

# Public Transport, Airports, Renewable Energy



**30 September 2007 Interim Results**

19 November 2007

# Track Record

## Established 1994

- Initially as a passive investor in NZ's privatising infrastructure sector
- The second listed "infrastructure fund" in the world (after Foreign & Colonial Special Utilities Investment Trust PLC)
- Established by Wellington-Brisbane based investment advisory firm Morrison & Co

## Capital Management

- Initial capital base of \$25 million (March 1994)
- Over 13.5 years: Net \$231 million raised from shareholders. Gross dividends of \$271 million paid. Market cap \$1,666 million
- \$1,706 million of value created for shareholders (\$1,468 million as at 31 March 2007)

## Capital Returns/Structure [30 Sept 07]

- >20%pa. compound after tax return to shareholders over 13.5 years (20x return)
- \$1,510 million equity market capitalisation (\$1,347 million 31 March 2007)
- \$1,109 million of debt (Infratil and wholly owned subsidiaries) (\$922 million)
  - \$749 million of the debt is deeply subordinated bonds (\$730 million)
  - \$88 million of equity raised post balance date

## Management

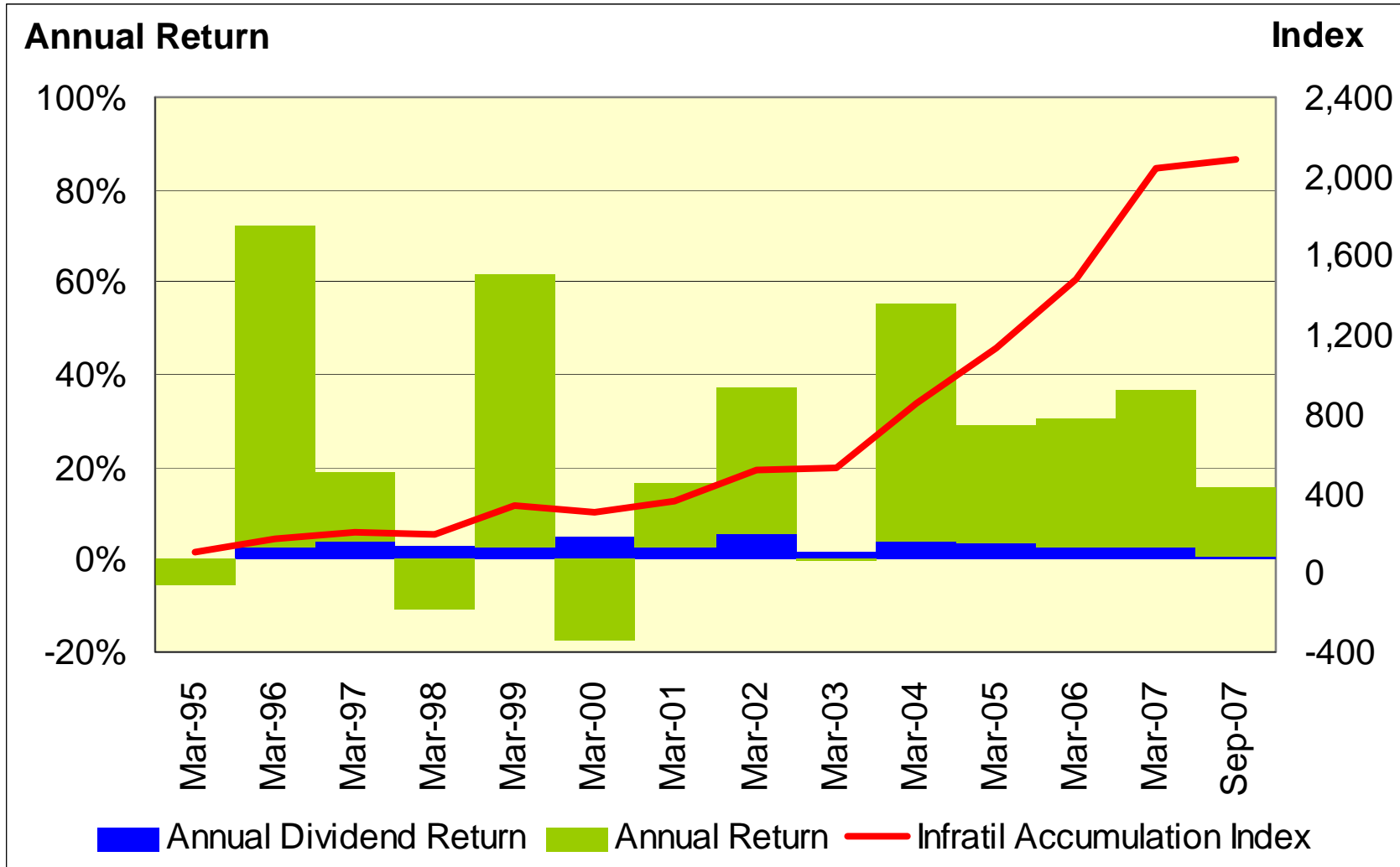
- Managed under contract by Morrison & Co
- Management fee 0.8% of capitalisation (debt + equity) >\$200 million
- Some performance fees on offshore and venture investments
- Management own ~9% of Infratil (all acquired on-market)

