

GCP  
INFRA

# GCP Infrastructure Investments Limited

Investor Update Webinar

15 May 2023

# GCP INFRA

## Agenda

- 31 March NAV updates
- Biomass refinance
- Portfolio
- Dividend coverage
- Conclusions

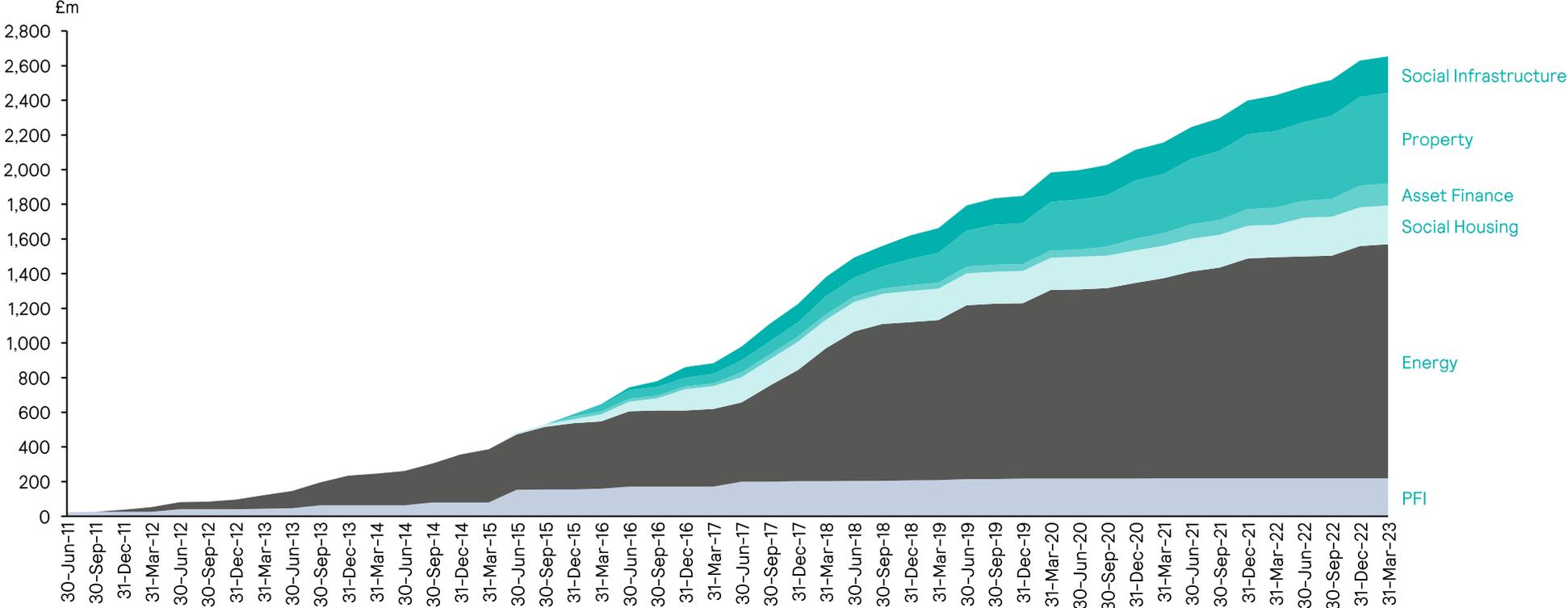
- Investment trust that invests in UK infrastructure that benefits from public-sector backed cash flows, with a focus on debt.
- The Company:
  - pays an attractive risk-adjusted income;
  - is diversified across a range of different infrastructure sectors; and
  - has a focus on the preservation of capital.
- ESG – Social Infrastructure focus since IPO & significant positive environmental impact.



# Gravis Lending history

Gravis has a 12-year history of lending into the infrastructure and asset-backed sectors

