

HICL Infrastructure Company Limited

Winterflood Investment Trusts Annual Conference

25 January 2018



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Past performance is not a reliable indicator of future performance.

Agenda

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Sector drivers

Birmingham New Hospital, UK



Investment constraints under public ownership

State owned utilities needing investment



Social infrastructure needing renewal



Private financing: a source of capital and operational excellence

Risk capital and efficiency through privatisation (UK: 1980s and 1990s)

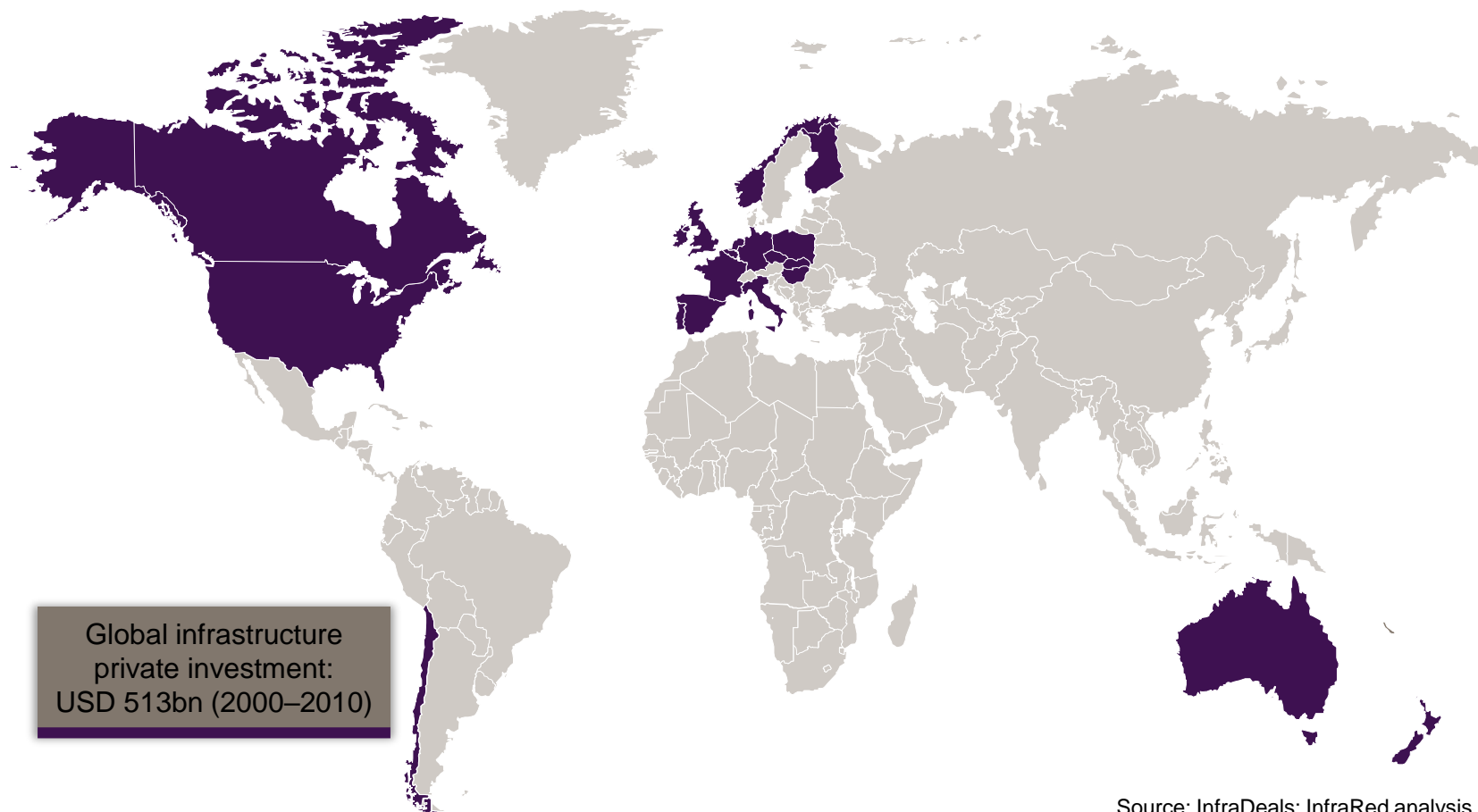


Social infrastructure renewal facilitated by public private partnerships (UK: late 1990s and 2000s)



