



# RM Infrastructure Income PLC Strategic Review Update

August 2023



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# Strategic Review Process

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- In May 2021, the non-executive Board of RM Infrastructure Income PLC (“**RMII**”) committed to bring the shareholder consultation exercise forward one year if the shares were trading at an average discount of greater than 0% over the 6-month period 1 October-31 March 2023.
  
- During Q2 2023, the non-executive Board, Broker and RM Funds consulted with shareholders as to their views relating RMII. Four options were presented to shareholders:
  - Continuation
  - Partial exit
  - Merger of assets with another suitable investment company
  - Managed wind down
  
- 16 Shareholders representing c66 % of the shareholder base<sup>1,2</sup>, provided feedback, and indicated potential avenues to explore. RMII’s Corporate Brokers and the non-executive Board led this process. The feedback was as follows:
  - 88% of investors wished the merger option to be explored
  - 52% of investors considered a managed wind down as an option
  - 41% of investors were interest in a continuation as an option
  - 11% of investors would look at partial exit
  
- Over the period, the non-executive Board and its advisors have received indicative non-binding interest from 5 parties to date, including a range of options from asset purchases, to a change of the Investment Manager. RMII data has been shared in order to facilitate such discussions.

<sup>1</sup>Excluding RM Capital Markets Limited holding representing 1.1% of shareholder register;

<sup>2</sup>Excluding funds independently managed by RM Funds representing 1.25% of shareholder register.

# Strategic Review Process Continued

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- Three such expressions of interest have not progressed; two dialogues remain active.
- The non-executive Board of RMII note the RNS release by GCP Infrastructure Investments (“**GCP**”) and the subsequent release by RMII.
- To aid investors, RM Funds have compiled this document, this also includes information relating to the proposals received, and run-off options.
- Dialogue between the respective parties continues, however at this time there remains no certainty that either of the proposals received will develop into a recommendable transaction. For the avoidance of doubt, neither approach anticipates any offer for the Company, recommended or otherwise, under the City Code on Takeovers and Mergers.

# Expression of interest – GCP Infrastructure Investments

- **Potential combination – transfer of non-cbils assets in exchange for news shares in GCPI on a NAV/NAV basis.**
  - **The proposal is to create a materially larger entity (13.5x) with approximately £1.45bn assets.**
  - **The combined entity would deliver reduced costs, higher daily liquidity and offer portfolio diversification across a larger pool of investments, among other benefits. RM Funds notes this aligns with investor feedback during its own consultation process in late May and early June.**
  - To date the Chairman and advisors have met their respective counterparts. RM Funds has been in active dialogue with Gravis Capital Management (“**Gravis**”) the investment Manager to both GCP Infrastructure Investments (GCP and GCP Asset Backed Income (“**GABI**”) for several months.
  - Gravis is a subsidiary of the circa £18bn market capitalisation Orix Corporation, with assets under management in excess of €300bn.
  - The expectation is **any structure, would need to also provide a degree of liquidity to existing RMII shareholders**, it is proposed this would be via the run-off of the CBILS portfolio. **In addition, RMII advisors are exploring the ability for shareholders to mix and match** depending on their specific requirements, **potentially providing either greater on-going liquidity and exposure to the asset class or a higher level of capital return.**
  - Assuming the respective Board’s reach satisfactory terms, RM Funds and Gravis will negotiate suitable arrangements which would include staff resources (aligning with feedback from RMII shareholders about the quality of RM Funds team) and continuations from the investee company perspective. This would be documented and paid for separately, and details released at the appropriate time.
- **OCF Reduction<sup>1</sup>:** 0.77% of NAV per year saving
  - **Increased Daily Liquidity<sup>1,2</sup>:** Increase of c.1,200% from 112,000 shares a day to 1,413,000 using 12-month average trailing turnover figures.
  - **Tighter Bid/Ask Spread<sup>1,2</sup>:** Potential reduction by circa 85% in new GCP entity not including increased size.
  - **Greater Portfolio Diversification<sup>1</sup>:** Greater diversification across counterparties and assets.
  - **Diverse Shareholder Register<sup>1,2</sup>:** Shareholder holding % reduce materially for all existing RMII shareholders
  - **Alignment<sup>1</sup>:** re Cash Dividend Yield and Target NAV Returns

<sup>1</sup>RM Funds analysis and estimates, this is not forward guidance.

