

GCP  
INFRA

# GCP INFRASTRUCTURE INVESTMENTS LIMITED

Investor and Analyst Presentation – Annual Results  
Period ending 30 September 2020

17 December 2020

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# GCP INFRA

## AGENDA

Strategic Update

Portfolio Update

Finance Update

Q&A

# GCP INFRA

## AGENDA

**Strategic Update**

Portfolio Update

Finance Update

Q&A

# STRATEGIC UPDATE

## Company objectives

### DIVIDEND INCOME

To provide shareholders with regular, sustained, long-term dividends.

**7.6p**

Dividends per share paid for the twelve months to 30 September 2020

**6.6%**

Dividend yield to 30 September 2020 share price

**New dividend target set for FY 2020/21**

### DIVERSIFICATION

To create a diversified portfolio of debt and similar assets secured against UK infrastructure projects.

**47**

Holdings

**11.9%**

Size of largest investment\*

**Net repayment in period of c. £48.4m**

### CAPITAL PRESERVATION

To preserve the capital value of its investment assets over the long term.

**103.99p**

NAV per share at 30 September 2020

**116.00p**

Share price at 30 September 2020

**Valuation reductions driven by electricity price forecast movements**

# STRATEGIC UPDATE

10 years from IPO, the Company has performed well for its shareholders

## 7.6p

Annual dividend per share paid for last 7 years

## 119.6%

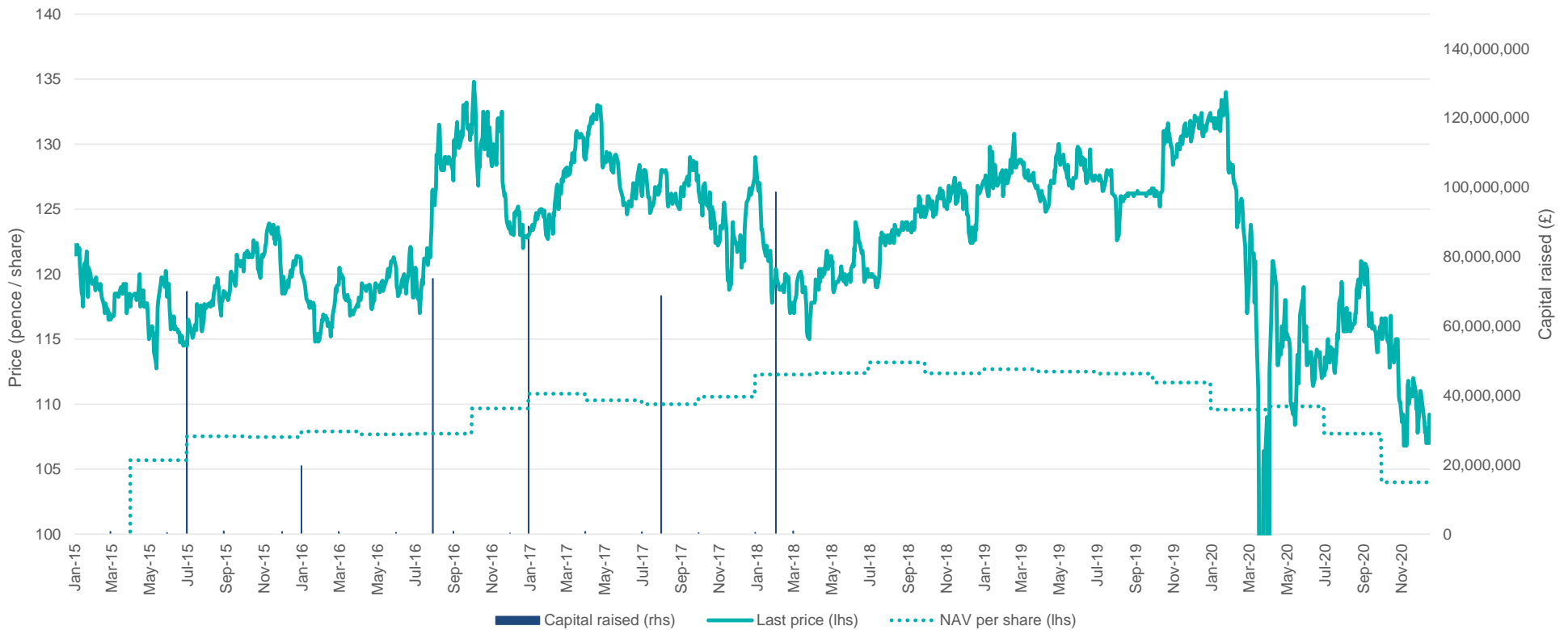
Total shareholder return since IPO (c. 8% annual return)

## £1.0bn

Market capitalisation at 30 September 2020

## 47

Investments as part of a diversified pool of assets



# UK INFRASTRUCTURE MARKET

National Infrastructure Strategy and Energy White Paper provide directions of travel with evolving detail on revenue support mechanisms

## UK's National Infrastructure Strategy

(November 2020)

### Economic Recovery

- £100bn of total expenditure on 2021-22, £27bn economic infrastructure
- **Multi-year spending on roads (£58bn), housing (£20bn), hospitals, schools, prisons, flood defence**
- **National Infrastructure Bank**

Spending review

*Economic regulation policy paper*

### Levelling up regions

- £4bn levelling up fund to invest in local infrastructure
- UK-wide gigabit broadband roll-out
- Intra-city transport, green growth clusters, restoration of rail and regeneration of city centres.
- Reforms to green book, planning and environmental regulations