## Assets

- Until 2001 all in New Zealand, now approximately 50% of capitalisation is in Australia and Europe
- Airports in New Zealand and Europe
- Energy in New Zealand and Australia
- Public Transport in New Zealand



## Track Record



**15.5% 31 March to 30 September 2007**

## 2007/8 Notable Events/Developments

### **TrustPower**

- Government Emission Trading & Renewable Generation Targets
- Good profit given low market prices and low hydro generation
- Completion of Taranua III. Progress on South Australia and Waipori. Consenting progressed for 558MW of additional generation (Lake Mahinerangi wind, Wairau hydro, Arnold hydro, Kaiwera Downs wind)

### **Infratil Energy Australia**

- Tumultuous energy market conditions. Very high electricity and gas prices
- 49,000 customer gain over the half. A\$5.4m EBITDAF before consolidation of Perth Energy
- Progress on new peaker generation development

### **Wellington Airport**

- Pacific Blue announces domestic services. Vigorous competitive response
- Growth in property and passenger services income. 14.5% Earnings increase

### **Auckland Airport**

- Long term co-investment with NZ Superannuation Fund

### **NZ Bus**

- Re-launch of the Auckland Link service. Wellington to get 62 new trolley buses. Orders for 60 low-emission diesels
- Public Transport Amendment Bill

### **Partly-paid Share Issue**

- \$88 million raised. Very high level of take-up by holders. Part of positioning for market uncertainty

## Consolidated Results

\$ million	6 months to 30 Sept 2007	6 months to 30 Sept 2006	Year to 31 March 2007
Operating revenue	699.1	285.7	702.6
EBITDAF	165.0	69.0	153.0
Depreciation and amortization	(35.9)	(19.8)	(47.7)
Movement in financial derivatives	22.0	11.1	25.2
Net interest expense	(68.9)	(31.0)	(75.3)
<b>Operating surplus</b>	<b>82.2</b>	<b>29.3</b>	<b>55.2</b>
Realisations and impairments	(7.1)	0.5	38.9
Tax	(29.5)	(3.4)	(18.6)
Minority share of net surplus	(33.1)	(1.8)	(10.8)
<b>Infratil parent net surplus</b>	<b>12.5</b>	<b>24.6</b>	<b>64.7</b>

## Infratil Capital Structure \*

\$ million	30 September 2007	31 March 2007
Net bank debt	220.5	52.0
Non recourse debt	140.0	140.0
Bonds maturing 2010-2011	132.8	132.8
Bonds maturing 2012-2013	142.7	142.7
Bonds maturing 2014-2020	233.3	233.3
Perpetual Bonds	240.0	221.2
<b>Market value of equity</b>	<b>1,510.3</b>	<b>1,346.9</b>
	<b>2,619.6</b>	<b>2,268.9</b>

**Debt comprised 42% of capitalisation (39% including the proceeds of the October equity raising)**

# Dividend, Share Split & Warrant Issue

## **Dividend 2.5 cps fully imputed**

- To be paid 17 December 2007 to shareholders registered 7 December
- 1.25 cps on partly-paid shares
- 7.5 cps paid in June pre share split

## **1 for 1 share split**

- To enhance liquidity

## **Warrant issue**

- 1 for 10 to share and existing warrant holders

## **Warrant price adjustment**

- Reflecting the warrant issue
- July 2009 Warrants from \$1.75 to \$1.62
- June 2012 Warrants from \$4.25 to \$4.12

## **Rights issue & subsequent partly paid share issue**

- 1 for 5 to shareholders
- 88.0 million shares issued. Paid to \$1 with a second \$1 payable July/August 2008
- 95% take-up. 5% taken up “on behalf of” with rights value paid back to holders

