Infratil Ltd Corporate Analyst Meeting - Final

41,461 words
11 April 2018
CQ FD Disclosure
FNDW
English

Presentation

MARKO BOGOIEVSKI, C.E.O - H.R.L. MORRISON & CO AND DIRECTOR, INFRATIL LIMITED: Good morning. Hopefully, those who were at dinner last night aren't feeling too bruised or a bit more enlightened about the direction of our new coalition government. I thought that was interesting conversation.

And ironically, I think just talking absolute, I think most people appreciated the fact you have someone who at least prepared to be that, that will [pin tick] and political at the same time. And at dinner, I mean, he went out of his way I think to say what he's being saying to a lot of people, which is, tell me how you can help me look good. Which is effectively, I'll take that, right. Because I think we can actually help, we can help countries like New Zealand with quite big problems, particularly in the areas that we've got some specialty. We can help good outcomes unfold, that's one of our themes of the day. And whether we like it or not, in terms of capital, capital tends to be aggregated in a few -- only a few pools in New Zealand, obviously, the Super Fund and the ACCs of the world. And I put Infratil in that category. To put that sort of short, if you like, is the operating capability that goes with the capital. So any of these big problems that we're looking to face aren't just about spreadsheets and capital, right. They're also about long-term commitment to a program of work. And quite often, quite new innovative models and ideas, if you're actually trying to solve hard problems. So -- and we certainly have -- don't have a monopoly on those ideas, but we've got views, and hopefully, we can share them with you today.

And so as I said, we've kept the presentation short. We've got sort of a slightly longer session at very end that Paul Newfield's going to lead, our Morrison & Co Chief Investment Officer. And there's a lot of time at the end as well. I think we're happy to take Q&A along the way. There's also a good opportunity just to recap and just see whether the message is being communicated or whether, obviously, you've got feedback there, and we need to understand as the day goes on.

Okay. With that said, let's get in to it.

So, a quick half hour through how we're thinking about not just the current environment we're in, but the duration we're headed. We spent -- if you look through, and I actually did this, it's sort of quite painful, right, to look at the last few years of presentations. We've been -- effectively tied to portray a story that says a big portfolio reset, following quite significant divestments that occurred about 4, 5 years ago. And the challenge of how do you sort of reposition yourself for the next 15 years. And we talk about platforms, what we really mean is areas of specialty and management capability, where we're trying to build independent scale. And we've got 3 areas we're particularly focused on that are new. We talk about renewables, which is actually Australia, New Zealand and the United States now.

We've got elder care, which is a broader sort of retirement services, set of ideas which is now currently focused on RetireAustralia. And we've got data and better infrastructure effectively, which currently is Greg Boorer in Canberra Data Centres, but in the future, hopefully, a more expansive view on the total subset of networks and technologies you need to deliver future data growth. So that's what we mean by platforms. It's hard to communicate the importance of that without making the current core, parts of our business feel sort of less important, that's not the intention, right. It's actually more critical than ever that performance management occurs on things like Trustpower, Wellington Airport. They're actually still delivering quite effective options, it's certainly not ex-growth. And that's what we're trying to communicate on this slide, right. It's -- you can distill it down to sort of 2 or 3 areas. But we do definitely need to deliver those tangible, accretive, capital projects out of these new platforms. We do need to keep managing the core, so that funding not just the development businesses, but also performing on their own right.

And that last point, we're going to explore in my presentation and Paul's a little bit, which is you can tighten up our portfolio in a way that might actually contribute to funding, but also contribute to the clarity of what we're trying to actually really pursue.

Now my sense is that we're right at that point where, actually, some of these platforms are delivering. They are clearly not coming through strongly yet in valuation metrics across-the-board. And you can sort of sense, just by talking to, particularly, institutional investors that are starting to lose a little bit of patience, right. So hopefully days -- one of the objectives of days like this is to settle the news a little and try to express some confidence, which hopefully I can do, but also mainly the Chief Executives can do when they're talking about their next set of business opportunities.

So that's the plan. Come and check it at the end of the day and see if we're -- if it sounds like we're sticking to it when you hear the portfolio companies. We're -- I don't think we've ever felt more confident about deploying capital at -- with strong accretion. I mean, I think it's one matter just to get dollars flying out of the door, we know that. But we're talking about putting capital in the 3 platforms that we control and with management teams we trust. I don't think in our business, which is focused on that growth infrastructure, core-plus space is really what sort of institutional investors think of. There's nothing more of a critical success index, if you like. The thing you look for, I think, in a business like ours is whether you have access to proprietary ideas. And that's what we've spent the last 5 years at least or more trying to develop. And you just can't emphasize enough how important it is to have that decision rest with the Infratil board effectively, the sequencing of capital deployment, the continued support and investment inside these platforms, and the ability, I guess, to manage what's quite a high-quality problem, right, manage competing investment ideas and other capital management levers, which we're all so serious about.

The thing that's starting to become obvious, at least, to Infratil is that the cumulative position around near-term deployment options is starting to in aggregate be more than our capacity to fund. So again, I think we like that idea about pressure coming onto our business to really carefully consider and sequence this next set of investment opportunities. And this is all along while trying to maintain the momentum in the rest of our business.

And probably one of the hardest things there, I guess, is to think about how can you create compound growth opportunities in our business versus closing out what effectively looks like a NAV discount, N-A-V discount, that's turning up in our valuation. Again, we'll talk about that in a minute.

So about a $1 billion, I think, of capital that you can sort of safely estimate over the planning horizon, in our case, which is a 3-year period. And that's if in aggregate, again, on those 3 platform areas. That on its own, I think, is not a scary number if you look at our free cash flow and access to capital. It's more the fact that Trustpower still got ideas, Wellington Airport still got ideas. You can see actually our capital program has actually still maintained quite a lot of momentum, still in the hundreds of millions of dollars a year, part of which -- only a small part of which is stay-in-business CapEx, the rest is all growth-discretionary CapEx.

So again, I think that's a pretty positive story. And if you said there was a time where we clearly -- in fact, till 1994, was always about capital growth and total returns. I don't think that's changed. Clearly, what does change is sort of the macro environment, your access to capitalists. The competing entities, that looking at the same set of assets. The sort of metrics you can hold on your balance sheet the bankers will let you get away with. Even sort of trends in the investment community, those are the things that shift. Our actual investment approach hasn't. And I would say, on balance, the emphasis is now shifting quite strongly back to capital growth. It's just that we've got quite strong momentum in our DPS and dividend profile, that's going to keep growing for a while.

So I think options, one of my favorite things, they're quite had to value. I think they're only actually essentially valuable if they're not particularly time-bound and that can't easily be impacted by external variables, right. So I'd like to think that a lot of the options we have, not all of them, but a lot of them actually are quite now operating independently of some of those big macro issues that we all think about and worry about.

Someone -- Shane Jones told me last night that you can't sort of model a Donald Trump. He was asking me about the U.S. renewables business, I am sure, it'll come up. Paul, wherever you're sitting, I'm sure it'll come up in your presentation.

The reality is, our outlook in that business is now set quite independent of what's coming out of Washington, D.C. And that's because there's enough other players, whether they'd be state-based ideas or whether they'd be corporates that are looking to develop their own renewable exposures, or whether it's just the straight, outright economics of this new generation in certain areas. They've got nothing to do with Washington, D.C. or the EPA or the wind down of the ITC or PTC regimes or -- it's got nothing to do with that virtually.

There are issues that we need to consider that affect the way how confident we are, where we're trying to position ourselves across-the-board with a broad set of options that are, generally speaking, open and not particularly exposed to the macro environment.

Certainly, the fundamental one, interest rate exposure, I think we dealt to quite a long time ago. So in that growth part of our business, Infratil, Morrison & Co has been focused in sort of non-interest rate exposed assets for a long time, which is why you don't see those sort of heavily regulated businesses sitting in our portfolio.

I think we're still -- and Paul is going to a better job of this, still worried about the potential for market dislocation, even though, at the moment, looks like synchronized growth. It's interesting and operating in that growth infrastructure space. I was telling the guys, I went to the world's most boring conference in Berlin a couple of weeks ago, which is just sort of global infrastructure conference. It's incredible how narrow the sets of views are when you go to those sort of conferences. It's sort of a 1,300-, 1400-person conference, the biggest investors and managers in the world. And they're all now starting to realize that actually the core part of the market that are the core sort of regulated lower-risk assets, the supply of those sort of privatization programs are actually starting to be saturated in some core markets. And both traditional players who are focused on that space, private equity players, who have strong LP relationships, and say how about looking down the risk spectrum into sort of that midmarket growth infrastructure space. They're starting to converge. So I'll be the first to concede that competition in the sorts of areas we think we're particularly good at is starting to heat up more than what you sort of even -- we all understood about the competition for core infrastructure assets.

It's one sort of defendable part of the market, which at the moment, I don't know how long that's going to take. But we know it's extremely difficult to replicate the sort of set of skills we have across our portfolio companies, and indeed, Morrison & Co. And which is why I think if you've got the proprietary options, the value of those must be going up if you're walking into that sort of environment.

I think there's other stuff as well, which you would've -- might have got a sense of last night listening to our guest speaker. That sort of home advantage which we lost, I think, for maybe 10 years is maybe starting to unbalance, and to come back into focus again, certainly in a market like New Zealand. I generally think there are a few -- only a few players that can actually help out, whether it's greenfield top ideas or whether it's picking up existing brownfield assets. So it's sort of interesting, isn't it, that just at the time in the market, it's starting to become probably increasingly concerned about dislocation that we held with considerable proprietary options. We've got the capability we think is necessary. And we've got very strong views, hundreds of millions of dollars a year of worth of views pilling into these platforms.

So I think we're either going to be very right or very wrong, right. And the thing that doesn't quite feel right about the current equity valuation, it's sort of backing off being -- making a decision. And I can understand where some of the discount is coming from. And again, we'll talk about that in a minute.

We keep working on new areas. So even though you think you're probably tired of hearing about elder care and renewables and data. So we had a steady program sitting across some of those other areas in that bottom bullet point. So it's a decarbonization and what -- had do you actually taken carbon out of the equation rather than just reduce the level of carbon that's being generated.

Healthcare came out really over an understanding of where the retirement sector is going. That broader telco space, I think, is interesting. Water, food, agriculture, I think, particularly if you're sitting in Australia and New Zealand, sound like you should be focused on them, at least, understand them better than we do currently, if you pretend to be a big player in a market like this.

So that work is actually happening. Hopefully, Paul can give you a bit of a flavor of that.

Now it's -- we've made a series of choices, I guess, since -- not me particularly, we being the sort of the loyal Infratil over the course of time, Kevin O'Connor, David Newman, Mark Tume, over a long period of time, they've made choices since the original offering back in '94. And I think the mandate has actually evolved overtime in an appropriate way and hopefully, well-communicated way.

Clearly, a lot of that reflects what I said earlier that's some of those macro environment changes that happen. It's very, very clear today, in these sort of circumstances where we're not scurrying to base, boost sort of skills-based competition, where every manager and his dog and the supply of capital is pointed in that well-understood, heavily regulated low-risk space. And we know that edge is really about defining next generation's infrastructure, not the last generation's infrastructure, that the mandate has to be flexible enough to accommodate that.

And that's what we've tried pretty hard to do. So whether it's -- I should have actually included a chart which sort of showed the sort of significant investment time line since '94 to today. And it's quite interesting to see it sort of did start off quite focused on the New Zealand base, essentially privatization opportunities. It sort of migrated into not 6-year territory, but understanding that as other investors, managers understood the value of those types of assets that you sometimes needed to build your own positions. And that, I guess, a Lumo was seated in that sort of environment where the guys couldn't find a sort of an existing position to start with, so effectively, built their own, ended up -- that one ended up being particularly successful.

We have had that sort of work out the PE-style model, which is -- and I think an unfair characteristic like a Shell when it was acquired was -- our intention was to hold that as a core asset for a long time and build a fundamental sort of strategic position in a critical part of in New Zealand's infrastructure.

Things turned out slightly differently, and obviously, it's not in the portfolio today. But it was acquired with that intention. And today we've got a heavy development emphasis inside most of their platforms.

So, you know, there is almost the earliest-stage set of risks. The reason why we're getting comfortable about them is that because an individual component can be risky. When you bring them together and manage them with appropriate techniques, I think you can generate quite effective lower-risk infrastructure.

So it sort of comes in as PE, comes out as core, as a sort of a very long-term sort of cycle that good managers like us should be thinking about.

The thing that struck me about Berlin is that a lot of folks were still talking about physical assets with contracted cash flows. So have to think about that for a sec.

I mean, we have our fair share of physical assets, that's for sure. We're clearly into positions long before we have actually created sort of a completely derisked contracted future. Some of that risks -- we're happy to manage risk in Tilt by having diversity in our generation fleet, in the future, having some storage and firming options, actually managing risk through using some financial products. We're happy using multiple techniques to try to deliver derisked infrastructure. It just doesn't have to be finding another counter-party who is high credit worthy and is prepared to write a long-term deal. If you're waiting for that type of environment, first of all, there's very few situations like that, that create the value and returns that we're looking for. And secondly, you're handing all the power to the counter-party. We would argue. Hopefully, Deion, in about 10 minutes, will argue that if you go pleading to your friends at AGL and Origin for a long-term PPA deal, you'll get exactly what I probably just described. And they'll see you coming. So there's no way they're doing that. When you need capability to actually do something else. If you're a thinly invested, relatively, what do you guys [need to export], two men and a ute or two men and a truck or something, you're not going to get anything done in this sort of professional environment. So I think you need a broader focus and a deeper set of skills. We talk about essential services and ideas that matter. We've been talking about that for over 10 years, I think, now. So -- and the more interesting ideas tend to be in that sort of -- in that gray area. But they invariably end up generating quite strong market positions, very strong management teams, a set of proprietary options and fundamentally, a derisked set of cash flows. So you get that yield compression at the very end as well.

It's pretty interesting. A typical base case profile for our sort of assets, when the difference between us and say, a PE firm, other than that sort of long-term intention to hold is our downside case, would still be underwritten that sort of 10%-type equity-return levels. So quite a negative set of variables, clearly, which can still happen, right, and even the best-executed deals, are still going to deliver that sort of high single-digit, sort of 10%-type return outcomes. And we've got a series of sort of stepped upside scenarios that have created sort of very asymmetrical profile. They're the likely outcomes for that asset.

And it's actually quite hard to do that, I accept that. But I don't think we've got any assets -- we don't look at assets that have that sort of potential for a donor at the end of the period, right. It's all about managing that sort of downside risk and then making sure you give yourself the best options around the upside.

You need this second part of -- there's no point having a flexible mandate and really tight restrictions on your access to capital, right. And this is sort about the friction, if there's any, between our sort relationships, right. Because we obviously want to define our mandate as broadly as we can. I think we've earned the right to operate actually within that sort of broad definition, because we're -- behaviors have suggested. We know what the parameters really are, the practical parameters. But you do need this sort of long list of potential access to capital and levers if you're going to successfully deploy that model. And whether it's just straight access to bank finance or existing cash on hand. We're relying -- we're also relying as much on the other aspects there, reliable free cash flow from some of the larger assets. For example, a lot of our positions are held jointly in consortium structures with shareholders that we have very aligned views with on long-term business plans, who clearly have the capability to put their hands in their pockets. So we're not worried about our 50% partner turning up. I'm not worried about having strategic misalignment about long-term options for businesses. We -- as I said, the other parts -- the bottom part there where we control the timing and sequence, critical. It's actually what got Infratil not just through, but actually well positioned out of '07 and '08, when there was obviously a lot of stress in the market.

And that last one, I think we generate this free cash flow as a result, as a residue, and we'll pay that out when it's available. All that has to be in line, I think, if you're going to run that flexible-mandate model.

I thought it might be useful to just spend a few minutes on clarifying the role of some assets in our portfolio. We do get questions, obviously. And I think like -- we do get out of shape. I mean, I concede that, right. And it's partly because we're in this private market universe where there's a lag between your investment thesis and practical execution in your portfolio. That's a good chunk of it.

I've talked about why we're focused on growth. And I really do seriously believe that, that's a starting point you have to think about if you're going to invest in this business. The return targets, we've talked about 20% for a long time. The reality is, when I talked about underwriting those sort of base-case scenarios, they tend to be mid-teen project-level equity IRRs or higher. And you can get a lot of that extra outcome depending on what the leverage assumptions are at the parent company, but also what the yield compression is on an exit multiple. That's sort of how you get to that higher-potential scenario.

We know that. But in practice, if you think about fundamental risk, you're targeting sort of mid-teen type, 13%- to 15%-type projects. And that sits pretty interestingly between high single-digit core space, which I said is becoming saturated. And what the PE guys really need to live and provide a decent outcome to LPs after taking their big drag on the two and twenty structure. Right. So there is kind of room, we would say, still on that mid-risk core-plus space.

I'll describe, again, I've talked about. On the right-hand side, we're really just trying to be clear about the variables we try to balance. I mean the core variables are, you got to expect the return profile that comes out of your portfolio, it has to keep the bankers happy. And it has to meet our liquidity concerns, because in that severe-stress environment, you do not want to get caught with a liquidity issue. It has been probably the fundamental constraint actually in our model in the past, probably still is today, the amount of reserves we hold around liquidity.

The secondary ones actually go a lot to, I think, valuation, if not just anything else, and a little bit about our ability to execute, right. So clearly, we're not going to have 20 different sectors. But is 2 or 3 the right number? Or can you hold a bit more? Right now, we feel like we are reasonably balanced across those areas. But clearly, the number of sectors, the number of geographies, some listed stocks, some private stocks, some clear-control positions, some consortium positions makes it difficult for investors to think about the valuation side of it. And we know that the cost of complexity becomes real. That's what we mean by the cost of complexity, that sort of secondary variables.

So while our portfolio today is clearly in equilibrium in terms of, I think, return outlook, liquidity and credit metrics. I think we are thinking about some of things on this page in a sort of a decluttering mode. So while we're actually deploying the capital in this platform environment and while we're keeping the core assets performing, we do know there are issues in these areas.

So plainly, newer platforms with limited information, near-term visibility is one of our issues, right. So hopefully, Paul and the Greg Boorers of the world, Alison will help reduce that issue around, at least, near-term visibility. I think the capital that's going in there actually will speak for itself in the outcomes.

We know that a lot of the assets are now outside of New Zealand that actually happened a long time ago. So if you're still in the stock and missed that, I'm not quite sure what happened there. But we -- clearly, there is a limited amount of addressable ideas in a market like New Zealand. And I've said before, we might be entering a phase where New Zealand becomes more important, not less because of the home field advantage and the politics, that are emerging. But at the moment, I think it makes a little bit harder to assess the value of our business. And we clearly have some positions that are either less significant or less material. Either they seem to get ignored or they just add a bit of discount to that sort of complexity idea.

So we get it, we get it, we get the valuation is difficult, we get that as you entering sort of a capital growth phase, it becomes harder to communicate. And I think we're right at that point now where some of the stuff is going to be addressed and it will become easier.

We've got the TSR, they turn up in your total shareholder return outcomes. I can't remember what's -- I think this is roughly the stock price we're at right now. So clearly, the last few years have not been at the levels of performance we would've liked. And I think there are some contributing factors, some on that page and some of them about the time it takes to deliver sort of more tangible valuation metrics out of these newer platforms. And I think that's where we're at today.

So how do you go about sort of taking out some of the noise in our portfolio without losing the focus that I talked about in the first few slides. We do need -- I'm kind of emphasizing on that, we do need to get the outcomes out of these 3-core platforms. And they're going to be slightly different, right. You're going to hear sot Tilt's got s massive program right now sitting in an auction, a pile somewhere in Melbourne presumably with some bureaucrat looking at it. And not really knowing, it and require a binary outcome about whether project gets built, $600 million top of ticket, it's actually building currently a smaller project. And actually I think more importantly, if I'm -- if you listen to Deion, I would listen for what is happening in the rest of that business to create that much more sort of an optimistic view that doesn't actually rely on some of those larger players writing a long-term contract. And deals with some of the intermittency that is now becoming actually a quite a big concern in the Australian market of how do you handle the increasing penetration of renewables in a market that is stuck with a series of thermal based sort of generation rules.

