

3i Infrastructure plc



# Capital Markets Event

14 March 2018

3i Infrastructure plc





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# Introduction

## **Phil White**

Managing Partner and Head of Infrastructure, 3i





## What we do

3i Infrastructure plc invests across mid-market economic infrastructure and greenfield projects in developed markets, with a focus on the UK and Europe.

## Our strategy

Maintain a **balanced portfolio of investments** to deliver an attractive **mix of income yield and capital appreciation** for our shareholders.

## Our objectives

Provide shareholders with a **total return of 8% to 10% per annum**, to be achieved over the medium term, with a **progressive annual dividend per share**.





**2:30 Introduction**

Phil White (3i) and Scott Moseley (3i)

**2:45 Session 1: Valorem – leading independent wind developer in France**

Stephane Grandguillaume (3i) and Frédéric Lanoe (Valorem)

**3:30 Break**

**4:00 Session 2: Infinis – UK energy generation business**

Tim Short (3i) and Shane Pickering (Infinis)

**4:45 Session 3: TCR – leading ground support equipment provider**

Matt Barker (3i) and Marc Delvaux (TCR)

**5:30 Close**

# How we achieve our objectives



1

We aim to achieve this by maintaining a **balanced portfolio of infrastructure investments** delivering a mix of income yield and capital growth

2

The Company invests in businesses where the downside risk protection inherent in infrastructure investments is complemented by an **acceptable level of demand risk or by appropriate growth opportunities**

3

We drive value by adding new investments selectively, through our **engaged asset management approach** and by maintaining an efficient balance sheet

4

The Company typically invests with a **long-term hold perspective, although it may realise investments** when we believe a sale would maximise value for shareholders





## Continuing to deliver value for our shareholders

A tall telecommunications tower with multiple antennas and satellite dishes, set against a blue sky with light clouds. The base of the tower is partially obscured by a field of bright yellow flowers.

1

Successful and well managed sales process for 3iN's two largest assets

2

Strong performance during the first three quarters of FY18

3

Maintaining an efficient balance sheet

- Announced special dividend of 41.4p per share to return surplus cash to shareholders

4

Established operating assets underpin stable returns

5

Healthy pipeline of investment opportunities



# Case study: Wireless Infrastructure Group

## Follow on investment

3i Infrastructure plc



1

Strong relationship with WIG team

2

Growth prospects

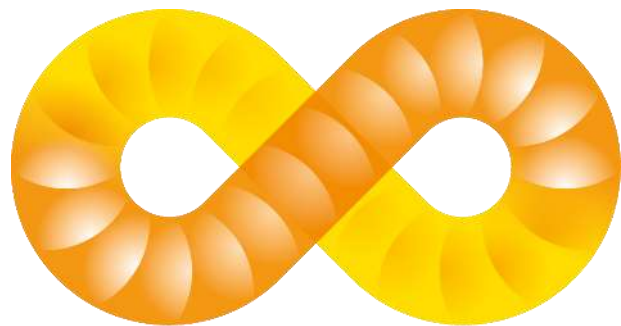
3

Favourable demand dynamics

4

High quality revenue base





**infinis**



**Alkane**

GAS TO POWER

# Case study: Anglian Water Group

## Maximising shareholder value through well managed sales

3i Infrastructure plc



1

High quality business

2

Low yielding investment

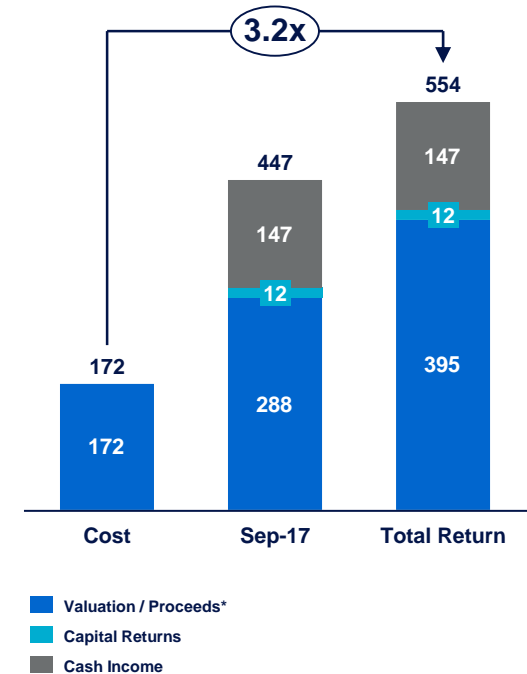
3

Opportune time to sell

4

Well managed sale process

### Investment Performance (£m)



\* Estimated gross proceeds as announced on 15<sup>th</sup> December 2017

# Elenia

3i Infrastructure plc



**Scott Moseley**  
Partner, 3i



# Case study: Elenia

Maximising shareholder value through well managed sales

3i Infrastructure plc



1

Buying well

2

Strong management team

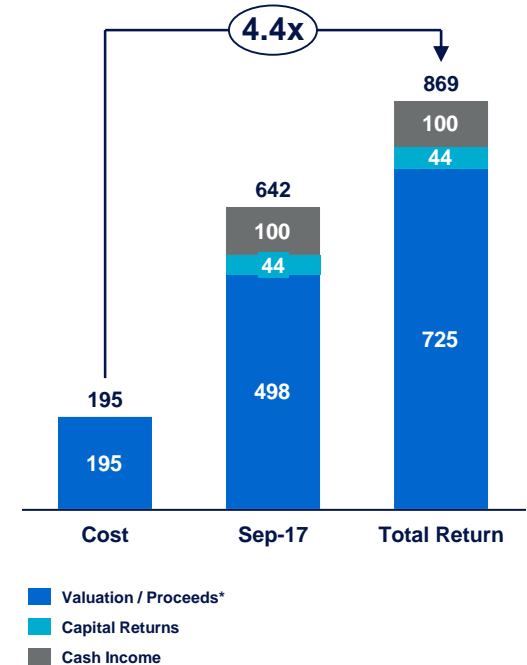
3

Asset management

4

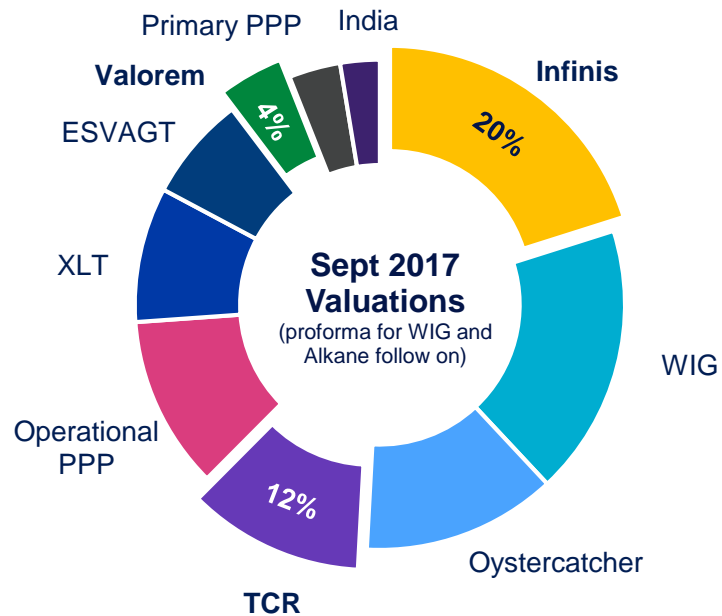
Well managed sale process

## Investment Performance (£m)



\* Estimated gross proceeds as announced on 13th December 2017

# Current portfolio



## Focus today is on the newer additions to the portfolio to:

- Provide an overview of each business and the market in which it operates;
- Outline the strategy, operational model and key value drivers; and
- Articulate the growth opportunities for the business

# Valorem

3i Infrastructure plc



**Stephane Grandguillaume**  
Partner, 3i



# Valorem

One of France's largest wind developers

3i Infrastructure plc



- 3iN holds a 28.5% equity stake in Valorem
- €68m investment in September 2016
- Created in 1995, Valorem is a leading renewable energy developer in France





# Why did we invest?

Leading independent developer and owner of wind farms

3i Infrastructure plc



1

Market fundamentals

2

Best in class developer

3

Strong management team

4

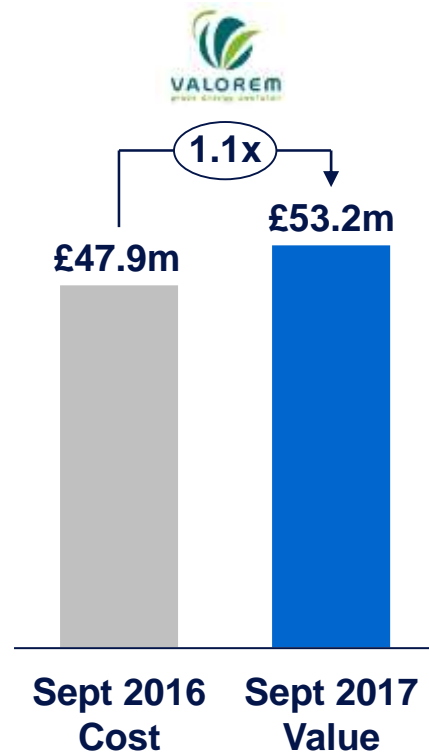
Established operating assets underpin stable returns

5

Healthy pipeline of development opportunities

## Key highlights since our investment

- Capacity increased by 50% and healthy pipeline
- Walking on two legs
- Increased Government support for renewables
- Refinanced business
- Growth opportunities
- Succession plan





## **Frédéric Lanoë**

Valorem Chief Operating Officer since May 2017

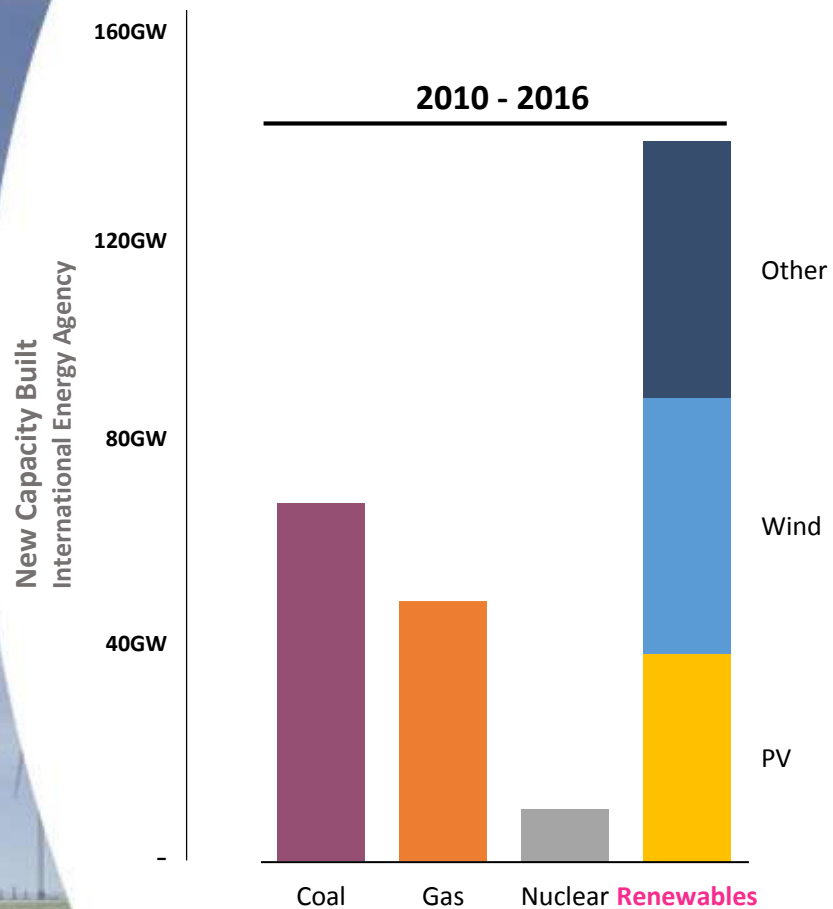
- Previously EDPR (global wind developer) country manager, and founder of WPD offshore
- President of France Energie Eolienne (French professional assoc. for wind power), 2013 to 2016
- Frédéric holds a mechanical engineering degree from ENSAM and a full time MBA from INSEAD



