



Wednesday, 25 November 2015

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir / Madam

**SPARK INFRASTRUCTURE ANNOUNCES EQUITY INVESTMENT IN TRANSGRID  
AND PRO-RATA ENTITLEMENT OFFER**

I enclose a statement and investor presentation in relation to Spark Infrastructure's 15.01% equity investment in TransGrid and the launch of a 5 for 34 Pro-rata Entitlement Offer to Institutional and Retail investors.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Alex Finley".

**Alexandra Finley**  
**Company Secretary**



# ASX RELEASE

Wednesday, 25 November 2015

## SPARK INFRASTRUCTURE ANNOUNCES EQUITY INVESTMENT IN TRANSGRID AND PRO-RATA ENTITLEMENT OFFER

- NSW Electricity Networks consortium which includes Spark Infrastructure to acquire 99 year lease of the assets of TransGrid for \$10.258 billion, plus transaction costs of \$0.134 billion
- Spark Infrastructure to make \$734.3 million equity investment representing 15.01% ownership interest; expanding its portfolio of high quality regulated electricity distribution and transmission assets in Australia
- The investment is forecast to be Standalone Operating Cashflow (SOCF) per security accretive relative to Spark Infrastructure's 2015 forecast SOCF of 14.0 cents per security<sup>1</sup>
- TransGrid provides Spark Infrastructure with another quality investment in a regulated asset, offering the opportunity to apply expertise to unlock value and grow long term cashflows
- TransGrid will have a solid and sustainable investment grade capital structure with a corresponding credit rating expected to be secured in due course
- Long term distribution guidance provided to 2018. Further review of guidance planned for 2016, after regulatory determinations for SA Power Networks and Victoria Power Networks have been finalised, with potential upside
- New securities issued under the Pro-Rata Entitlement Offer will receive full entitlement to the FY 2015 final distribution of 6.0 cents per security in full, payable in March 2016

### EQUITY INVESTMENT IN TRANSGRID

NSW Electricity Networks ("NSW Electricity Networks"), comprising Spark Infrastructure Group ("Spark Infrastructure") together with Hastings Funds Management ("Hastings") as manager of Utilities Trust of Australia, Tawreed Investments Ltd ("Tawreed Investments", a wholly owned subsidiary of the Abu Dhabi Investment Authority), Caisse de depot et placement du Quebec ("CDPQ"), and Wren House Infrastructure Management (a wholly owned subsidiary of the Kuwait Investment Authority) (together "the Consortium"), has reached agreement to acquire the assets of TransGrid by way of a 99-year lease from the NSW State Government for \$10.258 billion, plus transaction costs of \$0.134 billion, subject to customary closing conditions.

As part of the transaction, Spark Infrastructure will make an equity investment of 15.01% in TransGrid equal to \$734.3 million (Hastings – 20.02%, CDPQ – 24.99%, Tawreed Investments – 19.99%, Wren House – 19.99%).

"We are delighted to have secured this value accretive investment which provides Spark Infrastructure with the opportunity to grow cashflows over the long term. Our rigorous due diligence process has given us a detailed understanding of the asset and its strengths, along with confidence in the expected future drivers of consumer demand and asset growth", said Brian Scullin, Chairman of Spark Infrastructure.

"The investment will be predominantly funded by way of a Pro-rata Entitlement Offer to existing securityholders. This will protect the interests of securityholders by ensuring no dilution of their holding, assuming their full participation in the Entitlement Offer," added Mr.Scullin.

1. SOCF per security assumes 1.466bn securities pre TransGrid transaction

TransGrid owns, operates and manages the largest high-voltage electricity transmission network in the National Electricity Market ("NEM") by electricity transmitted, connecting generators, distributors and major end users in NSW and the ACT and forms the backbone of the NEM connecting QLD, NSW, Victoria and the ACT.

"This acquisition will provide a strategically important broadening of Spark Infrastructure's portfolio of investments by asset class, geography, regulatory timing and partnering" said Mr. Rick Francis, Managing Director of Spark Infrastructure.

"When combined with the quality of the underlying asset, the stable regulated operating environment, the significant opportunities to implement immediate process improvements and to enhance asset utilisation and the long term cash generation potential, this creates a compelling financial and strategic case in favour of adding TransGrid to Spark Infrastructure's existing investment portfolio", said Mr. Francis.

"Following the acquisition, TransGrid will have a solid and sustainable investment grade capital structure with a corresponding credit rating expected to be secured in due course," he added.

## INVESTMENT HIGHLIGHTS

- **Backbone of the National Electricity Market** - TransGrid owns, operates and manages the largest high-voltage electricity transmission network in the NEM by electricity transmitted, connecting generators, distributors and major end users in New South Wales and the ACT and forms the backbone of the NEM connecting QLD, NSW, Victoria and the ACT.
- **Value accretive with a long term future** – The investment provides long term value enhancement for Spark Infrastructure. TransGrid is expected to experience solid future asset growth based on growth in the NSW economy, in population and in electricity demand drivers in general. Transmission networks play a key role in removing imbalances in the NEM which will become more critical in the future with increased renewable generation.
- **Active management to deliver immediate benefits** – The asset offers immediate opportunities to improve asset utilisation, contract management, process streamlining, maintenance practices and enhanced life cycle management of capex. The opportunity exists to further develop a performance based culture to drive innovation and sustained productivity improvements; while TransGrid's quality assets, skilled workforce and geographic footprint can be leveraged to grow non-prescribed business opportunities.
- **Reduced risk through diversification** - The investment in TransGrid reduces Spark Infrastructure's portfolio risk by providing further diversification to the existing investment portfolio by sources of cashflow, asset type, geography, regulatory timing and partnering.
- **Efficient and sustainable capital structure** - TransGrid will have a solid and sustainable investment grade capital structure with a corresponding credit rating expected to be secured in due course.
- **Regulated asset** - TransGrid is an asset regulated by the Australian Energy Regulator and therefore displays a predictable earnings profile and reliable cashflows. The regulatory determination for TransGrid can be found on the AER website at [www.aer.gov.au](http://www.aer.gov.au). The determination provides revenue certainty for TransGrid to 30 June 2018, and regulated revenues are determined under the revenue cap approach (i.e. there is no exposure to electricity volumes).

