

27 July 2021

## 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”).*

### Interim Update Statement

The Board of HICL is issuing this Interim Update Statement, which relates to the period from 1 April 2021 to 27 July 2021.

Ian Russell, Chairman of HICL Infrastructure PLC, said:

*“HICL invests in core infrastructure that is central to the sustainable development of modern societies. The stakeholder-driven approach that the Board and InfraRed collectively take to managing HICL’s portfolio of essential community assets for the long-term underpins the Company’s resilience and has supported steady and sustainable performance over the period.*

*“Within our PPP investments, the focus is on actively supporting public sector clients as they adjust to post-pandemic requirements. Traffic on the Company’s toll roads is recovering in line with forecast; and, with the ongoing success of vaccination campaigns, we see a path to improved international travel for High Speed 1, albeit recent events have justified our caution in assessing the timing of this.*

*“As economies begin to emerge from the pandemic, the current backdrop is highly supportive for infrastructure investment. At the same time, institutional investor appetite for core infrastructure continues to be elevated, and thus a structured, disciplined approach to risk and reward remains fundamentally important for HICL. The pipeline is healthy, with InfraRed focused on the successful execution of attractive opportunities for the Company.”*

### Portfolio Performance

- ▲ PPP projects represented 71% of portfolio value at 31 March 2021. The PPP portfolio continues to perform in line with expectations, with the Investment Manager’s activity during the period focused on the continued and active support of public sector clients and portfolio companies as they adjust to post Covid-19 operational requirements.
- ▲ The Group’s demand-based investments represented 19% of portfolio value at 31 March 2021. The easing of restrictions on movement in the UK, Europe and the US has been positive for traffic performance on the Company’s GDP-correlated demand-based assets. Traffic performance on the A63 Motorway (France) has been in line with expectations, with revenues over the last four weeks at 96% of pre-Covid levels. The Northwest Parkway (USA) has continued its recovery, with traffic volumes slightly ahead of the forecast assumptions built into the March 2021 valuation and equivalent to 77% of pre-Covid levels over the last four weeks.

- ▲ In relation to High Speed 1 (HS1):
  - Domestic train path bookings have been pre-booked until May 2022 at reduced levels and are almost entirely supported by an underpin from the Department for Transport.
  - International train paths are currently running at 15% of pre-Covid levels, which is broadly in line with expectations. The recovery of international train path revenue remains dependent on the further easing of international travel restrictions and an increase in cross border passenger demand between the UK and France, Belgium and the Netherlands.
  - As underscored by the recent continuation of quarantine for fully vaccinated travellers arriving from France, risk remains around the recovery of international train paths over the summer months with associated increased pressure on the financial covenants of the company's debt facilities. Discussions with key stakeholders, in particular the project lenders, are ongoing and remain constructive.
  
- ▲ Regulated assets represented 10% of portfolio value at 31 March 2021. In June 2021, Affinity Water published its annual accounts alongside a Strategic Direction Statement which comes following consultation with key stakeholders including communities and customers, and focusing on network resilience, environmental protection and consumer affordability.
  
- ▲ As previously announced in HICL's 2021 Annual Report, the Investment Manager has been actively participating in a pilot transition project to support the Infrastructure and Project Authority's initiative to co-ordinate a smooth transition from LIBOR to SONIA in the PPP market. This pilot project transition has now been agreed with lenders, subject to client approval, and will form the basis of the remainder of the portfolio transition. InfraRed has also coordinated an industry response to the FCA consultation on the proposed use of synthetic LIBOR powers within the period.

### **Dividends and Financing**

- ▲ The Company announced a final quarterly interim dividend for the financial year ended 31 March 2021 of 2.07 pence per Ordinary Share (the "Q4 Dividend") on 19 May 2021. The shares went ex-dividend on 27 May 2021 and the Q4 Dividend was paid on 30 June 2021. The interest streaming percentage for the Q4 Dividend was 98%, bringing the total streaming percentage for the financial year ended 31 March 2021 to 76%.
  
- ▲ The Company announced a first quarterly interim dividend for the financial year ending 31 March 2022 of 2.06 pence per Ordinary Share (the "Q1 Dividend") on 21 July 2021. The interest streaming percentage for the Q1 Dividend will be 49%.
  
- ▲ The Board remains comfortable that cash generation from the portfolio remains in line with forecast and re-affirms the target dividend guidance of 8.25 pence per Ordinary Share for the financial year to 31 March 2022<sup>1</sup>. The Board expects this to be fully cash covered.

## Issued Capital

- ▲ As at 27 July 2021, the Company's issued share capital consists of 1,936,813,501 ordinary shares of 0.01p each, all of which carry voting rights.
- ▲ Following the Company's July 2021 Annual General Meeting ("AGM") when shareholders granted the Board authority to issue up to 10% of outstanding shares on a non-pre-emptive basis, the Company's current tap capacity is approximately 193.6m shares (limited by the AGM authority).