3i investors day  
F.Lanoë, Valorem COO  
March 14th, 2018

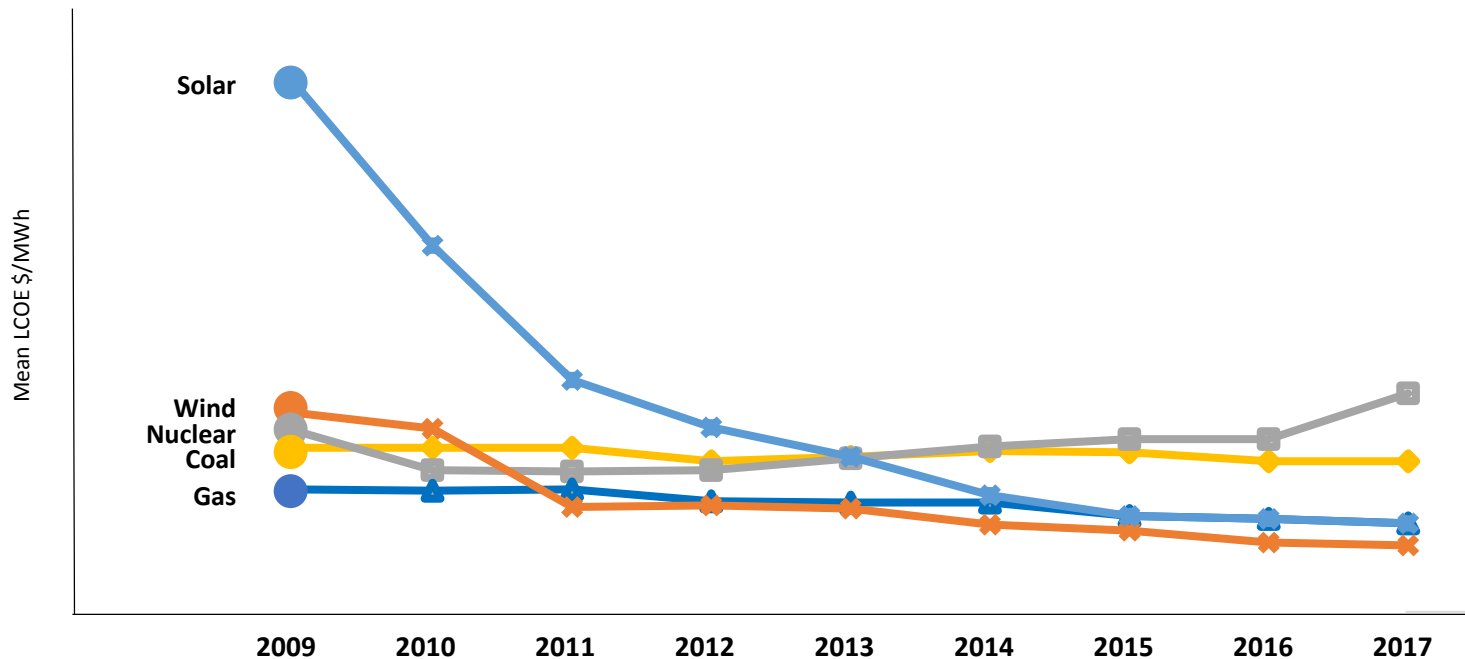


## Now: Green wave



# Green became cheap

## SUMMARY FINDINGS OF LAZARD'S 2017 LEVELISED COST OF ENERGY ANALYSIS SELECTED HISTORICAL MEAN LCOE VALUES



Source: Lazard estimates.

Note: Reflects average of unsubsidized high and low LCOE range for given version of LCOE study.

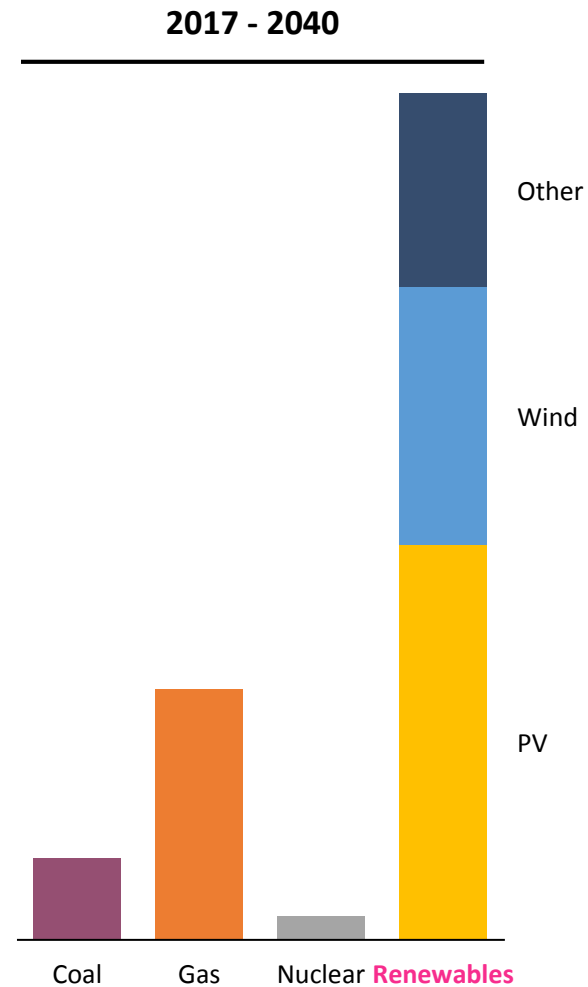
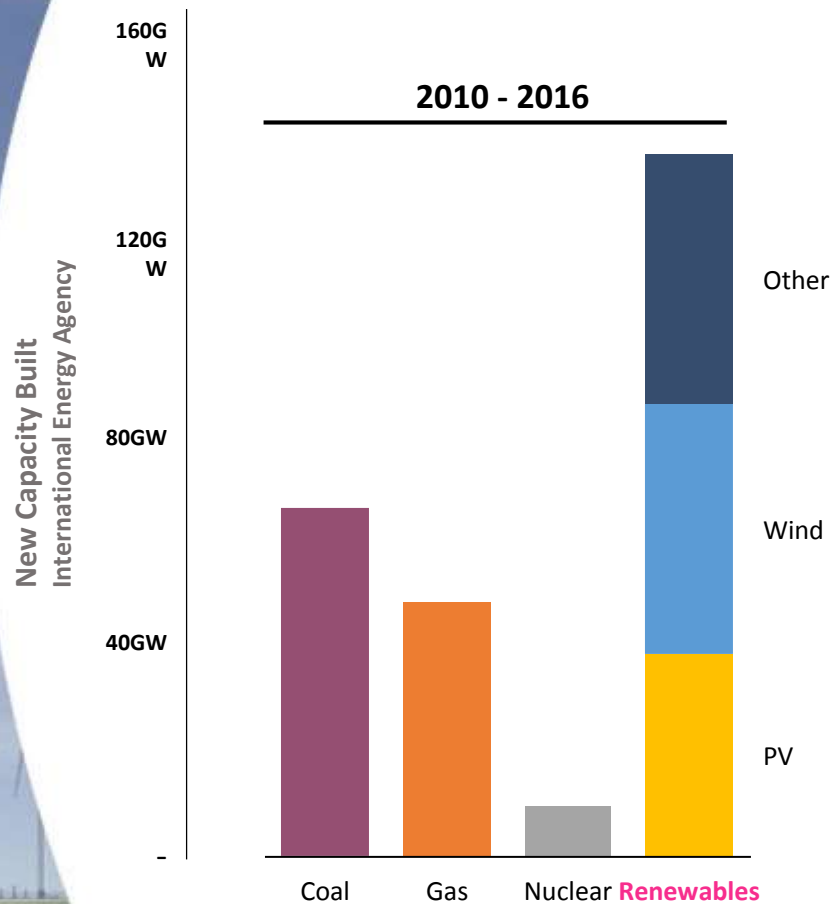
(1) Primarily relates to North American alternative energy landscape, but reflects broader/global cost declines.

(2) Reflects total decrease in mean LCOE since the later of Lazard's LCOE—Version 3.0 or the first year Lazard has tracked the relevant technology.

(3) Reflects mean of fixed-tilt (high end) and single-axis tracking (low end) crystalline PV installations.



# Now: Green wave







- **Wind & PV Independant Power Producer**
- **Leading in France**
- **Stable business**
- **Growth story**



- **Wind & PV Independant Power Producer**
- **Leading in France**
- **Stable business**
- **Growth story**

# Wind & solar PV vertically integrated power producer



Onshore  
Windpower



Development

Engineering

Financing

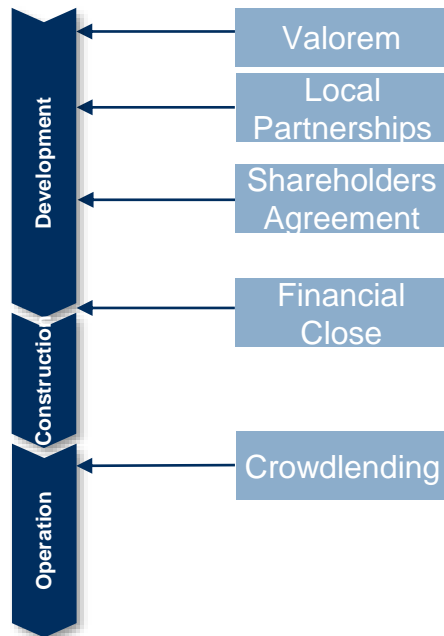
Construction

# Valorem masters projects & Assets financing

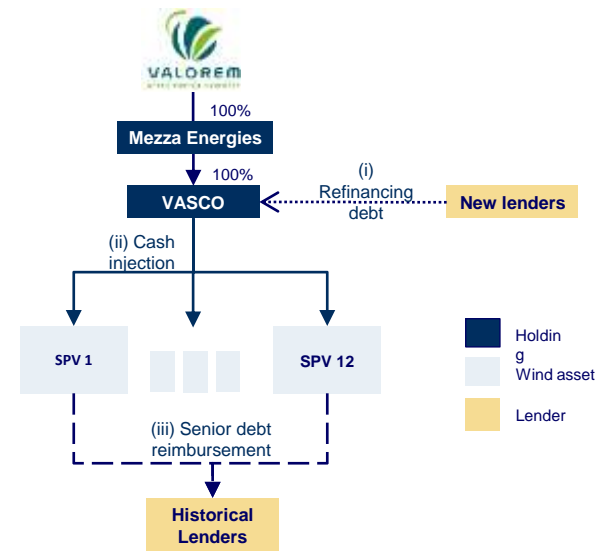
More than 50 project  
project financed

Largest EU REN refinancing  
end 2017 – €180 M

## Financing Process



## Scheme of the transaction



# Wind & solar PV vertically integrated power producer

Development

Onshore  
Windpower

Development

Engineering

Financing

Construction

Operational

Onshore  
Windpower

Solar  
PV

Ownership & Asset  
Management

O&M and services

# Wind & solar PV vertically integrated power producer

600 MW  
operated

215 MW  
owned

Onshore Windpower



35 MW operated

27 MW owned

Solar PV



Valorem own power plants

- Windfarms under construction (P4)
- Windfarms in operation (P5)
- Hydroelectric power plant under construction (P4)
- Photovoltaic power plants in operation (P5)





