JLEN

John Laing Environmental Assets Group Limited

# Annual Results 2017

15 June 2017

# Overview of JLEN

**Diversified portfolio of environmental infrastructure projects – long-term, predictable, wholly or partially inflation linked cash flows**

## Investment profile

- Invests in operational projects with well-established technologies and demonstrable track record of operational performance
- 19 wind, solar, waste and wastewater management projects in the UK and France

## Investor returns

- Sustainable dividend, paid quarterly, targeted to increase progressively in line with inflation. 6.14p declared for year to March 2017; 6.31p targeted for 2018[1]
- Target net IRR of 7.5% to 8.5% over longer term[2]

## Management

- Independent Board of five non-executive directors
- Experienced Investment Adviser: John Laing Capital Management

## Future growth

- First Offer Agreement over pipeline of existing assets from John Laing
- Active secondary market for third party asset purchases

1. *This is an annualised target only and not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions at all.*
2. *On IPO issue price. These are targets only and not profit forecasts. There can be no assurance that these targets will be met.*

# Highlights

## Performance

- NAV increased to 100.1p (March 2016: 96.7p)
- Portfolio value of £327.6m (March 2016: £264.5m)
- 6.14p dividends declared

## Portfolio

- Four acquisitions totalling £53.9m
- 177.4MW capacity across all assets
- 19 operational solar, onshore wind and waste and wastewater processing assets

## Funding

- £115.6m equity raised
- RCF increased to £75m; £38m currently drawn
- Proposed equity raise for £40m

# Portfolio Overview as at 31 March 2017

***Tay*** - 33%, PFI for Scottish Water
***D&G*** - 80%, PFI for Council
***ELWA -*** 80%, PFI for Waste Authority

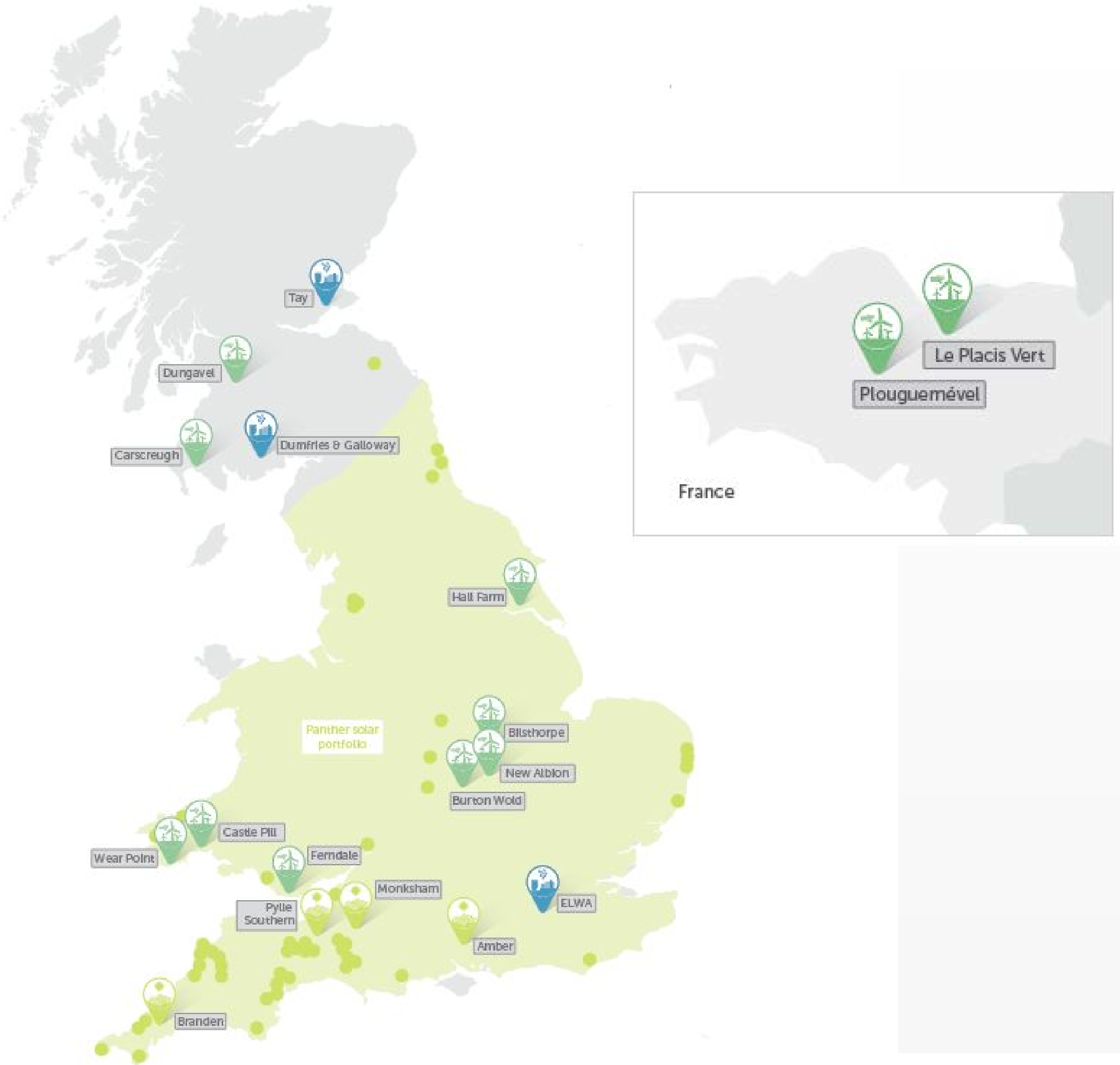
***Carscreugh*** - 100%, 15.3MW ROC
***Hall Farm*** - 100%, 24.6MW ROC
***Bilsthorpe*** - 100%, 10.2MW ROC
***Castle Pill*** - 100%, 3.2MW ROC
***Ferndale*** - 100%, 6.4MW ROC
***Wear Point -*** 100%, 8.2MW ROC
***Burton Wold -*** 100%, 14.4MW ROC
***Le Placis Vert*** - 100%, 4MW, FiT
***Dungavel -*** 100%, 26MW, 0.9ROC
***New Albion -*** 100%, 14.4MW, 0.9ROC
***Plouguernével -*** 100%, 4MW, FiT

