

International Public Partnerships

Capital markets day

International Public Partnerships (INPP) recently held a [strategy day](#). This provided a detailed overview of its business and the outlook for a continuation of the strong, predictable, inflation-linked returns that have been generated since the company listed in 2006. INPP's operational and financial performance is at odds with its discount to NAV and the company has a clear strategy to address this. No new financial details were provided ahead of INPP's 2023 results, due to be published on 28 March.

Consistent operational and financial performance

INPP is aiming to deliver consistent and predictable returns for investors, while delivering environmental and/or social benefits for the individuals and communities that are served by its assets. Underpinning INPP's investment strategy is a focus on what it expects to be lower-risk assets, providing essential public infrastructure services, with revenues that are generally 'availability based' or regulated and significantly government-backed. The portfolio is well diversified, geographically and by type of assets, and the underlying cash flows provide a high level of inflation linkage and protection against the impact of rising debt costs on equity returns. The investment adviser is Amber Infrastructure, which has a large, well-resourced in-house asset management and origination team. Amber Infrastructure's ability to actively and responsibly source and manage INPP's investments, and enhance their performance, is one of the company's core strengths, and its responsible approach to investment is demonstrated in the second [Sustainability Report](#) (published in 2023).

Addressing the discount to NAV

INPP has grown its DPS each year, since its IPO, at a target long-term rate of c 2.5%. To better reflect the positive inflationary impact on cash flows, the 2023 DPS target was increased to 8.13p (+5% vs 2022), with the 2024 target rebased in line with the c 2.5% long-term growth target, and at a level that INPP expects to be sustainable. In fact, the company believes the projected portfolio cash flow is sufficient to cover targeted dividends for at least the next 20 years without any need for further investment. The board and INPP are focused on closing the share price discount to NAV. At c 17% it is not materially out of line with the AIC sector average, but we do not believe this is the appropriate comparison, given the characteristics of INPP's portfolio and its long track record of performance. Alongside the DPS step-up, capital recycling has facilitated the repayment of relatively high costs debt, underlined the robustness of asset valuations, provided funding for accretive reinvestment and generated capital for ongoing share repurchases.

Predictable returns

Based on the 2024 target DPS of 8.33p, the shares are yielding 6.5% and are trading at an 17% discount to NAV. INPP calculated that, based on the share price at 31 December 2023 (137.4p), the implied projected total return was 8.6%, which was more than 4.5pp above a 30-year gilt at the time (4.1%).

Investment companies Infrastructure

6 March 2024

Price 128.2p

Market cap £2,446m

NAV per share* 155.2p

Discount to NAV 17.4%

*At June 2023.

2024 DPS target 8.33p

Yield 6.5%

Shares in issue 1,911m

Code/ISIN INPP/GB00B188SR50

Primary exchange LSE

AIC sector Infrastructure

52-week high/low 153.0p 115.4p

Fund objective

INPP is an infrastructure investment company, which has been listed since 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.

Next event

2023 results announcement 28 March 2024

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