### Net zero emissions

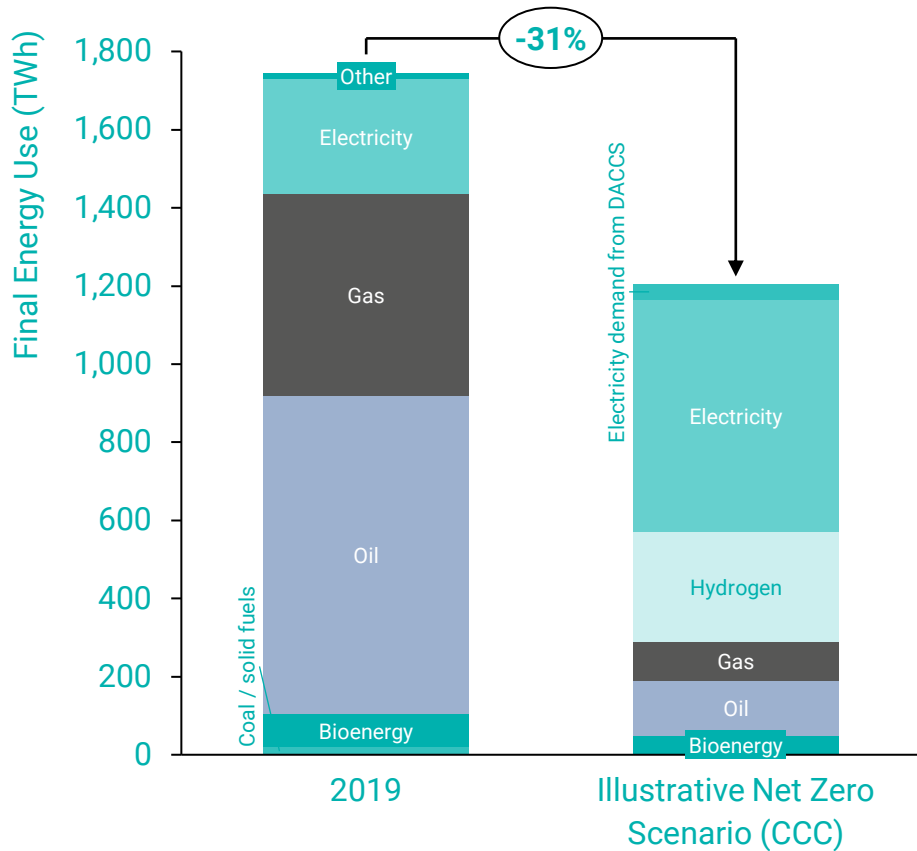
- £12bn for Green Industrial Revolution to support Boris' 10 point plan
- **Energy white paper points to significant shift in electricity, heat and transport**
- Nuclear and RAB
- **CfD expansion (round 4) and reform (ongoing)**
- **UK ETS**

Energy White Paper

*Various strategy docs*

# ENERGY WHITE PAPER

A material change to electricity, heating and transport (and ancillary sectors) that points to significant investment requirements



Source: Energy White Paper, Energy Trends (Table 2.1) and CCC Net Zero Report

- c. 30% reduction in overall energy use;
- Doubling of electricity demand associated with electrification of heating and transport, and digitalisation;
- Hydrogen providing a core part of transport fuels and heating;
- This is not net zero – carbon capture and storage will be required;
- Decarbonisation of electricity generation: 40GW of offshore wind (4x increase) and reform of CfD, one new nuclear project FID this parliament, grid competition;
- Green Gas Scheme and ‘bioenergy innovation’: bioenergy with carbon capture and storage;
- UK Emissions Trading Scheme;

- CfD consultation (post 2021)
- Transport decarbonisation plan (2021)
- Industrial decarbonisation strategy (2021)
- Hydrogen strategy (2021)
- Bioenergy Strategy (2021 – 22)



## BREXIT / COVID

Company is well placed to weather uncertainty associated with Brexit and Covid

### Brexit

At the time of writing there is limited clarity on what arrangements, if any, will be agreed post the end of the transition period on 31 December 2020

- Potential for increased costs associated with the import of goods / services from Europe;
- Potential for operational / payment issues relating to iSEM: the single electricity market that operates on the island of Ireland;
- Introduction of UK emissions trading scheme as a replacement for EU ETS;

### Covid

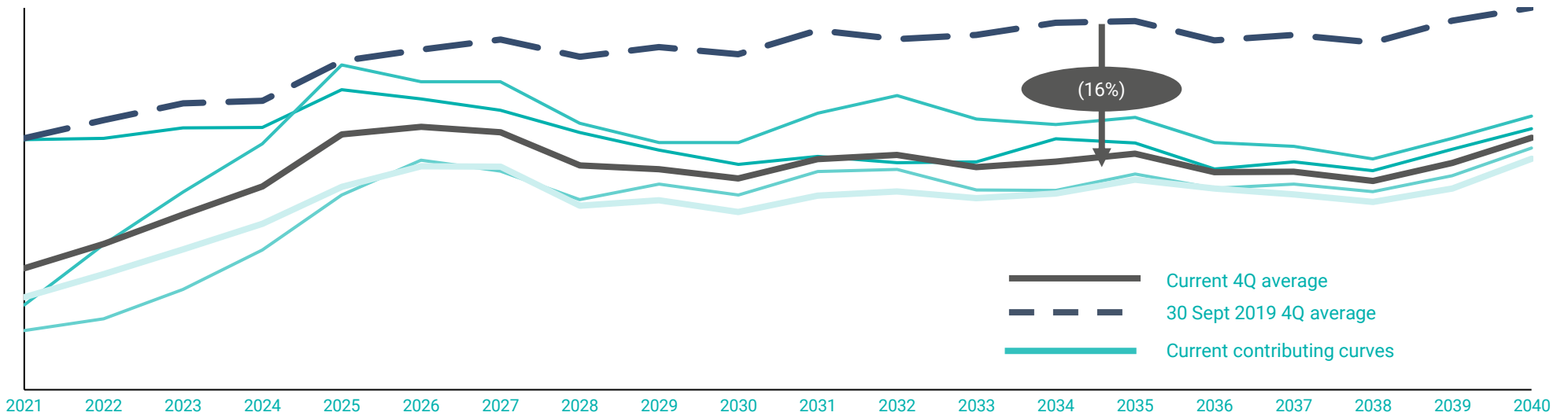
The impacts of Covid are likely to extend into Q1 as the vaccine roll-out occurs.

