

# HICL Infrastructure PLC

Annual Results Presentation: Year to 31 March 2022

25 May 2022



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**Past performance is not a reliable indicator of future returns. Capital and income at risk.**

# Agenda



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# Highlights and Investment Proposition

Road Management Group, UK

# Results Overview

Strong financial and operational performance

- ▲ Strong **10.8p** uplift in NAV per share to **163.1p** driven by HICL's inflation correlation and InfraRed's active management
- ▲ Accretive investment activity and actively recycled capital delivered shareholder value
- ▲ 2023<sup>1</sup> dividend guidance reconfirmed; announced guidance of **8.25p** per share for 2024<sup>1</sup>, highest cash dividend in peer group
- ▲ Continued sustainability leadership, extensive emissions data collection across portfolio ahead of SFDR requirements
- ▲ Well-developed pipeline across core infrastructure, including both traditional and modern economy sectors
- ▲ Positive market outlook: HICL is well placed to continue to deliver for its shareholders



# Performance Highlights

Strong performance for year to 31 March 2022



**163.1p**

NAV<sup>1</sup> per share

Up 10.8p (7.1%)  
March 2021: 152.3p

**12.8%**

Total Shareholder Return<sup>2</sup>

March 2021: 5.5%

9.0% since IPO

**0.32**

Beta against FTSE All-Share<sup>3</sup>

March 2021: 0.34

**1.06%**

Ongoing charges

March 2021: 1.07%

**8.25p**

Dividend per share

Declared for 2022, guidance<sup>5</sup>  
for 2023 and 2024

**1.05x**

Dividend cash cover<sup>4</sup>

March 2021: 0.90x

**Past performance is not a reliable indicator of future returns. Capital and income at risk**

1. Net Asset Value

2. Based on interim dividends paid plus change in NAV per share in the year

3. Based on the daily share price returns of HICL and the FTSE All-Share index for the 12 months to 31 March 2022

4. On an Investment Basis, including profits on disposal versus original acquisition cost of £4.8m (2021: £11.9m). Excluding this, dividend cash cover is 1.02x (2021: 0.83x)

**5. This is a target only and not a profit forecast. There can be no assurance that this target will be met**

# Compelling Investment Proposition

Long-term, sustainable income from a diversified portfolio of investments in core infrastructure



|                              |  |
|------------------------------|--|
| <b>Diversification</b>       | >100 assets<br>Largest asset 9% <sup>1</sup> |
| <b>Sustainability</b>        | 20m+ people<br>access HICL's infrastructure  |
| <b>Total return</b>          | 9.0% p.a.<br>since IPO                       |
| <b>Yield</b>                 | ~ 5% p.a.                                    |
| <b>Inflation correlation</b> | 0.8x <sup>2</sup>                            |
| <b>Asset life</b>            | 29.8yrs<br>Weighted average                  |

**Specialist infrastructure investment manager**

**\$12bn+**  
Equity under management

**25+**  
Years of investment experience

**170+**  
Staff representing 25 nationalities and speaking 20 languages

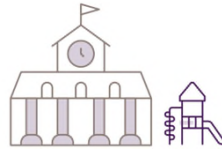
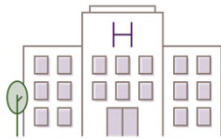
**220+**  
Assets under management across 17 countries

1. By value using Directors' Valuation of £3,311.0m as at 31 March 2022 less the expected proceeds of £107.5m from the sale of Queen Alexandra Hospital  
 2. If outturn inflation were 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%

**Past performance is not a reliable indicator of future returns. Capital and income at risk**

# HICL's Vision

Enriching lives through infrastructure



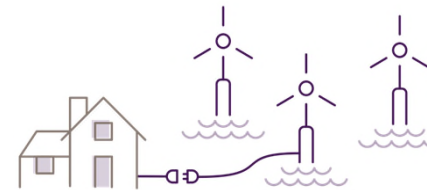
**56%**  
of portfolio

Developing **strong social foundations**



**32%**  
of portfolio

**connecting communities**



**12%**  
of portfolio

supporting **sustainable modern economies**





DE L'INNOVATION

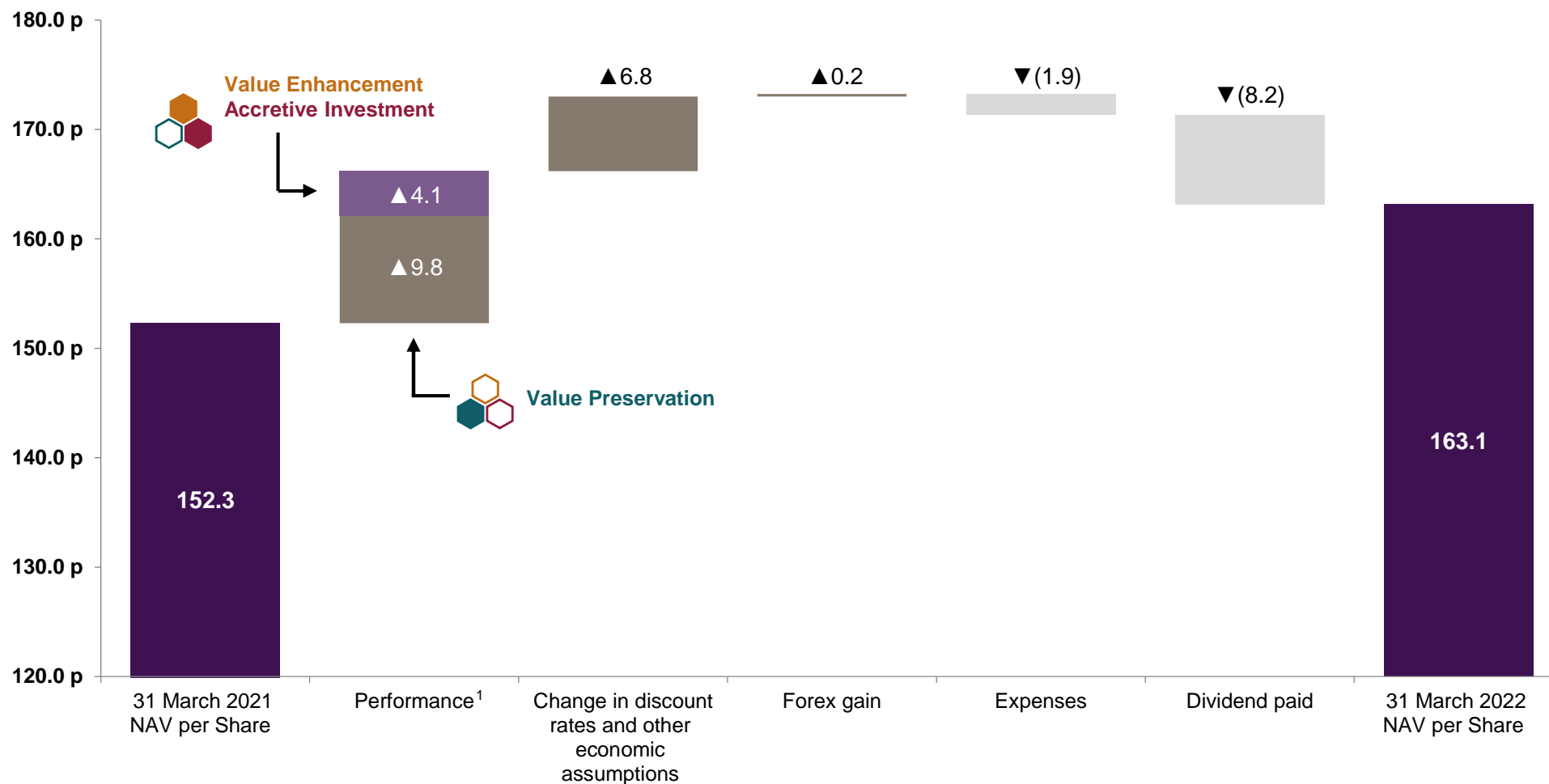
HICL  
Infrastructure

# Financial Performance

University of Bourgoyne, France

# NAV Progression

Year ended 31 March 2022



1. Performance comprises the unwinding of the discount rate (Value Preservation) and the Investment Manager's Value Enhancement initiatives. These initiatives include realised profit on disposal

# Financial Performance

Year ended 31 March 2022



| Income Statement<br>Investment Basis <sup>1</sup> | FY2022<br>£m | FY2021<br>£m |
|---|--------------|--------------|
| Total income                                      | 405.8        | 188.7        |
| Fund expenses & finance costs                     | (37.4)       | (36.6)       |
| Tax   | 0.3          | (0.2)        |
| <b>Total return</b>                               | <b>368.7</b> | <b>151.9</b> |
| <b>Earnings per share</b>                         | <b>19.0p</b> | <b>7.9p</b>  |
| <b>Ongoing charges<sup>2</sup></b>                | <b>1.06%</b> | <b>1.07%</b> |

| Balance Sheet<br>Investment Basis <sup>1</sup>        | 31 March 2022<br>£m | 31 March 2021<br>£m |
|---|---------------------|---------------------|
| <b>Investments at fair value<sup>3</sup></b>          | <b>3,216.6</b>      | <b>2,938.1</b>      |
| <b>Net (debt) / cash</b>                              | <b>(46.2)</b>       | <b>4.7</b>          |
| Available liquidity <sup>4</sup>                      | 294.0               | 352.9               |
| <b>NAV per share (before the Q4 interim dividend)</b> | <b>163.1p</b>       | <b>152.3p</b>       |

1. HICL's Investment Basis is the same as applied in prior periods. See page 36 of the 2022 Annual Report for information. Earnings per share and NAV per share are the same under IFRS and Investment Basis