That doesn't -- that slide alone comes through from Paul Gaynor you know that the U.S. isn't really at the moment worried about that letter issue. I think we're just playing in the cracks of the wind down of the old regime, which was tax-based subsidized regime. The fact that we've found a set of guys who all for, are gladly here, who have the capability and actually were involved in the first generation of wind development in the U.S. And actually, [a head can sign] and got credibility to work with counter parties to build actually, again, quite large projects. The gains that will come out of there tend to be more development style gains, we're unlikely to hold operating assets for long periods of time. So they'll become lumpy potential outcomes. I hope their lumpy all. But the way they look a bit different from an integrated business that I think something maybe like talks headed towards. And also, they're already actually getting on with the sort of the development profile, right. I mean we're already putting away new units and they're just -- they got a slightly different configuration with an integrated care offer. The DMF book continues to be valid, that's I think slightly easier to get your head around right, given especially that you've got, experience with the Rymans, and the New Zealand aged-care providers.

That middle area, I mean while we've been happy actually with our positions in PPP student accommodation, some of the smaller areas in our product, it actually is I think quite a decent valuation uplift in there. I mean we will address some as part of what I'm calling the spring cleaning exercise. I think that's something we should look at. The reason why we're doing is not because we're just fed up and we think they create noise, it's because we will -- we have to make an assessment that the ability to have independent scale in those areas is actually relatively limited. So we've going to focus our attention on areas where we can build scale. If we do it right at the end, I think we'll have a portfolio that's clearly got a core piece, a prioritized set of platforms and some development gains that could get distributed by either specials or some sort of supplement to a DPS profile.

You've seen that chart before, Paul Newfield is going to get through that. We're still operating in that environment where there's a balance of core assets supporting a set of development platforms. The only point I wanted to make here is that the development platforms also have a series of core and core-plus cash flows, right. So whether Tilt's got contracts and revenues, actually that's one of its biggest advantages today.

Clearly, we could stop the rate of development growth and reinvestment and RetireAustralia return a stronger dividend profile to the parent. Similarly with Greg's on a tier building data centers, which we're supporting fully. But the reality is the existing centers are actually quite nicely contracted with high-credit worthy federal government counter parties. So you've actually got quite a interesting set of core-type cash flows sitting inside, what we're calling development platforms.

How do you qualify? I mean have a look at those sort of criteria. Clearly, we're targeting a certain level of scale, try to deal with that cost of complexity issue I talked about earlier. The embedded reinvestment options is probably the key, make or break between concerning to hold the platform idea or not. And we've talked about examples in the past on that right-hand box.

I think where we could have done a better job was actually being as clear on the core part of our portfolio. So clearly, our yield or cash flow -- free cash flow profile is actually critical. But we still look for that GDP plus characteristics. I think Wellington airport still fits that model. The best, and we're still in some areas that have fundamentally supportive investment thesis rather one that's sort of heading against some sort of change in view.

Final couple of slides. So we usually use this investor day presentation to flag some early thoughts on next year. You'll see a capital expenditure, I talked to you earlier about sort of hundreds of millions of dollars of CapEx that's still the case for the 2019 outlook. There's a couple of assumptions there, I think just want to highlight there on that page.

Tilt has got -- as I said earlier, that's sort of binary outcome around Dundonnell, that's obviously not included in that $25 million to $30 million 2019 outlook. In Longroad, we're just having to make a sort of suck-in and see part assumption around what sort of projects get away in that market and then what time frame. That's quite a modest assumption, I'd be disappointed if that was the outcome when I was standing up here next year.

I guess on the earnings side, again, you have to do a bit of gymnastics, which goes to that cost of complexity. We've got 2 or 3 sectors that I asked you to consider for this year. This still represents for us quite strong organic growth in the areas that we're most interested in. We've had the pleasure this year, of Trustpower actually over performing through basically execution. But also through some of the hydrology that turned up in its numbers.

The thing that's interesting, Trustpower actually from the start has been set up to take advantages, advantage of years like we've just seen, right. So I don't know how often it is, Vince, but every now and then, you're going to get this type of asymmetric outcome in Trustpower. So I think we predict on downside using our risk management and the diversification in our generation fleet. And we look to make the most that we can in these sorts of market environments, and that's exactly what's turned up. So it's difficult to completely normalize for that type of outcome. But our 2019 outlook assumes a reversion back to average.

Hydrology, you can see the impact there and what that means. They also sold the Green State Power business, which had about $30 million of EBIT, the [output] was quite good outcome. And again an asset, we bought, we thought we're going to hold for a long time ended up being strongly re-rated. And I think we had too good an opportunity to sell that. There's others assumptions there, there's some pluses and minuses. But they contribute to an outlook next year of that $500 to $540 type range. Notwithstanding the fact we sold some EBITDA and made some assumptions about normal hydrology.

So as a wrap up before I hand over to Deion. I think you're up next. I like that sort of tagline, willingness to invest early and redefine industries and customer experience. So without sounding arrogant as a Corporate because I don't think we are that. I think if you're going to be in the space of putting yourselves out there as a partner to work, particularly, with central local governments and other big industry players like a Super Fund. You have to be prepared to do that type of work. So I said, we're operating on the edge occasionally of what you'd call essential services where it meets infrastructure or growth infra. For it to really firm up and derisk your redefinition has to actually play out the way that you'd like. So we're pushing at a retirement, a New Zealand retirement services model into an Aussie market that, were it clearly wasn't the starting point.

We're pushing firming and storage in a broader business definition in the renewables business in Australia. We're -- you're clearly competing against more traditional developers on straight pipeline. In the U.S -- I don't know how you describe what we're doing, I think we're just -- we're being first and best dressed, using really smart operators. And I guess flexibility and capital, which has really proven to be a differentiator in that market. We're not really interested in anything that doesn't sort of qualify [under] our ideas that matters, and the needs based decisions are driving our retirement, home a fundamentally economics about lower energy cost involved with renewables or just that overwhelming fundamental growth coming through the data in Telco markets.

To all of us, those are ideas that matter. I am going to finish there. What I suggest and I'm happy to take a couple of questions then we switch my [board] We're [into swish]. We'll take a few questions while Deion's coming up and we can pick some up at the end as well with whole session.

DEION MARK CAMPBELL, CEO, TILT RENEWABLES LIMITED: While as you've just heard most of my presentation from Marko, I'll start off with -- just to remind you who I am, Deion Campbell. I've been -- have an engineering background, I've been involved in the water Infratil business via either Trustpower or Tilt for about 17 years or roughly 2/3 of my career.

So I'm pretty happy to be here leading to renewables, the assets that we look after now. I spent 2/3 of my career trying to develop so it's good to be up here doing this. I'm here today to tell you a little bit about Tilt renewables, why we or I think anyway that Tilt to renewables is the best little renewables house in town. You heard a bit about our progress to date.

First full year as a stand line business. You'll hear about some of the markets we're choosing to operate in, and also what our future looks like.

Just to remind you about Tilt renewables, we're a pure play renewables business operating in Australia and New Zealand. We still have a goal to more than double the assets we had at the merger by 2020. And that's assets under management is how we're describing it. We started life with a significant installed asset base, we still have that asset base. We've made progress by starting the Salt Creek construction, that's the first construction project as a standalone business. We've also -- those of you who are good at remembering numbers, our development pipeline is some thousand megawatts larger than it was this time last year.

Importantly, for that is the pipeline is not only -- but yes, which is nice. But bragging on what's don't count. The pipeline is also now, not only just wind significant amount of solar in there, and we've got the storage options that I'll talk about shortly. What that means for us is we're becoming quite a differentiated player in the market. The other thing about our pipeline is we've now got some 2,000 megawatts of [contents] in place for this pipeline. So we're moving the pipes through its stages getting ready to build it out as the opportunities come along. And some 1,500 of those megawatts were added in the last calendar year.

Here's a bit of a picture of how our development and our existing assets look in terms of location. And I think the important thing to take away from this slide is that the diversity that is in our core business and our opportunity for the future gives us both opportunity, it also gives us resilience.

And so I would like to add a description of Trustpower year, there's some water happened where they've got assets this year. Doesn't always happen, we've got opportunities for at the moment, wind generation is diverse, I can tell you. This month, April, New Zealand's having a boomer, you might have felt some of that today. Australia, not so much but it will come right.

So diversity is opportunity and resilience.

Our value proposition, this is what we think we're here for. It sort of underpinned by key differentiators for them. The first one is our asset base that we have already -- we've owned these assets for long time, [Terraria] 1, we've owned since 1999, and something like that. So called that is the end of its operational life now.

We think it's got another 10 years or so in it. But the point about it these assets are performing well. They are under contracts with the original equipment manufacturers so we're achieving availabilities, that are market leading, 97% availability, including on some of the highest wind sites in the business. We also chose the right wind sites so we're getting really good capacity factors. And at the moment, our output from our assets is some 98% contracted. So we've got quite a bit of revenues stability sitting in there. And they contracted to pretty healthy companies, Trustpower, our friend sitting over here and Origin of course and Meridian more recently.

The second part is our position in terms of economic placing. We have a debt facility that's over our portfolio, so we don't get sort of squeezed if finances are having a bit of a bad day. Our gearing means we've got room to move, we've got room to take a little bit of downside or upside. Shareholders are clearly supportive if you've read anything about the Dundonnell process I'll talk about and Infratil is standing behind us. Marko says its binary, I'm not so sure about that. But we'll to talk about that shortly.

What the point is that we're positioned to look at ways that we can grow. And we're looking at different ways to do that. To help us get there, the storage and firming capability. We're kind of taking a technology neutral approach. So we don't mind if we have look out gas peaking. We're definitely doing [compadres], 3 of the 4 executives in Tilt have hydro backgrounds. We're looking at can we do without assets, what trading opportunities are out there. And where we can make our existing assets bid up by adding some of these new technologies. So what that means is there's a policy, sort of landscape changes as the market adapts to the new technology, we'll be there ready to do something in that workspace.

The other thing is we've actually been doing stuff. It's actually is quite a hard job to stand up a new entity. And then all the systems you need, all the people, all the kind of culture stuff. It all happens, a lot has been happening, we've also made progress, Salt Creek, the bid into the wind Victorian steam with Dundonnell, that was a large effort from really the whole team. And we've been told it's one of the more professional bids. Hopefully that translates into a success, we'll find out. And as I said, we've moved our pipeline along. So we haven't been sitting there focusing only on standing up the business. We knew we had a job to do and that's why we were demerged in the first place.

Here's what we're going to look like compared to our competition. The dark green is obviously what we have, black is Salt Creek finishing in a couple of months, and the light green is what we will look like if Dundonnell enters our book. And this is wholly owned assets, nearly a gigawatt. And compared to the other players, we're kind of going to be the second top in the market only to Gold Wind, I believe, will have more installed capacity, and they don't actually own it all. They've sold it down to Chinese.

The point here is that those 4 immediate competitors don't have any real identified opportunity to go and take our position. And we believe going forward in this market scale will be important. Not only for credibility but also for ability to procure at a better position than others but also to secure off takes, where you get more credibility in the market.

AGL have already been out there saying, "Hey, we've run out of things to put into path, can we buy some off someone," And yesterday or the day before, another company, called Engie, actually had an ad in the paper, saying "Can we please buy your wind farm". So the competitors are running out of stuff. We still got 3,500 megawatts of stuff in front of us to build out should the opportunity arise.

On the right hand side of the screen, we actually have a team that can do it from zero. The first knock on the farmers door to have a cup of tea, Can I use your land, please. Down to the discussions that we're having now, around what is end-of-life look like for something like Terraria . How do we make end of life not so immediate? We have the ability to do that, we're ready to go. And that's actually not that common in the market anymore.

We've been lucky enough over the years that Infratil has supported Trustpower to maintain that capability and that's been tipped into Tilt Renewables.

And I think the big thing about this one is our immediate growth opportunity. I'll talk more about Dundonnell but it's a 50% increase in our business size, right, And it's there, sitting just waiting for the Victorian government to do what it does.

We might be waiting a long time. And we still be here next year talking about it; or won't be.

The other key differentiators as Marko alluded to is our level of contracting. So what this does is that mean that our existing asset base, some 82% of it out to 2030 has a value that's secure. Assuming some of our assumptions are right on about the renewable energy target. That means that we don't really care in terms of, as long as we do the asset management right. And we don't break things then our revenue is secure and our asset base is. So it gives us a platform, then we go, "Hey, what's the next thing we do? This is pretty solid, what can we try to see if we can make something else work?"

And the way we've sort of proven that we can do that is probably best illustrated by the Salt Creek wind farm.

Salt Creek was sort of prefunded through the demerger. We had a little bit of spare dip room with us so that's cool, that made it easy, yes. But the went and pushed go on that project fully emergent. We thought, "Let's build it, let's not be forced into a substandard PPA position by begging to an origin of the world or whoever it happens to be." And just bide our time, try to add our position and see what we can make of it. And funny enough, once the assets committed and ready to go, people come out of the woodwork and say: Actually, we wouldn't mind buying that and we would like to talk about our real price for you." So we took the opportunity to Salt Creek, commit to a merchant but before it's even running, we've sold the electricity out of it in the long term to a credible offtaker.

So I think having a portfolio with this sort of profile now gives us the chance to try and do things a bit different in the market. And you know not many, if any of our competitors can do that.

So its makes us quite different, it makes us not reliant on the traditional PPA method. And it means we can try a few things that might deliver better outcomes for our shareholders.

Australia, clearly, our biggest market. 2/3 of our assets that we run now are in Australia. What's happening in the national electricity market in Australia? Is that it's sort of transitioning. Currently dominated by coal that we all know. And I think they all largely hate, but they're stuck with it. Some of it you wouldn't even call coal, it's sort of dirt that they burn. But the point is it's transitioning. Now guess you've actually got 20 gigawatts of coal that has to exit the market over the next 30 years and that's not about decarbonization. That's about the assets getting old. So that stuff is going. And so Australia is sitting there and they're going, "Well, we have to do something about this, doesn't feel like more coal is going to work for many reasons." They have actually got a relatively low penetration of what they call intermittent renewables, that's the wind and solar stuff. They've got a bit of hydro, obviously. They've got some good gas, also there to help to sort of firm more intermittent renewables. So as the market transitions, they're going, "Okay, how do we get ready for more renewables? What do we need to do in terms of flexibility?" Marko described it as a market system that's based on heavy big coal assets based somewhere millions of people getting overpaid to working in them. And then some assets that don't require those people being built to replace them. And what do we do in terms of a society and our market to change our asset mix. For Tilt Renewables, look, renewables is the cheapest way to supplant their gas capacity as it comes out. There's no indication anywhere that the decline in renewables cost is going to stop. So we think our opportunities in the NIM overtime are quite strong.

In terms of the policy trends, let's start's perhaps, with the middle sit here. The renewable energy target, it's been around for a long time, it's underpinned most of what we have in Australia now. The renewable energy target was always a target for 2020. And the build that's underway and the existing assets that there are now, it means that the targets are going to be missed. It's actually a policy success for Australia, they did what they wanted to. Albeit, with the revised target that we all had to put up with a few years ago.

But the point is no one is now talking about let's stop the [RIT]. So we personally -- we believe that this scheme will continue up to 2030 so that underpins that previous slide I showed about our long-term revenues from our existing asset base.

What it's also doing is making people say, "Hey, I actually aim as a retailer, going to have to support more retail business by buying the green stuff against the LGCs." So the pricing is remaining firm for LGCs, at least in the short 2 to 3 year term. And we think it's going to continue out to 2030 at some level above 0.

What if I chose a number, I'd be wrong, that's for sure. But I think it'll be above 0. So what we're -- we've been doing, first of all, re-contracting, people who are interested in what happens in Snowtown 1, what's coming off its contract at the end of 2018. They're interested in it because it is an operating asset, there's no risk. You're definitely going to get your green credits out if you [truncate] it up. We might not want to do that though.

So we're not rushing to try and do that, and accept a substandard outcome. The other thing we're actually doing is we are already forward trading LGCs into the future. So one of the slides Tilt's later on, we've put about $34 million worth of LGCs into the market over the next 3 years already. That's off the back of Snowtown 1 coming off contract,

and also Salt Creek being built.

So we're in there, doing what we can, it's not about just taking it down long term PPA.

So the renewable energy target is set, we're all good. The next thing in Australia, they're calling it the National Energy Guarantee, the NEG. And I think, it's really easy to get washed in the details of the NEG. We got to bring it back to what is it made up of.

Reliability standards. What Australia wants to do is make sure that as the [colleagues hit] the market, there are no surprises, a la the Hazelwood [ease up]. So they want to be ready. The surprise causes both panic and also some high prices that people whistle about it. And if you're a politician in Australia, both of those things are bad for your career.

And I tell you that's what politicians focus on, as we heard from St. John last night, so that the next 30 months, right. Maybe a longer in Australia.

But the point is, the National Energy Guarantee, they want to make sure that the market is ready, they want to make sure things like Snowy 2.0 are dear, to back up a deeper penetration of renewables. They want to make sure that we are ready, that the market is flexible and the policy framework is flexible to accept new technologies. The NEG is supposed to help with that. The devil will be in the implementation, but we're trying to have a say and how they looks as well.

The other key part of the NEG, as Australia like New Zealand, is coming to understand it's got a bit of a thing to deal with in terms of its omissions, obligations over the next decade or so. And so they do want more renewables in the electricity system in Austria, that's a slightly bigger opportunity to win than it is in New Zealand. So the NEG is not going to be about anti-renewables. The whole focus in Australia is about absorbing more renewables into the market.

So with Tilt Renewables, we're there. We've got the two best renewable technologies that are likely to go forward in 10 years -- in the next 10 years. Wind, definitely; solar, it's still quite difficult, even in Queensland, but it's coming right. So we'll sit there and hold those options until they look good. We're also looking at as we talked about storage and firming to make sure we're there, ready to do what we need to do as a whole -- as a portfolio whole.

In the meantime, the states, they're busy doing their own thing as they do, Australian politics. If you don't want to bore yourself to death, trying to understand how they work. Because I don't, I don't want to. But the point is Victoria, Queensland is currently they're saying we've got renewable energy targets all their own, which is great. Big targets too, 40% by 2025 in Victoria; and Queensland, 50% which is quite exciting from a state that actually exports more coal than anywhere else in the world, right. So it's a good thing, but what it means for us that there are little opportunities of hope, while the Feds sort their stuff out, that we tip some of the portfolio into it. The Dundonnell project is a good example of that. The thing is we're also credible, we've actually been operating assets in Australia for more than 10 years. And so when the states go to their advisors and they say, "Hey, these Tilt Renewables guys, they kind of sound like they're new, are they real?" And they get told yes, we are, so they take our approaches seriously. And they even come and make sure that they understand what we mean, because we've done it before.

Overall, the market trends are also supportive. The traditional PPA market is really tough, it's really not a space that we want to play in. But we're seen corporates come in and do it themselves. So I don't know if you read yesterday, Apple were out there saying, "Hey, we've managed to supply -- get all of our energy supplied from renewable sources." So Apple's done it, Airbnb have, the big brewing companies done it, Telstra has been in the market sourcing renewable supply. And it's about their broader corporate sustainability objectives, it's not about what's happening in Australia necessarily, and they'll even pay a bit more just to achieve some goal at a corporate level. And so we're looking to try and be a partner of choice in some of those activities.

The non Tier 1 PPA market, those guys, they sort of struggle to bankroll perhaps a longer-term PPA such as an Origin might be able to. But they still need to buy their energy and they still need to firm their prices or at least, secure their prices and they have a renewables obligation to deal with.

So the non-Tier 1s, how do we deal with those? How do we find a way to protect our revenue but also give them the product that we produce?

Coal is on its way out. Look, the point is that Tilt Renewables, we're here, we've got a very diverse portfolio ahead of us. And we are in a position with a small company and not many impositions on top of us to try something different and new, where we see an opportunity. So important not to forget about New Zealand. It's a pretty stable market compared to Australia, it's not so politically heated. The big overhang in New Zealand is being TY, well at the moment, Aluminum prices seem to support TY staying around for a while. So that's sort of discussions, kind of, quieting down.