- Company is well placed as a result of its focus on availability-based cash flows;
- Covid has contributed to, but has not been the principal driver in, short and medium-term reductions to electricity prices;
- Operational performance of suppliers remains strong;
- Waste wood market issues have not been experienced to the same extent during the second lockdown.

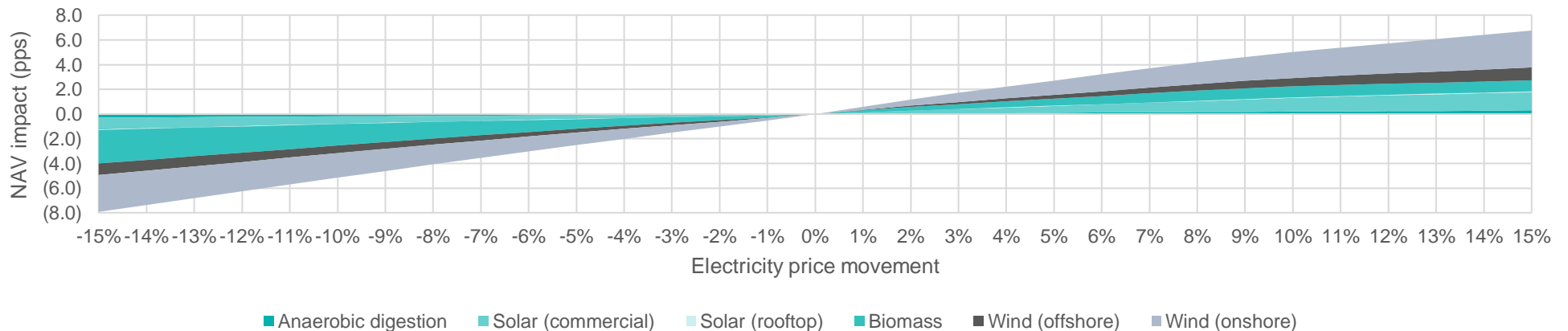
# ELECTRICITY PRICES

Electricity price forecasts have fallen significantly in the period, following a trend of reductions over the historic medium-term

GB Electricity Price Forecasts (Source: Afry, Gravis analysis)



