

# **Infratil**

**Annual Meeting**  
**24 August 2017**





# Infratil Annual Meeting

## Agenda



- Chairman's Introduction
- Chief Executive's Review
- Presentation of the Annual Report for the year ended 31 March 2017 and the report of the auditor
- Questions from Shareholders
- Resolutions
- Close and Afternoon Tea



SKYCITY Convention Centre, 88 Federal Street, Auckland, on Thursday 24 August 2017 commencing at 2.30pm

# Mark Tume

## Chairman



- Independent Director since 2007 and Chair since 2013
- Chair of the Board Nomination Committee and member of the Audit and Risk Committee
- Chair of RetireAustralia
- Not up for re-election

# Marko Bogoevski

## Director



- Chief Executive of Infratil and on the Infratil Board since 2009
- Member of the Audit and Risk Committee
- Chief Executive of the H.R.L. Morrison & Co group
- Director of Trustpower and Longroad Energy
- Retiring by rotation and up for re-election

# Alison Gerry

## Director



- Independent Director since 2014
- Chair of the Audit and Risk Committee and member of the Board Nomination Committee
- Director of Wellington International Airport
- Not up for re-election



# Paul Gough

## Director



- Independent Director since 2012
- Member of the Board Nomination Committee
- Not up for re-election

# Humphry Rolleston

## Director



- Independent Director since 2006
- Retiring by rotation and up for re-election

# Peter Springford

## Director



- Appointed as an Independent Director of the Company by the directors on 1 November 2016
- Retiring in accordance with the NZX Listing Rules and up for election



A stylized, artistic illustration of a swimming pool. The water is a deep blue with white splashes and ripples. Several swimmers are depicted in motion, creating white trails behind them. Red lane lines with white floats divide the pool into lanes. The perspective is from above, looking down at the pool. The overall style is dynamic and energetic.