# Wind & solar PV vertically integrated power producer

Development

**20% INTERNATIONAL**

**80% FRANCE**

Onshore  
Windpower

Solar  
PV

Operational

**100% FRANCE**

Onshore  
Windpower

Solar  
PV

Storage & balancing

Development

Engineering

Financing

Construction

Ownership & Asset  
Management

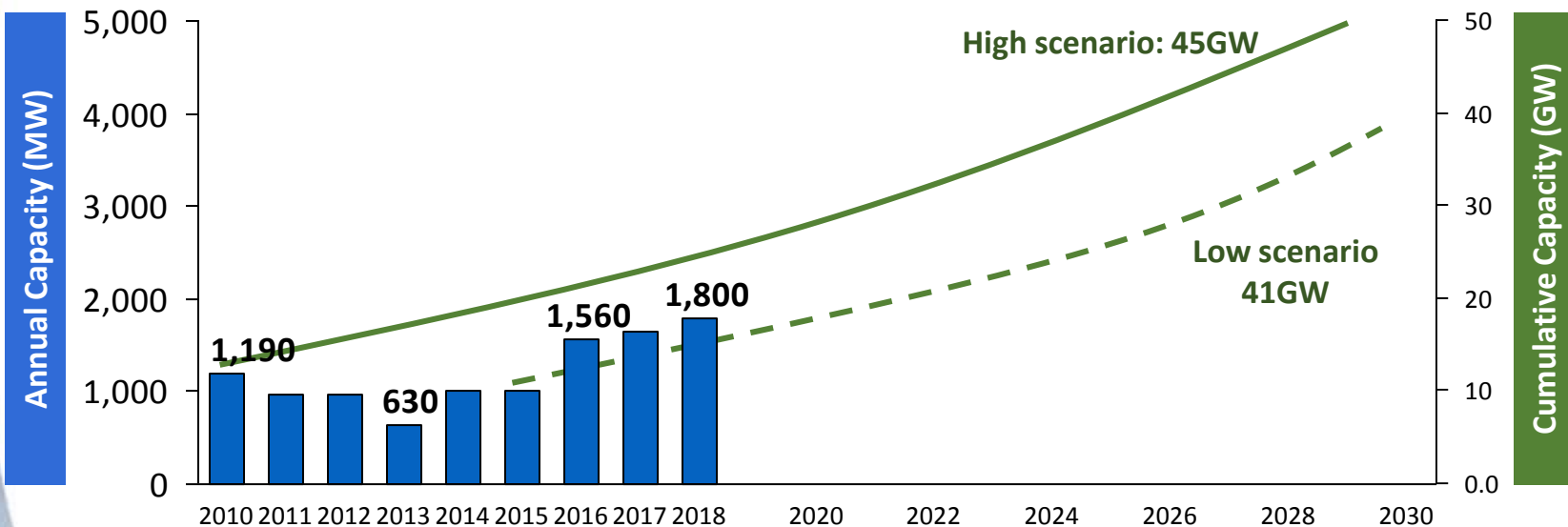
O&M and services



- Wind & PV Independant Power Producer
- Leading in France
- Stable business
- Growth story

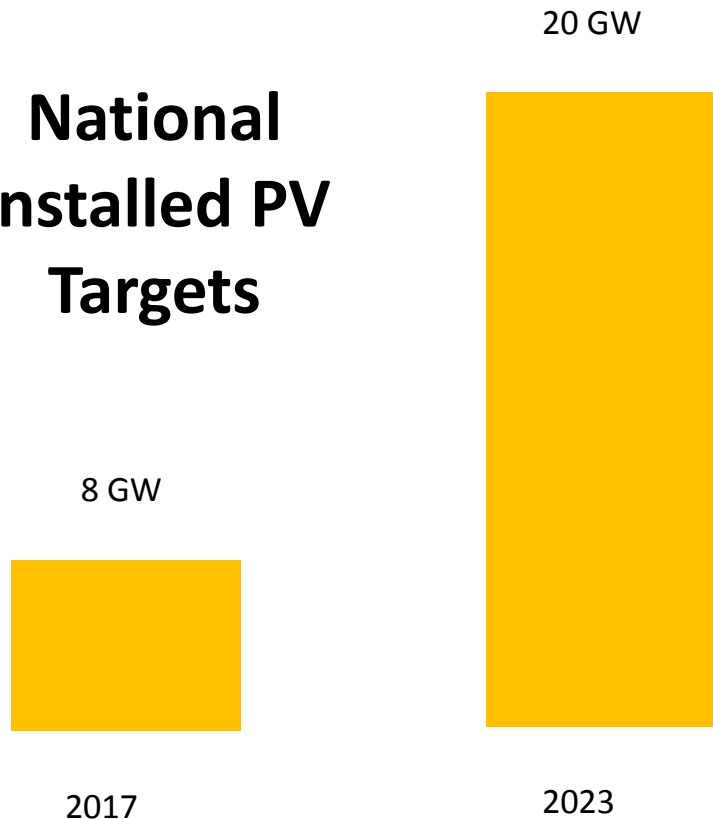
# French Renewable Energy Market is attractive

Second highest Wind power potential in EU



## French Renewable Energy Market is attractive

### National Installed PV Targets



**+70%**  
annual Tender  
volume

## Valorem leading in France



Now n°3 Producer after  
Engie & EDF

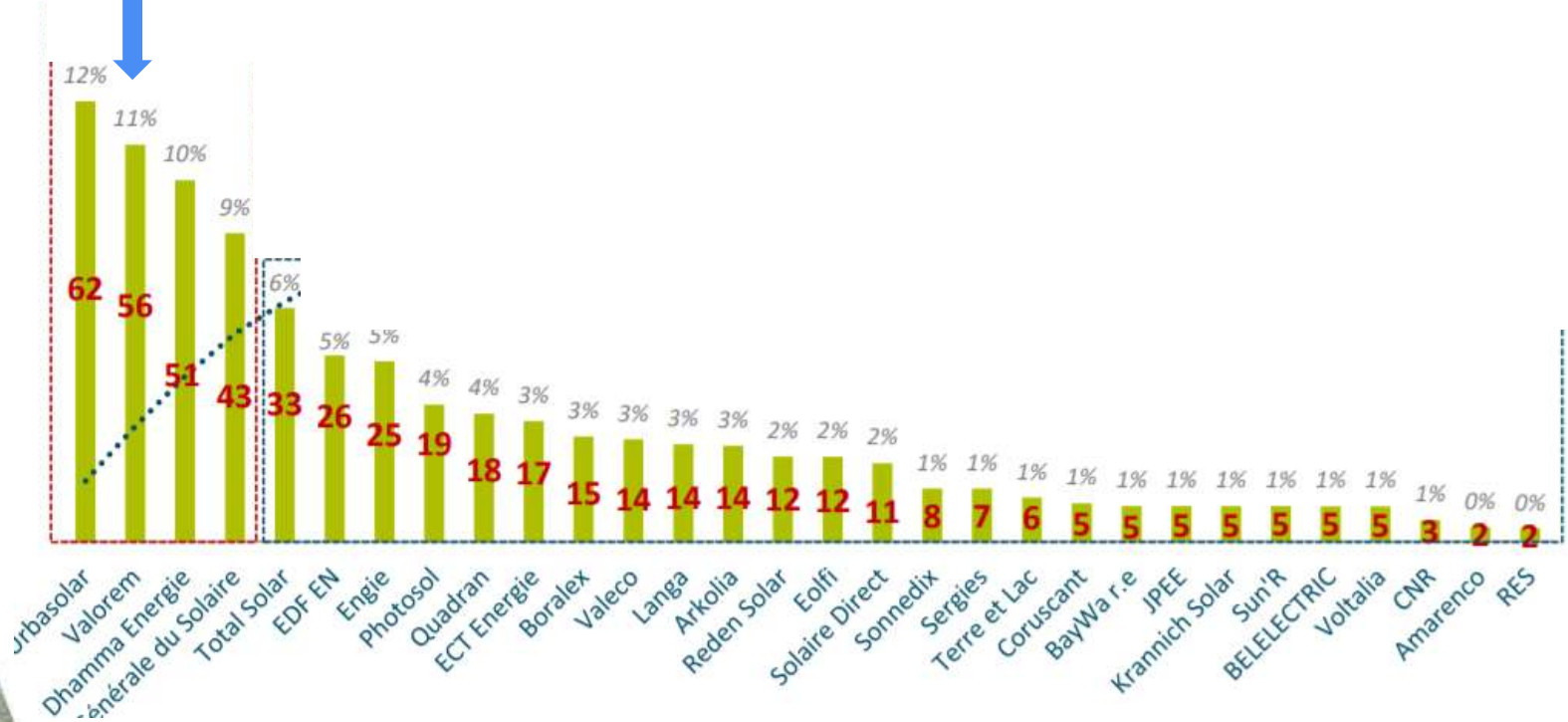


MW installed <sup>(1)</sup> by operator, both direct and third-party operators

# Valorem leading in France



n°2 Winner





- Wind & PV Independant Power Producer
- Leading in France
- **Stable business**
- Growth story



