JLEN

# John Laing Environmental Assets Group Limited

Results for the six months to 30 September 2015

19 November 2015

# Overview of JLEN

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| | |
|---|---|
| **Investment profile** | • Invest in environmental infrastructure projects that utilise natural or waste resources and have the benefit of long-term, predictable wholly or partially inflation linked cash flows<br>• Invest in operational projects with well-established technologies with demonstrable track record of operational performance<br>• Currently a diversified portfolio of 11 wind, solar, waste and wastewater management projects in the UK with 14 fully operational sites[3] |
| **Investor returns** | • Initial annual dividend of 6.0 p per share, targeted to increase progressively in line with inflation.[1] Target of 6.054p for year to March 2016<br>• Target net IRR of 7.5% to 8.5% over longer term[2] |
| **Management** | • Independent Board of five non-executive directors<br>• Experienced Investment Adviser: John Laing Capital Management |
| **Future Growth** | • First Offer Agreement over pipeline of existing assets from John Laing<br>• 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 or that the Company will make any distributions at all.*
3. *As at 30 September 2015*

# Highlights

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## For the six months to 30 September 2015

- NAV per ordinary share of 101.2 pence
- Market Capitalisation £239.5m : Portfolio value of £217.6m[1]
- Two acquisitions totalling £20.4m, bringing the capacity of the renewable energy assets in the JLEN portfolio to 103.1MW
- Raised gross proceeds of £65m in an oversubscribed placing and offer for subscription
- £50m credit facility repaid from fund raise - used post period end for acquisition of two solar PV roof top portfolios for £28.5m
- Overall satisfactory operational and financial performance, with variable wind conditions and continued lower wholesale UK electricity prices impacting wind assets
- Interim dividend of 3.027 pence per ordinary share declared for the period

1. As at 30 September 2015

2. Quarterly dividends payable commencing with quarter to 31 December 2015, payable in March 2016

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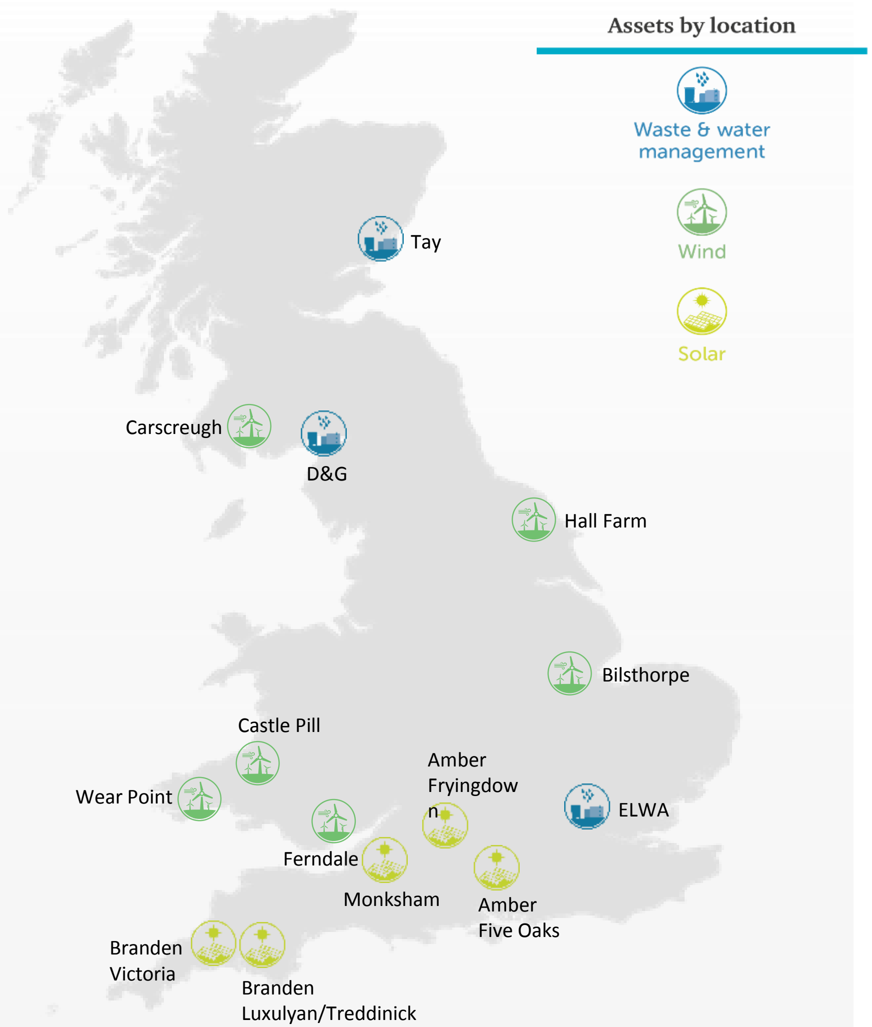
# Portfolio Overview at 30 September 2015