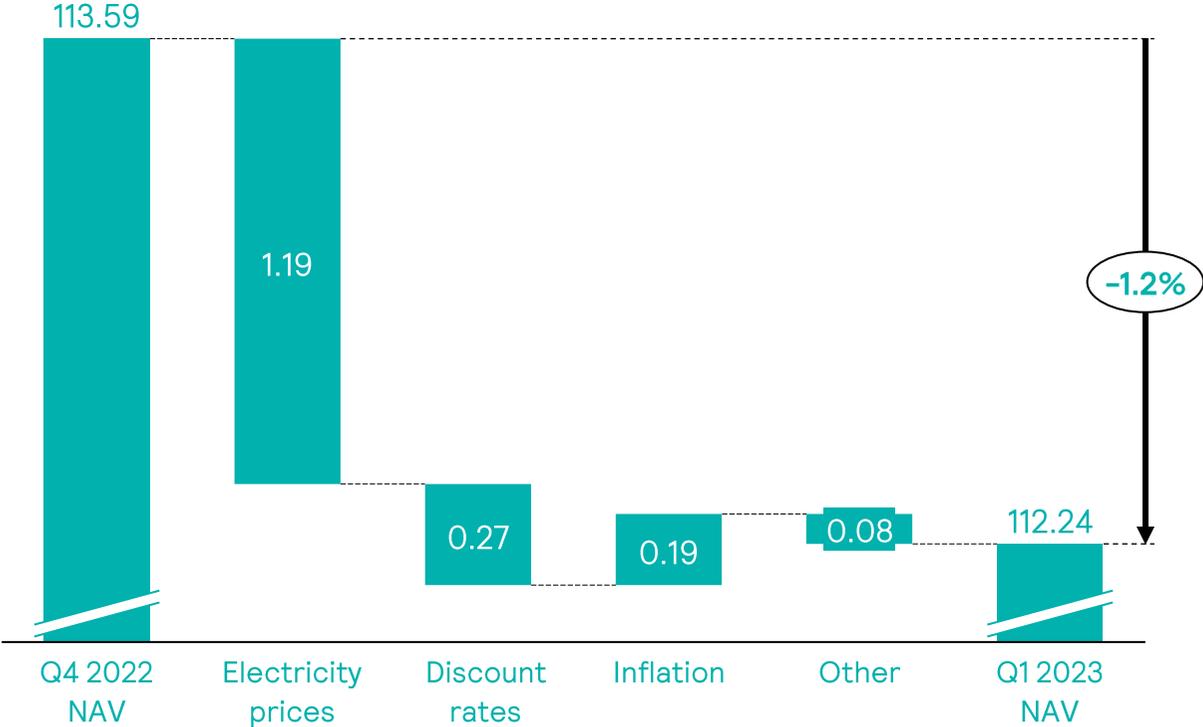
- £2.7bn invested
- Rates of 6 – 10%
- Maturities of 5 – 40 yrs
- Annual loss ratio (total): 0.18%



- 50 people across London and Madrid
- £3bn assets under management in the infrastructure and real estate sectors
- Established team, processes and systems;
- Majority owned by ORIX Corporation of Japan

# 31 March NAV bridge

Movements driven by reduced short and long-term electricity price forecasts, with the impact of higher inflation forecasts offset by changes to discount rates and other movements

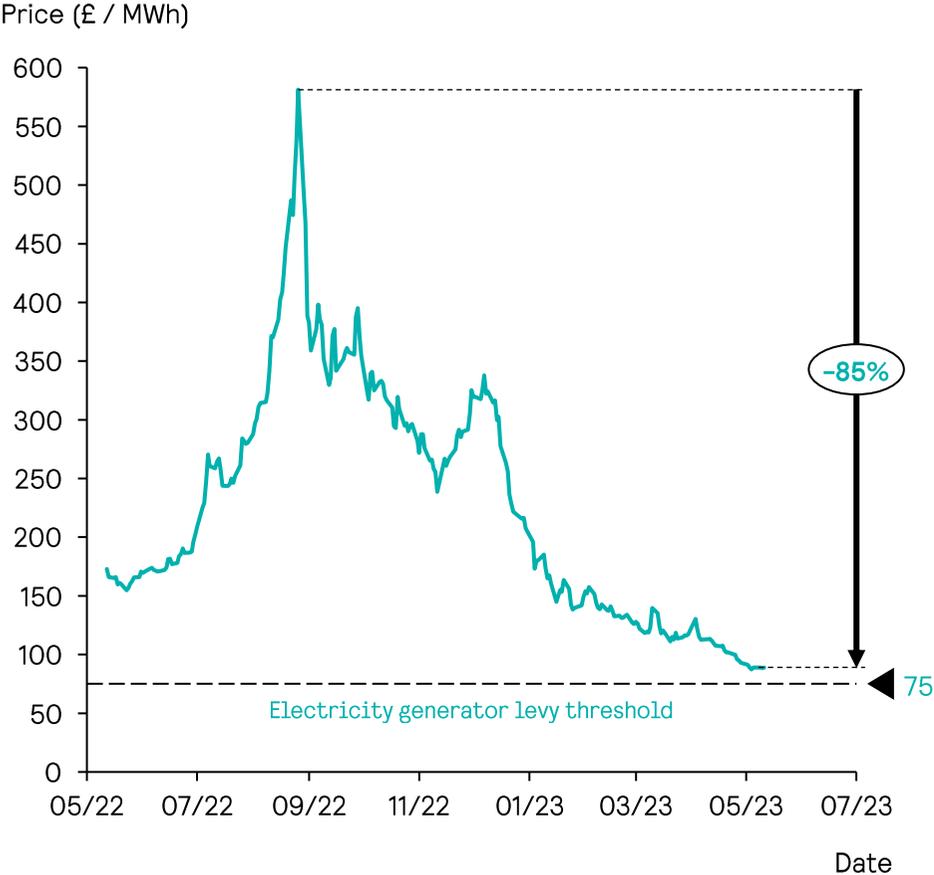


- Continues to be an uncertain period for valuations of illiquid real assets
- Electricity generator levy acts as a 'buffer' for electricity price movements
- Discount rate changes associated with increased view of risk associated with one project

