



**Infratil Investor Day**  
**29 March 2017**





## **Introduction**

### Agenda

- Establishing a Growth Business
- Global Renewables Energy Trends
- Australian energy market dynamics
- Tilt Renewables' strategy
- Growth opportunities
- What can investors expect in the next 12 months



## Establishing a Growth Business



## Establishing a Growth Business

### Standing up the Business post de-merger

- De-merger completed 31 October 2016, Tilt Renewables operational on standalone basis
- Melbourne office established, officially opened by the Victorian Energy Minister Lily D'Ambrosio on 15 March 2017
- Board approved Establishment Plan well advanced
- 'Business as usual' governance, policies and processes on track
- Transition services support from Trustpower in place until 30 June 2017
- Quality asset base with 95%+ day 1 contracted revenue position

### Early wins

- Team assembled with Leadership Team and key direct reports in place
  - Combined renewables experience of Management and Board in excess of 250+ years
- Financing conditions subsequent met
- Salt Creek Wind Farm progressing towards Final Investment Decision
- Development pipeline broadened with greenfield development and acquisition of early stage solar sites in Queensland

Victorian Energy Minister Lily D'Ambrosio and Tilt Renewables CEO Robert Farron opening the Melbourne office



Previous employers of our experienced team



## Operating highlights

### Operating performance since de-merger

- YTD production to 31 December 2016 ahead of prior period
- Wind speeds in March quarter have been stronger in NZ, but below long term average in Australia
- Underlying business continues to perform at or slightly below expectations, with operational cashflows comfortably above required debt servicing levels
- Full year results for FY17 (ending 31 March 2017) are expected to be released to the market in mid May 2017

### December 2016 quarter production guidance

GWh	Q3 FY17	Q3 FY16	△	YTD FY17	YTD FY16	△
Australia	327	302	8%	1,002	901	11%
New Zealand	186	214	(13%)	547	567	(4%)
<b>Total</b>	<b>513</b>	<b>516</b>	<b>(1%)</b>	<b>1,549</b>	<b>1,468</b>	<b>6%</b>

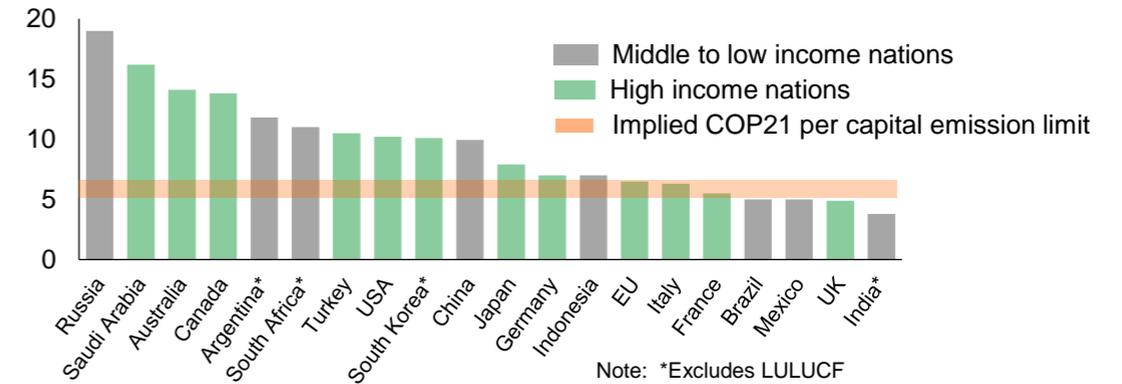
## Global renewable energy investment themes

### Global decarbonisation trend

- Global trend of decarbonisation is starting to be implemented as countries track towards their COP21 Paris emissions reduction targets. High income G20 nations responsible for the bulk of the “gap” to COP21 implied 2° limits per capita

### G20 per capita 2030 emissions vs COP21 implied 2°C limits

Source: IEA, Climate Institute, Aug 2016



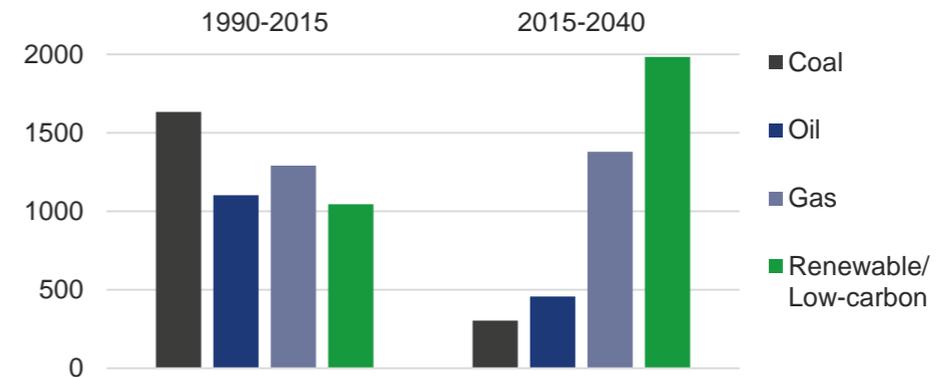
### Energy demand growth fuelled by renewables + gas

- IEA forecast major shift away from coal and oil in next 25yrs, with renewable/low-carbon technologies supplying half of demand growth.
- Major oil companies positioning for gas to play a major role complementing renewable deployment.