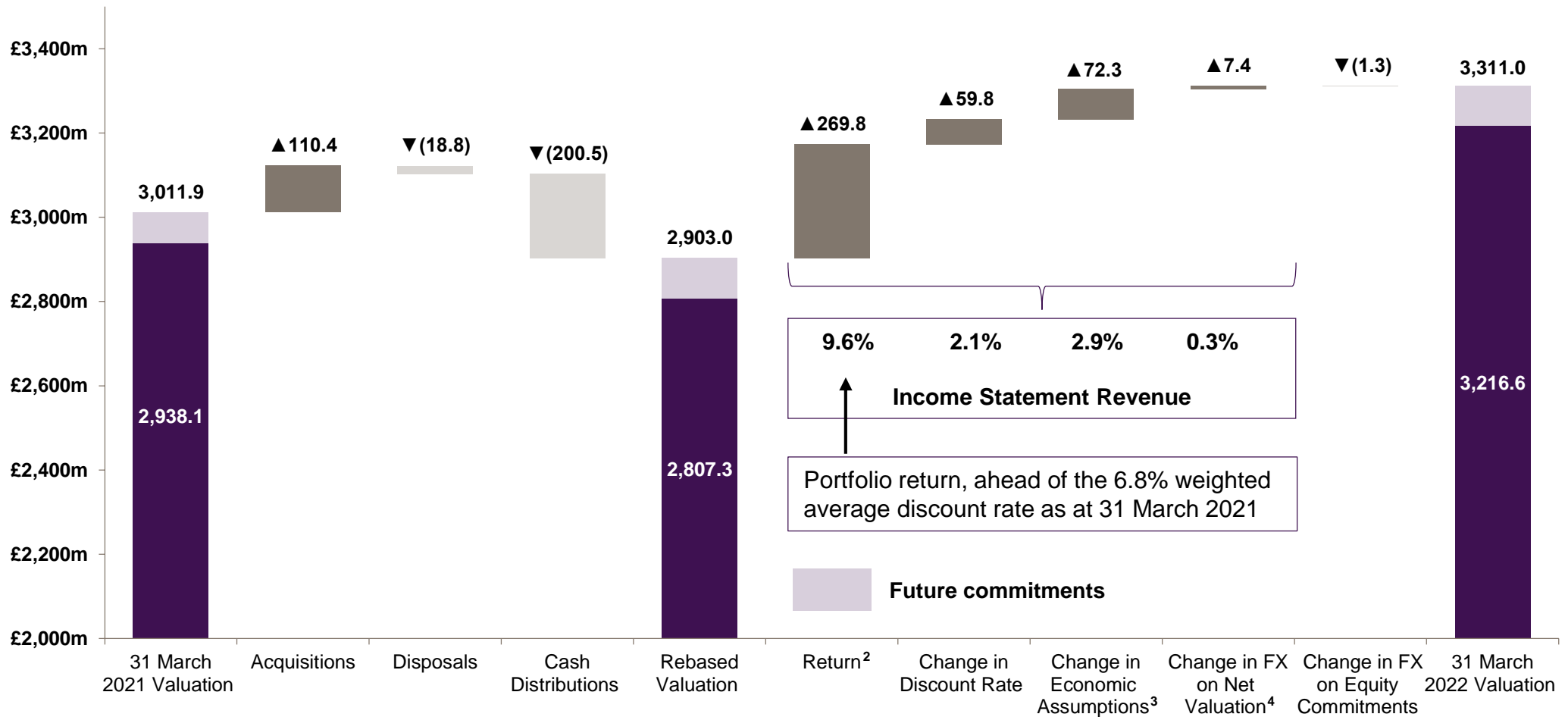
2. Calculated in accordance with Association of Investment Companies' guidelines

3. Directors' Valuation at 31 March 2022 is £3,311.0m and comprises the investments at fair value of £3,216.6m and £94.4m of investment commitments (31 March 2021: £2,938.1m and £73.8m)

4. Available amount in Revolving Credit Facility plus available cash on an Investment Basis

# Portfolio Outperformance

Directors' Valuation<sup>1</sup> of £3,311.0m as at 31 March 2022



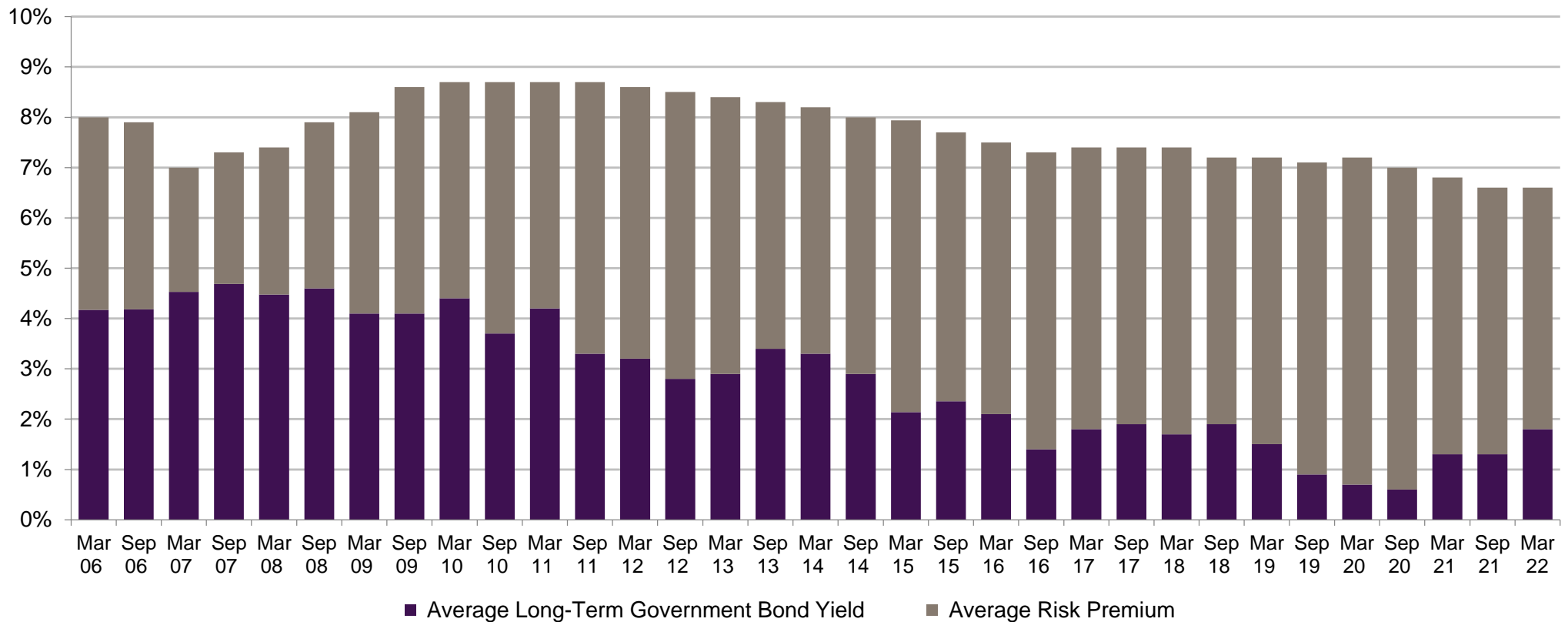
**Past performance is not a reliable indicator of future returns. Capital and income at risk**

1. On an Investment Basis, split into investments at fair value (dark purple) and future commitments (light purple)  
 2. "Return" comprises the unwinding of the discount rate and portfolio outperformance, excluding the impact of changes in economic assumptions and reference discount rates in the year to 31 March 2022  
 3. Principally forecast inflation assumptions  
 4. FX movement, net of hedging, is a £5.5m FX gain

# Discount Rate Analysis

Weighted average discount rate of 6.6% at 31 March 2022<sup>1</sup> (31 March 2021: 6.8%)

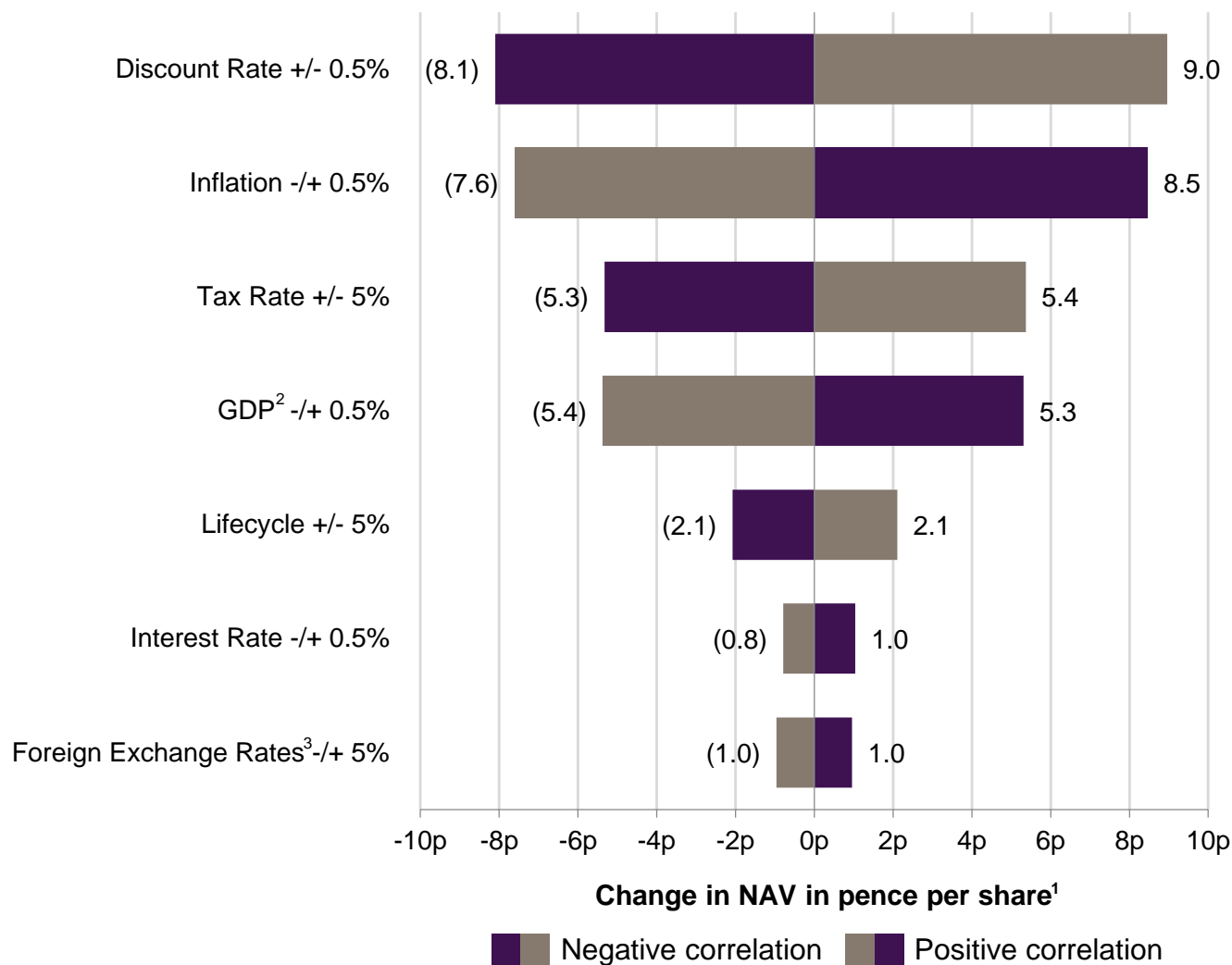
- ▲ Weighted average discount rate unchanged since the September 2021 valuation
- ▲ No observable impact on asset pricing from higher risk-free rates