## **Total returns to shareholders**

- 15.5%
- Reflecting warrants, rights and dividends

## TrustPower

	1 <sup>st</sup> ½ 2007/8	1 <sup>st</sup> ½ 2006/7	2006/7
<b>Electricity customers</b>	<b>220,000</b>	<b>220,000</b>	<b>219,000</b>
<b>Teleco customers</b>	<b>15,000</b>		<b>16,000</b>
<b>Customer sales (GWh)</b>	<b>2,361</b>	<b>2,414</b>	<b>4,575</b>
<b>Average price of electricity purchased (MWh)</b>	<b>\$63</b>	<b>\$81</b>	<b>\$63</b>
<b>Hydro generation (GWh)</b>	<b>833</b>	<b>959</b>	<b>1,667</b>
<b>Wind generation (GWh)</b>	<b>273</b>	<b>123</b>	<b>274</b>
<b>EBITDAF</b>	<b>\$116.1m</b>	<b>\$114.2m</b>	<b>\$196.4m</b>
<b>NPAT</b>	<b>\$63.1m</b>	<b>\$58.9m</b>	<b>\$98.5m</b>

### Results

- Good financial returns from a period of low market electricity prices and low hydro generation by TrustPower

### Generation projects

- Tararua III completion. South Australia and Waipori on track
- 558MW of projects in consenting; Lake Mahinerangi wind, Wairau hydro, Arnold hydro, Kaiwera Downs wind
- Waipori turns 100

### Emission trading & renewable generation targets

- Real incentives for renewable generation



## Infratil Energy Australia Group

<b>\$A</b>	<b>1<sup>st</sup> ½ 2007/8</b>	<b>1<sup>st</sup> ½ 2006/7</b>	<b>2006/7</b>
<b>Billed energy accounts</b>	<b>235,441</b>	<b>119,179</b>	<b>186,033</b>
<b>Generation capacity (MW)</b>	<b>70</b>	<b>60</b>	<b>70</b>
<b>Sales</b>	<b>\$135.1m</b>	<b>\$65.6m</b>	<b>\$131.8m</b>
<b>EBITDAF</b>	<b>\$4.6m</b>	<b>\$4.7m</b>	<b>\$8.6m</b>

### Results

- Tumultuous energy market. Tripling of electricity prices. Very high gas prices
- A\$5.4 million EBITDAF before consolidation of Perth Energy. 49,400 (26%) gain in customers

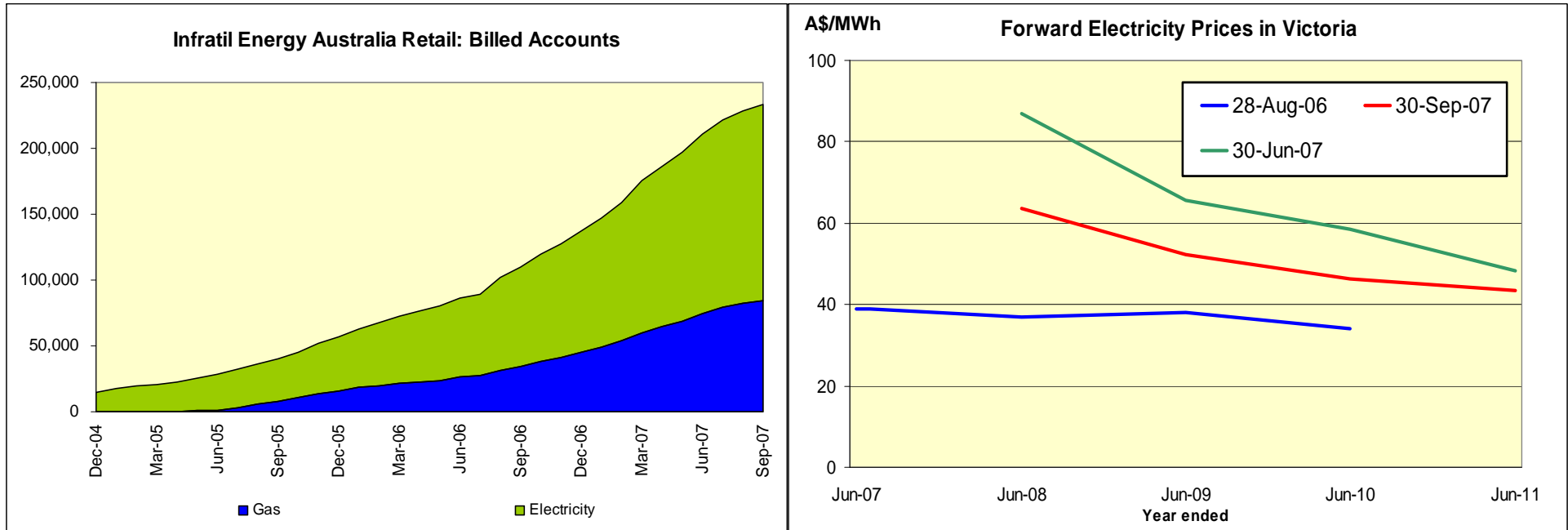
### Growth

- Retail growth slowed by energy prices and low retail margins which are now returning to adequate levels
- A\$20 million Hunter (30MW) peaker generator on budget for completion in early 2008