# **Infratil**

## **2017 Annual Meeting**

### **Report of the Manager Chief Executive's Review**

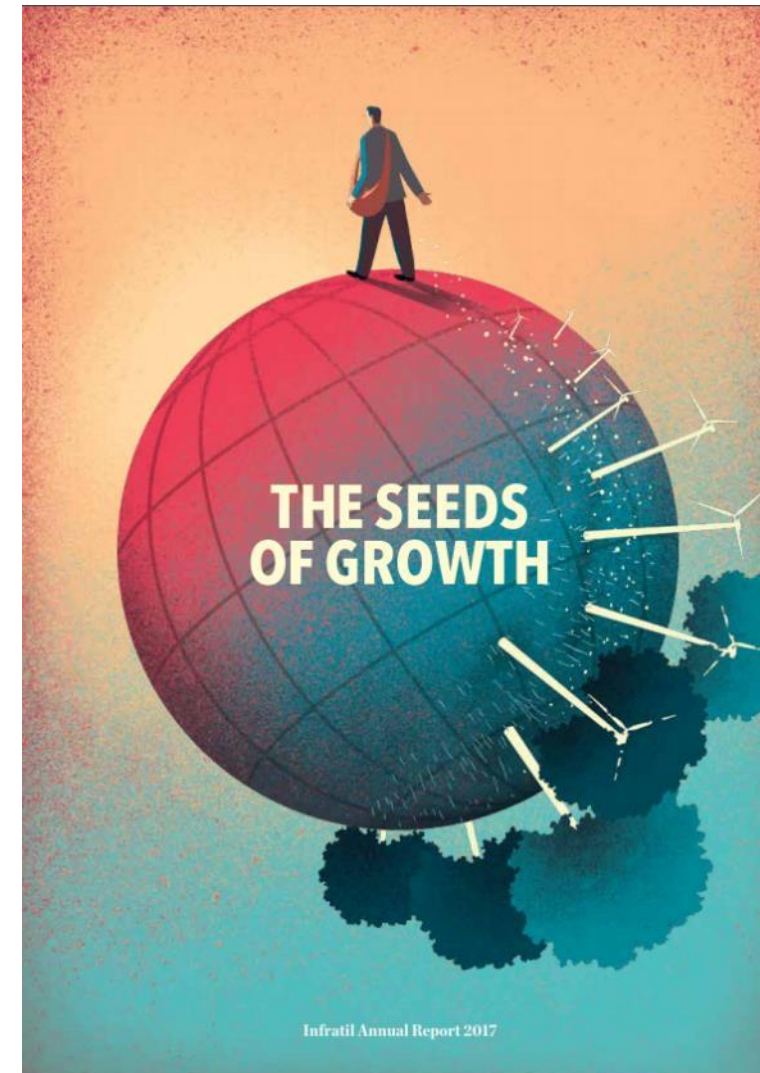


# 2016/17 Year in review

## Strong execution with new platforms set for future growth



- EBITDAF increased 12.4% on prior year to \$519.5 million
- Over \$500 million deployed in new areas during 2016/17
- Three core platforms now fully operational and likely to generate significant near term options to deploy capital
  - Renewable energy (NZ, Australia and the U.S.)
  - Eldercare services
  - Data infrastructure and connectivity
- TPW separation and Tilt demerger completed
- Careful deployment of capital has retained conservative balance sheet and future financial flexibility
- Growth in earnings and future options not reflected in disappointing share performance through to 31 March 2017



# 2016/17 Financial review

## Tailwinds in business performance and capital deployment



- Strong finish to the year delivered underlying EBITDAF of \$519.5 million, up \$57.4 million (12.4%) on the prior year of \$462.1 million
- Operating cash flow remained steady at \$245 million
- Portfolio reset saw significant capital deployment in new platforms:
  - Data Infrastructure (Canberra Data Centres \$419 million);
  - Student Accommodation (Australia National University \$89 million); and
  - US Renewables (Longroad Energy, \$33 million)
- \$143 million in Infrastructure Bonds raised in June 2017, replacing \$66 million of maturing bonds
- \$700 million of cash and undrawn bank facilities remain on hand as at 18 August 2017 (after the disposal of Metlifecare on 11 April 2017)
- Final dividend of 10cps, up 11% on the prior year



18 May 2017

### Infratil Terms Sheet

For the offer of Infrastructure Bonds

...

|  |  |
|--|--|
| 5.5 year fixed rate bonds<br>maturing 15 December 2022<br>5.65% p.a. | 8 year fixed rate bonds<br>maturing 15 June 2025<br>6.15% p.a. |
|--|--|

