

3 March 2022

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 October 2021 to 28 February 2022.

Ian Russell, Chairman of HICL said:

“HICL is well positioned in the current environment to deliver the key attributes of core infrastructure for shareholders. The Company has a resilient portfolio, strong correlation of returns to inflation, a low beta, and a sector leading dividend per share.”

Key Highlights

- ▲ On track to deliver a cash covered dividend for the year ending 31 March 2022 of 8.25p per share in line with previous guidance¹.
- ▲ Accretive acquisition activity in the period, with cash investments of £78m.
- ▲ HICL’s PPP and regulated portfolios performed in line with expectations during the period. Recovery continues across HICL’s demand-based segment, which was not materially impacted by the emergence of the Omicron variant.
- ▲ InfraRed has developed a well-advanced pipeline across both traditional and evolving core infrastructure sectors in line with the previously stated strategy. This is supported through the successful development of partnerships to secure preferential access to consistent deal flow.

Investment Activity

- ▲ The Company made a good start to deployment in the second half of the year, executing the advanced pipeline as disclosed in the Interim Report. Since October 2021, HICL completed its investments in RMG Roads and Bradford Schools I and II, which are assets the Company knows well.

Portfolio Performance

- ▲ Overall, the portfolio performed well in the period. Both the PPP and regulated portfolios performed in line with expectations. InfraRed’s asset management team remain focused on asset condition and lifecycle, including the remediation of construction-related defects on some PPP assets. This activity further de-risks the equity cashflow assumptions on these investments.

- ▲ Traffic on the A63 Motorway (France) remained moderately above pre-Covid levels during the period, demonstrating the resilience of this strategically located asset. The Northwest Parkway (USA) has continued its gradual recovery, with traffic over the two-week period to 26 February 2022 reaching 85% of pre-Covid levels.
- ▲ Between the start of the period and mid-December 2021, High Speed 1 (“HS1”) continued to experience a recovery in international train path services. In the four-week period to 12 December 2021, Eurostar services were running at 55% of pre-pandemic levels, ahead of the September 2021 forecast assumption. Encouragingly, international border restrictions, re-introduced in late December 2021 in response to the Omicron variant, did not have a material impact on HS1’s performance, with international train path bookings at 55% of pre-Covid levels in the two-week period to 26 February 2022. Domestic services represented c. two-thirds of HS1’s pre-Covid train path revenues and the company continues to benefit from the contractual underpin from the Department for Transport, which guarantees 96% of these pre-Covid domestic track access revenues.
- ▲ During the period, Ofwat published its annual Service Delivery Report which seeks to assess the overall performance of water companies in England and Wales. Affinity Water was categorised as having stepped up to the challenge set in the PR19 Final Determination, demonstrating that the company is delivering for customers and the environment.
- ▲ The Investment Manager notes the announcement in the period of Bouygues S.A.’s acquisition of Engie’s services unit, Equans. Expected to complete in the second half of 2022, the transaction would significantly increase HICL’s counterparty exposure to the Bouygues Group. The Investment Manager remains comfortable with this increased exposure given the credit quality of Bouygues S.A. and its track record of performance across the HICL portfolio.

Financial Performance and Dividends

- ▲ HICL’s resilient portfolio continued to perform well in the period and the Company is on track to deliver a strong performance for the full year.
- ▲ The Company remains on track to deliver its target dividend of 8.25p per share for the financial year to 31 March 2022¹, and the Board reiterates a target dividend of 8.25p per share for the financial year to 31 March 2023¹. The Company expects the dividend for the year to 31 March 2022 to be cash covered.
- ▲ Considering the current inflation environment, the Company is reviewing the appropriateness of its short-term inflation assumptions ahead of its year-end. The Company is well placed to deliver increased returns in a higher inflationary environment due to its strong inflation correlation, where HICL’s return would increase from 6.6% to 7.4% if inflation was 1% higher in all future periods².
- ▲ Although the environment for infrastructure investment remains extremely competitive, current evidence indicates that HICL’s weighted average discount rate remains appropriate.

Governance

- ▲ As announced in September 2021, Mr Mike Bane will succeed Mr Ian Russell as Company Chair, effective at 31 July 2022. In addition, Mr Bane will assume the roles of Nomination Committee Chair and Market Disclosure Committee Chair. Further, and in accordance with the Company's Board succession plan, Ms Rita Akushie has been selected to succeed Ms Susie Farnon in the role of Audit Chair, with Ms Frances Davies selected to Chair the Remuneration Committee. All appointments will be effective from 31 July 2022, subject to the Directors retiring and offering themselves for re-election at the 2022 AGM in line with previous years.

Sustainability

- ▲ In January 2022, InfraRed successfully launched its annual ESG survey across the HICL portfolio with enhanced data collection. The survey provides the underlying data for HICL's sustainability metrics and targets, and this year's additional information will enable HICL to further align reporting to SFDR requirements, specifically with respect to the mandatory Principal Adverse Impact Indicators³.
- ▲ As part of its net zero commitments, InfraRed has commenced the process of quantifying the carbon emissions, including Scope 3, for HICL's entire portfolio, and has engaged an expert third-party ESG consultant to support this measurement exercise.

Market and Outlook

- ▲ The outlook for infrastructure investment in 2022 remains positive. The Investment Manager notes the stable operating conditions across the portfolio, despite recent restrictions in response to the Omicron Covid-19 variant and the ongoing geopolitical events in Eastern Europe.
- ▲ HICL's vision to deliver strong social foundations, connect communities and support sustainable modern economies continues to guide the Company's acquisition focus. This ensures the appropriate emphasis on both traditional infrastructure sectors and those being driven by the modern economy.
- ▲ In line with the Company's focus on optimising portfolio construction and composition, the Investment Manager continues to assess the potential to make opportunistic, accretive disposals.
- ▲ The Investment Manager's differentiated origination capability, derived from its cross-fund, international investment platform, continues to provide HICL access to less competitive situations; securing opportunities via partnerships and pursuing incremental investments, as demonstrated during the period.
- ▲ HICL's pipeline of core infrastructure assets remains healthy. This continues to be supported by strong trends driving significant infrastructure investment across communications infrastructure and the energy transition – where HICL maintains a selective and targeted focus – as well as attractive opportunities across traditional infrastructure sectors.

1. This is a target only and not a profit forecast. There can be no assurance that this target will be met
2. Based on the weighted average discount rate of the portfolio as at 30 September 2021
3. [https://www.esma.europa.eu/sites/default/files/library/jc_2021_50 - final report on taxonomy-related product disclosure rts.pdf](https://www.esma.europa.eu/sites/default/files/library/jc_2021_50_-_final_report_on_taxonomy-related_product_disclosure_rts.pdf)

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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 over 100 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.

Investment Manager (InfraRed Capital Partners)

The Investment Manager to HICL is InfraRed Capital Partners Limited ("InfraRed") which has successfully invested in infrastructure projects since 1997. InfraRed is a leading international investment manager, operating worldwide from offices in London, New York, Seoul and Sydney and managing 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.