1. Excludes A13 Senior Bonds

# Sensitivities

Key macroeconomic sensitivities in the valuation



1. NAV per share based on 1,937m ordinary shares in issue at 31 March 2022

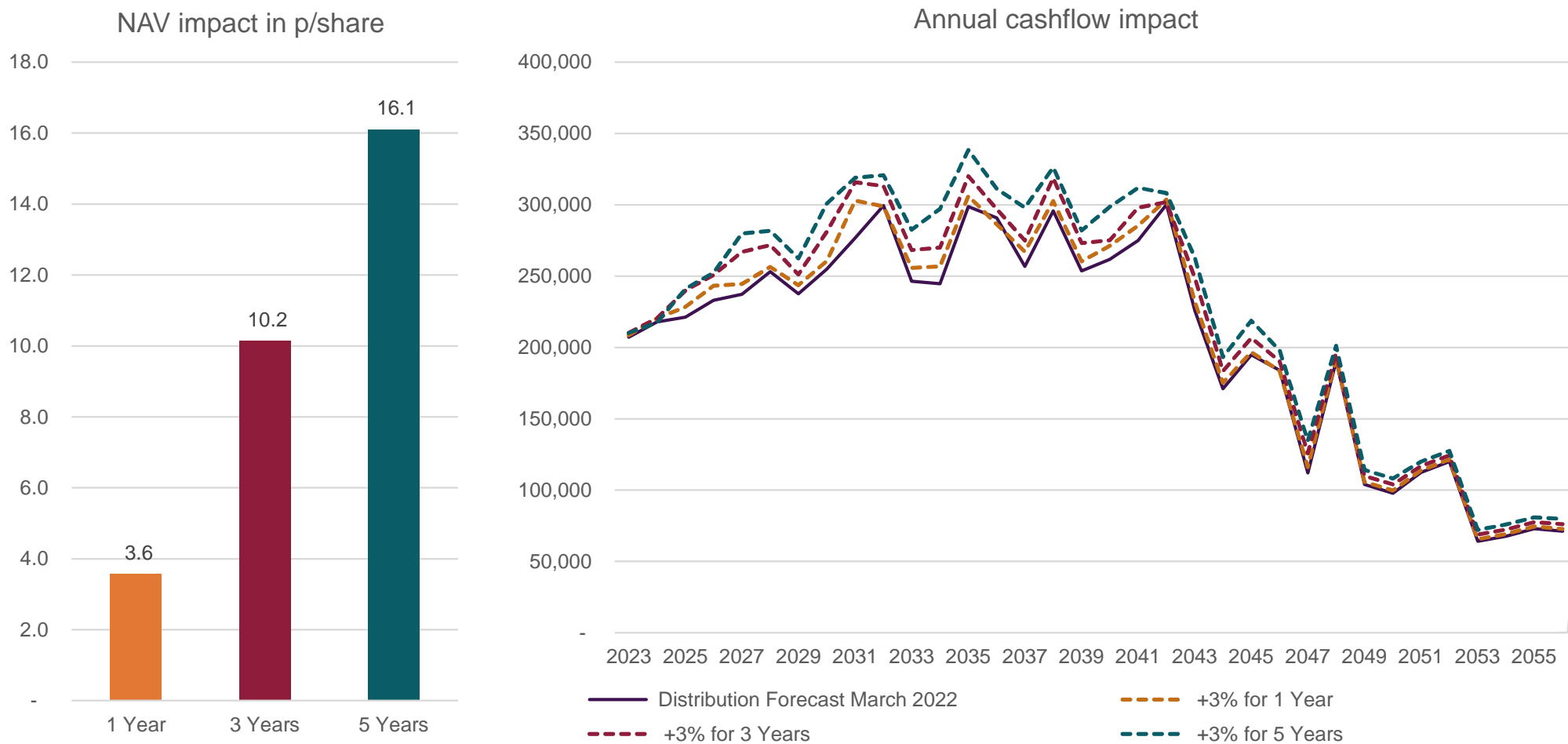
2. Impacts High Speed 1 (UK), Northwest Parkway (USA), A63 Motorway (France), M1-A1 Link Road (UK) and RMG Roads (UK)

3. Foreign exchange rate sensitivity is net of the Group hedging at 31 March 2022

# Inflation Sensitivity

Inflation-correlated returns for long-term investors

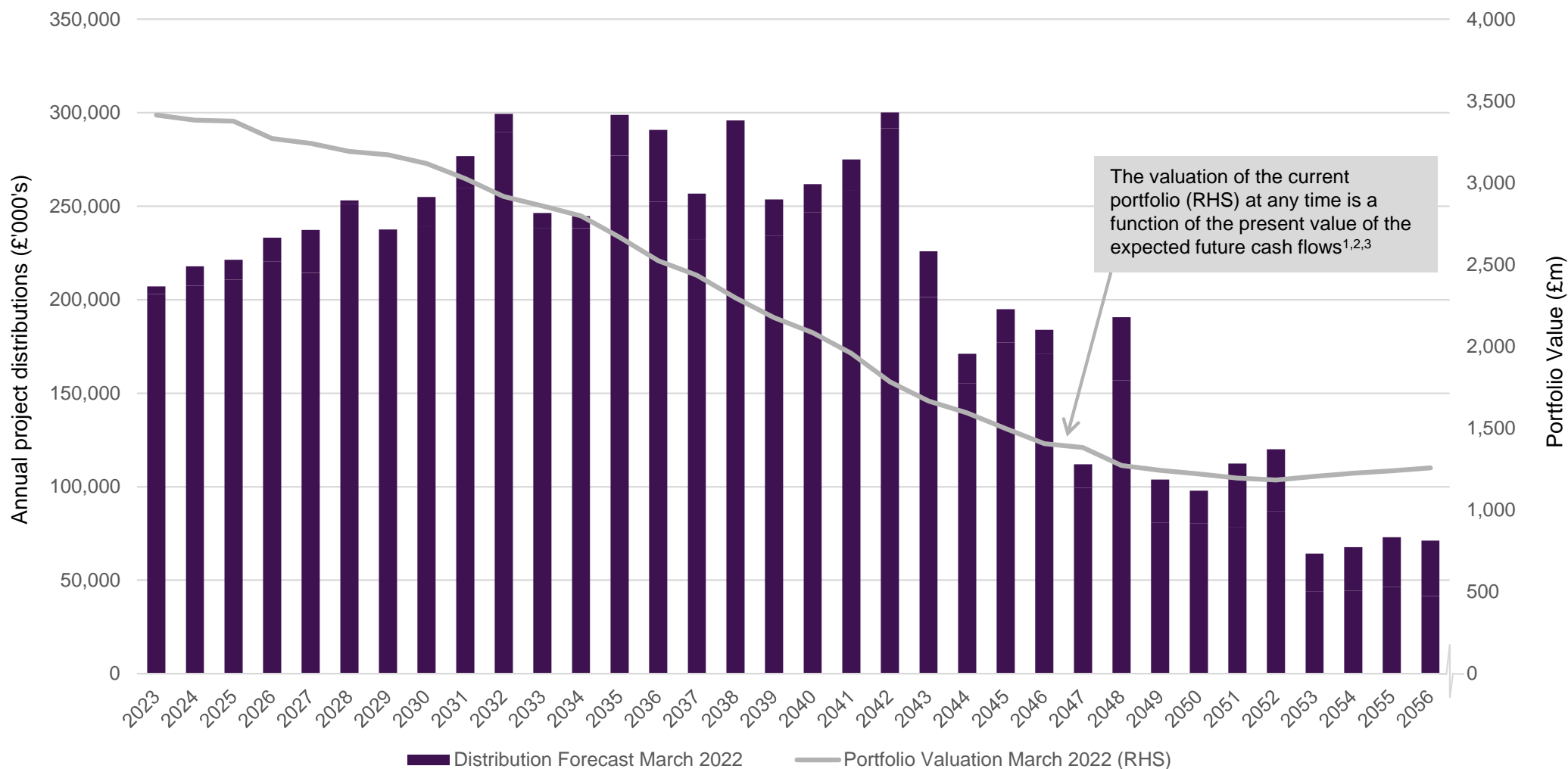
▲ Impact of a scenario where inflation is 3% above HICL's forecast assumptions for the next one, three and five years



