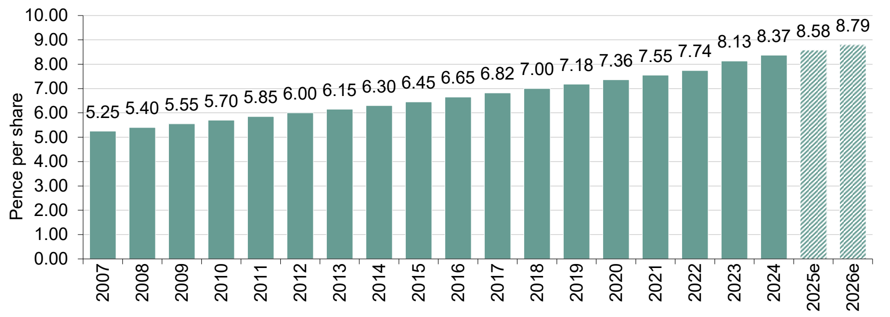
EDISON

International Public Partnerships

Operational and financial performance on track

International Public Partnerships' (INPP's) recent portfolio update showed its portfolio is continuing to perform well, with further progress on accretive capital recycling. INPP shares offer an attractive prospective dividend yield of 7.0% with an unbroken record of dividend growth and visibility for at least another 20 years. Active measures to narrow the discount to NAV are having a positive impact, but it remains at c 15%, which in our view offers an attractive opportunity. At this level, the implied total return to an investor, based on projected future portfolio cash flows, is an attractive 10.1% per year, which is c 465bp above the UK 30-year gilt yield.

Exhibit 1: Consistent dividend growth



Source: Company data and FY25–26 targets

INPP has a strong track record of generating consistent financial returns, commensurate with its low-risk investment strategy, while providing environmental and social benefits for the individuals and communities that are served by its assets. The portfolio is well diversified and focused on assets that provide essential public infrastructure services. Contracted revenues are typically 'availability-based' or regulated, significantly government backed, uncorrelated with the economic cycle and have minimal interest rate risk. INPP is well on track to grow FY25 (8.58p) and FY26 (8.79p) dividends in line with its long-term projected annual growth rate of c 2.5%, fully covered by net operating cash flows. Amid significant macroeconomic volatility, the company anticipates that NAV per share will remain stable relative to that last published at 31 December 2024 (end-FY24).

Portfolio realisations, capital recycling and share repurchases are continuing, and the revised investment advisory agreement, with fees now based equally on market cap and NAV, will reduce costs. Most recently, INPP has released £49m from senior debt and largely minority equity positions in its UK education infrastructure portfolio. This follows the £8m agreed sale of its minority equity interests in seven UK education PPPs in March. Realisations over the past 24 months have now reached over £315m (c 12% of the end-FY24 portfolio value), all in line with or at a premium to the relevant published valuations and providing evidence of the robustness of INPP's valuation process. Year-to-date reinvestment amounts to £5.9m, mainly reflecting existing commitments. Funded by net realisations and surplus operational cash flow, INPP aims to repurchase up to £200m of shares by end-March 2026, of which c £80m has been completed thus far, with year-to-date purchases adding almost 0.5p to NAV per share. Given strong demand for privately funded global infrastructure, we anticipate increasing opportunities for accretive long-term reinvestment, consistent with INPP's strict capital allocation policy, particularly as the share price increases.

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Investment companies
Infrastructure

15 July 2025

Price	**123.00p**
Market cap	**£2,189m**
Total assets	**£2,729m**
NAV	144.7p
Discount to NAV	15.0%
Current yield	6.8%
Shares in issue	1,843.1m
Code/ISIN	INPP/GB00B188SR50
Primary exchange	LSE
AIC sector	Infrastructure
Financial year end	31 December
52-week high/low	127.6p 101.4p

Fund objective

International Public Partnerships is an infrastructure investment company that listed in 2006. It invests in a diversified portfolio of global public infrastructure assets and businesses, with a focus on availability-based or regulated revenues. It aims to provide investors with a consistent and predictable return from assets that meet societal and environmental needs, both now and in the future.