Portfolio sensitivity



# GCP INFRA

## AGENDA

Strategic Update

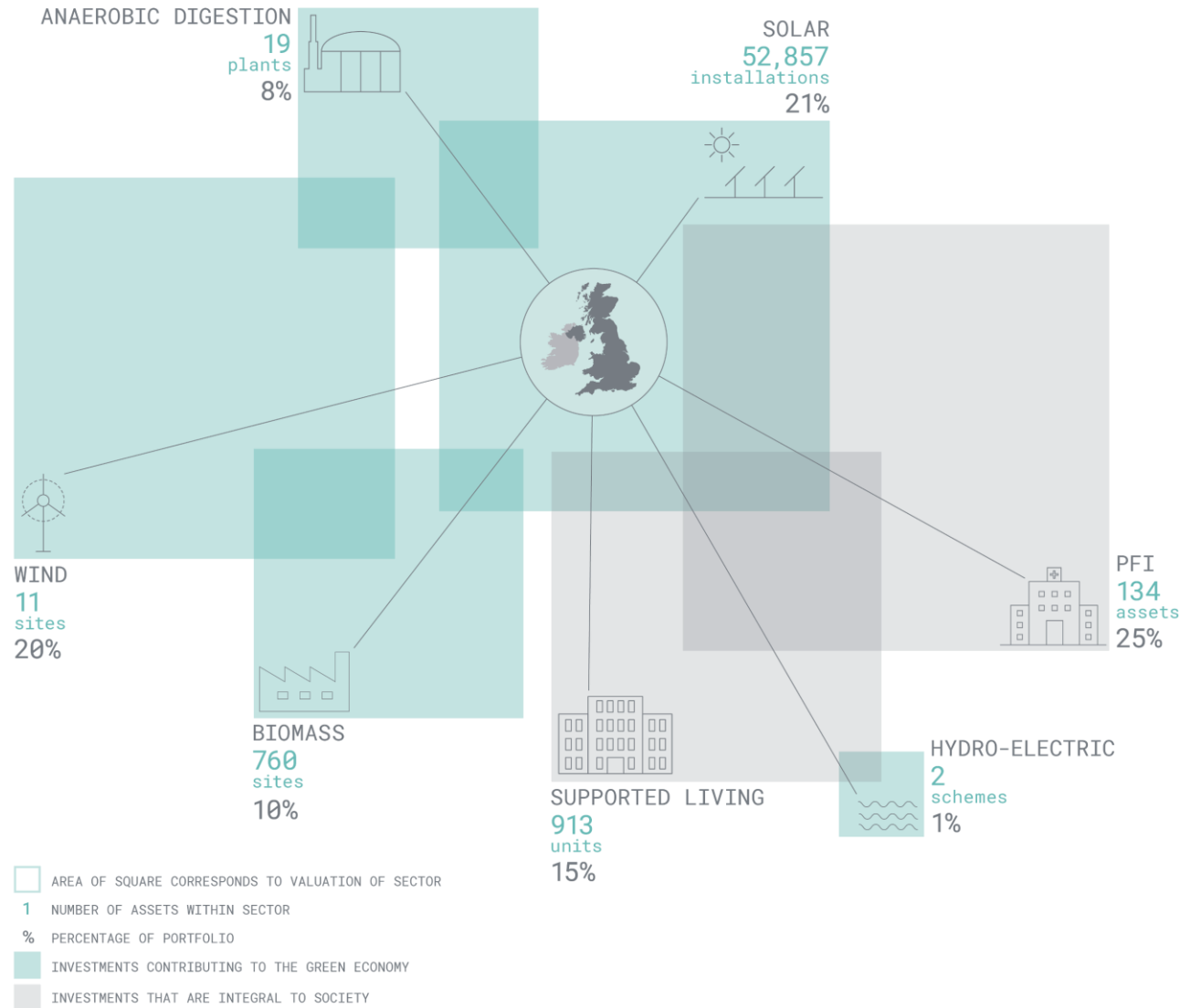
**Portfolio Update**

Finance Update

Q&A

# PORTFOLIO UPDATE

## Investment Portfolio at a glance



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Infrastructure loans in the portfolio

15 years

Weighted average life of loans in the portfolio

8.1%

Average annualised yield

5%

Construction exposure (as % of total assets)

60%

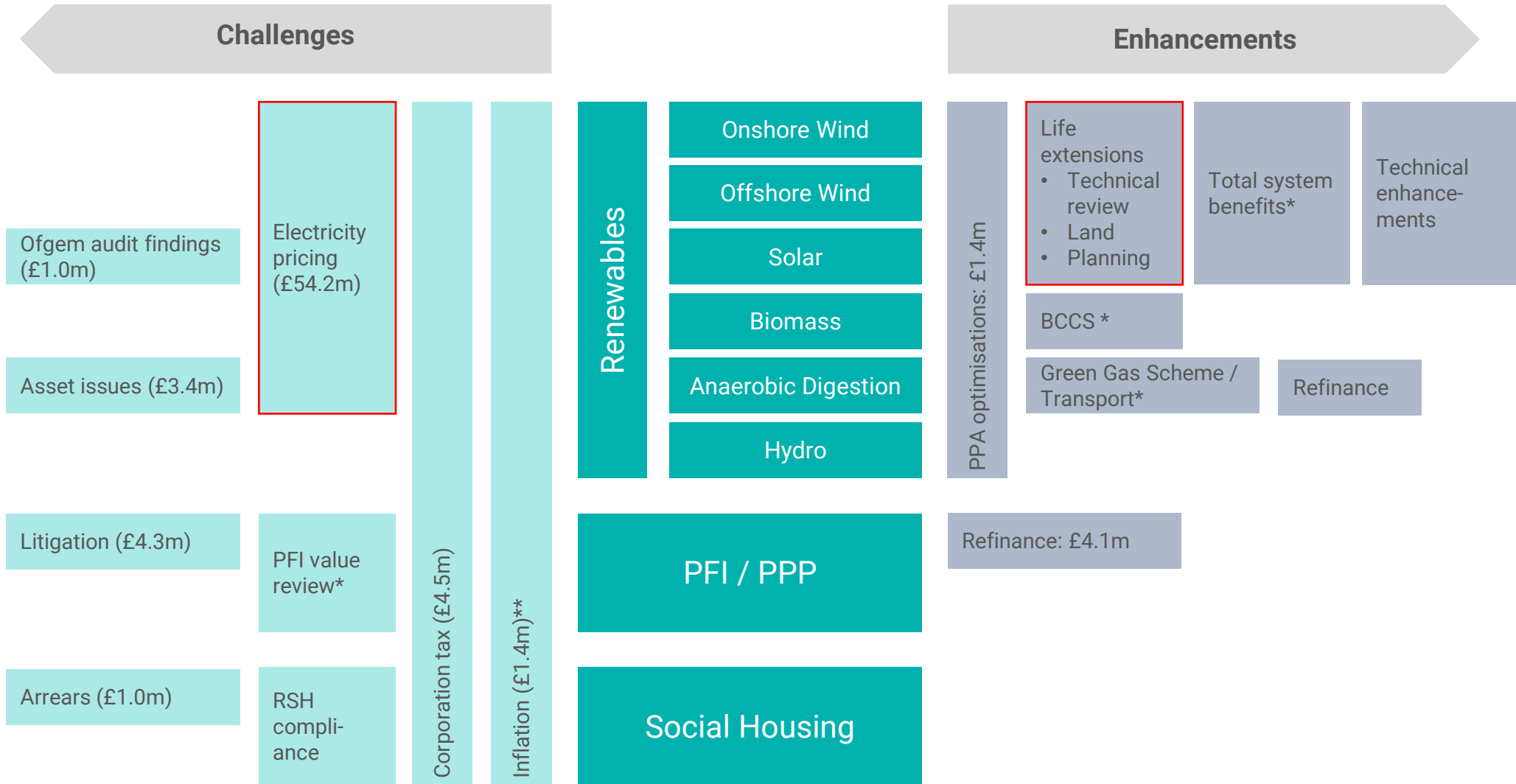
Renewable energy project exposure (as % of total asset valuation)

39%

Loans with some partial inflation protection (as % of total asset valuation)

# PORTFOLIO UPDATE

Portfolio enhancements / challenges and impact over the 12 months to 30 September

