

12 August 2020

Infratil Ltd (IFT)

The company will hold its Annual Shareholders Meeting **2.30pm Thursday 20 August 2020**.

The location is **Rangimarie Room 1 and 2, Level 3, Te Huinga Centre, Te Papa, 55 Cable Street, Wellington**.

You can also join the meeting online at <https://www.virtualmeeting.co.nz/ift20>

Infratil is an infrastructure investment company with holdings in energy, airports, telecommunications, data centres and retirement villages in New Zealand, Australia, North America, and Europe. The company is managed by H.R.L Morrison & Co. This is an unusual situation for a New Zealand company not involved in the property sector, but Morrisons have considerable expertise in the areas IFT invests in. Also unusual is that most of IFT's funding is via longer term bond issues which are themselves listed on the NZDX.

During the year it acquired 49.9% of Vodafone New Zealand for \$1.03 billion and invested an additional \$961 million in other areas. Tilt Renewables, owned 66%, sold its Snowtown 2 windfarm in Australia netting \$512 million for Tilt.

The company's 66% holding in Wellington Airport has been impacted by Covid-19 with passenger numbers falling from 500,000 in February 2020 to 5000 in April 2020 although resumed domestic travel has seen these numbers recovering. It also has a 50% holding in RetireAustralia and notes in the Annual Report the Covid impact on retirement villages and the somewhat uncertain future at this point for this sector.

In June 2020, the company made a \$250 million placement and raised \$50 million by way of a Share Purchase Plan for future investments and to pay down debt.

Operating Revenue at \$1.36 billion was down 5.1% impacted by the sale of Snowtown 2. EBITDAF was flat at \$497.2 million. We note that EBITDAF on energy investments were down - Trustpower 16%, Tilt 14% and Longroad 89%. Wellington Airport and RetireAustralia were both flat, CDC Data Centres were up 58% and Vodafone contributed \$154.9 million for the period owned.

NPAT was \$484.2 million up from \$52.4 million however this included the sale of Snowtown 2. Dividend was 17.25 cents per share and the shares are trading at \$4.81 having traded through a range of \$3.16/\$5.55 over the past year.

We note the comments in the Annual Report around the management fees paid to Morrison & Co. Over the past few years these have been substantial with the FY20 fee \$125 million. It is pointed out that the fees are paid over three years and if the value of the portfolio at either of the subsequent two balance dates is lower than the current valuation, that year's payment is cancelled.

We also note that NZSA voted undirected proxies in favour of a substantial Director Fee Pool increase in 2019. This increase was to be applied across FY20, FY21 and FY22. Given the FY20 results we will be expecting an uplift in performance for the FY21 and FY22 to justify the Fee Pool increase.

Board Composition

The Board comprises an Independent Chair, 5 Independent Directors and the Managing Director who is also the Managing Director of Morrison & Co. We believe the Board has the appropriate skill sets for the business.

Resolutions

1. To re-elect Marko Bogoevski as a Non-Independent Director.

Marko Bogoevski was appointed to the Board in 2009. He is Chief Executive of Infratil and its Manager, Morrison & Co. He is also Chair of Vodafone New Zealand and a director of Morrison & Co.

We will vote undirected proxies **IN FAVOUR** of this resolution.

2. To re-elect Peter Springford as an Independent Director.

Peter Springford was appointed to the Board in 2016. He is a director of Zespri and was previously President of International Paper (Asia) Limited and Chief Executive Officer and Managing Director of Carter Holt Harvey Limited.

We will vote undirected proxies **IN FAVOUR** of this resolution.

3. Payment of the Incentive Fee to Morrison & Co by Share Issue.

This resolution seeks shareholder approval to pay Morrison & Co the second instalment of the FY20 incentive in whole or in part by the issue of new issues rather than in cash. If the terms of the agreement are satisfied the amount to be paid in FY21 is \$41.7 million. The Board notes it is yet to decide how it will make the payment. We expect that, as part of the process, the board will take account of the share price relative to their assessment of intrinsic value, at the time of the potential payment. For example, if there was to be a significant downturn in market sentiment which reflected in the share price, it may be better to make the payment in cash. The details are set out in the Notice of Meeting.

We have read the details and believe it is in the shareholders' interests to give the Board the flexibility of paying the incentive either in cash or in shares.

We will vote undirected proxies **IN FAVOUR** of this resolution.

4. That the Board is authorised to fix the auditor's remuneration for the coming year.

This is an administrative resolution.

We will vote undirected proxies **IN FAVOUR** of this resolution

Proxies

You can vote online or appoint a proxy at <https://vote.linkmarketservices.com/IFT/>

Instructions are on the Proxy/voting paper sent to you.

Voting and proxy appointments close **2.30pm Tuesday 18 August 2020.**

Please note you can appoint the Association as your proxy. We will have a representative attending the meeting.

STANDING PROXIES - AUTOMATICALLY APPOINT NZSA AS YOUR PROXY

MAKE YOUR VOTE COUNT!

Details on the NZSA website.

<http://www.nzshareholders.co.nz/shareholders-standing-proxies.cfm>

The Team at NZSA