



20 March 2020

3i Infrastructure plc – Trading update

Strong liquidity position, good portfolio income and a defensive portfolio

3i Infrastructure plc (“3i Infrastructure” or the “Company”) is an investment company whose purpose is to deliver a long-term sustainable return to shareholders from investing in infrastructure. The Company announces its performance update for the period from 1 October 2019 to 18 March 2020 (the “period”).

Highlights

Financial Update

- **Total available liquidity of over £720 million:** The Company’s cash balance as at 18 March 2020 was £420 million and the revolving credit facility of £300 million was wholly undrawn. The Company has another c.£199 million in receivables due unconditionally in two equal instalments in December 2020 and December 2021, following the disposal of Wireless Infrastructure Group (“WIG”). Cash and receivables are equivalent to c. 70 pence per share.
- **Good portfolio income in the period:** Total portfolio income and non-income cash was £77 million, with a further £3 million of income expected by 31 March 2020 (2019: £69 million).
- **On track to meet dividend target:** The Company remains on track to meet its dividend target for the year ending 31 March 2020 of 9.20 pence per share. The full year dividend target is fully covered.

COVID-19

The COVID-19 pandemic is affecting most businesses across the world, including our portfolio companies. Our Investment Manager is working very closely with the management teams to address these unprecedented circumstances. To date, any operational impact has been limited and, currently, all of our portfolio companies are maintaining continuity of service to their customers.

TCR, our airport ground handling equipment business, is most obviously affected by the dramatic fall in air travel. TCR is in a strong liquidity position, and is taking action to prepare for a scenario of a potentially long period of reduced aircraft movements. TCR will work closely with its airport, airline and ground handling customers through this period of disruption.

The effect of the pandemic on portfolio valuation will be assessed as part of the valuation exercise of the portfolio as at 31 March 2020. This will seek to take account of individual cashflow effects on portfolio companies as well as broader market pricing considerations, which obviously are extremely volatile.

Portfolio Activity

- Completion of the sale of WIG, the independent wireless infrastructure operator headquartered in the UK for proceeds of c.£387 million, realising a 27% IRR from this investment.
- Completion of the sale of the UK projects (the “UK Projects”) for proceeds of c.£193 million, realising a 15% IRR for the Company.

Commenting on today’s announcement, Richard Laing, Chair of 3i Infrastructure, said: “We have a strong and liquid balance sheet and a defensive portfolio of businesses providing essential services. This positions us well to withstand these extraordinary circumstances.”

Phil White, Managing Partner and Head of Infrastructure, 3i Investments plc, Investment Manager of the Company, added: “The portfolio performed well overall during the period. Our portfolio company management teams are working very hard to manage their businesses through these exceptional market conditions, and are being well-supported by our 3i team and broader network.”

Portfolio Activity

The Investment Manager is working closely with the portfolio companies’ management teams to address the challenges of the COVID-19 pandemic. Following the refinancing activity undertaken in the recent years across the portfolio, our businesses are well funded and the Company has significant liquidity to support our investments should that be needed.

TCR, the leading lessor of ground service equipment in airports, performed well in the period, winning a number of significant contracts, most notably the pooling contract at Los Angeles airport. Given the nature of its services it is affected by the recent fall in activity in the air transport sector, but we note that the majority of its revenues are lease rental payments that are fixed. For context, TCR accounted for c.22 pence per share of the updated September pro-forma NAV of 253.0 pence per share announced in January 2020. TCR’s customers, comprising airlines, airports and ground handlers, are likely to face cashflow shortfalls and that could potentially have consequential effects on TCR. However, TCR is in a strong liquidity position and also expects to see new business opportunities arising from the crisis.

On 19 December, 3i Infrastructure completed the sale of its 93% stake in WIG to Brookfield Infrastructure for c. £387 million, which compares to a valuation of £291 million at 30 September 2019. This investment achieved a 27% gross IRR and a 1.7x gross money multiple for 3i Infrastructure. Approximately half of the proceeds have been received, with a quarter payable unconditionally in 12 months and a quarter payable unconditionally in 24 months.

On 6 December 2019, following a strategic review of its projects portfolio, 3i Infrastructure agreed to sell the UK Projects, all of which are now operational. The UK Projects comprised stakes in Ayrshire College, Elgin (a vehicle holding 16 project investments), Mersey Gateway Bridge, Octagon Hospital, the West of Duddon Sands offshore transmission owner project, and an interest in the Dalmore Capital Fund. These sales have all completed.

The Company retains a portfolio of European PPP projects, all of which receive revenues on an availability basis with very limited demand risk. That portfolio continues to perform as expected and provides a good level of income to the Company.

The proposed tax on waste imports to the Netherlands, that we highlighted in the half-year report, was passed by the Dutch Parliament and the Senate and has taken effect from 1 January 2020. Following the renegotiation of most of its import waste contracts, Attero expects that the immediate impact of the tax on its revenues will be limited.

The regulatory outlook for Infinis has improved with the resumption of Capacity Market payments, including payments covering the suspension period. We are also seeing increasing opportunities for Infinis, including through its strong environmental credentials and in particular its negative carbon footprint.

Oystercatcher has experienced more stable trading conditions, which have improved further now that future oil prices are above spot prices which benefits some storage customers. This follows a reduction in global demand for oil during the pandemic and the increase in production announced by Saudi Arabia.

Portfolio returns

As usual, an important element of the determination of the Company's results for the full year to 31 March 2020 will be the valuation exercise carried out on the investment portfolio at that date. 3i Infrastructure expects to announce its results for the year to 31 March 2020 on 7 May 2020.

The portfolio overall is delivering a good level of income. Total portfolio income and non-income cash was £77 million in the period, comprising portfolio income of £66 million and non-income cash of £11 million. This compares with £69 million of income and non-income cash received in the same period last year.

Balance sheet

At 18 March 2020, the Company's cash balance was £420 million with the full Revolving Credit Facility ("RCF") of £300 million undrawn and available to fund potential new investment opportunities and to support portfolio companies.

Approximately half of the proceeds from the sale of WIG have been received, with a quarter payable unconditionally 12 months and a quarter payable unconditionally in 24 months from the completion date of 19 December 2019. The receivables balance in relation to these deferred proceeds, including accrued interest will be £199 million at 31 March 2020.

Ends

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About 3i Infrastructure plc

3i Infrastructure plc is a Jersey-incorporated, closed-ended investment company, an approved UK Investment Trust, listed on the London Stock Exchange and regulated by the Jersey Financial Services Commission. The Company's purpose is to deliver a long-term sustainable return to shareholders from investing in infrastructure.

3i Investments plc, a wholly-owned subsidiary of 3i Group plc, is authorised and regulated in the UK by the Financial Conduct Authority and acts as Investment Manager to 3i Infrastructure plc.

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This statement aims to give an indication of material events and transactions that have taken place in the period from 1 October 2019 to 18 March 2020 and their impact on the financial position of 3i Infrastructure plc. These indications reflect the Board's current view. They are subject to a number of 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 3i Infrastructure plc.