



# GCP Infrastructure

Investment companies | Update | 5 August 2025

## Substantive progress

Since interest rates began to rise to tackle inflation, GCP Infrastructure (GCP) has, like many similar investment companies, been afflicted by a wide discount. The board and the investment adviser have been working to tackle this through a policy of capital recycling. This aims to free up £150m to materially reduce the drawn balance on the revolving credit facility (RCF), return at least £50m to shareholders, and rebalance the portfolio to improve its risk adjusted returns. As we discuss in this report, buybacks have stepped up a gear, the discount is narrowing, the RCF has been reduced to just £10m, and the portfolio's sensitivity to electricity prices has been cut significantly.

There is more to do, but – perhaps attracted by the high dividend yield and improving outlook – investors appear to be waking up to GCP's attractions once again.

## Public-sector-backed, long-term cashflows

GCP aims to provide shareholders with sustained, long-term distributions and to preserve capital by generating exposure primarily to UK infrastructure debt or similar assets with predictable long-term cashflows.

12 months ended	Share price TR (%)	NAV total return (%)	Earnings <sup>1</sup> per share (pence)	Adjusted <sup>2</sup> EPS (pence)	Dividend per share (pence)
30/09/2020	(2.0)	(0.2)	(0.08)	7.65	7.6
30/09/2021	(7.9)	7.2	7.08	7.90	7.0
30/09/2022	3.8	15.7	15.88	8.30	7.0
30/09/2023	(25.2)	3.6	3.50	8.58	7.0
30/09/2024	28.2	4.6	2.25	7.09	7.0

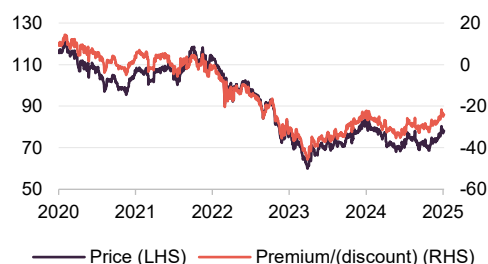
Source: Morningstar, Marten & Co. Note 1) EPS figures taken from 30 September each year. Note 2) Adjusted earnings per share removes the impact of unrealised movements in fair value through profit and loss.

Sector	Infrastructure
Ticker	GCP LN
Base currency	GBP
Price	78.0p
NAV <sup>1</sup>	102.1p
Premium/(discount)	(23.6%)
Yield	9.0%

Note: 1) Last published NAV as at 30 June 2025.

## Share price and discount

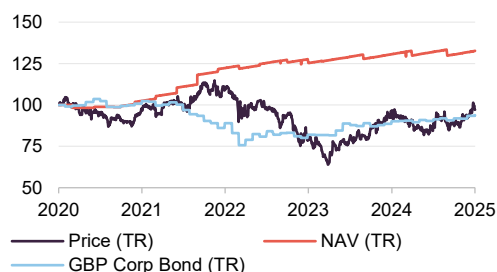
Time period 31/07/2020 to 04/08/2025



Source: Morningstar, Marten & Co

## Performance over five years

Time period 31/07/2020 to 31/07/2025



Source: Morningstar, Marten & Co



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<b>Domicile</b>	<b>Jersey</b>
<b>Inception date</b>	<b>22 July 2010</b>
<b>Investment adviser</b>	<b>Philip Kent</b>
<b>Market cap</b>	<b>657.4m</b>
<b>Shares outstanding (exc. treasury shares)</b>	<b>842.783m</b>
<b>Daily vol. (1-yr. avg.)</b>	<b>1.343m shares</b>
<b>Net gearing</b>	<b>1.2%</b>

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## Company profile

Regular, sustainable, long-term income

GCP Infrastructure Investments Limited (GCP) is a Jersey-incorporated, closed-ended investment company whose shares are traded on the main market of the London Stock Exchange. GCP aims to generate a regular, sustainable, long-term income while preserving investors' capital. The company's income is derived from loaning money predominantly at fixed rates to entities which derive their revenue – or a substantial portion of it – from UK public-sector-backed cashflows. Wherever it can, it tries to secure an element of inflation protection.

