19 May 2016

Infratil acquires stake in Canberra Data Centres

Infratil Limited has agreed to acquire a 48% shareholding in Canberra Data Centres (CDC) for total cash equity consideration of A$392 million. The consideration includes estimated transaction costs of A$11 million and is subject to the normal completion adjustments for working capital and net debt. Subject to FIRB approval, the transaction is expected to settle in late July 2016.

"The acquisition of CDC provides Infratil with a meaningful exposure to the emerging data and related telecommunications infrastructure sector, which we have been following for some time," said Marko Bogoievski, CEO of Infratil.

"Over the past eight years, CDC has successfully grown to become the leading provider of outsourced data centre services in Canberra and a trusted partner to numerous Federal Government agencies and private sector customers. Through its customised, modular design, CDC is able to offer highly secure and flexible data centre solutions to its customers."

"CDC is well positioned to take advantage of industry tailwinds including continued growth in outsourcing, data storage and processing. We are looking forward to supporting the company in its next phase of development."

CDC is led by Greg Boorer its CEO and founder, and has a strong management team with an established track record of delivering growth. Infratil's investment of 48% is matched by Commonwealth Superannuation Corporation and alongside the CDC executive (4%). CDC has experienced strong recent growth and has a number of growth opportunities underway, including construction of its fourth data centre (Hume 3). The current annualised run rate of EBITDA is estimated at A$50 million with strong anticipated growth of around 30% through to full year June 2017 as the business fills existing capacity and commissions Hume 3.

"The business currently has ~30MW of capacity split across three facilities, and two data centre campuses, with two high quality greenfield development opportunities underway totalling another ~27MW of capacity. With the support of Infratil the business is better positioned than ever to grow in support of its customers over the long term."

The CDC investment will be managed by investment management firm H.R.L Morrison & Co on behalf of Infratil and Commonwealth Superannuation Corporation. Infratil and Commonwealth Superannuation Corporation will have 50/50 governance rights with Greg Boorer continuing on the Board. CDC is currently owned by funds associated with Quadrant Private Equity, the founders and management.

Marko Bogoievski
Chief Executive Officer
Infratil Limited

Infratil

Infratil is an owner and operator of businesses in the energy (mainly renewable), airport, public transport and social infrastructure sectors. Its energy operations are predominantly through Trustpower in Australia and New Zealand. The Company owns Wellington Airport in New Zealand. Infratil's public transport services are in Auckland and Wellington, New Zealand. It also has investments in the retirement sector in New Zealand and Australia, through Metlifecare, one of New Zealand's leading providers and RetireAustralia, which operates over 3,700 retirement units in Queensland, NSW and South Australia. It currently owns assets in excess of NZ$6 billion.

Infratil invests in growth infrastructure sectors supporting management and employee commitment to deliver top quartile financial, operational and service performance.

Infratil is listed on both the New Zealand and Australian Stock Exchanges (IFT.NZ, IFT.AX).

Canberra Data Centres

Canberra Data Centres was founded in 2007 to provide specialised co-location data centre services to the Australian Federal Government and the private sector within Canberra, ACT. The company operates three facilities based across two campuses at Hume and Fyshwick, and is currently constructing a further facility at Hume due for completion in mid-2016.

Infratil

Acquisition of Canberra Data Centres

Investor briefing pack – 19 May 2016

Summary of CDC investment

Strong platform in an emerging growth infrastructure sector

- Attractive entry point into an emerging growth infrastructure sector
  - Market leader in the provision of highly secure, reliable and flexible data centre services to leading Government and commercial entities
  - 30MW of capacity split across three facilities
  - Strong management team with an established track record of delivering growth
- Compelling industry fundamentals with strong anticipated medium term growth in CDC's addressable market
  - Well positioned to access growth opportunities through a differentiated business model and modular design development approach
- Organic growth and existing greenfield development opportunities
  - Delivery of CDC's strong identified customer pipeline to fill available capacity in existing data centres
  - 27MW greenfield development pipeline including a 9MW facility under construction and due to be completed in mid-2016

