



Rail



Social infrastructure



Roads

HALF YEAR RESULTS to 30 JUNE 2020

20 August 2020



Will Samuel
Chairman



Ben Loomes
Chief Executive



Stuart Colvin
Group
Financial Controller

AGENDA

1. INTRODUCTION	Will Samuel
.....	
2. BUSINESS REVIEW AND OUTLOOK	Ben Loomes
.....	
3. FINANCIAL PERFORMANCE	Stuart Colvin
.....	
4. CONCLUDING REMARKS	Ben Loomes



1. INTRODUCTION

Will Samuel
Chairman

H1 2020 OVERVIEW

**NAV
per share**

309p

31 Dec 2019
337p

**NAV per share
growth
before dividends paid**

-6%

H1 2019
+3%

**Total portfolio
value**

£1,603m

31 Dec 2019
£1,768m

**Interim dividend
per share**

1.88p

H1 2019
1.84p

- Solid PPP portfolio performance and good project delivery
- Renewable Energy projects challenges and COVID-19 impact
- Low investment activity and modest realisations
- Unlikely to meet £1 billion investment target by end of 2021
- Strong balance sheet and liquidity
- Interim dividend: 1.88p per share, increase of 2.2%

Solid PPP portfolio performance offset by Renewable Energy projects challenges and COVID-19 impact

STRATEGIC REVIEW: KEY PRIORITIES

- **Strategy**
 - Define a clear and focused strategy
- **Capabilities**
 - Determine right resourcing and capabilities, including skill-set of investment teams
- **Processes**
 - Improve consistency and discipline of investment processes
- **Costs**
 - Ensure efficient cost base, aligned with market opportunity
- **Capital management**
 - Efficient balance sheet strategy to generate attractive and sustainable shareholder returns
- **Disclosure**
 - Enhance disclosure and define new KPIs to track progress

Appointment of new CEO with a clear mandate to review strategy and address performance



2. BUSINESS REVIEW AND OUTLOOK

Ben Loomes
Chief Executive

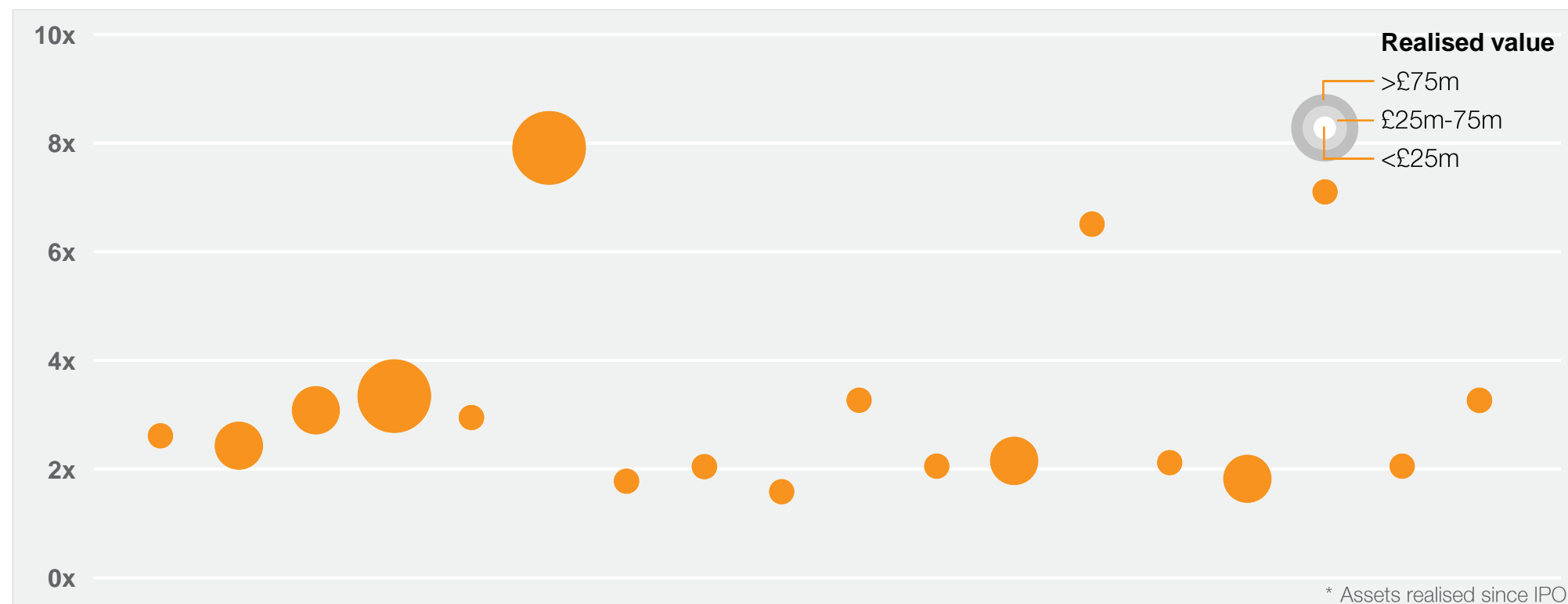
COMPETITIVE STRENGTHS

- **Sourcing primary investments**
 - Extensive network of international and local partner relationships
 - Strong reputation with clients
- **Project and asset management skills**
 - Experienced team managing complex construction programmes
 - Actively managing stakeholder relationships to ensure resolution of issues and successful delivery
- **Good international footprint**