In practice, GCP is diversified across a range of different infrastructure subsectors, although its focus has shifted more towards renewable energy infrastructure over the last few years. It has exposure to renewable energy projects (where revenue is partly subsidy and partly linked to sales of power), PFI/PPP-type assets (whose revenue is predominantly based on the availability of the asset), and specialist supported social housing (where local authorities are renting specially-adapted residential accommodation for tenants with special needs).

The board is targeting a full-year dividend of 7.0p per share for the financial year ended 30 September 2025. At the half-year mark, the trust was on track to achieve this, having declared dividends totalling 3.5p per share.

GCP had driven down the RCF balance to £41m by the end of March...

As we highlighted on the front page, GCP is working on a £150m capital cycling programme as part of its efforts to tackle its discount. Money freed up is being used to reduce GCP's leverage. Drawings on the revolving credit facility (RCF) totalled £43m at end June 2025, down from £57m at end September 2024.

In its latest NAV announcement, GCP revealed that it had reached a settlement agreement in respect of the contractual claim relating to the accreditation of a portfolio of solar projects under the Renewables Obligation scheme. This has been rumbling on for some time – we flagged it in our January 2021 note, for example.

...but with an influx of money from the settlement of a claim, GCP's net debt is now just £10m

GCP had accrued an amount in the NAV for the anticipated settlement, and so this did not have much impact on the NAV. However, following receipt of the money, GCP's net debt has fallen to about £10m, equivalent to gearing of just 1.2%.

GCP also intends to return at least £50m of capital to shareholders. We show its recent share buyback activity on page 12.

## Market backdrop

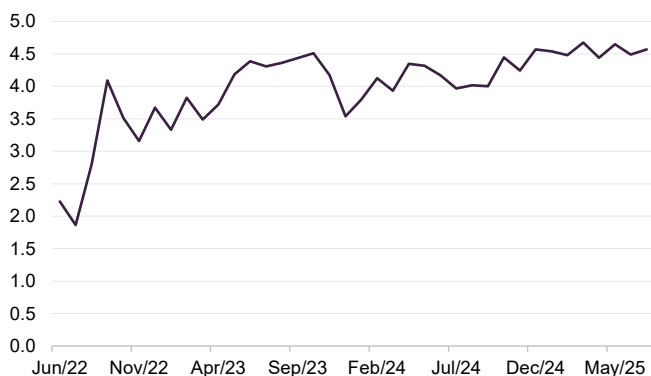
Markets are predicting a cut in UK base rates in August, but persistent inflation and low/negative growth numbers are weighing on sentiment

UK economic growth numbers have been weak, with a fall in GDP reported for May, following on from another monthly contraction in April. In such an environment, the predictable income provided by GCP might seem all the more attractive.

The Bank of England cut its base rate to 4.25% in May 2025, but inflation figures have been coming in higher than expected, with UK CPI running at 3.6% and RPI (which is still used to inflate renewable energy subsidies) coming in at 4.4% in June. We could still see another interest rate cut in August, but until inflation is looking better-controlled, more aggressive rate-cutting seems unlikely.

10-year gilt yields, which arguably have a bigger influence on the rating of funds such as GCP than short-term rates, have been fairly flat this year. A number of commentators are concerned about levels of UK government debt, which may be influencing long-term bond yields.

**Figure 1: UK 10-year gilt yield**



Source: Bloomberg

BBGI bid underscored the attractive valuations on offer in the infrastructure sector

Plenty for GCP to do if it returns to making investments, but the discount will be fixed first

**Figure 2: Median premium/(discount) on AIC infrastructure sector**



Source: Morningstar, Marten & Co

As illustrated in Figure 2, discounts on infrastructure trusts have narrowed from lows. One catalyst for this was the bid for BBGI Global Infrastructure (a portfolio of equity stakes in PFI/PPP-type infrastructure projects) at a premium to its NAV. GCP still has about 27% of its portfolio exposed to debt funding for PPP/PFI projects.