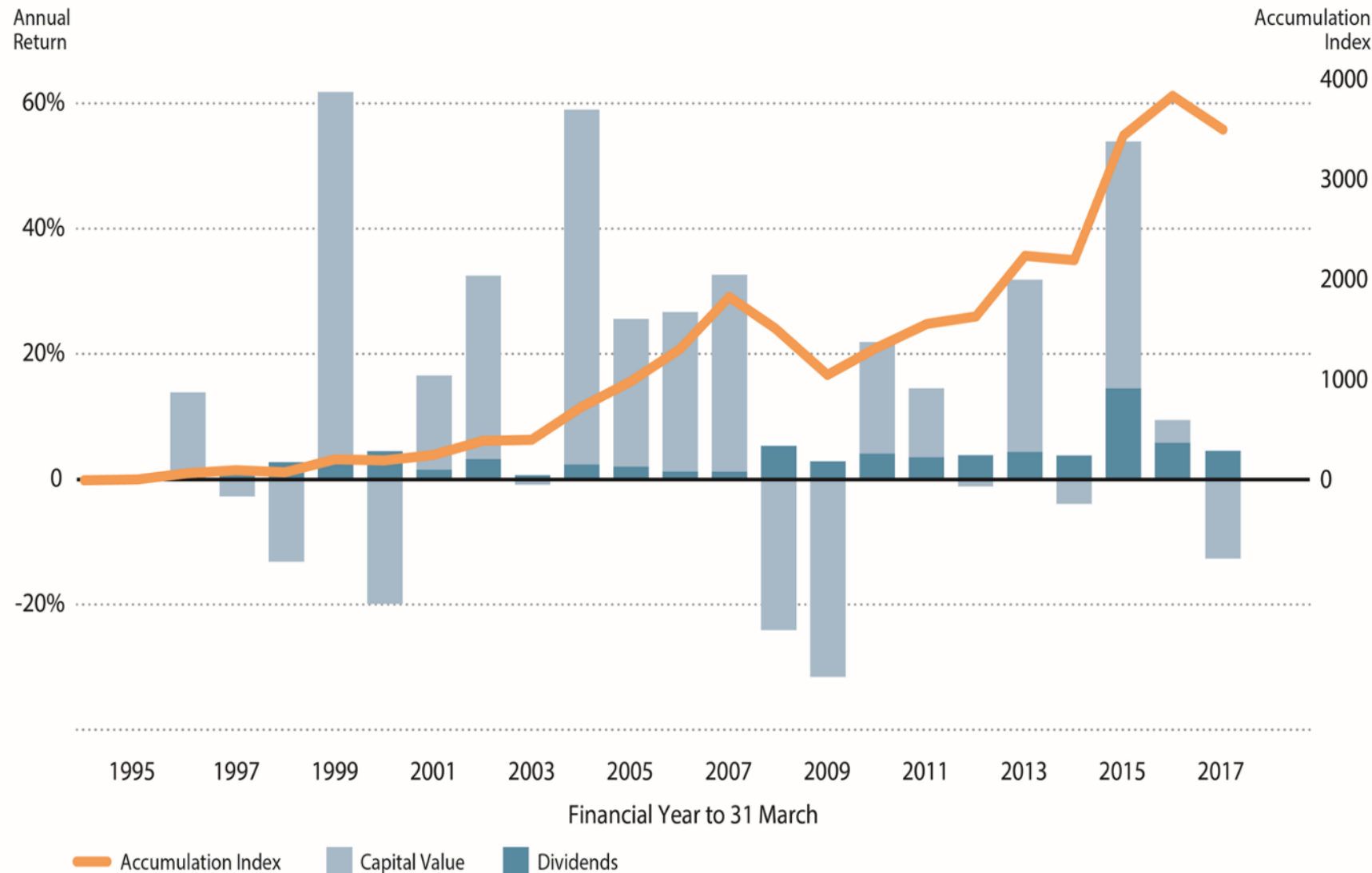


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# 2016/17 Shareholder returns

**-6.8% total return for the 12 months ended 31 March 2017**



- Valuation uncertainty is at its highest at this stage of our investment cycle
  - New platforms in new sectors and jurisdictions
  - Higher proportion of development options and pipeline
  - Regulatory uncertainty continues to affect renewable energy in Australia and the U.S.
- 16.8% TSR to 31 March 2017 since 1994
- Total shareholder returns YTD for 2017/18 are +13.0% for the period to 22 August 2017

# Investing in ideas that matter

**We're prepared to invest early and play our part in big challenges**



- Why focus on ideas that matter?
  - Early exposure to long-term trends creates strong opportunities to deploy capital and potential for higher returns
  - Genuine growth infrastructure is differentiated from lower-risk utility cash flows that are exposed to rising interest rates
  - Ability to influence development of industry structure and future business models
  - Asset management capability critical to delivering outcomes and is difficult for more passive competitors
  - Addressing social imperatives supports long-term “license to operate” and changes relationship with regulators, politicians and the community
  - More powerful purpose for our employees and stakeholders

## **Examples of ideas that matter:**

- Lowering the cost of energy
- Decarbonisation
- Allowing people to retire with dignity
- Managing growing health-care costs
- Global mobility and improving the capacity of key transport gateways
- Repowering future public transport fleets with electric vehicles
- Improving access and connectivity to high-speed broadband
- Protecting data with secure and private networks
- Social housing and supporting infrastructure