Adoption of infrastructure private finance techniques

Key markets adopting infrastructure private finance models

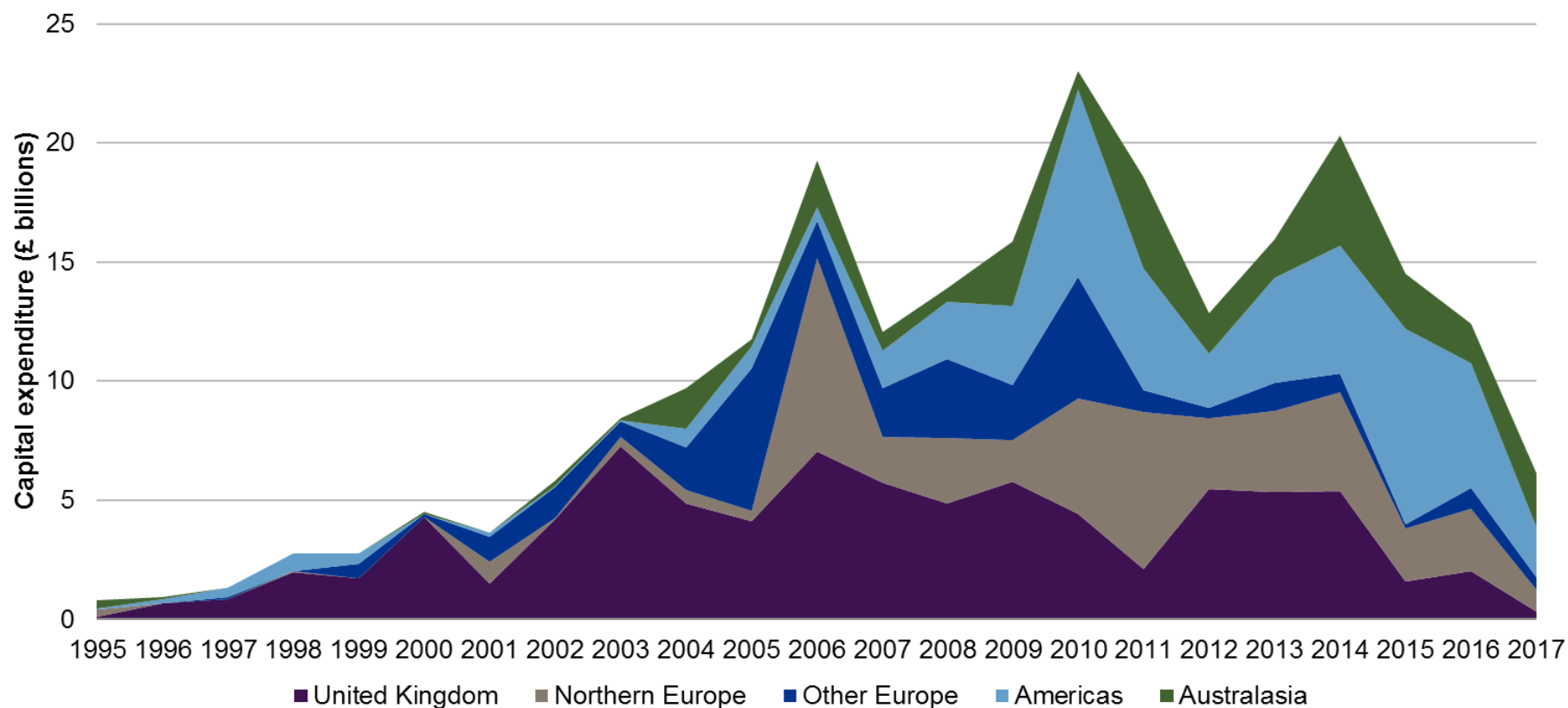


Source: InfraDeals; InfraRed analysis

Adoption of PPP model of infrastructure investment

- ▲ Powered by the UK market from 1995 to 2008
- ▲ Increasingly adopted in other markets

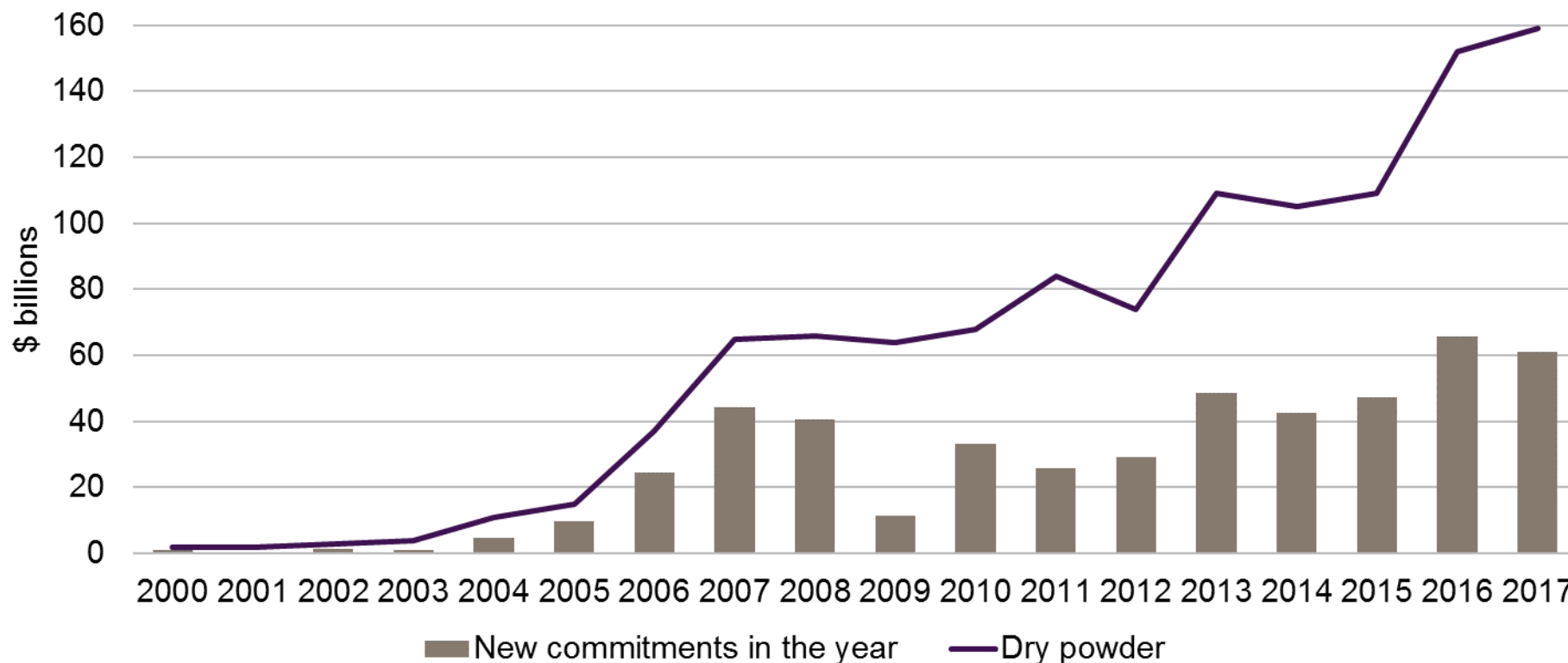
Greenfield availability deals by equity value, 1995 - 2017



