13 April 2016

Infratil Investor Day

Infratil has released the full package of presentation material for its annual Investor Day. Those attending include representatives of shareholders, fund managers, broker analysts, regulatory agencies, business partners and commentators. The intention is to provide opportunities for stakeholders to interact with Infratil's management and directors, to hear about the Company's opportunities and challenges and to receive an update on investment plans.

Based on Infratil's current share price and net borrowings, the wholly-owned Infratil group is 13% debt funded and Infratil could deploy $750 million to $1 billion while remaining within its target credit metrics. There are two overarching messages about how this capacity will be deployed. There are good opportunities to invest within Infratil's core areas, and the approach will be disciplined. Focus areas include the retirement and renewable energy sectors and Wellington Airport.

It is also believed that there will be opportunities to acquire assets in the secondary market. Public market valuations of some companies in Infratil's sectors do not appear reflective of their underlying value and, especially in Australia, companies with attractive assets and weaker values are looking at asset divestment. There is also the prospect that market volatility will create investment opportunities for well capitalised businesses such as Infratil.

One area of investment which Infratil Chief Executive Marko Bogoievski described has an additional strategic aspect. Infratil is actively scanning NZ and Australia for technology ideas that are likely to impact Infratil's target sectors and has committed US$25 million to the California based Envision Ventures fund. The strategic objective is to help Infratil's businesses identify and engage with technology changes that will impact their activities. In transport, energy, aviation, and elder care, technology changes are accelerating and Infratil is positioning to benefit.

The changes now happening to the motive-power of cars, bikes and buses are a good example. Mobile electric power will create huge opportunities for improved urban mobility and will make a lot of petrol and diesel vehicles redundant. Infratil intends to be on the right side of the ledger and is using its investment in Envision and its research in NZ and Australia to position accordingly.

Infratil's goal is to own businesses that provide services and facilities that address community needs while delivering efficiency, service, and productivity gains to communities. The technology or "Infratech" initiative will augment in-house expertise.

Some investments, such as what is underway at Wellington Airport, are largely within the control of management. Others require opportunities to arise. An example of this was last year's unsuccessful bid for Pacific Hydro. The lesson from that process is that even if the asset is highly compatible, Infratil is strongly disciplined in its approach to capital allocation and will not chase returns down. Government bond rates are artificially depressed today and bear little relationship to the returns Infratil considers necessary to justify investment.

Infratil also remains committed to its goal of increasing its dividends. Infratil's outlook for the year ended 31 March 2016 is at the lower end of the guidance provided in November last year, after removing the contribution of iSite which was sold in December. Preliminary guidance has also been provided for the 2017 financial year.

The 2017 guidance reflects Metlifecare and RetireAustralia's contributions to EBITDAF as Infratil's share of underlying earnings rather than net profit after tax. This approach is consistent with the way the industry views elder care businesses. The most significant adjustment is the exclusion of unrealised investment property revaluations. By their nature it is problematic to include forecasts of revaluations in guidance.

NZ$ millions	**2017 Guidance***	2016 Outlook*
EBITDAF (continuing operations)	**$485-$525**	$495-$505
less: underlying earnings adjustment	**($10)**	($40)
Underlying EBITDAF** (continuing operations)	**$475-$515**	$455-$465
Operating cash flow	**$225-$255**	$255-$265
Net interest (continuing operations)	**$180-$190**	$165-$175
Depreciation & amortisations (continuing operations)	**$170-$180**	$170-$180

* The 2016 outlook and 2017 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 other 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 adjustments for interest, tax, depreciation, amortisation, financial derivative movements, revaluations, non-operating gains or losses on the sales of investments, and includes Infratil's share of its associates', Metlifecare and RetireAustralia, underlying profit. Underlying profit for Metlifecare and RetireAustralia removes the impact of unrealised fair value movements on investment properties, impairment of property, plant and equipment and excludes one-off gains and deferred taxation. Underlying profit is an industry-wide measure in the elder care industry.

Copies of the presentation material from the Investor Day are available on Infratil's website, Infratil.com

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