# Australian renewable energy – Tilt Renewables

## Newly established business has pipeline and patience



- Development Pipeline
  - Total development pipeline of 2700 MW+, targeting 1700 MW+ consented by end CY17
  - Secured utility-scale solar options (350 MW added in Queensland)
  - Accelerating development of other well positioned projects
- Development Activity
  - Salt Creek - final investment decision reached on 30 June for 54 MW wind farm in western Victoria for completion in FY19
    - A\$105 million capex to produce 172 GWh p.a. on average and A\$16 million – A\$20 million EBITDAF p.a.
  - Currently positioning for a significant project to reach final investment decision by the end of this calendar year
- Performance Update
  - First quarter of FY18 saw poor wind conditions, with below average wind speeds in South Australia resulting in significantly lower production



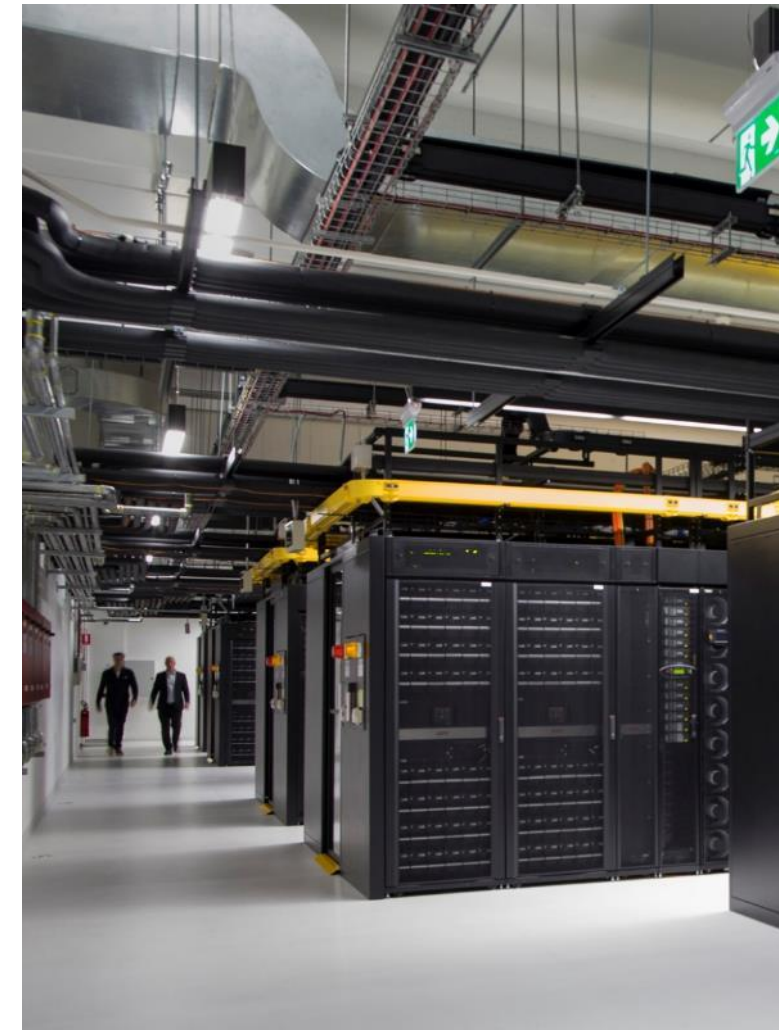


# Australian data and connectivity - Canberra Data Centres

## Capability and capacity for rapidly increasing demand growth



- CDC has entered into a contract with Microsoft to deliver hyperscale cloud services from CDC's two Canberra based data centre campuses
- Strong endorsement of CDC's offering and a significant enhancement of the ecosystem
  - Increases CDC's utilisation of existing facilities from 56% to 73%<sup>1</sup>
- Building of the 21 MW Fyshwick 2 data centre is pending final consenting and is scheduled to commence construction in September
- CDC is assessing potential opportunities to deploy further capital and expand the business outside of Canberra
- First six months of ownership characterised by slower than anticipated conversion of pipeline leads as Federal Government IT procurement slowed
  - Forecast run rate EBITDA target of A\$70 million by 31 March 2018<sup>2</sup>