### Environment

- The market disruption has reduced the prospect of new-entrant retailer competition

# Infratil Energy Australia Group



## Very high electricity prices

- The extreme prices from June made customer growth unattractive
- 1/4 gain 12,000/month. 2/4 gain 4,500/month

## Growth

- Wholesale prices are now returning, in some markets, to more attractive levels

## Very high gas prices

- Very high gas prices in Victoria on cold days in June with changes to market structure
- Solutions sought for winter 2008

## Wellington Airport

	1 <sup>st</sup> ½ 2007/8	1 <sup>st</sup> ½ 2006/7	2006/7
<b>Passengers</b>	<b>2,330,713</b>	<b>2,291,051</b>	<b>4,635,711</b>
<b>Aero income</b>	<b>\$20.7m</b>	<b>\$19.2m</b>	<b>\$41.9m</b>
<b>Passenger services income</b>	<b>\$10.7m</b>	<b>\$9.1m</b>	<b>\$18.8m</b>
<b>Property &amp; other income <sup>i</sup></b>	<b>\$4.7m</b>	<b>\$3.9m</b>	<b>\$6.6m</b>
<b>Operating costs <sup>ii</sup></b>	<b>\$8.7m</b>	<b>\$8.3m</b>	<b>\$17.0m</b>
<b>EBITDAF <sup>iii</sup></b>	<b>\$27.7m</b>	<b>\$24.2m</b>	<b>\$55.1m</b>

- i. Includes Isite EBITDA rather than income. Excludes revaluations  
 ii. Excludes regulatory costs and bad debts. iii. 2006/7 includes revaluations

### Results

- Passenger growth constrained by aircraft capacity
- 14.5% Earnings growth driven by growth in property and passenger service income