### Energy source for primary energy demand growth (Mtoe)

Last v next 25 years

Source: IEA World Energy Outlook 2016

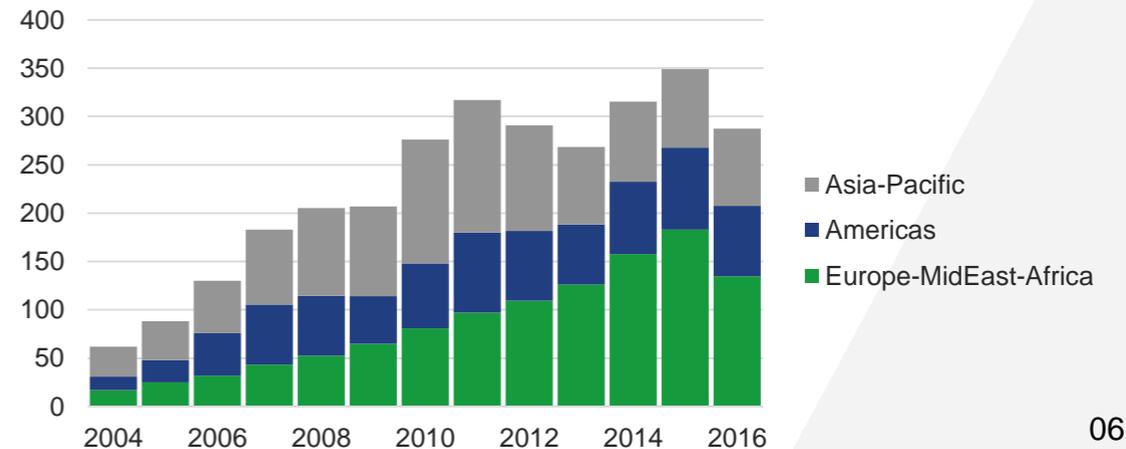


### Investment in clean energy

- 2016 clean energy investment (US\$288b) below record levels driven by falling cost of PV and tapering of China/Japan growth
- Offshore wind grew 40% on 2015 driving cost benefits and a trend in Europe and China towards larger turbines
- M&A activity up on strong demand for clean energy projects. Acquisitions surpassed US\$100b for the first time in history.

### Global clean energy investment US\$ bn

Source: Bloomberg New Energy Finance, Jan 2017



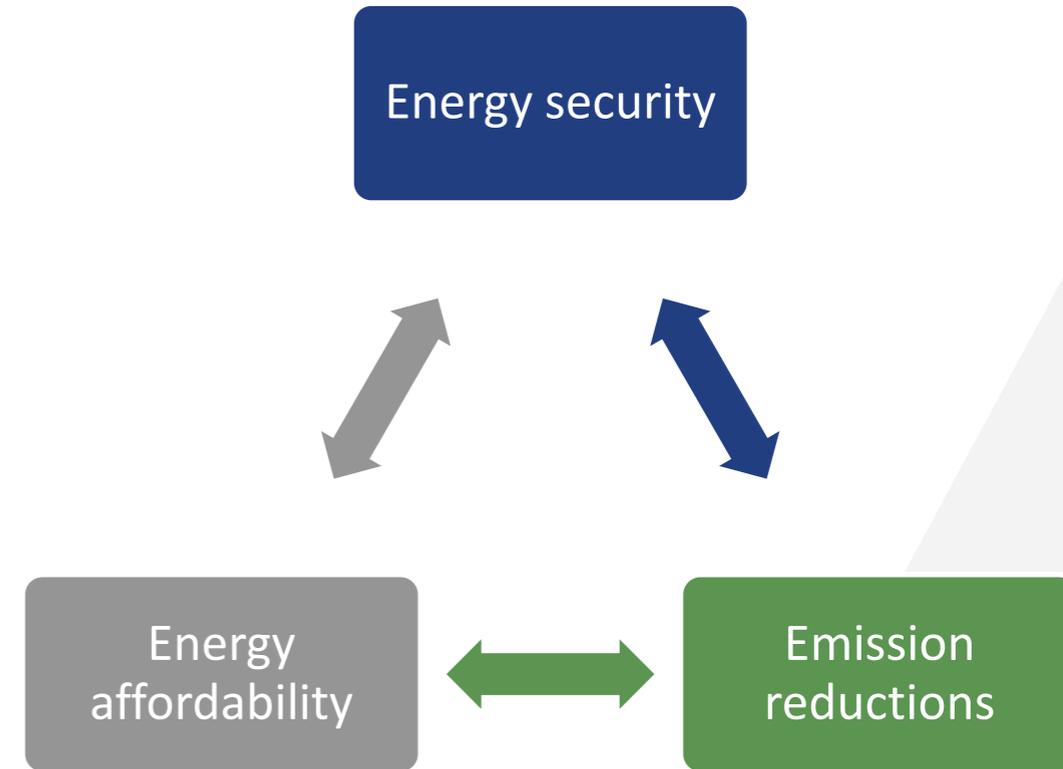


## Australian energy market dynamics



## Australian energy and climate policy

- Australia has committed up to a 28% emissions reduction by 2030 which will require significant changes to the generation mix.
- Intense debate around energy market reform to balance energy security, affordability and emissions reduction objectives
- Politics and vested interest are clouding this debate, causing uncertainty for energy users and infrastructure investors
- Further review of Federal Renewable Energy Target (RET) in it's current pre-2030 form is not a feature of the debate, therefore our focus remains on participating in the build-out requirements while the opportunity presents itself
- Labour state governments have shown an intention to implement more aggressive renewable targets (using the ACT 100% renewables target as precedent), however it is unclear how these will be implemented / integrated with the federal RET
- Energy and climate policy is likely to remain uncertain in short-to-medium term as government and industry grapple with a multitude of factors including:
  - constrained gas supply
  - ageing thermal generation capacity
  - distributed rooftop PV
  - battery technology
  - regulatory model not keeping pace with market
  - grid stability and dispatchable capacity



**Recent announcement by the South Australia state government and the Australian (federal) Government highlights pressure to come up with solutions to “fix the energy crisis” and intervene as both regulator of and investor in the energy sector**

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SA Government has announced a package of actions to improve security of supply and market stability estimated at A\$550M



**Government  
of South Australia**

- 250MW gas fired peaker
  - Tender for 100MW Battery Storage project
  - State based energy security target
  - Incentives to source gas for SA use
  - Introduce local powers over NEM in emergency situations
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**Australian Government**