***Amber Fryingdown -*** 100%, 5MW FiT
***Amber Five Oaks*** - 100%, 4.8MW FiT
***Branden Victoria -*** 100%, 5.8MW ROC
***Branden Luxulyan/Treddinick*** - 100%, 8.9MW ROC
***Monksham*** - 87%*, 10.7MW ROC
***Panther -*** 100%, 6.5MW FiT
***Pylle Southern***- 100%, 5MW FiT

* *Effective economic interest*

Domestic rooftop solar

Commercial small scale solar



# Acquisitions and pipeline

**Dungavel wind farm, South Lanarkshire**
- June 2016
- £38.2m
- 26MW
- 0.9 ROCs

**Le Placis Vert wind farm, Brittany**
- July 2016
- €2.5m
- 4MW
- 15 year FiT

**New Albion wind farm, Northamptonshire**
- July 2016
- £11.8m
- 14.4MW
- 0.9 ROCs

**Plouguernével wind farm, Brittany**
- December 2016
- €2.1m
- 4MW
- 15 year FiT

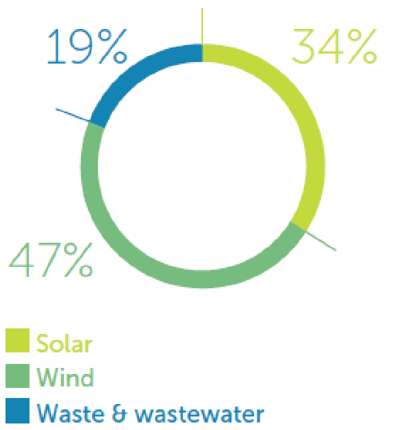
Subsequent to year end, JLEN acquired the Moel Moelogan 1 and 2 wind farms located in North Wales, and a portfolio of four ground mounted solar parks located in Cornwall and South Wales for a total consideration of £37.9m

Strong level of acquisition opportunities across breadth of environmental infrastructure including estimated £345m pipeline under First Offer Agreement with John Laing to 31 December 2019