# A stable business for coming 3 to 5 years

450 MW  
Wind projects  
secured  
Past Feed in Tariff  
at 80 €/MWh

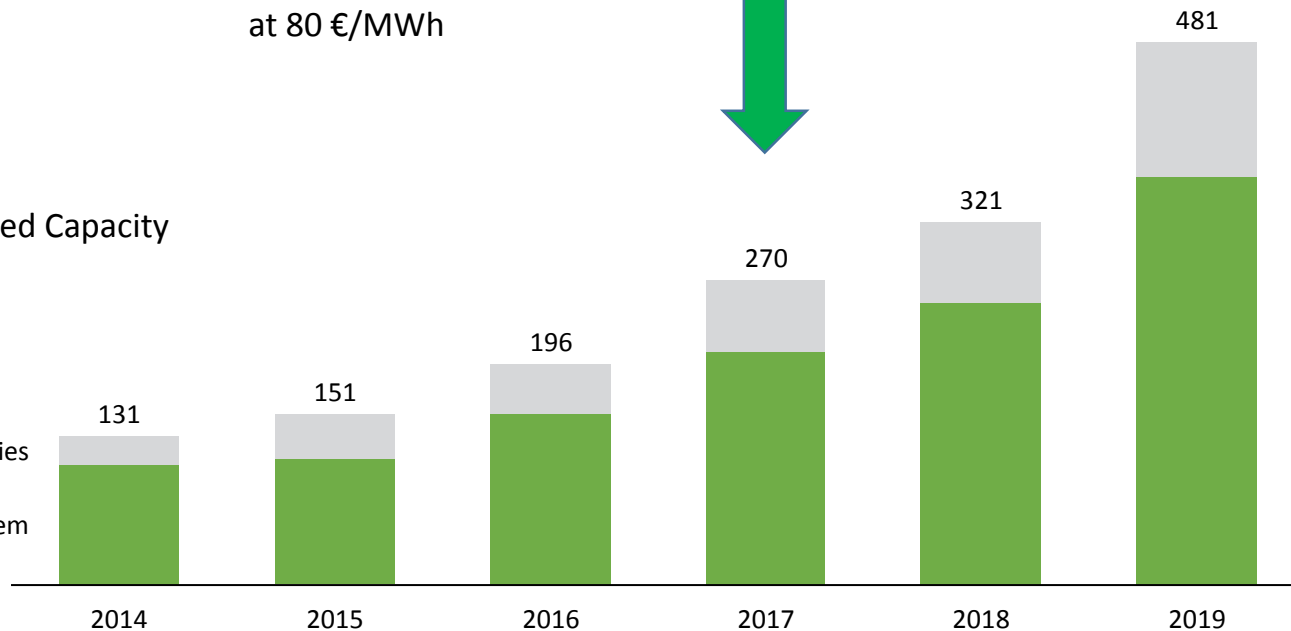
Wind & PV Tenders  
Contracts for  
Difference  
Means stability

Installed Capacity

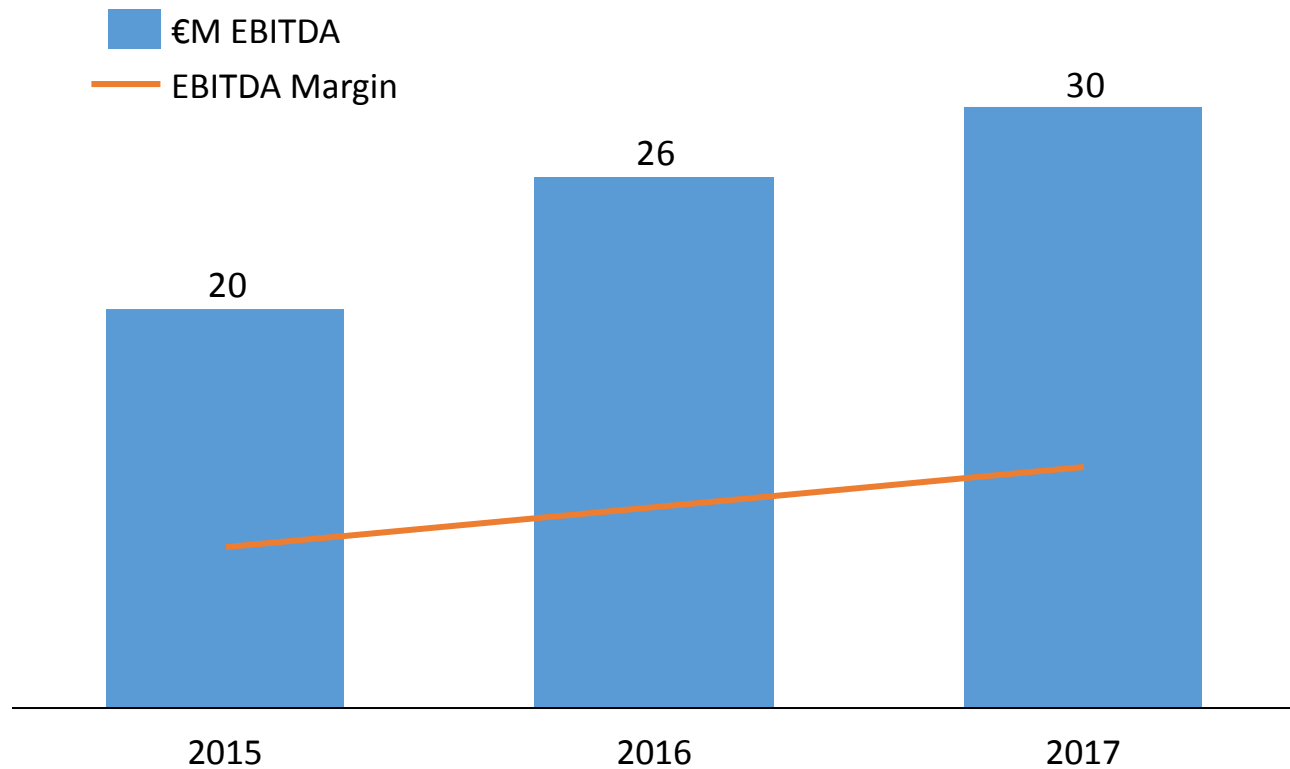
MW

Third Parties

Valorem



## A stable Ebitda Growth





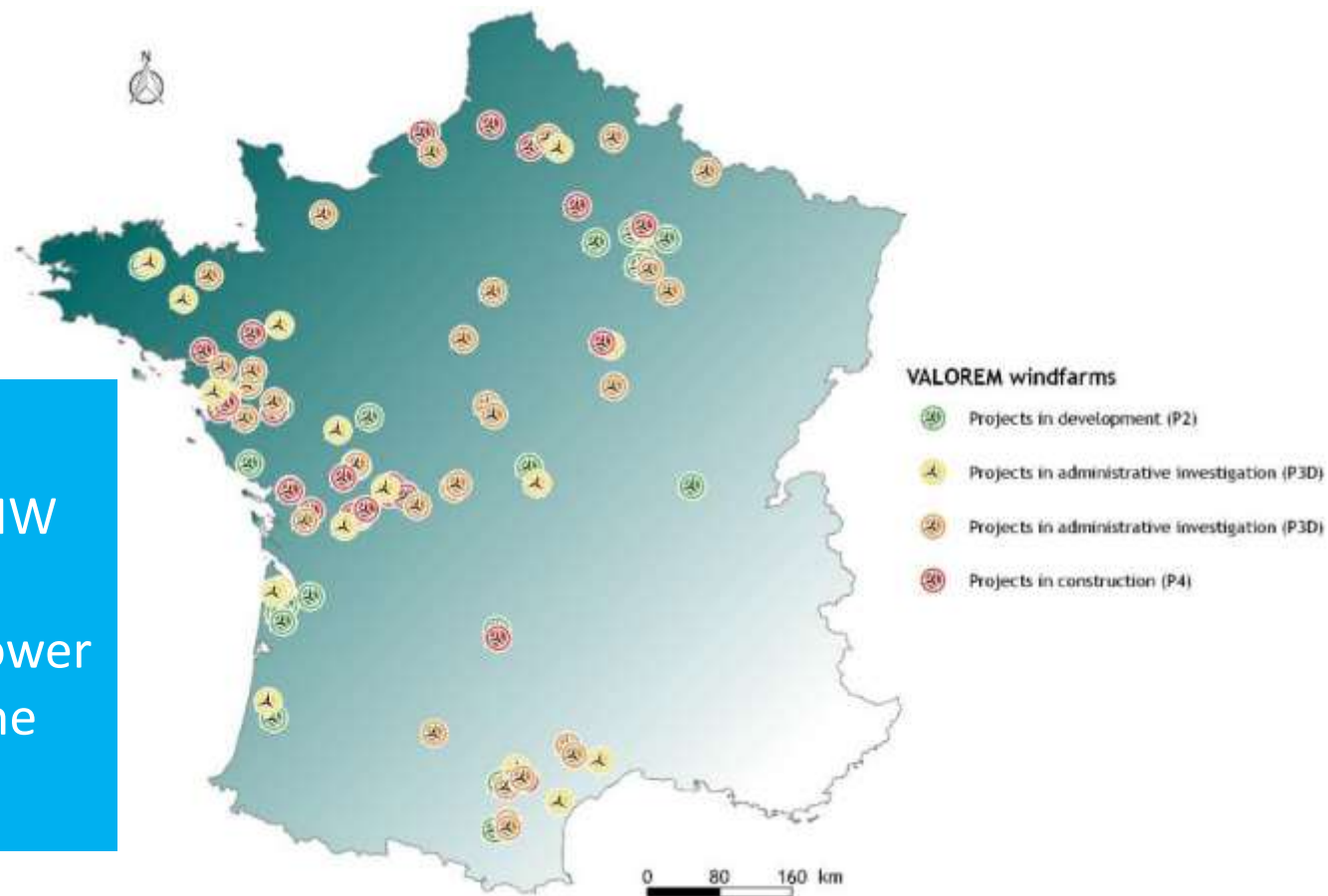
- Wind & PV Independent Power Producer
- Leading in France
- Stable business
- Growth story

## Growth story

## Very mature Wind pipeline

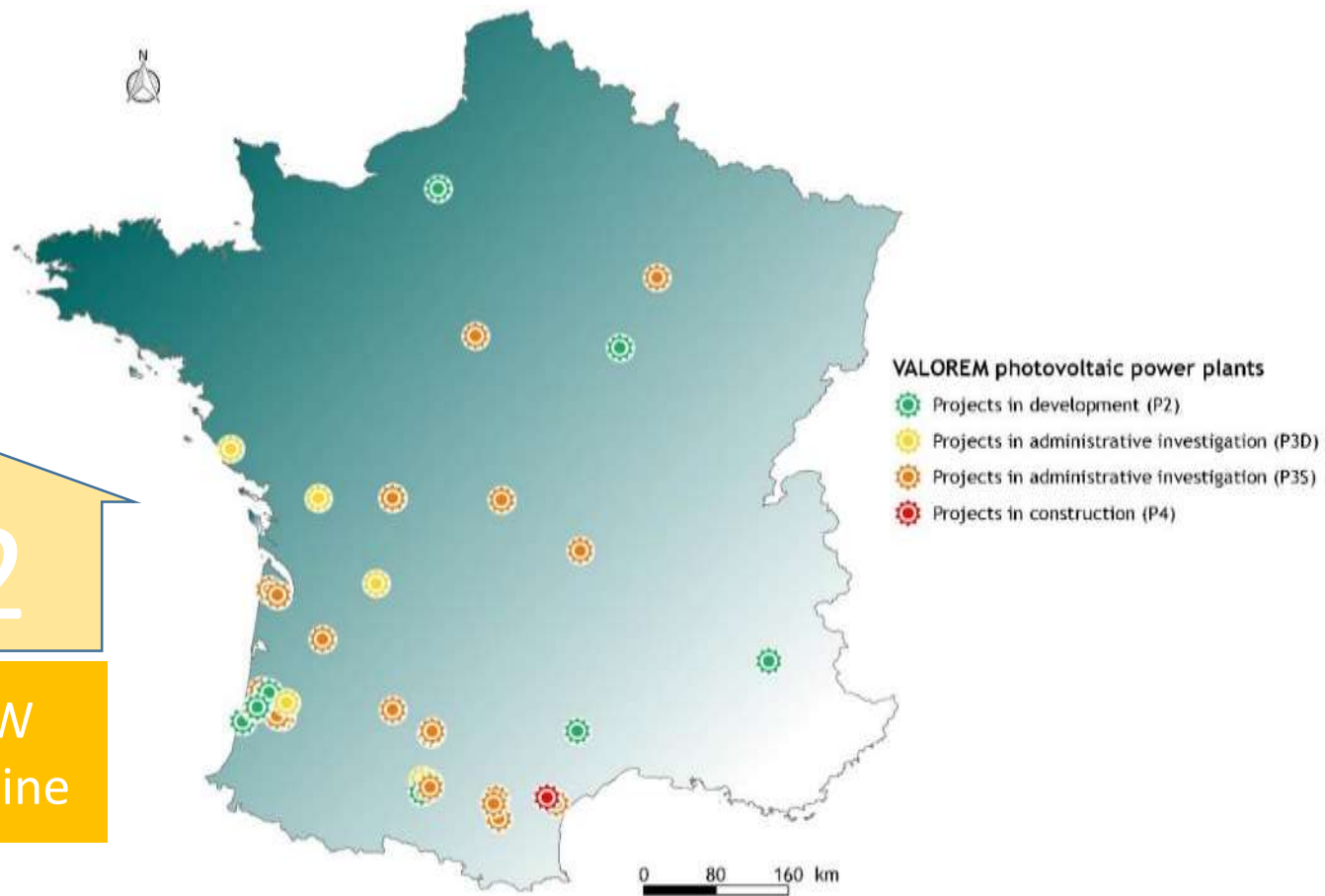
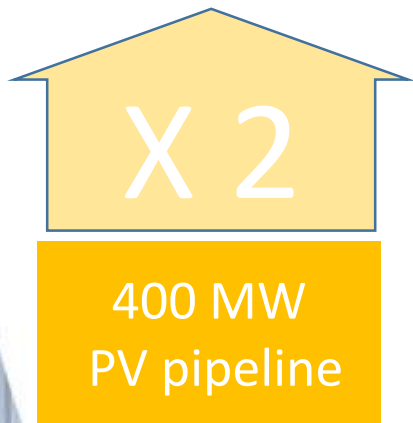
1200 MW