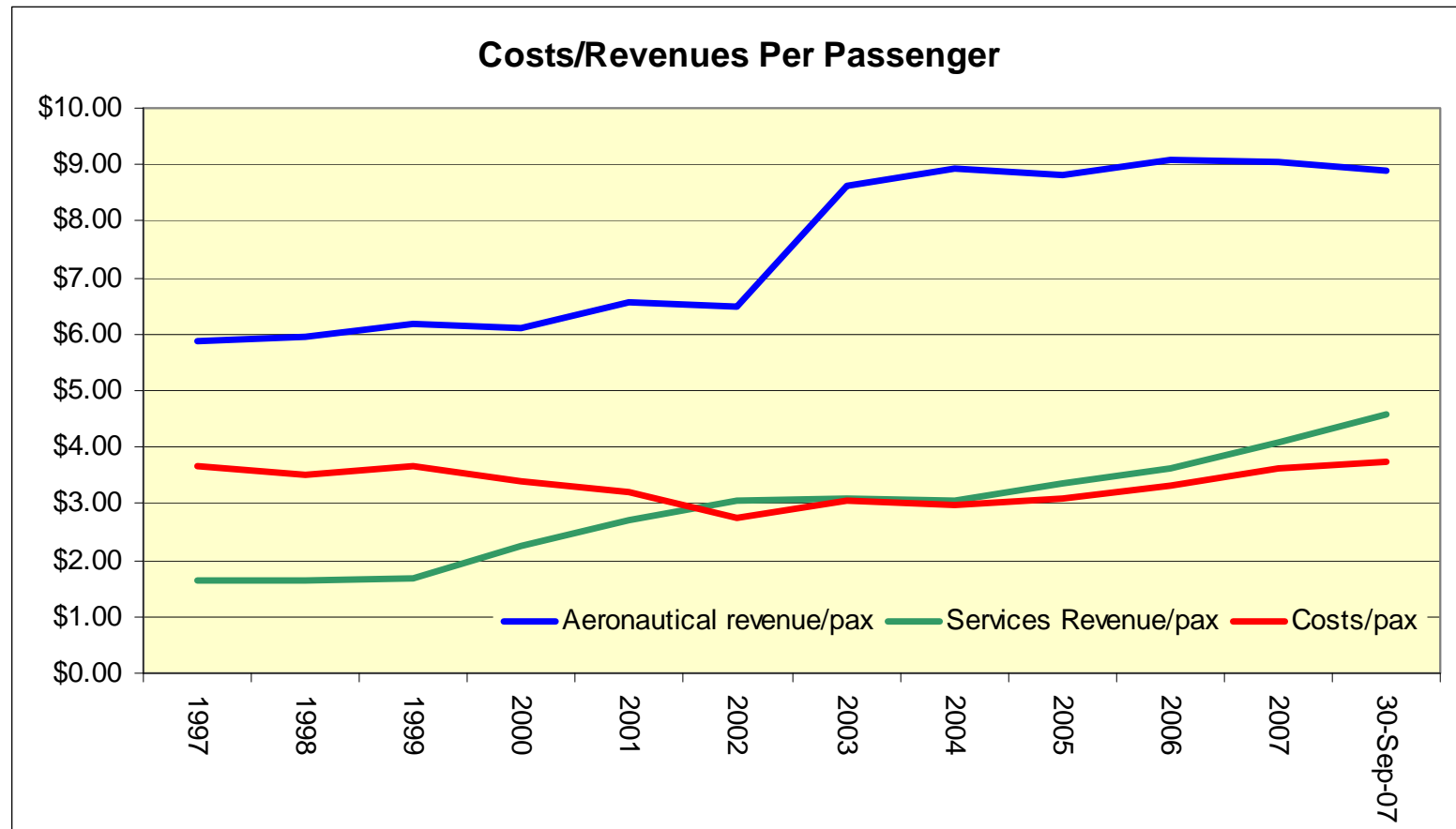
### Investment

- \$33m runway safety. \$12m international processing area. \$15m Northern pier and gate expansion. \$12m carpark enhancement and expansion. \$50m international terminal enhancement and expansion next
- Domestic and anticipated Tasman growth igniting a thorough review of terminal needs
- Long-haul marketing progressing

### Market

- Reset aeronautical charges 1 July. 2.5%pa. increase. The first since 2002. Air NZ announces litigation
- Pacific Blue announces domestic services

# Wellington Airport



## Income

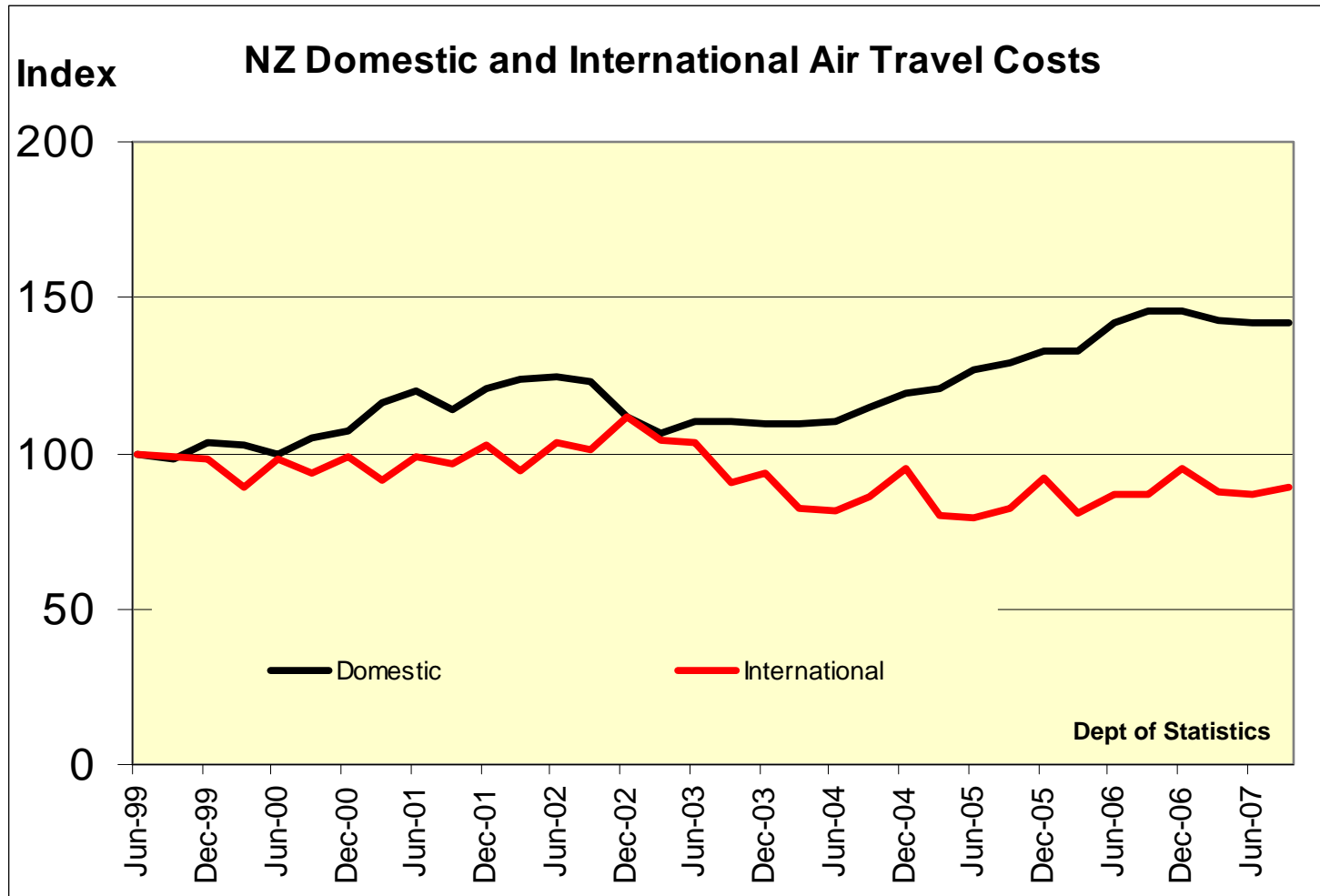
- Aeronautical charges per passenger remain flat (since 1998 in real terms \$5.95 to \$5.63)
- Passenger service income \$4.59. Up 16%. Property income \$4.7m (1998 \$1.63/pax and \$1.2m pa. respectively)

