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Infratil Newsletter – May 2025

In this month's update, we share key takeaways from the Macquarie Australia Conference, assess the implications of the Liberation Day tariffs for our portfolio, update on the Commerce Commission clearance for Contact Energy's proposed acquisition of Manawa Energy and mark a leadership transition at RHCNZ.

Macquarie Australia Conference

Infratil was pleased to participate in the Macquarie Australia Conference in Sydney last week - one of the largest institutional investor events in the Southern Hemisphere. Over two days, we met with more than 30 global and Australasian investors across one-on-one and group meetings and participated in a fireside chat presentation featuring CEO Jason Boyes and CDC CEO Greg Boorer to over 100 attendees.

Key themes from the session were:

- In the one to two-year horizon, CDC's plan execution is central. CDC is expecting to double earnings over the next two years with ~80% (average) of forecast revenue growth already contracted, supporting progress towards Infratil's 11–15% 10-year TSR target.
- In the 2–5-year horizon, Infratil's base of core cash-generating assets - including One NZ, Wellington Airport, and RHCNZ - are expected to deliver high single-digit returns in aggregate, helping fund reinvestment into high-growth platforms.
- Over the longer term, platforms like Gurīn Energy, Galileo, and Kao Data offer the potential to deliver returns above our target - particularly as AI, digital sovereignty, and the energy transition continue to gather momentum. Gurīn's receipt in September 2024 of a conditional licence from Singapore's Energy Market Authority for Project Vanda was highlighted as a key milestone. While the outlook for these growth options is promising, realising this potential will depend on continued progress by these platforms on their strategic priorities and disciplined execution over time.

The Macquarie Conference was another good platform to reinforce our view that the outlook across the portfolio remains robust. In a market where capital is increasingly selective, Infratil's ability to combine growth optionality with financial discipline and a stable core emerged as a recurring theme in our investor conversations.

Impact of Tariffs and Trade Tensions

Escalating trade tensions stemming from tariffs proposed and imposed by the U.S. have caused sharp market swings and raised concerns about renewed inflationary pressure, supply chain disruptions and slowing global growth. While the recently announced delays in implementing tariffs have offered short-term relief - the pause on U.S.-China tariffs was announced while we were preparing this newsletter - the potential impacts on U.S.-China trade remain material and the broader backdrop remains uncertain while an enduring agreement is reached. Persistent uncertainty and volatility will continue to create a more challenging environment for making significant procurement and investment decisions.

We've reviewed the potential impact of originally proposed tariffs on our portfolio, with near-term risks most concentrated in U.S.-based Longroad Energy.

We continue to assess the medium-term impact if the tensions continue, focussing on how sustained trade dislocation could influence global supply chains, financing conditions, and long-term growth across our sectors.

Renewables – Longroad Energy

Of all our portfolio companies, U.S.-based Longroad Energy is the most directly exposed to the tariff changes. Longroad is a vertically integrated renewables platform focused on developing and operating wind and solar farms, and large-scale batteries (BESS).

The good news is that Longroad had already reshored much of its supply chain to the U.S., to take advantage of incentives to use domestically produced components introduced under the Biden administration's signature Inflation Reduction Act. This means that the proposed tariffs are not expected to have a material impact on this year's solar-only development projects (0.9 gigawatts or GW) but are having a more material impact on hybrid solar/BESS deals (i.e. solar farms that include a battery).

This is because the majority of battery components come from China, where the highest tariffs would apply adding significant costs, and therefore impacting project economics, and project viability and timing.

Fortunately, Longroad only has two projects with a BESS scheduled for this year (~350MW combined). Future years however contain significantly more. More domestically produced BESS are expected, but that will take longer than a year. Tariffs may be permanently removed or reduced. Customers may be able to absorb the increased costs. Longroad continues to work hard on these and other mitigating strategies, but - if the current pause on tariffs does not become enduring - growth may ultimately be slower than originally planned for the next two-three years.

On the other hand, U.S. power demand growth remains at historic highs, fuelled by industrial reshoring, utility demand, and new data centres for artificial intelligence. This gives us confidence that Longroad's growth will remain robust, and that customers should ultimately shoulder the increased cost of tariffs. Clearly, risks rise the longer and deeper trade tensions continue and overall economic growth is threatened. For now, we remain cautiously positive. Longroad continues to make good progress. It currently has 0.6 GW of projects under construction across three U.S. states and has delivered 1.1 GW of new operating capacity in the last three months.