Bull points

- Operates in a structurally supported sector.
- Financial returns are consistent and predictable, and with good inflation linkage.
- Established, specialist, well-resourced manager with a global presence.

Bear points

- Higher capital costs are a headwind to new portfolio investment.
- Sector has de-rated with higher interest rates.
- Differing discount rates across the sector are difficult for investors to assess.

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Edison profile page

International Public Partnerships is a research client of Edison Investment Research Limited

Summary of the investment case

INPP is a Guernsey-registered investment company, listed on the London Stock Exchange since 2006. It is a member of the Association of Investment Companies (AIC) and a constituent of the AIC Infrastructure sector.

The company's aim is to 'provide investors with stable, long-term, inflation-linked returns, based on growing dividends and the potential for capital appreciation, by investing in a diversified portfolio of infrastructure assets which, through active management, meets societal and environmental needs both now and into the future'. This has been successfully achieved since listing, with the company building a strong track record of generating consistent and predictable cash flows and financial returns, commensurate with its relatively low-risk investment strategy. INPP is managed by Amber Infrastructure, a specialist international infrastructure investment manager, which has a well-resourced in-house asset management and origination team, comprising over 180 individuals, and a local presence in 12 countries. Amber's ability to actively and responsibly source and manage INPP's investments, and enhance their performance, is one of the company's core strengths. We see strong reasons to expect this to continue.

In summary, the key elements of the investment case include:

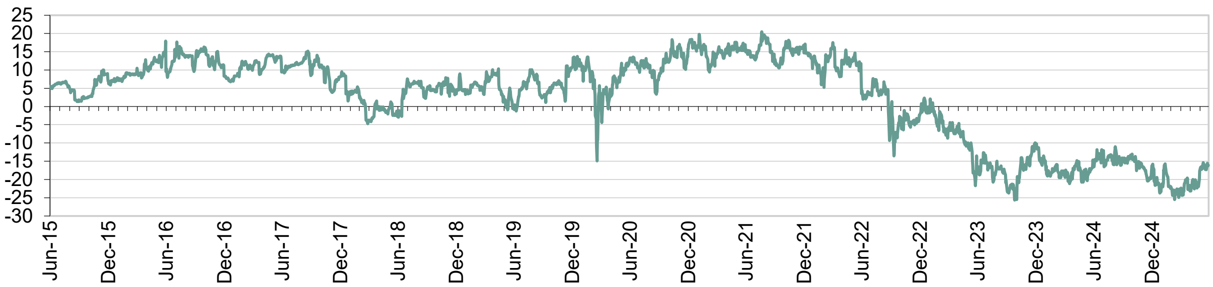
- Along with a lower-risk strategy, portfolio cash flows provide **a high level of positive inflation linkage** (with a 1.0% per year increase in inflation above that assumed in the valuation expected to increase investment returns by 0.7% per year) and the investments are **well protected against the impact of interest rate fluctuations** on equity returns. INPP itself has no debt.
- With effect from 1 July, **investment advisory fees will decline**. With the basis for fees changed to an equal weighting of market cap and NAV, the current 15% discount to NAV implies a saving of c 8% compared with the previous arrangements (which were based fully on NAV). If the shares return to a premium to NAV (as was the case for most of the period since listing until interest rates began to rise), INPP and Amber have agreed that management fees will be no higher than would have been payable under the previous arrangement.
- Dividends have increased every year since inception, across a number of market cycles and in sometimes challenging economic conditions. From 2025, the frequency of dividends has been changed to quarterly rather semi-annually[1]. DPS has consistently been fully cash covered, and the company calculates that the expected cash flows from the existing portfolio alone, without any benefit from new investments, are sufficient to meet progressive dividends for at least the next 20 years. With a vast global requirement for infrastructure investment, the prospects for accretive investment remain strong.
- The board has demonstrated its **commitment to addressing the share price discount**. Asset realisations have underpinned valuations and contributed to the repayment of all corporate borrowing (during 2024) and share repurchases of up to £200m by March 2026. The proceeds have also been partially recycled into new accretive investments where these are consistent with INPP's strict capital allocation framework. This framework benchmarks the strategic and prospective return on new investment against the immediate impact of share repurchases.
- **INPP's ESG credentials are strong.** Through a responsible approach to investment, the company aims to deliver environmental or social benefits for the individuals or communities that are served by its assets. INPP supports the 2030 Agenda for Sustainable Development that was adopted by the UN member states in 2015 and alignment with the UN Sustainable Development Goals (SDGs) is a key part of the company's approach to fully integrating ESG into all aspects of its business. All of INPP's new investments support at least one SDG, continuing to underpin the positive environmental and social characteristics of its portfolio. INPP is an Article 8 Financial Product under EU Sustainable Finance Disclosure Regulation and also provides details on EU Taxonomy alignment. Further details of INPP's responsible investment framework and progress with key performance indicators are provided in the company's March 2025 Sustainability Report available on its website.
- **The outlook for infrastructure remains positive,** as governments in INPP's core markets continue to prioritise investment in critical infrastructure. In the UK, the government's 10-year infrastructure strategy, published in June, and the 2025 Spending Review both reaffirm the UK government's long-term policy support for investing in infrastructure, to generate resilient growth and drive the transition to a secure, low-carbon energy system. The government recognises that a significant increase in private investment is needed to complement and maximise the

