

Monday, 23 February 2015

DISTRIBUTION GROWTH OF 4.3% EXPECTED FOR 2015

Performance highlights (12 months ended 31 December 2014)

- Standalone operating cashflow up 9.3% to \$206.9 million
- Final distribution declared of 5.75cps, in line with FY 2014 guidance of 11.5cps up 4.5% on FY 2013
- Standalone payout ratio of 81.5% for FY 2014. Distributions more than 2x covered on a look-through basis
- Asset Company EBITDA (excluding customer contributions) (100% basis) up 6.1% to \$1,488.9 million
- Asset Company Net Capital Expenditure (100% basis) down 1.5% to \$869.8 million
- Asset Company Regulatory Asset Base (100% basis) up 4.8% to \$9.0 billion
- Asset Company Net Debt to RAB of 77.2% down 1.3% in the year
- Underlying¹ Profit before Loan Note Interest and Tax up 24.1% to \$272.1 million
- Underlying¹ Net Profit after Tax up 39.1% to \$128.1 million
- Net Profit after Tax down 0.2% to \$128.1 million

Spark Infrastructure has today released its results for the 12 months ended 31 December 2014. The Underlying¹ Profit before Loan Note Interest and Tax for the year increased by 24.1% to \$272.1 million compared to the previous year. The improved performance was a result of higher equity accounted share of profits from the Asset Companies²; net distributions and unrealised gains on the derivative contracts associated with the interest in DUET Group and lower interest expenses from the repayment of bank debt in prior years.

The Directors have declared a final distribution of 5.75 cents per security (cps) to be paid on 13 March 2015. This is in line with the previously provided distribution guidance of 11.5cps for 2014, an increase of 4.5% on 2013. The Directors have also provided distribution guidance for 2015 of 12.0cps, subject to business conditions - an increase of 4.3% on 2014 and equal to 4.7% compound annual growth in distributions per security since 2011.

Total regulated revenue of the Asset Companies was up 6.8% to \$1,878.9 million³ with aggregated Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA), up 6.1% to \$1,488.9 million.

The Regulated Asset Base (RAB) of the Asset Companies grew by 4.8% in the 12 months ended 31 December 2014 taking the total RAB⁴ to \$9.0 billion (Spark share \$4.4 billion). In aggregate, net debt to RAB at the Asset Company level was 77.2% at 31 December 2014, down 1.3% versus the prior year.

"Spark Infrastructure remains focussed on providing steady and reliable growth in distributions over time and across regulatory periods. With this in mind, the Directors have provided guidance for distributions of 12.0cps in 2015, subject to business conditions. We understand the importance of reliable distributions to our securityholders. The Directors intend to provide longer term guidance for growth in distributions at the appropriate time, taking into account business conditions and clarity around the outcomes of the impending Asset Company regulatory resets." said Mr Rick Francis, Managing Director of Spark Infrastructure.

"The Asset Companies are firmly focussed on their 'reset' processes for their next 5-year regulatory periods, which commence on 1 July 2015 for SA Power Networks and 1 January 2016 for CitiPower and Powercor. The move to a revenue cap form of revenue recovery, which has been confirmed for all electricity network businesses regulated by the Australian Energy Regulator, will remove volume risk in the next regulatory period and will therefore add to revenue certainty", he added.

1. An underlying adjustment has been made to the 2013 comparative results to reflect changes made to the basis of estimating the fair value of customer contributions and gifted assets in 2014 effectively valuing them at nil. There are no underlying adjustments in 2014.
2. Spark Infrastructure holds 49% interests in electricity distribution businesses SA Power Networks, CitiPower and Powercor Australia (Victoria Power Networks), (the Asset Companies²).
3. Including Advanced Metering Infrastructure (AMI) revenue
4. The calculation of RAB at the end of a financial period is an estimate only, and may change as final calculations of regulatory capital expenditure, regulatory depreciation and consumer price indexes (CPI) are made in the future.

Performance summaries

Spark Infrastructure financial performance	FY 2014 (\$m)	FY 2013 (\$m)	Variance (%)
Total Underlying ¹ income ⁵	288.8	235.8	22.4
Underlying ¹ Profit before Loan Note Interest and Tax	272.1	219.3	24.1
Underlying ¹ Net Profit after Tax	128.1	92.1	39.1
Net Profit after Tax	128.1	128.4	(0.2)
Operating cashflows (standalone)	206.9	189.3	9.3
Cash received from Asset Companies (Spark's 49% share)			
SA Power Networks	125.0	122.5	2.0
CitiPower and Powercor (Victoria Power Networks)	81.2	80.7	0.6
Total	206.3	203.2	1.5

Aggregated Asset Company performance (100% basis)	FY 2014 (\$m)	FY 2013 (\$m)	Variance (%)
Prescribed revenue, including			
- Distribution revenue	1,763.5	1,621.8	8.7
- Prescribed metering revenue (AMI)	115.4	138.0	(16.4)
Non-prescribed revenue	335.9	350.9	(4.3)
Total revenue (excluding customer contributions)⁶	2,214.8	2,110.7	4.9
EBITDA (excluding customer contributions)	1,488.9	1,403.1	6.1
Net Capital Expenditure	869.8	882.9	(1.5)
Net Debt to RAB (Asset Company level)	77.2%	78.5%	-1.3%

2014 Final Distribution

The Board has declared a final cash distribution of 5.75cps for the 6 months ended 31 December 2014, payable on 13 March 2015, which consists of 3.55cps interest on Loan Notes and a return of capital amount of 2.20cps.

The Distribution Reinvestment Plan will remain suspended.

Ex-date	Monday, 2 March 2015
Record date	Wednesday, 4 March 2015
Payment date	Friday, 13 March 2015

Outlook

SA Power Networks and Victoria Power Networks are both in the final year of their respective 5 year regulatory periods, which have been characterised by solid operating performance and RAB growth, driven primarily through the efficient delivery of strong operating outcomes and AER approved capital expenditure. The upcoming regulatory resets will determine the level of growth in RAB for the next 5 years.

The Directors intend to provide longer term guidance for growth in distributions per security beyond 2015 at the appropriate time, taking into account business conditions and, in particular, progress in respect of the Asset Company regulatory resets.

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5. Includes interest income from associates, Spark Infrastructure's share of equity accounted profits, gains from derivative contracts and other income.
6. Aggregated revenue excludes transmission revenue, which is collected on behalf of others and does not contribute to profit. Non-prescribed business activities includes semi-regulated activities such as meter reading (SA Power Networks), public lighting and unregulated activities such as the provision of construction, maintenance and back office services to third parties.