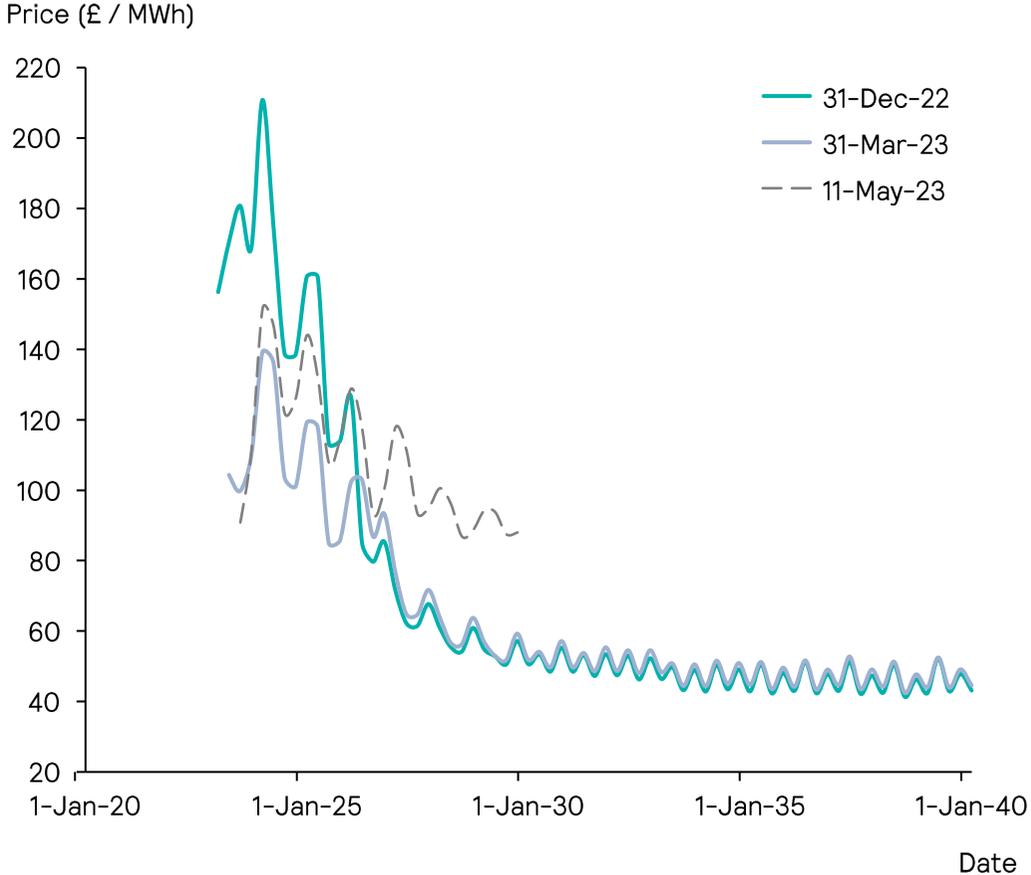
# Electricity price backdrop

A period of significant reductions in near-term price expectations, driven by a milder Winter, high levels of gas storage and LNG imports

Jun 2023 monthly futures contract



Valuation forward curve (GB market)



Source: ICE, Afry, Gravis analysis

Electricity demand evolution in a decarbonised world?

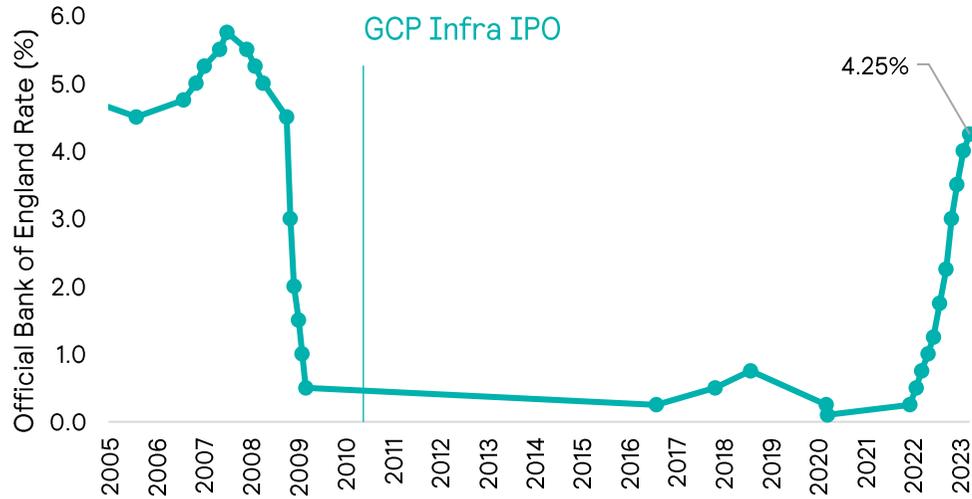
Offshore targets under threat?

