

25 July 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 April 2024 to 24 July 2024.

Mike Bane, Chair of HICL said:

“HICL’s diversified portfolio continues to perform well, offering shareholders access to attractive private infrastructure assets that support long-term income and capital growth. The global need for infrastructure investment remains historically elevated, creating significant opportunities for private capital. Following the recent UK election, we look forward to engaging further with the new government to attract and support private sector investment into critical UK infrastructure.”

### Key Highlights

- Operational performance across the portfolio in the period was in line with expectations, 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 2025, with increased cash generation in line with expectations.
- The Revolving Credit Facility (“RCF”) was repaid in May 2024 and the Company commenced a £50m buyback programme.
- Ofwat’s PR24<sup>1</sup> draft determination received for Affinity Water, reflecting some positive movements as well as some gaps between the determination and Affinity’s submitted business plan, as would be expected at this stage. The draft determination aligns with HICL’s expectation for Affinity to resume equity distributions in AMP 8.
- Highly disciplined capital allocation approach, including the exploration of further strategic asset disposals and highly selective acquisitions where these are accretive and enhance the key portfolio metrics.

1. The Ofwat 2024 price review process that sets prices for the period from April 2025 to March 2030.

### Share Buyback Update

- In accordance with the terms of the Company’s £50m share buyback programme announced on 28 February 2024, the Company began buying back shares in the market on 22 May 2024. As at 24 July 2024, 7,050,000 shares have been re-purchased and are

now being held in Company treasury. The total number of shares with voting rights in HICL, excluding treasury shares, as at 24 July 2024 is 2,024,438,061.

### 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.
- Ofwat published its draft determination for PR24 (2025-2030) for Affinity Water in the period:
  - Overall, the draft determination reflects several positive movements by Ofwat. This suggests that, with some further discussion with Ofwat between now and December, Affinity should ultimately receive a balanced final determination that allows for the resumption of dividends for Affinity over AMP8.
  - The allowed WACC of up to 3.72% (expressed in real terms) has increased from Ofwat's 'early view' of 3.29% and the return on equity has increased to 4.8% from 4.1%.
  - Ofwat has proposed a new intervention on gearing above 70%, which may impact the level of yield over AMP8, if retained in the final determination.
  - As is typical at this stage, there are differences in the draft determination versus Affinity's proposal, particularly around allowed expenditure, and these will be negotiated with Ofwat. Affinity will submit its response in August 2024 and expects a final determination in December 2024.
  - Previous disclosure that HICL would look to support Affinity's growth plan for AMP8 with a c. £50m equity investment over the AMP, contingent on a fair final determination, remains appropriate.
- In relation to the Company's investment in the A63 Motorway, in France, the Conseil d'Etat has agreed that the Conseil Constitutionnel will review the legal challenge against the new tax on long-distance transport infrastructure with a decision expected in September 2024.
  - If the challenge fails the Company expects any increase in costs to be compensated through higher tolls. Nonetheless, if the levy were to be imposed without a flow through into tolling, the impact on HICL's valuation would be immaterial.

### Financial Performance and Valuation

- The Company is on track to deliver its target dividend of 8.25p per share for the financial year to 31 March 2025, with cash generation in the period in line with expectations.
- In the period, the proceeds from the disposals of Hornsea II OFTO and the Northwest Parkway were received and were used to re-pay the Company's RCF and fund HICL's £50m share buyback programme.
- Inflation for the six months to 30 September 2024 is expected to be broadly in line with the assumptions used in the 31 March 2024 valuation.

- The Investment Manager has not observed any transaction evidence in recent months that would support a change to the portfolio weighted average discount rate of 8.0% for the upcoming 30 September 2024 Valuation.

### Market and Outlook

- The Board and Investment Manager remain focused on effective and prudent capital allocation in the current macroeconomic environment. The full repayment of the Company's RCF has provided HICL with a robust platform from which to selectively assess opportunities for further disposals and acquisitions.
- The Board continues to approve all capital allocation decisions, which are informed by the strong return currently available through further share buybacks.
- The broader market landscape remains supportive for private investment in infrastructure. The Company notes the clear election outcome in the UK and the new government's stated aim to leverage private capital in support of delivering much needed infrastructure investment.

-Ends-

### 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).