Windpower  
pipeline



## Growth story

## Growing PV pipeline



## Growth story



800 MW

90% Wind

10% PV

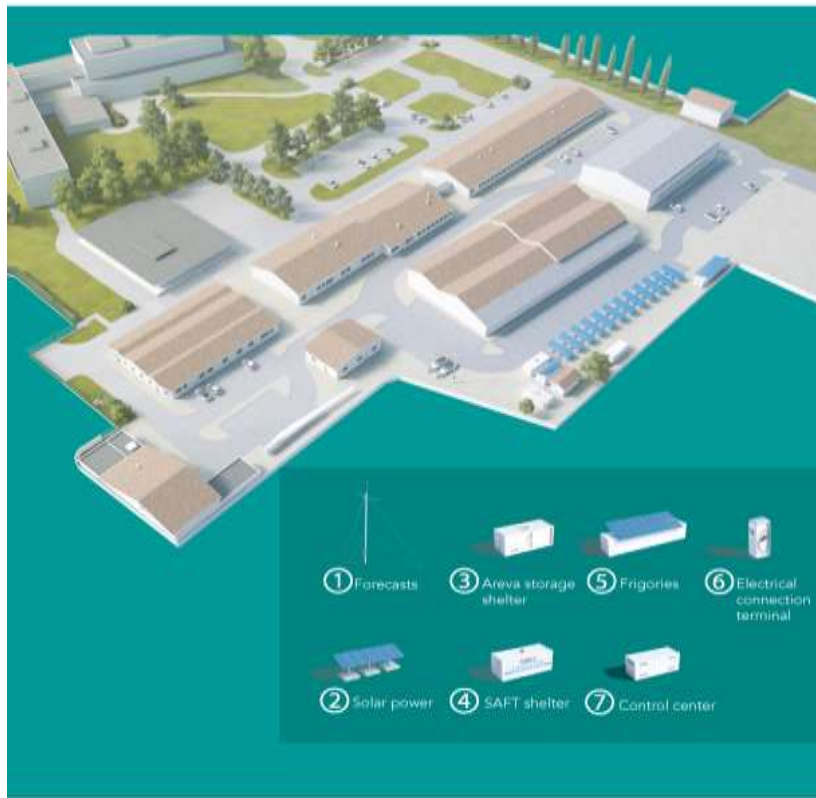
## Careful International expansion

# SCALE



## Growth story

## Innovator



INSUL'GRID

The Hybrid Renewable  
Energy Kit



A large wind turbine is visible on the left side of the slide, with other smaller turbines in the background under a clear blue sky.

**Growth story**

**Be competitive**

**Scale**

**Vertical integration**

**Competitive renewables pricing**

**Innovation**



Attractive growth opportunities







# Q&A



# Coffee Break

# Infinis

3i Infrastructure plc



**Tim Short**  
Director, 3i



- 121 operating sites
- 286MW\* installed capacity
- 39% of UK generation from LFG
- £78m LTM EBITDA



# Why did we invest?

Efficient and reliable source of power generation

3i Infrastructure plc



1

Highly cash generative

2

Balance of contracted revenue and power price exposure

3

Opportunity to monetise spare engines and grid connections

4

Platform for further acquisitions

5

Strong management team

# Key achievements since acquisition

## Engaged asset management

3i Infrastructure plc



- Refinanced the business
- Strengthened the Board
- Established in-house development team and invested further £12m to fund organic growth
- £125m follow-on investment committed to fund acquisition of Alkane Energy





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## **Shane Pickering**

Managing Director

- Appointed Infinis MD on 8 December 2016
- Director of Operations from May 2015
- Previous senior roles with InterGen Operating Company, EON, PowerGen, and Central Electricity Generating Board



Infinis delivering energy with passion



***3i Infrastructure plc***

***Capital Markets Seminar***

14<sup>th</sup> March 2018

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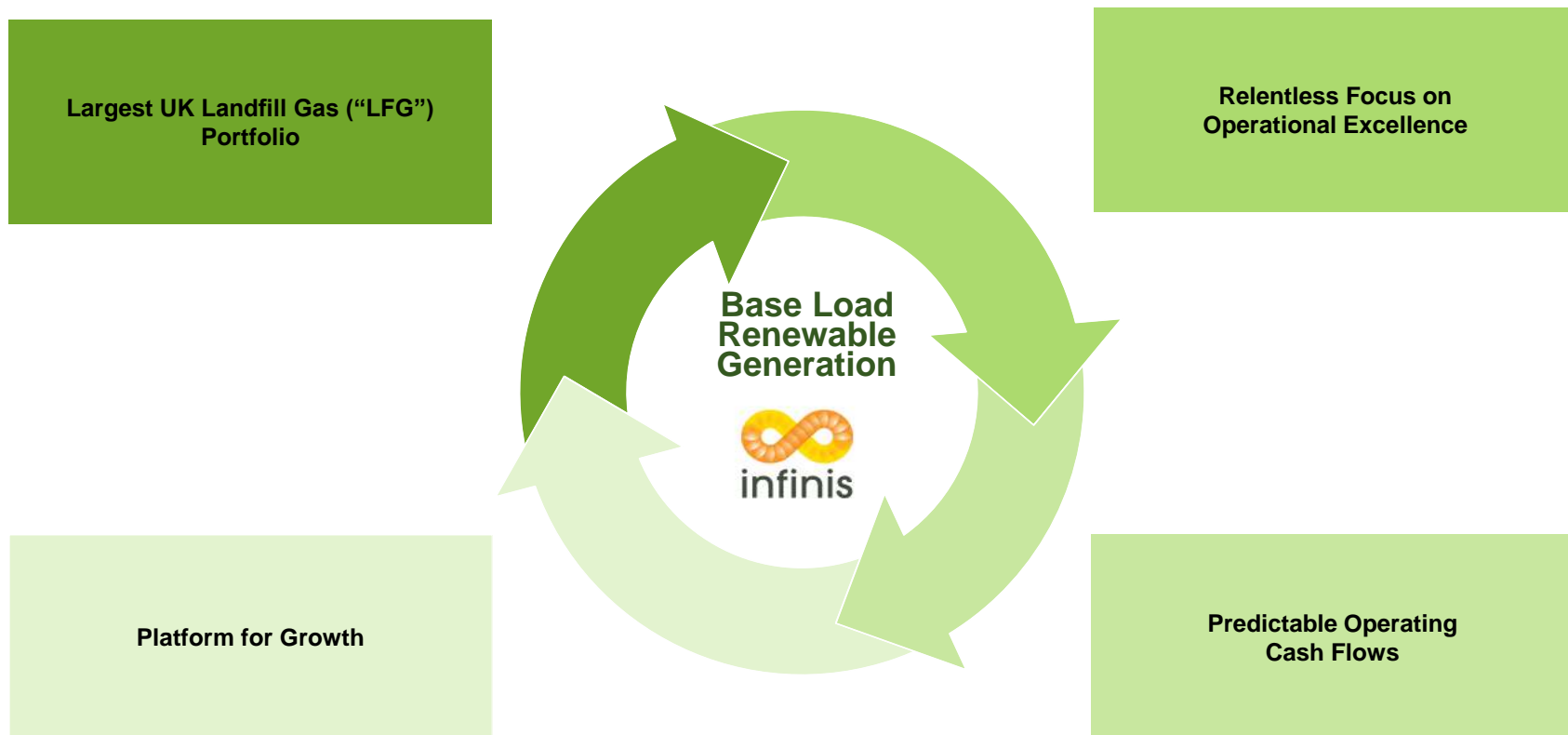
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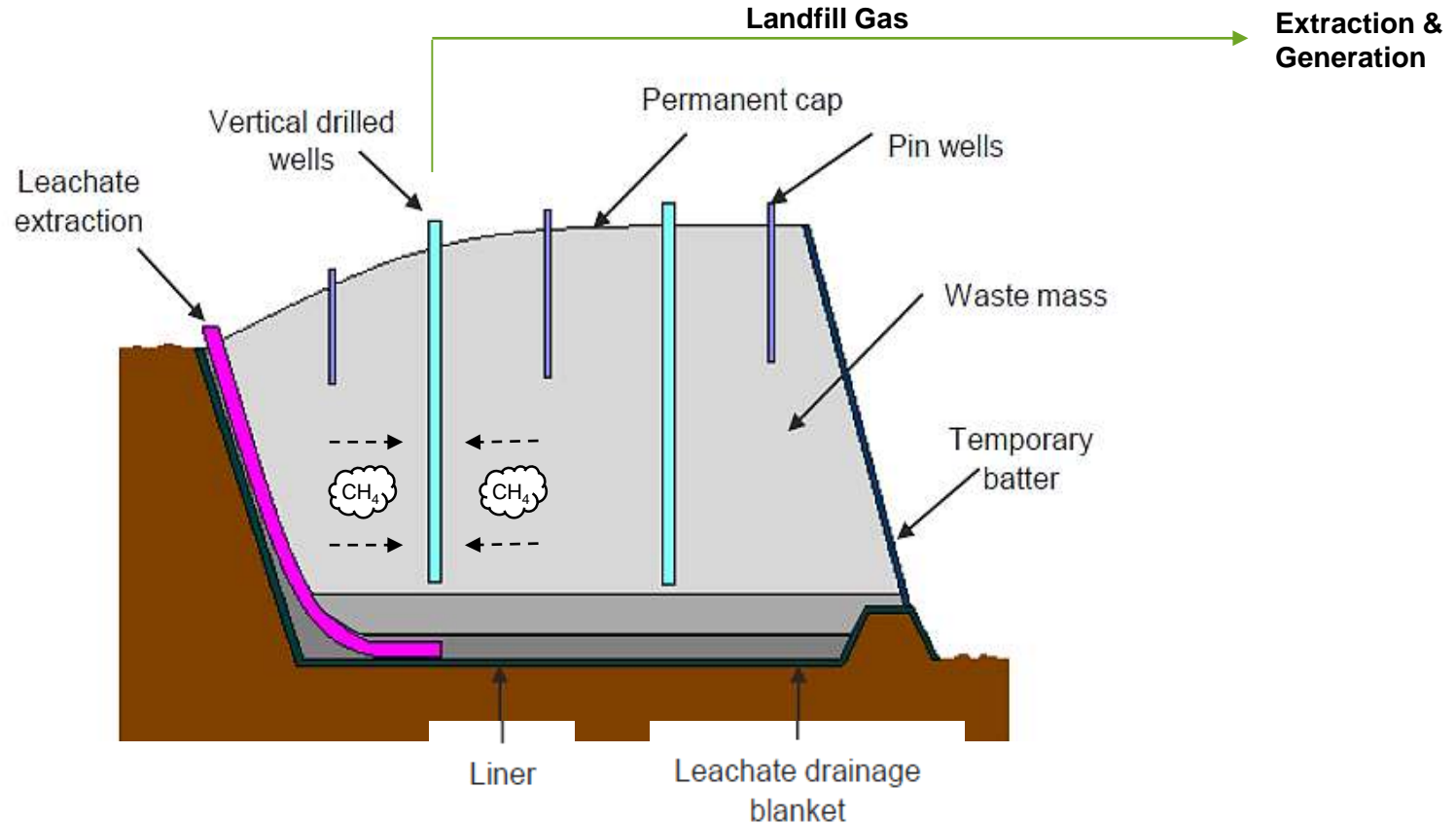
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Stripping down and  
rebuilding the engines  
to 'as new' condition

