



RM Infrastructure Income PLC “RMII LN”

Annual Results - December 2021



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Income returns worth
shouting about

RM Infrastructure Income PLC

- Strategy & Investment Focus
- Performance Highlights
- Portfolio Update
- Investment Activities for FY21
- Key Provisions
- Impact Assessment Report
- Outlook for FY22

RMII – Investment Strategy

- **Focused on non-benchmark loans, “the missing middle”**, of up to c.£15m which are often too complex for traditional bank lending and too small for institutional direct lenders.
- Looking to support **UK companies with active ESG engagement**, positive screening and third-party audited impact measurement.
- **Defensive Investment Focus:**
 - Social Infrastructure – Target 75% of portfolio
 - Environmental Infrastructure – Target 25% of portfolio
- **Bespoke documentation** with significant lender-friendly covenants (financial, information etc.).
- Targeting **6.5 pence** net income p.a., distributed quarterly.
- 5 years track record of delivering **stable income returns**, either achieving or exceeding the dividend target.
- NAV total return inception to Dec21 30.7%.
- **Sustainability at the core of the focus sectors**, with The Good Economy appointed as the impact assurance & reporting partner.



RMII – Investment Focus

Social Infrastructure

Childcare & Education



Accommodation



Healthcare



Environmental Infrastructure

Clean Energy & Renewables



Waste Management



Energy Efficiency & Carbon Reduction



Investment highlights

- Access to **critical infrastructure assets** largely uncorrelated to the broader economic cycles
- Essential services to society
- **Non discretionary spend** from Healthcare & Childcare and Accommodation
- **Contracted and visible cashflows** from environmental assets
- Tangible asset backing from real estate

Typical loan terms

- Coupon 8% - 9%
- LTV typical range 60-70%
- Targeting **senior secured**
- 3-5 year tenor

RMII – Performance Highlights

- ✓ **Target dividend of 6.5p** per annum achieved since inception
- ✓ **Track Record:** celebrating its 5-year track record with consistent dividend and NAV returns
- ✓ **Manager & Firm Alignment:** Investment Manager and Portfolio Managers own c.1.3mm shares and invest a portion of the mgt fees in shares

6.5p

Dividend pence per share

1.01x

Dividend cover

30.7p

Total dividend declared or paid ITD¹

7.6%

NAV Total Return

30.7%

NAV Total Return ITD¹

94.41p

NAV December 2021

£130.8m

Gross assets

25.5% of GAV

CBILS* and RLS* Loans

50.8% of NAV

Portfolio exposure to Social & Environmental Infrastructure sectors

¹ Inception to December 2021

RMII – Performance Highlights

Key Performance Metrics

30.7%

Total NAV Return ITD¹

6.84%

Cash Yield on Mid Price²

£112m

Market Cap²

c.5.8%

Avg. YTD³ Share Price Discount to NAV

The chart displays the performance of RMII from January 2017 to December 2021. The left Y-axis measures Total Return in percentage points (80 to 135), while the right Y-axis measures the Premium/Discount to NAV in percentage (-20% to 10%).

- NAV % Total return - 31%:** Represented by a solid dark blue line, showing a steady increase from 100% in Jan-17 to approximately 131% in Dec-21.
- Share Price Total Return - 30%:** Represented by a dashed gold line, showing a similar upward trend, ending at approximately 130% in Dec-21.
- Share Price Prem/Disc:** Represented by a solid light blue line, showing the discount to NAV. It starts near 0%, drops to a low of approximately -15% in early 2020, and then fluctuates, ending near 0% in Dec-21.

