Infratil

Future Directions

Investor Day
11 April 2018

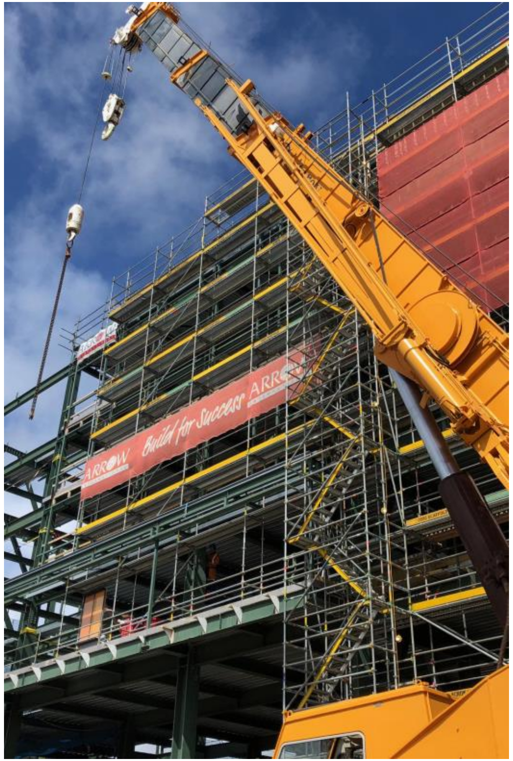
Infratil plan is clear

Harvest development options while optimising the portfolio

- Extract the value from our platforms
  - Renewables, eldercare and data
- Optimise the core
  - Ongoing performance management and capital management
  - Core cash generating assets continue to perform an important role in the portfolio
- Tighten up portfolio construction
  - Declutter the portfolio and address complexity
  - Confirm the role of all assets in the portfolio

NAV poised for strong growth given recent platform development

Emphasis is shifting back to capital growth



- Proprietary platforms are a critical indicator of future success
  - Key to generating long-term compound returns
- New renewables, eldercare, and data infrastructure platforms firmly established and delivering
  - Long-term pipeline of proprietary opportunities
  - Projected capital deployment will force careful consideration of sequencing and assessment of absolute and relative returns
- NAV poised for strong growth with accretive returns
  - Existing core platforms likely to generate in excess of $1bn of capital deployment opportunity over the next three years
  - Resulting in development gains and significant growth in capital deployed

Most options are largely independent of macro considerations

Growth infrastructure differentiated from rate-exposed low risk infrastructure

- Macro environment not getting any easier
  - Risk of global market dislocation over the medium term remains real
  - Competition for mid-risk growth infra assets likely to increase
  - Proprietary options and home advantage should become more valuable during the next phase

- Nevertheless, we have high-conviction across multiple sectors
  - Key investment assumptions based on powerful economic, demographic or technological trends
  - Future focus areas continue to be developed - decarbonisation, telco networks, waste, water & healthcare)

Flexible investment mandate is a competitive advantage

Infratil mandate has evolved over time – Longroad the best current example

- Flexible mandate enables Infratil to maximise returns over the long-term
  - Portfolio can accommodate development, growth infrastructure and operational assets
  - Patience to hold assets through full growth cycle and maximise IRR’s
  - Yield and capital growth equation can be optimised to generate high absolute returns

- Not just about physical assets with contracted cashflows..
  - “Essential services” focus enables broader range of opportunities to be addressed
  - Typical base-case profile of an investment - downside protected and a stacked set of upside opportunities

Mandate flexibility matched by multiple levers on capital

Preserving capital for proprietary pipeline and compound growth

- Current capital settings:
  - Approximately $500m of cash and available facilities prior to any potential divestments
  - Reliable Free Cash Flow from core assets
  - Aligned JV partners with access to capital
  - Long average duration for retail bonds and access to senior bank debt
  - Discretion/control over timing of major project investment
  - Major development options with low carry cost and lengthy exercise periods
  - Ability to raise debt at project level
  - Sensible DPS and distribution strategy with active buy-back programme