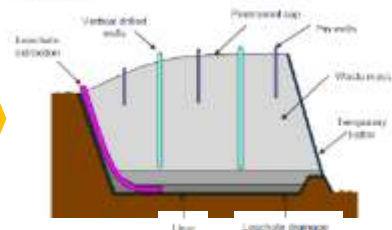






## Long term access to landfill sites

- Landfill operators hold environmental permits and have the responsibilities / liabilities relating to managing the landfill sites
- Infinis is not a landfill operator and does not hold any landfill permits



## Methane gas created from landfill

- Biological process creates methane gas from decomposing organic waste tipped in the ground



## Electricity generation

- Fleet for engines ("genset") convert extracted methane to electricity
- Total installed capacity of 287MW across 121 sites and c.300 engines



## Gas extraction by Infinis

- Infinis extract LFG by drilling wells into a landfill site



## Monitoring and control

- 24/7 real-time monitoring of gas field and genset operating conditions through 4 core systems



## Grid Connections

- Approximately 168 connections to the grid, c.190 Meter Point Administration Numbers ("MPAN")

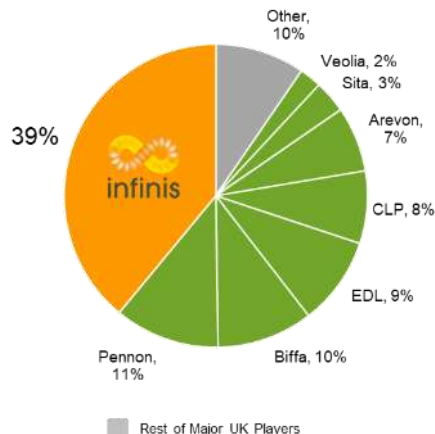


# UK's largest LFG portfolio providing unmatched scale benefits

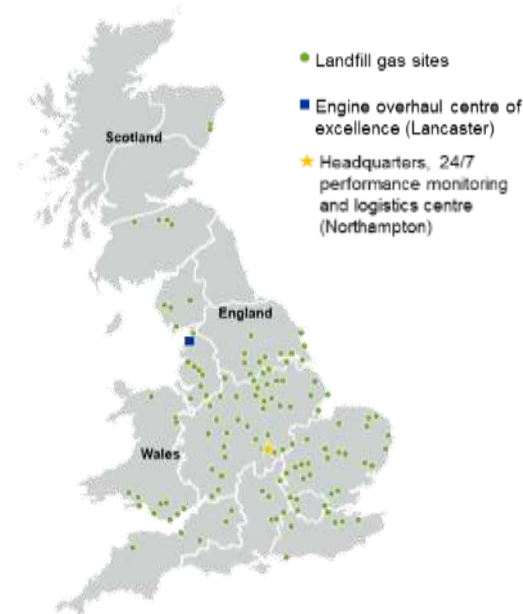
## Key Highlights

- Largest LFG portfolio in the UK, c.40% market share
- FY17 revenue £152m, EBITDA £88m
- 121 sites across the UK
- 287MW total installed capacity
- c.300 top quality engines
- Exporting c.1.6TWh of power
- 270 employees (FTE)

## UK generation from LFG (MWh Produced)



## Geographically diversified portfolio

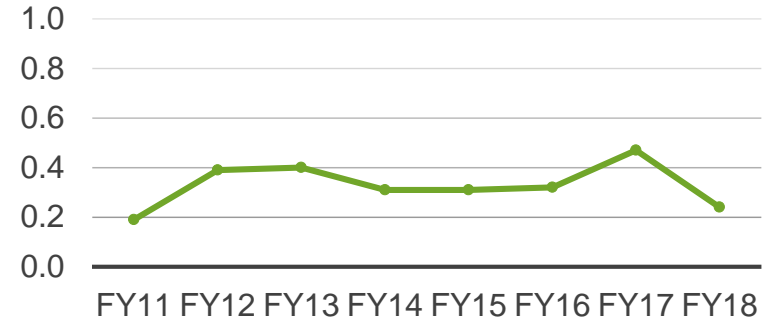


**Infinis' superior scale drives:** Best-in-class **operating efficiencies**, unmatched **procurement savings** & unique **commercial benefits**

# Delivering first class Health & Safety Performance

- Stringent controls & continuous monitoring
- Highest health and safety standards demonstrated from the very top of the executive team
- Infinis operates to the highest HSQE standards
  - Accredited to BS 18001, ISO 9001 & 14001

RIDDOR Accident Frequency Rate<sup>(1)</sup>



## Highest International Accreditations



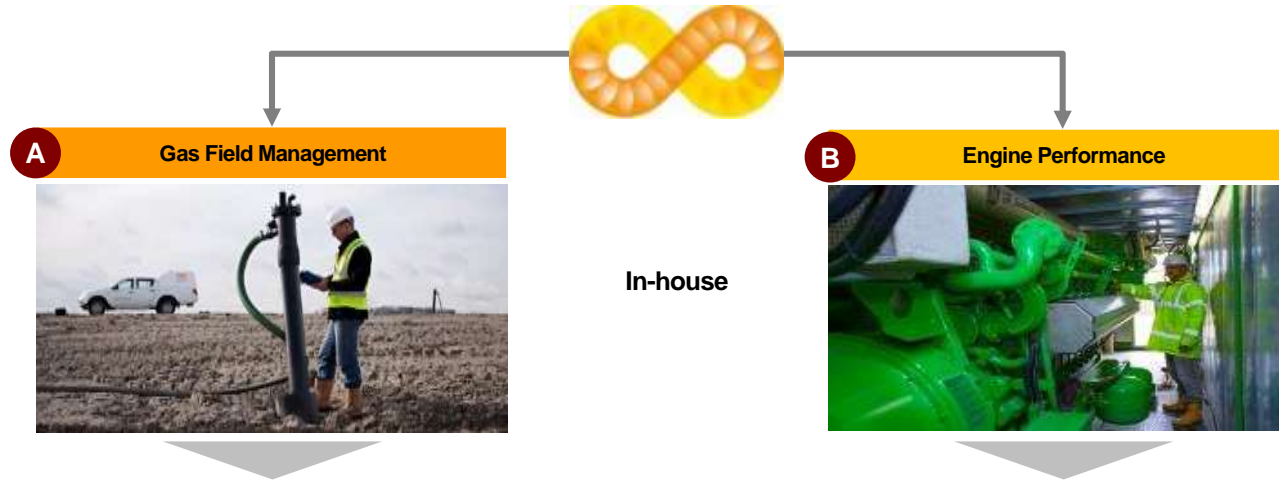
## Nine Years of Achievements



(1) RIDDOR AFR = RIDDOR no. / hours worked x 100,000



## Objective: Optimising Power Generation and Environmental Compliance



C

24/7 Logistics Centre

D

The Results

Strong and stable cash flows

Satisfied financially secure customers

Positive impact on society

A

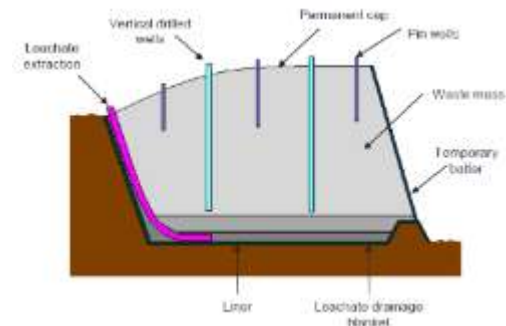
## Gas Field Management

- Dedicated gas field management team
- **Maximising gas** collection efficiency is key
- Rigorous **field based** monitoring and KPI management

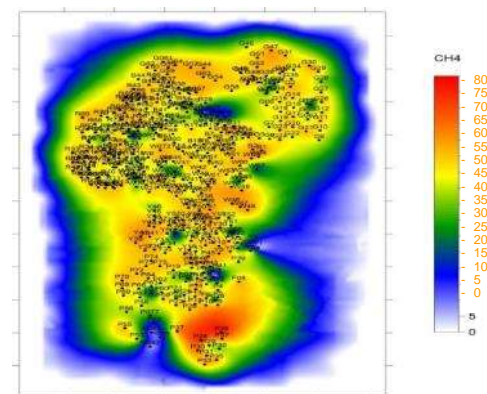
## Wellhead KPI Collection and Meter Reading