Talk is growing that a cash-constrained UK government will take a fresh look at PFI-type structures to fund much-needed infrastructure investment in areas such as schools, hospitals, and prisons. This could open up new opportunities for GCP, were it to return to making new investments. The GCP board has been quite clear that it will not consider doing so until the discount has narrowed to a point where returns on new investments are higher than the return on investing in the existing portfolio through buybacks.

While we wait for decisions on the way forward for PFI, GCP has highlighted the considerable opportunity in financing the transition to Net Zero. The UK government's latest auction round for CfD finance for renewables projects – AR7 – is underway. In this auction round, more capital has been allocated, and fixed-price energy deals are available at higher prices and for longer periods.

The government’s review into electricity markets decided against adopting zonal pricing for electricity. The decision has been welcomed by most investors in generation assets, but it does mean that additional investment will be needed in energy storage and in grid infrastructure.

Portfolio

As of 30 June 2025, there were 48 investments in GCP’s portfolio (down from 50 when we last published). The average annualised portfolio yield was 7.9% (up from 7.8%), and the portfolio had a weighted average life of 11 years.

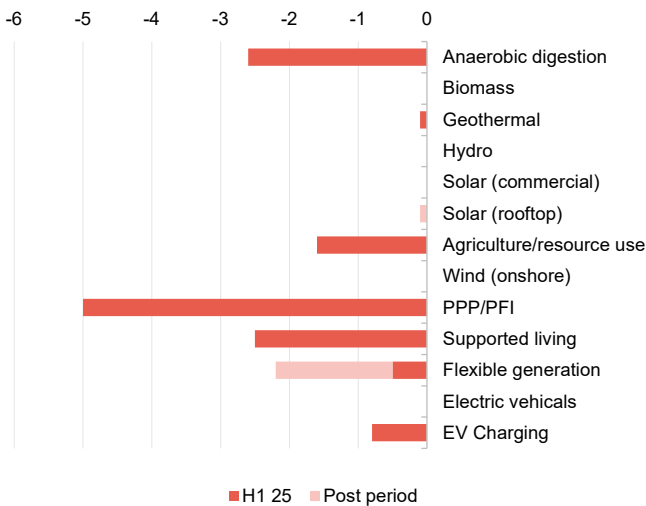
Recent investment activity

No new loans were made over H1 25, as the adviser was focused on GCP’s capital recycling programme. GCP does have commitments to advance loans to existing borrowers, however, and these totalled £13m over the first half of GCP’s financial year (H1 25), the six-month period ended 31 March 2025.

In terms of money coming back from the portfolio, the two big items were the sale of some rooftop solar assets for £6.8m in November 2024 (as referred to in our last note) and the sale of interests in two onshore wind farms in January 2025.

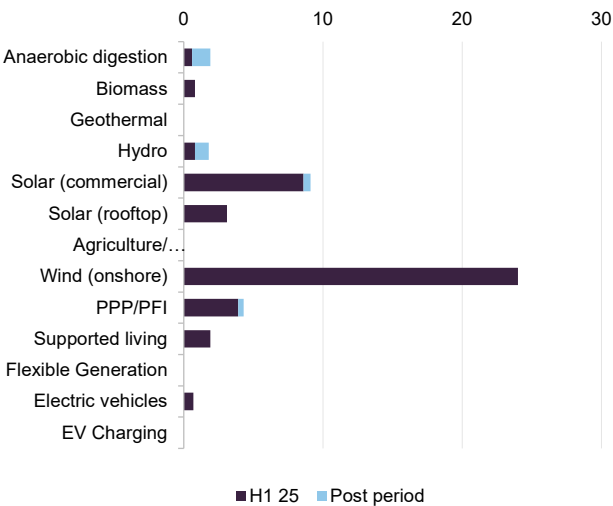
GCP had owned the windfarms since 2017. They fetched an initial £16.5m plus £1.3m of contingent proceeds and £1.0m of realised tax benefits. Although the proceeds were lower than the valuation in GCP’s end-September 2024 NAV, on average the company made a return of about 9.7% per annum on these assets.