Portfolio construction questions and parameters

Maintaining pragmatic approach while tightening portfolio construction

- Why growth infrastructure?
  - Less competed
  - Requires operating capability and active management
  - Stronger absolute and risk-adjusted returns
- Return target
  - Excess returns across the risk spectrum
- Mandate scope
  - Essential services and “ideas that matter” rather than a tight definition of infrastructure
  - Attractive risk/return characteristics
  - Multiple geographies
- Role of cash generating core and yield during periods of transition
  - Retail shareholder base have always been important to debt and equity programmes

Primary and Secondary Portfolio Parameters:

Primary portfolio parameters:

- Return targets
- Credit metrics
- Liquidity
- Mandate definitions

Secondary portfolio parameters:

- Number of sectors
- Number of geographies
- Control versus minority positions
- Proportion of listed positions
- Proportion of pipeline to current operating cash flows

Cost of complexity is real

Other portfolio considerations impact overall valuation

- Portfolio is in equilibrium in terms of return, credit and liquidity metrics, however:
  - Newer platforms with limited information or near-term visibility
  - Increasing proportion of assets ex-NZ
  - Disparate portfolio with several less material components
- Valuation is difficult at this point in the cycle
  - Reinvesting free cash flow in all key platforms
  - Holding multiple long-term options
  - High proportion of pipeline value to total value
- Capital growth challenges funding and communication
  - Large variance between high and low-case capital deployment scenarios
  - Limited financial milestones and valuation metrics

TSR Outcomes:

- Over the last seven years IFT has returned 13.3% p.a.
- 19.9% p.a. for the first 4 years and 5.2% p.a. over the next 3 years
- Share price responded as Infratil was realising gains (Z Energy and Lumo)
- The share price has not recognized the potential of the recent investments or option value of multiple extensive pipeline

Achieving a new equilibrium with less noise

NAV growth, decluttering and conversion to cash

- Drive towards achieving independent scale within renewables, eldercare, and data platforms:
  - Valuation discounts likely to narrow as key platforms achieve independent scale
- Good performance in smaller student accommodation and PPP platforms, although discount for adding additional sectors is real:
  - Relatively small equity cheque sizes
  - Limited opportunities to deploy significant near-term capital
  - Opportunity to tighten the sector breadth of the overall portfolio
- Opportunity to flow through development gains as special dividends
  - Considering utilising periodic development gains to supplement shareholder distributions

Being more precise on portfolio construction

High return development platforms supported by a cash-generating core

Although the focus is on growth, it is important to retain a proportion of core infra in the portfolio to facilitate the model

CORE CASH GENERATIVE ASSETS

Trustpower · Wellington Airport · NZ Bus · Australian National University

Renewables Platform

Longroad Energy · Tilt Renewables

Eldercare Platform

Retire Australia

Data Infrastructure Platform

CDC

Emerging Platforms

- Student accommodation / social infrastructure
- Telecoms and access/transport
- Healthcare
- Decarbonisation
- Water
- Agriculture

All platforms manufacture lower-risk core assets (and free cash flow if we choose to restrict future investment)

Development platforms are effectively a combination of lower-risk free cash flows (DMF, PPA's, long term contracts), and growth investment

Platform requirements

How do you qualify as an IFT platform?

- Has to be an “Idea that Matters”
- Exposure to a clear growth driver with clear macro/industry tailwinds
- Embedded reinvestment options
- Realistic path to eventual scale (~$500m equity value)
  - Not all investments will end up in scaled platforms
  - Will look to exit positions once scale appears difficult or unrealistic
  - Will constantly look for the next future platform of scale

Examples of **Ideas that Matter**:

- Lowering the cost of energy
- Decarbonisation
- Allowing people to retire with dignity
- Managing growing health-care costs
- Improving capacity of key transport gateways
- Repowering future public transport fleets with EV’s
- Improving access and connectivity to high-speed broadband
- Protecting data with secure and private networks

Core requirements

How do you qualify as part of the IFT Core?