Diversified portfolio of environmental infrastructure assets with operating track record and balanced between wind, solar energy and waste and wastewater management

| Name | Type | Stake | Comments |
|---|---|---|---|
| Amber – Five Oaks | Solar | 100% | 4.8 MW under FIT regime |
| Amber - Fryingdown | Solar | 100% | 5.0 MW under FIT regime |
| Bilsthorpe | Wind | 100% | 10 MW under ROC regime |
| Branden – Luxulyan | Solar | 100% | 8.84 MW under ROC regime |
| Branden – Victoria | Solar | 100% | 5.89 MW under ROC regime |
| Carscreugh | Wind | 100% | 15 MW under ROC regime |
| Castle Pill | Wind | 100% | 3.2 MW under ROC regime |
| Ferndale | Wind | 100% | 6.4 MW under ROC regime |
| Dumfries & Galloway | Waste | 80% | PFI for council |
| ELWA | Waste | 80% | PFI for Waste Authority |
| Hall Farm | Wind | 100% | 25 MW under ROC regime |
| Monksham | Solar | 87% * | 10.7 MW under ROC regime |
| Tay | Waste Water | 33% | PFI for Scottish Water |
| Wear Point | Wind | 100% | 8 MW under ROC regime |




* *Effective economic interest*

# Portfolio Analysis at 30 September 2015

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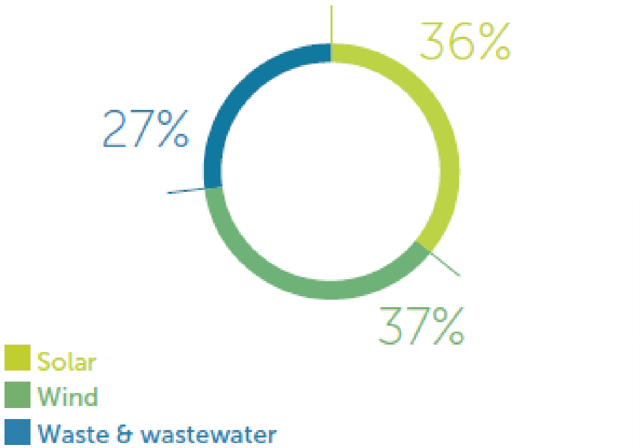
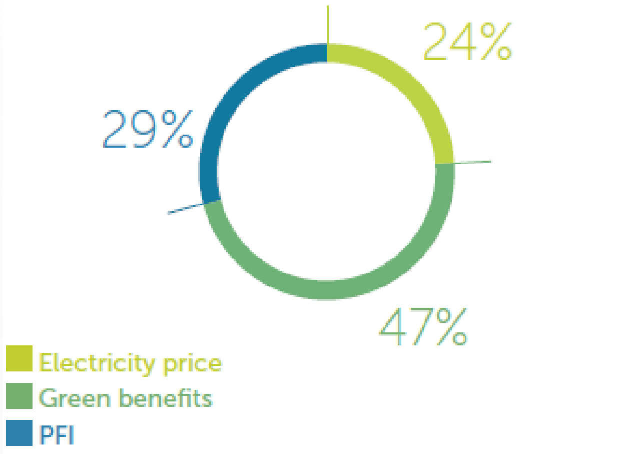
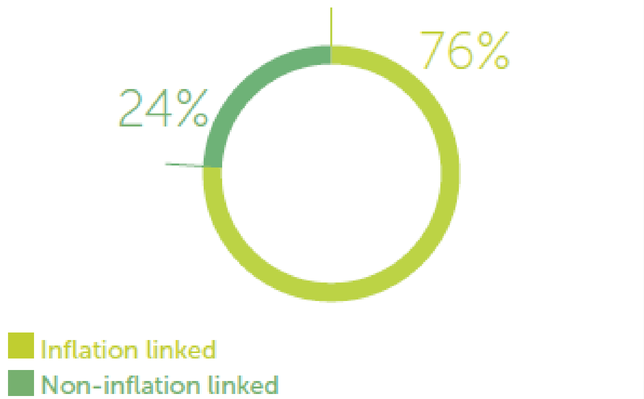
### Portfolio value split by sector