The illustration represents a target only and is not a profit forecast. There can be no assurance that this target will be met. Capital and income at risk

# Cash Flow Profile

Sustainable long-term cash flows and a stable portfolio valuation in the medium term



**1. The illustration represents a target only at 31 March 2022 and is not a profit forecast. There can be no assurance that this target will be met and this information is not a reliable indicator of future performance. Capital and income at risk** [hicl.com](https://www.hicl.com) | 16

2. Valuation considers cash flows beyond 2056

3. Subject to certain other assumptions, set out in detail in HICL's Annual Report 2022



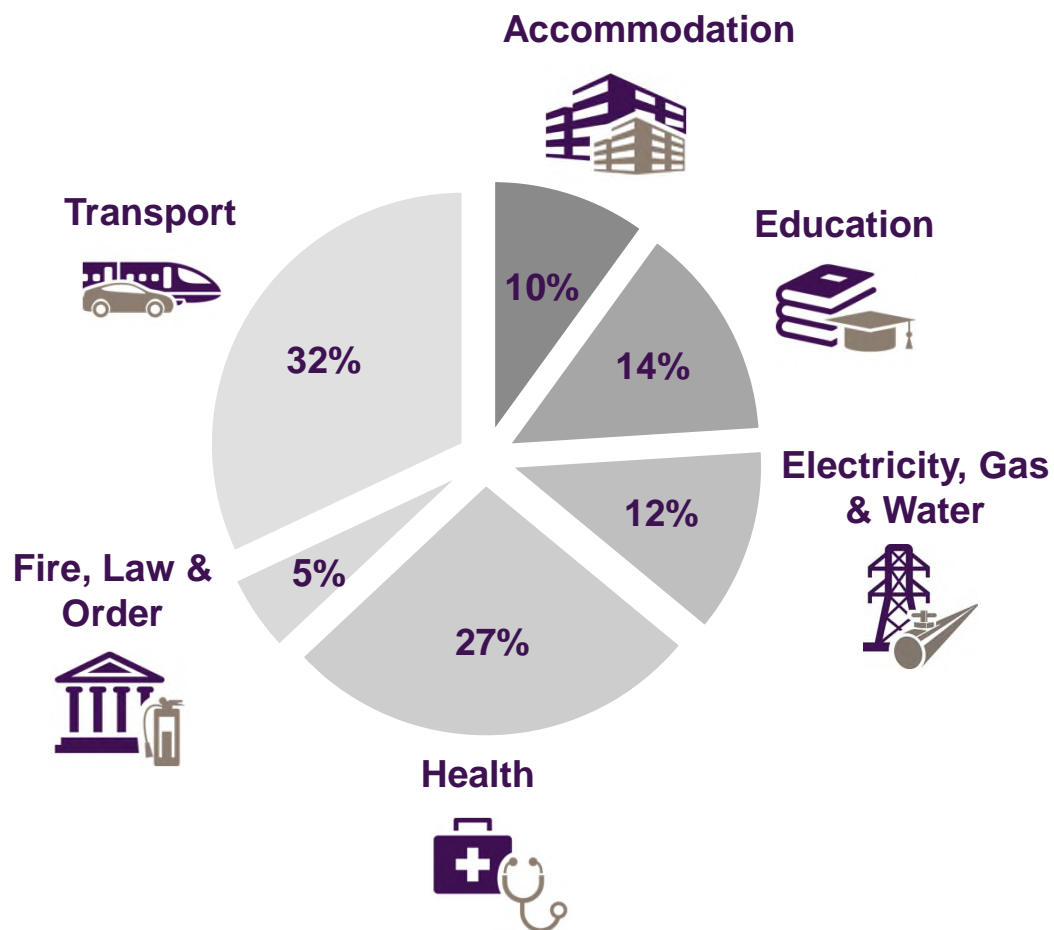
# Portfolio Performance

Hinchingbrooke Hospital, UK



# Diversified Portfolio

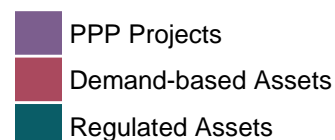
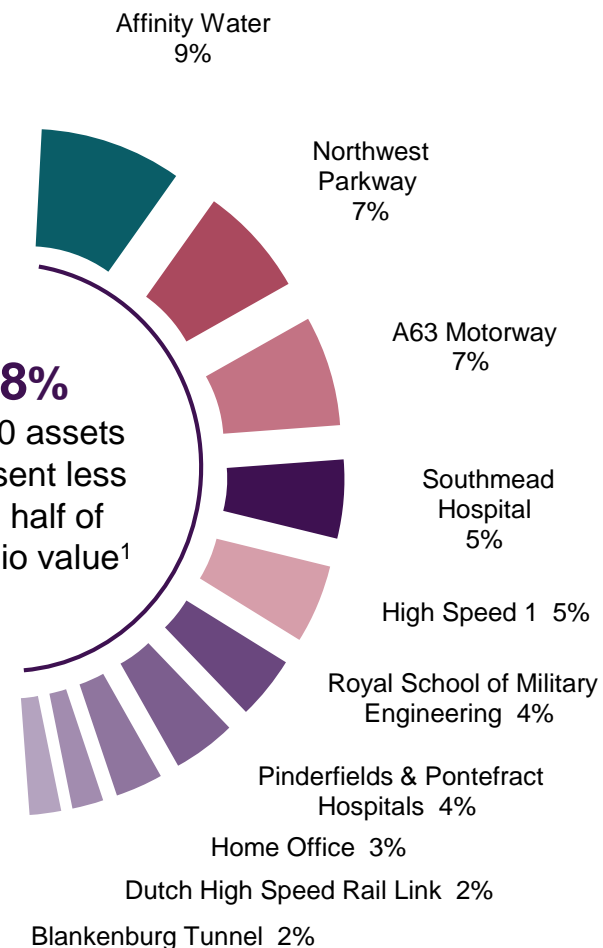
Mix of sector exposure, ten largest assets account for c. 48% of the portfolio<sup>1</sup>



**>100**  
Assets in the portfolio

**48%**  
Top 10 assets represent less than half of portfolio value<sup>1</sup>

**29.8 years**  
Weighted average asset life<sup>2</sup>



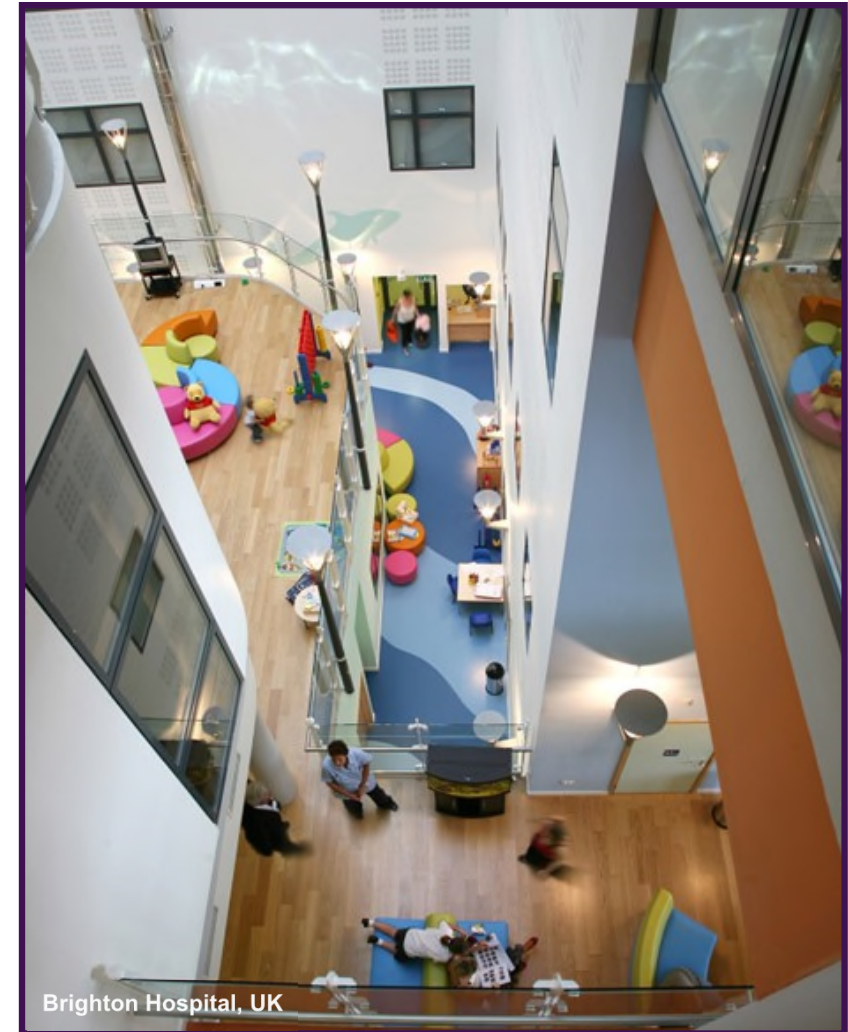
1. By value using Directors' Valuation of £3,311.0m as at 31 March 2022 less the expected proceeds of £108m from the sale of Queen Alexandra Hospital

2. Assumes a 100-year asset life for Affinity Water. Excluding Affinity Water and Northwest Parkway, the weighted average asset life of the portfolio would be 17.3 years