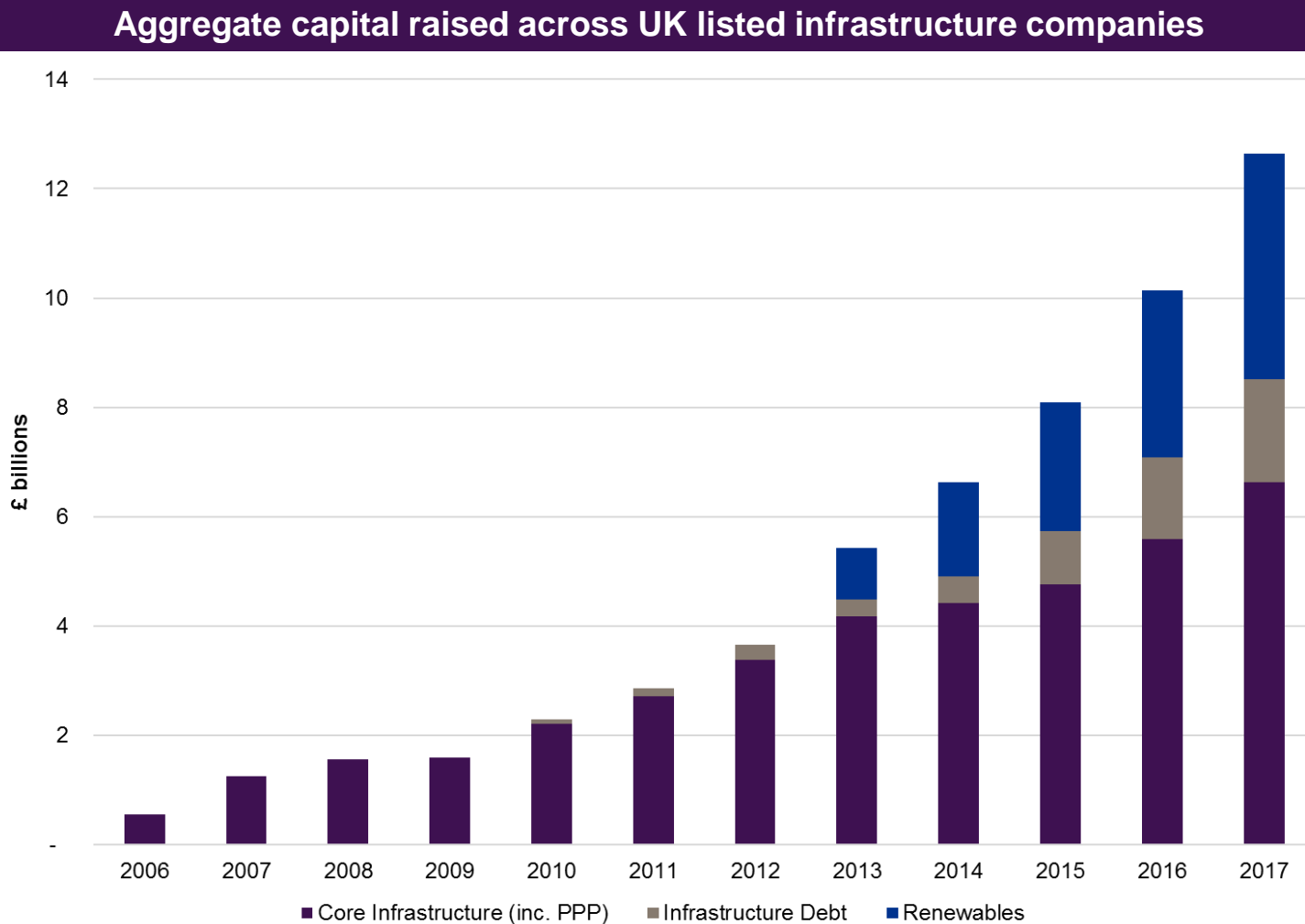
Infrastructure investment as an institutional asset class

- ▲ Huge growth in allocations by institutional investors with over \$490 billion committed since 2000
- ▲ >\$150bn of unlisted capital seeking investments (dry powder) as of Q4 2017

