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HICL Infrastructure PLC

(“HICL” or “the Company” and, together with its subsidiaries, “the Group”), the London-listed infrastructure investment company managed by InfraRed Capital Partners Limited (“InfraRed” or “the Investment Manager”).)

This call does not include any Inside Information; and all information contained herein is, to the best of the Company’s knowledge, accurate as at Friday 20 March 2020 unless otherwise stated.

COVID-19 HICL Investor Call

(IR) Good afternoon. I’m Ian Russell, the Chairman of HICL. Thank you for joining us today.

I’m very shortly going to hand you over to Harry Seekings, the Co-Head of Infrastructure at InfraRed, our Investment Manager for HICL.

Before I do, I wanted to introduce this call by reassuring you that we, my Board colleagues and the InfraRed team together, have been monitoring this unfolding COVID-19 situation very closely.

Our overriding priority at this time is the health of the staff, stakeholders and communities who use the facilities in HICL’s portfolio every day. InfraRed’s Asset Management team are working closely in collaboration with clients, including the NHS, to prioritise the delivery of service and meet the needs of the public sector during this crisis. To support this, InfraRed has well-developed contingency plans in place which have been launched into action promptly and decisively.

The Board has confidence that the team from the Investment Manager, led by Harry, is fulfilling its stewardship role admirably under the extraordinary circumstances, working at all times to keep essential public assets available for their communities and in doing so, also protect the value in the portfolio.

I’ll now hand you over to Harry to share the substance of what the InfraRed team are doing.

(HS) Thank you Ian.

Good afternoon, and thank you all for joining us.

Many of you know me – as Ian said, I’m Harry Seekings, and I have day-to-day responsibility for leading the InfraRed team that manages HICL. With me, I have Stewart Orrell, the Head of Asset Management for InfraRed’s infrastructure business; and Keith Pickard, HICL’s CFO.

These are unprecedented times, both personally and professionally for all of us. HICL invests in essential public assets – from roads to water, schools and hospitals, assets that are more essential than ever. Assets that need to run as well as they possibly can, in what is a time of global crisis.

Given the market volatility and the uncertainty we are all feeling, prompted by the rapidly changing COVID-19 pandemic, we thought it would be helpful to speak directly to you all about what we are currently seeing and the work that InfraRed is currently doing to respond to this developing situation.

We understand that investors will have a number of questions about the impact of COVID-19 on HICL, particularly around what we are doing to ensure the facilities in HICL’s portfolio keep supporting society, and also around HICL’s financial resilience. We will cover these areas on the call and in doing so hope to address your questions.

It is important to say upfront that this is a continuously evolving situation. Everything we say today is to the best of our knowledge, accurate as at Friday 20 March 2020 unless otherwise stated. This call does not

include any Inside Information: if material new information comes to light, we will of course update the market in the normal way, via an RNS announcement. Otherwise the next update for investors is scheduled to be the Annual Results in May.

Before we get into the detail, it is worth recalling at the outset something important and relevant: HICL only invests in core infrastructure assets, essential physical assets delivering resilient cashflows from a defensive market position.

The key feature of core infrastructure is that it is comprised of assets that reside at the lower end of the risk spectrum, which is pertinent at a time like this. HICL's investments are long-term and the portfolio is diversified, which contributes to the strong investment fundamentals that help mitigate the impact of variable economic conditions, including shocks of the magnitude that we are currently witnessing.

Investors have raised a few questions about portfolio composition and diversification and I'll briefly address those now...

HICL owns a well-diversified portfolio of investments in over 100 separate core infrastructure assets. These investments encompass a mix of sectors, geographies, currencies and revenue models. To give a flavour of this, as at 30 September 2019 (which is the most recent valuation date):

- ▲ the largest investment constituted only 7% of portfolio value.
- ▲ the top 10 investments represented only 46% of the portfolio.
- ▲ 71% of the portfolio by value was invested in PPP projects, 22% in demand-based assets and 7% in regulated assets.
- ▲ 75% of the portfolio by value was invested in the UK, with 17% in the Eurozone and 8% in North America.

This diversification is important: it combines complementary risk profiles to mitigate portfolio exposure to any one factor, be it a single counterparty or macroeconomic factor. This in turn builds portfolio resilience, which is of particular value in a time of market disruption.