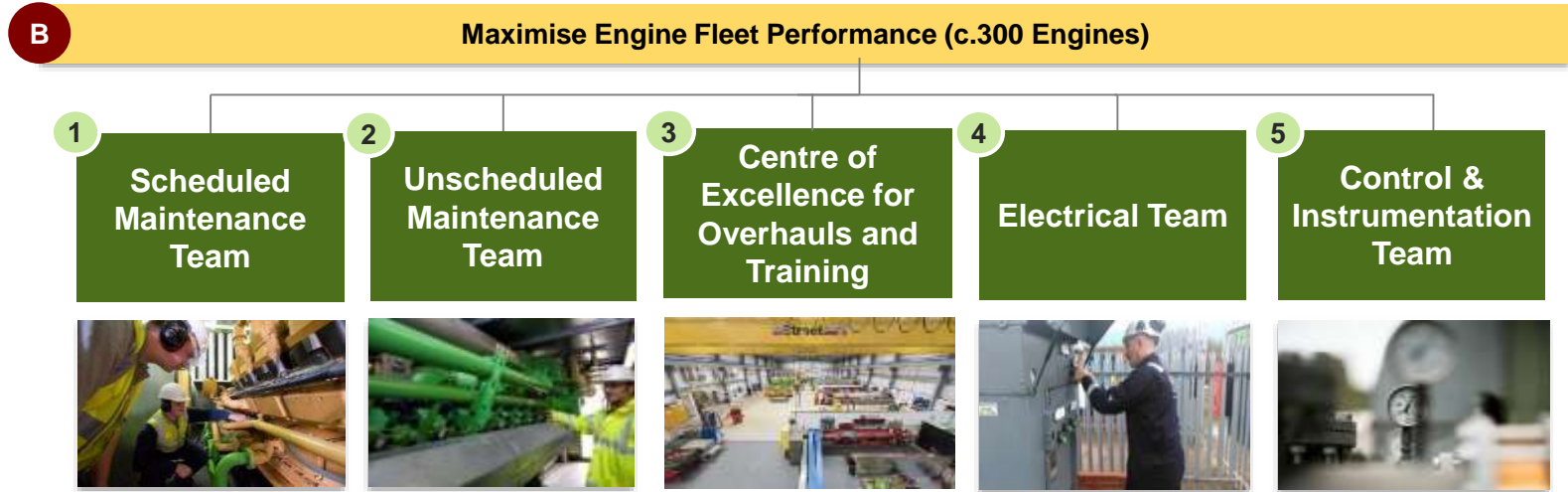


## Site Infrastructure



## GARD Methane Image Map: Brogborough Site





C

## Northampton Logistics Centre



## 24/7 Logistics Centre

- **24/7 real-time** monitoring of gas field and genset operating conditions through 4 core systems
- Utilising **state-of-the-art systems** to drive superior performance
- Day-to-day management:
  - **Planning and dispatching**
  - **Enhancing worker safety**
- Incident management provides prioritisation and rapid response to engine breakdowns

## Bespoke Big Data Analytics



### inSite

Bespoke Big Data application developed in-house to optimise financial performance of each individual engine

**Load Balancing**  
Instant automated engine response to changes in atmospheric pressure

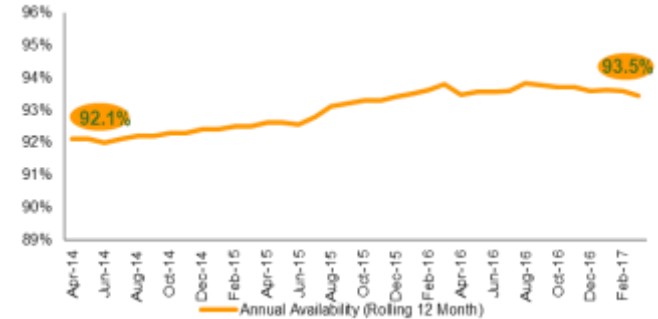


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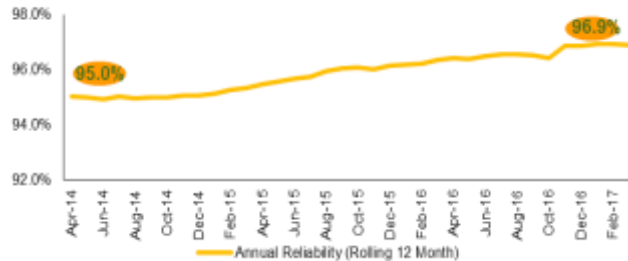
## The results

- Strong and improving availability and reliability performance
  - Availability increased from **92.1% to 93.5%** over past 3 years
  - Reliability increased from **95.0% to 96.9%** over past 3 years
- Further initiatives expected to increase **reliability to over 97%** by the end of FY19

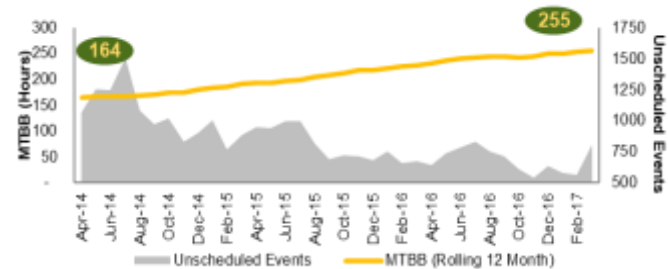
## Increasing Availability<sup>(1)</sup>



## Increasing Reliability<sup>(2)</sup>



## Increasing Mean Time Between Breakdowns (MTBB, Hours)



(1) Availability equals service hours divided by period hours (total hours less offline gas and less Management Out Of Service (hours not working for economic reasons))

(2) Reliability, defined as: Actual runhours in period divided by hours dispatched to run in period (after scheduled maintenance) e.g. an engine that was dispatched to run for 24 hours (after taking maintenance downtime into account) but actually ran for 23 hours would achieve a reliability figure of 96% for that period

# Stable and predictable operational performance underpins strong cash flows

Largest UK LFG  
Portfolio

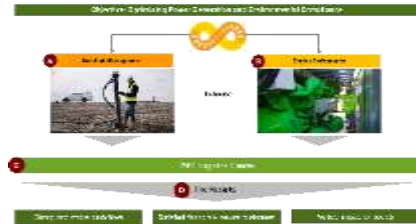
Relentless Focus on  
Operational  
Excellence

Platform for Growth

Predictable Operating  
Cash Flows

66

## Operational excellence model



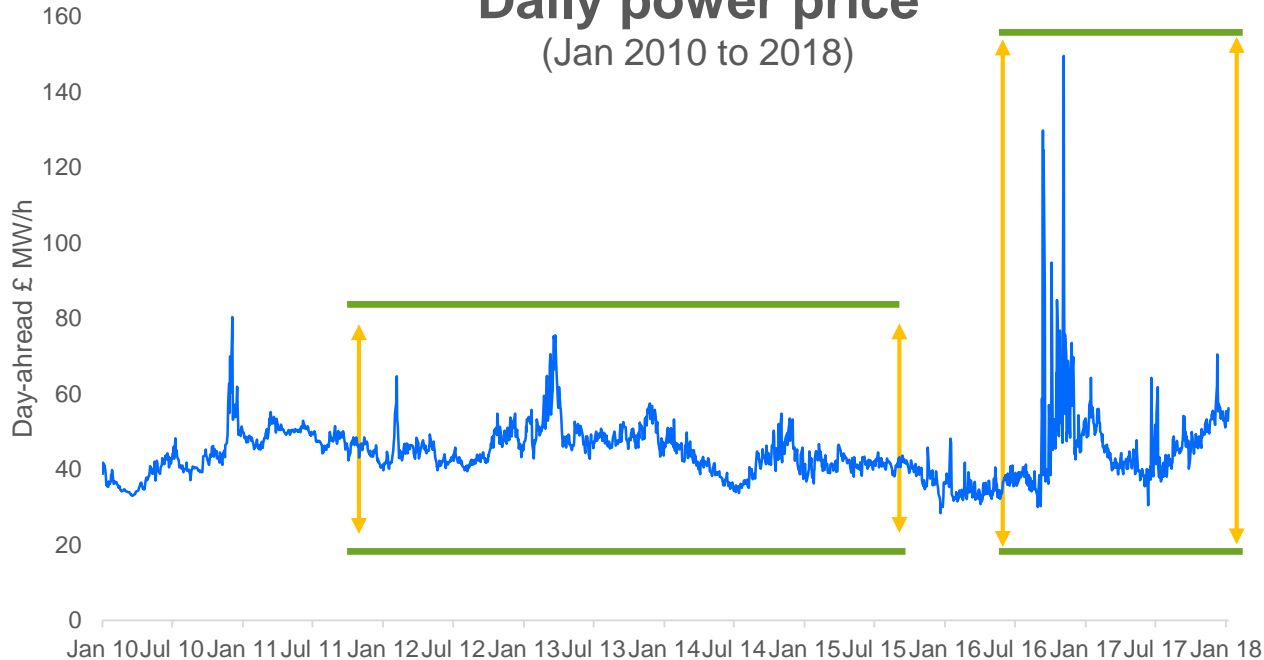
Supportive UK market  
fundamentals



Established and robust  
business

**Strong cash generation**

### Daily power price (Jan 2010 to 2018)



- Reduction in number of coal and oil fired plants
- Increase in intermittent renewable generation
- Additional opportunities for **“reserve”** power generation to balance grid



Arlesey propane (2MW)



Dogsthorpe propane (2MW)



**31MW of alternative gas generation (including propane)  
under development + further identified pipeline**



# Platform for consolidation and growth

Largest UK LFG  
Portfolio

Relentless Focus on  
Operational  
Excellence

Platform for Growth

Predictable Operating  
Cash Flows

69



Scale benefits for synergy  
delivery

- Largest LFG operator with best in class O&M, despatch logistics and commercial route to market
- Procurement savings and operational efficiencies



Sector expertise

- Vast experience as developer, owner and operator of renewable, baseload and flexible power generation assets



Strategic assets

- Surplus & reusable generating plant and grid connection capacity



Innovation driving organic  
growth

- Successfully pioneered the 1<sup>st</sup> Propane reserve power project in the UK
- Pipeline of reserve power projects utilising surplus engines and grid connections
- Initial follow-on investment by 3i of £12m



Proven M&A transactional  
track record

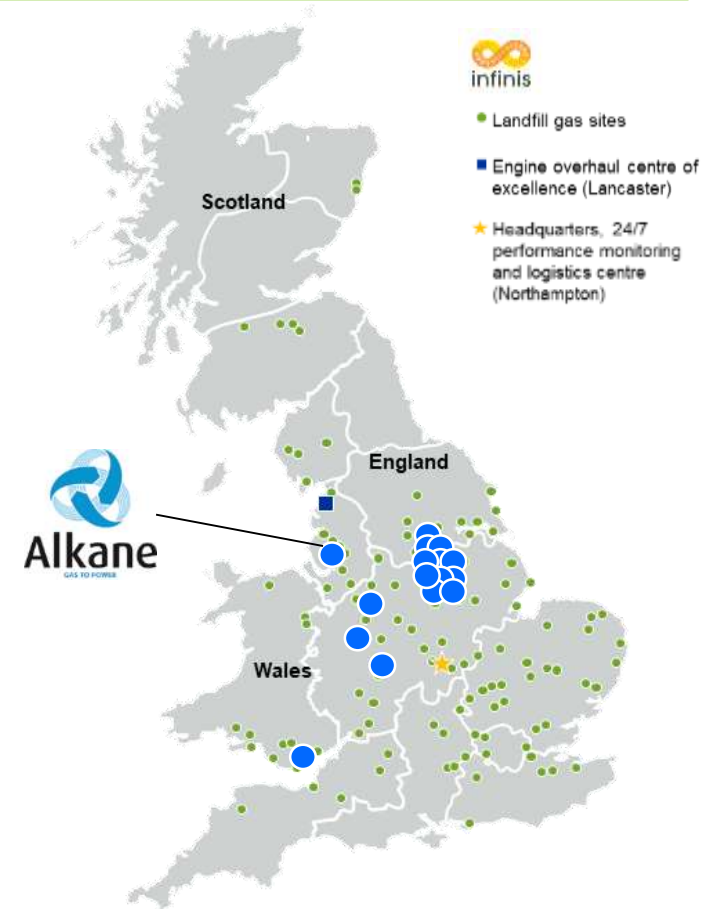
- Previous acquisitions successfully integrated

