



Private Equity Capital Markets Seminar



24 September 2013



Private Equity Capital Markets Seminar



Simon Borrows, Chief Executive, 3i Group plc

24 September 2013

Our strategic goal: a leading international manager of third-party and proprietary capital



	Private Equity	Infrastructure	Debt Management
Illustrative capital allocation	<ul style="list-style-type: none"> ■ Third-party capital ■ Proprietary capital 	<ul style="list-style-type: none"> ■ Third-party capital ■ Proprietary capital 	<ul style="list-style-type: none"> ■ Third-party capital ■ Proprietary capital
Key return drivers	<ol style="list-style-type: none"> 1. Portfolio returns 2. Portfolio income 3. Fee income 	<ol style="list-style-type: none"> 1. Portfolio income 2. Fee income 3. Portfolio returns 	<ol style="list-style-type: none"> 1. Fee income 2. Portfolio income 3. Portfolio returns
Key characteristics and sensitivity to market cycle	<ul style="list-style-type: none"> ▪ Pro-cyclical asset class ▪ Realised and unrealised capital gains and carried interest 	<ul style="list-style-type: none"> ▪ Counter-cyclical asset class ▪ Income from investment portfolio ▪ Recurring annual fee income from permanent capital vehicle 	<ul style="list-style-type: none"> ▪ Low exposure to volatility of underlying assets ▪ Recurring annual third-party fee income ▪ Proprietary capital "light"

Our businesses provide an attractive balance of income and capital returns

Key phases of organisational change and strategic delivery



We have delivered all of our FY2013 strategic priorities
 We are already making strong progress towards the next phase of our strategic plan: "Transition and delivery"

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Next phase of our strategic plan "Transition and delivery"

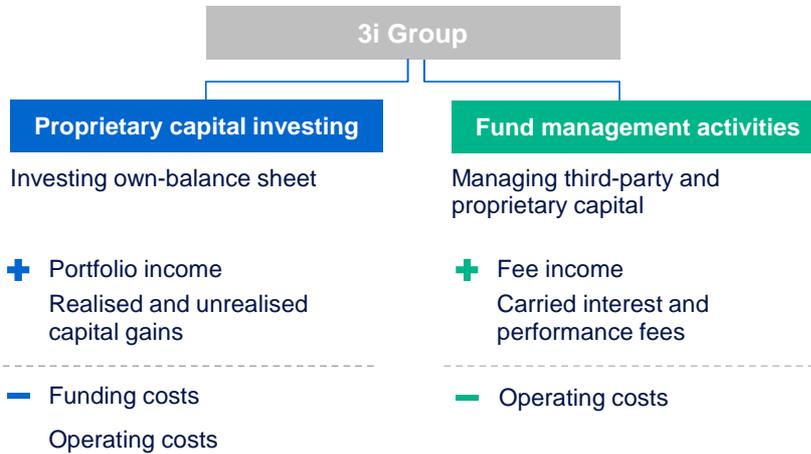


1	Cover operating costs with annual cash income	On track
2	Grow third-party income and generate a sustainable annual operating profit from our fund management activities	On track
3	Improve capital allocation strategy; focus on enhanced shareholder distributions and re-investment in our core investment businesses	On track

We are already making strong progress towards the next phase of our strategic plan

4

Our evolving business model



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Private Equity

Portfolio segmentation



Key categories:

Longer-term hold and value creation

Strong performers; position for sale over the next few years

Manage intensively; potential value upside

Low or nil-valued assets

Selected examples:

Action, Element, Mayborn

Civica, Mold-Masters

Azelis, OneMed, Xellia

Enterprise

6

Tracking our progress and performance

How does Private Equity contribute?



Proprietary capital investing

- Grow Private Equity portfolio earnings
 - ✓ Action
 - ✓ Element
- Realise investments at uplifts to book value and strong cash-on-cash multiples
 - ✓ Mold-Masters
 - ✓ Xellia
- Utilise strong balance sheet and permanent capital
 - ✓ Óticas Carol
 - ✓ GIF

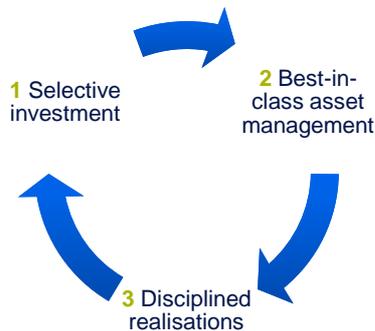
Fund management activities

- Validate track record of recent vintages to prepare ground for new general PE fund
- Invest alongside co-investors
 - ✓ Action
 - ✓ HILITE
 - ✓ Óticas Carol
 - ✓ Commence syndication discussions on GIF
- Reinforce LP confidence in 3i's investment capabilities

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Private Equity

Value creation drivers

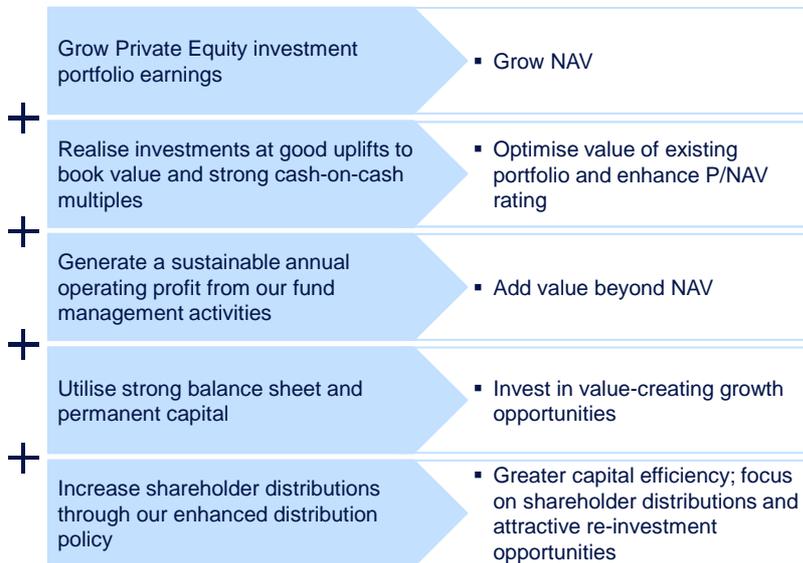


- 1 ▪ Leverage network and focus on key strengths
 - True mid market
 - Northern Europe
 - Sector expertise
 - Robust investment review process
- 2 ▪ Support and foster growth
 - Access to 3i's international network
 - Inter-portfolio best practice sharing
 - Prudent financing and structuring
 - Careful monitoring
- 3 ▪ Patient ownership
 - Detailed exit planning for all investments
 - Take advantage of market tailwinds when opportune

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The 3i Value Build

An attractive, multi-year value proposition



9



Element Materials Technology



Alan Giddins

Co-Head, Private Equity



Element is a leading materials testing business



- Network of accredited laboratories across Europe and the US
- Over 1,400 employees
- 3i invested in December 2010 to carve out SMT from the Stork Group – EV\$210m
- Rebranded as Element Materials Technology in December 2011



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Why did we invest in Element?