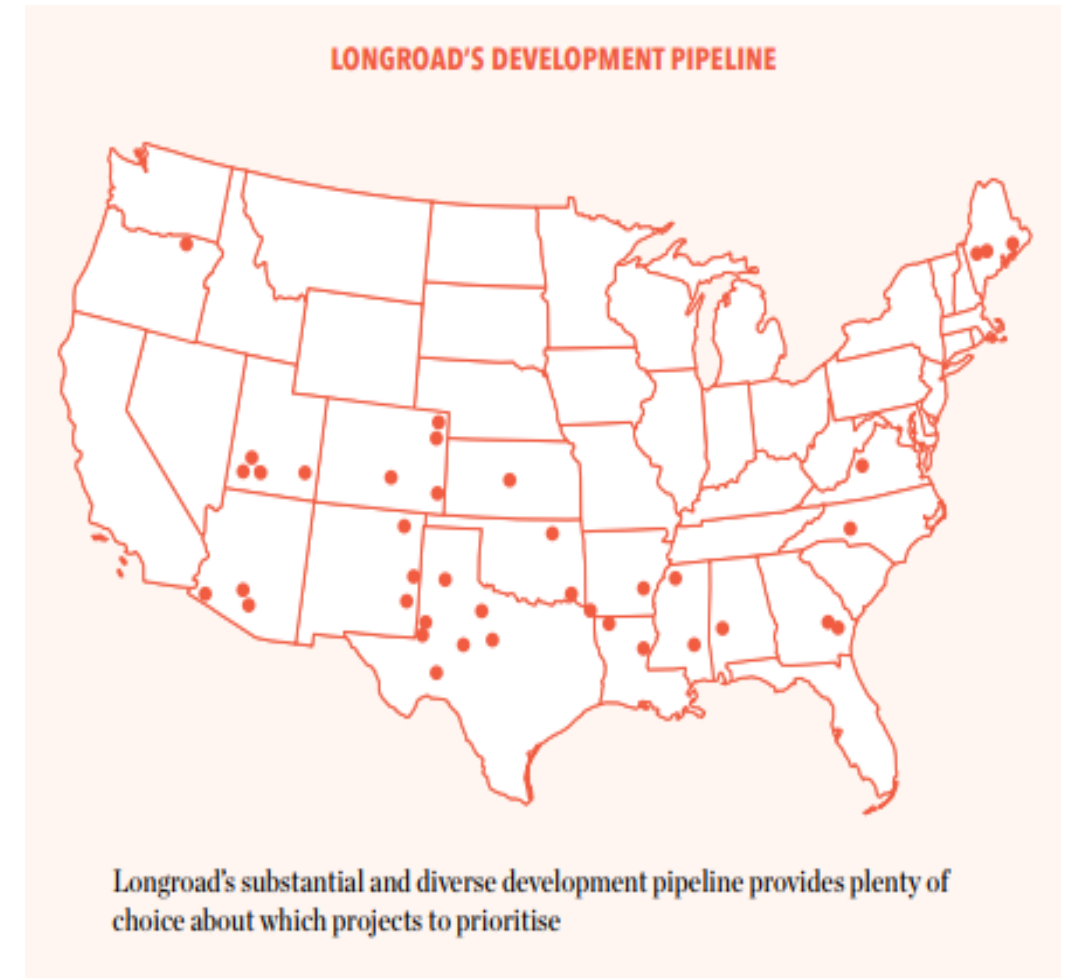


# U.S. renewable energy - Longroad Energy

## Opportunities for investment likely to exceed initial expectations



- Business plans and progress have exceeded initial investment expectations
  - Fully staffed, with 30 employees
  - 7.8 GW development pipeline (wind and solar) spread over the next four years
  - Acquired wind turbines to access 100% Production Tax Credits for 600 MW
- Renewables development has the momentum to continue to grow in the U.S. market, despite Trump Administration
  - State driven energy policy defining renewables growth
  - Falling costs making wind and solar economics more attractive
  - Moderate power demand growth and aging thermal fleet
- Headwinds
  - Trump proposed tax reform will negatively affect the financing of wind development – possible slow down next year if passed
  - Potential importation trade tariff on solar PV panels
  - Offtake market proving extremely competitive