The new government, we heard last night from St. John's, $30 billion, I think he thinks he's in for cost of some carbon obligations. I don't think it will be that high. But the point is the government is onto it, they're thinking about it. And they -- there is a potential that they'll say, "hey, we would like to actually just close out this gap between 100% -- what we are now and 100% renewables in New Zealand." If they do that, by some way, we've got options that we can build into any initiative they come up with. Particularly, down south, where we have probably been hesitant to build into that with the TY overhang and no other supporting infrastructure in terms of policy.

So we're hoping the Labor government does something for us. I know personally that there are 3 wind farms in the North Island currently being touted out there. That the turbines supplies are all trying to put bin, one of them is ours, [through demand]. Waverley is the one we like for the North Island, it's the newest conceded wind farm in New Zealand. We can see at the tip height to allow us to get the latest turbine technology into it. It's got a very efficient transmission connection that should be the lowest cost of energy wind farm available in the North Island right now, and should get a guarantee. And so we're actually pushing hard to try and get Waverley away in the short term, which I see, wasn't on Marko's list. But I believe that's quite a flexible list. What was the misses, best in -- best dressed, or something like that, so that's us, that's what we are here for. The point is, New Zealand, we're positioned to do something here if the opportunity arises well. And the other big opportunity that we're, kind of, trying to manage carefully is repowering of Tier 1 and Tier 2. Those assets have got support from investors out to notionally 2030. But there'll be a time where it's right to pull those ones down and do it again, it's still one of the best wind sites in the world, so why would we waste that opportunity.

So focus areas going forward, we've got couple of key things, Dundonnell, big thing for us, we've got to execute on that. A little pot of Gold that we call our pipeline, I've been put into this position to turn that into gold for everyone. And making sure we understand what we can do on storage and firming.

So talking about those a bit more, Dundonnell, we got the EPC and the long-term iron in-pricing in place. We know that we can execute on this project very quickly with Vestas, who we have chosen as our supplier through our competitive process. We've got a transmission connection option available to us and we are just finalizing the details, the connection standards around that.

It's going to be an AUD 600 million investment for us, it's a big thing. As I said earlier, 50% growth in our business. Our hang is on the Victorian government, and that's probably the one wrinkle in this plan, right. They've got a stated objective to tell all people who have won out of this auction process by some June or July 2018. Their actual goal is about to do that before the election later in 2018. So I think they've got a couple of months here to play with, and we're ready to help them do that playing. But the point is, we are hoping that will be an investment decision situation by about the end of this calendar year. And that would mean, first energy out of it in 2020.

Dundonnell is a really good example of what we can do with our pipeline. So we thought, hey, yes, Dundonnell has to be put into the renewable, the VRET, the Victorian Renewable Target. That's consented, it's ready to go. But it's just not optimized, so what we did is we looked at how do we do -- how do we optimize it. We've got a good relationship with the Planning Department in Victoria, and we've got a team that can turn around an application pretty quickly. So we put an application into increase the tip height at Dundonnell. To get the latest and greatest turbines in -- which made Dundonnell quite a different base for us, all right? The energy yield out of that site is incredible, and we are able to do something into the VRET, that we wouldn't have been able to if we weren't working fast and understanding what parts of a development project make a development project even better than the others.

So Dundonnell is sitting there, the latest and greatest turbines, very, very large routers, high-yield per megawatt installed. And we haven't bid it all into the auction scheme, because, I think, there's about 600 megawatts available, 330 megawatts of it spent on Tilt Renewables, may not have helped us to win the outcome, right. So we'll get some degree of contracting with the Victorian government. We're pretty positive about our bin, bid to be quite confident. They -- the government gave a fixed price, this is the CFP at this price, and you can bid like a base price in that and that was about the only place you could do something economically to differentiate yourself with their base price. The rest of it was about what you're going to do for Victoria. So you got to remember, the Victorian government sponsored Tilt Renewables to start up its head office in Victoria, they gave us $0.5 million to set up the office. So they quite like us already.

Now we've gone and said, hey, look, we've achieved your requirements for local content. So it's above 60% of the Victorian -- of the Dundonnell wind farm, it'll be sourced locally in Victoria. We've also come up with some really innovative ways to stand in this remote community in Victoria and support them, not through things that we think they like, but from talking to them. What is important for you? And so one of them was a suicide prevention program. So well I get it, it's a bit different, but why not, if that's what's important to you and the state already contributed that program. So we are saying, not only does the community wanted, the state already helps, so let's get in behind them and make sure that program probably has more resources about all to it. So we tried to do things a bit differently, so when they read our bid, they're going to go, hey, these guys have actually thought about this. Not only that, at Dundonnell, we chose Vestas, who I said before, they've offered us their latest technology, they also, in the market or in the Victorian government here, with opportunities for even more contribution to Victoria. So they are talking about Carbon Fiber Research Association with one of the universities in Victoria. They are talking about can we turn the now defunct vehicle manufacturing plants into something to do with renewable energy manufacturing. And if you choose projects through your process that include Vestas turbines, we will be able to do this for you Victoria. So we, kind of, doing the old 1, 2 in terms of our success rate into this Dundonnell Victoria Auction Scheme. So we are quietly confident.

However, we are also not blindly confident. So we're also looking about not turning into a binary outcome for us with Dundonnell, and we're looking at other options to contract or otherwise sell the output from Dundonnell as a whole.

One other option, as we pre-built some capacity in the Salt Creek transmission line, that will accept the 50 megawatt Dundonnell Stage 1, should that be the right way forward in the short-term. So we've got options for the site. We're not just sitting there and blindly relying on the Austrian government which are notoriously reliable.

Another focus here is delivering our pot of gold. Look, this is, in our opinion, the best development pipeline in the market. And we test that, we are not just saying that because we like ourselves, we do, but that's not why we're saying this. We rank our projects what's the transmission connection like, what's the wind resource like, what's the solar resource like, where is the location. We do that against all projects that are known in the market. And we look everywhere else, sit there, we go can we make them sit a bit higher, we've got several that are in the top 10 in our opinion. Those are the ones we advance quicker. We look about how things are changing in each state, what do we need to do differently to make sure our pipeline is up there. We've got a very, very attractive pipeline. We need to turn it into stuff, doesn't mean we have to build it all and own it all. It might mean that we sell some of that to someone else who should own these sites. Or might be more interested in the short-term in owning it that we are.

We've managed to find little chances like the SA government, went out there and said, hey, we've got money available, if you'd like to try some new stuff. So I'll talk about a bit more about it later, but we've got the $7 million available as a grant to help try some battery storage at one of our wind farms.

The point is this pipeline is our future, so the whole business is focused on making sure this is a shiny and ready to go as it can be and that we keep moving projects through it.

The last focus for us over the next 12 months is around storage. And people get quite excited firming, storage, yes, let's do it. Storage and firming are not new, right? The electricity market has always done it, I can tell you when you go home tonight, and we all put our jugs on and turn the TV on, the intermittency of the load is always been effective for the energy market. We are now seeing intermittency in the generation side, some variability. And we've had to deal with that side, we going to deal with [excise], it's the same mechanisms, it's the same flexible generation that does it. So it's already there, it's nothing new. What's happening in Australia, instead of storage in a big pile of coal, which we've described, there are no longer able to use -- to rely on that coal forever, so they're saying, well, what else can we do for storage? So we come back to Tilt Renewables, we go, yes, there is probably something in there for us, and how can we control our own destiny by having a little bit of opportunity to store and retime the placement of our renewable energy into the market.

So for us, our biggest play in Australia, at the moment, is in South Australia, so let's look at what we can do, Snowtown 1 is coming off contract. South Australia could do us some storage, it's got a little bit of problem with system stability, that's due to the cold that's been exerting that market. So they constrain us sometimes, maybe we can help that as well. So the hybrid-pump Hydro that's 14 kilometers from the center of Adelaide. It's a disused quarry, so half of the civil infrastructure is in place already, there's a big hole up the top and there's a big hole down the bottom. We're just going to connect the pipes and pour water in it, so already half done.

The point is though, it means that our Snowtown 1 wind farm which is coming off contract, just might be able to help us pump that water up for release later on.

The good thing about this pumped Hydro, we actually believe that a pumped Hydro, on its own, as an asset will really struggle to get off the ground.

There's no reason for it. There are other ways to firm output gas or whatever is there but as a portfolio, as part of our portfolio, this is quite a game changer.

You think about it, yes, it can time shift generation, that's easy to understand, and we can play arbitrage on price, or we can firm up maybe a C&I market entry in South Australia for ourselves but it's also a load. So if we see their constraint come on because the system stability is not good enough in South Australia, we turn on the pump, 300 megawatts onto the market means that we now have -- perhaps our Snowtown wind farm is released from the constraint that they are under. All other wind farms in the market will get the same benefit. But the point is, we're doing good things for our existing assets, putting some energy into the tank for later, perhaps when the wind farms aren't blowing, then we can supply into the C&I market. Then we go, hey, although the C&I market is looking good for us, maybe we should build our other opportunity at Palmer in South Australia. So all of the sudden South Australia becomes an even bigger part of our portfolio. So this pump is a really important part of our future. If not this pump, we'll be looking for another pump because there would be people that say, hey, I can't make a pump work as a standalone asset, so we'll go and find a way to help them.

Quick metrics, 300 megawatts for about 4.5 hours of storage that's 10x the Horne's Dell battery that everyone is talking about with old Tesla hanging on the back of it. What we need to call this is the Tesla hybrid pumped Hydro. And of course, we'll get all the media and money that we could require. What's next, got one more, the other thing we're trying to do is understand how co-located assets can work, solar, wind and storage. So I've got 22 seconds left, but I'm going to take more than that.

At Snowtown 1, we've got a site that whose wind run is dominated by evening and nighttime wind. So it means we've got a transmission connection sitting there underutilized during the day. Prime opportunity to pop some solar panels on there, right. And the modeling, we've done means we'll spill a little bit of wind on some days, but larger that solar at about 40 megawatts can just sit there and run. So that's quite cool, that's an interesting way to use that asset and the site quite well.

The opportunity to be paid $7 million by the South Austrian government to go and also add some storage to that, 20-odd megawatts of battery storage, then allows us to go, hey, okay, the clouds just come over on your solar wind farm, your dispatch levels at x, top up what you're actually doing with your battery or put some energy into the battery, so that you actually met through the specs level and your ancillary services costs go down.

So your operating costs go down, you have a bit of an outcome from your asset as a whole, right. And we learn how to do stuff. But what this actually does, if we get storage and we get solar and we get the wind from Snowtown 1, we've now got something like a 20 or 40 megawatt firm power production asset, right. So we can go into the market and say, hey, [Joe's blog's reads], large load, let's come and talk to each other. And I was having a quick chat with someone last night, I won't talk about who it was about how that might work for their business, because it's a good story, renewable supply, we can do it firm, we might need to deploy in the edges and buy some cap products to protect each other, but let's do it, why not. What an exciting and small way to see how that technology is going to interface together. So to sum up, look, we've got a really great operating asset base, immediate opportunities for growth, our pipeline means we've got a future that's quite exciting. And we have actually explored alternatives, I'll say, delivered alternatives to the PPA market that we've lived in that world for so long, we don't have to going forward. I've got a young company, I've got a really awesome team who've joined us because they like the fact that we are a small and nimble company, so -- and we've got the capability to deliver what we can. Thanks.

UNIDENTIFIED COMPANY REPRESENTATIVE: Paul, who was with us last year for the first time, right. We welcome him back, so thanks very much.

PAUL J. GAYNOR, FORMER EVP OF AMERICAS AND EMEA, SUNEDISON, INC.: Thanks, Mark. Great to be here, and good morning, everybody, sorry about the accent. Marko asked, I was a little bit concerned, he is the Chairman of our Board. And he asked, he stood up here a couple of -- 30 minutes ago and said, he didn't really understand how our business works, so I hope I do a better job with you guys that I have done with him over the last 18 months. But it's great to be here, I want to just talk a little bit about a quick background on Longroad. Talk a little bit more about some of the market opportunities and the challenges. Pardon the pun, but it's been a little stormy in the U.S. Did anybody get that? Sorry. And then, most importantly, I want to talk about the results and the tangible progress we've made over the last -- since we were here last year. Myself and my partners sitting right there have been very busy and the U.S. is presenting us with -- and others with a pretty interesting set of opportunities, and we are really happy to be here and part of the Infratil family.

Okay. So again, background first. We are owned by 45% by Infratil, 45% by NZ Super, 10% by the 4 guys here in this room. We are only focused on the U.S, we're only doing renewables. We founded the company in probably about 2 years ago now and we've been funded by our investors for about 18 months. We are focused on 3 things: development of, what I call, classical development, new build, redevelopment M&A,

that's part 1. Secondly, an operating asset, we -- even though Marko said, we don't -- it's really not part of the plan to own operating assets, we actually do own some. And then, services, we think it's an essential skill set to have, it's part of our principles, understanding the assets. There is a pretty big inflow of new institutional capital in the market, they often times do not have their own teams, so being able to provide asset management services, day-to-day operating services, we think is an important part of our business model.

When we first founded Longroad, we had a couple of beliefs and thought, where we had been in the business since 2004 in the U.S. renewables business, we had done mostly wind and then solar towards the end of our life at a previous company called First Wind. We -- in terms of where we thought we could create the most value in really -- is framed here, right.

There is a lot of new growth, so we thought of having a classic utility development business who was going to be important. I mentioned, there is a deep pool of permanent equity, we didn't think that we needed to have or be associated with a pool of permanent equity, because there's so much of it out there. Kind of that wants to own these assets, but there was not a lot of development capital. So that's a place where we think we can add some value, we had a good track record. The other part that's interesting in the U.S. is that the operating base is actually quite large now. You're talking about 120 gigawatts or by 2023, 250 gigawatts of operating assets in the U.S. wind and solar -- utility scale wind and solar, we're not talking about residential or the smaller stuff. So we think having an eye on that asset-base, knowing that owners of these assets are always kind of coming into them and exiting them for their own particular reasons, we wanted to make sure that we had a role there because we think there's there is a lot of interesting options. And then stay close to the assets, this is more of the services point. We want to make sure we had a team of people that had their hands on the wheel, so to speak.

And then importantly, keep it lean. You'll see we are pretty lean operation. And I think that is a core principle, in terms of what Marko talks about, these options, right.

The only way options eventually become valuable is if you don't get crushed by the weight of your, kind of, corporate organization, and we take that pretty seriously. And so keeping it lean is a big part.

So here's where we sit today. In the development bucket, 1,118 megawatts of near-term wind and solar opportunities. These are new builds, classical utility-scale development. We do have a pretty big development pipeline, I'd say most of that is solar. In the middle part, operating assets, we have acquired 684, again, a combination of wind and solar, which I'll cover. And then our service business, so we operate all of that 684 and then we also have a third-party -- a series of third-party contracts, a total of 1,236.

So we've made great progress in all 3 segments of our business over the last 12 months. It's been a pretty exciting run. And really, I think the key to success is what Marko talked about is having this flexible capital, pretty wide mandate, what we call a wide development lens or a wide lens into the market so you can take advantage of certain opportunities. Just to give you a sense of the staff, we've got 52 people on the services side. Though all of those people are paid for by the project, so those are all kind of funded. So really the only kind of overhead expense are the 22 people you see there on the development, the growth people like me and our colleagues, so pretty lean. And the rest of it where it's not lean it's paid for.

So that's where we are today. Quick summary of what's been happening in the U.S. market when I was here, last year, it was kind of on the back of the Trump election. A lot of questions in the market, were the tax credits going to stay in place? That largely has gone away. So that risk is -- has disappeared, which is great.

There was the withdrawal from Paris, there is the Clean Power Plan, which is a state-level plan that was being -- is in the process of trying to be revoked. So those things have turned out to be no big deal for us. They really haven't impacted the renewables business in a big way.

There's a couple of new ones that I put in the neutral category, grid resiliency, which was a DOE, which is the Department of Energy effort to save nuclear plants and coal plants that were uneconomic. That is really not going anywhere. And then you guys have seen all of the news with the steel and aluminum tariffs. For the short-term, we feel good about not having a big impact and we hope that most of the vendors that we buy products from, that contain steel and aluminum, have procurement strategies to minimize that risk to us. On the tailwinds, really, solar and wind, believe it or not, you just saw Deion talk about a 4.2 megawatt turbine, that's a turbine that we're considering for one of our wind development sites next year in Texas. So that type of technology advancement is continuing to bring down wind and solar cost. Solar panel prices with the exception of 1 topic, I'm going to talk about it in a bit, are becoming more cost competitive, put the tariff issue aside. Operating costs on both of these things are coming down. So it's a big -- there's a lot of -- on the cost side of the equation, there's a lot of positive -- continued positive momentum.

On the supply side, coal retirements, literally, these, I think, in Texas, for example, in the last 90 days, there's been something like 3 to 4 gigawatts of announced retirements, so that's great for our wind business. And then what Marko talked about, right, the federal government not needing to intervene. Really strong demand from corporates, from municipalities and from utilities that want to buy this, kind of, either on their own -- of their own accord or through a compliance mechanism. So a lot of tailwind, and a lot of positive momentum on the power purchasing side. And just to give you an example, we -- in the month of April, we have submitted 8 RFPs in different development projects and into 8 RFPs for corporates, municipalities and utilities, so pretty busy.

So the couple of headwinds, tax reforms, which I'll talk about on the next slide and solar trade case. But even with those headwinds, we still think that the momentum is quite positive.

The renewable business case remains strong in the U.S. So the two challenges tax reform, in a lot of ways, some people call this a huge success that Trump and the Republicans were able to pull this off at the end of 2017.

The corporate tax rate was reduced to 35% -- from 35% to 21%. The big issue that how -- like, okay, what does that mean for you guys? What it means is, does that -- does the lower tax rate have an impact on the supply of tax equity? Tax equity is a little bit unique in the renewable business in the U.S. There is a large, either a production tax credit on the wind side or an investment tax credit on the solar side. And if someone like Longroad doesn't have its own taxable income to shield or to take advantage of these tax benefits then you have to go out and get third-party capital providers.

And these typically banks, big utilities and so forth, and if they have fewer taxes to pay, that means, they have less tax equity to invest into the market, so that's the big worry. Again, near term, we feel really good about where we are, I'll talk about our near-term development. We're in a good spot in terms of securing that tax equity supply. Longer term, we'll see. We're just kind of coming out of the, kind of, the turbulence from the tax reform passing.

The other one was the solar trade case, a tariff that was actually put in place at the end of -- sorry, the beginning of this year. 30% going down to 15% over 4-year period, on all PV cells and panels.

Mostly targeted towards Chinese manufacturers. We were hugely neurotic about this point and did our own risk mitigation, and we went out and secured 880 megawatts of panels that are exempted, it's a different technology from First Solar. So that has done -- has allowed us go to sleep at night, because the -- if you did not do something like this or you do not stockpile ahead of this tariff being put in place, you have deals that are now upside down. They are uneconomic, so a lot of that stuff is getting stuck. So we're really happy with what we've done there.

Okay, so now onto the tangible progress, the results, this is what we looked like 18 months ago, 2 of us were in San Francisco, 2 of us from Boston, we had the notion of an operating center in Maine. And we've done some -- I'll show you the map, we've added a lot of little interesting things to it. One of the things that we did at the end of 2016 was take advantage of a provision in the tax code that allowed you to Safe Harbor of wind components so that you can actually build out. So at the end of 2016, the U.S. Congress -- Senate and Congress put a phaseout in both on the wind side and the solar side that phases out in 2021 for wind, 2023 for solar. But if you Safe Harbor components, you're able to take advantage of the 100%. So it's a more valuable credit and you have 4 years to build those out. So we went ahead and made a pretty significant investment in PTC components to Safe Harbor and we're going to deploy about 1/3 of them in a very near term at a project in Texas. We've got another project next year in Texas as well. And then, we're looking at a bunch of repowering opportunity, so this was probably our first big, kind of, capital commitment with Infratil, and NZ Super and so far, it's panning out quite well.

Here's what our -- so let me just talk about our business segments. So first on the development side. These are the near-term projects, Pheobe Solar and Rio, which I'll talk about a little bit in more detail. 7 bridges in Foxhound are also solar development projects that we expect to get into financial close sometime in the next 12 months or so, maybe 12 to 18 months.