Federal Government has announced a major expansion of Snowy Hydro scheme

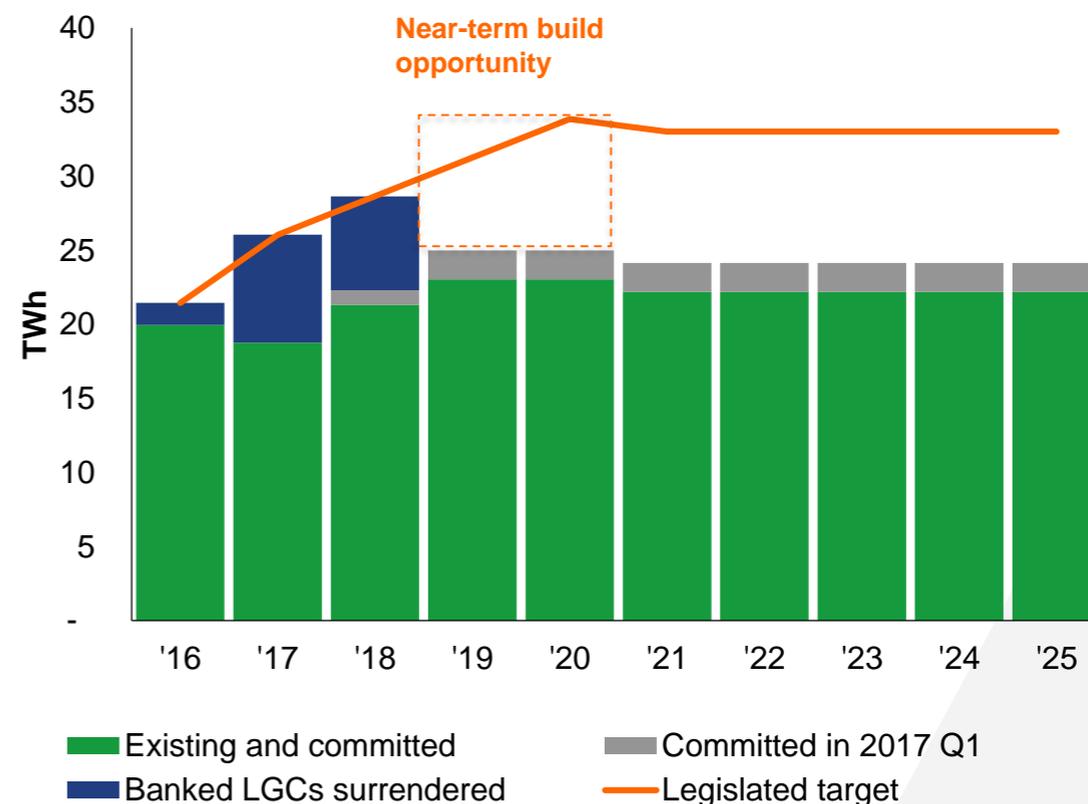
- Add 2,000MW pump hydro storage capacity to existing 4,100MW scheme
  - ARENA tasked to deliver feasibility report by end of CY2017
  - Estimated at A\$2 billion
  - Four year estimated build time
- 

**While we are still digesting what all this means for Tilt Renewables, our initial view is these proposed actions should be positive for SA and NEM market stability as well as renewables investment in the medium to long term**

## Australian (Large-scale) Renewable Energy Target - LRET

- 33,000 GWh annual target by 2020, current scheme ends in 2030
- Requires further ~3GW of renewable generation to be built by 2020
- Bipartisan political support, but major energy retailers are yet to actively contract future renewable credit (LGC) obligations, preferring to hedge through low-cost/opportunistic options
  - AGL attracting low-cost capital through Powering Aust Renewable Fund
  - EA contracting 500MW (including Bodangora wind, Ross River solar)
- Recent activity in LRET market
  - ERM Power paid penalty (\$65 non tax deductible to utilise tax loss position)
  - Tier 1 retailer activity largely related-party and/or opportunistic projects
  - Queensland-govt led activity to contract local solar projects
  - Low bundled prices achieved in market appear to be linked to equity investors with low return, low operational risk expectations. Headline “all-in” PPA prices sub A\$70 are clouded by asset management contracts, development fees, government grants and concessional financing
  - 900MW+ of solar PPAs signed in Q1 CY17 across 11 projects
  - Numerous other projects rumored to be close to FID

Estimated annual LRET demand and supply



Source: Tilt Renewables, Green Energy Markets, Company announcements

## Current Environment for renewables investment



Australia's COP21 emissions reduction commitment (26-28% by 2030) requires significant changes to the generation mix.



Ambitious state-based renewable targets have yet to trigger meaningful long-term demand for renewables. ACT feed-in-tariff auctions in 2016, likely to be followed by VIC scheme in CY2017 (~40% renewables target to support ~5GW new build by 2025).



Ageing thermal generation capacity in the National Electricity Market needs to be refreshed with 75% operating beyond its original design life.



Lack of clear energy and climate policy puts Australia at risk as an investment destination. Government's fluid position on policy and technology (e.g. clean coal, gas, nuclear and large hydro) is problematic for investor confidence.