What is a data centre?
Critical IT infrastructure to government, corporate enterprise, cloud hosting and managed services providers

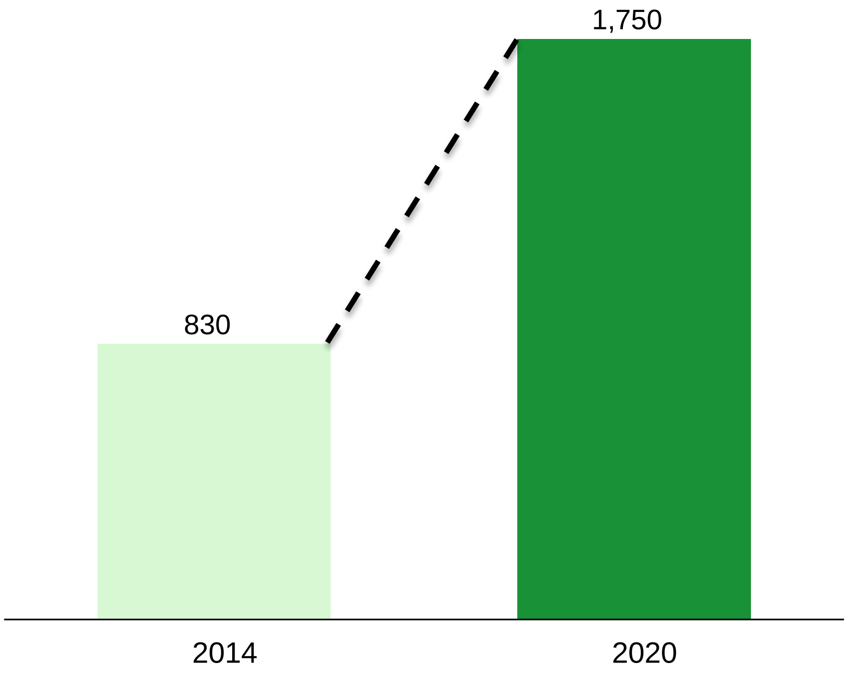
- Data centres are facilities that house computer systems, networking, telecommunications and storage infrastructure
- Data centres are built with high-redundancy power supplies, environmental controls (e.g. cooling, fire suppression) and security systems
- CDC is a carrier neutral, colocation data centre services provider
  - Data storage and disaster recovery planning in a secure, off-site facility
  - Enables customers the freedom to choose their preferred telco carrier and managed services provider
  - Outsourced managed services and interconnectivity with other co-located customers
- Typical customers include Government, telecommunications companies, corporate enterprises and cloud and managed service providers

Attractive industry fundamentals

Strong anticipated medium term growth

- As at CY2014, the size of the Australian outsourced data centre market[1] was estimated at ~A$830 million
- The Australian data centre market has three key segments:
  - Commercial customers
  - State Government
  - Federal Government
- CDC's current customer base is primarily Federal Government agencies with outsourced data centre requirements in the ACT
  - Total Federal data centre demand is expected to follow the broader data centre market due to increased data and computing requirements
  - The Federal Government's policy on data centres supports outsourcing and consolidating data centres across agencies

Australian data centre services market (A$m)



[1]Frost & Sullivan, September 2015

Investment rationale

Attractive entry point into an infrastructure growth sector

1 Strong market growth

- Data centre capacity demand growth is being supported by two substantive trends:
  - Significant increases in data storage and computing capacity
  - On-going outsourcing by Government and businesses of their data storage and computing requirements

2 Customised business model

- Differentiated business model centred around customer flexibility
- Modular development approach ensures CDC's facilities can adapt the power and cooling infrastructure to meet the evolving needs of a specific customer
- This flexibility is an increasingly attractive feature of CDC's facilities as the rate of technological advancement increases