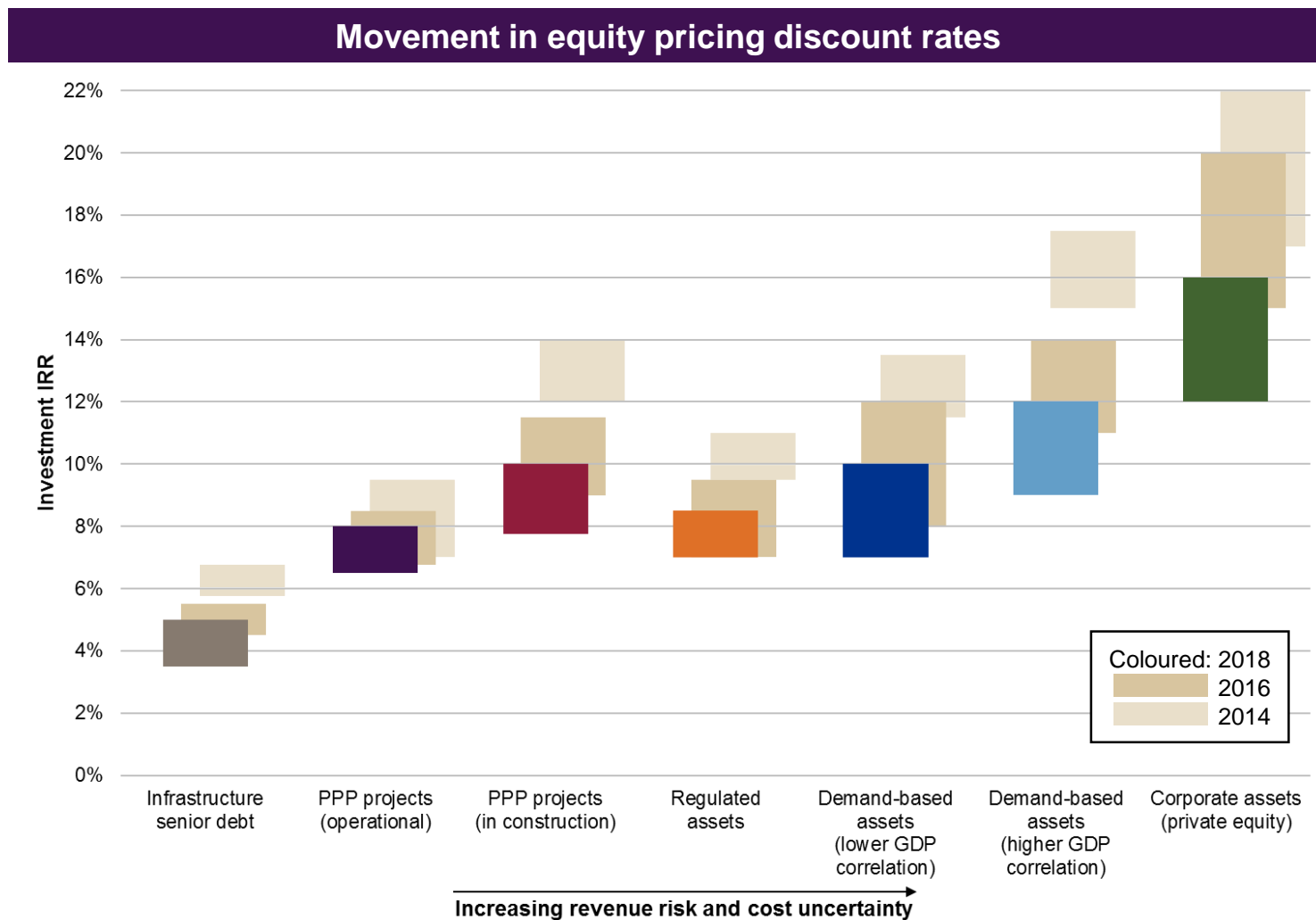
Unlisted fundraising and capital available to invest, 2000 - 2017



The growth of listed infrastructure in the UK



Supply and demand: Asset pricing in developed markets



Core market segments

Grangemouth High School, UK

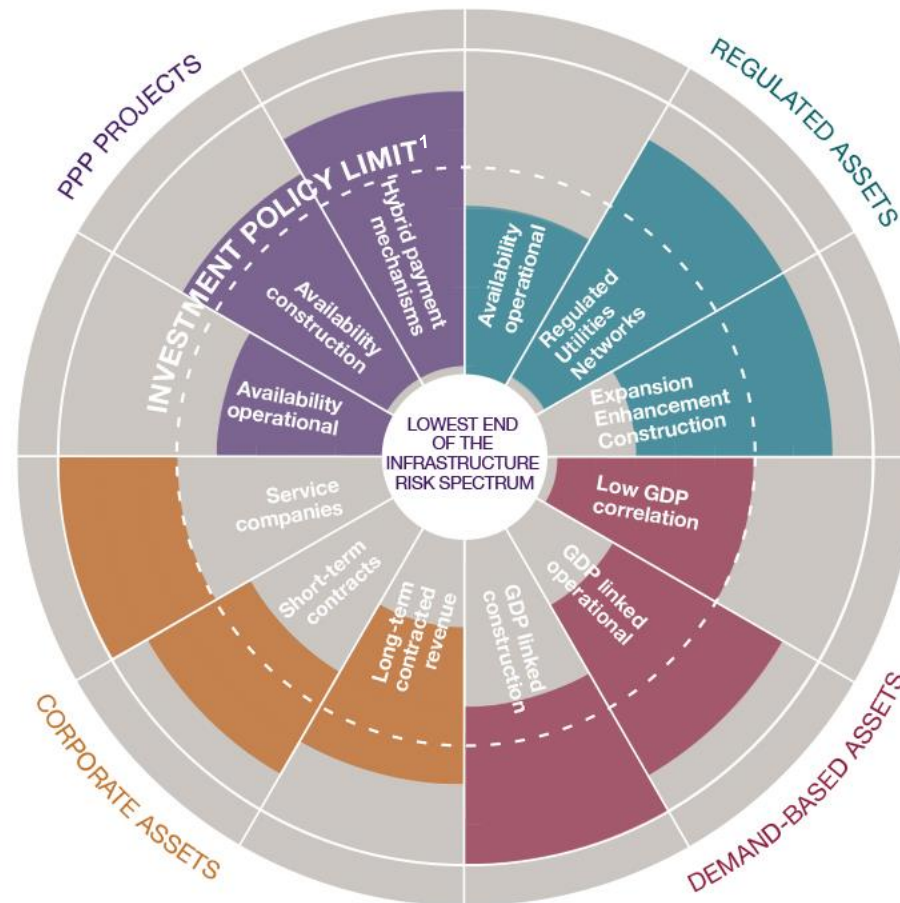
Infrastructure market map



Examples: hospitals, schools, government accommodation and availability transport (e.g. road/rail)



Examples: gas and electricity transmission and distribution; water utilities; district heating