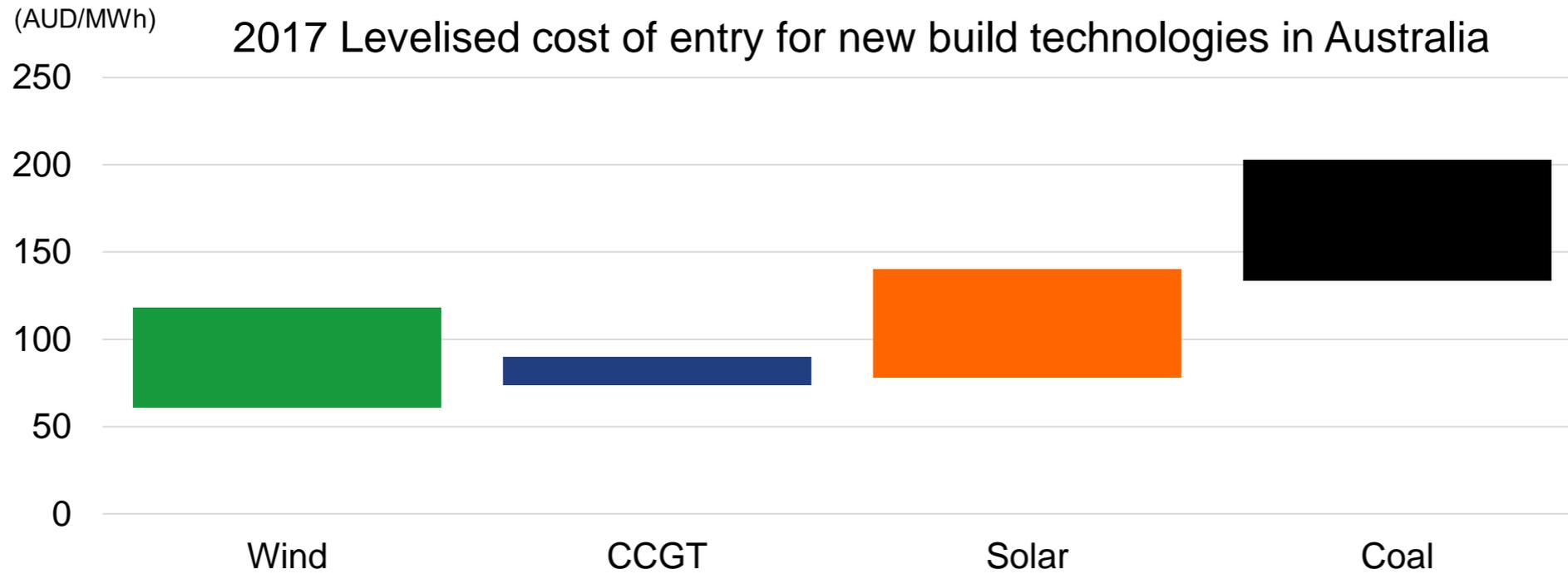
Falling cost curve for technology (solar, wind, storage, electric vehicles) has the potential to reshape energy markets.

## **What market conditions would support greater levels of capital deployment in Australia's Clean Energy Transition by Tilt Renewables?**

### Key Ingredients

- ❑ Durable long term energy and climate change policy preferably with bi-partisan political support that enables greater renewables investment (current RET target is only to 2020). To date there is almost no articulation of how Australia's COP 21 commitments will be met by 2030.
- ❑ Federal and State renewables schemes that operate in a complimentary manner.
- ❑ Grid investment and market rules that support greater share of renewables in energy mix at reasonable cost.
- ❑ Well designed "Pull" (RET targets beyond 2020) and "Push" incentives (Emission Intensity Scheme?) working in tandem should assist a smoother transition
- ❑ Existing investor rights are respected if future policy amendments are required. Significant reliance on foreign technology and capital will be required to successfully execute the transition
- ❑ Policy settings that support investor confidence that LGCs can be priced and contracted through to 2030 in a workable competitive market. Potential for wide LGC price range dependent on short fall / over build assumptions for meeting RET target will likely lead to investment boom / freeze cycles

**Over time we would expect subsidisation of renewables to reduce as new entrant solar and wind costs continue to fall but not before stronger momentum in renewables investment is sustained**



Source: Bloomberg New Energy Finance (Feb 2017)

**Our belief is that with whole of system thinking, Australia can be much more ambitious on the level of renewables in its energy mix**

## Tilt Renewables strategy

Goal

- More than double current operating renewable generation capacity over the next 5 years (to 1,500 MW) and
- Position beyond 2020 with further wind and solar build if policy framework supportive

Focus

Australia

New Zealand

Strategy

Complete consenting and preparation of best sites in development pipeline

Consider further acquisition of consented wind/solar sites to bolster pipeline

Maintenance of long dated development options as appropriate

Salt Creek FID\* by Q2 CY2017  
Position large project for FID by end of CY2017

Determine contracted revenue options post maturity of Snowtown 1 PPA\*\* in Dec 2018

Consent North Island wind option, maintain existing consented options

New build if competitive with new entrant LRMC# and offtake agreements available

\* Financial Investment Decision

\*\* Power Purchase Agreement

# Long-run Marginal Cost

## Overview of key development projects



## Well-positioned development pipeline

- Development pipeline of circa 1,700MW in Australia:
  - 450MW projects with environmental approvals, with a further 300MW subject to appeal
- 530MW New Zealand wind pipeline – 400MW consented
- Development priorities:
  - Taking Salt Creek Wind Farm through to financial investment decision – target mid CY2017
  - Rapid progression of key projects in pipeline to ‘shovel ready’ status
  - Expanding portfolio of credible solar options in various states plus Snowtown
  - Targeted acquisition opportunities - quality renewable projects to bolster pipeline or operating base
- Evaluating ‘enabling’ technologies to assist with integration of renewables e.g. storage technology

Key projects	Technology	Location	Potential Size (MW)
Salt Creek	Wind	VIC	53
Dundonnell	Wind	VIC	300
Rye Park	Wind	NSW	300
Palmer	Wind	SA	300
NSW Project	Wind	NSW	500
Waddi wind	Wind	WA	105
Waddi solar	Solar	WA	40
Nebo	Solar	QLD	50
Dysart	Solar	QLD	50
Mahinerangi	Wind	NZ	160
Kaiwera Downs	Wind	NZ	240
Waverley	Wind	NZ	130
<b>Total</b>			<b>2,200+</b>