## Costs

- Greater investment in route development. Management of growth (since 1998 costs down 36% in real terms per pax) Page 12



# Wellington Airport: Competition



**Relative to international, domestic air travel has increased in cost 60%**

## Infratil Airports Europe

UK£	1 <sup>st</sup> ½ 2007/8	1 <sup>st</sup> ½ 2006/7	2006/7
<b>Passengers</b>	<b>1,715,427</b>	<b>1,772,150</b>	<b>3,085,797</b>
<b>Freight (tonnes)</b>	<b>25,101</b>	<b>24,454</b>	<b>56,455</b>
<b>Aero income</b>	<b>£11.2m</b>	<b>£10.6m</b>	<b>£20.5m</b>
<b>Passenger services income</b>	<b>£4.1m</b>	<b>£3.7m</b>	<b>£6.7m</b>
<b>Property income</b>	<b>£1.5m</b>	<b>£1.7m</b>	<b>£3.4m</b>
<b>Operating costs</b>	<b>£18.0m</b>	<b>£15.7m</b>	<b>£34.3m</b>
<b>EBITDAF</b>	<b>£0.3m</b>	<b>£0.8m</b>	<b>£0.7 m</b>

### Results

- Results impacted by the cost of progressing growth. Also increased security expenses at Glasgow