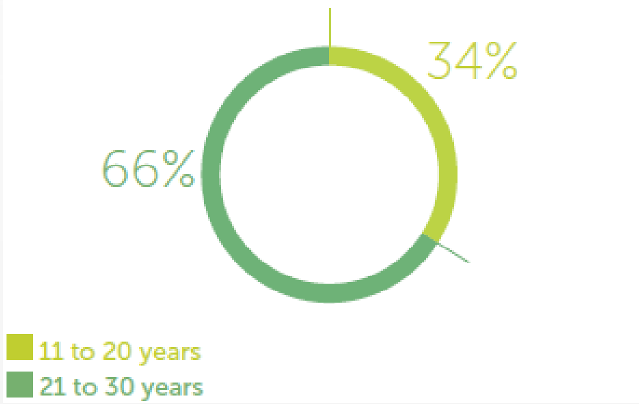

### Portfolio distributions split by revenue type*




### Portfolio distributions split by inflation linkage*




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




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

# Portfolio performance

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## For the six months to 30 September 2015

- Good availability across all asset classes
- Solar generation in line with expectations
- Waste and wastewater volumes on or above budget - ELWA contract performance maintained, with full operations due to be resumed in February 2016
- Wind speeds below expectations during summer 2015 - generation was 6.8% down over a more representative 12 months period, including Hall Farm outage in March 2015, within expected tolerances
- Continued pressure on short-term electricity prices
- Overall shortfall in total distributions from projects during period of £0.9m
- Overall performance demonstrates benefit of a diversified portfolio and spread of risks across technologies and revenue sources

# Balance sheet

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Summary – Investment basis

| Balance sheet | 30 September 2015 (£m) | 31 March 2015 (£m) |
|---|---|---|
| Portfolio valuation | 217.6 | 197.7 |
| Cash | 10.0 | 8.6 |
| Net debtors/(creditors) | (0.5) | (0.7) |
| Revolving credit facility | (nil) | (43.7) |
| **Net assets** | **227.1** | **161.9** |
| Number of shares in issue | 224,356,435 | 160,000,000 |
| Net asset value per share | 101.2p | 101.2p |