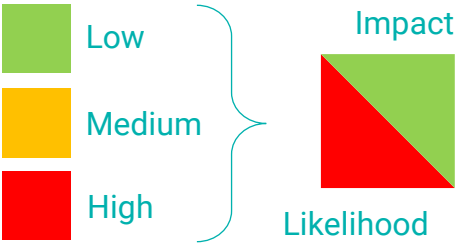


\* Mentioned in the recent Energy White Paper / Infrastructure Strategy

\*\* net of benefits from index linked senior loans

# PORTFOLIO UPDATE

## Portfolio Risk Summary



		Renewables						SH	PFI / PPP			
		Wind (onshore)	Wind (offshore)	Solar	Biomass	AD	Hydro	Supported Living	Healthcare	Leisure	Education	Waste
Asset Characteristics	Market risks	High Impact, High Likelihood	High Impact, High Likelihood	Medium Impact, Medium Likelihood	High Impact, High Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood
	Credit risks	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	Low Impact, Low Likelihood	High Impact, High Likelihood	High Impact, High Likelihood	Low Impact, Low Likelihood	High Impact, High Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood
	Operational risks	Low Impact, Low Likelihood	Medium Impact, Medium Likelihood	Low Impact, Low Likelihood	High Impact, High Likelihood	High Impact, High Likelihood	Medium Impact, Medium Likelihood	Low Impact, Low Likelihood	High Impact, High Likelihood	High Impact, High Likelihood	High Impact, High Likelihood	High Impact, High Likelihood
	Legal / regulatory	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	High Impact, High Likelihood	High Impact, High Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	High Impact, High Likelihood	High Impact, High Likelihood	High Impact, High Likelihood	High Impact, High Likelihood
Overall score		Low Impact, Low Likelihood	Medium Impact, Medium Likelihood	Low Impact, Low Likelihood	High Impact, High Likelihood	High Impact, High Likelihood	Medium Impact, Medium Likelihood	High Impact, High Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood	Medium Impact, Medium Likelihood
Sector exposure (by value at 30 September)		14%	6%	21%	10%	8%	1%	15%	25%			
Periodic change (12 months)					▲							

Potential Covid-19 impacts

# GCP INFRA

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Portfolio Update

**Finance Update**

Q&A

# FINANCIAL UPDATE

## Results Summary

### Balance Sheet: as at 31 March 2020 (£ 000)

[£ 000] unless stated		30 September 2020	30 September 2019
<b>Assets</b>			
Cash and cash equivalents		24,354	2,477
Other receivables and prepayments		134	135
Financial assets at fair value through profit and loss		1,031,106	1,144,650
<b>Total assets</b>		<b>1,055,594</b>	<b>1,147,262</b>
<b>Liabilities</b>			
Other payables and accrued income		(3,114)	(3,078)
Interest bearing loans and borrowings		(137,702)	(164,088)
<b>Total liabilities</b>		<b>(140,816)</b>	<b>(167,166)</b>
<b>Net assets</b>		<b>914,778</b>	<b>980,096</b>
<b>Equity</b>			
Share capital		8,796	8,777
Share premium		929,228	943,789
Capital redemption reserve		101	101
Retained earnings		(23,347)	27,429
<b>Total equity</b>		<b>914,778</b>	<b>980,096</b>

NAV per ordinary share = 103.99 (30 September 2019: 111.66)

### Comprehensive Income: 12 months to 31 March 2020

[£ 000] unless stated		30 September 2020	30 September 2019
<b>Income</b>			
Net income / gains on financial assets at fair value through profit and loss		15,987	63,662
Other income		9	11,300
<b>Total income</b>		<b>15,996</b>	<b>74,962</b>
<b>Expenses</b>			
Investment advisory fees		(8,420)	(8,789)
Operating expenses		(3,650)	(2,662)
<b>Total expenses</b>		<b>(12,070)</b>	<b>(11,451)</b>
<b>Total operating profit before finance costs</b>		<b>3,926</b>	<b>63,511</b>
<b>Finance costs</b>			
Finance expenses		(4,652)	(4,399)
<b>Total profit (loss) and comprehensive income for the period</b>		<b>(726)</b>	<b>59,112</b>
Basic and diluted earnings per share (pence)	[pence]	(0.08)	6.74