## Growth opportunities



## Salt Creek Wind Farm - Overview

### *Minimal development risk*

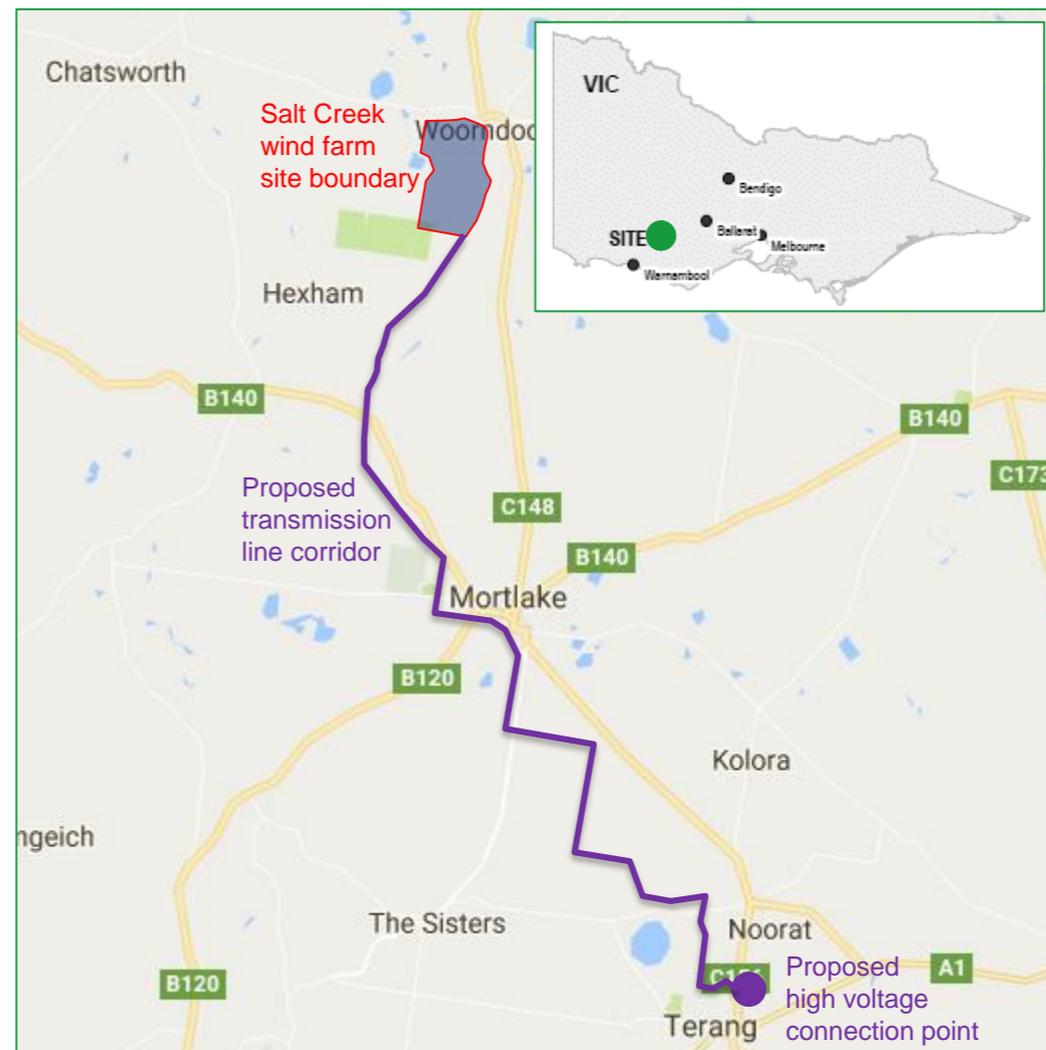
- Fully consented
- Supportive landowners, community and local council
- 49km overhead connection into existing Terang substation
- Current approvals: construction completed before Sep 2019
- Development approval: 15 turbines, blade tip height 150m

### *Robust wind resource*

- Indicative capacity from 15 x ~3.5MW turbines: ~53MW
- Indicative annual energy production (yield): 170+ GWh/yr
- Relatively simple site + 12 years of wind data

### *Small project allows for balance sheet funding, offtake flexibility*

- FID subject to minimal lender consents and due diligence
- Business case based on fully merchant plant
- Potential to participate in proposed VRET scheme or contract PPA at a later date