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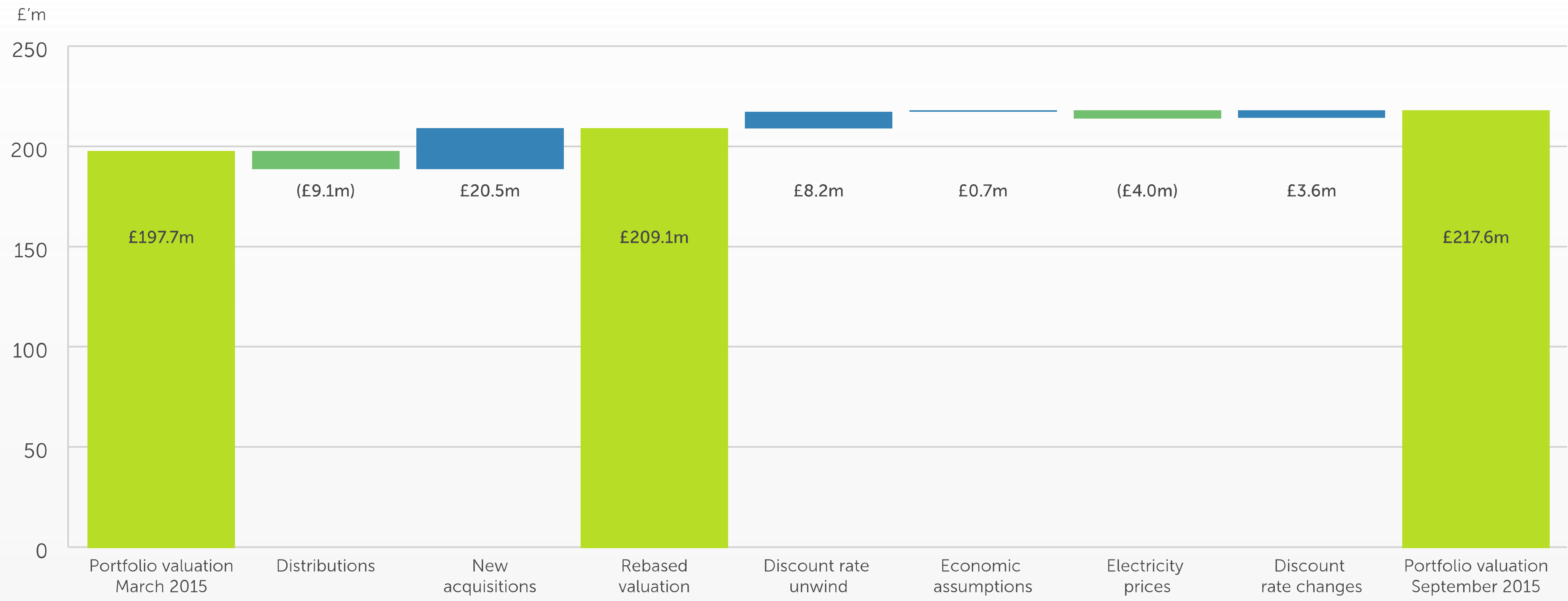
# Portfolio Valuation Movements

## Period to 30 September 2015



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# Portfolio valuation – key assumptions

- Generation – assumes base case of “P50” level of power output for renewable assets
- Electricity prices – for the next 2 years fixed prices or short term market forward prices, then central forecasts from established market consultant. Reflects removal of LECs from August 2015
- Economic - Inflation 1.2% for 2015 then 2.75% from 2016 onwards. Also includes value enhancement from new pricing for O&M contracts on solar assets
- Discount rates – reduction to overall WADR of 8.7% (31 March 2015: 9.1%) – reflects market discount rates for solar assets and change in overall mix between sectors due to solar acquisitions in July 2015