Ongoing charges ratio = 1.1% \*\*

Dividends for the period = 7.6 pence per share

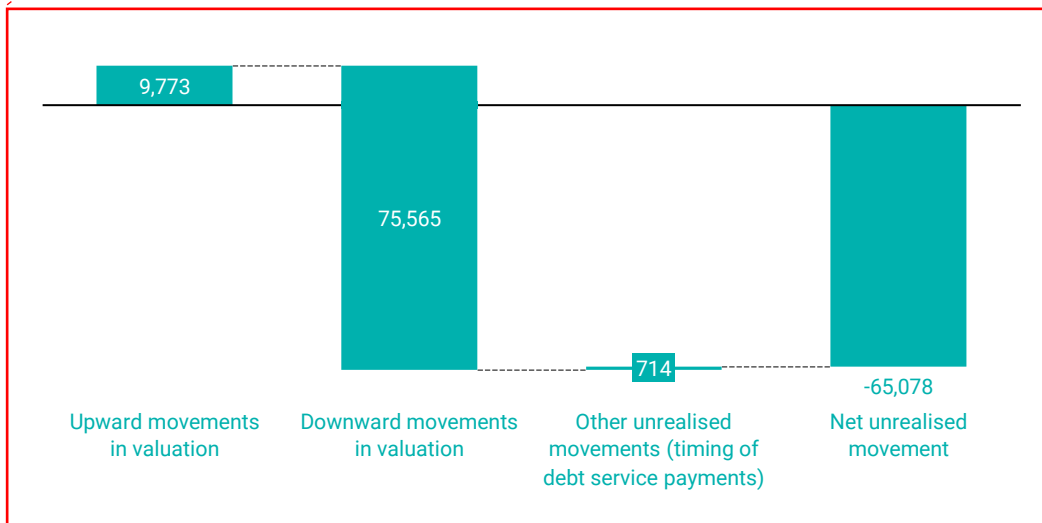
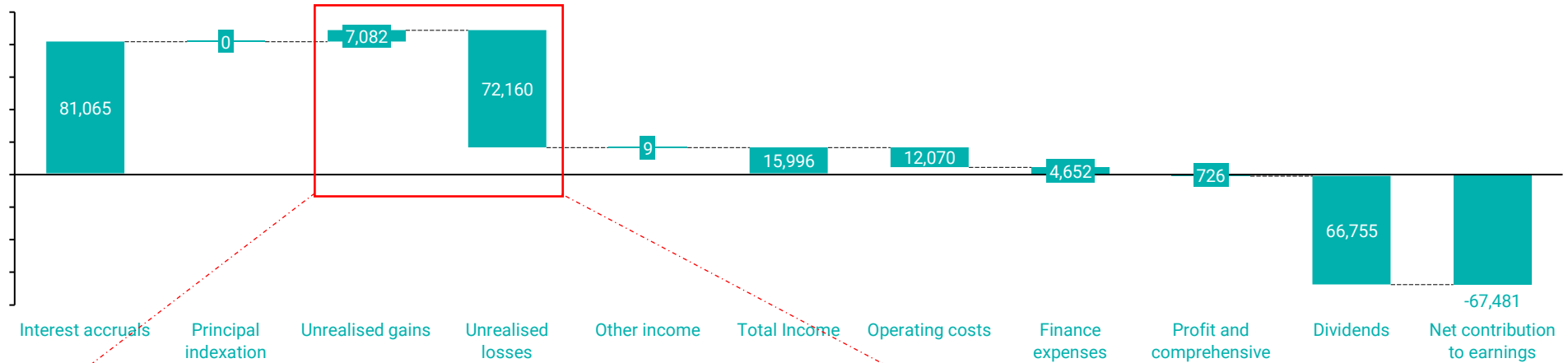
\*\* Calculated in accordance with the AIC methodology, at 30 September 2020



# FINANCIAL UPDATE

## Income Breakdown – FY ending 30 September 2020

Income (£ 000)



### Upward movements in valuation from:

- PPA optimisations (£1.4m)
- PFI refinance (£4.1m)
- Discount rate reductions (£0.5m)

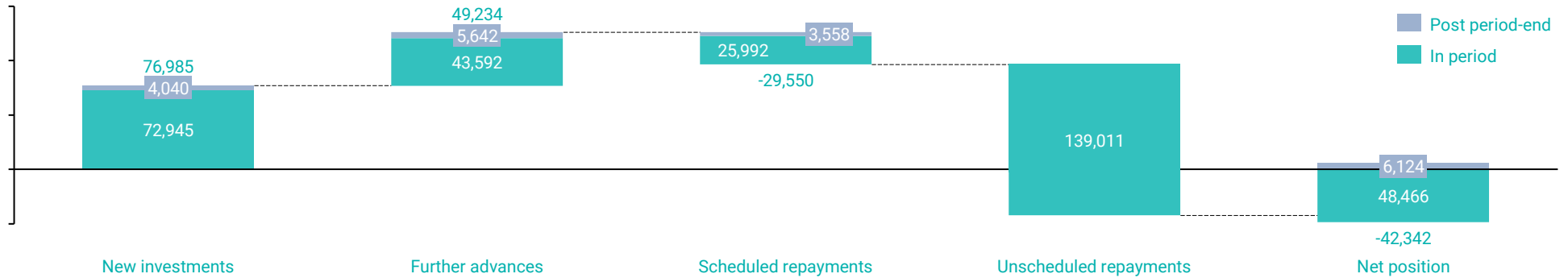
### Downward movements in valuation from:

- Actual performance (£4.5m)
- Updated electricity price forecasts (£54.2m)
- Corporation tax assumptions (£4.5m)
- Inflation (£2.7m)
- Others resulting from litigation findings, AD write-down