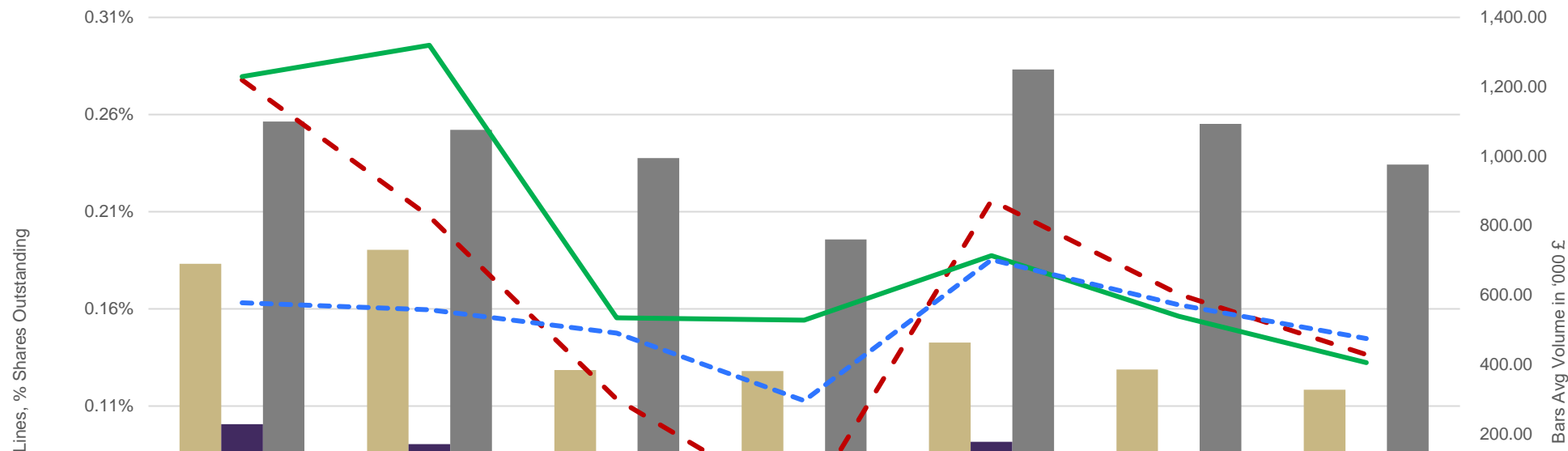
<sup>2</sup>RM Funds analysis and estimates, based on Bloomberg data. This is not forward guidance..

# Notes re Gravis Proposal

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- Note that with the retention of the CBILS portfolio, it is also envisaged that any equity interests or legal claims will remain with this portfolio. This provides a potential degree of upside to the proposed “realisation” pool.
  
- The realisation would account for circa 25% of existing RMII NAV, comprised of:
  - CBILS/RLS assets
  - Student Accommodation (Coventry) legal claim (currently valued at zero hence potential upside)
  - Empowered Brands 28% equity interest (currently valued at zero hence potential upside)
  - Trent Capital equity interest (currently valued at zero hence potential upside)
  
- It is estimated, that most of the realisation could be achieved within circa 12 months.
  
- The remaining 75% of NAV would be transferred at a NAV for NAV exchange (subject to any adjustments) for GCP shares.

