

1 August 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 April 2022 to 31 July 2022.

Mike Bane, Chair of HICL said:

“HICL’s considered portfolio composition continues to deliver the defensive benefits of core infrastructure investment, including a high degree of inflation protection, against a challenging macro-economic and geopolitical backdrop. Following a successful equity raise, and extending its credit facilities, HICL is well positioned to continue to pursue its attractive pipeline of high-quality core infrastructure opportunities.”

Key Highlights

- ▲ Accretive acquisition activity in the period, including ADTIM (Fibre, France), and Aotearoa Towers (Mobile Towers, New Zealand). New investments signed totalling c. £300m.
- ▲ Successful capital raising activity in the period with £160m raised via tap issuance with scale back applied due to the strong level of demand from investors.
- ▲ Activated the accordion facility within the Company’s Revolving Credit Facility (“RCF”), which increases the Company’s credit facilities by £330m to a total of £730m to support the immediate pipeline of acquisition opportunities.
- ▲ Higher than expected inflation rates have benefitted the portfolio, with the Manager estimating that, all other things being equal, inflation will contribute an increase in NAV per share of between 3.0 and 3.6 pence to the 30 September 2022 valuation.
- ▲ Several attractive investment opportunities at an advanced stage.

Investment Activity

- ▲ Completion of the sale of the Company’s 100% interest in the Queen Alexandra Hospital PFI Project in May.
- ▲ Capital deployment of c. £300m in high quality core infrastructure assets:
 - Agreement to acquire a 55% shareholding in ADTIM in France from DIF Capital Partners, HICL’s first investment in fibre broadband, in May 2022;
 - Agreement to acquire a 40% equity interest in Aotearoa Towers Limited, a passive mobile tower infrastructure owner in New Zealand.

Portfolio Performance

- ▲ The Company's PPP portfolio performed well, underpinned by its availability-based and inflation-linked revenues. Asset Management activities remain weighted to managing asset condition, including the oversight of defect remediation works where necessary.
- ▲ Affinity Water continues to make a positive contribution to HICL's portfolio performance through its inflation-linked Regulatory Capital Value. Affinity Water published its 2022 Annual Report on 15 July 2022, which noted improved operational performance across a number of key indicators including leakage. Ofwat also published its draft methodology for the 2024 Price Review ("PR24") during the period; both Affinity Water and InfraRed look forward to constructive engagement with the regulator as it seeks to consult on and refine its approach.
- ▲ HICL's demand-based asset segment performed in line with expectations. The impact of higher fuel prices on traffic across HICL's toll road investments is being monitored closely but is currently not expected to have a material impact on performance. International train path bookings for High Speed 1 ("HS1") were at 76% of pre-Covid levels for the eight week period to 23 July 2022, slightly ahead of HICL's assumption. Although HS1 experienced some disruption from rail strikes in the UK during the period, the line remained open for Eurostar services and the financial impact is not expected to be material.

Financial Performance and Dividends

- ▲ The Company remains on track to deliver its target dividend of 8.25p per share for the financial year to 31 March 2023¹, with cash generation in the period in line with expectations.
- ▲ In July 2022, HICL announced the successful activation of a one-year £330m accordion facility within its RCF. The Company now has credit facilities of £730m. The accordion is priced on the same terms as the RCF, and will allow greater capacity and flexibility for HICL to pursue its attractive near-term pipeline.
- ▲ Current inflation forecasts for FY2023 are ahead of the assumptions used by the Company in its March 2022 valuation. Sensitivity analysis provided in HICL's Annual Report 2022 showed that if inflation were 3% above HICL's forecast assumptions for the next 12 months, NAV per Share would increase by 3.6p. Based on current forecasts, the Manager would expect inflation to contribute a NAV per share uplift of between 3.0p and 3.6p to the Company's 30 September 2022 valuation.
- ▲ While interest rates have increased since March 2022, the environment for infrastructure investment remains highly competitive and current evidence indicates that HICL's weighted average discount rate of 6.6% remains appropriate.

Market and Outlook

- ▲ Despite heightened market uncertainty linked to macroeconomic instability and geopolitical events in Europe, the market for core infrastructure investment remains resilient, with a positive outlook. This is underpinned by the key defensive attributes of the asset class, including inflation-linked returns and low correlation to wider asset markets.
- ▲ Sustained competition for high-quality core infrastructure assets continues to support the valuation of HICL's portfolio and is also reflected in the market for new investments. This underscores the value of InfraRed's differentiated capability to source attractive new investments, including through InfraRed's international network, as demonstrated in the period and reflected in the Company's pipeline.
- ▲ HICL's investment pipeline remains attractive. The Company is well positioned to benefit from the secular tailwinds fuelling infrastructure investment – notably the drive for digital connectivity and energy decarbonisation and security. These areas are well represented in the Company's pipeline, alongside traditional core infrastructure opportunities spanning transport and social sectors.
- ▲ Historically, more challenging macro-economic environments have provided the opportunity for nimble and well capitalised companies, such as HICL, to execute their acquisition strategies effectively.

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

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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.