- Acknowledge the difficulty in accessing high-quality infrastructure with low-risk, attractive yield characteristics at reasonable valuations

- Any investments (existing or new) performing the role of ‘cash generating core’ will need to demonstrate:
  - stability of cash flow
  - yield
  - potential to scale
  - clear macro / industry tailwinds (preference for GDP+ profile and built-in reinvestment options with strong execution)
  - while still being an “Idea that Matters”

Group capital expenditure and investment

Continuing to capture value in existing assets and platforms

Capex Guidance	2018 Outlook $m	2019 Outlook $m
Trustpower	25-30	40-45
Tilt Renewables	100-105	25-30
Wellington Airport	80-85	90-95
NZ Bus	20-25	65-70
CDC	30-35	50-55
RetireAustralia	35-40	65-70
Longroad	25-30	55-60
Other	10-20	25-30
Total	**325-370**	**415-455**

- The 2019 Outlook includes:
  - **Trustpower** reflects generation capex in addition to its operational and maintenance programme
  - **Tilt** capex includes completion of construction of the Salt Creek wind farm but excludes the development of 360MW Dundonnell Wind Farm
  - **Wellington Airport** spend includes the land-transport hub, the onsite hotel and the internal optimisation of the main terminal building
  - **NZ Bus** capex includes the purchase of ~70 double decker buses and other fleet costs
  - **CDC** reflects growth capex (construction of new data centres), expansion capex (PODs, chillers and generators) and maintenance capex
  - **RetireAustralia** primarily relates to construction of new units
  - **Longroad** capex represents Infratil's capital contribution to a single development project

Infratil FY18 and FY19 guidance

Core assets and new platforms combine to enable sustained earnings growth

- Set to deliver a FY18 result at the top end of guidance range. This excludes upside from associates' investment valuations that are yet to be finalised
- Guidance for FY19 reflects:
  - The sale of Trustpower's Australian assets (FY18 forecast contribution $27m-$29m)
  - Completion of the 54MW Salt Creek wind farm (estimated FY19 contribution A$15m-A$20m with full production expected from July 2018)
  - Trustpower reversion to long run average hydrology and prices (FY18: was $20m-$25m above average)
  - Stabilised retail performance for Perth Energy
  - Strong projected growth from CDC
  - Forecast gain from Longroad development
- Capital structure and confidence in outlook are positive for continued growth in dividends per share, with potential for special dividend as development gains are realised

Guidance	2018 Outlook $m	2019 Outlook $m
Underlying EBITDAF	510-525	500-540
Operating Cashflow	250-280	210-250
Net Interest	155-165	155-165
Depreciation & Amortisation	190-200	200-210

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 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 interest, tax, depreciation, amortisation, financial derivative movements, revaluations, gains or losses on the sales of investments, and includes Infratil's share of RetireAustralia's underlying profits. Underlying profit for RetireAustralia removes the impact of unrealised fair value movements on investment properties, impairment of property, plant and equipment, excludes one-off gains and deferred taxation, and includes realised resale gains and realised development margins. EBITDAF includes Infratil's share of the net surplus of businesses which are not consolidated, which includes Canberra Data Centres, RetireAustralia and Longroad Energy.

Committed to investing in ideas that matter

Willingness to invest early and redefine industries and customer experience

- Investing in growth infrastructure requires operational capability, access to capital, jurisdictional diversification, and flexible mandates

- Why focus on ideas that matter?
  - Early exposure to long term trends implies a strong capital requirement and potential for higher returns
  - Growth infra is differentiated from ”bond-proxy” utility cash flows that are exposed to rising interest rates
  - Ability to influence development of industry structure and future business models
  - Asset management capability critical to delivering outcomes and is a barrier to entry versus more passive capital
  - Addressing social imperatives supports long-term “license to operate” and changes relationship with regulators and politicians
  - Much more powerful purpose for our employees and stakeholders