- Sector we understood, with a range of attractive growth drivers
- Business well positioned in its testing verticals
- Exposed to extremely attractive end-markets
- Process which played to 3i's strengths

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Deep sector understanding



- Sector deep dive undertaken in 2005 as part of Business Services strategy
- Appointed Ad Verkuyten, former CEO of RTD, as a special adviser in 2006
- Today, recognised as the pre-eminent PE investor in the sector:
 - Carso - €9.7m (2005) – exit 3.4x MM to FSI / Euromezzanine in December 2010
 - Inspecta - €117m (2007)
 - Inspicio - £180m (2008) – partial exit 1.2x MM in September 2010
 - Trescal - €64m (2010) – exit 2.0x MM to Axa PE in July 2013
 - Element - \$155m (2010)
 - GIF - €77m (2013)



Note: investment amounts include 3i and funds and returns are shown in local currency

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Highly attractive underlying growth trends



14

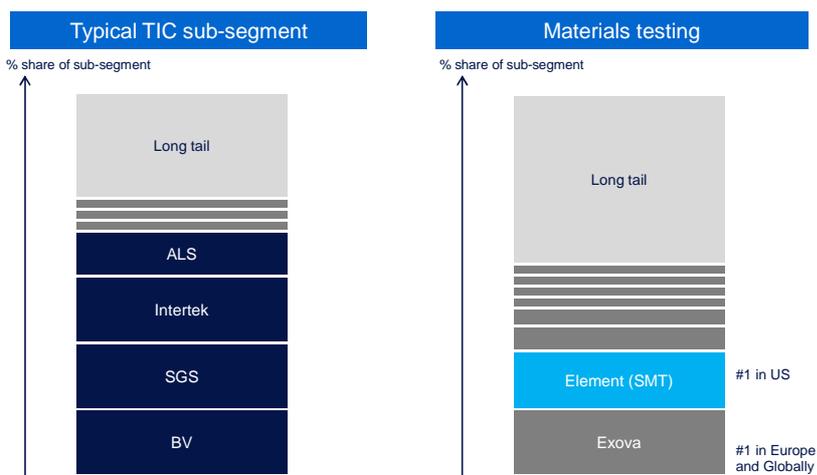
Why did we invest in Element?



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Well positioned in its testing vertical



Note: Relative size illustrative only

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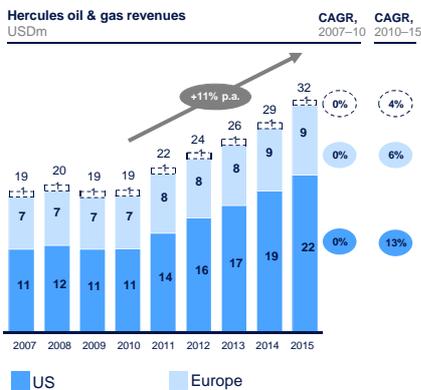
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Exposed to extremely attractive end-markets

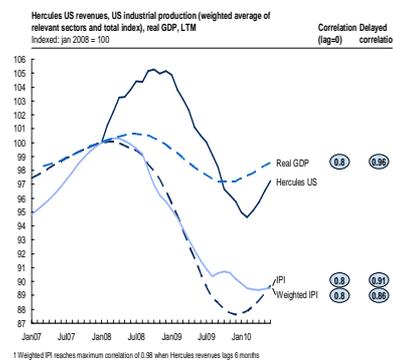


Diligence at the time showed positive outlook for core Aero and O&G end-markets...

E.g. Oil & Gas



...and it appeared that the broader US industrial activity was at an inflexion point



Source: Diligence reports at the time of acquisition

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Why did we invest in Element?



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- Process which played to 3i's strengths

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Process which played to 3i's strengths



- Early access to management and the business
- Primary buyout
- Business Leaders Network expertise
- Ability to move quickly

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Process which played to 3i's strengths



- Early access to management and the business
- Primary buyout
- Business Leaders Network expertise
- Ability to move quickly

Clear value levers



1. Creating a standalone business

- Planning the carve-out
- Rebranding and integration

2. Strategy

- 3-5 year strategic plan
- M&A and divestments

3. Commercial and operational excellence

- Pricing and salesforce effectiveness
- Ongoing lean operational improvements

4. Outstanding governance

- Organisation
- Board process and reporting

Process which played to 3i's strengths



- Early access to management and the business
- Primary buyout
- Business Leaders Network expertise
- Ability to move quickly

Unique Business Leaders Network expertise



Peter Regan

- Former Chief Executive and then Chairman of ERM Holdings
- Co-led 3i backed management buyout from founders in 2001
- ERM's clientele includes over 60% of the Fortune 500



Ad Verkuyten

- Former CEO of RTD-Group (TIC-company now part of Applus)
- Chairs the Board of Inspecta
- Special Adviser to 3i in TIC sector (since 2006)

Process which played to 3i's strengths



- Early access to management and the business
- Primary buyout
- Business Leaders Network expertise
- Ability to move quickly



Element Materials Technology



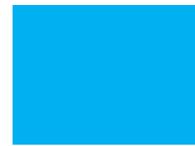
Conclusion

Charles Noall
CEO Element



Professional experience

- 2007 -** CEO Stork Materials Technology (now Element)
- 2003 - 2007** Joined Stork Materials Technology as COO responsible for US operations
- Pre 2003** Several roles with technical communication and software companies including the global market leader SDL PLC