Strong and differentiated greenfield PPP business

STRONG PPP INVESTMENT TRACK RECORD

REALISED MONEY MULTIPLES*

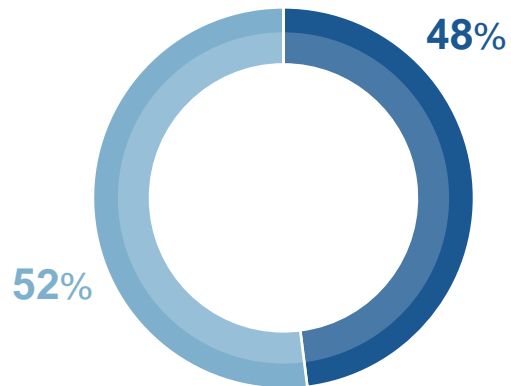


Average money multiple of over 3x

SHAPE OF OUR INVESTMENT PORTFOLIO TODAY

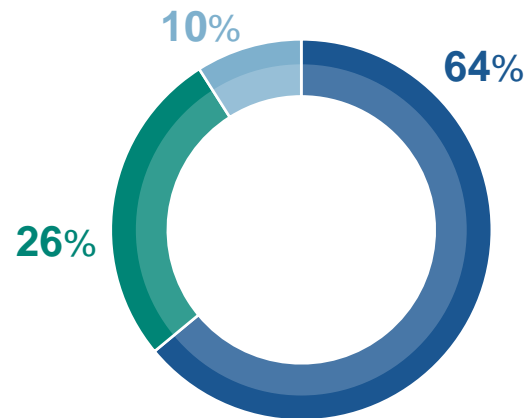
Total portfolio value of £1,603 million

By Stage of Lifecycle



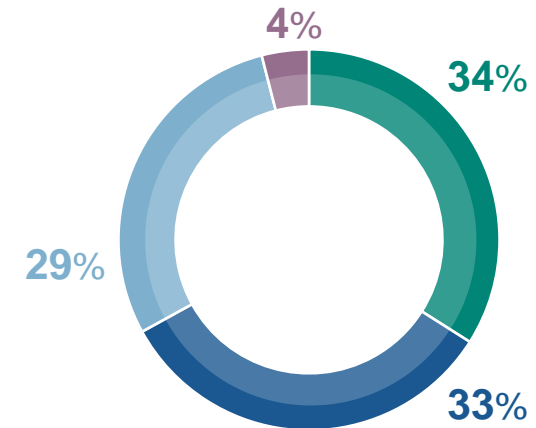
- Primary
- Secondary

By Revenue Type



- PPP: availability-based
- Renewable Energy
- PPP: volume-based

By Region



- Australia
- Europe
- North America
- Latin America

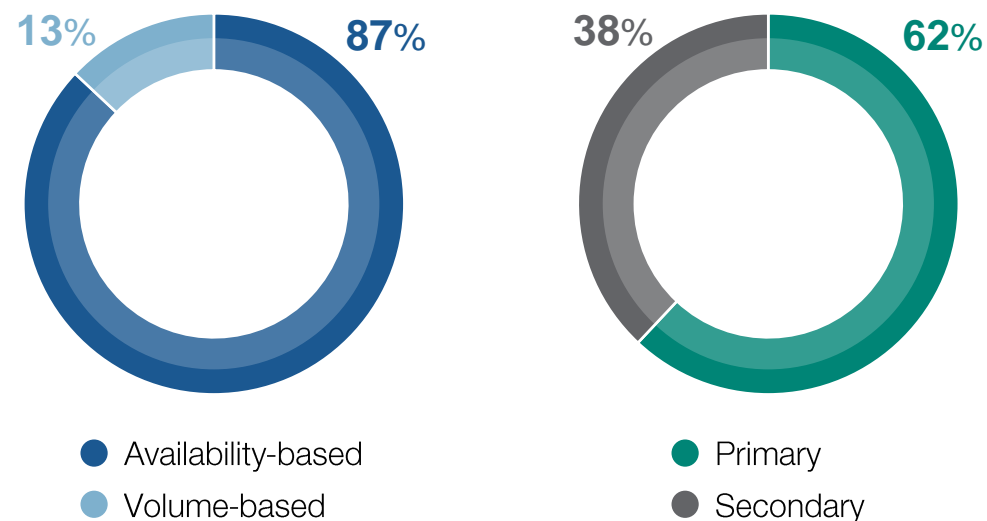
74% of portfolio value invested in PPP projects, majority of which have availability-based revenues

PPP PORTFOLIO

RESILIENT PPP PORTFOLIO, DELIVERING SOLID PERFORMANCE

PPP portfolio value of £1,186 million

PPP portfolio value breakdown



- 3% positive contribution to NAV growth in the period
- Significant weighting to availability-based revenues, providing resilient underpin to the portfolio
- Limited construction delays through lockdown and good secondary asset availability
- Volume-based revenue projects only modestly impacted and volumes recovering well
- Impacted by reduction in short-term inflation assumptions; potential to reverse depending on pace of economic recovery

Significant embedded value in PPP portfolio, with 62% of value in Primary stage, able to benefit from yield shift as projects progress to operation

GOOD PROJECT DELIVERY AND AVAILABILITY

UK	IEP East	63 out of 65 trains delivered
US	I-4 Ultimate	Key interchange opened 3 months ahead of schedule
	MBTA	Successful scope expansion and project refinancing
AUSTRALIA	Clarence Correctional Centre	Opened in July on schedule
	Sydney Light Rail	Achieved completion in July
COLOMBIA	Ruta del Cacao	Important milestones passed, construction >55% complete

INVESTMENTS: MOMENTUM BUILDING FOR 2021

Muted investment levels in 2020 with momentum expected to return in 2021

Investment	Sector	Country	Revenue type	Expected financial close
ViA15 (preferred bidder)	Highways	Netherlands	Availability	Q1 2021
North East Link	Highways	Australia	Availability	Q1 2021
Footscray Hospital	Social infrastructure	Australia	Availability	Q1 2021
Dartmouth Green Energy	Energy and utilities	US	Availability	Q2 2021
Confidential PPP project	Social infrastructure	US	Availability	H2 2021
Jefferson Parkway	Highways	US	Volume	Q3 2021
Redfern Communities Plus	Social infrastructure	Australia	Volume	Q4 2021
Georgia SR-400 Express Lanes	Highways	US	Availability	Q4 2021
I-495 & I-270 P3 Program Phase 1	Highways	US	Volume	Q3 2022
Sepulveda Transit Corridor	Transit	US	Availability	Q2 2024

Healthy increase in preferred and short-listed bidder positions in our PPP business

REGIONAL REVIEW

Region	% of total portfolio value	Comments	Current assessment
Asia Pacific	34%	<ul style="list-style-type: none"> • Currently focused on Australia • States generally pursuing pro-growth agendas, with investment in new infrastructure • Good momentum with short-listed bidder positions and opportunities for investment over the next few years 	
North America	29%	<ul style="list-style-type: none"> • PPP-enabling legislation in all US States with major metropolitan areas • Good momentum with short-listed bidder positions and opportunities for investment over the next few years 	
Europe	33%	<ul style="list-style-type: none"> • Mature and competitive market • Limited new PPP opportunities 	
Latin America	4%	<ul style="list-style-type: none"> • Currently focused on Colombia and Peru • Pipeline of PPP opportunities, e.g. 4G and 5G road programmes • Selective approach; careful assessment of risk-adjusted returns 	