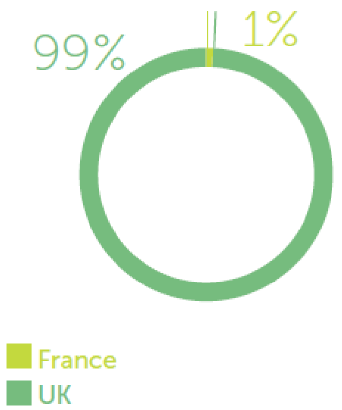
# Portfolio analysis at 31 March 2017



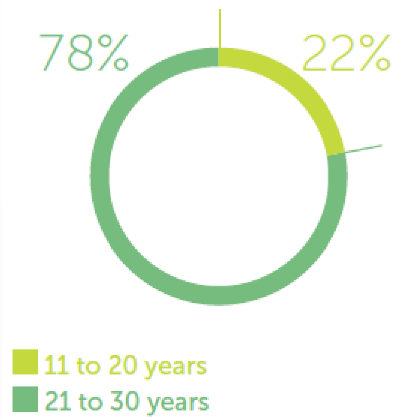
### Portfolio value split by sector



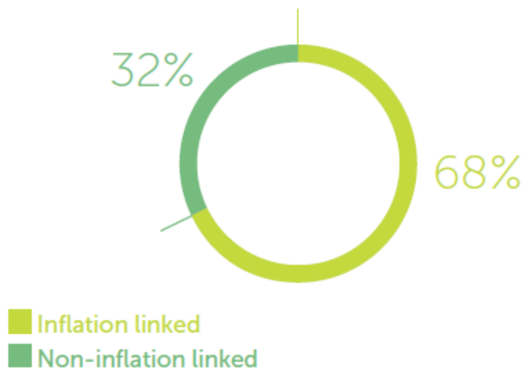

### Portfolio value split by geography



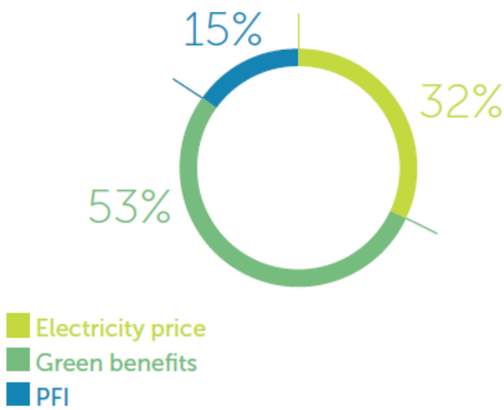

### Portfolio value split by remaining asset life (years)




### Portfolio distributions split by inflation linkage[1]

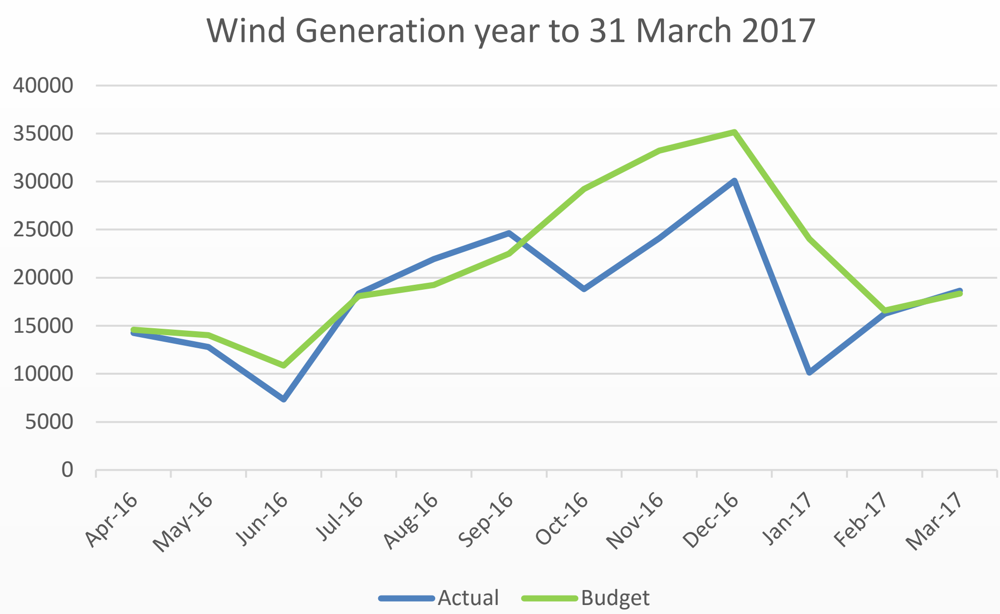


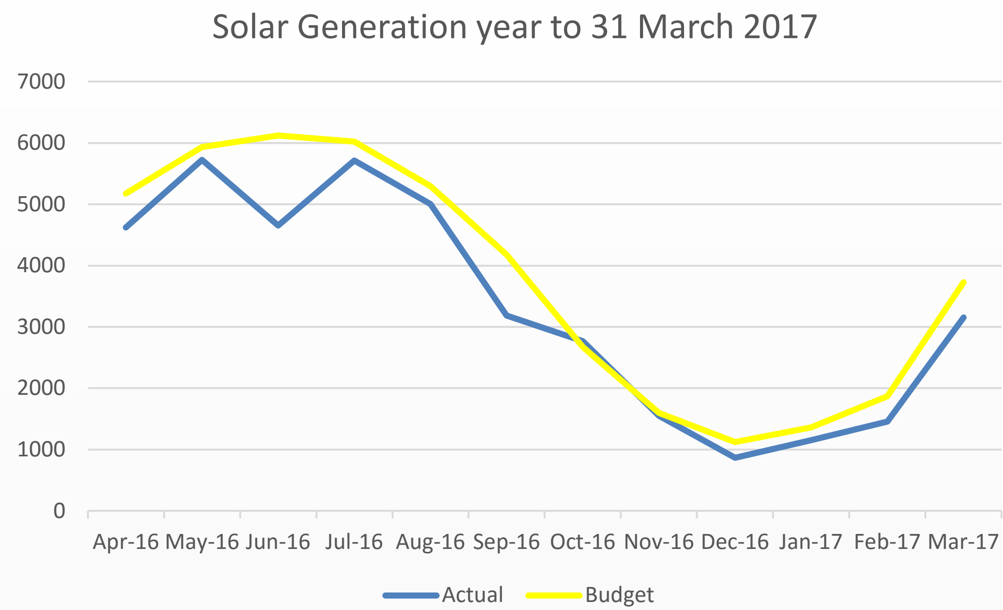

### Portfolio distributions split by revenue type




*[1]Based on project revenues from volumes/generation during the year and assumes project cash flow distributions reflect revenue spilt at each project.*

# Portfolio performance




- 257GWh generation across the portfolio (March 2016: 185GWh)
  - Wind generation 15% below budget due to poor winter 2016 wind resource
  - Solar generation 12% below budget: 5% due to low irradiation; 7% due to issues at Branden & Monksham

# Portfolio performance

- Waste volumes in line with budget and wastewater volumes below budget following dry winter period
- Total distributions from projects in line with budget
- Good availability across all asset classes apart from Branden & Monksham solar due to technical issues and lightening strike
- Improvement during the year in short-term and long-term electricity price forecasts. 6.9% overall improvement over 25 years on time weighted average basis
- Overall performance again demonstrates benefit of a diversified portfolio and spread of risks across technologies and revenue sources