element™

Introduction to Element

Charles Noall
President and CEO
September 24, 2013



element™

A Recognised Leader In
Our Field

Three Distinct Capabilities

Materials Testing

Product Qualification Testing

Failure Analysis



A History Founded in Technology



1827

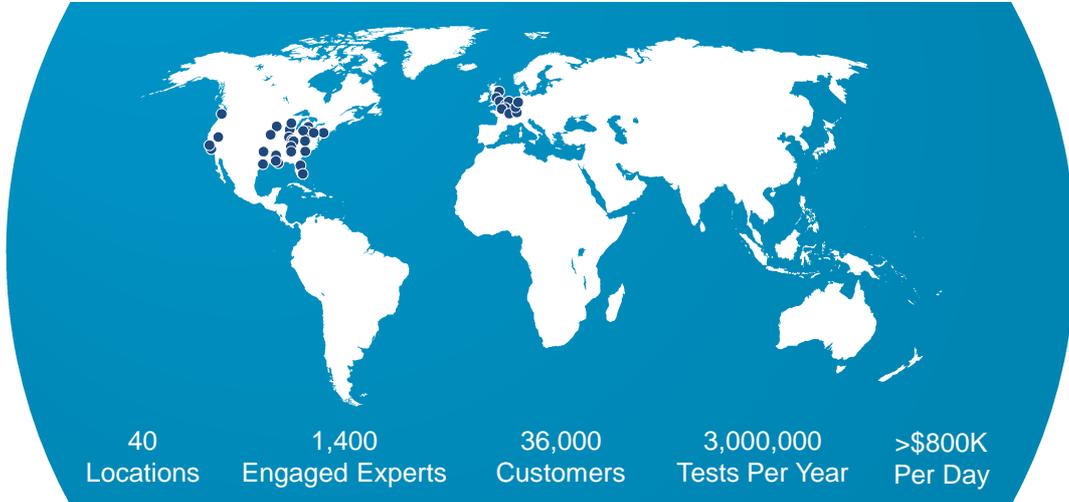
1873

2010

2011



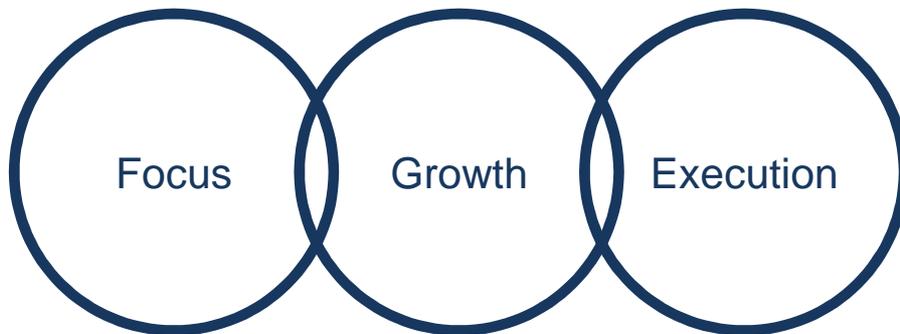
What We Are



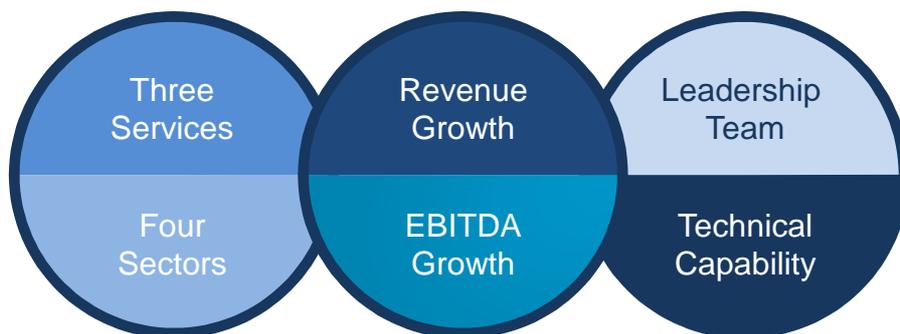
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A Clearly Defined
Strategic Growth Plan

A Clearly Defined Strategic Growth Plan



How We Do It

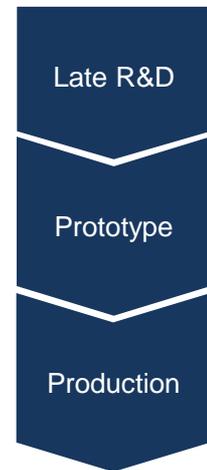


Our Three Core Services

Materials Testing
(Advanced Materials, Water Jet)

Product Qualification Testing
(Bird Strike)

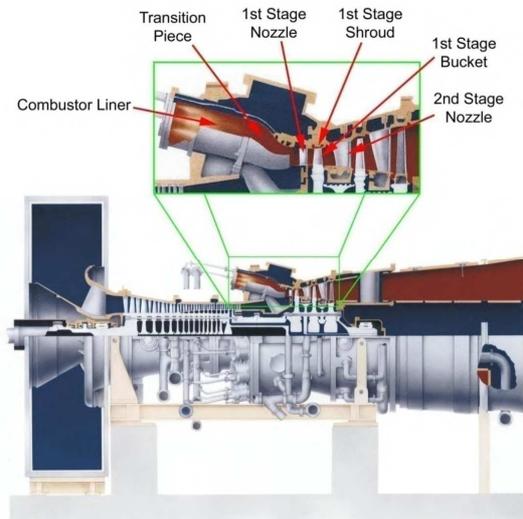
Failure Analysis



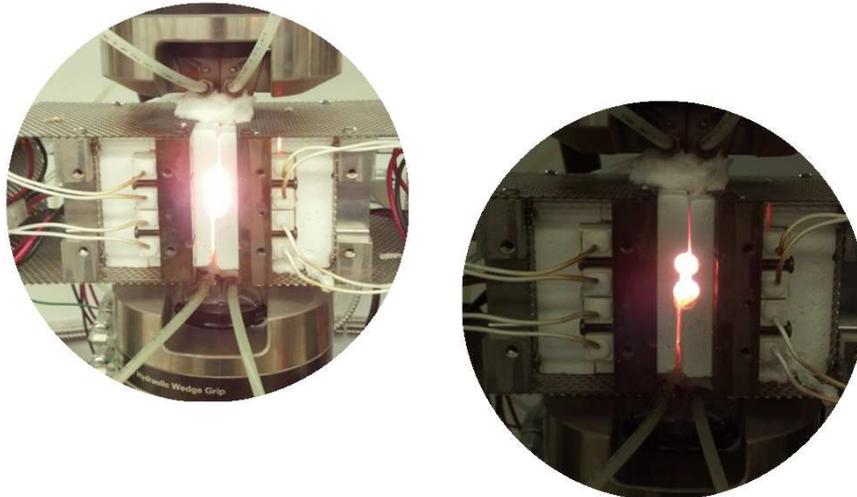
Advanced Materials Testing



Ceramic Matrix Composites in Jet Engines



Ceramic Matrix Composites Tests



Sample Preparation Using Water Jet Technology for Firth Rixson



Failure Analysis

Burst Composite Pipe



Split "O" Ring From Rapid Depressurisation



Degradation of thermoplastics after exposures to oil field fluids



Failed Anchor Shackle



Close up of Failed Anchor Shackle Component



Sectors and Applications Where We Deliver Quality

Advanced Industrial Products



Aerospace & Defence



Oil & Gas



element™



Transportation



Power Generation

Quality & Compliance



element™

Aerospace & Defense Clients



AIRBUS



EMBRAER



Rolls-Royce



GE Aviation



element™

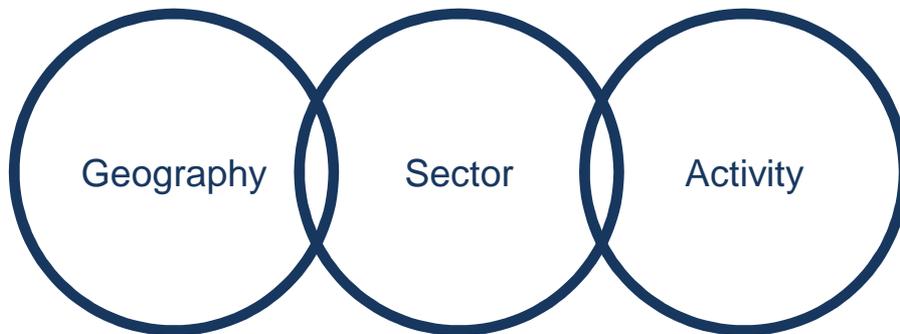
Oil & Gas Clients



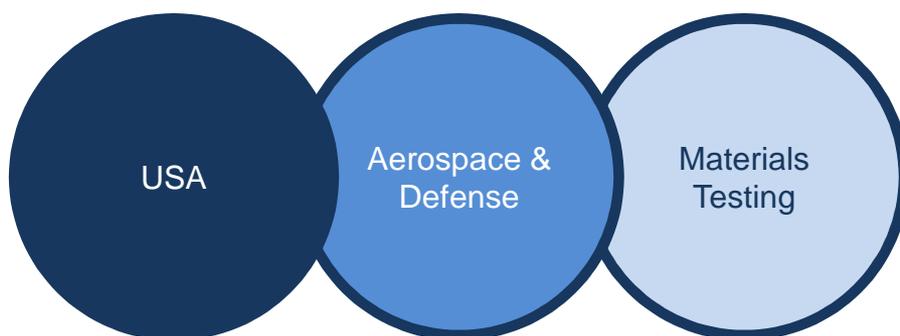
Transportation & Power Generation Clients



