15 November 2022

Interim results for the period ended 30 September 2022

Infratil sees strong earnings growth in volatile environment

Infratil today announced a Net Parent Surplus from Continuing Operations of $350.5 million for the six months ended 30 September 2022, driven by significant growth in earnings from its associates and the gain recognised on the sale of the Trustpower Retail business.

Proportionate EBITDAF was $275.6 million – an 11.0% rise on the $248.4 million from the same period the previous year - reflecting strong performances from CDC Data Centres, Vodafone and Wellington Airport. Proportionate EBITDAF for the year to 31 March 2023 is forecast to be between $510 million and $540 million.

Infratil CEO Jason Boyes said that despite the volatile global macro-economic environment, Infratil's portfolio performed well, benefiting from the relative protection of infrastructure assets and inflation linked pricing.

"The six months have been very busy. The now completed Longroad capital raise – which saw significant uplift in its value - and the Vodafone passive mobile tower sale and investment into the new 'TowerCo' were the obvious standout transactions, while significant progress was made across the portfolio.

"It is pleasing to see the growth in operating revenues, which increased by over $300 million compared with the same period in 2021. This reflects passenger recovery at Wellington Airport, a full period of trading from RHCNZ Group, our New Zealand diagnostic imaging businesses, and increased earnings from CDC Data Centres.

"CDC had a strong six months having delivered an additional 104MW of capacity across its Canberra, Sydney and Auckland campuses. The new Silverdale and Hobsonville data centres are the largest and most secure centres of their type in New Zealand.

"Vodafone is well positioned for the next stage of growth, with an increase in top line revenue driven by strong post-paid trading performance and border openings, the upgrade and onshoring of major IT systems away from the Vodafone Group, as well as the sale of its passive tower assets for $1.7 billion. Following completion of the tower sale, Infratil will have received almost $1 billion in cash distributions in the just over three years since acquiring Vodafone for $1.03 billion, while still retaining a 49.9% shareholding in the Vodafone business.

"It has also been a stand-out period for Longroad Energy with the announcement of the now completed capital raise and introduction of new co-investor MEAG. The transaction implied a pre-money valuation for Longroad common equity of US$2,000 million, with the new capital set to accelerate Longroad's growth ambitions."

Mr Boyes said despite ongoing disruptions and staff shortages causing reduced volumes, Infratil remains positive on the potential of its scaled diagnostic imaging businesses in Australia – Qscan – and New Zealand – RHCNZ Group – with both businesses having a significant role to play given the long-term macroeconomic and socio-economic implications of a growing and ageing population.

"We remain confident in the case for preventative healthcare, like diagnostic imaging, in Australia, New Zealand and globally, and the accelerated access to services and innovation only scaled businesses like ours will deliver.

“RetireAustralia saw Underlying Profit of A$31.9 million, up A$9.1 million (39.9%) from the prior period, with strong demand driving 227 unit resales and 10 new unit sales during the six months. The sales process remains ongoing, and we will update the market as the process progresses.

“Wellington Airport saw a strong rebound in domestic traffic with passenger numbers up 24.1% from the prior period while international travel is recovering at a slower pace, tempered by airline capacity. EBITDAF for the six months was $40.2 million, up $8.7 million on the prior period.”

Mr Boyes said Infratil retains significant available liquidity to pursue both internal and external investment opportunities. Over the past six months, $471.7 million was deployed, primarily across existing digital infrastructure and global renewable businesses, which sees Infratil well placed to take advantage of further growth in these areas.

Infratil has available capacity of over $1.4 billion to fund growth, including significant undrawn corporate facilities, and over $400 million of cash on hand. At 30 September, gearing was 13.9%, significantly below the target range of 30%.

CDC Data centres has forecast capex A$650 million in the current financial year. Construction has commenced at its first Melbourne campus, with a target delivery of the first 30MW of operating capacity in early FY2024. An additional 12MW of capacity is under development across CDC’s operational Auckland sites.

Infratil’s global renewable platform has a combined development pipeline of over 27GW with Longroad currently in the midst of the largest construction programme in its history, including development of 1.3GW across seven projects in five U.S. states. Our European renewables platform Galileo recently announced a long-term joint development venture with a plan to develop over 5GW of offshore and onshore renewable energy and storage projects. Manawa Energy’s new generation pipeline is growing and currently stands at more than 1.7GW.

“In terms of our returns to shareholders, we will pay a fully imputed interim dividend of 6.75 cents per share, a 4% increase from the prior. Infratil’s share price also rose from $8.25 to $8.65 over the period, with an after-tax return to shareholders over the six months of 6.5% and a return over the last ten years of 20.5%,” Mr Boyes said.

“Infratil’s excellent results continue to deliver outstanding returns to shareholders - continuing years of strong performance.”

Investor briefing

There will be a briefing for institutional investors, analysts and media commencing at 10.00am. A webcast of the presentation will be available live https://edge.media-server.com/mmc/p/n483k8k8.

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