Source: Tilt Renewables, Google Maps

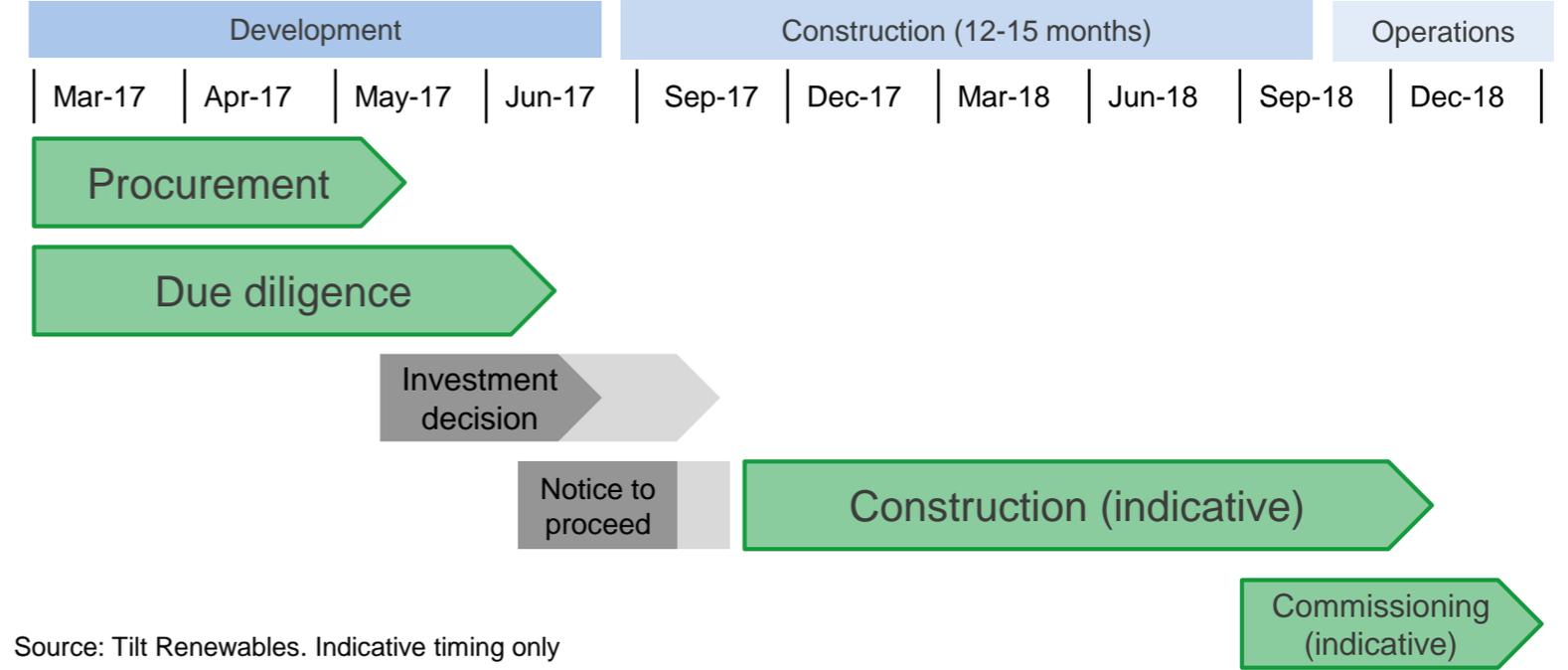


## Salt Creek Wind Farm - Delivery

### Key Activities – to achieve FID

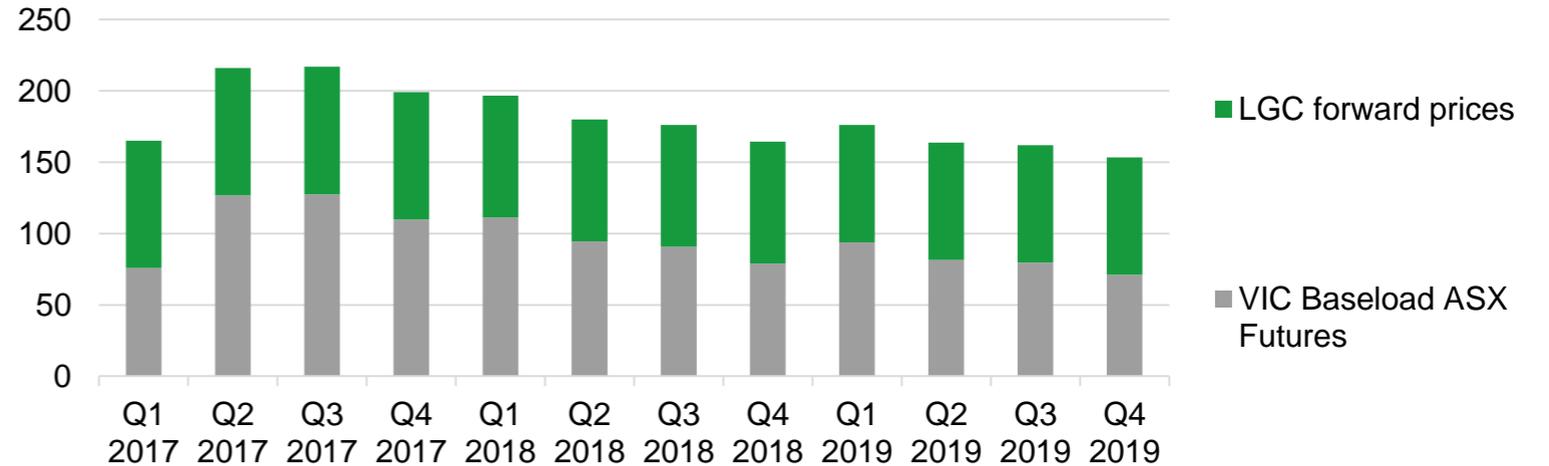
- Close out procurement process:
  - EPC and long-term O&M contract with preferred wind turbine supplier
  - Connection Services Agreement – construction of connection assets and ongoing connection services (AusNet Services)
- Secondary consents and approvals
- Network connection – agreements with AEMO and finalisation of technical performance standards
- Working with debt financiers to optimise project funding utilising existing committed facilities plus internally generated cash
- Output is currently modelled on merchant basis, modelling a number of market scenarios to ensure risk adjusted returns compensate for price variability