# U.S. renewable energy - Longroad Energy (cont'd)

## Three significant opportunities emerging



- Opportunity to use flexible capital to accelerate construction of greenfield options, ahead of tax reform biting
  - Potential c.480 MW solar and wind developments in Texas reaching financial close late 2017 / early 2018
  - Option to extend capital commitments to facilitate construction of these projects
  - Likely to see similar opportunities emerge in calendar year 2018
- Acquiring operating assets that require active management or restructuring to realise value
- Services business operates and manages existing wind and solar assets
  - c.1.2 GWs under contract, generating incremental EBITDA, with minimal capex
  - Complementary to other activity and highly scalable





# Australian eldercare services - RetireAustralia

## Increasing development capability across a range of accommodation options



- Management targeting a sustainable development rate of >300 units per annum by FY21
- Decision to build ~250 apartments at high value Central Coast villages to increase yield and best meet care needs of residents has resulted in consenting delay and moved delivery out to FY19
- Development Approval progressing on Lutwyche site in central Brisbane for 218 units made up of 183 independent living apartments and 35 care suites
- Acquired central Sydney site in Lane Cove with potential for ~80 units
  - Multiple new sites under review
- Care strategy in place and RetireAustralia has achieved regulatory approval to provide home care services



# Performing at the core

## Positioning for model shifts and changing business models



### Trustpower

- Well positioned in a world that is decentralising and converging at the customer premise
- 392,000 total utility accounts including 94,000 customers with more than one service
- Multi-product customer churn rates continue to track well below market average
- NZ wholesale prices and NZ Generation (particularly North Island hydrology) are both ahead of long run averages YTD and have led to recent upgrades in earnings outlook for the 2018 financial year

### Wellington Airport

- Major upgrade of facilities progressing. Transport hub and carpark facility should greatly relieve current congestion. Construction has started on the 135 room, 4.5 star hotel. This will improve the experience for regional travellers catching or disembarking from international flights
- Application to the Environment Court for consent to extend the runway is on hold pending the Supreme Court's decision on CAA regulations
- Singapore Airlines service is carrying visitors to central NZ who never previously came. A daily service is the next step
- Continuing excellent record of safe operations for all airport users and infrastructure resilience



# Addressing portfolio performance

## Positioning for model shifts and changing business models



### NZ Bus

- Major re-contracting activity (PTOM) ongoing. If negotiated contracts are retained, the business is expected to be ~650 bus fleet with ~75% of business in Auckland, ~25% in Wellington
- Business expected to be 2/3rds of current scale. Overall returns in the medium term should be maintained through downsizing and productivity gains
- Continuing to progress Wrightspeed Trolley conversion prototype with on-road testing scheduled for September, and working with GWRC to develop a transition programme for a Wrightspeed Electric Vehicle fleet



### Perth Energy

- Generation is performing marginally ahead of budget and gas retailing is expanding profitably
- Volume of renewing and new profitable contracts is below budget due to strong competition
- PE Group EBITDAF tracking to be A\$5 million to A\$7 million ahead of the prior year loss of A\$13.3 million
- Conservative wholesale hedging is in place and negotiations with Synergy on longer term arrangements have progressed
- Muja AB power station is to progressively close by September 2018 which will assist the market to move closer to demand/supply balance



# 2017/18 Outlook

## Near term guidance maintained



- Near term guidance:
  - Following strong first quarter performance, Trustpower expects its FY18 EBITDAF to be in the range of \$225 million to \$245 million, an increase on its earlier guidance of \$215 million to \$235 million
  - Tilt Renewables experienced lower wind conditions in the first quarter, particularly in South Australia. EBITDAF for the first quarter was A\$10-12 million below expectation
  - Canberra Data Centres forecast run rate EBITDA target of A\$70 million by 31 March 2018
  - Perth Energy Group EBITDAF tracking to be A\$5 million to A\$7 million ahead of the prior year loss of A\$13.3 million
- Remaining outlook for 2017/18 reflects:
  - Return to long run average weather conditions for Tilt and TPW and long run average House Price Inflation assumptions for RetireAustralia
  - Revised development mix at RetireAustralia
  - Expected future scale of NZ Bus
- Capex excludes Longroad projects pending approval