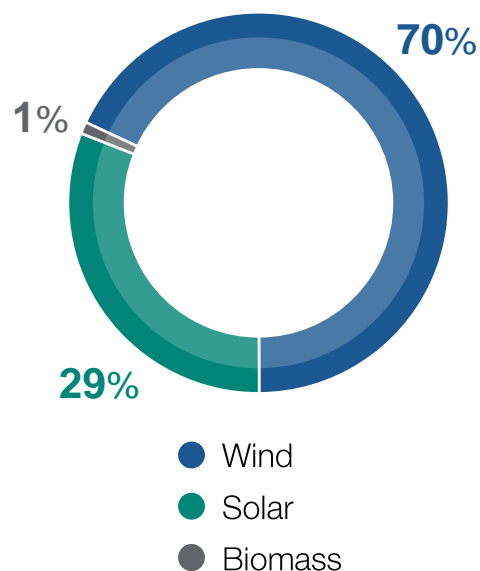
Good activity levels in the US and Australia. Potential emerging opportunities in parts of Latin America

RENEWABLE ENERGY PORTFOLIO

RENEWABLE ENERGY: KEY CHALLENGES

Renewable Energy portfolio value of £417 million

Renewable Energy portfolio value breakdown by Type

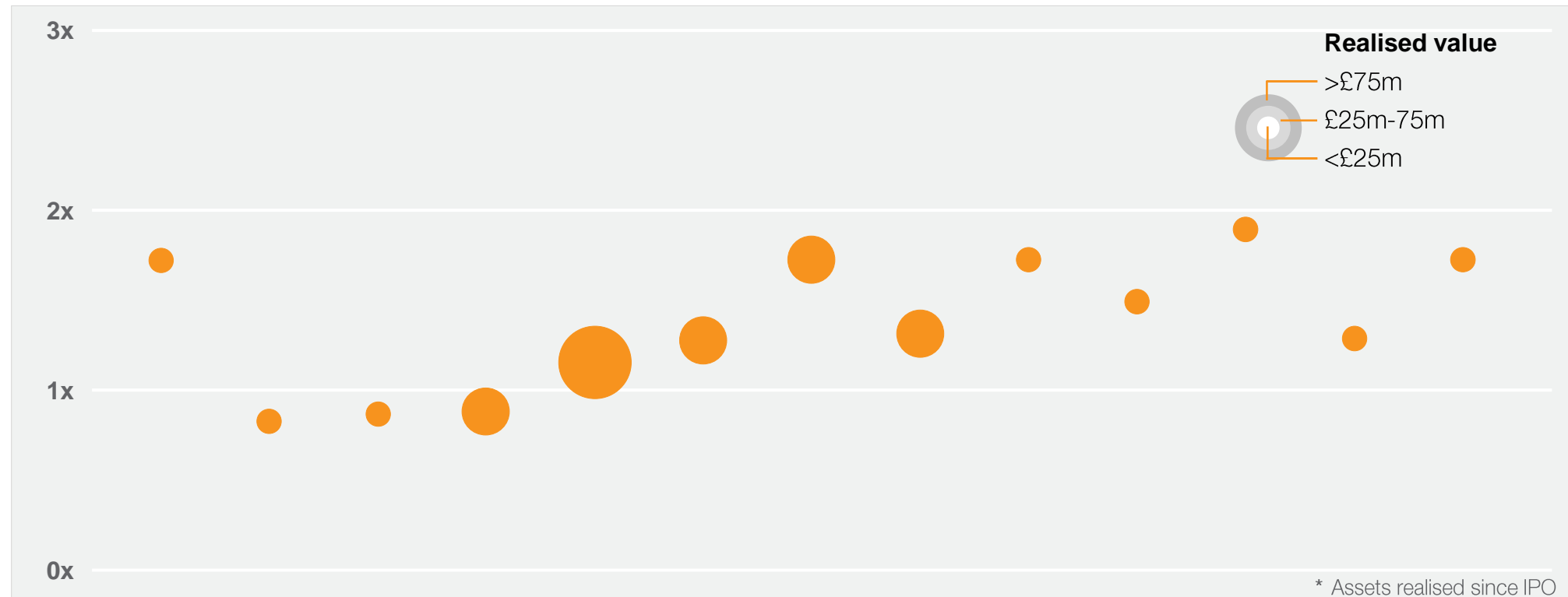


- c.75% of value reduction in the first half related directly to Renewable Energy projects
 - Impacted by declines in power price forecasts and changes in macro-economic assumptions
- Asset-specific issues in biomass and solar projects
 - Focus on resolving issues, and readying for realisation
- Commitment to reduce exposure to Renewable Energy over time through realisations
 - Reduce portfolio's exposure to merchant prices and reduce volatility in portfolio returns

Value reductions concentrated in Renewable Energy portfolio

RENEWABLE ENERGY INVESTMENT TRACK RECORD

REALISED MONEY MULTIPLES*



PORTFOLIO REVIEW AND CAPITAL MANAGEMENT

PORTFOLIO REVIEW: LARGEST ASSETS

LARGEST 5 PRIMARY INVESTMENTS BY VALUE

Investment	Country	Description	Revenue type	% of total portfolio value*	Assessment
IEP Phase 2	UK	Rolling stock replacement	PPP - Availability	Commercially sensitive	●
Sydney Light Rail	Australia	Light rail system	PPP - Availability	5%	●
Ruta del Cacao	Colombia	Highway project in Santander	PPP - Availability	4%	●
I-66 Managed Lanes	US	Highway project in Virginia	PPP - Volume	4%	●
I-4 Ultimate	US	Highway project in Florida	PPP - Availability	3%	●

LARGEST 5 SECONDARY INVESTMENTS BY VALUE

Investment	Country	Description	Revenue type	% of total portfolio value*	Assessment
Clarence Correctional Centre	Australia	1,700 bed correctional complex in NSW	PPP - Availability	7%	●
Denver Eagle P3	US	Three commuter rail lines and rolling stock in Denver metropolitan area	PPP - Availability	6%	●
Live Oak Wind Farm	US	c.200MW wind farm in Texas	Renewable Energy	5%	●
New Royal Adelaide Hospital	Australia	800 bed hospital in Adelaide, South Australia	PPP - Availability	4%	●
I-77 Managed Lanes	US	Highway project in North Carolina	PPP - Volume	4%	●