Data: Bloomberg – 31st December 2021
¹ inception to December 2021
² as of 31st December 2021
³ as of 31st December 2021

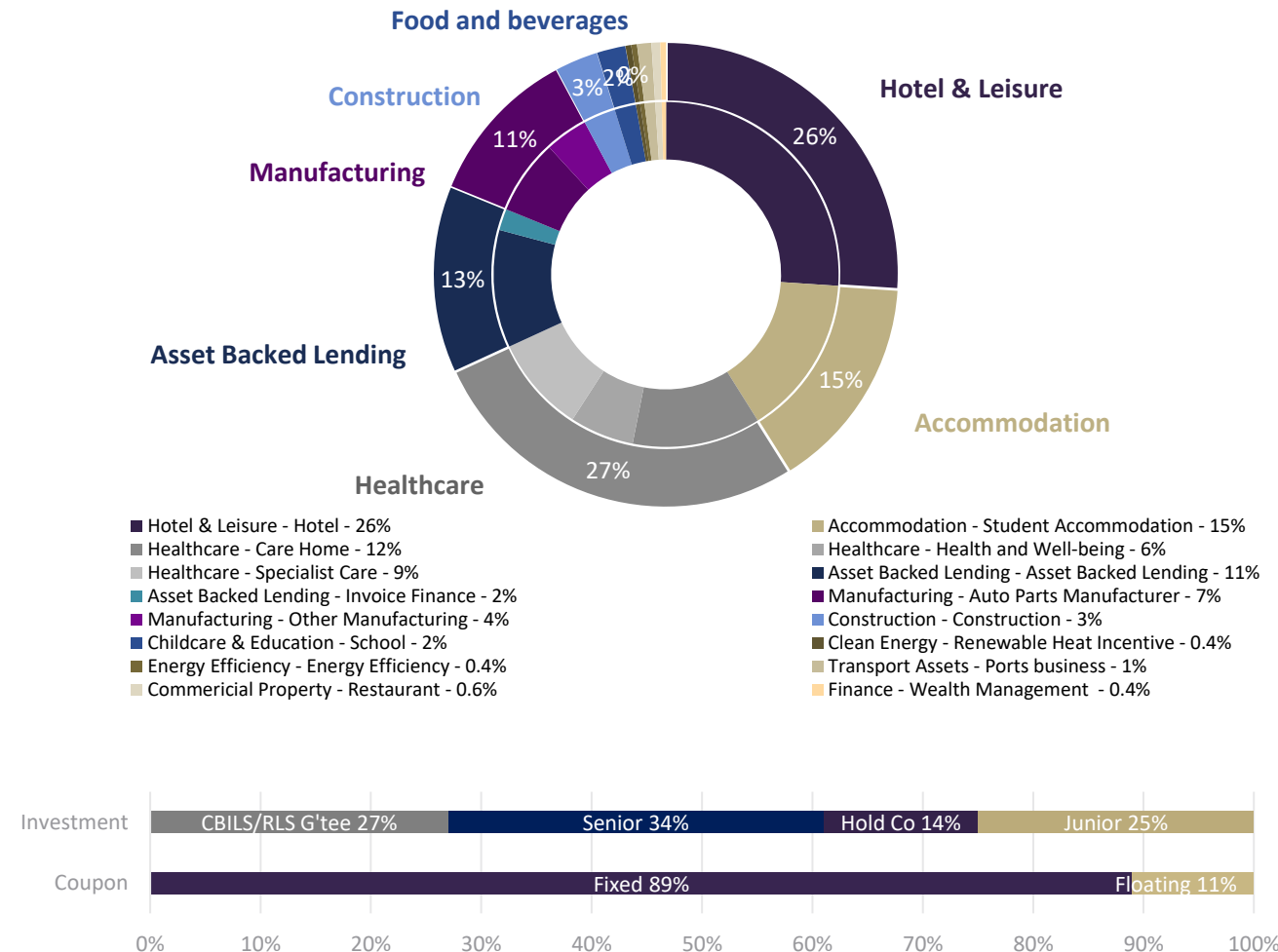
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RMFunds

