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18 October 2022

## HICL Infrastructure PLC

*"HICL" or the "Company" and, together with its corporate subsidiaries<sup>1</sup>, the "Group", the London-listed infrastructure investment company managed by InfraRed Capital Partners Limited ("InfraRed" or the "Investment Manager").*

### Net Asset Value

The Company's Interim Results are scheduled for release on 23 November 2022.

The Board expects to announce a moderate increase in the Company's unaudited Net Asset Value ("NAV") per share of 1.2 pence to 164.3 pence per share<sup>2</sup> as at 30 September 2022 (31 March 2022: 163.1 pence per share). Heightened macro-economic volatility over recent weeks has resulted in a challenging environment for investors to determine the impact of key valuation inputs. This statement seeks to provide information about the Company's approach to determining its NAV at 30 September 2022.

The Company is well diversified and the positive impact of higher inflation and deposit rates, in excess of HICL's valuation assumptions as at 31 March 2022, and foreign exchange rate movements have more than offset the effect of higher discount rates assumed in all jurisdictions. The expected increase in NAV is due to the following portfolio specific and macro-economic factors:

- Operational performance of the portfolio was in line with expectations;
- Significantly higher actual and forecast inflation in all jurisdictions than the assumptions included in the portfolio valuation as at 31 March 2022, with UK RPI now assumed to be 10% in FY2023 and 5% in FY2024;
- Increases to deposit rate assumptions in all jurisdictions due to higher prevailing interest rates;
- Significant weakening of Sterling against the US dollar; and
- The significant increases in long-term government bond yields over the last six months, particularly in the UK where government bond yields increased sharply over the course of September, has led to an increase in the portfolio's weighted average discount rate to 7.1% (31 March 2022: 6.6%).

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<sup>1</sup> The Corporate subsidiaries are Infrastructure Investments Limited Partnership and HICL Infrastructure 2 s.a.r.l., as disclosed in HICL's Annual Report and Accounts 2022

<sup>2</sup> Based on 2,031,488,061 shares in issue (31 March 2022: 1,936,813,501 shares), which includes the equity issued in July 2022

## Breakdown of the movement in Net Asset Value per share

Net Asset Value per share as at 31 March 2022 (audited)		163.1p
Portfolio return		
<i>Actual inflation</i>	4.0p	
<i>Other portfolio performance</i> <sup>3</sup>	5.0p	
		9.0p
Discount rate		(8.9)p
Macro-economic assumptions		
<i>Forecast inflation</i>	2.3p	
<i>Interest + tax rates</i>	1.0p	
		3.3p
Foreign exchange (net of hedging)		1.9p
Dividends paid		(4.1)p
Net Asset Value per share as at 30 Sept 2022 (unaudited)		164.3p

### Inflation

The portfolio's cashflows and valuation are positively correlated to inflation. In addition, aggregate forecast inflation for the rest of this financial year and the year to 31 March 2024 is ahead of the assumptions used in the 31 March 2022 portfolio valuation. Inflation forecast assumptions have therefore been updated for all relevant jurisdictions as detailed in the table below.

### Discount rates

Long-term government bond yields, particularly in the UK, have increased significantly since the Company's 31 March 2022 valuation. The Investment Manager's view is that discount rates used to value projects do not follow bond yields on a like-for-like basis, although some correlation is evident over the longer term. As a result, when setting discount rates, the Investment Manager considers asset pricing observed in core infrastructure transactions across HICL's key geographies, as well as the level of risk premium implied by movements in bond yields.

Market activity has been muted over the last few months as transaction volumes are typically reduced over the northern hemisphere summer. As a result, relevant data points, reflective of the current market environment, to support core infrastructure discount rates are very limited. The Company has therefore considered the significant increase in long-term government bond yields and the corresponding reduction in the implied equity risk premium over the last six months, and has increased the portfolio's weighted average discount rate from 6.6% to 7.1%. The uplift is weighted toward the UK discount rate where government bond yields increased sharply over the course of September. The weighted average risk-free rate for the portfolio is 3.7% (31 March 2022: 1.8%) and the weighted average risk premium is 3.4% (31 March 2022: 4.8%).

InfraRed will continue to monitor market activity and will provide a further update as part of HICL's Interim Results.

### Foreign Exchange

The Company is exposed to movements in Canadian dollars, the Euro and US dollars. Since 31 March 2022, Sterling has weakened materially against both the US dollar and the Canadian dollar. 48% of the Company's exposure to foreign currency was unhedged as at 30 September 2022 giving rise to a valuation gain.

### Funding position

At the end of the period, the Group had net cash of £79 million (31 March 2022: net debt £(46) million). The Group has £713 million of available funding under its Revolving Credit Facility ("RCF") and is well positioned to fund its investment commitments in Aotearoa Towers, ADTiM and Texas Nevada Transmission, totalling £513 million, in the second half of the financial year.

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<sup>3</sup> Performance comprises the unwinding of the discount rate (Value Preservation) and the Investment Manager's Value Enhancement initiatives

## Macro-economic assumptions used in the valuation

Assumption	Jurisdiction	30 September 2022	31 March 2022
Discount rate (WADR)		7.1%	6.6%
Inflation	UK	10.00% to 31-Mar-23 5.00% to 31-Mar-24 2.75% to 31-Mar-30 2.00% thereafter	6.00% to 31-Mar-23 3.50% to 31-Mar-24 2.75% to 31-Mar-30 2.0% thereafter
	Eurozone	6.00% to 31-Mar-23 4.00% to 31-Mar-24 2.00% thereafter	3.00% to 31-Mar-23 2.00% thereafter
	Canada	5.00% to 31-Mar-23 2.00% thereafter	3.00% to 31-Mar-23 2.00% thereafter
	US	6.00% to 31-Mar-23 3.00% to 31-Mar-24 2.00% thereafter	4.00% to 31-Mar-23 2.00% thereafter
Deposit rates	UK	2.00% to 31-Mar-24, 2.50% thereafter	0.75% to 31-Mar-25, 1.25% thereafter
	Eurozone	0.75% to 31-Mar-24, 1.25% thereafter	0.00% to 31-Mar-25, 0.50% thereafter
	Canada	1.25% to 31-Mar-24 2.50% thereafter	0.75% to 31-Mar-24, 2.25% thereafter
	US	1.25% to 31-Mar-24 2.50% thereafter	0.75% to 31-Mar-24 2.00% thereafter
Foreign exchange rates	USD	1.12	1.31
	EUR	1.14	1.19
	CAD	1.54	1.64

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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](http://www.hicl.com).

This statement aims to give an indication of material events and transactions that have taken place in the period from 1 April 2022 to 30 September 2022 and their impact on the financial position of HICL. These indications reflect the Board's current view. They are subject to several risks and uncertainties and could change. Factors which could cause or contribute to such differences include, but are not limited to, general economic and market conditions and specific factors affecting the financial prospects or performance of individual investments within the portfolio of HICL.

## **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](http://www.ircp.com).