



Infratil Management and Incentive Fees

September 2024

1. Overview

The day-to-day management responsibilities of Infratil have been delegated to Morrison Infrastructure Management Limited ('Morrison') under a [Management Agreement](#).

Morrison earns a management and incentive fee. The management fee equates to approx. 0.80% of the market capitalisation and net debt of Infratil. An incentive fee is also payable where international investments exceed a 12% return hurdle. There are no incentive fees payable on New Zealand assets.

Management fees paid under the Management Agreement during the 2023/24 year were:

	2024	2023
	\$millions	\$millions
New Zealand & International Portfolio Management Fees	86.8	63.3
International Portfolio Incentive Fees	127.8	169.6
	214.6	232.9

2. New Zealand Portfolio Management Fee

The New Zealand base management fee is paid on the 'New Zealand Company Value' at 0.80% per annum on the New Zealand Company Value above \$150 million, 1.00% per annum on the New Zealand Company Value between \$50 million and \$150 million and 1.125% per annum on New Zealand Company value up to \$50 million. The New Zealand Company Value is defined as:

- the Company's market capitalisation as defined in the Management Agreement (the aggregated market value of the Company's listed securities, being ordinary shares, partly paid shares and, Infratil Infrastructure bonds);
- plus the Company and its wholly owned subsidiaries' net debt (excluding listed debt securities and the book value of the debt in any non- Australasian investments);
- minus the cost price of any non-Australasian investments; and,
- an adjustment for foreign exchange gains or losses related to non-New Zealand investments.

3. International Portfolio Management Fee

The international fund management fee is paid at the rate of 1.50% per annum on:

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- the cost price of any non-Australasian investments; and,
- the book value of the debt in any wholly owned non-Australasian investments.

4. International Portfolio Incentive Fees

International Investments are eligible for International Portfolio incentive fees ('Incentive fees') under the Management Agreement between Morrison and Infratil. The Agreement allows for incentives to be payable for performance in excess of a minimum hurdle of 12% per annum in three separate areas:

- Initial Incentive Fees;
- Annual Incentive Fees; and,
- Realised Incentive Fees.

To the extent that there are assets that meet these criterion, independent valuations are performed on the respective International Investments to determine whether any Incentive Fees are payable.

4.1. International Portfolio Initial Incentive Fee

The Company's investments in Kao Data and Gurin Energy were eligible for the International Portfolio Initial Incentive Fee assessment as at 31 March 2024 (31 March 2023: Qscan Group). Kao Data and Gurin Energy generated a total initial incentive fee of \$38.8 million (Kao Data: \$15.6 million, Gurin Energy: \$22.8 million) (31 March 2023: nil).

4.2. International Portfolio Annual Incentive Fee

Thereafter International Investments are grouped together, and an Annual Incentive Fee is payable at 20% of the outperformance of those assets against the higher of, a benchmark of 12% per annum after tax, relative to the most recent 31 March valuation, or cost.

The Company's investments in CDC Data Centres, Galileo, Longroad Energy, RetireAustralia and Qscan Group were eligible for the International Portfolio Annual Incentive fee assessment as at 31 March 2024 (31 March 2023: CDC Data Centres, Galileo, Longroad Energy, RetireAustralia).

Based on independent valuations obtained as at 31 March 2024, an Annual Incentive Fee of \$89.0 million was accrued as at that date (31 March 2023: \$169.6 million).

	2024	2023
	\$millions	\$millions
CDC Data Centres	60.1	38.6
Galileo	23.1	(0.5)
Gurin Energy	22.8	-
Kao Data	15.6	-
Longroad Energy	19.1	136.7
Qscan	(7.0)	-
RetireAustralia	(5.9)	(5.2)
	127.8	169.6

4.2.1. Payment of Annual Incentive Fees

Any Annual Incentive Fee calculated in respect of a Financial Year is earned and paid in three annual instalments, with the second and third instalments being scaled down if the fair value of the relevant asset (including distributions, if any) is less than fair value or cost as at the 31 March for which the Incentive Fee was first calculated.

4.3. International Portfolio Realised Incentive Fee

Realised Incentive Fees are payable on the realised gains from the sale, or other realisation of International Investments at 20% of the outperformance (since the last valuation date) against the higher of, a benchmark of 12% per annum after tax, relative to the most recent 31 March valuation, or cost.

No Realised Incentive Fees were payable as at 31 March 2024 (31 March 2023: nil).

4.4. Offsetting and carry forward

Negative performance in one fee category is offset against the others before incentive fees are paid. To the extent that the aggregate incentive fees earned in a year do not fully extinguish the negative performance drag in the initial or annual fees, the negative balance is carried forward and offset against future years' performance.

Realised incentive fee outcomes (whether positive or negative) are also included in the offsetting mechanism in the current year. Recognising that these fees are directed at incentivising well managed portfolio composition, the default position is that any residual deficits relating to the realised asset are then written off and are not carried forward into the following year's calculation.

There were no negative performance categories as at 31 March 2024.