1. The H224 dividend of 4.19p, paid on 9 June 2025, was the final dividend to be paid on a six-monthly basis. Following this, dividends will be paid quarterly, commencing with the first of four interim dividends for the financial year 2025, expected to be paid in September 2025.

value of public investment. Having worked successfully in partnership with government for close on two decades, INPP should be well positioned to benefit from future opportunities in PPP-like ventures.

- **Attractive valuation.** Asset valuations (and hence NAV) are based on expected future cash flows, discounted at a suitable rate. Discounts rates are specific to each investment but the portfolio weighted average discount at the end of FY24 was 9.0%. Although returns will differ from year to year, this represents the expected annual average return on net asset value over the life of the fund (and average asset duration of 38 years), based on current estimates of future cash flows. The opportunity to invest in the shares at a discount to NAV provides an opportunity for investors to enhance this return, and the rate implied by the current share price is 10.1%. We view this as an attractive premium to the 30-year UK gilt yield of c 5.45% currently. Though not directly comparable to INPP, the recently completed acquisition of BBGI Global Infrastructure, at a c 20% premium to the pre-bid price and a c 3% premium to the last reported NAV, is an indication of undervaluation in the sector.
- Portfolio realisations in line with or at a premium to prevailing valuations have provided **evidence of the robustness of INPP's valuation methodology.** Changes in the discount rate have a direct impact on NAV but do not in themselves affect future expected cash flows. When the discount rate increases, as it did in FY24 (to 9.0% from 8.6%), NAV is depressed (FY24 NAV per share was 144.7p compared with 152.6p in FY23), but, from this lower base, the expected future rate of return increases. INPP says that the FY24 increase in the discount rate took account of evidence from market transaction prices and was not a reflection of asset performance. Predicted cash flows may change, as they are subject to a number of macroeconomic assumptions such as for long-term interest rates, inflation and foreign currency movements. Cash flows also depend on the performance of the assets, which is where INPP's active asset management can often generate positive outcomes. The recent portfolio update indicates that, taking account of macroeconomic and market volatility over the period and assuming all other factors remain constant, INPP anticipates the H125 NAV per share will remain broadly in line with the position at 31 December 2024.
- Combining consistently rising dividends with a rising but more volatile development of NAV per share, from 2016 to end-2024 **the average annual NAV total return is 7.0%**. Despite the sector de-rating of the past two years, the average annualised shareholder total return is 6.1%.