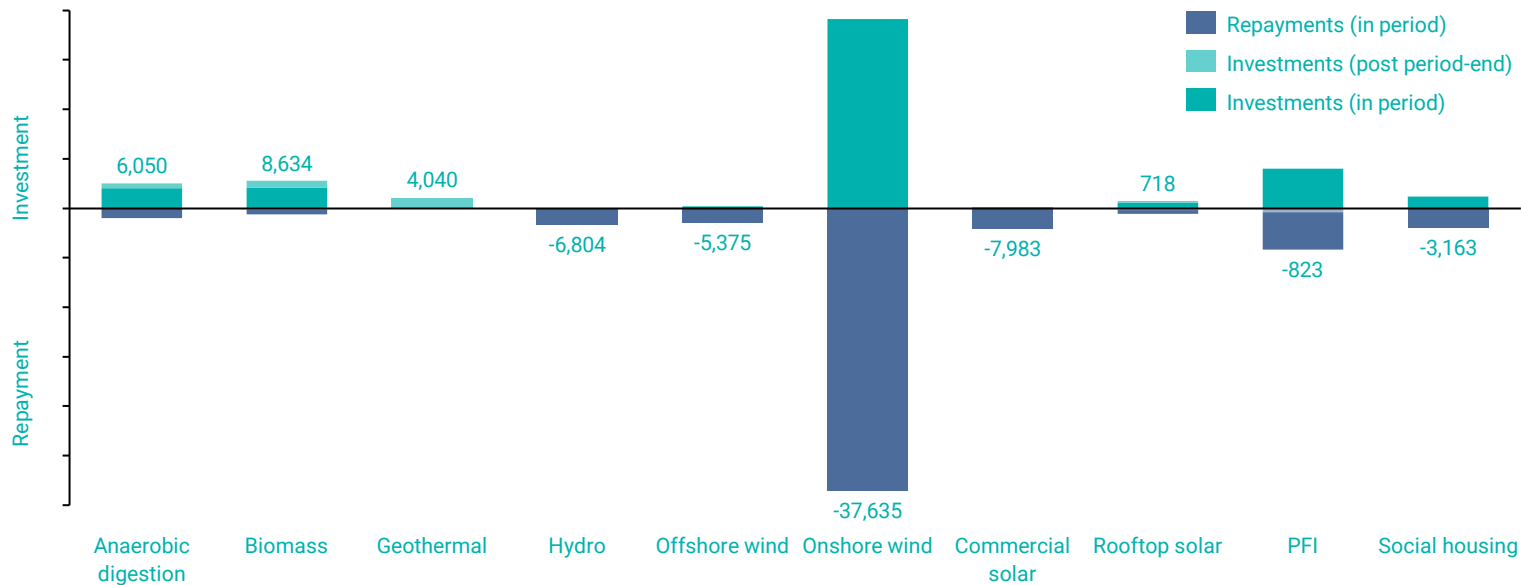
# FINANCIAL UPDATE

## Investment breakdown – FY ending 30 September 2020

Cash flow (£ 000)



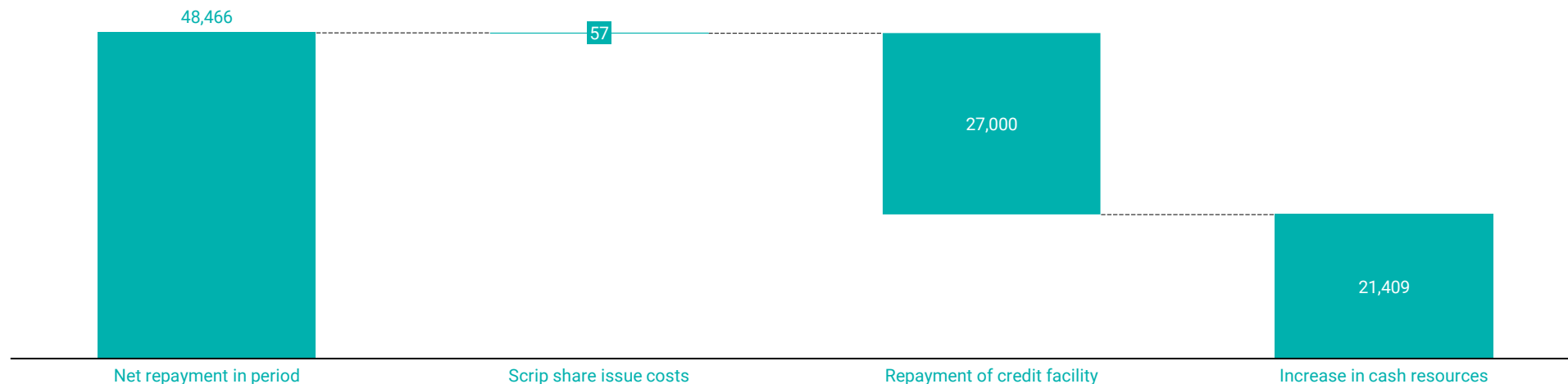
Cash flow (£ 000)



- Main transaction in period was the refinance of a portfolio of 4 onshore wind farms, releasing £25m to the Company;
- Disposal of renewables portfolio acquired through GIB deal;
- New geothermal transaction post period-end

# FINANCIAL UPDATE

## Financing breakdown – FY ending 30 September 2020

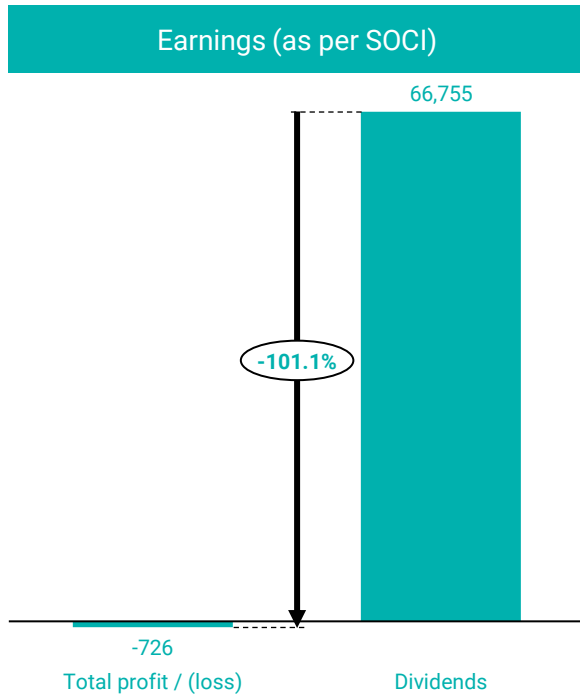


	Size	Margin	Expiry	Balance
<b>Period End</b>				
Fixed tranche	£50m	190 bps	March 2021	£50m
Revolving tranche	£115m	190 bps	March 2021	£88m
				<b>£138m</b>