Figure 3: Outflows (investments) in £m



Source: Gravis Capital Partners

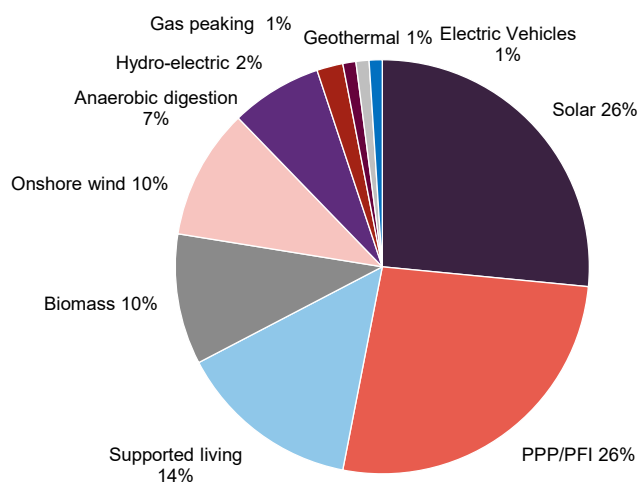
Figure 4: Inflows (repayments) in £m



Source: Gravis Capital Partners

The disposals have had some effect on the split of GCP’s portfolio as shown in Figure 3, with the percentage exposure to onshore wind falling from 13% to 10% since we last published.

**Figure 5: Split of the portfolio at 30 June 2025**

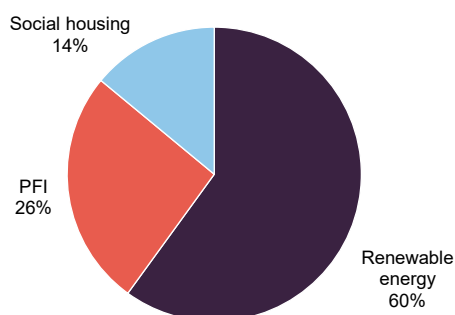


Source: GCP Infrastructure Investments

In terms of the sector split shown in Figure 5, renewables have fallen in favour of the other two sectors (as the pie shrinks). The portfolio also has slightly more exposure to senior loans and less exposure to equity or equity like positions.

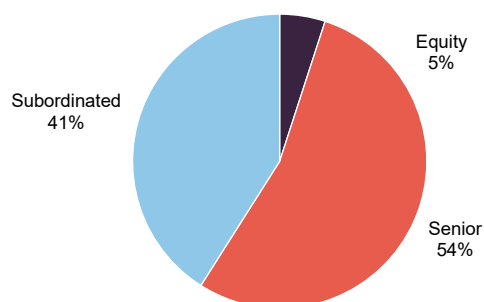
The missing piece of the capital recycling programme is the disinvestment from GCP's social housing exposure. We still expect that to happen.

**Figure 6: Sector allocation at 30 June 2025**



Source: GCP Infrastructure Investments

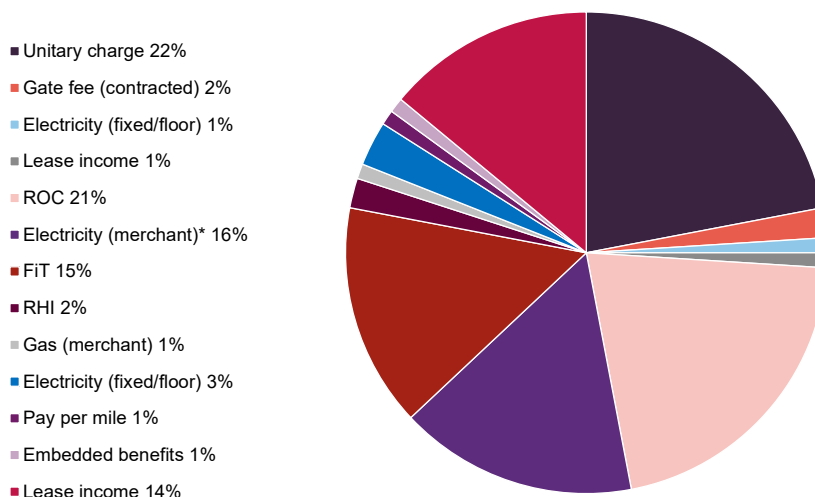
**Figure 7: Security allocation at 31 March 2025**



Source: GCP Infrastructure Investments

There is no significant change to the breakdown of GCP's sources of income.