Examples: rolling stock



Examples: operational toll roads, tunnels, bridges; student accommodation

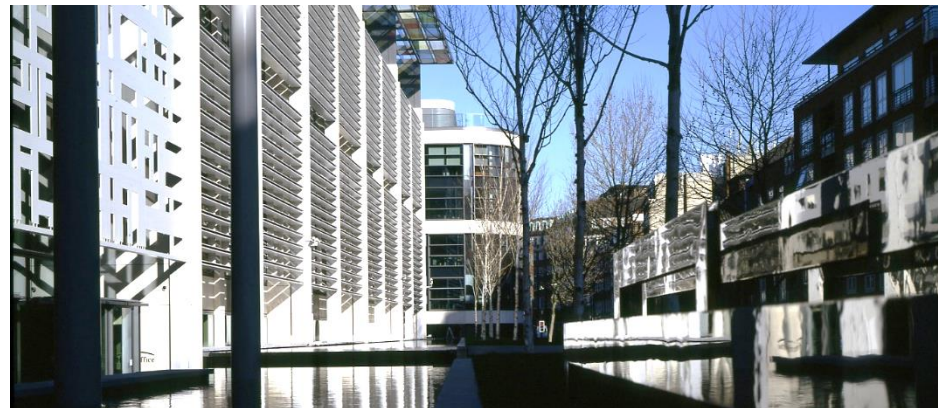


1. HICL's Investment Policy can be found on the HICL website



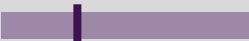



Public Private Partnerships (“PPP”)

Home Office Headquarters, UK

- ▲ Purpose-built office accommodating 3,450 staff
- ▲ £200 million capital expenditure
- ▲ 29-year concession



Investment risks and mitigants

Revenue – price	Low		High	Mitigated through Government-backed, availability-based income
Revenue – usage risk	Low		High	
Construction delivery	Low		High	Performance obligations subcontracted to Bouygues on a pass-through basis
Operational complexity	Low		High	
Political and regulatory	Low		High	Long-term contract with Government client. Performance conditions defined at the outset
Disruptive technology	Low		High	






Regulated assets

Affinity Water, UK

- ▲ Largest water-only company in the UK.
- ▲ Owns and manages a water treatment and supply network in South East England
- ▲ Delivers an average of 900 million litres per day to >3.6 million people



Investment risks and mitigants

Revenue – price	Low  High	Regulator determines a fair level of charges and services, whilst ensuring a reasonable return for investors
Revenue – usage risk	Low  High	
Construction delivery	Low  High	Mature network; assets well-understood; experienced management team and >1,200 staff
Operational complexity	Low  High	
Political and regulatory	Low  High	On-going programme of engagement with customers, the regulator and other stakeholders
Disruptive technology	Low  High	







Demand-based infrastructure concessions

A63 Motorway, France

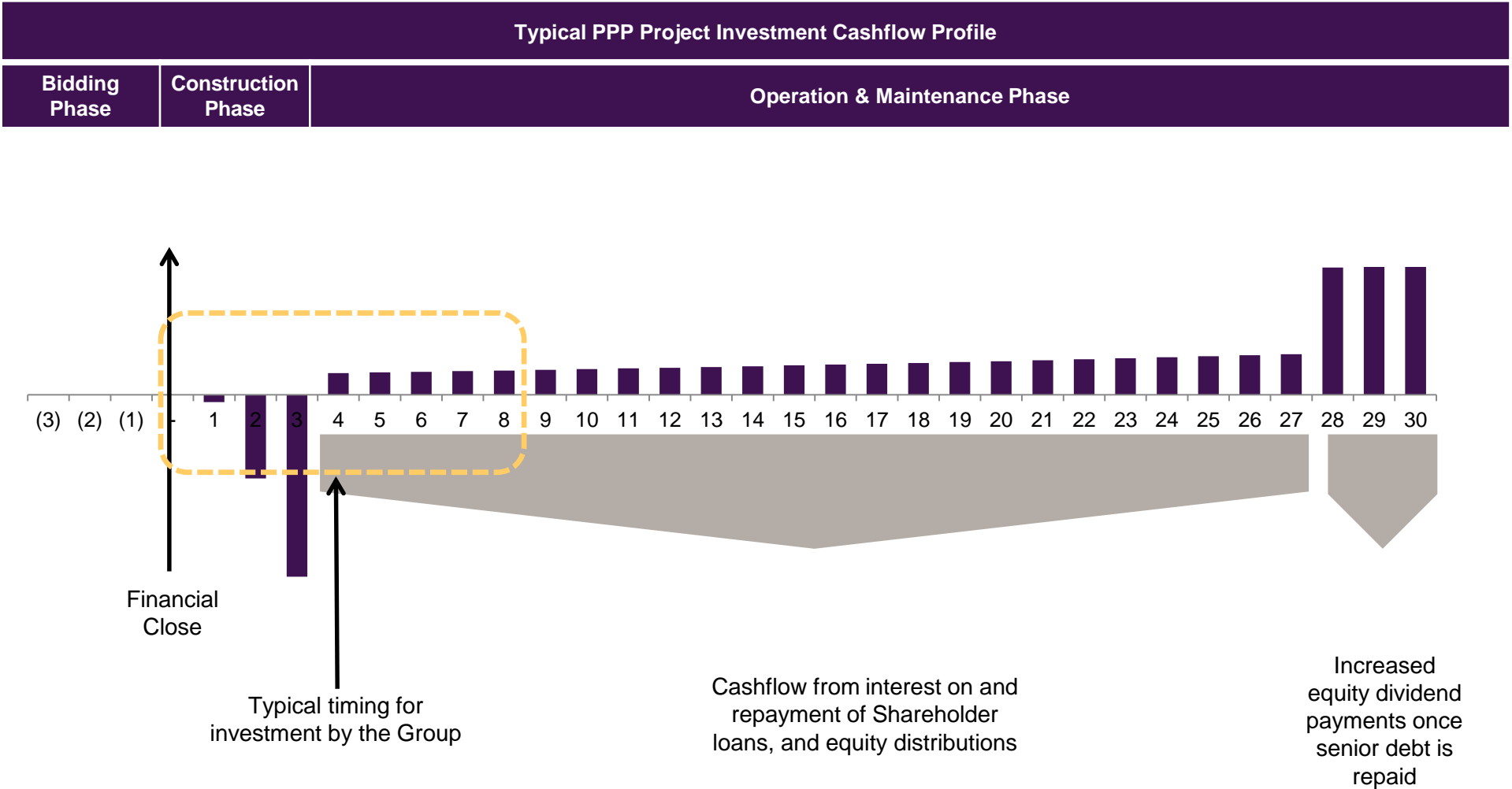
- ▲ A 104km toll road part of a Trans-European Network
- ▲ Truck traffic is primarily related to trade within Europe, particularly between Spain/Portugal and northern Europe
- ▲ 40-year concession term