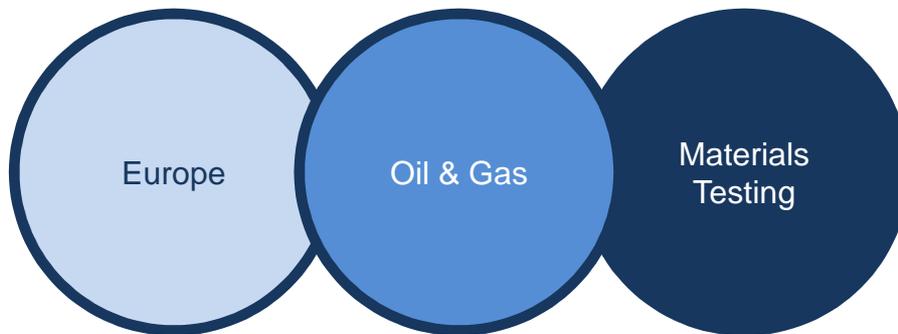
A Robust Strategic Growth Plan



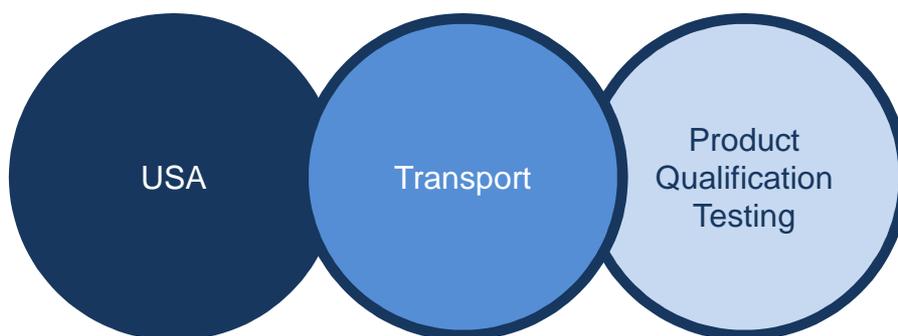
A Robust Strategic Growth Plan



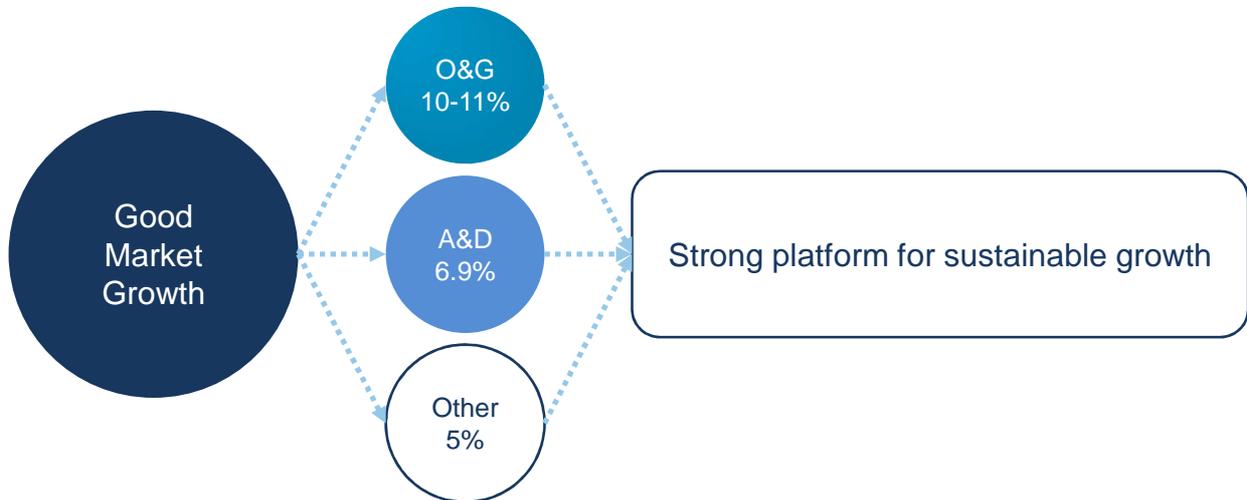
A Robust Strategic Growth Plan



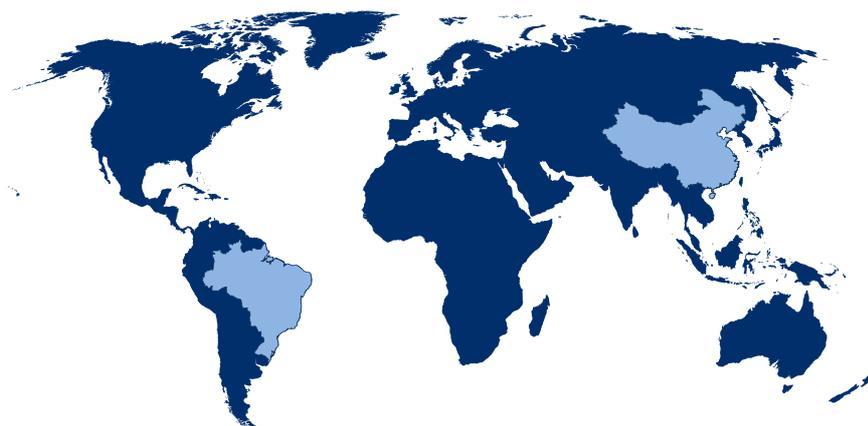
A Robust Strategic Growth Plan



Core Markets Driving Growth



New Market Entry Opportunities



Acquisitive Growth Opportunities

DTL



2011

Mar-Test



2012

MERL



2012

Sherry



2013

Delsen



2013



World Class Facilities and Capabilities Driving Growth



Amsterdam
Relocation