Sustainability of Europe's demand reduction?

# Interest Rates

The rate environment is an investment opportunity for the Company, with protection for the portfolio coming from partial inflation linkage on c. 47% of the investments

UK central bank base rate evolution



0.2 pps movement in period arising from higher inflation forecasts (3 pps last FY)

Re-investment offers re-set of risk / return

Attractive pipeline at prevailing rates / risk

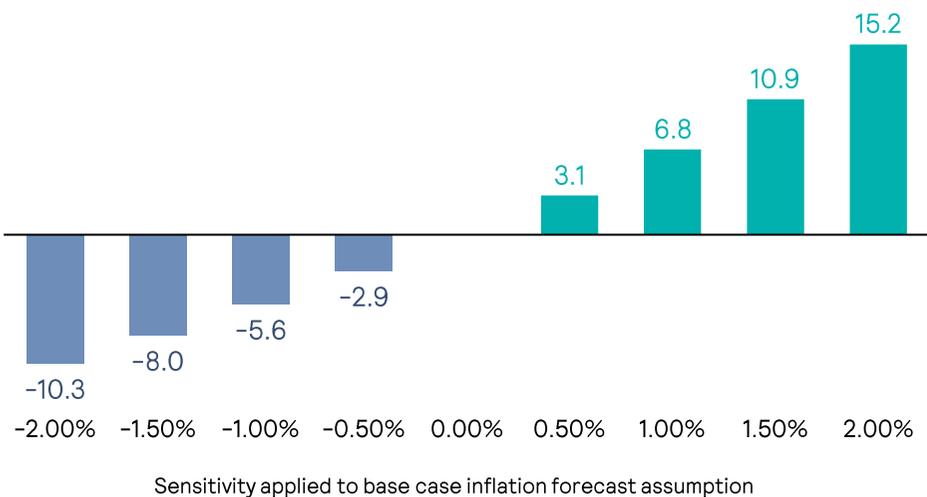
UK 15-year gilt yield history



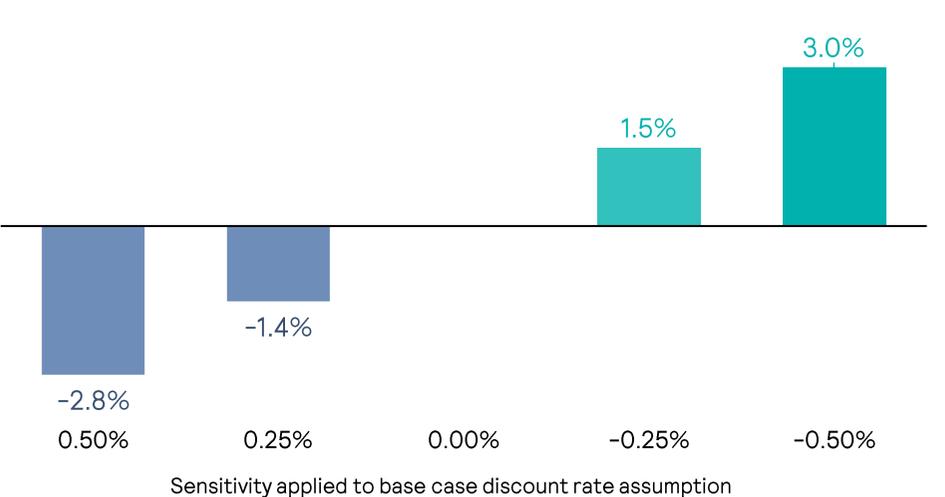
# Inflation / Discount Rate Sensitivity

Approximately half of the Company's investments, c. 47% by portfolio value, have some form of inflation protection