# Liquidity Analysis

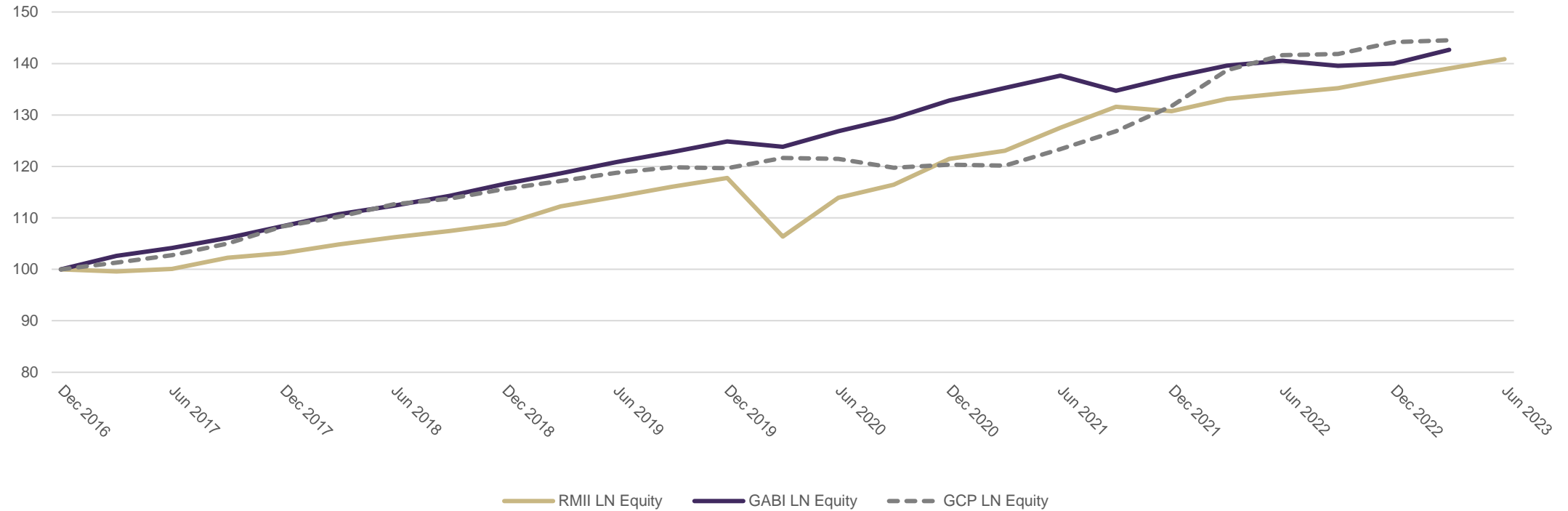


	Volume Avg - 5D	Volume Avg - 10D	Volume Avg - 20D	Volume Avg - 30D	Volume Avg - 3M	Volume Avg - 6M	Volume Avg - 12M
GABI - Avg Volume in '000£	689.95	730.07	383.66	380.76	462.63	385.58	326.77
RMII - Avg Volume in '000£	227.88	170.18	93.09	46.38	176.99	137.45	111.95
GCP - Avg Volume in '000£	1,099.80	1,075.78	994.86	760.52	1,249.72	1,093.17	975.71
RMII - Avg Volume in %	0.28%	0.21%	0.11%	0.06%	0.22%	0.17%	0.14%
GABI - Avg Volume in %	0.28%	0.30%	0.16%	0.15%	0.19%	0.16%	0.13%
GCP - Avg Volume in %	0.16%	0.16%	0.15%	0.11%	0.19%	0.16%	0.14%

Average Bid/Ask Spread (£p/share)	1Y	3Y	5Y
RMII	2.64	3.06	3.24
GABI	1.73	1.67	1.45
GCP	0.42	0.44	0.42

Source: Bloomberg, RM Funds analysis.