Exhibit 2: P/NAV history: from premium to discount

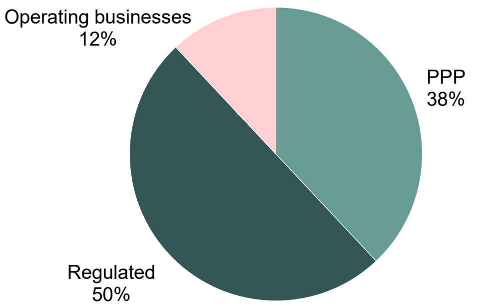


Source: INPP NAV data, LSEG Data & Analytics prices

Diversified low-risk portfolio, performing well

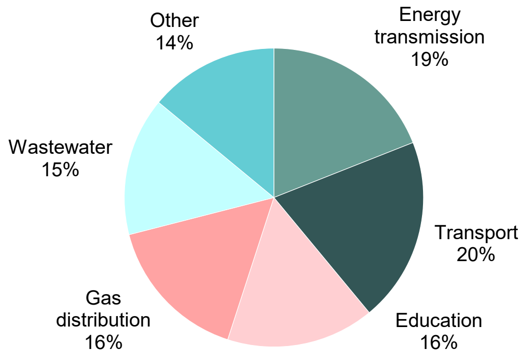
At the end of FY24, INPP's portfolio comprised 141 investments, of which the largest number by far are the public private partnerships (PPP) assets, in aggregate accounting for 38% of the portfolio. The majority of projects or companies that INPP is invested in benefit from availability-based or regulated revenues and by fair value, PPP and regulated assets represent 88% of the total and operating businesses represent the balance. The investments are located in developed infrastructure markets in eight different OECD countries, with the UK being the largest exposure, representing 72%.

Exhibit 3: Type of investment by sector (by fair value)



Source: INPP. Note: As at 31 December 2024.

Exhibit 4: Investment by sector (fair value)



Source: INPP. Note: As at 31 December 2024. Other includes Family Housing for Service Personnel, health, judicial and digital.

PPP assets (38%)

At end-2024 there were c 120 PPP assets, mostly comprising individual concession-based investments that span various sectors, such as education, healthcare, justice and other social infrastructure sectors across multiple jurisdictions. Revenues are nearly always based on the availability of the asset (rather than the extent that it is used), are long term and are contracted with government or government-backed entities. Most importantly, the PPP projects have consistently maintained a high level of asset availability and performance. The only notable demand-based revenue exposure within the PPP assets is in Diabolo Rail, the rail link between Brussels Airport and Belgium's national rail network, in the form of passenger usage. This is mitigated by a revenue adjustment mechanism that allows the project to seek an increase in the passenger fares it charges where passenger numbers and returns fall below a certain threshold.

The sector has begun to see an increasing focus on 'handback', the process of transferring PPP assets and the associated services back to the public sector at contract expiry. For INPP, the first handback is in 2025 (Hereford and Worcester courts), representing a very minor 0.1–0.2% of portfolio value, and will not be significant until the mid-2030s. Amber Infrastructure's capabilities and its sector experience will be important in facilitating an efficient and seamless handback, avoiding remediation costs or reputational risk.

In early July, INPP completed its agreement to release £49m in proceeds from its remaining senior debt position the Priority School Building Aggregator Programme and 13, mostly minority interests, in the Building Schools for the Future (BSF) programme. The BSF investments were acquired in 2011 and INPP's strategy has been to increase minority holdings to a majority position wherever possible. Where this has not been feasible, and where a sale is aligned with the company's interests, it has divested. The value of the retained equity interests and funds released from this transaction is at a premium to the 31 December 2024 valuation. The retained equity interests equate to c 1% of the published NAV at 31 December 2024.