* Based on mid-point of range in RNS

REALISATIONS: H1 2020

5 realisations, including 4 Renewable Energy projects

REALISED PROJECTS:

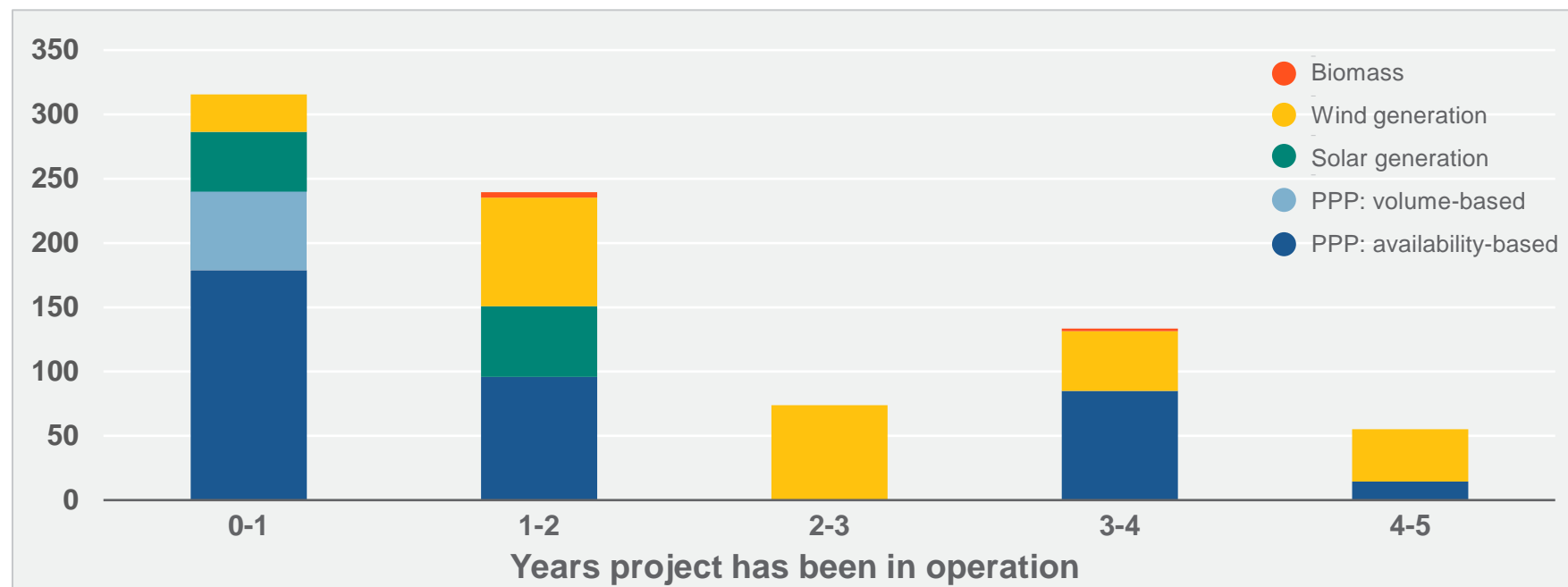
Project	Sector	Country	Proceeds (£m)
Buckthorn wind farm	Renewable energy	US	44
Pasilly wind farm	Renewable energy	France	8
St Martin wind farm	Renewable energy	France	3
Sommette wind farm	Renewable energy	France	15
Auckland South Corrections Facility	Social Infrastructure	New Zealand	18
Total proceeds			88

Aggregate proceeds in line with book value

REALISATIONS: ATTRACTIVE SECONDARY PORTFOLIO

Secondary assets portfolio value of £836m

VALUE OF SECONDARY PORTFOLIO (£m)



**Material proportion of secondary portfolio comprises availability-based PPP projects
Expected to be highly attractive prospects for realisation, particularly in a low interest rate environment**

REALISATIONS: OUTLOOK

- **Committed to maximising value from secondary assets through realisations**
 - Divestment plans in place for each asset, to ensure ready for sale with good operational track record
 - Strong secondary markets: low interest rates and investor appetite for yield
- **Good momentum with several sale processes underway currently**
 - COVID-19 has led to some delays so the target of £1 billion by end of 2021 is now unlikely to be achieved, however we are committed to further realisations over next few years
- **Disciplined approach**
 - Sell assets only when ready
 - Focus on value optimisation, including yield
- **Dividend policy: shareholders share directly in our realisation successes**

Secondary portfolio capable of generating attractive realisation results, at or above book value

STRATEGIC REVIEW: MY PRIORITIES

- Define a clear and focused strategy, delivering attractive and consistent shareholder returns
- Determine right resourcing and capabilities, including skill-set of investment teams
- Improve consistency and discipline of investment processes
- Ensure efficient cost base, aligned with market opportunity
- Efficient balance sheet strategy to generate attractive shareholder returns
- Enhance disclosure and define new KPIs to track progress

Strategic review is well underway, outputs to be announced in November

ACTIONS ALREADY TAKEN IN FIRST 100 DAYS

- Undertaken detailed portfolio review
- Strengthened investment selection process for new investments
- Implemented early warning monitoring process across portfolio; more pro-active approach to project issues
- Asset-by-asset divestment planning in place
- Capabilities review and recruitment well underway; adding new skills to investment teams
- Costs review underway