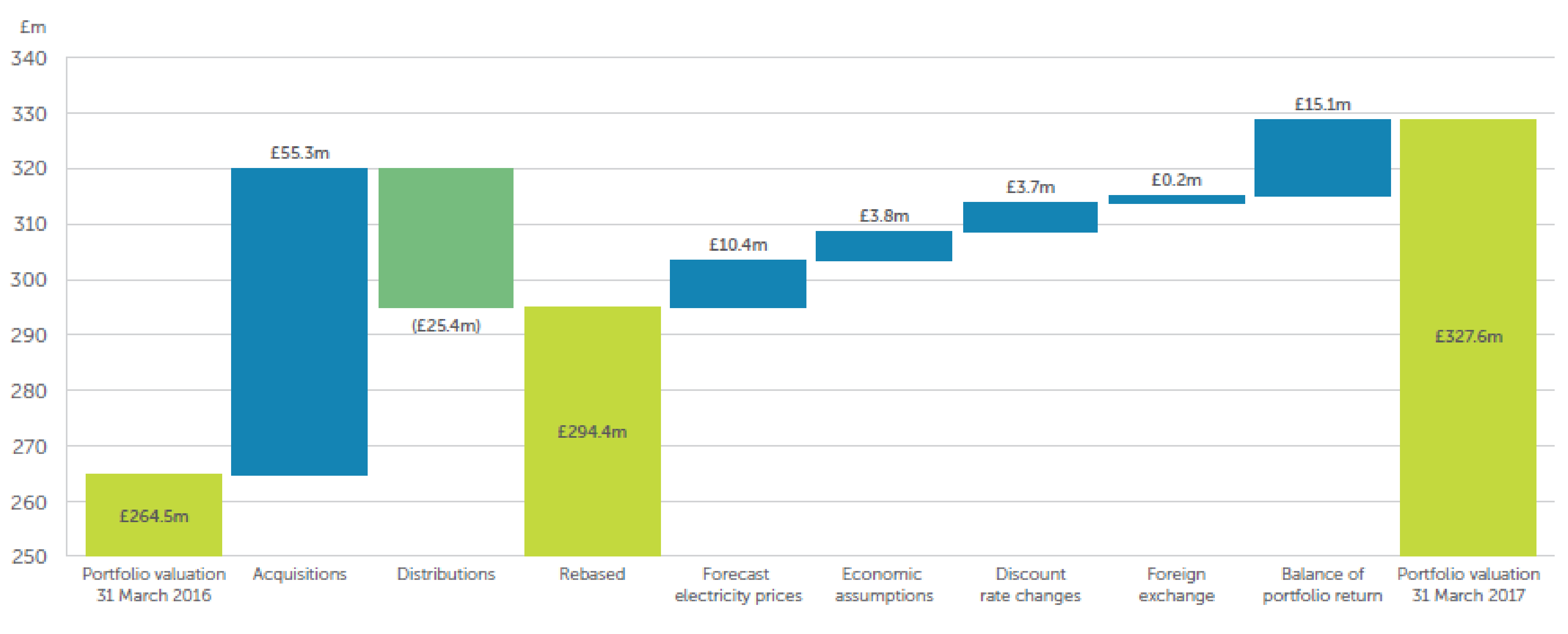
# Balance sheet

## Summary – Investment basis

| | 31 March 2017 (£m) | 31 March 2016 (£m) |
|---|---|---|
| Portfolio valuation | 327.6 | 264.5 |
| Cash | 26.1 | 6.2 |
| Net (creditors)/ debtors | (1.2) | 1.0 |
| Revolving credit facility | (12.5) | (54.8) |
| **Net assets** | **340.0** | **216.9** |
| Number of shares in issue | 339,642,078 | 224,356,435 |
| Net asset value per share | 100.1p | 96.7p |