# Portfolio Performance - PPP

PPP projects represent 66% of the portfolio, by value, at 31 March 2022

- ▲ PPPs performed well due to availability-based revenues, which tend to be linked to inflation
- ▲ Continued to proactively manage asset condition, with key milestones achieved at Southmead Hospital and Pinderfields and Pontefract Hospitals
- ▲ Partnership model demonstrated through InfraRed engagement across key PPP sector challenges such as LIBOR / SONIA transition and asset handback at contract expiry
- ▲ Optimised portfolio to deliver significant shareholder value:
  - Acquisition of incremental stakes in Bradford Schools Phase I and Phase II
  - Disposal of Health and Safety Executive Headquarters and the Queen Alexandra Hospital
- ▲ Committed to first German asset (B247 Road), drawing on InfraRed's development experience and partnership with Vinci



# Portfolio Performance - Demand

Demand-based assets represent 22% of the portfolio, by value, at 31 March 2022

- ▲ Northwest Parkway (USA), A63 Motorway (France) and High Speed 1 (UK), continued to recover from the effects of Covid-19
- ▲ Traffic on A63 Motorway returned to pre-pandemic levels
- ▲ Northwest Parkway traffic increased steadily over the year and reached 91% of pre-Covid levels in the four week period to 1 May 2022
- ▲ Performance of High Speed 1 improved significantly during the year, driven by easing of travel restrictions:
  - International train paths reached 68% of pre-Covid levels by year end<sup>1</sup>, with sustained increases in Eurostar bookings continuing in April and May 2022
  - Domestic train paths supported by a contractual underpin, guaranteeing 96% of pre-Covid revenues
- ▲ Acquired two stakes in the Road Management Group<sup>2</sup> which had a positive impact on average return and yield
- ▲ Accretive incremental acquisitions continue to be explored



1. Data reflects the five day period from 27 March 2022 to 31 March 2022

2. Road Management Group is a holding company which comprises two UK shadow toll roads: the A417/A419 Swindon-Gloucester and the A1(M) Alconbury-Peterborough ("RMG Roads")

# Portfolio Performance – Regulated

Affinity Water and four OFTOs<sup>1</sup> represent 12% of the portfolio, by value, at 31 March 2022

- ▲ The OFTO investments continued to perform strongly, with availability over the year of 100%
- ▲ Re-entry into partnership with Diamond Transmission Corporation to bid for the Hornsea II OFTO
- ▲ Affinity Water is focused on driving operational performance:
  - Clear progress over the year towards ambitious leakage reduction target
  - Total expenditure and performance commitments in line with HICL’s expectations
  - Improved relative ranking in Ofwat’s annual assessment<sup>2</sup>
- ▲ Strategic Direction Statement published by Affinity Water in June 2021, providing a foundation for PR24 preparations
- ▲ 13% increase in Affinity Water’s RCV<sup>3</sup> over the year to 31 March 2022, driven by significant capital investment and contractual linkage to both RPI and CPI inflation



Affinity Water, UK

1. Offshore Transmission Owner Assets

2. Ofwat, annual Service Delivery Report 2020-2021, November 2021

3. Regulatory Capital Value

# Sustainable Thinking

HICL has a role in society that extends beyond its shareholders



[Click here to read HICL's 2022 Sustainability Report](#)

1. The EU Sustainable Finance Disclosure Regulation  
2. Principles for Responsible Investment ("PRI") ratings are based on following a set of Principles, including incorporating ESG criteria into investment analysis, decision-making processes and ownership policies. More information is available at <https://www.unpri.org/about-the-pri>

# Investment Activity and Market Outlook

Queen Alexandra Hospital, UK



# HICL's Core Infrastructure Focus

- ▲ Core infrastructure is a distinct market segment at the lower end of the risk spectrum. By its nature it is located in the heart of communities, underpins economic activity and/or important social function, and comprises long-life, capital intensive assets



## Current Portfolio:

Cash Flow Quality

Market Positioning

Criticality

## PPPs

- Contracted revenue and costs
- Public sector counterparty
- Operate under exclusive licence/lease frameworks
- Facilitating the delivery of essential services

## Regulated

- Cost variability mitigated by regulatory review mechanism
- Regional monopolies
- Entrenched networks
- Provision of essential goods / utilities

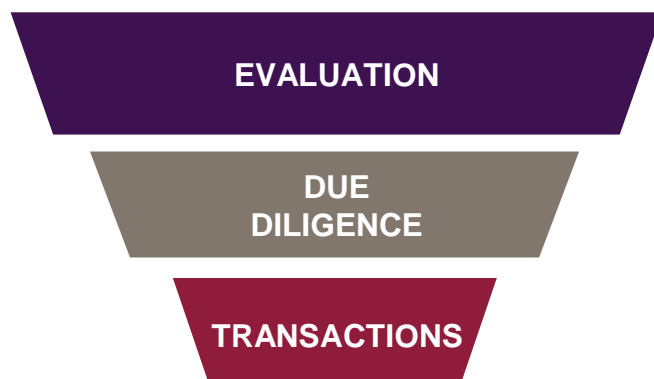
## Demand-based

- Predictable 'user pays' revenues
- Low operational gearing
- Strategic positioning with limited alternatives
- Non-discretionary demand
- Typically vital transport links



# Investment Activity

Market coverage filtered by focused acquisition strategy and investment discipline



**32**

New deals reviewed in the year

**16**

Transactions subject to detailed due diligence in the period

**8**

Transactions completed for HICL and 11 live<sup>1</sup> opportunities

## Acquisition Activity

| Net Amount | Type        | Project                   | Sector    | Stake Acquired/ Disposed | Current Stake <sup>1</sup> | Date   |
|------------|-------------|---------------------------|-----------|--------------------------|----------------------------|--------|
| £16m       | Incremental | Bradford Schools Phase I  | Education | 29%                      | 48%                        | Oct-21 |
|            | Incremental | Bradford Schools Phase II | Education | 34%                      | 62%                        | Oct-21 |
| £32m       | New         | RMG Roads <sup>2</sup>    | Road      | 33%                      | 33%                        | Nov-21 |
| £24m       | Incremental | RMG Roads <sup>2</sup>    | Road      | 25%                      | 58%                        | Dec-21 |
| €12m       | New         | B247                      | Road      | 50%                      | 50%                        | May-22 |

## Disposal Activity

|       |          |                              |               |      |    |         |
|-------|----------|------------------------------|---------------|------|----|---------|
| £11m  | Disposal | Health & Safety Executive HQ | Accommodation | 50%  | 0% | Sept-21 |
| £108m | Disposal | Queen Alexandra Hospital     | Health        | 100% | 0% | May-22  |

▲ Post year end HICL also announced the acquisition of a 55% interest in ADTIM SAS, a wholesale French fibre network

1. As at 20 May 2022

2. Road Management Group is a holding company which comprises two UK shadow toll roads: the A417/A419 Swindon-Gloucester and the A1(M) Alconbury-Peterborough

3. Completed post period end

# Case study - ADTIM

High quality fibre broadband asset in attractive market framework

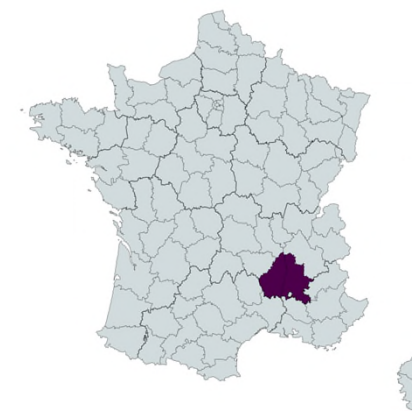
- ▲ Controlling interest acquired<sup>1</sup>, representing c. 2% of Directors' valuation at 31 March 2022
- ▲ Leverages InfraRed's experience in digital infrastructure and longstanding relationship with vendor
- ▲ Roll-out expected by 2025; construction and delivery risk rests with the local authority
- ▲ Strong underlying drivers and supportive public policy for fibre resulting in increasing take-up over time
- ▲ Accretive to a number of HICL's key portfolio metrics

## ADTIM: Key Facts

**2** concession contracts in Auvergne-Rhône-Alpes

**350k** homes served following full roll-out

**18,300km** of high speed fibre-optic cable



## Core Infrastructure of the Modern Economy



**Predictable long-term, inflation-linked, wholesale cashflows with high quality corporates**

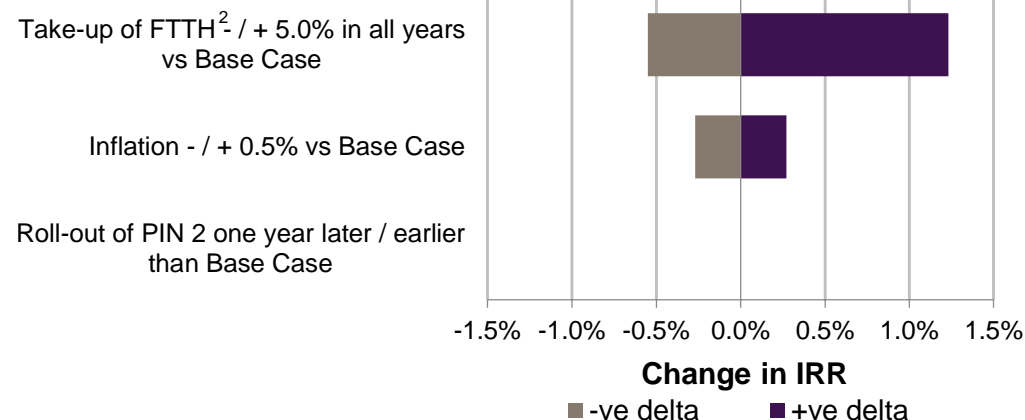


**Sole provider of wholesale broadband, with high barriers to entry and regulated pricing**



**Essential fibre broadband, linking people to education and employment**

## Sensitivities of Base Case IRR to Key Value Drivers



1. Completion of the transaction is expected in Q3 2022 following customary third-party consents  
2. Fibre To The Home

## ▲ Healthy pipeline covering the breadth of HICL's acquisition focus:

- Attractive pipeline of core infrastructure assets spanning UK, Europe, North America, Australia and New Zealand (ANZ)
- c. £510m<sup>1</sup> of equity at exclusivity, preferred bidder, or shortlisted stage
- Two origination partnerships now in effect with key industry relationships; a further one at advanced stage