Interestingly, the corporate demands is really what's driving our Virginia development efforts. A lot of data centers are -- is really like that part of the country, so there's a lot of solar development looking for -- looking to make progress, and there's a lot of corporate buyers that are looking to secure renewables power for their data centers, so that's going well.

All of the other dots you'll see our -- that is our current development pipelines are about 6.7 gigawatts. You can see concentrated in Texas, we've got some staff in Arizona, Nevada, Utah, and Colorado. And we've got a couple of things in Maine and Hawaii. So pretty far-fetched development pipeline. So just -- Marko wanted me to talk a little bit about margins. In terms of trying to give you all a sense of how do you get your head around, how do you value Longroad. The one thing I'll say, and these are not comments on our development margins, per se, I think you can -- these are derived -- these comments here are derived from what is available in the public domain, there's very little available. Key drivers are -- I think, the punchline is, development margins are highly variable and it depends on kind of where the project is, what kind of equipment do you have, how long is your contract, what's the credit quality of that off-taker and then what's your view on merchant assumptions post PPA. If you think about, again, referring to some larger renewable energy companies in the U.S. have stated in public that they are earning levered project returns of 15% to 20% in wind and solar, and if you think about our business model where if you do that 15% to 20% and then you sell it and monetize your interest at a 10% cap rate, this is -- these are the kind of ranges you could earn on solar and wind. These are roughly in line with, kind of, where we think our business is. There's going to be some -- hopefully, there'll be more positive outliers than negative outliers, but this is pretty much how you can at least start to frame it out.

So just quickly on Pheobe Solar and these are the near-term development assets. It's a probably one of the -- it will be the largest solar project in Texas when it's built. This is a project that is really close to the to the end in terms of getting fully developed and financed.

We have a 12-year revenue contract in place. We have -- we're marching down the path with tax equity providers, construction lenders and term lenders, so all of that is marching. We do have an EPC contract signed with -- for solar, panel supply for solar. And expect this thing to be built and put into service late in 2019.

We'll likely monetize our interest in this project at financial close, it's a -- just to structural point to optimize the tax outcome or the valuation for us. So that's going well, it's a project that you -- hopefully, you'll read about quite soon.

Rio, same, we actually think Rio is going to happen a little bit before Phoebe. 15-year revenue agreement. We don't have it, we don't have it in place, we put in place at closing. We have a tax equity commitment, we have construction and term lender commitment using Vesta's technology, a company called [Morrison], is going to build the project, and we expect to achieve commercial operation, it'll take about a year to build.

This one we expect to -- we don't know exactly when we going to monetize it, certainly before commercial or at commercial operation, but we're not -- this is one where we going to, kind of, build it on our balance sheet and then optimize the monetization effort.

The other thing that we did at the end of 2017 was we went out and bought some -- same thing that we did with Vestas the year prior, you can see, every year it goes down by 20%. So this year, we made a small, what I would call a very small option, a very small bet on can you actually take repowering components in this case bought from GE and either acquire or partner with someone to repower GE 15 technology. In the U.S., it is the most installed piece of equipment on the turbine turban side, there is 14,000 gigawatts of them. A lot of them are through their tax period. So they are good targets, and this is the part of the thesis where you can look at. There's a lot of installed capacity, a lot of the owners that own these assets right now for one reason or another may be looking at recycling. And so that's what this play is about. In terms of can we put some of these components into either buy an existing plant, repower it and then, refinance it, recapitalize it.

Okay, so that was the development. And then on the operating assets and services, I'd just merge this into one. I'm going to talk about Milford, Minnesota Wind and Federal Street. We do have a pretty fully baked remote operation center in Portland Maine, we employ about 8 or 10 people up there. And they operate 1,236 megawatts, some of it's ours, some of it is others. But we've made, on the operating assets side, 684 megawatts of stuff that we own. All of it was operating. These are not development assets, so we bought, what I would call, degree -- on a degree of difficulty scale, relatively complex and a little bit messy but interesting.

Let me just take you through each of them. Federal Street is the first one. And you can see all those blue dots, so it's a -- all of those blue dots represent one project. It's a distributed -- if all of these are operating, distributed generation solar projects.

So 14 -- these are, think of it as, a giant massive 14 different portfolios owned by -- in some cases, they are owned by 1 buyer, but we probably acquired 3 to 4 different portfolios put them together. Right now, there is 14 of them, 297 megawatts, 435 projects. So complicated with an existing capital structure and existing tax equity structure on each, it's actually a lease. But fundamentally, these assets are relatively young, 15 years of PPA life left. So the good news is we finally -- it took us I don't know probably 9 months to get this thing closed, but we acquired it on our own balance sheet in October of 2017.

And then we recapitalized it, we took all of our capital out and we booked a small profit. But we still own 100% of the project and there is a lot more optimization, financial optimization, operating optimization and technical optimization. So this is a great definition of a kind of a long dated option, but it continues to throw off cash and then it has some embedded options values as we go. So we're really happy with that progress.

Minnesota wind, we bought 2 operating wind farms from NRG. NRG was going through a pretty significant corporate restructuring, and they were disposing of some assets, we ended up picking up these 2. The way that we thought about it was, let's buy it at a price that makes sense, kind of, for a long-term hold. But there is some opportunity for upside if we're able to repower these assets and we're also operating it.

Milford, same kind of concepts on the investment case. It's a little bit of a longer-dated option, purchase price was even lower. And then we've got some long-term residual value. Here, we are operating it, it's a relatively profitable or, kind of, margin heavy asset management contract.

So that was one of the fundamental parts of the investment case that helped us get there. This is in a -- even though, this is located in Utah, but it's electrically connected to California. So when you think about long-term option, probably 10, 15 years from now, is there a way that you can repower this site, put solar on it, storage, who knows? So that's where Milford is.

So just to wrap up, today, Longroad is -- we've made a lot of progress. We've got, I think, the flexible source of capital has really allowed us -- if you can see the, kind of, the breath and the spectrum of opportunities that we're looking at. Pretty different, pretty different, classical utility development, some hairy operating assets and some services business. So that really -- we couldn't have done it without the flexible capital, frankly. We've made great progress on all 3 of those, we've got key staff in place. The market continues to grow, but it does -- certainly does have some -- present some challenges. And we think we're very well-positioned to continue to grow, embedded options, development pipeline, our PTC components and our panel purchases.

So thank you very much, I'm happy to take some questions.

GREG BOORER: Thank you very much, Mark. And it's nice to lead of the Australian portion of today's activities. I'll do apologize for any of the previous photo there, any sort of visual offense that caused. When my wife saw that, she said, look, I've told you a million times when you get your photo taken, you've got to suck the gut in. And I said, it's very difficult to suck the gut in and manage the double chin at the same time. So yes, so apologies for that photo. Nothing to do with it. I'd like to thank Mark and Marko for the invitation to speak with you today.

We did have our board meeting yesterday here in beautiful Wellington. And I'd say that because I live in Canberra. But Wellington, the weather was really turned on for us and almost froze to death. I had to get 2 things amputated for frostbite.

But I managed to get here and the good news from the board meeting, yesterday, is that I do have a job for another month. But there was a time when that was at risk because yesterday I thought at the conclusion, things were going well, so I thought I'd run a few jokes by the board for today.

And I ran a few of the jokes through and then there was a bit of awkward silence. And then I learned Chairman, Mr. [Bogchinowitz], he sort of said look, there's a lot of content to get through, so maybe you should just focus on the serious aspects of it. So I will keep my sandpaper in my pocket today then.

So it's been 15 -- sorry, 16, 17 months since relationship with Infratil kicked off. And I was here last year, and things have been going very, very well. What we plan to talk through today, or I plan to talk through today, for the people that don't really know us, I'll provide a little bit of an overview. With overview will also morph into -- a lot of the unique benefits and a lot of the data center stuff is quite nuanced and it's not one thing or another, but when you put all of the different value propositions and unique features of our business together, I think, what you come to the conclusion is that it is a very, very high quality asset with high quality set of customers with a very bright future and we're incredibly well-positioned to take advantage of some significant tailwinds that are out there in the marketplace today. So we'll talk through that. I know many of you would be interested in our relationship with Microsoft, which is garnered a lot of press in the last couple of weeks. And then that's an amazing, sort of, upside for this business and will do great things for us now and into the future.

And so I will provide a deal of insight into that. I talk about our growth options and what we planned to prosecute in the next 12 months and give you an inkling of what's beyond and talk through that. And then if we've got a little bit of time, we will take questions.

But I am -- I will say that, the energy sides before me took so much time that I'll have to whiz through this, not really.

So a little bit of about us, so what do we do. We have a unique value proposition, we're in the nation's capital, we are close to the sort of the government. The government spends around AUD 9 billion on ICT products and services each year so it's a very, very good location to be, as proximate as we are to them. We operate not 1, but 2 data center campuses, and that's important because of mission criticality of what we do. The resilience, that that affords and the level of protection for critical services and so we see on the left there, CDC delivers National Critical Infrastructure to the whole of Australia, and I would allude more and more to that. But you will see National Critical Infrastructure becoming part of our vocabulary more and more and that, kind of, feeds into some of the legislation and some of the thinking -- the political thinking of government.

Now I did note that Deion expressed a little bit of frustration around the workings of government and around how things happened in the first presentation today. That's true and often I share the same frustrations, but the magic of what we've created over 10 years is that if you can actually unpick that and really understand government to get close to government and understand the processes and work with them. You can achieve significant outcomes, but it does take time, effort and energy and we have done that over now 11 years. And so in many ways, we're a bit of a, with the recent press, we're an overnight success in 11 years.

Some of the points there in terms of market leadership, the largest owner and operator of data centers in Australia. Now I don't want to, sort of, get into any, sort of, competition with other folks, but the fact of the matter is that we actually own all of our assets and that's very important to the government because of adverse change of control challenges that they've faced previously. And so the ownership piece is very, very important.

We are a differentiated organization, we are widely recognized as having -- and this is one of the reasons Microsoft chose us is having the most secure accredited data center facilities in Australia, but also, the most resilient. We do contract to a 100% uptime, which is remarkable and not the standard way that data center operators provide their services to their customers globally.

But in terms of the market position, we enjoy the overall -- these points that you can see here really talks about the -- I might have change that. There you go. The points here talk around the fact that we are in an industry that's enjoying incredible growth. We have an ecosystem proposition, which I'll talk more in a moment. We're not just a data center operator, we're actually an ecosystem operator and I'll explain why that's very, very important. And that ecosystem actually gets better and better and adds more value to each client as each new client comes into the facilities. So we'll go through that.

We'll talk about security cleared personnel, that's all part of the ecosystem. And all of these points, the market position, over 10 years again, we built up a lot of trust and more and more with the importance of data to the critical functioning of countries and businesses, more importantly, is that the trust factor has to be there and more and more that's becoming part of decision-makers -- decision-making processes. So the tailwinds that we're enjoying, adoption of cloud, I'm absolutely gob smacked that the growth of the major cloud providers. So when we talk about hyperscale cloud providers, we're talking about the Microsoft, the AWS's and the Googles of the world. They're kind of the big 3, and together they dwarf the next nearest group of competitors combined. The -- there is obviously lots of other cloud providers as well, and there is lots of other nuances to cloud in terms of private cloud, protected cloud, hybrid cloud, all of these things. But it all comes down to people are doing things different, it is a massive disruption coming through our industry, this disruption has caught many of our competitors out. Whereas, we're perfectly positioned to win on both sides of the ledger i.e. old world, new world status quo and what's going to happen into the future. So cloud adoption is a big part of our growth, it's a big part of our story today and it's an exciting time to be alive.

Government services, and everyone would express this, there's been a consumerization of government services to the citizens of each and every country. New Zealand has a significant innovations coming down the pipe at the moment, which will make engagement and interaction with the government much better. Same is happening in Australia, but what the government sits on, and this is a really important thing to keep in mind, the government sits on the largest data assets of most countries in each country and those data assets for the most part are very solid, they're not shared and the real intrinsic value, which is immense, is not being unlocked. What you'll see in the future is with these new platform providers, the likes of Microsoft in our facilities, you'll actually see global innovation coming into the delivery of government services, which will unlock the value of the data assets, that government sits on today. And you have not even begun to see the size, scope and scale of the services and innovations that will come through. Things like the big data analytics that will be able to really help government pinpoint where services are required, and the shape and size and flavor of those services to each and every citizen, more personalized delivery of services to each and every one of us, which might scare a few people especially if you don't pay your tax. The also things like machine learning and artificial intelligence that will assist government officers deliver their services accurately and learn over time. And those types of things require enormous compute and they need to be safely housed and preferably as close as possible to the source of where the data resides.

Cyber risk, we've seen in recent times, although the Facebook stuff, and I did see Mark Zuckerberg talking on to the Congress earlier today. He -- that wasn't initially a cyber thing, but you can see a lot of the challenges around. It's every day of the week now. It's almost there's a cyber incident, cybercrime is out of control. They're actually more organized, the cyber criminals are more organized than a lot of the legitimate companies that operate around the world. They're very -- they can probably teach the McKinzies of the world a few things about management because they're getting that professional in the way that they attack each and every one of us. So cyber risk is -- and the sovereignty of data is high on government's agenda, and once again, the world has moved perfectly to -- and we're very well positioned to offer solutions there. And solutions in cyber start with minimizing the length of information supply chains. The bigger your information supply chains are, the more risk is inherent in the connectivity between different locations of data, different locations of systems. So what we provide, again the ecosystem story, is something that is unique. It's unique to the Microsoft's of the world, and it's unique too in the data center industry and that'll put us in good stead to grow and to grow.

Ever-increasing data, it's scary. I've been in this industry for a long time, I've been in the ICT industry for 25 years. I've run this business for close to 11 years, and I can't believe how -- just when you think, there's no way, there can be more data, it just continues to grow and grow and grow. And data is a bit like money, the more money makes money. And the more data you have, the more data it makes. And government predicts in 10 short years from today that their data storage and processing requirements will be 100-fold. So 100x what they are today. So if you think what you're looking at today is valuable, hold onto your hats is what I would suggest.

So the pipeline, this is kind of the -- this is just sort of lowering you into false sense of security before we talk about some more exciting elements towards the end. But just the organic sort of opportunities we have within existing clients to grow, grow around the mission-critical delivery of their services and their data growth and that organic growth will be significant. Then we're bringing obviously -- we're still running significant data center assets and they continue to be very, very profitable from an operational perspective and they work very, very well.

In terms of new facilities, Fyshwick 2 will come online later this year, and I will talk to more of that in later on, but we're already in negotiations for as much as 10 megawatts of that capacity. And so that's very exciting considering we're only sort of halfway through the construction process. And then we've got a new site in Hume, which is annex or an extension of the Hume data center campus, which is the southern campus, which will afford us a significant growth in the future. And we're already negotiating around 5 megawatts of that capacity over and above, obviously, the spare capacity and residual capacity we have in our existing facilities. So very, very good. And what we're finding is that there is big demand for networking help. So the glue that connects all of the agencies together and also agencies to government departments and third-party service providers inside our facilities. And so that's a new piece of business that we're implementing today, which is relatively light touch. It's a very, very good margin and it's a nice way to augment what we do today in terms of the raw data center capacity. But in addition to the data center capacity it does make, which is something that's highly defensible, highly attractive, makes it more bulletproof than ever before. So we're excited about that development.

So the CDC ecosystem, we, as I said -- most people that we compete against and that we're compared with are data center operators. We're actually an ecosystem operator. And so although that obviously boils down to data centers, we have a series of data centers that are interconnected to provide resilience from environmental incidents that could impact a 1 location. We have geographic separate locations, which provide the high availability between the 2. Now our business has always been attracting government agencies and being something very, very specific for government, but what we found is that over time, government needed additional services or different -- additional capabilities that they didn't want necessarily deliver themselves, speed, cost, audiology, all of the above depending on which government was in control. And so we heard now -- we have a number of many service providers, we've had private cloud providers. So people that actually deliver cloud-like solutions for individual clients in a very contained way. We've now got 4 of the 5 protected cloud providers. So protected is a security accreditation level in the Australian context, which provides additional controls and assurance for the people that consume those services and that's quite a significant thing that 4 of the 5 organizations that provide their services to government are located within our ecosystem. And then obviously the thing that has been missing, has been a hyper-scale partner. So the missing piece of the puzzle to really complete our ecosystem was to have a hyper-scale partner that provided the global scale, the global innovation in addition to all of the other attributes that make the ecosystem exciting and just last Tuesday, the Angus Taylor, the Minister for Policing and Cyber Security in Australia, he launched and cut a ribbon to launch the Microsoft services, which are now live out of our facilities, and I'll talk more about the Microsoft relationship. There's significant achievements that we've done that are being recognized globally by Microsoft that will help their business now and into the future, and not only here, but perhaps elsewhere. One of the things that you'll take away from this hopefully today as well is this idea of fragmentation. So the fragmentation that's happening across a lot of businesses that you may know of today, is the fact that they are doing more and more less of that core computing themselves, but they might have 4 or 5 different partners that they work with to deliver a holistic ICT outcome for each organization. The problem with that when it's fragmented and there is 10 different locations, there's lot of complexity and cost in just moving data around. There's a lot of security concerns. There's performance concerns, and performance and latency that's introduced into that kind of interconnectivity in that fragmented sort of view of the world, actually reduces mission criticality or the ability to deliver mission-critical services and introduces huge amounts of risk. And what -- that's kind of the normal around the world, but in the ecosystem that we've created, in actual fact, many service providers, cloud providers, on-premise outcomes, they're all actually in the same 4 walls, same secure accredited walls, the only facilities that are secret accredited by the Australian government from commercial data center operator. So you have all of that data that actually you choose all those outcomes without all the cost complexity, performance, risk, and security overheads that are considered the norm in a traditional-fragmented approach. And this is going to be, or already is, but it's going to be a significant winner, not only for us, but also for every single person that's in that ecosystem. Each cloud provider is going to do much better, and also each agency is going to have more choice. And then we'll talk about the national critical infrastructure piece, which is a whole new -- a new market for us, which we'll talk about later.

So achievements for 2018. These are, again -- we've only been with you guys, or Infratil for just over 1.5 years. And so it takes a while for everyone to get to know each other, and we're very, very comfortable with the guidance and help and support that we are receiving from our shareholders. And also the MCO folks, and that's kind of we've worked very well together and the day-to-day grind of our business is just a day-to-day grind, and we've grinded better than most in 2018. We've grown by 35%, our EBITDA run rate as of the end of the financial year, your financial year, the 31st of March. And that's important because globally now, EBITDA run rate in the data center industry is kind of the measure that everyone looks for and we don't know necessarily whether that's the best measure, but it's the one that people like yourselves and analysts will certainly appreciate. And so now you should be able to do some direct comparisons, which we'll talk about later on to some of the market comps that are out there. And the problem with data centers as well is that there's not really a lot of information available. So it is difficult to really understand what's happening under the covers and the nature of data center businesses is that they're kind of highly secure and highly sort of private places that most of my clients don't even want me to tell you who's in the facilities, which is fair enough. So it's kind of natural, not to want to share a lot of this information because the nature of what we do is highly secure and highly private and privacy is a big issue.

The -- our position in terms of the longevity and defensibility of it, this is a new metric that we're introducing for you people for the first time today, but the weighted-average lease expiry of just over 4 years with our current contracts and almost 11 years with the options. And the options are important because in my time in the business, I can't remember a time when an organization didn't execute an option and often the brevity of the initial term is to help speed a process, which might be due to delegation and signing authorities and things like that. So we're -- it's a very, very strong business and that does include the Microsoft contract, which does -- the initial term is for 5 years. So that does sort of skew that a little bit, but overall very, very strong.