# Portfolio valuation movements

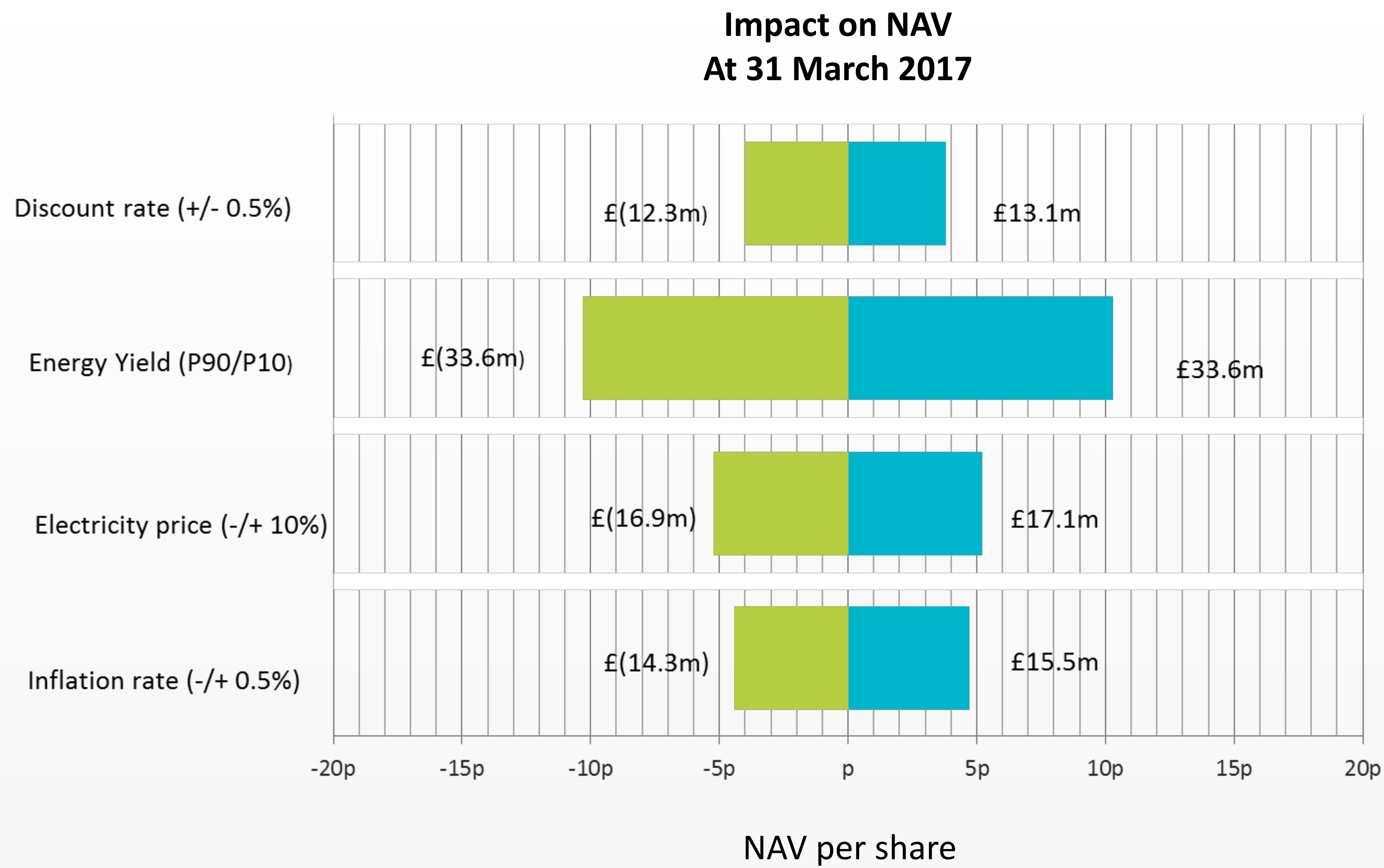
## Year ended 31 March 2017



# Portfolio valuation – key assumptions

- **Generation** – assumes base case of "P50" level of electricity output for renewable assets based on technical advisors analysis
- **Electricity prices**
  - for the next 2 years fixed prices or short term market forward prices:
    - generation weighted average fixed prices, pre PPA discount: summer 2017 £39/MWh (88% coverage); and winter 2017 £41/MWh (40% coverage)
    - market forward averages for next 2 seasons: £45/MWh for winter; and £40/MWh for summer
  - then central case forecasts from established market consultant
- **Economic** – Inflation 3.7% for 2017, 3.3% in 2018 and 2.75% from 2019 onwards. France 1.5%
- **Discount rates** – Overall WADR unchanged at 8.2% (31 March 2016: 8.2%) – change in overall mix between sectors due to wind and solar acquisitions during the year balanced out by reduction in the discount rate assumptions for wind assets

# NAV sensitivity analysis



# Group cash flow

JLEN

## Year ended 31 March 2017

| | £m |
|---|---|
| **Cash at 31 March 2016** | **6.2** |
| Net share issue proceeds | 113.7 |
| Acquisition of investment assets (net) | (53.3) |
| Borrowings repaid under credit facility | (42.3) |
| Distributions from projects | 25.4 |
| Operating and other costs | (6.4) |
| Acquisition costs | (1.0) |
| Dividends paid | (16.2) |
| **Cash at 31 March 2017** | **26.1** |

Dividend cover – 1.17 times on cash dividends paid during the year

# Funding

## Placing programme

- **December 2016:** Prospectus for up to £150m ordinary shares published
- **February 2017:** £55.6m raised through issue of 55m ordinary shares
- **June 2017:** £40m proposed equity raise

## Revolving credit facility

- **July 2016:** Facility increased from £65m to £75m
- **31 March 2017:** £12.5m drawn
- **June 2017:** £38.5m drawn and ongoing negotiations for renewal of current facility

**Project-level gearing:** 42.9% (31 March 2016: 43.6%)

- **Renewable energy assets:** 32.7% (31 March 2016: 27.1%)
- **PFI processing assets:** 59.8% (31 March 2016: 62.2%)
- Increase in RE gearing due to acquisition of levered wind farms during year

