives in our hedging programme.

Table 11: Gross investment return for the year to 31 March

Investment basis	2023 £m	2022 £m
Unrealised profit on the revaluation of investments	–	101
Dividends	38	13
Foreign exchange on investments	21	(4)
Movement in fair value of derivatives	(7)	2
Gross investment return	52	112
Gross investment return as a % of opening portfolio value	10%	26%

At a glance

Gross investment return

**£52m
or 10%**

(2022: £112m or 26%)