The other big risk on the horizon is the proposal to repeal the Inflation Reduction Act, which contained a number of incentives for renewable energy development. While there have been threats to eliminate the incentives altogether, our current best guess is that the core incentives Longroad uses will be retained as it has sufficient bipartisan support. The changes are expected to be debated over the middle of this year. Longroad is actively managing its risk by safe-harboring projects under the existing rules through to 2027. This is expected to lock in eligibility for key tax incentives even if federal policy shifts.

Digital Infrastructure

Global supply chain friction is likely to make equipment sourcing and delivery for digital infrastructure increasingly complex, especially for hyperscale infrastructure. Both CDC and Kao Data have built buffers into their procurement and delivery schedules, leveraging strong vendor relationships and early ordering practices.

For CDC there is potential upside: if global suppliers look to diversify away from U.S. markets amid increasing tariffs, platforms like CDC may benefit from improved access to equipment, capacity, and contracting opportunities - particularly in markets like Australia and New Zealand where geopolitical risk is comparatively low.

We see limited risk to existing contracts, which are typically long-term and underpinned by strong counterparties. However, in a volatile environment, there is potential for delays to new hyperscale contracting, as customers reassess timing and global deployment priorities. Despite this, demand signals remain strong, particularly in Australia as discussed in our April Newsletter.

One NZ continues to perform well amid broader macroeconomic uncertainty in New Zealand. While One NZ's direct exposure to U.S.-China trade tensions is limited, the global technology supply chain is also important to its operations. Handsets, network equipment, and satellite connectivity hardware could be subject to future pricing volatility or supply delays if tariffs expand to broader technology categories.

Healthcare

Our healthcare assets are less directly affected by international trade volatility. While high-spec imaging equipment does rely on global supply chains, most procurement is long-term contracted and predictable. RHCNZ and Qscan continue to deliver robust operational results, supported by stable domestic demand and careful capital planning.

Airport

At Wellington Airport, trade tensions are felt more through indirect economic sentiment and the potential for capital project cost inflation. The airport's predominantly domestic passenger base limits downside exposure to international travel disruption. However, there is potential for a shift in visitor mix over time, with upside opportunities emerging from in-bound tourism diverted from the United States and other markets affected by geopolitical realignments.

Financing and Refinancing

Uncertainty in global trade settings has contributed to volatility in capital markets, which has potential to impact financing markets, particularly in downside scenarios. We consider the near-term risk across the Infratil portfolio to be limited – Infratil has significant financial flexibility, while Longroad, CDC, and One NZ have all recently completed refinancings.

Commerce Commission Clears Contact's Proposed Acquisition of Manawa Energy

Infratil is pleased to confirm that the New Zealand Commerce Commission has granted clearance for Contact Energy to acquire all shares in Manawa Energy under the Scheme of Arrangement announced in September 2024. With this regulatory approval secured, Manawa will now proceed to hold a shareholder meeting to vote on the Scheme. As previously disclosed, Infratil has committed to vote its 51% shareholding in favour, subject to the Scheme's conditions.

This transaction reflects our confidence in the strategic alignment between Manawa and Contact, the quality and capability of the Contact team, and the fair value delivered to Manawa shareholders. Subject to satisfying the remaining conditions, the Scheme is expected to be implemented in July 2025.

For Infratil, the transaction is expected to generate approximately \$180 million in cash proceeds and result in a 9.5% shareholding in the enlarged Contact group, maintaining our exposure to New Zealand's renewable energy transition through a leading platform.

Leadership Transition at RHCNZ

This year marks the retirement of CEO Terry McLaughlin, who has led RHCNZ - our New Zealand medical imaging business - through a period of expansion and transformation. Terry was instrumental in the business's initial investment by Infratil and in building RHCNZ into the national leader it is today. He leaves the business in a strong position, with momentum and a clear strategy.

On behalf of Infratil's management team, we thank Terry for his outstanding leadership and enduring contribution to RHCNZ's success.

We are pleased to welcome Steven Carden as incoming CEO from 15 June 2025. Steven brings a track record of leadership and innovation across diverse sectors, and is passionate about improving healthcare outcomes through access, excellence, and system collaboration. We look forward to Steven building on the strong platform Terry and the team have created.

We look forward to providing a further update on our progress when Infratil announces its annual results for the year ended 31 March 2025 on Wednesday, 28 May 2025.

You can also follow us on LinkedIn or visit our website at infratil.com for future updates and presentations.

Enquiries should be directed to:

Mark Flesher
Investor Relations
Email: mark.flesher@infratil.com

Authorised for release by:

Andrew Carroll
Infratil Chief Financial Officer