& Expansion



Huntington
Beach
Expansion



Jupiter
Upgrade



Houston
Relocation &
Expansion



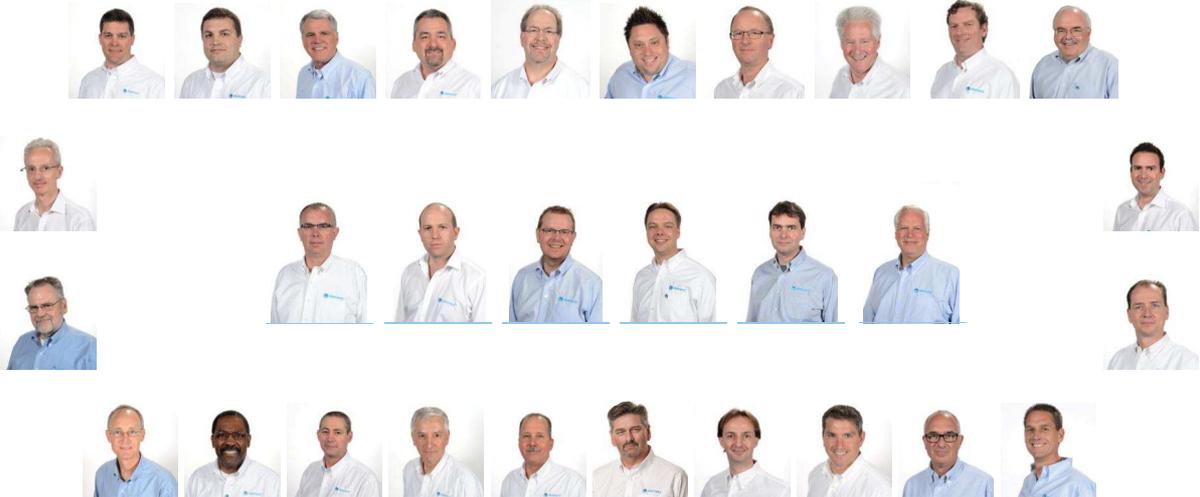
Plymouth
New PQT
Facility



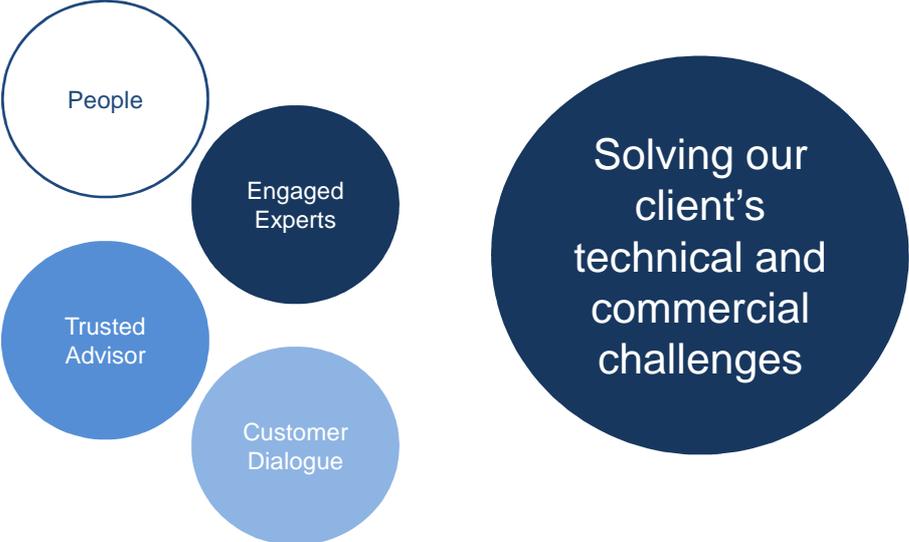
Hitchin
Expansion



Execution – Strong Management Team



Execution – Investment In People



Execution - Building An Integrated Platform Business

Focus

Growth

Execution

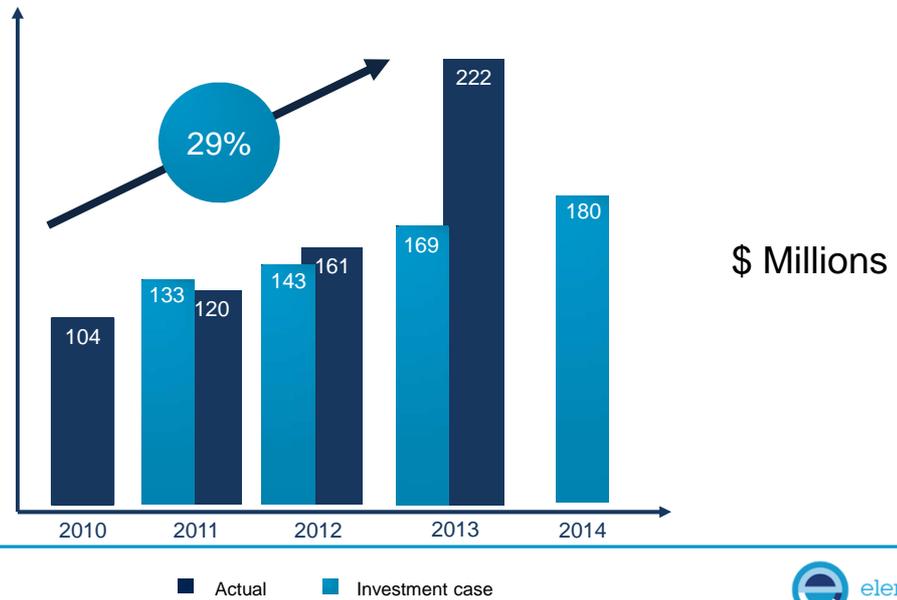
one
element™



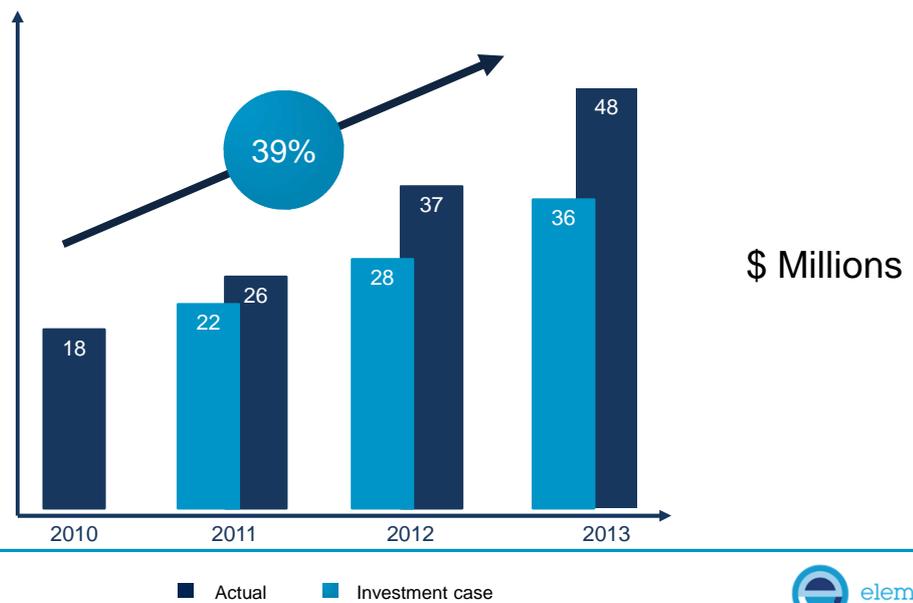
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Strong Financial Performance