This year we've also, with the help of the team at MCO we've had a very good wind. We seem to ensure our pipeline, it wasn't going to be disrupted by any capital constraints into the future. And we worked very, very hard to pull together refinancing our debt facilities, which nominally increased the amount, but improved the terms and covenants and things made it much easier and flexible for us to deploy that capital and that debt as required, and that also lengthens the term. So 5- and 7-year money as opposed to what at that point would have been 3 and 4 -- 2-year and 4-year money given that we're 1 year into our initial financing post-transaction activities. That then helps us have no issues whatsoever and allows us to focus on the construction activities. And most people would go, oh construction activity there is a bit of risk in construction. However, we have now done this 4x, built major large-scale data centers on time and on budget. And we will -- we are on track for Fyshwick 2 to be exactly the same and our Hume 4 campus is already underway. And I'm very, very confident that risk of construction is not a challenge for us and you can see that we're using the vast majority of construction partners, or fit-out partners that we've used previously, makes it -- even increases that confidence further. And we're also -- we talked about the land at Hume 4, but we're even looking further afield as well.

So 2018, a very, very good year, didn't sleep much last year, but it was worth it. Now this is kind of what we're seeing around the market and this will help everyone's understanding of putting a value on what we do. Obviously there's lots of ways to measure value, but the hyper-scale stuff -- the hyperscale are coming into our world has really changed the way we consider things, some of the ideas around design and the way we deploy a lot of our infrastructure. And so we're working very closely with the hyper-scale folks to make sure that our via evolution not revolution now existing model morphs perfectly to suit not only the needs of our existing clients and their organic growth aspirations, but also the hyper-scale partners that are now onboard. The hyper-scale folks are growing greater than 50% per annum, and the nature of the data that they -- the volumes of data that they work with means that the growth more often than not has to be very close to the initial footprint. So we think we'll do very, very well there. There's nothing like a [fair legal] transaction to actually put a price on things. And so recently an Australian data center operator with 4 or 5 sort of medium-sized data centers, there were 6 or 7 medium-sized and couple of smaller data centers around Australia sold for 21x their run rate EBITDA. And so if you know anything about math, you can kind of workout roughly where we are at, which is a significant boost on the purchase price that Infratil and CDC made just 18 -- 15 -- oh 17, 18 short months ago. And same with the listed entities even better, a lot of the listed entities in Australia and around the world, they are actually transacting on exchanges at up to 23x those numbers and that's the forecast EBITDA, which we'll get to our forecast soon.

There's a lot of change, which all players perfectly -- not players, but we are well positioned to take advantage of. So the lot of the legal environment has changed and this is some sort of the start of something much bigger, a theme through the rest of the conversation today. There's new national-critical infrastructure. The government, for a long time, has understood that their systems and data are very valuable to the national security and functioning of the country. But what they've also now identified well and really starting to think hard about is that well the country would be equally disrupted if banks, utilities, transport, health providers that are critical to the functioning of the country were also disrupted. And so they, last week, passed new legislation, which now means that every organization, which is considered part of national-critical infrastructure, and I'll talk about that in a moment, is -- now has to report on the location of their data and systems that deliver those services as well as the security that is wrapped around those. Then there's an organization in the New Home Affairs Department, which is like Homeland Security in the U.S. or the Home Office in the U.K. Home Affairs Department, which then rates the security and capability of the data that's presented to them from all those organizations and then makes strong recommendations to those organizations on how they can do things better. Now we would be the sort of gold standard for what good looks like in that space, and that's one of the key tenets of what we're doing into the future and also with Microsoft. In terms of privacy, there is also new rules in Australia. The mandatory data breach notification legislation, which says that if an organization loses a client customer, citizens' data, they have to report that and the -- not only report it, but the penalties for that breach of a client citizen persons' data is in the millions. And so that has brought the conversation of data, location, data center operators, the ownership of owned data centers right into the forefront of not just in the COO or the IT person's minds, but now the CEO and the Chairperson and the board -- brought to the board level. And that's only going to be a good thing for us, which is great, and the Federal Government is really driving hard on all of this data, which works well for us.

Moving right along, I'm sort of running out of time, and -- but I'll get through this and answer a few questions is the partnership with CDC, this is significant. Microsoft had, before they engaged with us, 40 regions around the world where they delivered cloud services and the scale of this is, they are investing up to USD 1 billion a month in building out their cloud infrastructure and that's something that they've said publicly. So USD 1 billion a month, to grow their cloud infrastructure to deliver the services. Their CEO Satya, has said that this is going to be the future of Microsoft and that part of their business is growing 56% per annum from a pretty big base. And so they started with 40 regions and the region is a collection of data centers. They had 1 region that's globally, they had 1 region in Sydney, 1 region in Melbourne but now they've got 2 regions in Canberra, both in our -- 1 in our northern campus and 1 in our southern campus, Fyshwick and Hume, respectively, and that's quite a significant thing. But even more significant is the fact that never before in Microsoft's history have they announced the partner or the location of their service. And the reason for that is that CDC over 10 or 11 years, has built up such a strong trusted reputation and brand and following within government and the highest levels of government that they believe there's significant value in that association, but also with the eye on national-critical infrastructure in the future, increasingly it's going to be important to know where your data is, and when we talk about banks and things like that, enjoying the same protections as the Department of Defense and other national-critical infrastructure providers inside our facilities from a security resilience and sovereign ownership perspective suddenly the conversation gets very, very attractive, very, very quickly. So not only is that significant, it also has a huge amplification of our sales pipeline because now suddenly we have hundreds of Microsoft account executives selling CDC on top of what they do, and we can help Microsoft get to market very, very quickly. Obviously there's a bit of detail on that slide, but in the foremost of time -- I'll -- with the time pressing, I'll keep moving.

Cloud growth, this is, as I said, Satya, the CEO of Microsoft, he comes from the cloud side of the Microsoft business not the software side, and he says that's their focus and we will help Microsoft and Microsoft will help us and it will be mutually beneficial. So we're excited about that. Some of the headlines, the AFR, Sydney Morning Herald, and this talks around the hyper-scale services, protected accreditation that they've achieved, the first hyper-scale person to achieve that government certification. And why that's important is that the vast majority of government data is considered protected. So that means that the vast majority data can now be handled by those guys in conjunction with our facilities. And I think about the thing that I'm most excited about is that, on day 1, there's going to be 45 organizations the likes of SAP delivering their services to government on this Microsoft cloud platform inside our facilities, but there's another 150 organizations lined up to come in to deliver those services. And so government now will be able to take advantage of significant innovation that they've never been able to even consider previously because previously if an -- a small Software-as-a-Service offering wanted to deliver services to government, they would have to firstly get their facilities accredited, get their computing systems accredited, get their people cleared and then finally, get their smaller part of their offering, their Software-as-a-Service that would have to get that accredited by government for general consumption. Whereas now, just by moving to our facilities, the foundation [laid out] as CDC. The facility is accredited, we've got all of our personnel are cleared then the platform is accredited. So suddenly instead of years and years and hundreds and thousands of dollars of costs, which is beyond most SMEs and startups and a lot of the technology innovation companies just consider it too hard to deal with government. Suddenly they'll be able to deliver their services seamlessly on top of our combined platforms. So that'll offer government significant advantage and further entrench our position as the home of digital government in Australia, and we'll see how we go hopefully New Zealand as well.

So just on this critical -- just to -- as we finished, the critical applications of countries and things. So the characteristics of mission critical applications, they have to be highly cyber secured, highly reliable, resilient, all of those factors there on the left, and that's not trivial to achieve particularly in a fragment -- a potentially fragmented world. Whereas, if you can pull all of that in to the same ecosystem, then suddenly all of those characteristics are cheaper, faster, easier to achieve. Now what is super exciting is the section on the right.

So sectors of national critical infrastructure as per the government's view. And so if you think about our business today, we've been very, very successful, and we've only touched the first 2 sectors, the defense and national security and government. That's the only sectors that we're focused on to this point. But from here on in, all of those other sectors are going to be co-prosecuted by Microsoft and ourselves, and the hybrid outcomes, which will be a combination of those sectors enjoying the benefits of cloud computing with residual legacy infrastructure at core banking systems and the like being co-located in a traditional data center sense in the same facilities next to the cloud platform that they are consuming means that we have a value proposition that is not available elsewhere in Australia and is globally significant and globally unique. And so all of the next slide, slides later on with the forecast that talks around our traditional sort of market that we're working in, which we still think has significant growth, but when you factor in the additional outcomes that could be achieved in those other national critical infrastructure sectors, I think the sky is the limit. And so again very quickly, these are the sort of attributes that the CDC ecosystems affords that national critical infrastructure base, which obviously still includes government, I will never turn our back on government.

But the last bit is very important, the restricted community. This is an invitation-only sort of environment, just not every sort of person that wants to be in our environment can come into our environment, and everyone that comes into our community or our ecosystem needs to respect the rules of the ecosystem. And that's very, very attractive to the likes of banks and things that are spending hundreds and thousands of dollars a month just moving data from their existing legacy data centers into cloud platforms and back. When you can eliminate those costs and have a high level of assurance, resilience and certainly ownership sovereignty, then it's -- it gets very compelling, very quick and just our initial sort of trial prosecutions of those arguments with some of the biggest banks in Australia have been incredibly well received. So watch this space.

So from what we're just sort of pushing on next year, we're forecasting around 20% year-on-year EBITDA growth from what we've achieved this year and that's going to be achieved through the growth that you see there, those different elements, but -- and that does come before what is becoming increasing focus of ours, which is potential acquisitions, geographic expansion, that large government tenders that I don't know about yet, but certainly anticipated over the course of the year and that whole national critical infrastructure set of sectors that we are now focusing on harder than ever before. How are we going to do that? We're going to deploy about $100 million in capital finalizing Fyshwick 2, building the first stages of Hume 4. And when you see what I mean by stages, you'll understand and continuing to work hard and leverage all of the relationships and trust that we've built up over the last 11 years. So in terms of growth right now, before all those other exciting initiatives, Fyshwick 2 and Hume 4, 21-megawatt facilities are the biggest facilities we've ever built. We're in negotiations for as much as 10 megawatts of that right now, which we hope to finalize a significant portion of that in the coming weeks.

Then Hume 4, and Hume 4 is enormous. So Hume 4, which is the annex to the Hume 3 footprint, which has 3 data centers on it today, could be potentially a 50-plus megawatt site with multiple data centers, and we're very, very bullish about getting that up and running as quickly as possible: one, because we have clients that want to move into it, but secondly, because, I think, if we get any momentum whatsoever with some of our augmented and new strategies, then I think, it's going to be scary what is possible, which is good.

So in conclusion, we're very trusted, we're reliable people sort of do believe that we are a premium slightly different provider with the people that understand now the ecosystem offering that we have, which is a collection of world's best practice operators operating out of our foundational layer, which is our facilities. And because we worked hard on the financing side of things, there's no sort of -- there's nothing in the next 12 months that's going to stop us or distract us from just getting out of bed every day and running hard at the business. So it's exciting times. That's me.

ALISON QUINN, CHIEF EXECUTIVE OF RETIREAUSTRALIA AND PRESIDENT OF AUSTRALIAN RETIREMENT LIVING COUNCIL, INFRATIL LIMITED: My pleasure always good to follow Greg, I found it fascinating coming today and hearing about these exciting business ventures.

So I've got 17 slides, and I've already had my time chipped. So I should probably move straight through it. This afternoon or this morning rather, I wanted to talk and just basically touch on 3 areas of focus for you, the first one being the investment thesis. So really just to bring to fore again the story about why investment in the Australian Retirement Village Industry, its demand drivers and some of its dynamics. I'll talk to you about our core business, the execution and performance. It's the real powerhouse of our business, and the challenges and the highlights that we've had in the last financial year. And finally, probably for me, the most exciting areas of our business the growth areas, which are really directly responding to those current and the future demand drivers of our current and future residents.

So a lot of the information on this graph, which I'm sure, you'll take the time to read, but Australia really 2 interrelated drivers of the retirement industry sector in Australia. Like all first-world developed countries, we are facing an aging tsunami. The predictions are by Australian Bureau of Statistics, a doubling of our population aged over 65 in the next 30 years. Now what does that actually mean for our business and just distilling that down to 1 component of our business, which is actually the built form. So based on the current penetration rate, which in Australia which is under 6%, if we extrapolate that out, that means over the next 30 years, we need to produce 400,000 net new dwellings over the next 30 years. If that penetration rate increases as some experts predict that it shall to something around 7.5%, then what that actually means is each year, every year a net addition of 8000 new dwellings in the Australian sector over the next 30 years. Put that into some parlance or context about what's happened just in the last calendar year, Australian market as a whole industry has not been able to deliver 2000 net new dwellings into our marketplace. So the demand profile is there, if we can get the supply right and recognizing that we are moving from a builders to a boomers consumer market, the supply is there and it's up to us to take advantage of that. Obviously that interrelated dynamic in the Australian market is actually the policy platform of our federal government. With the aging population, every government of every level is trying to concede or consider the policy levers that they have to be able to mitigate the impacts that it's having on governments. And the levers that the federal government in Australia is looking at is largely down to 3 things. 2 of those are already well and truly underway, which is the move towards consumer direction of care, and the more complex 1 about the consumer direction of care is how the federal government can actually disconnect its current funding regime to disconnect the accommodation funding away from the care services funding. So increasingly, the Australian government has come out and announced that it is the interest for it going forward is to provide funding to those Australians who need assistance for the provision of their care services, not necessarily directly linked to their accommodation services at all. And obviously the third part of that is the co-funding. So those that in Australia can afford to participate and fund part of their care services needs, will increasingly be relied upon to do so. So the federal government can focus its funds to those people who can't afford that. It's a very comforting slide to me, at least. This is the third time I've been at the Infratil Investor Day, but only been with the company really just over 2 and a bit years. But it's comforting in the fact that we recalibrated and had a look at our strategic vision back in 2016, and we've revisited each year, but it has remained consistent. Our vision really is to put our customer at the center of our thinking and if we do that is going to drive us to deliver the retirement living and the care services options that really will make RetireAustralia the first choice for older Australians and their families as they age. Our business has always been broken into those 3 streams, we've got our core focus obviously, first and foremost, it's the primacy of our business and really that is about our existing portfolio, our existing 27 villages and our 5000-plus residents that call a RetireAustralia village home.

You will see, in the last year, an increasingly, I think over the next 2 years, a real narrow and sharpened focused by RetireAustralia on that core portfolio because success here leads us to be able to deliver on those other 2 streams of our business that are evidenced up there. Previously, I've talked about those as enabling parts of our business. And I think it's the reality and Marko touched on it before, that really have moved to become a growth area and have moved into a delivery phase of our business.

Again, this slide is more about consistency. I showed this slide first in 2016 at this event. And this slide is still relevant. It's still very much part of our discussion strategically around the table. As we evolve and as we develop the implementation of our actual visions and our strategic objectives, then we become clear and we're able to better define some of these outcomes and the timing of those. A good example here is, on that slide from 2016, I spoke about 7,000 residents. Probably the better framework for us to consider is actually the dwelling types that we actually have rather than the population because the mix of that dwelling is obviously going to determine the population of that individual dwelling as well. So as I said, as we evolve and implement, we're getting better placed to define the goals and the timing of those goals.

Again, last year when I was here, I put up these 6 benchmarks. So effectively, this is the RetireAustralia report card, if you like. And some really strong ticks and achievements in the business in the last financial year and what has been a challenging year in the Australian context. There's 2 work in progress there. I just mentioned one before. Talking about the residents. Really, we should probably talking about the number of properties that we've got that can be occupied by our residents. And I'll talk a bit further about those 2 urban villages and the re-prioritization, I think, that we've had in our profile about delivery for the development pipeline. But some great work. And the RetireAustralia team, which is now 400 odd of team members really had an exciting and solid year for FY '18.

Back to the specifics now about our core business. Again, a consistent approach to the strategies that drive our success here. We really are targeting a care-needs-based resident. And by rolling out our care services program, that's really supported and facilitated those residents and the drive for that care needs resident base there. Obviously, that enables us also to increase the entry age of our residents coming into our communities. What we have done, and I think we're getting better at as well, is talking with, engaging with and communicating effectively, not just with our existing residents, but with their families and with prospective residents. So those things together are really driving that success that we've had there. And those results up there over the 2-year period are really driving the entry price of growth that we have now in our villages.

I've put an asterisk up there on 2 elements around financial innovation and also about the retirement living experience itself. Financial innovation, we have mimicked, if you like, some of the knowledge and the evidence base that we can reach into the New Zealand operators market. And we've introduced a new standard contract, which is largely -- well, it's not largely, it is an entry-based contract. So increasingly, we're seeing in Australia that adoption of that entry-based contract. As we go forward, that's really closely linked to that point above, which is about the speed to market and the refurb process. So when we talk about speed to market, what we've actually done is to put that in the frame of reference of how a customer actually experiences that. And so looking at how we can facilitate and support our customers, our residents, who've been with us for that 8 years or those 10 years, as they leave our village and support them and their families through that process. What that obviously in the back end is enabling us to do is to control that process a bit better. So that we're getting in there, reinstating and refurbishing those products, so that we can get them back to market in a quick space of time. So that we can then put that back out to sale and have a new resident come through and occupy. It's not the prettiest of sayings, but sometimes I say that I think retirement living or elder care services really is a fast-moving consumer good. It just happens to practice itself on Catholic time. So the journey is a bit longer. The other one that's up there, the financial innovation. I think there's really more to come. And we've seen some green shoots of that out of the Australian sector just in the last 6 to 8 months. And at RetireAustralia, we'll be applying quite a focus of that over the next 12 to probably 18 months, especially as our new development pipeline is coming into a reality because we want to make sure that we've got financial contracts that are suiting that new clientele who's coming to us from that builders rather from that boomers generation as opposed to the builders.

The other thing that's up there, which I think is a real key point of differentiation opportunity for RetireAustralia is the retirement living experience. Because for RetireAustralia, we really want to make that a special journey for our residents. And in the Australian landscape, that's probably not as well prosecuted as it is here in New Zealand. And we see that we can take a lot of learnings at the New Zealand marketplace and apply that to our business in Australia. And as I said, really drive a point of differentiation for our business.

On the right there, internally, RetireAustralia, we -- how do we define our success? And we define that with our resident engagement. And it's just not what we engage with our residents, but how we engage with our residents, and that's also equivalent for our team members. The people who come and work in what is relatively a low-paid environment sector in Australia, with a median age of our workforce 48 to 50, they're there not by virtue of myself or our shareholders, they're really there because of our resident engagement and what our people, our residents are actually [like]. So keeping that team engaged, making sure that we're getting the right people for the right jobs and nurturing and supporting them, to us, that will drive success, which is getting full villages up there and driving down that vacancy rate and being a leader in the Australian marketplace for such.

I have thrown up some measurements there. Again, you go through those at leisure, but it's not just being able to measure the success, we want to be able to rate the quality of our success too, which, again, links back I think to a bit of point of differentiation that RetireAustralia is looking for in that Australian marketplace. It'd be remiss of me to, but not stand here today and spend a bit of time about the issues that came about in the industry. We really did have a torrid last 6 months of last calendar year. In June of last year, ABC and Fairfax Media took a big stone and threw it into what was, rightly or wrongly, a relatively calm pond of retirement living and dropped it. And whilst people at the time wouldn't necessarily admit to that. The ripple effect of that has gone through. And I have spoken to a lot of operators, both for-profit and not-for-profit, and it has affected every single operator that exists in the Austrian marketplace. I think at RetireAustralia, we were quite immediate in our recognition, in the perception that we were keenly aware that there was a shift in the public sentiment that the retirement living sector perhaps had lost a bit of its public trust in that point of time. But talking to other operators and players in the marketplace at the time, people were a bit quiet about that. So it wasn't until probably in February when we had the half year results from the listed players come into the market that we could actually see that those bigger players -- the biggest players in Australia had suffered. The vacancy rates had suffered. The resale rates were suffering as a result. There's been a strong kick. And if you ask me today, I think, well and truly the recovery is well underway in the Australian marketplace. But just like to step back a bit and sort of again go back to RetireAustralia, its point of differentiation, keenly understanding the New Zealand marketplace. And as I said, we were aware that there was a shift in the public perception in the retirement living sector. So what did we do? We didn't wait until February. And the results came out and they proved to us that there was a shift. And this again is one of the benefits, I suppose, of having association with our shareholders and by extension with the Morrison. We actually undertook an internal review from which the management team were able to develop a 33 point, I want to call it a continuous improvement plan, which we think implementing that now will better protect our business against any future likelihood of a similar occasion occurring in the Australian marketplace.