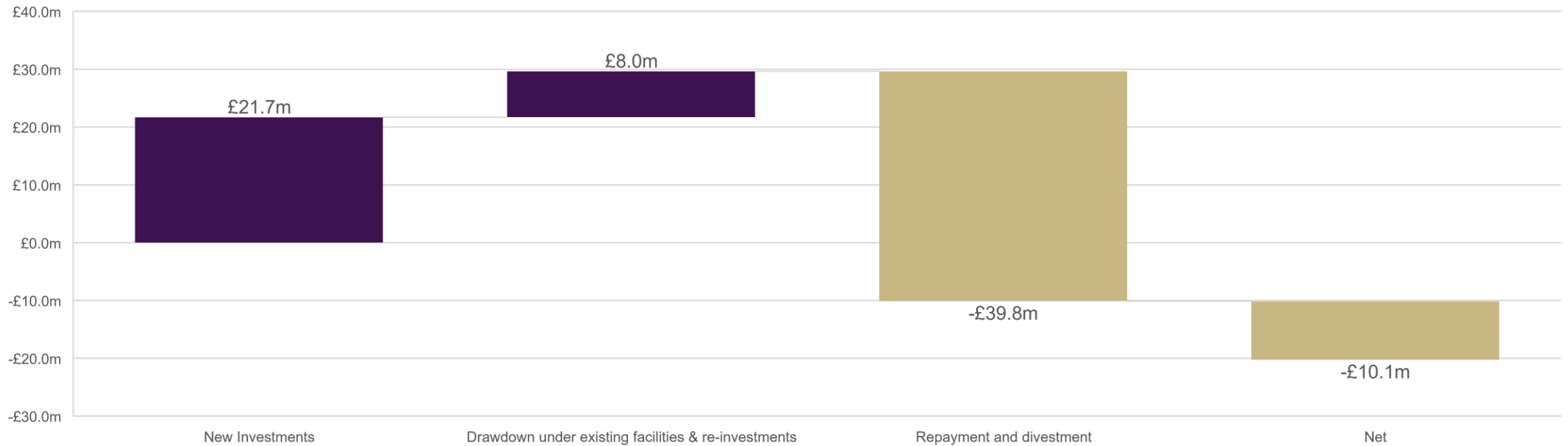
RMII - Portfolio Update

- › £130.8m currently invested within a **diversified portfolio** of 34 loans and 1 wholly owned asset across 12 sectors and 16 sub-sectors
- › Portfolio has **navigated strongly over COVID**
- › Improvement in credit metrics over the year with a number of provisions taken over the COVID pandemic having been released
- › Consistent distributions in line or ahead of target
- › **CBILS/RLS & Senior loans increased to c.61%** at year end Dec21 vs. prev. year of 46%
- › **Portfolio well positioned for an inflationary environment** with limited duration risk:
 - › **Short duration** – avg. life of 2.23 years
 - › **High yielding investments** – weighted avg. portfolio yield of 8.54%
- › **c.85% secured by Real Estate and/or physical assets**
- › Strategic progression over 2021 to reduce exposure to Hotel & Leisure, Business Services and Manufacturing, and re-deploy into Healthcare, Childcare & Accommodation, along with Environmental Assets
- › Conservative valuation policy offering **NAV growth potential**

Sector breakdown, December 2021



RMII – Investment Activities for FY2021



Summary of investments FY 2021

| | New Investments | Drawdowns under existing facilities & re-investments | Repayments & divestments | Net |
|------------------------------|-----------------|------------------------------------------------------|--------------------------|---------|
| Social Infrastructure | £13m | £7.8m | £14.5m | + £6.3m |
| Environmental Infrastructure | - | £0.2m | £0.6m | - £0.4m |
| Non-core | £8.7m | - | £24.7m | - £16m |

RMII – Key Provisions

- › Provisions worth c.£4.3 million or c.3.6p/share.
- › 3 investments have been on the enhanced monitoring and form the major part of the provisions.

1. Trent Capital (loan references 62 & 63)

- Loan is to a company **focused on the manufacture of zero carbon home heating products**; air source heat pumps and electric boilers.
- Loan is partly secured against a property portfolio providing significant additional collateral.
- Loan is due for repayment port period end and RM is working with the Borrower to realise asset sales to facilitate the loan repayment.
- **Strong regulatory tailwinds** with and estimated 31 of UK carbon reduction comes from domestic heating and hot water. RM sees the support of these businesses operating in this sector as key to meeting carbon reduction targets.
- Credit provisions total **£1.05 million** (c.0.9p/share).

