

## BBGI Global Infrastructure (BBGI)

02/09/2024

### Results analysis from Kepler Trust Intelligence

BBGI Global Infrastructure (BBGI) has released its interim results for the six months ended 30/06/2024. The net asset value (NAV) total return for the period was 2.4%. This return consisted of a dividend of 3.965p per share paid in April and was partially offset by a modest 0.3% decrease in NAV per share to 147.4p per share, which was largely due to the impact of net negative movements in the currency markets.

BBGI reaffirmed its 6% dividend growth target for 2024 and 2% dividend growth target for 2025.

The dividend remains secure, both in the short and medium term. The cash dividend cover for H1 2024 was 1.47x and the FY 2024 cover is expected to be in the range of 1.3x to 1.4x.

BBGI remains in strong financial and operational positions. There were no material lock-ups or default events during the period and net cash generated by the portfolio companies were ahead of projections. There is no structural gearing at the group level, no cash drawings on the revolving credit facility, and BBGI has net cash of £20.6 million.

This gives it the chance to consider opportunities to enhance long-term shareholder value. A number of potential investment across various sectors and regions were considered in the period, but none were made as they did not meet BBGI's requirements.

Duncan Ball, CEO of BBGI, said: "Stabilising, and potentially reducing interest rates, combined with an ever-increasing demand for infrastructure investments, presents a long-term growth opportunity for BBGI. As governments worldwide navigate the challenges associated with the high levels of public debt and the growing need for new infrastructure projects and repairing and maintaining aging infrastructure, specialist investors like BBGI are well positioned to play a critical role."

#### Kepler View

BBGI Global Infrastructure (BBGI) has reported robust performance, both operationally and financially.

The globally diversified portfolio of 56 high-quality, 100% availability-style infrastructure assets sits at the low-risk end of the sector. We think that this, along with its conservative financial management have been major contributors to the consistent and resilient performance that it has delivered.

BBGI's steady, growing dividend record since it was launched in 2011 continues. The dividend growth shown in the full-year 2023 and full-year 2024 is testament to BBGI's stable, predictable cash flows with high-quality, contracted inflation linkage of 0.5%.

BBGI's weighted average discount rate is 7.3%. In simple terms, deducting the OCF leaves shareholders with a prospective NAV IRR of 6.4%. However, if you include the current share price discount to NAV narrowing to zero, this translates to a prospective share price IRR of 7.6%. Prior to the increasing interest rate environment, BBGI's share price traded at a premium to NAV.

The trust's discount is one of the lowest in its peer group, but remains relatively wide at 9.7% compared to its five-year average premium of 12.8%. In our view, with bond yields having potentially plateaued, this could be an interesting moment to consider BBGI's attractive prospective real returns.

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