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4 November 2024

HICL Infrastructure PLC

"HICL" or the "Company" and, together with its corporate subsidiaries¹, 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 for the six months to 30 September 2024 are scheduled for release on 20 November 2024.

The Board expects to announce a decrease in the Company's unaudited Net Asset Value ("NAV") per share of approximately 1.7 pence to 156.5 pence as at 30 September 2024 (31 March 2024: 158.2 pence).

The key drivers of the movement in NAV per share in the six months are summarised in the table below:

Net Asset Value per share as at 31 March 2024		158.2p
Portfolio performance		
<i>Actual inflation</i>	0.3	
<i>PPP cost risk increase (including discount rate adjustment)</i>	(1.4)	
<i>Tameside Hospital disposal</i>	(0.3)	
<i>Other portfolio performance²</i>	5.7	
		4.3p
Macroeconomic assumptions		
<i>Interest rates</i>		(0.1)p
Share buyback programme		0.2p
Fund and interest costs		(1.4)p
Foreign exchange (net of hedging)		(0.6)p
Dividends paid		(4.1)p
Net Asset Value per share as at 30 September 2024 (unaudited)		156.5p

Portfolio performance

The portfolio delivered an annualised underlying return of 5.5% over the first half of the year (8.2% at 30 September 2023) before the impact of changes to macroeconomic assumptions.

This lagged expectations predominantly due to the recognition of increased forecast cost risk associated with lifecycle delivery and construction defect remediation in a subset of the UK PPP portfolio where lifecycle risk sits with the portfolio

company. Following thorough review and recognising mitigations in place, this comprised a 15bps increase in discount rate for 36 relevant assets (29% of portfolio by value) and specific forecast cost adjustments to several of these assets. Additionally, the Company disposed of the Tameside Hospital PPP to the senior lender for a nominal sum following a protracted dispute with the client. The broader PPP portfolio performed in line with expectations and the Board was pleased to note the achievement of construction completion on the Blankenburg Tunnel project, which enhanced portfolio return.

The resilient operating performance of HICL's 'growth assets' partially offset the factors detracting from performance, as set out above. Overall, these companies delivered in line with their business plans, including progressing significant capital investment which underpins future growth. The proactive diversification of HICL's portfolio in recent years positions the Company well to offer an attractive combination of income and capital growth over the long-term.

The Board notes the continuing improvement in dividend cash cover to 1.07x for the period (March 2024: 1.05x), or 2.06x including disposal profits (March 2024: 1.37x).

Capital allocation and balance sheet

Capital allocation milestones have been achieved in the period with the full repayment of the Group's Revolving Credit Facility ("RCF") and the launch of a £50m share buyback programme, which is now substantially underway with 13.9m shares purchased.

In the six months to 30 September 2024, the Group received the proceeds from the divestments of Northwest Parkway and the Hornsea II OFTO and used these to pay off the drawings on the Group's RCF. The balance on the RCF at 30 September 2024 was nil (31 March 2024: £187.2m) and the gearing level was 7%. HICL has commitments in relation to assets in construction totalling £62.7m, falling due in 2026. At 30 September 2024, the Group had net debt of £84.6m (31 March 2024: £303.9m), comprising the private placement of £150.0m and net of cash of c. £65.4m..

Discount rates

Central banks in the jurisdictions in which HICL operates began to lower base rates in the period. In particular, the Bank of England lowered the base rate by 25bps, the European Central Bank lowered its base deposit rate by 50 bps, and the Federal Reserve lowered its target rate by 50bps.

Despite the commencement of interest rate reductions, long-term government bond yields across HICL's key markets have not changed materially in the period. Additionally, the Investment Manager continues to observe transaction activity for core infrastructure assets at levels below historic averages. The moderation of inflation and further decreases in central bank base rates are expected to support infrastructure transaction activity and should result in downward pressure over time on the discount rates used for valuations.