**Overall fund gearing**: 44.9% (31 March 2016: 53.9%), including RCF drawn balance

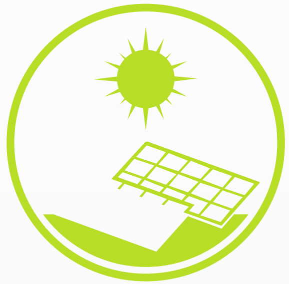
# Conclusion

- Continue to deliver on promises at IPO in March 2014
- NAV increased to 100.1p (March 2016: 96.7p)
- Successfully raised £115.6m in the year to 31 March 2017
- RCF increased to £75m and ongoing negotiations to renew the facility
- Strong level of acquisition opportunities across breadth of environmental infrastructure, including estimated £345m pipeline under First Offer Agreement with John Laing to December 2019
- Target dividend of 6.31p[1] for year to 31 March 2018
- Proposed £40m equity raise under the placing programme

1. *This is an annualised target only and not a profit forecast. There can be no assurance that this target will be met or that the Company will make any distributions at all.*

# Q&A

# Appendices



# Fund Governance and Terms

| | |
|---|---|
| **The Fund** | • Domiciled in Guernsey<br>• Independent Board of Directors<br>• Chapter 15, premium listing on LSE |
| **Investment Adviser** | • John Laing Capital Management Limited<br>• FCA authorised and regulated<br>• Monitors and reviews projects |
| **Base Fee** | • 1.0% of Adjusted Portfolio Value(1) up to and including £0.5bn<br>• 0.8% of Adjusted Portfolio Value(1) over £0.5bn |
| **Performance Fee** | • No performance fee |
| **Asset Origination Fee** | • No origination fee |
| **Investment Adviser Terms** | • 4 years followed by rolling 1 year notice |
| **Discount Control** | • The Company can buy up to 14.99% p.a. of the ordinary shares in issue at prices below the estimated prevailing NAV per ordinary share where the Directors believe such purchases will result in an increase in the NAV per ordinary share |
| **Continuation Vote** | • Would take place if shares trade at a significant discount to Net Asset Value per share for a prolonged period of time |

1. *"Adjusted Portfolio Value" means the sum of the Fair Market Value of the Investment Portfolio, plus any cash owned by or held by or to the order of the Fund plus the aggregate amount of payments made to Shareholders by way of dividend in the quarterly period ending on the relevant Valuation Day, less any other liabilities (excluding any borrowings) and any Uninvested Cash (each to the extent that it has not already been deducted). Uninvested Cash refers to the net proceeds of any equity or debt capital raising by the Company that is held in cash or near cash instruments until such time as such net proceeds are invested by the Fund in Investment Interests.*

# Investment Policy

JLEN's investment policy is to invest in Environmental Infrastructure projects that have the benefit of long-term, predictable cash flows

| | |
|---|---|
| **Sector** | • Environmental Infrastructure projects that utilise natural or waste resources or support more environmentally-friendly approaches to economic activity, which could involve:<br>▪ Renewable energy generation (including solar, wind, hydropower and biomass)<br>▪ Supply and treatment of water<br>▪ Treatment and processing of waste<br>▪ Projects that promote energy efficiency<br>• All projects to have the benefit of long-term, predictable, wholly or partially inflation-linked cash flows supported by long-term contracts or stable regulatory frameworks |
| **Geography** | • At least 50% of the portfolio by value will be based in the UK (current portfolio is over 99% UK based by value)<br>• Investments in projects that are located only in OECD countries |
| **Operational** | • No more than 15% of the Net Asset Value ("NAV") will be attributable to projects in construction and not yet fully operational<br>• Intention to invest in projects underpinned by well-established technologies with significant track record of use in other projects with demonstrable operational performance |
| **Single Asset Limit** | • No more than 30% of NAV invested in a single asset post-acquisition |
| **Gearing** | • Asset level: no more than 65% of Gross Project Value[1] for Renewable Energy projects and no more than 85% of Gross Project Value for PFI / PPP projects<br>• Fund level: no more than 30% of NAV immediately post-acquisition; any acquisition debt intended to be repaid periodically by equity raising |

1. *"Gross Project Value" means in respect of each Project Entity, the Fair Market Value of the Investment Interests in such Project Entity acquired or to be acquired by the Fund as increased by the amount of any financing held within the relevant Project Entity.*

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