3. FINANCIAL PERFORMANCE

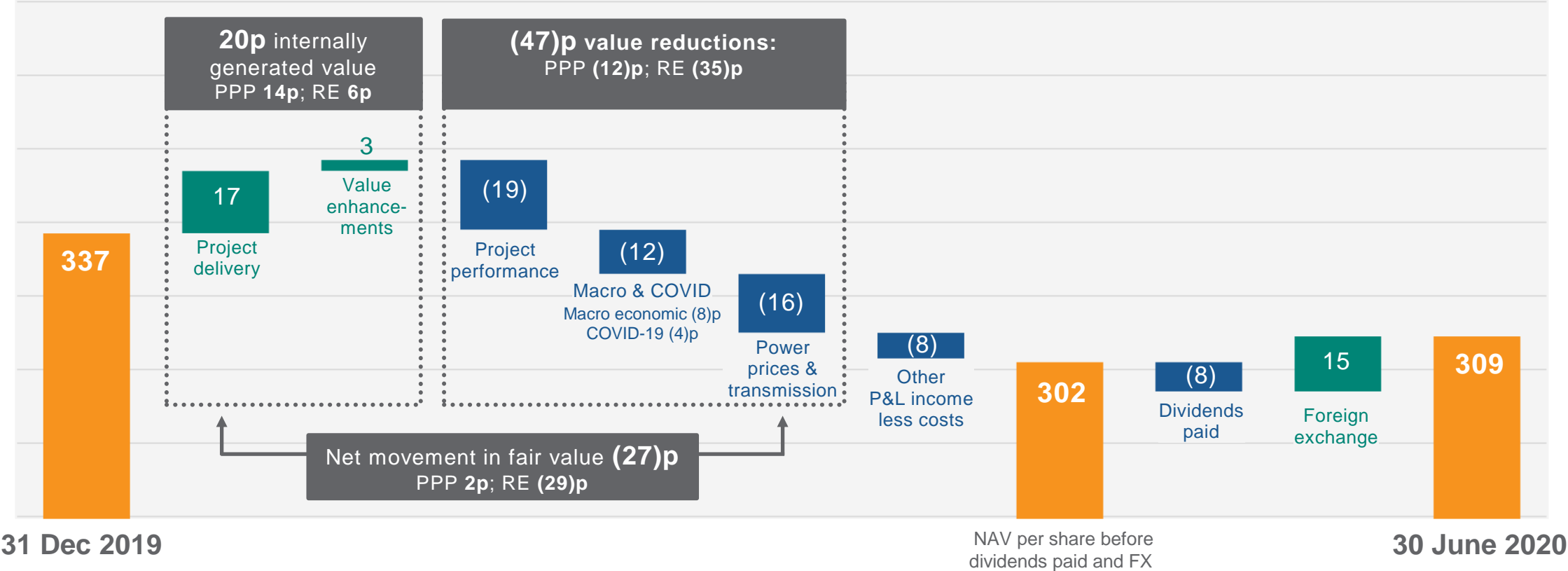
Stuart Colvin
Group Financial Controller

H1 2020 FINANCIAL OVERVIEW

- **NAV per share** reduced from 337p to 309p in the period; -6% before dividends paid
- **Solid underlying PPP performance** offset by Renewable Energy challenges and COVID-19:
 - PPP: (74% of total portfolio value): +3% NAV contribution (1% at constant currency)
 - Renewable Energy portfolio (26% of total portfolio value): -7% NAV contribution (-9% at constant currency)
- **Project performance issues** related to asset-specific issues in solar and biomass
- **Strong balance sheet & liquidity position** – realisation proceeds of £88m
- **Interim dividend 1.88p per share** – above inflation

NAV PER SHARE BRIDGE

PENCE PER SHARE



c.75% of value reductions relate to Renewable Energy

PORTFOLIO VALUE CREATION

Components (£m)	6 months ended 30 June 2020	6 months ended 30 June 2019
Unwinding of discounting	17p { 64	53
Reduction of construction risk premia	20	35
Value enhancements	3p { 15	78
Value uplift on financial closes	---	---
Net losses from project performance	(19)p { (95)	(44)
Change in macro economic assumptions	(12)p { (40)	(1)
COVID-19 impacts	(21)	---
Change in operational benchmark discount rates	---	12
Change in power and gas prices	(16)p { (67)	(13)
Transmission issues (Australia)	(11)	(66)
Impact of foreign exchange movements	15p { 73	(2)
Fair value movement	(12)p { (62)	52

Project
delivery

STRONG BALANCE SHEET AND LIQUIDITY

SUMMARY BALANCE SHEET

Key line items (£m)	30 June 2020	31 Dec 2019
Portfolio valuation	1,603	1,768
Cash collateral balances	126	118
Cash and cash equivalents	286	7
Pension surplus (IAS 19)	38	13
Other assets	15	16
Total assets	2,068	1,922
Cash borrowings	(517)	(239)
Other liabilities	(26)	(25)
Total liabilities	(543)	(264)
Net assets	1,525	1,658

AVAILABLE FINANCIAL RESOURCES

£m	30 June 2020	31 Dec 2019
Committed facilities	650	650
Letters of credit issued	(99)	(95)
Other facility utilisation	(526)	(248)
Utilisation of facilities	(625)	(343)
Facility headroom	25	307
Available cash and bank deposits	286	7
Net available financial resources	311	314
Letters of credit and other guarantees	99	101
Cash collateral	126	118
Future cash investments into projects	228	219

Available financial resources of £311m at 30 June 2020



4. CONCLUDING REMARKS

Ben Loomes
Chief Executive

FAVOURABLE MARKET AND INVESTMENT OUTLOOK

- While COVID-19 has created short-term delays in bid processes, we are seeing good momentum going into 2021
- Fundamental drivers of new infrastructure investment remain strong globally
- Material opportunity over coming years as governments increase infrastructure investment to stimulate economic recovery
- Private finance needed to support this significant investment
- We are well placed to capitalise on opportunities in our core sectors such as transport and social infrastructure
- Additionally, strong growth in new infrastructure to improve digital connectivity and support energy transition, and we are adding capabilities in these areas

Significant requirement globally for new infrastructure investment
Our strong balance sheet and differentiated greenfield platform mean we are well positioned

CONCLUSION

- Strong and differentiated greenfield platform with a long-term track record
- Attractive and resilient PPP portfolio with significant embedded value
- Low interest rate environment and investor appetite for yield should drive successful realisations of secondary assets over the next few years
- Strong balance sheet and liquidity position enables us to take advantage of developing investment pipeline
- Growth outlook for infrastructure market and scale of opportunity is attractive
- Strategic review is well underway; output to be announced in November

Focused on growing NAV from a strong base and on generating consistent and sustainable returns for shareholders