### Investment

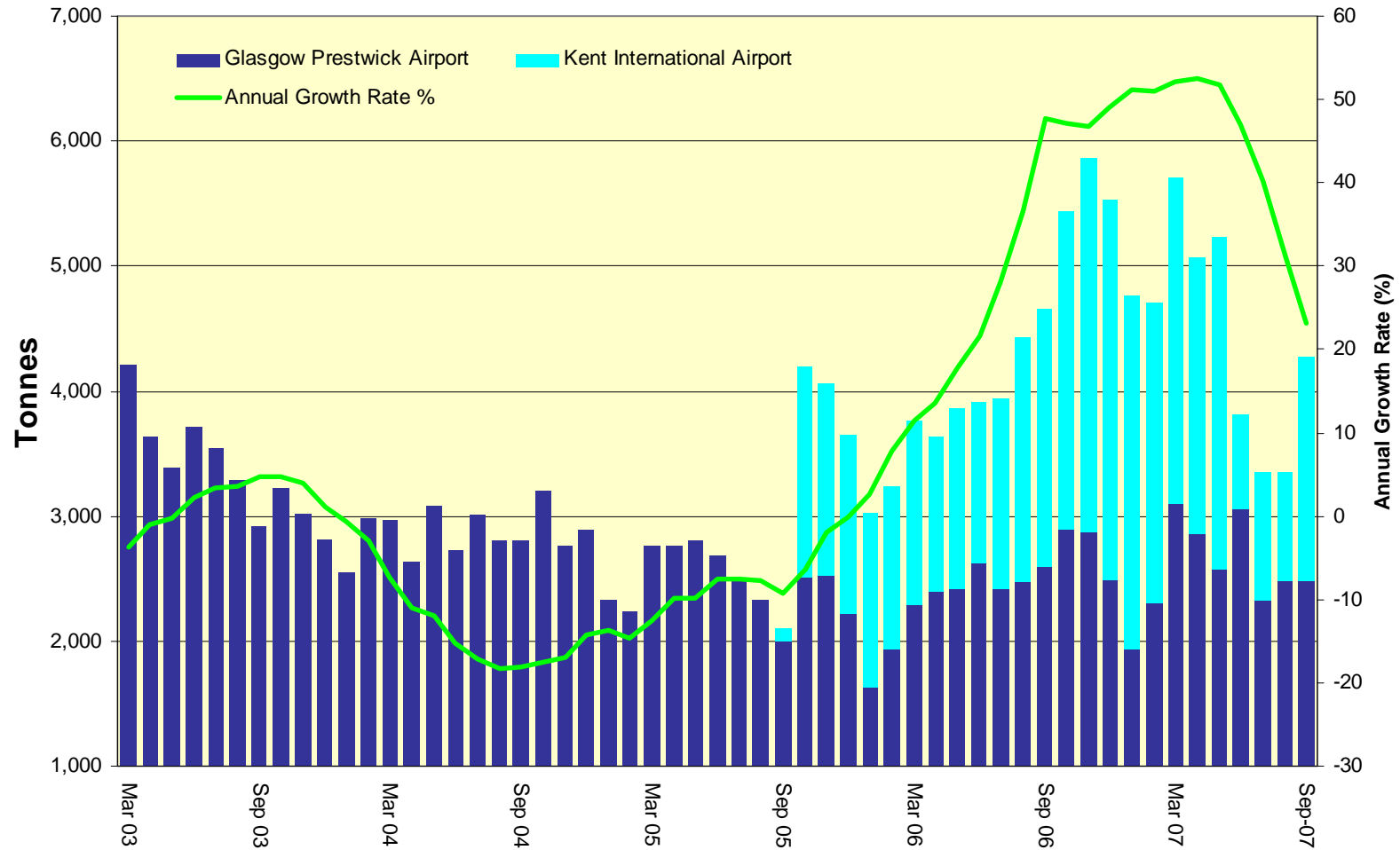
- Lübeck consents progressing
- Route development and airline marketing the priority

### Market

- UK passenger market flat (Significant Government tax impost and congestion at London airports)
- Freight also flat. Very positive medium/long term forecasts for dedicated air freight services