Let's turn now to the portfolio and some questions that I will address to the Head of Asset Management for InfraRed's infrastructure business, Stewart Orrell, who previously spoke to you at HICL's Capital Market Event in January.

Stewart, we've been asked how the underlying assets are performing operationally during this public health crisis. What can you tell us about this?

(SO) Yes. InfraRed's asset managers in Europe and North America, in coordination with the management teams within the individual portfolio companies, are closely monitoring and managing the impact of COVID-19 events on each asset in the HICL portfolio. The situation is evolving on a daily basis and does so at different speeds for different assets in different jurisdictions – and even within countries.

However, across the portfolio long-established business continuity plans have been implemented, and management teams, subcontractors and counterparties (such as the public sector clients) have responded proactively, coming together in a co-operative and pragmatic way to ensure the continuing operation and delivery of essential facilities and services.

In summary, all the underlying assets remain in service and available for use by their communities, society and the public sector. At this time, that has to be our primary aim.

(HS) You mentioned that different types of assets have different situations, can you give the listeners some more colour on this?

(SO) Yes. So, with regards to the PPP portfolio, this includes essential public assets – like schools and hospitals – that we must keep operational for the public sector in its time of need. That is why we are working hard with our customers and subcontractors to ensure the effective implementation of business continuity plans.

These are also long-term, availability-based contracts and, from a financial perspective, we remain confident that there will be no material impact on revenues. As a consequence, debt service payments (which are funded from the majority of the revenues that the assets receive) are expected to be unaffected.

We are also working hard to support the public sector as it looks to repurpose and restructure some of its assets, in particular schools and hospitals:

- ▲ As you will have heard, many hospitals in the UK are re-configuring space to add capacity to treat critically ill patients – that includes the acute hospitals in the HICL portfolio. For example, we are completing urgent reconfiguration works to increase the number of isolation beds and quarantine areas, such as in Queen Alexandra Hospital in Portsmouth where seven wards are being converted. There is also further planning underway across the healthcare portfolio for additional works to ramp up critical care capacity to help cope with a surge in infection rates.
- ▲ And, as I'm sure you are also aware, following a central government directive, schools in the UK are now closed, other than for the children of key workers. And so the schools are expected to remain open for these children throughout school holidays (when they would typically be closed). Again, we are working with stakeholders to ensure that schools remain available for use by the public sector.

Overall, we do not expect a material cashflow impact on HICL's PPP portfolio resulting from COVID-19.

The well-being of the staff working in our facilities is monitored, and we keep a close eye on the performance and financial health of our subcontractors' organisations - although I should note that no material operational concerns have been escalated at this point.

(HS) Thanks Stewart. Could you now cover the Regulated assets please?

(SO) Yes. Moving onto the Regulated assets, the proportion of the HICL portfolio with regulated revenue streams was 7% at 30 September 2019. The delivery of clean water to the British public remains crucial and this has been reflected in the Government's recent categorisation of utility workers as "Key Workers" through this pandemic. Accordingly, Affinity Water continues to operate without significant disruption. Although there may be an impact on availability of the workforce for non-essential maintenance and investment, Affinity's business continuity plan prioritises the production and delivery of safe, clean drinking water.

Similarly, HICL's OFTO portfolio has been thus far unaffected. OFTOs benefit from the fact that operation of the transmission cables requires limited human intervention, given their relatively straightforward nature. Maintenance schedules may have to be reprogrammed, and some activities delayed, but this is manageable.

In brief then, we do not expect cashflow impacts resulting from COVID-19 on HICL's portfolio of regulated assets.

(HS) If I may summarise then, the PPP projects and Regulated assets are well-placed to support the response to COVID-19.

Revenue growth from the demand-based assets is correlated to economic impacts and GDP growth, perhaps we can now turn to the impact we are seeing on these assets...

(SO) Yes, that's right.

As at 30 September 2019, the proportion of the portfolio with an exposure to GDP was 20.7%. As you mentioned earlier, these are spread across the UK, France and the US. Given the scale of economic disruption, as well as government-enforced restrictions on the movement of people, we do expect these assets to be impacted by current events.