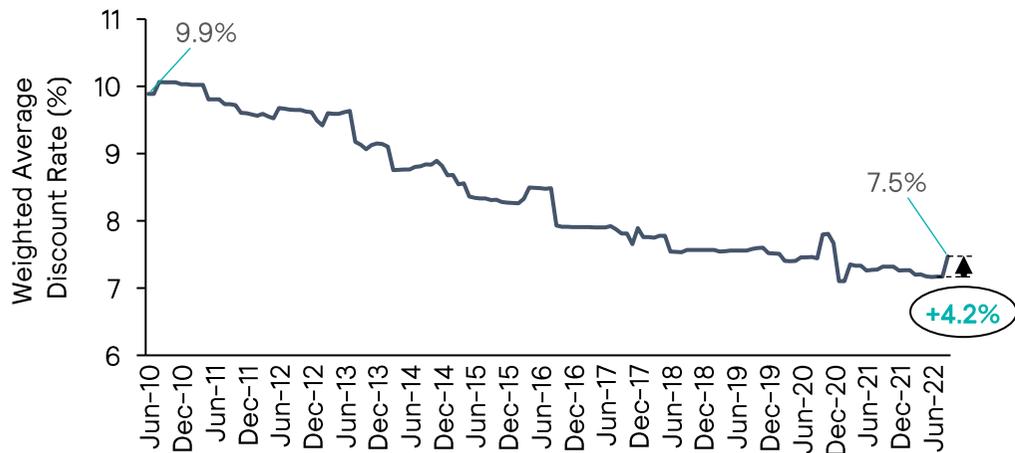
Inflation sensitivity (NAV impact [pence per share]) as at 30 Sep



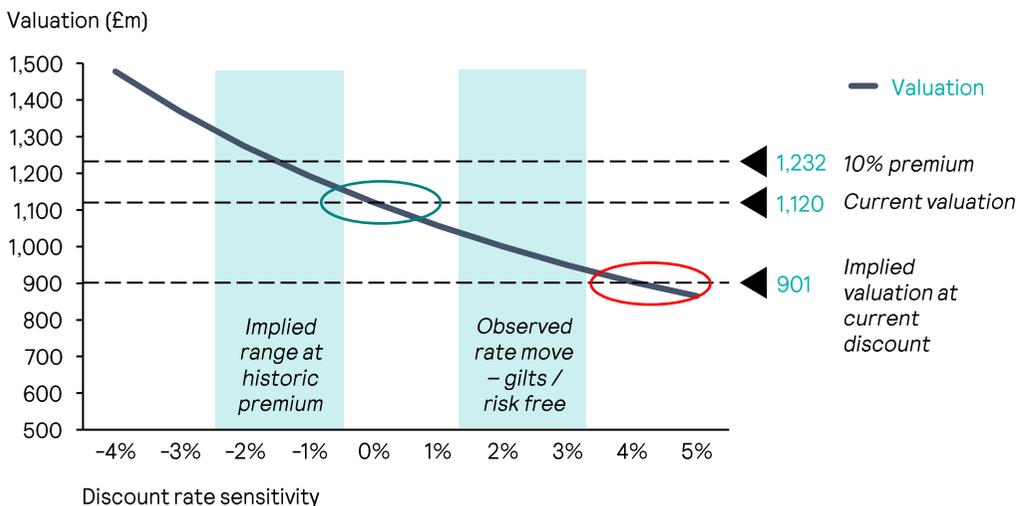
Discount rate sensitivity (impact on asset valuation) as at 30 Sep



GCP Infrastructure Investments Ltd - Discount rate development



Market rate 'reconciliation'



## Biomass refinance

The Company recently agreed the refinance of c. £85m of loans in the waste wood biomass sector and recycling c. £50m into a new facility

£85m of existing loans repaid

- Prepayment of c. £85m of loans at their par value;
- c. £11m of early prepayment fees and other fees for the benefit of GCP (expected c. 1.2 pps NAV contribution);
- Originally subordinated construction-stage loans made in 2013 / 2014;
- Evermore restructured in 2021 to replace subordinated structure with a unitranche;



£50m recycling into new facility

- Floating-rate senior facility;
- Consortium alongside other established commercial lending banks;
- Retain option for long-term participation in the projects beyond the term of the new facility;
- Completion subject to several conditions that are expected to be met in the coming weeks.

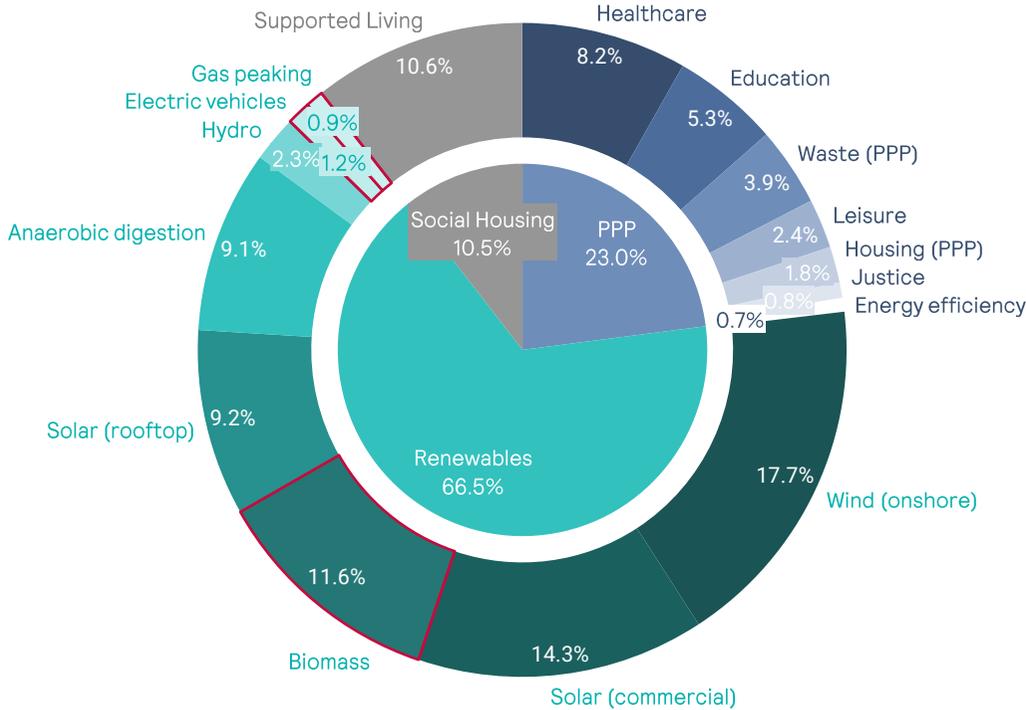
Confirms valuation.  
Demonstrates  
optimisation  
potential.