On the right there, there's a perception study that was done. That's actually stolen out of a Stockland report. So thank you to Stockland for that. But there was also just last month in Australia the largest research piece undertaken in that sector, which had almost 20,000 people interviewed, both those that lived in retirement villages and those that didn't live in retirement villages, to assess their settlement and their satisfaction with the provision of retirement living. And that came back with some really positive results, but it also came back with some areas of learning for the sector as well.

Talking about the sector. Perhaps I could just touch lightly on what the sector did do. For my sins, I also have the joy of chairing the National Retirement Living Council in Australia, which is great because I get to talk to and I get to understand, I get to learn a lot about the other players in the marketplace. But it's also a bit like herding cats, I'm sorry to say. The Australian market is not necessarily as cohesive a marketplace as what you experience here in New Zealand. That 8 point of implementation plan that's being worked on and will be delivered progressively throughout this year, for instance, has some very standard things that are compulsory in the New Zealand marketplace. A code of conduct compulsory for all operators in New Zealand. In Australia, doesn't exist. Even as late as 2 weeks ago, we had representations with the New South Wales government. I'm talking to them because they've recently had the [CRANA] report into the sector as a result of the media focus last year. And they're actually finding it quite difficult to come up with some ideas that they actually can implement to show forward movement about responding to the public perception. And as an industry, we're able to say,

"well, we're developing a code of conduct." You could actually adopt that and make that mandatory for all operators in New South Wales and you could be leading the Australian marketplace by doing that. Needless to say, the politicians are always quite keen to be able to adopt something like that. But the sector as a whole -- it's quite -- it's been quite a unifying, and I think, quite positive response, and it will have been a great thing for the sector just to be able to rally together and to actually focus on something that generally lifts the high watermark of the sector as a whole.

Part of that continuous improvement plan, one of the elements that came out of that also and lots of hard work going into it was also just to revisit and review of the capital structure to support RetireAustralia as we look to deliver on both our core businesses, but also the growth areas of our businesses. So you know, that was a large piece of work that was undertaken over the last 5 to 6 months. And I'm very pleased to say, it was closed before the end of the financial year.

Now if I could just move through to some of the growth areas. As I said, move past from being just emerging to becoming fundamental areas of our business, there's a lot of data on this slide, but I would like to just run through some of it.

We -- in the last financial year, we have gone through and completed 3 of our brownfield projects. We have got 2 currently under construction. We've revisited all [ballot] areas available in our portfolio and redefined what those design requirements and delivery mechanisms can be.

On the green side -- the greenfield side of our projects, 2 of those have received a development approval, which has been very pleasing and a major milestone for the business. Another one would have -- I've put hand on heart if the Commonwealth Games were anywhere else but in the Gold Coast because they've been obsessed about the Gold Coast for the last 3 months. So we are on the agenda for our development approval to come out this month from the Gold Coast City Council for the -- Burleigh Golf Club there. And we have got 3 developments that we are obviously moving through the development planning and approval processes as well.

Now recall, I put up that earlier -- that report card and we were to have 2 urban villages under construction in the last financial year. What we actually did was revisit some of the priorities there. And as you can see, we have prioritized some of the brownfields at Glengara Care and the Wood Glen villas there, which also was more closely aligned with delivering our care strategy as well. So that is probably the reasons why those urban villages will come online in the next current financial year.

And as I stand here next year, I'm pretty confident that we'll say that we'll have completed one of our villages and we will have 4 projects under construction at that point in time as well.

The other very exciting thing throughout FY '18 for our development acquisitions and our construction team was really validating the capabilities that we had in that team. So a lot of heavy lifting done throughout that. Way too much information on this slide and you can look at, at your leisure. But needless to say, the outtakes of it is that those early goals remain consistent. But as we evolve and we get better at defining those goals and the timing of them, this is more the fine-grained outcomes of that. We are on absolutely no track -- no doubt that we are on track to be able to deliver the seniors housings that we had set in our strategy and that, that will provide our retirement continuum of care as well in our products as we go forward.

Our longer-term goal has always been 300 dwellings per year. We've moderated that in the short medium-term to 200, but obviously, that longer range target exists of that 300. And each year, we will be adding 2 new projects to that development pipeline. I should add that everything on that page is stuff that we control, so there's nothing up there that's perspective or that's under due diligence.

Just quickly, I wanted to talk about delivering that continuum of care, the RetireAustralia way. It's not quite the same as the New Zealand model because it is different. It's nuanced in a different way in Australia.

The Care Apartments, what are they? We are transitioning from -- in Australia, we talk about the vernacular of a service department, but really that's just domiciliary services. So what we are moving to is a language that you'll probably hear more and more out of Australia, which is talking about a private aged care model. And that private aged care model doesn't operate under The Aged Care Act. It operates under that Retirement Villages Act. And that's where RetireAustralia is very much focused on.

What that does mean, and a key point of differentiation is that we are not providing a continuum of care in an institutional way. People are providing and having their continuum of care in their homes. Yes, they might be transitioning into a care apartment, but it's still that home environment, not that institutional one. Of course, importantly, for our residents as they transition in their care needs, there's no doubling up of DMFs, so that deferred management fee moves with them. Their village maintenance fees are just looking after their base business -- base village costs. And similarly, as they would in their own homes, they're paying for their care services as they would. So they're participating and funding themselves. And if available, they're taking and participating in any government funding that might be available for them as well.

Importantly, there are some schemes that are operating under a private aged care model in Australia, which are doing a lot of pooling of residents' funds, and in almost like an insurance scheme. For us, that is very much contrary to the Federal government's policy about the consumer direction of care needs and care services. So all of the money and the funds available for an individual must be accountable to that individual and should not under any circumstances be pooled in that regard. The built form, 45 square meters, so it's really a decent 1 bedroom apartment there. It comes with everything that you need. From a RetireAustralia perspective, what are we doing differently up there? Livable housing guidelines, we're doing that to a gold standard. Very few developers of retirement living in Australia are doing that. And probably, uniquely, we have reached across to Stirling University in Scotland, and they are actually facilitating us in designing a built form, which is best suited for anyone who is living with cognitive impairment. And every single one of you in the room over the age of 50 are living with cognitive impairment. So it is not an aging thing. So it's coming out with best practices, and we think that's kind of be a formidable benefit to us when it's in delivery there.

So quickly, now I'm chewing into time here. But just, how do I bring that all together for you as a picture about what the RetireAustralia care model actually looks like. So it is blending that accommodation model with those care services and people have the choice, and that's really important in our model. People have choice, live independently, live in a supported care apartment, choose from those care services, dip in and dip out as your care needs actually fluctuate according to that. And if we wrap that all up altogether, then that's what's defining a private aged care. And importantly, it's not in an institutional environment. And when you talk to any person who's aging, hands up who wants to go to an institution to die. There's not many people who put their hands up about that. People want to stay in their home, in that homelike environment, and that's key underpinning of our care model there.

On the right there, I've got some details -- further details about the Australian care funding model, which is changing. Just a point of reference, I'd say the last 2 there the government is delayed on. The reason being is that the government at the moment has over 100,000 people on their waitlist waiting for home care packages, 100,000 people. In addition, there's an estimate of another 55,000 who haven't even made that list. So that further deregulation and that separating out of -- I spoke of earlier, from accommodation and care funding by the government, and perhaps a higher level of care funding that they'll provide in someone's home, that's not going to be able to be affected until they can work through the systems and the processes that they are able to validate, so that they can get those 100,000-odd people through their pipeline.

On the right there, I have put some specifics about RetireAustralia's actual progress through there -- and can I say that we have really prepared ourselves very well for this changing landscape because it's not a landscape that's changed overnight. The government has set out a roadmap. It's been available public information, and it largely has bipartisan support. So those businesses that are choosing not to look at that roadmap and adapt their strategies to it, I'm glad we are not going to be one of them in the future. So we are very well placed to take advantage of that.

Interestingly, one of the lovely things that's happened about the rollout of our care services is just the success that we have been having. Because our people have been working one-on-one with our residents, and because they need assistance guiding themselves through this myriad of things that the government has set up as a process that they have to follow in order to receive a home care package. An actual fact, we have got a conversion rate of 2 out of 3 at that moment. So every resident that we're touching, we're converting 2 out of those 3, which has been really fabulous for the team to work with.

So I thought, I'd just finish on this last slide, which is where we want to be, our report card, if you like, in 12 months' time. That urban village is under construction, and continue to build and develop our development pipeline. As I said, I think we'll be comfortable that we'll have 4 under construction next year, well and truly on track to deliver that and continue rather to increase that average entry age.

Care, we have done 30% this year. We'll be up, well and truly, to 60% of our care services being offered to all of our residents this time next year. The resident number, as I said, I'd like to start talking to you more probably around dwellings as opposed to resident numbers. And that narrow and sharp and focus on our key portfolio that robust operations and resell's business, because that really is the heartthrob of where we are.

And if I could sum all of that up, if we have got 422 team members at RetireAustralia, and if we could love every single one of our residents, all 5,000 plus of them, that would lead us to success.

Look forward to seeing you again next year. Happy to take some questions, and I think I caught up some time.

VINCE JAMES HAWKSWORTH, CEO OF TRUSTPOWER, INFRATIL LIMITED: Okay. Thanks, Mark. We'll go into it straight away. So I guess, the sort of story I'm going to tell this afternoon is about the fact that the year and some months, as you heard this morning, post the demerger with Tilt, we now are repositioned as Trustpower. And I think that repositioning is complete. The multiproduct platform that we've built has scale now, and I'll talk somewhat about that scale as we go through. It's got growth potential, and it's performing really well.

GSP Energy, the Australian Hydro assets, which we picked up a few years ago for AUD 70-odd million, we were able to exit those very nicely at AUD 160 million. So what we've seen is an ability there to buy and then repackage and sell as well.

Completion of King Country Energy takeover. So I guess, one of the things that we -- and we'll talk a bit more about as we go through -- one of the things we are is patient. And when you're working with Trust, you have to be patient. You have to be prepared for the unexpected as well, but you have to be patient. And we've been able to work through with KCEPT and get a good outcome in terms of consolidation, and we're underway now consolidating the retail business and that will deliver synergies into Trustpower's book.

We've resolved the debate with TECT, and I'll touch on that a bit further.

So on the theme of last year, we are feeling well positioned in a world that remains uncertain in electricity, energy. Utility retail has lots of uncertainties. But I think if you do the job really well, if you get keep focused on the consumer's needs, you can make money and you can grow. And you -- what you'll find then is that the year on from last year, you move from the sell-and-recycle bucket into the core cash-generation bucket, Marko. And I'm still working on how to get into the other bucket, but that's okay. I enjoyed your phraseology a lot more this year.

So we sort of think about our business, and this diagram is something we try and use internally as well to get people thinking about our business. A key pillar of our business is bundling energy and telco. It's absolutely a core pillar now. It's not a start-up, it is what we do. And it's a growing part. We think about our generation portfolio as a performance-based part of our business. It's not about what the assets are. It's about as much as how the assets deliver in our risk and revenue maximization. We have a legacy electricity retail business, which is gradually shifting into the bundling energy and telco bucket, which we are always looking to maximize the value in that. But we have to be open minded to new opportunities. And some of those opportunities will come because you've thought about them a long time and you've seen the opportunity open up. Some of them come because they are presented to you and you can think about them in your strategic framework. And there's a lot of discussion about processes that Trustpower might be involved in or not, the Australian press have banded on about. But many of those things come because you've created a capability. And the capability that we are very much about creating is on the column below about meeting customers' needs, about driving actions based on quality insights and analytics, about being sort of scalable, agile and having the right people to deliver for our customers.

So just looking at that -- some of that performance stuff. This graph is sort of pretty simple, straightforward. All it really says is we got a lot of water last year over on FY '18. We've added in the KCE assets, and what we're really saying there -- on the right, on the far side, the long run average of water now is above the sorts of years we had in '14, '15 and '16. So we can feel confident that we have a strong performing generation business, but it's the way we then choose to use it that I think is important. So what this chart is trying to show is you have got some storage gigawatt hours on one side, you've got price per megawatt on the other side. The blue line is Trustpower's controllable storage. So when we talk controllable storage, we talk [indiscernible] Coleridge and Whangarei. The orange line, are the wholesale prices last year and the biggest spike is, obviously, the winter and the mean storage is the purple line. The message in here is we were well positioned for last winter. So when prices went up, we were able to use storage. We were able to dig into that. We were able to take advantage of it. But we also knew that we needed to be well prepared if that repeats this winter, so we can then use the market to balance out our portfolio. As it happens, it's also we've had some inflows as well. So where we find ourselves now is as well positioned with the combination of storage and hedges this time, this year as we were last year. So we can feel comfortable about managing volatility in wholesale price, but exploiting that when it comes along.

As Marko said this morning, it doesn't turn up every year. If it did, we'll be really happy. But you've got to be ready and you've got to be ready for both the ups and the downs.

One of the things about -- and we talked many times before about the size of our portfolio. So the many, many small hydro stations. It's really important that sort of top 5 or 6 perform really well, because they create a disproportionate amount of our revenue. The others contribute, but they contribute the most. So Matahina is a case in point here. With Matahina, we are doing a refurbishment at the moment. And the way we've gone about that is to say what opportunities are there when we do the refurbishment and how can we do those in the most economic way, while still delivering on the long-term reliability. So one of the cool things, I think, that the team have done here is, they found one of our competitors had a -- never been up a hill, never been out in the rain. Transformer that hadn't got many -- too many hours on it and we were able to purchase that transformer at really scrap value. So we sort of paid them scrap value. We took it away. We've given it a coat of paint. We've actually given it more than a coat of paint, but it's sort of coat of paint as well. And as a result of that, we've been able to refurbish 1 machine at Matahina, install the transformer that's going to have another sort of 20, 25, 30 years of life to that chain of production.

And in doing all these things, we improve our overall risk position, our asset management maturity, and health and safety.

So our generation business is a solid core of what we achieve, but of course, what we have also got to do is we're going to turn that solid core into a profitable retail business. Now there's always a lot of debate about vertical integration, and I think, sometimes the debate gets in the way of, sort of, the realities of the world. Of course, you can separate the 2 parts of the business, that's undeniable. But if you have got both parts of the business, the game is to make sure that you create value in both parts without thinking of cross subsidization and processes like that. And that's right at the core of what we've tried to do with our retail to generation business. And the first plank of that is building value through our bundling of energy and telecommunications.

So when I stood here probably 4 years ago and talked about the 49/79 plan, I think there was a sort of reasonable enthusiasm for what we were trying to do. And then probably by a couple of years ago, there was a few sorts of clouds on the horizon, a few worried faces about the sustainability of this play. But we are now in a position where I believe we have moved well beyond the start-up phase. What we are in now is -- this is the way we do business in Trustpower, which is providing utilities to the home.

So a little chart there shows that now we have 32% of our bundled customers are in metro regions. When we started on this journey, we've actually had 0. So 32% there, 44% regional, 24% Bay of Plenty. And organically, 2/3 of the customers that come to us. So they're may be customers -- they're not ones we've gone out to with a campaign, but organically. They're moving house or something like that or they're making a change. They interact with us. 2/3 of those customers are taking 2 or more products.

So we are rapidly not only having over 100,000 customers, which have more than 1 product, but we are also rapidly approaching, as we speak, to sort of 100,000 telco-customer mark. And that we see as [very] having now got us into an established position.

So as I say, we now see ourselves as the leading multiproduct business and we think that is a major differentiator from competition. The reason that we think it's a differentiator is because we know how hard it was to get there. I mean, it's not something you can just [oh, well, we'll], just go and do this. And largely because you have to build faith with customers that you will deliver the product they expect. And none more so than once you start to get into this whole thing of Netflix and people hate seeing the buffering wheel and they want to know that it's going to work, all of those things are about how you sort of control the value chain between the consumer and the delivery. And that gets easier once you've got scale and you've got some scaled processes.

So our targeted acquisitions, now we now see -- we are -- we continue to see -- in fact, I think this time last year, we saw 80% of new customers taking 2 or more products. We continue to see that. But you'll see the slightly different bundle there because 46% of those customers are metro customers, which reflects the sort of [play way] we've been doing the campaigning, and 32% regional.

But interestingly, if you go on the other side there, look at those bundled customers by tenure, we now have 40% of customers 1 to 3 years there. Or if you want to look at the other one there, sort of nearly 40% of customers with greater than 3 years.

Now this, I think, is really important because customer lifetime value really is how the game goes in a retail utilities business. So you can look at the sort of first-year margins and we get this all the time. People say there's a deal out there, and it was used in the -- by a few people in the -- when they do the, sort of, price comparison stuff, and around Bay of Plenty is an example. They'll say, "yes, if I take this deal, which might be a 1-year deal that saves me $300 or gives me 3-months free whatever it is." What's the real issue is, what's post the 1 year that how many people stay with you, not what the deal was in the first year.

So we think that this 10-year issue is really important and we'll continue to seek to cross-sell because we believe cross-sell drives retention.

Here we go -- oh, there we are -- drives attention.

So you've seen this graph before. The bottom 2 lines are about the electricity and telco and the Triple Play. And what we are seeing is -- we see a lot of competition in the dual fuel space. So whenever a competitor that does dual fuel wants to try and gain some market share, that's where we see full on competition. You can see that with a little spike on the green line. But what we see in the telco electricity and the Triple Play is we see pretty good retention and growth. Churn was always going to increase as you got more customers. Because when you only got 10 customers, you don't get much churn. When you have got 100,000 customers, you're going to get more. But at this stage of the game, we're getting more comfortable that the churn is flattening out.

The other thing that we've changed is -- so when we started with 49/79, we moved to 59/89. We are no longer doing those what our price-driven discounting -- upfront-discounting type products. No, we're not doing those because the challenge of those is when you move from 49 to 79, it gives people some indigestion. But, you don't need to give them, if you don't structure stuff like that.

So we have moved much more to what we would describe as value-based offers. And I think it kind of created a bit of sort of entertainment and consternation when we moved from TVs to washing machines. And to get your washing machine, you have to have high-speed broadband and everybody said, well, how do I watch TV on the washing machine. The point of the thing is that actually it's a really good hook when people are making those decisions. So you think about people moving house, they might not want the new TV. In fact, there might be that the fridge or the washing machine, give them more intrinsic value, but they still want a high-speed broadband. It's like a -- puts the control in the consumer's marketplace. And effectively, we are getting that customer.

So what we're seeing is lower churn, lower credit risk, better sales conversion, less leakage through the sale process, and we're seeing higher energy consumption and larger data plans.

So as they all start to come together, I think that bodes well for the future. But of course, we have still got an electricity business and that's pretty important as well. But electricity only is still highly competitive, churn levels in that space are high across the board for us and for our competitors. We try and balance our portfolio between the sales we can make in mass market and then across the consumer and industrial and government type places.

Clearly, there's new energy and emerging technologies. So solar batteries, we're well aware of those things. And what we find is that the best strategy for us is to move people into the bundle area because that is a unique arrangement that they can have with us. Having said that, in our electricity customer base, over 60% of those customers have 5-plus years' tenure. But you'll see there -- if you think about that, you'll see that there's -- much fewer of those customers are in the metro region. So you look at the dynamic there, there's a lot of that is [trespass] where you might call legacy regions, they have plenty and regional New Zealand.

One of the challenges that we see with going into these, what are effectively more customer-intensive products like telco, where the tolerance for outage is much, much lower, notwithstanding the fact that today is probably a day where the tolerance for outage in Auckland is probably not good with 100,000 consumers out across Auckland at the moment, but the tolerance for outage is much lower. The propensity to contact you can be much higher as you have to think about the media methods by which you talk to your customers. Because otherwise what you end up with is being overwhelmed by phone calls.

And interestingly enough, with what's going in Auckland and in the Powerco region today, I'd a little e-mail come in just before this that told me that at the moment, our electronic methods of communication are deflecting 70% of our customer contacts today.

Now we are still overwhelmed with customer contacts, right, because there's massive outages going on around the country. So you have to bear that in mind that this is what's happening. So one of the focuses we've got is, this sort of efficiency automation and digital solutions and we have largely focused those at the customer points of pain for a customer that is with us as opposed to a customer that's coming through the pipeline to us.