Better than Forecast Revenue Growth



EBITDA Growth Out Performing Expectations





element™

Stable Platform Business
With a Bright Future

Building A Stable Business Platform

One Element

Safety

Brand

Rigorous
Integration



Network &
Systems

Go To Market

Common
Processes

Consistent KPI's







Action



Menno Antal

Co-head, 3i Private Equity



Action is a leading high-growth discount retailer



- Non-food discount retailer in the Netherlands and Belgium
- Growing presence in Germany and France
- 370 stores
- 11,000 people
- €1bn revenue



2

Consumer sector origination strategy



Focused on key themes which drive growth across all consumer sub-sectors

Key trends

- Polarisation
- Multi-channel
- Demographics
- “Feel good”
- Lifestyle

Impact across all subsectors



3

Consumer deep-dive: discount retail was a priority

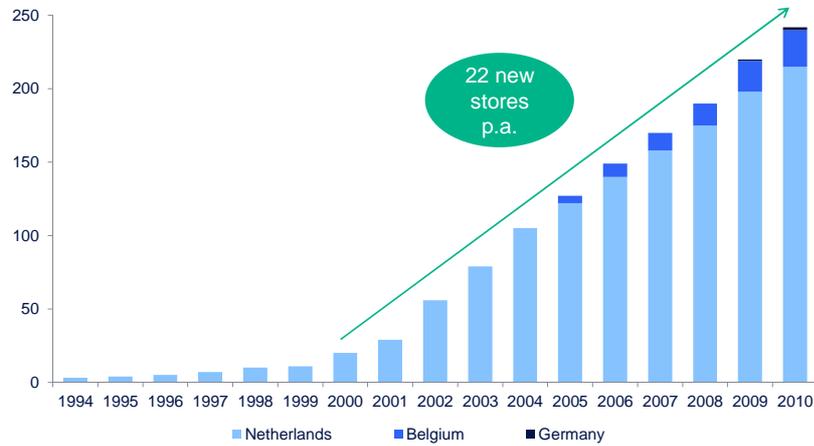


	Polarisation	Multichannel	Demographics	“Feel good”	Lifestyle
What is it?	Demand for high and low end propositions “Value” = price + quality	Used by consumers Used by businesses	Changing age structure of economies Increased life expectancy	Health and wellness Self-improvement Ethics	Demand for services and convenience
Positive examples	“Value” retailers sustained growth Luxury spend sustained Small indulgences / affordable luxury	Lower cost channel Use of social media to communicate	“Grey market” consumers Brand loyalty Juvenile attractive space	Higher awareness of wellbeing / health Educational leisure Local produce	Delivery services “Experiences” – educational travel, extreme sports, concerts
Negative examples	Mid-market operators in mature markets Brands impacted by growth of private label	Need to execute well “Pure play” increasingly hard Must invest in infrastructure / new skills	High competition among young “trend-setters” Young are less loyal Lack of successful grey market propositions	Lack of discretionary income Health claims vs EU legislation ESG issues	Share of wallet moving from products to services Long term trend



4

In 2010, Action was demonstrating strong growth



ACTION

5

Origination using Benelux network



- Local origination
- Same language
- 3i credentials and network



Unique 6 months
exclusive off market
due diligence
process

6

Complex due diligence process



Raw data

No business plan

Business NOT
prepared for sale

Banks unfamiliar

Founders exit

Closed in September 2011



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Power of 3i's network



Jos Simons

- Ex CEO BiM
- Ex Aldi
- Ex Basismarkt



Peter Linzbach

- Chairman AMOR
- Ex Metro



Marc van Gelder

- CEO MEDIQ
- Ex Ahold
- NXD Maxeda
- Long-term 3i advisor



Ronald van der Mark

- Ex Maxeda
- Ex Cementbouw

Experience drawn from some of the largest retailers in Europe

8

Strong investment case has been confirmed

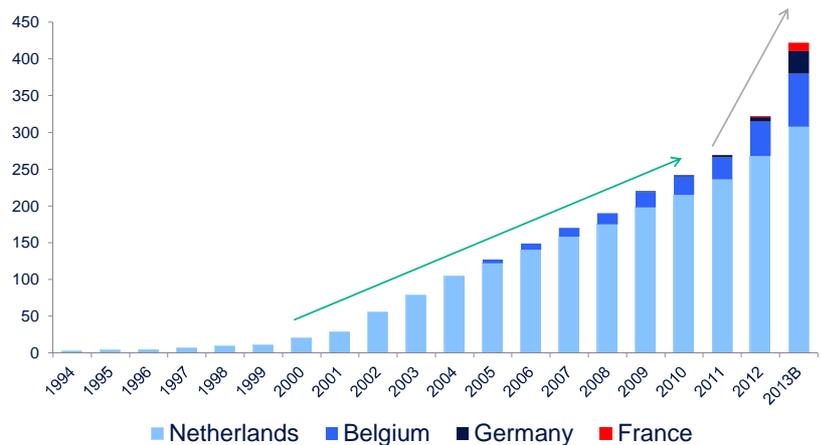


Winning retail format with international potential	✓ Strong LFL growth (> 8%) Entered Germany & France
Market leader in growing non-food discount retail market	✓ 4x the size of #2 in Benelux Non-food discount continues to grow
Significant store rollout potential with highly attractive store economics	✓ Rollout exceeding investment case Payback period < 1 year
Operational improvement potential	✓ Upsides identified and prioritised
<u>Key risk:</u> founder transition	✓ Founders phased out in first year Management team complete



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Growth has accelerated since 3i's investment



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3i has been actively involved in value creation



Best-in-class governance

- Board of industry experts established
- Market-leading management team in place
- Introduced regular financial reporting
- Chairman appointed September 2013

3i secondee joined the business to accelerate

- Store roll-out
- International expansion

Refinancing completed within two years

- €275m raised in September 2013
- Proceeds used in part to finance a shareholder dividend



11

Appointment of Adrian Bellamy as Chairman



- Over 40 years retail experience
- CEO of two international retail groups:
 - Edgars – South African department store
 - Duty Free Shopping – global airport retailer
- Chairman and Board positions include leading international brands:
 - Reckitt Benckiser
 - Williams-Sonoma
 - Labelux
 - The Body Shop
 - Gucci
 - Gap



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Ronald van der Mark
CEO Action



Professional experience

- 2004 - 2011 Maxeda, CFO, COO (KKR led buyout)
- 1996 - 2004 Cementbouw Handel & Industrie, CFO (CVC buyout)
- 1984 - 1996 Various accounting / controlling positions



13

Action

Fast growing market leader in non-food discount retail

Ronald van der Mark
CEO

3i Private Equity Capital Markets Seminar
24 September 2013



Action is different



The Action format

- Extraordinary shopping experience
- Recognized by our customers
- Simple and differentiated business model
- Strong continuous growth track record



Best overall price perception

Top 10 "low price" retailers (2012: Proposition Strength Index score (0-100))



Source: OC&C Proposition Strength Index 2012, OC&C analysis

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Best price perception per category