### Strong Social Foundations



- Focus on incremental acquisitions across the operational PPP portfolio (UK, Europe)
- Visible greenfield PPP pipeline across Europe, Canada, ANZ

### Connecting Communities



- Communications infrastructure in mature geographies: wholesale FTTH assets in France, Nordics, Iberia; towers in UK, Europe, ANZ
- Incremental acquisitions on demand-based transport assets on a case-by-case basis

### Sustainable Modern Economies



- New and incremental acquisitions spanning HICL's core markets across regulated utilities, electricity transmission/distribution and OFTOs
- Select district heating/utilities opportunities (North America and Europe) which demonstrate core infrastructure characteristics

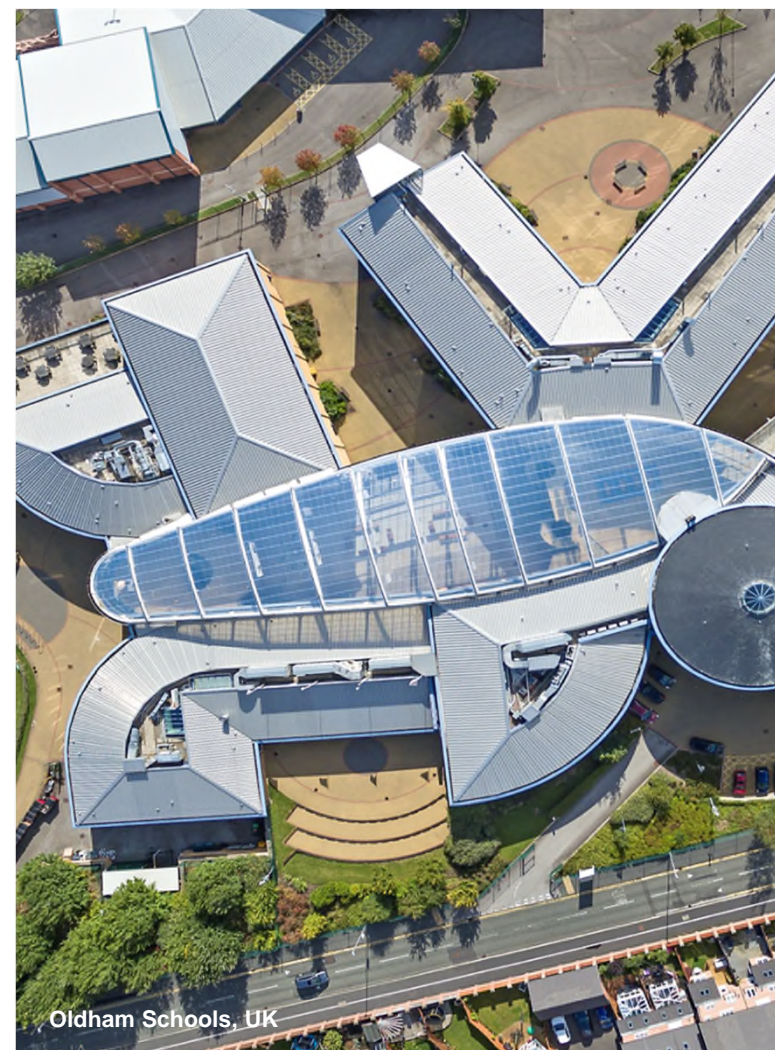
# Concluding Remarks

M80 Motorway, UK

# Concluding Remarks

Delivering Real Value.

- ▲ Strong financial and operational result:
  - **10.8p** increase in NAV per share to **163.1p**
  - **12.8%** total shareholder return
- ▲ Improved cash cover and announced an **8.25p** per share dividend for 2024<sup>1</sup>, the highest cash dividend in HICL's peer group
- ▲ Well-developed pipeline across core infrastructure, including both traditional and modern economy sectors
- ▲ HICL's outlook is positive, and it is well placed to continue to deliver for its shareholders



# Appendix I

The Investment Manager

# Overview of InfraRed Capital Partners Ltd (“InfraRed”)

InfraRed is the Investment Manager and Operator



- ▲ Strong, 25+ year track record of launching 19 infrastructure and real estate funds (including HICL and TRIG)
- ▲ Currently over US\$12bn of equity under management<sup>1</sup>
- ▲ London based, with offices in New York, Seoul and Sydney, with over 170 partners and staff
- ▲ In July 2020, a majority stake of InfraRed was acquired by Sun Life Financial Inc. (together with its subsidiaries and joint ventures, “Sun Life”). The Sun Life acquisition provides further support to InfraRed in its role as Investment Manager to HICL over the coming years
- ▲ In August 2021, InfraRed announced the sale of its European Real Estate Investment Management business to ARA Dunedin, which completed in Q4 2021

| Infrastructure funds                         | Strategy                 | Amount <sup>2</sup> (m) | Years      | Status          |
|--|--------------------------|-------------------------|------------|-----------------|
| Fund I                                       | Unlisted, capital growth | £125                    | 2001-2006  | Realised        |
| Fund II                                      | Unlisted, capital growth | £300                    | 2004-2015  | Realised        |
| HICL Infrastructure PLC (“HICL”)             | Listed, income yield     | £3,448                  | Since 2006 | Evergreen       |
| Environmental Fund                           | Unlisted, capital growth | €235                    | Since 2009 | Divesting       |
| Fund III                                     | Unlisted, capital growth | US\$1,200               | Since 2011 | Divesting       |
| Yield Fund                                   | Unlisted, income yield   | £500                    | Since 2012 | Invested        |
| The Renewables Infrastructure Group (“TRIG”) | Listed, income yield     | £3,353                  | Since 2013 | Evergreen       |
| Fund V                                       | Unlisted, capital growth | US\$1,200               | Since 2017 | Fully allocated |

1. As at 31 March 2022

2. For HICL and TRIG this relates to market capitalisation as at 31 March 2022. For all others this relates to the initial fund investment amount, and not the current fund valuations

# InfraRed – Infrastructure Team Skills and Experience

- ▲ Proven track record in target markets of UK, Europe, North America, Latin America and Australia / New Zealand
- ▲ Focused teams including:
  - Origination and Execution Team responsible for sourcing, diligencing and acquiring new investment opportunities;
  - Asset Management Team responsible for managing the portfolio;
  - Fund Management Team responsible for strategy reporting and overall management;
  - With support from Finance, Compliance and Risk
- ▲ Strong sector and geographic experience with in-depth technical, operational and investment knowledge

100+

infrastructure  
professionals

4

continent coverage

20

spoken  
languages

 **InfraRed**  
Capital Partners





## **Appendix II**

Company Information

# Board of Directors I

Non-executive Directors with a broad range of relevant experience and qualifications



**Ian Russell, CBE**  
Chairman

Ian, HICL's Chairman, is resident in the UK and is a qualified accountant. He worked for Scottish Power plc between 1994 and 2006, initially as Finance Director and, from 2001, as its CEO. Prior to this, he spent eight years as Finance Director at HSBC Asset Management, in Hong Kong and London.

Ian is chair of Scottish Futures Trust and National Museums Scotland.

After nine years of service, Ian will be retiring from the HICL Board in July 2022. Ian will be replaced by Mike Bane as HICL Chairman.



**Frank Nelson**  
Senior Independent Director

Frank, a UK resident, is a qualified accountant. He was Finance Director of the construction and house-building group Galliford Try plc from 2000 until October 2012, having held the position at Try Group plc from 1987.

After Galliford Try, he took on the role of interim CFO of Lamprell plc in the UAE.

Following his retirement, Frank was appointed as the Senior Independent Director of Eurocell and as a Director of Van Elle Holdings. He is also Chair of a privately owned contracting and property development group.



**Rita Akushie**  
Director

Rita Akushie, a UK resident, has more than 20 years' experience acting in leadership and finance roles for housing associations and charities, including at Newlon Group, where she was Chief Financial Officer and then Deputy Chief Executive; and subsequently as Group Finance Director for Thames Valley Housing. Rita has recently served as CFO for Cancer Research UK, and currently serves as CFO & Pro Vice-Chancellor (Operations) for the University of London.

Rita graduated with a BA in Economics and French from the University of Ghana. She is a Fellow of the Institute of Chartered Accountants of England and Wales and a Fellow of the Association of Corporate Treasurers.



**Mike Bane**  
Director

Mike, a Guernsey resident, is a chartered accountant with over 35 years of audit and advisory experience in the asset management industry including in relation to infrastructure investment companies. Mike led EY's services to the asset management industry in the Channel Islands and was a member of EY's EMEIA Wealth and Asset Management Board. Prior to EY, Mike was at PwC. Mike was president of the Guernsey Society of Chartered and Certified Accountants from 2015 – 2017.

Mike graduated with a BA in Mathematics from the University of Oxford and is a long-standing member of the Institute of Chartered Accountants in England and Wales.

# Board of Directors II

Non-executive Directors with a broad range of relevant experience and qualifications



**Frances Davies**  
Director

Frances, a UK resident, has more than 30 years of experience across various roles within the banking and asset management industries. Since 2007, she has been a partner of Opus Corporate Finance, a corporate finance advisory business. Prior to that she served as Head of Global Institutional Business at Gartmore Investment Management. Previously she held roles at Morgan Grenfell Asset Management and SG Warburg. Frances currently serves as a non-executive director of JPMorgan Smaller Companies Investment Trust plc and Aegon Investments Ltd; an independent member of the Aviva With-Profits Committee; and is a member of the Hermes Property Unit Trust committee.