Investment risks and mitigants

Revenue – price	Low  High	Pricing formula set in concession agreement. Traffic history for the corridor dating back >10 years
Revenue – usage risk	Low  High	
Construction delivery	Low  High	Asset purchased after construction completion. Operations subcontracted to experienced counterparty
Operational complexity	Low  High	
Political and regulatory	Low  High	Long-term concession contract. Performance conditions defined at the outset
Disruptive technology	Low  High	

Illustrative investment cashflow profile – PPP project



HICL Infrastructure Company Limited

An overview

St Pancras Station, UK

DELIVERING LONG-TERM, STABLE INCOME FROM A PORTFOLIO OF INFRASTRUCTURE INVESTMENTS THAT IS POSITIONED AT THE LOWER END OF THE RISK SPECTRUM

Track
record

Yield

Dividend
visibility

Inflation
correlation

Diversified
portfolio

Cashflow
longevity

Investment characteristics

DELIVERING LONG-TERM, STABLE INCOME FROM A PORTFOLIO OF INFRASTRUCTURE INVESTMENTS THAT IS POSITIONED AT THE LOWER END OF THE RISK SPECTRUM

9.5% p.a.
Total Shareholder
Return¹

5.2%
Dividend yield
(prospective)²

2020
Dividend guidance³

0.8
Inflation correlation⁴

45%
Exposure to 10 largest
assets⁵

30.6 years
Weighted average asset
life⁶

1. Calculated from IPO in March 2006 to 30 September 2017 on the basis of Net Asset Value and dividends paid

2. Based on the Target Dividend per Share (2017 – 18) and the Share Price as at 19 January 2018

3. Dividend guidance of 7.85p, 8.05p and 8.25p (expressed in pence per ordinary share), for the financial years ending 31 March 2018, 2019 and 2020, respectively

4. Correlation of portfolio returns to inflation at 30 September 2017. If outturn inflation was 1% p.a. higher than the valuation assumption in each and every forecast period, the expected return from the portfolio (before Group expenses) would increase by 0.8%

5. In HICL's portfolio of 116 assets, as at 30 September 2017, the 10 largest assets represented 45% of the total portfolio

6. As at 30 September 2017

Past performance is not a guide to future performance. Targets are not profit forecasts. There can be no assurances that targets will be met

**DELIVERING LONG-TERM, STABLE INCOME
FROM A PORTFOLIO OF INFRASTRUCTURE INVESTMENTS THAT IS
POSITIONED AT THE LOWER END OF THE RISK SPECTRUM**



VALUE PRESERVATION

Protecting the value of HICL's portfolio, principally through the use of Active Management of the underlying investments



VALUE ENHANCEMENT

Outperforming the base case, delivering upside to shareholders



ACCRETIVE INVESTMENT

Purchasing assets that enhance the delivery of the investment proposition

Portfolio characteristics

MARKET SEGMENT

Sep-17



	Sep-17
▲ PPP Projects	74%
▲ Demand-based Assets	17%
▲ Regulated Assets	9%

SECTOR

Sep-17



	Sep-17
▲ Accommodation	10%
▲ Education	17%
▲ Health	29%
▲ Fire, Law & Order	6%
▲ Transport	26%
▲ Water	12%