2. Hotel Development & Contractor / Glasgow (loan references 58, 79, 80 & 92)

- Loans secured against the development hotel in prime city centre Glasgow.
- Hotel is **scheduled to open in June 2022** and is to be operated by Virgin Hotels under a 35 years Hotel Management Agreement.
- The total market value that is correlated to the outcome of this asset is currently c.11% of Company's net assets.
- Credit provisions total **£1.85 million** (c.1.6p/share)

RMII – Key Provisions

3. Purpose Built Student Accommodation “PBSA” / Coventry (loan reference 68)

- Asset is wholly owned by RMII and has had delays to being income generative due to issues with getting the recommissioning approval from the fire department.
- These issues largely relate to the works conducted by the original scheme’s main contractor and sub-contractors and are being addressed so that students can take occupation for the 2022/2023 academic year.
- Substantial costs over the year have been charged to the P&L, with the total administration costs and refurbishment costs to date being c.£500k (fully reflected in the NAV).
- Extensive work has been undertaken over the last quarter of 2021 with fire specialists and other building experts to scope the required works and associated costs to rectify any non-compliant building works.
- These costs were significantly higher than expectations with the quotes received indicating that the total cost of cladding replacement and other remedial works would be a further £1.5m.
- The accounting treatment of such costs is to be treated as a post balance sheet adjusting event. This means that as the building was non-compliant as at the year-end and despite these costs being not known at the time, the Dec 31st NAV needs to be adjusted to reflect the lowering of the asset value to reflect these costs.
- All remedial works to date and other loss off revenues will form part of RM’s legal claim via the original loan documentation’s collateral warranties. This claim is on-going and Shareholders will be kept informed if and when the case claim progresses.
- Credit provisions total **£1.5 million** (c.1.3p/share)

RMII - Impact Assessment Report

- ✓ In 2021, RMII formalized its impact approach, building on a refreshed investment focus
- ✓ Partnered with The Good Economy (“TGE”), an independent advisory firm specializing in impact measurement & management
- ✓ First annual Impact Report covering a 12mth period to end of Mar22 with key highlights below:

THE
GOOD
ECONOMY

Key Results of the Impact Assessment report

- Portfolio alignment with RMII impact objectives has increased by 4% on an LTM basis
- Of the investments which are aligned with RMII’s impact objectives, all are classified as “B” or “C” investments, either benefiting stakeholders or contributing to solutions.
- Avg. portfolio impact score has increased from 18.6 to 22.21 in the last 6 months.
- RMII’s current portfolio is estimated to support c.1,115jobs. The majority of these are in the construction industry.
- RMII continues to be more regionally distributed than the avg. private debt fund, with 99% of the value of live investments in the UK being invested outside of London compared to the industry avg. of 65%.

Conclusions

Strengths

- Strong regional footprint, providing support to SMEs across the UK.
- c.50% of RMII’s portfolio now aligned with the new investment focus on Social & Environmental Infrastructure sectors with a clear prospect of contributing to SDG achievement in the UK.
- High level of transparency in terms of reporting on its impact.
- Good progress in formalising an approach to ESG and impact management.

Recommendations to maximise impact

- Continue the reduction in exposure to non-core sectors & redeploying proceeds within core sectors.
- Consider introducing a time-bound milestone against which the portfolio can be assessed in terms of the pace of this rotation.
- Investment decision process should consider potential tensions or inter-linkages between SDGs.
- Further clarify how business activities contribute to SDGs during screening process.

RMII – Key Targets for FY22

1. Return to a premium rating & grow the Company
2. Recycle the capital from the Portfolio's non core sectors into its core sectors
3. Achieve a successful outcome in regards to the investments against which provisions have been recorded
4. Continue to deliver NAV growth during the year
5. Continue to deliver on the Company's annual dividend target of 6.5p/share

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