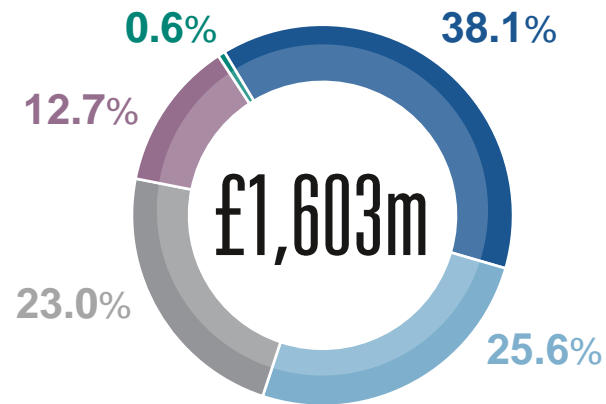
Q&A

APPENDICES

PORTFOLIO

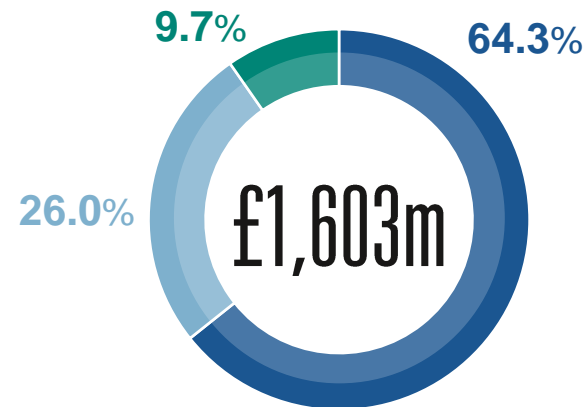
AT 30 JUNE 2020

By Sector



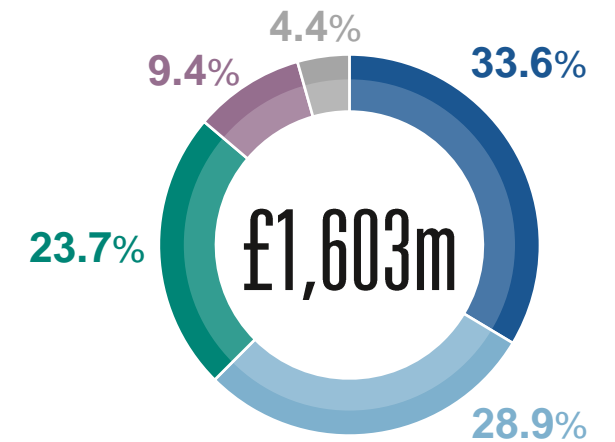
- Transport and rolling stock
- Wind and solar
- Transport – roads and other
- Social infrastructure
- Waste & Biomass

By Revenue



- Availability-based PPP
- Renewable energy
- Volume-based PPP

By Currency



- Australian Dollar
- US and Canadian Dollar
- Sterling
- Euro
- Colombian Peso*

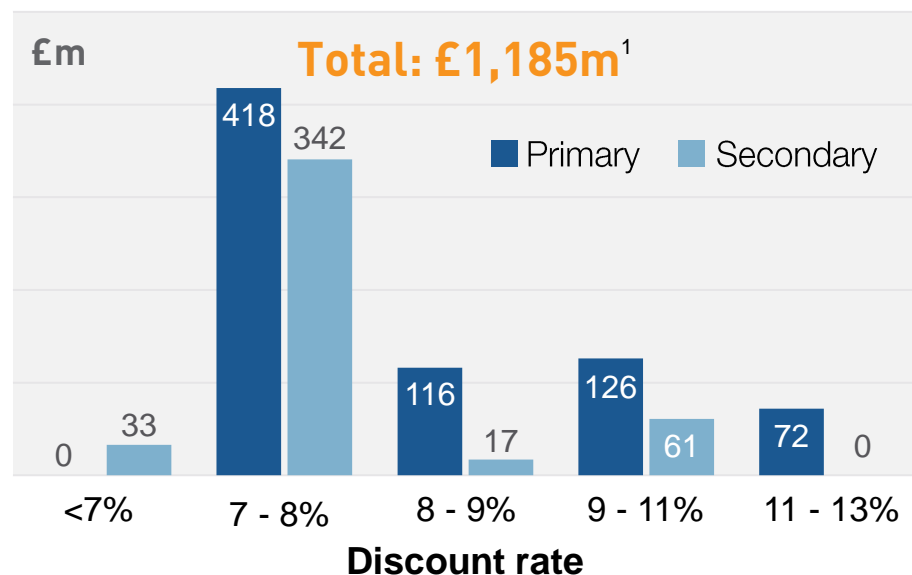
*partially hedged

PORTFOLIO DISCOUNT RATES

AT 30 JUNE 2020

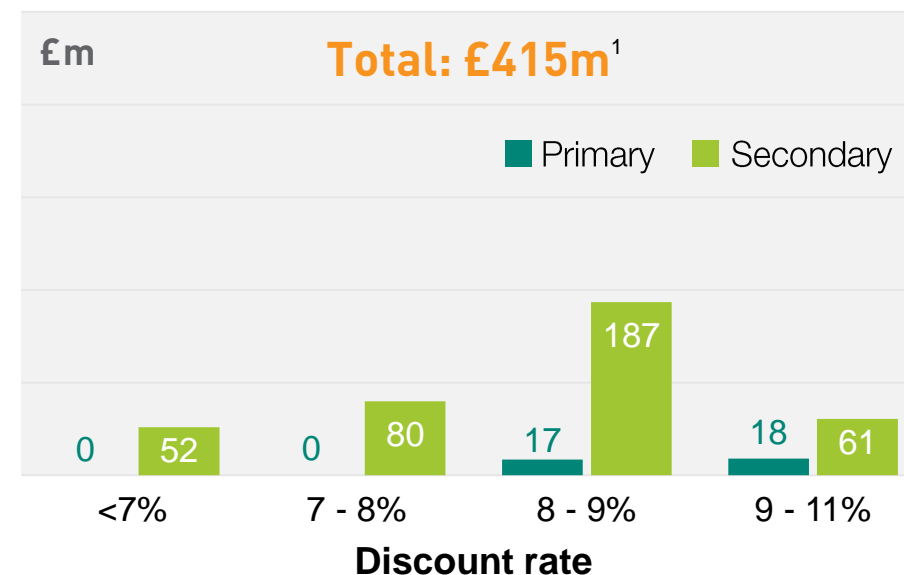
By discount rate – PPP

WADR 8.8% at 30 June (8.9% at 31 Dec 2019)