### Indicative timeline



Source: Tilt Renewables. Indicative timing only

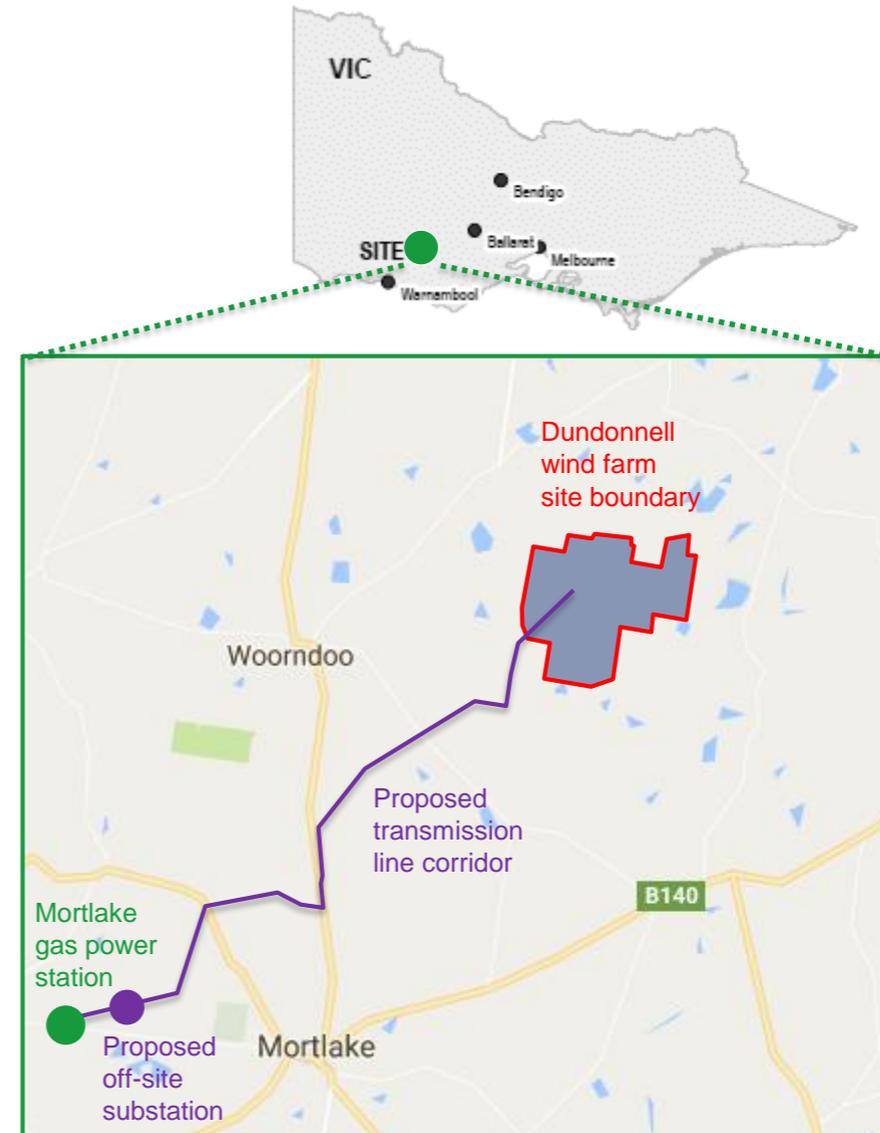
### Medium-term Energy and LGC market prices (A\$/MWh)



Source: ASX Futures prices, Mercari LGC forward prices

## Dundonnell Wind Farm

- Dundonnell Wind Project (~300MW, VIC)
- Fully consented with minor approvals required for connection
- Supportive landowners, community and local council
- Proposed connection via Mortlake PS with new off-site substation
- Current approvals: Construction commencement before Jun 2021
- Development approval: 96 turbines, blade tip height 165m
- Progress development to investment ready status throughout CY2017
- Potential to participate in proposed VRET scheme or contract PPA at a later date
- Potential for synergies with construction of Salt Creek



Source: Tilt Renewables, Google Maps

## Future growth opportunities

### Other wind development projects

- Consenting of the Waverley wind farm in NZ
- NSW development consents
- Reviewing development pipeline to position for growth and to ensure focus on most competitive options

### Solar development options

- Two solar development sites acquired in northern Queensland with indicative capacity of ~100MW
- Greenfield development options being explored, focus on NSW and QLD
- Waddi solar and wind options post WA market reform
- Co-location of solar with wind at Snowtown

### Operational asset acquisitions

- Management observe a number of ageing wind assets held by financial investors who may not be best placed to optimise performance / continue ownership once PPA, operations & maintenance agreements roll off

### Other energy technology and commercial advances

- Tilt Renewables team maintains a watching brief on energy technology advances including, but not limited to:
- Advances in wind energy technology
- Storage technologies – battery and pumped hydro
- Integration of battery storage with renewables to optimise grid and manage market risks
- Innovative commercial and financing structures



## Potential Capital Raising Pathways to fund growth

### Pathway #1 - Value add through unique delivery model

- Target “double digit” equity returns from new assets
- Target a material share of the required renewables build to meet the RET through:
  - Quality wind and solar development assets with connection options
  - Credibility and track record through development and construction
  - Leverage established relationships
  - Innovative delivery, financing and commercial structures
  - Leveraging a large portfolio with a mix of asset age, long term PPA and geography provides flexibility for offtake contracting options, including the ability to take on a prudent level of merchant revenue exposure
- Solutions to manage intermittency of wind and solar generation profile and support greater renewable penetration

**Whole of life ownership and 100% access to free cash flows**

### Pathway #2 – Partner with low cost capital providers

- Special Purpose Vehicle with own or institutional fund model
- Project specific capital structure and capital providers
- Need alignment of investment objectives and the right partners
- More complicated and time consuming but Tilt Renewables may need optionality to compete with low cost of capital in state renewable energy auctions

**Control of development through construction and ongoing O&M oversight**

**Development margin for risk taking**

**Reduced capital outlay and access to free cash flows**

## **What can investors expect over next 12 months**

### **Industry**

- Finkel Review on Security of Supply – formal report due Q2 CY2017
- Federal (Aust) Government review of energy and climate policy – report due second half CY2017
- Victorian Renewable Energy Target legislation and first tranche auction in second half of CY2017

### **Tilt Renewables**

- Salt Creek financial investment decision (FID) by mid CY17
- Further progress on development project consents
- More clarity on next investment opportunities and preferred capital raising approach
- Disciplined approach to investment while market and long term policy uncertainty remain in play



**Tilt Renewables**

**Thank you**

## APPENDIX 1 - Renewable energy targets across Australia

- State Labour/Green policies are targeting further decarbonisation (beyond LRET) through renewable energy targets