**Figure 8: GCP sources of income as at 31 March 2025**



Source: GCP Infrastructure Investments

## Top 10 investments

GCP's largest investments tend to be special purpose vehicles set up to fund specific groups of assets.

One new vehicle has entered the top 10 (GCP Rooftop Solar Finance), replacing GCP Programme Funding S3, which was financing a portfolio of anaerobic digestion plants. GCP wrote down the value of some of these plants as shown on page 11.

**Figure 9: GCP's 10 largest investments as at 31 March 2025**

	% of total assets 31/03/25	Cashflow type	Project type
Cardale PFI	13.4	Unitary charge	PFI/PPP (18 projects)
Gravis Solar 1	9.4	ROC/FiT	Commercial solar
GCP Programme Funding S14	5.7	ROC/RHI/Merchant	Biomass
GCP Bridge Holdings	5.1	ROC/PPA	PPE – Energy-from-waste / Energy efficiency
GCP Biomass 2	5.0	ROC/PPA	Biomass
GCP Programme Funding S10	4.9	Lease	Supported Living
GCP Social Housing 1 B	4.0	Lease	Supported living
Gravis Asset Holdings H	4.0	ROC/RHI	Onshore wind
GCP Green Energy 1	3.8	ROC/PPA	Commercial solar/onshore wind
GCP Rooftop Solar Finance	3.7	FiT	Rooftop solar

Source: GCP Infrastructure Investment

The list of revenue counterparties is not much changed since we last published. ENGIE Power Limited has entered the list replacing Total Gas and Energy Limited.

In the list of project service providers, Veolia ES (UK) Limited, Urbaser, and Gloucester County Council have replaced Pentair, Atlantic Biogas, and Thyson.

**Figure 10: Top 10 revenue counterparties**

Firm	% of total portfolio
Ecotricity Limited	9.4
Npower Limited	7.3
Viridian Energy Supply	7.2
Statkraft Markets GmbH	5.9
Bespoke Supportive Tenancies Limited	5.1
Office of Gas and Electricity Markets	4.7
Smartestenergy Limited	4.5
Good Energy Limited	4.5
Gloucestershire County Council	4.2
ENGIE Power Limited	4.0

Source: GCP Infrastructure Investments

**Figure 11: Top 10 project service providers**

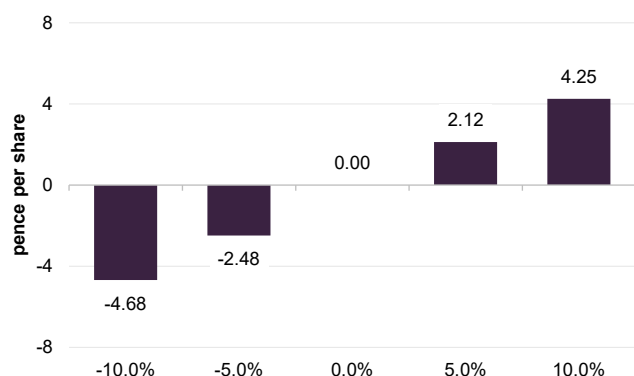
Firm	% of total portfolio
WPO UK Services Limited	20
PSH Operations Limited	13
Solar Maintenance Services Limited	10
A Shade Greener Maintenance	9
Vestas Celtic Wind Technology Limited	8
Veolia ES (UK) Limited	5
Cobalt Energy Limited	5
Urbaser Limited	4
Gloucester County Council	4
2G Energy Limited	4