# NAV % Total Return Comparison

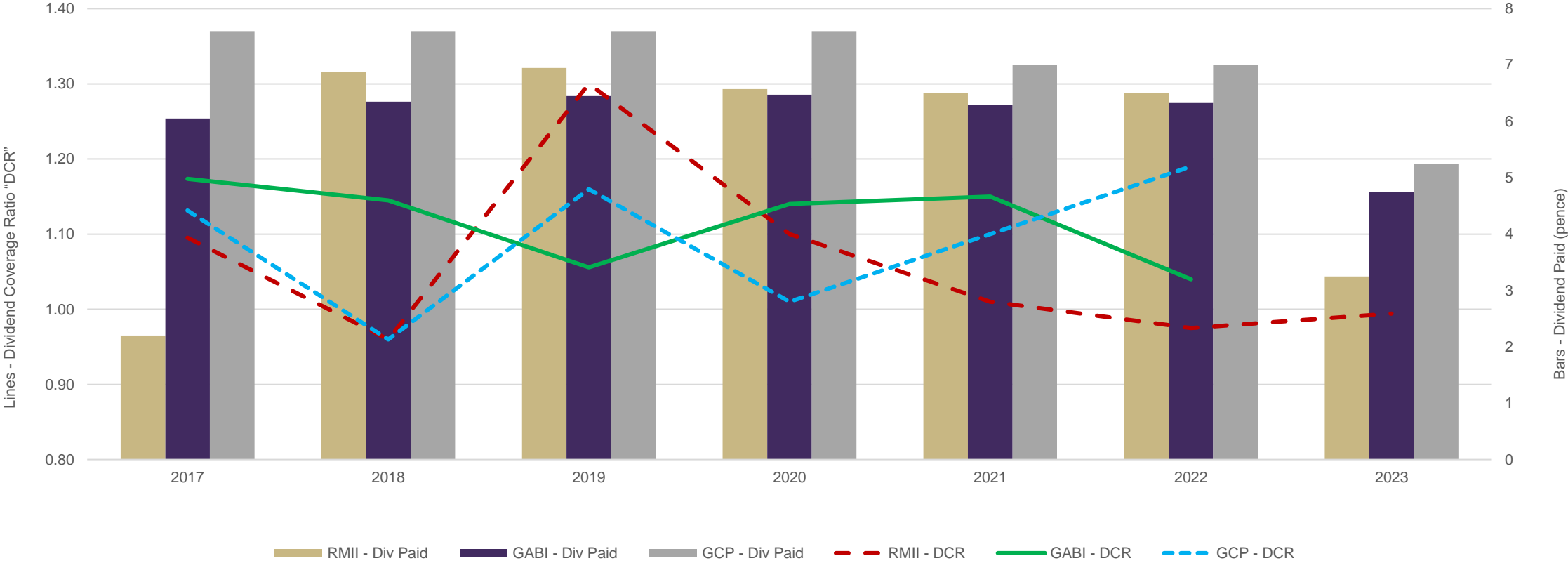


	1Y	3Y	5Y
GABI vs. RMI NAV % TotRet Average Excess / (Shortfall)	c.4.5%	c.9.9%	c.6.8%
GCP vs. RMI NAV % TotRet Average Excess / (Shortfall)	c.6.4%	c.3.56%	c.4.1%

Source: Bloomberg, RM Funds analysis.

