



18 July 2024

3i Group plc

FY2025 Q1 performance update

An encouraging start to FY2025

- Increase in NAV per share to 2,167 pence (31 March 2024: 2,085 pence) and total return of 4% for the three months to 30 June 2024, after a negative foreign exchange translation impact of £113 million or 12 pence.
- Strong performance from Action in the quarter (P4-P6 2024), with net sales and operating EBITDA of €3,224 million and €446 million (P4-P6 2023: €2,701 million and €374 million).
- In the six months to the end of Action's P6 (ending 30 June 2024), like-for-like ("LFL") sales growth was 9.0%. YTD operating EBITDA to the end of P6 was €843 million, 23% ahead of the same period last year.
- After the quarter end, Action successfully completed a refinancing event, raising €2.1 billion, as well as a capital restructuring with a pro-rata redemption of shares. 3i used €821 million of the €1,374 million gross proceeds received to acquire further shares in Action, increasing our gross equity stake from 54.8% to 57.6%.
- We continue to see good performance across the remaining Private Equity portfolio overall, including some of the assets that saw weaker trading in 2023.
- We agreed the c.€116 million new Private Equity investment in Constellation in May 2024, and completed four bolt-on acquisitions across our existing portfolio in the quarter, including an acquisition for Royal Sanders.
- We agreed the realisation of nexeye in April 2024, for proceeds of c.€452 million, and expect this to complete at the end of July 2024.

Simon Borrows, Chief Executive, commented:

"Action had a good first half of 2024, with net sales and operating EBITDA ahead of budget and prior year, despite a continued focus on price reductions and the impact of softer seasonal sales in a rather wet and cold June across north western Europe. We are confident that Action will continue to perform well in the second half of 2024. The successful completion of another sizable refinancing reflects Action's impressive growth and strong cash generation. We have allocated part of the proceeds from this transaction to increase our holding in Action, which we believe will benefit shareholders in the months and years to come.

We are encouraged by the good start to 2024 for the remaining portfolio, and are seeing positive developments in some of the assets which experienced headwinds in 2023. We remain selective in our capital allocation and, in the quarter, secured a new investment and a number of bolt-on acquisitions, as well as a significant realisation."

Private Equity

Action performance and valuation at 30 June 2024

In the six months ending 30 June 2024 (P6), **Action** generated net sales of €6,228 million and operating EBITDA of €843 million, 20% and 23% respectively ahead of the same period last year. Over the same period, LFL sales growth was 9.0%, driven by a combination of a high volume of transactions, outperformance in everyday necessities and a negative price effect. LFL sales growth for the same period last year, which included an element of inflation, was 21.8%. Action added 119 new stores to the end of P6 (YTD P6 2023: 90) and remains on track to meet its target of 330 stores added this year. Action ended the period with cash of €645 million and a net debt to run-rate EBITDA ratio of 2.0x.

In July 2024, Action successfully completed a refinancing event, raising €2.1 billion in total, including a second US dollar term loan issuance of \$1.5 billion. The US dollar term loan was fully hedged at an all in cost of 5.5%. As a result, Action's total senior debt is c.€6.6 billion and, based on Action's cash position of €546 million on 14 July 2024 and the P6 run-rate LTM EBITDA, Action's net debt to run-rate EBITDA ratio is 3.2x. In July 2024, Action also completed a capital restructuring with a pro-rata redemption of shares. 3i, alongside a number of existing LPs in the 2020 Co-Investment Programme, took the opportunity to reinvest in Action. 3i used €821 million of the €1,374 million gross

proceeds from the share redemption to acquire further shares in Action, increasing our gross equity stake from 54.8% to 57.6%. This change to ownership occurred in early July 2024 and will only be reflected in the result for the period ending 30 September 2024.

Action financial metrics

	YTD to P6 2024 (30 June 2024)	YTD to P6 2023 (2 July 2023)
Financial metrics	€m	€m
Net sales	6,228	5,186
LFL sales growth	9.0%	21.8%
Operating EBITDA	843	683
Operating EBITDA margin	13.5%	13.2%
Net new stores added	119	90

	LTM to P6 2024 (30 June 2024)	LTM to P6 2023 (2 July 2023)
Financial metrics	€m	€m
Net sales	12,365	10,160
Operating EBITDA	1,775	1,439
Operating EBITDA margin	14.4%	14.2%
Run-rate EBITDA	1,936	1,556

At 30 June 2024, Action was valued using an LTM run-rate EBITDA to 30 June 2024 of €1,936 million, which includes the usual adjustment to reflect stores opened in the last 12 months and one-off expenses of €18.5 million, the majority of which related to a specific net payment to each full-time Action employee in December 2023 to mark Action's 30-year trading anniversary. The multiple of 18.5x, net of the liquidity discount, remained unchanged, resulting in a valuation of £14,838 million for 3i's 54.8% equity stake (31 March 2024: £14,158 million).

Portfolio (excluding Action) performance

We continue to see strong performance from **Royal Sanders** and **European Bakery Group**, whilst **Audley Travel's** booking numbers for the first half of 2024 are ahead of the same period in 2023 and 2019 (pre-pandemic). **Cirtec Medical** is showing good momentum through strong demand from its customers across its key products and **SaniSure's** YTD 2024 trading is in line with our expectations. **Tato** and **Luqom** continue to see positive trading momentum in the YTD 2024, after facing headwinds in 2023. **WilsonHCG** continues to operate through a challenging white collar recruitment market.