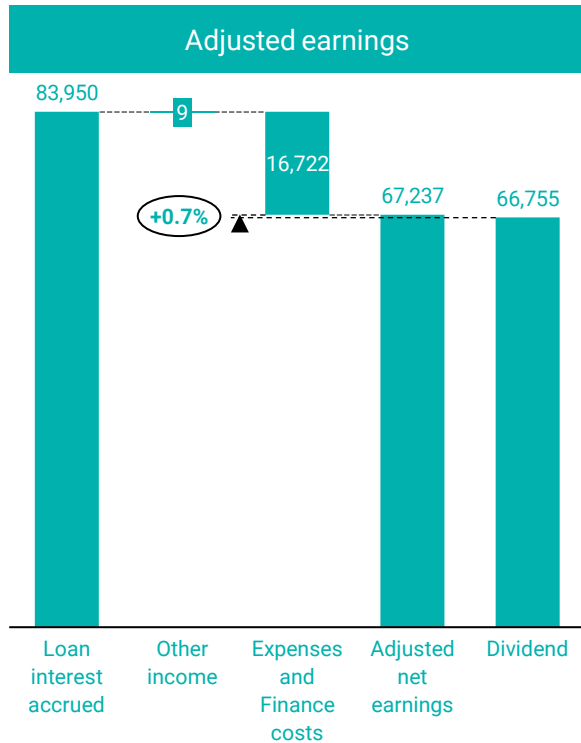
- Net repayment of £27m of credit facility: £138m drawn at period end
- Gravis is well progressed with a process to replace the credit facility with existing and new lenders in March 2021 on similar terms

# FINANCIAL UPDATE

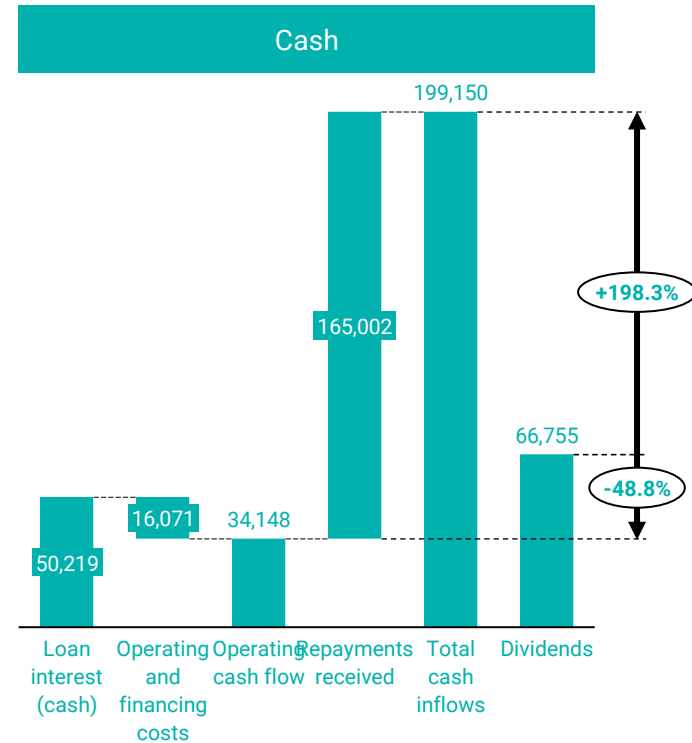
## Dividend coverage



- Includes 'pull-to-par' effect (c. £1.5m pa);
- Includes upward / downward revaluations;



- 1.01x covered in period
- Removes pull to par and impact of revaluations;
- Based on interest accruals;
- This is a key metric reviewed by the Board when determining dividends;



- Considers cash inflows which are available to fund dividends;
- Component of interest accruals is rolled-up (c. £30.8m), which represents an efficient way of re-deploying principal, albeit was higher than scheduled due to ongoing lock-ups of distributions to subordinated investments held by the Company;

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**Q&A**

## CONTACT INFORMATION

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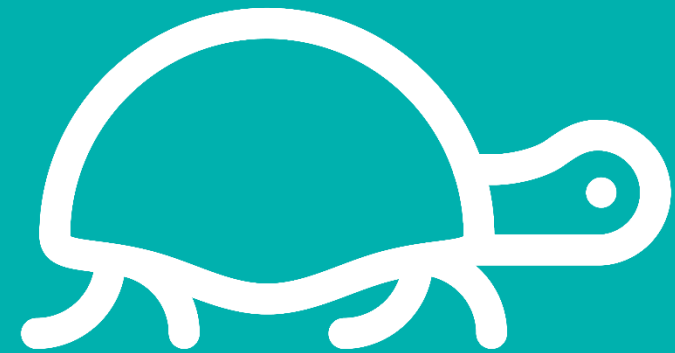
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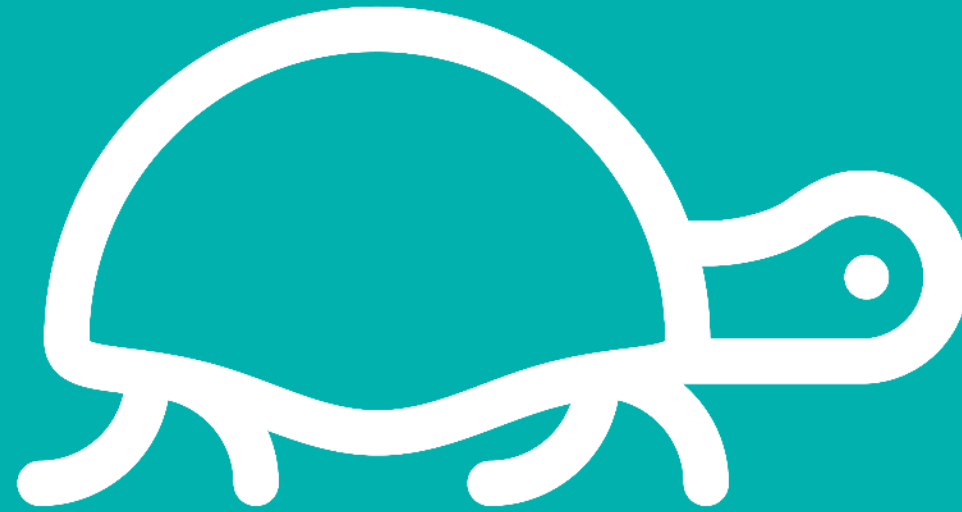
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