Source: GCP Infrastructure Investments

## Sensitivities

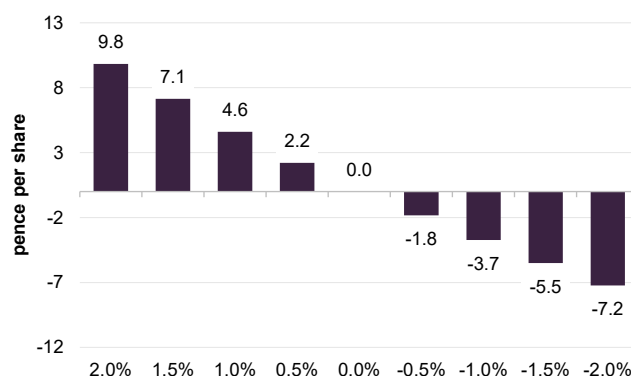
The investment adviser also provides a sensitivity analysis for its cash flows. Based on a total fair value for GCP's assets, a 0.5% increase in its discount rate would take about 3.0% off the total fair value. A 0.5% decrease in discount rates would add 3.2%.

**Figure 12: NAV impact of change in forecast electricity prices**



Source: GCP Infrastructure Investments

**Figure 13: NAV impact associated with a movement in inflation**



Source: GCP Infrastructure Investments






Clear evidence of reduced sensitivity to power prices

One of GCP's aims for its capital recycling efforts is to reduce the portfolio's sensitivity to fluctuations in power prices. Based on the numbers in Figure 10, it is achieving this. As at end March 2025, a 10% fall in power price forecasts would take 4.68p off GCP's NAV. Back at the end of September 2025, before the rooftop solar and onshore windfarm sales, that figure was 9.11p.

Higher inflation would be good news for GCP. Recent inflation figures suggest things are going its way in this respect. However, the quid pro quo for this tends to be higher for longer interest rates, which influence the discount rate. At end June 2025, the weighted average discount rate on the portfolio was 8.33%, marginally lower than the 8.36% number for end March. That just reflects principal and interest payments across the portfolio.

## Conservative assumptions

**Figure 14: Valuation assumptions as at 31 March 2025**

	GCP's approach	Most conservative	Potential impact on GCP's NAV (pence)	Least conservative
<b>Electricity prices</b>	Futures (three years) and AFRY four quarter average long term. Electricity Generator Levy applied to 31 March 2028	AFRY Q1 2025 Low-Central	(2.57)  3.14	Aurora Q1 2025
<b>Capture prices (wind, solar)</b>	Asset-specific curve applied to each project	Higher capture prices	(0.29)  2.45	No capture prices
<b>Asset lives</b>	Lesser of planning, lease, and technical life (20 to 25 years)	Contractual limitations	 2.63	Asset life of 40 years (solar) and 30 years (wind)
<b>Indexation</b>	OBR short term, 2.5% RPI and 2.0% CPI long term	2.5% RPI and 2% CPI long term	 0.36	0.5% increase in inflation forecasts
<b>Corporation tax</b>	Long-term corporation tax assumption of 25%	Long-term corporation tax at 25%	 0.63	Short-term corporate tax assumption of 25% then 19% thereafter

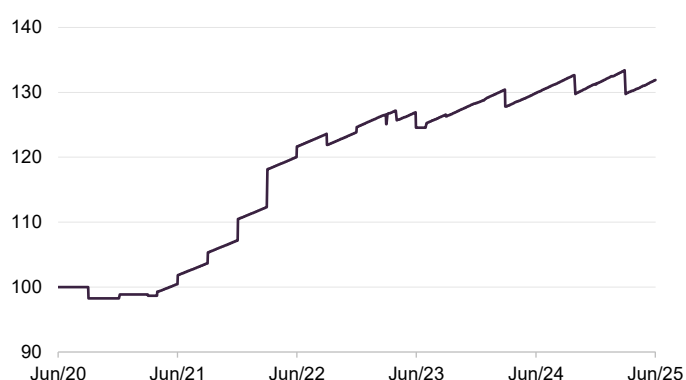
Source: GCP Infrastructure Investments

As in previous reports, we have included a table showing the impact of GCP's conservative valuation assumptions on its NAV. The range shows what would happen to the NAV were GCP to adopt the most conservative or least conservative assumptions of peers when calculating its NAV. Whilst the sensitivity to power prices has fallen, it is still an important consideration. GCP uses the average of the last four quarterly power price curves produced by AFRY.