By discount rate – renewable energy

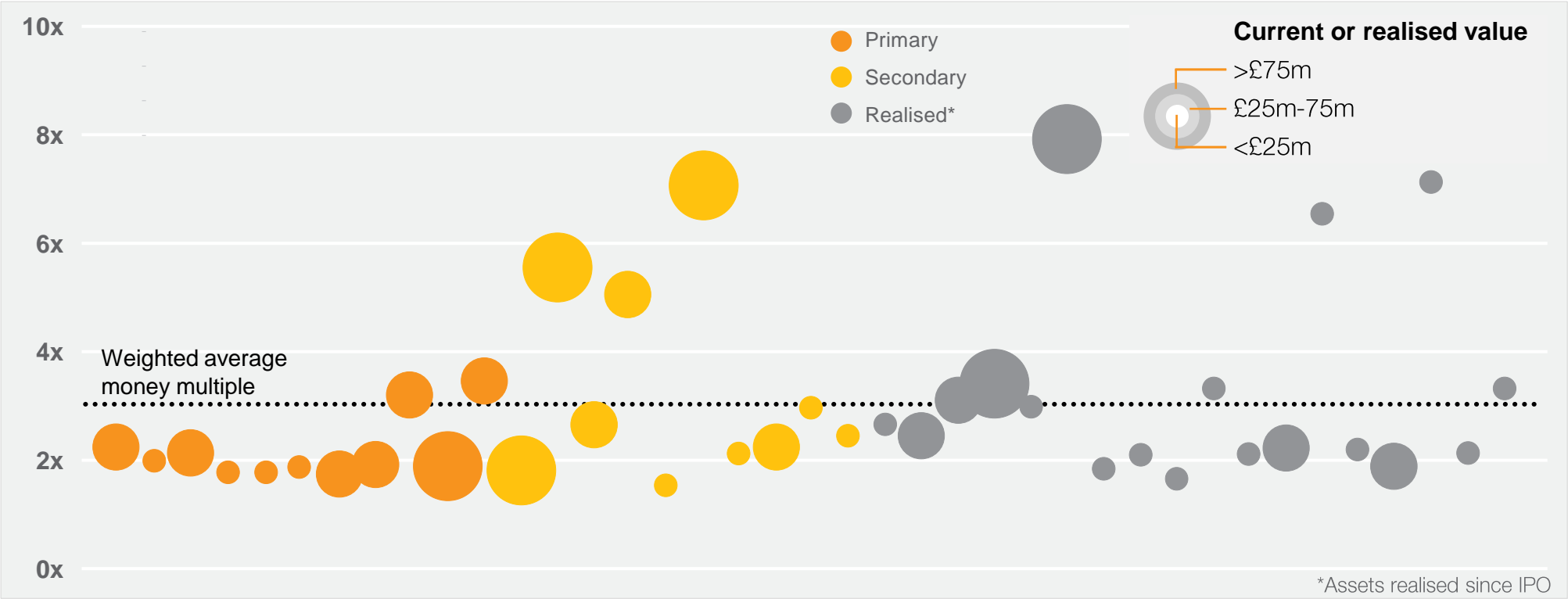
WADR 8.6% at 30 June (8.1% at 31 Dec 2019)



1. Excludes assets not valued on a DCF basis: £1m in PPP portfolio and £2m in RE portfolio

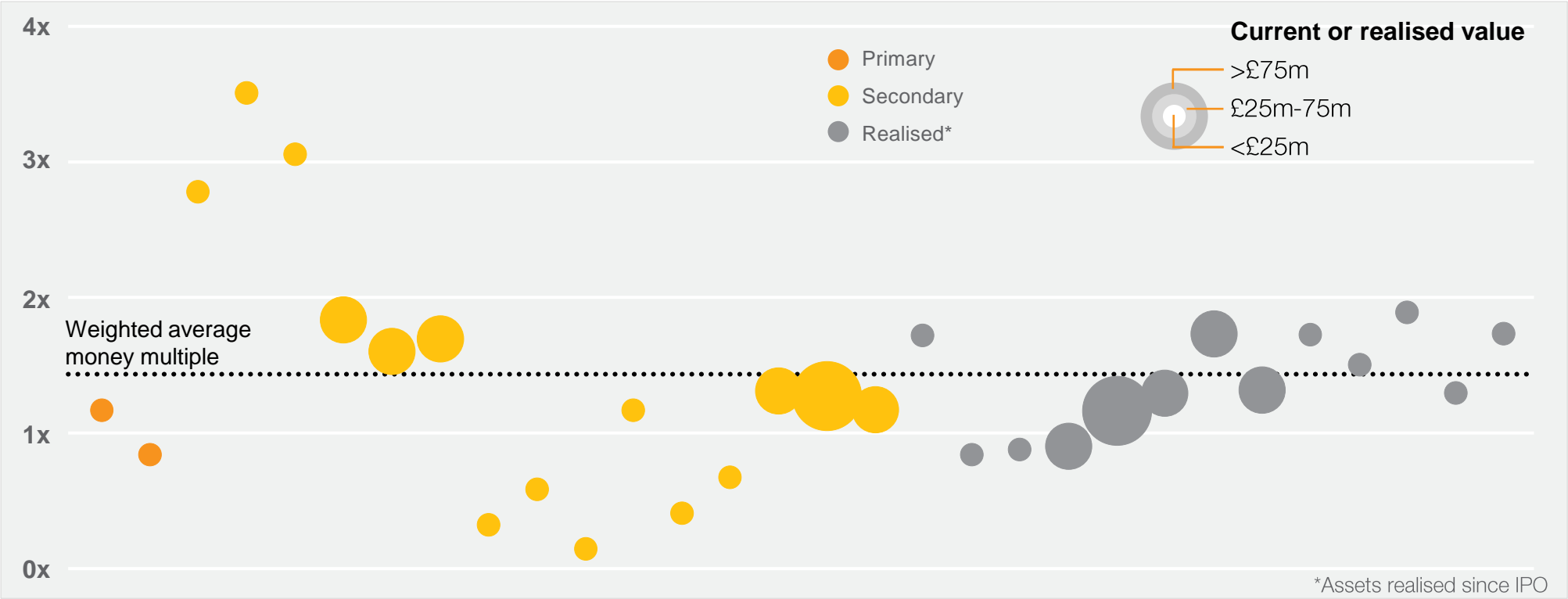
STRONG PPP INVESTMENT TRACK RECORD

PROJECT MONEY MULTIPLES



RENEWABLE ENERGY INVESTMENT TRACK RECORD

PROJECT MONEY MULTIPLES



FAVOURABLE MARKET OUTLOOK

Region	Comments
Australia	<ul style="list-style-type: none"> • 2016-2040: total spend US\$1.5 trillion* underpinned by economic and demographic fundamentals • Infrastructure pipelines for New South Wales and Victoria >AUD160 billion, much of it focused on transport
US	<ul style="list-style-type: none"> • One of the largest infrastructure markets in the world • Significant investment gap: 2016-40 spend US\$8.6 trillion; 45% more required to address under-investment
Europe	<ul style="list-style-type: none"> • Relatively mature, well invested infrastructure market • UK: £100 billion National Infrastructure Strategy expected this autumn – focus on broadband and transport • EU: €750 billion Green Deal aimed at a greener, more inclusive, digital and sustainable Europe
Latin America	<ul style="list-style-type: none"> • Colombia: 4G roads programme c.US\$19 billion; 5G PPP programme c.US\$9 billion • Peru: updated c.US\$5.4 billion PPP pipeline announced in January

