

4 March 2024

## 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 2023 to 29 February 2024.

Mike Bane, Chair of HICL said:

“HICL’s high quality portfolio continues to demonstrate its resilience amidst broader macro volatility, supported by significantly accretive asset rotation announced in the period. Effective capital allocation remains crucial, and the Board has deployed disposal proceeds to reduce the balance on the Company’s Revolving Credit Facility, make a highly accretive incremental investment and launch a share buyback programme.”

### Key Highlights

- Solid operational performance across the portfolio in the period demonstrating the resilient nature of the underlying assets. The Company is on track to deliver its target dividend of 8.25p per share for the financial year to 31 March 2024, with cash generation in line with expectations.
- Sale of entire stake of Northwest Parkway (“NWP”) for a net consideration of US\$232m at a c. 30%<sup>1</sup> premium to the most recent valuation. Up to £50m of the sale proceeds reserved for a share buyback programme.
- Acquired additional 3.1% interest in A63 Motorway in France for £20m at highly accretive terms.
- £200m of disposal proceeds received and used to reduce fund-level gearing. The RCF is expected to be fully repaid with the proceeds of the Northwest Parkway disposal.
- Focus remains on responsible capital allocation, with future disposal proceeds to support the evaluation of selective investment opportunities where they enhance the portfolio’s key financial metrics.

### Portfolio Performance

- Overall, the portfolio performed in line with expectations in the period, underpinned by its high-quality, inflation linked cashflows and limited variable interest rate exposure.
- In December 2023 HICL acquired a further 3.1% interest in the A63 Motorway concession in France for c. £20m. The acquisition was carefully evaluated against alternative uses of capital, including the repurchase of the Company's shares, with the

expected return and yield from the asset significantly higher than the relevant hurdle rates.

- The levy on revenues earned by companies operating long-distance transport infrastructure in France has now been enacted as part of the 2024 Finance Law. Once the payment terms are published, it is expected that the law will be challenged in the constitutional court, and it remains HICL's expectation that compensation would be due through higher tolls. However, even if the levy were to be imposed in full, the impact on HICL's valuation of the A63 Motorway is not expected to be material.
- The Company's new modern economy assets (Fortysouth, Texas Nevada Transmission ("TNT") and Altitude Infra), are now well integrated into the portfolio and continue to perform in line with expectations.

### Financial Performance

- The Company is on track to deliver its target dividend of 8.25p per share for the financial year to 31 March 2024, with cash generation in the period in line with expectations.
- Proceeds from the announced disposals of Bradford Schools PPPs, the four PPP assets sold to John Laing and the University of Sheffield Accommodation Project have been received. The proceeds from the Hornsea II OFTO and the Northwest Parkway disposals expected by Q3 2024.
- The Company announced in February 2024 the intention to allocate up to £50m of the NWP disposal proceeds towards a share buyback programme in due course which will run for a period of up to twelve months.

### Valuation

- The Company's NAV and valuation approach continues to be well-informed by transaction data points, including the Company's own disposal activity which now spans over £500m of assets, across sectors and geographies, all realised at or above their carrying values.
- From September 2022 to September 2023, HICL increased its weighted average portfolio discount rate by 140bps. Current long-term UK government bond yields imply that HICL benefits from a c. 3.7% equity risk premium which has widened by 30bps since the Company's results at 30 September 2023. The Investment Manager believes the risk premium is appropriate for HICL's core infrastructure portfolio.
- While noting increased market confidence that interest rates have peaked across HICL's key jurisdictions, the Investment Manager does not anticipate a change in the portfolio weighted average discount rate in the 30 March 2024 Valuation as it currently aligns with transactional evidence in the sector. The Company believes the strong valuation achieved for its sale of NWP reflects the unique opportunity for the bidder to acquire 100% of the equity as well as the asset's strong inflation correlation, particularly over the past two years.

- Alongside the expected NAV uplift of c. 2p, the NWP sale is expected to be materially accretive to portfolio yield, while modestly reducing the portfolio's weighted average asset life to 29.5 years and inflation correlation from 0.8x to 0.7x<sup>2</sup>.
- Inflation for the year to 31 March 2024 is currently slightly below the assumptions used in the 30 September 2023 valuation (at 4% relative to an assumption of 6.5% for UK RPI). If it remains at these levels, the negative effect on the portfolio's 31 March 2024 valuation is expected to be c. 1.5p.

## Market and Outlook

- The market for high quality core infrastructure assets remains in good health with increasing transaction volumes noted in the period<sup>3</sup>. This data, supported by the Company's own disposals, continues to reaffirm market liquidity and the observed disconnect between public market and private investor valuations for inflation correlated core infrastructure.
- The Board and Investment Manager remain focused on responsible capital allocation, with disposal activity used to support the selective review of investment opportunities to enhance the portfolio's key financial metrics, in line with HICL's long-term track record of accretive asset rotation.

1. US\$ proceeds translated to £184m using an exchange rate of 1.26. The uplift versus the US\$ valuation at 30 September 2023 is 34%
2. Based on portfolio valuation as at 30 September 2023
3. 577 infrastructure deals completed globally in Q4 2023 vs 553 in Q3 2023, with 83 core infrastructure deals in Q4 2023 vs 62 in Q3 2023. Infrastructure deals source: Preqin data. Core infrastructure deals source: Combination of Infracore and Infracore internally reviewed deal universe

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## Enquiries

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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).

**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, Madrid 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).