The ratio of net debt to EBITDA across the Private Equity portfolio decreased from 2.7x at 31 March 2024 to 2.5x at 30 June 2024. The average Private Equity portfolio leverage excluding Action decreased from 3.9x to 3.8x.

We made no adjustments to portfolio company valuation multiples in the period.

Private Equity investment and realisations

In May 2024, we agreed a new c.€116 million investment in **Constellation**, an IT managed services provider specialised in hybrid cloud and cyber security. Headquartered in France, Constellation supports mid-sized and enterprise-level customers by managing their IT infrastructure across both public and private cloud environments, and overseeing cyber security through its Security Operations Centre. We expect this transaction to complete in Q2 FY2025.

In the period, we also completed four bolt-on investments. **Royal Sanders** completed the self-funded acquisition of Karium, a platform of established brands across the hair care, body care and skin care categories. The combination with Royal Sanders and its existing brand portfolio will provide significant growth opportunities.

MAIT completed two self-funded bolt-on acquisitions (Cad n'Org and ISAP) both of which complement its existing digital solutions offering in product lifecycle management. We also invested £6 million to support **xSuite's** acquisition of tangro, a highly comparable peer of xSuite that also focuses on Accounts Payable Automation Software in the SAP ecosystem. We continued to support the development of **ten23 health** with a further £14 million investment in the period.

We agreed the sale of **nexeye** in April 2024, for expected proceeds of c.€452 million, and expect the transaction to complete by the end of July 2024.

Infrastructure

3iN's share price decreased by 2% in the quarter to the end of June 2024, closing at 320 pence (31 March 2024: 327 pence), valuing 3i's 29% stake at £862 million (31 March 2024: £879 million). We also recognised dividend income of £16 million from 3iN in the quarter.

Our remaining infrastructure portfolio companies are performing largely in line with our expectations.

Top 10 investments by value¹ at 30 June 2024

	Valuation basis	Valuation currency	Valuation Mar-24 £m	Valuation Jun-24 £m	Activity in the quarter
Action	Earnings	EUR	14,158	14,838	
3iN	Quoted	GBP	879	862	£16 million dividend recognised
Royal Sanders	Earnings	EUR	580	641	
Cirtec Medical	Earnings	USD	586	597	
Scandlines	DCF	EUR	519	516	£12 million dividend received
AES Engineering	Earnings	GBP	403	403	
nexeye	Imminent sale	EUR	377	373	Sale agreed in the quarter and due to complete in July 2024
Tato	Earnings	GBP	335	345	£5 million dividend received
SaniSure	Earnings	USD	334	333	
Evernex	Earnings	EUR	331	325	

1. The valuations are translated at the spot rate of the balance sheet date. Sterling strengthened by 0.9% against the euro and by 0.1% against the US dollar in the quarter to 30 June 2024. Individual valuations exclude the benefit of the foreign exchange hedges.

The 10 investments in the table above comprised 86% (31 March 2024: 86%) of the total investment portfolio value of £22,452 million (31 March 2024: £21,636 million).

Total return and NAV position

The Group recorded a total foreign exchange translation loss of £113 million, including the impact of foreign exchange hedging in the quarter, as a result of sterling strengthening by 0.9% against the euro and by 0.1% against the US dollar.

Based on the net assets at 30 June 2024 and including the impact of hedging, a 1% movement in the euro and US dollar would result in a net total return movement of £145 million and £12 million respectively. The diluted NAV per share increased to 2,167 pence (31 March 2024: 2,085 pence) or 2,132.5 pence after deducting the 34.5 pence per share (£332 million) second FY2024 dividend, which will be paid on 26 July 2024.

Balance sheet

At 30 June 2024, cash was £336 million (31 March 2024: £396 million), and, including our undrawn £900 million revolving credit facility, liquidity was £1,236 million (31 March 2024: £900 million and £1,296 million respectively). Net debt was £863 million and gearing was 4% (31 March 2024: £806 million and 4%).

Our cash position at 30 June 2024 is before Action's refinancing and pro-rata share redemption that completed in July 2024 and before the planned reduction of the carried interest liability of c.€345 million which is expected to complete in Q2 FY2025. The Buyouts 2010-12 vintage will now accrue net carried interest payable of less than 1% (31 March 2024: c.3%) of Action's GIR.

- ENDS -

Notes

1. Balance sheet values are stated net of foreign exchange translation. Where applicable, the GBP equivalents at 30 June 2024 in this update have been calculated at a currency exchange rate of €1.1795: £1 and \$1.2642: £1 respectively.
2. At 30 June 2024 3i had 968 million diluted shares.
3. Action was valued using a post-discount run-rate EBITDA multiple of 18.5x based on its LTM run-rate earnings to 30 June 2024 of €1,936 million.
4. As at 30 June 2024, the notional amount of the forward foreign exchange contracts held by the Group was €2.6 billion (including €600 million associated with Scandlines) and \$1.2 billion.

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About 3i Group

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

All statements in this performance update relate to the three-month period ended 30 June 2024 unless otherwise stated. The financial information is unaudited and is presented on 3i's non-GAAP Investment basis in order to provide users with the most appropriate description of the drivers of 3i's performance. Net asset value ("NAV") and total return are the same on the Investment basis and on an IFRS basis. Details of the differences between 3i's consolidated financial statements prepared on an IFRS basis and under the Investment basis are provided in the Annual report and accounts. There have been no material changes to the financial position of 3i from the end of this quarter to the date of this announcement.