Frances Davies has been selected to replace Mike as Chair of the Remuneration Committee.



**Susie Farnon**  
Audit Committee Chair

Sally-Ann (known as Susie), a Guernsey resident, is a Fellow of the Institute of Chartered Accountants in England and Wales, and is a non-executive director of a number of property and investment companies. Susie was a Banking and Finance Partner with KPMG Channel Islands from 1990 until 2001 and Head of Audit at KPMG Channel Islands from 1999. She has served as President of the Guernsey Society of Chartered and Certified Accountants, as a member of The States of Guernsey Audit Commission and as Vice-Chairman of The Guernsey Financial Services Commission, and is a director of the Association of Investment Companies.

After nine years of service, Susie will be retiring from the HICL Board in July 2022. Rita Akushie will replace Susie as Chair of the Audit Committee



**Simon Holden**  
Risk Committee Chair

Simon Holden (British) is a Chartered Director (CDir) accredited by the Institute of Directors. Previously an investment director at Terra Firma Capital Partners, Candover Investments prior to that, Simon has been an active independent director to listed investment company, private equity fund and trading company boards since 2015. In addition, Simon acts as the pro-bono Business Advisor to Guernsey Ports; a States of Guernsey enterprise that operates all of the Bailiwick's critical airport and harbour infrastructure.

Simon is a member of several industry interest groups in both financial services and intellectual property and graduated from the University of Cambridge with an MEng and MA (Cantab) in Manufacturing Engineering.



**Kenneth D. Reid**  
Director

Kenneth, a Singapore resident, has more than 35 years international experience in infrastructure development, construction and investment. Initially with Kier Group, and then from 1990 with Bilfinger Berger AG, Ken served globally in various senior management roles, including as a member of the Group Executive Board of Bilfinger between 2007 and 2010.

Ken graduated in Civil Engineering from Heriot-Watt University with First Class Honours and then Edinburgh Business School with an MBA. Ken is a Chartered Engineer, a non-executive director of Sicon Limited and James Walker Group Limited, and is a member of the Singapore Institute of Directors.

# Investment Manager

Senior InfraRed team, experienced in making and managing infrastructure investments



## **Edward Hunt**

Head of Core Income Funds, InfraRed  
Edward leads the InfraRed team that manages HICL



## **Helen Price**

CFO, Core Income Funds, InfraRed  
Helen is responsible for managing the financial activities carried out by InfraRed for HICL

**HICL's Investment Committee** is the principal executive decision making body for HICL within InfraRed and is comprised of:

**Werner von Guionneau** – Chief Executive Officer

**Chris Gill** – Deputy Chief Executive Officer

**Harry Seekings** – Head of Investments

**Keith Pickard** – Chief Operating Officer

**Stewart Orrell** – Head of Asset Management

**Edward Hunt** – Head of Core Income Funds

## **Appendix III**

The Investment Portfolio

# HICL's Top 10 Assets<sup>1</sup> |



1

## Affinity Water

Affinity Water Limited is the largest water-only supplier in the UK by revenue and population served covering an area of 4,515 square kilometres.

**Sector:** Electricity, Gas & Water  
**Location:** UK  
**% of portfolio:** 9% (March 2021: 8%)  
**HICL holding:** 33.2%  
**Concession length:** N/A  
**Status:** Operational



2

## Northwest Parkway

The Northwest Parkway is a 14km, four-lane toll road that forms part of the ring road around the city of Denver, Colorado, USA.

**Sector:** Transport  
**Location:** USA  
**% of portfolio:** 7% (March 2021: 5%)  
**HICL holding:** 33.3%  
**Concession length:** 99 years  
**Status:** Operational



3

## A63 Motorway

The A63 Motorway in South West France includes the upgrade of an existing 105km road linking the towns of Salles (Gironde) and St-Geours de Maremne.

**Sector:** Transport  
**Location:** France  
**% of portfolio:** 7% (March 2021: 7%)  
**HICL holding:** 21.0%  
**Concession length:** 40 years  
**Status:** Operational



4

## Southmead Hospital

Southmead Hospital PFI project is an 800-bed acute hospital concession on a single site at Southmead in North Bristol.

**Sector:** Health  
**Location:** UK  
**% of portfolio:** 5% (March 2021: 5%)  
**HICL holding:** 62.5%  
**Concession length:** 35 years  
**Status:** Operational








5

## High Speed 1

HS1 is the rail link between London St Pancras station and the Channel Tunnel. It is currently the UK's only high-speed rail line in operation.

**Sector:** Transport  
**Location:** UK  
**% of portfolio:** 5% (March 2021: 4%)  
**HICL holding:** 21.8%  
**Concession length:** 30 years  
**Status:** Operational

1. Excludes the investment in Queen Alexandra Hospital, the disposal of which completed post year end

|   |  |   |
|---|--|---|
|  <p>6</p>    | <h2>Royal School of Military Engineering</h2> <p>The PPP project covers 32 new and 21 existing buildings, and five training areas on behalf of the UK Ministry of Defence.</p>             | <p><b>Sector:</b> Accommodation<br/> <b>Location:</b> UK<br/> <b>% of portfolio:</b> 4% (March 2021: 4%)<br/> <b>HICL holding:</b> 100%<br/> <b>Concession length:</b> 30 years<br/> <b>Status:</b> Operational</p>             |
|  <p>7</p>    | <h2>Pinderfields &amp; Pontefract Hospitals</h2> <p>The PFI project is a two hospital concession for Mid Yorkshire Hospitals NHS Trust, delivering a combined total of 774 beds.</p>       | <p><b>Sector:</b> Health<br/> <b>Location:</b> UK<br/> <b>% of portfolio:</b> 4% (March 2021: 4%)<br/> <b>HICL holding:</b> 100%<br/> <b>Concession length:</b> 35 years<br/> <b>Status:</b> Operational</p>                    |
|  <p>8</p>    | <h2>Home Office</h2> <p>The PPP concession commissioned by the UK Home Office to replace its existing headquarters with purpose-built serviced offices in London.</p>                      | <p><b>Sector:</b> Accommodation<br/> <b>Location:</b> UK<br/> <b>% of portfolio:</b> 3% (March 2021: 3%)<br/> <b>HICL holding:</b> 100%<br/> <b>Concession length:</b> 29 years<br/> <b>Status:</b> Operational</p>             |
|  <p>9</p>   | <h2>Dutch High Speed Rail Link</h2> <p>The PPP project provides a 96 kilometre high-speed rail connection from Amsterdam (Schiphol Airport) to the Belgian border.</p>                     | <p><b>Sector:</b> Transport<br/> <b>Location:</b> The Netherlands<br/> <b>% of portfolio:</b> 2% (March 2021: 3%)<br/> <b>HICL holding:</b> 43%<br/> <b>Concession length:</b> 30 years<br/> <b>Status:</b> Operational</p>     |
|  <p>10</p> | <h2>Blankenburg Tunnel</h2> <p>The availability PPP project involves the construction of a 4.2km tunnel under the Nieuwe Maas river near Rotterdam, linking the A15 and A20 motorways.</p> | <p><b>Sector:</b> Transport<br/> <b>Location:</b> The Netherlands<br/> <b>% of portfolio:</b> 2% (March 2021: 2%)<br/> <b>HICL holding:</b> 70%<br/> <b>Concession length:</b> 24 years<br/> <b>Status:</b> In construction</p> |

# Portfolio Diversification

HICL's Portfolio, as at 31 March 2022<sup>1</sup>

## MARKET SEGMENT



|   |                     |     |
|---|---------------------|-----|
| ▲ | PPP Projects        | 66% |
| ▲ | Demand-based Assets | 22% |
| ▲ | Regulated Assets    | 12% |

## INVESTMENT STATUS



|   |                   |     |
|---|-------------------|-----|
| ▲ | Fully operational | 97% |
| ▲ | Construction      | 3%  |

## OWNERSHIP STAKE



|   |                         |     |
|---|-------------------------|-----|
| ▲ | 100% ownership          | 28% |
| ▲ | 50% - 100% ownership    | 30% |
| ▲ | Less than 50% ownership | 42% |

## GEOGRAPHIC LOCATION



|   |                 |     |
|---|-----------------|-----|
| ▲ | UK              | 73% |
| ▲ | Europe (exc UK) | 18% |
| ▲ | North America   | 9%  |

## SECTOR



|   |                          |     |
|---|--------------------------|-----|
| ▲ | Accommodation            | 10% |
| ▲ | Education                | 14% |
| ▲ | Electricity, Gas & Water | 12% |
| ▲ | Health                   | 27% |
| ▲ | Fire, Law & Order        | 5%  |
| ▲ | Transport                | 32% |

1. By value using Directors' Valuation of £3,311.0m as at 31 March 2022 less the expected proceeds of £108m from the sale of Queen Alexandra Hospital