INPP's **regulated assets** comprise investments in Cadent (the UK's largest gas distribution network), offshore transmission owners (OFTOs) and Tideway (the new 25km 'super sewer' under the River Thames), representing 16%, 19% and 15% of the portfolio respectively at end-2024. Each is regulated by a statutory independent economic regulator, providing INPP with a relatively high degree of predictability regarding future returns on capital. The use of economic regulation within the infrastructure sector is most often applied to businesses or assets that are monopolistic in nature and is aimed at protecting the interests of consumers, while ensuring investors are provided with a fair return on their investment via a predictable and transparent regulatory framework.

The transition to net zero carbon will change the role of Cadent's gas distribution network over time as consumers gradually shift their consumption to lower-carbon alternatives such as renewable electricity and green gases, alongside an expected decline in natural gas. Cadent has a critical role to play throughout the transition and beyond, continuing to safely and reliably provide gas and thereby facilitate the increased use of cleaner, albeit more intermittent, technologies; driving reductions in emissions while customers still need gas; and converting and developing the network to enable the distribution of green gases to where needed when customers are ready. In the near term, INPP says that it continues to perform strongly and in line with expectations and has a stable outlook. The Office of Gas and Electricity Markets (Ofgem) will soon determine the revenues that Cadent will be able to earn over the next five-year price control period, which begins in April 2026, and its final decision is expected in December 2025. It has previously indicated that it does not expect any major regulatory changes from the existing framework, highlighting the need to be adaptable to balance the interests of both consumers and investors in view of the range of potential future pathways to net zero carbon.

Major construction works were completed on the Tideway project during 2024 and, having been fully connected to London's wider sewerage network, it is in the commissioning phase, which ensures the reliability of the tunnel through ongoing testing and storm simulations. Handover, the point at which Thames Water has certified that system commissioning is complete, remains planned for the second half of the year. During commissioning, Tideway is already being operated and to date has prevented more than seven million cubic metres of sewage from entering the River Thames, equivalent to the volume of more than 2,500 Olympic swimming pools. INPP does not expect the financial problems of Thames Water, which has a licence requirement to collect revenues from its customers and pass these to Tideway, to have any material impact on its investment. Tideway has statutory and regulatory protections, designed to mitigate any revenue disruption.

Following its £77m investment in the Moray East OFTO in 2024, INPP now has investments in 11 OFTOs with capacity to transmit sufficient renewable energy to power the equivalent of c 3.7m homes. The OFTOs are not electricity generators but connect the UK onshore electricity grid to offshore windfarms, and are regulated by Ofgem. The revenues generated are not linked to electricity production or price – instead the OFTO is paid a pre-agreed, availability-based revenue stream for a fixed period of time (typically 20–25 years). The regulatory arrangements beyond the existing licence periods are yet to be determined, although Ofgem has indicated its objective of maximising the combined operational lifetimes of both generation and transmission assets where it is economic and efficient to do so. In this respect, it expects incumbent OFTOs to be best positioned to operate transmission assets in an extension period.

In the recent portfolio update, INPP says that the Beatrice OFTO is currently operating at reduced capacity as a result of a cable fault that occurred in Q225. Repairs are being planned and the OFTO expects to return to full operations by year-end. This is a similar situation to the East Anglia One OFTO, which suffered an underwater cable fault and capacity outage. In that case, the INPP asset management team was able to ensure a swift repair and, as expected, Ofgem deemed the OFTO not at fault nor liable for any availability-linked revenue deduction. With the Beatrice OFTO, INPP expects the costs of repair to be covered by insurance and any financial impact is not expected to be material to the portfolio.