3 Interconnectivity and established ecosystems

- Over time an eco-system of Government Agencies and commercial service providers has developed, centred around the largest Federal Government Agencies
- CDC's dual campus data centre configuration and ecosystem presents Government and commercial service providers with unique technical, operational, performance, environmental, security and total cost of ownership benefits

Investment rationale

Attractive entry point into an infrastructure growth sector

4 Greenfield development pipeline

- CDC's fourth data centre (Hume 3, 9 MW) currently under construction
- Land adjacent to CDC's largest data centre (Fyshwick) has been secured to facilitate Stage 2 expansion – the development approvals process for this site has commenced
- Substantial identified customer pipeline with the majority comprised of growth from the existing customer base and proprietary customer discussions

5 Other greenfield development opportunities

- Addition of capacity in Canberra and other markets to support existing and new customers
- Partnering with customers to design and deliver purpose-built facilities

6 Established track record

- CDC has established a reputation as a high quality operator over a period of >8 years
- ~30MW of capacity split across three facilities
- The management team led by Greg Boorer, has developed the business to become the data centre partner of choice for Federal Government and commercial customers in Canberra
- The executive management team will remain as shareholders
- Greg is one of the original founders of CDC and currently chairs the Australian Information Industry Association's Federal & ACT Council

Investment in Canberra Data Centres

Transaction overview

- A$392 million[1] investment by Infratil for 48% of the equity, jointly with Commonwealth Superannuation Corporation (48%) and CDC executive (4%)
  - Acquired from Quadrant Private Equity and founding shareholders
- Infratil share of transaction costs estimated at A$11 million* (primarily stamp duty and due diligence costs)
- Governance split 50/50 with Commonwealth Superannuation Corporation
- Base enterprise value of A$1,075 million (100% of CDC)
  - Less A$300 million of acquisition net debt
  - Plus transaction costs of A$23 million and expected completion items
  - Results in an expected equity value of $816 million (100% of CDC)
- Transaction subject to FIRB approval
  - Completion is expected to occur in late July 2016
- Key assets of CDC include data centre land & buildings, plant, pods and racks across the Hume and Fyshwick campuses in Canberra

[1]Equity consideration for 48% of the equity prior to normal completion account adjustments (debt and working capital) and includes estimated transaction costs. Stamp duty costs to be confirmed post transaction.

2016/17 Outlook

Revised Outlook assumes an acquisition date of late July for the CDC investment

- IFT will treat its investment as an investment in associate and equity account its share of net profit after tax within its consolidated EBITDAF (similar to RetireAustralia)
- The contribution to the IFT group underlying EBITDAF will be 48% of CDC net profit after tax (including any fair value adjustments)
- The current annualised run rate of EBITDA is estimated at A$50 million with strong anticipated growth of around 30% through to full year June 2017 as the business fills existing capacity and commissions Hume 3

Infratil Outlook (NZ$Millions)	Previous 2017 Outlook	Revised 2017 Outlook
Underlying EBITDAF	475-515	485-525
Operating Cashflow	225-255	225-255
Net Interest	180-190	185-195
Depreciation & Amortisation	170-180	170-180

The 2017 guidance is based on management's current expectations and assumptions about the trading performance of Infratil's investments (including CDC) and is subject to risks and uncertainties, is dependent on prevailing market conditions continuing throughout the outlook period and assumes no other major changes in the composition of the Infratil investment portfolio and assumes an acquisition date of late July for the CDC investment. Trading performance and market conditions can and will change, which may materially affect the guidance set out above.

Underlying EBITDAF is a non-GAAP measure of financial performance, presented to show management's view of the underlying business performance. Underlying EBITDAF represents consolidated net earnings before interest, tax, depreciation, amortisation, financial derivative movements, revaluations, gains or losses on the sales of investments, and includes Infratil's share of its associates (Metlifecare and RetireAustralia) underlying profits. Underlying profit for Metlifecare and RetireAustralia removes the impact of unrealised fair value movements on investment properties, impairment of property, plant and equipment, excludes one-off gains and deferred taxation, and includes realised resale gains and realised development margins.