Category	Price perception					Price difference with Action ¹
	Number 1	Number 2	Number 3	Number 4	Number 5	
1 Housekeeping and cleaning	ACTION	Lidl	Aldi	kruidvat	Albert Heijn	-8%
Personal care	ACTION	kruidvat	Supermarket	etos		-11%
Groceries	Lidl	Aldi	ACTION	JUMBO	Albert Heijn	2%
2 Decorative products	ACTION	Xenos	BLOKKIER	BAZAAR	LEEN BAKKER!	-10%
Glass, porcelain and pottery	ACTION	Xenos	IKEA	BLOKKIER	LEEN BAKKER!	-10%
3 Office and hobbies	ACTION	HEMA	Xenos	BAZAAR	V&D	-12%
Toys and entertainment	ACTION	kruidvat	BAZAAR	bart smit	Intertoys	-11%
4 Garden and outdoor	ACTION	praxis	BAZAAR	Garden centre	intra tuin	-11%
Do-it-yourself	ACTION	gamma	praxis	BAZAAR	HORNBACH	-9%
5 Clothing	ZEEMAN	Wibra	ACTION	PRIMARK	GA	2%
Household linen	ACTION	ZEEMAN	Wibra	IKEA	HEMA	-11%

1. How much cheaper/expensive is Action (around 0%, 5%, 10% or more than 20%)

Source: SparkOptimus November 2012 (n=1.050)

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No concessions on quality

Action HDMI cable tested best in class by consumer program Radar

Independent product quality test of HDMI cable



• Action	EUR 2.99
• ICIDU	EUR 14.99
• Hama	EUR 39.99
• Profigold	EUR 69.99
• Monster	EUR 139.99

Source: OC&C BDD Commercial Due Diligence 2011

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Pleasant store environment



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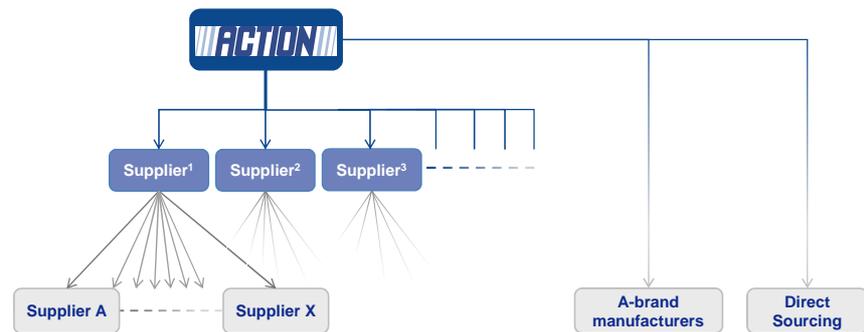
Simple and differentiated business model

- Strong and flexible sourcing model
- Centralised and efficient supply chain
- Low cost real estate (B/C locations) with high availability of new locations
- Action format works in various countries

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ACTION

Strong and flexible sourcing model



Very large (400 – 500) and flexible supplier base →

1. Supplier with stock in warehouse
2. Supplier operating under supply to order model
3. Broker linking Action with suppliers with overstock

24

ACTION

Centralized and efficient distribution

- One distribution center in Zwaagdijk (DC-A) of 100,000 m²
- A second distribution center (DC-B) will open beginning of 2014 to support further growth



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DC and trucks



26



High availability of low cost real estate

- Flexibility on store locations (B and C locations):
 - abundance of available locations (“white spots”)
- Strong position:
 - limited competition from other retailers
 - highly attractive tenant
- Dedicated Real Estate team (HQ) supported by local RE managers in the countries
- Clear criteria for new stores

27

ACTION

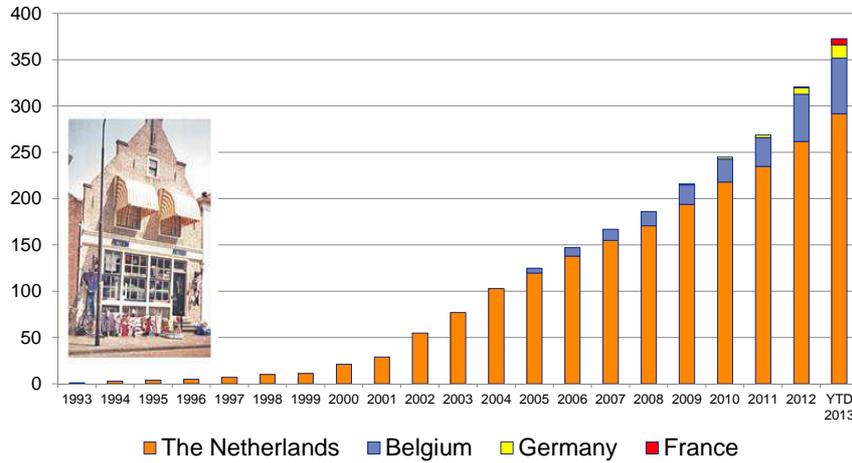
Locations



28

ACTION

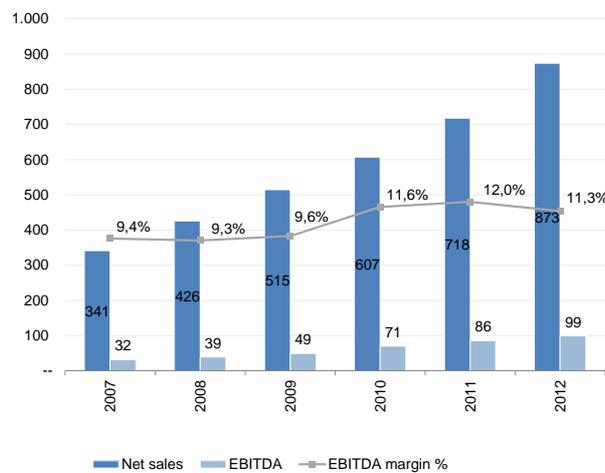
Strong growth since first store



29

ACTION

Strong financial track record



30

ACTION

Enormous growth opportunities



VERRASSEND VOLLEDIG, VERBAZEND VOORDELIG

Strategy

1. Building on the success of Action
2. Fast but controlled growth in the Benelux and other countries



Improve current business

- Sourcing/commercial:
 - category management
 - merchandising
 - own brands development
 - direct sourcing
 - margin management
- Supply chain/processes in stores:
 - integral management of our flow of goods
 - automatic ordering incl. pushing of products to the stores
 - shelf planning
- Marketing
- In-store communication

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ACTION

Growth strategy

- Current store roll-out strategy:
 - fill white spots in the Netherlands and Belgium
 - continue profitable expansion in Germany and France:
 - new store locations to be reached from DC-A or DC-B within one day
- Potential additional roll-out strategy:
 - open DCs in Germany and France to expand catchment area
 - investigate new countries
- Huge store opening potential
- Accelerated growth rate since buy-out

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ACTION

International expansion: Germany

- Positive market environment
- Positive performance of current stores
- Huge store opening potential



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ACTION

THE discounter agrees!