### Complementary business to Infinis

- 160MW installed capacity
- 30 sites
- 60+ engines
- c.£14m incremental EBITDA

### Strategic attraction

- Aligns perfectly with our strong platform
- Sizeable portfolio & growth potential
- Concentrated location and density of power plants
- Opportunity to improve Alkane's performance through Infinis's operational excellence and economies of scale





**The Possibilities are Infinis.....**



# Q&A

# TCR

3i Infrastructure plc



**Matt Barker**  
Director, 3i



# TCR

Europe's largest independent asset owner of airport ground support equipment

3i Infrastructure plc



- 3iN owns 50% of TCR
- Acquired in July 2016 for £151m
- TCR has developed the market for leased Ground Support Equipment (“GSE”)

**c.50**

**Direct clients**

**c.100**

**Airports**

**c.300+**

**Airlines**



# Why did we invest?

Strong market position and defensive nature of cash flows

3i Infrastructure plc



1

Essential assets

2

Strong management team with history of innovation

3

Attractive value proposition

4

Exposure to air traffic growth

5

Organic and inorganic growth opportunities

# Good progress since acquisition

## Engaged asset management

3i Infrastructure plc



- Refined strategy for the business
- Further growth in Europe
- Supporting international expansion







---

**Marc Delvaux**  
Chief Executive Officer

- Joined TCR as CEO in 1999
- Led acquisition of TCR in 1998, whilst at Brambles
- Alumni of the International Executive Program of Insead (Fontainebleau), MBA from KU Leuven



3i Infrastructure plc

## TCR at a Glance

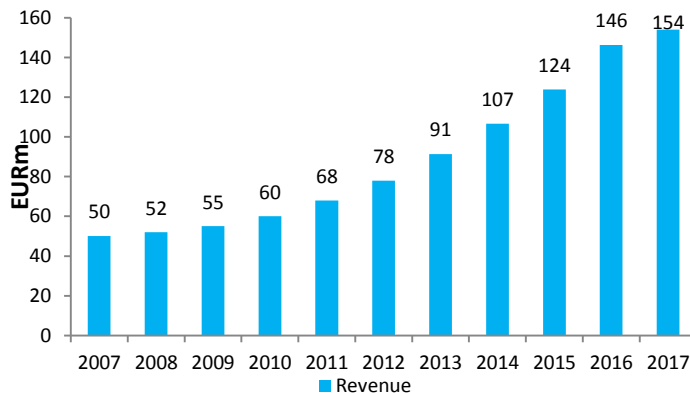
February 2018



## TCR is the leading independent provider of Ground Support Equipment rental

- TCR has strong **infrastructure** characteristics with long term revenue visibility and stable cash flows. TCR currently delivers c. **€65 million EBITDA**
- But TCR also has **significant potential to grow EBITDA** by capturing **untapped potential** and taking advantage of **positive market conditions**
- Out of the **25.000 commercial flights a day** in Europe, **TCR handles 5.000 of them**

Historical Revenue



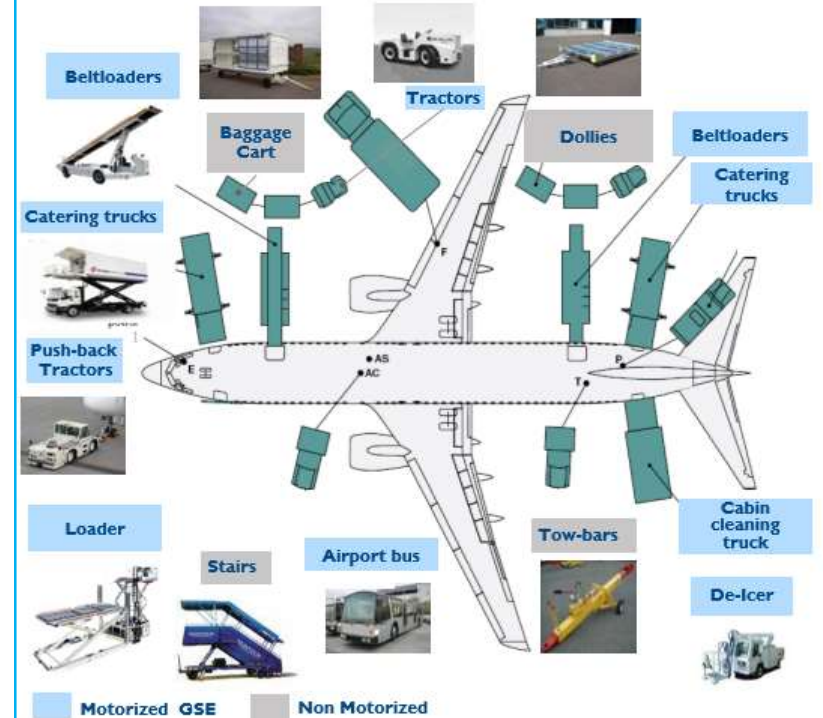
Ground Support Equipment (GSE) is used to service aircraft whilst on the ground. **It is a key part of airport operations**

TCR offers *Full Service Rental* of GSE

- Rental offer is based on specific pricing models, and 3-5 year contracts
- Full service rental : Beyond financing TCR also provides repair, maintenance and ramp assistance by using state of the art workshops, skilled staff and expert systems
- Securing customer operations is a key feature of the TCR offer

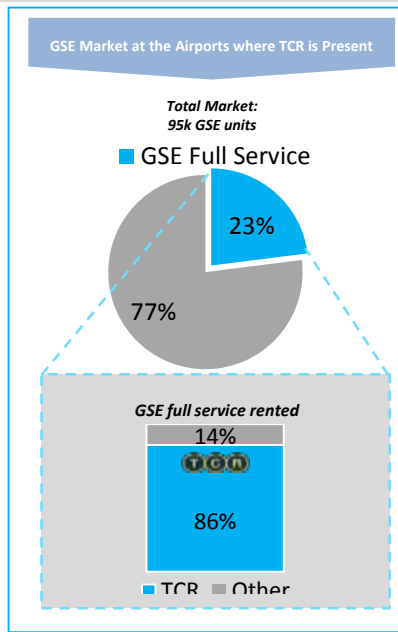
Full Service rental gives TCR customers (airlines, airports, ground handlers), the **operational flexibility and reliability** they need **without having to invest** in assets, workshops and expertise

## Example of ground Support Equipment required to serve aircraft



# TCR is the market leader in its field

On the 95k GSE units in Europe, 22k are rented (23%) of which 19k are rented by TCR, which results in **86% market share** of the rented units and 20% of the total fleet



TCR is substantially larger than its nearest competitor (c. 9x fleet size)

## TCR operates a significant larger fleet than its competitors.

Company	Motorised (# units)
TCR	7,436
Aerolima	780
KLM Equipment Services	~300
Air-Rail	100 (est)
RUSHLIFT	50 (est)
S-P-S	~100 Primarily Non-motorised

TCR has developed extensive expertise and credibility, and works with most of the big names of the Ground Handling industry (airlines, airport and independent ground handlers)

**Our customers**

AIRPORTS

INDEPENDENT GROUND HANDLERS

AIRLINE GROUND HANDLERS

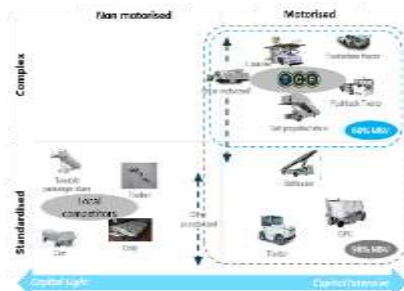
TCR has long standing relationships with key players in the aviation industry:

- TCR has 50+ clients serving 300+ airlines and handling 5000+ flights a day
- +90% retention rate per year

# TCR is clearly an infrastructure like business

## Resilient

- TCR GSE fleet is hard to replicate, expensive and sometimes customized

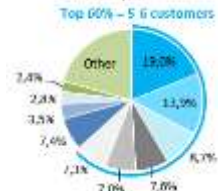


- TCR operates from an incumbent network of workshops on key airport locations
- Level of integration between TCR and customer processes is high as TCR provides much more than just a finance/lease agreement
- TCR is not dependent on PAX variations
- TCR developed a unique custom built ICT system

## Well diversified

- Present in >100+ airports and 14 countries
- 50 clients, most of which operate on multiple airports/countries
- 30 types of GSE
- Serving 300+ airlines

Direct Customers (% of FY17 revenues):



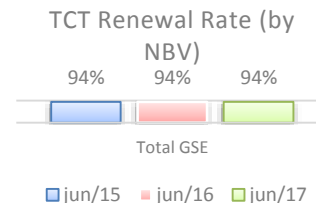
Look-through End-customers:

Estimated End-customers (% of FY17):



## Strong and predictable cash flow

- 3-5 years contracts with >90 % renewal rates



- No speculative capex
- All GSE capex is value accretive
- GSE keeps excellent value over a long period

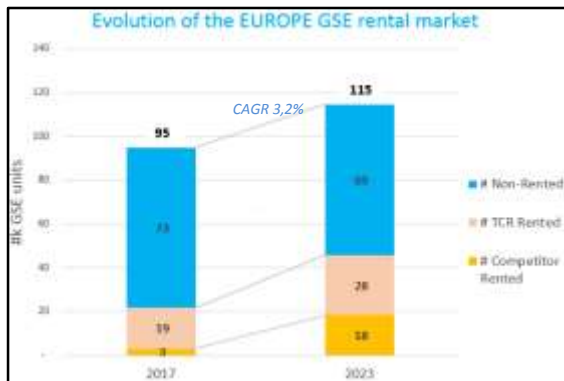
**TIMELY PROVISION OF CRITICAL GSE IS INTERGRAL TO EFFICIENT AIRPORT OPERATION**



# TCR has significant growth potential

## Industry fundamentals are excellent to gain further growth

- Global aircraft ground handling market expected to grow steadily (4% CAGR to 2040)
- Market share of independent ground handlers (the traditional TCR customers) is increasing vs airline self handling
- Rental model is increasingly popular vs ownership



## TCR has a strong project portfolio and a number of exciting growth opportunities for the future

- Further develop the European market share
  - Untapped market of >75%
  - Organic growth
- Take further advantage of the business recently built in APAC
- Secure major contracts in the Middle East
- Pioneer the market in the USA
- Develop new value adding concepts
  - Pooling
  - Telematics
  - Innovative Pricing models



TCR's business plan targets significant increase of revenue and EBITDA.



## Conclusion

- TCR is a resilient business with strong infrastructure features
- TCR plays a pivotal role in the industry
- Large untapped growing market allows further growth
- TCR is very well equipped to grasp future opportunities
- Very good collaborative spirit and alignment between shareholders and management







# Q&A



# Closing remarks

## **Phil White**

Managing Partner and Head of Infrastructure, 3i





1

Maintaining a balanced portfolio

2

Disciplined approach to new investments

3

Managing the portfolio intensively

4

Maintaining an efficient balance sheet