## Performance

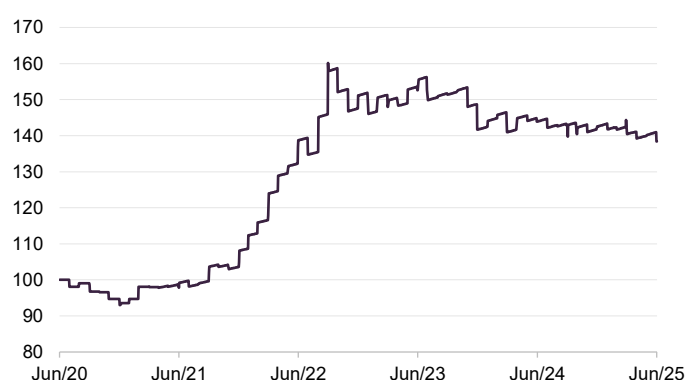
Despite the many headwinds facing the company in recent years, GCP's NAV total return has remained positive and has held up fairly well, relative to the return from sterling corporate bonds as shown in Figure 16.

**Figure 15: GCP NAV total return**



Source: Morningstar, Marten & Co

**Figure 16: GCP NAV total return performance relative to sterling corporate bond performance**



Source: Morningstar, Marten & Co

It is encouraging to see the impact of a narrower discount on GCP's share price returns, but there is hopefully even more to come.

**Figure 17: Cumulative total return performance over periods ending 30 June 2025**

	3 months (%)	6 months (%)	1 year (%)	3 years (%)	5 years (%)
GCP share price	5.3	8.6	0.3	(13.9)	(3.2)
GCP NAV	1.7	0.5	1.6	8.4	31.9
Sterling corporate bonds	3.1	3.5	5.6	8.7	(4.7)

Source: Morningstar, Bloomberg, Marten & Co

The next section looks at what has been driving GCP's NAV return since we last published.

The largest negative move relates to a change to the assumed life of a portfolio of gas-to-grid anaerobic digestion assets. GCP has an equity exposure to these assets after the borrower experienced problems.

## Significant factors affecting NAV over H1 2025

**Figure 18: Factors affecting the NAV over H1 25**

Driver	Description	Impact (£m)	Impact (pence per share)
Inflation forecast	Inflation movements in the period	6.9	0.81
O&M budget update	Revised operating budget reflecting improved forecast cash flows	3.1	0.36
Other upward movements	Other upward movements across the portfolio	5.1	0.60
Asset specific revaluations	Revised long-term availability forecast for a gas-to-grid anaerobic digestion portfolio	(24.5)	(2.87)
Actual performance	Lower-than-forecast renewables generation	(12.7)	(1.49)
Discount rates	Higher discount rates	(3.5)	(0.41)
Other	Other, including the impact of hedging	(0.4)	(0.05)
<b>Total</b>		<b>(26.0)</b>	<b>(3.05)</b>

Source: GCP Infrastructure Investments

## Premium/(discount)

Over the past 12 months, GCP's shares have traded on an average discount of 29.1%, a high of 22.2%, and a low of 35.3%. As of publishing, the discount stood at 23.6%.

