



25 October 2016

3i agrees sale of its Debt Management business to Investcorp

Highlights

- 3i Group plc (“3i” or “the Group”) has agreed the sale of its Debt Management business (“3iDM”) to Investcorp
- The transaction will generate cash proceeds to 3i of £222 million and an exceptional profit on disposal of £36 million, subject to closing adjustments which are dependent on the transaction’s completion date. The proceeds will be reinvested in 3i’s Private Equity and Infrastructure divisions
- The transaction is expected to close by the end of March 2017, subject to satisfaction of closing conditions including the required regulatory approvals

Simon Borrows, 3i’s Chief Executive, commented: “Our Debt Management business has produced strong cash income for the Group since our strategic review in 2012. However, the division fits less well with the 3i of today as we focus on our growing Infrastructure business and a proprietary capital approach in Private Equity. We are proud to have built 3iDM into an industry leader in its markets and are delighted with our agreement with Investcorp, which we believe has the strategic commitment, capital and distribution capabilities to support 3iDM in its next phase of growth.”

Strategic rationale for the transaction

3i’s Debt Management business was formed in February 2011 following the acquisition of Mizuho Investment Management, then one of Europe’s leading debt management businesses, from Mizuho Corporate Bank. 3i built on that platform through the acquisition, in 2012, of WCAS Fraser Sullivan Investment Management, a leading specialist US debt manager, and of five European CLO management contracts from Invesco. Today, 3iDM is a global leader in its markets, with strong investment teams based in London and New York and assets under management of approximately \$12 billion.

3iDM has played an important role since our 2012 strategic review. Predominantly a third-party asset management business, it has provided us with cash income, contributing to achieving and maintaining a group operating cash profit, as well as good cash returns from our investments in the underlying CLOs. However, today the cash income from our Debt Management activities is less important as we focus on building our Private Equity and Infrastructure portfolios from a robust position, with a strong balance sheet and a lean cost base.

Information on the transaction

As part of the transaction, 3i will be selling its 3iDM fund management business and CLO equity investments required to meet risk retention requirements, valued at £182 million at 30 September 2016. Investcorp has also agreed to take over 3i's debt warehouse commitments in Europe and the US. 3i will continue to hold certain CLO investments valued at £56 million at 30 September 2016, together with the benefit of certain incentive fees and will maintain its commitments to the Global Income Fund and the Senior Loan Fund.

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The sale is expected to close by 31 March 2017, subject to satisfaction of closing conditions including the required regulatory approvals. 3iDM's employees are expected to remain with the 3iDM business that transfers to Investcorp. The leadership of 3iDM will remain unchanged, with Jeremy Ghose continuing as CEO of the overall division and John Fraser continuing to oversee the US operations.

Note: the audited gross assets of the two entities being sold totalled £225 million at 31 March 2016. The entities' total comprehensive income for the year ended 31 March 2016 totalled £20 million.

- Ends -

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Notes to editors

About 3i and 3i Debt Management

3i is a leading international investment manager focused on mid-market Private Equity, Infrastructure and Debt Management. Our core investment markets are northern Europe and North America. For further information, please visit: www.3i.com.

3i Debt Management is a leading global credit management business. It manages funds which invest primarily in senior secured corporate debt issued by mid and large-cap corporates in the UK, Europe and the US. Assets under management as of 30 September 2016 totalled c. \$12 billion. The business employs c. 50 people based in London, New York and Singapore.

About Investcorp

Investcorp is a leading provider and manager of alternative investment products and is publicly traded on the Bahrain Bourse (INVCORP). The Investcorp Group has offices in London, Bahrain, New York, Saudi Arabia, Abu Dhabi and Doha. Investcorp has three business areas: corporate investment, real estate investment and alternative investment solutions (formerly known as hedge funds). As at June 30, 2016, the Investcorp Group had \$10.8 billion in total assets under management, including assets managed by third party managers and assets subject to a non-discretionary advisory mandate where Investcorp receives fees calculated on the basis of assets under management.