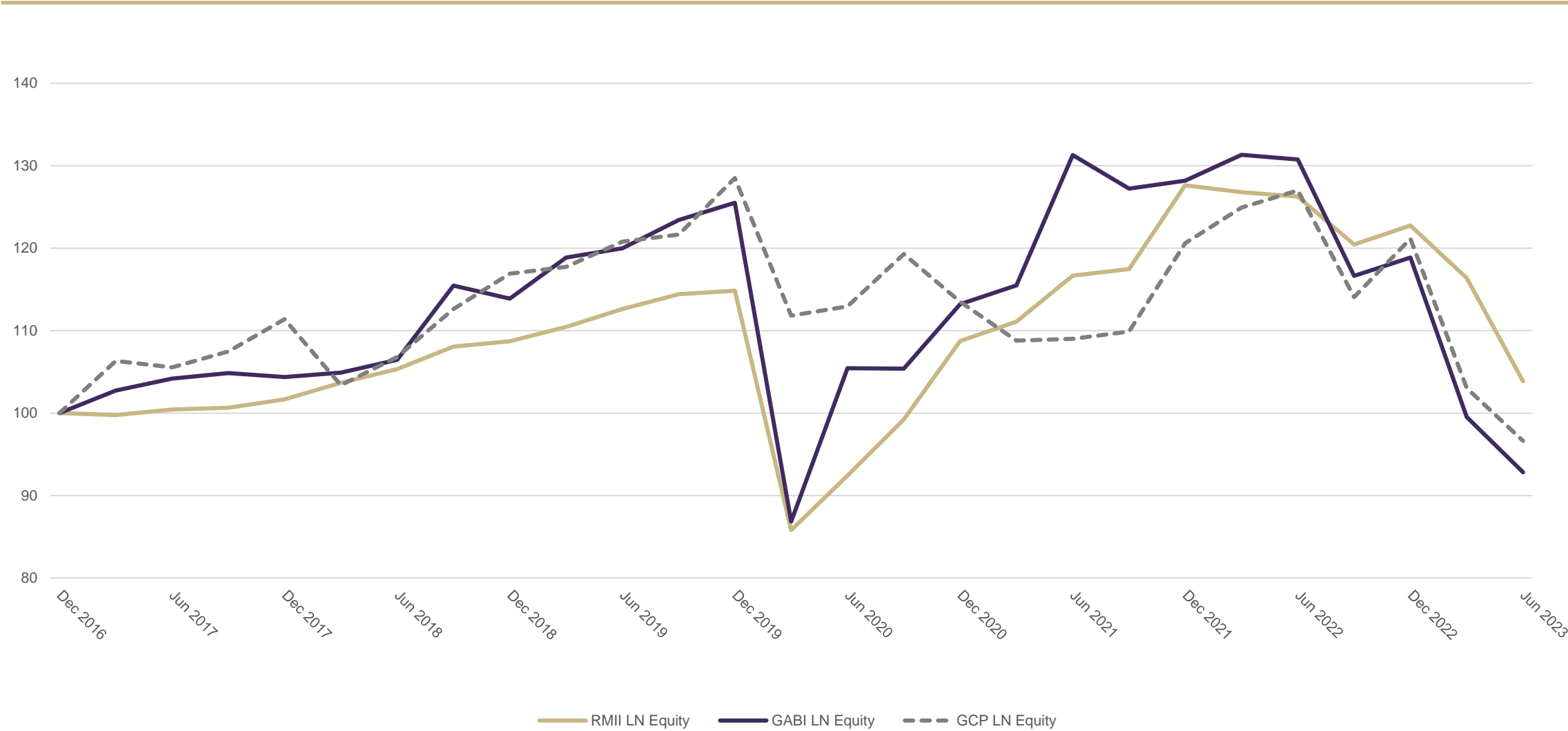


# Dividends Paid & Dividend Cover



Source: Bloomberg, RM Funds analysis, annual accounts (GCP: LN, GABI: LN, RMII: LN)

# Share Price % Total Return Comparison



Source: Bloomberg, RM Funds analysis.

# Ongoing Charges Ratio

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	2023
<b>RMII LN</b>	1.9%
<b>GABI LN</b>	1.2%
<b>GCP LN</b>	1.1%

Source: Bloomberg, RM Funds analysis.