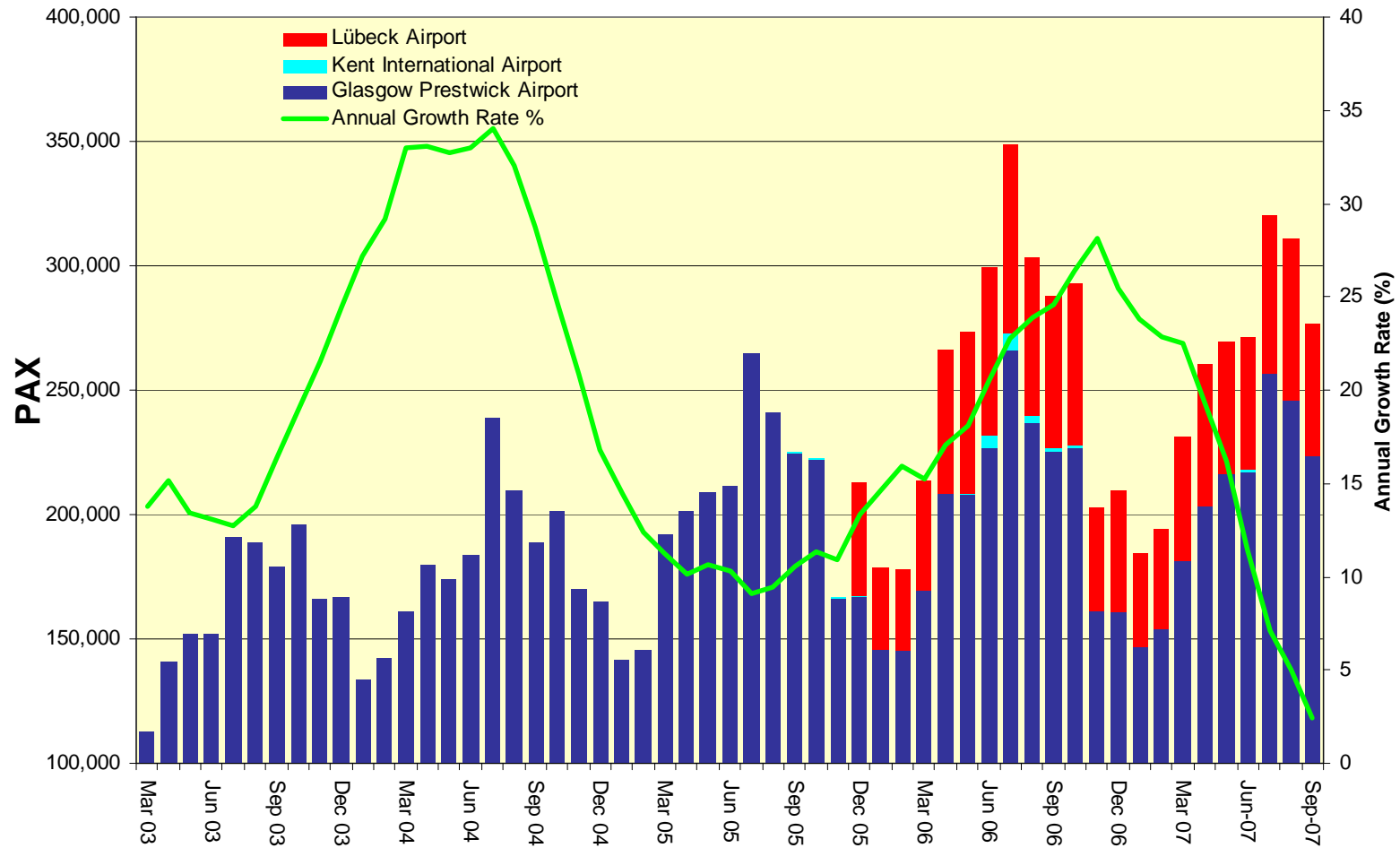


## Infratil Airports Europe: Freight





## Infratil Airports Europe : Passengers







## Public Transport

	1 <sup>st</sup> 1/2 2007/8	1 <sup>st</sup> 1/2 2006/7	2006/7
<b>Passengers</b>	<b>26.8m</b>	<b>28.0m</b>	<b>57.6m</b>
<b>Fare income</b>	<b>\$55.8m</b>	<b>\$52.7m</b>	<b>\$107.7m</b>
<b>Contract income</b>	<b>\$41.8m</b>	<b>\$39.0m</b>	<b>\$73.8m</b>
<b>Capital investment</b>	<b>\$11.0m</b>	<b>\$1.1m</b>	<b>\$10.1m</b>
<b>Contribution</b>	<b>\$7.9m</b>	<b>\$10.1m</b>	<b>\$23.7m</b>

### Results

- Contribution consistent with last year (which was inflated by the transfer of NZB's Mana interest)
- Significant cost pressures (wages, fuel) balanced by higher income
- Patronage impacted by congestion and capacity constraints

### Investment

- \$80m investment underway into electric buses, low-emission diesels, ferries, management systems and training, ticketing
- New management

### Market

- High fuel prices are now resulting in patronage growth
- Progress on priorities with city councils
- Public Transport Amendment Bill and no indication of further Government funding

# Prospects

## **Airports - New Zealand**

- Pacific Blue and the responses from AirNZ and Qantas are positive for domestic and short haul air travel
- The arrival of low cost Asian carriers in Australia and huge growth of Middle Eastern airlines positive for the medium term

## **Airports - Europe**

- The low cost revolution has some way to go yet. 1/3 of the UK market, but only 20% of German and 10% of French
- Hub airport congestion, especially in London, is becoming chronic and their expansion costs are huge

## **Renewable energy New Zealand & Australia**

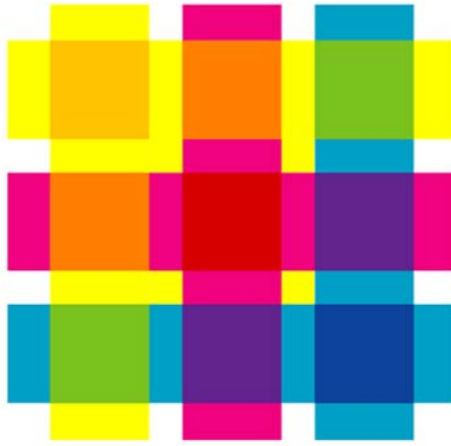
- NZ's target of 90% renewable by 2025 is realistic but tough. It will require faster development of renewable capacity
- Australian popular support for greater renewable generation is growing (every day it doesn't rain)

## **Energy sector Australia**

- Restructuring continues. Gradual move to greater liberalisation

## **Public Transport**

- Strong political will and public support for more and better services
- Complex and politicised regulatory environment



**[www.infratil.com](http://www.infratil.com)**