c. £45m released to  
repay RCF.

# Portfolio update

A mature, diverse and operational portfolio of UK infrastructure projects that is well positioned to benefit from the macro trends of population dynamics, decarbonisation and energy security

Portfolio by sector (%)



**49**  
Investments

**8.0%**  
Average yield

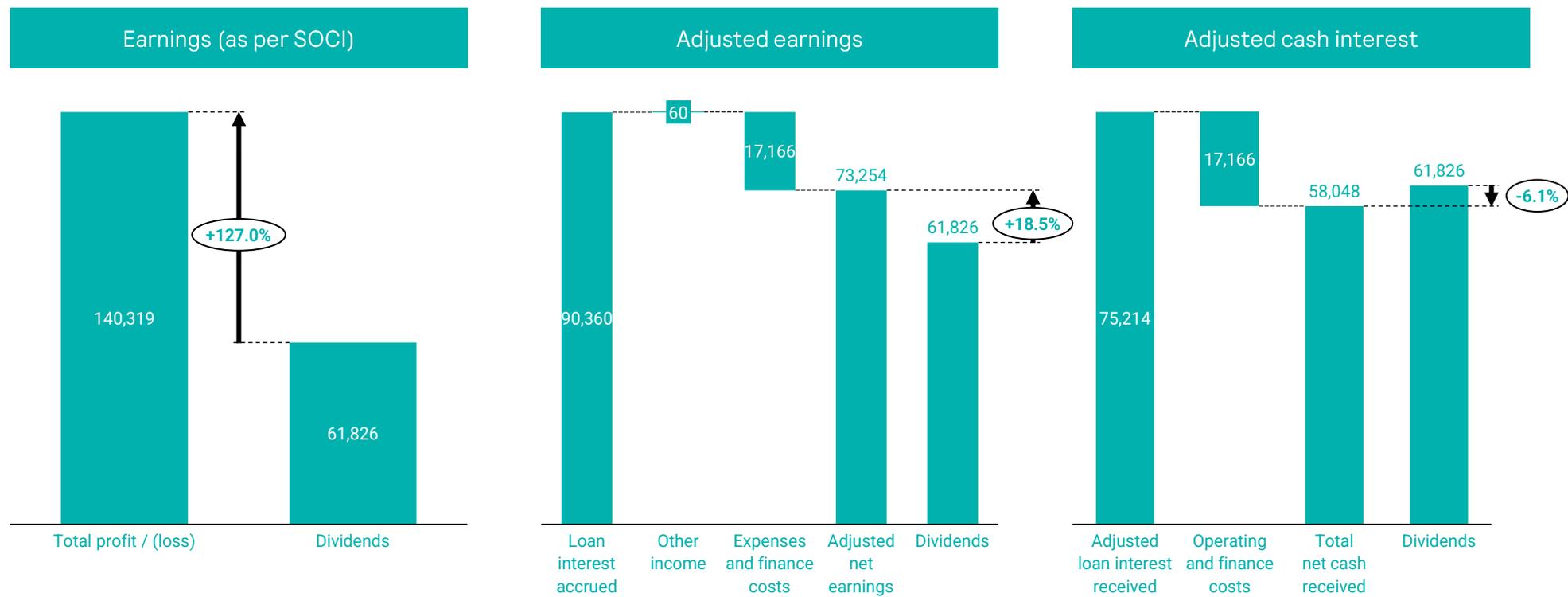
**47%**  
Inflation protection

**10**  
Weighted average life (years)



# Financial Update

## Dividend coverage – 12 months to 30 September 2022



- Includes 'pull-to-par' and upward / downward revaluations
- Materially covered in period

