



8 April 2019

## Independent Investment Valuations and FY19 Earnings Guidance Update

In conjunction with the preparation of the financial statements for the financial year ended 31 March 2019 Infratil has commissioned independent valuations for several investments held within the International Portfolio. The valuations are required for the 31 March 2019 financial statements to determine year-end accruals for performance fees payable to Infratil's external manager, Morrison & Co Infrastructure Management Limited ("Morrison & Co").

Infratil advises that it has received draft 31 March 2019 independent valuations for its investments in Canberra Data Centres ("CDC"), Longroad Energy Holdings ("Longroad") and Tilt Renewables ("Tilt"). The independent valuations indicate significant shareholder gains with the following valuation ranges for those investments (as compared to Infratil's carrying value as at 30 September 2018):

Portfolio Entity	Draft Valuation Range as at 31 March 2019 NZ\$ millions	Carrying Value as at 30 September 2018 NZ\$ millions
Canberra Data Centres	841 – 942	487.8
Longroad Energy	128	84.5
Tilt Renewables <sup>i</sup>	650 – 785	427.8

The valuations are the first independent valuations that Infratil has commissioned for those entities since acquisition of CDC or establishment of Tilt and Longroad in 2016, and reflect the following material developments within those investments:

- Since Infratil's acquisition in September 2016, CDC's run rate EBITDAF has increased from A\$50 million per annum to A\$90 million per annum as at 31 March 2019. CDC is currently forecasting run rate EBITDAF of A\$135 million as at 31 March 2020 (which is substantially contracted). This growth reflects the significant investment in additional data centre facilities in Canberra and the acquisition of an existing data centre in Sydney which has enabled extensive expansion opportunities. The investment in new data centre facilities has been coupled with the successful execution of new customer contracts for data centre facilities in Canberra and Sydney.
- Since the establishment of Longroad in October 2016, Longroad has executed two significant development projects. Project Phoebe, a 250MW solar generation project in Winkler County, Texas, which was sold to Canadian investor Innergex Renewable Energy and Project Rio Bravo, a 238MW wind farm project in Starr County, Texas, which was sold to Sammons Renewable Energy. As at 31 March 2019, Longroad has 4 advanced development projects totalling 800MW and a pipeline of longer-term development projects in multiple markets in the United States. Longroad also holds 685MW of operating assets and wind turbine inventory which are reflected in the 31 March 2019 valuation.
- The movement in the Tilt valuation since September primarily reflects Infratil's increased stake in Tilt following the takeover offer (\$49.8 million) and Infratil's contribution to Tilt's recent equity raise (\$178.9 million) and implies a mid-point valuation of NZ\$2.34 per Tilt share.



## **Increase in estimated Performance Fees payable to Morrison & Co.**

The International Fund Management Agreement (between Infratil and Morrison & Co) requires Infratil's International Investments to be independently valued at 31 March 2019. The Agreement allows for incentives to be payable for performance in excess of a minimum hurdle of 12% per annum in three separate areas:

- An Initial Incentive Fee at the end of the third financial year in which Infratil holds an eligible investment. Infratil's investments in CDC, Longroad, Tilt and the ANU Purpose Built Student Accommodation Concession ("ANU PBSA") are required to be assessed as a single group to determine whether an Initial Incentive Fee is payable at 31 March 2019. The ANU sale was conditional at 31 March 2019 and is expected to settle prior to 30 April 2019 (as announced on 1 April 2019).
- A Realised Incentive Fee for non-New Zealand portfolio investments assets sold during a period compared to benchmark hurdles. No International investments were realised during the period.
- An Annual Incentive Fee for the balance of International portfolio assets assessed as a group compared to benchmark hurdles. At this stage no Annual Incentive Fee is expected to be payable in the year ended 31 March 2019.

As at 30 September 2018, Infratil had accrued an Initial Incentive Fee of NZ\$29.4 million. Based on the above valuation ranges for CDC, Longroad and Tilt, together with the conditional sale of Infratil's investment in ANU PBSA, Infratil now estimates that the Initial Incentive Fee payable as at 31 March 2019 will be between NZ\$95 million and NZ\$105 million.

Infratil's Chairman Mark Tume said that "the independent valuation increases underline the material shareholder value created through Infratil's investment strategies in recent years. The Board also notes that the excess returns for these assets above the International Fund Management Agreement hurdle of 12% per annum is a very positive outcome in light of the current low interest rate environment".

Infratil advises that further information will be provided at the Infratil Investor Day on 10 April 2019. The Initial Incentive Fee will be finalised as part of the 31 March 2019 year-end process, which will be reported on 17 May 2019.

## **FY19 Earnings Guidance Update**

Infratil advises its Underlying EBITDAF<sup>ii</sup> guidance for the year to 31 March 2019 is now revised from NZ\$580 to NZ\$620 million to NZ\$535 to NZ\$545 million. The revision to the FY19 guidance arises from the following:

- A net increase in the estimated contribution from CDC, primarily resulting from the receipt of CDC's draft 31 March 2019 investment property revaluations (+NZ\$60 million).
- The conditional sale of Infratil's interest in the ANU PBSA for \$A162 million (NZ\$169 million), as compared to a carrying value as at 30 September of NZ\$107.7 million, resulting in an increase in the estimated Initial Incentive Fee payable to Morrison & Co (-NZ\$12.6 million).
- Increase in the estimated Initial Incentive Fee payable to Morrison and Co, primarily as a result of the 31 March 2019 valuations of CDC and Longroad (-NZ\$59 million).
- As previously announced on 14 December 2018, the forecast Longroad Rio Bravo development gain which was originally forecast in FY19 is now expected to be recorded in FY20 (-NZ\$16.3 million).
- Additional Longroad operating costs and Infratil's first-time recognition of its estimated US tax expense (-NZ\$20 million).



- Movements in forecast contributions from other portfolio entities (-NZ\$10 million).

### **No change to FY19 Dividend Guidance**

Infratil advises there is no change to its dividend guidance for FY19, although the final dividend for FY19 will be finalised as part of the 31 March 2019 year-end process, which will be reported on 17 May 2019.

Any enquiries should be directed to:

Mark Flesher, Investor Relations, Infratil Limited [mark.flesher@infratil.com](mailto:mark.flesher@infratil.com)

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<sup>i</sup> The Tilt carrying value at 30 September 2018 reflects the market price for Infratil's shareholding of 182.8 million Tilt ordinary shares as at that date. As at 31 March 2019, Infratil holds 306.7 million Tilt ordinary shares.

<sup>ii</sup> Underlying EBITDAF is a non-GAAP measure of financial performance, presented to show management's view of the underlying business performance. Underlying EBITDAF for Infratil's subsidiaries represents consolidated net earnings before interest, tax, depreciation, amortisation, financial derivative movements, revaluations, and non-operating gains or losses on the sales of investments. Underlying EBITDAF for Infratil's associates (Canberra Data Centres, Longroad Energy, and ANU Student Accommodation) includes Infratil's share of its associates' net profit after tax, other than for RetireAustralia where underlying profit is used when presenting the Group's Underlying EBITDAF. Underlying profit is a common performance measure used by retirement companies and removes the impact of unrealised fair value movements on investment properties, impairment of property, plant and equipment, one-off gains and deferred taxation, and includes realised resale gains and realised development margins.