**Figure 19: GCP discount over five years ending 30 June 2025**

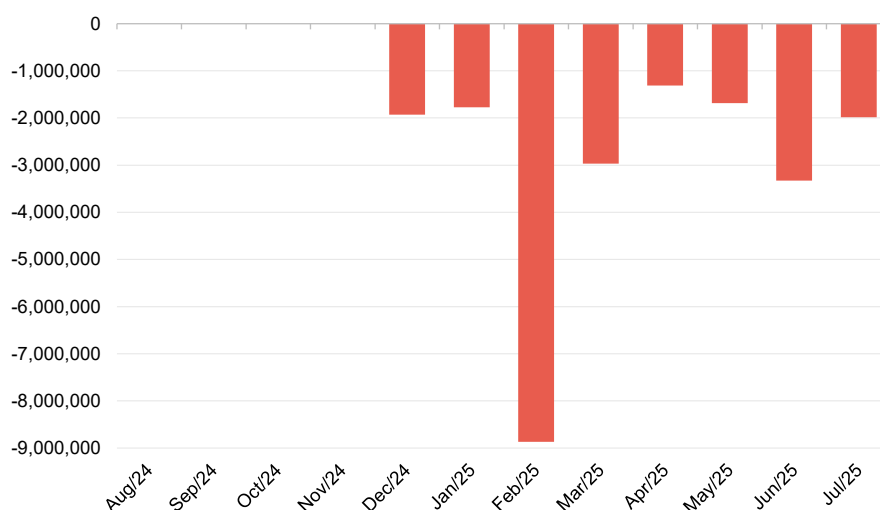


Source: Morningstar, Marten & Co

As discussed in previous notes, GCP's discount widened over 2021 and 2022 as interest rates began to rise. The discount has narrowed somewhat since helped by share buybacks (as shown in Figure 20) and a capital recycling programme aimed at providing solid evidence of the validity of the NAV; improving the overall quality of the portfolio (in particular, reducing the sensitivity to power price fluctuations); and providing cash to both fund returns to investors and to reduce its floating rate debt. We believe that the discount ought to narrow further from here.

As Figure 20 illustrates, in pursuit of the capital recycling programme, GCP has now bought back over 23.8m shares, worth about £18.8m,

**Figure 20: GCP share buybacks over past year**



Source: Marten & Co

## SWOT and bull vs. bear analysis

**Figure 21: SWOT analysis**

Strengths	Weaknesses
Diversified portfolio across a range of infrastructure subsectors and borrowers	Relatively illiquid portfolio
Public-sector backed cashflows	Historically, GCP has exhibited more sensitivity to factors such as power prices than might be expected of a debt fund
Low gearing	Need to tackle persistent wide discount is preventing it from making new investments
Responds positively to higher inflation	
Conservative valuation assumptions	
Opportunities	Threats
Discount narrowing potential	Rising UK interest rates
Government needs private capital to fund infrastructure	While discount persists, vulnerable to activist investors

Source: Marten & Co

**Figure 22: Bull versus bear case**

	Bull	Bear
Performance	Despite the odd setback, NAV has been relatively stable since launch	NAV returns have been on the low side in recent years, dragging down long-term averages
Dividends	Dividend looks increasingly reliable and headline yield is very attractive	Dividend cut in 2020 and flat dividend since at odds with rising returns from other debt investments
Outlook	Should be set fair if it can continue to deliver on its capital recycling programme	Need to see progress on social housing disposal that was flagged some time ago. Further delay/NAV writedown could undermine confidence
Discount	Discount appears to be on narrowing trend and there is more to go for	If confidence in UK economy and government finances was shattered, discount could widen again

Source: Marten & Co

Previous publications

Readers interested in further information about GCP may wish to read our previous notes.

Figure 23: QuotedData’s previously published notes on GCP

Title	Note type	Publication date
Stable income, uncertain times	Initiation	30 January 2020
Rebased dividend	Update	1 June 2020
Compelling yield	Annual overview	11 January 2021
Penalised for being conservative?	Update	1 July 2021
The future is brighter and greener	Annual overview	18 January 2022
Improving outlook and room to grow	Update	19 July 2022
Green is good	Annual overview	7 February 2023
Merger to unlock compelling value?	Update	17 August 2023
Don’t look back in anger	Annual overview	30 January 2024
Crystallising unrealised value	Update	6 August 2024
Consolidate and capitalise	Annual overview	23 January 2025

Source: Marten & Co



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