## September 2021 Valuation

- ▲ The next valuation of the Group's portfolio will be as at 30 September 2021 and will be published as part of the Company's Interim Results in November 2021.
- ▲ Institutional investors continue to view core infrastructure as an important source of stable income and current asset pricing reflects this. If current market conditions continue, it is likely to result in some downward pressure on discount rates.
- ▲ A recent transaction in the water sector suggests strong market pricing for regulated water-only companies in the South of England. Bristol Water recently traded at a multiple of over 1.4x RCV, providing evidence of strong market appetite for water-only companies in the UK. This RCV multiple is in excess of the implied multiple for Affinity Water and the transaction provides a reference point for Affinity Water's September 2021 valuation.
- ▲ The Investment Manager continues to monitor potential corporation tax rate changes in applicable jurisdictions, led by the G7 countries. This is not expected to materially impact the portfolio valuation in September 2021.

## Company, Governance and Sustainability

- ▲ The Company's Annual Report for the year ended 31 March 2021 was published on 26 May 2021, and copies were posted to shareholders who elected to receive a printed version.
- ▲ The Company's stand-alone Sustainability Report was published on its website on 1 June 2021.
- ▲ The Company held its Annual General Meeting ("AGM") on 20 July 2021. All resolutions were passed with a substantial majority.
- ▲ As in previous years, and aligned to corporate governance best practice, the existing Directors offered themselves for re-election at the AGM on 20 July 2021 and were duly re-elected.
- ▲ An updated Key Information Document, based on the costs disclosed in the 2021 Annual Report, was published on the Company's website on 26 May 2021.
- ▲ An updated Article 23 statement, including additional disclosures required under the Sustainable Finance Disclosure Regulations, was published on 26 July 2021.

- ▲ As part of the Investment Manager's succession planning, Helen Price is transitioning into the finance director role for HICL, leading the InfraRed team's finance and portfolio management functions. Helen joins from EFG Private Bank, where she was the UK CFO, and prior to that she was Group Financial Controller of 3i Group plc. While Keith Pickard is moving to a new role within InfraRed, he will remain a member of the HICL Investment Committee and will support Helen during the transition.
- ▲ On 6 July 2021, HICL's Investment Manager, InfraRed, became a signatory to the Net Zero Asset Manager Initiative, committing to net zero emissions by 2050. Preparations are already underway for full Scope 1, 2 and 3 emission reporting for the HICL portfolio, and interim targets will be announced in the next 12 months.

### **Market and Outlook**

- ▲ HICL's portfolio continues to demonstrate its resilience. The toll road assets impacted by Covid-19 have continued to recover broadly in line with forecast. Active asset management continues to be focused on High Speed 1 in particular. Each of HICL's three larger demand-based assets enjoy strong strategic positioning and are well placed to continue to benefit from the broader economic recovery.
- ▲ The strategic backdrop for infrastructure investment remains positive, underpinned by significant government post-pandemic spending. Institutional appetite for the key attributes of core infrastructure remains high, which follows through to the portfolio valuation and asset pricing in the market. In sourcing accretive opportunities for HICL, InfraRed continues to maintain strict pricing discipline. InfraRed's established networks across its international, multi-fund origination platform continue to provide the Company with opportunities in less competitive areas of the market, supporting value accretion.
- ▲ The pipeline remains healthy, with the Investment Manager focused on the successful execution of attractive opportunities for the Company. This pipeline sees a weighting of opportunities towards Europe and the UK spanning operational and greenfield stage assets, across both traditional sectors and investment themes linked to the modern economy, such as energy transition and connectivity.

<sup>1</sup> This is a target only and not a profit forecast. There can be no assurance that this target will be met.

-Ends-

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## **HICL Infrastructure PLC**

HICL Infrastructure PLC ("HICL") is a long-term investor in infrastructure assets which are predominantly operational and yielding steady returns. It was the first infrastructure investment company to be listed on the London Stock Exchange.

With a current portfolio of 116 infrastructure investments, HICL is seeking further suitable opportunities in core infrastructure, which are inherently positioned at the lower end of the risk spectrum.

Further details can be found on the HICL website [www.hicl.com](http://www.hicl.com).

## **Investment Manager (InfraRed Capital Partners)**

The Investment Manager to HICL is InfraRed Capital Partners Limited ("InfraRed") which has successfully invested in over 200 infrastructure projects since 1997. InfraRed is a leading international investment manager focused on infrastructure and real estate. It operates worldwide from offices in London, New York, Mexico City, Seoul and Sydney. With around 200 professionals, it manages equity capital in multiple private and listed funds, primarily for institutional investors across the globe. InfraRed is authorised and regulated by the Financial Conduct Authority.

The infrastructure investment team at InfraRed consists of over 100 investment professionals, all with an infrastructure investment background and a broad range of relevant skills, including private equity, structured finance, construction, renewable energy and facilities management.

InfraRed implements best-in-class practices to underpin asset management and investment decisions, promotes ethical behaviour and has established community engagement initiatives to support good causes in the wider community. InfraRed is a signatory of the Principles of Responsible Investment.

Further details can be found on InfraRed's website [www.ircp.com](http://www.ircp.com).