# Sensitivity Analysis

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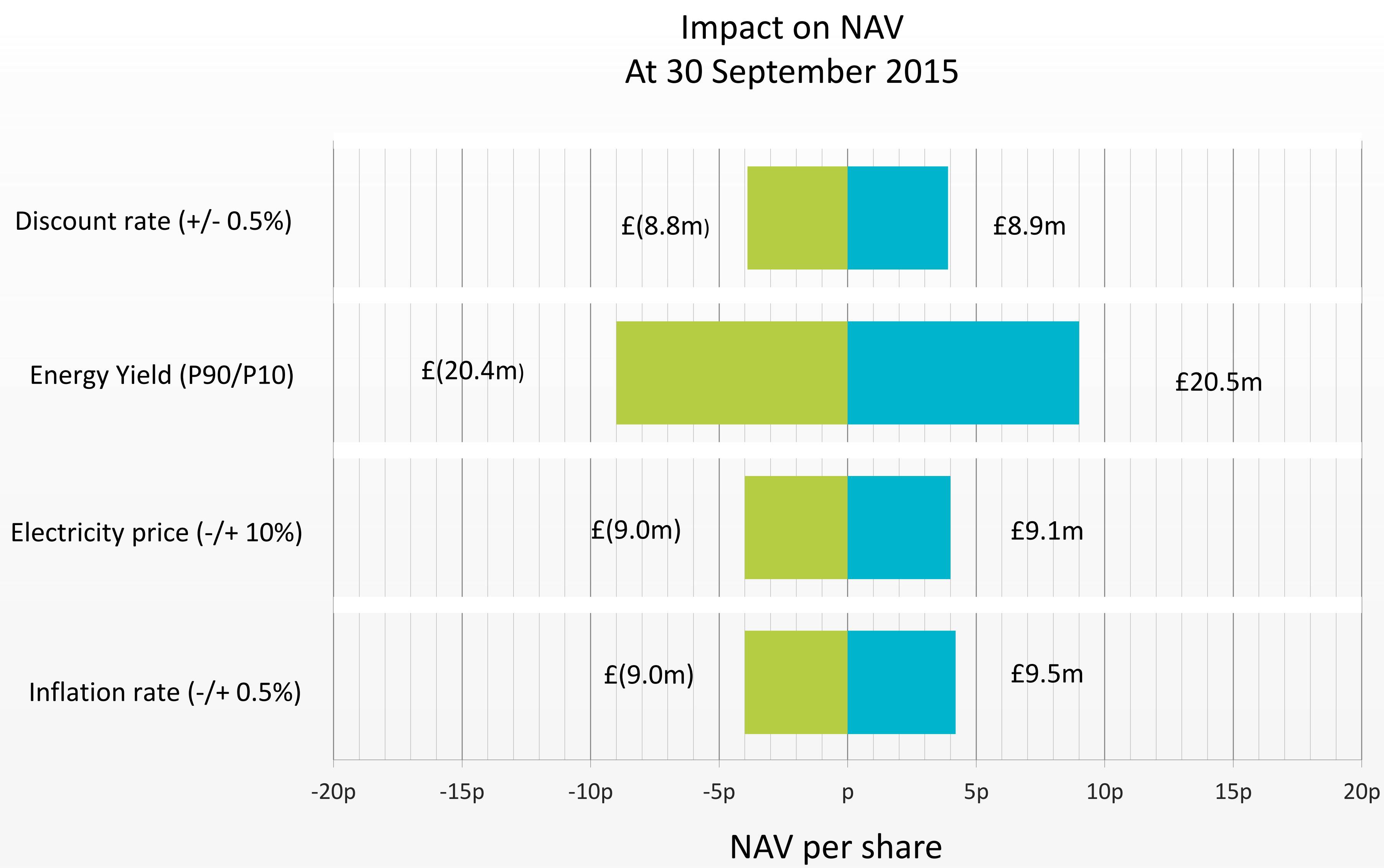

# Cash Flow

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Cash flow summary – six months to 30 September 2015

| | £m |
|---|---|
| **Cash at 31 March 2015** | **8.6** |
| Net share issue proceeds | 63.8 |
| Acquisition of investment assets | (20.5) |
| Repayment of credit facility | (43.7) |
| Distributions from projects | 9.1 |
| Operating and other costs | (2.0) |
| Acquisition costs | (0.5) |
| Dividends paid | (4.8) |
| **Cash at 30 September 2015** | **10.0** |

# Funding

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- £50m revolving credit facility
  - £43.7m drawn for acquisitions in March 2015, repaid from proceeds of equity raise in July 2015
  - Draw-down of £28.5m used post period end to fund further investments
- Project-level gearing across portfolio 45.3%
  - Renewable energy assets 23.1%
  - PFI processing assets 63.8%
- Overall fund gearing 45.3%

# Conclusion

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- Continue to deliver on promises at IPO
- Overall performance demonstrates benefits of a diversified portfolio in managing operational risks
- Successful £65m equity raise in July 2015 used to repay credit facility and fund future acquisitions
- £50m revolving credit facility used post period end to fund further investments of £28.5m
- Dividend of 3.027 pence per share declared for period, payable in December 2015, in line with target dividend for year ending 31 March 2016 of 6.054 pence per share.
- Quarterly dividends payable commencing with quarter to 31 December 2015, payable in March 2016
- Strong level of acquisition opportunities across breadth of environmental infrastructure including estimated £250m pipeline under First Offer Agreement with John Laing

# Q&A

# Appendices

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# Fund Governance and Terms

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|---|---|
| **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>• Advisers dedicated to the fund and highly experienced<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

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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 100% UK based)<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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