| (\$Millions)                     | 2017 Actual | 2018 Outlook |
|----------------------------------|-------------|--------------|
| Underlying EBITDAF               | 519.5       | 460-500      |
| Operating Cashflow               | 245.0       | 210-250      |
| Net Interest                     | 165.7       | 155-165      |
| Depreciation & Amortisation      | 186.5       | 180-190      |
| Capital Expenditure & Investment | 728.2       | 350-400      |

2018 guidance is based on management's current expectations and assumptions about the trading performance of Infratil's investments and is subject to risks and uncertainties, is dependent on prevailing market conditions continuing throughout the outlook period and assumes no major changes in the composition of the Infratil investment portfolio. 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 RetireAustralia underlying profits. Underlying profit for 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.

# Infratil - committed to ideas that matter

**The seeds have been planted**



- 2017/18 is a breakthrough year in terms of resetting the portfolio:
  - Focus in the next phase is on maximising the value of new proprietary options
  - Overall portfolio is expected to tighten around renewables, data and eldercare services as capital is put to work in our most accretive development options
- Capital investment opportunities are likely to exceed current sources of capital
  - Pressure on capital priorities and ensuring allocation to best opportunities
  - Infratil has the benefit of working with supportive and sophisticated shareholders in various joint ventures
- Earnings growth is forecast to accelerate over the medium term as capital investment cycle begins to bear fruit
- Valuation catalysts clearly on the horizon





A stylized illustration of a swimming pool. The water is a vibrant blue with white splashes and ripples. Several swimmers are depicted in motion, leaving white trails behind them. Red lane lines divide the pool into lanes. In the bottom right corner, there is a stylized orange and black structure that looks like a diving board or a pool edge. The overall style is graphic and dynamic.

# **Infratil**

## **2017 Annual Meeting**

**Presentation of the Annual Report for the year ended  
31 March 2017 and the report of the auditor**



# **Infratil**

## **2017 Annual Meeting**



**Questions from Shareholders?**

# Re-election of Mr Marko Bogoievski

## Resolution 1



- **Re-election of Mr Marko Bogoievski:** That Marko Bogoievski who retires by rotation in accordance with the Company's constitution and NZX Main Board/Debt Market Listing Rule 3.3.11, and is eligible for re-election, be re-elected as a director of the Company

| For                  | Against            | Discretionary     |
|----------------------|--------------------|-------------------|
| 210,012,929 (94.15%) | 10,234,007 (4.59%) | 2,811,932 (1.26%) |

# Re-election of Mr Humphry Rolleston

## Resolution 2



- **Re-election of Mr Humphry Rolleston:** That Humphry Rolleston who retires by rotation in accordance with the Company's constitution and NZX Main Board/Debt Market Listing Rule 3.3.11, and is eligible for re-election, be re-elected as a director of the Company.

| For                  | Against         | Discretionary     |
|----------------------|-----------------|-------------------|
| 220,044,511 (98.69%) | 161,140 (0.07%) | 2,765,814 (1.24%) |



# Election of Mr Peter Springford

## Resolution 3



- **Election of Mr Peter Springford:** That Peter Springford, who was appointed as a director of the Company by the directors on 1 November 2016 and retires in accordance with NZX Main Board/Debt Market Listing Rule 3.3.6, and is eligible for election, be elected as a director of the Company.

| For                  | Against        | Discretionary     |
|----------------------|----------------|-------------------|
| 220,060,554 (98.67%) | 80,209 (0.04%) | 2,897,323 (1.30%) |

# Auditor's remuneration

## Resolution 4



- **Auditor's remuneration:** That the Directors be authorised to fix the auditor's remuneration.

| For                  | Against         | Discretionary     |
|----------------------|-----------------|-------------------|
| 219,189,080 (98.27%) | 714,844 (0.32%) | 3,147,912 (1.41%) |



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**Close and Afternoon Tea**