INPP's investments in **operating businesses** mainly include Angel Trains (the UK's largest rolling stock leasing company) and BeNEX (an investor in both rolling stock and train operating companies that operate regional passenger rail franchises across Germany), along with a small investment in digital infrastructure companies. On behalf of the company, Amber Infrastructure holds a board position on each business, through which it engages in their governance with the aim of ensuring effective risk management and driving the overall financial, operational and ESG performance of its investments. Angel Trains is performing well, with the train operators (its customers) experiencing good levels of traffic. INPP does not expect any impact on the company from renationalisation of UK rail operators as there should be no impact on rolling stock requirements, and the transport secretary has indicated no plans to change the way this is leased.

BeNEX continues to perform well, benefiting from the growing popularity of train use in Germany while expanding its regional footprint. Having acquired two further train operators in Q424 it now operates six franchises, generating predominantly availability-based revenues and, to a lesser extent, revenues linked to passenger numbers. BeNEX's Q424 acquisition was part-funded by a strategic follow-on investment by INPP amounting to £15m.

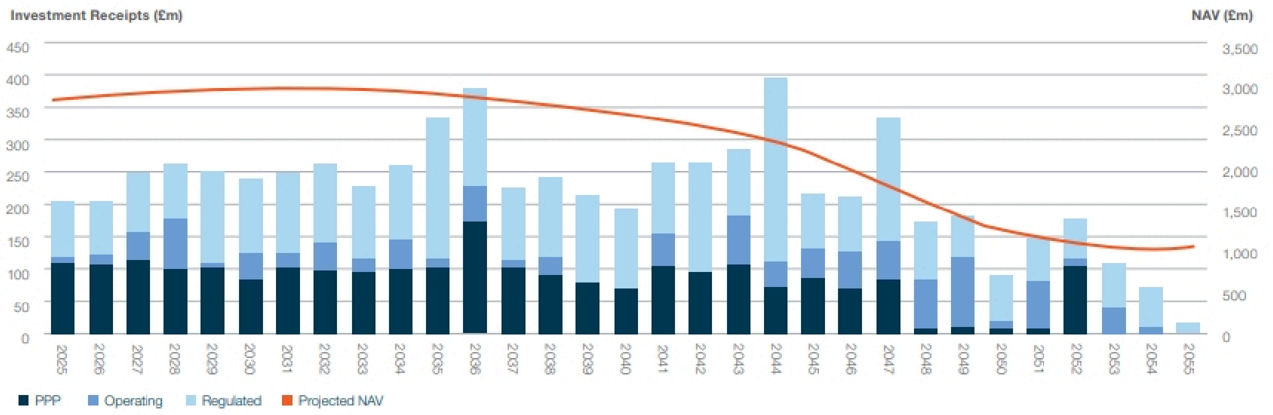
The digital investments comprise two fibre network providers. Community Fibre, London's largest full-fibre broadband provider, continues to strongly increase customer numbers. Serving the south of England, toob continues to grow its network and in 2024 INPP invested £8m of an existing commitment, alongside co-investors. The remaining commitment amounts to £5m.

Expected long-term cash flows

INPP expects cash flows from the existing portfolio to sustain progressive dividends for at least the next 20 years. This allows for the eventual run-off of those investments in projects that have time-limited, concession-based contracts, most of which have little or no material residual value at expiry (for example, when a school is handed back to the education authority). For such investments, cash flow distributions initially contribute 'income', in the form of dividends and interest, but, over time, will increasingly constitute a return of the capital invested. Without reinvestment, INPP's NAV would also be expected to decline, which is why it is important to look at NAV total return.

The chart below illustrates the expected future development of portfolio receipts and NAV, over the next 30 years to 2055, as of end-FY24. This includes no impact from accretive reinvestment, which is highly likely given the vast global requirement for infrastructure investment. With a weighted average investment life for the fund of 38 years there will additional cash flows beyond 2055.

Exhibit 5: Projected investment receipts and NAV



Source: INPP. Note: Data as at 31 December 2024.
Note: This chart is for illustrative purposes only and is not intended to provide any future profit or NAV forecast. Cash flows shown are projections based on the current individual asset financial models and may vary in future. Only agreed investment commitments as at 31 December 2024, and expected cash flows up to 2055, are included. Full details of the assumptions can be found in the FY24 Financial Report on INPP's website.