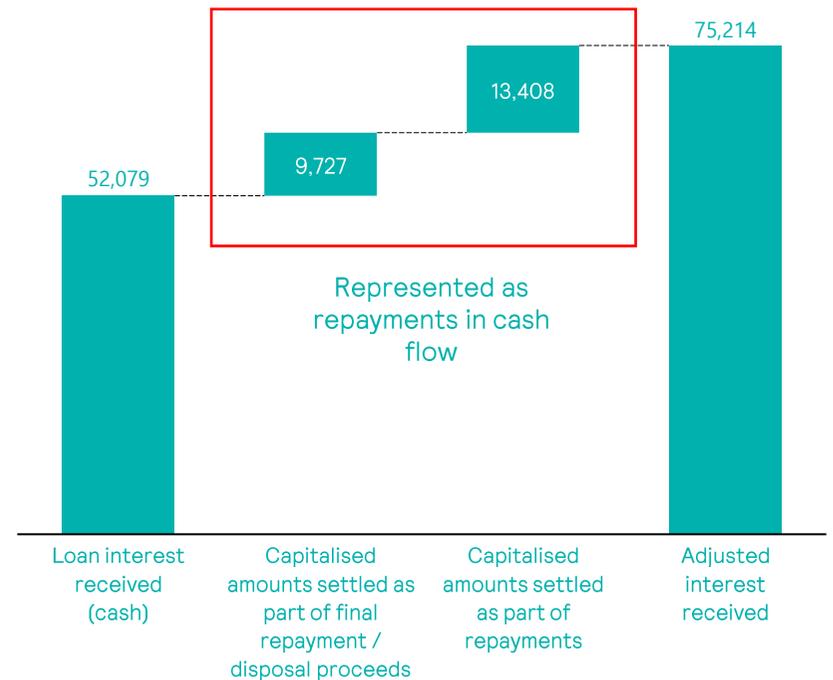
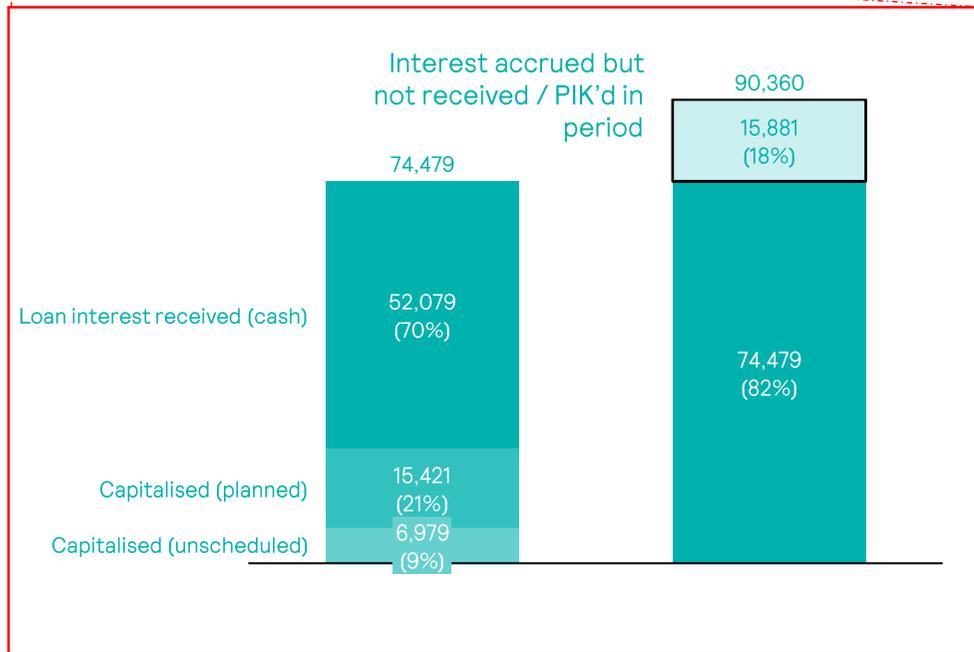
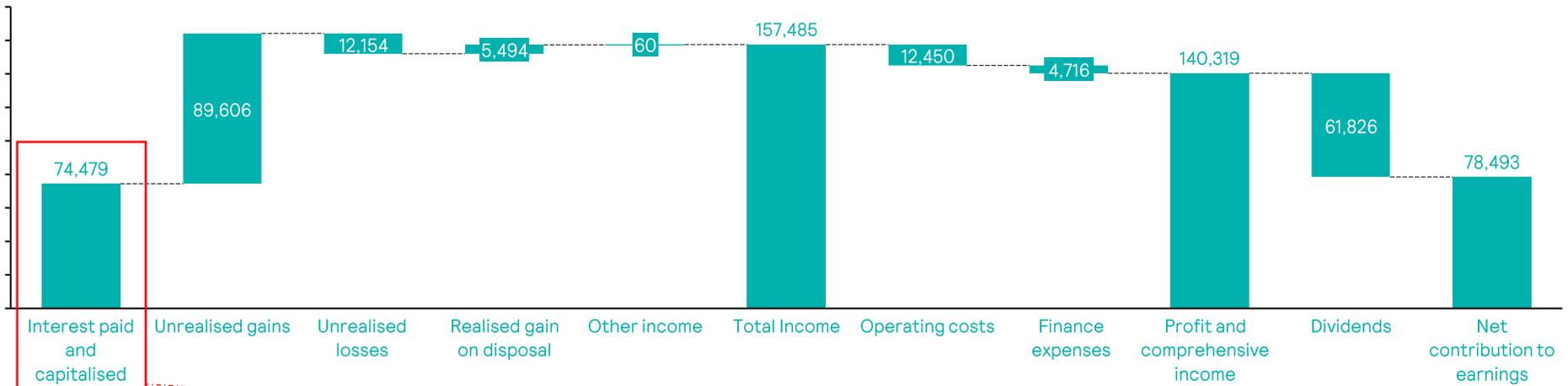
- 1.19x covered in period
- Removes pull to par and impact of revaluations
- Based on interest accruals
- This is a key metric reviewed by the Board when determining dividends