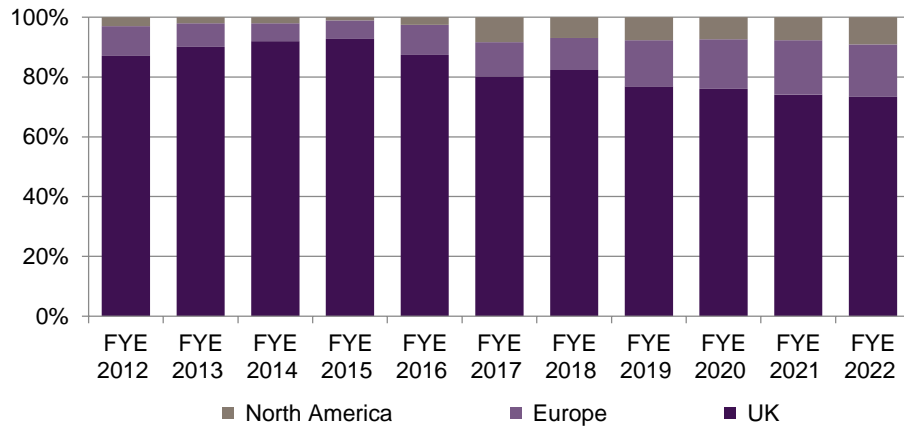


# Portfolio – Key Attributes

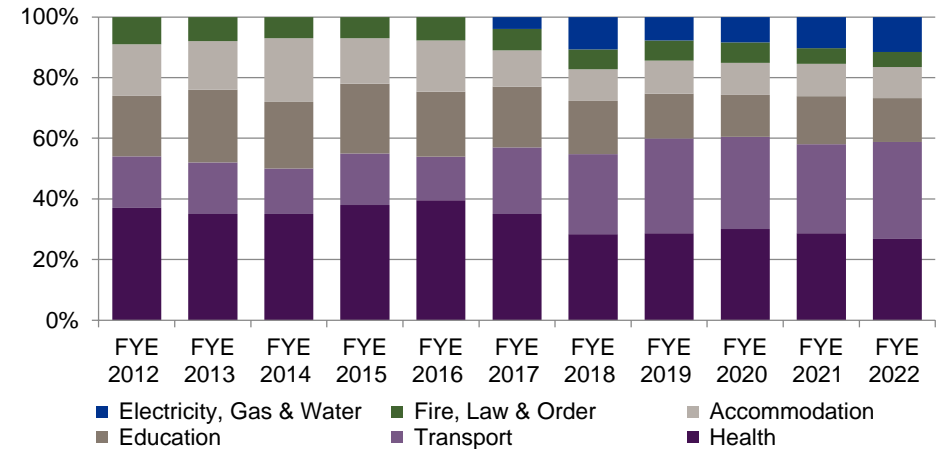
Evolution of the Group's portfolio



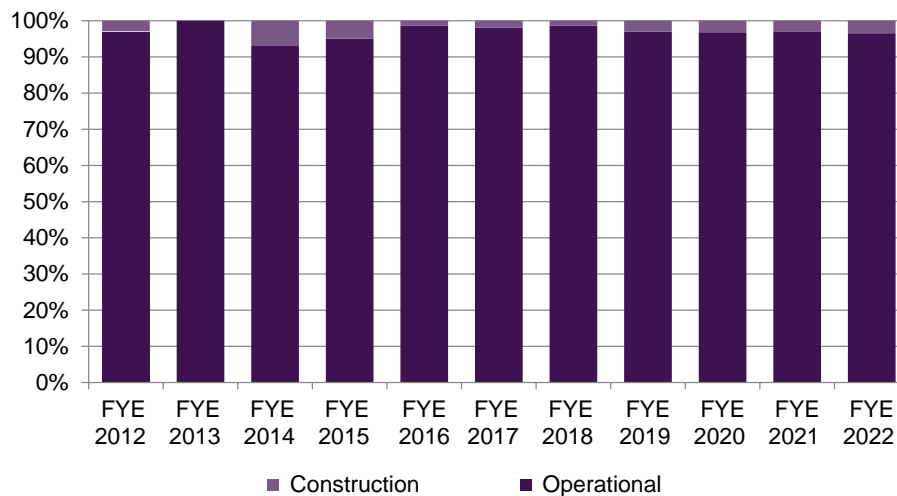
## Geographically Diverse Portfolio



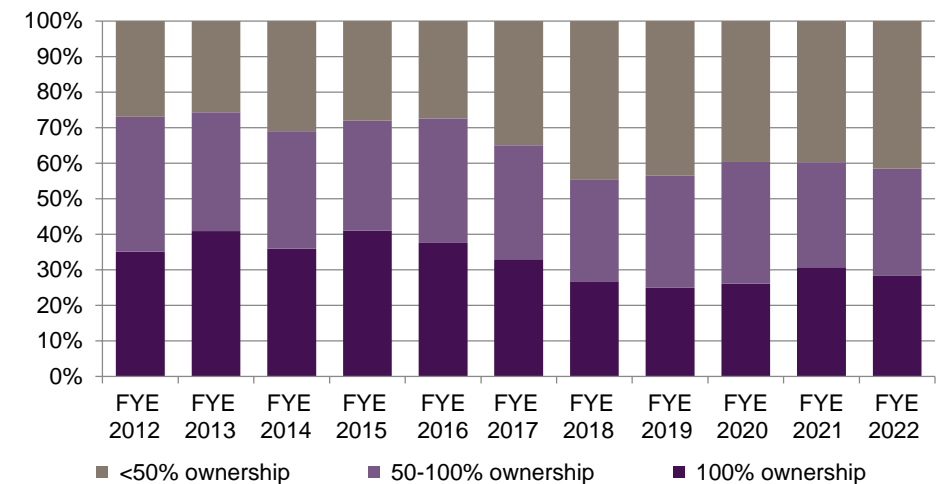
## Diverse Sector Spread



## Predominantly Operational Assets



## Opportunities to Increase Ownership Stakes



# Key Valuation Assumptions

|  |  | Movement                          | 31 March 2022  | 31 March 2021                               |
|--|--|-----------------------------------|--|---|
| <b>Discount Rate</b>                   | Weighted Average                           | ↓                                 | 6.6%   | 6.8%  |
| <b>Inflation<sup>1</sup></b><br>(p.a.) | UK (RPI <sup>2</sup> & RPIx <sup>2</sup> ) | ↑                                 | 6% to March 2023, 3.5% to March 2024, 2.75% to 2030, 2% thereafter | 2.75% to 2030, 2.0% thereafter              |
|  | CPIH <sup>3</sup>                          |                                   | 5.25% to March 2023, 2.75% to March 2024<br>2% thereafter          | 2.0%  |
|  | Eurozone (CPI)                             |                                   | 3.0% to March 2023, 2.0% thereafter                                | 2.0%  |
|  | Canada (CPI)                               |                                   | 3.0% to March 2023, 2.0% thereafter                                | 2.0%  |
|  | USA (CPI)                                  |                                   | 4.0% to March 2023, 2.0% thereafter                                | 2.0%  |
| <b>Interest Rates</b><br>(p.a.)        | UK   | ↑                                 | 0.75% to March 2025, 1.00% thereafter                              | 0.25% to March 2025, 1.25% thereafter       |
|  | Eurozone                                   |                                   | 0.0% to March 2025, 0.5% thereafter                                | 0.0% to March 2025, 0.25% thereafter        |
|  | Canada                                     |                                   | 0.75% to March 2024, 2.25% thereafter                              | 0.5% to March 2024, 2.25% thereafter        |
|  | USA  |                                   | 0.75% to March 2024, 2.0% thereafter                               | 0.5% to March 2024, 2.25% thereafter        |
| <b>Foreign Exchange</b>                | GBP / EUR                                  | ↑                                 | 1.19   | 1.17  |
|  | GBP / CAD                                  | ↓                                 | 1.64   | 1.73  |
|  | GBP / USD                                  | ↓                                 | 1.31   | 1.38  |
| <b>Tax Rate</b><br>(p.a.)              | UK   | ↔                                 | 19% to March 2023, 25% thereafter                                  | 19% to March 2023, 25% thereafter           |
|  | Eurozone                                   | ↑                                 | Ireland 12.5%  | Ireland 12.5%                               |
|  |  |                                   | France 25% - 27.5%   | France 26.5% in 2021, 25% thereafter        |
|  | Netherlands 25.8%                          | Netherlands 25%                   |  |   |
| Canada                                 | ↔  | 23% and 27%                       | 23% and 27%  |   |
| USA                                    |  | 21% Federal & 4.6% Colorado State | 21% Federal & 4.6% Colorado State                                  |   |
| <b>GDP Growth</b><br>(p.a.)            | UK   | ↓                                 | 4.0% in 2022, 2.0% thereafter                                      | 5.0% in 2021, 5.5% in 2022, 2.0% thereafter |
|  | Eurozone                                   |                                   | 3.0% in 2022, 1.8% thereafter                                      | 5.5% in 2021, 4.0% in 2022, 1.8% thereafter |
|  | USA  |                                   | 3.5% in 2022, 2.5% thereafter                                      | 5.5% in 2021, 4.0% in 2022, 2.5% thereafter |

1. Some portfolio company revenues are fully indexed, whilst some are partially indexed  
2. Retail Price Index and Retail Price Index excluding Mortgage Interest Payments  
3. Consumer Prices Index including owner-occupiers' housing costs; used in the valuation of Affinity Water

# Summary Cash Flow Statement

Figures presented on an Investment Basis<sup>1</sup>



| Cash Flow  | FY2022<br>£m             | FY2021<br>£m             |
|--|--------------------------|--------------------------|
| Opening net cash   | 4.7                      | 26.6                     |
| <b>Net cash flow before capital movements</b>                | <b>163.0</b>             | <b>142.9</b>             |
| Investments  | (87.5)                   | (162.5)                  |
| Disposals  | 18.5                     | 27.5                     |
| Equity raised (net of costs)                                 | -                        | 118.8                    |
| Net cashflow from derivatives and debt arrangement fees paid | 14.9                     | 9.9                      |
| Dividends paid   | (159.8)                  | (158.3)                  |
| <b>Net (debt) / cash</b>                                     | <b>(46.2)</b>            | <b>4.7</b>               |
| <b>Dividend cash cover</b>                                   | <b>1.05x<sup>2</sup></b> | <b>0.90x<sup>2</sup></b> |

1. Investment Basis is the same basis as was applied in prior years. See page 36 of the 2022 Annual Report for further details

2. Includes profits on disposal versus original acquisition cost of £4.8m (2021: £11.9m). Excluding this, dividend cash cover is 1.02x (2021: 0.83x)