Aggregate NAV total return since inception in 2006 to end-FY24 is 7.0% per year, although this slowed in 2023 and 2024 as the discount rate increased (from an average 7.5% in 2022). Despite a strong return in 2022 (in part reflecting the strong return linkage to rising inflation), the five-year average return is 4.0% per year and the 10-year average is 5.5%.

As noted above, in its recent portfolio update INPP stated that it expects H125 NAV per share (which will be reported in early September) to remain broadly in line with the position at 31 December 2024, indicating that dividends will be the primary driver of H125 NAV total return. INPP's FY25 DPS target of 8.58p represents a 5.9% yield on the end-FY24 NAV per share of 144.7p.

Exhibit 6: 10-year NAV total return data

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	5-year average	10-year average
Opening NAV per share (p)	127.0	130.2	142.2	145.0	148.1	150.6	147.1	148.2	159.1	152.6	150.6	127.0
Closing NAV per share (p)	130.2	142.2	145.0	148.1	150.6	147.1	148.2	159.1	152.6	144.7	144.7	144.7
DPS paid (p)	6.4	6.6	6.7	6.9	7.1	7.3	7.5	7.6	7.9	8.3	38.6	72.2
Dividend return	5.0%	5.0%	4.7%	4.8%	4.8%	4.8%	5.1%	5.2%	5.0%	5.4%	25.6%	56.9%
Capital return	2.5%	9.2%	2.0%	2.1%	1.7%	-2.3%	0.8%	7.3%	-4.1%	-5.2%	-3.9%	13.9%
Total return	**7.5%**	**14.2%**	**6.7%**	**6.9%**	**6.5%**	**2.5%**	**5.8%**	**12.5%**	**0.9%**	**0.2%**	**21.7%**	**70.8%**
Average annual return											**4.0%**	**5.5%**

Source: INPP data, Edison Investment Research

Exhibit 7: Discount rate history

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Weighted average bond yield	2.8%	2.3%	1.6%	1.8%	1.8%	1.0%	0.6%	1.0%	3.1%	4.3%	4.4%
Average portfolio risk premium (includes senior debt)	4.7%	5.2%	5.8%	5.7%	5.4%	6.0%	6.4%	6.0%	4.4%	4.1%	4.6%
Risk assets premium (excludes senior debt)	5.1%	5.8%	6.4%	6.0%	5.7%	6.5%	7.0%	6.4%	4.6%	0.0%	0.0%
Average risk assets discount rate	**7.9%**	**8.1%**	**7.9%**	**7.9%**	**7.6%**	**7.5%**	**7.5%**	**7.4%**	**7.7%**	**8.4%**	**9.0%**

Source: INPP data

The table below shows a summary of the FY24 NAV movement. Reflected in the increased discount rate, the impact of higher government bond yields was only slightly offset by a narrower risk premium. Macroeconomic assumption changes had only a modest impact, although that from changes in FX rates was larger. Cash distributions to shareholders (dividends) and share repurchases represented a 10.7p reduction in NAV, substantially offset by an NAV return (primarily the change in underlying fair value of the investment portfolio) of 9.7p.

Exhibit 8: Movement in FY24 NAV per share primarily driven by higher goverment bond yields.

	Pence per share	£m
Opening NAV	155.3	2,916
Change in govt bond yields	(8.9)	(167)
Change in investment risk premia	1.7	31
Change in macroeconomic assumptions	(0.4)	(8)
Change in FX rates	(2.0)	(38)
NAV after change in discount rate and other assumptions	**145.7**	**2,735**
NAV return	9.7	182
Cash distributions to shareholders	(8.4)	(157)
Share repurchases	(2.3)	(43)
Closing NAV	**144.7**	**2,717**

Source: INPP data, Edison Investment Research

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