# Managed Wind Down

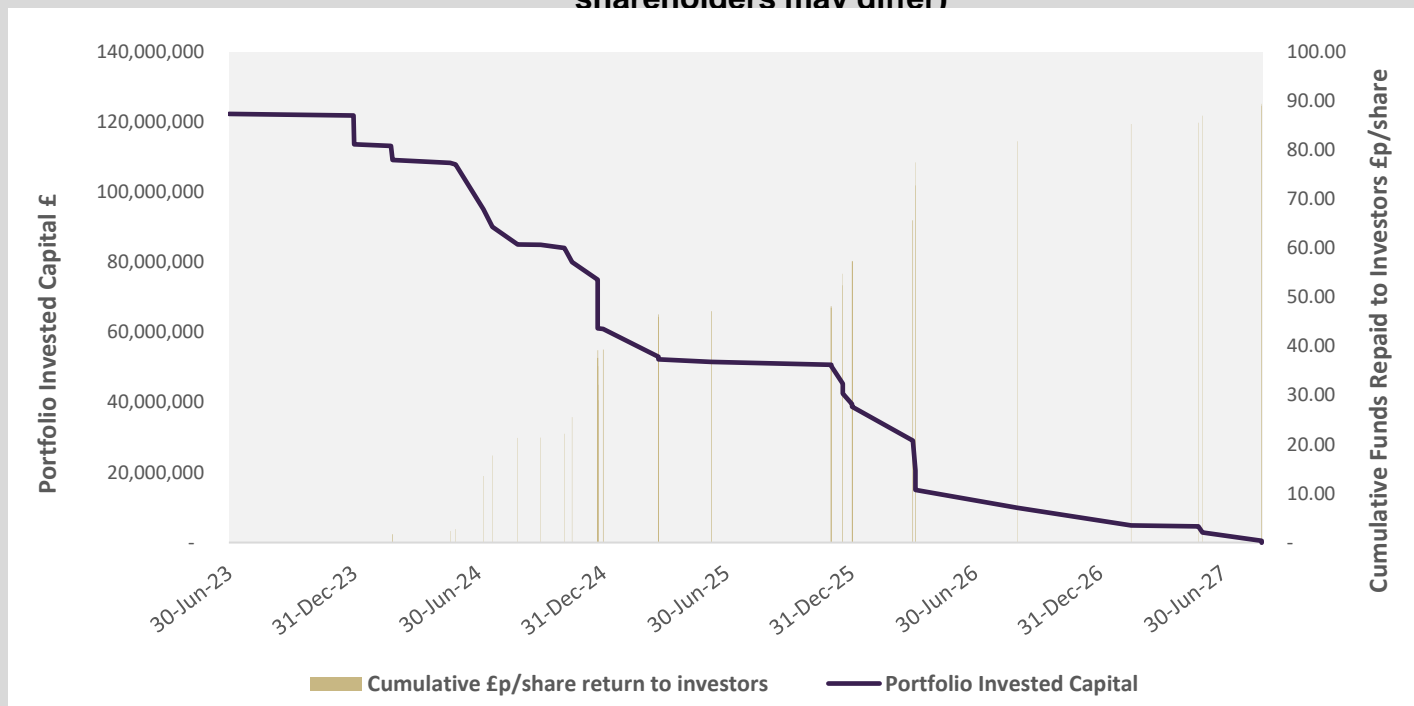
## Assumptions

- Return of capital to shareholders, i.e. no new investment loans nor further extensions under existing facilities.
- Maturity dates are based on the Investment Manager's best estimate.
- Investment Loans under enhanced monitoring ("NPL") and against which the Investment Manager is recognising income provisions remain until the maturity of said loans.
- RCF and TLB which mature in Apr24 will be repaid ahead of any return of capital to shareholders.

## Key Considerations

- Total NAV expected to be returned to shareholders by Q3-2027.
- As the performing loans mature, the NPL's share of the invested portfolio increases, impacting revenue and increasing concentration risk.
- Given the assumed change in investment policy, any decision to amend & extend to ameliorate recovery / exit will have to take into account cost benefit of wind down – potential NAV impact.
- Further assistance to NPLs may be limited.
- Total Expense Ratio will increase over time as size of portfolio reduces.
- A Wind Down scenario may not provide the Investment Manager with sufficient time to extract as much value as possible and / or legal claims.

Forecasted profile of cash returns to company (returns to shareholders may differ)



	2023	2024	2025	2026	2027
Avg. Invested Capital (£k)	119,254	84,682	49,385	25,462	2,572
Dividend Distribution (£p/share)	6.37	4.43	3.20	1.41	(0.32)
Cumulative Capital Returned (%)	-	44%	61%	91%	100%
Total Expense Ratio	2.10%	1.66%	2.15%	3.24%	24.52%

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