## DISTRIBUTION GUIDANCE

The Directors have provided updated distribution guidance for the next 3 years to 2018, subject to key risks outlined in the Investor Presentation<sup>1</sup>, as follows:

- 12.0 cents per security ("cps") guidance re-confirmed for FY 2015
- At least 12.5 cps guidance confirmed for FY 2016
- At least 13.0 cps guidance for FY 2017 and
- At least 13.5 cps guidance for FY 2018

Distributions to securityholders will continue to be fully covered by operational cashflows, on both a look-through and a standalone basis, generated by the investments in which Spark Infrastructure holds an interest, including TransGrid.

The provision of longer term distribution guidance to 2018 has been facilitated by the progression of the regulatory reset processes for SA Power Networks and CitiPower and Powercor and is further supported by the expected cashflows from TransGrid to 2018.

Following conclusion of the regulatory reset processes for CitiPower and Powercor in April 2016 and associated business planning processes, there is the potential for a significant increase in SOCF per security from FY 2016. Spark Infrastructure would then expect to review its distribution guidance accordingly.

## ACQUISITION FUNDING (\$m)

Consortium Sources		Consortium Uses	
Spark Infrastructure	734	TransGrid acquisition price (incl Stamp Duty)	10,258
Other Sponsors	4,158	Transaction and Financing costs	134
Debt	5,500		
<b>Total sources of funds</b>	<b>10,392</b>	<b>Total uses of funds</b>	<b>10,392</b>

## SPARK INFRASTRUCTURE EQUITY CONTRIBUTION (\$m)

Sources		Uses	
Fully Underwritten Entitlement Offer <sup>2</sup>	405	Spark Infrastructure Investment	734
Corporate debt	205	Spark Infrastructure transaction costs <sup>3</sup>	16
Cash on Hand	140		
<b>Total sources of funds</b>	<b>751</b>	<b>Total uses of funds</b>	<b>751</b>

## PRO-RATA ENTITLEMENT OFFER

Spark will fund the acquisition through a combination of committed debt facilities of \$205.0 million and a 5 for 34 Pro-rata Entitlement Offer of new stapled securities in Spark Infrastructure to raise \$405.4 million of new capital, at an offer price of \$1.88 per new security ("Entitlement Offer"). This represents a 8.7% discount to the last closing price of \$2.06 on 24 November 2015 and a 7.7% discount to TERP<sup>4</sup>.

The Entitlement Offer takes the form of an accelerated non-renounceable rights issue and is fully underwritten. It will comprise an Institutional Entitlement Offer and a Retail Entitlement Offer. Settlement of the Institutional Entitlement Offer is due to take place on 4 December 2015 while settlement of the Retail Entitlement Offer is due to take place on 21 December 2015.

New securities will rank pari passu with existing securities, and will be entitled to receive the full amount of the FY2015 final Distribution of 6.0 cps payable in March 2016.

Note: numbers may not add due to rounding

1. Presentation titled "Equity Investment in TransGrid and Equity Raising" dated 25 November 2015

2. Assumes 215.6 million fully paid New Securities are issued pursuant to the Entitlement Offer. The exact number of New Securities to be issued under the Entitlement Offer is still to be finalised and is subject to reconciliation of security holder entitlements

3. Includes Spark Infrastructure's direct transaction and financing costs

4. TERP (theoretical ex-rights price per security) is the theoretical price at which Spark Infrastructure securities trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer

All Directors of Spark Infrastructure have indicated their intention to participate in the Entitlement Offer.

#### ENTITLEMENT OFFER - KEY DATES/TIMES

Institutional Entitlement Offer opens		Wednesday, 25 November 2015
Institutional Entitlement Offer closes	12:00pm	Thursday, 26 November 2015
Institutional Bookbuild		Thursday, 26 November 2015
Trading halt lifted		Friday, 27 November 2015
Record Date		Monday, 30 November 2015
Retail Entitlement Offer opens		Tuesday, 1 December 2015
Retail Offer Booklet Despatched		Tuesday, 1 December 2015
Early Retail Acceptance Date	5:00pm	Thursday, 3 December 2015
Settlement of Institutional Entitlement Offer and Early Retail Acceptance		Friday, 4 December 2015
Initial Allotment		Monday, 7 December 2015
Retail Entitlement Offer closes		Tuesday, 15 December 2015
Settlement of Retail Entitlement Offer		Monday, 21 December 2015
Final Allotment		Tuesday, 22 December 2015

#### FURTHER DETAILS

An Investor Information Booklet has been released to the market and will be mailed to eligible Securityholders on Tuesday, 1 December 2015. It contains important information on the Entitlement Offer to assist eligible Securityholders to decide whether or not to participate.

Any questions about the Entitlement Offer should be directed to the Spark Infrastructure Securityholder Information Line on 1300 850 505 (toll free within Australia) or on +61 3 9415 4000 (from outside Australia) before the Final Retail Acceptance Date.

#### Further Information:

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Investor Relations and Corporate Affairs

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