Theo Albrecht (92)

- Founder of Aldi
- Richest man in Germany
- Net worth >€20bn

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ACTION

International expansion: France

- Positive market environment
- Positive performance of current stores
- Huge store opening potential



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ACTION

We are able to deliver

ACTION
VERRASSEND VOLLEDIG, VERBAZEND VOORDELIG

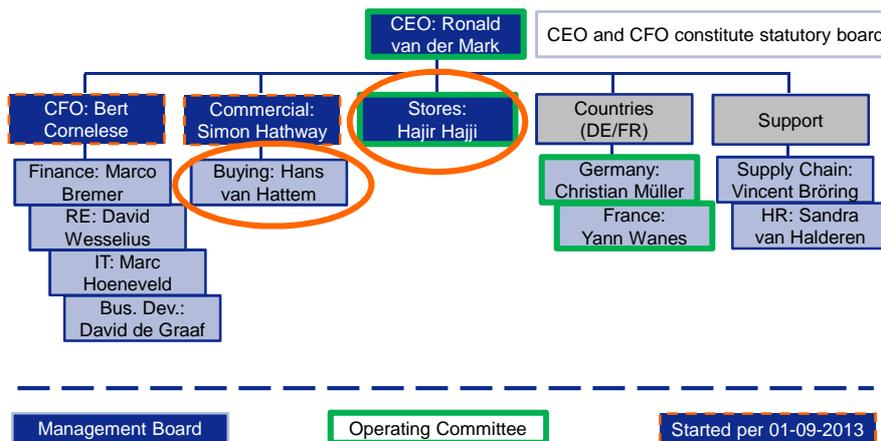
The path to further success for Action



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ACTION

Strong and committed team

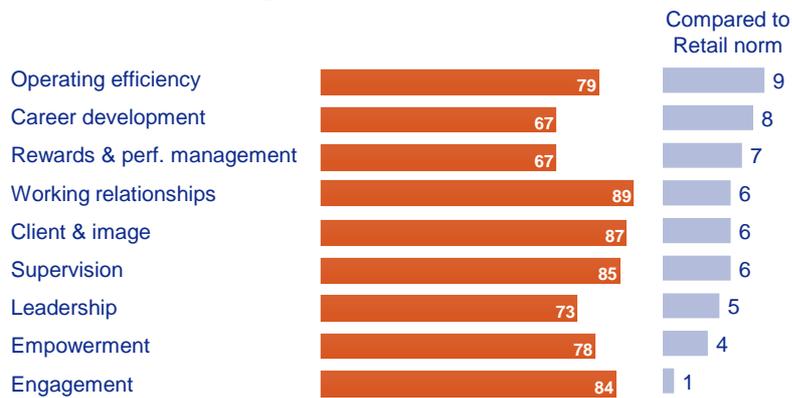


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ACTION

Engaged employees

Action scores higher than the Retail norm on all themes



Tower Watson : Action 2013 8,561, Retail norm 150,872 **41**



Strong Board and supportive shareholders

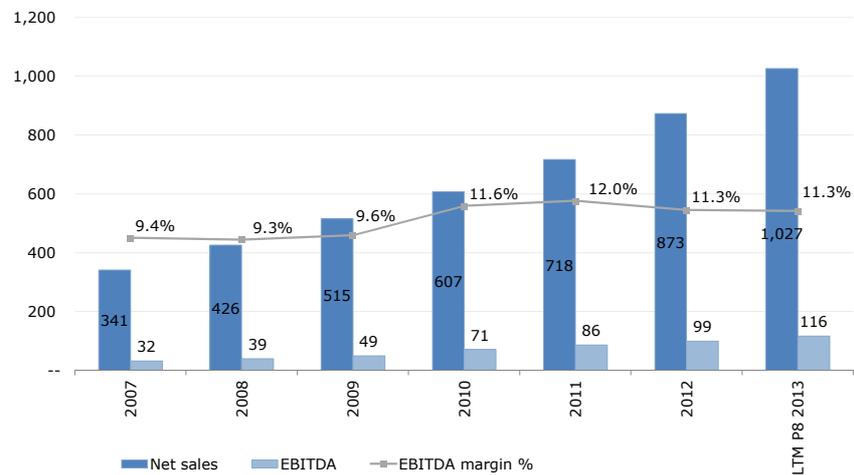
- Board:
 - Adrian Bellamy (Chairman of Reckitt Benckiser) is recently appointed as Chairman of Action. Besides Adrian the Board consists of Menno Antal (3i), Robert van Goethem (3i) and Marc van Gelder (Mediq)
 - Board meets on average every 4 weeks

- Supportive and aligned shareholders:
 - partners in the deal
 - aligned views and interests
 - work close together
 - additional support where necessary (e.g. refinancing)

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Strong financial position



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ACTION

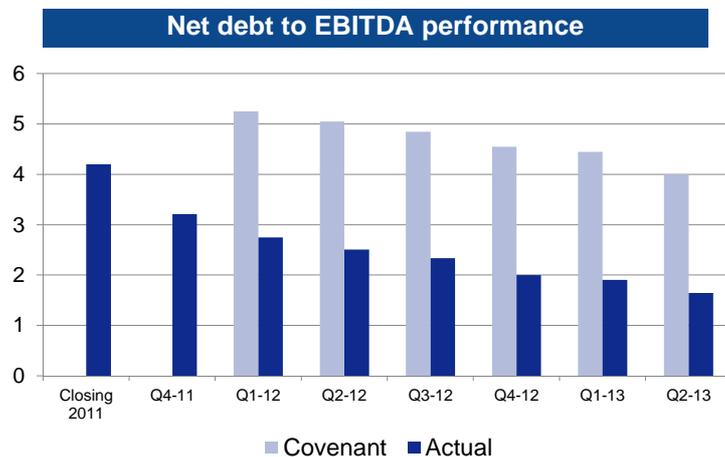
Significant outperformance of Business Case

	2011 Business Case			Actual performance					
	2011	2012	2013	2011	var. BC	2012	var. BC	YTD-2013	var. BC
Sales	722	804	901	718	-0,6%	873	8,7%	1.027	14,0%
Growth	18,9%	11,3%	12,1%	18,2%		21,7%		24,0%	
EBITDA	76	80	87	86	13,9%	99	24,4%	116	33,6%
% of sales	10,5%	9,9%	9,6%	12,0%		11,3%		10,6%	
Number of store openings	15	20	27	24	60,0%	52	160,0%	52	92,6%
Number of stores	260	280	307	269	9,8%	321	23,5%	373	21,5%

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ACTION

Rapid deleveraging



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ACTION

Conclusions

ACTION
VERRASSEND VOLLEDIG, VERBAZEND VOORDELIG

Conclusions

- Action is different
- Enormous growth opportunities
- We are able to deliver

Thanks for your attention!



Action



Menno Antal
Conclusion



Ambition is to maximise the upside potential



- High quality business originated using local network and sector insight
- Business performance very strong with significant further rollout potential
- Transformation of a local business into an international business
- Successful transition from entrepreneur founders to a top class management team
- 3i committed to maximising value upside potential



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