I can give you an update on HICL's three most significant demand-based assets.

Firstly, the A63 Motorway in France:

- ▲ The A63 is a toll road in southwest France connecting Bordeaux with the Spanish border. HICL owns a section of this road and the asset constituted 7% of HICL's portfolio value (as at September 2019). HICL's section is not directly adjacent to the border, but cross-border flows are a driver of revenue. From Tuesday, 17 March 2020, this border has been closed by Spanish and French authorities to light vehicles (i.e. passenger cars) as a virus containment measure. The border remains open to heavy goods vehicles - which contribute almost 70% of traffic revenues under normal circumstances.
- ▲ In the two days following the closure of the border, the project saw daily revenue decrease by around 45% on average. Despite this decrease, we do expect actual traffic for the year ending 31 March 2020 to be broadly in line with HICL's 30 September 2019 forecast, based on the significant outperformance of the asset throughout the previous 11 months of the financial year.
- ▲ The project is structured appropriately for the revenue risk that the asset carries. Our analysis concludes that the asset could withstand a sustained around 50% decrease in revenues over the remainder of the period to 30 June 2020 and meet debt service payments due at the end of the period. This is without taking into account other mitigation, such as the use of the cash reserves that sit within the project company, which are ample to meet debt service payments for six months.

Secondly, I will cover High Speed 1 (or HS1) here in the UK:

- ▲ HICL's investment in HS1 accounts for 7% of the portfolio value at September 2019. HS1 generates income from track access charges from domestic and international train operating companies, principally Eurostar and South Eastern Railway. Revenue is also received from retail and car parking at stations.
- ▲ The project has seen a significant decrease in use of the line by Eurostar (up to 80% decrease in trains from this week onwards to June 2020). However, in the context of revenues, it is important to remember that train paths have been pre-booked to mid-December 2020, providing significant mitigation against any immediate travel restrictions. As with all HICL's counterparties, InfraRed will continue to monitor Eurostar's financial position.
- ▲ Similarly, domestic use of the line benefits from a revenue underpin from the Department for Transport, which is set out in the concession agreement and paid irrespective of actual train or passenger volumes. We note the announcement this morning regarding the suspension of the rail franchise system and, in conjunction with the HS1 management team, will keep these emergency measures under review as further details are awaited from the Department for Transport.
- ▲ In the near-term, reduced car park and retail revenues are expected. It is worth noting that that retail revenues are protected by minimum guaranteed rent structures across the estate.
- ▲ The project is structured appropriately for the revenue risk that the asset carries. The project can meet its September debt service payments from the contracted track access charges alone.

Thirdly, we also have some insight into Northwest Parkway, in the USA:

- ▲ The Northwest Parkway constituted 6% of portfolio value at September 2019. The concession forms part of the ring road around Denver, Colorado and derives revenues from tolls charged to motorists. Traffic for the year to date has been favourable versus HICL forecasts. However, since 16 March 2020, we have seen year-on-year traffic decreases of 40% to 60% as a result of school closures, travel restrictions and social distancing measures. Nevertheless, based on the asset's strong traffic performance throughout the first 11 months of the financial year, we expect actual traffic for the year ending 31 March 2020 to be broadly in line with HICL's forecast.
- ▲ The project is structured robustly with due consideration for the revenue risk that it bears. InfraRed analysis concludes that the asset could withstand a sustained c. 30% decrease in revenues over the period to June 2020 and meet debt service payments due at the end of the period. This is again without taking into account other mitigation, such as the use of any cash reserves that sit within the project vehicle – which in this case are ample to service debt payments for the remainder of the year.

(IR) Thanks Stewart. We hope these insights bring some comfort to investors, most particularly with regards to the robust project structures and sound balance sheets we have in these.

We've also been asked about the financial impacts on the Company overall. I'm going to ask Keith, HICL's CFO – can you share your thoughts on this?

(KP) Thanks Ian.

Firstly, I'd like to say a few words on HICL's and its portfolio's strong liquidity position. HICL has no cash drawings on its £400m debt facility and no forecast drawings on this facility over the next 12 months. This facility is due for renewal in May 2022. All projects are also funded on a non-recourse basis to HICL - this means that a shortfall in funding in one project cannot cause a funding requirement from HICL, or from another project.

