Future Directions
The Infratil Roadmap

INFRATIL INVESTOR DAY
8 MARCH, 2012
CHIEF EXECUTIVE: MARKO BOGOIEVSKI

Infratil - sustained above average returns over the long-term …

- Strong operating performance and investment programme have driven forecasted **2011/12 EBIDTAF substantially towards $500m**
  - beginning of year guidance was $460m-$490m (+4% to +11%)
  - positive surprises in Lumo/Infratil Energy Australia and NZ Bus
  - solid contributions from WIAL, Z Energy and TrustPower

- Targeting **similar levels of EBITDAF growth in 2012/13** (+5% to +10%)

- A lighter capex year in 2011/12 is a precursor to a new phase of significant investment activity where we expect to;
  - Reinforce the principles of the investment model that has generated **~17% compound after-tax returns** over the last 18 years
  - Maintain the focus on sustained above-average returns
  - Emphasise the importance of community enagagement and balance when operating significant infrastructure assets

Infratil is set to perform well under a number of future scenarios

- IFT is in the strongest position it has been since its listing in 1994
  - Performance of assets
  - Quality of people and capability
  - Strength of origination pipeline
  - Access to capital and capital structure
- We have the assets and capabilities required to compete in the new environment
- We intend to leverage our current position into significant future returns and opportunities

Opportunities to invest and establish new positions are accelerating

OPPORTUNITIES

- Strong growth in free cash flow and profitabilty of core assets creates more options
- Growing pipeline of internal and external origination opportunities

CONSTRAINTS

- We want to maintain a conservative capital structure
- Difficult to finance capital growth and develop complex assets in a listed format
- Current valuation restricts equity capital raising activity

What’s the best way to leverage our current position for shareholders?

We are constantly evaluating choices at both the portfolio and asset level

- At the highest level this involves a continual assessment of the relative merits of buybacks, divestments and smart acquisitions

PORTFOLIO LEVEL

- Capital growth and/or yield
- Listed and/or private markets
- Emerging and/or developed markets
- Control and/or minority stakes
- New and/or established sectors
- Co-investment and/or JV models
- Parent leverage and gearing

ASSET LEVEL

- Target capital structure
- Internal capex pipeline
- Strategic posture

a. shaping

b. adapting

c. reserving options

The portfolio choices largely reflect our view on relative valuations and risk-adjusted returns

Sector and geography

- Current tight focus on NZ, Australia and developed markets
- When would we consider further 'core-plus' infrastructure investments outside of energy and transport?
- Under what conditions would we invest in emerging markets?

Control

- Current focus on private markets and control or influential stakes
- What are our criteria for acquiring strategic stakes in listed assets?
- What are our criteria for minority stakes in consortium transactions?

Hold period

- Current long-term hold bias
- What are our criteria for divesting assets?
- When would we sell 'core' assets such as WIAL or TPW?

We have a clear set of criteria to manage capital allocation decisions

Infratil

VALUATION AND RETURN PROFILE

- Industry structure
- Regulatory context
- Optionality and quality of organic pipeline
- Target risk-adjusted returns
- Financing considerations
- Level and type of sector uncertainty

INVESTMENT MODEL CONSIDERATIONS

- Fit with our current sector focus and organisational capability
- Degree of influence or control
- Future opportunities in the same sector
- Impact on employees and customers

We are prepared for most scenarios for the investment markets …

- There are several scenarios for the investment markets - a number which are potentially uncomfortable for all equities:
  1. Crash and burn (and then growth)
  2. Death by 1,000 cuts (slow and painful)
  3. Incremental long-term growth with ongoing volatility
  4. Resumption of growth consistent with long term trend rates ~3%

We are confident about some things, and not others …

KEY ASSUMPTIONS

i. Increased demand for infrastructure investment
ii. Increased private market activity and direct investment by SWF’s and large-scale Super funds
iii. Public sector forced to develop models to work together with the private sector
iv. Continuation of market volatility

MAIN UNCERTAINTIES

i. Which macroeconomic scenario unfolds and the impact on Aust/NZ
ii. Performance of regional and global capital markets
iii. Valuation of listed equities relative to private market assets
iv. Competitor and industry responses to capacity, pricing and innovation
v. Regulatory and policy responses to major macroeconomic and climate developments

We have an investment programme targeting a balance of incremental high confidence moves, option development, and bigger bets

Confidence enables “no-regret” decisions to be executed …

- Share buyback programme
- “Z” brand rollout and store refit
- Lumo NSW customer growth
- Sale of underperforming assets – e.g. Prestwick/Kent
- Strategic review of Perth Energy
- Ongoing diversification in the share register
- Securing length and duration in the debt capital structure

Volatility encourages the development of options …

- Development of real options
  - Australian wind development pipeline
  - NZ wind and hydro consents
  - Investment in Australian power-gen development sites
  - Z Energy alternative fuels

- Broadening the IFT investment pipeline
  - Address strategic opportunities across listed assets (within strict criteria)
  - Scan future new sectors (e.g. water, irrigation)
  - Further develop the co-investment model and other SWF relationships
  - Entry positions in core sectors in emerging markets with the right partners

We are prepared to make larger commitments when uncertainty is low and the price is right

- Further investment in core energy and transport sectors in Aust/NZ
  - Energy, ports and transport
  - Opportunities for inorganic growth in the downstream oil industry
- Counter cyclical investments in North America or Europe
  - Core energy and transport (airports and port/terminals) sectors
- Sale of mature assets
  - Realise valuations and recycle capital to higher return opportunities
- Larger share buyback programme

So, what will success look like?

Engaged staff and customers

- Employer of choice for the highest quality people

Substantial NZ-based business

- NZ home with growing offshore expertise and presence

Strong pipeline of internal and external opportunities

- Clear prioritised stack of investment opportunities

Investment partner of choice

- Logical partner for public and private sector infrastructure

Strong valuation metrics

- Market value of debt and equity consistent with NTA

Significant capital deployed at above average returns

- Convert pipeline into a stream of accretive investments


FOR MORE INFORMATION:
INFRATIL.COM