

2 May 2017

### **Agreed Sale of Affinity Water**

Infracapital and Morgan Stanley Infrastructure (“MSI”) announce the sale of Affinity Water Limited (“Affinity”) to a consortium comprising Allianz Capital Partners on behalf of the Allianz Group, HICL Infrastructure Company Limited advised by InfraRed Capital Partners Limited and DIF.

Infracapital and MSI have signed an agreement to sell their 100% interest in Affinity Water Acquisitions (Investments) Limited, which indirectly owns 90% of Affinity, for a consideration of £687 million. As part of the transaction, the consortium acquires Veolia’s 10% stake in Affinity.

Both transactions are expected to complete simultaneously in May 2017.

Affinity has thrived under Infracapital and MSI’s ownership, achieving a number of significant milestones over the past five years including:

- The successful transition to a standalone business and implementation of best-in-class IT system;
- Strengthening of the management team and board governance, including the recruitment of a new CEO, an independent Chairman and non-executive directors;
- Improvements in cost efficiency, achieving an upper quartile rating for the current regulatory period;
- Reduction of leakage and improved customer experience;
- One of only two companies to achieve “enhanced status” for its business plan submitted to the economic regulator, Ofwat, for AMP6; and
- Securing a long-term, low-cost financing structure to support the future growth of the business

#### **Ed Clarke, Co-founder and Director of Infracapital, said:**

“Affinity has made significant progress across all areas of the business over the last five years under our ownership and we are very proud of all that has been achieved. We are confident that Affinity will continue to flourish under its new owners and we wish the business and all its employees every success in the future.”

#### **Jim Wilmott, Head of Europe of MSI, said:**

“We are proud of what we have achieved with Affinity. The team has worked closely with management to transform Affinity into one of the top performers in the UK regulated water sector. The company has performed strongly, both operationally and financially, under our ownership.”

Citi acted as the financial advisor to Infracapital and MSI on this transaction, with Clifford Chance LLP acting as legal advisor.

- Ends -

## Notes to Editors:

### Enquiries

If you require any further information please contact:

Infracapital  
Tom Murray, Tulchan Communications  
+44 207 353 4200

Morgan Stanley  
Hugh Fraser, Corporate Communications  
+44 207 425 3923

### About Affinity

Affinity is the United Kingdom's largest water only supply company by revenue and population served.

Affinity owns and manages the water assets and network in an area of approximately 4,515km<sup>2</sup>, split over three regions, comprising eight separate water resource zones, in the southeast of England. The company is the sole supplier of drinking water in these areas.

Affinity supplies, on average, 900 million litres of water a day to over 3.6 million people, serving 1.5 million homes and businesses, together with operating 98 water treatment works.

Affinity has invested significantly to protect the environment by getting their customers to use less water, reduce abstraction and renew the network. Affinity has dedicated £77 million for the metering programme, £22 million to achieve sustainable abstraction reductions and £63 million for mains renewals and replacements.

[www.affinitywater.co.uk](http://www.affinitywater.co.uk)

### About Infracapital

Infracapital is a leading European infrastructure investor, and is part of M&G Investments, the European investment management arm of Prudential plc. Infracapital has raised and managed over £2.6 billion across four European infrastructure funds to date, and has a team of over 30 professionals with investment, management and operational expertise. Infracapital's approach to investment offers long-term value through the acquisition and active management of a diversified portfolio of core European infrastructure assets in both the operating and greenfield space. Target sectors include utilities, essential transportation, renewables and communications infrastructure.

*Note that the value of investments will fluctuate and investors may not get back the original amount they invested.*

[www.infracapital.co.uk](http://www.infracapital.co.uk)

### About Morgan Stanley Infrastructure

Morgan Stanley Infrastructure is a leading global infrastructure investment platform. The team has a proven and disciplined approach to investing in infrastructure assets globally and seeks to create value through active asset management and by implementing operational improvements. Morgan Stanley Infrastructure's

team, based in New York, London, Melbourne, Hong Kong, Amsterdam and Mumbai, possesses considerable infrastructure knowledge and leverages its own senior-level relationships as well as the unparalleled global network of Morgan Stanley to source investment opportunities.

## **About Morgan Stanley Investment Management**

Morgan Stanley Investment Management, together with its investment advisory affiliates, has more than 590 investment professionals around the world and \$421 billion in assets under management or supervision as of March 31, 2017. Morgan Stanley Investment Management strives to provide outstanding long-term investment performance, service and a comprehensive suite of investment management solutions to a diverse client base, which includes governments, institutions, corporations and individuals worldwide. For further information about Morgan Stanley Investment Management, please visit [www.morganstanley.com](http://www.morganstanley.com).

## **About Morgan Stanley**

Morgan Stanley (NYSE: MS) is a leading global financial services firm providing investment banking, securities, wealth management and investment management services. With offices in more than 42 countries, the Firm's employees serve clients worldwide including corporations, governments, institutions and individuals. For further information about Morgan Stanley, please visit [www.morganstanley.com](http://www.morganstanley.com).