*Oxford Economics

SUMMARY INCOME STATEMENT

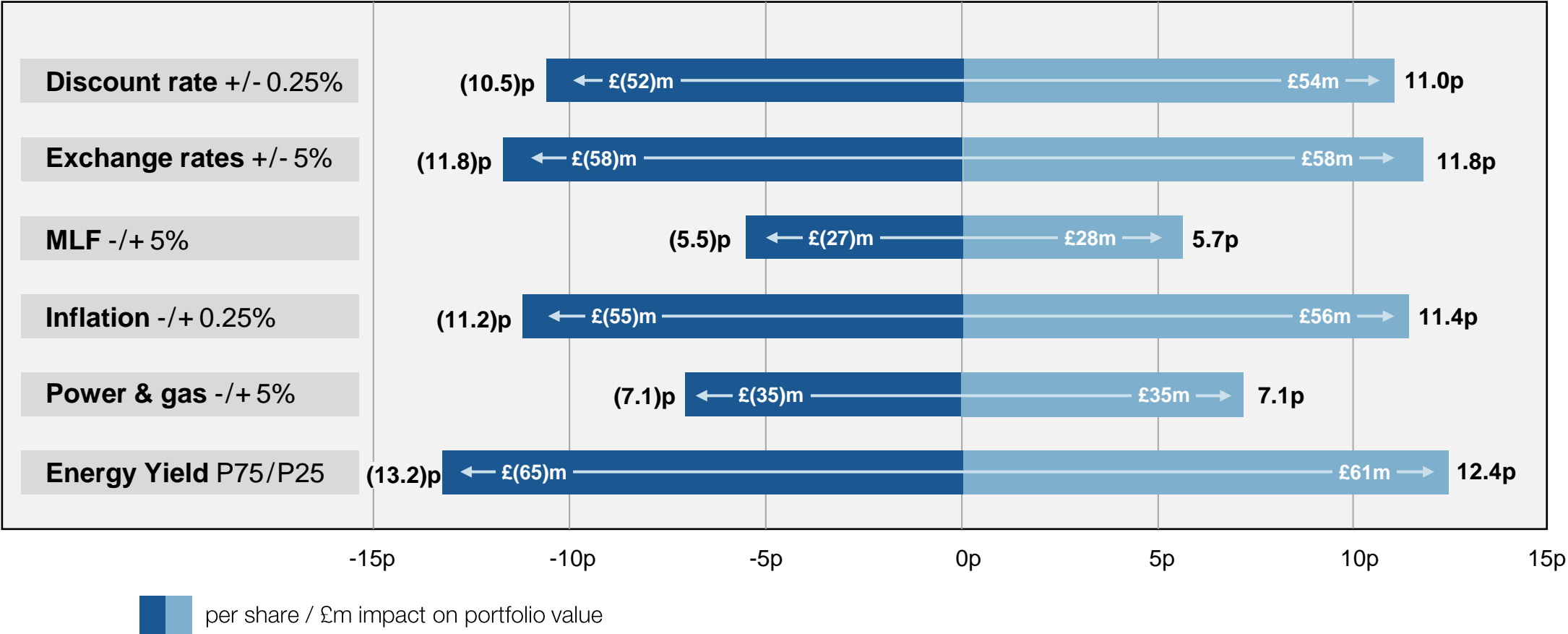
Key line items (£m)	30 June 2020	30 June 2019
Fair value movement - portfolio	(62)	52
Fair value movement - other	1	1
Asset management services revenue	4	23
Operating (loss) / income	(57)	76
Staff costs	(19)	(20)
General overheads	(7)	(8)
Other net costs	(6)	(8)
(Loss) / profit from operations	(89)	40
Finance costs	(6)	(5)
(Loss) / profit before tax	(95)	35
Earnings p/share (basic)	(19.2)p	7.1p

SUMMARY CASH FLOW

Key line items (£m)	30 June 2020	30 June 2019	
Cash yield	20	35	
Other operating cashflows	(21)	(13)	
Total operating cashflow	(1)	22	• Cash investment into projects £5m – reflected in the portfolio
Cash investment in projects	(5)	(89)	
Proceeds from realisations	88	133	• Realisations of £88m
Disposal costs	(3)	(2)	
Net investing cashflows	80	42	
Cash contributions to JLPF	(26)	(29)	• Cash contribution to JLPF – £26m in March 2020
Dividend payments	(38)	(38)	
Finance charges and other	(6)	(8)	• Dividend paid – £38m in May
Net financing cash flow	(70)	(75)	
Cash inflow / (outflow)	9	(11)	
Opening (net debt) / cash	(114)	70	
Closing (net debt) / cash	(105)	59	

SENSITIVITY ANALYSIS

30 JUNE 2020



PENSION SURPLUS UNDER IAS19

- Net IAS19 surplus: £38 million at 30 June 2020 (£13 million surplus at 31 Dec 2019)
 - £26 million cash contribution paid to JLPF in March
- Triennial valuation of JLPF as at 31 March 2019 finalised and agreed in April 2020
 - Actuarial deficit reduced to £101 million as at 31 March 2019 (£171 million at 31 March 2016) primarily due to cash contributions
 - Four year deficit repayment plan agreed – small increase to the remaining payments under the previous plan totalling £3.1 million
 - Remaining payments - £26 million in 2021 and 2022; £25 million in 2023

£m	IAS19 surplus at 30 June 2020	IAS19 surplus at 31 Dec 2019
John Laing Pension Fund	36	12
John Laing Pension Plan	2	1
Summary Balance Sheet	38	13

Movement (£m)

1 January 2020	13
Scheduled cash contribution	26
Other movements	(1)
30 June 2020	38