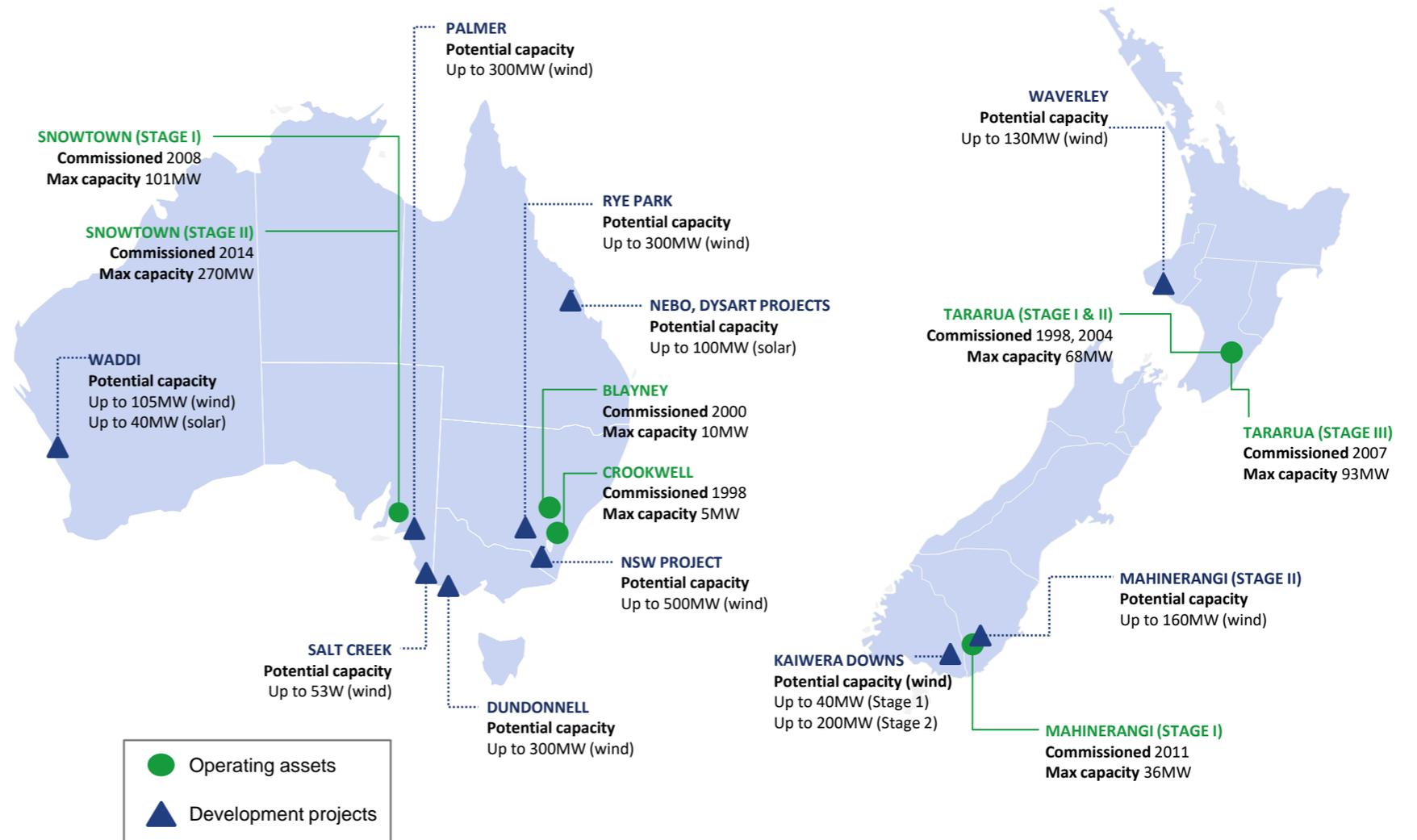
State	Energy (GWh) target proposed	New capacity excess of LRET	State energy fundamentals	Tilt renewables development options
<b>Queensland (QRET)</b>	Early design phase 50% by 2030	1.2GW by 2025 1.5GW by 2030	Short-term demand growth (LNG). Govt retailer support for new solar.	Nebo / Dysart solar Greenfield solar opportunities
<b>NSW</b>	Nil	LRET only	Capacity to absorb more renewables. Flat load growth.	Rye Park / NSW wind
<b>Victoria (VRET)</b>	Finalising scheme 25% by 2020 40% by 2025	1.5GW by 2020 ~ 5GW by 2025	Old, CO <sub>2</sub> -intensive brown coal fleet. Marginal load growth.	Salt Creek wind (merchant) Dundonnell wind positioned for VRET or combination of merchant / contract
<b>South Australia</b>	Aspirational 50% renewables by 2025 New policies to address energy security & pricing	Largely achieved  Potential	Falling load. High wind penetration & system volatility. Tighter technical standards for new wind generation proposed by AEMO. Govt intervention to promote gas peaking / storage capacity.	Snowtown solar Palmer wind
<b>Tasmania</b>	Nil	LRET only	Small market.	-
<b>Western Australia</b>	Nil	LRET only	Reform needed, new Labour state Govt potentially a catalyst for change.	Waddi wind and solar
<b>ACT</b>	100% by 2020	Met via FiT auction	Small market.	-



# APPENDIX 2 - Overview of Tilt Renewables – 582MW operational and 2200MW+ development

## Investment highlights

- ✓ Tilt Renewables is a significant and established owner, operator and developer of wind farm assets, with an operating portfolio of 582MW of assets located in high wind resource regions
- ✓ Tilt Renewables' existing wind farms represents approximately 11% of market share by installed wind capacity in Australasia
- ✓ Tilt Renewables has a high level of contracted revenue, with counterparties including Origin Energy and Trustpower providing stable and predictable cashflows
- ✓ Tilt Renewables has a development pipeline of more than 2,200MW of wind and solar projects across Australia and NZ
- ✓ Tilt Renewables management team and Board has extensive renewables energy development and operational expertise
- ✓ Existing shareholder base supportive of Tilt Renewables' strategy and development plans
- ✓ Australia is an attractive long-term investment market for renewable energy, with the 33,000GWh RET to be achieved by 2020 requiring a further 3,000MW of new renewable generation capacity to be built within the next four years
- ✓ Long-term expansion of Australia and New Zealand renewable energy generation capacity is supported by global trends toward decarbonisation, replacement of existing thermal generation capacity and continue technology / cost advances





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