So the blue line just represents the total number of customer products that are being supplied. So you'll see that's increased because -- well, we have got more products, total products. Telco is a product, gas is a product and electricity is a product.

The yellow line represents our customer experience advocates, CSRs, whatever you want to call them, full-time equivalent and the purple is the staffed contacts. So when we call it a staffed contact, that's a contact where a person has been engaged in the process and the green ones are the non-staffed contacts and they can be across a whole bunch of different solutions.

Now you'll see -- between quarter 1 and quarter 2 last year, you'll see that up kick in total contacts. Now partly that was driven because we talk about -- when we talk about contacts, we also talk about the ones that we have through the sales process and that was our first attempt at selling the entertainment bundle and it was the -- when is my TV going to arrive type contact that got driven through that.

We -- so we've done some work on that. Since the Q3 '17, second to last one, which just blips up a bit before we head down was largely due to a whole series of days like today, a disproportionate number of weather events. But the important thing there I think is the increasing size of the green versus the purple, and obviously, the decrease in yellow.

So what's behind that? So this chart shows the type of automation that we have now got in play across our customer base. So back in 2016, the large block of purple are phone contacts. If someone ringing out and they may well just be say, "Can I have my account balance or when is my next meter read or something of that nature." The 2018 year-to-date at the top there shows how much the purple has reduced. So 45.7% are now serviced without human intervention, but also it shows the introduction of the different things that we do. So whether that's the Trustpower App, whether that is our chatbot, which is our sort of virtual chat thing that effectively has been trained to answer people's questions. Whether it's web chat, which actually has a person behind it, but that person can deal with 2 or 3 web chats at the same time. So that -- they're all different vehicles. The chatbot is quite interesting because the chatbot has been trained to answer all sorts of questions and they've been trained by effectively working with our own CSRs. And they know -- the chatbot knows when it's 80% plus certain of getting the answer right. And it carries on if [that's okay]. But if it drops below that threshold, it immediately says, "Oh, I can't complete your query, I'm going to move you onto a person, a real person." And we are not -- we don't hide the fact that the person has been dealing with a chatbot as opposed to a person. They move on to a real person. People are quite accepting of that. Interestingly, the chatbot is receiving post-call satisfaction ratings on par with an agent. So yes, did you like Tony, the chatbot? Yes, she was fantastic. [Got another named] [Tony]. Yes, he was fantastic, as Tony could be either.

So we -- they're really having a positive effect, these channels, and the other positive effect, they're having an effect on staff because what this is doing is it's moving people onto more interesting work, more challenging questions. So that has 2 effects. One is, people I think are getting more satisfaction out of doing their job. The other effect is though we have to be much more conscious about resilience -- people's resilience, their ability -- if they had a really difficult call, because it's likely that more of their calls are more difficult, and they're not just, "can I have my balance?"

We see a lot of opportunity to continue this. The next thing we will -- we are sort of trying to understand a lot more of is the whole issue of voice recognition and voice stuff. So -- but a lot of this is quite new in the utility space.

So I just -- into this last little bit, yes, everybody is aware of the TECT process. Many of you have spoken to me about it over the last couple of days. TECT announced a preference for a way forward that resulted in the windup of the consumer trust. Trustpower opposed that. I think at the end of the day, Trustpower ended up being the voice, the advocate for the consumer. And as a result of that, we -- there was significant submissions that were against the proposal and the trustees have withdrawn the proposal and stated that the checks will continue. We think it's unlikely that trustees will revisit this proposal. I know it's a -- it was a pretty overwhelming response. It doesn't mean there won't be any change, but I don't think -- to find 6 trustees who are willing to go down this path again, I think it's probably -- for anybody that lives in the Bay of plenty, I think the bruising experience for everybody, nobody would want to do that for a decade or more, it would be my view.

There's some other regulatory stuff going on. We -- look, 100% renewable electricity by 2035, it's fine. If -- and I realize it's in average hydro conditions, it's fine. I think as an industry, we have to accept that's the political direction. I don't think there's any point in wasting energy, trying to say, well, actually there is other transport or other places that if the political belief is that's where they want to get the electricity sector, well, I think we're better to work with it and find ways that we can be part of the solution, not fight it.

Electricity price review, we -- look, again, we think that the market functions well, but one should always be aware of things that may occur. And I think, therefore, we have to be strongly engaged. At this stage, I don't see this is a thing that we need to be frightened about, but we should be aware that there are sectors in the industry that will have views about vertical integration, for instance or retailer pricing and all those things. So we have to be able to deal with those things.

Telecommunications and gas. We'd like to see just more consistency in the regulatory framework. And I guess, we are particularly interested in the access to mobile networks. Not surprisingly, many of our telco customers would like to see us providing with a mobile solution, and one of the challenges is getting access to mobile networks. We think it's quite good that in the telco review that's going on at the moment, there seems to be a trend towards giving the Com Com, not -- so -- to making it a schedule to the Com Com's rights to do something in that space if they see the need. So rather than saying we will regulate, it just gives them the ability to do that without going through a full process again. It gives them a toll. We probably think that makes some sense.

And in industry consolidation, I've already spoken about the KCE thing. Well, that's underway now. We are working with staff at KCE to integrate that retail business into Trustpower. And of course, Trustpower would be interested in further consolidation because we think that works both for the market and for us.

GSP energy, I've spoken about. Obviously, we will continue to look for other opportunities where we can buy low and sell high. And I think that's fine as long as we can convince everybody else we're buying low and selling high. I think that's a good thing. And look, yes, we've made some money there. We do, therefore, have probably more money and a different sort of level of gearing than we have had in the past as a result of that. And we're sure everybody will want to know what we're doing with that money. We are hoping to find something that we can do with it before someone takes it off us.

So in summary, I'm feeling really positive about the position that we've now got ourselves into. It's easy to make excuses and -- but as Deion rightly said, setting up a new business is pretty hard and also getting rid of it was pretty hard as well, and it distracts you. And you have to get yourself back and focused. We believe that the multiproduct platform is delivering to customers and shareholders. We think we're well positioned in a world that is uncertain and changing. And I put this in again because the interesting thing is that this was -- it was the uncertain changing world, which was the thing that the Trust publicly talked about as to why they wanted to make a change. And yet I believe, it's the uncertain and changing world that gives Trustpower the opportunities that it has because we've always been good at finding ways to make money and do good things for shareholders and do good things for consumers when the world is uncertain and changing.

So with that, I'll finish and I'll use my timeout and I'll take questions.

(presentation)

One of the big things that come through on those surveys, toilets, clean toilets, good dryers and somewhere for women to put their handbags. There's the sorts of things -- little things that make the difference on the ASQ score.

Innovation and efficiency. And this is an interesting one, because the recent CAPA and customer survey, and the most important thing for our customer going through the airport is seamless entry from the curb to the enplanement. So we have certainly put a lot of effort into that with our partners, airlines and if you follow that through, everything from entering our car park now, we've got optical readers of number plates and for the simple billing. And when you get to the check-in, you can do self-service check-in and when you go through to the gates now, particularly on the regionals, you get self-boarding gates as well. You see those come onto the jets soon. And one thing I can't offer you is self-service security and that's not going to change unfortunately.

But even going to the aircraft now, we've then invested in Nose-In Guidance Systems, which brings the aircraft to the air bridge without the traditional pedal wavers and even beyond that and this year we're introducing PBN, which is performance-based navigation, which again, is efficiency for the aircraft. So something that we really do and invest-in as well.

Aeronautical returns. I think my key point here is that the recent report from MB concluded that largely the current regulation is working well, and they don't see any need for change. That's something that we will certainly push through this year and there are some challenging times ahead with the change in government and some of the statements that have come out. But we watched carefully what Auckland have done, we watched carefully what Christchurch have done and we certainly look forward to the Commerce Commission reviews of those pricing events that have just taken PSC4. In terms of our own disclosures, we had 8.58% ROI, excluding revaluations, 6.7%. We are starting to prepare for our next PSC4 round and that expires on the 31st of March, so we'll start quite soon on that. But what I can suggest to you today, don't expect any surprises. So talking about aeronautical and aeronautical growth, I'll hand over to Matt.

MATT CLARKE, CHIEF COMMERCIAL OFFICER, WELLINGTON INTERNATIONAL AIRPORT LIMITED: Thanks, Steve. Okay, hello, everyone. Okay, so before I talk about the new developments I guess that we have in recent times and up and coming, just wanted to touch on the recent past. And just have a look at the growth in the international passenger traffic at Wellington Airport since the Infratil purchase. So it's now been 20 years since that purchase and in 1998, there were only 400,000 international packs traveling through Wellington Airport. So over those 20 years, it's been some pretty good growth and we're up at 900,000 passengers now. And that growth has been very, very consistent. So it's almost been boring, I guess, and that 4.1% over the 20 years speeding up a little bit towards the end in the last 5 years at 4.4%. And I guess, just to give you some comparison there, so Auckland Airport has also been growing at 4.4% over the last 10 years as well. So we're in pretty good company, but compared to some of the -- I think some of those data growth percentages and things like that, it's not really exciting until you look underneath those numbers at what's actually been changing in the market for us very recently. I'll talk a bit about that now. Really is all about new arrivals. So as we all know, international passengers need aircraft to fly in, and we've doubled the number of international airlines that are operating at Wellington Airport in the last couple of years. So talk about each of those important ones. So Fiji Airways, it was a great example of how you can get growth that's above that kind of generic underlying organic market growth, almost stimulated from a new carrier entering a market. So that provide direct services, which add to convenience, it stimulates more travel and we get the benefit from that as an airport. So before Fiji came in 2 years ago with a 2 flights a week to Nandi, 78% or over three quarters of the market used to fly between Fiji and Wellington via Auckland. Once Fiji came in and the change since that's happened, so we get more than half of that market on direct flights now. In New Zealand, as you can expect, they need to compete, so to provide the same level of convenience they've added 67% to their direct capacity and now the actual market for us of direct traffic from Wellington to Fiji is more than tripled, it's up by 242%. And that's the type of growth that we can suspecting as our connectivity improves. As you probably saw from the video, we're all pretty excited about Singapore Airlines and I think rightfully so. When they arrived in September 2016, for the first time, we had Wellington as a point of arrival into New Zealand, promoted all around the Singapore Airlines, the massive global network and that's really had some big results for us. So already, the arrivals on passports from Asia are up by 20%, huge spikes as you expect on Singapore, as a market, but also the important connecting markets like Indonesia and India. And if you can imagine Wellington really just wasn't on the radar for those countries, but all of our modeling suggested that we would get that traffic and we're starting to get it exactly as we thought. And it was great. Interestingly, that change that's about to happen via those Singapore Airlines, flights are going to fly via Melbourne, that's going to bring about even more growth. So Melbourne's already served by Singapore Airlines with 4 flights a day. So that local markets already soaked up and the new flight, the fifth flight a day into Melbourne is going to have much more capacity for the Wellington through traffic just going straight through Melbourne and beyond into these key networks and back into Wellington. So that's going to be great. And interestingly, although that Singapore service has actually succeeded remarkably well in getting a lot of growth, it's still very much suppressed by the nature of that flight. So 3 things that are kind of slowing it down: one is that it's obviously not a direct service, so there's still better options that people can potentially get into New Zealand. Also flying via Australia requires the acquisition of transit visas so that adds cost and complexity, particularly for important markets like India, China and Sri Lanka. And thirdly, the cabin products, as we've heard from some of the people in the room here and some of the people in our own company, I think the 777-200 products that SQ is having to use at the moment. That's not quite as good as some of the other products going to New Zealand. So work is underway on all of those three factors and once those little impediments removed, we're going to see even more growth. And we know, as we can see from this chart, the key message here is the better our connectivity, the better our market share of international visitor spend. So if you are looking at that map there, that's showing the percentage of all the international visitors spend in New Zealand, the percentage that we get in the Wellington region. So centrally Australia, where we've got fantastic connectivity, double daily flights to most of the big state capitals. We get 8.2% of all the Australian spend in the countries in Wellington and that drops by more than half to most of those countries. The further away you get, the more difficult it gets -- becomes to get here, the less of that traffic we get. But we know that our visitor product is really good and as we are starting to open up these new routes and as the getting to Wellington is becoming easier, we're going to get more and more of that market and that will snowball in the time ahead.

STEVEN SANDERSON, CEO OF WELLINGTON INTERNATIONAL AIRPORT, INFRATIL LIMITED: So just turning our minds now to the future and the sort of investments that we've got earmarked to undertake. So we certainly got quite a few things to do on our airfield including, we got some new baggage handling requirements. Our old baggage system is near its end. It's going to be $25 million just to replace that and meet the new standards by 2022, called ECAC. The seawall construction that is another major capital investment that we'll have to make. That seawall is nearing its end of useful life as well. But I am going to turn to, my mind to some of the commercial things, hotel stage 2, so we are investigating the hotel was designed to have a T on it. And we are investigating actually -- getting ahead of the curb and actually doing some of the work on that design and based off the success of the hotel once it opens as well. And we've also got some second stage retail in the terminal. We're going home to lift the IPP, you're going to see those handling units come out of the main terminal building and we've got some quite exciting retailers that will come and showing the best of the Lambton Quay. And we've got further commercial development on the western land, which is our big box retail, and we're even big fans of Lyall Bay, and we believe it's got a lot more to offer just off the Spruce Goose, which is, I believe, one of the -- it's got one of the highest turnovers of cafÃ©s in New Zealand.

We're also working or starting to work on our draft master plan. So this is looking ahead to 2037. And when you think that far ahead and you also take into account the number of passengers, which will double what we have today, 10 million, 12 million passengers by 2037 and you certainly have to time that construction to meet that demand and you have to phase it over a period as well. And we've certainly -- when you're taking master plans into account, you similarly look at the number of passengers, the aircraft type, we know we've got Anais is bringing the neos here soon and other aircraft that are on order, the mix and the terminal car parking AVs, all those challenges that those things that they bring.

We also know with that growth, that we operate on quite a bit of a tight footprint. Christchurch operate in 7 times our land and Auckland operate on 15 times our land and when you have this sort of growth, you start to wonder how you can make all this fit. And we're getting to the stage now where we have to start thinking about the space that we operate in. Our really master planning that we've done looking at the -- particularly the international and the growth that Matt talked about is we're kind of snookered on the north. We've got limited apron space, the terminal is already started to feel crowded. It's got limitations and how we can expand that. So our early thinking is that we will move international to the south and will move the regionals to the north. And that will see apron come around and a new terminal build to the south and actually apron space actually going to the golf course. So on that note, and you can see here, we've just drawn some blocks here and not given the game away too much yet, that we're in early discussions with Miramar golf course and we're hoping to have a commercial arrangement with some of their land in the next 12 months.

So turning to the runway extension. I think -- well, I know I've been through every court in New Zealand now, fighting the New Zealand pilots' association and several million dollars so we've done High Court -- and the Court of Appeal, the Supreme Court and now I know what the word practicable means. So what does that mean? This is about the RESA length obviously and well, you whether you can use a cost-benefit analysis. And the Supreme Court -- I think it was a win for both parties in some respects. So there wasn't really a loser. And -- but what we do know now is that you can't take into account a cost-benefit analysis with the length of a RESA but the court also ruled that you should take into account benefits to Wellington, which -- so -- to Wellington Airport, which is some and the Director should've considered alternatives, which is the likes of concrete, which is what the pilots have been pushing with EMS. And we are currently working through that and so we expect to have a new application with the Director within the next couple of weeks and he has committed he'll take 6 months to reevaluate that and come up with a RESA length. From there, we will then hopefully restart the resource consent and be in the courts some time in 2019. So that's the kind of process that we're working to. Our economic studies for New Zealand prove that this -- the runway extension is a $2.3 billion net benefit to New Zealand. And that's for Wellington and New Zealand and some of those benefits are to Wellington Airport and our investment will be in line with that. And so we're committed to the project. We see -- we certainly see it in the future for Wellington -- New Zealand and Wellington Airport, and that's the big game changer. And I'll get Matt to talk about some of the changes in tourism.

MATT CLARKE: Right. So there are 3 big structural changes, which have taken place in the New Zealand tourism industry. Again, all in that last 2 or 3 years. And each of them are going to have a big effect for Wellington Airport moving forward. The first of those changes really relates to the photo behind me and that this is kind of the image that we are selling in the international marketplace, and all too often now and more and more this is kind of what we're dishing up and essentially, the most heavily marketed and the busiest tourism spot -- hotspots in the country are filling up. And that's really undermining the visitor experience and the whole reason people are coming to New Zealand. That's putting a lot of pressure on tourism's social license to operate and the industry is responding. So essentially the -- there's a very broad recognition across the tourism industry, the operators, the policy makers, that tourism needs to spread out. So if we're wanting to grow, we need to spread the impact of tourism across the country. And for places like Wellington, you saw those spend percentages before. We're in a great position to benefit from that. So itineraries that have kind of been around for years and years that are focused on Auckland and Queenstown. So 67% of the Chinese visitor spend for instance that all takes place in Auckland and Queenstown, 67%. Itineraries like that are going to change. Some of those have 6 trips up and down the Auckland motorway, the infrastructure is under pressure and there's a lot of policy support to get more travel into other regions like Wellington. That'll be great for us.

The second structural change is -- has really been brought about by the new airline activity. So if you look at SQ, Singapore Airlines coming to Wellington, there are more options for new itineraries for visitors to see one island or the other without backtracking. So instead of flying into Auckland going through the North Island back to Auckland, more itineraries are coming in one end and out the other or itineraries like this that include Wellington. So this one behind me is one of the itineraries that tourism New Zealand has been promoting more and more, Wellington with its cosmopolitan city attractions has been linked to the top of the South Island. So if you look at the one region of Marlborough, the national parks of Abel Tasman, Kahurangi, mix that with the Wellington culture and food and wine offer. You get a very compelling tourism product. So when TNZ launched these in China, these itineraries, they had the best response they've ever had to any online campaign in China. Mixing all of those ingredients is exactly the tourism products they are looking for. They even love our supply of the freshest air in the world no matter how fast it blows at them. So that's going to be a really big thing as these tourism itineraries are more heavily promoted the more popular they become. The third of the structural changes is really a big one for the airport and it's something we've been working ever since we acquired the [sea] of Queenstown Airport to come with us, which has been a good thing. But essentially, 10 years ago, we only had 37,000 seats linking Wellington and Queenstown. So regardless of how good we get at tourism in Wellington and in the region, Queenstown is always going to be New

Zealand's Eiffel Tower. So most of the people that come to New Zealand, particularly for the first time, they're going to want to visit Queenstown. And historically, mixing Wellington with one of those Queenstown itineraries was too hard and too expensive and not many people did it for those reasons. That's completely changed now. So this year from April, there will be 260,000 direct seats linking us to Queenstown, some of the seats are $19 now, you can move big groups at a time, couple that with our hotel capacity in Wellington. So 3,700 hotel rooms second only to Auckland. All of a sudden, mixing itineraries, which have Wellington and Queenstown it's easy and competitive and there's more of that happening. So 600% up on 10 years ago, so it's a big change and really positions us again to make the most of that growth in New Zealand tourism and catch the wave as it gets bigger and bigger and bring it all to Wellington.

STEVEN SANDERSON: So in summary, you can look at the investment that we've made over the last 5 years and some of -- that has started to flow through now into our earnings and I've given that guidance of $100 million for 2019 at an EBITDA level, which is great to see those investments coming through. And we're certainly looking at quite a few aeronautical investments over the next 5 years as well. And all those have returns. And our commercial revenues, we do look at those individually and where they meet different thresholds then we will invest in those as well. So it is quite an exciting time ahead. Matt's talked about the growth and the tourism changes that we're making. We're heavily involved in that. And yes, it's going to be an exciting time for Wellington Airport. And Matt and I are happy to take any questions.