- Considers cash interest and cash received by way of repayment of capitalised interest.
- 95.9% cash covered in period on this basis.

# Financial Update

## Income Breakdown – 12 months ending 30 September 2022

Income (£ 000)



# Conclusion

## SWOT analysis

### Strengths

- Dividend yield of c.7.8% at current share price
- Well diversified portfolio of established assets, with strong ESG credentials
- Conservative renewables valuation assumptions
- 12-year track record of delivering reliable income
- Company is proving value at NAV+ through transactions

### Weaknesses

- ‘Hangover’ from historic AD / biomass issues – BUT materially resolved
- Social Housing contagion – BUT good quality early adopted portfolio

### Opportunities

- Energy policy: net zero and security of supply presents investment opportunities
- High interest rate environment may allow the Company to be more competitive vs. traditional lenders, resetting the risk within the portfolio or targeting greater returns
- Share buy-backs

### Threats

- Relative attractiveness – BUT stability not volatility
- Financial sector weakness – BUT not necessarily direct read across to GCP as a lender
- Retrospective changes to government policy / government default – BUT UK focus and excellent track record.

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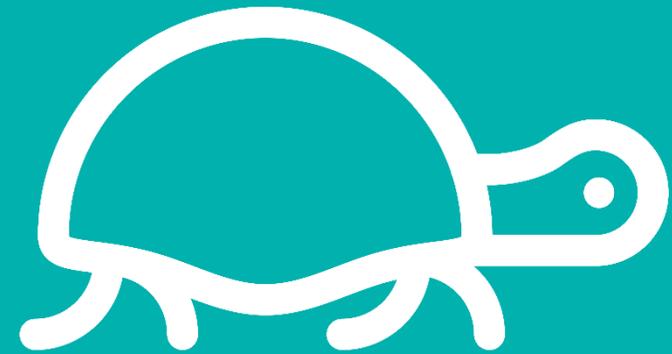
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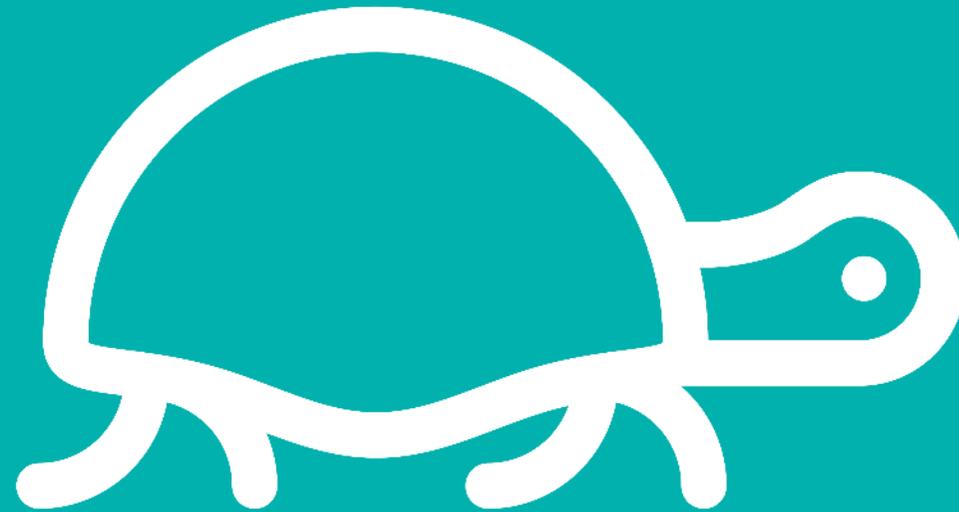
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