GEOGRAPHIC LOCATION

Sep-17



	Sep-17
▲ UK	80%
▲ EU	10%
▲ Australia	3%
▲ North America	7%

INVESTMENT STATUS

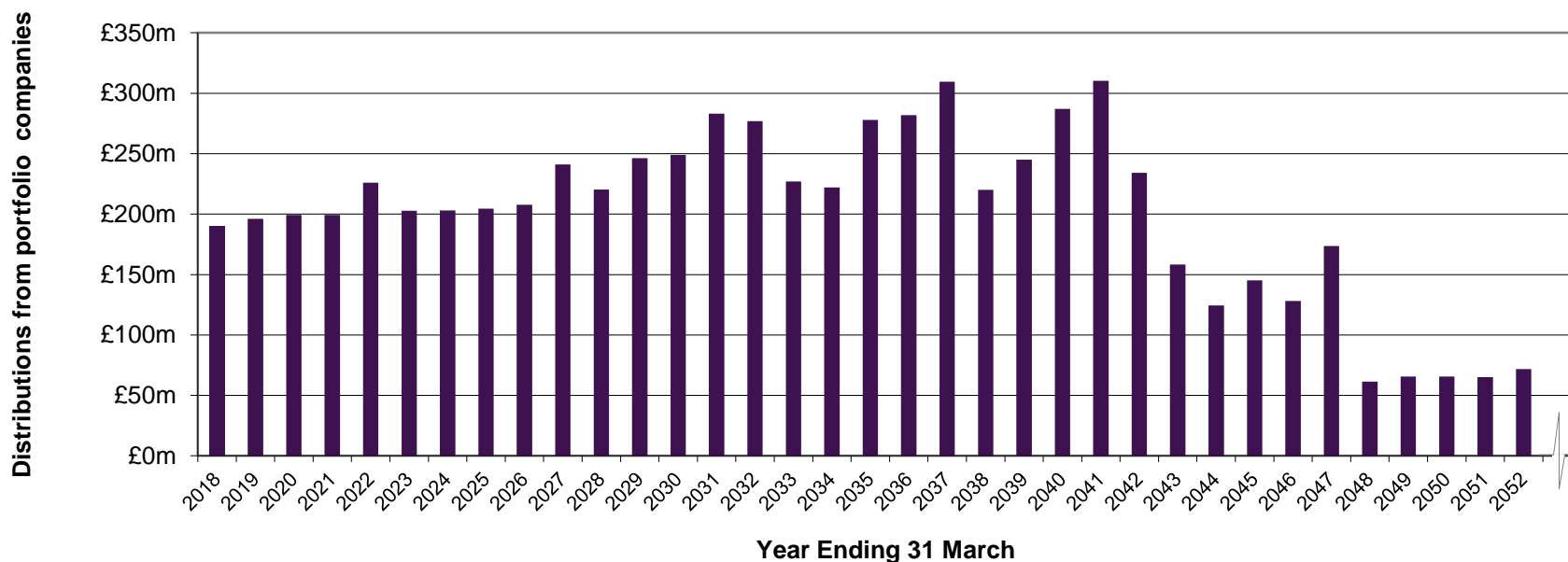
Sep-17



	Sep-17
▲ Fully operational	98%
▲ Construction	2%

Portfolio overview – cashflow profile¹

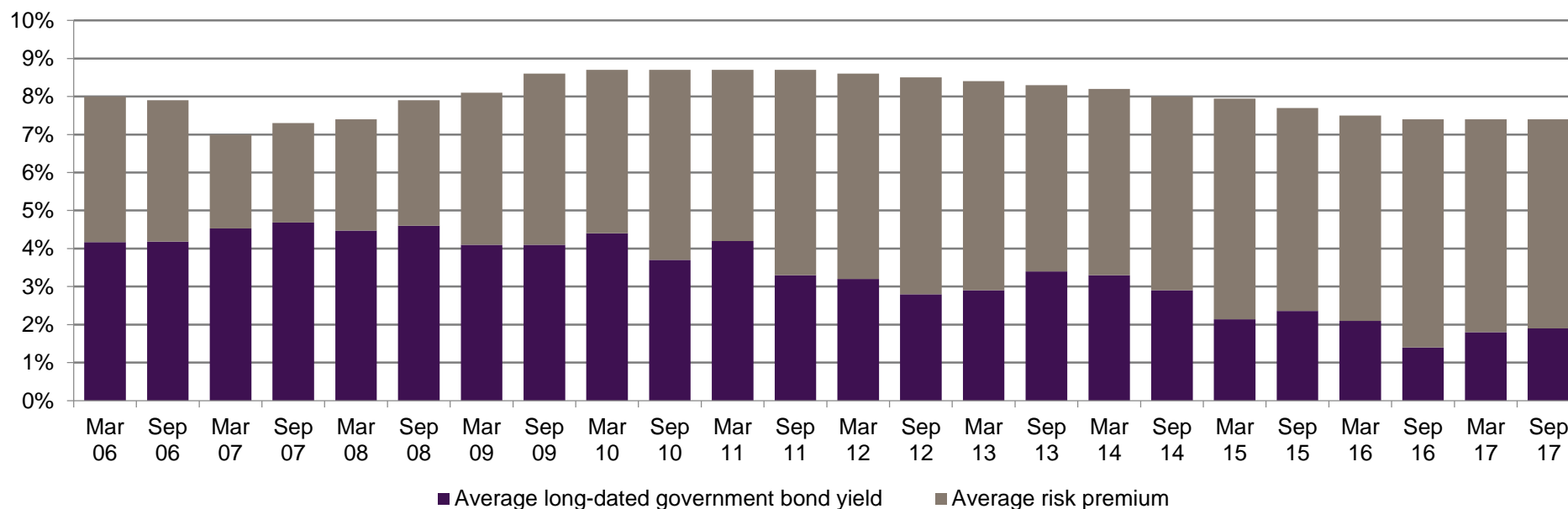
- ▲ Forecast shows steady long-term cashflows combined with a stable portfolio valuation in the medium term
- ▲ Portfolio cashflows underpin the dividend and two years of forward dividend guidance
- ▲ Present value of future project cash flows was £2.8 billion as at 30 September 2017



1. The illustration represents a target only at 30 September 2017 and is not a profit forecast. There can be no assurance that this target will be met
2. Valuation considers cashflows beyond 2052, for example for Northwest Parkway 89 years of cashflows are assumed
3. Subject to certain other assumptions, set out in detail in the Company's Interim Report for the six months to 30 September 2017