However, at present, the Investment Manager believes that HICL's reference discount rates remain appropriate and well supported by over £500m of disposals undertaken by the Company at a premium to NAV over the last 18 months. The weighted average discount rate has increased to 8.1%, due to the increased risk premium on UK PPP assets that retain lifecycle risk, with the weighted average risk-free rate for the portfolio at 4.2% (31 March 2024: 4.1%) and the weighted average risk premium remaining at 3.9% (31 March 2024: 3.9%).

InfraRed will continue to closely monitor market activity and will provide a further update, as appropriate, as part of HICL's Interim Results, due to be announced on 20 November 2024.

Inflation

The portfolio's cashflows and valuation are positively correlated to inflation. Over the past six months, inflation in the UK was slightly ahead of the HICL 31 March 2024 assumptions. RPI was at 3.5% for the period ended 30 September 2024 (March 2024: 4.0%) against the Company's forecast of 3.0%.

CPI in France was below the 31 March 2024 forecast of 2.25% at 1.8%, most relevant for HICL's investment in the A63 Motorway, while US CPI was slightly ahead at 2.3% compared to a forecast of 2.0% as at 31 March 2024. The impact of actual inflation versus forecast assumptions resulted in a valuation uplift of £5.4m in the six-month period.

In the short to medium term, market consensus is that UK inflation is expected to decline further; broadly aligning with the Company's short-term UK inflation assumptions for FY2025 and FY2026. No changes have been made to assumptions around UK inflation, but there have been moderate increases in inflation assumptions for FY2025 for the US and New Zealand which align with market consensus at 30 September 2024.

Foreign Exchange

The Company is exposed to movements in the Canadian dollar, the Euro, the New Zealand dollar and the US dollar; with c.61% of the Company's exposure to foreign currency hedged as at 30 September 2024. During the period GBP strengthened against all currencies to which the Group is exposed, leading to a £(11.8)m loss for the six months, net of hedging.

Macroeconomic assumptions used in the valuation

Assumption	Jurisdiction	30 September 2024	31 March 2024
Discount rate (WADR)		8.1%	8.0%
Inflation	UK (RPI and RPIx)	3.00% to 31-Mar-25 2.75% to 31-Mar-26 3.25% to 31-Mar-30 2.50% thereafter	3.00% to 31-Mar-25 2.75% to 31-Mar-26 3.25% to 31-Mar-30 2.50% thereafter
	UK (CPI/CPIH)	2.25% to 31-Mar-25 2.00% to 31-Mar-26 2.50% thereafter	2.25% to 31-Mar-25 2.00% to 31-Mar-26 2.50% thereafter
	Eurozone (CPI)	2.25% to 31-Mar-25 2.00% thereafter	2.25% to 31-Mar-25 2.00% thereafter
	Canada (CPI)	2.25% to 31-Mar-25 2.00% thereafter	2.25% to 31-Mar-25 2.00% thereafter
		2.50% to 31-Mar-25	2.00% to 31-Mar-25

	US (CPI)	2.00% to 31-Mar-25 2.00% thereafter	2.00% to 31-Mar-25 2.00% thereafter
	New Zealand	3.00% to 31-Mar-25 2.25% thereafter	2.75% to 31-Mar-25 2.25% thereafter
Deposit rates	UK	4.00% to 31-Mar-25 3.25% thereafter	4.50% to 31-Mar-25 3.25% thereafter
	Eurozone	2.50% to 31-Mar-25 2.00% thereafter	3.00% to 31-Mar-25 2.00% thereafter
	Canada	3.25% to 31-Mar-25 3.00% thereafter	3.75% to 31-Mar-25 3.00% thereafter
	US	4.00% to 31-Mar-25 3.25% thereafter	4.25% to 31-Mar-25 3.25% thereafter
	New Zealand	4.00% to 31-Mar-25 4.00% thereafter	4.25% to 31-Mar-25 4.00% thereafter
Foreign exchange rates	USD	1.34	1.26
	EUR	1.20	1.17
	CAD	1.81	1.71
	NZD	2.11	2.11

1. 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 2024
2. Performance comprises the unwinding of the discount rate (value preservation) and the Investment Manager's value enhancement initiatives

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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.

This statement aims to give an indication of material events and transactions that have taken place in the period from 1 April 2024 to 30 September 2024 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, 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.

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