Stewart has discussed the resilience of funding within our large demand-based assets. For our other investments we are not anticipating any material deterioration in revenue cashflows or debt service ratios. It's worth noting that all these projects have long term amortising debt with no refinancing required - other than Affinity Water which requires refinancing by 2026.

Measured against the life of the assets in the HICL portfolio, we believe the impact of COVID-19 on project cashflows will be relatively short-term; and that traffic will return to the demand-based assets as economic activity resumes after lockdowns and social distancing restrictions are relaxed.

The Company remains on track to deliver on this year's target dividend guidance of 8.25p per share for the year to 31 March 2020. Although, as you might expect, we are likely to delay some project company distributions to leave some cash in certain assets, to ensure an additional level of resilience at asset-level. We still expect this year's dividend to be fully cash covered, though at a lower level than in H1.

The Company has given dividend guidance for the financial years ending 31 March 2021 and 31 March 2022. If the duration and severity of the economic consequences of the pandemic is such that reduced forecast cash flow from the portfolio is expected to impact HICL's ability to pay fully cash-covered dividends for these years, in line with guidance, InfraRed and the Board will consider the options to mitigate this. An update will be provided to investors with the publication of the Annual Results in May 2020.

It is too early to be able to accurately quantify the valuation impact on HICL's portfolio in relation to COVID-19 at this point. Across the portfolio, valuation impacts will be considered in the HICL Annual Results to 31 March 2020, due to be issued in May, at which stage we will more precisely reflect the impact to project

cashflows, changes in the interest rate environment and FX movements as well as any movements to reflect the market pricing of assets.

(HS) Thank you Keith.

In summary, what we have just heard is that:

- ▲ Firstly, our assets continue to provide essential infrastructure that is being relied upon by communities and the public sector in a time of acute need, and we are working with the relevant authorities to help them meet the challenges presented by this global pandemic;
- ▲ Secondly, the large majority of the portfolio is performing well in the circumstances;
- ▲ Thirdly, there will be a financial impact from COVID-19 on the c. 20% of the portfolio that is demand-based assets, although it is too early to quantify this. However, we are monitoring these projects very closely and they are well-placed in relation to their near-term debt service obligations; and,
- ▲ Fourthly, as the picture for the year ending 31 March 2021 becomes clearer, the Investment Manager and the Board will consider the options available to HICL to mitigate any material impact from COVID-19 on HICL's dividend guidance if necessary or appropriate. We will say more about this in the company's Annual Results in May.

And before I hand back to Ian, we've also been asked about InfraRed's own operational resilience. I will cover this in brief...

We have enacted InfraRed's corporate business continuity plan in full.

A full remote-working solution, supported by our dedicated IT team, is in use by all InfraRed colleagues, designed to keep crucial lines of communication open between teams when working from home.

This shift to a wholesale remote-working environment has been implemented with relative ease and with minimum disruption to date. We are therefore confident that we can continue to meet our objectives efficiently.

Alongside these changes, please rest assured there is no relaxation of the controls in InfraRed's business processes which are fundamental to our investment culture. In fact, it is more important than ever to follow procedures and keep lines of communication open.

The key focus for InfraRed will continue to be:

- ▲ The protection of the health and working conditions of our people; and
- ▲ Defending operational resilience for HICL.

That's all from me. I'd like to hand you back to Ian Russell, your Chairman, for some concluding remarks.

(IR) Thank you very much Harry. And thanks to Stewart and Keith.

I hope you've all found this session helpful in answering some of your questions. I would just like to briefly reiterate the points already made:

- ▲ Overall, the portfolio is operationally resilient and although revenue growth from demand-based assets is correlated to economic impacts and GDP growth, we are monitoring this closely and examining available mitigations;
- ▲ Secondly, InfraRed has promptly and decisively enacted its business continuity plans and is well prepared and well resourced; and

- ▲ Lastly, HICL remains on track to deliver the target dividend for year ending 31 March 2020 of 8.25p per share.

In closing I would like to thank you all for making the time to listen to this call and we extend our sincere good wishes to you all. A record of the call will shortly be posted on HICL's website.

That now brings the call to a close.

Thank you very much indeed.

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