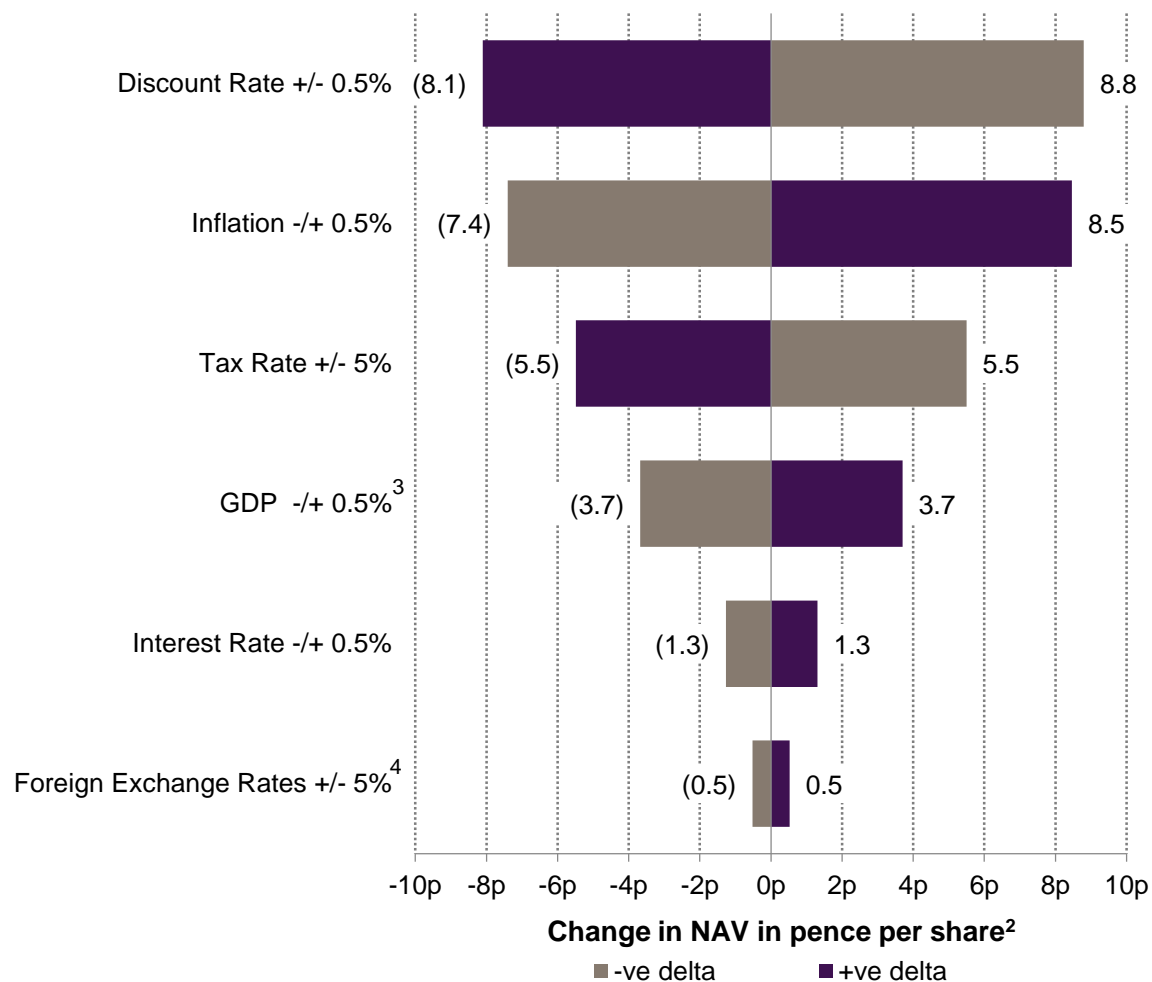
Approach to portfolio valuation

- ▲ Key component of the Net Asset Value is the portfolio valuation
- ▲ Determined by calculating the net present value of each asset's forecast cashflows
- ▲ Weighted-average discount rate of 7.4%
- ▲ Implied risk premium over long-dated government bonds of 5.5%



1. The long-term government bond yield for a region is the weighted average for all of the countries in which the portfolio is invested in that region
2. Weighted-average discount rate at 30 September 2017

Key valuation sensitivities¹



1. As at 30 September 2017

2. NAV per share based on 1,788m ordinary shares in issue at 30 September 2017

3. Assets subject to GDP movements are High Speed 1, Northwest Parkway, A63 Motorway and M1-A1 Link Road

4. Foreign exchange rate sensitivity is net of current Group hedging at 30 September 2017

HICL's Investment Adviser: InfraRed

Health & Safety Executive, UK

Overview of InfraRed Capital Partners Ltd (“InfraRed”)



- ▲ Strong, 25+ year track record of launching 17 infrastructure and real estate funds (including HICL and TRIG)
- ▲ Currently over US\$10bn of equity under management
- ▲ Independent manager owned by senior management team¹
- ▲ London based, with offices in Hong Kong, New York, Seoul and Sydney, with over 130 partners and staff
- ▲ InfraRed is a signatory of the Principles for Responsible Investment (PRI). In the annual assessment by PRI, InfraRed has achieved top ratings with an A+ rating for Infrastructure in 2017 assessed by PRI

Infrastructure funds	Strategy	Amount (m)	Years	Status
Fund I	Unlisted, capital growth	£125	2001-2006	Realised
Fund II	Unlisted, capital growth	£300	2004-2015	Realised
HICL Infrastructure Company Limited (“HICL”)	Listed, income yield	£2,795 ²	Since 2006	Evergreen
Environmental Fund	Unlisted, capital growth	€235	Since 2009	Divesting
Fund III	Unlisted, capital growth	US\$1,000	Since 2011	Invested
Yield Fund	Unlisted, income yield	£500	Since 2012	Invested
The Renewables Infrastructure Group (“TRIG”)	Listed, income yield	£1,025 ²	Since 2013	Evergreen

Source: InfraRed

1. InfraRed is an indirect subsidiary of InfraRed Capital Partners (Management) LLP which is owned by its partners

2. Market capitalisation as at 30 September 2017

Concluding remarks

- ▲ Demand for infrastructure asset class remains strong
- ▲ Supply of investment opportunities driven by the desire for new sources of risk capital to finance infrastructure investment and renewal
- ▲ HICL has a differentiated investment proposition combining:
 - Low asset concentration risk;
 - Strong correlation between portfolio returns and inflation; and
 - Good cash flow longevity
- ▲ Clear strategy to deliver sustainable long-term income through investing in a portfolio of infrastructure investments positioned at the lower end of the risk spectrum



High Speed Rail Link, The Netherlands