PAUL NEWFIELD, HEAD - STRATEGY, SECTOR ANALYSIS & TRANSACTION & EXECUTION - H R L MORRISON & CO, INFRATIL LIMITED: So yes, a few people have said to me how come you've got the graveyard shift, which is really this morning, because it was billed to me as the headliner. I know this is like a rock show and like the [big 8] came on at the end. So that -- quite seriously, why we wanted to change up agenda a bit this time is, we're conscious that these days do feel a little bit like the picture behind me, like this big wave of information about investment opportunities that comes at you. To be honest, that's a little bit like what my job feels like most of the time. So we wanted to spend a bit of time talking, specifically about how we are seeing Infratil portfolio strategy and yes, that includes some macro views, but probably get a little bit more fine point on how we see changes in the portfolio working. Portfolio strategy, in my mind, has 2 basic elements: the first one is getting set early where you think there's going to be a big stream of opportunities and getting the right team put in the way of that stream of opportunities. And I think that's what we're really been doing for the last 3 to 5 years. And you can judge yourself having heard from the teams today, but personally, I feel very good about the stream of opportunities that are coming from the choices we've made being in the renewables, development space in Australia or in the U.S., being in the eldercare space, being in the data Infrastructure space. The second part of portfolio strategy is working at what you do with that once those opportunities start running at you. So strategy is all about what you're doing and what you don't do. So we wanted to actually be a bit more transparent than we've previously been about how we run that process and how do we decide what gets funded and what doesn't. So as Mark Tume said literally was only last week when we were rounding out what is quite intense process for our team at the start of each year going through portfolio strategy, and we do everything you would expect in that. We say what's going on in macro and market conditions. We look again at why does Infratil exist? What's its strategic purpose? We say, what's the capacity? We've got what cash flows are coming out of existing businesses. We always look first to the new investment opportunities coming out of our current portfolio before we look elsewhere and we say how strong are those platforms. What are the proprietary options we've got and only then do we say where should we be looking externally. You put all that together and then you make some decisions around overall portfolio positioning. You balance between yield and growth and the individual capital allocation choices to specific projects and transactions. Now the reality is, you do that in a consistent way at the start of the year and then life comes at you. And decisions we make now set direction, but actually literally our investment committee meets every week on a Wednesday, often more than one time a week, because the opportunities that come at us. And actually, we believe that you optimize investment outcomes when you are in real-time making decisions about the options in front of you, because literally, you get wiser every day, you get more information about these options, so you don't want to pre-commit. We also realize for our portfolio company that does make life harder, because we set strategic direction but we literally make decisions on what we back when we have to make those decisions and we think that gives our shareholders the best outcomes.

To spend a little bit of time on the macro part of that, because we haven't really talked about that today. I'll move through this quite quickly, because I think the most interesting stuff is actually what do we do about it. But no major changes to what we would have said to you last year. Last year, we said we think that developed market economies are fundamentally growing at a slower rate than they did before the financial crisis. We think that that's actually around demographics more than anything. What we saw in the last year was a little bit of a pop-up in synchronized growth, particularly Europe doing well. But if you look at the right-hand side of that page, fundamentally, the 4 biggest economies in the world are at capacity, we think, in terms of unemployment rates and absent productivity improvements, which have been proven pretty hard to come by. You'd say there's reasonably limited long-run growth outlook beyond that.

So our favorite chart we've been putting out for a while, just tracking in the solid line what's the actual fed rate at any point in time? And then if you see the 1st January every year, what do the forward curves tell you, so what are the market thinking. You remember after the financial crisis, we had quantitative easing and everyone said this is a bullet and it's going to bounce back to the starting norms. And in somewhere around 2010, 2011 people said well actually maybe the world's changed. My view is that it's that constrained growth rate from demographics that's come through there. 12 months ago, we said, near-term, we can actually see that kind of coming off the canvas and the medium- to long-term, we still see it hovering at levels well below where it was pre-GFC. And actually that light blue line on that page over the last 12 months is down pretty much what we said a year ago. You'll remember, last year, we said that was our base case. There was one scenario that we thought could be different and this is this concept of the pressure cooker economy. Simply if you say, if you look at a developed market economy like the U.S. that's got an aging population and stagnant productivity growth and then apply to that fiscal stimulus, tax cuts, defense spend, infrastructure spend, and you continue to keep the pressure on it by saying, "We're not going to allow a lot of free trade. We're not going to allow a lot of free flow of people that start showing up in higher inflation and higher interest rates than you expect." And the frightening thing 12 months later, when you look at that list, you say, "Tax cuts took defense spending, took infrastructure spending," now struggling on a little bit, protectionism is showing up, immigration restrictions are showing up. So certainly not saying it's our base case, but we are more worried than we were 12 months ago about interest rates surprising on the upside. We'll talk a little bit about what that means we do with the portfolio and what we've been doing over the last 12 months. The other big macro story I think is this rise of nationalism and interventionism. And we heard a bit of it over dinner last night with the minister talking about his willingness to step into the regions with this billion-dollar checkbook and just get things done. I think this is a story that probably started for us in the U.K. You remember, infrastructure privatization was the story that started in the U.K. in the '80s, came to Australia and New Zealand soon after. We started hearing the leader of the opposition and the U.K. talking about renationalizing things a couple of years ago. And we all said, he's a crazy socialist crackpot. Now you've actually got the Tories writing very aggressive letters to [off watt] the water regulator saying we want you to look at how you reduced the use of leverage, executive salaries and water companies, complex tax structuring. I think you are seeing a desire for more intervention from parties on the right and the left. And you think in our own backyard -- yes, if you think about the case of Liddell power plant that Deion mentioned earlier. So this is a power plant -- a coal power plant that was built in 1971 and power plants are like investment bankers that retire them around 50, that's when things start to break. AGL -- the owner of that -- have signaled very clearly being good corporate citizen saying somewhere around 2022 we are going to be closing this. And first you have Malcolm Turnbull, leader of the movement and the party of free-market saying, we want the ACCC to look at whether they can force you to sell it to someone who will keep it open and then you've got Tony Abbott, who only 2 years ago was Prime Minister, so in Australian political lifecycles that means in about a year he will be prime minister. Coming out literally 2 days ago and saying the government should compulsorily acquire this to run it if no one is going to run it. Now I don't think that's going to happen, but that level of debate is not the kind of thing we all expected a while ago. What does this mean for us? You heard us talk a little bit about home advantage. We do think that home advantage is going to mean more for Infratil and New Zealand in the next few years than it has in the last few years. We also think that regulatory diversification is good and being exposed to things that happen regardless of what governments say is good.

Very quickly, more capital is coming into infrastructure. I've been saying this for a few years at these sessions now, the chart here is growth of private equity style infrastructure fund dry powder, but actually that's a really small part of the story. The bigger story is actually large institutions investing directly into infrastructure, not going through these funds. So every year, in Australia alone, there's probably about $20 billion of new infrastructure capital allocated by the super fund industry that needs to find a home. Meanwhile, the flow of deals that those people like doing has been drying up and this is a global chart. The Australian version of this chart actually shows 2016 to 2017, deal volumes -- sorry, deal values in aggregate dropped about 55%, 56%. And so what was going on there? This wave of privatizations that we talked about 3 years ago has actually played through. So New South Wales has privatized its transmission distribution assets. Victoria's privatized its port.

What does that mean for us? We were never chasing those deals, but 2 years ago, when all of those infrastructure teams in Australia were focused on T&D assets or port of Melbourne, we were able to get a bilateral deal on Canberra Data Centres that we announced before the market knew the business was for sale. We're now in a world, as Marko said from his most boring conference in the world, in Berlin. We know all these people who would have traditionally very core obvious processes are now saying, we'd love to talk to you about data centers, how do you get into data centers? So overall, what does all this mean, we think, we're in a world of short-term stimulus-driven growth that puts more pressure on interest rates. We still believe that long-term growth capacity of the economies we're with in is constrained by demographics and protectionism and interventionism make all that worse. Against that you've got more capital flying into the space and deal volumes coming off their peaks. None of which sounds all that exciting, but if you're Infratil, I think it feels quite exciting. We are sitting on a set of options that we'll talk about some more later, but that feel like they would be the envy of all of those people sitting on dry power, means we have to manage our equity allocation aggressively. One thing I don't feel good about at the moment is $3.15 share price, and to that see as right now, if you are Infratil, your equity is expensive. So you need to be very aggressive about where you decide to put it. We are terming out debt positions and even when it costs us some more margin, we believe that's a good insurance policy for Infratil. We're doing that at the Infratil level, and we are also doing it in a [following] company level. We are putting up very strong priority on investing into our embedded proprietary options rather than external origination, and we are putting more and more effort into early stage research, because we find that those cycle times that are being [hit] of the market are shorter in this environment.

So that was that first input into strategy. To remind ourselves around that second part, which is what's our strategic purpose? We've talked about this page before, but just to reiterate, if we say our job is to deliver excess return from growth infrastructure, what do we mean by growth infrastructure? It's -- has to have the overlap of these 3 things. So first of all, secular growth drivers. We don't want to be sitting here with businesses that basically have their value defined by the bond curve. We don't want to be sitting here with businesses that are just dependent on economic growth. We want things that are driven by long-term demographic, societal, technological changes, and in Marko's language that's an idea that matters, solving a big problem for society and a problem that's going to have some length to it. Within -- along with the volume growth, want to have high barriers to competition, so there could be straight barriers to entry, it could be that you've got contracted revenues. Ideally, you want some form of inflation protection either in your contracts or your market position. And then you want assets that give you proprietary investment options. So you're not just constantly having to invest in new deals that are contested. So that's the kind of expansion projects that you heard about at Wellington Airport or Canberra Data Centres. It's kind of development pipelines that you've heard about in Longroad, Tilt and RA. And we'll also look at bolt-on acquisitions, who we say, out existing business means that something can be worth more to us than it is stand-alone.

If you then go to the next input into strategy, you say, how do we feel about capacity and cash flow? And just to highlight that core cash generative part of the portfolio, which we probably don't talk about enough that plays a really critical role. It sits there, delivering consistently cash that we can use to manage Infratil level debt, to deliver dividends and it generate excess cash that we can then prioritize across our portfolio and give you a sense. There's about a $150 million per annum of free cash coming out of those key core businesses. The other thing that can get lost in this is, actually in a lot of that growth platforms, there are embedded core cash-generating businesses. If we decided tomorrow to break down its half and turn off all development activity in Tilt, what you actually have is a business that's churning out a whole lot of cash from its contracted assets. Similar story in CDC. So we have embedded within those businesses, core cash generation. We just choose to recycle that into growth. In terms of debt capacity, I think of a number of $350 million to $500 million of balance sheet capacity. And the reason for that range is it depends what you're investing in. If you're investing in development projects that aren't yet yielding anything, obviously, your capacity is lower. If you're investing in things that generate cash, you've got more capacity. But at its core, the business is really well positioned now to be ultimately invest in those options we've got. And sitting in that top bucket, clearly, is not an excuse for lack of performance and lack of drive. So we want those businesses performing as strongly as they can. In a bit more detail on capacity and cash flow to give you a sense of when we say, we worry about terming out debt, we worry about liquidity in those markets. What does that mean? We are sitting on large, untapped bank facilities for Infratil. We've got wholly owned group gearing, sitting at around 30%. And then -- I picked out 3 examples but there are more. We've been through the portfolio companies saying, term out your debt, so CDC was a good example you heard about. Only 18 months into owning that business, we previously had 3- and 5-year debt but it turned into 2- and 4-year debt. We pushed those refinancings out to 2023 and 2025, gave us capacity to fund more of the growth. We actually did give up something in margin in that, but we think when the debt markets are there, you take advantage of it. And obviously, in Tilt, the team led by Steve, has done a great job of getting new corporate facilities in place that can support that Dundonnell development covering around 50% of the $600 million. The debt maturity profile continues to move out and give ourselves a lot of comfort, and in particular, if I look at the bond versus the bank positions, we are very comfortable with the way we can get through moments of stress because of the way our bond program works, and I think that proved its value in 2008, 2009.

So that's the core and the cash positioning. So they said, what you're going to do with that cash? Hopefully, was to become really clear from the sessions earlier today is, there is a really strong pipeline of opportunity. We count up over billion dollars of proprietary options that we could invest in over the next 3 years without doing another external deal. Clearly, that exceeds our capacity and that's a good thing. That's the whole point. We've spent the last few years establishing these positions, so that options will fly at us and we can pick the best ones. Despite all of that, we keep doing the R&D on new areas. We've talked about recognizing. There is a cost to complexity in the portfolio, but that doesn't mean you sit on your hands in terms of developing new ideas. What it means is you keep researching, keep developing those ideas, but if something doesn't grow to scale, you think about whether it needs to stay in the portfolio, because not everything will grow to scale. So some of the areas we're covering at the moment, telco, infra, healthcare is an extension of eldercare, carbon markets and going beyond thinking about carbon mitigation to carbon sinks, water, waste and as you know, our program around the technological impacts on infrastructure.

To go into 2 of those areas and you can all form your own views from what you've heard today about where the best opportunities are coming for us. But if you have to pick your favorite children -- I'll talk a little bit about renewables and data centers.

Chart on the right-hand side of that page is actually from Marko's most boring conference in the world, in Berlin, a few weeks ago, asking limited partners, institutions around the world, what are the sectors that you most want to get exposure to? And number one is renewables and number two is energy. And usually when I say energy, I've got a [past] with renewable energy. So we know that this is really sought-after.

Last year, there were about more than USD 250 billion invested in new renewables projects around the world. And in Australia, over 50% of deal flow and then the infrastructure sector was in renewables, but that appetite isn't actually getting satisfied, and particularly, in Australia, you heard from Deion, that traditional ORG, AGL, EA, PPA market is drying up. And so if you are an infrastructure investor who wants long-term contracted stable returns, and you want renewables in Australia, you're in quite a difficult spot. I think that's why Tilt is a really, really interesting business right now, because it has that embedded in it, and has the ability to engage in things that are not just traditional PPAs. And as you heard -- and the U.S. market is different, I'd say, a few years ahead in terms of routes to market for the [pair] you want to sell. So there you are getting long-term contracts with high-quality offtakers, yes, the Googles, the Apples, people with better credit ratings than the governments in this part of the world. So in that market, I think, Paul Gaynor said, we don't see perpetual capital as something that is rare. Actually what's rare in that market is talent, a pipeline of development options and ability to marry debt with capital. And so what you should expect from us out of that business, I realize, this is really hard to put into a DCF model. But you should expect to see us develop projects, and perhaps, never even invest Infratil capital and building them, in many cases it will be third-party capital that comes in and development profits [for the total].

Hopefully, Greg did a good job of getting everyone excited about the data center space. I said earlier, this is a market where lead times are shorter. When we bought Canberra Data Centres, most infrastructure investors and institutions said to me, that was an interesting move, are you on crack there? Is that infrastructure? And the time since we bought that, there's full quotes from people who you'd consider traditional core infrastructure players that [extra] data centers are the essential infrastructure for our digital lives. OPTrust client, one of the more forward-thinking Canadian pension funds. Data centers and factories of 50 years ago. GFC out of Singapore saying, we believe that the secular growth of the data consumption means we'll get attractive returns in data centers. And AMP, traditionally they're very conservative infrastructure investor saying, commerce infrastructures become an essential service. I think the most common statement I've heard at infrastructure conferences recently is Phil saying, data is the fourth utility, which is a way of saying, we want to get data centers and telco assets into our core infrastructure fund. So all of that makes you feel pretty good about the asset you own. It also says to you, competition to these assets is heating up. So if you look at next DC on that chart, on the right-hand side of the page, next DC is doubled in market cap in the last year. It's added about $1 billion to its market cap. It's a business we've looked at closely. It's a great business, but it doesn't have the defensive characteristics and competitive moat that CDC has. And I would also say, it hasn't kicked the growth goals that CDC has over the last year. But it's had good earnings growth and it's got a multiple -- this is an NTM, so next year's estimated earnings multiple popping over 26. I think the multiple, currently they are trading at about 33x last year's earnings. And that Metronode asset, which, again, we looked at, we thought it was an interesting business, not as good as the one we owned, traded at around a 19x forward multiple, 21x on the current run rate and at about 27x historic. So it does feel like institutional market has caught up with our thinking in CDC. The great thing is we own it, and we get to keep investing in its proprietary options. I'd also say, it's going to be a lot harder to own assets like that in the future with the data sovereignty questions that are coming up, and I would say Infratil would have zero chance of buying that. And if it wasn't alongside, someone like Commonwealth Super. When you are looking after the data of the Australian government and the Australian military, being able to say that we are more than 50% owned by Australians, when you put together the management team state plus Commonwealth Super and 48% of it is owned by the pension scheme for federal government and military employees, you get a tick that as much as we like to think, New Zealand is Five Eyes and doesn't threaten anyone, it's pretty hard to get that tick without a partner like this.

So to summarize, kind of, where all of that takes us on portfolio positioning. I think that the next 12 months will have the toughest capital allocation calls we've had to make in the 10 years I've been involved in this business. We think the portfolio is set to deliver excess returns. We've got strong cash flow generation in the core and those new platforms that we spent the last 3 or 5 years establishing, are now in place, and we are being hit with these options.

I'd say, I was unhappy at $3.15, that's the other way to say that is, the market is not yet attaching value to those development platforms. And I'm not trying to beat up the market that I think they're really hard things to value. I think, hopefully, with a little bit more information we're getting on businesses like CDC today, yes, you can start doing that. Obviously, we're also always very mindful of when your customers, the government and you've got -- contenders out there. There are limits to what data you can provide. I think businesses like Longroad are easy to get excited about, hard to value. So actually, this is also very similar to our experience in the past, right? If you look through Infratil's portfolio evolution, as we get into new positions, discount gross, when we turn them into cash, the discount tightens. Hopefully, we don't have to turn every good business into cash. You'd like to think that people could attach a value to a business like CDC without you needing to actually give them the dollars. But we do accept that we're in a phase where valuation is tougher.

So what does that mean if your share price is not where you want it to be, but essentially what that means is that how it could be expensive. So we will manage it aggressively. Only the best options that are going to get Infratil equity.

My personal view right now is, the strongest options I'm seeing, are coming out of our renewables businesses and our data platform. But then, you sit here and then listen to Wellington Airport and you say, actually, that business isn't just a boring stable core asset, it's delivering us a lot of high-returning CapEx options.

Ultimately though, nobody can eat intrinsic value or [NAV]. We know that our shareholders really care about total shareholder returns, our share price and dividends. So you should expect us in the next 12 months to be working harder to get the value we see in the portfolio showing up in your pockets. So Marko used the words spring cleaning or decluttering, said, it would be tightening in the portfolio. By definition, when you start a growth platform, it usually starts small and not everything will grow to scale. So if we think about things like our PPP assets potentially, ANU asset, you say, those are [right] businesses, generating double-digit cash yield on invested capital. You're pretty happy to own them, but I don't think they show up anywhere in empirical share price. And so if you believe that the complexity of people putting value on those empirical share price outweighs the benefit, I think you will try and make it easier for people to value those by showing them some cash. I think the hardest thing actually to show up in our shareholder returns, to be completely honest with you, is a business like Longroad, and why do I say that, if what you're generating are lumpy bits of development profit, when that -- until that shows up, I don't think any of you are going to value it and when it shows up, you're going to say, is that something I can put a multiple on? Does this going to -- are you going to deliver me this many dollars every year? Or show even value at dollar for dollar or are you just going to fritter it away on some other crazy idea we don't understand? So I think what you should expect to see us do, where appropriate, is actually flow some development gains back straight to shareholders. We think that is the way that you reward shareholders for having faith and holding the stock when those things are uncertain.

Finally, having said all of that, go back to the first point. We need to have an active research program, and we need a dynamic capital allocation program. So if it turns out that 3 months from now or 6 months from now, the best investment idea that turns up at our REC's door, is actually coming through [Trust Power], or a business that we don't even own yet. We will allocate capital to that, that job. We need to keep staying ahead of the pack. So we need to keep doing research, and we know that when you're in an uncertain market environment, flexibility is a good thing. And if I stood here today and said, it's renewables, I wouldn't want -- I hate to go out of Tilt and Longroad, thinking, well, that means we've got capital available within our projects, mediocre or great. So we will always be dynamic in allocating capital and the capital will always flow to the best options. That's really all I wanted to say on strategy, but we are conscious we've thrown a lot of information at you. You've had some chances to ask questions on during the day. What I thought I might do is actually ask Phil and Marko to join me and then really spend the rest of the time we've got answering any questions you've got from us on -- our views on what you've heard from the portfolio companies. So what we're prioritizing for Infratil.

Document FNDW000020180413ee4b002jp

